PAN ORIENT ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

April 10, 2014

Management’s Discussion and Analysis

The following Management’s Discussion and Analysis (“MD&A”) of the operating and financial results of Pan Orient Energy Corp. (“Pan Orient” or the “Company”) is prepared effective April 10, 2014 and should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2013 and December 31, 2012. The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Pan Orient is an oil and natural gas company based in Calgary, Alberta, with properties onshore Thailand, onshore and offshore Indonesia and an interest in Andora Energy Corporation (“Andora”) which has properties in northern Alberta, Canada.

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 assumptions and, in the case where a tender process has been completed, actual contracted amounts. The estimated expenditures as provided by management will vary from the actual amounts required to carry out these commitments, and the difference may be significant.

Because forward-looking information addresses future events and conditions, it involves risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking information. These risks and uncertainties include, but are not limited to: commodity price volatility; well performance and marketability of production; transportation and refining availability and costs; exploration and development costs; the recoverability of estimated 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 April 10, 2014 and are subject to change after this date. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive and as such undue reliance should not be placed on forward-looking statements. Except as required by applicable securities laws, with the exception of events or circumstances that occurred during the period to which the MD&A relates that are reasonably likely to cause actual results to differ materially from material forward-looking information that was previously disclosed to the public, the Company disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Non-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 December 31		**Years Ended December 31**	
($thousands)	**2013**	2012	**2013**	2012
Cash flow from operating activities	**4,734**	5,954	**21,675**	34,323
Current tax recovery (expense) (1)	**185**	-	**435**	(3,408)
Changes in non-cash working capital	**679**	(121)	**482**	150
Taxes paid	**-**	4	**4**	3,754
Funds flow from operations	**5,598**	5,837	**22,596**	34,819

(1) Current tax recovery from operations as shown above excludes $14.2 million tax recovery related to the recovery of tax paid on the sale of the Thailand interest in 2012.

Funds flow from operations, funds flow from operations per barrel and funds flow from operations per share (basic and diluted) do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. 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 and undeveloped concessions located on-shore Thailand; 2) undeveloped interests in Indonesia Production Sharing Contracts ("PSCs"); and 3) undeveloped Canadian oil sands leases.

Thailand

At December 31, 2013, the Company has operated working interests in two concessions in Thailand: 100% working interest and operator for Concession L53/48 ("L53") and 20% working interest and operator for Concession L45/50 ("L45"). Concessions L53 and L45 are located approximately 60 kilometers west of Bangkok. Currently all of Pan Orient's production is crude oil from Concession L53 and is sold to a refinery owned by the Thai National Oil Company.

<u>Concession L53</u>
Concession L53 is partially developed and has oil production and an active drilling program. Oil production in 2013 averaged 887 BOPD. Proved plus probable reserves, as evaluated by Sproule International Limited of Calgary (the Company's independent reservoir engineers), as at December 31, 2013 assigned to the L53A, L53-D East and L53-G oilfields of Thailand Concession L53 was 1.5 million barrels net to Pan Orient, up from $1.1 million barrels in 2012 net to Pan Orient. The evaluation reflects the discovery of the L53G oil field with 594,000 barrels of oil, new pool discoveries of 386,000 barrels in the L53D field, partially offset by downward revision of 234,000 barrels of oil for the L53A and L53D oil fields, and oil production during 2013 of 323,676 barrels.

<u>Concession L45</u>
Concession L45 is an undeveloped property and as at December 31, 2013 no wells have been drilled by the Company and there is no production. No reserves have been assigned to Concession L45 at December 31, 2013. To earn a 20% working interest in Concession L45, the Company completed a 3D seismic program over the Concession in the second and third quarters of 2013. Pursuant to the Farm-in Agreement, the Company could have elected to drill an additional two wells to earn an additional 40% interest, however the Company has elected not to drill these wells and plans to let Concession L45 expire on April 27, 2014. Although the Company has only earned a 20% interest pursuant to the Farm-in Agreement, Pan Orient is registered with the government of Thailand as holding a 60% interest in Concession L45 and will be committed to 60% of the unfulfilled commitment when the Concession L45 expires in April 2014. As a result of the Company's election not to drill the wells and the upcoming expiration, a net impairment loss of $3.3 million was recorded in the fourth quarter of 2013 relating to Concession L45 consisting of $2.8 million impairment on seismic costs and a $0.5 million accrual for unfulfilled commitments.

Indonesia

At December 31, 2013, the Company owned interests in four PSCs, with a 97% operated working interest in the Citarum PSC, a 77% operated working interest in the Batu Gajah and South CPP PSCs, and a 100% interest in the East Jabung PSC. A 3% carried interest is held by a third party on the Citarum PSC and a 23% carried interest is held by third parties on the Batu Gajah and South CPP PSCs. There were no reserves assigned to any of the Indonesia PSCs at December 31, 2013.

<u>Citarum PSC</u>
At the Citarum PSC, the Cataka-1 exploration well commenced drilling on December 31, 2011 and was junked and abandoned due to severe drilling difficulties. The Jatayu-1 exploration well commenced drilling in March 2012 and was suspended in September 2012 due to drilling difficulties. Drilling recommenced in December 2012 utilizing slim hole drilling equipment. A severe overpressure gas zone encountered created an unacceptable level of well control risk and formation water present in gas zone suggested no commercial potential resulting in the well being abandoned. The Geulis-1 exploration well was drilled from early October 2012 to early November 2012 and the results indicated that the Geulis prospect is not deemed commercially viable on a stand-alone basis, but may be commercially viable as part of a larger development should exploration success be achieved at the Cataka or Jatayu prospects, the well has been abandoned. The Cataka-1A well commenced drilling in early December 2012 but was suspended in January 2013 due to numerous drilling rig issues and recommenced drilling in May 2013 with a new drilling rig, well design and personnel. The well encountered numerous intervals of severely tectonically fractured shale that were highly unstable and given the drilling difficulties encountered to date and the low probability of reaching the final objective in the Paragi Limestone zone, the well has been abandoned. Exploration drilling to date at the Citarum PSC has been very technically challenging and has not led to commercial discoveries. Pan Orient announced in 2013 that the Company was initiating a farm-out process to seek a partner for continued exploration of the Citarum PSC and the farm-out process has commenced. As a result of the Company's decision to discontinue drilling, a net impairment charge of $92.6 million was recorded in 2013. The Citarum PSC has significant prospectivity for commercial quantities of crude oil and natural gas, including the defined Cataka and Jatayu prospects, within a region of existing infrastructure and a large deficit of natural gas supply relative to demand, good fiscal terms and an attractive large cost recovery pool. The future value of the Citarum PSC is dependent on the success of exploration drilling operations through the intended farm-out arrangement.

<u>Batu Gajah PSC</u>
At the Batu Gajah PSC, Pan Orient commenced the exploration drilling program in late March 2011. The Tuba Obi Utara-1 (NTO-1) exploration well drilled in the first half of 2011 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 LTAF gas sand formation identified at the NTO-1 well, but of lower reservoir quality. The SE Tiung-1 exploration well drilled in mid-2011 encountered oil shows and good quality sands within the primary Lower Talang Akar target horizon but wire line logging indicated the zone to be water bearing. The secondary objective of the Gumai and Upper Talang Akar formation sands were also present, but interpreted as being water bearing. On January 16, 2013 1,730 square kilometers (gross) of exploration lands were relinquished at the Batu Gajah PSC which now holds 793 square kilometers (gross). In the first quarter of 2013 the Company drilled two exploration wells and commenced a 400 square kilometer 3D seismic program at the Batu Gajah PSC. The Shinta-1 exploration well was spudded in the first quarter of 2013 and encountered sub-commercial oil in the primary Lower Talangakar sandstone target. The Buana-1 well was also spudded in the first quarter of 2013 as an updip appraisal of the North Tuba Obi-1 well drilled in 2011, which targeted natural gas in the Lower Talang Akar formation. Open hole wire line logs and pressure data indicated the sands to be water bearing. These results suggest the Buana-1 and the North Tuba Obi-1 fault compartments are not in communication and the gas accumulation encountered in the North Tuba Obi-1 well in 2011 is limited and sub-commercial. For the remainder of 2013 the Company worked to complete the acquisition and evaluation of the 400 square kilometer 3D seismic program focused on the eastern half of the PSC. In the third quarter of 2013, the operator of the Lemang PSC (directly adjacent to Pan Orient's Batu Gajah PSC) announced that significant hydrocarbons have been encountered in two wells. One located approximately 175 meters from the shared Lemang / Batu Gajah PSC boundary and another approximately 500 meters from the shared boundary. Mapping of the 2D seismic data over these wells combined with the 2D seismic acquired by Pan Orient in 2010 indicates that a portion of this structural closure extends into Pan Orient's Batu Gajah PSC and perhaps the structural crest. Articles of the PSC contract indicate that unitization will be mandatory in the event of a "shared" field. Pan Orient is currently working on the front end requirements to drill a well on this area. Pan Orient is seeking to farmout a portion of the Company's interests in the Batu Gajah PSC.

<u>South CPP PSC</u>
A 227 kilometer 2D seismic program was completed in the first half 2013 and after evaluation of the seismic results the Company has decided to relinquish the South CPP PSC. As a result of this decision the Company has recorded a net impairment charge of $13.7 million in 2013.

<u>East Jabung PSC</u>
At the East Jabung PSC the firm three year exploration commitment includes two wells and 2D seismic acquisition and processing. A 425 kilometer 2D seismic program commenced in 2013 and is expected to be completed by end of April. In the fourth quarter of 2013 the Company submitted an application to the GOI to voluntarily relinquish approximately 3,242.72 square kilometers of the PSC's offshore area. At December 31, 2013 the relinquishment has not yet been finalized with the government of Indonesia. The result of the relinquishment does not impact the PSC's onshore exploration activities. The next mandatory relinquishment will be November 2017. Pan Orient is seeking to farmout a portion of the Company's interests in the East Jabung PSC.

Canada

Andora Energy Corporation is a private oil company in which Pan Orient has 71.8% ownership. Its principal activities to date relate to the development of the Sawn Lake area oil sands property in the Peace River Oil Sands Region of Northern Alberta using the steam assisted gravity drainage (“SAGD”) recovery process. Andora is in pre-production phase and the commercial viability of the SAGD recovery process at Sawn Lake has not yet been established. The Company has received regulatory approval to build and operate the SAGD demonstration project located in the Central Block of Sawn Lake where Andora is the operator and holds a 50% working interest. The demonstration project has started with a 2013 phase consisting of one SAGD well pair, a facility for steam generation, water handling and oil treating, and water source and disposal facilities. The total project has an estimated cost of $25.2 million. In July 2013, Andora and its joint venture partners entered into an agreement for the demonstration project at Sawn Lake, and Andora’s ’s joint venture partners elected to participate for 50% and provided the necessary funding to Andora. As part of the arrangement, a joint venture partner had the right to repurchase the 3% gross overriding royalty (“GORR”) on their 40% working interest in the 12 sections of the Central Block subject to certain terms and conditions. In the first quarter of 2014 the joint venture partner repurchased the GORR for $2.7 million. In the fourth quarter of 2013, the one SAGD well pair was drilled to a depth of approximately 650 meters and have a horizontal length of 750 meters. Work on construction of the facility and pipeline installation continued into 2014 and is expected to be completed in April 2014. It is expected that the steam operations will commence in April 2014 with oil production anticipated at approximately the end of July 2014.

Summarized financial information with respect to Andora is as follows:

	As at and for the Three Months Ended December 31		**As at and for the Years Ended December 31**	
($thousands)	**2013**	**2012**	**2013**	**2012**
Total assets	**91,733**	83,557	**91,733**	83,557
Total liabilities	**15,486**	6,627	**15,486**	6,627
Funds flow from operations	**21**	(121)	**(46)**	(415)
Net loss	**(1,017)**	(189)	**(1,323)**	(1,213)

Financial and Operating Summary	Three Months Ended December 31,		Twelve Months Ended December 31,		
(thousands of Canadian dollars except where indicated)	**2013**	2012	**2013**	2012	Change
FINANCIAL					
Oil revenue, before royalties and transportation expense	**8,880**	9,198	**32,196**	55,162	-42%
Funds flow from operations (Note 1)	**5,598**	5,837	**22,596**	34,819	-35%
Per share ï basic and diluted	**$ 0.10**	$ 0.10	**$ 0.40**	$ 0.61	-35%
Funds flow from operations by region (Note 1)					
Canada	**79**	(324)	**(157)**	(3,334)	-95%
Thailand	**6,272**	6,308	**24,209**	38,705	-37%
Indonesia	**(753)**	(147)	**(1,456)**	(552)	164%
Total	**5,598**	5,837	**22,596**	34,819	-35%
Funds flow ï Thailand disposition net proceeds (Note 2)	**-**	785	**-**	159,290	-100%
Net income (loss) attributed to common shareholders	**7,083**	859	**(93,362)**	86,642	-208%
Per share ï basic and diluted	**$ 0.13**	$ 0.02	**$ (1.64)**	$ 1.53	-208%
Working capital	**45,635**	114,210	**45,635**	114,210	-60%
Working capital & non-current deposits	**47,889**	116,376	**47,889**	116,376	-59%
Long-term debt	**-**	-	**-**	-	0%
Petroleum and natural gas properties					
Capital expenditures (Note 3)	**11,144**	20,539	**101,280**	78,011	30%
Acquisitions ï Indonesia (Note 4)	**-**	5,729	**-**	5,729	-100%
Shares outstanding (thousands)	**56,760**	56,720	**56,760**	56,720	0%
Funds Flow from Operations per Barrel (Note 1)					
Canada operations	**$ 0.89**	$ (3.42)	**$ (0.49)**	$ (6.37)	-92%
Thailand operations	**70.79**	66.66	**74.79**	73.97	1%
Indonesia operations	**(8.50)**	(1.55)	**(4.50)**	(1.05)	329%
Total	**$ 63.18**	$ 61.69	**$ 69.80**	$ 66.55	5%
Capital Expenditures (Note 3)					
Canada	**4,634**	316	**8,061**	575	1302%
Thailand	**1,765**	6,677	**40,209**	37,407	7%
Indonesia	**4,745**	13,546	**53,010**	40,029	32%
Total	**11,144**	20,539	**101,280**	78,011	30%
Working Capital and Non-current Deposits					
Beginning of period	**40,879**	134,061	**116,376**	51,632	125%
Funds flow from operations (Note 1)	**5,598**	5,837	**22,596**	34,819	-35%
Thailand disposition net proceeds (Note 2)	**-**	785	**-**	159,290	-100%
Thailand disposition ï sale of working capital (Note 2)	**-**	-	**-**	(4,591)	-100%
Capital expenditures (Note 3)	**(11,144)**	(20,539)	**(101,280)**	(78,011)	30%
Disposal of petroleum and natural gas assets	**1,239**	-	**1,239**	-	100%
Recovery of taxes paid on Thailand disposition (Note 5)	**12,458**	-	**14,243**	-	100%
Accrued relinquishment costs (Note 15 & 18)	**(513)**	-	**(3,246)**	-	100%
Special dividend	**-**	-	**-**	(42,540)	-100%
Acquisitions ï Indonesia (Note 6)	**-**	(3,552)	**-**	(3,552)	-100%
Foreign exchange impact on working capital	**(628)**	(335)	**(2,169)**	(790)	175%
Net proceeds on share transactions	**-**	119	**130**	119	100%
End of period	**47,889**	116,376	**47,889**	116,376	-59%
Canada Operations (excluding Thailand disposition)					
Interest income	**135**	349	**787**	845	-7%
General and administrative expense (Note 7)	**(427)**	(832)	**(1,429)**	(2,766)	-48%
Current income tax recovery	**185**	-	**437**	-	100%
Realized foreign exchange gain (loss)	**186**	159	**48**	(1,413)	-103%
Funds flow from operations (Note 1)	**79**	(324)	**(157)**	(3,334)	-95%
Funds flow from operations per barrel					
Interest income	**$ 1.52**	3.69	**$ 2.43**	$ 1.61	51%
General and administrative expense (Note 7)	**(4.82)**	(8.79)	**(4.41)**	(5.29)	-17%
Current income tax recovery	**2.09**	-	**1.35**	-	100%
Realized foreign exchange gain (loss)	**2.10**	1.68	**0.14**	(2.70)	-105%
Canada ï Funds flow from operations	**$ 0.89**	(3.42)	**$ (0.49)**	$ (6.37)	-92%
Wells drilled ï Andora Energy Corporation					
Gross	**2**	-	**2**	-	100%
Net	**1.0**	-	**1.0**	-	100%

(thousands of Canadian dollars except where indicated)	Three Months Ended December 31, 2013	2012	Twelve Months Ended December 31, 2013	2012	Change
Indonesia Operations					
General and administrative expense (Note 7)	**(665)**	(147)	**(1,482)**	(552)	168%
Realized foreign exchange (loss) gain	**(88)**	-	**26**	-	100%
Indonesia ï Funds flow from operations	**$ (753)**	(147)	**(1,456)**	(552)	164%
Wells drilled					
Gross	**-**	2	**3**	3	0%
Net	**-**	1.6	**3.0**	2.4	25%
Thailand Operations (Note 2)					
Oil sales (bbls)	**88,603**	94,624	**323,676**	523,259	-38%
Average daily oil sales (BOPD) by Concession					
L53	**963**	1,029	**887**	937	-5%
L44, L33, SW1 (interests sold June 15, 2012)	**-**	-	**-**	493	-100%
Total	**963**	1,029	**887**	1,430	-38%
Average oil sales price, before transportation (CDN$/bbl)	**$ 100.22**	$ 97.21	**$ 99.47**	$ 105.42	-6%
Reference Price (volume weighted) and differential					
Crude oil (Brent $US/bbl)	**$ 109.02**	$ 110.07	**$ 108.31**	$ 114.07	-5%
Exchange Rate $US/$Cdn	**1.05**	1.01	**1.03**	1.01	2%
Crude oil (Brent $Cdn/bbl)	**$ 115.04**	$ 110.80	**$ 112.37**	$ 115.57	-3%
Sale price / Brent reference price	**87%**	88%	**89%**	91%	-2%
Funds flow from operations (Note 1)					
Crude oil sales	**8,880**	9,198	**32,196**	55,162	-42%
Government royalty	**(438)**	(452)	**(1,590)**	(2,734)	-42%
Other royalty	**-**	-	**-**	(49)	-100%
Transportation expense	**(142)**	(135)	**(513)**	(931)	-45%
Operating expense	**(1,547)**	(1,750)	**(4,294)**	(6,994)	-39%
Field netback	**6,753**	6,861	**25,799**	44,454	-42%
General and administrative expense (Note 7)	**(491)**	(574)	**(1,625)**	(2,405)	-32%
Interest income	**10**	21	**37**	64	-42%
Current income tax	**-**	-	**(2)**	(3,408)	-100%
Thailand - Funds flow from operations (Note 1)	**6,272**	6,308	**24,209**	38,705	-37%
Funds flow from operations / barrel (CDN$/bbl) (Note 1)					
Crude oil sales	**$ 100.22**	$ 97.21	**$ 99.47**	$ 105.42	-6%
Government royalty	**(4.94)**	(4.78)	**(4.91)**	(5.22)	-6%
Other royalty	**-**	-	**-**	(0.09)	-100%
Transportation expense	**(1.60)**	(1.43)	**(1.58)**	(1.78)	-11%
Operating expense	**(17.46)**	(18.49)	**(13.27)**	(13.37)	-1%
Field netback	**76.22**	72.51	**79.71**	84.96	-6%
General and administrative expense (Note 7)	**(5.54)**	(6.07)	**(5.02)**	(4.60)	9%
Interest Income	**0.11**	0.22	**0.11**	0.12	-5%
Current income tax	**-**	-	**(0.01)**	(6.51)	-100%
SRB tax	**-**	-	**-**	-	0%
Thailand - Funds flow from operations (Note 1)	**$ 70.79**	$ 66.66	**$ 74.79**	$ 73.97	1%
Government royalty as percentage of crude oil sales	**5%**	5%	**5%**	5%	0%
SRB as percentage of crude oil sales	**0%**	0%	**0%**	0%	0%
Income tax as percentage of crude oil sales	**0%**	0%	**0%**	6%	-100%
As percentage of crude oil sales					
Expenses - transportation, operating and G&A	**25%**	27%	**20%**	19%	6%
Government royalty and income tax	**5%**	5%	**5%**	11%	-55%
Funds flow from operations, before interest income	**71%**	68%	**75%**	70%	7%
Wells drilled					
Gross	**-**	-	**13**	7	86%
Net	**-**	-	**13.0**	5.0	160%

(thousands of Canadian dollars except where indicated)	Year Ended December 31, 2013	2012	Change
RESERVES AND CONTINGENT RESOURCES			
Onshore Thailand – Concession L53/48 (Pan Orient 100% working interest & operator)	**(Note 8)**	(Note 9)	
Proved oil reserves (thousands of barrels)	**621**	405	53%
Proved plus probable oil reserves (thousands of barrels)	**1,509**	1,087	39%
Net present value of proved + probable reserves, after tax discounted at 10%	**56,120**	41,494	35%
Per Pan Orient share – basic (Note 10)	**$ 0.99**	$ 0.73	36%
Net present value of proved + probable reserves, after tax discounted at 15%	**53,182**	40,060	33%
Per Pan Orient share – basic (Note 10)	**$ 0.94**	$ 0.71	32%
Canada (Pan Orient's 71.8% share of the oil sands leases of Andora at Sawn Lake, Alberta)	**(Note 11)**	(Note 12)	
Contingent Oil Resources – Best Estimate "2C" (thousands of barrels)	**154,000**	154,000	0%
Working Interest and Gross Overriding Royalty ("GORR") – Contingent Resources "2C"			
Net Present value, before tax discounted at 10%	**400,000**	351,000	14%
Per Pan Orient share – basic (Note 10)	**$ 7.05**	$ 6.18	14%
Net present value, before tax discounted at 15	**115,000**	93,000	24%
Per Pan Orient share – basic (Note 10)	**$ 2.03**	$ 1.64	24%
Net Present value, after tax discounted at 10%	**261,700**	224,000	17%
Per Pan Orient share – basic (Note 10)	**$ 4.61**	$ 3.95	17%
Net present value, after tax discounted at 15	**44,900**	28,400	58%
Per Pan Orient share – basic (Note 10)	**$ 0.79**	$ 0.50	58%
Working Interest (Note 13) – Contingent Resources "2C"			
Net Present value, before tax discounted at 10%	**345,600**		
Per Pan Orient share – basic (Note 10)	**$ 6.09**		
Net present value, before tax discounted at 15%	**83,500**		
Per Pan Orient share – basic (Note 10)	**$ 1.47**		
Net Present value, after tax discounted at 10%	**220,400**		
Per Pan Orient share – basic (Note 10)	**$ 3.88**		
Net present value, after tax discounted at 15%	**20,900**		
Per Pan Orient share – basic (Note 10)	**$ 0.37**		

INTERNATIONAL INTERESTS AT DECEMBER 31, 2013

All amounts reflect Pan Orient's interest	Status	Net Square Kilometers	December 31, 2013 Financial Commitments (CDN thousands)		2013 Avg. Production (BOPD)	P+P Reserves (thousands of barrels)
Onshore Thailand Concessions						
L53/48 (100% working interest & operator) (Note 14)	Partially developed	975	$ 124	to January 2016	887	1,509
L45/50 (20% working interest & operator) (Note 15)	Undeveloped	398	Unfulfilled commitment has been accrued		-	-
		1,373	$ 124		887	1,509
Onshore Indonesia PSCs						
Citarum PSC, West Java (97% interest & operator) (Note 16 & 17)	Undeveloped	861	Refer Note 17			
Batu Gajah PSC, South Sumatra (77% interest & operator) (Note 16)	Undeveloped	610	Commitments to date have been completed			
South CPP PSC, Central Sumatra (77% interest & operator) (Note 16 & 18)	Undeveloped	-	Unfulfilled commitment has been accrued			
Onshore & Offshore Indonesia PSC						
East Jabung PSC, South Sumatra (100% interest & operator) (Note 16, 19 & 20)	Undeveloped	6,228	$ 12,159	to November 2014		
		7,699	$ 12,159			
Consolidated Total		9,072	$ 12,283			

(1) Funds flow from operations ("funds flow" before changes in non-cash working capital and reclamation costs) is used by management to analyze operating performance and leverage. Funds flow as presented does not have any standardized meaning prescribed by 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.

(2) Thailand Concessions SW1, L44 and L33 were sold on June 15, 2012. Proceeds of $185.3 million less transaction costs of $11.3 million and estimated tax of $14.7 million results in proceeds net of expenses of $159.3 million. After deducting $79.6 million related to the carrying value of petroleum and equipment, exploration and evaluation costs, and working capital sold (including the elimination of the associated deferred tax liabilities, employee pension liabilities, and decommissioning provision). The net after tax gain on sale is $79.6 million. The 2012 financial statements and operating results include revenue, expenses and capital expenditures associated with these properties to June 14, 2012.

(3) Cost of capital expenditures, excluding any decommissioning provision and excluding the impact of changes in foreign exchange rates.

(4) Cost of acquisitions, <u>including</u> the provision for the long term accrued liabilities of future payments contingent upon the delivery of petroleum from a commercial development of hydrocarbon from discoveries.

(5) The current income tax recovery in 2013 is the result of losses on loans made to the Company's subsidiaries which hold the South CPP and Citarum Production Sharing Contracts in Indonesia. The current period's losses are being carried back and applied to 2012's gain on the sale of the Company's Thailand interests to recover the related taxes paid. The current income tax recovery in 2013 is based on management's application of current income tax laws and subject to audit by the Canadian taxation authorities.

(6) Cost of acquisitions, <u>excluding</u> the provision for the long term accrued liabilities of future payments at the Citarum PSC contingent upon the delivery of petroleum from a commercial development of hydrocarbon from discoveries.

(7) General & administrative expenses, excluding non-cash accretion and gain on settlement of decommissioning provision.

(8) Thailand reserves as at December 31, 2013 as evaluated by Sproule International Limited of Calgary assessed at forecast crude oil reference prices and costs. The US$ reference price for crude oil per barrel (US$ UK Brent per barrel) in the evaluation is $96.00 for 2014, $91.25 for 2015, $86.54 for 2016, $94.28 for 2017, $95.70 for 2018, $97.13 for 2019 and prices increase at 1.5% per year thereafter. The engineered values disclosed may not represent fair market value.

(9) Thailand reserves as at December 31, 2012 as evaluated by Sproule International Limited of Calgary assessed at forecast crude oil reference prices and costs. The US$ reference price for crude oil per barrel (US$ UK Brent per barrel) in the evaluation is $106.42 for 2013, $101.65 for 2014, $97.56 for 2015, $105.07 for 2016, $106.65 for 2017, $108.25 for 2018 and prices increase at 1.5% per year thereafter. The engineered values disclosed may not represent fair market value.

(10) Per share values calculated based on 56,760,307 Pan Orient Shares outstanding at December 31, 2013 and 56,720,307 Pan Orient Shares outstanding at December 31, 2012.

(11) Pan Orient's 71.8% share as at December 31, 2013 of the "Best Case" contingent resources of Andora, a private company as evaluated by Sproule Unconventional Limited assessed at forecast crude oil reference prices and costs. The reference price for crude oil per barrel (Western Canada Select WCS 20.5 API adjusted for quality and transportation in Canadian dollars) is $77.81 for 2014, $75.02 for 2015, $75.29 for 2016, $85.36 for 2017, $86.64 for 2018, and prices for the reference price (WCS) increase at 1.5% per year thereafter. Undiscounted future capital expenditures for Pan Orient's 71.8% share are estimated at $1,558 million. The engineered values disclosed may not represent fair market value and there is no certainty that it will be commercially viable to produce any portion of the resources.

(12) Pan Orient's 71.8% share as at December 31, 2012 of the "Best Case" contingent resources of Andora, a private company as evaluated by Sproule Unconventional Limited assessed at forecast crude oil reference prices and costs. The reference price for crude oil per barrel (Western Canada Select WCS 20.5 API adjusted for quality and transportation in Canadian dollars) is $69.33 for 2013, $74.57 for 2014, $73.21 for 2015, $80.17 for 2016, $81.37 for 2017, and prices for the reference price (WCS) increase at 1.5% per year thereafter. Undiscounted future capital expenditures for Pan Orient's 71.8% share were estimated at $1,673 million. The engineered values disclosed may not represent fair market value and there is no certainty that it will be commercially viable to produce any portion of the resources.

(13) In March 2014, the 3% gross overriding royalty ("GORR") on a portion of the non-owned working interests in 12 sections of the Central Block and 24.5 sections of the North Block was repurchased by a joint venture partner for $2.7 million. The net present value before tax of the Working Interest "Best Case" contingent resources, excluding the GORR, at December 31, 2013 attributed to Pan Orient's 71.8% share is $345.6 million (discounted at 10%) and $83.5 million (discounted at 15%). The net present value after tax of the Working Interest "Best Case" contingent resources, excluding the GORR, at December 31, 2013 attributed to Pan Orient's 71.8% share is $220.4 million (discounted at 10%) and $20.9 million (discounted at 15%).

(14) At December 31, 2013 Concession L53/48 in Thailand consisted of 1,959 square kilometers of lands of which 14 square kilometers associated with the L53-A and L53-D fields are held through production licenses (with a 20 year primary term plus an additional 10 year renewal period that can be applied for) and 1,945 square kilometers of exploration lands. The original term of the exploration lands ended on January 7, 2013 and the Company has renewed the exploration period for a further three years to January 7, 2016. The renewal included a relinquishment of 25% of Concession lands and new commitments including a 3D seismic survey and three exploration wells with a stated commitment of US$2.6 million which were completed in 2013. Subsequent to December 31, 2013, the Company obtained approval from the Government of Thailand for the L53-G production license of 6.29 square kilometers and the associated production environmental impact assessment.

(15) Pursuant to the Concession L45 Farm-in Agreement, Pan Orient has earned a 20% interest in Concession L45 at December 31, 2013 for the completion of seismic acquisition and processing. Pan Orient has elected not to drill the additional two wells to earn a further 40% interest, however, Pan Orient is registered with the government of Thailand as holding a 60% interest in the L45 Concession. The L45 Concession is expected to expire on April 27, 2014. The Company has accrued $0.5 million as at December 31, 2013 for expected unfulfilled commitments that will be payable to the Government of Thailand upon the expiration of the Concession based on the 60% registered interest.

(16) Pan Orient's share of commitments in Indonesia reflect amounts to be paid by Pan Orient, including carried interest partners (3% for Citarum, 23% Batu Gajah and 23% South CPP). Commitments for a Production Sharing Contract ("PSC") in Indonesia include the completion of a work program as well as the Company's estimated amount of the expenditure. Financial commitments as provided above represent management's assessment of the costs of the work program required under the initial 3-year firm commitment exploration period of the PSC. The work program commitment is based on the original contract and timing is subject to government approval. With respect to Citarum, Batu Gajah and South CPP PSCs, extension of this initial exploration period has been agreed to with the Government of Indonesia (GOI) to the dates indicated above. If Pan Orient exercises its options to continue beyond the initial 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.

(17) The Company believes that it has satisfied the Citarum PSC commitment for the two wells with the drilling operations of the Jatayu-1 and Cataka-1A wells, however this has not been finalized with the GOI and the GOI may have a different interpretation of the requirement.

(18) The Company has decided to relinquish the South CPP PSC. As part of the relinquishment, the Company is required to pay the GOI for the unfulfilled commitments. The Company has accrued $2.7 million as at December 31, 2013 for the estimated unfulfilled commitments for the drilling of an exploration well.

(19) The Company submitted an application to the GOI to voluntarily relinquish approximately 3,243 square kilometers of the East Jabung PSC's offshore area and this voluntary relinquishment has not yet been finalized with the GOI. The result of the relinquishment does not impact the PSC's onshore exploration activities.

(20) The Company has applied to extend the East Jabung PSC's work program commitments to November 2015. The extension has not yet been approved by the GOI. Work program commitments for other PSCs have been successfully negotiated in the past and management has no reason to believe that this application will not be approved.

(21) Tables may not add due to rounding.

HIGHLIGHTS

- Extensive 2D and 3D seismic programs completed in the Indonesian PSCs of Batu Gajah and East Jabung have identified world class exploration opportunities.
- In order to reduce the Company's financial exposure to Indonesia, the Company has elected to seek partners for a portion of all of its Indonesian PSCs that will fund a large portion of the planned 2014 exploration programs.
- Thailand drilling and 3D seismic activities at Concession L53 have identified additional potential in the L53-D East field and defined the L53A-North group of exploration prospects.
- The Sawn Lake steam assisted gravity drainage ("SAGD") demonstration project is in the commissioning process.
- Year-end working capital and non-current deposits of $47.9 million combined with Thailand cash flow provide a strong financial base to execute 2014 exploration and development programs.

2013 RESULTS

- Total corporate funds flow from operations for 2013 of $22.6 million ($0.40 per share) with $5.6 million in the fourth quarter of 2013.
- At December 31, 2013 Pan Orient had $47.9 million of working capital and non-current deposits, and no long-term debt. In addition, Pan Orient had $6.8 million of equipment inventory to be utilized for future Thailand and Indonesia operations which is included in exploration and evaluation assets in the consolidated statement of financial position. Working capital and non-current deposits comprised of $41.8 million cash, $2.3 million of non-current deposits, $12.9 million of Canadian taxes receivable and other receivables of $8.9 million and less payables of $18.0 million.
- The Company recorded a net loss attributable to common shareholders of $93.4 million ($1.64 loss per share) in 2013 largely resulting from the $106.3 million write-down of exploration and evaluation assets associated with the Citarum and South CPP PSCs in Indonesia, a $3.3 million write-down of exploration and evaluation assets associated with Thailand Concession L45, and partially offset by the income tax recovery in Canada of $14.7 million. This compares with net income attributable to common shareholders in 2012 of $86.6 million ($1.53 per share) which included an after tax gain of $79.7 million for the 2012 Thailand disposition transaction.
- Net income attributable to common shareholders of $7.1 million in the fourth quarter of 2013 includes a Canadian income tax recovery of $12.6 million and partially offset by a $5.4 million in the write-down of exploration and evaluation assets.
- Capital expenditures were $101.3 million in 2013, with $53.0 million in Indonesia, $40.2 million in Thailand and $8.1 million in Canada at the Sawn Lake SAGD demonstration project of Andora Energy Corporation ("Andora"), which is owned 71.8% by Pan Orient and consolidated with Pan Orient for reporting purposes. Capital expenditures for the fourth quarter of 2013 were $11.1 million, with $4.7 million in Indonesia, $1.8 million in Thailand and $4.6 million in Canada at the Sawn Lake SAGD demonstration project. Capital expenditures were funded partially by the $22.6 million of funds flow from operations and the remaining $78.7 million through existing working capital.
- At December 31, 2013 Pan Orient had outstanding capital commitments of $124,000 in Thailand associated with Concession L53, $12.2 million in Indonesia associated with the East Jabung PSC and $666,000 in Canada with respect to outstanding purchase orders and natural gas pipeline tie-in and tariff charges associated with the Sawn Lake SAGD demonstration project of Andora.

- Thailand

  - In 2013 Concession L53 averaged oil sales of 887 BOPD and generated $24.2 million in after tax funds flow from operations, or $74.79 per barrel. This compares with oil sales in 2012 from Concession L53 of 937 BOPD and $27.6 million in after tax funds flow from operations, or $80.55 per barrel. The reference price of Brent crude oil and the realized oil price in 2013 decreased by 5% compared with 2012. Concession L53 oil sales in 2013 decreased 5% from 2012 primarily due to natural declines in the L53-A and L53-D fields which were partially offset with oil production from five new wells in the L53-D field and three wells in the new L53-G field. Oil production from new wells in the L53-G field fluctuated during the year due to these wells being produced for 90 day test periods, plus one 90 day extension period in the case of the L53-G2 well, and then shut-in until the L53-G field production environmental impact assessment ("EIA") was approved by the Government of Thailand on February 19, 2014.

  - Oil sales in the first quarter of 2014 at Concession L53 were 712 BOPD with 535 BOPD in January 2014, 680 BOPD in February 2014 and 920 BOPD in March 2014. The increase in oil sales in February and March 2014 is attributable to the three L53-G wells being brought back on-stream on February 20, 2014 after the EIA for the L53-G field was approved by the Government of Thailand.

  - On a per barrel basis, after tax funds flow from operations of $74.79 in 2013 and resulted from oil sales of $99.47, transportation expenses of $1.58, operating expenses of $13.27, general and administrative expenses of $5.02 and a royalty to the Thailand government of $4.91. Oil sales revenue during this period was allocated 20% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand for royalties, and 75% to Pan Orient. No Thailand petroleum income taxes or Special Remuneratory Benefit tax was paid in 2013.

  - Capital expenditures of $1.8 million in Thailand during the fourth quarter of 2013 in Concession L53 included well workovers, electrification of well sites, EIA applications and the evaluation of year-end reserves.

  - Capital expenditures were $40.2 million in Thailand during 2013 with $37.4 million in Concession L53 and $2.8 million in Concession L45. Capital expenditures in Concession L53 included $20.8 million for the 13 well drilling program, $8.1 million for workovers to evaluate different zones and add oil production, $6.5 million for the 260 square kilometer 3D seismic program and $2.0 million for other capital expenditures and capitalized general and administrative expenses.

  - The Thailand 2013 drilling program in Concession L53 was completed in August and consisted of 13 wells which resulted in:

    - The L53-DC1, L53-DC2, L53-DC3 and L53-DC4 wells have produced medium and low gravity oil from new pool discoveries within the L53-D East oil field area.

    - The L53-DEXT exploration well was drilled in the second quarter of 2013 into a new fault compartment at the L53-D field. This well produced approximately 40 BOPD of 14 degree API heavier oil from a shallow ñA3ò sands during testing. The well is currently shut-in after testing water from a shallow zone for which no reserves had been attributed.

    - The L53-G2 well drilled in late March 2013 was a new pool discovery outside of the existing production license areas in Concession L53 and a production license and associated environmental approval are required for the new L53-G field before permanent production could commence. The L53-G2 well, and follow-up L53-G3ST1 and L53-G4 appraisal wells, were shut-in at the end of their respective 90 day test periods as per government regulations. The L53-G production license was granted on January 13, 2014 and the environmental approval was received on February 19, 2014. The L53-G field produced 83,167 of oil in 2013, an average of 228 BOPD.

    - Unsuccessful exploration wells at L53-DB1 (targeting the L53-D West prospect), L53-A4 (targeting the L53-H prospect), L53-F, and L53-EXT1 (targeting the deeper ñA5ò to ñA3ò oil bearing sands that were logged in the L53-DC4 pilot well). The L53-DB1 well was converted to a water disposal well.

    - The L53-A4ST1 exploration well was drilled to test a small independent structural closure south east of the L53-A field and outside the L53-A production license area. This well encountered net oil pay in the ñK40-Aò sand and had produced on a 90 day production test at approximately 15 to 50 BOPD with a water cut of approximately 93%. L53-A4ST1 is currently shut-in.

    - Wells drilled in this drilling program added an average of 625 BOPD in the fourth quarter of 2013 and 533 BOPD in the third quarter of 2013, despite the L53-G wells being shut in for portions of the second half of 2013.

  - The December 31, 2013 independent reserves evaluation for Thailand on-shore Concession L53/48, where Pan Orient is the operator and has a 100% working interest, was conducted by Sproule International Limited of Calgary (ñSprouleò) and was prepared in accordance with Canadian Securities Administrators National Instrument 51-101 ï *Standards of Disclosure for Oil and Gas Activities.* Company gross proved plus probable crude oil reserves are 1.5 million barrels at December 31, 2013, with an associated net present value (after tax), using forecast prices and costs discounted at 10% per year of Cdn$56.1 million, or $0.99 per Pan Orient share based on the current 56.8 million Pan Orient shares outstanding. The evaluation reflects the discovery of the L53G oil field in Concession L53 with 594,000 barrels of oil, new pool discoveries of 386,000 barrels in the L53D field, partially offset by downward revision of 234,000 barrels of oil for the L53D and L53A oil fields, and oil production during the year of 323,676 barrels. Compared to December 31, 2012 independent reserves evaluation, proved plus probable crude oil reserves at December 31, 2013 increased by 422,000 barrels and the net present value (after tax), using forecast prices and costs discounted at 10% per year, increased $14.6 million.

- Capital expenditures in Concession L45 during 2013 were $2.8 million for a 50 square kilometer 3D seismic program and EIA approvals. Pursuant to the Concession L45 Farm-in Agreement, Pan Orient has earned a 20% interest in Concession L45 at December 31, 2013 with the completion of this seismic program. Pan Orient has elected not to drill the additional two wells to earn a further 40% interest in Concession L45. Concession L45 is expected to expire on April 27, 2014. The Company is registered with the government of Thailand as holding a 60% interest in the L45 Concession and $0.5 million has been accrued as at December 31, 2013 for expected unfulfilled commitments that will be payable to the Government of Thailand upon the expiration of the Concession based on this 60% registered interest. The Company has recorded a $3.3 million write-down of exploration and evaluation assets at December 31, 2013 in respect of Concession L45.

➢ Indonesia

- The Company has conducted significant exploration activities in Indonesia during 2013 with exploration drilling at the Batu Gajah and Citarum PSCs and seismic programs at the Batu Gajah, South CPP and East Jabung PSCs to evaluate exploration potential.
- Pan Orient possesses a diverse portfolio of exploration prospects in Indonesia and the decision was made in mid-2013 to continue exploration of the Batu Gajah, East Jabung and Citarum PSCs through farm-out arrangements. During the past eight months the Company has completed a 400 square kilometer seismic program at The Batu Gajah PSC and a 430 kilometer 2D seismic program at East Jabung PSC in conjunction with the farm-out process.
- Pan Orient intends to continue exploration at the East Jabung, Batu Gajah and Citarum PSCs through farm-out arrangements. Pan Orient's is seeking to farm-out a 40% interest in Batu Gajah PSC, a 50% interest in East Jabung PSC and a 50% interest in Citarum PSC.
- During 2013, capital expenditures in Indonesia have been $53.0 million with $16.6 million at the Citarum PSC, $27.4 million at the Batu Gajah PSC, $4.5 million at the South CPP PSC and $4.5 million at the East Jabung. Capital expenditures during the year were $24.3 million for exploration drilling, $24.2 million for seismic programs, $3.7 million for capitalized general and administrative expenses, and $0.8 for other exploration expenses.
- Citarum PSC onshore Java (Pan Orient operator and 97% ownership)
    - Capital expenditures of $16.6 million in 2013 were associated with the drilling operations at the Jatayu-1 and Cataka-1A wells that continued on from the fourth quarter of 2012 and capitalized general and administrative expenses for the first half of 2013.
    - Exploration drilling to date at the Citarum PSC has been very technically challenging and has not led to commercial discoveries. Pan Orient is conducting a farm-out process to seek a partner for continued exploration of the Citarum PSC.
    - Pan Orient's decision to discontinue drilling at the Citarum PSC and to initiate a farm-out process for continued exploration of the Citarum PSC results in the future value of the Citarum PSC being dependent on the success of exploration drilling operations through the intended farm-out arrangement. As such, the Company reduced the carrying value of the Citarum PSC exploration and evaluation assets to zero and recorded an impairment charge of $92.6 million.
- Batu Gajah PSC onshore Sumatra (Pan Orient operator and 77% ownership)
    - On January 16, 2013 an additional 1,730 square kilometers (gross) of exploration lands were relinquished at the Batu Gajah PSC, to hold 793 square kilometers (gross).
    - Capital expenditures in 2013 of $27.4 million with $4.7 million for drilling of the Shinta-1 exploration well, $4.5 million for the Buana-1 appraisal well, $16.6 million for the 400 square kilometer 3D seismic program which was completed in the third quarter and other capital expenditures of $1.6 million.
    - With respect to the 400 square kilometers 3D seismic program, field acquisition has been completed over the Raka, Takar, Rafa and western prospect areas, and the 3D data is being processed and mapped.
    - The operator of the Lemang PSC (directly adjacent to and west of a retained portion of Pan Orient's Batu Gajah PSC), has announced that significant hydrocarbons have been encountered in two wells located close to the Lemang PSC / Batu Gajah PSC boundary. Mapping of 2D seismic data over these wells combined with 2D seismic acquired by Pan Orient in 2010 indicates a portion of this structural closure extends into the Batu Gajah PSC. Articles of the PSC contract indicate that unitization of the potential field will be mandatory in the event of a "shared" field. Pan Orient is currently in discussions on this matter with the Indonesian oil and gas regulator and working towards the drilling of a well in the area in 2014, subject to both the timing of forestry approval and successfully farming-out a 40% interest.
- South CPP PSC onshore Sumatra (Pan Orient operator and 77% ownership).
    - Capital expenditures were $4.5 million in 2013 with $4.2 million for the 227 kilometer 2D seismic program which was completed in May 2013 and $0.3 million for capitalized general and administrative expenses and other capital expenditures.
    - After the evaluation of the seismic program results, the Company decided in the second quarter of 2013 to relinquish the South CPP PSC. As part of the relinquishment, it is expected that the Company is required to pay the Government of Indonesia for unfulfilled firm commitments in the amount of $2.7 million, and this amount has been accrued for in the financial statements. As a result of the intended relinquishment the Company reduced the carrying value of the South CPP PSC exploration and evaluation assets to zero and the

Company recorded an impairment charge of $13.7 million for the exploration and evaluation assets of the South CPP PSC in 2013.

- East Jabung PSC on-shore and offshore Sumatra (Pan Orient operator and 100% ownership)
  - Capital expenditures of $4.5 million in 2013 related primarily to the 440 kilometer 2D seismic program which is expected to be completed by the end of April, with processing and interpretation of this data to be completed by July.
  - In the fourth quarter of 2013, the Company submitted an application to the Government of Indonesia to voluntarily relinquish approximately 3,243 square kilometers of the PSCôs offshore area. The result of the relinquishment does not impact the PSCôs onshore exploration activities.
- As at December 31, 2013 estimated commitments for Indonesia PSCs to November 2014 were $12.2 million for the East Jabung PSC.

➢ Canada

- Andora is focused on developing the bitumen resources at the Sawn Lake property in the Peace River Oil Sands Region using SAGD development. Andora received regulatory approval for a demonstration project under the Oil Sands Conservation Act from the Energy Resources Conservation Board and approval from the Government of Alberta under the Environmental Protection and Enhancement Act prior to 2013. The first step towards determining the commercial viability of the SAGD recovery process at Sawn Lake is completion of Phase 1 of our SAGD Demonstration Project to provide an indication of the productivity of the reservoir and the amount of steam injection required to produce the bitumen, which are key components in assessing the potential for SAGD development at Sawn Lake.
- The demonstration project is located in the Central Block of Sawn Lake where Andora is the operator and holds a 50% working interest. Phase 1 of the SAGD demonstration project in 2013 / 2014 consists of drilling one SAGD well pair, construction of the SAGD facility for steam generation, water handling and oil treating, and installing water source and disposal facilities. The SAGD wells were drilled in the fourth quarter of 2013 to a depth of 650 meters and have a horizontal length of 780 meters. Final construction of the SAGD facility is currently being completed and steam injection at the Sawn Lake SAGD demonstration project is scheduled for April 2014. After three months of steam injection, bitumen production is anticipated at approximately the end of July 2014.
- The oil sands project at Sawn Lake Alberta as at December 31, 2013 was evaluated by Sproule Unconventional Limited (ñSproule Unconventionalò). Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. The contingent resource volumes estimated in the Sproule Unconventional report are considered contingent until such time as commercial recovery has been confirmed with SAGD production rates from a SAGD pilot, regulatory approvals for commercial SAGD development have been obtained and the company has a firm commercial development plan and funding for the commercial development. Contingent Resources are further classified as "High", ñBestò and ñLowò in accordance with the level of certainty. There is no certainty that it will be economically viable to produce any of the reported contingent resource volumes.
- The December 31, 2013 contingent resource report by Sproule Unconventional represents a mechanical update incorporating new forecasted prices for crude oil, natural gas and exchange rates, and revised estimates of capital expenditures associated with drilling SAGD wells. There is no change from the estimate of contingent resource volumes as at December 31, 2012 prepared by Sproule Unconventional. The net present value of the ñBest Caseò (discounted at 10% before income tax using forecast prices) attributed to Sawn Lake contingent resources increased by 14% to $557 million as a result of a 6% increase in crude oil prices, a 5% decrease in forecast natural gas prices and a 10% decrease in the estimated capital cost for drilling of SAGD wells, partially offset by a 12% increase in the bitumen differential and a 20% increase in Crown royalties.
- In March 2014, the 3% gross overriding royalty (ñGORRò) on a portion of the non-owned working interests in 12 sections of the Central Block and 24.5 sections of the North Block was repurchased by a joint venture partner with $2.7 million paid to Andora. This sale of the GORR by Andora was part of an agreement with joint venture partners that allowed the demonstration project to move forward and enabled the joint venture partners to fund their share 50% share of the demonstration project. The net present value of the ñBest Caseò (discounted at 10% after income tax using forecast prices) attributed to Pan Orientôs 71.8% share of the Sawn Lake contingent resources for the GORR interests is $55 million on a before tax basis, and $41 million on an after tax basis. The sale price of the GORR reflects that commercial viability of SAGD development at Sawn Lake has not yet been established, and that key economic parameters need to be determined with the demonstration project

OUTLOOK

➢ Thailand

- Thailand activities are currently focused on the EIA approval for six exploration well locations that were selected on the basis of the recently completed 3D seismic survey. Three of these surface locations that are comprised of up to four wells per pad are located over a cluster of prospects that include the L53A-North prospect in the northeastern portion of Concession L53. It is anticipated that approval for these locations will be received in late April, subject to the possible delays that have been experienced with this process in the past. Approval prior to the end of June would allow the L53A-North location construction to be completed prior to the onset of the annual monsoon.

- In addition to the drilling of the L53A-North prospect, two appraisal wells will be drilled at the L53-D East field, with one of these wells targeting a undrilled fault compartment where a portion of the 2013 year-end downward reserve revision was the result of a reclassification of reserves to prospective resourced based on new seismic mapping integrated with the wells drilled in 2013.

- Total Capital expenditures for Thailand in 2014 are estimated at $7.7 million.

➢ Indonesia

- Much of the progress made regarding the exploration potential that was defined in Indonesia in the latter part of 2013 and early 2014 based on newly acquired 2D and 3D seismic data was overshadowed by drilling results earlier in 2013 at the Citarum PSC where a very difficult, structurally complex drilling environment resulted in the failure to reach the deeper primary objectives on two prospects. This disappointing and expensive outcome resulted in the decision by the Board of Pan Orient to reduce the company's financial exposure to Indonesia by seeking partners for each of the three remaining Company operated contract areas, despite the high remaining exploration potential of the Indonesian assets.

- The Company has now received and is currently evaluating farm-in proposals for the East Jabung PSC, and continues discussions with a number of parties that expressed interest late in the farm-out process and were unable to meet the March 31, 2014 request for proposals for the Batu Gajah and Citarum PSCs. The Company anticipates a near term announcement to be made with regard to a new East Jabung partner and the Company continues to progress discussions with potential future partners for the Batu Gajah and Citarum PSCs.

Batu Gajah PSC

- Pan Orient is currently in discussions with the Indonesian oil and gas regulator relating to unitization of the potential new field in adjacent Lemang PSC, and is working towards the drilling of a well in the area in 2014, subject to both the timing of forestry approval and successfully farming-out a 40% interest.

- The timing of an up to three well exploration program at Batu Gajah targeting Takar, Raka and Akatara East prospects will be directly dependent upon the timing of the farm-out of a 40% interest.

  - Takar Prospect: a 46 square kilometer in maximum areal extent closure surrounding the Manismata-1 gas discovery made in 1988 by a major international oil and gas company.

  - Raka Prospect: a large 36 square km structure in maximum areal extent closure comprising a possible oil leg down dip of another 1980's gas discovery made by a major international oil and gas company at Tiung.

  - Akatara East Prospect: directly offsets the Akatara / Selong oil and gas discovery which was made in 2012/2013 by a competitor in an adjacent PSC and in which one of the wells which tested oil and gas was drilled approximately 150 meters from the concession boundary within a structural closure that is interpreted to extend into the Pan Orient operated Batu Gajah PSC based on 2D seismic data. Discussions have taken place and continue with the Indonesian oil and gas regulator regarding a data trade including wells and additional seismic towards a possible unitization of the portion of the Akatara discovery.

East Jabung PSC

- The timing of a one well program at East Jabung targeting the Anggun prospect will be directly dependent upon the timing of the farm-out of a 50% interest.

- Anggun prospect: a 228 km 2D seismic survey acquired in 2013, infilling existing older vintage 2D seismic data, has confirmed an approximately 85 to 100 square km maximum structural closure at three primary target levels.

- The last portion of an approximately 440 km 2D seismic program in East Jabung PSC is anticipated to be completed within the next 2 weeks over the North prospect with processing and interpretation of this data to be completed by July 2014.

Citarum PSC

- The timing of a two well drilling program at Citarum PSC targeting the re-drilling of the Cataka and Jatayu prospects will be dependent on the timing to farm-out a 50% working interest.

➢ Canada - Sawn Lake (Operated by Andora, in which Pan Orient has a 71.8% ownership)

- Pan Orient looks forward to completion of construction and commencement of steam injection for Phase 1 of the Sawn Lake SAGD demonstration project, which is scheduled for the end of April 2014. After three months of steam injection, bitumen production is anticipated at approximately the end of July 2014.

  Depending on results of the first SAGD well pair in Phase 1, Andora will proceed with Phase 2 of the demonstration project. The second phase would include the drilling of two additional SAGD well pairs and the associated expansion of the SAGD facility.

Oil Production and Revenue

Daily oil sales averaged 887 BOPD in 2013 and 963 BOPD in the fourth quarter of 2013 compared to 1,430 BOPD in 2012 and 1,029 BOPD for the three months ended December 31, 2012. Thailand crude oil sales revenue was $32.2 million in 2013 and $8.9 million in the fourth quarter of 2013 compared with $55.2 million in 2012 and $9.2 million in the fourth quarter of 2012. The decrease in sales for the three months ended December 31, 2013 when compared to the same period in 2012 is due to lower oil volumes as a result of natural declines in the L53-A and L53-D fields which were partially offset with oil production from five new wells in the L53-D field and three wells in the new L53-G field and higher realized oil price.

The overall decrease in oil sales revenue for the twelve months ended 2013 is attributed to a combination of decreased volumes, lower realized oil prices and the sale of Concessions L44, L33 and SW1 in June of 2012. The Company҆s average realized price for its oil sales was $99.47 per barrel in 2013 and $100.22 in the fourth quarter of 2013 compared to $105.42 per barrel in 2012 and $97.21 in the fourth quarter of 2012. The Company҆s realized sales price has historically been in the range of 85% to 95% of the Brent reference price, with the discount attributed to the high paraffin content of the petroleum and heavier crude oil as a portion of oil sales. The Company҆s realized price was 89% of Brent reference price in 2013 compared to 91% in 2012.

Royalties

The Company pays royalties on crude oil sales in Thailand to the Thai government. 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 paid were 5% of sales revenue in both 2013 and 2012 as production volumes did not exceed 2,000 BOPD in any concession.

Transportation Expenses

Transportation expenses represent the expense to truck the Company҆s Thailand oil production to the refinery in Bangkok. The Company is charged a contracted rate based on the number of tankers and trips required; and both factors are driven by production volumes. Transportation expense averaged $1.58 per barrel in 2013 and $1.60 per barrel in the fourth quarter of 2013 compared to $1.78 per barrel in 2012 and $1.43 per barrel in the fourth quarter of 2012. Transportation expense per barrel in the fourth quarter between 2013 and 2012 is consistent as the oil trucking in both periods was from the same L53 Concession. Transportation per barrel was higher during the twelve months ended 2012 when compared to the same period in 2013 due to higher costs associated with trucking oil from Concessions L44, L33 and SW1 as these concessions were further away from the refinery than Concession L53.

Operating Expenses

Operating expenses are associated with oil production in Thailand. Operating costs were $1.5 million ($17.46 per barrel) in the fourth quarter of 2013 compared to $1.1 million ($14.56 per barrel) in the third quarter of 2013 and $1.8 million ($18.49 per barrel) in the fourth quarter of 2012. On a per barrel basis, operating expenses were higher in the fourth quarter than the third quarter of 2013 due to year-end cost associated with the operating staff in Thailand. Operating costs on a per barrel basis were lower during the fourth quarter of 2013 than the fourth quarter of 2012 as the Company used its own water disposal facilities in 2013 whereas in the fourth quarter of 2012 water was disposed at a cement plant at a higher cost.

Depletion and Depreciation (D&D)

	As at and for the Three Months Ended December 31		As at and for the Twelve Months Ended December 31	
($thousands)	**2013**	**2012**	**2013**	**2012**
Depletion of Thailand PP&E[(1)]	**4,449**	3,864	**14,331**	12,737
Depreciation of office equipment and assets	**65**	78	**320**	262
Total D&D	**4,514**	3,942	**14,651**	12,999
Total D&D - per barrel	**$50.95**	$41.66	**$45.26**	$24.84

(1) Including decommissioning cost

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

Thailand costs subject to depletion at December 31, 2013 included $15.9 million of estimated future development costs for proved plus probable reserves compared to $8.8 million of estimated future development costs at December 31, 2012. D&D expense increase in fourth quarter of 2013 and for the year ended December 31, 2013 mainly attributable to the higher cost base from ongoing capital spending activity in Concession L53 and the sale of Thailand interests in June 2012 which significantly decreased the reserve base subject to depletion.

Taxes

	As at and for the Three Months Ended December 31		As at and for the Twelve Months Ended December 31	
($thousands)	**2013**	**2012**	**2013**	**2012**
Canadian income tax (recovery) expense	**(12,643)**	(857)	**(14,680)**	14,718
Thai income tax expense(1)	**-**	-	**2**	3,408
Special remuneratory benefit(2)	**-**	-	**-**	-
Total current tax (recovery) expense	**(12,643)**	(857)	**(14,678)**	18,126
Deferred tax (recovery) expense	**549**	2,509	**4,141**	12,552
Total tax expense	**(12,094)**	1,652	**(10,537)**	30,678

(1) Income tax in Thailand is calculated at 50% (2012 – 50%) on petroleum income and 20% (2012 – 23%) on non-petroleum income. Taxable income in Thailand is comprised of cash flow from operations before changes in working capital less capital expenditures and other permitted deductions.

(2) Thailand Special remuneratory benefit ("SRB") is a tax at sliding scale rates of 0 - 75% applied on a concession-by-concession basis to petroleum profits as defined in Thai tax legislation which includes deductions for expenses and capital spent. The rate is principally determined by revenue for the concession (production and pricing) but is subject to other adjustments such as changes in Thailand's consumer and wholesale price indices and cumulative meters drilled on the concession.

At December 31, 2013 the Company had a Thai tax payable of one thousand dollars related to taxes on non-petroleum revenue. The Company continues to utilize non-capital and SRB losses from Concession L53 to shelter its petroleum income from income tax and SRB tax. It is uncertain when SRB will be payable on the Concession. Because of the deductions allowed for capital spent, the effective rates of these taxes can vary significantly from the actual tax rates. For the year ended December 31, 2013 SRB was 0.0% (2012 ï 0.0%) of total revenue and income tax was less than one percent (2012 ï 0%) of total revenue.

In Canada, $12.9 million of taxes receivable is the result of losses on loans made to the Companyøs subsidiaries which hold the South CPP and Citarum Production Sharing Contracts in Indonesia. The current periodøs losses are being carried back and applied to 2012øs gain on the sale of the Companyøs Thailand interests to recover taxes paid in 2012. Current income tax recovery in 2013 is based on managementøs application of current income tax laws and may be assessed differently by the Canadian taxation authorities.

In July 2013 the Tax Directorate General of Indonesia assessed several oil and gas companies operating in Indonesia for Land and Building Tax using a new framework which is being challenged by the impacted oil and gas companies in Indonesia. Pan Orient was issued a tax payable notification for $7.1 million. The Company has filed an objection letter and this amount is not recorded in the consolidated financial statements and is pending the outcome of the objection filed.

General and Administrative (G&A) Expenses

	As at and for the Three Months Ended December 31		As at and for the Twelve Months Ended December 31	
($thousands)	**2013**	**2012**	**2013**	**2012**
Thailand	**587**	732	**2,069**	2,787
Indonesia	**1,126**	1,348	**5,418**	4,414
Canada	**478**	885	**1,630**	2,939
Total G&A, net of overhead recoveries(1)	**2,191**	2,965	**9,117**	10,140
Allocated to capital projects(2)	**(611)**	(1,412)	**(4,581)**	(4,417)
Cash G&A	**1,580**	1,553	**4,536**	5,723
Accretion expenses	**21**	13	**88**	167
Gain on settlement of decommissioning provision	**-**	-	**(19)**	-
Total G&A	**1,601**	1,566	**4,605**	5,890
Cash G&A ï per barrel	**$17.83**	$16.41	**$14.01**	$10.94
Total G&A ï per barrel	**$18.07**	$16.55	**$14.23**	$11.26

(1) Overhead recoveries represent the portion of Pan Orient's G&A expenses charged through joint ventures operated by the Company to working interest partners and capital projects. Overhead recoveries were $186,000 in 2013.

(2) Capitalized G&A allocated to capital projects represents compensation and other costs associated with property acquisition, and exploration and development activities. Capitalized G&A relates to exploration and development activities at Concession L53 in Thailand, all four of the Indonesia PSCs (although no capitalization of G&A in the second half of 2013 for the Citarum and South CPP 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 at each reporting period.

General and administrative expense has generally declined in Thailand and Canada however increased in Indonesia. The general decline in G&A spending is the result of a combination of the overhead recoveries from the joint operation in Canada and decrease in administrative staffing in Thailand since the sale of Concessions L44, L33 and SW1 in June 2012. The general increase in Indonesia

G&A was due a very active exploration program in the first half of 2013. G&A relating to the Citarum and South CPP PSCs is no longer capitalized since the impairment was recognized in the second quarter of 2013 and this resulted in less overall G&A capitalized in the fourth quarter of 2013 than in 2012.

Impairment Loss

The Company recorded an impairment loss of $109.6 million in 2013 related to the following assets:

Indonesia ï Citarum PSC
In the second quarter of 2013, due to drilling difficulties, the Company decided to discontinue its drilling program and initiate a farm-out process for the continued exploration of the PSC. As a result of this decision, the Company recorded a net impairment loss of $92.6 million in 2013 comprised of a $94.9 million impairment loss recognized on E&E assets and a reduction in the long term royalty provision of $2.3 million. The future value and exploration of the PSC will be based on the results of the intended farm-out.

Indonesia ï South CPP PSC
After evaluation of the seismic program results obtained in 2013, the Company decided to relinquish the South CPP PSC. As part of the relinquishment, it is expected that the Company will be required to pay the Government of Indonesia for its unfulfilled firm commitments in the amount of $2.5 million USD. As a result of the intended relinquishment, the Company has recognized a $13.7 million impairment charge comprised of a $10.5 million impairment loss on its E&E assets, an accrual of $2.7 million for expected relinquishment costs, and a $0.5 million foreign exchange loss reclassified from accumulated other comprehensive income

Thailand ï Concession L45/50
In the fourth quarter of 2013 the Company decided that it would not drill any wells at Concession L45 and that it intends on letting the Concession expire on April 27, 2014. As a result of this decision, and the upcoming expiry of the Concession, the Company recorded an impairment loss of $3.3 million which includes an accrual of $0.5 million for unfulfilled commitments expected to be paid to the Government of Thailand.

Capital Invested (1)

	Twelve Months Ended December 31			
	2013		**2012**	
	$000s	**Net wells drilled**	$000s	Net wells drilled
Capital expenditures				
Thailand	**40,209**	**13.0**	37,407	5.0
Indonesia (2)	**53,010**	**3.0**	40,029	2.4
Canada (3)	**8,061**	**1.0**	575	-
Total capital expenditures	**101,280**	**17.0**	78,011	7.4

(1) *Excluding foreign exchange and decommissioning provision.*
(2) *Amounts recorded in the MD&A and financial statements for capital expenditures related to the Indonesia 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. The calculation of net wells is based on Pan Orient's working interest of 100% at Citarum and Batu Gajah and is not reduced for the carried interests held by third parties of 3% at the Citarum PSC and 23% at the Batu Gajah PSC.*
(3) *The one net well drilled in Canada refers to the two SAGD wells drilled by Andora at Sawn Lake, Alberta where Andora holds a 50% working interest.*

Thailand
Capital expenditures in Thailand in 2013 were $40.2 million consisting of $23.9 million spent to drill 13 wells at Concession L53; $6.5 million spent on seismic acquisition and processing at Concession L53; $8.1 million spent on workovers on wells at Concession L53; $2.8 million spent on Seismic at Concession L45; and $1.1million of other costs including office equipment and capitalized G&A. $2.2 million of inventory on hand at the start of the year was utilized in the aforementioned expenditures.

Indonesia
Capital expenditures in Indonesia in 2013 were $53.0 million consisting of $22.8 million spent to drill the Cataka-1A, Shinta-1 and Buana-1 wells; $22.8 million spent on seismic acquisition and processing the Batu Gajah, South CPP and East Jabung PSCs; and $7.4 million on inventory, capitalized G&A and VAT.

Canada
Capital expenditures in Canada in 2013 were $8.1 million and represent Andora's net share of costs associated with the Sawn Lake SAGD demonstration project.

Liquidity and Capital Resources

Pan Orient's capital program in 2013 was $101.3 million and was financed with $24.2 million in funds generated from operating activities in Thailand and the remainder from existing working capital. Pan Orient's working capital position is forecasted regularly and the Company plans to fund future capital expenditures and commitments with existing cash balances, equipment inventory and expected cash flows from Thailand operations. At December 31, 2013 the Company's working capital plus non-current deposits of $47.9 million exceeded estimated outstanding commitments of $12.9 million by $35.0 million. At December 31, 2013 the Company had $6.8 million of equipment inventory to be utilized for future Thailand and Indonesia operations. The equipment inventory is included in exploration and evaluation costs in the statement of financial position.

At December 31, 2013 Pan Orient's cash and cash equivalents of $41.8 million, compared to $53.9 million at September 30, 2013 and $133.8 million at December 31, 2012, were held in the jurisdictions where the Company operates as follows:

($thousands)	December 31, 2013	September 30, 2013	December 31, 2012
Cash held in Canada	**37,244**	48,712	125,640
Cash held in Thailand	**2,311**	3,123	2,703
Cash held in Indonesia	**2,276**	2,074	5,493
Total cash	**41,831**	53,909	133,836

Working capital plus non-current deposits at December 31, 2013 was $47.9 million compared to $40.9 million at September 30, 2013 and $134.1 million at December 31, 2012.

Non-current cash deposits of $2.3 million at December 31, 2013 relate to a $1.6 million performance bond in Indonesia which will be returned to the Company upon completion of the commitments at the East Jabung PSC and $0.7 million in guarantees to the Thailand government for customs importation permits.

Share Capital

Outstanding (thousands)	As at April 10, 2014	As at December 31, 2013
Common shares	56,760	56,760
Stock options	5,590	5,590
Total	62,350	62,350

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. In each reporting period, the changes in the values of the Thai baht and U.S. dollar relative to the Company's reporting currency are recognized. The period end rates used to translate the Company's Thai baht and U.S. dollar denominated financial statement items for the reporting periods as specified are as follows:

	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Rate at end of period								
Thai baht / CDN $ exchange	**30.50**	30.09	29.35	28.49	30.42	31.09	30.55	30.59
CDN $ / US $ exchange	**1.06**	1.03	1.05	1.02	0.99	0.98	1.03	1.00

A fundamental aspect of the Company's treasury function is mitigating the effect of foreign currency exchange fluctuations to the greatest extent possible. To accomplish this, surplus funds are moved 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. Thailand uses Thai Baht and Indonesia uses the US dollar as their functional currencies for reporting, which are translated to Canadian dollars at each reporting period with the unrealized translation gain or loss being recognized in accumulated other comprehensive income ("AOCI"). In the fourth quarter of 2013 the US dollar appreciated against the Canadian dollar and the Thai baht depreciated against the Canadian dollar which resulted in an overall unrealized foreign exchange gain on the Company's foreign operations. AOCI in the consolidated statement of financial position is reported as follows:

	As at and for the Three Months Ended December 31		As at and for the Twelve Months Ended December 31	
($thousands)	2013	2012	2013	2012
AOCI, beginning of period	**1,328**	(5,417)	**(4,297)**	887
Unrealized foreign currency translation gain (loss)	**1,208**	1,120	**6,833**	(5,184)
AOCI, end of period	**2,536**	(4,297)	**2,536**	(4,297)

The unrealized foreign currency translation gain (loss) is as follows:

	As at and for the Three Months Ended December 31		As at and for the Nine Months Ended December 31	
($thousands)	**2013**	**2012**	**2013**	**2012**
Foreign exchange (loss) related to Thailand	**(1,029)**	840	**(1,455)**	557
Foreign exchange gain (loss) related to Indonesia	**2,237**	280	**8,288**	(2,886)
Impact on AOCI from disposal of Thai interest	**-**	-	**-**	(2,855)
Total change in AOCI	**1,208**	1,120	**6,833**	(5,184)

Selected Annual Information

	Years Ended December 31		
$thousands, unless presented per barrel or per share	**2013**	**2012**	**2011**
Oil revenue before royalties	**32,196**	55,162	72,576
Average daily oil sales (BOPD)	**887**	1,430	2,030
Average oil sales price (CDN$/bbl)	**$ 99**	$ 105	$ 98
Funds flow from operations (1)	**22,596**	34,819	45,870
Per share ï basic	**$ 0.40**	$ 0.61	$ 0.83
Per share ï diluted	**$ 0.40**	$ 0.61	$ 0.83
Funds flow from operations by region (1)			
Canada	**(157)**	(3,334)	(686)
Thailand	**24,209**	38,705	47,184
Indonesia	**(1,456)**	(552)	(628)
Total	**22,596**	34,819	45,870
Funds flow ï Thailand disposition net proceeds (2)	**-**	159,290	-
Net income attributable to common shareholders	**(93,362)**	86,642	23,991
Per share ï basic	**$ (1.64)**	$ 1.53	$ 0.43
Per share ï diluted	**$ (1.64)**	$ 1.53	$ 0.43
Total assets	**286,535**	382,118	371,276
Total non-current liabilities	**26,651**	23,565	73,016
Working capital	**45,635**	114,210	48,651
Working capital plus non-current deposits	**47,889**	116,376	51,632
Long-term debt	**-**	-	-
Capital expenditures	**101,280**	78,011	70,896
Weighted average shares outstanding			
Basic	**56,757**	56,702	55,254
Diluted	**56,757**	56,719	55,357
Shares outstanding			
Basic	**56,760**	56,720	56,685
Diluted	**56,760**	61,708	60,502

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

(2) Thailand Concessions SW1, L44 and L33 were sold on June 15, 2012. Proceeds of $185.3 million less transaction costs of $11.3 million and estimated tax of $14.7 million results in proceeds net of expenses of $159.3 million. After deducting $79.6 million related to the carrying value of petroleum and equipment, exploration and evaluation costs, and working capital sold (including the elimination of the associated deferred tax liabilities, employee pension liabilities, and decommissioning provision). The net after tax gain on sale is $79.7 million. The 2012 financial statements and operating results include revenue, expenses and capital expenditures associated with these properties to June 14, 2012.

Thailand revenue and funds flow from operations for the most recent three years are reflective of the production volumes and the realized price for the Company’s oil. The majority of the funds flow (outflow) of Canadian operations is from realized foreign exchange gain (loss) and general and administrative expenses less management fees charged to its international subsidiaries according to the various joint operating agreements. Indonesia funds flow represents general and administrative costs for its personnel and office in the country less any amounts allocated to exploration and development. Fluctuations in working capital in the past three years reflect funds flow from operations, capital expenditures, and the disposition in June 2012 of subsidiaries holding interests in Thailand Concessions L44, L33 and SW1.

Summary of Quarterly Results

	2013				2012			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Production (BOPD)	**963**	809	955	819	1,029	842	1,318	2,541
Funds flow from operations ($/bbl)								
Realized crude oil price	**100.22**	99.34	97.47	101.05	97.21	100.78	104.21	110.97
Royalties	**(4.94)**	(4.94)	(4.89)	(4.87)	(4.78)	(5.03)	(5.16)	(5.72)
Transportation & operating	**(19.06)**	(16.16)	(12.10)	(11.72)	(19.92)	(18.84)	(16.75)	(11.12)
Field Netback	**76.22**	78.24	80.48	84.46	72.51	76.90	82.30	94.13
General and administrative(1)	**(17.86)**	(16.64)	(9.74)	(11.79)	(16.41)	(15.59)	(14.33)	(5.38)
Interest income	**1.64**	2.14	2.44	4.18	3.91	4.69	0.82	0.34
Realized foreign exchange	**1.09**	1.33	1.18	(1.06)	1.68	(22.77)	1.86	(0.14)
Current income tax	**2.09**	(0.64)	0.81	1.10	-	(0.01)	(12.59)	(8.20)
Funds flow from operations	**63.18**	64.43	75.17	76.89	61.69	43.22	58.06	80.75
Financial ($thousands) except as indicated								
Oil revenue	**8,880**	7,397	8,475	7,444	9,198	7,808	12,502	25,654
Interest revenue	**145**	159	212	308	370	363	98	78
Funds flow ï Thailand disposition net proceeds(2)	**-**	-	-	-	785	553	157,952	-
Net income (loss)(3)	**7,083**	(3,109)	(97,677)	341	859	(1,626)	79,285	8,124
Per share basic ($)	**0.13**	(0.05)	(1.73)	0.01	0.02	(0.03)	1.40	0.14
Per share diluted ($)	**0.13**	(0.05)	(1.73)	0.01	0.02	(0.03)	1.40	0.14
Capital expenditures(4)	**11,144**	17,649	37,978	34,509	20,539	12,021	23,980	21,471
Total assets	**286,535**	286,835	295,155	383,691	381,511	367,263	419,313	396,468
Shares outstanding (thousands)	**56,760**	56,760	56,760	56,760	56,720	56,720	56,685	56,685

(1) *General and administrative costs excluding accretion expense and gain on settlement of decommissioning provision.*

(2) *Thailand Concessions SW1, L44 and L33 were sold on June 15, 2012. Proceeds of $185.3 million less transaction costs of $11.3 million and estimated tax of $14.7 million results in proceeds net of expenses of $159.3 million. After deducting $79.6 million related to the carrying value of petroleum and equipment, exploration and evaluation costs, and working capital sold (including the elimination of the associated deferred tax liabilities, employee pension liabilities, and decommissioning provision). The net after tax gain on sale is $79.6 million. The 2012 financial statements and operating results include revenue, expenses and capital expenditures associated with these properties to June 14, 2012.*

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

(4) *Excluding decommissioning provision, acquisition costs and foreign exchange*

Q1 2012 ï Funds flow from operations for the first quarter of 2012 was $18.7 million compared with $7.1 million for the fourth quarter of 2011 and $12.4 million for the first quarter of 2011. Funds flow from operations per share was $0.33 for the first quarter of 2012. Net income attributable to common shareholders was $8.1 million, or $0.14 per share, for the first quarter of 2012 compared with net income attributable to common shareholders of $11.6 million, or $0.21 per share, for the fourth quarter of 2011 and $3.9 million, or $0.08 per share, for the first quarter of 2011. Net income attributable to common shareholders for the fourth quarter of 2011 included a $10.3 million reduction in future tax expense. Total capital expenditures for the first quarter of 2012 were $21.5 million, with $13.6 million in Thailand, $7.8 million in Indonesia and $0.1 million in Canada.

Q2 2012 ï On June 15, 2012 Pan Orient completed the sale of subsidiaries which held Pan Orient's 60% interests in Thailand Concessions L44, L33 and SW1 for proceeds, net of estimated costs and income tax, of $158.0 million. The Company recorded an after tax gain of $77.3 million for this Thailand disposition transaction. Funds flow from operations for the second quarter of 2012 was $7.0 million, or $0.12 per share. Net income attributable to common shareholders was $79.3 million, or $1.40 per share for the second quarter of 2012. Total capital expenditures for the second quarter of 2012 were $24.0 million, with $13.2 million in Thailand, $10.7 million in Indonesia and $0.1 million in Canada.

Q3 2012 ï Corporate funds flow from operations for the third quarter of 2012 was $3.3 million, or $0.06 per share. The third quarter of 2012 is the first quarter of operations following the sale of the majority of interests in Thailand. Thailand operations in the third quarter consist only of Concession L53, which had average oil production of 842 BOPD. Net loss attributable to common shareholders was $1.6 million, or a loss of $0.03 per share, for the third quarter of 2012. Total capital expenditures for the third quarter of 2012 were $12.0 million, with $4.0 million in Thailand for development of the L53-D field and inventory, and $8.0 million in Indonesia primarily related to the drilling program at the Citarum PSC.

Q4 2012 ï Corporate funds flow from operations was $5.8 million. Funds flow from operations in Thailand was $6.3 million with average daily oil sales of 1,029 BOPD from Concession L53 in Thailand, representing $66.66 on per barrel basis. Net income attributable to Common Shareholders was $0.9 million ($0.02 per share) for the quarter. The Company had capital expenditures of $20.5 million with $6.7 million in Thailand for equipment inventory and in preparation for the 2013 drilling program, $13.5 million in Indonesia focused on drilling at the Citarum PSC, and $0.3 million in Canada for initial work relating to the SAGD demonstration project of Andora at Sawn Lake, Alberta. The Company spudded two wells (1.6 net wells) at the Citarum PSC in Indonesia with the Jatayu-1 and Cataka-1A exploration wells. At December 31, 2012, working capital plus non-current deposits was $116.4 million and the Company had no long-term debt.

Q1 2013 ï Corporate funds flow from operations was $5.7 million. Funds flow from operations in Thailand was $5.9 million with average daily oil sales of 819 BOPD from Concession L53 in Thailand, representing $79.55 on per barrel basis. Net income attributable to Common Shareholders was $0.3 million ($0.01 per share) for the quarter. The Company had capital expenditures of $34.5 million with $13.8 million in Thailand for seismic and the drilling of six wells, $18.5 million in Indonesia for well operations at Jatayu-1 and Cataka-1A in the Citarum PSC, drilling of the Shinta-1 and Buana-1 wells at the Batu Gajah PSC, and seismic programs at the Batu Gajah, South CPP and East Jabung PSCs, and $2.2 million in Canada for work relating to the SAGD demonstration project of Andora at Sawn Lake, Alberta. At March 31, 2013, working capital plus non-current deposits was $87.4 million and the Company had no long-term debt.

Q2 2013 ï Corporate funds flow from operations was $6.5 million. Funds flow from operations in Thailand was $6.6 million with average daily oil sales of 955 BOPD from Concession L53, representing $76.27 on per barrel basis. Net loss attributable to Common Shareholders was $97.7 million ($1.73 per share) for the quarter resulting from a $99.6 million write-down of exploration and evaluation assets associated with the Citarum and South CPP PSCs in Indonesia. The Company had capital expenditures of $38.0 million with $19.1 million in Thailand for seismic and the drilling of six wells, $16.6 million in Indonesia for well operation at the re-drilled of the Cataka-1A in the Citarum PSC and seismic programs at the Batu Gajah, South CPP and East Jabung PSCs and $2.3 million in Canada for equipment purchase, engineering designs and construction related costs for the SAGD demonstration project of Andora at Sawn Lake, Alberta. At June 30, 2013, working capital plus non-current deposits was $54.3 million and the Company had no long-term debt.

Q3 2013 ï Corporate funds flow from operations was $4.8 million. Funds flow from operations in Thailand was $5.4 million with average daily oil sales of 809 BOPD from Concession L53, representing $73.13 on per barrel basis. Net loss attributable to Common Shareholders was $3.1 million ($0.05 per share) for the quarter resulting primarily from a $4.6 million write-down of exploration and evaluation assets associated with the Citarum and South CPP PSCs in Indonesia. The Company had capital expenditures in the quarter of $17.6 million with $5.5 million in Thailand for workovers and drilling of one well at Concession L53 and seismic over Concession L45, $13.2 million in Indonesia for the well operations at Cataka-1A in the Citarum PSC and seismic programs at the Batu Gajah, South CPP and East Jabung PSCs and a net recovery of $1.1 million in Canada associated with the SAGD demonstration project of Andora at Sawn Lake, Alberta and the election by joint venture partners to participate for a 50% working interest. At September 30, 2013, working capital plus non-current deposits was $40.9 million and the Company had no long-term debt.

Q4 2013 ï Corporate funds flow from operations was $5.6 million. Funds flow from operations in Thailand was $6.3 million with average daily oil sales of 963 BOPD from Concession L53, representing $70.79 on per barrel basis. Net income attributable to common shareholders was $7.1 million ($0.13 per share) for the quarter resulting primarily from a $12.6 million income tax recovery recorded as the Company plans on carrying its 2013 losses back and applying them against the 2012 gain on sale of Thailand interests. In the fourth quarter of 2013 the Company had a net impairment charge of $5.4 million with $2.1 million relating to the Citarum PSC in Indonesia and $3.3 relating to Concession L45 in Thailand. The Company had capital expenditures in the quarter of $11.1 million with $1.8 million in Thailand for workovers, $4.7 million in Indonesia for seismic programs at the Batu Gajah and East Jabung PSCs and $4.6 million spent in Canada associated with the SAGD demonstration project of Andora at Sawn Lake, Alberta. At December 31, 2013, working capital plus non-current deposits was $47.9 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