PAN ORIENT ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

April 7, 2015

Management's Discussion and Analysis

The following Managementôs Discussion and Analysis (ñMD&Aò) of the operating and financial results of Pan Orient Energy Corp. (ñPan Orientò or the ñCompanyò) is prepared effective April 7, 2015 and should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2014 and December 31, 2013. The financial statements have been prepared in accordance with International Financial Reporting Standards (ñIFRSò).

Pan Orient is an oil and natural gas company based in Calgary, Alberta, with properties onshore Indonesia and interests in Pan Orient Energy (Siam) Ltd. which has properties onshore Thailand, and interests in Andora Energy Corporation (ñAndoraò) which has properties in northern Alberta, Canada.

Please note that all amounts are in Canadian dollars unless otherwise stated, translation of items denominated in foreign currencies as at December 31, 2014 into Canadian dollars using December 31, 2014 exchange rates, represent the net amount to Pan Orientôs 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 managementôs 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 ñanticipateò, ñassumeò, ñbelieveò, ñestimateò, ñexpectò, ñforecastò, ñguidanceò, ñmayò, ñplanò, ñpredictò, ñprojectò, ñshouldò, ñwillò, or similar words suggesting future outcomes. Forward-looking statements in this MD&A include, but are not limited to, references to: renewal, extension or termination of Concessions and Production Sharing Contracts, well drilling programs and drilling plans, estimates of reserves and potentially recoverable resources, information on future production and project start-ups and negotiation, agreement, closing and financial and other terms of farmout and other transactions. By their very nature, the forward-looking statements contained in this MD&A require Pan Orient and its management to make assumptions that may not materialize or that may not be accurate. The forward-looking information contained in this MD&A is subject to known and unknown risks and uncertainties and other factors, which could cause actual results, expectations, achievements or performance to differ materially, including without limitation: imprecision of reserve estimates and estimates of recoverable quantities of oil, changes in project schedules, operating and reservoir performance, the effects of weather and climate change, the results of exploration and development drilling and related activities, demand for oil and gas, commercial negotiations, other technical and economic factors or revisions and other factors, many of which are beyond the control of Pan Orient. Although Pan Orient believes that the expectations reflected in its forward-looking statements are reasonable, it can give no assurances that the expectations of any forward-looking statements will prove to be correct.

The Company provides forward-looking information with respect to reserves and resource estimates related to Thailand and Canada and estimated costs associated with work commitments in Thailand, Canada 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 Companyôs 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 Companyôs 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 Companyôs ability to add reserves through development and exploration activities; fluctuations in currency exchange rates; Land and Building Tax in Indonesia; and changes in government legislation and regulations, including royalty and tax laws.

The forward-looking statements contained herein are as of April 7, 2015 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 (ñfunds flowò), which cash generated from operating activities from continuing operations before changes in non-cash working capital, decommissioning expenditures and recovery of prior year income taxes, 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)	**2014**	2013	**2014**	2013
Cash flow from operating activities	**(302)**	4,734	**12,362**	21,675
Changes in non-cash working capital	**845**	13,322	**644**	15,164
Decommissioning expenditures	**-**	-	**225**	-
Recovery of prior year taxes	**-**	(12,458)	**-**	(14,243)
Funds flow from operations	**543**	5,598	**13,231**	22,596

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 after tax and before changes in non-cash working capital, decommissioning expenditures and recovery of prior year income taxes. Basic and diluted funds flow per share is calculated in the same manner as basic and diluted earnings per share.

The term ñfield netbackò is a non-IFRS measure that does not have a standardized meaning prescribed by IFRS. Pan Orient believes the term provides useful information to investors. ñField netbackò is calculated by subtracting royalty, transportation and operating expenses from revenues.

Petroleum and Natural Gas Properties

The Companyøs principal properties are divided into three distinct groups: 1) partially developed concession located onshore Thailand; 2) undeveloped onshore interests in Indonesia Production Sharing Contracts (ñPSCsò); and 3) undeveloped Canadian oil sands leases where a demonstration project commenced producing bitumen in 2014.

Thailand

Concession L53

At December 31, 2014, the Company had a 100% working interest in Concession L53/48 (ñConcession L53ò) in Thailand operated by its wholly owned subsidiary, Pan Orient Energy (Siam) Ltd.

In the fourth quarter of 2014 the Company entered into an agreement for the sale of a 50% equity interest in Pan Orient Energy (Siam) Ltd. and the transaction closed on February 2, 2015 for net proceeds of approximately USD $40.9 million (Cdn $51.4 million), before adjustments, which includes working capital of USD $2.1 million (Cdn $3.0 million).

Concession L53 is located approximately 60 kilometers west of Bangkok consisted of 975 square kilometers of lands of which 20.26 square kilometers associated with the L53-A, L53-D and L53-G 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 955.74 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. Additionally, the concessionaire may apply to retain a ñreserved areaò of up to 12.5% of the original area of the exploration block for a period of up to five years with the payment of a surface reservation fee. The original area of the Concession L53/48 exploration block was 3,997 square kilometers. Currently all of Pan Orientøs crude oil revenue is from Concession L53 and sold to a refinery owned by the Thai National Oil Company.

Concession L53 is partially developed, has oil production and an active exploration and development program. Oil sales averaged 656 BOPD for the year ended December 31, 2014 and 512 BOPD for the three months ended December 31, 2014. The Company drilled the L53-A Central exploration well during the first quarter of 2014, which failed to encounter commercial hydrocarbons and was abandoned.

The evaluation of the Thailand reserves of Concession L53 (based on a 100% working interest) as at December 31, 2014 was conducted by Sproule International Limited of Calgary and was prepared in accordance with Canadian Securities Administrators National Instrument 51-101 ï ñStandards of Disclosure for Oil and Gas Activitiesò. The Thailand gross proved plus probable crude oil reserves were 1.2 million barrels at December 31, 2014 from conventional sandstone reservoirs. The changes from the Thailand gross proved plus probable oil reserves of 1.5 million barrels at December 31, 2013 were mainly attributable to the oil sales in 2014 of 0.2 million barrels, 0.1 million barrels downward technical revisions based on production performance and economic factors, net of discoveries.

Concession L45

Concession L45 was an undeveloped property with no production or assigned reserves that expired on April 27, 2014. Pan Orient entered into a farm-in agreement in the fourth quarter of 2012 whereby Pan Orient became the operator and was committed to earn an initial 20% interest in Concession L45 in Thailand through the completion of a minimum 50 square kilometer 3D seismic program. Up to a further 40% interest in the Concession could be earned through the farm-in agreement with the drilling of up to two exploration wells at the election of Pan Orient by December 26, 2013. As at December 31, 2013, Pan Orient had earned a 20% interest in Concession L45 for the completion of seismic acquisition and processing. Pan Orient elected not to drill the additional two wells to earn a further 40% interest. The Company was the registered concessionaire and had obligations under the Concession L45 Farm-in Agreement when the concession expired. A net impairment loss of $3.3 million recorded in 2013 consisted of $2.8 million of seismic costs and $0.5 million for unfulfilled commitments, and an additional $0.4 million was recorded as exploration expense in the fourth quarter of 2014 related to unfulfilled commitments at expiry in April 2014.

Indonesia

At December 31, 2014, the Company owned interests in three PSCs, with a 77% operated working interest in the Batu Gajah PSC, a 100% operated working interest in the East Jabung PSC and a 97% operated working interest in the Citarum PSC. A 23% carried interest is held by third parties on the Batu Gajah PSC and a 3% carried interest is held by a third party on the Citarum PSC. There were no reserves assigned to any of the Indonesia PSCs at December 31, 2014.

Batu Gajah PSC

Pan Orient acquired an interest in the Batu Gajah PSC in 2008. Pan Orient has conducted seismic programs in the PSC and commenced the exploration drilling program in late March 2011. The Tuba Obi Utara-1 (NTO-1) and SE Tiung-1 exploration wells were drilled in 2011 failed to find commercial hydrocarbons and were abandoned. In January 2013 1,730 square kilometers (gross) of exploration lands were relinquished at the Batu Gajah PSC which now holds 791.71 square kilometers (gross) of exploration lands. In the first quarter of 2013 the Company drilled the Shinta-1 and Buana-1 exploration wells and commenced a 400 square kilometer 3D seismic program at the Batu Gajah PSC. These two exploration wells were unsuccessful and abandoned. For the remainder of 2013 the Company worked to complete the acquisition and evaluation of a 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. The Selong-1 discovery well in the Lemang PSC is located approximately 175 meters from the shared Lemang / Batu Gajah PSC boundary and another well is approximately 500 meters from the shared boundary. The Company believes that a portion of this structural closure extends into Pan Orient’s Batu Gajah PSC, and perhaps the structural crest, based on mapping of 2D and 3D seismic data. Indonesian law states that unitization will be mandatory in the event of a “shared” field. Pan Orient is planning on drilling an exploration well at the Batu Gajah PSC in the second half of 2015 for approximately $6.5 million which would offset the Selong-1 oil discovery made by another operator in the adjacent Lemang PSC.

East Jabung PSC

On November 21, 2011 the Company signed the East Jabung PSC located on and offshore south Sumatra, obtaining operatorship and a 100% working interest. The firm three year exploration commitment includes two wells and 2D seismic acquisition and processing. A 440 kilometer 2D seismic program commenced in 2013 and was completed by the end of April 2014. In the fourth quarter of 2013 the Company submitted an application to the Government of Indonesia (“GOI”) to voluntarily relinquish approximately 3,279.96 square kilometers of the PSC’s offshore area. The GOI approved the offshore relinquishment in the fourth quarter of 2014 and the area has been relinquished. The result of the relinquishment does not impact the PSC’s onshore exploration activities.

In the fourth quarter of 2014 Pan Orient entered into an agreement to transfer a 51% interest and operatorship of the East Jabung PSC for consideration of: 1) an upfront cash payment of USD$ 8.0 million; 2) a firm commitment to fund the first USD$ 10.0 million towards the first exploration well in addition to all related general and administrative expenses (“G&A”) and overhead costs incurred by the operator until the USD$ 10.0 million expenditure has been completed; 3) an option for Pan Orient to acquire a 20% working interest in the farminee operated South Sumatra Joint Study Area where the farminee holds the right of first refusal in an upcoming Indonesia bid round to bid on a new PSC located adjacent to the East Jabung PSC; 4) a contingent commitment to fund the first USD$ 5.0 million towards an appraisal well, if justified, in addition to all associated G&A and overhead incurred by the operator until the first USD$ 5.0 million expenditure has been completed. The transaction is anticipated to close approximately June 2015 conditional upon receiving approvals from the GOI to transfer working interest and operatorship of the PSC. There is no certainty that such approvals will be received on a timely basis, or at all. Upon the GOI approval the upfront cash payment of $10 million is expected to be received. The drilling of the Anggun prospect is expected to commence in 2016.

Citarum PSC

Pan Orient acquired interests in the Citarum PSC starting in 2008. The Pasundan-1 exploration well, which was drilled by the former operator, was tested by Pan Orient in early 2009 and then subsequently abandoned. In 2009 and 2010 the Company conducted a seismic program to acquire 1,110 line kilometers of 2D seismic data. Pan Orient commenced drilling at the Citarum PSC on December 31, 2011 with the Cataka-1 exploration well, which was junked and abandoned due to severe drilling difficulties. The Jatayu-1 exploration well started drilling in March 2012 and was suspended in September 2012 due to drilling difficulties. Jatayu-1 drilling recommenced in December 2012 but a severe overpressure gas zone encountered created an unacceptable level of well control risk and formation water present in the gas zone suggested no commercial potential resulting in the well being abandoned. The Geulis-1 exploration well was drilled in the third quarter of 2012 and abandoned. The Cataka-1A well commenced drilling in early December 2012 but was suspended in January 2013 due to numerous drilling rig issues. Drilling of Cataka-1A recommenced in May 2013 but 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 a farm-out process is in process. As a result of the Company's decision to discontinue drilling, a net impairment charge of $92.6 million was recorded in 2013. There has not been a farmout of the Citarum PSC and it is expected that the Citarum PSC will expire on October 6, 2015.

South CPP PSC

A 227 kilometer 2D seismic program at the South CPP PSC was completed in the first half 2013 and after evaluation of the seismic results, the Company decided to relinquish the South CPP PSC. As a result of this decision, the Company recorded a net impairment charge of $13.7 million in 2013. In 2014, the Company relinquished the South CPP PSC and is awaiting final approval from the GOI for the relinquishment.

Canada

Andora Energy Corporation is a private oil company, in which Pan Orient has 71.8% ownership, focused on 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. Andora is the operator and holds a 50% working interest in the demonstration project, located in the Central Block of Sawn Lake, which commenced in 2013. For Phase 1 of the SAGD demonstration project, one SAGD well pair was drilled in the fourth quarter of 2013 to a depth of 650 meters and a horizontal length of 780 meters. Construction of the SAGD facility for steam generation, water handling and bitumen treating was completed in 2014, steam injection commenced May 21, 2014 and bitumen production commenced September 16, 2014.

The oil sands project at Sawn Lake Alberta as at December 31, 2014 was evaluated by Sproule Unconventional Limited based on development using SAGD. This evaluation does not evaluate the exploitation potential through the use of cyclic steam stimulation. 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 report of Sproule Unconventional Limited 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", "Best" and "Low" 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, 2014 contingent resource report by Sproule Unconventional Limited represents a mechanical update of the prior year's report updated for December 31, 2014 price forecasts for crude oil, bitumen, natural gas and exchange rates, and a revised date of 2019 for the estimated commencement of commercial operations, which is three years later than the date assumed in the resource report of December 31, 2013. The "Best Case" company gross contingent resources at Sawn Lake are 214 million barrels of bitumen recoverable attributed to Andora's working interests, which is 154 million barrels attributed to the 71.8% ownership interest of Pan Orient in Andora. The December 31, 2014 contingent resource report does not incorporate the results to date of the Sawn Lake demonstration project since those results are very early stage as the steam chamber continues to build and it is not expected that the maximum bitumen production level or a stabilized Steam-Oil Ratio ("SOR") will be reached until the third quarter of 2015

Summarized financial information with respect to Andora is as follows:

Andora Energy Corporation	**As at and for the Three Months Ended December 31**		**As at and for the Years Ended December 31**	
($thousands)	**2014**	2013	**2014**	2013
Total assets	**87,473**	91,733	**87,473**	91,733
Total liabilities	**11,178**	15,483	**11,178**	15,486
Funds flow from (used in) operations	**21**	21	**86**	(46)
Net income (loss)	**17**	(1,017)	**(196)**	(1,213)

Financial and Operating Summary	Three Months Ended December 31,		Twelve Months Ended December 31,		
(thousands of Canadian dollars except where indicated)	**2014**	2013	**2014**	2013	Change
FINANCIAL					
Oil revenue, before royalties and transportation expense	**3,708**	8,880	**23,583**	32,196	-27%
Funds flow from operations (Note 1)	**543**	5,598	**13,231**	22,596	-41%
Per share ï basic and diluted	**$ 0.01**	$ 0.10	**$ 0.23**	$ 0.40	-42%
Funds flow from (used in) operations by region (Note 1)					
Canada (Note 10)	**(206)**	79	**(888)**	(157)	466%
Thailand	**1,447**	6,272	**16,162**	24,209	-33%
Indonesia	**(698)**	(753)	**(2,043)**	(1,456)	40%
Total	**543**	5,598	**13,231**	22,596	-41%
Cash flow from (used in) operating activities (Note 2)	**(302)**	4,734	**12,362**	21,675	-43%
Per share ï basic and diluted	**($0.01)**	$0.08	**$0.22**	$0.38	-43%
Net loss attributed to common shareholders	**(1,793)**	7,083	**(2,488)**	(93,362)	-97%
Per share ï basic and diluted	**$ (0.03)**	$ 0.13	**$ (0.04)**	$ (1.64)	-97%
Working capital	**36,227**	45,635	**36,227**	45,635	-21%
Working capital & non-current deposits	**40,854**	47,889	**40,854**	47,889	-15%
Long-term debt	**-**	-	**-**	-	0%
Petroleum and natural gas properties					
Capital expenditures (Note 3)	**4,254**	11,144	**22,609**	101,280	-78%
Dispositions (Note 14)	**-**	(1,239)	**(2,698)**	(1,239)	118%
Shares outstanding (thousands)	**56,760**	56,760	**56,760**	56,760	0%
Funds Flow from (used in) Operations per Barrel (Note 1)					
Canada operations	**$ (4.37)**	$ 0.89	**$ (3.71)**	$ (0.49)	657%
Thailand operations	**30.72**	70.79	**67.49**	74.79	-10%
Indonesia operations	**(14.83)**	(8.50)	**(8.52)**	(4.50)	90%
	$ 11.52	$ 63.18	**$ 55.26**	$ 69.80	-21%
Capital Expenditures (Note 3)					
Canada (Note 10)	**2,666**	4,634	**11,265**	8,061	40%
Thailand	**864**	1,765	**4,780**	40,209	-88%
Indonesia	**724**	4,745	**6,564**	53,010	-88%
Total	**4,254**	11,144	**22,609**	101,280	-78%
Working Capital and Non-current Deposits					
Beginning of period	**44,573**	40,879	**47,889**	116,376	-59%
Funds flow from operations (Note 1)	**543**	5,598	**13,231**	22,596	-41%
Proceeds from 2012 sale of Thailand interests	**(152)**	-	**22**	-	100%
Capital expenditures (Note 3)	**(4,254)**	(11,144)	**(22,609)**	(101,280)	-78%
Disposal of petroleum & natural gas assets (Note 14)	**-**	1,239	**2,698**	1,239	118%
Settlement of decommissioning liabilities	**-**	-	**(225)**	-	100%
Recovery of 2012 taxes (Note 4)	**-**	12,458	**-**	14,243	-100%
Accrued relinquishment costs	**-**	(513)	**-**	(3,246)	-100%
Foreign exchange impact on working capital	**144**	(628)	**(152)**	(2,169)	-93%
Net proceeds on share transactions	**-**	-	**-**	130	-100%
End of period	**40,854**	47,889	**40,854**	47,889	-15%
Canada Operations (Note 11)					
Interest income	**35**	135	**241**	787	-69%
General and administrative expense (Note 5)	**(268)**	(427)	**(1,803)**	(1,429)	26%
Current income tax recovery	**-**	185	**-**	437	-100%
Realized foreign exchange gain	**27**	186	**674**	48	1304%
Funds flow from (used in) operations (Note 1)	**(206)**	79	**(888)**	(157)	466%
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, **2014**	2013	Twelve Months Ended December 31, **2014**	2013	Change
Thailand Operations (Note 7)					
Oil sales (bbls)	**47,118**	88,603	**239,453**	323,676	-26%
Average daily oil sales (BOPD) for Concession L53	**512**	963	**656**	887	-26%
Average oil sales price, before transportation (Cdn$/bbl)	**$ 78.70**	$ 100.22	**$ 98.49**	$ 99.47	-1%
Reference Price (volume weighted) and differential					
Crude oil (Brent $US/bbl)	**$ 77.09**	$ 109.02	**$ 100.98**	$ 108.31	-7%
Exchange Rate $US/$Cdn	**1.14**	1.05	**1.11**	1.03	8%
Crude oil (Brent $Cdn/bbl)	**$ 87.67**	$ 115.04	**$ 112.36**	$ 112.37	0%
Sale price / Brent reference price	**90%**	87%	**88%**	89%	-2%
Funds flow from operations (Note 1)					
Crude oil sales	**3,708**	8,880	**23,583**	32,196	-27%
Government royalty	**(182)**	(438)	**(1,161)**	(1,590)	-27%
Transportation expense	**(79)**	(142)	**(394)**	(513)	-23%
Operating expense	**(925)**	(1,547)	**(3,613)**	(4,294)	-16%
Field netback	**2,522**	6,753	**18,415**	25,799	-29%
General and administrative expense (Note 5)	**(739)**	(491)	**(1,932)**	(1,625)	19%
Interest income	**24**	10	**40**	37	8%
Current income tax	**(1)**	-	**(2)**	(2)	0%
Concession L53 - Funds flow from operations	**1,806**	6,272	**16,521**	24,209	-32%
Concession L45 - Exploration expense (Note 6 & 16)	**(359)**	-	**(359)**	-	100%
Thailand Funds flow from operations	**1,447**	6,272	**16,162**	24,209	-33%
Concession L53 Funds flow from operations / barrel (Cdn$/bbl) (Note 1)					
Crude oil sales	**$ 78.70**	$ 100.22	**$ 98.49**	$ 99.47	-1%
Government royalty	**(3.86)**	(4.94)	**(4.85)**	(4.91)	-1%
Transportation expense	**(1.68)**	(1.60)	**(1.65)**	(1.58)	4%
Operating expense	**(19.63)**	(17.46)	**(15.09)**	(13.27)	14%
Field netback	**53.53**	76.22	**76.90**	79.71	-4%
General and administrative expense (Note 5)	**(15.68)**	(5.54)	**(8.07)**	(5.02)	61%
Interest Income	**0.51**	0.11	**0.17**	0.11	55%
Current income tax	**(0.02)**	-	**(0.01)**	(0.01)	0%
Concession L53 - Funds flow from operations	**$ 38.34**	$ 70.79	**$ 68.99**	$ 74.79	-8%
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%**	0%	0%
As percentage of crude oil sales					
Expenses - transportation, operating, G&A and other	**47%**	25%	**25%**	20%	5%
Government royalty, SRB and income tax	**5%**	5%	**5%**	5%	0%
Funds flow from operations, before interest income	**48%**	70%	**70%**	75%	-5%
Wells drilled					
Gross	**-**	-	**1**	13	-92%
Net	**-**	-	**1.0**	13.0	-92%
Indonesia Operations					
General and administrative expense (Note 5)	**(615)**	(665)	**(1,547)**	(1,482)	-4%
Exploration expense (Note 6)	**(47)**	-	**(362)**	-	100%
Realized foreign exchange gain (loss)	**(36)**	(88)	**(134)**	26	-612%
Indonesia ï Funds flow used in operations	**(698)**	(753)	**(2,043)**	(1,456)	40%
Wells drilled					
Gross	**-**	-	**-**	3	-100%
Net	**-**	-	**-**	3.0	-100%

(thousands of Canadian dollars except where indicated)	Year Ended December 31, 2014	2013	Change
RESERVES AND CONTINGENT RESOURCES			
Onshore Thailand ï Concession L53 (Pan Orient 100% working interest & operator as at December 31, 2014) (Refer Subsequent Event Note 7)	**(Note 8)**	(Note 9)	
Proved oil reserves (thousands of barrels)	**435**	621	-30%
Proved plus probable oil reserves (thousands of barrels)	**1,166**	1,509	-23%
Net present value of proved + probable reserves, after tax discounted at 10%	**33,100**	56,120	-41%
Per Pan Orient share ï basic (Note 10)	**$ 0.58**	$ 0.99	-41%
Onshore Thailand ï Concession L53 (Pan Orient 50% share of December 31, 2014 reserves (Refer Subsequent Event Note 7)	**(Note 8)**		
Proved oil reserves (thousands of barrels)	**218**		
Proved plus probable oil reserves (thousands of barrels)	**583**		
Net present value of proved + probable reserves, after tax discounted at 10%	**16,550**		
Per Pan Orient share ï basic (Note 10)	**$ 0.29**		
Canada (Pan Orientõs 71.8% share of the oil sands leases of Andora at Sawn Lake, Alberta)	**(Note 12)**	(Note 13)	
Contingent Bitumen Resources ï Best Estimate ñ2Cò (thousands of barrels) (Note 14)	**153,900**	153,900	0%
Net Present value, before tax discounted at 10%	**336,500**	400,000	-16%
Per Pan Orient share ï basic (Note 10)	**$ 5.93**	$ 7.05	-16%
Net present value, before tax discounted at 15%	**66,400**	115,000	-42%
Per Pan Orient share ï basic (Note 10)	**$ 1.17**	$ 2.03	-42%
Net Present value, after tax discounted at 10%	**213,700**	261,700	-18%
Per Pan Orient share ï basic (Note 10)	**$ 3.76**	$ 4.61	-18%
Net present value, after tax discounted at 15%	**9,200**	44,900	-80%
Per Pan Orient share ï basic (Note 10)	**$ 0.16**	$ 0.79	-80%

INTERNATIONAL INTERESTS AT DECEMBER 31, 2014

All amounts reflect Pan Orient's interest	Status	Net Square Kilometers	December 31, 2014 Financial Commitments (Cdn thousands)		2014 Avg. Production (BOPD)	P+P Reserves (thousands of barrels)
Onshore Thailand Concession						
L53/48 (Pan Orient 100% working interest & operator as at December 31, 2014) (Note 15 and Subsequent Event Note 7)	Partially developed	975	$ 120	to January 2016	656	1,166
Onshore Indonesia PSCs						
Citarum PSC, West Java (97% interest & operator) (Note 16 & 17)	Undeveloped	861	Commitments to date have been completed			
Batu Gajah PSC, South Sumatra (77% interest & operator) (Note 16 & 18)	Undeveloped	610	Commitments to date have been completed			
East Jabung PSC, South Sumatra (100% interest & operator) (Note 19 & 20)	Undeveloped	2,948	$ 9,180	to November 2015		
		3,809	$ 9,180			
Total for Thailand and Indonesia		4,784	$ 9,300			

(1) Funds flow from operations (cash flow from operating activities prior to changes in non-cash working capital, decommissioning expenditures and excluding the recovery of prior year income taxes) 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) As set out in the Consolidated Statements of Cash Flows in the audited Consolidated Financial Statements of Pan Orient Energy Corp.

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

(4) 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 2013 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.

(5) General & administrative expenses, excluding non-cash accretion on decommissioning provision and stock-based payments.

(6) Exploration expense relates to exploration costs associated with the Citarum and South CPP PSCs in Indonesia and Concession L45/50 in Thailand. The South CPP PSC in Indonesia and Concession L45/50 in Thailand were terminated in 2014.

(7) On February 2, 2015 the Company completed the sale of a 50% equity interest in its subsidiary Pan Orient Energy (Siam) Ltd. for a cash price of USD $42.5 million, before adjustments, which includes working capital adjustment of USD $2.4 million. Pan Orient Energy (Siam) Ltd. holds the Company's 100% interest in Concession L53/48 in Thailand.

(8) Thailand reserves as at December 31, 2014 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 $68.00 for 2015, $83.00 for 2016, $93.00 for 2017, $94.40 for 2018, $95.81 for 2019, $97.25 for 2020 and prices increase at 1.5% per year thereafter. Foreign exchange rate used of Cdn$1=US$0.85 for 2015 and Cdn$1=US$0.87 thereafter. The engineered values disclosed may not represent fair market value.

(9) 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. Foreign exchange rate used of Cdn$1=US$0.94. 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, 2014 and December 31, 2013.

(11) The Sawn Lake Demonstration Project in Alberta has not yet proven that it is commercially viable and all related costs and revenues are being capitalized as exploration and evaluation assets until commercial viability is achieved.

(12) Pan Orient's 71.8% share as at December 31, 2014 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 prices for crude oil per barrel (Western Canada Select WCS 20.5 API in Canadian dollars) is $60.50 for 2015, $75.13 for 2016, $84.52 for 2017, $85.79 for 2018, $87.07 for 2019, $89.31 for 2020 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 $1,578 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) 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 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.

(14) In March 2014, the 3% gross overriding royalty ("GORR") on a portion of the non-owned working interests in 36.5 sections was repurchased by a joint venture partner for $2.7 million, the price Andora paid for the GORR in 2007, as part of an agreement with joint venture partners that enabled the joint venture partners to fund their 50% share of the demonstration project and allow the demonstration project to move forward.

(15) At December 31, 2014 Concession L53/48 in Thailand consisted of 975 square kilometers of lands of which 20.26 square kilometers associated with the L53-A, L53-D and L53-G 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 955.74 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. Additionally, the concessionaire may apply to retain a "reserved area" of up to 12.5% of the original area of the exploration block for a period of up to five years with the payment of a surface reservation fee. The original area of the Concession L53/48 exploration block was 3,997 square kilometers.

(16) Pan Orient's share of commitments in Indonesia reflect amounts to be paid by Pan Orient in respect of a Production Sharing Contract ("PSC"), including the share of carried interest partners (3% for Citarum and 23% for Batu Gajah). Commitments 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 of Indonesia ("GOI") approval. With respect to the East Jabung PSC, the extension of this initial exploration period has been agreed to with the GOI to the date 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) Pan Orient has a 97% interest in the Citarum PSC, which has an area of 887.99 square kilometers and which expires in October 2015.

(18) Pan Orient has a 77% interest in the Batu Gajah PSC, which has an area of 791.71 square kilometers.

(19) In November 2014 Pan Orient entered into an agreement for the transfer of a 51% direct working interest and operatorship of the East Jabung PSC for a consideration of an upfront cash payment of USD$8 million, a firm commitment to fund the first USD$10 million towards the first exploration well in addition to all related G&A and overhead costs incurred by the operator until the first USD$10 million expenditure has been completed, and a Pan Orient option to acquire a 20% working interest another South Sumatra Joint Study Area. There is also a contingent commitment to fund the first USD$5 million towards an appraisal well, if justified, in addition to all associated G&A and overhead incurred by the operator until the first USD$5 million expenditure has been completed. The transaction is subject only to GOI approval on transferring the working interest and operatorship of the PSC and is anticipated to close upon the receipt of this approval by approximately June 2015. There is no certainty that such approvals will be received on a timely basis, or at all.

(20) The Company relinquished the East Jabung PSC's offshore area of 3,279.96 square kilometers in 2013, and this relinquishment was finalized in 2014. The result of the relinquishment does not impact the PSC's onshore exploration activities. As at December 31, 2014 Pan Orient had a 100% interest in the East Jabung PSC, which had an area of 2,947.76 square kilometers.

(21) Tables may not add due to rounding.

HIGHLIGHTS

- Pan Orient entered into an agreement in November 2014 (ñThailand Equity Saleò) to sell a 50% interest in the wholly owned subsidiary holding Thailand Concession L53 for net proceeds of approximately USD $40.9 million (Cdn $51.4 million), including working capital of USD $2.4 million (Cdn $3.0 million). This transaction was completed on February 2, 2015
- Pan Orient entered into an agreement in November 2014 to farmout a 51% interest in the onshore Sumatra, Indonesia East Jabung Production Sharing Contract (ñPSCò) for a USD $8 million upfront cash payment and funding of the first USD $10 million of drilling of the potentially high impact Anggun prospect (ñEast Jabung Farmoutò) in early to mid-2016. We anticipate approval will be received by June 2015.
- The demonstration project at Sawn Lake, Alberta commenced bitumen production on September 16, 2014. The SAGD producing well is still in its ramp-up phase and during March 2015 bitumen production averaged 319 barrels per day with a Steam-Oil Ratio (ñSORò) of 5.4.Notably, production averaged 345 barrels per day with a SOR of 5.0 in the last 16 days of March.
- During 2014, total corporate funds flow from operations was $13.2 million ($0.23 per share). Thailand operations contributed $16.2 million with oil sales of 656 BOPD from Concession L53 and funds flow from operations of $68.99 per barrel.
- Pan Orient had working capital and non-current deposits at December 31, 2014 of $40.9 million, no debt and $8.0 million of equipment inventory to be utilized for future Thailand and Indonesia operations.
- The financial base of Pan Orient is being further strengthened by the sale in February 2015 of a 50% equity interest in the subsidiary holding the Thailand interests, which adds approximately $47.9 million of working capital, and an additional $10 million subject to the anticipated approval of the East Jabung farmout by the Government of Indonesia.

2014 RESULTS

- Total corporate funds flow from operations for 2014 of $13.2 million ($0.23 per share) with $0.5 million ($0.01 per share) in the fourth quarter of 2014.
- The Company recorded a net loss attributable to common shareholders for 2014 of $2.5 million ($0.04 loss per share) with a net loss attributable to common shareholders of $1.8 million ($0.03 per share) in the fourth quarter of 2014. This compares with a 2013 net loss attributable to common shareholders of $93.4 million ($1.64 per share) which primarily resulted from the $109.6 million write-down of exploration and evaluation assets associated with the Citarum and South CPP PSCs in Indonesia and Concession L45 in Thailand, less the income tax recovery in Canada of $14.7 million.
- Capital expenditures were $22.6 million in 2014 compared with $101.3 million in 2013 as the Company reduced drilling activities in Thailand and Indonesia and focused on the restructuring of interests in Asia and the Sawn Lake SAGD demonstration project in Canada. During 2014, capital expenditures were $6.6 million in Indonesia, $4.8 million in Thailand and $11.3 million in Canada. Capital expenditures in 2014 were funded partially by $13.2 million of funds flow from operations and the remaining $9.4 million through existing working capital.
- At December 31, 2014 Pan Orient had outstanding capital commitments of $9.2 million for the East Jabung PSC in Indonesia for the drilling of two exploration wells and geological studies, $120,000 in Thailand associated with Concession L53, and $763,000 in Canada with respect to the Sawn Lake SAGD demonstration project. Commitments for the East Jabung PSC are expected to be reduced by at least $5.5 million through the East Jabung Farmout which is expected to be completed by June.
- Thailand
  - Activity in Thailand during 2014 was directed towards drilling the L53-A Central exploration well in the first quarter, preparation for the 2015 drilling program and a restructuring of Thailand interests which resulted in the Thailand Equity Sale which closed in February 2015.
  - In 2014, Concession L53 averaged oil sales of 656 BOPD and generated $16.5 million in funds flow from operations, or $68.99 per barrel. This compares with oil sales in 2013 from Concession L53 of 887 BOPD and $24.2 million in funds flow from operations, or $74.79 per barrel. Concession L53 oil sales in 2014 decreased 26% from 2013 primarily due to natural declines which were partially offset with well recompletions to place new reservoir zones on production as oil production from deeper zones depleted. The average realized oil price in 2014 decreased by only 1% compared with 2013 as a 7% decrease in the Brent crude oil reference price was offset by an increase in the exchange rate for the United States dollar.
  - On a per barrel basis for Concession L53, funds flow from operations of $68.99 in 2014 resulted from oil sales of $98.49, transportation expenses of $1.65, operating expenses of $15.09, general and administrative expenses of $8.07 and a royalty to the Thailand government of $4.85. Oil sales revenue during this period was allocated 25% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand for royalties, and 70% to Pan Orient. No Thailand petroleum income taxes or Special Remuneratory Benefit tax was paid in 2014.
  - In the fourth quarter of 2014, Concession L53 averaged oil sales of 512 BOPD and generated $1.8 million in funds flow from operations, or $38.34 per barrel. During this period, the Brent oil reference price dropped 28% to US$77.09 per barrel and the realized oil price declined 24% to $78.70 per barrel. Operating expenses and general and administrative expenses were higher in the fourth quarter due to the regular annual Thailand bonus and expenses associated with the corporate activity.

- Oil sales in the first quarter of 2015 at Concession L53 were 439 BOPD with 467 BOPD in January 2015, 440 BOPD in February 2015 and 411 BOPD in March 2015. Oil sales increased during the last ten days of March to average 470 BOPD as the L53-DC1ST1 appraisal well was brought on-stream.

- Thailand capital expenditures in 2014 of $4.8 million at Concession L53 were for the L53-A Central exploration well drilled in the first quarter, land purchase and site construction for the L53-A North Central exploration well, workovers, equipment inventory and other exploration costs. Capital expenditures during the fourth quarter of 2014 at Concession L53 were $0.9 million related primarily to land purchase and site construction for the L53-A North Central exploration well (ñL53-ANC1ò) that was drilled in February 2015, and workovers.

- The December 31, 2014 independent reserves evaluation for Thailand on-shore Concession L53, where a wholly owned subsidiary of Pan Orient at December 31, 2014, 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 1.2 million barrels at December 31, 2014 from conventional sandstone reservoirs, with an associated net present value (after tax), using forecast prices and costs discounted at 10% per year of Cdn$33.1 million. The change from Company gross proved plus probable oil reserves of 1.5 million barrels at December 31, 2013 reflects oil sales in 2014 of 239,453 (656 BOPD) barrels of oil and a reduction of 104,000 barrels related to downward technical revisions based on production performance and economic factors, net of discoveries. The December 31, 2014 independent reserves evaluation for Thailand on-shore Concession L53 adjusted by 50% to reflect the Thailand Equity Sale, without consideration of the February 2, 2015 transaction date, would result in gross proved plus probable crude oil reserves of 583 thousand barrels and a net present value (after tax), using forecast prices and costs discounted at 10% per year of $17 million.

- Concession L45 expired on April 27, 2014. Pan Orient was the registered concessionaire and had obligations under the L45 Farm-in Agreement when the concession expired on April 27, 2014. An amount equal to unfulfilled commitments was paid to the Government of Thailand upon the expiration of the Concession, for which the Company had accrued $0.5 million at December 31, 2013 and an additional $0.4 million was recorded as exploration expense in the fourth quarter of 2014.

- Indonesia

  - Indonesia activity during 2014 was concentrated on completion of the seismic programs at the East Jabung and Batu Gajah PSCs and on negotiating farmout arrangements for exploration drilling in Indonesia.

  - The East Jabung Farmout provides for the transfer of a 51% direct working interest and operatorship of the East Jabung PSC for a consideration of an upfront cash payment of USD$8 million, a firm commitment to fund the first USD$10 million towards the first exploration well in addition to all related G&A and overhead costs incurred by the operator until the first USD$10 million of work program expenditures have been completed, and a Pan Orient option to acquire a 20% working interest in another South Sumatra Joint Study Area. There is also a contingent commitment to fund the first USD$5 million towards an appraisal well, if justified, in addition to all associated G&A and overhead incurred by the operator until the first USD$5 million expenditure has been completed. The transaction is subject only to Government of Indonesia approval and is anticipated to close upon the receipt of this approval, anticipated approximately June 2015.

  - It is expected that the Citarum PSC will expire on October 6, 2015.

  - Capital expenditures in Indonesia were $6.6 million during 2014. There have been capital expenditures of $5.4 million at the East Jabung PSC principally related to completing the 440 kilometer 2D seismic program, preparation for the Anggun #1 exploration well and capitalized general and administrative expenses, $1.1 million at the Batu Gajah PSC associated with completion of the 400 square kilometer 3D seismic program and capitalized general and administrative expenses, and $0.1 million for equipment inventory.

- Canada

  - Andora Energy Corporation, a 71.8% owned subsidiary of Pan Orient, is focused on developing the bitumen resources at the Sawn Lake property in the Peace River Oil Sands Region using SAGD development. The first step towards determining the commercial viability of the SAGD recovery process at Sawn Lake is a demonstration project to establish that the SAGD process works in the Bluesky formation reservoir and to provide an indication of the productivity of the reservoir and the amount of steam injection required to produce the bitumen.

  - Andora is the operator and holds a 50% working interest in the demonstration project, located in the Central Block of Sawn Lake, which commenced in 2013. For Phase 1 of the SAGD demonstration project, one SAGD well pair was drilled in the fourth quarter of 2013 to a depth of 650 meters and a horizontal length of 780 meters. Construction of the SAGD facility for steam generation, water handling and bitumen treating was completed in 2014, steam injection commenced May 21, 2014 and bitumen production commenced September 16, 2014. Capital expenditures at the Sawn Lake SAGD demonstration project were $11.3 million during 2014 related to construction of the SAGD facility, installation of the water source and disposal facilities, recompletion of the SAGD producing well for production and capitalization of expenses and revenue. The Sawn Lake Demonstration Project has not yet proven that it is commercially viable and all related costs and revenues are being capitalized as exploration and evaluation assets until commercial viability is achieved.

  - The results to date of the first SAGD well pair indicate that the SAGD process works in the Bluesky formation reservoir. The well is still in its ramp-up phase and Andora is now focused on reaching bitumen production of between 345 and 449 barrels of bitumen per day, with an associated SOR of between 4.0 and 3.1. These bitumen production parameters correspond to the Best and High case estimates used by Sproule in the December 31, 2014 contingent resource evaluation for the 16-30-91-12W5M well pair which was drilled in a 15 to 20 meter thick reservoir with no bottom or top water. The Company expects the steam chamber to reach the top of the Bluesky formation sandstone reservoir in April 2015 and maximum production is anticipated to occur in approximately September 2015, corresponding to the end of the first year of production. Production results to date are not necessarily indicative of long-term performance or of ultimate recovery and the Sawn Lake demonstration project has not yet proven that it is commercially viable.

- The oil sands project at Sawn Lake Alberta as at December 31, 2014 was evaluated by Sproule Unconventional Limited (ŏSproule Unconventionalö) based on development using SAGD. This evaluation does not evaluate the exploitation potential through the use of cyclic steam stimulation. 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", ŏBestö and ŏLowö 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, 2014 contingent resource report by Sproule represents a mechanical update of the prior yearøs report updated for December 31, 2014 price forecasts for crude oil, bitumen, natural gas and exchange rates, and a revised date of 2019 for the estimated commencement of commercial operations, which is three years later than the date assumed in the resource report of December 31, 2013. There is no change from the estimate of company gross contingent resource volumes from the December 31, 2013 contingent resource report prepared by Sproule, which was also a mechanical update. The December 31, 2014 contingent resource report does not incorporate the results to date of the Sawn Lake demonstration project since those results are very early stage as the steam chamber continues to build and it is not expected that the maximum bitumen production level or a stabilized SOR will be reached until the third quarter of 2015.
- The ŏBest Caseö company gross contingent resources at Sawn Lake are 214 million barrels of bitumen recoverable attributed to Andoraøs working interests, which is 154 million barrels attributed to the 71.8% ownership interest of Pan Orient in Andora. The net present value of the ŏBest Caseö (discounted at 10% before income tax using forecast prices) attributed to Sawn Lake contingent resources is $469 million for Andora. The amount attributed to the 71.8% ownership interest of Pan Orient in Andora is $337 million. The net present value of the ŏBest Caseö (discounted at 10% before income tax using forecast prices) attributed to Andoraøs Sawn Lake contingent resources decreased by $88 million, or 16% to $469 million at December 31, 2014 from $557 million at December 31, 2013. This reduction was attributable primarily to an estimated three year delay in the expected timing for commercial operations and a repurchased by a joint venture partner in March 2014 of the 3% gross overriding royalty on a portion of the non-owned working interests in 36.5 sections that enabled the joint venture partners to fund their 50% share of the demonstration project and allow the demonstration project to move forward.

OUTLOOK

- Thailand

  - In the first quarter of 2015, a three well drilling program was commenced immediately after the February 2, 2015 completion of the Thailand Equity Sale.

    - The L53-ANC1 exploration well failed to encounter commercial hydrocarbons and was abandoned. Work is underway incorporating results of the L53-ANC1 well into the regional model and initial interpretations suggest that potential quality reservoir sands may be expected further east into the deeper basin where a series of untested structural closures has been identified on recently acquired 3D seismic data.

    - The L53-DC1ST1 appraisal well encountered 52 meters of true vertical thickness of net oil pay averaging 26% porosity and 39% water saturation in ten sandstone intervals over the length of the entire wellbore between 530 and 870 meters true vertical depth. The L53-DC1ST1 appraisal well was placed on production March 22, 2015 and has averaged 134 BOPD for the period of March 22 to April 5, 2015, and is currently producing 97 BOPD (on a 100% basis).

    - The L53-DEXT1ST1 appraisal well was drilled to a total true vertical depth of 1,200 meters and encountered 24 meters of true vertical thickness of net oil pay averaging 22.9% porosity and 41.5% water saturation in nine sandstone intervals over the length of the entire wellbore between 759 and 1,183 meters true vertical depth. The L53-DEXT1ST1 appraisal well will commence testing from the C4 sandstone interval in April 2015.

  - Discussions are currently underway with our partner regarding a second 2015 drilling campaign that would likely commence in June and include the drilling of an exploration to the east of the L53-ANC1 well that was drilled earlier. An additional two wells would target existing oil accumulations.

- Indonesia

  - The Company is currently awaiting Government of Indonesia approval of the change in participating interest and change of operator in the East Jabung PSC as a result of the farmout agreement signed between the Company and a subsidiary of Talisman Energy. We have been in regular dialogue with both Talisman and the Indonesian Government regarding this matter and expect the approvals to be received in June 2015 due to some minor delays experienced as a result of the recent Indonesian elections. The first well is currently planned to be drilled in the East Jabung PSC in approximately early to mid-2016.

  - The Company plans to drill an exploration well at the Batu Gajah PSC in the second half of 2015 for approximately $6.5 million which would offset the Selong-1 oil discovery made by another operator in the adjacent Lemang PSC. The Company's view based on seismic interpretation is that the Selong oil discovery drilled approximately 175 meters from the PSC boundary extends into Pan Orient's adjacent Batu Gajah PSC acreage. Pan Orient has selected three drilling locations which have been submitted for the required Forestry Ministry approval which is anticipated in early June 2015.

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

  - In January 2015, Andora and its joint venture partners made a decision to defer the drilling of a second SAGD well pair until there is greater clarity on the direction of future oil prices. Andora expects to continue producing from the existing SAGD well pair for the foreseeable future in order to obtain key reservoir performance inputs that will form the basis for future planning. Andora had working capital at December 31, 2014 of $8.1 million and no debt.

Oil Production and Revenue

Concession L53 averaged oil sales of 656 BOPD for the year ended December 31, 2014 and 512 BOPD during the fourth quarter of 2014 compared to 887 BOPD for the year ended December 31, 2013 and 633 BOPD during the third quarter of 2014. Oil sales in 2014 decreased 26% from 2013 primarily due to natural declines which were partially offset with well recompletions to place new reservoir zones on production as oil production from deeper zones depleted.

Oil revenue was $23.6 million for the year ended December 31, 2014 and $3.7 million for the three months ended December 31, 2014 compared to $32.2 million for the year ended December 31, 2013 and $5.8 million during the third quarter of 2014. Oil revenue was lower in 2014 than in 2013 primarily due to lower production volumes and a lower realized price per barrel. The Company's average realized price for its oil sales was $98.49 per barrel for the year ended December 31, 2014, compared to $99.47 per barrel for the year ended December 31, 2013. The average realized oil price in 2014 decreased by only 1% compared with 2013 as a 7% decrease in the Brent crude oil reference price was offset by an increase in the exchange rate for the United States dollar. The Company's 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 Company's realized price was 88% of Brent reference price for the year ended December 31, 2014, compared to 89% for the year ended December 31, 2013.

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. Royalty expense was $1.2 million for the year ended December 31, 2014 (2013 - $1.6 million) at a rate of 5%.

Transportation Expenses

Transportation expenses represent the cost to truck the Company's Thailand oil production to the refinery in Bangkok. The Company is charged a contracted rate based on the number of tankers and trips required; and both factors are driven by production volumes. Transportation expense was $0.4 million or $1.65 per barrel for the year ended December 31, 2014 and $0.1 million or $1.68 per barrel for the three months ended December 31, 2014 compared to $0.5 million or $1.58 per barrel for the year ended December 31, 2013 and $0.1 million or $1.63 per barrel for the three months ended December 31, 2013.

Operating Expenses

Operating expenses are associated with oil production in Thailand. Operating costs were $3.6 million, or $15.09 per barrel, for the year ended December 31, 2014 and $0.9 million, or $19.63 per barrel, during the fourth quarter of 2014 compared to $4.3 million, or $13.27 per barrel, for the year ended December 31, 2013 and $0.8 million, or $13.16 per barrel, during the fourth quarter of 2014. Operating expenses have decreased during the year ended December 31, 2014 due to lower production, but are higher on a per barrel basis due to fixed costs that have not declined with production volumes. Operating expenses are higher in the fourth quarter of the year primarily due to the annual bonus for staff in Thailand.

Depletion, Depreciation and Amortization ("DD&A")

	Three Months Ended December 31		Years Ended December 31	
($thousands)	**2014**	2013	**2014**	2013
Depletion of Thailand PP&E[1]	**2,789**	4,449	**13,006**	14,331
Depreciation and amortization of office equipment and assets	**56**	65	**253**	320
Total DD&A	**2,845**	4,514	**13,259**	14,651
Total DD&A - per barrel	**$ 60.38**	$ 50.95	**$ 55.37**	$ 45.26

(1) Including decommissioning cost

As the Company's Canadian and Indonesian assets are in the pre-production phase depletion is not calculated for these cost centres. On a per barrel basis, depletion on Thailand PP&E assets had increased in 2014 when compared to 2013 due to downward technical revisions to the proved plus probable reserves assigned to the L53 Concession and higher cost base from ongoing capital spending activity in Concession L53.

Taxes

($thousands)	Three Months Ended December 31 2014	2013	Years Ended December 31 2014	2013
Canadian income tax recovery	**-**	(12,643)	**-**	(14,680)
Thai income tax expense(1)	**1**	-	**2**	2
Special remuneratory benefit(2)	**-**	-	**-**	-
Total current tax expense (recovery)	**1**	(12,643)	**2**	(14,678)
Deferred tax expense (recovery)	**(800)**	549	**1,446**	4,141
Total tax expense (recovery)	**(799)**	(12,094)	**1,448**	(10,537)

(1) *Income tax in Thailand is calculated at 50% (2013 – 50%) on petroleum income and 20% (2013 – 20%) 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) *Special Remuneratory Benefit ("SRB") in Thailand 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.*

As at December 31, 2014 the Company paid two thousand dollars of Thai tax related to taxes on non-petroleum revenue. The Company continues to utilize non-capital income tax losses 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 stated tax rates. For the three months ended December 31, 2014 SRB was 0.0% (2013 ï 0.0%) of total revenue and income tax was less than one percent (2013 ï 0%) of total revenue.

In Canada, $12.9 million of taxes receivable consisted of tax losses recognized in 2013 on loans made to the Companyφs subsidiaries which hold the South CPP and Citarum PSCs in Indonesia. Losses from 2013 were being carried back and applied to the gain recognized in 2012 on the sale of the Companyφs Thailand interests to recover taxes paid in 2012. The recovery of Canadian income taxes is based on managementφs application of current income tax laws and may be assessed differently by the Canadian taxation authorities.

General and Administrative ("G&A") Expenses

($thousands)	Three Months Ended December 31 2014	2013	Years Ended December 31 2014	2013
Thailand	**805**	587	**2,286**	2,069
Indonesia	**1,135**	1,126	**3,600**	5,418
Canada	**312**	478	**2,099**	1,630
Total G&A, net of overhead recoveries(1)	**2,252**	2,191	**7,985**	9,117
Allocated to capital projects(2)	**(629)**	(611)	**(2,703)**	(4,581)
Cash G&A	**1,623**	1,580	**5,282**	4,536
Accretion expenses	**16**	21	**64**	88
Stock-based payments	**-**	-	**60**	-
Gain on settlement of decommissioning provision	**-**	-	**-**	(19)
Total G&A	**1,639**	1,601	**5,406**	4,605
Cash G&A ï per barrel	**$ 34.45**	$ 17.83	**$ 22.06**	$ 14.01
Total G&A ï per barrel	**$ 34.79**	$ 18.07	**$ 22.58**	$ 14.23

(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 $699 thousand for the year ended December 31, 2014 (2013 – $186 thousand).*

(2) *Capitalized G&A allocated to capital projects represents compensation and other directly attributable costs associated with property acquisition, and exploration and development activities. Capitalized G&A relates to exploration and development activities at Concession L53 in Thailand, the Indonesia PSCs (no capitalization of G&A after the second quarter of 2013 for the Citarum and South CPP PSCs) and the Company's heavy oil demonstration project in Canada. Amounts capitalized reflect the nature of the Company's capital activities and are reassessed at each reporting period.*

G&A costs in Thailand were higher in the fourth quarter and for the twelve months when comparing 2014 and 2013 primarily due to expenses associated with the restructuring activity. In Indonesia, G&A costs were lower for the twelve months ended 2014 than in 2013 primarily due to a reduced exploration program and certain personnel costs being allocated and charged to Thailand. G&A costs in Canada were higher in 2014 than in 2013 as the Company incurred additional legal and tax advice in relation to corporate activity associated with a transition of interests in Indonesia and Thailand.

Capitalization of G&A decreased in 2014 compared to 2013 due to reduced overall G&A incurred and the Company discontinued capitalizing G&A relating to the Citarum and South CPP PSCs in Indonesia after impairment was recorded on these PSCs in 2013. G&A per barrel increased in 2014 due to lower production volumes and fixed G&A costs that do not decline with production which include personnel, office costs, legal and accounting services and other administrative costs required to maintain a public company.

Exploration Expenses

In 2013 the Company recognized a full impairment charge on its Citarum and South CPP assets in Indonesia and its Concession L45 assets in Thailand. In 2014, $0.7 million (2013 - $0) of exploration expense incurred in relation to these properties was expensed rather than capitalized.

Capital Invested

	Three Months Ended December 31				**Years Ended December 31**			
	2014		2013		**2014**		2013	
Capital expenditures [(1)]	**$000s**	**Net wells drilled**	$000s	Net wells drilled	**$000s**	**Net wells drilled**	$000s	Net wells drilled
Thailand	**864**	**-**	1,765	-	**4,780**	**1.0**	40,209	13.0
Indonesia [(2)]	**724**	**-**	4,745	-	**6,564**	**-**	53,010	3.0
Canada	**2,666**	**-**	4,634	1.0	**11,265**	**-**	8,061	1.0
Total capital expenditures	**4,254**	**-**	11,144	1.0	**22,609**	**1.0**	101,280	17.0

(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.

Liquidity and Capital Resources

Pan Orientôs capital program for the year ended December 31, 2014 was $22.6 million and was financed by $13.2 million of funds flow from operations and the remainder from existing working capital. Pan Orientôs working capital position is forecasted regularly and the Company plans to fund future capital expenditures and commitments with its existing working capital, equipment inventory, and expected cash flow from its Thailand and Canadian operations. At December 31, 2014 the Companyôs working capital plus non-current deposits of $40.9 million exceeded estimated outstanding commitments of $10.1 million by $30.8 million. At December 31, 2014 the Company also had $8.0 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.

In February 2015, the Company completed the sale of a 50% equity interest in Pan Orient Energy (Siam) Ltd. for net proceeds of approximately USD $40.9 million (Cdn $51.4 million), including working capital of USD $2.4 million (Cdn $3.0 million). The Company anticipates completing the farmout of a 51% interest in the East Jabung PSC, subject to approval from GOI, for a cash payment of USD $8.0 million (Cdn $10.0 million). These transactions provide further strength to the Companyôs liquidity and financial position.

At December 31, 2014 Pan Orientôs cash and cash equivalents were $26.9 million compared to $41.8 million at December 31, 2013 and were held in the jurisdictions where the Company operates as follows:

($thousands)	Cash and Cash Equivalents [(1)] As at April 7, 2015	December 31, 2014	December 31, 2013
Cash and cash equivalents held in Canada [(2)]	68,466	19,015	37,244
Cash and cash equivalents held in Thailand	2,677	5,836	2,311
Cash and cash equivalents held in Indonesia	1,253	2,006	2,276
Total cash and cash equivalents	72,396	26,857	41,831

(1) Cash and cash equivalents at April 7, 2015 does not include outstanding cheques or deposits.

(2) Cash and cash equivalents held in Canada on April 7, 2015 includes proceeds received from the sale of 50% equity interest in Pan Orient Energy (Siam) Ltd. translated at the exchange rate on April 7, 2015.

Working capital plus non-current deposits at December 31, 2014 was $40.9 million compared to $47.9 million at December 31, 2013. Non-current deposits of $4.6 million at December 31, 2014 relate to $3.6 million refundable deposit to dispute the land and building tax assessed to the East Jabung PSC in Indonesia (refer to Contingency discussion below), $0.7 million of guarantees to the Thailand government for customs importation permits and a $0.3 million deposit in Canada with the Alberta energy regulator.

Share Capital

Outstanding (thousands)	As at April 7, 2015 [1]	December 31, 2014	December 31, 2013
Common shares	56,760	56,760	56,760
Stock options[2]	5,406	3,211	5,590
Total	62,166	59,971	62,350

(1) Common shares outstanding as at April 7, 2015 included 180,700 common shares purchased by the Company pursuant to its normal course issuer bid that have not yet been cancelled.
(2) Subsequent to year end, on February 5, 2015, the Company issued 2,195,000 stock options to its directors, officers and employees.

Subsequent to year end, the TSX Venture Exchange accepted notice by the Corporation of its intention to purchase common shares under a normal course issuer bid. The Corporation may purchase, for cancellation, up to 4,705,920 of its common shares (10% of the public float), subject to a maximum of 1,135,206 common shares (2% of the 56,760,307 issued and outstanding common shares) during any 30 day period. Purchases of common shares under the bid may continue until March 17, 2016 or the earlier date on which the Corporation has either acquired the maximum number of common shares specified above or otherwise decided not to make any further purchases. To date, the Corporation has purchased 180,700 common shares at prices in accordance with TSX Venture Exchange policy and ranging from $1.42 to $1.43 per share.

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:

	2014				2013			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Rate at end of period								
Thai baht / Cdn $ exchange	28.00	28.69	30.08	29.03	30.50	30.09	29.35	28.49
Cdn $ / US $ exchange	1.16	1.12	1.07	1.10	1.06	1.03	1.05	1.02

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 operations use Thai Baht and Indonesia operations use 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 2014 the US dollar and Thai baht appreciated against the Canadian dollar which resulted in an unrealized foreign exchange gain on the Company's foreign operations.

AOCI in the consolidated statement of financial position is reported as follows:

	Three Months Ended December 31		**Years Ended December 31**	
($thousands)	**2014**	2013	**2014**	2013
AOCI, beginning of period	**9,184**	1,328	**2,536**	(4,297)
Unrealized foreign currency translation gain	**4,996**	1,208	**11,644**	6,833
AOCI, end of period	**14,180**	2,536	**14,180**	2,536

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

	Three Months Ended December 31		**Years Ended December 31**	
($thousands)	**2014**	2013	**2014**	2013
Foreign exchange gain (loss) related to Thailand	**1,438**	(1,029)	**4,362**	(1,455)
Foreign exchange gain related to Indonesia	**3,558**	2,237	**7,282**	8,288
Total change in AOCI	**4,996**	1,208	**11,644**	6,833

Contingencies

a) The Company has significant international operations and subsidiaries incorporated outside of Canada. The international operations and earnings of the Company and its affiliates have been, and may in the future be, affected from time to time in varying degree by political developments and laws and regulations, such as forced divestiture of assets; restrictions on production, imports and exports; price controls; tax increases and retroactive tax claims; expropriation of property; cancellation of contract rights and environmental regulations. Both the likelihood of such occurrences and their overall effect upon the Company can vary greatly from country to country and are not predictable.

b) In July 2013 the Tax Directorate General of Indonesia assessed several oil and gas companies operating in Indonesia for 2012 and 2013 Land and Building Tax using a new framework, especially for the calculation of surface Land and Building Tax on offshore acreage, which is being challenged by the impacted oil and gas companies in Indonesia. Pan Orient was issued a Tax Assessment and Notification for the East Jabung PSC for 76,961 million Indonesian rupiah or $7.2 million when translated at the 2014 year-end exchange rate. The potential accrued penalty for the unpaid tax to the end of 2014 was an additional $1.7 million. Of the total amount for the assessed Land and Building Tax and penalty of $8.9 million, $8.5 million is associated with the offshore acreage.

Pan Orient lodged an Objection with the Indonesian Tax Office in September 2013 in respect of the 2012 and 2013 Land and Building Tax for the East Jabung PSC and on September 25, 2014 the Indonesia Tax Office rejected the Company's Objection and also rejected the objections of the other oil and gas companies on this issue. In the fourth quarter of 2014 the Company filed an appeal to the Tax Office's Objection with the Indonesian Tax Court and, as required by Indonesian law to file an appeal with the Indonesian Tax Court, paid a refundable deposit of $3.6 million, which is equal to 50% of the tax being disputed. Management believes that the Company has a strong position against the taxes assessed and the liability for the taxes has not been recorded in these consolidated financial statements. In the event the Company loses the appeal, it has the option to further appeal to a higher court level which may take years to deliver a verdict or the Company can pay the total taxes less the already paid 50% deposit. The Company would also be required to pay a penalty up a maximum of $2.7 million should it lose the appeal and exhaust all other appeal options.

With respect to the Land and Building Tax assessment for 2014, the Tax Directorate General has amended its framework which is expected to result in a nil surface assessment for the Land and Building Tax for 2014. It is also noted that the Company submitted an application in the fourth quarter of 2013 to the Government of Indonesia to voluntarily relinquish the offshore area of the East Jabung PSC, which was finalized in 2014.

In the fourth quarter of 2014 Pan Orient entered into an agreement to transfer a 51% interest and operatorship of the East Jabung PSC and regardless of the outcome of closing of this transaction, the Company is responsible for the contingency of the Land and Building Tax obligation of the East Jabung PSC.

Selected Annual Information

$thousands, unless presented per barrel or per share	Years Ended December 31 2014	2013	2012
Oil revenue before royalties	**23,583**	32,196	55,162
Average daily oil sales (BOPD)	**656**	887	1,430
Average oil sales price (Cdn$/bbl)	**$98**	$ 99	$ 105
Funds flow from operations [1]	**13,231**	22,596	34,819
Per share ï basic and diluted	**$ 0.23**	$ 0.40	$ 0.61
Cash flow from operating activity [2]	**12,362**	21,675	34,323
Per share ï basic and diluted	**$ 0.22**	$ 0.38	$ 0.61
Funds flow from (used in) operations by region [1]			
Canada	**(888)**	(157)	(3,334)
Thailand	**16,162**	24,209	38,705
Indonesia	**(2,043)**	(1,456)	(552)
Total	**13,231**	22,596	34,819
Funds flow ï Thailand disposition net proceeds [3]	**22**	-	159,290
Net income (loss) attributable to common shareholders	**(2,488)**	(93,362)	86,642
Per share ï basic and diluted	**$ (0.04)**	$ (1.64)	$ 1.53
Total assets	**289,670**	286,535	382,118
Total non-current liabilities	**30,000**	26,651	23,565
Working capital	**36,237**	45,635	114,210
Working capital plus non-current deposits	**40,854**	47,889	116,376
Long-term debt	**-**	-	-
Capital expenditures			
Canada	**11,265**	8,061	575
Thailand	**4,780**	40,209	37,407
Indonesia	**6,564**	53,010	40,029
Total	**22,609**	101,280	78,011
Weighted average shares outstanding			
Basic	**56,760**	56,757	56,702
Diluted	**56,760**	56,757	56,719
Shares outstanding			
Basic	**56,760**	56,760	56,720
Diluted	**56,760**	56,760	61,708

(1) *Funds flow from operations ("funds flow" before changes in non-cash working capital and reclamation costs and income taxes) 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) *As set out in the Consolidated Statements of Cash Flows in the Consolidated Financial Statements of Pan Orient Energy Corp.*

(3) *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 resulted 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 was $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 Companyòs 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

	2014				2013			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Financial ($thousands) except as indicated								
Oil revenue	**3,708**	5,840	7,285	6,750	8,880	7,397	8,475	7,444
Interest revenue	**59**	59	73	90	145	159	212	308
Funds flow from operations [(1)]	**543**	3,721	4,600	4,367	5,598	4,797	6,537	5,664
Cash flow from (used in) operating activity [(2)]	**(302)**	4,184	3,881	4,599	4,734	4,408	6,337	6,196
Funds flow ï 2012 Thailand disposition net proceeds[(5)]	**(152)**	-	174	-	-	-	-	-
Disposition of Andora's GORR	**-**	-	-	2,698	-	-	-	-
Net income (loss)[(6)]	**(1,793)**	(363)	(147)	(185)	7,083	(3,109)	(97,677)	341
Per share basic ($)	**(0.03)**	(0.00)	(0.01)	(0.00)	0.13	(0.05)	(1.73)	0.01
Per share diluted ($)	**(0.03)**	(0.00)	(0.01)	(0.00)	0.13	(0.05)	(1.73)	0.01
Capital expenditures[(7)]	**4,254**	3,163	4,182	11,010	11,144	17,649	37,978	34,509
Total assets	**289,670**	284,286	276,672	289,195	286,535	286,835	295,155	383,691
Working capital & non-current deposits	**40,854**	44,573	43,789	44,040	47,889	40,879	54,345	87,442
Shares outstanding (thousands)	**56,760**	56,760	56,760	56,760	56,760	56,760	56,760	56,760
Production (BOPD)	**512**	633	769	712	963	809	955	819
Funds flow from operations ($/bbl) [(1)]								
Realized crude oil price	**78.70**	100.34	104.05	105.28	100.22	99.34	97.47	101.05
Royalties	**(3.86)**	(4.91)	(5.20)	(5.13)	(4.94)	(4.94)	(4.89)	(4.87)
Transportation & operating	**(21.31)**	(14.79)	(14.29)	(17.81)	(19.06)	(16.16)	(12.10)	(11.72)
Field Netback	**53.53**	80.64	84.56	82.34	76.22	78.24	80.48	84.46
General and administrative[(3)]	**(34.45)**	(18.42)	(20.62)	(17.83)	(17.86)	(16.64)	(9.74)	(11.79)
Exploration[(4)]	**(8.62)**	(0.36)	0.21	(4.82)	-	-	-	-
Interest income	**1.25**	1.01	1.04	1.40	1.64	2.14	2.44	4.18
Realized foreign exchange	**(0.17)**	1.07	0.51	7.04	1.09	1.33	1.18	(1.06)
Current income tax	**(0.02)**	-	-	(0.02)	2.09	(0.64)	0.81	1.10
Funds flow from operations	**11.52**	63.94	65.70	68.11	63.18	64.43	75.17	76.89

(1) Funds flow from operations (cash flow from operating activities prior to changes in non-cash working capital, decommissioning expenditures and excluding the recovery of prior year income taxes) 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) As set out in the Consolidated Statements of Cash Flows in the Consolidated Financial Statements of Pan Orient Energy Corp.

(3) General and administrative costs excluding accretion expense and gain on settlement of decommissioning provision for Thailand, Canada and Indonesia.

(4) Exploration expense consists of exploration costs incurred at the Citarum and South CPP PSCs in Indonesia and Concession L45 in Thailand.

(5) 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 resulted 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 was $79.6 million. The 2012 financial statements and operating results include revenue, expenses and capital expenditures associated with these properties to June 14, 2012.

(6) Net income (loss) attributed to common shareholders

(7) Excluding decommissioning provision, acquisition costs and foreign exchange

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 a 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 a 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 operations at the re-drill 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 a 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 a 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.

Q1 2014 ï Corporate funds flow from operations was $4.4 million. Funds flow from operations in Thailand was $5.0 million with average daily oil sales of 712 BOPD from Concession L53, representing $77.69 on a per barrel basis. Net loss attributable to common shareholders was $185 thousand ($0.00 per share) for the quarter resulting primarily from a decline in oil sales and increased G&A, operating and exploration expenses. The Company had capital expenditures in the quarter of $11.0 million with $2.6 million in Thailand for one well, $4.3 million in Indonesia for seismic acquisition and processing at the East Jabung PSC and $4.1 million spent in Canada associated with the SAGD demonstration project of Andora at Sawn Lake, Alberta. In the first quarter of 2014 Andora's joint venture partner repurchased the 3% GORR Andora held on its working interest for $2.7 million. At March 31, 2014, working capital plus non-current deposits was $44.0 million and the Company had no long-term debt.

Q2 2014 ï Corporate funds flow from operations was $4.6 million. Funds flow from operations in Thailand was $5.4 million with average daily oil sales of 769 BOPD from Concession L53, representing $77.45 on a per barrel basis. Net loss attributable to common shareholders was $147 thousand ($0.01 per share) for the quarter. The Company had capital expenditures in the quarter of $4.2 million with $0.9 million in Thailand, $0.7 million in Indonesia and $2.6 million spent in Canada associated with the SAGD demonstration project of Andora at Sawn Lake, Alberta. At June 30, 2014, working capital plus non-current deposits was $43.8 million and the Company had no long-term debt.

Q3 2014 ï Corporate funds flow from operations was $3.7 million. Funds flow from operations in Thailand was $4.3 million with average daily oil sales of 633 BOPD from Concession L53, representing $74.07 on a per barrel basis. Net loss attributable to common shareholders was $0.4 million ($0.00 per share) for the quarter. The Company had capital expenditures in the quarter of $3.2 million with $0.5 million in Thailand, $0.8 million in Indonesia and $1.9 million spent in Canada associated with the SAGD demonstration project of Andora at Sawn Lake, Alberta. At September 30, 2014, working capital plus non-current deposits was $44.6 million and the Company had no long-term debt.

Q4 2014 ï Corporate funds flow from operations was $0.5 million. Funds flow from operations in Thailand was $1.4 million with average daily oil sales of 512 BOPD from Concession L53, representing $30.72 on a per barrel basis. Net loss attributable to common shareholders was $1.8 million ($0.03 per share) for the quarter. The Company had capital expenditures in the quarter of $4.3 million with $0.9 million in Thailand, $0.7 million in Indonesia and $2.7 million spent in Canada associated with the SAGD demonstration project of Andora at Sawn Lake, Alberta. At December 31, 2014, working capital plus non-current deposits was $40.9 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

PAN ORIENT ENERGY CORP.
1505, 505 - 3rd Street SW, Calgary Alberta Canada T2P 3E6