



PAN ORIENT ENERGY CORP.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022**

(Unaudited)

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

(\$000s)	June 30 2022	December 31 2021
Assets		
Current		
Cash and cash equivalents	16,148	35,079
Restricted cash	58	-
Accounts receivable	303	510
	16,509	35,589
Deposits	839	612
Investment in Joint Venture (note 3)	30,845	24,094
Right-of-use assets	-	1
Equipment and other (note 6)	391	412
Total assets	48,584	60,708
Liabilities		
Current		
Accounts payable and accrued liabilities	3,622	3,112
Lease liabilities	-	4
Decommissioning provision (note 7)	970	1,001
	4,592	4,117
Decommissioning provision (note 7)	1,359	1,236
Total liabilities	5,951	5,353
Shareholders' equity		
Share capital (note 8)	63,350	83,267
Contributed surplus	32,764	32,739
Non-controlling interest	(5,607)	(5,590)
Accumulated other comprehensive loss	(1,543)	(367)
Deficit	(46,331)	(54,694)
Total shareholders' equity	42,633	55,355
Total liabilities and shareholders' equity	48,584	60,708

Plan of Arrangement (note 1)
Commitments (note 10)

See accompanying notes to the condensed interim consolidated financial statements.

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

(\$000s, except per share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Income from investment in Joint Venture (note 3)	6,071	2,669	10,421	4,571
Expenses				
General and administrative	546	535	1,138	1,071
Operating expense	105	97	171	139
Transaction costs (note 1)	910	-	910	-
Stock-based compensation	114	253	393	392
Amortization and depreciation (note 6)	10	14	22	29
Decommissioning expense (recovery) (note 7)	(218)	81	(365)	(171)
Gain (loss) on acquisition (note 5)	4	-	(276)	-
Finance income	(6)	(12)	(10)	(18)
Foreign exchange loss (gain)	(347)	299	(100)	560
	1,118	1,267	1,883	2,002
Income before taxes and non-controlling interest	4,953	1,402	8,538	2,569
Taxes				
Deferred income tax recovery	-	-	-	-
Net income from continuing operations	4,953	1,402	8,538	2,569
Net loss from discontinued operations (note 4)	(153)	(2)	(192)	(22)
Net income	4,800	1,400	8,346	2,547
Other comprehensive loss				
Foreign exchange loss on translation of Joint Venture (note 3)	(692)	(1,011)	(1,176)	(2,380)
Total comprehensive income	4,108	389	7,170	167
Net income (loss) attributable to:				
Common shareholders	4,849	1,516	8,363	2,656
Non-controlling interest	(49)	(116)	(17)	(109)
Net income	4,800	1,400	8,346	2,547
Total comprehensive income (loss) attributable to:				
Common shareholders	4,157	505	7,187	276
Non-controlling interest	(49)	(116)	(17)	(109)
Total comprehensive income	4,108	389	7,170	167
Net income per share attributable to common shareholders (note 8)				
Basic and diluted - continuing operations	\$ 0.10	\$ 0.03	\$ 0.17	\$ 0.05
Basic and diluted - from discontinued operations	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Basic and diluted - net income attributed to common shareholders	\$ 0.10	\$ 0.03	\$ 0.17	\$ 0.05

See accompanying notes to the condensed interim consolidated financial statements.

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

(\$000s)	Share Capital	Contributed Surplus	NCI	AOCI (AOCL)	Retained Earnings (Deficit)	Total
Balance as at December 31, 2020	85,583	31,089	(5,470)	2,268	(63,173)	50,297
Net income (loss)	-	-	(109)	-	2,656	2,547
Stock-based compensation expense	-	40	-	-	-	40
Normal course issuer bid	(3,115)	1,506	-	-	-	(1,609)
Provision for repurchase of common shares (note 8)	945	-	-	-	-	945
Other comprehensive loss	-	-	-	(2,380)	-	(2,380)
Balance as at June 30, 2021	83,413	32,635	(5,579)	(112)	(60,517)	49,840
Balance as at December 31, 2021	83,267	32,739	(5,590)	(367)	(54,694)	55,355
Net income (loss)	-	-	(17)	-	8,363	8,346
Stock-based compensation expense	-	25	-	-	-	25
Special distribution (note 8)	(19,917)	-	-	-	-	(19,917)
Other comprehensive loss	-	-	-	(1,176)	-	(1,176)
Balance as at June 30, 2022	63,350	32,764	(5,607)	(1,543)	(46,331)	42,633

See accompanying notes to the condensed interim consolidated financial statements.

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

(\$000s)	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Cash Provided From (Used in)				
Operating Activities				
Net income from continuing operations	4,953	1,402	8,538	2,569
Adjustments for non-cash items:				
Amortization and depreciation	10	14	22	29
Stock-based compensation (non-cash portion)	13	-	25	40
Accretion	11	9	17	17
Income from investment in Joint Venture (note 3)	(6,071)	(2,669)	(10,421)	(4,571)
Decommissioning expense (recovery)	(218)	81	(365)	(171)
Gain on acquisition (note 5)	4	-	(276)	-
Unrealized foreign exchange loss (gain)	(397)	301	(172)	561
Changes in non-cash working capital	651	242	621	(85)
Cash flow used in operating activities	(1,044)	(620)	(2,011)	(1,611)
Investing Activities				
Cash acquired, net of transaction costs (note 5)	(4)	-	506	-
Dividend from investment in Joint Venture (note 3)	2,565	5,974	2,565	8,574
Change in amounts due from Joint Venture	132	-	(71)	-
Changes in non-cash working capital	-	38	(24)	48
Cash flow from investing activities	2,693	6,012	2,976	8,622
Financing Activities				
Special distribution (note 8)	-	-	(19,917)	-
Normal course issuer bid	-	(371)	-	(1,609)
Finance lease payments	-	(17)	(1)	(19)
Cash flow used in financing activities	-	(388)	(19,918)	(1,628)
Change in cash and cash equivalents from continuing operations	1,649	5,004	(18,953)	5,383
Change in cash and cash equivalents from discontinued operations (note 4)	4	(103)	(147)	(136)
Effect of foreign exchange on cash and cash equivalents	400	(305)	169	(564)
Cash and cash equivalents, beginning of period	14,095	26,499	35,079	26,412
Cash and cash equivalents, end of period	16,148	31,095	16,148	31,095

See accompanying notes to the condensed interim consolidated financial statements.

1) CORPORATE INFORMATION

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

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

The interests in Indonesian 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. The Company is withdrawing from operations in Indonesia and effective January 1, 2020, operations are considered discontinued operations for accounting purposes (note 4).

On June 5, 2022, the Company entered into an agreement to be acquired by a subsidiary of Dialog Group Berhad of Malaysia and for the Company's non-Thailand business to be transferred to CanAsia Energy Corp. ("CanAsia"). Pursuant to the agreement, Dialog System (Asia) Pte. Ltd., a wholly-owned subsidiary of Dialog Group Berhad, will acquire, through a newly incorporated Alberta subsidiary, all the outstanding shares of the Company by way of a plan of arrangement under the Business Corporations Act (Alberta) (the "Arrangement"). A holder of a common share of the Company will receive, for each such common share, cash consideration of USD \$0.788 and one common share of CanAsia.

As part of the Arrangement, which is expected to close in late August 2022, the Company will transfer to CanAsia all of the Company's non-Thailand assets (defined in the Arrangement Agreement as "Excluded Assets"), including the Company's 71.8% ownership of Andora and the remaining working capital and long-term deposits on the closing date of the transaction. CanAsia will assume all liabilities related to the non-Thailand business (defined in the Arrangement Agreement as "Assumed Liabilities"), consisting primarily of accounts payable and accrued liabilities included in working capital, the decommissioning provision in the Company's financial statements, transaction costs, and commitments (note 10).

2) BASIS OF PRESENTATION

Statement of Compliance

The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2021. The following disclosures are incremental to those included with the annual consolidated financial statements. Certain disclosures that are normally required in the notes to the annual consolidated financial statements have been condensed or omitted. The interim condensed consolidated financial statements are prepared using the same accounting policies and methods of computation as disclosed in the annual consolidated financial statements.

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

The interim condensed consolidated financial statements were approved by the Company's Board of Directors on August 9, 2022.

Use of Estimates and Judgments

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

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

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

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

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

The COVID-19 coronavirus outbreak and more recently the invasion of Ukraine have resulted in significant disruption to business operations and a significant increase in economic uncertainty, with more volatile commodity prices and currency exchange rates. These events are resulting in a challenging economic climate in which it is difficult to reliably estimate the length or severity of these developments and their financial impact. The results of these events and any potential resulting direct and indirect impact to the Company has been considered in management's estimates described above at the period end; however there could be a further prospective material impact in future period.

Climate Change and Environmental, Social, and Governance ("ESG")

Climate change policy and ESG policies are evolving at regional, national and international levels. Political and economic events may significantly affect the scope and timing of ESG policies and climate change measures. The International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators have issued a proposed National Instrument 51-107 Disclosure of Climate-related Matters.

The direct or indirect costs of compliance with greenhouse gas-related regulations and ESG directives will have an effect on the Company's business, financial condition, results of operations and prospects; however, at this time these costs have not yet been quantified. Significant estimates and judgments currently made by management which could be significantly impacted by climate and climate-related matters include:

- Useful life of assets;
- Cashflow projections for purpose of impairment tests and;
- Amounts recorded for decommissioning provision.

3) INVESTMENT IN JOINT VENTURE

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

Six months ended: (\$000s)	June 30	
	2022	2021
Investment in Joint Venture, beginning of period	24,094	28,329
Change in amounts due from Joint Venture	71	(47)
Net income from Joint Venture, after tax	10,421	4,571
Dividend paid	(2,565)	(8,574)
Foreign currency translation	(1,176)	(2,380)
Investment in Joint Venture, end of period	30,845	21,899

Pan Orient Energy (Siam) Ltd. ⁽¹⁾ Summarized Financial Information (\$000s)	June 30 2022	December 31 2021
Current assets	50,008	28,723
Non-current assets	56,052	59,816
Current liabilities	(25,353)	(19,455)
Non-current liabilities	(23,870)	(26,295)
Net assets	56,837	42,789
Pan Orient's Investment in Joint Venture		
Pan Orient's 50.01% share of net assets of Pan Orient Energy (Siam) Ltd.	28,421	21,396
Fair value adjustment on initial recognition	8,924	8,924
Amortization of fair value adjustment on initial recognition	(5,308)	(4,963)
Change in amounts due from Joint Venture, since initial recognition	(1,192)	(1,263)
Investment in Joint Venture	30,845	24,094

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

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

Pan Orient Energy (Siam) Ltd. ⁽¹⁾ Summarized Statement of Comprehensive Income (\$000s)	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Oil revenue	31,968	19,963	56,358	37,933
Royalties	(1,648)	(1,076)	(2,883)	(2,034)
Interest income	2	3	2	3
Total net revenue	30,322	18,890	53,477	35,902
Production and operating	1,372	1,380	2,643	2,891
Transportation	507	592	996	1,176
Depletion, depreciation and amortization	2,987	4,447	5,837	8,856
General and administrative	411	337	842	833
Foreign exchange loss	19	55	17	29
Total expenses	5,296	6,811	10,335	13,785
Income before income taxes	25,026	12,079	43,142	22,117
Current income tax expense	12,910	6,453	22,521	12,271
Deferred income tax recovery	(377)	(244)	(910)	(339)
Net income	12,493	5,870	21,531	10,185
Other comprehensive loss	(1,385)	(2,021)	(2,353)	(4,759)
Total comprehensive income	11,108	3,849	19,178	5,426
Pan Orient's share of income from Joint Venture under equity method, (50.01% net to Pan Orient)				
Pan Orient's share of net income	6,246	2,935	10,766	5,092
Amortization of fair value adjustment	(175)	(266)	(345)	(521)
Net income from Joint Venture	6,071	2,669	10,421	4,571

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

4) DISCONTINUED OPERATIONS

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

The following tables summarized financial information related to discontinued operations in Indonesia:

Net loss from discontinued operations for the three and six months ended June 30, 2022 and 2021 is as follows:

(\$000s)	Three Months Ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Expenses				
General and administrative	54	48	94	99
Exploration expense (recovery)	(3)	2	79	3
Foreign exchange loss (gain)	102	(48)	19	(80)
Net loss from discontinued operations	153	2	192	22

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

(\$000s)	Three Months Ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Cash flow provided by (used in) operating activities	4	(103)	(147)	(136)
Change in cash and cash equivalents from discontinued operations	4	(103)	(147)	(136)

5) GAIN ON ACQUISITION

In March 2022, Andora entered into an agreement with a joint venture partner at Sawn Lake whereby Andora acquired certain assets and assumed certain liabilities at Sawn Lake. Assets acquired consist of (i) an additional 25% working interest in the Sawn Lake joint venture (Sawn Lake Central Block), (ii) security deposits of the vendor for Sawn Lake placed with the Alberta Energy Regulator and other parties, and (iii) a payment from the vendor of \$578 thousand. In connection with the acquisition, Andora assumed the abandonment and reclamation costs, and natural gas tariff commitments associated with the additional 25% working interest in the Sawn Lake joint venture (note 10). Following the transaction, Andora has a 75% working interest in the Sawn Lake joint venture.

A gain on acquisition has been recognized in the financial statements, as follows:

	Amount (\$000s)
Consideration paid	-
Assets acquired:	
Cash	578
Deposits	252
Liabilities assumed:	
Decommissioning liabilities	(471)
Transactions costs	(72)
Other adjustments	(11)
Gain on acquisition	276

6) EQUIPMENT AND OTHER

A reconciliation of the carrying amount of property, plant and equipment as at June 30, 2022 is set out below.

(\$000s)	Patent	Corporate Assets	Total
Cost			
At December 31, 2021 and June 30, 2022	699	755	1,454
Accumulated amortization and depreciation			
At December 31, 2021	(294)	(748)	(1,042)
Amortization and depreciation	(19)	(2)	(21)
At June 30, 2022	(313)	(750)	(1,063)
Net book value			
At December 31, 2021	405	7	412
At June 30, 2022	386	5	391

7) DECOMMISSIONING PROVISION

A reconciliation of the Company's decommissioning provision at June 30, 2022 is set out below.

(\$000s)	Canada	Indonesia	Total
At December 31, 2021	1,236	1,001	2,237
Liabilities assumed (note 5)	471	-	471
Revisions to obligations	(365)	-	(365)
Settlement	-	(36)	(36)
Accretion	17	-	17
Foreign currency translation	-	5	5
At June 30, 2022	1,359	970	2,329
Less current portion	-	(970)	(970)
Non-current portion	1,359	-	1,359

The decommissioning provision is based on the Company's net ownership of wells and facilities in Indonesia and Canada, management's estimates of costs to abandon and reclaim those wells and facilities and the potential future timing of the costs to be incurred. Total undiscounted cash flows, escalated at 1.78% for inflation (December 31, 2021 – 1.82%), required to settle the Company's decommissioning provision are estimated to be \$3.4 million at June 30, 2022 (December 31, 2021 – \$2.7 million). Payments to settle the provision will be made over the operating lives of the underlying assets and are estimated to be incurred between 2022 and 2040. Estimated costs have been discounted at the risk-free interest rate in the jurisdiction in which the expenditure is expected to be incurred which averaged at 3.14% at June 30, 2022 (December 31, 2021 – 1.68%).

8) SHARE CAPITAL

(a) Authorized

Unlimited Common Voting Shares
Unlimited Preferred Shares

(b) Issued and Outstanding Class A Common Shares

	Shares Outstanding	Amount (\$000s)
Common Shares		
Balance as at December 31, 2021	49,793,907	\$ 83,267
Special distribution	-	(19,917)
Balance as at June 30, 2022	49,793,907	\$ 63,350

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.

(c) Options to Purchase Common Shares

	Number of Options ⁽¹⁾	Weighted Average Exercise Price (\$)
Options outstanding at December 31, 2021 and June 30, 2022	2,865,000	1.08

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

Options Outstanding at June 30, 2022				Options Exercisable at June 30, 2022		
Exercise Price (\$)	Number of Options	Weighted Average Exercise Price ⁽²⁾ (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options	Weighted Average Exercise Price ⁽²⁾ (\$)	Weighted Average Remaining Contractual Life (years)
0.69	1,500,000	0.69	0.61	1,500,000	0.69	0.61
1.50	1,365,000	1.50	1.72	1,365,000	1.50	1.72
0.69 – 1.50	2,865,000	1.08	1.14	2,865,000	1.08	1.14

(2) Exercise price includes the \$0.40 reduction per option and represents the adjusted exercise price at June 30, 2022.

All holders of options have agreed to either: (a) surrender options for a cash payment equal to the in-the-money value of the options or for no cash consideration for out-of-the-money options, in accordance with the Arrangement, or, failing that; (b) exercise in-the-money options.

(d) Restricted Share Units

	Number of RSUs
RSUs outstanding at December 31, 2021	599,998
Vested and settled	260,000
RSUs outstanding at June 30, 2022	339,998

As a result of the \$0.40 per common share return of capital to shareholders in February 2022 (Note 8b), the Company also made a cash payment of \$0.40 per RSU to 599,998 RSUs outstanding or \$0.2 million. In May 2022, the Company settled the vested portion of the RSUs with cash of \$0.2 million.

The vesting of all RSUs will, pursuant to the Company's Long-Term Incentive Plan, be accelerated immediately before the effective time of the Arrangement and an amount equal to the fair market value of the common shares underlying those RSUs will be paid to holders of RSUs.

(e) Andora Energy Corporation

i) Issued and Outstanding Class A Common Shares

As at June 30, 2022 Andora had 100.1 million (December 31, 2021 – 100.1 million) common shares issued and outstanding of which Pan Orient held 71.8% (December 31, 2021 – 71.8%).

ii) Options to Purchase Common Shares of Andora

	Number of Options ⁽¹⁾	Weighted Average Exercise Price (\$)
Options outstanding at December 31, 2021 and June 30, 2022	9,800,000	0.01

(1) These options are held by directors, senior management, and employee of Andora. Of the 9.8 million options, 5.3 million options were issued to directors, officers, and employee of Pan Orient.

The following stock options of Andora were outstanding and exercisable at June 30, 2022:

Options Outstanding June 30, 2022				Options Exercisable June 30, 2022		
Exercise Price (\$)	Number of Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)
0.01	9,800,000	0.01	3.08	3,266,669	0.01	3.08

iii) Convertible Credit Facility

Andora entered into a convertible loan agreement with Pan Orient on January 30, 2018 whereby Andora can draw up to \$2 million against a revolving credit facility. The loan bears interest at HSBC Canada prime rate for commercial loans in Canadian dollars plus three percent, per annum. Any principal drawn against the credit facility, including accrued interest (collectively, "outstanding amount"), is repayable upon demand or by December 31, 2022, whichever is earlier. Security for repayment of any outstanding amount is provided by a general security agreement creating a first fixed charge over all of Andora's property, subject to certain permitted encumbrances. Pan Orient has the option under the loan agreement to convert the outstanding amount, or a portion thereof, into Andora's common shares at a price of \$0.15 per share. In March 2020, the Company increased the revolving credit facility limit by \$500,000 under the same terms and conditions as the existing credit facility.

Andora entered into a second convertible loan agreement with Pan Orient on November 10, 2020 whereby Andora can draw up to \$500,000 against a revolving credit facility. The loan bears interest at HSBC Canada prime rate for commercial loans in Canadian dollars plus three percent, per annum. Any principal drawn against the credit facility, including accrued interest (collectively, "outstanding amount"), is repayable upon demand or by December 31, 2022, whichever is earlier. Security for repayment of any outstanding amount is provided by a general security agreement creating a first fixed charge over all of Andora's property, subject to certain permitted encumbrances. Pan Orient has the option under the loan agreement to convert the outstanding amount, or a portion thereof, into Andora's common shares at a price of \$0.01 per share. In September 2021, the Company increased the revolving credit facility limit by \$800,000 under the same terms and conditions as the existing credit facility.

As at June 30, 2022, a total of \$2.5 million (December 31, 2021 - \$2.5 million) was fully drawn against the first credit facility and \$1.2 million (December 31, 2021 - \$1.0 million) was drawn against the second credit facility. The amounts due from Andora is not expected to be collected in the foreseeable future. The credit facilities due from Andora will be transferred to CanAsia from the Company as part of the Arrangement Agreement (note 1).

(f) Earnings per Share Attributable to Common Shareholders

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

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Weighted average common shares - basic	49,793,907	50,038,502	49,793,907	50,513,148
Dilutive effect of stock options	478,138	-	429,510	-
Weighted average common shares - diluted	50,272,045	50,038,502	50,223,417	50,513,148
Net income attributable to common shareholders (\$000s)	4,849	1,516	8,363	2,656
Net income per share, basic and diluted	\$ 0.10	\$ 0.03	\$ 0.17	\$ 0.05

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

9) FINANCIAL INSTRUMENTS

As at June 30, 2022 the following financial instruments were denominated in currencies other than the Canadian dollar:

	June 30, 2022 US dollar (\$000s)	December 31, 2021 US dollar (\$000s)
Cash and cash equivalents	10,161	14,400
Deposits	54	19
Accounts payable and accrued liabilities	(1,917)	(1,868)
Net exposure in foreign currency	8,298	12,551
Net exposure in Canadian dollars ⁽¹⁾ (\$000s)	10,694	15,890

⁽¹⁾ Translated at June 30, 2022 and December 31, 2021 exchange rates.

10) COMMITMENTS

As at June 30, 2022 the Company's estimated outstanding capital commitments are as follows:

	Estimated Net Financial Commitment ⁽¹⁾	CAD (\$000s)
Canadian Heavy Oil Sands – Andora Energy Corporation	Obligation Period	
Natural gas pipeline tariff at Sawn Lake, Alberta	April 1, 2023 to March 31, 2031	1,590

⁽¹⁾ The Company intends to fund commitments through the Company's existing working capital.



PAN ORIENT ENERGY CORP.
1505, 505 - 3rd Street SW, Calgary Alberta Canada T2P 3E6