PAN ORIENT ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010

November 23, 2010

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. is prepared effective November 23, 2010 and should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto for the three and nine months ended September 30, 2010 and the audited consolidated financial statements and notes thereto and MD&A for the year ended December 31, 2009. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("GAAP").

Pan Orient Energy Corp. ("Pan Orient" or the "Company") is an oil and natural gas company based in Calgary, Alberta, with properties onshore Thailand, onshore Indonesia and in northern Alberta.

Forward-Looking Statements

The MD&A contains forward-looking statements within the meaning of securities laws, including the "safe harbour" provisions of Canadian securities legislation. 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 often, but not always, identified by the use of words such as "anticipate", "assume", "believe", "estimate", "expect", "forecast", "guidance", "may", "plan", "predict", "project", "should", "will", or similar words suggesting future outcomes. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to reserves, future production volumes, royalty and tax obligations, production expenses, general and administrative expenses, future income taxes, and future exploration and development activities and the related expenditures.

The Company provides forward-looking information with respect to reservoir and resource estimates and estimated costs associated with work commitments in Thailand and Indonesia. Reserve and resource 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 reserve 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 reserve and resource 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 reserve and resource estimates will vary from estimates thereof and such variations could be material. The Company's estimated commitments are based on internally-prepared budgets 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 reserve and resource 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 November 23, 2010 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 the 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 Measures

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

Funds flow from operations ("funds flow"), which represents cash flow from operating activities prior to changes in non-cash working capital and reclamation costs is used by the Company to evaluate operating performance, leverage and liquidity. The following table reconciles funds flow from operations to cash flow from operating activities which is the most directly comparable measure calculated in accordance with GAAP:

	Three Months Ended September 30		Nine Months Ended September 30	
($000s)	**2010**	**2009**	**2010**	**2009**
Cash flow from operating activities	**6,252**	13,880	**26,206**	(5,691)
Add back changes in non-cash working capital	**9,160**	(2,691)	**15,003**	48,696
Funds flow from operations	**15,412**	11,189	**41,209**	43,005

Field netback is calculated as average unit sales price less royalties, transportation costs and operating expenses. It represents the cash margin for every barrel of oil equivalent sold and is a common benchmark used in the oil and gas industry. There is no GAAP measure that is reasonably comparable to netback and the calculation is presented in the "Operations Summary" section.

Funds flow from operations, funds flow from operations per barrel, funds flow from operations per share (basic and diluted), and field netback do not have standardized meanings prescribed by Canadian GAAP and therefore are unlikely to be comparable to similar measures presented by other issuers. 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 Canadian GAAP. All references to funds flow throughout this report are based on funds flow from operations before changes in non-cash working capital and reclamation costs.

Petroleum and Natural Gas Properties

The Company's principal properties are divided into three distinct groups: 1) partially developed concessions located on-shore Thailand; 2) undeveloped interests on-shore Indonesia; and 3) undeveloped Canadian oil sands leases. Pan Orient is continually pursuing other oil and natural gas exploration opportunities in Asia.

Thailand

The Company has interests in four concessions in Thailand: Concession SW1A (SW1A); Concession 44/43 (L44); Concession 33/43 (L33); and Concession 53/48 (L53). Pan Orient is the operator of all four concessions with a 60% working interest in Concessions SW1A, L44 and L33, and a 100% working interest in L53. The stages of development of each concession are as follows:

- Concession SW1A is developed;
- Concession L44 is partially developed with an ongoing active drilling program which resulted in the discoveries at the Wichian Buri Extension (WBEXT) field in the third quarter of 2010 with the WBEXT-1, WBEXT-1A and WBEXT-1B wells;
- Concession L53 had its first oil discovery in the first half of 2010 with the L53-A well which commenced commercial production in August 2010; and
- Concession L33 had its first oil discovery in the third quarter of 2010 with the L33-1 and L33-2 wells. In addition, a portion of the WBEXT field extends into Concession L33 and exploration / appraisal wells are expected to be drilled in 2011.

Currently all of Pan Orient's production is crude oil and is sold to a refinery owned by the Thai National Oil Company. For the nine months ended September 30, 2010, 94% of crude oil sales were from L44, 5% were from SW1A and the remaining 1% was from L53. The WBEXT-1, WBEXT-1A and WBEXT-1B wells are currently producing under 90-day production tests. An application for a production license for the WBEXT field was submitted in November 2010.

Proved plus probable reserves from Concessions SW1A and L44 at December 31, 2009, as evaluated by independent reserve engineers, were 36.7 MMbbl net to Pan Orient.

The December 31, 2010 year-end reserves evaluation is expected to include proved and probable reserve additions from recent discoveries at the WBEXT, L33-1 and L33-2 fields, proved and probable reserves in Concession L53, and negative revisions or reclassifications to proved and probable reserves at the NSE-F1 and NSE Central fields due to drilling results and well performance.

An estimate of contingent and prospective resources for the proposed 18.5 km^2 portion of the WBEXT field in Concession L44 was prepared by Gaffney Cline & Associates-Singapore as of September 30, 2010 as part of the production license application submitted to the Thailand Department of Mineral Fuels. That report assigned "best estimate" "2C" contingent resources to the WBV1and WBV2 volcanic reservoirs and the F sandstone reservoir in Concessions L44 net to Pan Orient's 60% operated working interest of 13.06 million barrels of oil recoverable. Contingent resource volumes estimated in the GCA report are contingent on Pan Orient receiving approval for the production license area application as submitted to the Thailand Department of Mineral Fuels. The extent of the crude oil accumulations in the reservoirs set out in this estimate of contingent resources will not be known until after additional appraisal drilling and production testing.

An estimate of contingent and prospective resources for the proposed 12.02 km^2 L33-1 / L33-2 fields in Concession L33 was prepared by Gaffney Cline & Associates-Singapore as of August 31, 2010 as part of the production license application submitted to the Thailand Department of Mineral Fuels. That report assigned "best estimate" "2C" contingent resources to the WBV1 volcanic reservoir net to Pan Orient's 60% operated working interest of 2.3 million barrels of oil recoverable. Contingent resource volumes estimated in the GCA report were contingent on Pan Orient receiving approval for the production license area application as submitted to the Thailand Department of Mineral Fuels, which has now been received. The extent of the crude oil accumulations in the reservoirs set out in this estimate of contingent resources will not be known until after additional appraisal drilling and production testing.

An estimate of contingent and prospective resources for the proposed 2.0 km^2 L53-A field in Concession L53 was prepared by Gaffney Cline & Associates-Singapore as of March 31, 2010 as part of the production license application submitted to the Thailand Department of Mineral Fuels. That report assigned "best estimate" "2C" contingent resources to sandstone reservoir of 1.4 million barrels of oil recoverable. Contingent resource volumes estimated in the GCA report were contingent on Pan Orient receiving approval for the production license area application as submitted to the Thailand Department of Mineral Fuels, which has now been received. The extent of the crude oil accumulations in the reservoirs set out in this estimate of contingent resources will not be known until after additional appraisal drilling and production testing.

Although Pan Orient has experienced no security related issues at its production sites, located approximately 260 kilometers north of Bangkok (Concessions L44, L33 and SW1A) and approximately 60 kilometers west of Bangkok (Concession L53), the Company continues to monitor the political situation in Thailand. The Company is not aware of any security related issues at the PTT operated Bangkok refinery. The political situation in Thailand earlier in 2010 had a limited effect on Pan Orient's operations and management is of the opinion it is unlikely to affect operations in the future.

Indonesia

The Company owns a 90% working interest in the Batu Gajah production sharing contract (PSC) located onshore south Sumatra, a 69% operated working interest in the Citarum PSC located onshore west Java, and a 90% operated working interest in the South CPP PSC located onshore south central Sumatra. Amounts recorded in the financial statements and work commitments related to these PSCs include a partner's carried interest of 10% for Batu Gajah, 11% for Citarum and 10% for South CPP.

On Batu Gajah all tenders for a drilling rig and related services have been received, evaluated and memorandums of understanding have been signed with contractors awaiting the final contract awards (upon the approval of the final location by the Forestry Ministry for the three well program). Two locations are currently under construction and construction on the final third location expected to commence immediately upon government approval and is anticipated to be completed within approximately 60 days from the approval date.

The 2D seismic program over the Citarum PSC was completed in July 2010. Three prospects have been agreed to by partners and the exploration wells have been approved by the Government of Indonesia. Drilling of the first of three back-to-back wells is expected to commence in the second quarter of 2011.

The Company has no drilling planned on South CPP until 2012.

There were no reserves assigned to any of the Indonesia PSCs at December 31, 2009.

Canada
Through its 53.4% ownership of the privately-held Andora Energy Corp. (“Andora”), Pan Orient has interests in heavy oil sand leases in Sawn Lake, within the central Alberta Peace River Oil Sands area.

The Sawn Lake property is in the pre-production stage and will not have production revenue until oil production begins. In 2009, Andora received approval from Alberta Environment and the Energy Resources Conservation Board to build and operate a Steam Assisted Gravity Drainage (“SAGD”) project. The pilot location is on Andora 100% owned acreage.

The objective of the pilot is to demonstrate the feasibility of producing bitumen from the Bluesky Zone at economic rates and the technical feasibility of the SAGD thermal recovery process. The pilot will consist of a single well pair and associated steam injection and bitumen production facilities for an estimated cost of $15 million. All season access into the site was completed in December 2009. The timing for equipment procurement, construction of the project facility and drilling of the well pair has yet to be determined.

Probable reserves at December 31, 2009, as evaluated by independent reserve engineers, were 131.8 MMbbl net to Andora (70.1 MMbbl net to Pan Orient).

Operations Summary

(thousands of Canadian dollars except where indicated)	Three Months Ended September 30, **2010**	2009	Nine Months Ended September 30, **2010**	2009	Change
FINANCIAL					
Oil revenue, before royalties and transportation expense	**27,050**	22,824	**74,524**	75,956	-2%
Funds flow from operations (Note 1)	**15,412**	11,189	**41,209**	43,005	-3%
Per share – basic	**$ 0.32**	$ 0.24	**$ 0.85**	$ 0.94	-10%
Per share – diluted	**$ 0.31**	$ 0.23	**$ 0.82**	$ 0.90	-8%
Funds flow from operations by region (Note 1)					
Canada	**(33)**	(68)	**814**	(654)	
Thailand	**15,370**	11,218	**40,490**	43,750	-7%
Indonesia – General and administrative expense	**75**	39	**(95)**	(91)	-5%
Total	**15,412**	11,189	**41,209**	43,005	-3%
Net income attributable to common shareholders	**4,727**	10,167	**12,080**	8,149	48%
Per share - basic	**$ 0.10**	$ 0.23	**$ 0.25**	$ 0.18	40%
Per share - diluted	**$ 0.09**	$ 0.22	**$ 0.24**	$ 0.17	42%
Working capital	**23,897**	34,689	**23,897**	34,689	-31%
Working capital plus long-term deposits	**27,746**	39,830	**27,746**	39,830	-30%
Long-term debt	**-**	-	**-**	-	
Capital expenditures (Note 2)	**11,012**	16,033	**47,690**	44,535	7%
Shares outstanding (thousands)	**48,619**	46,163	**48,619**	46,163	5%
Funds flow from operations per barrel					
Canada operations	**$ (0.08)**	$ (0.21)	**$ 0.78**	$ (0.50)	
Thailand operations	**39.67**	33.42	**38.76**	32.87	18%
Indonesia operations	**0.19**	0.13	**(0.09)**	(0.06)	50%
	$ 39.78	$ 33.34	**$ 39.45**	$ 32.31	22%
Capital Expenditures (Note 2)					
Canada	**185**	102	**595**	351	70%
Thailand	**8,694**	12,403	**31,695**	35,645	-11%
Indonesia	**2,133**	3,528	**15,400**	8,539	80%
Total	**11,012**	16,033	**47,690**	44,535	7%
Working Capital and Deposits					
Working Capital & Deposits - beginning of period	**24,029**	41,969	**32,738**	46,386	-29%
Funds flow from operations (Note 1)	**15,412**	11,189	**41,209**	43,005	-4%
Capital expenditures (Note 2)	**(11,012)**	(16,033)	**(47,690)**	(44,535)	7%
Non-cash settlement of Andora receivable	**-**	-	**(600)**	-	
Foreign exchange impact on working capital	**(772)**	2,730	**(1,247)**	(5,551)	-77%
Net proceeds (expenditure) on share transactions	**89**	(25)	**3,336**	525	536%
Working Capital & Deposits - end of period	**27,746**	39,830	**27,746**	39,830	-30%
Canada Operations					
Interest income	**15**	7	**29**	30	-4%
General and administrative (expense) recovery	**(67)**	5	**670**	(1,090)	
Realized foreign exchange gain (loss)	**19**	(77)	**172**	445	-61%
Foreign new ventures expenditures	**-**	(3)	**(57)**	(39)	46%
Funds flow from operations	**(33)**	(68)	**814**	(654)	224%
Funds flow from operations per barrel					
Interest income	**$ 0.04**	$ 0.02	**$ 0.03**	$ 0.02	50%
General and administrative expense	**(0.17)**	0.01	**0.64**	(0.82)	
Realized foreign exchange gain (loss)	**0.05**	(0.23)	**0.16**	0.33	-51%
Foreign new ventures expenditures	**-**	(0.01)	**(0.05)**	(0.03)	67%
	$ (0.08)	$ (0.21)	**$ 0.78**	$ (0.50)	255%

(thousands of Canadian dollars except where indicated)	Three Months Ended September 30, 2010	2009	Nine Months Ended September 30, 2010	2009	Change
Thailand Operations					
Total crude oil sales (bbl)	**387,444**	335,584	**1,044,601**	1,330,887	-22%
Average daily crude oil sales (bbl/d)	**4,211**	3,648	**3,826**	4,875	-22%
Average oil sales price, before transportation (CDN$/bbl)	**$ 69.82**	$ 68.01	**$ 71.34**	$ 57.07	25%
Reference Price (volume weighted) and differential					
Crude oil (WTI $US/bbl)	**$ 76.82**	$ 67.89	**$ 77.78**	$ 54.51	43%
Exchange Rate $US/$Cdn	**1.04**	1.111	**1.04**	1.184	-12%
Crude oil (WTI $Cdn/bbl)	**$ 79.69**	$ 75.43	**$ 81.21**	$ 64.54	26%
Sales price / WTI reference price	**88%**	90%	**88%**	88%	-
Funds flow from operations (Note 1)					
Crude oil sales	**27,050**	22,824	**74,524**	75,956	-2%
Government royalty	**(1,725)**	(1,414)	**(4,698)**	(5,385)	-13%
Other royalty	**(26)**	(34)	**(47)**	(77)	-39%
Transportation expense	**(970)**	(787)	**(2,636)**	(3,105)	-15%
Operating expense	**(2,502)**	(1,996)	**(6,649)**	(5,277)	26%
Field Netback	**21,827**	18,593	**60,494**	62,112	-3%
General and administrative expense	**(937)**	(621)	**(3,370)**	(2,658)	27%
Interest Income	**5**	5	**57**	394	-85%
Special Remuneratory Benefit (SRB)	**(1,957)**	(592)	**(4,863)**	(4,883)	0%
Current income tax	**(3,568)**	(6,167)	**(11,828)**	(11,215)	5%
Funds flow from operations	**15,370**	11,218	**40,490**	43,750	-7%
Funds flow from operations per barrel (CDN$/bbl)					
Crude oil sales	**$ 69.82**	$ 68.01	**$ 71.34**	$ 57.07	25%
Government royalty	**(4.45)**	(4.21)	**(4.50)**	(4.05)	11%
Other royalty	**(0.07)**	(0.10)	**(0.04)**	(0.06)	-22%
Transportation expense	**(2.50)**	(2.35)	**(2.52)**	(2.33)	8%
Operating expense	**(6.46)**	(5.95)	**(6.36)**	(3.96)	61%
Field Netback	**56.34**	55.40	**57.92**	46.67	24%
General and administrative expense	**(2.42)**	(1.85)	**(3.23)**	(2.00)	62%
Interest Income	**0.01**	0.01	**0.05**	0.30	-82%
Special Remuneratory Benefit (SRB)	**(5.05)**	(1.76)	**(4.66)**	(3.67)	27%
Current income tax	**(9.21)**	(18.38)	**(11.32)**	(8.43)	34%
Thailand - Funds flow from operations	**$ 39.67**	$ 33.42	**$ 38.76**	$ 32.87	18%
Government royalty as percentage of crude oil sales	**6.4%**	6.2%	**6.3%**	7.1%	-0.8%
SRB as percentage of crude oil sales	**7.2%**	2.6%	**6.5%**	6.4%	0.1%
Income tax as percentage of crude oil sales	**13.2%**	27.0%	**15.9%**	14.8%	1.1%
As percentage of crude oil sales					
Expenses - transportation, operating, G&A and other	**16%**	15%	**17%**	15%	2%
Government royalty, SRB and income tax	**27%**	36%	**29%**	28%	1%
Funds flow from operations, before interest income and realized foreign exchange	**57%**	49%	**54%**	57%	-3%
Wells drilled					
Gross	**7**	3	**19**	18	6%
Net	**4.2**	1.8	**11.4**	10.8	6%

(1) Funds flow from operations ("funds flow" before changes in non-cash working capital and reclamation costs) is used by management to analyze operating performance and leverage. Funds flow as presented does not have any standardized meaning prescribed by Canadian GAAP and therefore it may not be comparable with the calculation of similar measures of other entities.
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 Canadian GAAP. All references to funds flow throughout this report are based on funds flow from operations before changes in non-cash working capital and reclamation costs.

(2) Cost of capital expenditures, excluding any asset retirement obligation and excluding the impact of changes in foreign exchange rates.

(3) Totals may not add due to rounding.

HIGHLIGHTS

- Exploration drilling by Pan Orient in Thailand during the third quarter of 2010 resulted in three new field discoveries with the Wichian Buri Extension field (WBEXT) in Concessions L44 and L33, and the L33-1 and L33-2 fields in Concession L33. Pan Orient drilled seven wells (4.2 net wells) in the third quarter with five wells in the new WBEXT field and the two discovery wells in Concession L33.

- The WBEXT field currently being developed in Concession L44 has oil production from two volcanic reservoirs and one sandstone reservoir. For each of these three reservoirs there is one producing oil well which commenced production in the third quarter of 2010 under a 90-day production test period. At the end of each 90-day production test period the well is shut-in until a new production license for the WBEXT field is granted by the Thailand Department of Mineral Fuels. The production license application for the WBEXT field was submitted on November 22, 2010 and approval has historically been received 90 days from the date of submission.

  These three WBEXT producing wells in Concession L44 had combined oil sales of 159,092 barrels for the third quarter of 2010. The WBEXT-1 well, producing 2,000 BOPD, was shut-in in early November at the end of its 90-day production test period and had produced 169,000 barrels of oil net to Pan Orient from the WBV1 volcanic reservoir during that period. The WBEXT-1A well is producing during a 90-day production test period until early December from the WBV2 volcanic reservoir and has produced ~104,000 barrels of oil net to Pan Orient to date. The initial production test rate of 3,000 BOPD has been choked back to 200 BOPD as a result of water incursion. The WBEXT-1B well is producing during the 90-day production test period until mid December from a sandstone reservoir and has produced ~10,900 barrels of oil net to Pan Orient to date.

  Subsequent to September 30th, the Company drilled the WBEXT-1C appraisal well which started a 90-day production test period on November 15th, has produced ~21,000 barrels of oil net to Pan Orient to date and is currently producing approximately 2,000 BOPD. This well is within 200 meters of the offsetting WBEXT-1 well, and the WBEXT-1 well may be recompleted to produce from a different sandstone or volcanic zone.

  An estimate of contingent and prospective resources for the proposed 18.5 km^2 portion of the WBEXT field in Concession L44 was prepared by Gaffney Cline & Associates-Singapore as of September 30, 2010 as part of the production license application submitted to the Thailand Department of Mineral Fuels. That report assigned "best estimate" "2C" contingent resources to the WBV1and WBV2 volcanic reservoirs and a sandstone reservoir in Concessions L44 of 13.06 million barrels of oil recoverable net to Pan Orient. Contingent resource volumes estimated in the GCA report are contingent on Pan Orient receiving approval for the production license area application as submitted to the Thailand Department of Mineral Fuels. The extent of the crude oil accumulations in the reservoirs set out in this estimate of contingent resources will not be known until after additional appraisal drilling and production testing.

- Development of the portion of the WBEXT field in Concession L33 will commence in the first quarter of 2011 as the Company moves north from the existing producing wells in the WBEXT field. For development of the WBEXT field in Concession L33, Pan Orient has waited for the granting of the first production license in Concession L33 to establish a point of sale in Concession L33 so that new wells drilled can produce and sell oil under an a 90-day production test period.

- The L33-1 and L33-2 oil fields discovered during the third quarter of 2010 represent the first discovery of hydrocarbons at commercial rates in Concession L33. No oil production could be sold from wells in Concession L33 until a point of sale had been established by a production license in the Concession, granted by the Thailand Department of Mineral Fuels. A production license was granted in November and the Company is waiting for the final environmental approval for production. Production and sale of oil from these wells commenced on November 20, 2010 under a 90-day production test. The L33-1 well is currently producing 460 BOPD and the L33-2 well is currently producing 400 BOPD.

  An estimate of contingent and prospective resources for the proposed 12.02 km^2 L33-1 / L33-2 fields in Concession L33 was prepared by Gaffney Cline & Associates-Singapore as of August 31, 2010 as part of the production license application submitted to the Thailand Department of Mineral Fuels. That report assigned "best estimate" "2C" contingent resources to the WBV1 volcanic reservoir net to Pan Orient's 60% operated working interest of 2.3 million barrels of oil recoverable. Contingent resource volumes estimated in the GCA report were contingent on Pan Orient receiving approval for the production license area application as submitted to the Thailand Department of Mineral Fuels, which has now been received. The extent of the crude oil accumulations in the reservoirs set out in this estimate of contingent resources will not be known until after additional appraisal drilling and production testing.

- Production in Concession L53 (100% ownership by Pan Orient) commenced in August 2010 with the L53-A well being placed back on-stream after Pan Orient received formal approval by the Thailand Department of Mineral Fuels for the 2.0 km^2 L53-A Production License around the L53-A exploration well. Oil sales in the third quarter were 20,579 barrels of oil, including approximately 13,500 barrels of oil previously produced during the 90-day test period which had been stored in tanks. Current production is 95 BOPD with a water cut of 83%. The high water cut is thought to be the result of a poor cement bond in the well bore and the well will be re-drilled in 2011. Pan Orient will also drill another one to two commitment wells in Concession L53 in January 2011.

An estimate of contingent and prospective resources for the proposed 2.0 km^2 L53-A field in Concession L53 was prepared by Gaffney Cline & Associates-Singapore as of March 31, 2010 as part of the production license application submitted to the Thailand Department of Mineral Fuels. That report assigned “best estimate” “2C” contingent resources to the sandstone reservoir of 1.4 million barrels of oil recoverable. Contingent resource volumes estimated in the GCA report were contingent on Pan Orient receiving approval for the production license area application as submitted to the Thailand Department of Mineral Fuels, which has now been received. The extent of the crude oil accumulations in the reservoirs set out in this estimate of contingent resources will not be known until after additional appraisal drilling and production testing.

- Thailand operations in the third quarter had oil sales of 4,211 BOPD. Funds flow from operations after tax in Thailand for the quarter was $15.4 million, or $39.67 per barrel. Total capital expenditures in Thailand during the quarter were $8.7 million.
- Capital expenditures of $2.1 million in Indonesia during the third quarter related to the completion of the seismic programs at Batu Gajah Production Sharing Contract in Sumatra and the Citarum Production Sharing Contract area in Java and initial costs associated with the upcoming drilling programs. Pan Orient is still waiting for Indonesia Ministry of Forestry approval for one of the three drilling locations for the Batu Gajah drilling program, and this remains the most significant item outside of the Company’s control. The three well Batu Gajah drilling program will not start until all approvals are in place, and drilling will commence approximately 45 to 60 days after approval is received for the Tuba Obi drilling location. The drilling program in the Citarum Production Sharing Contract area in Java, Indonesia is expected to commence in the second quarter of 2011 after the completion of the Batu Gajah drilling program.
- For the third quarter of 2010, Pan Orient had total corporate funds flow from operations of $15.4 million, or $0.31 per share (diluted), funding all of the $11.0 million of total capital expenditures in Thailand, Indonesia and Canada. For the nine months ended September 30, 2010, Pan Orient had total corporate funds flow from operations of $41.2 million, or $0.82 per share, funding 86% of the $47.7 million of total capital expenditures in Thailand, Indonesia and Canada.
- Net income attributable to common shareholders for the third quarter of 2010 was $4.7 million, or $0.09 per share (diluted), and was $12.1 million, or $0.24 per share (diluted), for the nine months ended September 30, 2010.
- At September 30, 2010 Pan Orient had $27.7 million of working capital and long-term deposits, and no long-term debt.
- Oil sales in October 2010 averaged 5,189 BOPD. Oil sales are expected to be approximately 3,600 BOPD in November resulting from the shut-in of the WBEXT-1 well at the beginning of November (having completed its 90-day production test) and the increase in water cut from the WBEXT-1A well. New wells came on-stream at WBEXT-1C, L33-2 and L33-1 in the second half of November. Current production is approximately 4,750 BOPD with the two L33 wells initially being produced at a combined 860 BOPD, which is less than the rates tested for these wells, as the wells are being observed for production performance during this initial period.
- The outlook for average 2010 oil production of between 4,200 BOPD and 4,500 BOPD with an exit rate of between 6,500 BOPD and 7,500 BOPD remains unchanged although the Company expects to be at the lower end of the range. In order to expedite drilling in Concessions L44 and L53, a second rig is anticipated to commence operation on December 7, 2010. There still remains considerable uncertainty related to appraisal drilling timing and results, and the production test results for the volcanic reservoirs at the WBEXT, L33-1 and L33-2 fields.

2010 THIRD QUARTER RESULTS

- During the third quarter of 2010 Pan Orient drilled seven wells (4.2 net wells) in Thailand with capital expenditures of $8.7 million. The Thailand drilling program in the third quarter of 2010 was exclusively related to the oil discoveries at the WBEXT, L33-1 and L33-2 fields, with five wells in the new WBEXT field plus the two discovery wells in Concession L33.
- In the first nine months of 2010 Pan Orient has drilled 19 wells (11.4 net wells) at several different prospects in Concession L44 and Concession L33. Drilling consisted of five wells in the new WBEXT field, the two discovery wells in Concession L33, five development & appraisal wells at the Bo Rang “B” field, the first three appraisal wells in the NSE-F1 field, and the drilling of four additional wells in Na Sanun East. In addition, Pan Orient completed the drilling and testing of the two 2009 exploration wells in the 100% owned Concession L53 at a cost of $3.7 million in 2010. Total capital expenditures in Thailand of $31.7 million for the nine months ended September 30, 2010 have been fully funded by oil sales in Thailand which has generated $40.5 million in funds flow from operations during this period.
    - Pan Orient has drilled five exploration / appraisal wells at the new WBEXT field at a cost of $5.5 million to September 30, 2010. This has resulted in three producing oil wells which came on-stream in the third quarter and produced 159,092 barrels of oil and contributed an average of 1,729 BOPD in the third quarter of 2010 (representing 41% of total Pan Orient production for the quarter).

- Pan Orient has drilled two exploration / appraisal wells in Concession L33 to September 30, 2010 at a cost of $1.8 million, and resulted in new field discoveries at L33-1 and L33-2. The L33-1 and L33-2 oil fields represent the first discovery of hydrocarbons at commercial rates in Concession L33.
- In the first nine months of 2010, Pan Orient drilled two development wells and three appraisal wells at Bo Rang "B" at a cost of $5.8 million. This has resulted in four producing oil wells which have produced 176,000 barrels of oil in the first nine months of 2010, contributed an average of 771 BOPD in the third quarter of 2010, and are currently producing approximately 615 BOPD. Total oil production from the Bo Rang "A&B" fields in the third quarter of 2010 averaged 1,240 BOPD and represented 29% of total Pan Orient production.
- Four wells were drilled at Na Sanun East in the first nine months at a cost of $7.9 million. The NSE-G3 exploration well is currently suspended and will be re-entered and sidetracked in order to test a deep volcanic target once mapping of the pre stack depth migration processing of the 3D seismic survey over this area is completed. The NSE-E3 horizontal well is the third well drilling into the NSE-E1 structure and has produced 45,000 barrels of oil in the first nine months of 2010, contributed an average of 165 BOPD in the third quarter of 2010, and is currently producing approximately 82 BOPD. The NSE-H3 well produced mainly gas from a secondary gas cap with some oil, and is currently shut-in. The NSE-B3 well is on production with current oil production of 87 BOPD and contributed an average of 45 BOPD for the third quarter of 2010. The 2010 year-end reserve evaluation is expected to have negative revisions to probable reserves at the NSE Central fields due to well performance.
- The first three appraisal wells in the NSE-F1 field were drilled in the second quarter of 2010 at a cost of $2.8 million to further define the oil field. The NSE-F2 well is currently on production at 25 BOPD, the NSE-F3 well is a shut-in gas well and the NSE-F4 well is shut-in and awaiting a work-over. The area of oil accumulation in the NSE-F1 field appears to be much larger in areal extent than the envelope for proven reserves assigned in the December 31, 2009 reserve report, however the reservoir gross rock volume is reduced by: 1) the higher inferred oil water contact, and 2) a gas cap encountered in the eastern portion of the structure. These results will negatively impact the assessment of probable and possible reserves for the NSE-F1 field in the year-end reservoir evaluation, likely resulting in the loss of all possible reserves and a new probable estimate expected to be less than half the estimate of 7.2 million barrels net to Pan Orient assigned in the evaluation at December 31, 2009.

- Thailand oil sales for the third quarter of 2010 were 4,211 BOPD compared with 3,448 BOPD in the second quarter of 2010, representing a 22% increase. For oil sales volume in the third quarter of 2010, the new WBEXT field contributed 41%, the Bo Rang "A" & "B" fields contributed 29%, the Na Sanun East field contributed 17%, the L53-A well in Concession L53 contributed 5%, and 8% came from other fields. Production additions in the first nine months of 2010, primarily from three new producing wells at WBEXT and the four new producing wells at Bo Rang "B" and the NSE-E3 well, replaced production declines at the other fields.

  On a year to date basis, average oil sales for the first nine months of 2010 were 3,826 BOPD compared with 4,875 BOPD for the first nine months of 2009.

- Operations in Thailand for the third quarter of 2010, generated $15.4 million in funds flow from operations, with transportation expenses of $2.50 per barrel, operating expenses of $6.46 per barrel, G&A of $2.42 per barrel and funds flow from operations per barrel of $39.67. Funds flow from operations increased 20% compared to the previous quarter, with the 22% increase in oil sales volume partially offset by a $1.69 per barrel decrease in the realized price of crude oil and an increase in payments to the Government of Thailand resulting from the higher level of crude oil sales. In the third quarter of 2010, Thailand crude oil revenue was allocated 16% to expenses for transportation, operating, and general & administrative, 27% to the government of Thailand in the form of royalties, Special Remuneratory Benefit and Income Tax, and 57% to Pan Orient.
- On a year to date basis, the operations in Thailand have generated $40.5 million in funds flow from operations, with transportation expenses of $2.52 per barrel, operating expenses of $6.36 per barrel, G&A of $3.23 per barrel and funds flow from operations per barrel of $38.76. Thailand crude oil revenue for the nine months ended September 30, 2010 has been allocated 17% to expenses for transportation, operating, and general & administrative, 29% to the government of Thailand in the form of royalties, Special Remuneratory Benefit and Income Tax, and 54% to Pan Orient.
- Total funds flow from operations of Pan Orient for the quarter was $15.4 million compared with $13.5 million for the second quarter of 2010 and $11.2 million for the third quarter of 2009. Funds flow from operations per share (diluted) was $0.31 for the third quarter of 2010 and $0.82 year to date.
- Net income attributable to common shareholders for the three months ended September 30, 2010 was $4.7 million, or $0.09 per share (diluted), compared with $3.9 million, or $0.08 per share, for the second quarter of 2010. On a year to date basis, Pan Orient reports net income attributable to common shareholders of $12.1 million, or $0.24 per share (diluted) to September 30, 2010.

- Pan Orient continued active capital programs in both Thailand and Indonesia in the third quarter of 2010. Total capital expenditures for the quarter were $11.0 million, including $8.7 million in Thailand and $2.1 million in Indonesia. Total capital expenditures to September 30, 2010 were $47.7 million including $31.7 million in Thailand primarily for drilling operations and $15.4 million in Indonesia primarily on seismic operations.
- Capital expenditures in Indonesia were $2.1 million for the third quarter and $15.4 million for the nine months ended September 30, 2010. Capital expenditures of $7.1 million for the Batu Gajah Production Sharing Contract and $8.0 million for the Citarum Production Sharing Contract in the first nine months of 2010 primarily related to completion of the seismic programs and some initial costs associated with the drilling programs. Operations in Indonesia reported negative general and administrative expenses for the third quarter of 2010 due to a reversal of general and administrative expenses recorded in a previous quarter.
- Pan Orient continues to maintain its financial strength and flexibility. At September 30, 2010 Pan Orient had $27.7 million of working capital and long-term deposits, and no long-term debt. For the nine months ended September 30, 2010 Pan Orient had funds flow from operations of $41.2 million, funding 86% of the $47.7 million of total capital expenditures in Thailand, Indonesia and Canada. For the third quarter of 2010, Pan Orient's funds flow from operations of $15.4 million fully funded the $11.0 million of total capital expenditures in Thailand, Indonesia and Canada. In addition, at September 30, 2010 Pan Orient had $8.3 million of equipment inventory to be utilized for future Thailand and Indonesia operations that is included in petroleum and natural gas assets on the balance sheet.

Revenue and Production

Pan Orient's realized price for its production is determined by petroleum benchmark prices, and to a lesser extent, the effect of the Canadian dollar exchange rate relative to the U.S. dollar and the Thai baht. Oil prices fluctuate in response to global supply and demand and, along with foreign currency rates, are influenced by factors out of the Company's control. The Company's realized prices, discounted for the paraffin content of its oil, were 88% of the WTI reference price for the three and nine months ended September 30, 2010.

The realized price of $69.82/bbl for the three months ended September 30, 2010 was slightly lower than the $71.51/bbl reported in the second quarter but an increase over the $68.01/bbl reported in the third quarter of 2009. The increasing USD WTI has been partially offset by the significant strengthening of the Canadian dollar against the U.S. dollar in the current year. USD WTI has increased 33% compared to an increase of 20% in CAD WTI. In the third quarter of 2010, USD WTI increased 12% compared with 6% for CAD WTI.

Crude oil sales volume of 4,211 BOPD for the third quarter of 2010 represents a 22% increase over the second quarter of 2010 and a 15% increase over the comparable quarter in 2009. Production additions in the third quarter were attributable to the Company's discoveries at the WBEXT field and commencement of production at Concession L53. During the third quarter WBEXT-1, WBEXT-1A and WBEXT-1B, all under 90-day production tests, contributed 159,094 barrels of production (1,729 BOPD) and L53-A produced 20,579 barrels or 224 BOPD. For the three and nine months ended September 30, 2010 approximately 94% of crude oil sales were from L44, 5% from SW1A and the remaining 1% from L53.

Royalties

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	**2009**	**2010**	**2009**
Royalties - $000s	**1,751**	1,448	**4,745**	5,462
Royalties - $/bbl	**4.52**	4.31	**4.54**	4.10
Royalties - % of revenue	**6.5**	6.3	**6.4**	7.2

The Company pays two types of royalties: 1) to the Thai government on all production volumes; and 2) an 8% gross overriding royalty ("GORR") applied to certain wells in SW1A. The GORR is payable on less than 1% of the Company's revenue and does not have a significant impact on the royalty rate. The royalty rate paid to the Thai government is based on a sliding scale, ranging from 5% on production of less than 2,000 BOPD to 15% on production in excess of 20,000 BOPD per concession.

Royalties for the three months ended September 30, 2010 increased relative to the second quarter of 2010 and the third quarter of 2009 due to the increase in production volumes. Year-to-date, total royalties were lower in 2010 compared to 2009 as production was lower. The royalty rate for the three months ended September 30, 2010 was higher than the comparable period of the previous year due to higher oil prices.

Production Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
($000s)	**2010**	**2009**	**2010**	**2009**
Transportation expenses	**970**	787	**2,636**	3,105
Operating expenses	**2,502**	1,996	**6,649**	5,277
Total production expenses	**3,472**	2,783	**9,285**	8,382
($/bbl)				
Transportation expenses	**2.50**	2.35	**2.52**	2.33
Operating expenses	**6.46**	5.95	**6.36**	3.96
Total production expenses	**8.96**	8.30	**8.89**	6.29

Transportation expenses represent the cost to truck the Company's oil production in Thailand to the refinery in Bangkok. The Company is charged a contracted rate based on volumes transported therefore costs on a per barrel basis are relatively consistent regardless of production volumes. The contracted rates have increased over 2009 but are consistent with the $2.56/bbl and $2.53/bbl reported for the three and six months ended June 30, 2010, respectively.

For the nine months ended September 30, 2010 approximately 48% of the Company's operating expenses related to operating personnel and the field offices, with the remaining 52% attributable to well operations. The number of individuals required to operate the Company's properties does not fluctuate with changes in production but more so with the number of wells and the geographical proximity of the wells.

Overall and per barrel operating expenses have increased for both the three and nine months ended September 30, 2010 due to the commencement of production at L53 during the third quarter of 2010. The level of operating expenses reported for the third quarter relating to Concession L53 were high, especially relative to production volumes ($0.7 million for the three months and $0.9 million year-to-date September 30, 2010 for total production of 20,579 bbl). Operating expenses for Concession L53 were impacted by trucking oil and water produced during the 90-day production test period a considerable distance to the Companies central facilities at Wichian Buri, the high water cut of the L53-A well, and start-up expenses for the operations in Concession L53. Removing L53 from the calculations results in operating expenses of $5.05/bbl and $5.58/bbl for the three and nine months ended September 30, 2010.

Depletion, Depreciation and Accretion

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	**2009**	**2010**	**2009**
Depletion, depreciation and accretion – $000s	**4,779**	3,481	**11,969**	13,783
Depletion, depreciation and accretion – $/bbl	**12.33**	10.37	**11.46**	10.36

Depletion, depreciation and accretion ("DD&A") expense for the three and nine months ended September 30, 2010 consists primarily of depletion of Pan Orient's Thailand petroleum and natural gas properties. As the Company's Canadian and Indonesian assets are in the pre-production phase, depletion is not calculated for these cost centres.

Costs subject to depletion included $16.2 million (2009 - $26.3 million) of estimated future development costs for proved reserves and excluded $17.5 million (2009 - $20.2 million) with respect to the Thailand full cost pool.

The overall increase in depletion for the three and nine months ended September 30, 2010 reflects the increasing depletable base and, relative to the three months ended September 30, 2010, higher production volumes. As well, the addition of L53 to the full cost pool contributed $10.0 million to the depletable base with estimated proven reserves of 0.3 MMbbl.

Taxes

	Three Months Ended September 30		Nine Months Ended September 30	
($000s)	**2010**	**2009**	**2010**	**2009**
Special remuneratory benefit	**1,957**	592	**4,863**	4,883
Current tax	**3,568**	6,167	**11,828**	11,215
Total current tax	**5,525**	6,759	**16,691**	16,098
Future tax expense	**4,821**	1,811	**11,638**	13,344
Total tax expense	**10,346**	8,570	**28,329**	29,442

Pan Orient's current taxes consist of income tax and a special remuneratory benefit (SRB) on its Thailand operations.

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. Currently the Company pays SRB on L44 only and the SRB rate applicable to petroleum profits from this concession (after deduction of capital expenditures) was 17% for the nine months ended September 30, 2010 compared with 21% for the nine months ended September 30, 2009; the difference primarily attributable to lower revenue from the concession in 2010.

Income tax is 50% of taxable income which is calculated based on funds flow from operations less capital expenditures (deductible at varying rates), SRB, and other permitted deductions. Income taxes in 2010 were affected by lower deductions for capital expenditures in Concession L44 and lower tax depletion due to increased reserves at December 31, 2009.

Because of the deductions allowed for capital spent, the effective rates of these taxes can vary significantly from the actual tax rates. For the quarter ended September 30, 2010 SRB was 7% (2009 – 3%) of total revenue and income tax was 13% (2009 – 27%) of total revenue.

Taxes payable of $8.8 million at September 30, 2010 represents SRB for the nine months and income tax for the three months ended September 30, 2010.

General and Administrative (G&A) Expenses (excluding stock-based compensation expense)

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	**2009**	**2010**	**2009**
G&A, net of overhead recoveries - $000s	**1,422**	736	**5,332**	4,590
Capitalized G&A	**(493)**	(159)	**(2,535)**	(751)
G&A, net - $000s	**929**	577	**2,797**	3,839
G&A – $/bbl	**2.40**	1.72	**2.68**	2.88

G&A expenses as reported are net of overhead recoveries and G&A expenses allocated to capital projects. Overhead recoveries are the allocation and recovery from third parties of G&A expenses on Pan Orient operated properties.

For the nine months ended September 30, 2010 G&A included higher overhead recoveries from operations and third parties than the comparable period of 2009. The amount reported in 2010 has been affected by several payments and offsetting recoveries in Canada and Thailand which are not expected to occur on a regular basis in future periods. These items include recoveries from third parties of approximately $0.7 million related to stock options exercised by Thailand personnel plus severance payments and other non-routine expenses associated with the reduction of expatriate personnel in Thailand, all recorded within the six months ended June 30, 2010. The increase of $0.7 million in G&A net of overhead recoveries for the third quarter of 2010 compared to the third quarter of 2009 reflects the growth in the Company's Thailand and Indonesia operations.

G&A expenses allocated to capital projects represent compensation and other costs associated with property acquisition, exploration and development activities. Capitalized G&A in the current quarter relates to exploration and development activities on the L44 and L53 concessions in Thailand, the Indonesia properties, and the Company's heavy oil development project in Canada. Amounts capitalized continue to increase relative to 2009 with the growth in the Company's Indonesia operations. These allocations are reviewed periodically by management and will continue to reflect the nature of the Company's capital activities.

Capital Invested

	Three Months Ended September 30		Nine Months Ended September 30	
($000s)	**2010**	**2009**	**2010**	**2009**
Thailand	**8,695**	12,403	**31,695**	35,645
Indonesia	**2,132**	3,528	**15,400**	8,539
Canada	**185**	102	**595**	351
Total capital expenditures	**11,012**	16,033	**47,690**	44,535

Thailand

During the third quarter of 2010 Pan Orient drilled seven wells (4.2 net wells) in Thailand with capital expenditures of $8.7 million. The Thailand drilling program in the third quarter of 2010 was exclusively related to the oil discoveries at the WBEXT, L33-1 and L33-2 fields, with five wells in the new WBEXT field plus the two discovery wells in Concession L33.

Indonesia

Capital expenditures of $2.1 million in Indonesia during the third quarter related to the completion of the seismic programs at Batu Gajah Production Sharing Contract in Sumatra and the Citarum Production Sharing Contract area in Java and initial costs associated with the upcoming drilling programs. Pan Orient is still waiting for Indonesia Ministry of Forestry approval for one of the three drilling locations for the Batu Gajah drilling program, and this remains the most significant item outside of the Company's control. The three well Batu Gajah drilling program will not start until all approvals are in place, and drilling will commence approximately 45 to 60 days after approval is received for the Tuba Obi drilling location. The drilling program in the Citarum Production Sharing Contract area in Java, Indonesia is expected to commence in the second quarter of 2011 after the completion of the Batu Gajah drilling program.

The Company has no drilling planned on South CPP until 2012.

The Company's required future capital expenditures for Indonesia will be determined by the timing and extent of work commitments and are estimated under "Commitments".

Liquidity and Capital Resources

Liquidity

At September 30, 2010 Pan Orient's cash and cash equivalents was $23.7 million compared to $44.8 million at December 31, 2009 and $29.6 million at June 30, 2010. At September 30, 2010, $11.9 million (December 31, 2009 - $25.3 million) was held in Thailand, $10.4 million (December 31, 2009 - $17.4) was held in Canada, and the remainder in Indonesia. Of the $11.9 million held in Thailand, $8.8 million is reserved for payment of the Company's taxes subsequent to year end. The Company's treasury policy involves transferring excess capital from Thailand to Canada on a regular basis to closely monitor foreign exchange and interest earned as well as to have funds available for redistribution to Indonesia as needed.

Pan Orient has funded its 2010 capital program through funds generated from operating activities and existing working capital. The Company's working capital position is forecasted regularly and it plans to fund future capital expenditures and commitments with existing cash balances, equipment inventory and expected cash flows from Thailand operations.

Working capital plus non current cash deposits at September 30, 2010 was $27.7 million compared to $32.7 million at December 31, 2009 and $24.0 million at June 30, 2010. The decrease in the nine month period is attributable to capital expenditures in excess of funds flow from operations. With funds flow from operations exceeding capital expenditures by $4.5 million in the third quarter, working capital plus deposits has increased from June 30, 2010. Specific details with respect to the fluctuations in working capital plus deposits are as follows:

Working Capital Plus Deposits	**Three Months Ended September 30**		**Nine Months Ended September 30**	
($000s)	**2010**	**2009**	**2010**	**2009**
Balance at beginning of period	**24,029**	41,969	**32,738**	46,386
Funds flow from operations	**15,412**	11,189	**41,209**	43,005
Capital expenditures	**(11,012)**	(16,033)	**(47,690)**	(44,535)
Non-cash settlement of Andora receivable	**-**	-	**(600)**	-
Foreign exchange impact on working capital	**(772)**	2,730	**(1,247)**	(5,551)
Net proceeds on share transactions	**89**	(25)	**3,336**	525
Balance at end of period	**27,746**	39,830	**27,746**	39,830

Non current cash deposits relate to guarantees to the Thailand and Indonesia governments for the Company's work commitments and customs importation permits in Thailand.

At September 30, 2010, Pan Orient held $8.3 million of equipment inventory to be utilized for future Thailand and Indonesia operations that is included in petroleum and natural gas assets on the balance sheet.

Current Economic Conditions

The economic outlook remains substantially unchanged from the previous quarter. During the third quarter of this year WTI spot prices fluctuated between USD $71.00/bbl and USD $83.00/bbl. Subsequent to the end of the period WTI has remained above USD $80.00/bbl, apparently supported by expectations of higher crude oil consumption in Asia. The accuracy of this prediction and actual world oil prices will depend on a number of assumptions about the timing and sustainability of a global economic recovery which will be affected by inventory levels and surplus productive capacity. Given the Company's present working capital position and ability to generate positive cash flows in less favorable price environments, management does not expect any current capital programs to be curtailed however, the Company continues to proactively forecast cash flows to assess whether planned capital activities are manageable.

Share Capital

Outstanding at period-end	November 23, 2010	September 30, 2010
Common shares	48,685,866	48,619,200
Stock options	4,520,500	4,547,166
Total	53,206,366	53,166,366

On April 16, 2010 Pan Orient granted options to purchase 2,411,500 common shares under Pan Orient's stock option plan, of which 2,275,000 were granted to directors and officers. Each option has an exercise price of $7.15 (being the April 15, 2010 closing price of the shares on the TSX Venture Exchange); vest as to 1/3 on the grant date and 1/3 on each of the first and second anniversaries of the grant date and expire on April 16, 2014.

The original grant of options to officers and directors of Pan Orient on April 17, 2005 had an expiry date of April 17, 2010. A total of 1,634,000 common shares have been issued in 2010 pursuant to the exercise by officers and directors of this original grant of options.

Foreign Exchange

The Company's reporting currency is the Canadian dollar and its functional currencies are the Canadian dollar, the Thai baht and the US dollar. Each reporting period, the changes in the values of the Thai baht and U.S. dollar relative to the Company's reporting currency must be 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 were as follows:

	2010			2009				2008
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Rate at end of period								
CAD $ / Thai baht exchange	**29.10**	30.44	31.42	31.53	30.69	29.14	27.96	28.43
U.S. dollar / CAD $ exchange	**1.034**	1.054	1.016	1.047	1.072	1.115	1.257	1.223

The Company's treasury function has been established with the goal of minimizing foreign currency exchange fluctuations to the extent possible. Surplus funds are expatriated to Canada to hold in Canadian dollars, ensuring that an appropriate cushion of Thai baht is held in Thailand to satisfy payments in that currency as they come due, the most significant of which are the Company's SRB and taxes.

Translation gains (losses) were allocated as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
($000s)	**2010**	**2009**	**2010**	**2009**
Unrealized foreign exchange loss (gain)	**38**	1,274	**296**	(10,452)
Net gain (loss) recorded in AOCI	**5,208**	(7,973)	**10,165**	(7,465)
	5,246	(6,699)	**10,461**	(17,917)

Commitments

As at September 30, 2010 the Company's estimated outstanding capital commitments were as follows:

Country and Concession Name	Remaining Work Program Commitment	Obligation Period Ending	Estimated Net Financial Commitment USD ($000s)	CAD ($000s) (1)
Thailand				
L 44/43	▪ study and training fund	July 2012	18	19
L33/43	▪ geological studies	July 2012	30	31
	▪ study and training fund	July 2012	18	19
L 53/48	▪ drill 4 exploration wells	January 2013	1,300	1,348
	▪ geological studies		80	83
	▪ study and training fund		47	49
Indonesia (2)				
Citarum (3)	▪ 270 km 2D seismic ▪ drill 3 exploration wells	October 2011	8,173	8,447
Batu Gajah (3)	▪ 400 km 3D seismic ▪ drill 3 exploration wells	January 2013	22,138	22,882
South CPP (3)	▪ 200 km 2D seismic ▪ drill one exploration well	November 2011	6,199	6,407
Total			38,003	39,285

(1) Translated at September 30, 2010 exchange rate of US $1 = CAD $1.037.

(2) The Company owns a 90% working interest in the Batu Gajah PSC, a 69% operated working interest in the Citarum PSC, and a 90% operated working interest in the South CPP PSC. Amounts recorded in the financial statements and work commitments related to these PSCs include amounts paid by Pan Orient on behalf of a partner's carried interest (10% for Batu Gajah, 11% for Citarum and 10% for South CPP).

(3) "Work Program Commitment" is primarily based on the PSC contracts but also includes certain revisions with respect to work required and timing of completion negotiated with and approved by the Government of Indonesia.

Indonesia financial commitments as provided above represent the current exploration phase that the Company is conducting. If Pan Orient exercises its options to continue beyond the obligation periods noted, additional commitments will be determined on a year-by-year basis through submission of a work program and approval from the Government of Indonesia (GOI). The actual commitments are the work programs themselves as specified in the PSC agreement.

The obligation period shown for Citarum and Batu Gajah differs from the PSC agreement as commitments from previous years have been deferred and rolled forward. Every year the Company submits a work program for each PSC to the GOI and along with it, a request to roll forward any incomplete commitments from the previous year. Although this request is a departure from the original contract, it is considered standard practice in Indonesia. The above obligation periods for Citarum and Batu Gajah are consistent with this practice. In the past, such applications on behalf of Pan Orient have been approved by the GOI and management has no reason to believe that future requests will not be granted approval however there is no guarantee. Upon default of a commitment related to any of the first three years of a PSC the operator is required to relinquish 15% of the original PSC area, the actual acreage at the discretion of the operator. To date, Pan Orient has complied with all relinquishments as required. Depending on the stage of the PSC, failure to fulfill the required commitments may also result in penalty payment equal to the unspent commitments and/or forfeiture of the PSC.

The expenditures as provided in the table above represent the Company's estimated costs in completing the work program requirements. Actual expenditures required to carry out these commitments may be significantly different than the estimates. The Company intends to fund commitments through existing cash surplus and expected cash flows from Thailand operations.

Summary of Quarterly Results	2010			2009				2008
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Production (BOPD)	**4,211**	3,448	3,816	3,370	3,648	4,840	6,165	6,982
Per Unit information ($/bbl)								
Realized oil price	**69.82**	71.51	72.91	71.87	68.01	60.01	48.12	56.56
Royalties	**(4.52)**	(4.41)	(4.68)	(4.46)	(4.31)	(4.31)	(3.82)	(4.55)
Transportation & operating	**(8.96)**	(8.77)	(8.92)	(9.80)	(8.29)	(6.66)	(4.81)	(4.16)
	56.34	58.33	59.31	57.61	55.41	49.04	39.50	47.85
Financial ($000's) except as indicated								
Oil revenue	**27,050**	22,436	25,038	22,280	22,824	26,432	26,699	36,329
Interest revenue	**20**	30	36	26	12	109	304	424
Net income (loss) attributed to common shareholders	**4,727**	3,948	3,405	6,996	10,617	(5,349)	2,768	10,813
Per share basic ($)	**0.10**	0.08	0.07	0.15	0.23	(0.12)	0.06	0.24
Per share diluted ($)	**0.09**	0.08	0.07	0.14	0.22	(0.12)	0.06	0.22
Capital expenditures[(1)]	**11,012**	16,409	20,269	18,960	16,033	14,906	13,596	16,598
Total assets	**275,508**	261,635	254,964	241,781	227,198	227,898	271,680	259,208
Shares outstanding (000s)	**48,619**	48,594	47,414	46,313	46,163	46,168	45,568	45,568

[(1)] *Not including acquisition of Indonesian companies and excluding asset retirement obligation*

Quarterly Summary

Q4 2008 – During the fourth quarter 7 (4.2 net) wells were drilled in Thailand with a success rate of 71%. Production additions from capital activities in the last half of the year resulted in volumes of 6,982 bbl/d for the fourth quarter; an increase of 63% over the third quarter. Although oil prices fell considerably during the period, reducing the company's operating netbacks, lower cash taxes positively impacted funds flow from operations and fourth quarter funds flow was $25.0 million compared to $17.4 million for the third quarter; a 44% increase. Foreign exchange gains of $6.4 million were a prevalent factor in net income of $10.8 million. Indonesia activities consisted of testing of the Pasundun well in the Citarum block and commencement of the seismic program for Citarum. One of the Company's Indonesian subsidiaries obtained operatorship and a 90% working interest in the South CPP PSC which covers the area associated with the former Pamai Taluk joint study agreement. With respect to the Company's normal course issuer bid another 81,500 common shares were acquired and returned to treasury, for a total of 201,400. In November 2008 Andora issued 2.2 million shares to former Signet dissenting shareholders. As a result, Pan Orient's interest in Andora was reduced from 55.4% to 53.2%.

Q1 2009 – Pan Orient continued to benefit from strong production levels and funds flow from operations in Thailand which fully funded drilling operations in Thailand of $10.8 million and seismic programs in Indonesia of $2.7 million. Overall corporate funds flow from operations of $15.2 million funded capital expenditures of $13.6 million and increased working capital and deposits by $1.3 million. Thailand oil production averaged 6,165 barrels per day and generated funds flow from Thailand operations of $15.8 million. Thailand funds flow from operations of $28.54/bbl was comprised of oil revenue of $48.12/bbl, less transportation and operating expenses of $4.81/bbl, less G&A and other items of $1.62/bbl and amount to the Thai government of $13.15/bbl for government royalties, SRB and income tax. During the first quarter of 2009, Pan Orient drilled 7 (net 4.2) wells in concession L44 with a success rate of 71%.

Q2 2009 – Pan Orient had overall corporate funds flow from operations for the quarter of $16.6 million and capital expenditures of $14.9 million (with drilling operations in Thailand of $12.4 million and seismic programs in Indonesia of $2.4 million). There was a net loss for the quarter of $5.5 million as a result of an $11.1 million foreign exchange loss resulting from the strength in the Canadian dollar compared to the Thai baht and US dollar. Thailand oil production averaged 4,840 barrels per day and generated funds flow from Thailand operations of $17.4 million. Average production in the second quarter of 2009 of 4,840 BOPD was 1,325 bbl/d, or 21%, lower than the first quarter of 2009 as production additions were less than the production decline from previously drilled wells. Thailand funds flow from operations of $39.60/bbl was comprised of oil revenue of $60.01/bbl, less transportation and operating expenses of $6.66/bbl, less G&A and other items of $0.09/bbl and amount to the Thai government of $13.65/bbl for government royalties, SRB and income tax. During the second quarter of 2009, Pan Orient drilled 8 (net 4.8) wells in concession L44. At June 30, 2009, the Company had working capital plus deposits of $42.0 million and no long-term debt.

Q3 2009 – Funds flow from operations was $11.2 million and net income was $10.6 million for the quarter. The operating results for Pan Orient in the third quarter of 2009 compared to the previous quarter reflect higher crude oil prices, lower production volumes, and a $3.9 million foreign exchange gain upon reclassification of accumulated other comprehensive income related to the Company's investment in Thailand. Third quarter production volumes of 3,648 BOPD were 1,192 BOPD less than the 4,840 BOPD reported in the second quarter of 2009. Thailand funds flow from operations was $11.2 million or $33.34/bbl. During the quarter the Company drilled 3 (1.8 net) wells; two of which were successful and one of which is currently being tested. During the period, independent resource estimates were made for the 2009 discoveries at the Bo Rang "A" and "B" structures, L44W and NSE-F1 in L44. The results of this evaluation were an additional 16.9 MMbl (net) of 2C contingent resource volumes for the Bo Rang "A" and "B" and L44W structures and 6.1 MMbl (net) of best case prospective resource volumes for NSE-F1. The contingent resource estimates are contingent upon approval from the Government of Thailand of the Company's production license application. At September 30, 2009, working capital plus deposits was $39.8 million and the Company had no long-term debt.

Q4 2009 – Funds flow from operations for the fourth quarter was $9.9 million compared with $11.2 million for the third quarter of 2009 and $25.0 million for the fourth quarter of 2008. Net income was $7.0 million for the quarter versus $10.6 million in the third quarter of 2009. There was a $1.3 million decrease in funds flow from operations compared with the third quarter of 2009. In the fourth quarter of 2009, the Company recorded a $0.7 million realized foreign exchange loss as a result of the strengthening Canadian dollar and the movement of funds from the Thailand operations to Canada. The financial results for Pan Orient in the fourth quarter of 2009 compared to the third quarter of 2009 reflect an 8% decrease in oil production offset by a 6% increase in realized crude oil prices, and foreign exchange losses due to the strengthening Canadian dollar. Thailand oil sales for the fourth quarter of 2009 was 3,370 BOPD compared with 3,648 BOPD for the third quarter of 2009. In the fourth quarter of 2009, Pan Orient continued its active drilling program in Thailand with four wells (2.4 net) in Concession L44 and two exploration wells (2.0 net) in the 100% owned Concession L53. For the fourth quarter of 2009, Thailand generated $11.1 million in funds flow from operations, compared with $11.2 million for the third quarter of 2009 primarily as a result of the 8% decrease in oil sales volumes offset by a 6% increase in the realized price for crude oil. For the quarter, transportation expenses were $2.45/bbl, operating expenses $7.35/bbl, general and administrative expenses $2.37/bbl and amounts to the Thailand government of $23.94/bbl resulted in after tax funds flow from operations of $35.69/bbl. Operating expenses increased to $2.3 million or $7.35/bbl in the fourth quarter from $2.0 million or $5.95/bbl in the third quarter of 2009 as a result of lower production levels and additional expenses for maintenance and water hauling. At December 31, 2009, working capital plus deposits was $32.7 million and the Company had no long-term debt.

Q1 2010 – Funds flow from operations for the first quarter was $12.3 million compared with $9.9 million for the fourth quarter of 2009 and $15.2 million for the first quarter of 2009. Net income attributable to common shareholders was $3.4 million for the quarter versus $7.0 million in the fourth quarter of 2009. The decrease in net income attributable to common shareholders is the result of future income tax expense of $4.9 million in Q1 2010 versus a future income tax recovery of $0.7 million in Q4 2009. There was a $2.4 million increase in funds flow from operations compared with the fourth quarter of 2009. The financial results for Pan Orient in the first quarter of 2010 compared to the fourth quarter of 2009 reflect a 13% increase in oil production and a 1% increase in realized crude oil prices. Thailand oil sales for the first quarter of 2010 were 3,816 BOPD compared with 3,370 BOPD for the fourth quarter of 2009. In the first quarter of 2010 Pan Orient drilled two development wells and three exploration / appraisal wells in Concession L44. The five wells drilled (3.0 net) resulted in two new producing horizontal wells at Bo Rang "B" and one new Na Sanun East producing well at NSE-E3. For the first quarter of 2010, Thailand generated $12.4 million in funds flow from operations, compared with $11.1 million for the fourth quarter of 2009 primarily as a result of the 13% increase in oil sales volumes. For the quarter, transportation expenses were $2.52/bbl, operating expenses $6.40/bbl, general and administrative expenses $3.70/bbl and amounts to the Thailand government of $24.31/bbl resulted in after tax funds flow from operations of $36.01/bbl. Operating expenses decreased to $2.2 million or $6.40/bbl in the first quarter from $2.3 million or $7.35/bbl in the fourth quarter of 2009 as a result of higher production levels. General and administrative expenses increased to $1.3 million or $3.70/bbl in the first quarter from $0.7 million or $2.37/bbl in the fourth quarter of 2009 primarily as a result of severance payments. At March 31, 2010, working capital plus deposits was $25.4 million and the Company had no long-term debt.

Q2 2010 – Funds flow from operations for the second quarter was $13.5 million compared with $12.3 million for the first quarter of 2010 and $16.6 million for the second quarter of 2009. Net income attributable to common shareholders was $3.9 million for the quarter versus $3.4 million in the first quarter of 2010. The financial results for Pan Orient in the second quarter of 2010 compared to the first quarter of 2010 reflect a 9% decrease in oil production and a 2% decrease in realized crude oil prices. Thailand oil sales for the second quarter of 2010 were 3,448 BOPD compared with 3,816 BOPD for the first quarter of 2010. For the second quarter of 2010, Thailand generated $12.8 million in funds flow from operations, compared with $12.4 million for the first quarter of 2010; the increase was the result of the 10% reduction in oil sales volume being more than offset by a significant reduction in Special Remuneratory Benefit and income tax expenses resulting from the high level of reinvestment into Concession L44 and minimal reinvestment in Concession L53. For the quarter, transportation expenses were $2.56/bbl, operating expenses $6.21/bbl, general and administrative expenses $3.69/bbl and amounts to the Thailand government of $18.38/bbl resulted in after tax funds flow from operations of $40.66/bbl. Operating expenses decreased to $1.9 million or $6.21/bbl in the second quarter from $2.2 million or $6.40/bbl in the first quarter of 2010. Pan Orient drilled seven wells (4.2 net wells) in Thailand during the second quarter of 2010 with three appraisal wells at Bo Rang "B", three appraisal wells at the NSE-F1 field to further define fields discovered in 2009, and one NSE development well. The seven wells drilled

(4.2 net) resulted in two new producing wells at Bo Rang B, one new producing well at Na Sanun East (NSE-B3), and one new producing well in the NSE-F1 field (NSE-F2). At June 30, 2010, working capital plus deposits was $24 million and the Company had no long-term debt.

Q3 2010 – Funds flow from operations of $15.4 million exceeded the previous quarter's funds flow by $2.0 million and also exceeded capital expenditures for the quarter by $4.4 million. Third quarter production of 4,211 BOPD was 763 BOPD or 22% higher than the volumes reported in the second quarter. Increased revenue from the additional production volumes was slightly offset by a lower realized sales price and higher operating expenses resulting in a field netback of $56.34/bbl compared to $58.33/bbl in the second quarter. Operating expenses per barrel were impacted by significant costs related to Concession L53 and only a small amount of production to allocate these costs to. During the quarter the Company had discoveries in the WBEXT field in Concession L44 and the L33-1 / L33-2 Fields in Concession L33. A production license application for the WBEXT field is currently with the Thailand Department of Mineral Fuels, however, under a 90-day production test the new wells in WBEXT contributed 1,729 BOPD for the third quarter. Commercial production of the previous discovery at L53-A commenced upon receipt of the production license in August. Net income attributable to common shareholders of $4.7 million for the quarter ($0.8 million higher than second quarter) reflected higher funds flow offset by higher DD&A expense, SRB and future income tax. At September 30, 2010 working capital plus deposits was $27.7 million, an increase of $3.7 million over June 30, 2010, and the Company had no long-term debt.

Accounting Standards

Changes in Accounting Policies

On January 1, 2010, Pan Orient adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook sections:

"Business Combinations", Section 1582, which replaces the previous business combinations standard. The standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the date of acquisition. In addition, acquisition related and restructuring costs are to be recognized separately from the business combination and included in the statement of earnings. The adoption of this standard will impact the accounting treatment of future business combinations entered into after January 1, 2010.

"Consolidated Financial Statements", Section 1601, which, together with Section 1602 below, replace the former consolidated financial statements standard. Section 1601 establishes the requirements for the preparation of consolidated financial statements. The adoption of this standard had no material impact on Pan Orient's consolidated financial statements.

"Non-controlling Interests", Section 1602, establishes accounting and reporting standards for the non-controlling (minority) interest in a subsidiary as well as the accounting for (i) a parent's loss of control (deconsolidation) of a subsidiary and (ii) changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation. Section 1602 clarifies that a non-controlling interest in a subsidiary is an ownership interest in a consolidated entity that should be reported as equity in the consolidated financial statements. This Section also changes the way the consolidated statements of income (loss) and comprehensive income (loss) are presented by requiring consolidated net income (loss) and comprehensive income (loss) to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. Section 1602 required retrospective adoption of the presentation and disclosure requirements for non-controlling interests. All other requirements of Section 1602 have been applied prospectively.

The above CICA Handbook sections are converged with International Financial Reporting Standards ("IFRS"). Pan Orient will be required to report its results in accordance with IFRS beginning January 1, 2011.

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA's Accounting Standards Board confirmed that IFRS will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. Therefore, Pan Orient will be required to report its results in accordance with IFRS beginning in 2011. The Company has assembled a team and developed a plan to complete the transition to IFRS by January 1, 2011, including the preparation of 2010 required comparative information.

The Company is assessing the potential impacts of this changeover and has developed its implementation plan accordingly. The quantitative impact on the Company's future financial position and results of operations is not reasonably determinable at this point in time, however, the Company expects the highest impact will be in the following areas:

Property, Plant and Equipment
Under Canadian GAAP, Pan Orient follows the CICA's guideline on full cost accounting in which all costs directly associated with the acquisition of, the exploration for, and the development of natural gas and crude oil reserves are capitalized on a country-by-country cost centre basis. Costs accumulated within each country cost centre are depleted using the unit-of-

production method based on proved reserves determined using estimated future prices and costs.

Under IFRS exploration and evaluation costs (E&E) are those expenditures for an area or project for which technical feasibility and commercial viability have not yet been determined. Under IFRS, Pan Orient will initially capitalize these costs as E&E assets on the balance sheet. When the area or project is determined to be technically feasible and commercially viable, the costs will be transferred to PP&E. Unrecoverable exploration and evaluation costs associated with an area or project will be expensed. Upon transition costs associated with the following areas are anticipated to be classified as E&E assets:

- Undeveloped portion of L44/43;
- Undeveloped portion of L33/43;
- Undeveloped portion of L53/48;
- Citarum;
- Batu Gajah;
- South CPP; and
- Sawn Lake.

Development costs include those expenditures for areas or projects where technical feasibility and commercial viability have been determined. Pan Orient expects Concession SW1A and the developed portion of part of Concession L44/43 to be classified as development costs on the transition date. Under IFRS, Pan Orient expects to continue to capitalize these costs within PP&E on the balance sheet and the costs will be depleted on a unit-of-production basis over an area level instead of the country cost centre level. Pan Orient has determined the areas or the inputs to be utilized in the unit-of-production depletion calculation and finalization of this information is dependent upon review by the Company's external auditors.

Under IFRS, divestures will generally result in a gain or loss recognized in net earnings. Under Canadian GAAP, proceeds of divestitures are normally deducted from the full cost pool without recognition of a gain or loss unless the deduction would result in a change to the depletion rate of 20 percent or greater, in which case a gain or loss is recorded.

Pan Orient expects to adopt the IFRS 1 exemption, which allows the Company to deem its January 1, 2010 IFRS PP&E costs to be equal to its Canadian GAAP historical net book value. On January 1, 2010, the IFRS exploration and evaluation costs will be equal to the Canadian GAAP unproved properties balance and the IFRS development costs will be equal to the full cost pool balance. Pan Orient has reclassified its petroleum and natural gas assets accordingly and finalization of the amounts is pending review by the Company's external auditors.

Asset Retirement Obligation ("ARO")
Under Canadian GAAP, ARO is initially measured as the estimated fair value of the retirement and decommissioning expenditures expected to be incurred using the credit adjusted-risk free rate. Under IFRS, ARO is initially measured similar to Canadian GAAP, however, there may be potentially options as to what discount rate is applied to the estimated abandonment costs. If a risk free discount rate is used on adoption of IFRS the provision for ARO will increase. In addition, on initial adoption of IFRS, the change in the ARO liability, if any, is recorded as an increase/decrease in the ARO provision with a corresponding change in retained earnings..

The Company will revalue its ARO at January 1, 2010 and the difference will be recorded in retained earnings.

Impairment
Under Canadian GAAP, Pan Orient may be required to recognize an impairment loss if the carrying amount exceeds the undiscounted cash flows from proved reserves for the country cost centre. If an impairment loss is to be recognized, it is then measured at the amount the carrying value exceeds the sum of the fair value of the proved and probable reserves and the costs of unproved properties.

Under IFRS, Pan Orient is required to recognize and measure an impairment loss if the carrying value exceeds the recoverable amount for a cash-generating unit ("CGU"). Under IFRS, the recoverable amount is the higher of fair value less cost to sell and value in use. Impairment losses, other than goodwill, are reversed under IFRS when there is an increase in the recoverable amount. Pan Orient has grouped its assets into cash-generating units (generally by concession) based on the independence of cash inflows from other assets or other groups of assets.

Income Taxes
In transitioning to IFRS, the Company's future tax liability will be impacted by the tax effects resulting from the IFRS changes discussed above. Pan Orient continues to assess the impact that the IFRS income tax principles may have on the Company.

Other IFRS 1 Considerations
As permitted by IFRS 1, Pan Orient's foreign currency translation adjustment, currently the only balance in Pan Orient's Accumulated Other Comprehensive Income, will be deemed to be zero and the balance will be reclassified to retained earnings on January 1, 2010. Accordingly, retrospective restatement of foreign currency translation adjustments under IFRS principles will not be performed.

The financial statements for March 31, 2011 will contain all IFRS accounting policies and disclosures, as well as reconciliations outlining the adjustments made from Canadian GAAP to IFRS on date of transition.

The key remaining elements of Pan Orient's transition plan are as follows:

1. Collection of the financial information necessary to compile IFRS compliant financial statements and related disclosures.
2. External audit and review procedures on IFRS compliant financial statements and related disclosures.
3. Detailed assessment of impact of IFRS on existing accounting policies, data systems and business processes. This phase includes identification of key processes that will be impacted by the adoption of IFRS.
4. Implementation of processes. This phase includes the implementation of changes to business processes which are impacted by the transition to IFRS as well as formal approval of recommended accounting policy changes and training of staff.

The IFRS transition team reports quarterly to the Audit Committee of Pan Orient. The Company will continue to update its IFRS transition plan as required.

Additional Information

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