PAN ORIENT ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

May 21, 2015

Management's Discussion and Analysis

The following Managementøs Discussion and Analysis (ãMD&Aö) of the operating and financial results of Pan Orient Energy Corp. (ãPan Orientö or the ãCompanyö) is prepared effective May 21, 2015 and should be read in conjunction with the unaudited consolidated financial statements and notes thereto for the three months ended March 31, 2015 and the audited consolidated financial statements and notes thereto and MD&A for the year ended December 31, 2014. The financial statements have been prepared in accordance with International Financial Reporting Standards (ãIFRSö).

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 (ãAndoraö) which has properties in northern Alberta, Canada.

On February 2, 2015 the Company sold a 49.99% equity interest in its subsidiary Pan Orient Energy (Siam) Ltd. and retained a 50.01% equity interest in the company. The transaction resulted in Pan Orient Energy (Siam) Ltd. changing from a wholly-owned and controlled subsidiary to a joint arrangement where the Company shares joint control with the purchaser of the 49.99% equity interest. The resulting joint arrangement is classified as a Joint Venture under IFRS 11 and is required to be accounted for using the equity method of accounting rather than consolidated as it had previously been when Pan Orient Energy (Siam) Ltd. was a controlled subsidiary. The change in accounting from consolidation to the equity method has resulted in the accounts of Pan Orient Energy (Siam) Ltd. being derecognized from the consolidated financial statements and a net investment related to the portion of the interest retained being recognized at its estimated fair value upon initial recognition.

Please note that all amounts are in Canadian dollars unless otherwise stated, translation of items denominated in foreign currencies as at March 31, 2015 into Canadian dollars using March 31, 2015 exchange rates, represent the net amount to Pan Orientøs 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 managementøs 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 ãanticipateö, ãassumeö, ãbelieveö, ãestimateö, ãexpectö, ãforecastö, ãguidanceö, ãmayö, ãplanö, ãpredictö, ãprojectö, ãshouldö, ãwillö, 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 Companyøs 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 Companyøs 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 Companyøs 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 May 21, 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 is cash flow from operating activities prior to changes in non-cash working capital, reclamation costs and excluding the recovery of prior year income taxes plus the corresponding amount from the Thailand operations which is recorded in Investment in Joint Venture for financial statement purposes. This measure 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.

On February 2, 2015 the Company sold a 49.99% equity interest in Pan Orient Energy (Siam) Ltd. and from February 2, 2015 to March 31, 2015 accounted for its remaining 50.01% interest under the equity method as an Investment in a Joint Venture. Funds flow from Investment in Joint Venture is the Company's net interest of the cash generated from operating activities from continuing operations before changes in non-cash working capital from Pan Orient Energy (Siam) Ltd.

The following table reconciles funds flow from operations to cash flow from operating activities which is the most directly comparable measure calculated in accordance with IFRS:

	Three Months Ended March 31	
($thousands)	**2015**	2015
Cash flow from operating activities	**(510)**	4,599
Changes in non-cash working capital	**393**	(232)
Funds flow from Investment in Joint Venture	**477**	-
Funds flow from operations	**360**	4,367

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 is cash flow from operating activities prior to changes in non-cash working capital, reclamation costs and excluding the recovery of prior year income taxes plus the corresponding amount from the Thailand operations which is recorded in Investment in Joint Venture for financial statement purposes. Basic and diluted funds flow per share is calculated in the same manner as basic and diluted earnings per share.

The term "field netback" 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. "Field netback" is calculated by subtracting royalty, transportation and operating expenses from revenues.

Petroleum and Natural Gas Properties

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

Thailand

<u>Concession L53</u>
At March 31, 2015, the Company held a 50.01% equity interest in Pan Orient Energy (Siam) Ltd. which is the operator of and holds a 100% working interest in Concession L53/48 ("Concession L53") in Thailand.

On February 2, 2015 the Company completed the sale of a 49.99% equity interest in Pan Orient Energy (Siam) Ltd. for proceeds of $53.5 million and the Company's equity interest was reduced from 100% to 50.01%. The transaction resulted in Pan Orient Energy (Siam) Ltd. changing from a wholly-owned and controlled subsidiary of the Company to a joint arrangement where the Company has joint control with the purchaser of the 49.99% equity interest. The resulting joint arrangement is classified as a Joint Venture under IFRS and is required to be accounted for using the equity method rather than consolidated as it had previously been when Pan Orient Energy (Siam) Ltd. was a wholly-owned and controlled subsidiary. On February 2, 2015 the Company derecognized all of the accounts of Pan Orient Energy (Siam) Ltd. from its consolidated financial statements and recognized a net investment related to its retained 50.01% equity interest in Pan Orient Energy (Siam) Ltd.

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, Pan Orient as concessionaire intends to 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, which is reimbursable through work program expenditures. 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 459 BOPD (313 BOPD net to Pan Orient) for the three months ended March 31, 2015. In the first quarter of 2015, three gross wells (1.5 net wells to Pan Orient) were drilled in late February. L53-ANC1 exploration well was plugged and abandoned after failing to encounter commercial hydrocarbons. The L53-DC1ST1 appraisal well encountered 52 meters of true vertical thickness of net oil was placed on production on March 22, 2015 and L53-DEXTST1 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 in nine sandstone intervals.

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 (0.6 million barrels net to Pan Orient effective February 2, 2015) 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 oil sales in 2014 of 0.2 million barrels and a 0.1 million barrel downward technical revision based on production performance and economic factors, net of discoveries.

Indonesia

At March 31, 2015, 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 March 31, 2015.

<u>Batu Gajah PSC</u>
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 Orientøs 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 Orientøs 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 ñsharedò field. Pan Orient is planning to drill an exploration well at the Batu Gajah PSC in the second half of 2015, budgeted for approximately $6.5 million, which would offset the Selong-1 oil discovery made by another operator in the adjacent Lemang PSC.

<u>East Jabung PSC</u>
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 in April 2014. In the fourth quarter of 2013 the Company submitted an application to the Government of Indonesia (ñGOIò) to voluntarily relinquish approximately 3,279.96 square kilometers of the PSCøs 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 PSCøs 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 (ñG&Aò) 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 Company received the approval of the transfer from GOI on May 15, 2015 for the transfer of a 51% participating interest and operatorship in the PSC. The upfront cash payment of $9.4 million is expected to be received within the next two weeks. 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 at the Citarum PSC has been very technically challenging and has not led to commercial discoveries. Pan Orient announced in 2013 that the Company was initiating a farm-out process to seek a partner for continued exploration of the Citarum PSC and the farm-out process is underway. As a result of the Companyœs decision to discontinue drilling, a net impairment charge of $92.6 million was recorded in 2013. As of March 31, 2015 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 on 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 (ñSAGDò) 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", ñBestò and ñLowò in accordance with the level of certainty. There is no certainty that it will be economically viable to produce any of the reported contingent resource volumes. The December 31, 2014 contingent resource report by Sproule Unconventional Limited represents a mechanical update of the prior yearœs 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 ñBest Caseò company gross contingent resources at Sawn Lake are 214 million barrels of bitumen recoverable attributed to Andoraœs 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 (ñSORò) 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 March 31**	
($thousands)	**2015**	2014
Total assets	**85,813**	86,243
Total liabilities	**8,911**	10,075
Funds flow from (used in) operations	**17**	(119)
Net income (loss)	**7**	(208)

Financial and Operating Summary	Three Months Ended March 31,		
(thousands of Canadian dollars except where indicated)	**2015**	2014	% Change
FINANCIAL			
Financial Statement Results – Excluding 50% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 1)			
Net income (loss) attributed to common shareholders	**33,940**	(185)	
Per share ï basic and diluted	**$ 0.60**	$ (0.00)	100%
Cash flow from (used in) operating activities (Note 2)	**(510)**	4,599	-111%
Per share ï basic and diluted	**$ (0.01)**	$ 0.08	-92%
Cash flow from (used in) investing activities (Note 2)	**44,003**	(10,816)	-507%
Per share ï basic and diluted	**$ 0.78**	$ (0.19)	-411%
Working capital	**80,623**	41,699	93%
Working capital & non-current deposits	**84,955**	44,040	93%
Long-term debt	**-**	-	0%
Shares outstanding (thousands)	**56,617**	56,760	0%
Working Capital and Non-current Deposits			
Beginning of period	**40,854**	47,889	-15%
Funds flow from (used in) consolidated operations (Note 4)	**(117)**	4,367	-103%
Funds flow from sale of Thailand interest	**48,877**	-	100%
Working capital and non-current deposits derecognized on sale of Thailand interest and recorded in Investment in Joint Venture	**(3,151)**	-	100%
Consolidated capital expenditures (Note 6)	**(1,864)**	(11,010)	-83%
Funds flow from investment in Thailand Joint Venture	**(28)**	-	100%
Disposal of petroleum and natural gas assets (Note 7)	**-**	2,698	-100%
Foreign exchange impact on working capital	**586**	96	509%
Normal course issuer bid	**(202)**	-	100%
End of period	**84,955**	44,040	93%
Economic Results – Including 50% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 3)			
Total funds flow from operations (Note 4)	**360**	4,367	-92%
Per share ï basic and diluted	**$ 0.01**	$ 0.08	-92%
Funds flow from (used in) operations by region (Note 4)			
Canada (Note 5)	**(17)**	100	-117%
Thailand ï 100% to February 1, 2015 (Note 1)	**298**	4,981	-94%
Indonesia	**(398)**	(714)	-44%
Funds flow from consolidated operations	**(117)**	4,367	-103%
Share of Thailand Joint Venture (Note 3)	**477**	-	100%
Total funds flow from operations	**360**	4,367	-92%
Funds flow from sale of Thailand interest			
Sales proceeds	**53,456**	-	100%
Transaction costs	**(1,428)**	-	100%
Working capital and non-current deposits in Thailand interest sold	**(3,151)**	-	100%
Total funds flow from disposition of Thailand interest	**48,877**	-	100%
Petroleum and natural gas properties			
Capital expenditures (Note 6)	**4,389**	11,010	-60%
Dispositions ï excluding sale of Thailand interest (Note 7)	**-**	(2,698)	-100%
Capital Expenditures (Note 6)			
Canada (Note 5)	**1,374**	4,146	-67%
Thailand ï 100% to February 1, 2015 (Note 1)	**60**	2,554	-98%
Indonesia	**430**	4,310	-90%
Consolidated capital expenditures	**1,864**	11,010	-83%
Share of Thailand Joint Venture capital expenditures	**2,525**	-	100%
Total capital expenditures	**4,389**	11,010	-60%
Investment in Thailand Joint Venture			
Beginning of period	**-**	-	0%
Investment retained on sale of Thailand interest	**38,587**	-	100%
Net loss from Joint Venture	**(293)**	-	100%
Other comprehensive income from Joint Venture	**436**	-	100%
Amounts (received from) advanced to Joint Venture	**28**	-	100%
End of period	**38,758**	-	100%

(thousands of Canadian dollars except where indicated)	Three Months Ended March 31, 2015	2014	Change
Thailand Operations			
Economic Results – Including 50% Interest Reported in Thailand Joint Venture from February 2, 2015 onwards (Note 3)			
Oil sales (bbls)	**28,174**	64,117	-56%
Average daily oil sales (BOPD) by Concession L53	**313**	712	-56%
Average oil sales price, before transportation (CDN$/bbl)	**$ 60.23**	$ 105.28	-43%
Reference Price (volume weighted) and differential			
Crude oil (Brent $US/bbl)	**$ 52.50**	$ 108.07	-48%
Exchange Rate $US/$Cdn	**1.25**	1.12	8%
Crude oil (Brent $Cdn/bbl)	**$ 65.79**	$ 120.93	-44%
Sale price / Brent reference price	**92%**	87%	2%
Funds flow from operations (Note 4)			
Crude oil sales	**1,697**	6,750	-75%
Government royalty	**(81)**	(329)	-75%
Transportation expense	**(46)**	(104)	-56%
Operating expense	**(475)**	(1,038)	-54%
Field netback	**1,095**	5,279	-79%
General and administrative expense (Note 4)	**(314)**	(299)	5%
Interest income	**2**	2	0%
Realized foreign exchange loss	**(8)**	-	100%
Current income tax	**-**	(1)	-100%
Funds flow from operations	**775**	4,981	-84%
Funds flow from operations / barrel (CDN$/bbl) (Note 4)			
Crude oil sales	**$ 60.23**	$ 105.28	-43%
Government royalty	**(2.87)**	(5.13)	-44%
Transportation expense	**(1.63)**	(1.62)	1%
Operating expense	**(16.86)**	(16.19)	4%
Field netback	**38.87**	82.34	-53%
General and administrative expense (Note 8)	**(11.14)**	(4.66)	139%
Interest Income	**0.07**	0.03)	137%
Realized foreign exchange loss	**(0.28)**	-	100%
Current income tax	**-**	(0.02)	-100%
Thailand - Funds flow from operations	**$ 27.51**	$ 77.69	-65%
Government royalty as percentage of crude oil sales	**5%**	5%	0%
Income tax & SRB as percentage of crude oil sales	**0%**	0%	0%
As percentage of crude oil sales			
Expenses - transportation, operating, G&A and other	**49%**	21%	134%
Government royalty, SRB and income tax	**5%**	5%	0%
Funds flow from operations, before interest income	**46%**	74%	-38%
Wells drilled (wells were drilled after February 1, 2015)			
Gross	**3**	1	200%
Net	**1.5**	1.0	50%
Financial Statement Presentation – Excluding 50% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 1)			
Crude oil sales	**809**	6,750	-88%
Government royalty	**(38)**	(329)	-88%
Transportation expense	**(24)**	(104)	-77%
Operating expense	**(257)**	(1,038)	-75%
Field netback	**490**	5,279	-91%
General and administrative expense (Note 8)	**(185)**	(299)	-38%
Interest income	**1**	2	-50%
Realized foreign exchange loss	**(8)**	-	100%
Current income tax	**-**	(1)	-100%
Funds flow from consolidated operations	**298**	4,981	-94%
Included in Investment in Thailand Joint Venture			
Net loss from Thailand Joint Venture	**(293)**	-	100%
Add back non-cash items in net loss	**770**	-	100%
Included in Investment in Thailand Joint Venture	**477**	-	100%

	Three Months Ended March 31,		
(thousands of Canadian dollars except where indicated)	**2015**	2014	Change
Canada Operations (Note 6)			
Interest income	**47**	88	-47%
General and administrative expenses (Note 8)	**(574)**	(547)	5%
Realized foreign exchange gain	**510**	559	-9%
Canada – Funds flow from (used in) operations	**(17)**	100	-117%
Indonesia Operations			
General and administrative expense (Note 8)	**(457)**	(297)	54%
Exploration expense (Note 9)	**(161)**	(309)	-48%
Realized foreign exchange gain (loss)	**220**	(108)	-304%
Indonesia – Funds flow used in operations	**(398)**	(714)	-44%

(1) On February 2, 2015 the Company sold a 49.99% equity interest in its subsidiary Pan Orient Energy (Siam) Ltd. and retained a 50.01% equity interest in that company. The transaction resulted in Pan Orient Energy (Siam) Ltd. changing from a wholly-owned and controlled subsidiary to a joint arrangement where the Company shares joint control with the purchaser of the 49.99% equity interest. The resulting joint arrangement is classified as a Joint Venture under IFRS 11 and is required to be accounted for using the equity method of accounting rather than consolidated as it had previously been when Pan Orient Energy (Siam) Ltd. was a controlled subsidiary. The change in accounting from consolidation to the equity method has resulted in the accounts of Pan Orient Energy (Siam) Ltd. being derecognized from the consolidated financial statements and a net investment related to the portion of the interest retained being recognized at its estimated fair value upon initial recognition. Pan Orient's 50.01% equity interest in the assets, liabilities, working capital, operations and capital expenditures of Pan Orient Energy (Siam) Ltd. from February 2, 2015 forward are recorded in Investment in Thailand Joint Venture.

(2) As set out in the Consolidated Statements of Cash Flows in the unaudited Consolidated Financial Statements of Pan Orient Energy Corp.

(3) For the purpose of providing more meaningful economic results from operations for Thailand, and for comparison to previous period, the amounts presented consist of:

(a) Company's share of Thailand funds flow from operations at 100% from January 1, 2015 to February 1, 2015 (being the beginning of the year to the last date before the equity sale transaction was completed as discussed in note 1)

(b) Company's share of Thailand funds flow from operations at 50.01% from February 2, 2015 to March 31, 2015 (the period from when the Company completed the equity sale transaction to March 31, 2015).

(4) Funds flow from operations is cash flow from operating activities prior to changes in non-cash working capital, reclamation costs and excluding the recovery of prior year income taxes plus the corresponding amount from the Thailand operations which is recorded in Investment in Joint Venture for financial statement purposes. This measure 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.

(5) 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.

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

(7) Joint venture partners in Andora's Sawn Lake SAGD demonstration project repurchased the 3% gross overriding royalty on a portion of the non-owned working interests in 36.5 sections for $2.7 million.

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

(9) Exploration expense relates to exploration costs associated with the Citarum and South CPP PSCs in Indonesia.

(10) Tables may not add due to rounding.

Highlights

- Completed the sale on February 2, 2015 of a 50% equity interest in Thailand subsidiary for estimated net proceeds to Pan Orient, after closing adjustments and costs, of $52.0 million, including a working capital adjustment of $3.1 million.
- Bitumen production continues at the Sawn Lake, Alberta steam assisted gravity drainage (“SAGD”) demonstration project of Andora Energy Corporation (“Andora”). After a three week delay due to repair of the electrical submersible pump, the steam chamber is approaching the top of the Bluesky formation sandstone reservoir and bitumen production has averaged 353 BOPD (177 BOPD net to Pan Orient) for the period of May 1 to May 20 with a steam to oil ratio (“SOR”) of 4.7.
- On May 15, 2015 the Government of Indonesia approved the transfer of a 51% participating interest and operatorship of the East Jabung Production Sharing Contract (“PSC”) to a subsidiary of Talisman Energy Inc. Pan Orient retains a 49% participating interest at the East Jabung PSC. The first well is planned to be drilled in approximately early to mid-2016 and the farminee will fund the first USD$5 million of Pan Orient’s share of the exploration program and fund associated general and administrative expenses.
- Working capital and non-current deposits of $85.0 million at March 31, 2015 and an additional $9.4 million as initial consideration of the East Jabung farmout is expected in mid-June of 2015. Pan Orient has no long-term debt.

2015 FIRST QUARTER OPERATING RESULTS

- On February 2, 2015 the Company sold a 50% equity interest in its subsidiary Pan Orient Energy (Siam) Ltd. and retained a 50% equity interest. From February 2, 2015 forward the retained 50% equity interest is reclassified as a non-controlled Joint Venture and Pan Orient’s 50% equity interest in the working capital, assets, capital expenditures, liabilities and operations of Pan Orient Energy (Siam) Ltd. are recorded as Investment in Thailand Joint Venture.
- For the first quarter of 2015, the Company recorded total corporate funds flow from operations of $0.4 million ($0.01 per share) and funds flow from sale of the Thailand interest of $48.9 million ($0.86 per share).
- Net income attributable to common shareholders was $33.9 million ($0.60 per share).
- At March 31, 2015 Pan Orient had $85.0 million of working capital and non-current deposits. Working capital and non-current deposits of $85.0 million were comprised of $70.7 million cash, $4.3 million of non-current deposits, $12.7 million of Canadian taxes receivable, other receivables & prepaid expenses of $2.0 million and less payables of $4.7 million. There is $1.8 million of equipment inventory at the Batu Gajah PSC in Indonesia to be utilized in future drilling operations. In addition, Pan Orient’s Investment in Thailand Joint Venture includes $0.9 million of Thailand working capital and non-current deposits and $2.3 million of equipment inventory to be utilized for future Thailand Joint Venture operations.
- Pan Orient reports capital expenditures of $1.9 million in the first quarter of 2015, with $0.4 million in Indonesia, $0.1 million in Thailand to February 1, 2015 and $1.4 million in Canada at the Sawn Lake SAGD demonstration project of Andora. In addition, Pan Orient’s share of Thailand joint venture capital expenditures after February 1, 2015 was $2.5 million, which was recorded in Investment in Thailand Joint Venture.
- Pan Orient had outstanding capital commitments as at March 31, 2015 of $10 million in Indonesia associated with the East Jabung PSC. In May 2015, the East Jabung farmout received Government of Indonesia approval and the commitment associated with the retained 49% participating interest, will now be reduced to $4.9 million and under terms of the East Jabung farmout, the farminee will fund the first USD$5 million of Pan Orient’s share of the exploration program. In Canada, there is are capital commitments of $332,000 with respect to outstanding purchase orders and natural gas pipeline tie-in and tariff charges associated with the Sawn Lake SAGD demonstration project of Andora.
- During the first quarter of 2015, Pan Orient repurchased, and subsequently cancelled, 142,900 common shares ranging from $1.42 to $1.43 per share under its normal course issuer bid. Subsequent to March 31, 2015, the Company repurchased for cancellation an additional 579,100 common shares ranging from $1.42 to $1.64 per share.
- Thailand
  - Pan Orient’s Thailand interests in Concession L53, including the 50% interest in the Thailand Joint Venture from February 2, 2015 onwards, had average oil sales of 313 BOPD during the quarter and generated $0.8 million in after tax funds flow from operations, or $27.51 per barrel. Results for the first quarter of 2015 reflect the sale of a 50% equity interest in the Thailand subsidiary during the quarter and declining crude oil prices.
  - Per barrel amounts during the first quarter of 2015, including the 50% interest in the Thailand Joint Venture from February 2, 2015 onwards, were a realized price for oil sales of $60.23, transportation expenses of $1.63, operating expenses of $16.86, general and administrative expenses of $11.14 and a royalty to the Thailand government of $2.87. Oil sales revenue during this period was allocated 49% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand for royalties, and 46% to Pan Orient. No Thailand petroleum income taxes or Special Remuneratory Benefit tax was recorded during the quarter.
  - Oil sales in April 2015 at Concession L53 were 481 BOPD (241 BOPD net to Pan Orient’s 50% interest in the Joint Venture).
  - Pan Orient commenced a three well Thailand drilling program in late February. The L53-ANC1 exploration well failed to encounter commercial hydrocarbons but initial interpretations suggest that potential quality reservoir sands may be expected further east. The L53-DC1ST1 appraisal well encountered 52 meters of true vertical thickness of net oil pay in ten sandstone intervals and the L53-DEXT1ST1 appraisal well encountered 24 meters of true vertical thickness of

net oil pay in nine sandstone intervals. Various zones are in the process of being tested. Current production from the two newly drilled wells is 278 BOPD (139 BOPD net to Pan Orient's 50% interest in the Joint Venture).

- Capital expenditures of $2.6 million in Thailand during the first quarter of 2015 in Concession L53, including the 50% interest in the Thailand Joint Venture from February 2, 2015 onwards, were comprised of $1.8 million for the L53A-Central exploration well, $0.3 million for equipment inventory, $0.1 million for capitalized general and administrative expenses and $0.4 million for other capital expenditures.

➢ Indonesia

- Capital expenditures in Indonesia of $0.4 million for permits, fees and capitalized general and administrative expenses at the East Jabung and Batu Gajah PSC's.

➢ Canada

- Andora is the operator and holds a 50% working interest the Sawn Lake, Alberta SAGD demonstration project. Andora is a 71.8% owned subsidiary of Pan Orient and is consolidated with Pan Orient for reporting purposes.
- Capital expenditures for the Sawn Lake demonstration project during the first quarter of 2015 were $1.4 million relating to final construction of the SAGD facility.
- The SAGD producing well is still in its ramp-up phase and the steam chamber is approaching the top of the Bluesky formation sandstone reservoir. During March, bitumen production averaged 320 BOPD (160 BOPD net to Pan Orient) with an SOR of 5.2. On April 11, 2015 the electrical submersible pump for the SAGD producing well experienced a problem and the well was shut-in to make the necessary repairs. As a result, bitumen production declined in April to an average of 125 BOPD (63 BOPD net to Pan Orient) with an SOR of 5.9. Production resumed on May 1st and has averaged 353 BOPD (177 BOPD net to Pan Orient) with an SOR of 4.7 for the first 20 days of May.
- 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. All related costs and revenues are being capitalized as exploration and evaluation assets until commercial viability is achieved.

OUTLOOK

➢ Indonesia

- On May 15, 2015 the company received Government of Indonesia for approval for the transfer of a 51% participating interest and operatorship in the East Jabung PSC to a subsidiary of Talisman Energy Inc. 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 which would offset an existing oil discovery made by another operator in the adjacent Lemang PSC. Forestry approval for three surface locations was received in May 2015, and road and wellpad construction is expected to commence in June 2015.

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

- The Company expects the steam chamber to reach the top of the Bluesky formation sandstone reservoir in May or June 2015 and maximum production is anticipated to occur in approximately September 2015, corresponding to the end of the first year of production.
- The well is still in its ramp-up phase and Andora is now aiming for consistent bitumen production of 449 barrels of bitumen per day, with an associated SOR of 3.1, which corresponds to the High case estimate used by Sproule Unconventional Limited 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.

➢ Thailand

- Pan Orient is continuing to test the multiple sandstone intervals in the L53-DC1ST1 and L53-DEXT1ST2 appraisal wells.
- No exploration drilling has been confirmed by the Concession L53 joint venture partners for 2015 at this time. Activities for the next half of 2015 will focus on workovers of existing wells to maximize production and further investigation all options towards reducing operating costs.

Oil Production and Revenue

Oil sales from Concession L53 in Thailand averaged 469 BOPD from January 1, 2015 to February 1, 2015 were lower comparable to average oil sales of 512 BOPD and 712 BOPD during the fourth quarter of 2014 and the first quarter of 2014, respectively. The decline in oil sales in BOPD were due to natural declines in the Company's existing oil producing zones and partially offset by oil sales generated from the L53-DC1ST1 appraisal well which commenced oil production under testing on March 22, 2015. On February 2, 2015 the Company sold a 49.99% equity interest in its subsidiary, Pan Orient Energy (Siam) Ltd., and all subsequent oil sales from February 2, 2015 and onwards are accounted for using the equity method and recorded in the Company's share of earnings or loss from the investment in joint venture.

Oil revenue from January 1, 2015 to February 1, 2015 was $0.8 million compared to $3.7 million in the fourth quarter of 2014 and $6.8 million in the first quarter of 2014. Lower oil revenue in the first quarter of 2015 was attributable to lower crude oil prices and only oil revenue between January 1, 2015 to February 1, 2015 were recorded as the Company's consolidated revenue as a result of the equity sale transaction discussed above. The Company's average realized price per barrel from January 1, 2015 to February 1, 2015 was $53.90 compared to $78.70 during the fourth quarter of 2014 and $105.28 during the first quarter of 2014. The lower realized price per barrel was attributable to a decline in crude oil prices offset by a stronger US dollar in which the oil prices are denominated. 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 92% of the Brent reference price during the first quarter of 2015, compared to 90% during the fourth quarter of 2014 and 87% during the first quarter of 2014.

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. The Company's royalties from January 1, 2015 to February 1, 2015 averaged 5% of revenues and was consistent with the first and fourth quarter of 2014 as the concession did not have any production over 2,000 BOPD.

Transportation Expense

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 of $1.60 per barrel from January 1, 2015 to February 1, 2015 was consistent with transportation expense of $1.68 per barrel in the fourth quarter of 2014 and $1.62 per barrel in the first quarter of 2014.

Production and Operating Expense

Production and operating expenses are associated with oil production in Thailand. Production and operating costs included in the Company's consolidated financial statements were $0.3 million from January 1, 2015 to February 1, 2015, or $17.10 per barrel. Production and operating costs between February 2, 2015 and March 31, 2015 were included in the Company's share of the investment in joint venture's net earnings or loss. Production and operating costs of $17.10 per barrel were lower than $19.63 per barrel in the fourth quarter of 2014 and higher than $16.19 per barrel in the first quarter of 2014. Production and operating costs per barrel are typically higher in the fourth quarter of the year due to year end staff bonuses paid in Thailand.

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

	Three months ended March 31	
($thousands)	**2015**	2014
Depletion of Thailand PP&E [(1)]	**936**	3,388
Depreciation and amortization of office equipment	**39**	70
Total DD&A expense	**975**	3,458
Depletion per barrel	**$ 62.33**	$ 52.84
Depreciation and amortization per barrel	**2.60**	1.09
Total DD&A per barrel	**$ 64.93**	$ 53.93

(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 2015 when compared to 2014 due to lower proved plus probable reserves assigned to the L53 Concession at December 31, 2014 and a higher cost base from ongoing capital spending activity in Concession L53. Depletion expense of $0.9 million was recorded in the consolidated accounts to February 1, 2015 with subsequent depletion charges being included in the Company's share of earnings or loss from the joint venture.

Taxes

	Three months ended March 31	
($thousands)	**2015**	2014
Current tax expense	**-**	1
Deferred tax expense	**566**	774
Total tax expense	**566**	775

The $12.7 million of taxes receivable consisted of tax losses recognized in 2013 on loans made to the Company's subsidiaries which hold the South CPP and Citarum PSCs in Indonesia. Losses from 2013 have been carried back and applied to the gain recognized in 2012 on the sale of the Company's Thailand interests (concessions SW1, L44 and L33) to recover taxes paid in 2012.

The Company does not anticipate any taxes payable associated with the 49.99% equity sale of Pan Orient Energy (Siam) Ltd as a major portion of the sale proceeds was used to repay the intercompany loan in which the Company assessed the portion associated with the loan repayment was not taxable and the Company has sufficient tax deductions to further reduce the tax gain of the sale.

The recovery of Canadian income taxes and tax assessment on the 49.99% equity sale of Pan Orient Energy (Siam) Ltd. is based on managementós application of current income tax laws and may be assessed differently by the Canadian taxation authorities.

General and Administrative ("G&A") Expenses

	Three months ended March 31	
($thousands)	**2015**	2014
Thailand	**222**	402
Indonesia	**811**	801
Canada	**637**	689
Total G&A, net of overhead recoveries(1)	**1,670**	1,892
Allocated to capital projects(2)	**(454)**	(749)
Cash G&A	**1,216**	1,892
Accretion expenses	**10**	18
Stock-based payments	**-**	60
Consolidated G&A expense	**1,226**	1,221
G&A and accretion from joint venture	**134**	-
Total G&A attributable to Pan Orient	**1,360**	-
Cash G&A ï per barrel	**43.16**	17.83
Total G&A ï per barrel	**48.27**	19.04

(1) Overhead recoveries represent the portion of Pan Orient's G&A expenses charged through Andora's joint venture operated by the Company to working interest partners and capital projects. Overhead recoveries were $155 thousand for the three months ended March 31, 2015 (2014 – $168 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 2014 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 are lower as amounts from Pan Orient Energy (Siam) Ltd. are only included to February 1, 2015 with all subsequent G&A amounts being included in the Companyós share of earnings or loss from the joint venture. In Indonesia and Canada, G&A costs were consistent with the first quarter of 2014.

Capitalization of G&A decreased in the first quarter of 2015 compared to 2014 as consolidated G&A costs and the corresponding capitalization related to Pan Orient Energy (Siam) Ltd. were only recorded to February 1, 2015 with all subsequent amounts being included in the Companyós share of the earnings or loss from the joint venture. G&A per barrel increased in 2015 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 intangible assets in Indonesia and its Concession L45 assets in Thailand. In 2015, $161 thousand (2014 - $309 thousand) of exploration expense incurred in relation to the Citarum PSC was expensed rather than capitalized.

Impairment Expense

In the first quarter of 2015 the Company wrote off $1.7 million of equipment inventory in Indonesia that is now expected to be forfeited to the Indonesian government upon expiry of the Citarum PSC.

Net Loss from Joint Venture

Earnings from Joint Venture Pan Orient Energy (Siam) Ltd. (Net to Pan Orient, 50.01% equity interest)	**Three months ended March 31, 2015 $000s**	** $ per bbl**
Crude oil sales	**888**	**67.49**
Government royalty	**(43)**	**(3.27)**
Transportation expense	**(22)**	**(1.67)**
Operating expense	**(218)**	**(16.57)**
Field netback	**605**	**45.98**
General and administrative	**(129)**	**(9.80)**
Interest income	**1**	**(0.08)**
Current income tax	**-**	**-**
Funds flow from operations	**477**	**36.25**
Depletion, depreciation and amortization	**(920)**	**(69.92)**
Accretion	**(5)**	**(0.38)**
Deferred tax recovery	**155**	**11.78**
Net loss from joint venture	**(293)**	**(22.27)**

On February 2, 2015 the Company sold a 49.99% equity interest in Pan Orient Energy (Siam) Ltd. and from February 2, 2015 to March 31, 2015 accounted for its remaining 50.01% interest under the equity method as Investment in Joint Venture. From February 2, 2015 to March 31, 2015 Pan Orient Energy (Siam) Ltd. averaged 454 BOPD (227 BOPD, net to Pan Orient). The first quarter of 2015 was the Company's first quarter with an investment in a joint venture and reported a net loss from joint venture of $0.3 million.

Capital Invested

	Three months ended March 31			
	2015		2014	
Capital expenditures [(1)]	**$000s**	**Net wells drilled**	$000s	Net wells drilled
Thailand	**60**	**-**	2,554	1.0
Indonesia [(2)]	**430**	**-**	4,310	-
Canada	**1,374**	**-**	4,146	-
Consolidated capital expenditures	**1,864**	**-**	11,010	1.0
Share of joint venture capital expenditures	**2,525**	**1.5**	-	-
Total capital expenditures	**4,389**	**1.5**	11,010	1.0

(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 Orient's capital program for the three months ended March 31, 2015 was $1.9 million and was financed from existing working capital and funds provided in the sale of the 49.99% interest in Pan Orient Energy (Siam) Ltd for net proceeds of $52.0 million after transaction costs. The Company anticipates completing the farmout of a 51% interest in the East Jabung PSC in mid-June of 2015 and the anticipated proceeds upon the completion of the transaction will provide further strength to the Company's liquidity and financial position. At March 31, 2015 the Company's working capital plus non-current deposits of $85.0 million exceeded estimated outstanding commitments of $10.3 million by $74.7 million.

At March 31, 2015 Pan Orient's cash and cash equivalents were $70.7 million compared to $26.9 million at December 31, 2014 and were held in the jurisdictions where the Company operates as follows:

($thousands)	March 31, 2015	December 31, 2014
Cash and cash equivalents held in Canada	69,095	19,015
Cash and cash equivalents held in Thailand [(1)]	-	5,836
Cash and cash equivalents held in Indonesia	1,631	2,006
Total cash and cash equivalents	70,726	26,857

(1) Cash and cash equivalents held in Thailand were included in Investment in Joint Venture as at March 31, 2015.

Working capital plus non-current deposits at March 31, 2015 was $85.0 million compared to $40.9 million at December 31, 2014. Non-current deposits of $4.3 million at March 31, 2015 relate to a $4.0 million refundable deposit to dispute the land and building tax assessed to the East Jabung PSC in Indonesia (refer to Contingency discussion below) and $0.3 million deposit in Canada with the Alberta energy regulator.

Share Capital

Outstanding (thousands)	As at May 21, 2015	March 31, 2015	December 31, 2014
Common shares	56,038	56,617	56,760
Stock options	5,406	5,406	3,211
Total	61,444	62,023	59,971

In the first quarter of 2015, 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 722,000 common shares at prices in accordance with TSX Venture Exchange policy and ranging from $1.42 to $1.64 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:

	2015	**2014**				**2013**		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Rate at end of period								
Thai baht / Cdn $ exchange	25.33	28.00	28.69	30.08	29.03	30.50	30.09	29.35
Cdn $ / US $ exchange	1.27	1.16	1.12	1.07	1.10	1.06	1.03	1.05

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. 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 first quarter of 2015 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 March 31	
($thousands)	**2015**	2014
AOCI, beginning of period	**14,180**	2,536
Unrealized foreign currency translation gain	**13,772**	5,454
Other comprehensive income from joint venture	**436**	-
Disposition of Thailand interest	**(8,486)**	-
AOCI, end of period	**19,902**	7,990

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

	Three months ended March 31	
($thousands)	**2015**	2014
Foreign exchange gain related to Thailand	**4,975**	2,609
Foreign exchange gain related to Indonesia	**8,797**	2,845
Other comprehensive income from joint venture	**436**	-
Disposition of Thailand interest	**(8,486)**	-
Total change in AOCI	**5,722**	5,454

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) The Tax Directorate General of Indonesia assessed several oil and gas companies operating in Indonesia for 2012, 2013 and 2014 Land and Building Tax using a new framework, especially for the calculation of surface Land and Building Tax on offshore acreage, which is being challenged by the impacted oil and gas companies in Indonesia. Pan Orient was issued a Tax Assessment and Notification for the East Jabung PSC for 78,705 million Indonesian rupiah or $7.6 million when translated at the March 31, 2015 exchange rate. The potential accrued penalty for the unpaid tax to the end of the period was an additional $2.2 million. Of the total amount for the assessed Land and Building Tax and penalty of $9.9 million, $9.2 million is associated with the 2013 assessment on the Company's offshore acreage which the Company applied to voluntarily relinquish in the fourth quarter of 2013 and finalized in 2014.

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

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

   In the fourth quarter of 2014 Pan Orient entered into an agreement to transfer a 51% interest and operatorship of the East Jabung PSC and 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 as discussed in this note to the financial statements.

Summary of Quarterly Results

	2015	2014				2013		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Financial ($thousands) except as indicated (1)								
Oil revenue	**809**	3,708	5,840	7,285	6,750	8,880	7,397	8,475
Interest revenue	**48**	59	59	73	90	145	159	212
Cash flow from (used in) operating activity	**(510)**	(302)	4,184	3,881	4,599	4,734	4,408	6,337
Cash flow (used in) ï 2012 Thailand disposition net proceeds (2)	**-**	(152)	-	174	-	-	-	-
Cash flow from Disposition of Andoraõs GORR	**-**	-	-	-	2,698	-	-	-
Total assets	**305,796**	289,670	284,286	276,672	289,195	286,535	286,835	295,155
Working capital & non-current deposits	**84,955**	40,854	44,573	43,789	44,040	47,889	40,879	54,345
Shares outstanding (thousands)	**56,617**	56,760	56,760	56,760	56,760	56,760	56,760	56,760
Net income (loss)(3)	**33,940**	(1,793)	(363)	(147)	(185)	7,083	(3,109)	(97,677)
Per share basic ($)	**0.60**	(0.03)	(0.00)	(0.01)	(0.00)	0.13	(0.05)	(1.73)
Per share diluted ($)	**0.60**	(0.03)	(0.00)	(0.01)	(0.00)	0.13	(0.05)	(1.73)
Operations ($thousands) except as indicated								
Oil sales (BOPD) net to Pan Orient (4)	**313**	512	633	769	712	963	809	955
Funds flow from (used in) operations (5)	**(117)**	543	3,721	4,600	4,367	5,598	4,797	6,537
Funds flow ï 2015 Thailand disposition net proceeds (6)	**48,877**	-	-	-	-	-	-	-
Capital expenditures(9) ($thousands)	**4,389**	4,254	3,163	4,182	11,010	11,144	17,649	37,978
Funds flow from operations ($/bbl) (5)								
Realized crude oil price	**60.23**	78.70	100.34	104.05	105.28	100.22	99.34	97.47
Royalties	**(2.87)**	(3.86)	(4.91)	(5.20)	(5.13)	(4.94)	(4.94)	(4.89)
Transportation & operating	**(18.49)**	(21.31)	(14.79)	(14.29)	(17.81)	(19.06)	(16.16)	(12.10)
Field Netback	**38.87**	53.53	80.64	84.56	82.34	76.22	78.24	80.48
General and administrative(7)	**(47.74)**	(34.45)	(18.42)	(20.62)	(17.83)	(17.86)	(16.64)	(9.74)
Exploration(8)	**(5.71)**	(8.62)	(0.36)	0.21	(4.82)	-	-	-
Interest income	**1.74**	1.25	1.01	1.04	1.40	1.64	2.14	2.44
Realized foreign exchange	**25.63**	(0.17)	1.07	0.51	7.04	1.09	1.33	1.18
Current income tax	**0.00**	(0.02)	-	-	(0.02)	2.09	(0.64)	0.81
Funds flow from operations($/bbl)	**12.79**	11.52	63.94	65.70	68.11	63.18	64.43	75.17

(1) *Amounts presented were set out in the Consolidated Financial Statements of Pan Orient Energy Corp.*

(2) *Thailand Concessions SW1, L44 and L33 were sold on June 15, 2012. Proceeds of $185.3 million less transaction costs of $11.3 million and estimated tax of $14.7 million 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.*

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

(4) *Oil sales (BOPD) net to Pan Orient including the 50.01% interest in the Thailand Joint Venture from February 2, 2015 onwards.*

(5) *Funds flow from operations is cash flow from operating activities prior to changes in non-cash working capital, reclamation costs and excluding the recovery of prior year income taxes plus the corresponding amount from the Thailand operations which is recorded in Investment in Joint Venture for financial statement purposes. This measure 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.*

(6) *The Company sold a 49.99% equity interest in its subsidiary Pan Orient Energy (Siam) Ltd. on February 2, 2015 and retained a 50.01% equity interest. Pan Orient Energy (Siam) Ltd. holds a 100% working interest in Concession L53 in Thailand.*

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

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

(9) *Including the 50.01% interest in the Thailand Joint Venture from February 2, 2015 onwards and excluding decommissioning provision, acquisition costs and foreign exchange.*

Q2 2013 – 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 – 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 – 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 – 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. During the quarter 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 – 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 – 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 – 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.

Q1 2015 – Corporate funds flow used from operations was $0.4 million. Funds flow from operations in Thailand was $0.8 million with average daily oil sales of 313 BOPD from Concession L53, representing $27.51 on a per barrel basis. Pan Orient completed the sale on February 2, 2015 of a 50.01% equity interest in Thailand subsidiary for estimated net proceeds to Pan Orient, after closing adjustments and costs, of $52.0 million, including a working capital adjustment of $3.1 million. The transaction resulted in Pan Orient Energy (Siam) Ltd. changing from a wholly-owned and controlled subsidiary to a joint arrangement where the Company shares joint control with the purchaser of the 49.99% equity interest. The resulting joint arrangement is classified as a Joint Venture under IFRS 11 and is required to be accounted for using the equity method of accounting rather than consolidated as it had previously been when Pan Orient Energy (Siam) Ltd. was a controlled subsidiary. Net income attributable to common shareholders was $33.9 million ($0.60 per share) for the quarter resulting primarily from the gain on the disposition of the Thailand interest. The Company had capital expenditures during the quarter of $4.4 million with $2.6 million in Thailand, including Pan Orient's share of Thailand joint venture capital expenditures, $0.4 million in Indonesia, $1.4 million spent in Canada associated with the SAGD demonstration project of Andora at Sawn Lake, Alberta. At March 31, 2015, working capital plus non-current deposits was $85.0 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

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