



PAN ORIENT ENERGY CORP.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

November 10, 2020

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of the operating and financial results of Pan Orient Energy Corp. ("Pan Orient" or the "Company") is prepared effective November 10, 2020 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto for the nine months ended September 30, 2020 and the audited consolidated financial statements and notes thereto and MD&A for the year ended December 31, 2019. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Pan Orient is an oil and natural gas company based in Calgary, Alberta, interests in Pan Orient Energy (Siam) Ltd. which has properties onshore Thailand, and interests in Andora Energy Corporation ("Andora") which has properties in northern Alberta, Canada.

Pan Orient holds a 71.8% equity interest in Andora. The accounts of Andora are included in the consolidated financial statements and the 28.2% of non-controlling interest in the net assets of Andora are identified separately from the Company's shareholders' equity.

Pan Orient holds a 50.01% equity interest in Pan Orient Energy (Siam) Ltd. as a joint arrangement where the Company shares joint control with the 49.99% equity interest holder. The resulting joint arrangement is classified as a Joint Venture under IFRS 11 and is accounted for using the equity method of accounting where Pan Orient's 50.01% equity interest in the assets, liabilities, working capital, operations and capital expenditures of Pan Orient Energy (Siam) Ltd. are recorded in Investment in Joint Venture.

The undeveloped onshore interests in Indonesian East Jabung Production Sharing Contract ("PSC") expired in January 2020. The operator is determining final steps to be taken for formal approval of the expiry from the Government of Indonesia, including reclamation requirements. An impairment expense for the East Jabung PSC was recorded in the fourth quarter of 2019. The Company is withdrawing from operations in Indonesia. Operations in Indonesia for accounting purposes are considered discontinued operations effective January 1, 2020.

Please note that all amounts are in Canadian dollars unless otherwise stated, translation of items denominated in foreign currencies as at September 30, 2020 into Canadian dollars using September 30, 2020 exchange rates, represent the net amount to Pan Orient's interests unless otherwise stated, and BOPD refers to barrels of oil per day.

Forward-Looking Statements

This MD&A contains forward-looking information within the meaning of securities laws. Forward-looking statements and information concerning anticipated financial performance are based on management's assumptions using information currently available. Material factors or assumptions used to develop forward-looking information include potential business prospects, growth strategies, the ability to add production and reserves through development and exploration activities, projected capital costs, government legislation, well performance, the ability to market production, the commodity price environment and quality differentials and exchange rates. Although management considers its assumptions to be reasonable based on these factors, they may prove to be incorrect.

Forward-looking information is generally identifiable by the terminology used, such as "expect", "believe", "estimate", "should", "anticipate" and "potential" or other similar wording. Forward-looking information in this MD&A includes, but is not limited to, references to: renewal, extension or termination of oil and gas concessions and production sharing contracts; other regulatory approvals; well drilling programs and drilling plans; estimates of reserves and potentially recoverable resources, information on future production and project start-ups, the expected impact of actions on financial results and intentions with respect to cash balance; potential purchases of common shares under the normal course issuer bid; sufficiency of financial resources; and review of asset portfolio and defining opportunities and strategies. By their very nature, the forward-looking statements contained in this MD&A require Pan Orient and its management to make assumptions that may not materialize or that may not be accurate. The forward-looking information contained in this MD&A is subject to known and unknown risks and uncertainties and other factors, which could cause actual results, expectations, achievements or performance to differ materially, including without limitation: imprecision of reserves estimates and estimates of recoverable quantities of oil, changes in project schedules, operating and reservoir performance, the effects of weather and climate change, the results of exploration and development drilling and related activities, changes in demand for oil and gas, the results of commercial negotiations, the timing and outcome of applications for government approvals, other technical and economic factors or revisions and other factors, many of which are beyond the control of Pan Orient. Although Pan Orient believes that the expectations reflected in its forward-looking statements are reasonable, it can give no assurances that the expectations of any forward-looking statements will prove to be correct.

The Company has provided or may provide forward-looking information with respect to reserves and resources estimates related to Thailand and Canada and estimated costs associated with work commitments in Thailand and Canada. Reserves and resources estimates are prepared by independent reservoir engineers and there are numerous uncertainties inherent in estimating quantities of oil and the cash flows to be derived therefrom. In general, estimates of economically recoverable volumes and the associated future net cash flows are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserves recovery, timing and amount of capital expenditures, marketability of commodities, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. All such estimates are to some degree speculative, and classifications of reserves and resources volumes are only attempts to define the degree of speculation involved. The Company's actual production, revenues and development and operating expenditures with respect to its reserves and resources estimates will vary from estimates thereof and such variations could be material. The Company's estimated commitments are based on internally-prepared budgets and assumptions and, in the case where a tender process has been completed, actual contracted amounts. The estimated expenditures as provided by management will vary from the actual amounts required to carry out these commitments, and the difference may be significant.

Because forward-looking information addresses future events and conditions, it involves risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking information. These risks and uncertainties include, but are not limited to: commodity price volatility; well performance and marketability of production; transportation and refining availability and costs; exploration and development costs; the recoverability of estimated reserves and resources volumes; the Company's ability to add reserves through development and exploration activities; fluctuations in currency exchange rates; and changes in government legislation and regulations, including royalty and tax laws.

The forward-looking statements contained herein are as of November 10, 2020 and are subject to change after this date. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive and as such undue reliance should not be placed on forward-looking statements. Except as required by applicable securities laws, with the exception of events or circumstances that occurred during the period to which this MD&A relates that are reasonably likely to cause actual results to differ materially from material forward-looking information that was previously disclosed to the public, the Company disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Non-IFRS Measures

Management uses and reports certain non-IFRS measures in the evaluation of operating and financial performance. Unless identified as a non-IFRS measure in this section all amounts presented in this MD&A are calculated in accordance with IFRS.

Total corporate adjusted funds flow from (used in) operations is cash flow from (used in) operating activities prior to changes in non-cash working capital, unrealized foreign exchange gain or loss plus the corresponding amount from the Thailand operations which is recorded in Investment in Joint Venture for financial statement purposes and funds flow from (used in) operations from discontinued operations in Indonesia. This measure is used by management to analyze operating performance and leverage. Adjusted funds flow as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures of other entities. Adjusted funds flow is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS.

The Company's 50.01% equity interest in Pan Orient Energy (Siam) Ltd. is accounted for under the equity method as an Investment in Joint Venture. Adjusted funds flow from Investment in Joint Venture is the Company's net interest of the cash generated from operating activities from continuing operations before changes in non-cash working capital from Pan Orient Energy (Siam) Ltd.

The following table reconciles adjusted funds flow from (used in) operations to cash flow from (used in) operating activities, which is the most directly comparable measure calculated in accordance with IFRS:

(\$thousands)	Three months ended		Nine months ended	
	September 30	September 30	September 30	September 30
	2020	2019	2020	2019
Cash flow from (used in) operating activities, continued operations ⁽¹⁾	(355)	(289)	(1,345)	(1,442)
Changes in non-cash working capital, continued operations ⁽¹⁾	(283)	(30)	(381)	3
Cash flow from (used in) operating activities, discontinued operations ⁽¹⁾	(42)	364	(638)	(774)
Changes in non-cash working capital, discontinued operations ⁽¹⁾	30	(428)	986	678
Unrealized foreign exchange gain (loss)	(484)	295	140	(692)
Share of adjusted funds flow from Investment in Joint Venture	3,544	6,479	9,257	15,895
Total corporate adjusted funds flow from operations	2,410	6,391	8,019	13,668

⁽¹⁾ Activities of the Company in Indonesia are reported as discontinued operations effective January 1, 2020 and amounts presented in 2019 are updated for comparative purposes.

Total corporate adjusted funds flow from operations, total corporate adjusted funds flow from operations per barrel and total corporate adjusted funds flow from operations per share (basic and diluted) do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Adjusted funds flow is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. All references to total corporate adjusted funds flow from operations throughout this MD&A is cash flow from operating activities prior to changes in non-cash working capital, unrealized foreign exchange gain or loss plus the corresponding amount from Pan Orient's 50.01% interest in the Thailand operations which is recorded in Investment in Joint Venture for financial statement purposes and funds flow from (used in) operations from discontinued operations in Indonesia. Pan Orient has a 50.01% ownership interest in Pan Orient Energy (Siam) Ltd., but does not have any direct interest in, or control over, the crude oil reserves, operations or working capital of on-shore Concession L53. Basic and diluted total corporate adjusted funds flow from operations per share is calculated in the same manner as basic and diluted earnings or loss per share.

The term "field netback" is a non-IFRS measure that does not have a standardized meaning prescribed by IFRS. Pan Orient believes the term provides useful information to investors. "Field netback" is calculated by subtracting royalty, transportation and operating expenses from revenues.

Petroleum and Natural Gas Properties

The Company's interests in principal properties are divided into two distinct groups: 1) partially developed concession located onshore Thailand, held by Pan Orient Energy (Siam) Ltd.; and 2) undeveloped Canadian oil sands leases, held by Andora. The undeveloped onshore interests at the East Jabung PSC in Indonesia expired in January 2020 and the operator is determining final steps to be taken for formal approval of the expiry by the Government of Indonesia, including reclamation requirements.

Thailand

Concession L53

At September 30, 2020, the Company held a 50.01% equity interest in Pan Orient Energy (Siam) Ltd. which is the operator of and holds a 100% working interest in Concession L53/48 ("Concession L53") in Thailand. Concession L53 is partially developed, has oil production and an active exploration and development program.

Pan Orient's 50.01% equity interest in Pan Orient Energy (Siam) Ltd. is classified as a Joint Venture under IFRS and accounted for using the equity method. As a jointly controlled Joint Venture, Pan Orient's 50.01% equity interest in the working capital, assets, capital expenditures, liabilities and operations of Pan Orient Energy (Siam) Ltd. are recorded as Investment in Joint Venture. Pan Orient's 50.01% equity interest in Pan Orient Energy (Siam) Ltd. is the Company's only investment in Thailand.

Pan Orient Energy (Siam) Ltd. holds a 100% interest in Thailand Concession L53, which has oil production, development and exploration operations. Concession L53 is located approximately 60 kilometers west of Bangkok and at September 30, 2020, consisted of 26.35 square kilometers associated with the L53-A, L53-B, L53-D, L53-G, L53-DD and L53-South AA fields that are held through production licenses (with a 20 year primary term ending from 2030 to 2037 plus an additional 10 year renewal period that can be applied for) and a 209.78 square kilometer reserved area of exploration lands for a period of up to five years with the payment of a surface reservation fee, which is reimbursable through work program expenditures. Pan Orient Energy (Siam) Ltd. obtained the approval of the new L53 South AA Production Area for 1.91 square kilometers on July 17, 2020. The reserved area will expire in January 2021, after which only the production license areas will be retained. Crude oil revenue at Concession L53 is from sale of oil production to a refinery owned by the Thai National Oil Company.

The December 31, 2019 independent reserves evaluation for Thailand on-shore Concession L53 was prepared for Pan Orient Energy (Siam) Ltd., which is the operator and has a 100% working interest. The evaluation was conducted by Sproule International and was prepared in accordance with Canadian Securities Administrators National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities. Pan Orient has a 50.01% ownership interest in Pan Orient Energy (Siam) Ltd., but does not have any direct interest in, or control over, the crude oil reserves or operations of on-shore Concession L53. The values at December 31, 2019 identified as "Net to Pan Orient's 50.01% Equity Interest in Pan Orient Energy (Siam) Ltd." represent 50.01% of Pan Orient Energy (Siam) Ltd. reserves and values. Net to Pan Orient's 50.01% equity interest in Pan Orient Energy (Siam) Ltd., proved plus probable crude oil reserves were 1,834,000 barrels at December 31, 2019 from conventional sandstone reservoirs. Net to Pan Orient's 50.01% equity interest in Pan Orient Energy (Siam) Ltd., proved, probable and possible crude oil reserves were 3,789,000 barrels at December 31, 2019. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Indonesia

East Jabung PSC

Pan Orient held a 49% non-operated interest in the East Jabung PSC located onshore Sumatra. Pan Orient was awarded the 6,227.72 square kilometers East Jabung PSC in 2011 and relinquished approximately 3,280 square kilometers of the East Jabung PSC's offshore area in 2014. A 440 kilometer 2D seismic program was completed in 2014. On June 1, 2015, Pan Orient completed a farm-out of a 51% participating interest and operatorship of the East Jabung PSC to a subsidiary of Repsol S.A. Pan Orient received an upfront cash payment of USD\$8 million, a firm commitment by the farminee to fund the first USD\$10.3 million towards the first exploration well and a contingent commitment to fund the first USD\$5.1 million towards an appraisal well, if justified.

In 2017, the Ayu-1X and Elok-1X wells were drilled but did not encounter commercial hydrocarbons. Drilling of the Ayu-1X and Elok-1X exploration wells satisfied the East Jabung PSC firm commitment of two exploration wells to be drilled prior to the expiry of the six year exploration phase. On January 11, 2019, the East Jabung PSC received approval for a four year exploration extension period of the PSC to January 20, 2023. The final remaining East Jabung PSC area after the extension is 1,245.56 square kilometers, representing 20% of the original PSC area. During the four year exploration extension period, the joint venture had the option of exiting or continuing with the East Jabung PSC on an annual basis. The Anggun-1X exploration well was drilled in the fourth quarter of 2019 but did not encounter commercial hydrocarbons. The operator of the East Jabung PSC has provided notice to the Government of Indonesia of withdrawal from the East Jabung PSC and is determining final steps to be taken for formal approval of the expiry from GOI, including reclamation requirements. Pan Orient is withdrawing from operations in Indonesia and the office in Jakarta was closed on March 31, 2020. Activities of the Company in Indonesia are reported in 2020 as discontinued operations.

Canada

Andora is a private oil company, in which Pan Orient has a 71.8% ownership. As at September 30, 2020, Andora has interests in 47 sections (31.6 net sections) of Sawn Lake Alberta Crown oil sands within the central Alberta Peace River Oil Sands area. Andora is focused on developing the bitumen resources at the Sawn Lake property using steam assisted gravity drainage ("SAGD") development.

The Sawn Lake property is in a pre-commercial stage and the commercial viability of the SAGD recovery process at Sawn Lake has not yet been established. No proved or probable reserves were assigned at September 30, 2020.

Since mid-March 2020 there has been a severe decline in crude oil prices due to geopolitical events and the collapse of global demand for crude oil and related products resulting from COVID-19. This has resulted in dramatically lower prices for heavy oil and bitumen, and deterioration in the economics for commercial expansion at Sawn Lake. In the current market there is no expected commercial development at Sawn Lake. An impairment expense was recorded for the Sawn Lake interests in the first quarter of 2020. The Company will continue to monitor bitumen prices and other factors influencing the timing and extent of potential future SAGD development at Sawn Lake.

Andora is the operator of five oil sands leases with 27 gross sections (21.5 net sections) at Sawn Lake, where it has a working interest of either 50% or 100%, as at September 30, 2020. Andora is relinquishing three oil sands leases operated by another company with 12 gross sections (1.2 net sections), where Andora is a non-operator with a 10% working interest, and for which no contingent resources had been assigned in the September 30, 2019 Contingent Resources Report.

A SAGD demonstration project at Sawn Lake commenced in 2013 and is located in the Central Block of Sawn Lake where Andora is the operator and holds a 50% working interest. The demonstration project consisted of one SAGD well pair drilled to a depth of 650 meters and a horizontal length of 780 meters and the SAGD facility for steam generation, water handling and bitumen treating. Steam injection commenced in May 2014 and produced bitumen from September 2014 to February 2016. The demonstration project successfully captured the key data associated with the objectives of the demonstration project and operations were suspended at the end of February 2016. The demonstration project has proven that the SAGD process works in the Bluesky formation at Sawn Lake, established characteristics of ramp up through stabilization of SAGD performance, indicated the productive capability, instantaneous steam-oil ratio ("ISOR"), and provided critical information required for well and facility design associated with any future commercial development. Production results to date are not necessarily indicative of long-term performance or of ultimate recovery and the Sawn Lake demonstration project has not yet proven that it is commercially viable.

Regulatory approval was received on December 5, 2017 for potential commercial expansion to 3200 BOPD at the Sawn Lake, Alberta SAGD project (in which Andora has a 50% working interest and is the operator) using Andora's proprietary Produced Water Boiler.

Summarized financial information with respect to Andora is as follows:

Andora Energy Corporation (\$thousands)	As at and for the Three months ended September 30		As at and for the Nine months ended September 30	
	2020	2019	2020	2019
Total assets	1,307	85,349	1,307	85,349
Total liabilities	4,483	9,374	4,483	9,374
Adjusted funds flow used in operations	(418)	(52)	(268)	(178)
Net income (loss)	(79,101)	(85)	(355)	712

Financial and Operating Summary

(thousands of Canadian dollars except where indicated)

	Three Months Ended September 30,		Nine Months Ended September 30,		% Change
	2020	2019	2020	2019	
FINANCIAL					
Financial Statement Results – Excluding 50.01% Interest in Thailand Joint Venture (Note 1)					
Net income (loss) attributed to common shareholders	(1,063)	1,114	(59,214)	1,552	
Per share – basic and diluted	\$ (0.02)	\$ 0.02	\$ (1.12)	\$ 0.03	
Cash flow from (used in) operating activities (Note 2 & 3)	(355)	(290)	(1,345)	(1,443)	-7%
Per share – basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.03)	-7%
Cash flow from (used in) investing activities (Note 2 & 3)	2,808	5,809	7,010	5,535	27%
Per share – basic and diluted	\$ 0.05	\$ 0.11	\$ 0.13	\$ 0.10	27%
Cash flow from (used in) financing activities (Note 2 & 3)	(65)	214	(1,507)	90	-1774%
Per share – basic and diluted	\$ (0.00)	\$ 0.00	\$ (0.03)	\$ 0.00	-1774%
Change in cash and cash equivalents from discontinued operations (Note 3)	(42)	(1,421)	(749)	(1,207)	-38%
Working capital	25,802	31,857	25,802	31,857	-19%
Working capital & non-current deposits	26,411	32,458	26,411	32,458	-19%
Long-term debt	-	-	-	-	0%
Shares outstanding (thousands)	52,077	55,084	52,077	55,084	-5%
Capital Commitments (Note 4)	719	2,049	719	2,049	-65%
Working Capital and Non-current Deposits					
Beginning of period – Excluding Thailand Joint Venture	24,801	28,902	22,158	33,139	-33%
Adjusted funds flow used in continued operations (Note 3 & 6)	(1,122)	(24)	(1,586)	(2,131)	-26%
Adjusted funds flow from (used in) Indonesia discontinued operations (Note 3)	(12)	(64)	348	(96)	-463%
Issuance of common shares	-	222	-	222	-100%
Consolidated capital expenditures (Note 7)	-	(2,482)	(85)	(4,400)	-98%
Amounts advanced to Thailand Joint Venture	(8)	(682)	(18)	(512)	-96%
Dividend received from Thailand Joint Venture	2,812	6,624	7,112	6,624	7%
Finance lease payments	(5)	(29)	(136)	(83)	64%
Normal course issuer bid	(61)	(5)	(1,483)	(127)	1068%
Effect of foreign exchange	6	(4)	101	(178)	-156%
End of period - Excluding Thailand Joint Venture	26,411	32,458	26,411	32,458	-19%
Pan Orient 50.01% interest in Thailand Joint Venture Working Capital and Non-Current Deposits	3,509	9,401	3,509	9,401	-63%
Economic Results – Including 50.01% Interest in Thailand Joint Venture					
Total corporate adjusted funds flow from (used in) operations by region (Note 6)					
Canada	(1,115)	(8)	(1,565)	(2,099)	-25%
Thailand (Note 8)	(7)	(16)	(21)	(32)	-34%
From continued operations	(1,122)	(24)	(1,586)	(2,131)	-26%
Indonesia – Discontinued Operations	(12)	(64)	348	(96)	-463%
Adjusted funds flow used in operations (excl. Thailand Joint Venture)	(1,134)	(88)	(1,238)	(2,227)	-44%
Share of Thailand Joint Venture (Note 1 & 5)	3,544	6,479	9,257	15,895	-42%
Total corporate adjusted funds flow from operations	2,410	6,391	8,019	13,668	-41%
Per share – basic and diluted	\$ 0.05	\$ 0.12	\$ 0.15	\$ 0.25	-39%
Capital Expenditures – Petroleum and Natural Gas Properties (Note 7)					
Canada	-	153	85	399	-79%
Indonesia – Discontinued Operations	-	2,329	-	4,001	-100%
Consolidated capital expenditures (excl. Thailand Joint Venture)	-	2,482	85	4,400	-98%
Share of Thailand Joint Venture capital expenditures	3,410	1,930	8,604	6,241	38%
Total capital expenditures (incl. Thailand Joint Venture & discontinued ops)	3,410	4,412	8,689	10,641	-18%
Investment in Thailand Joint Venture					
Beginning of period	30,709	37,060	34,127	34,504	-1%
Net income from Joint Venture	121	1,351	612	3,704	-83%
Other comprehensive gain (loss) from Joint Venture	(1,217)	429	(836)	802	-204%
Dividend paid	(2,812)	(6,624)	(7,112)	(6,624)	7%
Amounts advanced to Joint Venture	8	682	18	512	-96%
End of period	26,809	32,898	26,809	32,898	-19%

	Three Months Ended September 30,		Nine Months Ended September 30,		% Change
	2020	2019	2020	2019	
<i>(thousands of Canadian dollars except where indicated)</i>					
Thailand Operations					
Economic Results – Including 50.01% Interest in Thailand Joint Venture (Note 5)					
Oil sales (bbls)	102,466	130,415	306,883	273,553	12%
Average daily oil sales (BOPD) by Concession L53	1,114	1,418	1,120	1,002	12%
Average oil sales price, before transportation (CDN\$/bbl)	\$ 53.38	\$ 77.99	\$ 52.94	\$ 79.63	-34%
Reference Price (volume weighted) and differential					
Crude oil (Brent \$US/bbl)	\$ 42.57	\$ 61.99	\$ 40.44	\$ 64.15	-37%
Exchange Rate \$US/\$Cdn	1.34	1.34	1.36	1.36	0%
Crude oil (Brent \$Cdn/bbl)	\$ 57.25	\$ 83.27	\$ 55.03	\$ 87.05	-37%
Sale price / Brent reference price	93%	94%	96%	91%	5%
Adjusted funds flow from (used in) operations (Note 6)					
Crude oil sales	5,470	10,171	16,245	21,783	-25%
Government royalty	(284)	(539)	(833)	(1,134)	-27%
Transportation expense	(231)	(321)	(691)	(662)	4%
Operating expense	(818)	(613)	(2,330)	(1,539)	51%
Field netback	4,137	8,698	12,391	18,448	-33%
General and administrative expense (Note 8)	(203)	(241)	(662)	(654)	1%
Interest income	-	-	6	22	-73%
Foreign exchange gain	13	4	42	45	-7%
Current income tax	(410)	(1,998)	(2,541)	(1,998)	27%
Thailand - Adjusted funds flow from operations	3,537	6,463	9,236	15,863	-42%
Adjusted funds flow from (used in) operations / barrel (CDN\$/bbl) (Note 6)					
Crude oil sales	\$ 53.38	\$ 77.99	\$ 52.94	\$ 79.63	-34%
Government royalty	(2.77)	(4.13)	(2.71)	(4.15)	-35%
Transportation expense	(2.25)	(2.46)	(2.25)	(2.42)	-7%
Operating expense	(7.98)	(4.70)	(7.59)	(5.63)	35%
Field netback	\$ 40.37	\$ 66.69	\$ 40.38	\$ 67.44	-40%
General and administrative expense (Note 8)	(1.98)	(1.85)	(2.16)	(2.39)	-10%
Interest Income	-	-	0.02	0.08	-76%
Foreign exchange gain	0.13	0.03	0.14	0.16	-17%
Current income tax	(4.00)	(15.32)	(8.28)	(7.30)	13%
Thailand – Adjusted funds flow from operations	\$ 34.52	\$ 49.56	\$ 30.10	\$ 57.99	-48%
Government royalty as percentage of crude oil sales	5%	5%	5%	5%	0%
Income tax & SRB as percentage of crude oil sales	7%	20%	16%	9%	7%
As percentage of crude oil sales					
Expenses - transportation, operating, G&A and other	23%	12%	22%	13%	10%
Government royalty, SRB and income tax	13%	25%	21%	14%	6%
Adjusted funds flow from operations, before interest income	65%	64%	57%	73%	-16%
Wells drilled					
Gross	2	4	7	6	17%
Net	1.0	2.0	3.5	3.0	17%
Financial Statement Presentation					
Results – Excl. 50.01% Interest in Thailand Joint Venture (Note 1)					
General and administrative expense (Note 8)	(7)	(16)	(21)	(32)	-34%
Adjusted funds flow used in consolidated operations	(7)	(16)	(21)	(32)	-34%
Adjusted fund flow Included in Investment in Thailand Joint Venture					
Net income from Thailand Joint Venture	121	1,351	612	3,704	-83%
Add back non-cash items in net income	3,423	5,128	8,645	12,191	-29%
Adjusted funds flow from Thailand Joint Venture	3,544	6,479	9,257	15,895	-42%
Thailand – Economic adjusted funds flow from operations (Note 5)	3,537	6,463	9,236	15,863	-42%

	Three Months Ended September 30,		Nine Months Ended September 30,		% Change
	2020	2019	2020	2019	
<i>(thousands of Canadian dollars except where indicated)</i>					
Canada Operations					
Interest income	69	125	201	278	-28%
General and administrative expenses (Note 8)	(455)	(427)	(1,524)	(1,685)	-10%
Operating expense (Note 9)	(93)	-	(156)	-	
Stock based compensation on restricted share units (note 10)	(152)	-	(227)	-	
Realized foreign exchange gain (loss) (Note 11)	-	(1)	1	-	
Unrealized foreign exchange gain (loss) (Note 11)	(484)	295	140	(692)	-120%
Canada – Adjusted funds flow used in operations	(1,115)	(8)	(1,565)	(2,099)	-25%
Indonesia - Discontinued Operations					
General and administrative expense (Note 8)	(66)	(63)	(223)	(168)	33%
Recovery of impairment expense (Note 12)	2	-	674	-	
Unrealized foreign exchange gain (loss)	52	(1)	(103)	72	-243%
Indonesia – Adjusted funds flow from (used in) operations	(12)	(64)	348	(96)	-463%

- (1) Pan Orient holds a 50.01% equity interest in Pan Orient Energy (Siam) Ltd. as a joint arrangement where the Company shares joint control with the 49.99% equity interest holder. The resulting joint arrangement is classified as a Joint Venture under IFRS 11 and is accounted for using the equity method of accounting where Pan Orient's 50.01% equity interest in the assets, liabilities, working capital, operations and capital expenditures of Pan Orient Energy (Siam) Ltd. are recorded in Investment in Thailand Joint Venture.
- (2) As set out in the Consolidated Statements of Cash Flows in the unaudited Consolidated Financial Statements of Pan Orient Energy Corp.
- (3) The East Jabung PSC expired in January 2020 and the Company is withdrawing from operations in Indonesia. The operation in Indonesia for accounting purposes is considered a discontinued operation and the amounts presented in 2019 are updated for comparative purposes.
- (4) Refer to Commitments note disclosure of the September 30, 2020 and September 30, 2019 Interim Condensed Consolidated Financial Statements.
- (5) For the purpose of providing more meaningful economic results from operations for Thailand, the amounts presented include 50.01% of results of the Thailand Joint Venture. Pan Orient has a 50.01% ownership interest in Pan Orient Energy (Siam) Ltd., but does not have any direct interest in, or control over, the crude oil reserves, operations or working capital of on-shore Concession L53.
- (6) Total corporate adjusted funds flow from (used in) operations is cash flow from operating activities prior to changes in non-cash working capital, unrealized foreign exchange gain or loss plus the corresponding amount from Pan Orient's 50.01% interest in the Thailand Joint Venture which is recorded in Joint Venture for financial statement purposes. This measure is used by management to analyze operating performance and leverage. Adjusted funds flow as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures of other entities. Adjusted funds flow is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS.
- (7) Cost of capital expenditures excluded decommissioning costs and the impact of changes in foreign exchange.
- (8) General & administrative expenses, excluding non-cash accretion on decommissioning provision and lease liabilities. The nominal amount of G&A shown in the three months and nine months ended September 30, 2020 and 2019 was for Thailand operations related to G&A of the holding company of Pan Orient Energy (Siam) Ltd.
- (9) Operating expense related to Andora's suspended demonstration project facility and well pair at Sawn Lake Central. These expenses were previously capitalized prior to the E&E impairment recorded during the first quarter of 2020.
- (10) On May 19, 2020, the Company granted 1,050,000 restricted share units ("RSUs") to directors, senior management, employees and consultant. The amount represents the accrual of stock-based compensation expenses.
- (11) Realized and unrealized foreign exchange gain or loss mainly related to the U.S. dollars denominated cash balances held in Canada.
- (12) Adjustment to previously booked capital expenditures at East Jabung PSC.
- (13) Tables may not add due to rounding.

HIGHLIGHTS

Thailand (net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture)

- 2020 drilling program with eight wells to date:
 - The L53-DD6ST2, L53-DD8 and L53-DD7 appraisal wells in the L53-DD field were drilled and brought onto production during the first three quarters of 2020. Net to Pan Orient's 50.01% equity interest, these wells added 188 BOPD in the first quarter, 181 BOPD in the second quarter, 358 BOPD in the third quarter and 706 BOPD in October.
 - The L53-DD9 appraisal well has just completed drilling and has encountered a combined approximately 29 meters of net oil pay in the four main producing sands (AA, BB, CC and DD). Testing of L53-DD9 is expected to commence within the next 10 days.
 - The L53-AA2 exploration well represents a potential new pool discovery, outside the recently approved L53 South AA Production Area. The well was placed on production September 1st and, net to Pan Orient's 50.01% equity interest, added 45 BOPD in September and is currently producing at 29 BOPD. Production performance of the L53-AA2 well will be monitored over the remaining period of the 90 day production test. A final decision will be made at the end of the 90 day period whether to proceed, or not, with a Production Area application for the L53-AA2 structure.
 - The L53-AA1 exploration well and the L53-AAST1 sidetrack exploration well were abandoned after failing to encounter oil bearing sands.
 - The L53-BB1ST1 exploration well had only minor indications of oil and will be abandoned.
- Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, oil sales from Concession L53 in the first nine months of 2020 were 1,120 BOPD. With the L53-DD8, L53-DD7 and L53-AA2 wells brought onto production in September, oil sales increased to 1,575 BOPD in September 2020 and 1,417 BOPD in October.
- Adjusted Thailand funds flow from operations of \$9.2 million in the first nine months of 2020, with \$3.5 million (\$34.52 per barrel in the third quarter), \$2.0 million (\$20.91 per barrel) in the second quarter and \$3.7 million (\$34.11 per barrel) in the first quarter. The realized price of Concession L53 crude oil averaged 96% of the Brent reference price in the first nine months of 2020 and the monthly Brent reference price has largely recovered from a low of US\$18.38 in April 2020 to US\$40.91 in September 2020.
- Despite weaker oil prices in early 2020, Thailand had adjusted funds flow from operations of \$9.2 million in the first three quarters of 2020 to fund \$8.6 million of Thailand exploration and development activities. In addition, the Thailand Joint Venture has paid two dividends to Pan Orient in 2020 totaling \$7.1 million and Pan Orient's share of working capital and long-term deposits in Thailand at September 30, 2020 was \$3.5 million.

Indonesia East Jabung Production Sharing Contract (Pan Orient is non-operator with a 49% ownership interest)

- The operator of the East Jabung Production Sharing Contract ("PSC") provided notice to the Government of Indonesia in January 2020 of withdrawal from the East Jabung PSC and is determining final steps to be taken for formal approval of the expiry from the Government of Indonesia, including reclamation requirements. Pan Orient is withdrawing from operations in Indonesia and the office in Jakarta was closed March 31, 2020.
- Activities of the Company in Indonesia are reported in 2020 as discontinued operations. For the first nine months of 2020, discontinued operations in Indonesia were \$223 thousand of G&A expense, \$103 thousand in realized and unrealized foreign exchange losses on currency exchange rates since the end of 2019 and a \$674 thousand recovery of exploration expense resulting from adjustment of previously booked capital expenditures at the East Jabung PSC.

Sawn Lake (Operated by Andora Energy Corporation ("Andora"), in which Pan Orient has a 71.8% ownership)

- Significantly lower prices for heavy oil and bitumen since March 2020 due to geopolitical events and the collapse of global demand for crude oil resulting from COVID-19, and the associated deterioration in the economics for commercial expansion at Sawn Lake, indicated there is no expected commercial development at Sawn Lake in the current market. The Company reported a non-cash net impairment charge of \$80.2 million, \$57.6 million attributable to common shareholders of Pan Orient, on Sawn Lake Exploration and Evaluation assets at March 31, 2020.
- After the impairment of Sawn Lake recorded at March 31, 2020, no operating expenses or G&A are capitalized. For the second and third quarters of 2020, Pan Orient reports total operating expense of \$156 thousand associated with the Sawn Lake suspended SAGD facility and wellpair.
- In July, Andora surrendered a 100% owned oil sands lease (nine sections) which was not prospective and for which no contingent resources had been assigned in the September 30, 2019 Contingent Resources Report.
- At September 30, 2020 Andora had negative working capital, excluding the convertible demand loan, of \$0.2 million and the convertible demand loan with Pan Orient of \$2.25 million. The January 2018 convertible demand loan facility with Andora of \$2.5 million has an expiry date of December 31, 2022 and Pan Orient has the option to convert the loan into Andora's common shares at a price of \$0.15 per share. It is unlikely that Pan Orient will exercise the option to convert the convertible demand loan.
- In order to fund ongoing operations, Andora and Pan Orient entered into an additional convertible demand loan agreement for up to \$500,000 in November 2020 with the expiry date of December 31, 2022. Pan Orient has the option to convert the loan into Andora's common shares at a price of \$0.01 per share.
- Andora will consider other alternatives to move the Sawn Lake project forward and achieve value for Andora and Pan Orient shareholders.

Corporate

- Total corporate adjusted funds flow from operations (including Pan Orient's 50.01% equity interest in the Thailand Joint Venture) of \$8.0 million (\$0.15 per share) in the first nine months of 2020, with \$2.4 million (\$0.05 per share) in the third quarter of 2020. The increase from \$1.2 million (\$0.02 per share) in the second quarter of 2020 is largely due to the 32% higher realized crude oil prices in Thailand.
- The loss attributable to common shareholders for the first nine months of 2020 was \$59.2 million (\$1.12 loss per share), with a net \$57.6 million impairment charge for the Sawn Lake, Alberta Exploration and Evaluation assets at March 31, 2020 and \$1.6 million loss attributable to other operations. The loss attributable to common shareholders for the third quarter of 2020 was \$1.1 million (\$0.02 loss per share).
- Pan Orient has repurchased 2,419,500 common shares in 2020 at an average price of \$0.61 per share, with 98,000 common shares repurchased in the third quarter of 2020 at an average price of \$0.61 per share.
- Pan Orient retains a strong financial position with working capital and non-current deposits of \$26.4 million and no long-term debt at September 30, 2020. In addition, the Thailand Joint Venture has \$3.5 million in working capital and long-term deposits, net to Pan Orient's 50.01% equity interest, and Thailand funds flow from operations are expected to fund remaining exploration and development activities at Concession L53.

OUTLOOK

THAILAND

Concession L53 Onshore (Pan Orient Energy (Siam) Ltd., in which Pan Orient has 50.01% ownership)

The focus for the remainder of 2020 will be development activities in Thailand, growing our cash balance by maximizing funds generated from Thailand operations and on achieving full recognition of L53-DD field oil reserves in the year-end 2020 independent third party reserves report. No further exploration drilling is anticipated in 2020 given the current oil price environment.

CANADA

Corporate

Pan Orient is committed to maintaining a strong cash position during these uncertain times while continuing to seek out and evaluate compelling opportunities.

COVID-19 Coronavirus

The operations in Thailand of Pan Orient Energy (Siam) Ltd. ("POS") continue to be somewhat affected by the worldwide COVID-19 coronavirus pandemic. The Thailand government imposed a state of emergency in late March, giving it wide-ranging powers to address the crisis. Domestic travel restrictions have now been eased but a travel ban on most foreigners entering Thailand remains in effect. Overall, the infection and death rate has been much lower in Thailand than in most western nations.

Prudent measures have been taken by POS to help protect the health and safety of staff, which are of paramount importance. Fortunately, POS has so far been able to proceed with its 2020 Thailand drilling program. POS and Pan Orient are well-positioned to withstand these unprecedented events. The Company is optimistic about a return to normal operations and less volatile market conditions but the outlook for world oil prices remains somewhat uncertain.

Net income (loss) from Thailand Joint Venture

The Company holds a 50.01% equity interest in Pan Orient Energy (Siam) Ltd. ("POS"), which is considered a Joint Venture under IFRS and is accounted for using the equity method. Pan Orient has a 50.01% ownership interest in Pan Orient Energy (Siam) Ltd., but does not have any direct interest in, or control over, the crude oil reserves, operations or working capital of Concession L53. Distributions received from the joint venture reduce the carrying amount of the investment whereas funding to the joint venture increases 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 or loss includes its share of the joint venture's other comprehensive income or loss.

Income from Joint Venture Pan Orient Energy (Siam) Ltd. (Net to Pan Orient 50.01%)	Three months ended September 30				Nine months ended September 30			
	2020		2019		2020		2019	
	\$000s	\$ per bbl	\$000s	\$ per bbl	\$000s	\$ per bbl	\$000s	\$ per bbl
Crude oil revenue	5,470	53.38	10,171	77.99	16,245	52.94	21,783	79.63
Government royalty	(284)	(2.77)	(539)	(4.13)	(833)	(2.71)	(1,134)	(4.15)
Transportation expense	(231)	(2.25)	(321)	(2.46)	(691)	(2.25)	(662)	(2.42)
Production and Operating expense	(818)	(7.98)	(613)	(4.70)	(2,330)	(7.59)	(1,539)	(5.63)
Field netback	4,137	40.37	8,698	66.69	12,391	40.38	18,448	67.44
General and administrative	(196)	(1.91)	(225)	(1.73)	(641)	(2.09)	(622)	(2.27)
Foreign exchange gain	14	0.14	4	0.03	43	0.14	45	0.16
Interest income	-	-	-	-	6	0.02	22	0.08
Current income tax expense	(410)	(4.00)	(1,998)	(15.32)	(2,541)	(8.28)	(1,998)	(7.30)
Adjusted funds flow from operations	3,545	34.60	6,479	49.68	9,258	30.17	15,895	58.11
Depletion, depreciation and amortization	(2,291)	(22.36)	(2,821)	(21.63)	(6,802)	(22.16)	(6,629)	(24.24)
Accretion	(9)	(0.09)	(12)	(0.09)	(24)	(0.08)	(38)	(0.14)
Deferred tax expense	(798)	(7.79)	(1,904)	(14.60)	(921)	(3.00)	(4,634)	(16.94)
Net income	447	4.36	1,742	13.36	1,511	4.92	4,594	16.79
Amortization of fair value adjustment	(326)	(3.18)	(391)	(3.00)	(899)	(2.93)	(890)	(3.25)
Net income from Joint Venture	121	1.18	1,351	10.36	612	1.99	3,704	13.54

Note: Tables may not add due to rounding

Crude oil revenue earned within Thailand Joint Venture, net to Pan Orient 50.01% equity interest

Oil sales from Concession L53 in Thailand averaged 1,114 BOPD during the three months ended September 30, 2020 compared to 1,060 BOPD during the second quarter of 2020 and 1,418 BOPD during the third quarter of 2019.

Oil sales revenue from Concession L53 was \$5.5 million for the three months ended September 30, 2020 compared to \$3.9 million in the second quarter of 2020 and \$10.2 million in the third quarter of 2019. The realized price per barrel was \$53.38 for the three months ended September 30, 2020 compared to \$40.49 during the second quarter of 2020 and \$77.99 during the third quarter of 2019.

Royalties expense incurred within Thailand Joint Venture, net to Pan Orient 50.01% equity interest

Royalties on Concession L53 are paid to the Thailand government and are based on production volumes per concession ranging from 5% on production of less than 2,000 BOPD to 15% on production over 20,000 BOPD.

Production and operating expense incurred within Thailand Joint Venture, net to Pan Orient 50.01% equity interest

Production and operating costs on a per barrel basis were \$7.98 per barrel in the third quarter of 2020 compared to \$8.00 per barrel in the second quarter of 2020 and \$4.70 per barrel in the third quarter of 2019. On a per barrel basis, operating expenses increased due to higher water hauling costs and fixed costs that did not decline with production volumes.

Tax expense incurred within Thailand Joint Venture, net to Pan Orient 50.01% equity interest

Petroleum income tax in Thailand Joint Venture is 50% of taxable income which is calculated based on adjusted funds flow from operations less capital expenditures (deductible at varying rates), special remuneratory benefit tax ("SRB"), and other permitted deductions. The Thailand operations became taxable in the third quarter of 2019 as cashflow from operations and realized foreign exchange gains exceeded available tax pools.

Thailand SRB is a tax at sliding scale rates of 0 - 75% applied on a concession-by-concession basis to petroleum profits as defined in Thai tax legislation which includes deductions for expenses and capital spent. The rate is principally determined by revenue for the concession (production and pricing) but is subject to other adjustments such as changes in Thailand's consumer and wholesale price indices and cumulative meters drilled on the concession. There was no SRB tax paid since inception to date for Concessions L53 and because of the numerous factors involved in the SRB calculation, it is uncertain if SRB will be payable on the concession.

Depletion, Depreciation & Amortization (“DD&A”) incurred within Thailand Joint Venture, net to Pan Orient 50.01% equity interest

Depletion is provided on costs accumulated using the unit-of-production method based on an independent engineering estimate of the Thailand Joint Venture’s share of proved plus probable reserves, before royalties. DD&A was \$22.36 per barrel during the third quarter of 2020 compared to \$22.10 per barrel during the second quarter of 2020 and \$21.63 per barrel during the third quarter of 2019. On a per barrel basis, DD&A is higher during the third quarter of 2020 than in 2019 due to higher cost base.

General and Administrative (“G&A”) Expenses

(\$thousands)	Three months ended September 30		Nine months ended September 30	
	2020	2019 ⁽¹⁾	2020	2019 ⁽¹⁾
Canada ⁽²⁾⁽³⁾⁽⁴⁾	460	435	1,540	1,710
Thailand (excluding Thailand Joint Venture)	7	16	21	32
G&A expense from continued operations	467	451	1,561	1,742
G&A expense from discontinued operations – Indonesia ⁽³⁾⁽⁴⁾	65	69	233	192
Share of G&A from Thailand Joint Venture ⁽⁴⁾	196	225	641	622
Total G&A attributable to the economic interests of Pan Orient (including 50.01% interest in Thailand Joint Venture)	728	745	2,435	2,556

(1) Activities of the Company in Indonesia are reported in 2020 as discontinued operations and amounts presented in 2019 have been updated for comparative purposes.

(2) G&A, net of overhead recoveries, represents the portion of Pan Orient’s G&A expenses charged by Andora, as operator, to the Sawn Lake joint venture operations and capital projects. Overhead recoveries were \$21 thousand and \$22 thousand for the nine months ended September 30, 2020 and 2019, respectively.

(3) Capitalized G&A allocated to capital projects represents compensation and other directly attributable costs associated with property acquisition, and exploration and development activities. Capitalized G&A relates to exploration and development activities at the East Jabung PSC in Indonesia and the Company’s heavy oil demonstration project in Canada. Subsequent to the impairment of these assets, no G&A have been capitalized.

(4) Amounts include non-cash accretion expense

Total G&A, net of recoveries, was lower during the first nine months of 2020 than 2019 due to a year-end compensation that was paid in 2019 but not in 2020. This decrease is partially offset by G&A from Andora which is no longer capitalized subsequent to the impairment recorded during the first quarter of 2020.

Capital Expenditures

	Three months ended September 30		2019		Nine months ended September 30		2019	
	2020	2019	2020	2019	2020	2019	2020	2019
	Net wells drilled	Net wells drilled	Net wells drilled	Net wells drilled	Net wells drilled	Net wells drilled	Net wells drilled	Net wells drilled
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Capital expenditures ⁽¹⁾								
Canada – Continued operations	-	153	-	85	-	399	-	-
Indonesia – Discontinued operations	-	2,329	-	-	-	4,001	-	-
Share of Thailand joint venture capital expenditures ⁽²⁾	3,410	1,930	2	8,604	3.5	6,241	3	
Total capital expenditures attributable to the economic interest of Pan Orient (including 50.01% interest in Thailand Joint Venture)	3,410	4,412	2	8,689	3.5	10,641	3	

(1) Excluded decommissioning costs and the impact of changes in foreign currency translation.

(2) Pan Orient’s 50.01% share of capital expenditures in the Thailand Joint Venture are accounted for using the equity method as an Investment in Joint Venture. Pan Orient has a 50.01% ownership interest in Pan Orient Energy (Siam) Ltd., but does not have any direct interest in, or control over, the crude oil reserves or operations of on-shore Concession L53.

Canada

Capital expenditures in the first quarter of 2020 for Andora were \$85 thousand for capital expenditures at Sawn Lake, capitalized operating expenses for the suspended demonstration project facility and wellpair at Sawn Lake Central and capitalized G&A. Subsequent to the impairment of Sawn Lake recorded at March 31, 2020, no operating expenses or G&A are capitalized.

Thailand

Capital expenditures related to Thailand Joint Venture were \$3.4 million for the three months ended September 30, 2020 mainly consisted of the drilling of L53-DD7 and L53-DD8 appraisal wells, workover activities, equipment inventory purchases, capitalized general and administrative expenses and other development activities.

Liquidity and Capital Resources

Pan Orient's capital program, including the 50.01% share of the Thailand Joint Venture, was \$8.7 million for the nine months ended September 30, 2020 and was financed from existing working capital and adjusted funds flow from operations, including the Thailand Joint Venture. At September 30, 2020, the Company's working capital plus non-current deposits was \$26.4 million compared to \$22.2 million at December 31, 2019. The Company had estimated outstanding capital commitments of \$0.7 million at September 30, 2020 which remained unchanged from December 31, 2019. In addition to Pan Orient's consolidated working capital and non-current deposits, its investment in the Thailand Joint Venture includes \$3.5 million of its share of working capital and non-current deposits and \$3.2 million of equipment inventory to be utilized for future operations of the Thailand Joint Venture.

Non-current deposits of \$0.6 million at September 30, 2020 consisted of deposits placed with the Alberta energy regulator in Canada for the interests of Andora at Sawn Lake. The estimated decommissioning provision for Andora at September 30, 2020 for wells and facilities in Canada is \$1.9 million.

Share Capital

Outstanding (thousands)	November 10, 2020	September 30, 2020	December 31, 2019
Common shares	51,899	52,076	54,496
Stock options	2,935	2,935	5,115
Total	54,834	55,011	59,611

Pan Orient has repurchased 2,419,500 common shares in 2020 at an average price of \$0.61 per share, with 98,000 common shares repurchased in the third quarter of 2020 at an average price of \$0.61 per share.

In early May 2020, the Company adopted a long-term incentive plan and on May 19, 2020 granted 1,050,000 restricted share units ("RSUs") to its directors, senior management, employees and consultant. The vesting period of the RSUs is one-third 6 months after the grant date (November 19, 2020), one-third 18 months after the grant date (November 19, 2021) and the final one-third 30 months after the grant date (November 19, 2022). The RSUs will be paid out based on the fair market value on each vesting date in cash. Fair market value of shares means (a) the average closing price for such shares on the TSX-V Exchange for the ten trading days on which the shares traded immediately preceding the relevant date or (b) if the Board of Directors specifically so determines, the closing market price for such shares on the TSX-V Exchange on the relevant date. As at September 30, 2020, the closing price for the Company's shares on TSX-V Exchange was \$0.58 per share, and as a result, \$227 thousand of stock-based compensation and an accrued liability was recorded at September 30, 2020.

Foreign Exchange

The Company's reporting currency is the Canadian dollar and its functional currencies are the Canadian dollar, the Thai baht and the U.S. dollar. In each reporting period, the changes in the values of the Thai baht and U.S. dollar relative to the Company's reporting currency are recognized. The period end rates used to translate the Company's Thai baht and U.S. dollar denominated financial statement items for the reporting periods as specified are as follows:

	2020			2019				2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Rate at end of period								
Thai baht / Cdn \$ exchange	23.27	22.25	22.74	22.70	22.72	23.14	23.35	23.47
Cdn \$ / US \$ exchange	1.33	1.36	1.42	1.30	1.32	1.31	1.34	1.36

The Company holds U.S. dollars within Canada to meet U.S. dollar cash requirements of its foreign operations and at September 30, 2020 the Company held \$16.7 million (December 31, 2019: \$12.9 million) denominated in U.S. dollars as cash and cash equivalents.

Thailand Joint Venture operations use Thai baht and Indonesia operations use the U.S. dollar as their functional currencies for reporting. These foreign currencies are translated into Canadian dollars at each reporting period end with the unrealized translation gain or loss recognized in accumulated other comprehensive income ("AOCI").

Accumulated Other Comprehensive Income in the consolidated statement of financial position is reported as follows:

(\$thousands)	Three months ended		Nine months ended	
	September 30 2020	2019	September 30 2020	2019
AOCI, beginning of period	3,284	4,256	2,903	4,578
Unrealized foreign currency translation gain (loss) from Thailand Joint Venture	(1,217)	429	(836)	802
Unrealized foreign currency translation gain (loss) from Indonesia – Discontinued operations	-	167	-	(528)
AOCI, end of period	2,067	4,852	2,067	4,852

Summary of Quarterly Results

	2020			2019			2018	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Financial (\$thousands) except as indicated ⁽¹⁾								
Interest revenue	69	23	109	119	125	86	67	105
Cash flow used in operating activity, continued operations ⁽²⁾	(355)	(591)	(399)	(251)	(290)	(321)	(832)	(344)
Cash flow from (used in) operating activity, discontinued operations ⁽²⁾	(42)	(181)	(415)	(87)	365	479	(1,617)	99
Total assets	56,879	58,967	60,643	146,656	175,126	171,999	170,773	173,717
Working capital & non-current deposits	26,411	24,801	26,386	22,158	32,458	28,902	31,566	33,139
Shares outstanding (thousands)	52,077	52,175	53,400	54,496	55,084	54,837	54,900	54,900
Net income (loss) from continued operations ⁽³⁾	(1,052)	(1,737)	(56,652)	465	1,210	1,363	(840)	1,454
Net income (loss) from discontinued operations ⁽³⁾	(11)	703	(465)	(27,321)	(96)	(76)	(9)	(45)
Total net income (loss) ⁽³⁾	(1,063)	(1,034)	(57,117)	(26,856)	1,114	1,287	(849)	1,409
Per share basic and diluted (\$)	(0.02)	(0.02)	(1.05)	(0.49)	0.02	0.02	(0.01)	0.03
Operations (\$thousands), including share of Thailand Joint Venture								
Daily oil sales (BOPD) net to Pan Orient ⁽⁴⁾	1,114	1,060	1,186	1,232	1,418	1,072	507	366
Total corporate adjusted funds flow from operations ⁽⁵⁾	2,410	1,205	4,404	3,191	6,391	5,689	1,588	3,001
Capital expenditures ⁽⁶⁾	3,410	1,415	3,864	11,305	4,412	2,846	3,383	3,319
Total corporate adjusted funds flow from (used in) operations (\$/bbl) ⁽⁵⁾								
Realized crude oil price	53.38	40.49	63.63	62.64	77.99	81.57	80.17	83.75
Royalties	(2.77)	(2.02)	(3.28)	(3.26)	(4.13)	(4.28)	(3.90)	(4.07)
Transportation & operating	(10.24)	(10.16)	(9.19)	(9.87)	(7.16)	(7.33)	(12.11)	(13.47)
Field Netback – Thailand Joint Venture	40.37	28.31	51.16	49.52	66.69	69.96	64.17	66.21
Operating expense - Andora	(0.91)	(0.65)	-	-	-	-	-	-
General and administrative ⁽⁸⁾	(7.07)	(8.53)	(7.99)	(1.15)	(5.61)	(7.57)	(22.76)	(21.30)
Stock-based compensation expense on restricted share units	(1.48)	(0.78)	-	-	-	-	-	-
Recovery of exploration expense	0.02	6.97	-	-	-	-	-	0.89
Interest income	0.67	0.30	1.01	0.64	0.96	1.11	1.47	3.74
Foreign exchange gain (loss)	(4.08)	(7.70)	11.51	0.67	2.28	(5.18)	(8.05)	39.26
Current income tax expense	(4.00)	(5.42)	(14.90)	(11.27)	(15.32)	-	-	-
Total corporate adjusted funds flow from operations	23.52	12.49	40.79	38.41	49.00	58.32	34.83	88.80

(1) Amounts presented were set out in the Consolidated Financial Statements of Pan Orient Energy Corp.

(2) Activities of the Company in Indonesia are reported in 2020 as discontinued operations. Amounts presented in 2019 and 2018 are updated for comparative purposes.

(3) Net income (loss) attributed to common shareholders.

(4) Oil revenue generated within the Thailand Joint Venture, net to Pan Orient.

(5) Total corporate adjusted funds flow from operations is cash flow from operating activities prior to changes in non-cash working capital, unrealized foreign exchange gain or loss plus the corresponding amount from Pan Orient's 50.01% interest in the Thailand Joint Venture which is recorded in Investment in Joint Venture for financial statement purposes and funds flow from (used in) operations from discontinued operation in Indonesia. This measure is used by management to analyze operating performance and leverage. Adjusted funds flow as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures of other entities. Adjusted funds flow is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS.

(6) Including the 50.01% interest in the Thailand Joint Venture and discontinued operations in Indonesia. Excluding decommissioning costs and impact of change in foreign exchange rates.

(7) Operating expense related to Andora's suspended demonstration project facility and well pair at Sawn Lake Central. These expenses were previously capitalized prior to the E&E impairment recorded during the first quarter of 2020.

(8) General and administrative costs excluding accretion expense on decommissioning costs.

(9) Tables may not add due to rounding.

Q4 2018 – Total corporate adjusted funds flow from operations of \$3.0 million. Adjusted funds flow from operations in Thailand was \$2.0 million with average daily oil sales from Concession L53 of 366 BOPD (\$66.21 per barrel), net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture. Net income attributable to common shareholders was \$1.4 million (\$0.03 per share) for the quarter. Pan Orient had capital expenditures of \$3.3 million in the fourth quarter of 2018, with \$0.8 million in Indonesia for costs primarily associated with the Anggun-1X exploration well, and \$0.2 million in Canada at the Sawn Lake SAGD property of Andora. In addition, Pan Orient's share of Thailand Joint Venture capital expenditures was \$2.3 million related to site construction and access road at the new discovery L53-DD oil field, drilling of L53-DD1 and L53-DD1 wells, workover programs, reservoir engineering, and other development activities and capitalized general and administrative expenses. At December 31, 2018, working capital and non-current deposits (including the Thailand Joint Venture) totaled \$39.5 million and the Company had no long-term debt.

Q1 2019 – Total corporate adjusted funds flow from operations of \$1.6 million. Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, adjusted funds flow from operations of \$2.7 million with average daily oil sales from Concession L53 of 507 BOPD (\$60.35 per barrel) and working capital and long-term deposits at March 31, 2019 of \$6.4 million. Net loss attributable to common shareholders was \$0.8 million (\$0.02 loss per share) for the quarter. Pan Orient had capital expenditures of \$3.3 million in the first quarter of 2019, with \$0.6 million in Indonesia for costs primarily associated with the Anggun-1X exploration well, and \$0.1 million in Canada at the Sawn Lake SAGD property of Andora. In addition, Pan Orient's share of Thailand Joint Venture capital expenditures was \$2.8 million mainly related to the drilling of the L53-DD3 and L53-DD4 wells, workovers and capitalized general and administrative expense. At March 31, 2019, working capital and non-current deposits (including the Thailand Joint Venture) totaled \$38.0 million and the Company had no long-term debt.

Q2 2019 – Total corporate adjusted funds flow from operations of \$5.7 million. Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, adjusted funds flow from operations of \$6.7 million with average daily oil sales from Concession L53 of 1,072 BOPD (\$68.16 per barrel) and working capital and long-term deposits at June 30, 2019 of \$11.4 million. Net income attributable to common shareholders was \$1.3 million (\$0.02 per share) for the quarter. Pan Orient had capital expenditures of \$2.8 million in the second quarter of 2019, with \$1.1 million in Indonesia for costs primarily associated with the Anggun-1X exploration well, and \$0.1 million in Canada at the Sawn Lake SAGD property of Andora. In addition, Pan Orient's share of Thailand Joint Venture capital expenditures was \$1.6 million mainly related to the remaining drilling costs and workover activities at the L53-DD3 and L53-DD4 wells and capitalized general and administrative expense. At June 30, 2019, working capital and non-current deposits (including the Thailand Joint Venture) totaled \$40.3 million and the Company had no long-term debt.

Q3 2019 – Total corporate adjusted funds flow from operations of \$6.4 million. Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, adjusted funds flow from operations of \$6.4 million with average daily oil sales from Concession L53 of 1,418 BOPD (\$49.56 per barrel) and working capital and long-term deposits at September 30, 2019 of \$9.4 million. Net income attributable to common shareholders was \$1.1 million (\$0.02 per share) for the quarter. Pan Orient had capital expenditures of \$2.5 million in the third quarter of 2019, with \$2.3 million in Indonesia for costs primarily associated with the Anggun-1X exploration well, and \$0.2 million in Canada at the Sawn Lake SAGD property of Andora. In addition, Pan Orient's share of Thailand Joint Venture capital expenditures was \$1.9 million mainly related to the drilling costs at the L53-DD5, L53-DD5ST1, L53-DD6 and L53-DD6ST1 wells, workover activities and capitalized general and administrative expense. At September 30, 2019, working capital and non-current deposits (including the Thailand Joint Venture) totaled \$41.9 million and the Company had no long-term debt.

Q4 2019 – Total corporate adjusted funds flow from operations of \$3.2 million. Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, adjusted funds flow from operations of \$4.1 million with average daily oil sales from Concession L53 of 1,232 BOPD (\$36.00 per barrel) and working capital and long-term deposits at December 31, 2019 of \$10.5 million. Net loss attributable to common shareholders was \$26.9 million (\$0.49 loss per share) for the quarter. The Company reported a \$28.6 million impairment charge on East Jabung exploration and evaluation assets offset by the \$1.6 million associated reduction in accumulated other comprehensive income related to foreign currency translation for a net impairment expense of \$27.0 million. Pan Orient had capital expenditures of \$8.4 million in the fourth quarter of 2019, with \$8.2 million in Indonesia for costs primarily associated with the Anggun-1X exploration well, and \$0.2 million in Canada at the Sawn Lake SAGD property of Andora. In addition, Pan Orient's share of Thailand Joint Venture capital expenditures was \$2.9 million mainly related to the drilling costs at the L53-B1 appraisal well, workover activities and capitalized general and administrative expense. At December 31, 2019, working capital and non-current deposits (including the Thailand Joint Venture) totaled \$32.7 million and the Company had no long-term debt.

Q1 2020 – Total corporate adjusted funds flow from operations of \$4.4 million. Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, adjusted funds flow from operations of \$3.7 million with average daily oil sales from Concession L53 of 1,186 BOPD (\$34.11 per barrel) and working capital and long-term deposits at March 31, 2020 of \$5.9 million. Net loss attributable to common shareholders was \$57.1 million (\$1.05 loss per share) for the quarter. The Company reported a \$85.8 million on Sawn Lake Exploration and Evaluation assets in the first quarter of 2020 offset by the associated \$5.6 million reduction in deferred tax liabilities for a net impairment expense of \$80.2 million. The net impairment charge of \$80.2 million is reported as \$57.6 million attribution to common shareholders of Pan Orient and \$22.6 million attributable to the non-controlling interest (being the other shareholders of Andora). Pan Orient had capital expenditures of \$85 thousand in the first quarter of 2020 related to capitalized operating expenses for the suspended demonstration project facility and wellpair at Sawn Lake Central and capitalized G&A. In addition, Pan Orient's share of Thailand Joint Venture capital expenditures was \$3.8 million mainly related to the drilling of L53-DD6ST2 appraisal well, L53-AA2 exploration well, L53-AA1 exploration well, L53-AAST1 sidetrack exploration well, workover activities, equipment inventory purchases, capitalized general and administrative expenses and other development activities. At March 31, 2020, working capital and non-current deposits (including the Thailand Joint Venture) totaled \$32.2 million and the Company had no long-term debt.

Q2 2020 – Total corporate adjusted funds flow from operations of \$1.2 million. Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, adjusted funds flow from operations of \$2.0 million with average daily oil sales from Concession L53 of 1,060 BOPD (\$20.91 per barrel) and working capital and long-term deposits at June 30, 2020 of \$6.6 million. Net loss attributable to common shareholders was \$1.0 million (\$0.02 loss per share) for the quarter. Pan Orient's share of Thailand Joint Venture capital expenditures was \$1.4 million mainly related to the drilling of L53-BB1 exploration well, workover activities, equipment inventory purchases, capitalized general and administrative expenses and other development activities. At June 30, 2020, working capital and non-current deposits (including the Thailand Joint Venture) totaled \$31.4 million and the Company had no long-term debt.

Q3 2020 – Total corporate adjusted funds flow from operations of \$2.4 million. Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, adjusted funds flow from operations of \$3.5 million with average daily oil sales from Concession L53 of 1,114 BOPD (\$34.52 per barrel) and working capital and long-term deposits at September 30, 2020 of \$3.5 million. Net loss attributable to common shareholders was \$1.1 million (\$0.02 loss per share) for the quarter. Pan Orient's share of Thailand Joint Venture capital expenditures was \$3.4 million mainly related to the drilling of L53-DD7 and L53-DD8 appraisal wells, workover activities, equipment inventory purchases, capitalized general and administrative expenses and other development activities. At September 30, 2020, working capital and non-current deposits (including the Thailand Joint Venture) totaled \$29.9 million and the Company had no long-term debt.

Additional Information

Additional information relating to the Company can be found on SEDAR at www.sedar.com



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