



**PAN ORIENT ENERGY CORP.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018**

**(Unaudited)**

**Pan Orient Energy Corp.**  
**Consolidated Statements of Financial Position**  
*(Expressed in Canadian dollars, unless otherwise noted)*  
*(Unaudited)*

(\$000s)	September 30 2018	December 31 2017
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	31,495	37,662
Accounts receivable	3,767	475
Taxes receivable	-	148
	<b>35,262</b>	<b>38,285</b>
<b>Deposits</b>	<b>590</b>	<b>4,361</b>
<b>Investment in joint venture</b> (note 4)	<b>32,864</b>	<b>32,185</b>
<b>Property, plant and equipment</b> (note 5)	<b>444</b>	<b>474</b>
<b>Exploration and evaluation</b> (note 6)	<b>100,556</b>	<b>97,095</b>
<b>Total assets</b>	<b>169,716</b>	<b>172,400</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	2,589	5,491
Decommissioning provision (note 7)	270	258
	<b>2,859</b>	<b>5,749</b>
<b>Deferred tax liabilities</b>	<b>6,643</b>	<b>6,722</b>
<b>Decommissioning provision</b> (note 7)	<b>1,696</b>	<b>1,817</b>
<b>Total liabilities</b>	<b>11,198</b>	<b>14,288</b>
<b>Shareholders' equity</b>		
Share capital (note 8)	91,851	91,851
Contributed surplus	26,864	26,307
Non-controlling interest	16,830	16,914
Accumulated other comprehensive income	2,620	1,238
Retained earnings	20,353	21,802
<b>Total shareholders' equity</b>	<b>158,518</b>	<b>158,112</b>
<b>Total liabilities and shareholders' equity</b>	<b>169,716</b>	<b>172,400</b>

**Commitments** (note 11)

See accompanying notes to the condensed interim consolidated financial statements.

**Pan Orient Energy Corp.**  
**Consolidated Statements of Operations and Comprehensive Loss**  
*(Expressed in Canadian dollars, unless otherwise noted)*  
*(Unaudited)*

(\$000s, except per share amounts)	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
<b>Expenses</b>				
Loss from investment in joint venture (note 4)	90	366	378	832
Amortization and depreciation	10	14	30	40
Exploration and evaluation expense	3	-	30	5
Decommissioning expense	-	-	-	293
Recovery of impairment	-	-	-	(133)
General and administrative	581	622	1,742	2,333
Finance income	(151)	(90)	(389)	(220)
Stock-based compensation	113	64	542	228
Foreign exchange loss (gain)	368	1,108	(722)	2,040
	<b>1,014</b>	<b>2,084</b>	<b>1,611</b>	<b>5,418</b>
<b>Loss before taxes and non-controlling interest</b>	<b>(1,014)</b>	<b>(2,084)</b>	<b>(1,611)</b>	<b>(5,418)</b>
<b>Taxes</b>				
Current income tax recovery	-	-	-	(148)
Deferred income tax recovery	(26)	(234)	(78)	(611)
	<b>(26)</b>	<b>(234)</b>	<b>(78)</b>	<b>(759)</b>
<b>Net loss</b>	<b>(988)</b>	<b>(1,850)</b>	<b>(1,533)</b>	<b>(4,659)</b>
<b>Other comprehensive income (loss)</b>				
Foreign exchange gain (loss) on translation of foreign operations	(391)	(666)	197	(777)
Foreign exchange gain (loss) on translation of joint venture (note 4)	205	(594)	1,185	(224)
<b>Total other comprehensive income (loss)</b>	<b>(186)</b>	<b>(1,260)</b>	<b>1,382</b>	<b>(1,001)</b>
<b>Total comprehensive loss</b>	<b>(1,174)</b>	<b>(3,110)</b>	<b>(151)</b>	<b>(5,660)</b>
<b>Net loss attributable to:</b>				
Common shareholders	(960)	(1,816)	(1,449)	(4,554)
Non-controlling interest	(28)	(34)	(84)	(105)
<b>Net loss</b>	<b>(988)</b>	<b>(1,850)</b>	<b>(1,533)</b>	<b>(4,659)</b>
<b>Total comprehensive income (loss) attributable to:</b>				
Common shareholders	(1,146)	(3,076)	(67)	(5,555)
Non-controlling interest	(28)	(34)	(84)	(105)
<b>Total comprehensive loss</b>	<b>(1,174)</b>	<b>(3,110)</b>	<b>(151)</b>	<b>(5,660)</b>
<b>Net loss per share attributable to common shareholders (note 8)</b>				
Basic and diluted	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.08)

See accompanying notes to the condensed interim consolidated financial statements.

**Pan Orient Energy Corp.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
*(Expressed in Canadian dollars, unless otherwise noted)*  
*(Unaudited)*

(\$000s)	Share Capital	Contributed Surplus	NCI	AOCI	Retained Earnings	Total
Balance as at December 31, 2016	91,816	26,006	17,051	1,377	26,934	163,184
Net loss	-	-	(105)	-	(4,554)	(4,659)
Stock-based compensation expense	-	228	-	-	-	228
Capitalized stock-based compensation	-	45	-	-	-	45
Options exercised	22	-	-	-	-	22
Transfer from contributed surplus	13	(13)	-	-	-	-
Other comprehensive loss	-	-	-	(1,001)	-	(1,001)
Balance as at September 30, 2017	91,851	26,266	16,946	376	22,380	157,819
Balance as at December 31, 2017	91,851	26,307	16,914	1,238	21,802	158,112
Net loss	-	-	(84)	-	(1,449)	(1,533)
Stock-based compensation expense	-	542	-	-	-	542
Capitalized stock-based compensation	-	15	-	-	-	15
Other comprehensive income	-	-	-	1,382	-	1,382
Balance as at September 30, 2018	91,851	26,864	16,830	2,620	20,353	158,518

See accompanying notes to the condensed interim consolidated financial statements.

**Pan Orient Energy Corp.**  
**Consolidated Statements of Cash Flows**  
*(Expressed in Canadian dollars, unless otherwise noted)*  
*(Unaudited)*

(\$000s)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2018	2017	2018	2017
<b>Cash Provided From (Used in)</b>				
<b>Operating Activities</b>				
Net loss	(988)	(1,850)	(1,533)	(4,659)
Adjustments for non-cash items:				
Deferred income tax recovery	(26)	(234)	(78)	(611)
Amortization and depreciation	10	14	30	40
Stock-based compensation	113	64	542	228
Accretion	12	10	35	27
Loss from investment in joint venture (note 4)	90	366	378	832
Exploration and evaluation expense	-	-	-	293
Recovery of impairment	-	-	-	(133)
Unrealized foreign exchange loss (gain)	364	1,044	(724)	2,002
Settlement on decommissioning expenditures	-	-	-	(457)
Changes in non-cash working capital	386	1,033	(812)	527
Cash flow from (used in) operating activities	(39)	447	(2,162)	(1,911)
<b>Investing Activities</b>				
Property, plant and equipment	-	(39)	-	(80)
Exploration and evaluation	(1,136)	(3,676)	(3,258)	(4,919)
Dispositions of exploration and evaluation assets	-	-	133	133
Changes in non-cash working capital	896	2,338	(1,323)	2,046
Cash flow used in investing activities	(240)	(1,377)	(4,448)	(2,820)
<b>Financing Activities</b>				
Issuance of common shares	-	-	-	22
Cash flow from financing activities	-	-	-	22
<b>Change in cash and cash equivalents</b>	(279)	(930)	(6,610)	(4,709)
<b>Effect of foreign exchange on cash and cash equivalents</b>	(493)	(1,249)	443	(2,258)
<b>Cash and cash equivalents, beginning of period</b>	32,267	42,146	37,662	46,934
<b>Cash and cash equivalents, end of period</b>	31,495	39,967	31,495	39,967

See accompanying notes to the condensed interim consolidated financial statements.

## 1) CORPORATE INFORMATION

Pan Orient Energy Corp. (the "Company") is an Alberta, Canada corporation with shares listed on the TSX Venture Exchange (TSX-V). The records office and principal address is located at 1505, 505 . 3rd Street S.W., Calgary, Alberta, T2P 3E6.

The Company is an oil and natural gas company which holds properties onshore Thailand and Indonesia as well as an interest in Andora Energy Corporation (Andora) which holds properties in Northern Alberta. The Company is continually pursuing other oil and natural gas exploration opportunities in Asia.

## 2) BASIS OF PRESENTATION

### *Statement of Compliance*

The interim condensed consolidated financial statements for the Company as at September 30, 2018 and for the three and nine months ended September 30, 2018 and 2017 should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2017. The following disclosures are incremental to those included with the annual consolidated financial statements. Certain disclosures that are normally required in the notes to the annual consolidated financial statements have been condensed or omitted. The interim condensed consolidated financial statements are prepared using the same accounting policies and methods of computation as disclosed in the annual consolidated financial statements except as described below.

The interim condensed consolidated financial statements are stated in Canadian dollars and have been prepared in accordance with the International Accounting Standards 34, *Interim Financial Reporting*.

The interim condensed consolidated financial statements were approved by the Company's Board of Directors on November 13, 2018.

## 3) CHANGES IN ACCOUNTING PRONOUNCEMENTS

### *Revenue from Contracts with Customers*

In September 2015, the IASB published an amendment to IFRS 15 Revenue from Contracts with Customers, deferring the effective date to annual periods beginning on or after January 1, 2018. IFRS 15 replaces existing revenue recognition guidance with a single comprehensive accounting model. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive when control is transferred to the purchaser. The adoption of IFRS did not require any material adjustments to the amounts recorded in the consolidated financial statements. The Company's Thailand Joint Venture generates oil revenue which is included in the profit or loss from investment in joint venture (Note 4). Oil revenue generated within the joint venture is recognized when the performance obligations are satisfied and revenue can be reliably measured. Revenue is measured at the consideration specified in the contracts and represents amounts receivable for goods or services provided in the normal course of business, net of discounts, customs duties and sales taxes. Oil sales within the joint venture sold in Thailand are under long term floating price contracts. Performance obligations associated with the sale of crude oil are satisfied at the point in the time when the products are delivered and title passes to the customer. The adoption of IFRS 15 had no impact on the recognition of revenue in the joint venture.

### *Financial Instruments*

In July 2014, the IASB issued IFRS 9 Financial Instruments to replace IAS 39, which provides a single model for classification and measurement based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial instruments. For financial liabilities, the change in fair value resulting from an entity's own credit risk is recorded in other comprehensive income rather than net earnings, unless this creates an accounting mismatch. IFRS 9 includes a new, forward-looking expected loss impairment model that will result in a more timely recognition of expected credit losses. In addition, IFRS 9 provides a substantially-reformed approach to hedge accounting. The standard was effective for annual periods beginning on January 1, 2018. The adoption of IFRS 9 did not require any material adjustments to the consolidated financial statements.

Financial assets previously classified as loans and receivables (cash and cash equivalents, accounts receivable, and deposits), as well as financial liabilities previously classified as other financial liabilities (accounts payable and accrued liabilities) have been reclassified to amortized costs. The carrying value and measurement of all financial instruments remains unchanged. The Company's current process of assessing short-term receivable, lifetime expected credit losses collectively in groups that share similar credit risk characteristics is unadjusted with the adoption of the new impairment model and resulted in no additional impairment allowance. Additionally, deposits were assessed individually under the expected credit loss model and no impairment was concluded.

**Pan Orient Energy Corp.**  
**Notes to the Condensed interim consolidated financial statements**  
*(Expressed in Canadian dollars, unless otherwise noted)*  
*(Unaudited)*

**4) INVESTMENT IN JOINT VENTURE**

The Company holds a 50.01% interest in Pan Orient Energy (Siam) Ltd., which is considered a Joint Venture under IFRS and is accounted for using the equity method. Distributions received from the joint venture reduce the carrying amount of the investment whereas funding to the joint venture increase the carrying amount. The Company's profit or loss includes its share of the joint venture's profit or loss and the Company's other comprehensive income includes its share of the joint venture's other comprehensive income or loss.

<b>Six months ended:</b> (\$000s)	<b>September 30</b>	
	<b>2018</b>	<b>2017</b>
Investment in joint venture, beginning of period	32,185	32,795
Change in amounts due from joint venture	(128)	(138)
Net loss from joint venture, after tax	(378)	(832)
Foreign currency translation	1,185	(224)
Investment in joint venture, end of period	32,864	31,601

Pan Orient Energy (Siam) Ltd. Summarized Financial Information (\$000s)	<b>September 30</b>	
	<b>2018</b>	<b>2017</b>
Current assets	14,093	8,949
Non-current assets	59,717	59,172
Current liabilities	(1,681)	(791)
Non-current liabilities	(17,749)	(16,811)
Net assets	54,380	50,519

<b>Pan Orient's Investment in Joint Venture</b>		
Pan Orient's share of net assets	27,193	25,262
Fair value adjustment on initial recognition	8,924	8,924
Amortization of fair value adjustment on initial recognition	(1,492)	(982)
Change in amounts due from joint venture, since initial recognition	(1,761)	(1,603)
Investment in joint venture	32,864	31,601

**Pan Orient Energy Corp.**  
**Notes to the Condensed interim consolidated financial statements**  
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The Company's share of income or loss from the joint venture is as follows:

Pan Orient Energy (Siam) Ltd. Summarized Statement of Comprehensive Income (loss) (\$000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Oil revenue	3,629	2,912	9,808	8,932
Royalties	(179)	(146)	(483)	(441)
Interest income	1	-	32	15
Total net revenue	3,451	2,766	9,357	8,506
Production and operating	605	544	1,700	1,532
Transportation	73	77	209	230
Depletion and depreciation	2,146	2,533	6,168	7,465
Exploration expense	-	145	104	198
General and administrative	412	422	1,259	1,189
Foreign exchange loss (gain)	3	-	-	(6)
Total expenses	3,239	3,721	9,440	10,608
Income (loss) before income taxes	212	(955)	(83)	(2,102)
Current income tax expense	1	-	1	1
Deferred income tax expense (recovery)	90	(474)	(120)	(1,075)
Net income (loss)	121	(481)	36	(1,027)
Other comprehensive income (loss)	412	(1,186)	2,369	(445)
Total comprehensive income (loss)	533	(1,667)	2,405	(1,472)
<b>Pan Orient's share of loss from joint venture under equity method, (50.01% net to Pan Orient)</b>				
Pan Orient's share of net income (loss)	60	(241)	18	(514)
Amortization of fair value adjustment	(150)	(125)	(396)	(318)
Net loss from Joint Venture	(90)	(366)	(378)	(832)

## 5) PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the carrying amount of property, plant and equipment as at September 30, 2018 is set out below.

(\$000s)	Indonesia	Canada	Total
<b>Cost</b>			
At December 31, 2017	308	1,353	1,661
At September 30, 2018	308	1,353	1,661
<b>Accumulated amortization and depreciation</b>			
At December 31, 2017	(308)	(879)	(1,187)
Amortization and depreciation	-	(30)	(30)
At September 30, 2018	(308)	(909)	(1,217)
<b>Net book value</b>			
At December 31, 2017	-	474	474
At September 30, 2018	-	444	444



**Pan Orient Energy Corp.**  
**Notes to the Condensed interim consolidated financial statements**  
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*(Unaudited)*

**6) EXPLORATION AND EVALUATION**

A reconciliation of the carrying amount of exploration and evaluation (E&E) assets as at September 30, 2018 is set out below.

(\$000s)	Indonesia	Canada	Total
At December 31, 2017	12,591	84,504	97,095
Additions	2,593	679	3,272
Dispositions	-	(133)	(133)
Changes in decommissioning costs	(6)	(152)	(158)
Foreign currency translation	480	-	480
At September 30, 2018	15,658	84,898	100,556

During the nine months ended September 30, 2018, general and administrative costs totaling \$0.6 million (September 30, 2017 . \$0.4 million) were directly related to exploration and evaluation activities have been capitalized as E&E assets.

As at September 30, 2018 Andora's Sawn Lake steam assisted gravity drainage (SAGD) demonstration project has not yet proven that it is commercially viable and all related costs and revenues are being capitalized as E&E assets until commercial viability is achieved. Commercial viability is determined based on several factors including the assignment of proven and probable reserves. Upon being determined commercially viable the related E&E assets will be tested for impairment and reclassified to property, plant and equipment where they will be depleted.

Recoverability of the capitalized costs is dependent on successfully completing development of the properties. With respect to the Canadian properties, recoverability is also dependent on determining the technical feasibility of the project. Capitalized costs incurred to date do not necessarily represent present or future values.

**7) DECOMMISSIONING PROVISION**

(\$000s)	Indonesia	Canada	Total
At December 31, 2017	426	1,649	2,075
Revisions to obligations	(6)	(152)	(158)
Accretion	8	27	35
Foreign currency translation	14	-	14
Current portion	270	-	270
Non-current portion	172	1,524	1,696
At September 30, 2018	442	1,524	1,966

The decommissioning provision is based on the Company's net ownership of wells and facilities in Indonesia and Canada, management's estimates of costs to abandon and reclaim those wells and facilities and the potential future timing of the costs to be incurred. Total undiscounted cash flows, escalated at 2.0% for inflation, required to settle the Company's decommissioning provision are estimated to be \$3.5 million at September 30, 2018 (September 30, 2017 . \$3.4 million). Payments to settle the provision will be made over the operating lives of the underlying assets and are estimated to be incurred between 2018 and 2050. Estimated costs have been discounted at the risk-free interest rate in the jurisdiction in which the expenditure is expected to be incurred which averaged at 3% at September 30, 2018 (September 30, 2017 . 2%).

**8) SHARE CAPITAL**

**(a) Authorized**

Unlimited Common Voting Shares  
 Unlimited Preferred Shares

**(b) Issued and Outstanding Class A Common Shares**

Common Shares	Shares Outstanding	Amount (\$000s)
Balance as at December 31, 2017 & September 30, 2018	54,900,407	\$ 91,851

In April 2018, the Company renewed its normal course issuer bid through the TSX-V to continue the ability to purchase its common shares. Under the terms of the bid, Pan Orient is authorized to purchase, for cancellation, up to 4,514,494 of its common shares (10% of the public float), subject to a maximum of 1,098,008 common shares (2% of the 54,900,407

**Pan Orient Energy Corp.**  
**Notes to the Condensed interim consolidated financial statements**  
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issued and outstanding common shares) during any 30 day period. The ability to purchase common shares under the bid commenced on April 30, 2018 and ends one year after commencement or on the earlier date on which Pan Orient has either acquired the maximum number of common shares specified above or otherwise decided not to make any further purchases. No shares were purchased between April 30, 2018 and the approval date of the financial statements.

**(c) Options to Purchase Common Shares**

	Number of Options	Weighted Average Exercise Price (\$)
Options outstanding at December 31, 2017	3,431,000	1.42
Granted	1,560,000	1.09
Options outstanding at September 30, 2018	4,991,000	1.31

Options Outstanding at September 30, 2018				Options Exercisable at September 30, 2018		
Exercise Price <sup>(1)</sup> (\$)	Number of Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)
0.89 . 1.00	250,000	0.89	1.92	250,000	0.89	1.92
1.01 . 1.50	3,740,000	1.29	2.61	2,700,000	1.36	1.93
1.51 . 1.52	1,001,000	1.52	0.17	1,001,000	1.52	0.17
0.89 . 1.52	4,991,000	1.31	2.08	3,951,000	1.37	1.48

**(d) Stock-based Compensation**

The fair value of the stock options granted has been estimated on the grant dates using the Black-Scholes option pricing model. Weighted average assumptions and resultant fair values for stock options granted during the three and nine months ended September 30, 2018 and 2017 are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Risk free interest rate (%)	-	-	2	-
Expected lives (years)	-	-	5	-
Expected volatility (%)	-	-	56	-
Dividend per share (%)	-	-	-	-
Forfeiture rate (%)	-	-	12	-
Weighted average fair value, per option	\$ -	\$ -	\$0.54	\$ -

**(e) Andora Energy Corporation**

**i) Issued and Outstanding Class A Common Shares**

As at September 30, 2018 Andora had 100.1 million (September 30, 2017 . 100.1 million) common shares issued and outstanding of which Pan Orient held 71.8% (December 31, 2017 . 71.8%).

**ii) Options to Purchase Common Shares of Andora**

	Number of options	Weighted average exercise price (\$)
Balance as at December 31, 2017 & September 30, 2018	9,500,000	0.15

**Pan Orient Energy Corp.**  
**Notes to the Condensed interim consolidated financial statements**  
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Options Outstanding at September 30, 2018				Options Exercisable at September 30, 2018		
Exercise Price (\$)	Number of Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)
0.15	9,500,000	0.15	2.09	6,333,338	0.15	2.09

**iii) Convertible Credit Facility**

Andora entered into a convertible loan agreement with Pan Orient on January 30, 2018 whereby Andora can draw up to \$2 million against a revolving credit facility. The loan bears interest at HSBC Canada prime rate for commercial loans in Canadian dollars plus three percent, per annum. Any principal drawn against the credit facility, including accrued interest (collectively, the outstanding amount), is repayable upon demand or by December 31, 2022, whichever is earlier. Security for repayment of any outstanding amount is provided by a general security agreement creating a first fixed charge over all of Andora's property, subject to certain permitted encumbrances. Pan Orient has the option under the loan agreement to convert the outstanding amount, or a portion thereof, into Andora's common shares at a price of \$0.15 per share. As of September 30, 2018, Andora had drawn \$750,000 against the credit facility.

**(f) Earnings per Share Attributable to Common Shareholders**

A reconciliation of the weighted average number of common shares used to calculate diluted net income (loss) per share is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Weighted average common shares - basic and diluted	<b>54,900,407</b>	54,900,407	<b>54,900,407</b>	54,891,066

Options were not included in the computation of weighted average diluted common shares because they were anti-dilutive.

**9) FINANCIAL INSTRUMENTS**

As at September 30, 2018 the following financial instruments were denominated in currencies other than the Canadian dollar:

	September 30, 2018		December 31, 2017	
	US dollar (\$000s)	Indonesia Rupiah (000s)	US dollar (\$000s)	Indonesia Rupiah (000s)
Cash and cash equivalents	<b>19,580</b>	<b>827,348</b>	19,793	447,843
Accounts receivable	-	<b>39,352,266</b> <sup>(2)</sup>	23	-
Deposits	<b>37</b>	-	170	39,352,266 <sup>(2)</sup>
Accounts payable and accrued liabilities	<b>(1,299)</b>	<b>(7,076,133)</b>	(152)	(52,567,194)
Net exposure in foreign currency	<b>18,318</b>	<b>33,103,481</b>	19,834	(12,767,085)
Net exposure in Canadian dollars <sup>(1)</sup> (\$000s)	<b>23,704</b>	<b>2,902</b>	24,882	(1,191)

(1) Translated at September 30, 2018 and December 31, 2017 exchange rates.

(2) The deposit recorded in non-current deposit at December 31, 2017 which related to the expected refund of the deposit paid for the successful appeal of the offshore land and building tax at the East Jabung PSC has been reclassified to current receivable during the first quarter of 2018.

**Pan Orient Energy Corp.**  
**Notes to the Condensed interim consolidated financial statements**  
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**10) SEGMENTED INFORMATION**

The Company operates in three countries and each country is considered a reportable segment. The three segments consist of: 1) interest in joint venture in partially developed conventional petroleum and natural gas properties in Thailand; 2) undeveloped petroleum and natural gas properties in Indonesia; and 3) an undeveloped heavy oil property in Canada. The following table provides information for each geographical segment for the period ended September 30:

As at: (\$000s)	September 30, 2018				December 31, 2017			
	Thailand	Indonesia	Canada	Total	Thailand	Indonesia	Canada	Total
Property, plant and equipment	-	-	444	444	-	-	474	474
Exploration and evaluation	-	15,658	84,898	100,556	-	12,591	84,504	97,095
Other assets	32,868	3,870	31,978	68,716	32,205	4,238	38,388	74,831
<b>Total assets</b>	<b>32,868</b>	<b>19,528</b>	<b>117,320</b>	<b>169,716</b>	<b>32,205</b>	<b>16,829</b>	<b>123,366</b>	<b>172,400</b>

  

Nine Months Ended: (\$000s)	September 30, 2018				September 30, 2017			
	Thailand	Indonesia	Canada	Total	Thailand	Indonesia	Canada	Total
Loss from joint venture	378	-	-	378	832	-	-	832
Amortization and depreciation	-	-	30	30	-	-	40	40
Exploration and evaluation expense	-	30	-	30	-	5	-	5
Decommissioning expense	-	-	-	-	-	293	-	293
Recovery of impairment	-	-	-	-	-	(133)	-	(133)
General and administrative	25	200	1,517	1,742	24	674	1,635	2,333
Finance income	-	-	(389)	(389)	-	-	(220)	(220)
Stock based compensation	-	-	542	542	-	-	228	228
Foreign exchange (gain) loss	-	9	(731)	(722)	-	39	2,001	2,040
Loss before taxes and non-controlling interest	403	239	969	1,611	856	878	3,684	5,418
Current income tax expense (recovery)	-	-	-	-	-	-	(148)	(148)
Deferred income tax recovery	-	-	(78)	(78)	-	-	(611)	(611)
Total taxes	-	-	(78)	(78)	-	-	(759)	(759)
Net loss attributable to:								
Common shareholders	(403)	(239)	(807)	(1,449)	(856)	(878)	(2,820)	(4,554)
Non-controlling interest	-	-	(84)	(84)	-	-	(105)	(105)
Total net loss	(403)	(239)	(891)	(1,533)	(856)	(878)	(2,925)	(4,659)
Capital expenditures <sup>(1)</sup>	-	2,594	664	3,258	-	4,078	966	5,044

(1) Capital expenditures excluded decommissioning costs, the impact of changes in foreign exchange and capitalized stock-based compensation expense.

**Pan Orient Energy Corp.**  
**Notes to the Condensed interim consolidated financial statements**  
*(Expressed in Canadian dollars, unless otherwise noted)*  
*(Unaudited)*

Three Months Ended: (\$000s)	September 30, 2018				September 30, 2017			
	Thailand	Indonesia	Canada	Total	Thailand	Indonesia	Canada	Total
Loss from joint venture	90	-	-	90	366	-	-	366
Amortization and depreciation	-	-	10	10	-	-	14	14
Exploration and evaluation expense	-	3	-	3	-	-	-	-
General and administrative	10	93	478	581	2	98	522	622
Finance income	-	-	(151)	(151)	-	-	(90)	(90)
Stock based compensation	-	-	113	113	-	-	64	64
Foreign exchange (gain) loss	-	4	364	368	-	64	1,044	1,108
Loss before taxes and non-controlling interest	100	100	814	1,014	368	162	1,554	2,084
Deferred income tax recovery	-	-	(26)	(26)	-	-	(234)	(234)
Total taxes	-	-	(26)	(26)	-	-	(234)	(234)
Net loss attributable to:								
Common shareholders	(100)	(100)	(760)	(960)	(368)	(162)	(1,286)	(1,816)
Non-controlling interest	-	-	(28)	(28)	-	-	(34)	(34)
Total net loss	(100)	(100)	(788)	(988)	(368)	(162)	(1,320)	(1,850)
Capital expenditures <sup>(1)</sup>	-	968	168	1,136	-	3,268	462	3,730

(1) Capital expenditures excluded decommissioning costs, the impact of changes in foreign exchange and capitalized stock-based compensation expense.

## 11) COMMITMENTS

As at September 30, 2018 the Company's estimated outstanding capital commitments are as follows:

<b>Estimated Net Financial Commitment</b>			
<b>Country and Concession Name</b>	<b>Remaining Work Program Commitment</b>	<b>Obligation Ending</b>	<b>CAD<sup>(1)</sup> (\$000s)</b>
<b>Thailand Joint Venture</b>			
Concession L53	▪ Surface reservation fee <sup>(2)</sup>	January 2021	-
<b>Total Thailand</b>			-
<b>Indonesia</b>			
East Jabung	▪ Geological studies	January 2019 <sup>(3)</sup>	19
<b>Total Indonesia</b>			19
<b>Canadian Heavy Oil Sands – Andora Energy Corporation</b>			
Sawn Lake, Alberta	▪ Natural gas pipeline tariff	October 2018	12
	▪ Natural gas pipeline tariff	April 1, 2022 to March 31, 2030	629
<b>Total Canada</b>			<b>641</b>
			<b>660</b>

(1) Translated at September 30, 2018 exchange rates from the source currency in which the commitments were denominated in.

(2) The original nine year exploration period for Concession L53 expired on January 7, 2016. The Government of Thailand has approved a "reserved area" within Concession L53 for up to five years, with the payment of a surface reservation fee of \$0.8 million, for each year Pan Orient Energy (Siam) Ltd. elects to retain the reserved area. Pan Orient Energy (Siam) Ltd. is entitled to receive a refund of the surface reservation fee for a particular year in an amount equal to the petroleum exploration expenditures spent in that year within the reserved area up to the reservation fee paid. Pan Orient Energy (Siam) Ltd. intends to spend at least the full amount each year the reserved area is renewed and, therefore, it is expected that the annual reservation fee will be fully refunded. Pan Orient Energy (Siam) Ltd. received the refund of the deposit for the second year reservation fee from the Government of Thailand during the second quarter of 2018. During the first quarter of 2018, Pan Orient Energy (Siam) Ltd. paid the third year deposit for the remaining portion of the "reserved area".

(3) The original expiry of the East Jabung PSC occurred on November 21, 2017, the Company was notified by the operator that the drilling of the AYU-1X and ELOK-1X wells has satisfied the East Jabung PSC firm well commitment of two exploration wells to be drilled prior to the expiry of the first six year exploration phase. The initial six year exploration phase of the East Jabung PSC has been extended by the Government of Indonesia to January 20, 2019. Subsequent to September 30, 2018, as per the requirement under the East Jabung PSC to enter into the four year exploration period extension, the joint venture has submitted the final acreage relinquishment to the Government of Indonesia oil and gas regulator ("SKKMIGAS") bringing the remaining PSC area to 1,254.54 square kilometers, representing 20% of the original PSC area. Once this relinquishment area has been reviewed and approved by the SKKMIGAS technical group, the joint venture will notify the Government of Indonesia of their election to enter into the four year exploration extension period that will commence when the six year exploration period ends on January 20, 2019. During the four year exploration extension period, the joint venture has the option of exiting or continuing with the PSC on an annual basis.

Actual expenditures required to carry out these commitments may be significantly different from the estimates. The Company intends to fund commitments through the Company's existing cash balance.



PAN ORIENT ENERGY CORP.

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