



**PAN ORIENT ENERGY CORP.**

**ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON JANUARY 18, 2022**

**NOTICE OF MEETING AND  
MANAGEMENT INFORMATION CIRCULAR**

**DECEMBER 10, 2021**

**PROTECTION AGAINST COVID-19**

*Please read the important information on the next page regarding steps being taken by Pan Orient to minimize the risk of COVID-19 transmission at the meeting.*

**PAN ORIENT ENERGY CORP.**

1505, 505 – 3<sup>rd</sup> Street SW  
Calgary, Alberta  
T2P 3E6 Canada

December 10, 2021

Dear Shareholder:

We are pleased to invite you to attend the annual and special meeting of holders of common shares of Pan Orient Energy Corp. to be held at the Calgary Petroleum Club, Cardium Room, 319 – 5<sup>th</sup> Avenue SW, Calgary, Alberta, on Tuesday, January 18, 2022, commencing at 9:00 a.m. (Calgary time).

The items of business to be acted on by the shareholders are set forth in the accompanying notice of meeting and management information circular. In addition to the usual annual meeting items of business, shareholders will be asked to pass a special resolution to approve a reorganization.

The reorganization will be comprised of a reduction of stated capital and a share exchange and other transactions contemplated by an amendment to Pan Orient's articles of incorporation. When effected, the reorganization will result in a return of capital on the share exchange. A shareholder will, for each common share held, receive CAD \$0.40 as a return of capital when the common share is deemed to be exchanged for one new common share. No new share certificates will be issued and a certificate that evidences current common shares will be deemed to evidence the same number of new common shares.

If the special resolution is approved by shareholders at the meeting, the Pan Orient directors intend to fix the effective date for the reorganization, the record date for the purpose of determining shareholders entitled to receive the return of capital and the payment date for the return of capital. A news release announcing those dates will be issued and it is anticipated that the dates will occur in the weeks following the meeting.

The return of capital is expected to be made in accordance with the "due bill" trading procedures mandated by the TSX Venture Exchange for large dividends and distributions. The purpose is to result in traded shares carrying the value of the CAD \$0.40 return of capital until it is paid.

The aggregate amount of the reduction of stated capital and return of capital is expected to be CAD \$19,917,562.80, based on the number of common shares issued and outstanding. The return of capital will be funded from Pan Orient's cash reserves. Pan Orient believes that the return of capital is an appropriate use of its financial resources. Pan Orient's remaining cash reserves, plus ongoing cash flow from Concession L53 in Thailand, are expected to be sufficient to fund its continuing business operations for the remainder of 2022.

The return of capital portion of the reorganization is expected to be generally more tax advantageous to shareholders than a dividend.

The resolution must be passed as a special resolution by a majority of not less than two-thirds (66⅔%) of the votes cast by shareholders who vote in respect of the resolution at the meeting in person or by proxy.

**The Pan Orient directors have unanimously determined that the reorganization is in the best interests of Pan Orient and unanimously recommend that shareholders vote in favor of the special resolution at the meeting.**

As your vote is important, your shares should be represented at the meeting whether or not you are able to attend. If you do not plan to attend, please appoint a proxyholder in the manner described in the notice of meeting and management information circular so that your shares can be voted at the meeting in accordance with your instructions.

If you have questions about Pan Orient Energy Corp., please contact me by email at [jeff@panorient.ca](mailto:jeff@panorient.ca).

Sincerely,

*(signed) Jeff Chisholm*  
President and Chief Executive Officer

### **PROTECTION AGAINST COVID-19**

**Summary** – Steps are being taken by Pan Orient to minimize the risk of COVID-19 transmission at the meeting. To summarize, shareholders are encouraged to vote by proxy rather than attending the meeting in person.

**Vote by proxy** – Although the meeting will be held in person, Pan Orient shareholders are encouraged to not physically attend the meeting and instead vote by proxy in advance of the meeting.

**Pan Orient will be restricting physical access to the meeting.**

- Registered shareholders and properly appointed proxyholders may attend the meeting in person, but they are encouraged not to do so.
- Beneficial shareholders, who hold their shares through another person such as a brokerage firm, will be permitted to attend the meeting in person, but they are strongly encouraged not to do so.
- Other meeting participants (scrutineers, auditors, counsel and Pan Orient directors, officers and employees) may attend the meeting in person, but it is anticipated that many will attend by telephone.
- No one else will be permitted to attend the meeting.

**Vote by proxy** – Instructions for voting by proxy are contained in the notice of meeting on the next following page and on page 1 of the accompanying management information circular. If you are a beneficial shareholder and receive these materials from your broker or other intermediary, please complete and return the form of proxy in accordance with the instructions provided to you by the intermediary.

**No corporate presentation** – The business of the meeting will be restricted to the matters listed in the notice of meeting on the next following page. There will be no corporate presentation by management. Instead, a corporate presentation will be posted on Pan Orient's website, at [www.panorient.ca](http://www.panorient.ca).

## PAN ORIENT ENERGY CORP.

### NOTICE OF MEETING

NOTICE IS GIVEN that the annual and special meeting of the holders of common shares of Pan Orient Energy Corp. will be held at the Calgary Petroleum Club, Cardium Room, 319 – 5<sup>th</sup> Avenue SW, Calgary, Alberta, on Tuesday, January 18, 2022, commencing at 9:00 a.m. (Calgary time), for the following purposes, each as described in the management information circular accompanying this notice of meeting:

1. to receive the financial statements of the Corporation for the year ended December 31, 2020 and the auditor's report thereon;
2. to appoint KPMG LLP as auditor of the Corporation for the financial year ended December 31, 2021 and authorize the board of directors to fix the remuneration of the auditor;
3. to set the number of directors to be elected at five;
4. to elect the board of directors;
5. to consider and, if deemed advisable, to approve, with or without variation, a special resolution to:
  - a. approve a reduction in the stated capital of the common shares by an amount equal to CAD \$0.40 multiplied by the number of common shares issued and outstanding (the "**Reduction of Stated Capital**"), for the purpose of effecting a special distribution to shareholders of CAD \$0.40 per common share as a return of capital (the "**Return of Capital**");
  - b. amend the articles of the Corporation (the "**Articles**") in the following order:
    - i. to create a new class of common shares of the Corporation (the "**New Shares**"), designated as "common shares", unlimited in number and with identical rights, privileges, restrictions and conditions to the current common shares of the Corporation (the "**Old Shares**") before the change described in paragraph (b)(ii) below;
    - ii. to change the rights, privileges, restrictions and conditions attached to the Old Shares so that the holders of the issued and outstanding Old Shares will be entitled to receive the Return of Capital and immediately thereafter each issued and outstanding Old Share will be deemed to be exchanged for one New Share (the "**Share Exchange**") and the Old Share will be cancelled; and
    - iii. to cancel the Old Shares as a class so that the Corporation is no longer authorized to issue Old Shares; and
  - c. restate the Articles, as amended, pursuant to Section 180(1) of the *Business Corporations Act* (Alberta),

all as more particularly described in the accompanying management information circular of Pan Orient dated December 10, 2021; and

6. to transact such other business as may be properly brought before the meeting or any adjournment thereof.

The board of directors has fixed December 8, 2021 as the record date for the determination of shareholders entitled to notice of and to vote at the meeting and at any adjournment thereof.

**Steps are being taken by the Corporation to minimize the risk of COVID-19 transmission at the meeting. Shareholders are encouraged to vote by proxy rather than attending the meeting in person. Pan Orient will be restricting physical access to the meeting. Details are contained on page 1 of the accompanying management information circular.**

Only shareholders of record on the record date are entitled to receive notice of and to vote at the meeting, except to the extent that a shareholder of record transfers his or her shares after the record date and the transferee produces properly endorsed share certificates or otherwise establishes that he or she owns the shares, and demands, not later than ten days before the meeting, that his or her name be included in the list of shareholders entitled to vote.

A registered shareholder may appoint a proxyholder to attend and act at the meeting in accordance with the shareholder's instructions. A shareholder wishing to appoint a proxyholder should complete, sign and mail the enclosed form of proxy to, or deposit it with, Computershare Trust Company of Canada, Proxy Dept., 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario, Canada M5J 2Y1, or by facsimile at 1-866-249-7775, so that it is received no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the meeting. Registered shareholders may also use the internet site at [www.investorvote.com](http://www.investorvote.com) to transmit their voting instructions or vote by phone at 1-866-732-VOTE (8683) (toll free within North America), or 1-312-588-4290 (outside North America).

There are also procedures, described in the accompanying management information circular, for beneficial owners of shares to give voting instructions to the registered owners of those shares.

DATED at Calgary, Alberta as of December 10, 2021.

By Order of the Board of Directors,

*(signed) Jeff Chisholm*  
President and Chief Executive Officer

**PAN ORIENT ENERGY CORP.**  
**MANAGEMENT INFORMATION CIRCULAR**

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## PROXY SOLICITATION MATTERS

### PURPOSE OF SOLICITATION

This management information circular is furnished by Pan Orient Energy Corp. ("**Pan Orient**" or the "**Corporation**") in connection with the solicitation of proxies by management of the Corporation for use at the annual and special meeting (the "**Meeting**") of holders of common shares ("**Common Shares**") of the Corporation to be held at the Calgary Petroleum Club, Cardium Room, 319 – 5<sup>th</sup> Avenue SW, Calgary, Alberta, on Tuesday, January 18, 2022, commencing at 9:00 a.m. (Calgary time), and at any adjournment thereof, for the purposes set forth in the accompanying notice of the Meeting and this management information circular.

### PROTECTION AGAINST COVID-19

**Summary** – Steps are being taken by Pan Orient to minimize the risk of COVID-19 transmission at the meeting. To summarize, shareholders are encouraged to vote by proxy rather than attending the meeting in person.

**Vote by proxy** – Although the meeting will be held in person, Pan Orient shareholders are encouraged to not physically attend the meeting and instead vote by proxy in advance of the meeting.

Pan Orient will be restricting physical access to the meeting.

- Registered shareholders and properly appointed proxyholders may attend the meeting in person, but they are encouraged not to do so.
- Beneficial shareholders, who hold their shares through another person such as a brokerage firm, will be permitted to attend the meeting in person, but they are strongly encouraged not to do so.
- Other meeting participants (scrutineers, auditors, counsel and Pan Orient directors, officers and employees) may attend the meeting in person, but it is anticipated that many will attend by telephone.
- No one else will be permitted to attend the meeting.

**Vote by proxy** – Instructions for voting by proxy are below.

**No corporate presentation** – The business of the meeting will be restricted to the matters listed in the notice of meeting that accompanies this management information circular. There will be no corporate presentation by management. Instead, a corporate presentation will be posted on Pan Orient's website, at [www.panorient.ca](http://www.panorient.ca).

### APPOINTMENT OF PROXIES

The enclosed proxy is solicited by and on behalf of management of the Corporation. The persons named in the enclosed form of proxy are officers of the Corporation. **A holder of Common Shares submitting a form of proxy has the right to appoint a person (who need not be a shareholder of the Corporation) other than the persons designated in the form of proxy to attend and act for him or her at the Meeting. A shareholder desiring to appoint some other person to represent him or her at the Meeting may do so either by inserting such other person's name in the blank space provided in the form of proxy or by completing another form of proxy.**

A shareholder wishing to appoint a proxyholder should complete, sign and mail the enclosed form of proxy to, or deposit it with, Computershare Trust Company of Canada, Proxy Dept., 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario, Canada M5J 2Y1, or by facsimile at 1-866-249-7775, so that it is received no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting. Registered shareholders may also use the internet site at [www.investorvote.com](http://www.investorvote.com) to transmit their voting instructions or vote by phone at 1-866-732-VOTE (8683) (toll free within North America), or 1-312-588-4290 (outside North America).

Solicitation will be primarily by mail, but some proxies may be solicited personally or by telephone, facsimile transmission or other electronic means by officers, directors or employees of the Corporation at a nominal cost. All costs in connection with the solicitation of proxies will be borne by the Corporation.

### VOTING OF PROXIES

All Common Shares represented at the Meeting by properly executed proxies will be voted (including voting on any ballot), and where a choice with respect to any matter to be acted on has been specified in the form of proxy, the Common Shares represented by the proxy will be voted in accordance with such specification. **In the absence of**

**any such specification, the persons named in the form of proxy, who are officers of the Corporation, will, if named as proxy, vote in favor of the resolutions set forth in the accompanying notice of the Meeting.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to (a) amendments or variations to matters identified in the notice of the Meeting and (b) other matters which may properly come before the Meeting or any adjournment thereof. As at the date of this management information circular, management of the Corporation knows of no amendments, variations or other matters to come before the Meeting other than the matters referred to in the notice of the Meeting. If any such amendment, variation or other matter properly comes before the Meeting, the Common Shares represented by proxies in favor of management will be voted on such matters in accordance with the best judgment of the person named in the proxy.

#### **REVOCAION OF PROXIES**

**A holder of Common Shares who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy. Subject to compliance with the requirements set forth in the following paragraph, the giving of a proxy will not affect the right of a holder of Common Shares to attend and vote in person at the Meeting.**

A shareholder who has given a proxy may revoke it at any time prior to the exercise thereof either by (a) signing a form of proxy bearing a later date and depositing the same with Computershare Trust Company of Canada not less than 48 hours (excluding Saturdays, Sundays and holidays in Alberta) before the time of the Meeting or any adjournment thereof, or with the chairman of the Meeting before any vote in respect of which the proxy is to be used shall have been taken, or (b) attending the Meeting in person and registering with the scrutineers as a shareholder personally present.

#### **VOTING SHARES AND RECORD DATE**

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series ("**Preferred Shares**"). As at December 8, 2021 (the "**Record Date**"), there were 49,793,907 Common Shares and no Preferred Shares issued and outstanding.

##### ***Common Shares***

The holders of Common Shares are entitled to one vote per Common Share held at meetings of shareholders, to receive dividends if, as and when declared by the board of directors of the Corporation and to receive pro rata the remaining property and assets of the Corporation upon its dissolution or winding up, subject to the rights of shares having priority over the Common Shares.

##### ***Preferred Shares***

The holders of Preferred Shares are not entitled to vote at meetings of shareholders. The holders of Preferred Shares are entitled, in priority to the Common Shares, to cumulative dividends at a rate declared by the board of directors, any accrued unpaid dividends and a return of the paid up amount of the Preferred Shares upon the dissolution or winding up of the Corporation.

##### ***Record Date***

The board of directors has fixed December 8, 2021 as the Record Date for the determination of shareholders entitled to notice of and to vote at the Meeting and at any adjournment thereof. Shareholders of record at the close of business on the Record Date are entitled to such notice and to vote at the Meeting.

Persons who are transferees of any Common Shares acquired after the Record Date and who have produced properly endorsed certificates evidencing such share ownership or who otherwise establish to the satisfaction of the Corporation ownership thereof and demand, not later than 10 days before the Meeting, or such other time as is acceptable to the Corporation, that their names be included in the list of shareholders, are entitled to vote at the Meeting. Only forms of proxy from registered shareholders as of the Record Date can be recognized and voted at the Meeting. Persons who are beneficial holders of Common Shares as of the Record Date will be entitled to vote at the Meeting in accordance with the procedures established pursuant to Canadian Securities Administrators National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*.

### **ADVICE TO BENEFICIAL SHAREHOLDERS**

Holders of Common Shares who do not hold their shares in their own name but instead hold their shares through another person, such as a brokerage firm or financial institution, are commonly known as "beneficial" or "non-registered" shareholders. They are advised to carefully follow the instructions enclosed in their proxy package when completing their voting instruction card. Every intermediary (brokerage firm) has its own mailing procedure and provides its own return instructions which should be carefully followed. All references to holders of Common Shares in this management information circular, the accompanying form of proxy and notice of the Meeting are to shareholders of record unless specifically stated otherwise.

**If you are a beneficial shareholder and wish to vote in person at the Meeting, please contact your broker or agent well in advance of the Meeting to determine how you can do so.**

### **PRINCIPAL HOLDERS OF VOTING SHARES**

To the knowledge of the Corporation's directors and executive officers, as at the date of this management information circular, the only person or corporation who beneficially owns, or controls or directs, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to the issued and outstanding Common Shares of the Corporation is Gulf Overseas Investment Trading Corporation ("**GOITC**"), of Portcullis Trustnet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands.

A December 15, 2014 news release issued and early warning report filed on the System for Electronic Document Analysis and Retrieval (SEDAR) by GOITC disclosed that GOITC held 5,755,700 Common Shares. Since that date, reports filed by GOITC's controlling shareholder pursuant to the System for Electronic Disclosure by Insiders (SEDI) disclose the purchase of a further 562,400 Common Shares, for a current total of 6,318,100 Common Shares. That ownership is 12.7% of the number of issued and outstanding Common Shares at as at the date of this management information circular, assuming that GOITC continues to hold the same number of Common Shares. GOITC said that the purchased Common Shares were acquired for investment purposes and additional Common Shares may be acquired, subject to price and availability.

As at the Record Date, the directors and officers of Pan Orient own, directly or indirectly, 4,354,067 Common Shares, representing approximately 8.7% of the issued and outstanding Common Shares.

### **COMPENSATION GOVERNANCE**

#### ***Compensation Committee***

The board of directors has appointed a Compensation Committee, the members of which are Michael Hibberd (Chair), Richard Alexander and Gerald Macey. Each is an independent director. Mr. Hibberd is a member of the compensation committee of two other public companies and Mr. Alexander is a member of the compensation committee of one other public company. By virtue of education, professional designation and experience in other public oil and gas companies, the Committee members collectively have the skills and experience that enable the Committee to make decisions on the suitability of the Corporation's compensation policies and practices.

The Corporation adopted a Compensation Committee Charter in May 2016. The mandate of the Committee is to (a) review annually and recommend to the board of directors the Corporation's executive officer and director compensation philosophy, strategy and principles, which will take into account the Corporation's strategic and annual business plans, the link between executive officer pay and financial and non-financial performance and the Corporation's risk profile, and (b) oversee the design and administration of the Corporation's executive officer and director compensation plans, policies and programs.

#### ***2020 Compensation Review***

In January 2020, the board of directors authorized the Compensation Committee to retain Lane Caputo Compensation Inc., a Calgary and Vancouver firm of compensation consultants, to conduct an updated review of Pan Orient's compensation practices. Lane Caputo previously performed compensation analysis for the Corporation in 2007, 2009, 2011 and 2013. Lane Caputo was formally retained in February 2020 to assist Pan Orient in the review of compensation for its executive team and non-executive directors by benchmarking compensation practices against a group of peer companies reflecting the Corporation's size and stage of development.

Lane Caputo's initial advice was to describe various long-term incentive plan alternatives and what Pan Orient's peer companies use. Lane Caputo was then asked to prepare a report comparing Pan Orient's executive and director compensation with its peer companies and making recommendations for any changes.

A report from Lane Caputo in May 2020 recommended no change to cash compensation for Pan Orient senior executives or non-executive directors but to adopt a cash settled restricted share unit plan in place of future stock option grants. The Compensation Committee accepted that advice and in turn recommended, and the directors subsequently approved, the adoption of a long-term incentive plan and grant of restricted share units.

Executive compensation-related fees billed by Lane Caputo in 2020 were \$23,100 including GST. No services have been provided by Lane Caputo to date in 2021.

## **COMPENSATION DISCUSSION AND ANALYSIS**

The Corporation's executive compensation program has been designed to attract and retain highly qualified and motivated individuals, and to provide fair and competitive compensation in accordance with industry standards and with the individual's expertise and experience. The compensation program consists of three principal components: (i) base salaries; (ii) annual bonuses; and (iii) long-term compensation comprised of stock options and restricted share units. The Compensation Committee reviews the various aspects of the compensation program from time to time to ensure its effectiveness and whether it adequately reflects the Corporation's business objectives.

### ***Base Salaries***

The annual base salaries for the President & Chief Executive Officer and the Vice President, Finance & Chief Financial Officer are intended to be comparable to amounts paid to executives of similar sized companies in Canada with international oil and gas operations. Salary increases for each executive are established based on the performance of the executive and competitiveness with the market. This is periodically determined by consulting with compensation consultants and participating in third party salary surveys as well as by reviewing other external market data.

The total compensation of the President & Chief Executive Officer was intended to be competitive with amounts paid to expatriate executives of similar sized companies with international oil and gas operations.

### ***Annual Bonuses***

Each of the executive officers is eligible for an annual bonus based on the performance of the Corporation, including relative to its peers, and on the officer's individual performance. Factors considered for evaluating performance and determining bonus amounts include specific targets (reserves, production and stock performance) and other factors such as operating efficiencies, cash flow, the development of new areas and sale and farm-out transactions. The evaluation considers these factors and also recognizes a number of other factors, including the multiple roles played by the executives. Special bonuses or retention payments may also be awarded in exceptional cases on the recommendation of the Compensation Committee.

### ***Stock Options***

The Corporation has a stock option plan, the purpose of which is to advance the interests of the Corporation by encouraging directors, officers, employees, consultants and other eligible service providers of the Corporation and its subsidiaries to acquire Common Shares, thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation and furnishing them with additional incentive in their efforts on behalf of the Corporation in the conduct of its affairs.

The aggregate number of Common Shares that may be reserved for issue upon the exercise of all stock options granted under the stock option plan is limited to 10% of the Corporation's issued and outstanding Common Shares at the date of grant. In addition, the aggregate number of Common Shares that may be issued pursuant to the exercise of stock options to any one individual in a 12-month period cannot exceed 5% of the issued and outstanding Common Shares.

Stock options may be exercisable for up to ten years from the date of grant under the TSX Venture Exchange stock options policy, although the Corporation has only granted options exercisable for five years. The number of stock options, exercise price of each stock option and vesting of options are determined at the date of grant. The exercise price cannot be lower than the last closing price of the Common Shares on the Exchange before the option grant.

As of the date of this management information circular, the Corporation has outstanding options to purchase 2,865,000 Common Shares of the Corporation, comprised of 1,500,000 stock options exercisable at \$1.09 and expiring on February 7, 2023 and 1,365,000 stock options exercisable at \$1.90 and expiring on March 19, 2024. No stock options were granted in 2020 or in 2021 as of the date of this management information circular.

The Corporation adopted a new long-term incentive plan on May 12, 2020, described below under "*Restricted Share Units*". The stock option plan will continue in effect until the exercise or expiry of stock options previously granted thereunder. It is anticipated that no further stock options will be granted before the next annual meeting of shareholders and that shareholders will not be asked at the next annual meeting to approve the stock option plan for another year, which would be required by the TSX Venture Exchange for any new options to be granted.

### ***Restricted Share Units***

Based on the recommendation of the Compensation Committee, after completing the compensation review described above in "*Compensation Governance – 2020 Compensation Review*", the directors of the Corporation adopted a new long-term incentive plan on May 12, 2020.

The purpose of the long-term incentive plan is to encourage and permit selected employees, officers, directors and consultants of the Corporation and its affiliates to work towards and participate in the success of the Corporation. The plan seeks to achieve that purpose by providing for awards in the form of restricted share units ("RSUs") and share appreciation rights. It is anticipated that only restricted share units will be granted in the foreseeable future.

A restricted share unit represents the right to receive a payment in cash equal to the fair market value of a Common Share, its equivalent paid in Common Shares acquired on the open market or a combination of cash and Common Shares. The payment will be made on the vesting date of the restricted share unit. It is anticipated that restricted share units will be settled in cash.

The vesting date or dates of restricted share units is determined at the time of grant but, to achieve certain income tax treatment, cannot be later than December 15 of the third year following the end of the service year in respect of which the restricted share unit is granted. Restricted share units may also be designated as performance restricted share units, which vest, in whole or in part, based on performance criteria specified at the time of grant.

The fair market value of a Common Share is the average closing price of the Common Shares on the TSX Venture Exchange for the ten trading days on which the Common Shares traded immediately preceding the relevant vesting date. If a restricted share unit is paid on vesting in the form of Common Shares (which is not anticipated), then those Common Shares must be issued and outstanding Common Shares acquired by an independent broker, as trustee, on the open market. No Common Shares will be issued from treasury to pay a restricted share unit on vesting. As a consequence, no shareholder approval of the long-term incentive plan is required by the TSX Venture Exchange.

The Corporation granted 1,050,000 restricted share units effective May 19, 2020, to directors, executive officers, employees and a consultant. Those restricted share units are each payable in an amount equal to the fair market value of a Common Share on vesting of the restricted share unit and vest as to one-third six months after the grant date, one-third 18 months after the grant date and the final one-third 30 months after the grant date.

The Corporation granted 520,000 restricted share units effective May 14, 2021, to directors, executive officers, an employee and a consultant. Those restricted share units are each payable in an amount equal to the fair market value of a Common Share on vesting of the restricted share unit and vest as to one-half six months after the grant date and the remaining one-half 12 months after the grant date.

### ***Securities Authorized for Issuance under Equity Compensation Plans***

The following table sets forth information with respect to the Corporation's stock option plan, the only compensation plan under which equity securities of the Corporation are authorized for issuance, as at December 31, 2020.

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options</b>	<b>Weighted Average Exercise Price of Outstanding Options</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans</b>
Equity compensation plan approved by securityholders	2,935,000	\$1.47	2,239,400 <sup>(1)</sup>

Note:

- (1) The Corporation adopted a new long-term incentive plan on May 12, 2020 and it is anticipated that no further stock options will be granted under the stock option plan.

## **EXECUTIVE COMPENSATION**

### ***Named Executive Officer and Director Compensation***

The following table discloses all compensation, other than stock options and other compensation securities, paid by Pan Orient or its subsidiaries in the two financial years ended December 31, 2020 and 2019 to the President & Chief Executive Officer, the Vice President, Finance, Chief Financial Officer & Corporate Secretary, and the Vice President, Operations of Pan Orient's 71.8% owned subsidiary, Andora Energy Corporation ("**Andora**") (the "**Named Executive Officers**") and to the directors of Pan Orient.

**Table of Compensation Excluding Compensation Securities**

<b>Name and position</b>	<b>Year</b>	<b>Salary, consulting fee, retainer or commission (\$)</b>	<b>Bonus <sup>(3)</sup> (\$)</b>	<b>Committee or meeting fees (\$)</b>	<b>Value of perquisites <sup>(4)</sup> (\$)</b>	<b>Value of all other compensa- tion (\$)</b>	<b>Total compensation (\$)</b>
Jeff Chisholm <sup>(1)</sup>	2020	350,000	0	0	404,945	0	754,945
President, Chief Executive Officer & Director	2019	342,473	0	0	388,439	0	730,912
William Ostlund	2020	380,843	0	0	6,572	0	387,415
Vice President, Finance, Chief Financial Officer & Corporate Secretary	2019	380,843	0	0	7,180	0	388,023
Craig Pichach <sup>(2)</sup>	2020	175,000	0	0	6,929	0	181,929
Vice President, Operations, Andora Energy Corporation	2019	175,000	0	0	7,422	0	182,422
Richard Alexander	2020	0	0	58,000	0	0	58,000
Director	2019	0	0	61,000	0	0	61,000
Michael Hibberd	2020	0	0	56,000	0	0	56,000
Director	2019	0	0	59,000	0	0	59,000
Gerald Macey	2020	0	0	76,500	0	0	76,500
Director (Chairman)	2019	0	0	84,000	0	0	84,000
Cameron Taylor	2020	0	0	56,000	0	0	56,000
Director	2019	0	0	59,000	0	0	59,000

Notes:

- (1) Mr. Chisholm provides services to Pan Orient Energy Corp. and its subsidiaries, and to Pan Orient Energy (Siam) Ltd. He receives compensation from Pan Orient Energy (Siam) Ltd., a company that is 50.01% owned by Pan Orient Energy Corp., as President and Thailand General Manager. The economic effect is that the other shareholder of Pan Orient Energy (Siam) Ltd. indirectly incurs a portion of Mr. Chisholm's compensation from Pan Orient Energy (Siam) Ltd. Perquisites were comprised of personal income tax in Thailand (CAD \$246,615 in 2020 and CAD \$224,302 in 2019), accommodation (CAD \$122,855 in 2020 and CAD \$122,119 in 2019), and other items (utilities, annual air fares and medical insurance of, collectively, CAD \$35,475 in 2020 and CAD \$42,018 in 2019). Perquisites were paid in United States dollars or Thai Baht but for purposes of presentation have been converted to Canadian dollars at the average exchange rate in effect for the applicable year. Mr. Chisholm did not receive any additional cash compensation from Pan Orient Energy Corp. and its subsidiaries as an officer or a director of those entities.
- (2) Mr. Pichach is the Vice President, Operations of the Corporation's 71.8% owned subsidiary Andora Energy Corporation. The economic effect is that Pan Orient incurs 71.8% of Mr. Pichach's compensation.

- (3) Bonuses are approved by the board of directors of the Corporation on the recommendation of the compensation committee or approved by the board of directors of Andora Energy Corporation on the recommendation of its compensation committee. No bonuses are payable or were paid by either Pan Orient or Andora for 2020 or 2019 performance.
- (4) Perquisites for Messrs. Ostlund and Pichach in Canada were comprised of parking and life insurance and for Mr. Chisholm in Thailand are described in note (1) above.

***Stock Options and Other Compensation Securities***

The following table discloses all compensation securities granted or issued to each Named Executive Officer and director by Pan Orient or its subsidiaries in the financial year ended December 31, 2020 for services provided or to be provided, directly or indirectly, to Pan Orient or any of its subsidiaries.

<b>Compensation Securities Granted</b>							
<b>Name and position</b>	<b>Type of compensation security</b>	<b>Number of compensation securities granted, number of underlying securities, and percentage of class</b>	<b>Date of issue or grant</b>	<b>Issue, conversion or exercise price (\$)</b>	<b>Closing price of security or underlying security on date of grant (\$)</b>	<b>Closing price of security or underlying security at year end (\$)</b>	<b>Expiry date</b>
Jeff Chisholm President, Chief Executive Officer & Director	RSUs	270,000	May 19/20	0	0.60	0.78	Nov.19/22
William Ostlund Vice President, Finance, Chief Financial Officer & Corporate Secretary	RSUs	170,000	May 19/20	0	0.60	0.78	Nov.19/22
Craig Pichach Vice President, Operations, Andora Energy Corporation	-	0	-	-	-	-	-
Richard Alexander Director	RSUs	120,000	May 19/20	0	0.60	0.78	Nov.19/22
Michael Hibberd Director	RSUs	120,000	May 19/20	0	0.60	0.78	Nov.19/22
Gerald Macey Director (Chairman)	RSUs	120,000	May 19/20	0	0.60	0.78	Nov.19/22
Cameron Taylor Director	RSUs	120,000	May 19/20	0	0.60	0.78	Nov.19/22

Notes:

- (1) Pan Orient restricted share units issued May 19, 2020 are each payable in an amount equal to the fair market value of a Common Share on vesting of the restricted share unit and vest as to one-third six months after the grant date, one-third 18 months after the grant date and the final one-third 30 months after the grant date. At December 31, 2020, the number of restricted share units held by each Named Executive Officer and director (comprised of unvested restricted share units issued on May 19, 2020) was: Jeff Chisholm – 180,000; William Ostlund – 113,333; Richard Alexander – 80,000; Michael Hibberd – 80,000; Gerald Macey – 80,000; and Cameron Taylor 80,000.
- (2) Pan Orient issued additional restricted share units on May 14, 2021, each payable in an amount equal to the fair market value of a Common Share on vesting of the restricted share unit and vesting as to one-half six months after the grant date and the final one-half 12 months after the grant date. As at the date of this management information circular, the number of restricted share units held by each Named Executive Officer and director (comprised of unvested restricted share units issued on May 19, 2020 and May 14, 2021) is: Jeff Chisholm – 157,5000; William Ostlund – 99,166; Richard Alexander – 70,000; Michael Hibberd – 70,000; Gerald Macey – 70,000; and Cameron Taylor 70,000.

- (3) Pan Orient also has outstanding options to purchase Common Shares of the Corporation. Pan Orient options are each exercisable to purchase one Pan Orient Common Share, vest as to one-third on the grant date and the first and second anniversaries of the grant date and expire on the fifth anniversary of the grant date. Further details regarding number, weighted average exercise price and weighted average remaining contractual life of Pan Orient options are contained in note 10(c) to Pan Orient's audited consolidated financial statements as at and for the years ended December 31, 2020 and 2019 and note 7(c) to Pan Orient's unaudited consolidated financial statements as at and for the three months ended September 30, 2021. At December 31, 2020 and the date of this management information circular, the number of Pan Orient options held by each Named Executive Officer and director was: Jeff Chisholm – 870,000; William Ostlund – 725,000; Richard Alexander – 250,000; Michael Hibberd – 245,000; Gerald Macey – 280,000; and Cameron Taylor – 245,000.
- (4) Andora granted options on July 28, 2021, each exercisable to purchase one Andora common share at an exercise price of \$0.01, vesting as to one-third on the grant date and the first and second anniversaries of the grant date and expiring on the fourth anniversary of the grant date. Further details regarding number, weighted average exercise price and weighted average remaining contractual life of Andora options are contained in note 7(e)(ii) to Pan Orient's unaudited consolidated financial statements as at and for the three months ended September 30, 2021. At the date of this management information circular, the number of Andora options held by Named Executive Officers and directors who are also officers and/or directors of Andora, is: Jeff Chisholm – 1,400,000; William Ostlund – 1,400,000; Craig Pichach – 2,000,000; Michael Hibberd – 1,100,000; and Gerald Macey – 1,100,000. Andora common shares are not listed on any stock exchange.

The following table discloses the exercise of compensation securities by each Named Executive Officer and director during the financial year ended December 31, 2020.

**Compensation Securities Exercised**

Name and position	Type of compensation security <sup>(1)</sup>	Number of underlying securities exercised	Exercise price per security (\$)	Date of exercise	Closing price per security on date of exercise (\$) <sup>(2)</sup>	Difference between exercise price and closing price on date of exercise (\$)	Total value on exercise date (\$) <sup>(3)</sup>
Jeff Chisholm President, Chief Executive Officer & Director	RSUs	90,000	-	Nov.19/20	0.58	0.58	52,200
William Ostlund Vice President, Finance, Chief Financial Officer & Corporate Secretary	RSUs	56,667	-	Nov.19/20	0.58	0.58	32,867
Craig Pichach Vice President, Operations, Andora Energy Corporation	-	-	-	-	-	-	-
Richard Alexander Director	RSUs	40,000	-	Nov.19/20	0.58	0.58	23,200
Michael Hibberd Director	RSUs	40,000	-	Nov.19/20	0.58	0.58	23,200
Gerald Macey Director (Chairman)	RSUs	40,000	-	Nov.19/20	0.58	0.58	23,200
Cameron Taylor Director	RSUs	40,000	-	Nov.19/20	0.58	0.58	23,200

Notes:

- (1) All Named Executive Officers and directors other than Mr. Pichach also hold options to purchase Common Shares of Pan Orient and Pan Orient restricted share units. Messrs. Chisholm, Ostlund, Pichach, Hibberd and Macey also hold options to

purchase common shares of Andora. See the notes to the table under "*Executive Compensation – Stock Options and Other Compensation Securities*".

- (2) For restricted share units, the closing price on date of exercise is the fair market value defined and calculated in accordance with the long-term incentive plan (average closing price of the Common Shares on the TSX Venture Exchange for the ten trading days on which the Common Shares traded immediately preceding the relevant vesting date).
- (3) Restricted share units also vested in 2021, on November 14 and 19. The total value on exercise (i.e., amount paid on vesting) of those restricted share units held by named Executive Officers and directors was Jeff Chisholm – \$192,825; William Ostlund – \$121,408.74; Richard Alexander – \$85,700; Michael Hibberd – \$85,700; Gerald Macey – \$85,700; and Cameron Taylor – \$85,700.

### ***Executive Employment Agreements***

Executive employment agreements were entered into by Pan Orient with (a) Jeff Chisholm (President & Chief Executive Officer) in November 2007 (and amended effective September 2012 related to reassignment to Thailand), and (b) William Ostlund (Vice President, Finance, Chief Financial Officer & Corporate Secretary) in October 2008 (and amended and restated in January and April 2009). An executive employment agreement was entered into by Andora Energy Corporation with Craig Pichach (Vice President of Operations of Andora) in August 2012.

The agreements with Messrs. Chisholm, Ostlund and Pichach provide for a payment to the executive if his employment is terminated (a) by Pan Orient or Andora (as applicable, and referred to in this and the next paragraph as the "**employer**") without cause, (b) by the executive upon a change of control coupled with a diminished level of responsibility or (c) by the employer upon permanent disability of the executive. A change of control is defined (in summarized form) as: (a) the acquisition of voting securities of the employer to hold more than 40% of all outstanding voting securities (other than by Pan Orient in the case of securities of Andora); (b) an amalgamation, arrangement or other business combination of the employer with another entity that results in the holders of securities of that other entity holding more than 50% of the voting securities of the resulting entity; (c) the sale, lease or exchange of all or substantially all of the property of the employer, other than in the ordinary course of business; (d) a change in the composition of the board of directors of the employer over any twelve month period such that more than 50% of the persons who were directors at the beginning of the period are no longer directors at the end of the period, unless as a consequence of normal attrition; or (e) any determination by the majority of incumbent members of the board of directors of the employer that a change of control has occurred or is about to occur.

If the employment of Mr. Chisholm, Mr. Ostlund or Mr. Pichach is terminated without cause or upon a change of control, coupled with a diminished level of responsibility, then he is entitled to a termination payment of: (a) two times his annual base salary (one times in the case of Mr. Pichach); plus (b) an amount equal to the annual bonus payment, if any, in respect of the previous year; plus (c) an additional 10% of the amount in (a) for the loss of group benefits; less (d) withholdings for income taxes and other purposes required by law (except for Mr. Chisholm), and accelerated vesting of any unvested stock options and restricted share units. If his employment is terminated upon permanent disability, then he is entitled to a payment of: (a) one-quarter of his base salary; plus (b) accrued but unpaid salary and vacation pay to the termination date; less (c) withholdings for income taxes and other purposes required by law, and will continue to be entitled to such insurance and other benefits which may be provided pursuant to any long-term disability plan or the benefits plan of the employer.

The following table sets forth for each Named Executive Officer the estimated incremental payments, payables, and benefits under the agreements due to termination of employment for the particular Named Executive Officer, assuming that the triggering event took place on December 31, 2020.

<b>Name</b>	<b>Salary (\$)</b>	<b>Bonus<sup>(2)</sup> (\$)</b>	<b>Benefits (\$)</b>	<b>RSUs<sup>(3)</sup> (\$)</b>	<b>Options<sup>(4)</sup> (\$)</b>	<b>Total Payment (\$)</b>
Jeff Chisholm	700,000	0	70,000	131,400	0	901,400
William Ostlund	761,686	0	76,169	82,733	0	920,588
Craig Pichach <sup>(1)</sup>	175,000	0	17,500	0	0	192,500

Notes:

- (1) Compensation is paid to Mr. Pichach by Pan Orient's 71.8% owned subsidiary Andora Energy Corporation. The economic effect is that Pan Orient would incur 71.8% of any termination payment.
- (2) No bonuses are payable or were paid for 2020 performance.

- (3) Calculated using \$0.73 fair market value per restricted share unit as defined in the long-term incentive plan (average closing price of the Common Shares on the TSX Venture Exchange for the ten trading days on which the Common Shares traded immediately preceding December 31, 2020). Includes restricted share units that would vest if the triggering event were a change of control.
- (4) Calculated for Pan Orient options as the difference between the \$0.78 closing price of Pan Orient Common Shares on the TSX Venture Exchange on December 31, 2020 and the exercise price of in-the-money options held by them on that date. Includes vested options on that date plus unvested options that would vest if the triggering event were a change of control.

### ***Pension Plan Benefits***

The Corporation does not have any defined benefit or defined contribution pension plans or deferred compensation plans for Named Executive Officers.

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No director, executive officer or other senior officer of the Corporation, or any associate of any such director or officer is, or has been at any time since the beginning of the most recently completed financial year of the Corporation, indebted to the Corporation or is, or at any time since the incorporation of the Corporation has any indebtedness of any such person been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Management of the Corporation is not aware of any material interest of any director, executive officer or anyone who has held office as such since the beginning of the Corporation's last financial year, or of any associate or affiliate of any of the foregoing, in any matter to be acted on at the Meeting, other than the election of directors and that such individuals may hold Common Shares which would entitle them to the same planned CAD \$0.40 per Common Share distribution as other shareholders.

### **INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS**

There are no material interests, direct or indirect, of any insider of the Corporation, nominee for director, or associate or affiliate of an insider or a nominee for director, in any transaction or any proposed transaction which has materially affected or would materially affect the Corporation.

### **AUDIT COMMITTEE**

Canadian Securities Administrators' National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") requires the Corporation to disclose annually certain information relating to the Corporation's Audit Committee and its relationship with the Corporation's independent auditor.

### ***Audit Committee Charter, Composition and Relevant Education and Experience***

The Audit Committee is governed by its charter that is attached as Schedule A to this management information circular.

The Audit Committee is comprised of the following directors: Richard Alexander (Chair), Michael Hibberd, Gerald Macey and Cameron Taylor. Each of them is considered "independent" and "financially literate" within the meaning of NI 52-110.

The education and experience of each Audit Committee member that is relevant to the performance of his responsibilities is as follows:

<b><u>Name</u></b>	<b><u>Relevant Education and Experience</u></b>
<b>Richard Alexander</b>	Richard Alexander has a breadth of financial and operational experience in the energy sector. From January 2013 to March 2016, he was a director and the President and Chief Executive Officer of Parallel Energy Trust. From July 2011 to December 2012, he was a director of Marquee Energy Ltd. From May 2006 to June 2011, he held various positions at AltaGas Ltd., including the position of President. He was also the Vice President, Finance and Chief Financial Officer of Niko Resources Ltd. from September 2003 to April 2006

<u>Name</u>	<u>Relevant Education and Experience</u>
	and the Vice President, Investor Relations and Communications of Husky Energy Inc. from July 2000 to August 2003. Mr. Alexander received a Bachelor of Business Management from Ryerson Polytechnical Institute (now named Ryerson University) and is a Certified Management Accountant and a Chartered Financial Analyst. Mr. Alexander is the lead independent director and the chair of the audit committee of Global Water Resources, Inc. and was until June 2018 the lead independent director and a member of the audit committee of Oryx Petroleum Corporation Limited.
<b>Michael Hibberd</b>	Mr. Hibberd has significant energy project planning and capital markets experience. He spent 12 years with ScotiaMcLeod (now named Scotia Capital Inc.) in corporate finance in Toronto and Calgary, focusing on oil and gas, mining and communications companies. He was a Director and Senior Vice-President, Corporate Finance at ScotiaMcLeod until 1995. In 1995, Mr. Hibberd established a corporate finance advisory business focused on providing advice to companies based in Calgary with North American and International operations. He has been actively involved in development and privatization projects in North America, Central Asia, the Middle East and South America. Mr. Hibberd is a director of Canacol Energy Ltd., PetroFrontier Corp. and Sunshine Oilsands Ltd. He is the chairman of the audit committee of Canacol and PetroFrontier. He is the Chairman of Canacol and Greenfields and the Non-Executive Vice-Chairman of Sunshine.
<b>Gerald Macey</b>	Mr. Macey has over 40 years of international and domestic oil industry experience and was an Executive Vice President Exploration at EnCana Corporation until 2004. He has been a director of Addax Petroleum Corporation, Gran Tierra Energy Inc., Oryx Petroleum Corporation Limited and Verenex Energy Inc., each of which was or is an international oil and gas company listed on the TSX. Mr. Macey was a member of the audit committee of Gran Tierra, Oryx and Verenex.
<b>Cameron Taylor</b>	Mr. Taylor is a geoscientist with over 30 years of experience in frontier, foothills, deep Devonian and heavy oil exploration. He the Chairman, Chief Executive Officer and a member of the audit committee of ROK Resources Inc. Mr. Taylor held executive positions with Villanova 4 Oil Corp., Villanova Oil Corp., Villanova Resources Inc. and Villanova Energy Corp. until their respective sales and prior to that with Keystone Energy Corp., Keystone Energy Inc. and Canadian 88 Energy Corp. Each company is or was an oil and gas company focused on exploration and production in Western Canada.

***Audit Committee Oversight, Pre-Approval Policies and Procedures and External Auditor Service Fees***

At no time since the commencement of the Corporation's most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the board of directors.

The Audit Committee Charter attached as Schedule A sets forth, in section 40, the specific policies and procedures that the Audit Committee has adopted for the engagement of non-audit services.

The fees billed by the Corporation's external auditor in the last two fiscal years are set out in the table below. Audit-related fees (for each year) were incurred to ensure compliance with new regulatory reporting requirements and regulatory filings in foreign jurisdictions. Tax fees (for each year) were incurred for tax planning and compliance services.

<u>Financial Period Ending</u>	<u>Audit Fees</u>	<u>Audit-Related Fees</u>	<u>Tax Fees</u>	<u>All Other Fees</u>
December 31, 2020	\$354,666	\$4,328	\$63,530	Nil
December 31, 2019	\$362,255	\$13,815	\$76,062	Nil

***Reliance on Exemption***

The Corporation is relying on the exemption in section 6.1 of NI 52-110 for issuers listed on the TSX Venture Exchange which allows for an exemption from Part 5 (Reporting Obligations) providing for the short form of disclosure of audit committee procedures.

## **CORPORATE GOVERNANCE DISCLOSURE**

Pan Orient's board of directors considers good corporate governance to be central to the effective and efficient operation of the Corporation. The Canadian Securities Administrators have published guidelines for issuers to consider in developing their own corporate governance practices. Annual disclosure of those practices is required. The Corporation's corporate governance practices are set forth below.

### ***Board of Directors***

The Corporation currently has five directors, four of whom are independent. The definition of independence used by the board of directors is that used by the Canadian Securities Administrators. A director is independent if he or she has no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship which could, in the view of the board, be reasonably expected to interfere with the exercise of a director's independent judgment. Certain types of relationships are by their nature considered to be material relationships.

Directors Richard Alexander, Michael Hibberd, Gerald Macey and Cameron Taylor are independent. Director Jeff Chisholm is not independent because he is the President and Chief Executive Officer of the Corporation. Gerald Macey is the non-executive Chairman of the board.

The Corporation adopted a Board of Directors Charter in May 2016. The board is responsible for the overall stewardship of the Corporation and for supervising the management of the business and affairs of the Corporation with a view to the best interests of the Corporation.

The board exercises its independent supervision over the Corporation's management through a combination of formal meetings of the board as well as informal discussions amongst the board members. The independent directors can also hold scheduled meetings at which non-independent directors or members of management are not in attendance. Where matters arise at board meetings which require decision making and evaluation by independent or non-management directors, the meeting breaks into an *in camera* session among the independent or non-management directors.

### ***Directorships***

Certain directors are also directors of other issuers that are reporting issuers (or the equivalent), as follows:

<b><u>Director</u></b>	<b><u>Other Directorships</u></b>	<b><u>Stock Exchange Listing</u></b>
Richard Alexander	Global Water Resources, Inc.	Toronto Stock Exchange & NASDAQ
Jeff Chisholm	ROK Resources Inc.	TSX Venture Exchange
Michael Hibberd	Canacol Energy Ltd. PetroFrontier Corp. Sunshine Oilsands Ltd.	Toronto Stock Exchange, OTCQX & Bolsa de Valores de Colombia TSX Venture Exchange Stock Exchange of Hong Kong
Cameron Taylor	ROK Resources Inc.	TSX Venture Exchange

### ***Orientation and Continuing Education***

Changes to the board of directors are infrequent so there is no need for a formal orientation program for directors.

The board does not provide formal continuing education for directors. Directors maintain the skill and knowledge necessary to meet their obligations as directors through a combination of their existing education, experience as businessmen and managers, service as directors of other issuers and advice from the Corporation's legal counsel, auditor and other advisers.

### ***Ethical Business Conduct***

The board takes various steps to encourage and promote a culture of ethical business conduct at Pan Orient. This includes required adherence to the Corporation's Code of Business Conduct and Ethics. The skill and knowledge of board members and advice from counsel ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Directors and officers are required to disclose dealings in any of the geographic areas in which the Corporation operates. They are also

subject to the general obligation under corporate law to disclose and not vote on any material contract or transaction with the Corporation in which the director or officer has an interest.

### ***Nomination of Directors***

The Governance Committee reviews, from time to time, the size of the board of directors; assesses the competencies, skills and personal qualities required of directors in light of the Corporation's circumstances, business strategies and applicable regulatory requirements; reviews the competencies, skills and personal qualities of, and contributions made by, each existing director; makes recommendations for any changes to the composition of the board of directors; and identifies individuals qualified to become new directors and submits recommendations to the board of directors for its consideration and decision.

### ***Compensation***

The board of directors has appointed a Compensation Committee. The Committee's members and mandate are described above in "Compensation Governance".

Non-management directors receive a base annual retainer of \$25,000 and a fee of \$1,500 for each directors' meeting and committee meeting attended. The Chairman of the Board receives an additional annual retainer of \$25,000, the chair and each member of the audit committee receive an additional annual retainer of \$12,000 and \$5,000 respectively and the chair of each of the other committees (presently the Compensation Committee, Reserves Committee and the Governance Committee) receives an additional annual retainer of \$5,000. Non-management directors are also compensated through grants of stock options (until 2019) and restricted share units (from 2020). Additionally, upon a board member's acceptance of a request to leave the board prior to the expiry of the full normal annual term, payment to that board member will be \$50,000. The board believes that the compensation of non-management directors realistically reflects the responsibilities and risk involved in being an effective director.

The compensation paid to Mr. Chisholm, the President and Chief Executive Officer, is established pursuant to his executive employment agreement, which was negotiated by the Compensation Committee and approved by the board. The elements of his compensation are described above under "Compensation Discussion and Analysis" and amounts paid to him are disclosed above under "Executive Compensation – Named Executive Officer and Director Compensation".

### ***Other Board Committees***

In addition to the Audit Committee and the Compensation Committee, each of which is described above, the directors have also appointed a Governance Committee and a Reserves Committee.

The Governance Committee is comprised of Messrs. Macey (Chair), Alexander and Hibberd. Its mandate, set out in a Governance Committee Charter that was adopted in May 2016, includes the composition of the board of directors; board and committee mandates; board, committee and director monitoring and evaluation; dealings with management; succession planning and executive development; director and officer insurance; and corporate governance disclosure.

The Reserves Committee is comprised of Messrs. Taylor (Chair), Macey and Chisholm. Its mandate, set out in a Reserves Committee Charter that was adopted in May 2016, is to assist the board of directors and make recommendations in respect of the required independent evaluation and review of the Corporation's oil and gas reserves, any voluntary independent evaluation and review of the Corporation's contingent resources or prospective resources and the disclosure of reserves data, any resources data and other oil and gas information.

### ***Assessments***

The Governance Committee is responsible for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual directors.

### **ADDITIONAL INFORMATION**

Financial information of the Corporation is provided in the Corporation's financial statements and management's discussion and analysis for its most recently completed financial year. A copy of these documents may be obtained by contacting Pan Orient Energy Corp. at 1505, 505 – 3<sup>rd</sup> Street SW, Calgary, Alberta, T2P 3E6, Phone: (403) 294-1770, Fax: (403) 294-1780.

Copies of these documents as well as additional information relating to the Corporation contained in documents filed by the Corporation with Canadian Securities Regulatory Authorities may also be accessed through the Corporation's profile on the System for Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com).

**BUSINESS TO BE ACTED UPON AT THE MEETING**

**1. FINANCIAL STATEMENTS AND AUDITOR'S REPORT**

The Corporation's audited financial statements for the period ended December 31, 2020, and the auditor's report thereon, will be submitted at the Meeting. No vote is required or will be taken regarding the Corporation's audited financial statements.

**2. APPOINTMENT OF AUDITOR**

The *Business Corporations Act* (Alberta) provides that the shareholders of the Corporation shall, by ordinary resolution, appoint an auditor to hold such position until the close of the next annual meeting. The *Business Corporations Act* also provides that the remuneration of the auditor be fixed by the shareholders or if not so fixed shall be fixed by the directors.

The current auditor of the Corporation is KPMG LLP, which has been the Corporation's auditor since 2005. The Corporation's audit committee has recommended to the board of directors that KPMG LLP be nominated for re-appointment as auditor of the Corporation for the financial year ended December 31, 2021, at a remuneration to be fixed by the board of directors.

**In the absence of contrary instructions, the persons named in the accompanying form of proxy intend to vote the Common Shares represented thereby in favor of the appointment KPMG LLP, Chartered Professional Accountants, as auditor of the Corporation to hold office until the next annual meeting of shareholders or until its successors are appointed, at a remuneration to be fixed by the board of directors.**

**3. NUMBER OF DIRECTORS**

The Corporation is required by its Articles to have a minimum of three and a maximum of fifteen directors. Shareholders will be asked to pass a resolution setting the number of directors to be elected at the Meeting at five.

The resolution setting the number of directors to be elected must be passed by a simple majority of the votes cast with respect to the resolution, by shareholders present in person or by proxy at the Meeting. **In the absence of contrary instructions, the persons named in the accompanying form of proxy intend to vote the Common Shares represented thereby in favor of the resolution setting the number of directors to be elected at the Meeting at five.**

There is a provision in the Articles of the Corporation which permits the board of directors to appoint additional directors between annual meetings of shareholders, provided that the total number of directors so appointed does not exceed one-third of the number of directors elected at the previous annual meeting. A maximum of one additional director could be appointed in this manner between the Meeting and the next annual meeting of shareholders.

**4. ELECTION OF DIRECTORS**

***Management Nominees***

The persons named below are the nominees of management for election as directors. Each director elected will hold office until his successor is elected or appointed, unless his office is earlier vacated under any of the relevant provisions of the Articles of the Corporation or the *Business Corporations Act* (Alberta).

The following table sets out the name of each of the persons proposed to be nominated for election as a director; all positions and offices in the Corporation presently held by the individual; the individual's principal occupation at present and the individual's principal occupation during the preceding five years; the period during which the individual has served as a director; and the number of voting shares of the Corporation that the individual has advised are beneficially owned by him, directly or indirectly, or over which control or direction is exercised by him, as of the date hereof:

<b>Name and Place of Residence</b>	<b>Present and Principal Occupation during the last five years</b>	<b>Date of Appointment as Director</b>	<b>Common Shares Beneficially Owned <sup>(6)</sup></b>
<b>Richard Alexander</b> <sup>(2)(3)(4)</sup> Calgary, Alberta, Canada	Corporate director and retired oil and gas company executive.	August 31, 2015	250,000
<b>Jeff Chisholm</b> <sup>(5)</sup> Bangkok, Thailand	President and Chief Executive Officer of the Corporation.	April 13, 2005	1,795,500
<b>Michael Hibberd</b> <sup>(2)(3)(4)</sup> Calgary, Alberta, Canada	President of MJH Services Ltd. (corporate finance advisory company).	April 13, 2005	420,000
<b>Gerald Macey</b> <sup>(1)(2)(3)(4)(5)</sup> Calgary, Alberta, Canada	Retired oil and gas company executive.	April 13, 2005	1,438,800
<b>Cameron Taylor</b> <sup>(2)(5)</sup> Wolseley, Saskatchewan, Canada	Chairman and Chief Executive Officer of ROK Resources Inc. (oil and gas company) since November 2019. President and Chief Executive Officer and other executive positions with Villanova 4 Oil Corp. (oil and gas company) from April 2013 to July 2018.	April 13, 2005	411,767

Notes:

- (1) Non-executive Chairman of the Board of Directors.
- (2) Member of the Audit Committee. Richard Alexander is the Chair of the Audit Committee.
- (3) Member of the Compensation Committee. Michael Hibberd is the Chair of the Compensation Committee.
- (4) Member of the Governance Committee. Gerald Macey is the Chair of the Governance Committee.
- (5) Member of the Reserves Committee. Cameron Taylor is the Chair of the Reserves Committee.
- (6) The information as to Common Shares beneficially owned, not being within the knowledge of the Corporation, has been furnished by the respective individuals or has been extracted from public filings or the register of shareholdings maintained by the Corporation's transfer agent.

**In the absence of contrary instructions, the persons named in the accompanying form of proxy intend to vote the Common Shares represented thereby in favor of the election to the board of directors of those persons designated as nominees for election as directors. The board does not contemplate that any of such nominees will be unable to serve as a director. However, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies in favor of management designees will be voted for another nominee in their discretion unless the shareholder has specified in his proxy that his Common Shares are to be withheld from voting on the election of directors.**

Richard Alexander was a director and the President and Chief Executive Officer of Parallel Energy Trust ("Parallel") when Canadian securities regulatory authorities issued orders in November 2015 that trading or purchasing securities of Parallel cease for its failure to file interim unaudited financial statements, interim management's discussion and analysis, and certification of interim filings for the interim period ended September 30, 2015. Mr. Alexander was also a director and the President and Chief Executive Officer of Parallel and a director and officer of certain of its subsidiaries when, in November 2015, Parallel and its Canadian subsidiaries obtained a creditor protection order under the *Companies' Creditors Arrangement Act* (Canada) and its United States subsidiaries filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Bankruptcy Code. Parallel's United States assets (being substantially all of Parallel's assets) were sold in January 2016 and bankruptcy proceedings in the United States were completed in October 2016. Parallel and its Canadian subsidiaries were assigned into bankruptcy under the *Bankruptcy and Insolvency Act* (Canada), and the *Companies' Creditors Arrangement Act* (Canada) proceedings were terminated, in March 2016.

Michael Hibberd was formerly a director of Skope Energy Inc. (a TSX listed oil and gas company), which commenced proceedings in the Court of Queen's Bench of Alberta under the *Companies' Creditors Arrangement Act* (Canada) to implement a restructuring in November 2012, which was completed in February 2013.

Mr. Hibberd was a director of Montana Exploration Corp. in May 2018 when a cease trade order was issued by the Alberta Securities Commission for failure to file annual audited financial statements and related documents for the year ended December 31, 2017. That cease trade order remains in effect.

Mr. Hibberd is a director of Sunshine Oilsands Ltd., which has been the subject of cease trade orders issued by the Alberta and Ontario securities commissions beginning in October 2020 for failure to file annual audited financial statements prepared in accordance with requirements of securities laws for the year ended December 31, 2020 and failure to file annual audited financial statements and related documents for the year ended December 31, 2020. Those cease trade orders remain in effect.

### ***Advance Notice By-law***

The Corporation has a by-law (the "**Advance Notice By-Law**") fixing a deadline by which shareholders must notify the Corporation of nominations of persons for election as directors and stipulating what information is required in respect of the proposed nominee and the nominating shareholder in order for such notice to be valid.

The following is a summary of the principal provisions of the Advance Notice By-Law and is qualified by reference to the full text of the Advance Notice By-Law. A shareholder or any other interested party may obtain a copy of the Advance Notice By-Law by accessing it through the Corporation's profile on the System for Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com). The date of filing on SEDAR was April 8, 2015.

The Advance Notice By-Law establishes a framework for advance notice by shareholders intending to nominate persons for election as directors. In general, the Advance Notice By-Law:

- fixes a deadline by which holders of record of shares of the Corporation carrying the right to vote must submit director nominations to the Corporation prior to any annual or special meeting of shareholders, and
- sets forth the information that a shareholder must include in the notice to the Corporation for the notice to be in proper written form.

The Advance Notice By-Law does not interfere with the ability of shareholders to requisition a meeting or to nominate directors by way of a shareholder proposal in accordance with the *Business Corporations Act* (Alberta).

To be timely, a nominating shareholder must give a valid notice to the Corporation in the case of an annual meeting of shareholders (including an annual and special meeting) not less than 30 days prior to the date of the meeting. For the January 18, 2022 Meeting, the notice deadline is December 19, 2021.

The nominating shareholder's notice must set forth information for each person the nominating shareholder proposes to nominate for election as a director, and for the nominating shareholder itself, as would be required to be included in an information circular sent to shareholders. The Corporation may require the provision of other information as may be reasonable. All such information received will be made publicly available to shareholders, with some exceptions.

No person is eligible for election as a director of the Corporation unless nominated in accordance with the Advance Notice By-Law. The chairman of the shareholders' meeting has the power and duty to determine whether a nomination was properly made and, if any proposed nomination is not in compliance with the Advance Notice By-Law, to declare that a defective nomination be disregarded. However, the directors may waive any requirement of the Advance Notice By-Law.

## **5. REORGANIZATION**

### ***Glossary of Terms***

The following is a glossary of certain terms used in this section of this management information circular.

"**ABCA**" means the Business Corporations Act (Alberta), R.S.A. 2000, c. B-9, including the regulations promulgated thereunder, as amended from time to time;

"**Amendment of Articles**" means the amendment to the Articles to be considered at the Meeting;

"**Articles**" means the articles of incorporation of the Corporation;

"**Common Shares**" means the existing common shares in the capital of Pan Orient, prior to the Amendment of Articles;

"**CRA**" means the Canada Revenue Agency;

"**Meeting**" means the annual and special meeting of shareholders (including any adjournment or postponement thereof) that is to be convened to consider and, if deemed advisable, to approve such matters as are described in the this management information circular;

"**New Shares**" means a new class of common shares in the capital of Pan Orient with identical rights, privileges, restrictions and conditions to the existing Common Shares;

"**Old Shares**" means the Common Shares in the capital of Pan Orient, before the Amendment of Articles;

"**Record Date**" means the record date for shareholders entitled to vote at the Meeting, being December 8, 2021;

"**Reduction of Stated Capital**" means the proposed reduction in the stated capital account maintained by the Corporation in respect of its Common Shares by an amount equal to CAD \$0.40 multiplied by the number of Common Shares issued and outstanding;

"**Reorganization**" means the Reduction of Stated Capital and the Share Exchange and other transactions contemplated by the Amendment of Articles;

"**Return of Capital**" means the proposed special cash distribution to shareholders of CAD \$0.40 per Common Share by way of return of capital;

"**Share Exchange**" means the exchange of Old Shares for New Shares pursuant to the Amendment of Articles;

"**Tax Act**" means the Income Tax Act (Canada), R.S.C. 1985, c.1 (5th Supp.) and the regulations promulgated thereunder, each as amended from time to time; and

"**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia.

Words importing the singular include the plural and vice versa and words importing any gender include all genders.

### ***Summary***

At the Meeting, shareholders will be asked to pass a resolution to approve the Reorganization. The resolution must be passed as a special resolution by a majority of not less than two-thirds (66⅔%) of the votes cast by shareholders who vote in respect of the resolution at the Meeting in person or by proxy.

The Reorganization is comprised of the Reduction of Stated Capital and the Share Exchange and other transactions contemplated by the Amendment of Articles. When effected, the Reorganization will result in the Return of Capital on the Share Exchange. A shareholder will, for each Old Share held, receive CAD \$0.40 as a Return of Capital when each Old Share is deemed to be exchanged (on the Share Exchange) for one New Share. No new share certificates will be issued and a certificate that evidences Old Shares will be deemed to evidence the same number of New Shares.

If the special resolution is approved by shareholders at the Meeting, the Pan Orient directors intend to fix the effective date for the Reorganization, the record date for the purpose of determining shareholders entitled to receive the Return of Capital and the payment date for the Return of Capital. A news release announcing those dates will be issued and it is anticipated that the dates will occur in the weeks following the Meeting.

The Return of Capital portion of the Reorganization is expected to be generally more tax advantageous to shareholders than a dividend. See "*Certain Canadian Federal Income Tax Considerations*".

### ***Details of the Reorganization***

At the Meeting, shareholders will be asked to pass a resolution to approve the Reorganization. The resolution must be passed as a special resolution by a majority of not less than two-thirds (66⅔%) of the votes cast by shareholders who vote in respect of the resolution at the Meeting in person or by proxy. In summary, the special resolution will approve:

- a. the Reduction of Stated Capital for the purpose of effecting the Return of Capital;
- b. the Amendment of Articles:
  - i. to create the New Shares, unlimited in number and with identical rights, privileges, restrictions and conditions to the Old Shares;
  - ii. to change the rights, privileges, restrictions and conditions attached to the Old Shares so that the holders of the issued and outstanding Old Shares will be entitled to receive the Return of Capital and immediately thereafter each issued and outstanding Old Share will be deemed to be exchanged for one New Share and the Old Share will be cancelled; and
  - iii. to cancel the Old Shares as a class so that the Corporation is no longer authorized to issue Old Shares; and
- c. the restatement of the Articles, as amended, pursuant to Section 180(1) of the ABCA.

The full text of the special resolution is set forth below under the heading "Special Resolution".

The Reduction of Stated Capital will immediately precede the Amendment of Articles. The restatement of the Articles will follow, resulting in consolidated Articles that will supersede the original Articles and all amendments.

The ABCA allows a corporation to reduce its stated capital if there are no reasonable grounds for believing that: (a) the corporation is, or would after the reduction be, unable to pay its liabilities as they become due, or (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities. The directors have concluded that Pan Orient satisfies those tests.

If the special resolution is approved, the stated capital account maintained by the Corporation in respect of the Common Shares (also referred to in this management information circular as the Old Shares) will be reduced by an amount equal to CAD \$0.40 multiplied by the number of Common Shares issued and outstanding.

Approval of the special resolution will also permit the Amendment of Articles. The Amendment of Articles will create the New Shares pursuant to clause 173(1)(d) of the ABCA. The New Shares will have identical rights, privileges, restrictions and conditions to the existing Common Shares prior to the change described in the next sentence. The Amendment of Articles will also change the rights, privileges, restrictions and conditions of the existing Common Shares pursuant to clause 173(1)(e) of the ABCA so that the holders of the issued and outstanding Old Shares will be entitled to receive the Return of Capital and immediately thereafter each issued and outstanding Old Share will be deemed to be exchanged for one New Share and the Old Share will be cancelled. The Amendment of Articles will then cancel the Old Shares as a class pursuant to clause 173(1)(h) of the ABCA. Finally, the Articles will be restated pursuant to subsection 180(1) of the ABCA.

### ***Implementation of the Reorganization***

If the special resolution is approved by shareholders at the Meeting, the Pan Orient directors intend to fix the effective date for the Reorganization, the record date for the purpose of determining shareholders entitled to receive the Return of Capital and the payment date for the Return of Capital. A news release announcing those dates will be issued and it is anticipated that the dates will occur in the weeks following the Meeting.

The Return of Capital is expected to be made in accordance with the "due bill" trading procedures mandated by the TSX Venture Exchange for large dividends and distributions. The purpose is to result in traded shares carrying the value of the CAD \$0.40 Return of Capital until it is paid.

The aggregate amount of the Reduction of Stated Capital and Return of Capital is expected to be CAD \$19,917,562.80, based on the number of Common Shares issued and outstanding as at the date of this management information circular and the Corporation's expectation that, before the effective date of the Reduction of Stated Capital, no additional Common Shares will be issued by the Corporation or repurchased by the Corporation under its normal course issuer bid and cancelled.

The Return of Capital will be funded from the Corporation's cash reserves. The Corporation believes that the Return of Capital is an appropriate use of its financial resources. The Corporation's remaining cash reserves, plus ongoing cash flow from Concession L53 in Thailand, are expected to be sufficient to fund its continuing business operations for the remainder of 2022.

For a description of the principal Canadian federal income tax considerations applicable to shareholders in connection with the Return of Capital and Share Exchange, see "*Certain Canadian Federal Income Tax Considerations*".

### ***Recommendation of the Directors***

**The Pan Orient directors have unanimously determined that the Reorganization is in the best interests of Pan Orient and unanimously recommend that shareholders vote in favor of the special resolution at the Meeting.**

In reaching their determination and recommendation, the Pan Orient directors considered, among others, the following factors: (i) information concerning the financial condition, results of operations, business plans and prospects of Pan Orient both before and after giving effect to the Reorganization; (ii) the opportunity provided by the Reorganization for all shareholders to share on a *pro rata* basis in a portion of Pan Orient's cash reserves; and (iii) the tax effective structure of the Reorganization.

The foregoing discussion of the information and factors considered by the Pan Orient directors is not intended to be exhaustive. In determining that the Reorganization is in the best interests of Pan Orient and recommending that shareholders vote in favor of the special resolution, the Pan Orient directors did not assign any relative or specific weights to the factors which were considered, and individual directors may have given differing weights to different factors.

### ***Special Resolution***

At the Meeting, shareholders will be asked to pass a resolution to approve the Reorganization. The resolution must be passed as a special resolution by a majority of not less than two-thirds (66⅔%) of the votes cast by shareholders who vote in respect of the resolution at the Meeting in person or by proxy. Each shareholder of record on the Record Date will be entitled to one vote per Common Share held for the purpose of voting upon the special resolution.

The full text of the special resolution is reproduced below. The text of the special resolution may be amended at the Meeting if the amendments correct manifest errors or are not material.

**"RESOLVED**, as a special resolution of the holders of common shares of Pan Orient Energy Corp. (the "**Corporation**"), that:

1. the stated capital account maintained by the Corporation in respect of its common shares be reduced pursuant to subsection 38(1) of the *Business Corporations Act* (Alberta) (the "**ABCA**") by an amount equal to CAD \$0.40 multiplied by the number of common shares issued and outstanding (the "**Reduction of Stated Capital**"), for the purpose of effecting a special distribution to holders of common shares of CAD \$0.40 per common share as a return of capital (the "**Return of Capital**");
2. immediately following the Reduction of Stated Capital, the articles of the Corporation (the "**Articles**") be amended (the "**Amendment of Articles**") in the following order:
  - (a) pursuant to clause 173(1)(d) of the ABCA, to create a new class of common shares of the Corporation ("**New Shares**"), designated as "common shares", which New Shares shall be unlimited in number and have attached thereto the same rights, privileges, restrictions and conditions as are attached to the current common shares of the Corporation (the "**Old Shares**") before the change described in paragraph 2(b) below;
  - (b) pursuant to clause 173(1)(e) of the ABCA, to change the rights, privileges, restrictions and conditions attached to the Old Shares so that the holders of the issued and outstanding Old Shares will be entitled to receive the Return of Capital and immediately thereafter each issued and outstanding Old Share

- will be deemed to be exchanged for one New Share (the "**Share Exchange**") and the Old Share will be cancelled; and
- (c) pursuant to clause 173(1)(h) of the ABCA, to cancel the Old Shares as a class so that the Corporation is no longer authorized to issue Old Shares;
3. immediately following the Amendment of Articles, the Articles, as amended, be restated pursuant to subsection 180(1) of the ABCA;
  4. the directors of the Corporation be authorized to fix the effective date of the Reduction of Stated Capital and the Amendment of Articles, which shall each be the same date, and fix the record date for the purpose of determining holders of Old Shares entitled to receive the Return of Capital and the payment date for the Return of Capital;
  5. the Corporation is authorized to make all filings necessary for the issuance of certificates by the Registrar under the ABCA to give effect to this special resolution;
  6. any director or officer of the Corporation is authorized and directed, for and in the name of and on behalf of the Corporation, to execute, or cause to be executed, whether under the corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered all such documents and instruments, and to do or cause to be done all such acts and things as, in the opinion of such director or officer, may be necessary or desirable in order to carry out the intent of this special resolution, the execution of any such document or the doing of any such act or thing being conclusive evidence of such determination; and
  7. notwithstanding the foregoing, the directors of the Corporation are authorized to revoke this special resolution and not proceed with matters herein authorized, without further approval of the shareholders of the Corporation."

The text of the proposed Amendment of Articles and restated Articles will be available for review at the Meeting and upon request from the Corporation at (403) 294-1770.

**In the absence of contrary instructions, the persons named in the accompanying form of proxy intend to vote the Common Shares represented thereby in favor of the special resolution.**

***Certain Canadian Federal Income Tax Considerations***

The following is a summary, as at the date of this management information circular, of the principal Canadian federal income tax considerations generally applicable to shareholders whose Old Shares are exchanged for New Shares and are paid the Return of Capital from the Corporation on the Share Exchange, and who, for the purposes of the *Income Tax Act* (Canada) (the "**Tax Act**"), deal at arm's length and are not affiliated with the Corporation and hold their Common Shares as capital property.

Generally, Common Shares will constitute capital property to a shareholder unless any such Common Shares are held in the course of carrying on a business of trading or dealing in Common Shares or otherwise as part of a business of buying and selling securities or such shareholder has acquired such Common Shares in a transaction or transactions considered to be an adventure or concern in the nature of trade. Shareholders who do not hold their Common Shares as capital property should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to shareholders that are financial institutions for purposes of the mark-to-market provisions of the Tax Act. This summary also is not applicable to shareholders an interest in which would be a "tax shelter investment" (as defined in the Tax Act) and any such shareholders should consult their own tax advisors with respect to the Canadian federal income tax considerations of the Share Exchange and Return of Capital that are applicable to such shareholders.

This summary is based on the enacted provisions of the Tax Act and the Corporation's tax advisor's understanding of the current published administrative practices and assessing policies of the Canada Revenue Agency (the "CRA"), and also takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"). However, no assurance can be given that the Tax Proposals will be enacted in their present form, if at all, or that changes to the CRA's administrative policies will not modify or change the statements expressed herein. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in the law whether by legislative, regulatory, administrative or judicial action, nor does it take into account other federal tax legislation or provincial, territorial or foreign tax considerations, which may differ significantly from the Canadian federal income tax considerations described in this summary. No advance income tax ruling has been sought or obtained from CRA to confirm the tax consequences of the Share Exchange and Return of Capital to the shareholders.

This summary does not address tax matters of any jurisdiction outside of Canada and shareholders who are not resident in Canada under the laws of a country other than Canada, or who are citizens of a country other than Canada, or who otherwise may be subject to tax in a jurisdiction other than Canada, should consult their own tax advisors with respect to non-Canadian tax matters.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal, business or tax advice to any particular shareholder. No representations with respect to any tax consequences or considerations to any particular shareholder are made by virtue of this summary. This summary is not exhaustive of all Canadian federal income tax considerations. The tax consequences and considerations to any particular shareholder will depend on a variety of factors, including the shareholder's own particular circumstances. Shareholders should consult their own tax advisors regarding the tax consequences and considerations applicable to them of the Share Exchange and Return of Capital.**

This summary is based upon the assumption that this is a reorganization of capital of the Corporation under section 86 of the Tax Act and the amount that will be paid by the Corporation to the shareholders on the Return of Capital will not exceed the Common Shares' paid-up capital for the purposes of the Tax Act of such shares. Management believes that the amount of the Return of Capital will be less than the paid-up capital of the Common Shares.

#### Resident Shareholders

This portion of the summary is applicable to shareholders who, at all relevant times and for the purposes of the Tax Act, are or are deemed to be residents of Canada (each, a "**Resident Shareholder**").

As provided in section 86 of the Tax Act, holders of the Old Shares will not be required to recognize any capital gain or loss when such shares are exchanged for New Shares pursuant to the Share Exchange. Shareholders are not required to file any election with CRA in order to obtain rollover treatment under section 86 of the Tax Act. A shareholder's aggregate adjusted cost base of the Old Shares immediately before the Share Exchange will become the aggregate adjusted cost base to such shareholder of the New Shares received, subject to the comments below.

The amount received by a Resident Shareholder on the Return of Capital must be deducted in computing the adjusted cost base to a Resident Shareholder of such Resident Shareholder's New Shares. If the amount so required to be deducted from the adjusted cost base of the New Shares to a particular Resident Shareholder exceeds the adjusted cost base of the Old Shares to such Resident Shareholder, the excess will be deemed to be a capital gain of such Resident Shareholder from a disposition of New Shares.

A capital gain realized by a Resident Shareholder who is an individual may give rise to a liability for minimum tax. A Resident Shareholder that is throughout the year a Canadian-controlled private corporation (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 2/3% on certain investment income, including taxable capital gains.

#### Non-Resident Shareholders

This portion of the summary is applicable to shareholders who, at all relevant times and for the purposes of the Tax Act, are not and are not deemed to be residents of Canada (each, a "**Non-Resident Shareholder**").

As provided in section 86 of the Tax Act, holders of the Old Shares will not be required to recognize any capital gain or loss when such shares are exchanged for New Shares pursuant to the Share Exchange. Shareholders are not required to file any election with CRA in order to obtain rollover treatment under section 86 of the Tax Act. A

shareholder's aggregate adjusted cost base of the Old Shares immediately before the exchange will become the aggregate adjusted cost base to such shareholder of the New Shares received, subject to the comments below.

The amount received by a Non-Resident Shareholder on the Return of Capital must be deducted in computing the adjusted cost base to a Non-Resident Shareholder of such Non-Resident Shareholder's New Shares. If the amount so required to be deducted from the adjusted cost base of the New Shares to a particular Non-Resident Shareholder exceeds the adjusted cost base of the Old Shares to such Non-Resident Shareholder, the excess will be deemed to be a capital gain of such Non-Resident Shareholder from a disposition of the New Shares.

A Non-Resident Shareholder will not be subject to Canadian income tax under the Tax Act on any capital gain realized on any deemed disposition of New Shares that results from the Return of Capital unless such New Shares constitute "taxable Canadian property" (as defined by the Tax Act) to the Non-Resident Shareholder. Provided the New Shares are listed on a "designated stock exchange" (as defined in the Tax Act and which currently includes the TSX Venture Exchange) at the time of the Return of Capital, the Common Shares generally will not be taxable Canadian property to the Non-Resident Shareholder unless:

- (a) at any time during the 60-month period immediately preceding the Return of Capital, the Non-Resident Shareholder and/or persons with whom the Non-Resident Shareholder did not deal at arm's length, held 25% or more of the issued shares of any class of the Corporation's capital stock; or
- (b) the New Shares are used by the Non-Resident Shareholder in carrying on business in Canada.

Where New Shares represent taxable Canadian property to a Non-Resident Shareholder, any capital gains realized on any deemed disposition of the Common Shares resulting from the Return of Capital will be subject to taxation in Canada, except as otherwise provided in any tax treaty between Canada and the country in which the Non-Resident Shareholder is resident.

Non-Resident Shareholders whose Old Shares or New Shares are or may be taxable Canadian property should consult their own tax advisor regarding the tax consequences and considerations applicable to them of the Return of Capital.

**SCHEDULE A – CHARTER OF THE AUDIT COMMITTEE**

There is an audit committee (the "Audit Committee") of Pan Orient Energy Corp. (the "Corporation"), composed of directors, to assist the Board of Directors in carrying out their responsibility for the Corporation's financial reporting, the system of internal control and management of financial risks, the audit process, and the Corporation's process for monitoring compliance with laws and regulations and its own corporate policies.

***Composition of the Committee***

1. The Audit Committee shall consist of at least three directors.
2. A majority of the directors comprising the Audit Committee shall be directors who are not employees, "control persons" or officers of the Corporation or any of its "associates" or "affiliates". The terms "control persons", "associates" and "affiliates" have the meanings ascribed to them in TSX Venture Exchange Policy 1.1, Interpretation. Further, a majority of the members of the Audit Committee shall be "independent" directors. For the purposes of this Charter, a director is considered to be independent if he or she has no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship which could, in the view of the Board of Directors of the Corporation, reasonably interfere with the exercise of a director's independent judgment.
3. A director appointed by the Board of Directors to the Audit Committee shall be a member of the Audit Committee until his or her resignation. Any member may be removed or replaced at any time by the Board of Directors. A member shall cease to be a member of the Audit Committee upon ceasing to be a director of the Corporation.
4. The Board of Directors of the Corporation shall appoint a Chair of the Audit Committee.

***Meetings of the Committee***

5. The Audit Committee shall convene at such times and places as may be designated by the Chair of the Audit Committee at least on a quarterly basis, and whenever a meeting is requested by the Board of Directors, a member of the Audit Committee, the auditors, or a senior officer of the Corporation.
6. Notice of each meeting of the Audit Committee shall be given to each member and to the auditors who shall be entitled to attend each meeting of the Audit Committee and shall attend whenever requested to do so by a member of the Audit Committee.
7. Notice of a meeting of the Audit Committee shall:
  - (a) be in writing;
  - (b) state the nature of the business to be transacted at the meeting in reasonable detail;
  - (c) to the extent practicable, be accompanied by copies of documentation to be considered at the meeting; and
  - (d) unless waived by the audit committee, be given at least 48 hours preceding the time stipulated for the meeting or such shorter period as the members of the Audit Committee may permit.
8. A quorum for the transaction of business at a meeting of the Audit Committee shall consist of a majority of the members of the Audit Committee.
9. A member or members of the Audit Committee may participate in a meeting of the Audit Committee by means of telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other, and a member participating in such a meeting by any such means is deemed to be present at that meeting.
10. In the absence of the Chair of the Audit Committee, the members of the Audit Committee shall choose one of the members present to be Chair of the meeting period.
11. Senior management of the Corporation and other parties may attend meetings of the Audit Committee; however, the Audit Committee will meet separately with the auditors.

## ***Mandate of the Committee***

### **General Duties**

12. The primary duty of the Audit Committee is to assist the Board in the proper discharge of its statutory responsibilities in regard to the review, approval and issuance of the Corporation's financial statements.
13. The Audit Committee shall also assist the Board in its interaction with the Corporation's external auditors, in agreeing on the scope of the audit, implementing financial information and reporting systems, and monitoring investment policies and matters dealing, generally, with finance and compliance.
14. In the performance of any of its duties and responsibilities, the Audit Committee shall have the right to:
  - (a) inspect any and all of the books and records of the Corporation, its subsidiaries and affiliates;
  - (b) discuss with the officers of the Corporation, its subsidiaries and affiliates, the Chief Financial Officer of the Corporation, the Corporation's internal audit department, if any, and any affected party, such accounts, records and other matters as any member of the Audit Committee considers necessary and appropriate;
  - (c) to communicate directly with the internal and external auditors of the Corporation;
  - (d) to engage independent counsel and other advisors as the Audit Committee determines necessary to carry out its duties; and
  - (e) to set and pay the compensation for any advisors employed by the Audit Committee.
15. The Audit Committee shall report the results of reviews undertaken and any associated recommendations to the Board.
16. The Audit Committee shall review the effectiveness and integrity of the Corporation's management information systems and internal financial controls.

### **Audits and Financial Reporting**

Financial statements must be reviewed by the Audit Committee before they are approved by the Board in order to (i) obtain enough information from the Corporation's auditors and management to ensure effective discussion of the statements at Board meetings and (ii) determine that the auditor is satisfied with the financial statement content and disclosure. Therefore, the Audit Committee shall:

17. review the audit plan with the Corporation's external auditors and with management;
18. review with management and, as deemed necessary, review with the external auditors, any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting;
19. review with management and with the external auditors, significant financial reporting issues arising during the fiscal period and the methods of resolution;
20. review any problems experienced by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
21. review audited annual financial statements, in conjunction with the report of the external auditors, and obtain an explanation from management of all significant variances between comparative reporting periods;
22. review the post audit or management letter(s) containing the recommendations of the external auditors and management's response, if any, including an evaluation of the adequacy and effectiveness of the internal financial controls of the Corporation and subsequent follow up to any identified weaknesses;
23. review interim unaudited financial statements before release to the public;
24. review before release and, if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information, including any prospectuses, annual reports, annual information forms, and management's discussion and analysis;

25. review the Corporation's financial statements, management's discussion and analysis and annual and interim earnings before the issuer publicly discloses this information;
26. review any evaluation of internal controls by the external auditor with management;
27. review the appointment of the Chief Financial Officer of the Corporation and any other executive officers who are involved in the financial reporting process;
28. review the amount and terms of any insurance to be obtained or maintained by the Corporation;
29. enquire into and determine the appropriate resolution of conflicts of interest in respect of audit or finance matters between or among any officer, director, shareholder, or the external auditors of the Corporation, which are directed to the Audit Committee by the Chairman of the Board of Directors, the Board of Directors, a shareholder, the external auditors, or management; and
30. enquire into and examine any of the financial affairs of the Corporation, its subsidiaries or affiliates, or any of them and, if deemed appropriate, make recommendations to the Board, to the external auditors, or to management.

*Procedures for Review of Publicly Disclosed Extracted Financial Information*

31. The Audit Committee shall be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the Corporation's financial statements, management's discussion and analysis and annual and interim earnings press releases, and must periodically assess the adequacy of those procedures.

*Procedures for Complaints and Submissions Relating to Accounting and Audit Matters*

The Audit Committee shall:

32. establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls and auditing matters; and
33. review any items reported through the Corporation's Whistleblower Policy.

*Hiring Policies*

34. The Audit Committee shall review and approve the Corporation's hiring regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.

***The External Auditors***

*Independence*

Audit Committee practices intended to preserve the independence of the external audit shall include the following:

35. recommending to the Board of Directors the external auditor to be nominated for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services for the Corporation;
36. recommending to the Board of Directors the compensation of the external auditor;
37. overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services for the corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting;
38. pre approving all non audit services to be provided to the Corporation or its subsidiary entities by the Corporation's external auditor;
39. when there is to be a change of external auditors, reviewing all issues and provide documentation related to the change of auditors including the information to be included in the notice of change of auditors and documentation called for under securities legislation and the planned steps for an orderly transition period; and
40. reviewing all reportable events, including disagreements, unresolved issues and consultations, as defined by applicable securities policies, on a routine basis, whether or not there is to be a change of external auditors.

***Finance***

The Audit Committee shall:

41. review with management, on an annual basis, the financial plans and objectives of the Corporation; and
42. review all prospectuses, documents which may be incorporated by reference into a prospectus and all other offering documents of the Corporation.