



**PAN ORIENT ENERGY CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021**

August 9, 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 August 9, 2022 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto for the six months ended June 30, 2022 and the audited consolidated financial statements and notes thereto and MD&A for the year ended December 31, 2021. The financial statements have been prepared in accordance with the International Accounting Standards 34, "Interim Financial Reporting".

Pan Orient is an oil and natural gas company based in Calgary, Alberta, with interests in Pan Orient Energy (Siam) Ltd. ("POS") 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.

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.

Please note that all amounts are in Canadian dollars unless otherwise stated, translation of items denominated in foreign currencies as at June 30, 2022 into Canadian dollars using June 30, 2022 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: estimates of recoverable contingent resources and the net present value thereof; forward prices for Western Canada Select heavy oil; the strength of the Company's financial position; closing of the Arrangement transaction generally; transfer of the Company's non-Thailand business to CanAsia; payment of cash consideration by the purchaser under the Arrangement and distribution of common shares of CanAsia to Pan Orient shareholders at closing; approval of the transaction by Pan Orient shareholders, the court and the TSX Venture Exchange ("TSXV"); the date of closing; satisfaction of conditions to closing; the opportunity for Pan Orient shareholders to realize value for their investment and to continue to participate in the Sawn Lake heavy oil project and potential exploration and development activities in Thailand. By their very nature, the forward-looking statements contained in this MD&A require the Company 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 and resources 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; the satisfaction of the conditions to closing of the Arrangement in a timely manner; completing the

Arrangement on the expected terms and on the timing anticipated; the ability of the parties to receive, in a timely manner and on satisfactory terms, the necessary shareholder, court and TSXV approvals; 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.

In addition, the forward-looking information is subject to known and unknown risks and uncertainties and other factors, some of which are beyond the control of the Company, which could cause actual events, results, expectations, achievements or performance to differ materially. These risks and uncertainties include, without limitation, the ability to complete the Arrangement on the terms contemplated by the Arrangement Agreement and a related Separation Agreement on the timing and terms anticipated or at all; and that completion of the Arrangement is subject to a number of conditions which are typical for transactions of that nature and failure to satisfy any of these conditions, the emergence of a superior proposal or the failure to obtain approval of the shareholders, the court or the TSXV may result in the termination of the Arrangement Agreement, 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, demand for oil and gas, commercial negotiations, other technical and economic factors or revisions and other factors, many of which are beyond the control of the Company. The foregoing list of risks and uncertainties is not exhaustive.

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 August 9, 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-GAAP and Other Financial Measures**

Management uses and reports certain "non-GAAP financial measures" and "capital management measures", as such terms are defined in National Instrument 52-112 – *Non-GAAP and Other Financial Measures Disclosure* ("NI 52-112"). These non-GAAP financial measures and capital management measures are used by management in the evaluation of operating and financial performance and are described in further detail below. Non-GAAP financial measures and capital management measures are not standardized financial measures under GAAP and might not be comparable to similar financial measures disclosed by other issuers where similar terminology is used.

#### *Non-GAAP Financial Measures*

A non-GAAP financial measure is defined in NI 52-112 as a financial measure that: (i) depicts the historical or expected future financial performance, financial position or cash flow of an entity; (ii) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity; (iii) is not disclosed in the financial statements of the entity; and (iv) is not a ratio, fraction, percentage or similar representation. The non-GAAP financial measures used in this MD&A are not standardized financial measures under GAAP and might not be comparable to similar measures presented by other companies where similar terminology is used. Readers are cautioned that non-GAAP financial measures should not be construed as alternatives to or more meaningful than the most directly comparable GAAP measures as indicators of performance. Set forth below is a description of the non-GAAP financial measures used in this MD&A.

### Total Corporate Adjusted Funds Flow from (used in) Operations

Total corporate adjusted funds flow from (used in) operations, total corporate adjusted funds flow from (used in) operations per barrel and total corporate adjusted funds flow from (used in) 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. Total corporate adjusted funds flow from (used in) operations is defined by Pan Orient as 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. Total corporate adjusted funds flow from (used in) operations 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. 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 following table reconciles total corporate 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 June 30		Six months ended June 30	
	2022	2021	2022	2021
Cash flow used in operating activities, continuing operations	(1,044)	(620)	(2,011)	(1,611)
Changes in non-cash working capital, continuing operations	(651)	(242)	(621)	85
Cash flow from (used in) operating activities, discontinued operations	4	(103)	(147)	(136)
Changes in non-cash working capital, discontinued operations	(172)	101	(81)	114
Settlement of decommissioning expense	14	-	36	-
Unrealized foreign exchange gain (loss)	397	(301)	172	(561)
Share of adjusted funds flow from Investment in Joint Venture	7,571	5,045	13,265	9,371
<b>Total corporate adjusted funds flow from operations</b>	<b>6,119</b>	<b>3,880</b>	<b>10,613</b>	<b>7,262</b>

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.

### Adjusted Funds Flow from Thailand Operations

Pan Orient's 50.01% equity interest in POS is accounted for under the equity method as an Investment in Joint Venture. Adjusted funds flow from Thailand operations associated with this Investment in Joint Venture is defined by Pan Orient as 50.01% of cash flow from operating activities in Thailand of POS prior to changes in non-cash working capital, unrealized foreign exchange gain or loss or settlement of decommissioning provision.

The following table reconciles adjusted funds flow from Investment in Joint Venture to income from Investment in Joint Venture per financial statements, which is the most directly comparable measure calculated in accordance with IFRS:

(\$thousands)	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Income from Investment in Joint Venture <sup>(1)</sup>	6,071	2,669	10,421	4,571
Add back items not affecting cash within Investment in Joint Venture	1,325	2,110	2,499	4,279
Add back amortization of fair value adjustment affecting Investment in Joint Venture	175	266	345	521
<b>Adjusted funds flow from Investment in Joint Venture <sup>(2)</sup></b>	<b>7,571</b>	<b>5,045</b>	<b>13,265</b>	<b>9,371</b>

(1) Pan Orient 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. Pan Orient's income or loss includes its share of the Joint Venture's profit.

(2) Adjusted funds flow from Thailand operations, which is recorded in Investment in Joint Venture, is income from Investment in Joint Venture per financial statements adding back items not affecting cash within Investment in Joint Venture and amortization of fair value adjustment affecting Investment in Joint Venture. Items not affecting cash within Investment in Joint Venture includes 1) deferred tax expense or recovery, 2) depletion, depreciation and amortization, 3) accretion on decommissioning provision and lease liabilities and 4) exploration expense or recovery.

### Field Netback

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.

### *Capital Management Measure*

NI 52-112 defines a capital management measure as a financial measure that: (i) is intended to enable an individual to evaluate an entity’s objectives, policies and processes for managing the entity’s capital; (ii) is not a component of a line item disclosed in the primary financial statements of the entity; (iii) is disclosed in the notes to the financial statements of the entity; and (iv) is not disclosed in the primary financial statements of the entity. Set forth below is a description of the capital management measure used in this MD&A.

### Working Capital and Long-term Deposits

Pan Orient calculates “working capital and long-term deposits” as current assets less current liabilities plus long-term deposits, which is used to assess efficiency, liquidity and general financial strength of Pan Orient. This measure is calculated for Pan Orient on a consolidated basis as per the Pan Orient consolidated financial statements, and in respect of Pan Orient’s 50.01% equity interest in the Thailand Joint Venture which is calculated as 50.01% of the current assets less current liabilities plus long-term deposits of POS (as set out in the Investment in Joint Venture notes to the Pan Orient consolidated financial statements).

## **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. 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 (24.25 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 (24.25 net sections) at Sawn Lake, where it has a working interest of either 75% 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 June 30, 2022.

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. The exploration and evaluation assets at Sawn Lake were impaired in the first quarter of 2020. Prices for heavy oil and bitumen increased significantly in the past year and 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 75% 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 75% working interest and is the operator) using Andora's proprietary Produced Water Boiler.

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 6). Following the transaction, Andora has a 75% working interest in the Sawn Lake joint venture.

Summarized financial information with respect to Andora is as follows:

Andora Energy Corporation (\$thousands)	As at and for the Three months ended June 30		As at and for the Six months ended June 30	
	2022	2021	2022	2021
Total assets	1,746	1,241	1,746	1,241
Total liabilities	5,714	5,220	5,714	5,220
Net loss	(174)	(410)	(60)	(388)

### **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 Government of Indonesia, 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 Government of Indonesia.

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 June 30,		Six Months Ended June 30,		% Change
	2022	2021	2022	2021	
<b>FINANCIAL</b>					
<b>Financial Statement Results – Excluding 50.01% Interest in Thailand Joint Venture (Note 1)</b>					
Net income attributed to common shareholders	4,849	1,516	8,363	2,656	215%
Per share – basic and diluted	\$ 0.10	\$ 0.03	\$ 0.17	\$ 0.05	215%
Cash flow used in operating activities (Note 2 & 3)	(1,044)	(620)	(2,011)	(1,611)	25%
Per share – basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.04)	\$ (0.03)	25%
Cash flow from investing activities (Note 2 & 3)	2,693	6,012	2,976	8,622	-65%
Per share – basic and diluted	\$ 0.05	\$ 0.12	\$ 0.06	\$ 0.17	-65%
Cash flow used in financing activities (Note 2 & 3)	-	(388)	(19,918)	(1,628)	1,123%
Per share – basic and diluted	\$ 0.00	\$ (0.01)	\$ (0.40)	\$ (0.03)	1,123%
Change in cash and cash equivalents from discontinued operations (Note 3)	4	(103)	(147)	(136)	8%
Working capital	11,917	28,931	11,917	28,931	-59%
Working capital & non-current deposits	12,756	29,542	12,756	29,542	-57%
Long-term debt	-	-	-	-	-
Shares outstanding (thousands)	49,794	49,881	49,794	49,881	0%
Capital Commitments (Note 4)	1,590	801	1,590	801	99%
<b>Working Capital and Non-current Deposits</b>					
Beginning of period – Excluding Thailand Joint Venture	11,513	23,415	32,084	23,577	36%
Adjusted funds flow used in continuing operations (Note 3 & 6)	(1,298)	(1,163)	(2,460)	(2,087)	18%
Adjusted funds flow used in discontinued operations (Note 3)	(154)	(2)	(192)	(22)	773%
Cash and deposits acquired (Note 13)	-	-	752	-	100%
Special distribution (Note 14)	-	-	(19,917)	-	100%
Amounts received from (advanced to) Thailand Joint Venture	132	38	(71)	48	-250%
Dividend received from Thailand Joint Venture	2,565	5,974	2,565	8,574	-70%
Finance lease payments	-	(17)	(1)	(19)	-95%
Normal course issuer bid	-	(371)	-	(1,609)	-100%
Automatic shares purchase plan (Note 8)	-	1,574	-	945	-100%
Effect of foreign exchange and other	(2)	94	(4)	135	-102%
End of period - Excluding Thailand Joint Venture	12,756	29,542	12,756	29,542	-57%
Pan Orient 50.01% interest in Thailand Joint Venture Working Capital and Non-Current Deposits	12,699	1,383	12,699	1,383	818%
<b>Economic Results – Including 50.01% Interest in Thailand Joint Venture</b>					
Total corporate adjusted funds flow (used in) from operations by region (Note 6)					
Canada	(1,290)	(1,158)	(2,444)	(2,074)	18%
Thailand (Note 9)	(8)	(5)	(16)	(13)	23%
From continuing operations	(1,298)	(1,163)	(2,460)	(2,087)	18%
Indonesia – Discontinued Operations	(154)	(2)	(192)	(22)	773%
Adjusted funds flow used in operations (excl. Thailand Joint Venture)	(1,452)	(1,165)	(2,652)	(2,109)	26%
Share of Thailand Joint Venture (Notes 1 & 5)	7,571	5,045	13,265	9,371	42%
Total corporate adjusted funds flow from operations	6,119	3,880	10,613	7,262	46%
Per share – basic and diluted	\$ 0.12	\$ 0.08	\$ 0.21	\$ 0.14	48%
<b>Capital Expenditures – Petroleum and Natural Gas Properties (Note 7)</b>					
Share of Thailand Joint Venture capital expenditures	1,209	1,848	2,545	3,677	-31%
Total capital expenditures (incl. Thailand Joint Venture)	1,209	1,848	2,545	3,677	-31%
<b>Investment in Thailand Joint Venture</b>					
Beginning of period	28,164	26,252	24,094	28,329	-15%
Net income from Joint Venture	6,071	2,669	10,421	4,571	128%
Other comprehensive loss from Joint Venture	(693)	(1,011)	(1,177)	(2,380)	-51%
Dividend paid	(2,565)	(5,974)	(2,565)	(8,574)	-70%
Amounts (received from) advanced to Joint Venture	(132)	(37)	72	(47)	-253%
End of period	30,845	21,899	30,845	21,899	41%

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

	Three Months Ended June 30,		Six Months Ended June 30,		% Change
	2022	2021	2022	2021	
<b>FINANCIAL</b>					
<b>Financial Statement Results – Excluding 50.01% Interest in Thailand Joint Venture (Note 1)</b>					
Net income attributed to common shareholders	4,849	1,516	8,363	2,656	215%
Per share – basic and diluted	\$ 0.10	\$ 0.03	\$ 0.17	\$ 0.05	215%
Cash flow used in operating activities (Note 2 & 3)	(1,044)	(620)	(2,011)	(1,611)	25%
Per share – basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.04)	\$ (0.03)	25%
Cash flow from investing activities (Note 2 & 3)	2,693	6,012	2,976	8,622	-65%
Per share – basic and diluted	\$ 0.05	\$ 0.12	\$ 0.06	\$ 0.17	-65%
Cash flow used in financing activities (Note 2 & 3)	-	(388)	(19,918)	(1,628)	1,123%
Per share – basic and diluted	\$ 0.00	\$ (0.01)	\$ (0.40)	\$ (0.03)	1,123%
Change in cash and cash equivalents from discontinued operations (Note 3)	4	(103)	(147)	(136)	8%
Working capital ( <i>Other Financial Measure</i> ) (Note 6)	11,917	28,931	11,917	28,931	-59%
Working capital & non-current deposits ( <i>Other Financial Measure</i> ) (Note 6)	12,756	29,542	12,756	29,542	-57%
Long-term debt	-	-	-	-	-
Shares outstanding (thousands)	49,794	49,881	49,794	49,881	0%
Capital Commitments (Note 4)	1,590	801	1,590	801	99%
<b>Working Capital and Non-current Deposits (<i>Other Financial Measure</i>) (Note 6)</b>					
Beginning of period – Excluding Thailand Joint Venture	11,513	23,415	32,084	23,577	36%
Adjusted funds flow used in continuing operations (Note 3 & 6)	(1,298)	(1,163)	(2,460)	(2,087)	18%
Adjusted funds flow used in discontinued operations (Note 3)	(154)	(2)	(192)	(22)	773%
Cash and deposits acquired (Note 13)	-	-	752	-	100%
Special distribution (Note 14)	-	-	(19,917)	-	100%
Amounts received from (advanced to) Thailand Joint Venture	132	38	(71)	48	-250%
Dividend received from Thailand Joint Venture	2,565	5,974	2,565	8,574	-70%
Finance lease payments	-	(17)	(1)	(19)	-95%
Normal course issuer bid	-	(371)	-	(1,609)	-100%
Automatic shares purchase plan (Note 8)	-	1,574	-	945	-100%
Effect of foreign exchange and other	(2)	94	(4)	135	-102%
End of period - Excluding Thailand Joint Venture	12,756	29,542	12,756	29,542	-57%
Pan Orient 50.01% interest in Thailand Joint Venture Working Capital and Non-Current Deposits	12,699	1,383	12,699	1,383	818%
<b>Economic Results – Including 50.01% Interest in Thailand Joint Venture</b>					
<b>Total corporate adjusted funds flow (used in) from operations by region (Note 6)</b>					
Canada	(1,290)	(1,158)	(2,444)	(2,074)	18%
Thailand (Note 9)	(8)	(5)	(16)	(13)	23%
From continuing operations	(1,298)	(1,163)	(2,460)	(2,087)	18%
Indonesia – Discontinued Operations	(154)	(2)	(192)	(22)	773%
Adjusted funds flow used in operations (excl. Thailand Joint Venture)	(1,452)	(1,165)	(2,652)	(2,109)	26%
Share of Thailand Joint Venture (Notes 1 & 5)	7,571	5,045	13,265	9,371	42%
Total corporate adjusted funds flow from operations	6,119	3,880	10,613	7,262	46%
Per share – basic and diluted	\$ 0.12	\$ 0.08	\$ 0.21	\$ 0.14	48%
<b>Capital Expenditures – Petroleum and Natural Gas Properties (Note 7)</b>					
Share of Thailand Joint Venture capital expenditures	1,209	1,848	2,545	3,677	-31%
Total capital expenditures (incl. Thailand Joint Venture)	1,209	1,848	2,545	3,677	-31%
<b>Investment in Thailand Joint Venture</b>					
Beginning of period	28,164	26,252	24,094	28,329	-15%
Net income from Joint Venture	6,071	2,669	10,421	4,571	128%
Other comprehensive loss from Joint Venture	(693)	(1,011)	(1,177)	(2,380)	-51%
Dividend paid	(2,565)	(5,974)	(2,565)	(8,574)	-70%
Amounts (received from) advanced to Joint Venture	(132)	(37)	72	(47)	-253%
End of period	30,845	21,899	30,845	21,899	41%

	Three Months Ended June 30,		Six Months Ended June 30,		% Change
	2022	2021	2022	2021	
<i>(thousands of Canadian dollars except where indicated)</i>					
<b>Thailand Operations</b>					
<b>Economic Results – Including 50.01% Interest in Thailand Joint Venture (Note 5)</b>					
Oil sales (bbls)	102,295	127,266	201,719	248,999	-19%
Average daily oil sales (BOPD) by Concession L53	1,124	1,399	1,114	1,376	-19%
Average oil sales price, before transportation (CDN\$/bbl)	\$ 156.27	\$ 78.43	\$ 139.71	\$ 76.18	83%
Reference Price (volume weighted) and differential					
Crude oil (Brent \$US/bbl)	\$ 113.68	\$ 68.96	\$ 106.67	\$ 64.78	65%
Exchange Rate \$US/\$Cdn	1.29	1.24	1.29	1.26	2%
Crude oil (Brent \$Cdn/bbl)	\$ 146.65	\$ 85.40	\$ 137.10	\$ 81.50	68%
Sale price / Brent reference price	107%	92%	102%	93%	9%
Adjusted funds flow from (used in) operations (Note 6)					
Crude oil sales	15,986	9,982	28,182	18,968	49%
Government royalty	(824)	(538)	(1,442)	(1,017)	42%
Transportation expense	(254)	(296)	(498)	(588)	-15%
Operating expense	(685)	(689)	(1,321)	(1,445)	-9%
Field netback	14,223	8,459	24,921	15,918	57%
General and administrative expense (Note 9)	(195)	(164)	(402)	(411)	-2%
Interest income	1	1	1	1	0%
Foreign exchange loss	(10)	(29)	(9)	(15)	-40%
Current income tax	(6,456)	(3,227)	(11,262)	(6,136)	84%
Thailand - Adjusted funds flow from operations	7,563	5,040	13,249	9,357	42%
Adjusted funds flow from (used in) operations / barrel (CDN\$/bbl) (Note 6)					
Crude oil sales	\$ 156.27	\$ 78.43	\$ 139.71	\$ 76.18	83%
Government royalty	(8.06)	(4.23)	(7.15)	(4.08)	75%
Transportation expense	(2.48)	(2.33)	(2.47)	(2.36)	5%
Operating expense	(6.70)	(5.41)	(6.55)	(5.80)	13%
Field netback	\$ 139.04	\$ 66.47	\$ 123.54	\$ 63.93	93%
General and administrative expense (Note 9)	(1.91)	(1.29)	(1.99)	(1.65)	21%
Interest Income	0.01	0.01	-	-	23%
Foreign exchange loss	(0.10)	(0.23)	(0.04)	(0.06)	-26%
Current income tax	(63.11)	(25.36)	(55.83)	(24.64)	127%
Thailand – Adjusted funds flow from operations	\$ 73.93	\$ 39.60	\$ 65.68	\$ 37.58	75%
Government royalty as percentage of crude oil sales	5.2%	5.4%	5.1%	5.4%	0%
Income tax as percentage of crude oil sales	40%	32%	40%	32%	8%
As percentage of crude oil sales					
Expenses - transportation, operating, G&A and other	7%	12%	8%	13%	-5%
Government royalty, SRB and income tax	46%	38%	45%	38%	7%
Adjusted funds flow from operations, before interest income	47%	50%	47%	49%	-2%
Wells drilled					
Gross	-	1	-	3	-100%
Net	-	0.5	-	1.5	-100%
<b>Financial Statement Presentation</b>					
<b>Results – Excl. 50.01% Interest in Thailand Joint Venture (Note 1)</b>					
General and administrative expense (Note 9)	(8)	(4)	(16)	(13)	23%
Adjusted funds flow used in consolidated operations	(8)	(4)	(16)	(13)	23%
Adjusted fund flow Included in Investment in Thailand Joint Venture					
Net income from Thailand Joint Venture	6,071	2,669	10,421	4,571	128%
Add back non-cash items in net income	1,500	2,376	2,844	4,800	-41%
Adjusted funds flow from Thailand Joint Venture	7,571	5,045	13,265	9,371	42%
Thailand – Economic adjusted funds flow from operations (Note 5)	7,563	5,041	13,249	9,358	42%

	Three Months Ended June 30,		Six Months Ended June 30,		% Change
	2022	2021	2022	2021	
<i>(thousands of Canadian dollars except where indicated)</i>					
<b>Canada Operations</b>					
Interest income	6	12	10	18	-44%
General and administrative expenses (Note 9)	(527)	(521)	(1,105)	(1,041)	6%
Operating expense (Note 10)	(105)	(97)	(171)	(139)	23%
Transaction costs	(910)	-	(910)	-	100%
Stock based compensation on restricted share units (note 11)	(101)	(253)	(368)	(352)	5%
Realized foreign exchange (loss) gain (Note 12)	(50)	2	(72)	1	-7,300%
Unrealized foreign exchange gain (loss) (Note 12)	397	(301)	172	(561)	-131%
Canada – Adjusted funds flow used in operations	(1,290)	(1,158)	(2,444)	(2,074)	18%
Add Thailand general and administrative expense (note 9)	(8)	(4)	(16)	(13)	23%
Add back changes in non-cash working capital, continuing operations	651	242	621	(85)	-831%
Add back unrealized foreign exchange gain (loss)	(397)	300	(172)	561	-131%
Cash flow used in operating activities, continuing operations	(1,044)	(620)	(2,011)	(1,611)	25%
<b>Indonesia - Discontinued Operations</b>					
General and administrative expense (Note 9)	(54)	(48)	(94)	(99)	-5%
Exploration recovery (expense)	3	(2)	(79)	(3)	2,533%
Unrealized foreign exchange (loss) gain	(103)	48	(19)	80	-124%
Indonesia – Adjusted funds flow used in operations	(154)	(2)	(192)	(22)	773%
Add back changes in non-cash working capital, discontinued operations	172	(101)	81	(114)	-171%
Settlement of decommissioning provision	(14)	-	(36)	-	100%
Cash flow from (used in) operating activities, discontinued operations	4	(103)	(147)	(136)	8%

- (1) Pan Orient holds a 50.01% equity interest in Pan Orient Energy (Siam) Ltd. as a joint arrangement where the Company shares joint control with the 49.99% equity interest holder. The resulting joint arrangement is classified as a Joint Venture under IFRS 11 and is accounted for using the equity method of accounting where Pan Orient's 50.01% equity interest in the assets, liabilities, working capital, operations and capital expenditures of Pan Orient Energy (Siam) Ltd. are recorded in Investment in Thailand Joint Venture.
- (2) As set out in the Consolidated Statements of Cash Flows in the Consolidated Financial Statements of Pan Orient Energy Corp.
- (3) The East Jabung Production Sharing Contract ("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 since 2020.
- (4) Refer to Commitments note disclosure of the June 30, 2022 and June 30, 2021 Interim Condensed Consolidated Financial Statements.
- (5) For the purpose of providing more meaningful economic results from operations for Thailand, the amounts presented include 50.01% of results of the Thailand Joint Venture. Pan Orient has a 50.01% ownership interest in Pan Orient Energy (Siam) Ltd., but does not have any direct interest in, or control over, the crude oil reserves, operations or working capital of on-shore Concession L53.
- (6) Total corporate adjusted funds flow from operations (*non-GAAP Financial Measure*) 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. Refer to this MD&A for definitions of Non-GAAP and Other Financial Measures.
- (7) Cost of capital expenditures excluded decommissioning costs and the impact of changes in foreign exchange.
- (8) In December 2020, the Company entered into an Automatic Share Purchase Plan ("ASPP"), which permits an independent broker to repurchase shares during certain blackout periods under the Company's normal course issuer bid, subject to agreed trading parameters and other instructions for such purchases. At March 31, 2021, the Company recognized a provision of \$1.5 million (December 31, 2020 - \$0.9 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. The Company was not in a blackout period at June 30, 2021 and not was required to provide a provision for ASPP. As such, the provisions provided for at December 31, 2020 and March 31, 2021 were reversed.
- (9) General & administrative expenses, excluding non-cash accretion expense. The nominal amount of G&A shown in the six months ended June 30, 2022 and June 30, 2021 for Thailand operations related to G&A of the holding company of Pan Orient Energy (Siam) Ltd.
- (10) Operating expense related to Andora's suspended demonstration project facility and wellpair at Sawn Lake Central.
- (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 June 30, 2022, 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) 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. Following the transaction, Andora has a 75% working interest in the Sawn Lake joint venture.
- (14) 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 amount paid on February 10, 2022 was \$19.9 million.
- (15) Tables may not add due to rounding.

## HIGHLIGHTS

### Thailand (net to 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 in the second quarter of 2022 were 1,124 BOPD compared with 1,105 BOPD in the first quarter of 2022.
- Thailand adjusted funds flow from operations of \$7.6 million (\$73.93 per barrel) in the second quarter of 2022 compared with \$5.7 million (\$57.19 per barrel) in the first quarter of 2022. The average realized oil price per barrel increased 27% in the second quarter of 2022 to \$156.27 per barrel compared with \$122.67 in the first quarter of 2022.
- In the first half of 2022, Thailand adjusted funds flow from operations of \$13.2 million funded \$2.5 million of Thailand exploration and development activities. Working capital and long-term deposits, net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, at June 30, 2022 was \$12.7 million.

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

- 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. Through the transaction, Andora increased its working interest in the Sawn Lake joint venture to 75%.
- The March 31, 2022 Contingent Bitumen Resources Report ("Resources Report"), a National Instrument 51-101 compliant resources evaluation for Andora's oil sands interests at Sawn Lake Alberta based on exploitation using Steam Assisted Gravity Drainage ("SAGD") as evaluated by Sproule Associates Limited, assigned unrisks "Best Estimate" contingent resources for Andora of 292.0 million barrels of bitumen recoverable (209.6 million barrels net to Pan Orient's 71.8% interest in Andora) and unrisks "Best Estimate" net present value, discounted at 15%, for Andora's interests of \$192 million on an after-tax basis (\$138 million net to Pan Orient's 71.8% interest in Andora). The Sawn Lake operations are currently suspended and awaiting restart and commercial expansion. Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by the application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies. The contingent resources volumes estimated in the Resources Report are considered contingent until such time as there are additional delineation wells confirming reservoir quality and continuity, refinement of the commercial development plan, regulatory approval for full field development, corporate commitment to move forward and financing for commercial development. There is uncertainty that it will be commercially viable to produce any portion of the reported contingent resources volumes. Please refer to Pan Orient's press release of June 13, 2022 for additional information.
- Western Canada Select reference prices for heavy oil remained strong in the second quarter of 2022. At August 8, 2022, the price for Western Canada Select was Cdn\$91.34 per barrel and the forward market for Western Canada Select in 2024 was Cdn\$79.13 per barrel. Andora is considering alternatives to restart the existing steam SAGD facility and wellpair at Sawn Lake and move the Sawn Lake project forward with minimum development costs to Andora, including partnership, farmout, sourcing additional funds, partial sale or outright sale, and achieve value for shareholders.
- For the first half of 2022, Pan Orient reports total operating expenses of \$171 thousand associated with the Sawn Lake suspended SAGD facility and wellpair.

## Corporate

- On June 6, 2022 Pan Orient announced that it had entered into an agreement to be acquired by a subsidiary of Dialog Group Berhad ("Dialog") and for Pan Orient's non-Thailand business to be transferred to CanAsia Energy Corp. ("CanAsia"), a new company to be owned by Pan Orient shareholders (the "Arrangement"). Upon completion of the transaction, a holder of a common share of Pan Orient will receive, for each such common share, cash consideration of USD \$0.788 and one common share of CanAsia. The cash consideration is approximately CAD \$1.01 at the current exchange rate.

As a result of the Arrangement: (a) Dialog, through a subsidiary, will hold all of the issued and outstanding Pan Orient shares, and Pan Orient will continue to own Pan Orient's Thailand business; (b) Pan Orient shareholders (other than dissenting shareholders) will receive, through a series of steps, for each Pan Orient share held, a cash payment of USD \$0.788 and one CanAsia share; and (c) CanAsia will be a new public company with its shares expected to be listed on the TSX Venture Exchange ("TSXV") (subject to satisfaction of the conditions of the TSXV), that will own Pan Orient's non-Thailand business, which includes: Pan Orient's 71.8% interest in Andora Energy Corporation, which has interests in oil sands properties in Sawn Lake, Alberta; convertible loans receivable from Andora; Pan Orient's interests in Indonesia, which operations are, effective January 1, 2020, considered discontinued operations for accounting purposes; and working capital and long term deposits, estimated to be approximately \$6.7 million. The estimate of working capital and long-term deposits has been reduced to reflect changes in foreign exchange rates and higher transaction expenses, mainly legal fees.

Completion of the Arrangement is subject to certain conditions, including approval of the Pan Orient shareholders, final approval of the Court of Queen's Bench of Alberta and conditional approval of the delisting of the Pan Orient shares and listing of the CanAsia shares by the TSXV. If all conditions to the completion of the Arrangement are satisfied or waived, Pan Orient anticipates that the Arrangement will become effective on or about August 25, 2022.

- Net income attributable to common shareholders for the second quarter of 2022 was \$4.8 million (\$0.10 per share) compared with net income attributable to common shareholders for the first quarter of 2022 of \$3.5 million (\$0.07 per share). Corporate adjusted funds flow from operations (including Pan Orient's 50.01% equity interest in the Thailand Joint Venture) in the second quarter of 2022 were \$6.1 million (\$0.12 per share) compared with \$4.5 million (\$0.09 per share) in the first quarter of 2022.
- Common shares outstanding were 49.8 million at June 30, 2022.
- Pan Orient paid a \$0.40 per common share return of capital distribution to shareholders on February 10, 2022 following shareholder approval on January 18, 2022. The total amount of the distribution was \$19.9 million.
- Pan Orient maintains a strong financial position with working capital and non-current deposits of \$12.8 million and no long-term debt at June 30, 2022. In addition, the Thailand Joint Venture has \$12.7 million in working capital and long-term deposits, net to Pan Orient's 50.01% equity interest.

## **OUTLOOK**

A special meeting of Pan Orient shareholders to vote on the Arrangement and other matters will be held on Tuesday, August 23, 2022. If all conditions to the completion of the Arrangement are satisfied or waived, Pan Orient anticipates that the Arrangement will become effective on or about August 25, 2022.

The Arrangement is an opportunity for Pan Orient shareholders to realize value for their investment in Pan Orient while continuing to participate, through CanAsia, in the Sawn Lake heavy oil project and potential exploration and development activities in Thailand through an anticipated future bid round for new oil concessions.

## 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 June 30				Six months ended June 30			
	2022		2021		2022		2021	
	\$000s	\$ per bbl	\$000s	\$ per bbl	\$000s	\$ per bbl	\$000s	\$ per bbl
Crude oil sales	15,986	156.27	9,982	78.43	28,182	139.71	18,968	76.18
Government royalty	(824)	(8.06)	(538)	(4.23)	(1,442)	(7.15)	(1,017)	(4.08)
Transportation expense	(254)	(2.33)	(296)	(2.33)	(498)	(2.47)	(588)	(2.36)
Operating expense	(685)	(6.70)	(689)	(5.41)	(1,321)	(6.55)	(1,445)	(5.80)
Field netback	14,223	139.04	8,459	66.47	24,921	123.54	15,918	63.93
General and administrative expense	(187)	(1.83)	(159)	(1.25)	(386)	(1.91)	(397)	(1.59)
Foreign exchange loss	(10)	(0.10)	(29)	(0.23)	(9)	(0.04)	(15)	(0.06)
Interest income	1	0.01	1	0.01	1	0.00	1	0.00
Current income tax expense	(6,456)	(63.11)	(3,227)	(25.36)	(11,262)	(55.83)	(6,136)	(24.64)
Adjusted funds flow from operations	7,571	74.01	5,045	39.64	13,265	65.76	9,371	37.63
Depletion, depreciation and amortization	(1,493)	(14.60)	(2,223)	(17.47)	(2,919)	(14.47)	(4,429)	(17.79)
Accretion	(20)	(0.20)	(10)	(0.08)	(35)	(0.17)	(20)	(0.08)
Deferred tax recovery	188	1.84	123	0.97	455	2.26	170	0.68
Net income	6,246	61.06	2,935	23.06	10,766	53.37	5,092	20.45
Amortization of fair value adjustment	(175)	(1.71)	(266)	(2.09)	(345)	(1.71)	(521)	(2.09)
Net income from Joint Venture	6,071	59.35	2,669	20.97	10,421	51.66	4,571	18.36

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 1,124 BOPD during the three months ended June 30, 2022 compared to 1,105 BOPD during the first quarter of 2022 and 1,399 BOPD during the second quarter of 2021. Oil sales revenue from Concession L53 was \$16.0 million for the three months ended June 30, 2022 compared to \$12.2 million in the first quarter of 2022 and \$10.0 million in the second quarter of 2021. Revenue in the second quarter of 2022 was higher than other comparative periods due to higher realized price per barrel. The realized price per barrel was \$156.27 for the three months ended June 30, 2022 compared to \$122.67 during the first quarter of 2022 and \$78.43 during the second quarter of 2021.

### 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

Operating costs were \$0.7 million (\$6.70 per barrel) in the second quarter of 2022 compared to \$0.6 million (\$6.40 per barrel) in the first quarter of 2022 and \$0.7 million (\$5.41 per barrel) in the second quarter of 2021. On a per barrel basis, operating expenses were higher in the second quarter of 2022 compared to the other periods due to fixed costs that did not decline with production volume.

### 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 \$6.5 million for the three months ended June 30, 2022 compared to \$5.7 million during the first quarter of 2022 and \$3.2 million in the second quarter of 2021. Current income tax increased due to higher taxable income as a result of higher realized prices in 2022.

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

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

Depletion is provided on costs accumulated using the unit-of production method based on an independent engineering estimate of the Thailand Joint Venture’s share of proved plus probable reserves, before royalties. DD&A was \$14.60 per barrel during the second quarter of 2022 compared to \$14.34 per barrel during the first quarter of 2022 and \$17.47 per barrel during the second quarter of 2021. On a per barrel basis, the DD&A was overall lower in 2022 than in 2021 due to lower cost base subject to depletion.

### General and Administrative (“G&A”) Expenses

(\$thousands)	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Canada <sup>(1)</sup>	538	530	1,122	1,058
Thailand (excluding Thailand Joint Venture)	8	5	16	13
G&A expense from continuing operations	546	535	1,138	1,071
G&A expense from discontinued operations – Indonesia	54	48	94	99
Share of G&A from Thailand Joint Venture	207	169	421	417
Total G&A attributable to the economic interests of Pan Orient (including 50.01% interest in Thailand Joint Venture)	807	752	1,653	1,587

(1) G&A, net of overhead recoveries, represents the portion of Pan Orient’s G&A expenses charged by Andora, as operator, to the Sawn Lake joint venture operations and capital projects. Overhead recoveries were \$10 thousand and \$12 thousand for the six months ended June 30, 2022 and 2021.

### Capital Expenditures

	Three months ended June 30				Six months ended June 30			
	2022		2021		2022		2021	
	Net wells drilled	Net wells drilled	Net wells drilled	Net wells drilled	Net wells drilled	Net wells drilled	Net wells drilled	Net wells drilled
Capital expenditures <sup>(1)</sup>	\$000s		\$000s		\$000s		\$000s	
Share of Thailand Joint Venture capital expenditures <sup>(2)</sup>	1,209	-	1,848	0.5	2,545	-	3,677	1.5
Total capital expenditures attributable to the economic interest of Pan Orient (including 50.01% interest in Thailand Joint Venture)	1,209	-	1,848	0.5	2,545	-	3,677	1.5

(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 \$1.2 million for the three months ended June 30, 2022 consisted of workover activities, equipment inventory purchases, capitalized general and administrative expenses and other development activities.

### Liquidity and Capital Resources

Pan Orient’s capital program for the 50.01% share of the Thailand Joint Venture was \$2.5 million for the six months ended June 30, 2022 and was financed from existing working capital and adjusted funds flow from operations within the Thailand Joint Venture. At June 30, 2022 the Company’s working capital plus non-current deposits was \$12.8 million compared to \$32.1 million at December 31, 2021. The Company had estimated outstanding capital commitments of \$1.6 million at June 30, 2022. In addition to Pan Orient’s consolidated working capital and non-current deposits, its investment in the Thailand Joint Venture includes \$12.7 million of its share of working capital and non-current deposits and \$2.8 million of equipment inventory to be utilized for future operations of the Thailand Joint Venture.

Non-current deposits of \$0.8 million at June 30, 2022 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 June 30, 2022 for wells and facilities in Canada is \$1.4 million. The estimated decommissioning provision for Indonesia discontinued operations at June 30, 2022 is \$1.0 million.

## Share Capital

Outstanding (thousands)	August 9, 2022	June 30, 2022	December 31, 2021
Common shares	49,794	49,794	49,794
Stock options	2,865	2,865	2,865
<b>Total</b>	<b>52,659</b>	<b>52,659</b>	<b>52,659</b>

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 amount paid on February 10, 2022 was \$19.9 million.

## 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:

	2022		2021				2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Rate at end of period								
Thai baht / Cdn \$ exchange	26.98	26.25	25.76	26.24	25.47	24.47	23.09	23.27
Cdn \$ / US \$ exchange	1.30	1.25	1.27	1.27	1.24	1.26	1.27	1.33

The Company holds U.S. dollars within Canada to meet U.S. dollar cash requirements of its foreign operations and at June 30, 2022 the Company held \$10.2 million (December 31, 2021: \$14.4 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		Six months ended	
	June 30		June 30	
	2022	2021	2022	2021
(AOCL) AOCL, beginning of period	(851)	899	(367)	2,268
Unrealized foreign currency translation loss from Thailand Joint Venture	(692)	(1,011)	(1,176)	(2,380)
<b>AOCL, end of period</b>	<b>(1,543)</b>	<b>(112)</b>	<b>(1,543)</b>	<b>(112)</b>

## Summary of Quarterly Results

	2022		2021			2020		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<b>Financial (\$thousands) except as indicated <sup>(1)</sup></b>								
Interest revenue	6	4	13	17	12	6	18	69
Cash flow used in operating activity, continuing operations	(1,044)	(967)	(1,212)	(227)	(620)	(991)	(597)	(355)
Cash flow from (used in) operating activity, discontinued operations <sup>(2)</sup>	4	(151)	(10)	(7)	(103)	(33)	(46)	(42)
Total assets	48,584	44,276	60,708	57,512	54,799	54,427	56,233	56,879
Working capital & non-current deposits	12,756	11,513	32,084	28,443	29,542	23,415	23,577	26,411
Shares outstanding (thousands)	49,794	49,794	49,794	49,794	49,881	50,303	51,744	52,077
Net income (loss) from continuing operations <sup>(3)</sup>	5,002	3,553	3,190	3,643	1,518	1,160	(463)	(1,052)
Net income (loss) from discontinued operations <sup>(3)</sup>	(153)	(39)	(239)	(771)	(2)	(20)	46	(11)
Total net income (loss) <sup>(3)</sup>	4,849	3,514	2,951	2,872	1,516	1,140	(417)	(1,063)
Per share basic and diluted (\$)	0.10	0.07	0.06	0.06	0.03	0.02	(0.04)	(0.02)
<b>Operations (\$thousands), including 50.01% equity interest in Thailand Joint Venture</b>								
Daily oil sales (BOPD) net to Pan Orient <sup>(4)</sup>	1,124	1,105	1,426	1,402	1,399	1,353	1,491	1,114
Total corporate adjusted funds flow from operations <sup>(5)</sup>	6,119	4,494	4,420	5,008	3,880	3,382	1,528	2,410
Capital expenditures <sup>(6)</sup>	1,209	1,336	853	1,273	1,848	1,829	1,644	3,410
<b>Total corporate adjusted funds flow from (used in) operations (\$/bbl) <sup>(5)</sup></b>								
Realized crude oil price	156.27	122.67	98.03	88.74	78.43	73.82	56.95	53.38
Royalties	(8.06)	(6.22)	(5.24)	(4.74)	(4.23)	(3.93)	(3.06)	(2.77)
Transportation & operating	(9.18)	(8.95)	(8.25)	(7.67)	(7.74)	(8.61)	(10.27)	(10.24)
Field Netback – Thailand Joint Venture	139.04	107.60	84.54	76.33	66.47	61.27	43.63	40.37
Operating expense – Andora <sup>(7)</sup>	(1.03)	(0.66)	(0.45)	(0.64)	(0.76)	(0.35)	(0.39)	(0.91)
General and administrative <sup>(8)</sup>	(7.59)	(8.30)	(6.81)	(5.63)	(5.76)	(6.71)	(6.65)	(7.07)
Transaction costs	(8.90)	-	-	-	-	-	-	-
Stock-based compensation expense on restricted share units	(0.99)	(2.69)	(2.86)	(2.15)	(1.99)	(0.81)	(1.14)	(1.48)
Exploration expense (recovery)	0.03	(0.82)	(1.25)	0.02	(0.02)	(0.01)	0.01	0.02
Interest income	0.07	0.04	0.10	0.14	0.10	0.05	0.15	0.67
Foreign exchange gain (loss)	2.29	(1.63)	(0.74)	3.72	(2.20)	(1.77)	(6.55)	(4.08)
Current income tax expense	(63.11)	(48.34)	(38.85)	(32.43)	(25.36)	(23.90)	(17.91)	(4.00)
Total corporate adjusted funds flow from operations	59.82	45.20	33.68	39.36	30.49	27.78	11.15	23.52

(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 as discontinued operations.

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

(4) Oil revenue generated within the Thailand Joint Venture, net to Pan Orient's 50.01% equity interest in Pan Orient Energy (Siam) Ltd.

(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.

**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.

**Q1 2022** – Total corporate adjusted funds flow from operations of \$4.5 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 1,105 BOPD (\$57.19 per barrel) and working capital and long-term deposits at March 31, 2022 of \$7.9 million. Net income attributable to common shareholders was \$3.5 million (\$0.07 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. 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. Following the transaction, Andora has a 75% working interest in the Sawn Lake joint venture. 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 amount paid on February 10, 2022 was \$19.9 million. At March 31, 2022, working capital and non-current deposits (including the Thailand Joint Venture) totaled \$19.4 million and the Company had no long-term debt.

**Q2 2022** – Total corporate adjusted funds flow from operations of \$6.1 million. Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, adjusted funds flow from operations of \$6.6 million with average daily oil sales from Concession L53 of 1,124 BOPD (\$73.93 per barrel) and working capital and long-term deposits at June 30, 2022 of \$12.7 million. Net income attributable to common shareholders was \$4.9 million (\$0.10 per share) for the quarter. Pan Orient's share of Thailand Joint Venture capital expenditures were \$1.2 million and consisted of workover activities, equipment inventory purchases, capitalized general and administrative expenses and other development activities. At June 30, 2022, working capital and non-current deposits (including the Thailand Joint Venture) totaled \$25.4 million and the Company had no long-term debt. 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 Corporation 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, and transaction costs.

#### **Additional Information**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com)



**PAN ORIENT ENERGY CORP.**

1505, 505 - 3rd Street SW, Calgary Alberta Canada T2P 3E6