

March 6, 2023

Dear Shareholder:

**Re: Certain Canadian Federal Income Tax implications for certain former holders of Pan Orient Shares<sup>1</sup>**

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In August 2022 Pan Orient Energy Corp. ("**Pan Orient**" or the "**Corporation**") completed an arrangement (the "**Arrangement**") involving the Corporation, its wholly owned subsidiary, CanAsia Energy Corp. ("**CanAsia**"), Dialog Systems (Asia) Pte Ltd., and its wholly owned subsidiary, 2432707 Alberta Ltd. (the "**Purchaser**"). Under the Arrangement, each Shareholder of Pan Orient Energy Corp.:

Step 1: received (i) one New Pan Orient Share in exchange for each Pan Orient Share; and (ii) a one CanAsia Share for each Pan Orient Share held; and

Step 2: then each New Pan Orient Share was sold to the Purchaser for Cash Consideration of USD \$0.788 per New Pan Orient Share.

We are providing this general summary of certain Canadian federal income tax consequences for individuals who are resident in Canada and received cash and CanAsia Shares pursuant to the Arrangement. **Please note that the summary of tax consequences contained in this letter is qualified in its entirety by, and subject to, the more fulsome discussion under the heading "*Certain Canadian Federal Income Tax Consequences*" beginning on page 48 of the Circular, a copy of which can be found under the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).**

**Certain Canadian Federal Income Tax Consequences**

The summary below is qualified in its entirety by, and subject to, the more fulsome discussion under the heading "*Certain Canadian Federal Income Tax Consequences*" beginning on page 48 of the Circular, a copy of which can be found under the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

This summary does not discuss the tax implications of holding or disposing of CanAsia Shares after the transactions discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice or representations to any particular Shareholder. This summary is not exhaustive of all possible Canadian federal and/or provincial income tax considerations applicable to a Shareholder in connection with the Arrangement. Shareholders should consult their own tax advisors in respect of the consequences to them of the entire Arrangement having regard to their particular circumstances.

This letter assumes all Shareholders are individuals who are resident in Canada and held their Shares as capital property and did not incur any expenses related thereto. If your circumstances differ, the forgoing may not be relevant to your circumstances. Again, and in any event, all Shareholders are instructed to seek their own legal and tax advice regarding the Arrangement.

All capitalized terms used but not defined herein have the meanings set forth in the Circular. USD denotes United States dollars and CAD denotes Canadian dollars.

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<sup>1</sup> All capitalized terms used but not defined herein have the meanings set forth in the Pan Orient Energy Corp. management information circular dated July 20, 2022 (the "**Circular**"), which describes the Arrangement and certain anticipated tax implications thereto.

### **Shareholders of Pan Orient Energy Corp.**

Under the Arrangement, each Shareholder of Pan Orient Energy Corp:

Step 1: received (i) one New Pan Orient Share in exchange for each Pan Orient Share held (with an estimated fair market value ("FMV") of CAD \$1.0194 per New Pan Orient Share); and (ii) one CanAsia Share for each Pan Orient Share held (with an estimated FMV of CAD \$0.225 per CanAsia Share); and

Step 2: then each New Pan Orient Share was sold to the Purchaser for Cash Consideration of USD \$0.788, which is estimated to be CAD \$1.0194 (being USD\$0.788 times exchange rate of 1.2936).

The total estimated consideration received by each Shareholder of Pan Orient Energy Corp. for each Pan Orient Share under the Arrangement is CAD \$1.244, being the estimated FMV of CAD \$1.0194 for the New Pan Orient Share received and subsequently sold, plus CAD \$0.225 for the estimated FMV of the CanAsia Share received.

Note that the estimated FMV of CAD \$1.0194 for each New Pan Orient Share is based on an exchange rate of 1.2936 for the USD \$0.788 received for each New Pan Orient Share. Each shareholder should adjust the proceeds of disposition for their New Pan Orient Share based on their particular facts and using the appropriate foreign exchange rate that is applicable to their own circumstances.

### **Step 1: Exchange of Pan Orient Shares for New Pan Orient Shares and distribution of CanAsia Shares**

Pan Orient amended its Articles to create and authorize the issuance of New Pan Orient Shares, as a reorganization of its capital. In connection with the reorganization of capital, the Pan Orient Shareholders received (i) one New Pan Orient Share in exchange for each Pan Orient Share held, and (ii) a distribution of one CanAsia Share for each Pan Orient Share held.

### ***Anticipated Tax Implications***

Shareholders may be considered to have disposed of their Pan Orient Shares for proceeds of disposition equal to the greater of:

- (a) the Shareholder's adjusted cost base ("ACB") of their Pan Orient Shares immediately before the effective time of the exchange; and
- (b) the FMV, at the effective time of the exchange, of the CanAsia Shares received by the Shareholder.

Consequently, a Shareholder would realize a capital gain only if, and to the extent that, the CAD \$0.225 estimated FMV of the CanAsia Share received on the exchange exceeds the ACB of the Shareholder's Pan Orient Share immediately before the effective time of the exchange. This exchange is reported on Schedule 3 of the individual's tax return for the year. *Refer to the example below.*

Management has estimated that the FMV of CanAsia is CAD \$0.225 per share, which should not exceed the aggregate "paid-up capital", as defined in the Tax Act, of the Pan Orient Shares immediately before the share exchange. Accordingly, the Corporation should not be deemed to have paid, nor should a Shareholder be deemed to receive, a dividend as a result of the distribution of CanAsia Shares under the Arrangement.

The aggregate cost (and ACB) to a Shareholder of the New Pan Orient Shares acquired on the share exchange will be equal to the amount, if any, by which the ACB of the Shareholder's Pan Orient Shares, immediately before the exchange, exceeds the estimated CAD \$0.225 FMV, at the time of the exchange, of the CanAsia Shares acquired by such Shareholder. The aggregate cost to a Shareholder of the CanAsia Shares acquired on the distribution thereof will be equal to the estimated CAD \$0.225 FMV of the CanAsia Shares at the time of the exchange.

#### *T5008 Statement of Securities Transactions Slip*

As part of the exchange of Pan Orient Shares, the former shareholders received or will receive in due course a T5008 Statement of Securities Transactions slip, which provides information about the exchange of Pan Orient Shares in Step #1. The total estimated consideration received by each Shareholder of Pan Orient Energy Corp. for each Pan Orient Share under the Arrangements is CAD \$1.244, being the estimated fair market value of CAD \$1.0194 for the New Pan Orient Share received and subsequently sold, plus CAD \$0.225 for the estimated FMV of the CanAsia Share received. Each shareholder should adjust the proceeds of disposition for their New Pan Orient Share consistent with the calculation noted above and the example below. It should also be based on their particular facts and using the appropriate foreign exchange rate that is applicable to their own circumstances. Pan Orient did not populate "box 20" (i.e., cost or book value) because it does not track each shareholder's respective ACB. Therefore, each shareholder will need to calculate their own ACB, depending on their own facts and circumstances, and Pan Orient will not provide any further guidance thereto.

#### Step 2: Disposition of New Pan Orient Shares

Each New Pan Orient Share was transferred by the Shareholders to the Purchaser in exchange for USD \$0.788 cash consideration for each Share, which is estimated to be CAD \$1.0194 (being USD\$0.788 multiplied by the exchange rate of 1.2936).

Note that the estimated FMV of CAD \$1.0194 for each New Pan Orient Share is based on an exchange rate of 1.2936 for the USD \$0.788 received for each New Pan Orient Share. Each shareholder should adjust the proceeds of disposition for their New Pan Orient Share based on their particular facts and using the appropriate foreign exchange rate that is applicable to their own circumstances.

#### *Anticipated Tax Implications:*

A Shareholder who, pursuant to the Arrangement, transfers New Pan Orient Shares to the Purchaser in consideration for a payment by the Purchaser of the Cash Consideration, will realize a capital gain (or a capital loss) equal to the amount by which the payment exceeds (or is less than) the aggregate of the ACB to the Resident Holder of such New Pan Orient Shares and any reasonable costs of the disposition.

This capital gain (or capital loss) is reported on Schedule 3 of the individuals' tax return for the year.

### Example of tax implications to a former Pan Orient Shareholder

For purposes of the below example, assume that the Shareholder holds one Pan Orient Share with an ACB of CAD \$1.30 and the New Pan Orient Share was worth CAD \$1.02 (USD \$0.788/Share) on the date of the transaction.

The cost of the New Pan Orient shares will equal the amount by which the ACB of the Pan Orient shares (\$1.30) exceeds the FMV of the CanAsia shares (\$0.225), or \$1.075. Refer to calculation on the following page.

Below is an example of the Schedule 3 reporting for such Shareholder:

**3. Publicly traded shares, mutual fund units, deferral of eligible small business corporation shares, and other shares**

Select this box to: ☐

- indicate an exchange rate;
- indicate the percentage held by the taxpayer and the spouse;
- request the transfer of data to Form T2209C (FIT) (select a country in the "Country code" field) and/or;
- request the transfer of data to Form T1135.

Acq. YY/MM	Number	Name of fund/corporation and class of shares	Type	Type of loss			
				Proceeds of disposition	Adjusted cost base	Outlays and expenses	Gain (or loss)
	1.0000	Pan Orient Energy Corp.	1	1 30	1 30	0 00	0 00
	1.0000	New Pan Orient Energy Corp.	1	1 02	1 07	0 00	-0 05
	0.0000		1	0 00	0 00	0 00	0 00
<b>Subtotal</b>				<b>2 32</b>	<b>2 37</b>	<b>0 00</b>	<b>-0 05</b>
From T1170				0 00			0 00
<b>Total</b>				<b>13199</b>	<b>2 32</b>	<b>Gain (or loss)</b>	<b>13200 -0 05</b>

Exchange of Pan Orient Shares for New Pan Orient Shares			
Deemed Proceeds of Pan Orient Shares			1.3
Sum of			
a) cost of New Pan Orient Shares		1.075	
b) fair market value of CanAsia Shares		0.225	
Adjusted cost base of Pan Orient Shares			1.3
Net gain or (loss)			0

Cost of New Pan Orient Shares			
Amount by which the adjusted cost base of Pan Orient Shares exceeds the fair market value of the CanAsia Shares received			
a) Adjusted cost base of Pan Orient Shares		1.3	
b) fair market value of CanAsia Share		0.225	
Cost of New Pan Orient Shares			1.075

Sale of New Pan Orient Shares for cash			
Proceeds (\$0.788 USD or \$1.02 CAD)			1.02
Adjusted cost base of New Pan Orient Shares			1.075
(ACB of Pan Orient Shares less FMV of CanAsia share received)			
Net gain or (loss)			-0.055