



PAN ORIENT ENERGY CORP.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2015
(Unaudited)**

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

(\$000s)	March 31 2015	December 31 2014
Assets		
Current		
Cash and cash equivalents	70,726	26,857
Accounts receivable	1,862	3,910
Taxes receivable	12,740	12,915
	85,328	43,682
Deposits	4,332	4,617
Investment in joint venture (note 4)	38,758	-
Property, plant and equipment (note 5)	673	54,314
Exploration and evaluation (note 6)	176,705	187,057
Total assets	305,796	289,670
Liabilities		
Current		
Accounts payable and accrued liabilities	4,705	7,444
Taxes payable	-	1
	4,705	7,445
Employee pension liabilities	-	96
Deferred tax liabilities	7,263	26,121
Decommissioning provision (note 7)	1,307	3,783
Total liabilities	13,275	37,445
Shareholders' equity		
Share capital (note 8)	117,361	117,656
Contributed surplus	23,289	22,362
Non-controlling interest	17,311	17,309
Accumulated other comprehensive income	19,902	14,180
Retained earnings	114,658	80,718
Total shareholders' equity	292,521	252,225
Total liabilities and shareholders' equity	305,796	289,670

Commitments (note 11)
Contingencies (note 12)
Subsequent events (note 13)

See accompanying notes to the condensed interim consolidated financial statements.

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

(\$000s, except per share amounts)	Three Months Ended March 31	
	2015	2014
Revenue		
Oil	809	6,750
Royalties	(38)	(329)
Interest	48	90
	819	6,511
Expenses		
Production and operating	257	1,038
Transportation	24	104
Depletion, depreciation and amortization	975	3,458
Exploration (note 6)	161	309
General and administrative	1,226	1,221
Stock-based compensation	826	301
Loss from investment in joint venture (note 4)	293	-
Impairment (note 6)	1,742	-
Foreign exchange gain	(722)	(451)
Gain on disposition of Thailand interest (note 3)	(38,471)	-
	(33,689)	5,980
Income before taxes and non-controlling interest	34,508	531
Taxes		
Current income tax expense	-	1
Deferred income tax expense	566	774
	566	775
Net income (loss)	33,942	(244)
Other comprehensive income		
Foreign exchange gain on translation of foreign operations	13,772	5,454
Foreign exchange gain on translation of joint venture	436	-
Total other comprehensive income	14,208	5,454
Total comprehensive income	48,150	5,210
Net income (loss) attributable to:		
Common shareholders	33,940	(185)
Non-controlling interest	2	(59)
Net income (loss)	33,942	(244)
Total comprehensive income (loss) attributable to:		
Common shareholders	48,148	5,269
Non-controlling interest	2	(59)
Total comprehensive income	48,150	5,210
Net income (loss) per share attributable to common shareholders (note 8)		
Basic and diluted	\$ 0.60	\$ (0.00)

See accompanying notes to the condensed interim consolidated financial statements.

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

(\$000s)	Share Capital	Contributed Surplus	NCI	AOCI	Retained Earnings	Total
Balance as at January 1, 2014	117,656	21,174	17,310	2,536	83,201	241,877
Net loss	-	-	(59)	-	(185)	(244)
Stock-based compensation expense	-	301	-	-	-	301
Capitalized stock-based compensation	-	72	-	-	-	72
Shares issued to non-controlling interest	-	-	60	-	-	60
Transactions effecting non-controlling interest	-	-	(5)	-	5	-
Other comprehensive income	-	-	-	5,454	-	5,454
Balance as at March 31, 2014	117,656	21,547	17,306	7,990	83,021	247,520
Balance as at January 1, 2015	117,656	22,362	17,309	14,180	80,718	252,225
Net income	-	-	2	-	33,940	33,942
Stock-based compensation expense	-	826	-	-	-	826
Capitalized stock-based compensation	-	8	-	-	-	8
Normal course issuer bid	(295)	93	-	-	-	(202)
Other comprehensive income	-	-	-	14,208	-	14,208
Disposition of Thailand interest (note 3)	-	-	-	(8,486)	-	(8,486)
Balance as at March 31, 2015	117,361	23,289	17,311	19,902	114,658	292,521

See accompanying notes to the condensed interim consolidated financial statements.

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

(\$000s)	Three Months Ended	
	March 31	
	2015	2014
Cash Provided From (Used in)		
Operating Activities		
Net income (loss)	33,942	(244)
Adjustments for non-cash items:		
Deferred tax expense	566	774
Depletion, depreciation and amortization	975	3,458
Stock-based compensation	826	301
Stock-based payments	-	60
Accretion	10	18
Loss from investment in joint venture	293	-
Impairment (note 6)	1,742	-
Gain on disposition of Thailand interest (note 3)	(38,471)	-
Changes in non-cash working capital	(393)	232
Cash flow (used in) from operating activities	(510)	4,599
Investing Activities		
Property, plant and equipment	(62)	(2,278)
Exploration and evaluation	(1,802)	(8,732)
Dispositions of oil and gas assets	-	2,698
Net proceeds on disposition of Thailand interest (note 3)	52,028	-
Cash and cash equivalents disposed on sale of Thailand interest	(5,081)	-
Deposits	(496)	-
Change in amounts due from joint venture	(28)	-
Changes in non-cash working capital	(556)	(2,504)
Cash flow from (used in) investing activities	44,003	(10,816)
Financing Activities		
Normal course issuer bid	(202)	-
Cash flow used in financing activities	(202)	-
Change in cash and cash equivalents	43,291	(6,217)
Effect of foreign exchange on cash held in foreign currency	578	110
Cash and cash equivalents, beginning of period	26,857	41,831
Cash and cash equivalents, end of period	70,726	35,724

See accompanying notes to the condensed interim consolidated financial statements.

Pan Orient Energy Corp.
Notes to the Condensed interim consolidated financial statements
(Expressed in Canadian dollars, unless otherwise noted)
(Unaudited)

1) CORPORATE INFORMATION

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

The Company is an oil and natural gas company which holds properties onshore Thailand and Indonesia as well as an interest in Andora Energy Corporation (Andora) which holds properties in Northern Alberta. The Company is continually pursuing other oil and natural gas exploration opportunities in Asia.

On February 2, 2015 the Company completed the sale of a 49.99% equity interest in Pan Orient Energy (Siam) Ltd. The transaction has resulted in Pan Orient Energy (Siam) Ltd. changing from a wholly owned subsidiary of Pan Orient to a jointly controlled investment effective February 2, 2015 (see note 3).

2) BASIS OF PRESENTATION

Statement of Compliance

The condensed interim consolidated financial statements for the Company as at March 31, 2015 and for the three months ended March 31, 2015 and 2014 should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2014. The condensed interim consolidated financial statements are prepared using the same accounting policies and methods of computation as disclosed in the annual consolidated financial statements.

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

The condensed interim consolidated financial statements were approved by the Company's Board of Directors on May 21, 2015.

Pan Orient Energy Corp.
Notes to the Condensed interim consolidated financial statements
(Expressed in Canadian dollars, unless otherwise noted)
(Unaudited)

3) DISPOSITION OF THAILAND INTEREST

On February 2, 2015 the Company sold a 49.99% equity interest in its subsidiary Pan Orient Energy (Siam) Ltd. and retained a 50.01% equity interest in the company. The transaction resulted in Pan Orient Energy (Siam) Ltd. changing from a wholly-owned and controlled subsidiary to a joint arrangement where the Company shares joint control with the purchaser of the 49.99% equity interest. The resulting joint arrangement is classified as a Joint Venture under IFRS 11 and is required to be accounted for using the equity method of accounting rather than consolidated as it had previously been when Pan Orient Energy (Siam) Ltd. was a controlled subsidiary. The change in accounting from consolidation to the equity method has resulted in the accounts of Pan Orient Energy (Siam) Ltd. being derecognized from the consolidated financial statements and a net investment related to the portion of the interest retained being recognized at its estimated fair value upon initial recognition. The estimated fair value of the Company's 50.01% retained interest in Pan Orient Energy (Siam) Ltd. was calculated based on the sale of the 49.99% equity interest in Pan Orient Energy (Siam) Ltd., adjusted for estimated changes in crude oil prices and foreign exchange rates from the date of the November 5, 2014 Share Sale and Purchase Agreement to the closing on February 2, 2015.

The resulting gain on the disposition is calculated as follows:

(\$000s)	
Sale of 49.99% equity interest on February 2, 2015	
Cash proceeds from disposition	53,456
Transaction costs	(1,428)
Net proceeds	52,028
Add:	
Initial recognition of retained interest in Joint Venture, at fair value	38,587
Less:	
Amounts derecognized from the consolidated financial statements:	
Cash and cash equivalents	(5,081)
Non-cash working capital	(440)
Deposits	(781)
Property, plant and equipment	(57,353)
Exploration and evaluation	(20,972)
Employee pension liabilities	105
Decommissioning provision	2,645
Deferred tax liabilities	21,247
Accumulated other comprehensive income	8,486
Net assets derecognized from the consolidated financial statements	(52,144)
Gain on disposition of Thailand interest	
	38,471

Pan Orient Energy Corp.
Notes to the Condensed interim consolidated financial statements
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4) INVESTMENT IN JOINT VENTURE

On February 2, 2015 the Company sold a 49.99% equity interest in its subsidiary Pan Orient Energy (Siam) Ltd. and retained a 50.01% equity interest in the company. The Company's retained interest in Pan Orient Energy (Siam) Ltd. is considered a Joint Venture under IFRS and is accounted for using the equity method. On February 2, 2015 the investment was recorded at fair value and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss subsequent to February 2, 2015. Distributions received from the joint venture reduce the carrying amount of the investment whereas funding to the joint venture increase the carrying amount. The Company's profit or loss includes its share of the joint venture's profit or loss and the Company's other comprehensive income includes its share of the joint venture's other comprehensive income.

The Company retained a 50.01% interest in Pan Orient Energy (Siam) Ltd. and the carrying amount is as follows:

(\$000s)	March 31	
	2015	2014
Investment in joint venture, beginning of period	-	-
Investment in joint venture retained (note 3)	38,587	-
Change in amounts due from joint venture	28	-
Net loss from joint venture, after tax	(293)	-
Foreign currency translation	436	-
Investment in joint venture, end of period	38,758	-

Pan Orient Energy (Siam) Ltd. Summarized Financial Information (\$000s)	March 31	
	2015	2014
Current assets	7,556	7,998
Non-current assets	83,028	78,697
Current liabilities	(5,589)	(3,289)
Non-current liabilities	(25,390)	(65,550)
Net assets	59,605	17,856

Pan Orient's Investment in Joint Venture		
Pan Orient's share of net assets	29,806	-
Fair value adjustment on initial recognition	8,924	-
Amounts due from joint venture	28	-
Investment in joint venture	38,758	-

Pan Orient Energy Corp.
Notes to the Condensed interim consolidated financial statements
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The Company's share of income or loss from the joint venture is as follows:

Pan Orient Energy (Siam) Ltd. Summarized Statement of Comprehensive Income (\$000s)	Three Months Ended March 31	
	2015	2014
Oil revenue	2,585	6,750
Royalties	(124)	(329)
Interest income	2	2
Total revenue	2,463	6,423
Production and operating	692	1,038
Transportation	68	104
Depletion, depreciation and amortization	2,783	3,416
General and administrative	452	309
Foreign exchange loss	2,954 ⁽¹⁾	-
Total expenses	6,949	4,867
Current income tax	-	-
Deferred income tax	(650)	820
Total taxes	(650)	820
Net income (loss)	(3,836)	736
Other comprehensive income	5,847	2,649
Total comprehensive income	2,011	3,385
Pan Orient's share of income, consolidated into financial statements, up to February 1, 2015 (100% net to Pan Orient)		
Pan Orient's share of net income (loss)	(296) ⁽¹⁾	736
Pan Orient's share of other comprehensive income	4,975	2,649
Pan Orient's share of income from joint venture under equity method, subsequent to February 1, 2015 (50.01% net to Pan Orient)		
Pan Orient's share of net loss	(293)	-
Pan Orient's share of other comprehensive income	436	-

(1) Net loss includes foreign exchange loss of \$3.0 million in the joint venture from repayment of intercompany loans that is eliminated on consolidation.

Pan Orient Energy Corp.
Notes to the Condensed interim consolidated financial statements
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(Unaudited)

5) PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the carrying amount of property, plant and equipment as at March 31, 2015 is set out below.

(\$000s)	Thailand	Indonesia	Canada	Total
Cost				
At January 1, 2015	98,626	223	1,348	100,197
Additions	60	2	-	62
Transfers from explorations and evaluation	16	-	-	16
Changes in decommissioning provision	(138)	-	-	(138)
Foreign currency translation	8,971	48	-	9,019
Disposition of Thailand interest (note 3)	(107,535)	-	-	(107,535)
At March 31, 2015	-	273	1,348	1,621
Accumulated depletion, depreciation and amortization				
At January 1, 2015	(45,012)	(180)	(691)	(45,883)
Depletion, depreciation and amortization	(943)	(11)	(21)	(975)
Foreign currency translation	(4,227)	(45)	-	(4,272)
Disposition of Thailand interest (note 3)	50,182	-	-	50,182
At March 31, 2015	-	(236)	(712)	(948)
Net book value				
At January 1, 2015	53,614	43	657	54,314
At March 31, 2015	-	37	636	673

General and administrative costs totaling \$37 thousand (March 31, 2014 - \$103 thousand) that were directly related to development activities have been capitalized as property, plant and equipment.

Future development costs of \$18.3 million (March 31, 2014 - \$17.7 million) in Thailand were included in the depletable base when calculating depletion prior to disposition on February 2, 2015.

6) EXPLORATION AND EVALUATION

A reconciliation of the carrying amount of exploration and evaluation (E&E) assets as at March 31, 2015 is set out below.

(\$000s)	Thailand	Indonesia	Canada	Total
At January 1, 2015	19,203	91,446	76,408	187,057
Additions	-	428	1,382	1,810
Transfers to property, plant and equipment	(16)	-	-	(16)
Changes in decommissioning provision	-	-	90	90
Foreign currency translation	1,785	8,693	-	10,478
Impairment	-	(1,742)	-	(1,742)
Disposition of Thailand interest (note 3)	(20,972)	-	-	(20,972)
At March 31, 2015	-	98,825	77,880	176,705

General and administrative costs totaling \$0.4 million (March 31, 2014 - \$0.7 million) and stock-based compensation totaling \$8 thousand (March 31, 2014 - \$72 thousand) that were directly related to exploration and evaluation activities have been capitalized as exploration and evaluation assets.

As at March 31, 2015 Andora's Sawn Lake steam assisted gravity drainage (SAGD) demonstration project has not yet proven that it is commercially viable and all related costs and revenues are being capitalized as E&E assets until commercial viability is achieved. Commercial viability is determined based on several factors including the assignment of proven and probable reserves. Upon being determined commercially viable the related E&E assets will be tested for impairment and reclassified to property, plant and equipment where they will be depleted.

Recoverability of the capitalized costs is dependent on successfully completing development of the properties. With respect to the Canadian properties, recoverability is also dependent on determining the technical feasibility of the project. Capitalized costs incurred to date do not necessarily represent present or future values.

Pan Orient Energy Corp.
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In 2013 the Company recorded an impairment provision on its intangible assets related to the Citarum PSC in Indonesia. In 2015 all costs related to the Citarum PSC have been expensed as exploration expense.

In the first quarter of 2015 the Company recorded a \$1.7 million impairment charge for equipment inventory in Indonesia which is now expected to be forfeited at the expected expiry of the Citarum PSC in October 2015.

7) DECOMMISSIONING PROVISION

(\$000s)	Three Months Ended March 31	
	2015	2014
Decommissioning provision, beginning of period	3,783	3,459
Obligations incurred	-	99
Revisions to obligations	(48)	(64)
Decommissioning expenditures	-	(99)
Accretion	10	18
Foreign currency translation	207	95
Disposition of Thailand interest (note 3)	(2,645)	-
Decommissioning provision, end of period	1,307	3,508

The decommissioning provision is based on the Company's net ownership of wells and facilities in Thailand, Indonesia and Canada, management's estimates of costs to abandon and reclaim those wells and facilities and the potential future timing of the costs to be incurred. Total undiscounted cash flows, escalated at 2.0% for inflation, required to settle the Company's decommissioning provision are estimated to be \$1.9 million (March 31, 2014 . \$3.9 million). Payments to settle the provision will be made over the operating lives of the underlying assets and are estimated to be incurred between 2024 and 2050. Estimated costs have been discounted at the risk-free interest rate in the jurisdiction in which the expenditure is expected to be incurred which averaged at 2% at March 31, 2015 (March 31, 2014 . 2%).

8) SHARE CAPITAL

(a) Authorized

Unlimited Common Voting Shares
Unlimited Preferred Shares

(b) Issued and Outstanding Class A Common Shares

Common Shares	Shares Issued	Shares Outstanding	Amount (\$000s)
Balance as at January 1, 2015	56,760,307	56,760,307	117,656
Shares purchased under normal course issuer bid	-	(142,900)	(295)
Balance as at March 31, 2015	56,760,307	56,617,407	117,361

In March 2015 the Company purchased 142,900 shares under a normal course issuer bid at prices ranging from \$1.41 per share to \$1.43 per share. The shares were cancelled in April 2015.

Pan Orient Energy Corp.
Notes to the Condensed interim consolidated financial statements
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(Unaudited)

(c) Options to Purchase Common Shares

	Number of Options	Weighted Average Exercise Price (\$)
Options outstanding at January 1, 2014	3,211,000	2.70
Granted	2,195,000	1.83
Options outstanding at March 31, 2015	5,406,000	2.35

Options Outstanding at March 31, 2015					Options Exercisable at March 31, 2015		
Exercise Price (\$)	Number of Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)		Number of Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)
1.83 . 2.00	3,381,000	1.86	4.44		790,666	1.92	3.67
2.01 . 4.00	1,535,000	2.72	2.43		1,518,334	2.72	2.43
4.01 . 6.00	450,000	4.35	2.58		450,000	4.35	2.58
6.01 . 6.32	40,000	6.32	0.66		40,000	6.32	0.66
1.83 . 6.32	5,406,000	2.35	3.69		2,799,000	2.81	2.78

(d) Stock-based Compensation

The fair value of the stock options granted has been estimated on the grant dates using the Black-Scholes option pricing model. Weighted average assumptions and resultant fair values for stock options granted during the three months ended March 31, 2015 and 2014 are as follows:

	Three Months Ended March 31	
	2015	2014
Risk free interest rate (%)	1	-
Expected lives (years)	5	-
Expected volatility (%)	63	-
Dividend per share (%)	-	-
Forfeiture rate (%)	10	-
Weighted average fair value, per option	\$0.96	-

(e) Andora Energy Corporation

i) Issued and Outstanding Class A Common Shares

As at March 31, 2015 Andora had 100.1 million (March 31, 2014 . 100.1 million) common shares issued and outstanding of which Pan Orient held 71.8% (March 31, 2014 . 71.8%).

Pan Orient Energy Corp.
Notes to the Condensed interim consolidated financial statements
(Expressed in Canadian dollars, unless otherwise noted)
(Unaudited)

ii) Options to Purchase Common Shares of Andora

		Number of options	Weighted average exercise price (\$)
Balance as at January 1 and March 31, 2015		9,552,035	0.60
Options Outstanding at March 31, 2015			
Exercise Price (\$)	Number of Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)
0.60	9,552,035	0.60	1.42
Options Exercisable at March 31, 2015			
Number of Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	
9,552,035	0.60	1.42	

(f) Earnings per Share Attributable to Common Shareholders

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

	Three Months Ended March 31	
	2015	2014
Weighted average common shares . basic and diluted	56,750,780	56,760,307

Options to purchase 5,406,000 common shares outstanding at March 31, 2015 (March 31, 2014 . 5,589,500) were not included in the computation of weighted average diluted common shares because they were anti-dilutive.

9) FINANCIAL INSTRUMENTS

The Company's reporting currency is the Canadian dollar and its functional currencies are the Canadian dollar, the Thai baht and the U.S. dollar (%USD+). Changes in foreign exchange rates between the Canadian dollar and the U.S. dollar and Thai baht can affect earnings.

As at March 31 the following financial instruments were denominated in currencies other than the Canadian dollar:

	March 31, 2015			March 31, 2014		
	Thai baht (000s)	US dollar (\$000s)	Indonesia Rupiah (000s)	Thai baht (000s)	US dollar (\$000s)	Indonesia Rupiah (000s)
Cash and cash equivalents	-	42,315	650,691	95,835	5,911	629,130
Accounts receivable	-	87	-	124,692	262	-
Deposits	-	350	40,194,195	31,603	1,864	-
Accounts payable	-	(1,803)	(2,292,796)	(64,720)	(6,917)	(2,363,576)
Taxes payable	-	-	-	(49)	-	-
Net exposure in functional currency	-	40,949	38,552,090	187,358	1,120	(1,734,446)
Net exposure in Canadian dollars ⁽¹⁾ (\$000s)	-	51,935	3,889	6,455	1,239	(175)

(1) Translated at March 31, 2015 and 2014 exchange rates.

Pan Orient Energy Corp.
Notes to the Condensed interim consolidated financial statements
(Expressed in Canadian dollars, unless otherwise noted)
(Unaudited)

10) SEGMENTED INFORMATION

The Company has properties in three countries, each of which is considered a reportable segment. The three segments consist of: 1) partially developed conventional petroleum and natural gas properties in Thailand; 2) undeveloped petroleum and natural gas properties in Indonesia; and 3) an undeveloped heavy oil property in Canada. The following table provides information for each geographical segment for the three months ended March 31:

As at: (\$000s)	March 31, 2015				December 31, 2014			
	Thailand	Indonesia	Canada	Total	Thailand	Indonesia	Canada	Total
Property, plant and equipment	-	37	636	673	53,614	43	657	54,314
Exploration and evaluation	-	98,825	77,880	176,705	19,203	91,446	76,408	187,057
Other assets	-	6,283	83,492	89,775	8,474	6,342	33,483	48,299
Investment in Thailand Joint Venture	38,643	-	-	38,643	-	-	-	-
Total assets	38,643	105,145	162,008	305,796	81,291	97,831	110,548	289,670

Three Months Ended: (\$000s)	March 31, 2015				March 31, 2014			
	Thailand ⁽¹⁾	Indonesia	Canada	Total	Thailand	Indonesia	Canada	Total
Oil revenue	809	-	-	809	6,750	-	-	6,750
Royalties	(38)	-	-	(38)	(329)	-	-	(329)
Interest revenue	1	-	47	48	2	-	88	90
Total revenue	772	-	47	819	6,423	-	88	6,511
Production and operating	257	-	-	257	1,038	-	-	1,038
Transportation	24	-	-	24	104	-	-	104
Depletion and depreciation	943	11	21	975	3,417	12	29	3,458
Exploration	-	161	-	161	-	309	-	309
General and administrative	190	457	579	1,226	314	297	610	1,221
Stock based compensation	-	-	826	826	-	-	301	301
Loss from joint venture	293	-	-	293	-	-	-	-
Impairment	-	1,742	-	1,742	-	-	-	-
Foreign exchange (gain) loss	8	(220)	(510)	(722)	-	108	(559)	(451)
Gain on disposition of Thailand interests	-	-	(38,471)	(38,471)	-	-	-	-
Total expenses	1,715	2,151	(37,555)	(33,689)	4,873	726	381	5,980
Current income tax	-	-	-	-	1	-	-	1
Deferred income tax expense (recovery)	(340)	-	906	566	820	-	(46)	774
Total taxes	(340)	-	906	566	821	-	(46)	775
Net income (loss) attributable to:								
Common shareholders	(603)	(2,151)	36,694	33,940	729	(726)	(188)	(185)
Non-controlling interest	-	-	2	2	-	-	(59)	(59)
Total net income (loss)	(603)	(2,151)	36,696	33,942	729	(726)	(247)	(244)
Capital expenditures	60	430	1,374	1,864	2,554	4,310	4,146	11,010

(1) Amounts for Thailand includes operating results from January 1, 2015 to February 1, 2015 (100% net to Pan Orient). The amounts from February 2, 2015 to March 31, 2015 are not included above and are reported in the loss from investment in joint venture (50.01% net to Pan Orient). (see Note 3 and 4)

11) COMMITMENTS

As at March 31, 2015 the Company's estimated outstanding capital commitments are as follows:

Country and Concession Name	Remaining Work Program Commitment	Obligation Ending	Estimated Net Financial Commitment	
			USD ⁽¹⁾ (\$'000s)	CAD ⁽¹⁾ (\$'000s)
Indonesia ⁽²⁾				
East Jabung ⁽³⁾	▪ Geological studies	November 2015	154	195
	▪ Drill two exploration wells	November 2015	7,736	9,819
Total Indonesia			7,890	10,014
Canadian Heavy Oil Sands – Andora Energy Corporation				
Sawn Lake, Alberta	▪ Natural gas pipeline tie-in and tariff	October 2018	254	322
Total Canada			254	322
			8,144	10,336

(1) Translated at March 31, 2015 exchange rates.

(2) Indonesia financial commitments as provided above represent the required initial 3-year firm exploration work program required under the PSC. The extension of these initial 3-year firm exploration work program commitments have been successfully negotiated in the past with the Government of Indonesia ("GOI"). The deadlines for commitments and potential extension of the total exploration period with potential additional commitments is determined on a year-by-year basis as part of an annual submission of a work program which is approved by the GOI. Although extension of the deadline for completion of the 3-year firm exploration work program 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 relinquished is at the discretion of the operator). Depending on the stage of the PSC, failure to fulfill the required firm commitments may also result in penalty payment equal to the unfulfilled commitments and/or forfeiture of the PSC.

(3) In the fourth quarter of 2014 the Company entered into a farm-in agreement for the transfer of a 51% direct working interest and operatorship of the East Jabung PSC. The agreement includes a firm commitment by the farminee to fund the first USD \$10.0 million towards the first exploration well and a contingent commitment to fund the first USD \$5.0 million towards an appraisal well, if justified. The transaction is subject only to GOI approval and is expected to close upon the receipt of the approval. On May 15, 2015, the Government of Indonesia approved the transfer of the 51% participating interest and operatorship of the East Jabung PSC and the commitment associated with the retained 49% participating interest will reduce to \$4.9 million.

Management's estimate of the minimum amount to fulfill the commitments in Indonesia is based either on the amount stated in the PSC agreement, or the work program budget approved by the GOI if the work program activity has commenced.

Actual expenditures required to carry out these commitments may be significantly different from the estimates. The Company intends to fund commitments through expected cash flows from Thailand and the Company's existing cash balance.

12) CONTINGENCIES

- The Company has significant international operations and subsidiaries incorporated outside of Canada. The international operations and earnings of the Company and its affiliates have been, and may in the future be, affected from time to time in varying degree by political developments and laws and regulations, such as forced divestiture of assets; restrictions on production, imports and exports; price controls; tax increases and retroactive tax claims; expropriation of property; cancellation of contract rights and environmental regulations. Both the likelihood of such occurrences and their overall effect upon the Company can vary greatly from country to country and are not predictable.
- The Tax Directorate General of Indonesia assessed several oil and gas companies operating in Indonesia for 2012, 2013 and 2014 Land and Building Tax using a new framework, especially for the calculation of surface Land and Building Tax on offshore acreage, which is being challenged by the impacted oil and gas companies in Indonesia. Pan Orient was issued a Tax Assessment and Notification for the East Jabung PSC for 78,705 million Indonesian rupiah or \$7.6 million when translated at the March 31, 2015 exchange rate. The potential accrued penalty for the unpaid tax to the end of the period was an additional \$2.2 million. Of the total amount for the assessed Land and Building Tax and penalty of \$9.9 million, \$9.2 million is associated with the 2013 assessment on the Company's offshore acreage which the Company applied to voluntarily relinquish in the fourth quarter of 2013 and finalized in 2014.

Pan Orient lodged an Objection with the Indonesian Tax Office in September 2013 in respect of the 2012 and 2013 Land and Building Tax for the East Jabung PSC and on September 25, 2014 the Indonesia Tax Office rejected the Company's Objection and also rejected the objections of the other oil and gas companies on this issue. In the fourth quarter of 2014 the Company filed an appeal to the Tax Office's Objection with the Indonesian Tax Court and, as required by Indonesian law to file an appeal with the Indonesian Tax Court, paid a refundable deposit of \$3.9 million, which is equal to 50% of the tax being disputed. Management believes that the Company has a strong position against the taxes assessed and the liability for the taxes has not been recorded in these condensed interim consolidated financial statements. In the event the Company loses the appeal, it has the option to further appeal to a higher court level which may take three years to deliver a verdict or the Company can pay the total taxes less the already paid 50% deposit. The Company would also be required to pay a penalty up to a maximum of \$2.7 million should it lose the appeal and exhaust all other appeal options.

With respect to the Land and Building Tax assessment for 2014, the Tax Office rejected the Company's objection in the first quarter of 2015 on the assessment of 2014 subsurface Land and Building tax and the Company made an additional \$85 thousand deposit to appeal the 2014 subsurface Land and Building Taxes along with the 2012 and 2013 assessments.

In the fourth quarter of 2014 Pan Orient entered into an agreement to transfer a 51% interest and operatorship of the East Jabung PSC and the Company is responsible for the contingency of the Land and Building Tax obligation of the East Jabung PSC as discussed in this note to the financial statements.

13) SUBSEQUENT EVENTS

(a) East Jabung PSC Farm-out

In the fourth quarter of 2014 Pan Orient entered into an agreement to transfer a 51% interest and operatorship of the East Jabung PSC for consideration of: 1) an upfront cash payment of USD\$ 8.0 million; 2) a firm commitment to fund the first USD\$ 10.0 million towards the first exploration well in addition to all related general and administrative expenses (G&A) and overhead costs incurred by the operator until the USD\$ 10.0 million expenditure has been completed; 3) an option for Pan Orient to acquire a 20% working interest in the farminee operated South Sumatra Joint Study Area where the farminee holds the right of first refusal in an upcoming Indonesia bid round to bid on a new PSC located adjacent to the East Jabung PSC; 4) a contingent commitment to fund the first USD\$ 5.0 million towards an appraisal well, if justified, in addition to all associated G&A and overhead incurred by the operator until the first USD\$ 5.0 million expenditure has been completed.

On May 15, 2015, the Government of Indonesia approved the transfer of the 51% participating interest and operatorship of the East Jabung PSC.

(b) Normal course issuer bid

From April 1, 2015 to May 21, 2015, the Company has purchased 579,100 common shares under a normal course issuer bid at prices in accordance with TSX Venture Exchange policy ranging from \$1.42 to \$1.64 per share.



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