PAN ORIENT ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2011

May 25, 2011

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 May 25, 2011 and should be read in conjunction with the unaudited consolidated financial statements and notes thereto for the three months ended March 31, 2011 and the audited consolidated financial statements and notes thereto and MD&A for the year ended December 31, 2010. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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.

Please note that all amounts are in Canadian dollars unless otherwise stated, represent the net amount to Pan Orient's interests unless otherwise stated, and BOPD refers to barrels of oil per day net to Pan Orient.

Forward-Looking Statements

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

Forward-looking information is 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 related to Thailand and Canada 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 May 25, 2011 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.

Adoption of International Financial Reporting Standards

Pan Orient adopted International Financial Accounting Standards (IFRS) as the Company's GAAP, effective January 1, 2011. The impact of adopting IFRS is disclosed in Note 4 of the unaudited consolidated financial statements for the three months ended March 31, 2011. The Company's 2010 comparative financial information has been restated accordingly with details provided in Note 4 of the unaudited consolidated financial statements as at and for the three months ended March 31, 2010.

Non-IFRS Measures

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

Funds flow from operations (funds flow), which represents cash flow from operating activities prior to changes in non-cash working capital and reclamation costs and after income tax paid, 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 IFRS:

	Three Months Ended March 31	
($000s)	**2011**	**2010**
Cash flow from operating activities	**12,286**	16,460
Current tax expense	**(1,008)**	(6,756)
Add back changes in non-cash working capital	**1,084**	2,632
Funds flow from operations	**12,362**	12,336

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 IFRS measure that is reasonably comparable to netback and the calculation is presented in the "Financial and Operating 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 IFRS and therefore may not 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 IFRS. All references to funds flow throughout this MD&A 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 acreage in Asia.

Thailand

The Company has operated working interests in four concessions in Thailand: Concession SW1 (SW1); Concession 44/43 (L44); Concession 33/43 (L33); and Concession 53/48 (L53). Concessions SW1, L44 and L33 are located approximately 240 kilometres north of Bangkok and Concession 53 is located approximately 60 kilometres west of Bangkok. Currently all of Pan Orient's production is crude oil and is sold to a refinery owned by the Thai National Oil Company. Pan Orient is the operator of all four concessions in Thailand, and its working interests and 2011 net production volumes compared to 2010 net production volumes by concession are as follows:

Concession	**Working Interest**	**2011 Average Production(1)**		**2010 Average Production(2)**		
		BOPD	**%**	**BOPD**	**%**	**% Change in BOPD**
L44	60%	1,501	67	3,575	92	-58
SW1	60%	121	5	161	4	-25
L33	60%	210	9	69	2	204
L53	100%	414	19	79	2	424
		2,246	100	3,884	100	-42

(1) For the three months ended March 31, 2011
(2) For the year ended December 31, 2010

Proved plus probable reserves, as evaluated by independent reservoir engineers, assigned to the Thailand properties was 31.9 million barrels (Mstb) net to Pan Orient as at December 31, 2010. Of this, 23,997 Mstb (75%) were allocated to L44, 886 Mstb (3%) to SW1, 5,649 Mstb (18%) to L33 and 1,403 (4%) to L53.

Significant discoveries at L44 include the Na Sanun East field in 2007, the Bo Rang fields in 2009 and the Wichian Buri Extension (WBEXT) field in 2010. This concession is partially developed with an ongoing drilling program which so far in 2011 consisted of four (2.4 net) wells drilled with expectations for another 28 (16.8 net) wells in the remainder of the year.

Concession L33 had its first commercial oil discovery in the third quarter of 2010 with the L33-1 and L33-2 wells which commenced production in November 2010. Drilling plans for this concession in 2011 comprise four (2.4 net) wells.

Concession L53 had its first commercial oil discovery in the first half of 2010 with the L53-A well which commenced commercial production in August 2010. The L53A-1 and L53-B wells were spudded to March 31, 2011, another two wells at L53A-2 and L53A-3 were spudded to May 25, 2011, and another three locations are planned for the remainder of 2011.

Indonesia

The Company has working interests in the Batu Gajah production sharing contract (PSC) located onshore south Sumatra, the Citarum PSC located onshore west Java, and the South CPP PSC located onshore south central Sumatra.

Working interests for each of the PSCs as at March 31, 2011 were as follows:

	Citarum	**Batu Gajah**	**South CPP**
Pan Orient working interest	77%	97%	97%
Third party working interest	20%	-	-
Third party carried interest	3%	3%	3%
Total	100%	100%	100%

Amounts recorded in the financial statements for capital expenditures and work commitments related to these PSCs include the amount paid by Pan Orient on behalf of the carried interest partners. If commercial production is established for a PSC, the amounts previously paid by Pan Orient on behalf of the carried interest partners will be recoverable through the partner's share of crude oil or natural gas produced from that PSC.

On the Batu Gajah PSC Tuba Obi Utara-1 (NTO-1), the first of three back-to-back exploration wells was spudded in March 2011. Initial drilling results for NTO-1, and the follow-up sidetrack well (NTO-1ST), indicated gas and hydrocarbon potential however further appraisal drilling will be required to determine the commerciality and size of the accumulation, expected to commence with drilling of NTO-2 in the fourth quarter of 2011. Drilling of SE Tiung-1, followed by Betano-1, is expected to commence around the beginning of June 2011. In April three exploration wells were added to the Company's drilling plans for 2011, timing of which will be subject to various Government of Indonesia approvals.

The Company expects to commence its Citarum-three well exploration drilling program in late September 2011. No drilling is planned on South CPP until 2012.

Subsequent to March 31, 2011 the Company was notified by the Government of Indonesia that it was the successful bidder on a 100% working interest basis for the 6,228 km^2 East Jabung PSC. Official signing of the PSC is anticipated shortly and initial plans are for one well in the first contract year followed by 2D seismic acquisition in year two and a second well in year three. These planned activities are not included in the Company's commitments as at March 31, 2011.

There were no reserves assigned to any of the Indonesia PSCs at December 31, 2010.

Canada

Andora Energy, a private company owned controlled by Pan Orient which has an oil sands project at Sawn Lake, Alberta, initiated a process to identity and consider strategic alternatives late in February 2011. This process is ongoing and expected to be completed by the middle of June. At March 31, 2011 Pan Orient owned 53.4% of the common shares of Andora and none of the special warrants, resulting in an ownership interest of 49.6% of the total common shares of Andora on a diluted basis assuming the exercise of the special warrants. Refer to "Capital Invested – Canada" on page 14 of this MD&A for further information with respect to the special warrants.

Summarized financial information with respect to Andora is as follows:

	As at and for the Three Months Ended March 31	
($000s)	**2011**	**2010**
Total assets	**60,087**	58,615
Total liabilities	**6,875**	7,757
Funds flow from operations	**(115)**	360
Net loss	**225**	87

The oil sands project at Sawn Lake was evaluated by Sproule Unconventional Limited (Sproule) as at December 31, 2010. The contingent resource volumes estimated by Sproule are considered contingent until commercial recovery has been demonstrated, regulatory approvals are obtained and Andora has committed to proceed with commercial development. Contingent resources in Sproule's report are further classified as "high", "best" and "low" in accordance with the level of certainty. "Best" case contingent resources assigned were 214.2 million barrels to Andora (114.4 million barrels net to Pan Orient's 53.4% ownership interest). In February 2011, Andora acquired additional interests at Sawn Lake which it estimates represents a pro rata addition of 29 million contingent resources barrels based on the December 31, 2010 evaluation of "Best Case" contingent resources by Sproule Unconventional Limited.

Financial and Operating Summary	Three Months Ended March 31,		Change
(thousands of Canadian dollars except where indicated)	**2011**	2010	
FINANCIAL			
Oil revenue, before royalties and transportation expense	**18,449**	25,038	-26%
Funds flow from operations (Note 1)	**12,362**	12,336	0%
Per share – basic	**$ 0.24**	$ 0.26	-7%
Per share – diluted	**$ 0.24**	$ 0.25	-4%
Funds flow from operations by region (Note 1)			
Canada	**(424)**	29	
Thailand	**12,859**	12,364	4%
Indonesia	**(73)**	(57)	28%
Total	**12,362**	12,336	0%
Net income attributable to common shareholders	**3,928**	4,070	-3%
Per share - basic	**$ 0.08**	$ 0.09	-11%
Per share - diluted	**$ 0.08**	$ 0.08	0%
Working capital	**64,512**	21,498	200%
Working capital plus non-current deposits	**69,164**	25,358	173%
Long-term debt	**-**	-	
Capital expenditures (Note 2)	**19,972**	20,269	-1%
Acquisitions – Indonesia (Note 3)	**1,780**	-	
– Sawn Lake (Note 3)	**3,192**	-	
Shares outstanding (thousands)	**56,544**	47,414	19%
Funds Flow from Operations per Barrel (Note 1)			
Canada operations	**$ (2.10)**	$ 0.09	
Thailand operations	**63.61**	36.01	77%
Indonesia operations – G&A expense	**(0.36)**	(0.17)	113%
	$ 61.15	$ 35.93	70%
Capital Expenditures (Note 2)			
Canada	**68**	63	8%
Thailand	**14,414**	13,419	7%
Indonesia	**5,490**	6,787	-19%
Total	**19,972**	20,269	-1%
Working Capital and Non-current Deposits			
Working capital & non-current deposits - beginning of period	**31,396**	32,738	-4%
Funds flow from operations (Note 1)	**12,362**	12,336	0%
Capital expenditures (Note 2)	**(19,972)**	(20,269)	-1%
Acquisitions – Indonesia (Note 4)	**(1,436)**	-	
Non-cash settlement of Andora receivable	**-**	(600)	
Foreign exchange impact on working capital	**(314)**	(373)	-2%
Net proceeds on share transactions	**47,130**	1,526	
Working capital & non-current deposits - end of period	**69,166**	25,358	173%
Canada Operations			
Interest income	**21**	8	
General and administrative recovery (expense)	**(263)**	29	
Realized foreign exchange (loss)	**(182)**	(8)	
Funds flow from operations (Note 1)	**(424)**	29	
Funds flow from operations per barrel (Note 1)			
Interest income	**$ 0.10**	$ 0.02	
General and administrative (expense) recovery	**(1.30)**	0.09	
Realized foreign exchange (loss)	**(0.90)**	(0.02)	
	$ (2.10)	$ 0.09	
Indonesia Operations			
General and administrative (expense) recovery	**(73)**	(57)	28%
Wells drilled			
Gross	**1**	-	
Net	**1.0**	-	

(thousands of Canadian dollars except where indicated)	Three Months Ended March 31, 2011	2010	Change
Thailand Operations			
Total oil sales volume (bbls)	**202,167**	343,400	-41%
Average daily oil sales by concession (BOPD)			
L44	**1,501**	3,601	-58%
SW1	**122**	215	-43%
L33	**210**	-	
L53	**414**	-	
Total	**2,246**	3,816	-41%
Average oil sales price, before transportation (CDN$/bbl)	**$ 91.26**	$ 72.91	25%
Reference Price (volume weighted) and differential			
Crude oil (WTI $US/bbl)	**$ 94.48**	$ 78.83	20%
Exchange Rate $US/$Cdn	**1.00**	1.06	-5%
Crude oil (WTI $Cdn/bbl)	**$ 94.48**	$ 83.39	13%
Sales price / WTI reference price	**97%**	87%	10%
Funds flow from operations (Note 1)			
Crude oil sales	**18,449**	25,038	-26%
Government royalty	**(956)**	(1,589)	-40%
Other royalty	**(45)**	(21)	115%
Transportation expense	**(469)**	(864)	-46%
Operating expense	**(2,137)**	(2,198)	-3%
Field netback	**14,842**	20,366	-27%
General and administrative expense	**(992)**	(1,274)	-22%
Interest income	**17**	28	-39%
Special Remuneratory Benefit (SRB)	**(23)**	(2,169)	-99%
Current income tax	**(985)**	(4,587)	-79%
Funds flow from operations	**12,859**	12,364	4%
Funds flow from operations / barrel (CDN$/bbl) (Note 1)			
Crude oil sales	**$ 91.26**	$ 72.91	25%
Government royalty	**(4.73)**	(4.63)	2%
Other royalty	**(0.22)**	(0.05)	347%
Transportation expense	**(2.32)**	(2.52)	-8%
Operating expense	**(10.57)**	(6.40)	65%
Field Netback	**73.41**	59.31	24%
General and administrative expense	**(4.90)**	(3.70)	33%
Interest Income	**0.08**	0.08	-
Special Remuneratory Benefit (SRB)	**(0.11)**	(6.32)	-98%
Current income tax	**(4.87)**	(13.36)	-64%
Thailand - Funds flow from operations	**$ 63.61**	$ 36.01	77%
Government royalty as percentage of crude oil sales	**5.2%**	6.3%	-1.2%
SRB as percentage of crude oil sales	**0.1%**	8.7%	-8.5%
Income tax as percentage of crude oil sales	**5.3%**	18.3%	-13.0%
As percentage of crude oil sales			
Expenses - transportation, operating, G&A and other	**19.7%**	17.4%	2%
Government royalty, SRB and income tax	**10.6%**	33.3%	-23%
Funds flow from operations, before interest income and realized foreign exchange	**69.6%**	49.3%	20%
Wells drilled			
Gross	**6**	5	20%
Net	**4.4**	3.0	47%

Notes to Financial and Operating Summary:

(1) Funds flow from operations ("funds flow" before changes in non-cash working capital and reclamation costs and after income tax paid) is used by management to analyze operating performance and leverage. Funds flow as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures of other entities.

Funds flow is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. All references to funds flow throughout this MD&A 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) Cost of Indonesia acquisitions, including deemed value of equity issued in the transaction.

(4) Cost of Indonesia acquisitions, excluding deemed value of shares of the Company issued as part of consideration.

(5) Totals may not add due to rounding.

2011 First Quarter Highlights

- Funds flow from operations for the first quarter of 2011 was $12.4 million compared with $17.8 million for the fourth quarter of 2010 and $12.3 million for the first quarter of 2010. Funds flow from operations per share (basic) was $0.24 for the first quarter of 2011.
- Net income attributable to common shareholders of $3.9 million, or $0.08 per share (basic), for the first quarter of 2011 compared with net income attributable to common shareholders of $8.5 million, or $0.17 per share (basic) for the fourth quarter of 2010 and $3.4 million ($0.07 per share) for the first quarter of 2010.
- Total capital expenditures for the first quarter of 2011 were $20.0 million, with $14.4 million in Thailand, $5.5 million in Indonesia and $0.1 million in Canada.
- Indonesia
  - At the Batu Gajah Production Sharing Contract (“PSC”) on-shore Sumatra (Pan Orient 97% working interest and operator), Pan Orient completed a transaction which increased our interest from 90% to 97% through repurchasing a 7% carried interest.

    Late in March 2011, Pan Orient commenced the three well exploration drilling program at Batu Gajah with the spudding of the Tuba Obi Utara-1 (NTO-1) exploration well. The NTO-1 well encountered 10.5 feet of gas pay within good-quality sand near the top of the Lower Talang Akar formation (“LTAF”). The follow-up NTO-1ST side track well encountered the same gas sand formation identified at the NTO-1 well. Initial drilling results at North Tuba Obi are encouraging with proven gas in the LTAF and additional hydrocarbon potential in the overlying formations existing eastward towards the crest of the Tuba Obi structure. Further appraisal drilling will be required to determine the commerciality and size of this accumulation. Plans are underway to seek Government of Indonesia approval for the drilling of three additional Phase Two exploration wells at Batu Gajah in late 2011 (bringing the total wells at Batu Gajah in 2011 to six plus the NTO-1ST side track), including the Tuba Obi Utara-2 (NTO-2) exploration well to be located approximately 5.7 kilometers east of the NTO-1 well. Capital expenditures of $4.9 million in the first quarter of 2011 at the Batu Gajah PSC included building of three drilling locations, equipment inventory for the three well drilling program, initial drilling costs for the NTO-1 well and exploration operations.
  - At the Citarum PSC on-shore Java (Pan Orient 77% working interest and operator), Pan Orient completed a transaction which increased our interest from 69% to 77% through repurchasing an 8% carried interest. Preparation for drilling is proceeding at the Citarum PSC with land purchase and the building of drilling locations towards an anticipated commencement of drilling of the first of three back to back wells in late September 2011. Capital expenditures of $0.5 million in the first quarter of 2011 at the Batu Gajah PSC included initial costs for building of drilling locations and exploration operations.
  - At the South CPP PSC, on-shore Sumatra, Pan Orient completed a transaction which increased our interest from 90% to 97% through repurchasing a 7% carried interest.
  - The cost to repurchase carried interests in the three PSC’s was $1.8 million, including the issuance of 50,677 shares in Pan Orient at a deemed market value of $0.3 million. Subsequent to March 31, 2011 Pan Orient was notified that it was the successful bidder on a 100% working interest basis for the 6,228 square kilometer East Jabung PSC located on and offshore south Sumatra Indonesia. The East Jabung PSC is directly east and adjacent to the Company’s 97% working interest and operated Batu Gajah PSC.

- Thailand
  - Average 2011 oil sales in Thailand for the first quarter of 2011 of 2,246 BOPD with 1,501 BOPD from Concession L44, 414 BOPD from Concession L53, 210 BOPD from Concession L33, and 121 BOPD from Concession SW1. Oil sales in Concession L44 declined to an average of 1,501 BOPD in the first quarter of 2011 compared with an average of 3,459 BOPD in the fourth quarter of 2010 as a result of wells coming off high initial production rates, incursion of water at the WBEXT-1C well in early January, and three significant wells being brought back on-stream at reduced rates to minimize the water cut after being shut-in for much of the quarter until the WBEXT production license was granted on February 24th. Oil sales at Concession L53 increased to 414 BOPD in the first quarter of 2011 from 88 BOPD in the fourth quarter of 2010 with increased production from a workover of the L53-A well and new oil production from the L53-A1 well.

    Average oil sales in April 2011 were 2,035 BOPD, with 1,318 BOPD from Concession L44, 478 BOPD from Concession L53, 158 BOPD from Concession L33, and 81 BOPD from Concession SW1.
  - Funds flow from Thailand operations was $12.9 million for the first quarter of 2011 ($63.61 per barrel). Capital expenditures in Thailand were financed 89% by funds flow from operations. The change from $17.7 million in funds flow from Thailand operations in the fourth quarter of 2010, primarily as a result of a 45% decrease in oil sales volumes, partially offset by a 20% increase in the realized price for crude oil and a 75% decrease in current SRB and income taxes.

    For the first quarter of 2011, transportation expenses were $2.32 per barrel, operating expenses and other royalty $10.79 per barrel, general and administrative expenses $4.90 per barrel and amounts to the Thailand government of $9.71 per barrel resulted in after tax funds flow from operations per barrel of $63.61. The WTI reference price for crude oil per barrel increased 10% during the quarter to CDN$94.48 and the realized price increased to 97% of this reference price based on strength of oil product prices in Singapore. For the first quarter of 2011, Thailand crude oil revenue of $91.26 per barrel was allocated 20% to expenses for transportation, operating, and general & administrative, 11% to the government of Thailand in the form of royalties, Special Remuneratory Benefit ("SRB") and Income Tax, and 69% to Pan Orient.
  - First quarter 2011 drilling program in Thailand with the drilling of six wells (4.4 net wells) with two additional wells in Concession L53 to build upon the 2010 oil discovery there, and four wells focused on exploration in Concession L44 to add new reserves. In addition, work continued to sidetrack the L33-2 exploration well drilled in 2010. Pan Orient had two drilling rigs operating in Thailand during the first quarter of 2011 and total capital expenditures were $14.4 million.
    - The L53-A1 development well and L53-B appraisal well were drilled during the quarter in Concession L53 (Pan Orient operator and 100% ownership) and resulted in two new producing oil wells. In addition, the L53-A well had a workover which increased production from additional sandstone zones in the well.
    - The Company had limited success in drilling four exploration wells at Concession L44 (Pan Orient operator and 60% ownership) during the quarter. Exploration wells were drilled at Si Thep, Na Sanun East (NSE-E4) and two new exploration areas (L44-E and L44-F) resulting in three unsuccessful wells and one well with minor oil production.
    - At Concession L33 (Pan Orient operator and 60% ownership) work continued during the quarter to sidetrack the L33-2 well in order to evaluate the WBV1 volcanic reservoir. This well is on test and producing at low oil rates.
- Andora Energy, a private company owned controlled by Pan Orient which has an oil sands project at Sawn Lake, Alberta, initiated a process to identity and consider strategic alternatives late in February 2011. This process should be completed by the middle of June.

  In support of the review of its strategic alternatives, Andora acquired an additional 10% working interest in the Sawn Lake Central (12 sections) and North Blocks (51 sections) from a private Alberta company in consideration for the issuance to the vendor of 4,433,031 non-voting special warrants of Andora. Each special warrant entitles the holder thereof to receive one common share of Andora, at no additional consideration and without any further action, upon the happening of a liquidity event involving Andora, including a sale of the corporation, a merger or other business combination, a farmin or farmout, an acquisition or disposition of assets, among other alternatives. If a liquidity event is not completed by November 25, 2011, the acquired interests will be reconveyed back to the vendor and the special warrants will be cancelled. Andora estimates this transaction represents a pro rata addition of 29 million contingent resources barrels based on the December 31, 2010 evaluation of "Best Case" contingent resources by Sproule Unconventional Limited.

  At March 31, 2011 Pan Orient owned 53.4% of the common shares of Andora and none of the special warrants, resulting in an ownership interest of 49.6% of the total common shares of Andora on a diluted basis assuming the exercise of the special warrants.

- Financial
  - Pan Orient closed a bought deal financing on March 8, 2011 with the issuance of 7,557,264 shares at a price of $6.55 per share for proceeds of $46.6 million net of expenses. At March 31, 2011 there were 56,543,807 common shares issued and outstanding.
  - The $20.0 million of capital expenditures in Thailand, Indonesia and Canada were funded $12.4 million from funds flow from operations and $7.6 million from working capital.
  - At March 31, 2011 Pan Orient had $69.2 million of working capital and non-current deposits, and no long-term debt. In addition, at March 31, 2011 Pan Orient had $10.6 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.

2011 Outlook

Thailand Production

Thailand oil production is currently 2,380 BOPD with 675 BOPD from Concession L53 and 1,705 BOPD from Concessions L44, SW1 and L33, up 420 BOPD from the 1,960 BOPD reported on April 26, 2011. All increases are attributed to conventional sandstone production added from the L53-B, L53-A3, L53-A2 and WBEXT-1E wells.

Concession L53

L53-B is currently producing at 58 BOPD from the K40-A sand and will be perforated in a structurally higher sandstone interval within the next seven days. No reserves at December 31, 2010 had been attributed to the L53-B lobe at any stratigraphic level.

L53-A3 is currently producing at 195 BOPD from the K40-C sand and L53-A2 is producing at 34 BOPD from the K40-A sand. L53-A2 will be sidetracked to target the K40-A sand near the L53-A3 well (currently producing from the K40-C sand) in order to produce from the excellent quality K40-A reservoir encountered by the L53-A3 well, targeting production additions of 250-400 BOPD. Drilling of the sidetrack will commence in the next five to six days.

The L53-D discovery well (240 BOPD) is currently being twinned after the initial well had been sidetracked in 2010 to appraise the extent of the reservoir and shut in after failing to encounter the target sand. It is anticipated this will be completed in the next four days, at which time the rig will move to the L53-A2 sidetrack discussed above. Upon the completion of the L53-A2 sidetrack, the rig will be mobilized to Concession L44 for development and exploration drilling until post monsoon (approximately October 2011) when the L53-G and L53-E exploration prospects in Concession L53 will be drilled.

Concessions L44 & L33

The WBEXT-1E development well encountered an excellent quality “E” sand reservoir approximately 500 meters west of the original WBEXT-1B discovery well, and is currently producing at 139 BOPD. Results from the WBEXT field “E” sand have been encouraging with stabilized rates of between 140-180 BOPD and an inventory of approximately 15-20 locations remaining in the main fault compartment alone. This reservoir will be a near term focus of drilling activity.

In the Wichian Buri field, approximately 45 BOPD is currently shut-in while two new cellars are added at the POE-3. POE-6 and WBN-2 surface locations. A six well infill program is planned to commence shortly, targeting rates of 25-60 BOPD per well with each well taking approximately 4 days to complete a vertical well and slightly longer time to complete highly deviated / horizontal wells. Any success in the initial infill program will immediately be followed up by a second, larger infill program.

Summary

Over the past 4 weeks 405 BOPD of production has been added from conventional sandstone reservoirs, and with the WBEXT-1F well about to commence testing. Within the next 7 days an additional 480 BOPD is anticipated to be added from the twin of the L53-D discovery well which had briefly tested 240 BOPD before being shut-in to drill a sidetrack well, and the WBEXT-1F development well which had penetrated approximately 80 meters of gross “E” sand (measured thickness) in the structurally highest position the “E” sand has been encountered to date.

Drilling is currently focused on the development of conventional sandstone reservoirs at Concessions L53 and L44 in order to establish a stable platform of production from which development of the main volcanic reservoir fields will be launched in conjunction with further exploration drilling that will be targeting 75% volcanic and 25% sandstone reservoirs.

The Company is pleased with the production adds of the new conventional sandstone reservoir wells and the performance of the older volcanic reservoir wells whose performance has been very stable. The two active drilling rigs for the remainder of 2011 provide Pan Orient with the flexibility to finally pursue development of a number of sandstone fields that had been neglected in the past while pursing higher initial flow rate wells with only 1 active rig.

Earlier guidance of 5,000 to 6,000 BOPD average for 2011 will be reviewed at the end of the second quarter after the initial results of the development program outlined above.

Revenue, Production and Funds Flow from Operations

Revenue for the three months ended March 31, 2011 was $18.4 million compared to $25.0 million for the first quarter of 2010 and $28.5 million reported in the fourth quarter of 2010. Average daily oil sales of 2,246 BOPD in the current period was 41% less than the first quarter of 2010 and 45% less than the fourth quarter of 2010. The L44 concession experienced the most significant reduction with oil sales declining from 3,572 BOPD to 1,501 BOPD quarter-to-quarter as a result of wells coming off high initial production rates, incursion of water at the WBEXT-1C well in early January, and three significant wells being brought back on-stream at reduced rates to minimize the water cut after being shut-in for much of the quarter until the WBEXT production license was granted on February 24th. Although the near month-long shut down of the drilling rig on Concession L53 limited growth, sales volumes did increase from 88 BOPD in the fourth quarter of 2010 to 414 BOPD in the current period with production from L53A-1 which came on stream at the end of February. The L53-B well came on-stream in May 2011.

The Company's realized price reported in the current period of $91.26/bbl represented a significant increase over $72.91/bbl reported in the comparable period of 2010 and also from the 2010 fourth quarter price of $76.36/bbl. The Company's realized sales priced has historically been in the range of 85% to 90% of WTI, with the discount attributed to the high paraffin content of the petroleum. However, for the three months ended March 31, 2011 the Company's realized price was 97% of WTI due to the strength of oil product prices in Singapore which determine the realized price in our oil sales contracts. The WTI reference price is used by the Company for comparison purposes because of stakeholder familiarity with this benchmark, however, it does not necessarily influence the price Pan Orient receives for its production. In the past it has trended consistently with Pan Orient's realized price but volatility in Singapore's Fuel-Oil inventory in 2011 caused a sharp increase in the reference price used by the Bangkok refinery.

Funds flow from operations was $12.4 million ($61.15/bbl) for the current quarter compared to $12.4 ($35.93/bbl) million for the comparable period of 2010 and $17.7million ($47.46/bbl) for the fourth quarter of 2010. Lower taxes allowed the Company to achieve higher funds flow per share than in previous periods as combined income tax and SRB for the first quarter of 2011 was 5.4% of crude oil sales compared to 27.0% in the first quarter of 2010 and 14.2% in the fourth quarter of 2010.

Royalties

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 SW1. 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.

Total royalties of $1.0 million for the three months ended March 31, 2011 were 38% lower than the $1.6 million reported in the comparable quarter of 2010, attributable to lower oil volumes and revenues coupled by the effect of a lower royalty rate resulting from production volumes spread among all four concessions. The average Thailand government royalty for the first quarter of 2011 was 5.2% compared to 6.3% for the first quarter of 2010.

Production Expenses

Transportation expenses represent the cost to truck the Company's Thailand oil production to the refinery in Bangkok. The Company is charged a contracted rate based on the number of tankers and trips required; both factors which are driven by production volumes. As a result, costs on a per barrel basis are generally consistent from one period to the next. Oil trucked from L53 (which commenced production in August 2010) benefits from a lower contracted rate with its proximity to the Bangkok refinery compared to the other three concessions.

Operating expenses of $2.1 million for the quarter were marginally lower than the $2.2 million reported in the first quarter of 2010 and $2.9 million reported in the fourth quarter of 2010. However, on a per unit basis, costs were $10.57/bbl compared to $6.40/bbl and $7.83/bbl as a result of reduced production volumes. A significant portion of the Company's operating expenses are fixed based on the number of wells and the geographical proximity of the wells therefore a decline in production will not necessarily reduce operating expenses significantly.

Depletion and Depreciation (D&A)

	Three Months Ended March 31	
	2011	**2010**
Depletion of Thailand PP&E[1]- $000s	**1,762**	1,772
Depreciation of office equipment & assets - $000s	**100**	153
Total D&A - $000s	**1,862**	1,925
Total D&A - $/bbl	**9.21**	5.61

(1) Including decommissioning costs

As the Company's Canadian and Indonesian assets are in the pre-production phase, depletion is not calculated for these cost centres.

Prior to January 1, 2011 the Company calculated depletion using volumes and future development costs with respect to proved reserves. With the conversion to IFRS effective January 1, 2011, (and restated for the three months ended March 31, 2010) the Company will be calculating depletion using volumes and future development costs with respect to proved plus probable reserves. The overall effect is lower depletion expense.

Taxes

	Three Months Ended March 31	
($000s)	**2011**	**2010**
Special remuneratory benefit	**23**	2,169
Income tax	**985**	4,587
Total current tax expense	**1,008**	6,756
Deferred tax expense	**5,429**	5,913
Total tax expense	**6,437**	12,669

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 metres drilled on the concession. In 2011 the Company only paid SRB on L44. For oil sales at SW1, L33 and L53 in 2010 there were SRB loss carry forward deductions to shelter SRB taxes.

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.

Because of the deductions allowed for capital spent, the effective rates of these taxes can vary significantly from the actual tax rates. For the three months ended March 31, 2011 SRB was 0.1% (2010 – 8.7%) of total revenue and income tax was 5.3% (2010 – 18.3%) of total revenue. For the fourth quarter of 2010, SRB was 5.4% of total revenue and income tax was 8.8% of total revenue.

Taxes payable of $13.3 million at March 31, 2011 represents SRB for 2010 and 2011 and income tax incurred since July 1, 2010.

General and Administrative (G&A) Expenses

	Three Months Ended March 31	
	2011	**2010**
Thailand	**1,149**	1,610
Indonesia	**702**	810
Canada	**303**	(6)
Total G&A, net of overhead recoveries	**2,154**	2,414
Allocated to capital projects	**(826)**	(1,111)
Cash G&A	**1,328**	1,303
Accretion on decommissioning provision	**87**	51
Total G&A	**1,415**	1,354
Cash G&A - $/bbl	**6.56**	3.79
Total G&A - $/bbl	**7.00**	3.94

Overhead recoveries represent the portion of Pan Orient's G&A expenses charged to working interest partners with respect to the Company's operated properties.

G&A in 2010 was affected by several non-recurring items including recoveries from third parties of approximately $0.7 million related to stock options exercised by Thailand personnel, severance payments and other non-routine expenses associated with the reduction of expatriate personnel in Thailand, resulting in higher G&A in Thailand and a recovery in Canada for the period.

Capitalized G&A allocated to capital projects represents compensation and other costs associated with property acquisition, exploration and development activities. Capitalized G&A in the current year relates to exploration and development activities on the L44, L33 and L53 concessions in Thailand, all three of the Indonesia PSCs and the Company's heavy oil development project in Canada. Amounts capitalized reflect the nature of the Company's capital activities and are reassessed each reporting period.

Capital Invested

	Three Months Ended March 31			
	2011		**2010**	
	$000s	**Net wells drilled**	**$000s**	**Net wells drilled**
Capital expenditures				
Thailand	**14,414**	**4.4**	13,419	3.0
Indonesia	**5,490**	**1.0**	6,787	-
Canada	**68**	**-**	63	-
Total capital expenditures	**19,972**	**5.4**	20,269	3.0
Indonesia acquisition expenditures - cash	**1,436**	**-**	-	
Capital and acquisition expenditures – cash	**21,408**	**5.4**	20,269	3.0
Indonesia acquisition – non cash	**344**	**-**	-	-
Sawn Lake acquisition – non cash	**3,192**	**-**	-	-
Total capital invested	**24,944**	**5.4**	20,269	3.0

(1) Excluding foreign exchange and asset retirement obligations

Thailand

Total capital expenditures for Concession L44 in the quarter were $7.3 million with four (2.4 net) exploration wells drilled resulting in three unsuccessful wells (Si Thep-3, L44-E and L44-F) and one with minor oil production (NSE-E4). Testing of WBEXT-1D, drilled in late 2010, indicated one producing gas zone and one producing oil zone and the Company plans to perforate two additional sandstone zones. WBEXT-4A, also drilled near the end of the prior year is suspended pending decisions on potential shallower zones.

At Concession L53 the Company drilled two (2.0 net) wells and incurred capital costs of $5.9 million. Drilling activities resulted in one new producing well with L53-A coming on production in February, contributing 135 BOPD for the quarter. The L53-B well is currently being tested and L53-C, drilled at the end of 2010, was plugged and abandoned after failing to produce at commercial rates.

At Concession 33 Pan Orient continued to sidetrack the L33-2 well in order to evaluate the WBV1 reservoir.

Indonesia

On the Batu Gajah PSC Tuba Obi Utara-1 (NTO-1), the first of three back-to-back exploration wells was spudded in March 2011. Initial drilling results for NTO-1, and the follow-up sidetrack well (NTO-1ST), indicated gas and hydrocarbon potential however further appraisal drilling will be required to determine the commerciality and size of the accumulation, expected to commence with drilling of NTO-2 in the fourth quarter of 2011. Drilling of SE Tiung-1, followed by Betano-1, is expected to commence around the beginning of June 2011 and in April three exploration wells were added to the Company's drilling plans for 2011, timing of which will be subject to various Government of Indonesia approvals. The drilling program on this PSC represented the majority of the Company's capital activities in Indonesia during the quarter with $4.5 of the $5.5 million in capital expenditures related to building of locations, equipment inventory for the first three wells and initial drilling costs for NTO-1. Capitalized G&A for all three PSCs accounted for another $0.6 million with the remainder incurred for drilling preparation on Citarum.

Through two separate transactions in the first quarter of 2011 the Company increased its interest in both the Batu Gajah and South CPP from 90% to 97% and in Citarum from 69% to 77%. Total consideration of the transactions was $1.8 million including the issuance of 50,677 Pan Orient Common Shares at a deemed market value of $0.35 million.

Canada

In support of the review of its strategic alternatives Andora entered into a binding conveyance agreement in February 2011 to acquire an additional 10% working interest in the Sawn Lake Central and North Blocks. Consideration issued to the vendor in the transaction was 4,433,031 non-voting special warrants of Andora. Each special warrant will entitle the holder thereof to receive one common share of Andora, at no additional consideration and without any further action, upon the happening of a liquidity event involving Andora. If a liquidity event is not completed by November 25, 2011 (subject to extension by the parties), the acquired interests will be reconveyed to the vendor and the special warrants will be cancelled.

Liquidity and Capital Resources

Liquidity

Pan Orient's capital program in the first quarter of 2011 was financed 62% by funds generated from operating activities with the remainder obtained from existing working capital and proceeds from the Company's financing which closed in March 2011, involving the issuance of 7.6 million common shares at a price of $6.55 per share for proceeds of $46.6 million net of expenses. Thailand funds flow of $12.9 million financed 89% of the country's capital program in the first quarter of the year. Pan Orient'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. Currently the Company's cash balance of $76.3 million exceeds estimated outstanding commitments in Thailand and Indonesia by $37.8 million.

At March 31, 2011 Pan Orient's cash and cash equivalents was $76.3 million compared to $37.1 million at December 31, 2010, held in the Company's jurisdictions as follows:

($000s)	**As at March 31, 2011**	**As at December 31, 2010**
Cash held in Canada	**54,859**	16,273
Cash held in Thailand	**20,358**	19,776
Cash held in Indonesia	**1,082**	1,012
Total cash	**76,299**	37,061

Of the $20.4 million held in Thailand, approximately $12.5 million is reserved for payment of the Company's taxes in May 2011.

Working capital plus non-current cash deposits at March 31, 2011 was $69.2 million compared to $31.4 million at December 31, 2010, the increase attributable to the Company's financing, offset by capital expenditures in excess of operating cash flows. Specific details with respect to the fluctuations in working capital plus non-current deposits are shown in the "Financial and Operating Summary" table.

Non-current cash deposits of $4.7 million at March 31, 2011 relate to guarantees to the Thailand and Indonesia governments for the Company's work commitments, customs importation permits in Thailand and deposits with Indonesian contractors.

At March 31, 2011, Pan Orient held $10.6 million of equipment inventory to be utilized for future Thailand and Indonesia operations that is included in exploration and evaluation costs on the balance sheet.

Share Capital

Common Shares Outstanding at period-end (000s)	May 25, 2011	March 31, 2011
Common shares	56,685	56,544
Stock options	4,117	4,258
Total	60,802	60,802

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:

	2011	2010				2009		
	Q4	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Rate at end of period								
Thai baht / CAD $ exchange	**30.84**	29.80	29.10	30.44	31.42	31.53	30.69	29.14
U.S. dollar / CAD $ exchange	**0.971**	1.001	1.034	1.054	1.016	1.047	1.072	1.115

A fundamental aspect of the Company's treasury function is mitigating the effect of foreign currency exchange fluctuations to the extent possible and to accomplish this surplus funds are expatriated to Canada to be held in Canadian dollars. 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. With the Canadian dollar surpassing parity on the US dollar so far in 2011 the Company recorded an unrealized foreign exchange loss on its Indonesian operations and amounts in Thailand and Canada held in US dollars. The Canadian dollar also appreciated against the Thai baht in the current period, creating an unrealized loss on the Company's Thailand operations. All unrealized amounts were recorded in accumulated other comprehensive income (AOCI) on the balance sheet as follows:

	Three Months Ended March 31	
($000s)	2011	2010
AOCI balance at beginning of period	**2,915**	-
Unrealized foreign currency translation (loss) gain	**(6,124)**	(1,126)
AOCI balance at end of period	**(3,209)**	(1,126)

The accumulated other comprehensive income was comprised of the following:

	As at	
($000s)	March 31, 2011	March 31, 2010
Foreign exchange (loss) gain related to Thailand	**(4,477)**	277
Foreign exchange (loss) related to Indonesia	**(1,647)**	(1,403)
Total accumulated other comprehensive (loss) income	**(6,124)**	(1,126)

Commitments

As at March 31, 2011 the Company's estimated outstanding capital commitments were as follows:

			Estimated Net Financial Commitment	
Country and Concession Name	**Remaining Work Program Commitment**	**Obligation Period Ending**	**USD ($000s)**	**CAD ($000s) (1)**
Thailand				
L 44/43	▪ study and training fund	July 2012	18	17
L33/43	▪ geological studies	July 2012	30	29
	▪ study and training fund		18	17
L 53/48	▪ drill 2 exploration wells	January 2013	650	632
	▪ geological studies		55	53
	▪ study and training fund		47	46
Total Thailand			818	794
Indonesia (2)(3)				
Citarum	▪ drill 3 exploration wells	October 2011	12,846	12,483
Batu Gajah	▪ 400 km^2 3D seismic	January 2012	19,307	18,762
	▪ drill 2 exploration wells			
South CPP	▪ 200 km 2D seismic	November 2011	5,511	5,514
	▪ drill one exploration well			
Total Indonesia			37,664	36,759
Consolidated Total			38,482	37,553

(1) *Translated at March 31, 2011 exchange rates.*
(2) *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 (3% for each PSC).*
(3) *Does not include planned capital activities with respect to the East Jabung PSC.*

Indonesia financial commitments as provided above represent the work program required under the initial 3-year exploration period of the PSC. With respect to Citarum and Batu Gajah, extension of this initial exploration period has been successfully negotiated with the Government of Indonesia (GOI) to the dates indicated above. If Pan Orient exercises its options to continue beyond the exploration period, additional commitments will be determined on a year-by-year basis through submission of a work program and approval from the GOI.

Although extension of the exploration period is a departure from the original contract, it is considered standard practice in Indonesia. 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, both Citarum and Batu Gajah have complied with these penalty relinquishments. 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 management's estimates of the minimum amounts required to fulfill the work program requirements in Thailand and Indonesia. Actual expenditures required to carry out these commitments may be significantly different from the estimates. The Company intends to fund commitments through existing cash surplus, expected cash flows from Thailand operations and funds from the 2011 financing.

Summary of Quarterly Results

	2011	2010				2009		
	Q1	Q4[1]	Q3[1]	Q2[1]	Q1	Q4[1]	Q3[1]	Q2[1]
Production (BOPD)	**2,246**	4,056	4,211	3,448	3,816	3,370	3,648	4,840
Per Unit information ($/bbl)								
Realized oil price	**91.26**	76.36	69.82	71.51	72.91	71.87	68.01	60.01
Royalties	**(4.95)**	(4.99)	(4.52)	(4.41)	(4.68)	(4.46)	(4.31)	(4.31)
Transportation & operating	**(12.89)**	(10.46)	(8.96)	(8.77)	(8.92)	(9.80)	(8.29)	(6.66)
	73.41	60.91	56.34	58.33	59.31	57.61	55.41	49.04
Financial ($000's) except as indicated								
Oil revenue	**18,449**	28,495	27,050	22,436	25,038	22,280	22,824	26,432
Interest revenue	**38**	32	20	30	36	26	12	109
Net income (loss)[3]	**3,928**	8,495	4,727	3,948	3,405	6,996	10,617	(5,349)
Per share basic ($)	**0.08**	0.17	0.10	0.08	0.07	0.15	0.23	(0.12)
Per share diluted ($)	**0.08**	0.17	0.09	0.08	0.07	0.14	0.22	(0.12)
Capital expenditures[4]	**19,972**	13,638	11,012	16,409	20,269	18,960	16,033	14,906
Total assets	**350,589**	286,151	275,508	261,635	254,964	241,781	227,198	227,898
Shares outstanding (000s)	**56,544**	48,741	48,619	48,594	47,414	46,313	46,163	46,168

(1) Amounts are stated in accordance with Canadian Generally Accepted Accounting Principles prior to the conversion to IFRS.
(2) Net income (loss) attributed to common shareholders
(3) Excluding asset retirement obligation and acquisition costs

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 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 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.

Q4 2010 – The Company reported funds flow from operations of $17.8 million, an increase of $2.4 million over the previous quarter and $7.9 million higher than the fourth quarter of 2009. Compared to the most recent quarter, revenue was $1.5 million higher as a result of an increase in the realized oil price and current taxes were $1.4 million lower. The Company's capital program in Thailand had capital expenditures of $11.7 million and focused on exploration and appraisal drilling in the WBEXT field in Concession L44. In Indonesia, capital expenditures of $1.6 million related to drilling on Batu Gajah which commenced in March 2011 and capitalized G&A. Funds flow from operations exceeded capital expenditures by $4.2 million resulting in working capital plus deposits of $31.5 million, an increase of $3.8 million over the previous quarter. Net income attributed to common shareholders of $8.5 million ($0.17 per share on a diluted basis) was $3.8 million higher than the third quarter, impacted by higher depletion expense and lower future income tax expense.

Q1 2011 – Funds flow from operations for the first quarter was $12.4 million compared to $17.8 million in the fourth quarter of 2010, the reduction primarily a result of reduced revenues attributed to lower production volumes. Average daily oil sales for the period was 2,246 BOPD, a 45% decrease from the fourth quarter of 2010. Oil sales in Concession L44 declined during the first quarter of as a result of incursion of water at the WBEXT-1C well in early January, wells coming off high initial production rates, and three significant wells being brought back on-stream at reduced rates to minimize the water cut. Oil sales at Concession L53 increased in the first quarter of 2011 with increased production from a workover of the L53-A well and new oil production from the L53-A1 well. On a per barrel basis the Company's funds flow from operations was $61.15 compared to $47.71 in the previous quarter. Funds flow in the first quarter of 2011 benefitted from lower current taxes which were 5.4% as a percentage of crude oil sales compared to 14.2% in the fourth quarter of 2010. Net income attributable to Common Shareholders was $3.9 million ($0.08/share basic) for the quarter versus $8.5 million in the fourth quarter of 2010. The Company drilled 6 (4.4 net) wells in Thailand and 1 (1.0 net) well in Indonesia for total capital expenditures of $20.0 million. Also during the period the Company increased its interests in the three Indonesia PSCs for a total cost of $1.8 million including $0.4 million of Pan Orient shares issued and Andora completed an acquisition for a total cost of $3.2 million in warrants issued to the vendor. During the quarter the Company completed a financing involving the issuance of 7.6 million common shares for net proceeds of $46.6 million. At March 31, 2011, working capital plus non-current deposits was $69.2 million and the Company had no long-term debt.

Additional Information

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