



PAN ORIENT ENERGY CORP.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020**

March 15, 2022

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of the operating and financial results of Pan Orient Energy Corp. ("Pan Orient" or the "Company") is prepared effective March 15, 2022 and should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2021 and December 31, 2020. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

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

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

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

Please note that all amounts are in Canadian dollars unless otherwise stated, translation of items denominated in foreign currencies as at December 31, 2021 into Canadian dollars using December 31, 2021 exchange rates, represent the net amount to Pan Orient's interests unless otherwise stated, and BOPD refers to barrels of oil per day.

Forward-Looking Statements

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

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

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

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

The forward-looking statements contained herein are as of March 15, 2022 and are subject to change after this date. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive and as such undue reliance should not be placed on forward-looking statements. Except as required by applicable securities laws, with the exception of events or circumstances that occurred during the period to which this MD&A relates that are reasonably likely to cause actual results to differ materially from material forward-looking information that was previously disclosed to the public, the Company disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Non-IFRS Measures

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

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

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

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

(\$thousands)	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Cash flow used in operating activities, continuing operations	(1,212)	(597)	(3,050)	(1,942)
Changes in non-cash working capital, continuing operations	263	(148)	(212)	(529)
Cash flow used in operating activities, discontinued operations	(9)	(46)	(153)	(684)
Changes in non-cash working capital, discontinued operations	(366)	93	(383)	1,079
Unrealized foreign exchange loss	(123)	(1,009)	(114)	(869)
Settlement of decommissioning provision	136	-	136	-
Share of adjusted funds flow from Investment in Joint Venture	5,731	3,235	20,466	12,492
Total corporate adjusted funds flow from operations	4,420	1,528	16,690	9,547

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

The term “field netback” is a non-IFRS measure that does not have a standardized meaning prescribed by IFRS. “Field netback” is calculated by subtracting royalty, transportation and operating expenses from revenues. Field netback per barrel is the amount of revenues received on a per unit of production bases after the royalties, transportation and operating expense are deducted and used to assess profitability on a per barrel of oil equivalent. Pan Orient believes the term provides useful supplemental information to investors.

Working capital represents current assets less current liabilities and is used to assess efficiency, liquidity and general financial strength of the Company. Current assets include cash and cash equivalents, accounts receivable and current liabilities include accounts payable and accrued liabilities, lease liabilities and current portion of decommissioning provision.

Petroleum and Natural Gas Properties

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

Thailand

Concession L53

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

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

Pan Orient Energy (Siam) Ltd. holds a 100% interest in Thailand Concession L53, which has oil production, development and exploration operations. Concession L53 is located approximately 60 kilometers west of Bangkok and at December 31, 2021, consists of 27.32 square kilometers associated with the L53-A, L53-B, L53-D, L53-G, L53-DD, L53-AA South and L53-AA fields that are held through production licenses (with a 20 year primary term ending in 2036 plus an additional 10 year renewal period that can be applied for).

The December 31, 2021 independent reserves evaluation for Thailand on-shore Concession L53 was prepared for Pan Orient Energy (Siam) Ltd., which is the operator and has a 100% working interest. The evaluation was conducted by Sproule International and was prepared in accordance with Canadian Securities Administrators National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities. Pan Orient has a 50.01% ownership interest in Pan Orient Energy (Siam) Ltd., but does not have any direct interest in, or control over, the crude oil reserves or operations of on-shore Concession L53. The values at December 31, 2021 identified as “Net to Pan Orient’s 50.01% Equity Interest in Pan Orient Energy (Siam) Ltd.” represent 50.01% of Pan Orient Energy (Siam) Ltd. reserves and values. Net to Pan Orient’s 50.01% equity interest in Pan Orient Energy (Siam) Ltd., proved plus probable crude oil reserves were 2,313 thousand barrels at December 31, 2021 from conventional sandstone reservoirs. Net to Pan Orient’s 50.01% equity interest in Pan Orient Energy (Siam) Ltd., proved, probable and possible crude oil reserves were 2,986 thousand barrels at December 31, 2021. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Canada

Andora is a private oil company, in which Pan Orient has a 71.8% ownership. Andora has interests in 27 sections (21.5 net sections) of Sawn Lake Alberta Crown oil sands within the central Alberta Peace River Oil Sands area. Andora is focused on developing the bitumen resources at the Sawn Lake property using steam assisted gravity drainage (“SAGD”) development. Andora is the operator of five oil sands leases with 27 gross sections (21.5 net sections) at Sawn Lake, where it has a working interest of either 50% or 100%.

The Sawn Lake property is in a pre-commercial stage and the commercial viability of the SAGD recovery process at Sawn Lake has not yet been established. No proved or probable reserves were assigned at December 31, 2021.

In early 2020 there was a severe decline in crude oil prices due to geopolitical events and the collapse of global demand for crude oil and related products resulting from COVID-19. This resulted in dramatically lower prices for heavy oil and bitumen, and deterioration in the economics for commercial expansion at Sawn Lake, and as a result, in that market there was no expected commercial development at Sawn Lake. An impairment expense of \$85.8 million was recorded for the Sawn Lake interests and related capitalized costs in the first quarter of 2020. The Company will continue to monitor bitumen prices and other factors influencing the timing and extent of potential future SAGD development at Sawn Lake.

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

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

Summarized financial information with respect to Andora is as follows:

Andora Energy Corporation (\$thousands)	As at and for the Three months ended December 31		As at and for the Year ended December 31	
	2021	2020	2021	2020
Total assets	1,198	1,231	1,198	1,231
Total liabilities	5,136	4,842	5,136	4,842
Cash flow used in operating activities	(214)	(158)	(1,016)	(489)
Net loss	(434)	(453)	(424)	(79,554)

Indonesia

East Jabung PSC (expired 2020)

The undeveloped interests at the East Jabung PSC, where the Company held a 49% non-operated working interest, expired in January 2020 and the operator is continuing to complete the final steps to be taken for formal approval of the expiry by the GOI, including reclamation requirements.

Batu Gajah PSC (expired 2017)

The Batu Gajah PSC, where the Company had held a 77% operated working interest with a 23% carried interest held by third parties, expired January 15, 2017 and the Company is still waiting for reclamation requirements and final approval of the expiry from the GOI.

Pan Orient is withdrawing from operations in Indonesia and the office in Jakarta was closed on March 31, 2020. Activities of the Company related to Indonesia are considered discontinued operations effective January 1, 2020.

Financial and Operating Summary
(thousands of Canadian dollars except where indicated)

	Three Months Ended December 31,		Year Ended December 31,		% Change
	2021	2020	2021	2020	
FINANCIAL					
Financial Statement Results – Excluding 50.01% Interest in Thailand Joint Venture (Note 1)					
Net income (loss) attributed to common shareholders	2,951	(417)	8,479	(59,631)	-114%
Per share – basic and diluted	\$ 0.06	\$ (0.01)	\$ 0.17	\$ (1.13)	-114%
Cash flow used in operating activities (Note 2 & 3)	(1,212)	(597)	(3,050)	(1,942)	57%
Per share – basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.06)	\$ (0.04)	57%
Cash flow from (used in) investing activities (Note 2 & 3)	5,098	(26)	13,712	6,984	96%
Per share – basic and diluted	\$ 0.10	\$ 0.00	\$ 0.27	\$ 0.13	96%
Cash flow used in financing activities (Note 2 & 3)	(3)	(225)	(1,728)	(1,733)	0%
Per share – basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.03)	\$ (0.03)	0%
Change in cash & cash equivalents from discontinued operations (Note 3)	(9)	(46)	(153)	(795)	-81%
Working capital	31,472	22,968	31,472	22,968	37%
Working capital & non-current deposits	32,084	23,577	32,084	23,577	36%
Long-term debt	-	-	-	-	0%
Shares outstanding (thousands)	49,794	51,744	49,794	51,744	-4%
Capital Commitments (Note 4)	1,060	801	1,060	801	32%
Working Capital and Non-current Deposits					
Beginning of period – Excluding Thailand Joint Venture	28,443	26,411	23,577	22,158	6%
Adjusted funds flow used in continuing operations (Note 3 & 5)	(1,072)	(1,754)	(3,376)	(3,340)	1%
Adjusted funds flow from (used in) discontinued operations (Note 3)	(239)	47	(400)	395	-201%
Consolidated capital expenditures (Note 6)	-	-	-	(85)	
Amounts advanced to Thailand Joint Venture	(8)	(25)	31	(43)	-172%
Dividend received from Thailand Joint Venture	5,141	-	13,715	7,112	93%
Finance lease payments	(3)	(3)	(24)	(139)	-83%
Changes in current decommissioning liabilities	125	-	(518)	-	
Normal course issuer bid	-	(222)	(1,704)	(1,705)	0%
Automatic share purchase plan (Note 7)	-	-	945	-	
Effect of foreign exchange and other	(303)	(877)	(162)	(776)	-79%
End of period - Excluding Thailand Joint Venture	32,084	23,577	32,084	23,577	36%
Pan Orient 50.01% interest in Thailand Joint Venture Working Capital and Non-Current Deposits	5,023	4,875	5,023	4,875	3%
Economic Results – Including 50.01% Interest in Thailand Joint Venture					
Total corporate adjusted funds flow from (used in) operations by region (Note 5)					
Canada	(1,055)	(1,745)	(3,329)	(3,310)	1%
Thailand (Note 8)	(17)	(9)	(47)	(30)	57%
From continuing operations	(1,072)	(1,754)	(3,376)	(3,340)	1%
Indonesia – Discontinued Operations	(239)	47	(400)	395	-201%
Adjusted funds flow used in operations (excl. Thailand Joint Venture)	(1,311)	(1,707)	(3,776)	(2,945)	28%
Share of Thailand Joint Venture (Note 1 & 9)	5,731	3,235	20,466	12,492	64%
Total corporate adjusted funds flow from operations	4,420	1,528	16,690	9,547	75%
Per share – basic and diluted	\$ 0.09	\$ 0.03	\$ 0.33	\$ 0.18	84%
Capital Expenditures – Petroleum and Natural Gas Properties (Note 6)					
Consolidated capital expenditures (excl. Thailand Joint Venture)	-	-	-	85	-100%
Share of Thailand Joint Venture capital expenditures	853	1,644	5,803	10,248	-43%
Total capital expenditures (incl. Thailand Joint Venture)	853	1,644	5,803	10,333	-44%
Investment in Thailand Joint Venture					
Beginning of period	24,636	26,809	28,329	34,127	-17%
Net income from Joint Venture	4,259	1,294	12,146	1,906	537%
Other comprehensive gain (loss) from Joint Venture	332	201	(2,635)	(635)	315%
Dividend paid	(5,141)	-	(13,715)	(7,112)	93%
Amounts advanced to (from) Joint Venture	8	25	(31)	43	-172%
End of period	24,094	28,329	24,094	28,329	-15%

	Three Months Ended December 31,		Year Ended December 31,		% Change
	2021	2020	2021	2020	
<i>(thousands of Canadian dollars except where indicated)</i>					
Thailand Operations					
Economic Results – Including 50.01% Interest in Thailand Joint Venture (Note 9)					
Oil sales (bbls)	131,207	137,137	509,195	444,020	15%
Average daily oil sales (BOPD) by Concession L53	1,426	1,491	1,395	1,213	15%
Average oil sales price, before transportation (CDN\$/bbl)	\$ 98.03	\$ 56.95	\$ 84.69	\$ 54.18	56%
Reference Price (volume weighted) and differential					
Crude oil (Brent \$US/bbl)	\$ 79.73	\$ 44.62	\$ 70.78	\$ 41.73	70%
Exchange Rate \$US/\$Cdn	1.27	1.32	1.27	1.35	-6%
Crude oil (Brent \$Cdn/bbl)	\$ 101.41	\$ 58.71	\$ 89.61	\$ 56.16	60%
Sale price / Brent reference price	97%	97%	95%	96%	-2%
Adjusted funds flow from (used in) operations (Note 5)					
Crude oil sales	12,862	7,810	43,123	24,055	79%
Government royalty	(688)	(419)	(2,308)	(1,252)	84%
Transportation expense	(316)	(314)	(1,208)	(1,005)	20%
Operating expense	(766)	(1,094)	(2,883)	(3,424)	-16%
Field netback	11,092	5,983	36,724	18,374	100%
General and administrative expense (Note 8)	(283)	(306)	(911)	(968)	-6%
Interest income	-	1	2	7	-71%
Foreign exchange gain (loss)	2	4	(36)	46	-178%
Current income tax	(5,097)	(2,456)	(15,360)	(4,997)	207%
Thailand - Adjusted funds flow from operations	5,714	3,226	20,419	12,462	64%
Adjusted funds flow from (used in) operations / barrel (CDN\$/bbl) (Note 5)					
Crude oil sales	\$ 98.03	\$ 56.95	\$ 84.69	\$ 54.18	56%
Government royalty	(5.24)	(3.06)	(4.53)	(2.82)	61%
Transportation expense	(2.41)	(2.29)	(2.37)	(2.26)	5%
Operating expense	(5.84)	(7.98)	(5.66)	(7.71)	-27%
Field netback	\$ 84.54	\$ 43.63	\$ 72.12	\$ 41.38	74%
General and administrative expense (Note 8)	(2.16)	(2.22)	(1.79)	(2.18)	-18%
Interest Income	-	0.01	0.00	0.02	-75%
Foreign exchange gain (loss)	0.02	0.03	(0.07)	0.10	-168%
Current income tax	(38.85)	(17.91)	(30.17)	(11.25)	168%
Thailand – Adjusted funds flow from operations	\$ 43.56	\$ 23.54	\$ 40.10	\$ 28.07	43%
Government royalty as percentage of crude oil sales	5.3%	5.4%	5.4%	5.2%	0%
Income tax & SRB as percentage of crude oil sales	40%	31%	36%	21%	15%
As percentage of crude oil sales					
Expenses - transportation, operating, G&A and other	11%	22%	12%	22%	-11%
Government royalty, SRB and income tax	45%	37%	41%	26%	15%
Adjusted funds flow from operations, before interest income	44%	41%	47%	52%	-4%
Wells drilled					
Gross	-	1	3	8	-63%
Net	-	0.5	1.5	4.0	-63%
Financial Statement Presentation					
Results – Excl. 50.01% Interest in Thailand Joint Venture (Note 1)					
General and administrative expense (Note 8)	(17)	(9)	(47)	(30)	57%
Adjusted funds flow used in consolidated operations	(17)	(9)	(47)	(30)	57%
Adjusted fund flow included in Investment in Thailand Joint Venture					
Net income from Thailand Joint Venture	4,259	1,294	12,146	1,906	537%
Add back non-cash items in net income	1,472	1,941	8,320	10,586	-21%
Adjusted funds flow from Thailand Joint Venture	5,731	3,235	20,466	12,492	64%
Thailand – Economic adjusted funds flow from operations (Note 9)	5,714	3,226	20,419	12,462	64%

	Three Months Ended December 31,		Year Ended December 31,		% Change
	2021	2020	2021	2020	
<i>(thousands of Canadian dollars except where indicated)</i>					
Canada Operations					
Interest income	13	19	48	220	-78%
General and administrative expenses (Note 8)	(564)	(546)	(2,036)	(2,070)	-2%
Operating expense (Note 10)	(59)	(54)	(279)	(210)	33%
Stock based compensation on restricted share units (note 11)	(375)	(156)	(1,001)	(383)	161%
Realized foreign exchange gain (Note 12)	53	1	53	2	2550%
Unrealized foreign exchange loss (loss) (Note 12)	(123)	(1,009)	(114)	(869)	-87%
Canada – Adjusted funds flow used in operations	(1,055)	(1,745)	(3,329)	(3,310)	1%
Add back Thailand general and administrative expense (note 8)	(17)	(9)	(47)	(30)	57%
Add back changes in non-cash working capital, continuing operations	(263)	148	212	529	-60%
Add back unrealized foreign exchange loss	123	1,009	114	869	-87%
Cash flow used in operating activities, continuing operations	(1,212)	(597)	(3,050)	(1,942)	-57%
Indonesia – Discontinued Operations					
General and administrative expense (Note 8)	(45)	(61)	(212)	(284)	-25%
Impairment recovery (expense) (Note 13)	(164)	1	(165)	675	-124%
Foreign exchange gain (loss)	(30)	107	(23)	4	-675%
Indonesia – Adjusted funds flow from (used in) operations	(239)	47	(400)	395	-201%
Add back changes in non-cash working capital, discontinued operations	366	(93)	383	(1,079)	-135%
Settlement of decommissioning provision	(136)	-	(136)	-	
Cash flow used in operating activities, discontinued operations	(9)	(46)	(153)	(684)	-122%

	Year Ended December 31,		% Change
	2021	2020	
<i>(thousands of Canadian dollars except where indicated)</i>			
RESERVES AND CONTINGENT RESOURCES			
Onshore Thailand – Concession L53 (50.01% economic interest) (Note 1)	(Note 15)	(Note 14)	
Proved oil reserves (thousands of barrels)	1,540	1,418	9%
Proved plus probable oil reserves (thousands of barrels)	2,313	2,377	-3%
Net present value of proved + probable reserves, after tax discounted at 10%	54,095	38,888	39%
Per Pan Orient share – basic (Note 16)	\$ 1.09	\$ 0.75	45%
Canada (Pan Orient's 71.8% share of the oil sands leases of Andora at Sawn Lake, Alberta)	(Note 17)		

INTERNATIONAL INTERESTS AT DECEMBER 31, 2021

<i>All amounts reflect Pan Orient's economic interest</i>	Status	Net Square Kilometers	December 31, 2021		P+P Reserves (thousands of barrels)
			Financial Commitments (Cdn thousands)	2021 Avg. Production (BOPD)	
<u>Onshore Thailand Concession (Recorded in Investment in Joint Venture)</u>					
L53/48 (Pan Orient 50.01% ownership in Pan Orient Energy (Siam) Ltd. (Note 1 & 18)	Partially developed	13.66	-	1,395	2,313
<u>Onshore Indonesia PSC (Consolidated subsidiary)</u>					
East Jabung PSC, South Sumatra (49% interest & non-operator) (Note 3)	Expired				

- Pan Orient holds a 50.01% equity interest in Pan Orient Energy (Siam) Ltd. as a joint arrangement where the Company shares joint control with the 49.99% equity interest holder. The resulting joint arrangement is classified as a Joint Venture under IFRS 11 and is accounted for using the equity method of accounting where Pan Orient's 50.01% equity interest in the assets, liabilities, working capital, operations and capital expenditures of Pan Orient Energy (Siam) Ltd. are recorded in Investment in Thailand Joint Venture.
- As set out in the Consolidated Statements of Cash Flows in the Consolidated Financial Statements of Pan Orient Energy Corp.
- The East Jabung Production Sharing Contract ("PSC") expired in January 2020 and the operator is continuing to complete the final steps to be taken for formal approval of the expiry from the Government of Indonesia, including reclamation requirements. Pan Orient is withdrawing from operations in Indonesia and the office in Jakarta was closed March 31, 2020. For accounting purposes, the operation in Indonesia for accounting purposes is considered a discontinued operation since 2020.
- Refer to Commitments note disclosure of the December 31, 2021 and December 31, 2020 Consolidated Financial Statements.

- (5) Total corporate adjusted funds flow from operations is cash flow from operating activities prior to changes in non-cash working capital, unrealized foreign exchange gain or loss plus the corresponding amount from Pan Orient's 50.01% interest in the Thailand Joint Venture which is recorded in Joint Venture for financial statement purposes. This measure is used by management to analyze operating performance and leverage. Adjusted funds flow as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures of other entities. Adjusted funds flow is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS.
- (6) Cost of capital expenditures excluded decommissioning costs and the impact of changes in foreign exchange.
- (7) In December 2020, the Company entered into an Automatic Share Purchase Plan ("ASPP"), which permits an independent broker to repurchase shares during certain blackout periods under the Company's normal course issuer bid, subject to agreed trading parameters and other instructions for such purchases. At December 31, 2021, the Company recognized a provision of \$nil (December 31, 2020 - \$0.9 mill) in accounts payable and accrued liabilities as an estimate for the number of shares that may be repurchased during potential blackout periods at the maximum share price under the ASPP.
- (8) General & administrative expenses excluding non-cash accretion expense. The nominal amount of G&A shown in the three months and years ended December 31, 2021 and 2020 for Thailand operations related to G&A of the holding company of Pan Orient Energy (Siam) Ltd.
- (9) For the purpose of providing more meaningful economic results from operations for Thailand, the amounts presented include 50.01% of results of the Thailand Joint Venture. Pan Orient has a 50.01% ownership interest in Pan Orient Energy (Siam) Ltd., but does not have any direct interest in, or control over, the crude oil reserves, operations or working capital of on-shore Concession L53.
- (10) Operating expense related to Andora's suspended demonstration project facility and wellpair at Sawn Lake Central. These expenses were previously capitalized prior to the E&E impairment recorded during the first quarter of 2020.
- (11) The Company granted 1,050,000 and 520,000 restricted share units ("RSUs") to directors, senior management, employees and consultant on May 19, 2020 and May 14, 2021, respectively. At December 31, 2021, 599,998 RSUs are outstanding. The amount represents the stock-based compensation expenses.
- (12) Realized and unrealized foreign exchange gain or loss mainly related to the U.S. dollars denominated cash balances held in Canada.
- (13) Adjustment to previously booked capital expenditures at East Jabung PSC.
- (14) Thailand reserves as at December 31, 2020 as evaluated by Sproule International Limited of Calgary assessed at forecast crude oil reference prices and costs. The US\$ reference price for crude oil per barrel (US\$ UK Brent per barrel) in the evaluation is \$48.00 for 2021, \$50.00 for 2022, \$55.00 for 2023, \$56.10 for 2024, \$57.22 for 2025 and prices increase at 2.0% per year thereafter. Foreign exchange rate used of Cdn\$1=US\$0.77. The engineered values disclosed may not represent fair market value.
- (15) Thailand reserves as at December 31, 2021 as evaluated by Sproule International Limited of Calgary assessed at forecast crude oil reference prices and costs. The US\$ reference price for crude oil per barrel (US\$ UK Brent per barrel) in the evaluation is \$75.00 for 2022, \$72.00 for 2023, \$70.00 for 2024, \$71.40 for 2025, \$72.83 for 2026 and prices increase at 2.0% per year thereafter. Foreign exchange rate used of Cdn\$1=US\$0.80. The engineered values disclosed may not represent fair market value.
- (16) Per share values calculated based on 49,793,907 and 51,744,007 Pan Orient Shares outstanding at December 31, 2021 and 2020, respectively.
- (17) The evaluation of Andora's contingent resources of the oil sands project at Sawn Lake Alberta, Canada as at September 30, 2019 was conducted by Sproule Associates Limited. Andora's unrisks "Best Estimate" contingent resources were 227.8 million barrels (163.6 million net to Pan Orient's interest in Andora) of recoverable bitumen as at September 30, 2019 using forecast prices at September 30, 2019. At March 31, 2020 low commodity prices indicated there was no expected commercial development at Sawn Lake in that market and Andora recorded a full non-cash net impairment charge on the Sawn Lake Exploration and Evaluation assets.
- (18) At December 31, 2021 Concession L53/48 in Thailand consisted of 27.32 square kilometers associated with the L53-A, L53-B, L53-D, L53-G, L53-DD and L53-AA South and L53-AA fields held through production licenses (with a 20 year primary term ending in 2036 plus an additional 10 year renewal period that can be applied for).
- (19) Tables may not add due to rounding.

HIGHLIGHTS

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

- Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, oil sales from Concession L53 were 1,395 BOPD in 2021, an increase of 15% from 1,213 BOPD in 2020. The L53-DD10 and L53-DD11 appraisal wells were drilled in the L53-DD field and brought onto production in 2021. In addition, water disposal capacity at the L53-DD field was increased through conversion of the L53-DD8 well to a water disposal well and drilling of the L53-DD12 water disposal well.
- Adjusted Thailand funds flow from operations of \$20.4 million in 2021 (\$40.10 per barrel), with \$5.7 million (\$43.56 per barrel) in the fourth quarter, net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture. During 2021, the realized price of Concession L53 crude oil was higher than the previous year by 56% as the Brent reference price increased 60%. Operating expenses in 2021 declined 27% to \$5.66 per barrel primarily due to increased water handling capacity for the L53-DD field and higher oil volumes.
- Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, adjusted funds flow from Thailand operations of \$20.4 million in 2021 funded \$5.8 million of Thailand exploration and development activities and \$13.7 million of dividends from the Thailand Joint Venture to Pan Orient. Pan Orient's share of working capital and long-term deposits in Thailand at December 31, 2021 was \$5.0 million.
- December 31, 2021 reserves report assigned proved plus probable crude oil reserves of 2.3 million barrels (a decrease of 3%), net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, with an after tax net present value using forecast prices and costs discounted at 10% per year of \$54.1 million (an 39% increase). The 3% decrease in proved plus probable crude oil reserves results from 509,195 barrels of oil sales largely offset by a 445,809 barrel increase from positive technical revisions, economic factors and extension of fields. The 39% increase in the net present value is the result of the 31% increase average oil sales prices more than offsetting the 3% decrease in proved plus probable reserves.

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

- The operator of the East Jabung Production Sharing Contract ("PSC") provided notice to the Government of Indonesia in January 2020 of withdrawal from the East Jabung PSC and is continuing to complete final steps to be taken for formal approval of the expiry from the Government of Indonesia, including reclamation requirements. Pan Orient is withdrawing from operations in Indonesia and the office in Jakarta was closed March 31, 2020.
- Activities of the Company in Indonesia for 2021 are reported as discontinued operations. Discontinued operations in Indonesia for 2021 were \$212 thousand of G&A expense, \$23 thousand in foreign exchange loss and \$165 thousand increase of impairment expense for the East Jabung PSC.

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

- Since March 31, 2020, no Sawn Lake operating expenses or G&A have been capitalized. For 2021, Pan Orient reports total operating expense of \$279 thousand associated with the Sawn Lake suspended SAGD facility and wellpair.

Corporate

- Total 2021 corporate adjusted funds flow from operations (including Pan Orient's 50.01% equity interest in the Thailand Joint Venture) of \$16.7 million (\$0.33 per share), with \$4.4 million (\$0.09 per share) in the fourth quarter of 2021. The 75% increase from \$9.5 million (\$0.18 per share) in 2020 is largely due to the Thailand Joint Venture with 56% higher realized prices of Concession L53 crude oil and 15% higher oil sales volume.
- Net income attributable to common shareholders was \$8.5 million (\$0.17 per share) for 2021 and \$3.0 million (\$0.06 per share) for the fourth quarter of 2021.
- Pan Orient repurchased 1,950,100 common shares in 2021 at an average price of \$0.87 per share (before the \$0.40 per share special distribution to Pan Orient shareholders in February 2022). There have been no shares repurchased in 2022 to date.
- Pan Orient had working capital and non-current deposits of \$32.1 million and no long-term debt at December 31, 2021. In addition, the Thailand Joint Venture had \$5.0 million in working capital and long-term deposits, net to Pan Orient's 50.01% equity interest, and Thailand funds flow from operations are expected to fund remaining development activities at Concession L53.
- At the Annual and Special Meeting of Shareholders January 18, 2022, shareholders approved the previously announced capital reorganization resulting in a \$0.40 per common share return of capital distribution to shareholders on February 10, 2022. The total amount of the distribution was \$19.9 million.

OUTLOOK

CORPORATE

In the fourth quarter of 2021, the Company announced a process to accelerate shareholder value given the mid to late stage development of Thailand, intention to minimize further investment into the Sawn Lake asset, and strength in current oil prices. This process will involve both the Thailand assets and the Sawn Lake, Canada assets and it is expected that there will be two distinct transactions due to the contrasting nature of the assets. It is intended that the proceeds from any potential sale of any of the assets will be paid or distributed to Pan Orient shareholders.

An updated December 31, 2021 independent reserves evaluation for Thailand on-shore Concession L53/48 of Pan Orient Energy (Siam) Ltd. was prepared at the end of January 2022 and financial statements for December 31, 2021 are now available. Both the Brent and Western Canada Select reference prices for oil have continued to increase. Pan Orient is reviewing alternatives and having discussions with interested parties to achieve value for Pan Orient shareholders. The outcome, timing and amount of potential transactions is uncertain at this time.

It is currently proposed that in the period after the sale of the Company's oil and gas interests, and the distribution of the vast majority of cash to shareholders, the Company will continue to pursue international oil and gas opportunities with a substantially scaled down cost structure.

THAILAND

Pan Orient Energy (Siam) Ltd. is currently undertaking an approximately eight to ten well workover program with the aim of increasing oil production and take advantage of the current oil price environment.

Net income from Thailand Joint Venture

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

Income from Joint Venture Pan Orient Energy (Siam) Ltd. (Net to Pan Orient 50.01%)	Three months ended December 31				Year ended December 31			
	2021		2020		2021		2020	
	\$000s	\$ per bbl	\$000s	\$ per bbl	\$000s	\$ per bbl	\$000s	\$ per bbl
Crude oil sales	12,862	98.03	7,810	56.95	43,123	84.69	24,055	54.18
Government royalty	(688)	(5.24)	(419)	(3.06)	(2,308)	(4.53)	(1,252)	(2.82)
Transportation expense	(316)	(2.41)	(314)	(2.29)	(1,208)	(2.37)	(1,005)	(2.26)
Operating expense	(766)	(5.84)	(1,094)	(7.98)	(2,883)	(5.66)	(3,424)	(7.71)
Field netback	11,092	84.54	5,983	43.63	36,724	72.12	18,374	41.38
General and administrative expense	(267)	(2.03)	(297)	(2.17)	(864)	(1.70)	(938)	(2.11)
Foreign exchange gain (loss)	2	0.03	3	0.03	(36)	(0.07)	46	0.10
Interest income	-	-	1	0.01	2	0.00	7	0.02
Current income tax expense	(5,097)	(38.85)	(2,456)	(17.91)	(15,360)	(30.17)	(4,997)	(11.25)
Adjusted funds flow from operations	5,730	43.69	3,234	23.59	20,466	40.20	12,492	28.13
Depletion, depreciation and amortization	(1,845)	(14.06)	(2,474)	(18.04)	(8,537)	(16.77)	(9,276)	(20.89)
Accretion	(16)	(0.12)	(10)	(0.07)	(47)	(0.09)	(34)	(0.08)
Deferred tax recovery (expense)	614	4.68	831	6.06	1,280	2.51	(90)	(0.20)
Net income	4,483	34.18	1,581	11.54	13,162	25.85	3,092	6.96
Amortization of fair value adjustment	(225)	(1.71)	(287)	(2.09)	(1,016)	(2.00)	(1,186)	(2.67)
Net income from Joint Venture	4,258	32.47	1,294	9.45	12,146	23.86	1,906	4.29

Note: Tables may not add due to rounding

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

Oil sales from Concession L53 in Thailand averaged 1,426 and 1,395 BOPD during the three months and year ended December 31, 2021 compared to 1,491 and 1,213 BOPD during the three months and year ended December 31, 2020.

Oil sales revenue from Concession L53 was \$12.9 million and \$43.1 million for the three months and year ended December 31, 2021 compared to \$7.8 million and \$24.1 million during the same periods of 2020. Oil revenue for the three months ended December 31, 2021 were higher than in 2020 due to higher production and realized prices. The realized price per barrel was \$98.03 and \$84.69 for the three months and year ended December 31, 2021 compared to \$56.95 and \$54.18 during the same comparative periods in 2020. The realized sales price from the Thailand Joint Venture was 97% and 95% of the Brent reference price during the three months and year ended December 31, 2021, respectively.

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

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

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

Production and operating expense was \$0.8 million (\$5.84 per barrel) and \$2.9 million (\$5.66 per barrel) for the three months and year ended December 31, 2021 compared to \$1.1 million (\$7.98 per barrel) and \$3.4 million (\$7.71 per barrel) during the same periods of 2020. Operating expenses decreased due to lower water hauling costs as a result of L53-DD and L53-DD12 wells for water injections.

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

Petroleum income tax in Thailand Joint Venture is 50% of taxable income which is calculated based on adjusted funds flow from operations less capital expenditures (deductible at varying rates), special remuneratory benefit tax ("SRB"), and other permitted deductions. Current income tax expense was \$5.1 million and \$15.4 million for the three months and year ended December 31, 2021 compared to \$2.5 million and \$5.0 million during the same periods of 2020. Current income tax increased due to higher taxable income resulted from higher oils sales and realized prices in 2021.

Thailand SRB is a tax at sliding scale rates of 0 - 75% applied on a concession-by-concession basis to petroleum profits as defined in Thai tax legislation which includes deductions for expenses and capital spent. The rate is principally determined by revenue for the concession (production and pricing) but is subject to other adjustments such as changes in Thailand's consumer and wholesale price indices and cumulative meters drilled on the concession. There was no SRB tax paid since inception to date for Concessions L53 and because of the numerous factors involved in the SRB calculation, it is uncertain if SRB will be payable on the concession. Given the recent high price of crude oil, there is an increased chance of SRB tax in 2022.

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

Depletion is provided on costs accumulated using the unit-of production method based on an independent engineering estimate of the Thailand Joint Venture's share of proved plus probable reserves, before royalties. DD&A was \$14.06 and \$16.77 per barrel for the three months and year ended December 31, 2021 compared to \$18.04 and \$20.89 per barrel for the three months and year ended December 31, 2020. On a per barrel basis, the DD&A was overall lower in 2021 than in 2020 due to lower cost base subject to depletion.

General and Administrative ("G&A") Expenses

(\$thousands)	Three months ended		Year ended	
	December 31		December 31	
	2021	2020 ⁽¹⁾	2021	2020 ⁽¹⁾
Canada ⁽¹⁾⁽²⁾	569	546	2,064	2,070
Thailand (excluding Thailand Joint Venture)	19	9	47	30
G&A expense from continuing operations	588	555	2,111	2,100
G&A expense from discontinued operations – Indonesia	45	61	212	284
Share of G&A from Thailand Joint Venture	283	297	911	938
Total G&A attributable to the economic interests of Pan Orient (including 50.01% interest in Thailand Joint Venture)	916	913	3,234	3,322

(1) G&A, net of overhead recoveries (portion of Pan Orient's G&A expenses charged by Andora, as operator, to the Sawn Lake joint venture operations and capital projects. Overhead recoveries were \$28 thousand for the years ended December 31, 2021 and 2020.

(2) Excludes capitalized G&A which is allocated to capital projects represents compensation and other directly attributable costs associated with property acquisition, and exploration and development activities. No G&A is capitalized in 2021 and capitalized G&A in 2020 relates to exploration and development activities at the Company's heavy oil demonstration project in Canada in the first quarter of 2020. Subsequent to the impairment of these assets, no G&A is being capitalized.

Capital Expenditures

	Three months ended December 31				Year ended December 31			
	2021		2020		2021		2020	
	\$000s	Net wells drilled	\$000s	Net wells drilled	\$000s	Net wells drilled	\$000s	Net wells drilled
Capital expenditures ⁽¹⁾								
Canada	-	-	-	-	-	-	85	-
Share of Thailand joint venture capital expenditures ⁽²⁾	853	-	1,644	0.5	5,803	1.5	10,248	4
Total capital expenditures attributable to the economic interest of Pan Orient (including 50.01% interest in Thailand Joint Venture)	853	-	1,644	0.5	5,803	1.5	10,333	4

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

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

Thailand

Capital expenditures related to Thailand Joint Venture were \$5.8 million for 2021 consisting of drilling 3 wells (1.5 wells net to Pan Orient) at DD-10, DD-11 and DD12 wells, workover activities, site construction, equipment inventory purchases, capitalized general and administrative expenses and other development activities.

Liquidity and Capital Resources

Pan Orient's capital program, including the 50.01% share of the Thailand Joint Venture, was \$5.8 million for the year ended December 31, 2021 and was financed from existing working capital and adjusted funds flow from operations, including the Thailand Joint Venture. At December 31, 2021, the Company's working capital plus non-current deposits was \$32.1 million compared to \$23.6 million at December 31, 2020. The Company had estimated outstanding capital commitments of \$1.1 million at December 31, 2021. In addition to Pan Orient's consolidated working capital and non-current deposits, its investment in the Thailand Joint Venture includes \$5.0 million of its share of working capital and non-current deposits and \$2.3 million of equipment inventory to be utilized for future operations of the Thailand Joint Venture.

Non-current deposits of \$0.6 million at December 31, 2021 consisted of deposits placed with the Alberta energy regulator in Canada for the interests of Andora at Sawn Lake. The estimated decommissioning provision for Andora at December 31, 2021 for wells and facilities in Canada is \$1.2 million. The estimated decommissioning provision for Indonesia discontinued operations at December 31, 2021 is \$1.0 million.

Share Capital

Outstanding (thousands)	March 15, 2022	December 31, 2021	December 31, 2020
Common shares	49,794	49,794	51,744
Stock options	2,865	2,865	2,935
Total	52,659	52,659	54,679

In May 2021, the Company renewed its normal course issuer bid through the TSX-V to continue the ability to purchase its common shares. Under the terms of the bid, Pan Orient is authorized to purchase, for cancellation, up to 3,920,884 of its common shares (10% of the public float), subject to a maximum of 997,620 common shares (2% of the 49,881,007 issued and outstanding common shares) during any 30 day period. The ability to purchase common shares under the bid commenced on May 21, 2021 and ends one year after commencement or on the earlier date on which Pan Orient has either acquired the maximum number of common shares specified above or otherwise decided not to make any further purchases. The Company filed a notice with the TSX-V containing the Form 5G – "Notice of intention to make a normal course issuer bid" and shareholders can obtain a copy of the notice, without charge, by contacting the Company.

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

During the year ended 2021, the Company has repurchased 1,950,100 shares at an average price of \$0.87 per share under the normal course issuer bid which included 1,671,500 shares at an average price of \$0.87 per share repurchased under the ASPP.

In February 2022, the Company paid a \$0.40 per share special distribution to shareholders following shareholder approval of a reorganization of the Company's share capital. The record date for the return of capital distribution was February 2, 2022 and the payment date was February 10, 2022. The amount paid on February 10, 2022 was \$19.9 million.

On May 14, 2021, the Company granted 520,000 restricted share units (“RSUs”) to its directors, senior management, employees and consultant. The vesting period of the RSUs granted in 2021 is one-half 6 months after the grant date (November 14, 2021) and one-half 12 months after the grant date (May 14, 2022). The RSUs will be paid out based on the fair market value on each vesting date in cash. Fair market value of shares means (a) the average closing price for such shares on the TSX-V Exchange for the ten trading days on which the shares traded immediately preceding the relevant date or (b) if the Board of Directors specifically so determines, the closing market price for such shares on the TSX-V Exchange on the relevant date.

The Company settled the vested portion of the RSUs with cash in 2021. At December 31, 2021, the Company recorded \$0.4 million in accrued liabilities related to the RSUs which was based on the Company’s closing share price of \$1.16 per share on TSX-V Exchange on December 31, 2021. Subsequent to December 31, 2021, as a result of the \$0.40 per common share return of capital to shareholders, the Company also made a cash payment of \$0.40 per RSU to holders of 599,998 RSUs outstanding, or \$0.2 million.

On July 28, 2021, Andora issued 9.8 million stock options to its directors, officers, and employee with an exercise price of \$0.01 per share. One third of the options vests immediately, one third of the options will vest each year thereafter and all options expire in 4 years. Of the \$9.8 million Andora options, 5.3 million options were issued to directors, officers, and employee of Pan Orient.

Foreign Exchange

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

	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Rate at end of period								
Thai baht / Cdn \$ exchange	25.76	26.24	25.47	24.47	23.09	23.27	22.25	22.74
Cdn \$ / US \$ exchange	1.27	1.27	1.24	1.26	1.27	1.33	1.36	1.42

The Company holds U.S. dollars within Canada to meet U.S. dollar cash requirements of its foreign operations and at December 31, 2021 the Company held \$14.4 million (December 31, 2020: \$16.6 million) denominated in U.S. dollars as cash and cash equivalents.

Thailand Joint Venture operations use Thai baht as their functional currencies for reporting. The currency is translated into Canadian dollars at each reporting period end with the unrealized translation gain or loss recognized in accumulated other comprehensive income or loss (“AOCI” or “AOCL”).

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

(\$thousands)	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
AOCI (AOCL), beginning of period	(699)	2,067	2,268	2,903
Foreign currency translation gain (loss) from Thailand Joint Venture	332	201	(2,635)	(635)
AOCI (AOCL), end of period	(367)	2,268	(367)	2,268

Selected Annual Information

\$thousands, except for per barrel and per share amounts	Years Ended December 31		
	2021	2020	2019
Oil revenue before royalties, included in Thailand Joint Venture ⁽¹⁾	43,123	24,055	28,882
Average daily oil sales (BOPD)	1,395	1,213	1,060
Average oil sales price (Cdn\$/bbl)	\$ 84.69	\$ 54.18	\$ 74.65
Total corporate adjusted funds flow (used in) operations by region ⁽²⁾			
Canada	(3,329)	(3,310)	(2,692)
Thailand ⁽³⁾	(47)	(30)	(41)
From continuing operations	(3,376)	(3,340)	(2,733)
Indonesia – Discontinued operations	(400)	395	(392)
Share of Thailand Joint Venture	20,466	12,492	19,984
Total corporate adjusted funds flow from operations ⁽²⁾	16,690	9,547	16,859
Per share – basic and diluted	\$ 0.33	\$ 0.18	\$ 0.31
Cash flow used in operating activity continuing operations ^{(4) (5)}	(3,050)	(1,942)	(1,692)
Per share – basic and diluted	\$ (0.06)	\$ (0.04)	\$ (0.03)
Cash flow used in operating activity discontinued operations ^{(4) (5)}	(153)	(684)	(862)
Per share – basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.02)
Net income (loss) attributable to common shareholders			
From continuing operations	9,511	(59,904)	2,198
From discontinued operations - Indonesia	(1,032)	273	(27,502)
Net income (loss) attributable to common shareholders	8,479	(59,631)	(25,304)
Per share – basic and diluted	\$ 0.17	\$ (1.13)	\$ (0.46)
Total assets	60,708	56,233	146,656
Total current liabilities	4,117	3,855	4,003
Total non-current liabilities	1,236	2,081	7,253
Working capital	31,472	22,968	21,554
Working capital plus non-current deposits	32,084	23,577	22,158
Long-term debt	-	-	-
Capital expenditures			
Canada	-	85	604
Indonesia – Discontinued Operations ⁽⁵⁾	-	-	12,229
Share of capital expenditures from Thailand Joint Venture ⁽¹⁾	5,803	10,248	9,113
Total capital expenditures	5,803	10,333	21,946
Weighted average shares outstanding			
Basic	50,152	52,789	54,958
Diluted	50,152	52,789	54,958
Shares outstanding			
Basic	49,794	51,744	54,496
Diluted	49,794	51,744	54,496

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

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

(3) The nominal amount of adjusted fund flow used in operations shown for Thailand operations related to G&A of the holding company of Pan Orient Energy (Siam) Ltd.

(4) As set out in the Consolidated Statements of Cash Flows in the Consolidated Financial Statements of Pan Orient Energy Corp.

(5) The East Jabung PSC expired in January 2020 and the operator is determining final steps to be taken for formal approval of the expiry from the Government of Indonesia, including reclamation requirements. Pan Orient is withdrawing from operations in Indonesia and the office in Jakarta was closed March 31, 2020. For accounting purposes, the operation in Indonesia for accounting purposes is considered a discontinued operation for 2020 onwards and the amounts presented for 2019 have been updated for comparative purposes.

Summary of Quarterly Results

	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial (\$thousands) except as indicated ⁽¹⁾								
Interest revenue	13	17	12	6	18	69	23	109
Cash flow used in operating activity, continuing operations ⁽²⁾	(1,212)	(227)	(620)	(991)	(597)	(355)	(591)	(399)
Cash flow from (used in) operating activity, discontinued operations ⁽²⁾	(10)	(7)	(103)	(33)	(46)	(42)	(181)	(415)
Total assets	60,708	57,512	54,799	54,427	56,233	56,879	58,967	60,643
Working capital & non-current deposits	32,048	28,443	29,542	23,415	23,577	26,411	24,801	26,386
Shares outstanding (thousands)	49,794	49,794	49,881	50,303	51,744	52,077	52,175	53,400
Net income (loss) from continuing operations ⁽³⁾	3,190	3,643	1,518	1,160	(463)	(1,052)	(1,737)	(56,652)
Net income (loss) from discontinued operations ⁽³⁾	(239)	(771)	(2)	(20)	46	(11)	703	(465)
Total net income (loss) ⁽³⁾	2,951	2,872	1,516	1,140	(417)	(1,063)	(1,034)	(57,117)
Per share basic and diluted (\$)	0.06	0.06	0.03	0.02	(0.04)	(0.02)	(0.02)	(1.05)
Operations (\$thousands), including 50.01% equity interest in Thailand Joint Venture								
Daily oil sales (BOPD) net to Pan Orient ⁽⁴⁾	1,426	1,402	1,399	1,353	1,491	1,114	1,060	1,186
Total corporate adjusted funds flow from operations ⁽⁵⁾	4,420	5,008	3,880	3,382	1,528	2,410	1,205	4,404
Capital expenditures ⁽⁶⁾	853	1,273	1,848	1,829	1,644	3,410	1,415	3,864
Total corporate adjusted funds flow from (used in) operations (\$/bbl) ⁽⁵⁾								
Realized crude oil price	98.03	88.74	78.43	73.82	56.95	53.38	40.49	63.63
Royalties	(5.24)	(4.74)	(4.23)	(3.93)	(3.06)	(2.77)	(2.02)	(3.28)
Transportation & operating	(8.25)	(7.67)	(7.74)	(8.61)	(10.27)	(10.24)	(10.16)	(9.19)
Field Netback – Thailand Joint Venture	84.54	76.33	66.47	61.27	43.63	40.37	28.31	51.16
Operating expense - Andora ⁽⁷⁾	(0.45)	(0.64)	(0.76)	(0.35)	(0.39)	(0.91)	(0.65)	-
General and administrative ⁽⁸⁾	(6.81)	(5.63)	(5.76)	(6.71)	(6.65)	(7.07)	(8.53)	(7.99)
Stock-based compensation expense on restricted share units	(2.86)	(2.15)	(1.99)	(0.81)	(1.14)	(1.48)	(0.78)	-
Exploration expense (recovery)	(1.25)	0.02	(0.02)	(0.01)	0.01	0.02	6.97	-
Interest income	0.10	0.14	0.10	0.05	0.15	0.67	0.30	1.01
Foreign exchange gain (loss)	(0.74)	3.72	(2.20)	(1.77)	(6.55)	(4.08)	(7.70)	11.51
Current income tax expense	(38.85)	(32.43)	(25.36)	(23.90)	(17.91)	(4.00)	(5.42)	(14.90)
Total corporate adjusted funds flow from operations	33.68	39.36	30.49	27.78	11.15	23.52	12.49	40.79

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

(2) Activities of the Company in Indonesia are reported in 2020 as discontinued operations.

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

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

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

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

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

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

(9) Tables may not add due to rounding.

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

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

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

Q4 2020 – Total corporate adjusted funds flow from operations of \$1.5 million. Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, adjusted funds flow from operations of \$3.2 million with average daily oil sales from Concession L53 of 1,491 BOPD (\$23.54 per barrel) and working capital and long-term deposits at December 31, 2020 of \$5.0 million. Net loss attributable to common shareholders was \$0.4 million (\$0.01 loss per share) for the quarter. Pan Orient's share of Thailand Joint Venture capital expenditures was \$1.5 million mainly related to the drilling of L53-DD9 appraisal well, workover activities, equipment inventory purchases, capitalized general and administrative expenses and other development activities. At December 31, 2020, working capital and non-current deposits (including the Thailand Joint Venture) totaled \$28.5 million and the Company had no long-term debt.

Q1 2021 – Total corporate adjusted funds flow from operations of \$3.4 million. Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, adjusted funds flow from operations of \$4.3 million with average daily oil sales from Concession L53 of 1,353 BOPD (\$35.46 per barrel) and working capital and long-term deposits at March 31, 2021 of \$4.3 million. Net income attributable to common shareholders was \$1.1 million (\$0.02 per share) for the quarter. Pan Orient's share of Thailand Joint Venture capital expenditures were \$1.8 million and consisted of drilling of L53-DD10 and L53-DD12 appraisal wells, workover activities, equipment inventory purchases, capitalized general and administrative expenses and other development activities. At March 31, 2021, working capital and non-current deposits (including the Thailand Joint Venture) totaled \$27.9 million and the Company had no long-term debt.

Q2 2021 – Total corporate adjusted funds flow from operations of \$3.9 million. Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, adjusted funds flow from operations of \$5.0 million with average daily oil sales from Concession L53 of 1,399 BOPD (\$39.60 per barrel) and working capital and long-term deposits at June 30, 2021 of \$1.4 million. Net income attributable to common shareholders was \$1.5 million (\$0.03 per share) for the quarter. Pan Orient's share of Thailand Joint Venture capital expenditures were \$1.8 million and consisted of drilling of L53-DD11 appraisal well, workover activities, equipment inventory purchases, capitalized general and administrative expenses and other development activities. At June 30, 2021, working capital and non-current deposits (including the Thailand Joint Venture) totaled \$30.9 million and the Company had no long-term debt.

Q3 2021 – Total corporate adjusted funds flow from operations of \$5.0 million. Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, adjusted funds flow from operations of \$5.4 million with average daily oil sales from Concession L53 of 1,402 BOPD (\$41.45 per barrel) and working capital and long-term deposits at September 30, 2021 of \$5.3 million. Net income attributable to common shareholders was \$2.9 million (\$0.06 per share) for the quarter. Pan Orient's share of Thailand Joint Venture capital expenditures were \$1.3 million and consisted of workover activities, equipment inventory purchases, capitalized general and administrative expenses and other development activities. At September 30, 2021, working capital and non-current deposits (including the Thailand Joint Venture) totaled \$33.8 million and the Company had no long-term debt.

Q4 2021 – Total corporate adjusted funds flow from operations of \$4.4 million. Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, adjusted funds flow from operations of \$5.7 million with average daily oil sales from Concession L53 of 1,426 BOPD (\$43.56 per barrel) and working capital and long-term deposits at December 31, 2021 of \$5.0 million. Net income attributable to common shareholders was \$3.0 million (\$0.06 per share) for the quarter. Pan Orient's share of Thailand Joint Venture capital expenditures were \$0.9 million and consisted of workover activities, equipment inventory purchases, capitalized general and administrative expenses and other development activities. At December 31, 2021, working capital and non-current deposits (including the Thailand Joint Venture) totaled \$37.1 million and the Company had no long-term debt.

Additional Information

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



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