



PAN ORIENT ENERGY CORP.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

(Unaudited)

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

(\$000s)	March 31 2021	December 31 2020
Assets		
Current		
Cash and cash equivalents	26,499	26,412
Accounts receivable	610	411
	27,109	26,823
Deposits	610	609
Investment in joint venture (note 3)	26,252	28,329
Right-of-use assets	14	19
Equipment and other (note 5)	442	453
Total assets	54,427	56,233
Liabilities		
Current		
Accounts payable and accrued liabilities	3,810	3,352
Lease liabilities	18	20
Decommissioning provision (note 6)	476	483
	4,304	3,855
Other liabilities	108	70
Decommissioning provision (note 6)	1,767	2,011
Total liabilities	6,179	5,936
Shareholders' equity		
Share capital (note 7)	82,543	85,583
Contributed surplus	32,302	31,089
Non-controlling interest	(5,463)	(5,470)
Accumulated other comprehensive income	899	2,268
Deficit	(62,033)	(63,173)
Total shareholders' equity	48,248	50,297
Total liabilities and shareholders' equity	54,427	56,233

Commitments (note 9)

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	
	March 31	
	2021	2020
Income from investment in joint venture (note 3)	1,902	556
Expenses		
General and administrative	536	574
Operating expense	42	-
Stock-based compensation	139	127
Amortization and depreciation (note 5)	15	14
Decommissioning expense (recovery) (note 6)	(252)	-
Impairment	-	85,799
Finance income	(6)	(109)
Foreign exchange loss (gain)	261	(1,519)
	735	84,886
Income (loss) before taxes and non-controlling interest	1,167	(84,330)
Taxes		
Deferred income tax recovery	-	(5,574)
Net income (loss) from continuing operations	1,167	(78,756)
Net loss from discontinued operations (note 4)	(20)	(465)
Net income (loss)	1,147	(79,221)
Other comprehensive loss		
Foreign exchange loss on translation of Joint Venture (note 3)	(1,369)	(176)
Total other comprehensive loss	(1,369)	(176)
Total comprehensive loss	(223)	(79,397)
Net income (loss) attributable to:		
Common shareholders	1,140	(57,117)
Non-controlling interest	7	(22,104)
Net income (loss)	1,147	(79,221)
Total comprehensive income (loss) attributable to:		
Common shareholders	(229)	(57,293)
Non-controlling interest	7	(22,104)
Total comprehensive loss	(222)	(79,397)
Net income (loss) per share attributable to common shareholders (note 7)		
Basic and diluted . continuing operations	\$ 0.02	\$ (1.04)
Basic and diluted . from discontinued operations	\$ (0.00)	\$ (0.01)
Basic and diluted . net income (loss) attributed to common shareholders	\$ 0.02	\$ (1.05)

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 (Deficit)	Total
Balance as at December 31, 2019	91,131	27,923	16,985	2,903	(3,542)	135,400
Net loss	-	-	(22,104)	-	(57,117)	(79,221)
Stock-based compensation expense	-	127	-	-	-	127
Normal course issuer bid	(1,833)	1,144	-	-	-	(689)
Other comprehensive loss	-	-	-	(176)	-	(176)
Balance as at March 31, 2020	89,298	29,194	(5,119)	2,727	(60,659)	55,441
Balance as at December 31, 2020	85,583	31,089	(5,470)	2,268	(63,173)	50,297
Net income	-	-	7	-	1,140	1,147
Stock-based compensation expense	-	40	-	-	-	40
Normal course issuer bid	(2,411)	1,173	-	-	-	(1,238)
Provision for repurchase of common shares (note 7)	(629)	-	-	-	-	(629)
Other comprehensive loss	-	-	-	(1,369)	-	(1,369)
Balance as at March 31, 2021	82,543	32,302	(5,463)	899	(62,033)	48,248

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 March 31	
	2021	2020
Cash Provided From (Used in)		
Operating Activities		
Net income (loss) from continuing operations	1,167	(78,756)
Adjustments for non-cash items:		
Deferred income tax recovery	-	(5,574)
Amortization and depreciation	15	14
Stock-based compensation (non-cash portion)	40	127
Accretion	8	5
Income from investment in Joint Venture (note 3)	(1,902)	(556)
Impairment	-	85,799
Recovery of decommissioning expense	(252)	-
Unrealized foreign exchange loss (gain)	260	(1,518)
Changes in non-cash working capital	(327)	60
Cash flow used in operating activities	(991)	(399)
Investing Activities		
Property, plant and equipment	-	(2)
Exploration and evaluation	-	(83)
Dividend from investment in joint venture (note 3)	2,600	4,300
Changes in non-cash working capital	10	(13)
Cash flow from investing activities	2,610	4,202
Financing Activities		
Normal course issuer bid	(1,238)	(689)
Finance lease payments	(2)	(10)
Cash flow used in financing activities	(1,240)	(699)
Change in cash and cash equivalents from continuing operations	379	3,104
Change in cash and cash equivalents from discontinued operations (note 4)	(33)	(526)
Effect of foreign exchange on cash and cash equivalents	(259)	1,518
Cash and cash equivalents, beginning of period	26,412	24,767
Cash and cash equivalents, end of period	26,499	28,863

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.

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

2) BASIS OF PRESENTATION

Statement of Compliance

The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2020. 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.

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 May 11, 2021.

Use of Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions, and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the dates of the statements of financial position as well as the reported amounts of revenues, expenses, and cash flows during the periods presented. Such estimates relate primarily to unsettled transactions and events as of the dates of the financial statements. Actual results could differ materially from estimated amounts.

Amounts recorded for depletion and depreciation and amounts used for property, plant and equipment and exploration and evaluation cost impairment calculations are based on a number of factors including estimates of oil and natural gas reserves and future costs required to develop those reserves. To test impairment, costs are allocated into cash generating units (CGUs) based on their ability to generate largely independent cash flows. The determination of CGUs is subject to judgment.

Stock-based compensation is subject to the estimation of what the ultimate payout will be using pricing models such as Black-Scholes which is based on significant assumptions such as expected volatility, dividend yield and expected term.

Amounts recorded for decommissioning provision and the related accretion expense requires the use of estimates with respect to the amount and timing of abandonment costs, inflation and interest rates.

The provision for income taxes is based on judgments in applying income tax law and estimates on the applicable tax rates, timing, likelihood and reversal of temporary differences between the accounting and tax bases of assets and liabilities. These estimates are subject to measurement uncertainty and changes in these estimates could materially impact the financial statements of future periods.

In early March 2020, the World Health Organization declared the COVID-19 coronavirus outbreak to be a pandemic. Responses to the spread of COVID-19 have resulted in significant disruption to business operations and a significant increase in economic uncertainty, with more volatile commodity prices and currency exchange rates, and a marked decline in long-term interest rates. These events are resulting in a challenging economic climate in which it is difficult to reliably estimate the length or severity of these developments and their financial impact. The results of the potential economic downturn and any potential resulting direct and indirect impact to the Company has been considered in management's estimate described above at the period end; however there could be a further prospective material impact in future period.

3) 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. Initial recognition of the investment in Joint Venture was recorded at fair value. The carrying amount is subsequently increased or decreased to recognize the Company's share of the profit or loss from the joint venture. 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. The carrying amount of the Company's Investment in Joint Venture is as follows:

Three months ended: (\$000s)	March 31	
	2021	2020
Investment in Joint Venture, beginning of period	28,329	34,127
Change in amounts due from joint venture	(10)	2
Net income from Joint Venture, after tax	1,902	556
Dividend paid	(2,600)	(4,300)
Foreign currency translation	(1,369)	(176)
Investment in Joint Venture, end of period	26,252	30,209

Pan Orient Energy (Siam) Ltd. ⁽¹⁾ Summarized Financial Information (\$000s)	March 31	
	2021	2020
Current assets	22,986	21,167
Non-current assets	67,109	73,010
Current liabilities	(14,928)	(10,623)
Non-current liabilities	(29,631)	(32,341)
Net assets	45,536	51,213

Pan Orient's Investment in Joint Venture		
Pan Orient's 50.01% share of net assets of Pan Orient Energy (Siam) Ltd.	22,770	25,609
Fair value adjustment on initial recognition	8,924	8,924
Amortization of fair value adjustment on initial recognition	(4,202)	(3,052)
Change in amounts due from Joint Venture, since initial recognition	(1,240)	(1,272)
Investment in Joint Venture	26,252	30,209

(1) Represents 100% of net assets of Pan Orient Energy (Siam) Ltd. and the Company has 50.01% equity interest in Pan Orient Energy (Siam) Ltd.

The Company's share of income from the Joint Venture is as follows:

Pan Orient Energy (Siam) Ltd. ⁽¹⁾ Summarized Statement of Comprehensive Income (\$000s)	Three Months Ended March 31	
	2021	2020
Oil revenue	17,970	13,736
Royalties	(958)	(707)
Interest income	-	1
Total net revenue	17,012	13,030
Production and operating	1,511	1,480
Transportation	584	504
Depletion, depreciation and amortization	4,409	4,758
General and administrative	496	481
Foreign exchange gain	(26)	(14)
Total expenses	6,974	7,209
Income before income taxes	10,038	5,821
Current income tax expense	5,818	3,216
Deferred income tax expense (recovery)	(95)	913
Net income	4,315	1,692
Other comprehensive loss	(2,738)	(351)
Total comprehensive income	1,577	1,341
Pan Orient's share of income from Joint Venture under equity method, (50.01% net to Pan Orient)		
Pan Orient's share of net income	2,157	846
Amortization of fair value adjustment	(255)	(290)
Net income from Joint Venture	1,902	556

(1) Represents 100% of comprehensive income or loss of Pan Orient Energy (Siam) Ltd. and the Company has 50.01% equity interest in Pan Orient Energy (Siam) Ltd.

4) DISCONTINUED OPERATIONS

The undeveloped onshore interests in Indonesian East Jabung PSC expired in January 2020 and the operator is determining final steps to be taken for formal approval of the expiry from the Government of Indonesia, including reclamation requirements. The Company is withdrawing from operations in Indonesia and the office in Jakarta was closed on March 31, 2020. The operation in Indonesia for accounting purposes effective January 1, 2020 is considered a discontinued operation under IFRS 5. Non-current assets held for sale and discontinued operations.

Net loss from discontinued operations for the three months ended March 31, 2021 and 2020 is as follow:

(\$000s)	Three months ended March	
	2021	2020
Expenses		
General and administrative	51	72
Amortization	-	111
Exploration expense	1	-
Foreign exchange loss (gain)	(32)	282
Net loss from discontinued operations	20	465

Discontinued operations reported in the consolidated statements of cash flows are as follows:

(\$000s)	Three months ended March	
	2021	2020
Cash flow used in operating activities	(33)	(415)
Cash flow used in financing activities	-	(111)
Change in cash and cash equivalents from discontinued operations	(33)	(526)

5) EQUIPMENT AND OTHER

A reconciliation of the carrying amount of property, plant and equipment as at March 31, 2021 is set out below:

(\$000s)	Patent	Corporate Assets	Total
Cost			
At December 31, 2020 and March 31, 2021	699	755	1,454
At December 31, 2020	(255)	(746)	(1,001)
Amortization and depreciation	(10)	(1)	(11)
At March 31, 2021	(265)	(747)	(1,012)
Net book value			
At December 31, 2020	444	9	453
At March 31, 2021	434	8	442

6) DECOMMISSIONING PROVISION

A reconciliation of the Company's decommissioning provision at March 31, 2021 is set out below.

(\$000s)	Canada	Indonesia	Total
At December 31, 2020	2,011	483	2,494
Revisions to obligations	(252)	-	(252)
Accretion	8	-	8
Foreign currency translation	-	(7)	(7)
At March 31, 2021	1,767	476	2,243
Less current portion	-	(476)	(476)
Non-current portion	1,767	-	1,767

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 1.55% for inflation (December 31, 2020 - 1.37%), required to settle the Company's decommissioning provision are estimated to be \$3.4 million at March 31, 2021 (December 31, 2020 - \$3.2 million). Payments to settle the provision will be made over the operating lives of the underlying assets and are estimated to be incurred between 2021 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 1.83% at March 31, 2021 (December 31, 2020 - 1.09%).

7) 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, 2020	51,744,007	\$ 85,583
Shares purchased under normal course issuer bid	(1,441,500)	(2,411)
Repurchase of common shares provision	-	(629)
Balance as at March 31, 2021	50,302,507	\$ 82,543

In May 2020, 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 4,228,734 of its common shares (10% of the public float), subject to a maximum of 1,059,190 common shares (2% of the 52,959,507 issued and outstanding common shares) during any 30 day period. The ability to purchase common shares under the bid commenced on May 21, 2020 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.

In December 2020, the Company entered into an Automatic Share Purchase Plan (ASPP), which permits an independent broker to repurchase shares during certain blackout periods under the Company's normal course issuer bid, subject to agreed trading parameters and other instructions for such purchases. At March 31, 2021, the Company recognized a provision of \$1.5 million (December 31, 2020 - \$0.9 million) in accounts payable and accrued liabilities as an estimate for the number of shares that may be repurchased during potential blackout periods at the maximum share price under the ASPP.

During the first quarter of 2021, the Company has repurchased 1,441,500 shares at an average price of \$0.86 per share under the normal course issuer bid which included 1,300,000 shares at an average price of \$0.86 per share repurchased under the ASPP. From April 1, 2021 to May 11, 2021, the Company has repurchased additional 271,500 shares at an average price of \$0.89 per share which were all repurchased under the ASPP.

(c) Options to Purchase Common Shares

	Number of Options ⁽¹⁾	Weighted Average Exercise Price (\$)
Options outstanding at December 31, 2020 and March 31, 2021	2,935,000	1.47

(1) These options are held by directors, senior management, employees and consultant of the Company.

Options Outstanding at March 31, 2021				Options Exercisable at March 31, 2021		
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)
1.09	1,560,000	1.09	1.86	1,560,000	1.09	1.86
1.90	1,375,000	1.90	2.97	1,375,000	1.90	2.97
1.09 . 1.90	2,935,000	1.47	2.38	2,935,000	1.47	2.38

(d) Restricted Share Units

On May 12, 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 RSU 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.

The Company settled the vested portion of the RSUs with cash in 2020. During the first quarter of 2021, the Company recorded an accrued liability (current and non-current) of \$0.3 million for the unvested portion at March 31, 2021 which was based on the Company's closing share price of \$0.89 per share on TSX-V Exchange on March 31, 2021,

(e) Andora Energy Corporation

i) Issued and Outstanding Class A Common Shares

As at March 31, 2020 Andora had 100.1 million (December 31, 2020 . 100.1 million) common shares issued and outstanding of which Pan Orient held 71.8% (December 31, 2020 . 71.8%).

ii) 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, %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. In March 2020, the Company increased the revolving credit facility limit by \$500,000 under the same terms and conditions as the existing credit facility.

Andora entered into a second convertible loan agreement with Pan Orient on November 10, 2020 whereby Andora can draw up to \$500,000 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, %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 \$0.01 per share.

As at March 31, 2021, a total of \$2.5 million (December 31, 2020 - \$2.5 million) was fully drawn against the first credit facility and \$100,000 was drawn against the second convertible loan. Subsequent to March 31, 2021, additional \$100,000 was drawn against the second credit facility and the undrawn balance of \$300,000 is available for use. As a result of the impairment of Andora's E&E assets recorded in 2020, the facility due from Andora is not expected to be collected in the foreseeable future.

(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 March 31	
	2021	2020
Weighted average common shares . basic and diluted	50,992,963	54,329,512
Net income (loss) attributable to common shareholders (\$000s)	1,140	(57,117)
Net income (loss) per share, basic and diluted	\$ 0.02	\$ (1.05)

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

8) FINANCIAL INSTRUMENTS

As at March 31, 2021 the following financial instruments were denominated in currencies other than the Canadian dollar:

	March 31, 2021	December 31, 2020
	US dollar (\$000s)	US dollar (\$000s)
Cash and cash equivalents	16,512	16,582
Deposits	24	25
Accounts payable and accrued liabilities	(1,592)	(1,580)
Net exposure in foreign currency	14,944	15,027
Net exposure in Canadian dollars ⁽¹⁾ (\$000s)	18,784	19,122

⁽¹⁾ Translated at March 31, 2021 and December 31, 2020 exchange rates.

9) COMMITMENTS

As at March 31, 2021 the Company's estimated outstanding capital commitments are as follows:

			Estimated Net Financial Commitment ⁽¹⁾
Country and Concession Name	Remaining Work Program Commitment	Obligation Period	CAD (\$000s)
Canadian Heavy Oil Sands – Andora Energy Corporation			
Sawn Lake, Alberta	▪ Natural gas pipeline tariff	April 1, 2022 to March 31, 2030	801

⁽¹⁾ 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 working capital. Subsequent to March 31, 2021, the Company extended the obligation period by one year starting on April 1, 2023 and ending on March 31, 2031.



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