PAN ORIENT ENERGY CORP.

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

May 26, 2014

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of the operating and financial results of Pan Orient Energy Corp. ("Pan Orient" or the "Company") is prepared effective May 26, 2014 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2014 and the audited consolidated financial statements and notes thereto and MD&A for the year ended December 31, 2013. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

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

Forward-Looking Statements

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

Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "assume", "believe", "estimate", "expect", "forecast", "guidance", "may", "plan", "predict", "project", "should", "will", or similar words suggesting future outcomes. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to reserves, future production volumes, royalty and tax obligations, production expenses, general and administrative expenses, future income taxes, and future exploration and development activities and the related expenditures.

The Company provides forward-looking information with respect to reservoir and resource estimates related to Thailand and Canada and estimated costs associated with work commitments in Thailand and Indonesia. Reserve and resource estimates are prepared by independent reservoir engineers and there are numerous uncertainties inherent in estimating quantities of oil and the cash flows to be derived therefrom. In general, estimates of economically recoverable volumes and the associated future net cash flows are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of commodities, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. All such estimates are to some degree speculative, and classifications of reserve and resource volumes are only attempts to define the degree of speculation involved. The Company's actual production, revenues and development and operating expenditures with respect to its reserve and resource estimates will vary from estimates thereof and such variations could be material. The Company's estimated commitments are based on internally-prepared budgets and assumptions and, in the case where a tender process has been completed, actual contracted amounts. The estimated expenditures as provided by management will vary from the actual amounts required to carry out these commitments, and the difference may be significant.

Because forward-looking information addresses future events and conditions, it involves risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking information. These risks and uncertainties include, but are not limited to: commodity price volatility; well performance and marketability of production; transportation and refining availability and costs; exploration and development costs; the recoverability of estimated reserve and resource volumes; the Company's ability to add reserves through development and exploration activities; fluctuations in currency exchange rates; and changes in government legislation and regulations, including royalty and tax laws.

The forward-looking statements contained herein are as of May 26, 2014 and are subject to change after this date. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive and as such undue reliance should not be placed on forward-looking statements. Except as required by applicable securities laws, with the exception of events or circumstances that occurred during the period to which the MD&A relates that are reasonably likely to cause actual results to differ materially from material forward-looking information that was previously disclosed to the public, the Company disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Non-IFRS Measures

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

Funds flow from operations ("funds flow"), which represents cash flow from operating activities prior to changes in non-cash working capital and reclamation costs and after income tax paid, is used by the Company to evaluate operating performance, leverage and liquidity. The following table reconciles funds flow from operations to cash flow from operating activities which is the most directly comparable measure calculated in accordance with IFRS:

($thousands)	Three Months Ended March 31 2014	2013
Cash flow from operating activities	**4,599**	6,196
Current tax recovery (expense)	**(1)**	81
Changes in non-cash working capital	**(231)**	(613)
Funds flow from operations	**4,367**	5,664

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 and reclamation costs.

Petroleum and Natural Gas Properties

The Company's principal properties are divided into three distinct groups: 1) partially developed and undeveloped concessions located on-shore Thailand; 2) undeveloped interests in Indonesia Production Sharing Contracts ("PSCs"); and 3) undeveloped Canadian oil sands leases.

Thailand

At March 31, 2014, the Company has operated working interests in two concessions in Thailand: 100% working interest and operator for Concession L53/48 ("L53") and 20% working interest and operator for Concession L45/50 ("L45"). Concessions L53 and L45 are located approximately 60 kilometers west of Bangkok. Concession L45 expired in April 2014. Currently all of Pan Orient's production of crude oil is from Concession L53 and sold to a refinery owned by the Thai National Oil Company.

<u>Concession L53</u>
Concession L53 is partially developed and has oil production and an active drilling program. Oil production averaged 887 BOPD in 2013 and 712 BOPD during the three months ended March 31, 2014. Proved plus probable reserves, as evaluated by Sproule International Limited of Calgary (the Company's independent reservoir engineers), as at December 31, 2013 assigned to the L53A, L53-D East and L53-G oilfields of Thailand Concession L53 was 1.5 million barrels net to Pan Orient, up from 1.1 million barrels in 2012 net to Pan Orient. The evaluation reflects the discovery of the L53G oil field with 594,000 barrels of oil, new pool discoveries of 386,000 barrels in the L53D field, partially offset by downward revision of 234,000 barrels of oil for the L53A and L53D oil fields, and oil production during 2013 of 323,676 barrels. The L53-G field production EIA was approved by the Government of Thailand on February 19, 2014 and three L53-G wells were brought back on production on February 20, 2014 after the EIA approval.

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

Indonesia

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

<u>Citarum PSC</u>

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

<u>Batu Gajah PSC</u>

At the Batu Gajah PSC, Pan Orient commenced the exploration drilling program in late March 2011. The Tuba Obi Utara-1 (NTO-1) exploration well drilled in the first half of 2011 encountered 10.5 feet of gas pay within good-quality sand near the top of the Lower Talang Akar formation ("LTAF"). The follow-up NTO-1ST side track well encountered the same LTAF gas sand formation identified at the NTO-1 well, but of lower reservoir quality. The SE Tiung-1 exploration well drilled in mid-2011 encountered oil shows and good quality sands within the primary Lower Talang Akar target horizon but wire line logging indicated the zone to be water bearing. The secondary objective of the Gumai and Upper Talang Akar formation sands were also present, but interpreted as being water bearing. On January 16, 2013 1,730 square kilometers (gross) of exploration lands were relinquished at the Batu Gajah PSC which now holds 793 square kilometers (gross). In the first quarter of 2013 the Company drilled two exploration wells and commenced a 400 square kilometer 3D seismic program at the Batu Gajah PSC. The Shinta-1 exploration well was spudded in the first quarter of 2013 and encountered sub-commercial oil in the primary Lower Talangakar sandstone target. The Buana-1 well was also spudded in the first quarter of 2013 as an updip appraisal of the North Tuba Obi-1 well drilled in 2011, which targeted natural gas in the Lower Talang Akar formation. Open hole wire line logs and pressure data indicated the sands to be water bearing. These results suggest the Buana-1 and the North Tuba Obi-1 fault compartments are not in communication and the gas accumulation encountered in the North Tuba Obi-1 well in 2011 is limited and sub-commercial. For the remainder of 2013 the Company worked to complete the acquisition and evaluation of the 400 square kilometer 3D seismic program focused on the eastern half of the PSC. In the third quarter of 2013, the operator of the Lemang PSC (directly adjacent to Pan Orient's Batu Gajah PSC) announced that significant hydrocarbons have been encountered in two wells. One located approximately 175 meters from the shared Lemang / Batu Gajah PSC boundary and another approximately 500 meters from the shared boundary. Mapping of the 2D seismic data over these wells combined with the 2D seismic acquired by Pan Orient in 2010 indicates that a portion of this structural closure extends into Pan Orient's Batu Gajah PSC and perhaps the structural crest. Articles of the PSC contract indicate that unitization will be mandatory in the event of a "shared" field. Pan Orient is currently working on the front end requirements to drill a well on this area. Pan Orient is seeking to farm-out a portion of the Company's interests in the Batu Gajah PSC.

<u>South CPP PSC</u>

A 227 kilometer 2D seismic program was completed in the first half 2013 and after evaluation of the seismic results the Company 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.

<u>East Jabung PSC</u>

At the East Jabung PSC the firm three year exploration commitment includes two wells and 2D seismic acquisition and processing. A 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 3,242.72 square kilometers of the PSC's offshore area. At March 31, 2014 the relinquishment has not yet been finalized with the GOI. The result of the relinquishment does not impact the PSC's onshore exploration activities. Pan Orient is seeking to farm-out a portion of the Company's interests in the East Jabung PSC.

Canada

Andora Energy Corporation is a private oil company in which Pan Orient has 71.8% ownership. Its principal activities to date relate to the development of the Sawn Lake area oil sands property in the Peace River Oil Sands Region of Northern Alberta using the steam assisted gravity drainage (“SAGD”) recovery process. Andora is in pre-production phase and the commercial viability of the SAGD recovery process at Sawn Lake has not yet been established. The Company has received regulatory approval to build and operate the SAGD demonstration project located in the Central Block of Sawn Lake where Andora is the operator and holds a 50% working interest. The demonstration project has started with a 2013 phase consisting of one SAGD well pair, a facility for steam generation, water handling and oil treating, and water source and disposal facilities. In July 2013, Andora and its joint venture partners entered into an agreement for the demonstration project at Sawn Lake, and Andora’s joint venture partners elected to participate for 50% and provided the necessary funding to Andora. As part of the arrangement, a joint venture partner had the right to repurchase the 3% gross overriding royalty (“GORR”) on their 40% working interest in the 12 sections of the Central Block subject to certain terms and conditions. In the first quarter of 2014 the joint venture partner repurchased the GORR for $2.7 million. In the fourth quarter of 2013, the one SAGD well pair was drilled to a depth of approximately 650 meters and have a horizontal length of 750 meters. Work on construction of the facility and pipeline installation has been completed in May 2014. Steam operations commenced on May 21, 2014 and oil production is anticipated at approximately the end of August 2014.

Summarized financial information with respect to Andora is as follows:

	As at and for the Three Months Ended March 31	
($thousands)	**2014**	2013
Total assets	**86,243**	83,696
Total liabilities	**10,075**	6,790
Funds flow used in operations	**(119)**	(3)
Net loss	**(208)**	(231)

Financial and Operating Summary	Three Months Ended March 31,		
(thousands of Canadian dollars except where indicated)	**2014**	2013	Change
FINANCIAL			
Oil revenue, before royalties and transportation expense	**6,750**	7,444	-9%
Funds flow from operations (Note 1)	**4,367**	5,664	-23%
Per share ï basic and diluted	**$ 0.08**	$ 0.10	-23%
Funds flow from (used in) operations by region (Note 1)			
Canada	**100**	(123)	-181%
Thailand	**4,981**	5,860	-15%
Indonesia	**(714)**	(73)	878%
Total	**4,367**	5,664	-23%
Net income (loss) attributed to common shareholders	**(185)**	341	-154%
Per share ï basic and diluted	**$ (0.00)**	$ 0.01	-119%
Working capital	**41,699**	85,215	-51%
Working capital & non-current deposits	**44,040**	87,442	-50%
Long-term debt	**-**	-	0%
Petroleum and natural gas properties			
Capital expenditures (Note 2)	**11,010**	34,509	-68%
Capital disposals (Note 3)	**(2,698)**	-	100%
Shares outstanding (thousands)	**56,760**	56,760	0%
Funds Flow from (used in) Operations per Barrel (Note 1)			
Canada operations	**$ 1.56**	$ (1.67)	-193%
Thailand operations	**77.69**	79.55	-2%
Indonesia operations	**(11.14)**	(0.99)	1025%
Total	**$ 68.11**	$ 76.89	-11%
Capital Expenditures (Note 2)			
Canada	**4,146**	2,224	86%
Thailand	**2,554**	13,793	-81%
Indonesia	**4,310**	18,492	-77%
Total	**11,010**	34,509	-68%
Working Capital and Non-current Deposits			
Beginning of period	**47,889**	116,376	-59%
Funds flow from operations (Note 1)	**4,367**	5,664	-23%
Capital expenditures (Note 2)	**(11,010)**	(34,509)	-68%
Disposal of petroleum and natural gas assets (Note 3)	**2,698**	-	100%
Foreign exchange impact on working capital	**96**	(219)	-144%
Net proceeds on share transactions	**-**	130	-100%
End of period	**44,040**	87,442	-50%
Canada Operations			
Interest income	**88**	305	-71%
General and administrative expense (Note 4)	**(547)**	(430)	27%
Current income tax recovery	**-**	82	-100%
Realized foreign exchange gain (loss)	**559**	(80)	-799%
Funds flow from (used in) operations (Note 1)	**100**	(123)	-181%
Funds flow from (used in) operations per barrel			
Interest income	**$ 1.37**	$ 4.14	-67%
General and administrative expense (Note 4)	**(8.53)**	(5.84)	46%
Current income tax recovery	**-**	1.11	-100%
Realized foreign exchange gain (loss)	**8.72**	(1.08)	-907%
Canada ï Funds flow from (used in) operations	**$ 1.56**	$ (1.67)	-193%
Indonesia Operations			
General and administrative expense (Note 4)	**(297)**	(75)	296%
Exploration expense (Note 5)	**(309)**	-	100%
Realized foreign exchange (loss) gain	**(108)**	2	5500%
Indonesia ï Funds flow used in operations	**(714)**	(73)	878%
Wells drilled			
Gross	**-**	2	-100%
Net	**-**	2.0	-100%

Financial and Operating Summary (continued)	Three Months Ended March 31,		
(thousands of Canadian dollars except where indicated)	**2014**	2013	Change
Thailand Operations			
Oil sales (bbls)	**64,117**	73,666	-13%
Average daily oil sales (BOPD) by Concession L53	**712**	819	-13%
Average oil sales price, before transportation (CDN$/bbl)	**$ 105.28**	$ 101.05	4%
Reference Price (volume weighted) and differential			
Crude oil (Brent $US/bbl)	**$ 108.07**	$ 112.17	-4%
Exchange Rate $US/$Cdn	**1.12**	1.02	10%
Crude oil (Brent $Cdn/bbl)	**$ 120.93**	$ 114.23	6%
Sale price / Brent reference price	**87%**	88%	-1%
Funds flow from operations (Note 1)			
Crude oil sales	**6,750**	7,444	-9%
Government royalty	**(329)**	(359)	-8%
Transportation expense	**(104)**	(111)	-6%
Operating expense	**(1,038)**	(752)	38%
Field netback	**5,279**	6,222	-15%
General and administrative expense (Note 4)	**(299)**	(364)	-18%
Interest income	**2**	3	-33%
Current income tax	**(1)**	(1)	0%
Thailand - Funds flow from operations (Note 1)	**4,981**	5,860	-15%
Funds flow from operations / barrel (CDN$/bbl) (Note 1)			
Crude oil sales	**$ 105.28**	$ 101.05	4%
Government royalty	**(5.13)**	(4.87)	5%
Transportation expense	**(1.62)**	(1.51)	7%
Operating expense	**(16.19)**	(10.21)	59%
Field netback	**82.34**	84.46	-3%
General and administrative expense (Note 4)	**(4.66)**	(4.94)	-6%
Interest Income	**0.03**	0.04	-25%
Current income tax	**(0.02)**	(0.01)	100%
Thailand - Funds flow from operations (Note 1)	**$ 77.69**	$ 79.55	-2%
Government royalty as percentage of crude oil sales	**5%**	5%	0%
Income tax as percentage of crude oil sales	**0%**	0%	0%
As percentage of crude oil sales			
Expenses - transportation, operating and G&A	**21%**	16%	30%
Government royalty and income tax	**5%**	5%	0%
Funds flow from operations, before interest income	**74%**	79%	-6%
Wells drilled			
Gross	**1**	6	-83%
Net	**1.0**	6.0	-83%

(1) Funds flow from operations ("funds flow" after tax and before changes in non-cash working capital and reclamation costs) is used by management to analyze operating performance and leverage. Funds flow as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures of other entities. Funds flow is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS.

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

(3) In March 2014, joint venture partner in Andora's Sawn Lake SAGD demonstration project repurchased the 3% gross overriding royalty on a portion of the non-owned working interests in 12 sections of the Central Block and 24.5 sections of the North Block for $2.7 million.

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

(5) Exploration expense relates to exploration costs associated with the Citarum and South CPP PSCs that are no longer being capitalized.

(6) Tables may not add due to rounding.

2014 FIRST QUARTER OPERATING RESULTS

- For the first quarter of 2014, the Company recorded total corporate funds flow from operations of $4.4 million ($0.08 per share) and a net loss attributable to common shareholders of $0.2 million ($0.00 loss per share).
- At March 31, 2014 Pan Orient had $44.0 million of working capital and non-current deposits, and no long-term debt. In addition, Pan Orient had $7.5 million of equipment inventory to be utilized for future Thailand and Indonesia operations which is included in exploration and evaluation assets in the consolidated statement of financial position. Working capital and non-current deposits were comprised of $35.7 million cash, $2.3 million of non-current deposits, $12.9 million of Canadian taxes receivable and other receivables of $6.4 million and less payables of $13.3 million.
- Capital expenditures were $11.0 million in the first quarter of 2014, with $4.3 million in Indonesia, $2.6 million in Thailand and $4.1 million in Canada at the Sawn Lake SAGD demonstration project of Andora Energy Corporation (ñAndoraò), which is owned 71.8% by Pan Orient and consolidated with Pan Orient for reporting purposes. Capital expenditures were funded partially by the $4.4 million of funds flow from operations, $2.7 million from a joint venture partner repurchasing a gross overriding royalty interest at Sawn Lake as part of an overall agreement entered into in 2013 for the advancement of the Sawn Lake demonstration project and the remaining $3.9 million through existing working capital.
- At March 31, 2014 Pan Orient had outstanding capital commitments of $130,000 in Thailand associated with Concession L53, $9.1 million in Indonesia associated with the East Jabung PSC, and $665,000 in Canada with respect to outstanding purchase orders and natural gas pipeline tie-in and tariff charges associated with the Sawn Lake SAGD demonstration project of Andora.
- Thailand
  - Concession L53 averaged oil sales of 712 BOPD during the quarter and generated $5.0 million in after tax funds flow from operations, or $77.69 per barrel. This compares with oil sales in fourth quarter of 2013 of 963 BOPD and $6.3 million in after tax funds flow from operations, or $70.79 per barrel. The reference price of Brent crude oil in Canadian dollars and the realized oil price increased by 5% during the first quarter of 2014. Concession L53 oil sales in the first quarter of 2014 decreased 26% from the fourth quarter of 2013 primarily due to the L53-G field being shut-in until the L53-G field production environmental impact assessment ("EIA") was approved by the Government of Thailand on February 19, 2014 (decline of 184 BOPD) and a 99 BOPD production decline at L53-D field, partially offset by an increase of 11 BOPD at the L53-A field resulting from a workover.
  - Oil sales in April 2014 at Concession L53 were 743 BOPD and production is currently 996 BOPD after recently perforating a new reservoir zone at the L53-D2ST3 well.
  - On a per barrel basis, first quarter 2014 after tax funds flow from operations of $77.69 resulted from oil sales of $105.28, transportation expenses of $1.62, operating expenses of $16.19, general and administrative expenses of $4.66 and a royalty to the Thailand government of $5.13. Oil sales revenue during this period was allocated 21% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand for royalties, and 74% to Pan Orient. No Thailand petroleum income taxes or Special Remuneratory Benefit tax was recorded during the quarter.
  - The L53-A Central exploration well drilled during the first quarter of 2014 failed to encounter commercial hydrocarbons and was abandoned.
  - Capital expenditures of $2.6 million in Thailand during the first quarter of 2014 in Concession L53 included $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.
  - Thailand Concession L45 expired on April 27, 2014 and $0.5 million has been accrued for expected unfulfilled commitments that will be payable to the Government of Thailand.
- Indonesia
  - Capital expenditures in Indonesia of $4.3 million with $4.0 million at the East Jabung PSC related primarily to the 440 kilometer 2D seismic program, $0.2 million at the Batu Gajah PSC related to capitalized general and administrative expenses, and $0.1 million for equipment inventory.
- Canada
  - Capital expenditures for the Sawn Lake demonstration project during the first quarter of 2014 were $4.1 million relating to the construction of the SAGD facility for steam generation, water handling and oil treating, and for final installation of the water source and disposal facilities.

OUTLOOK

- Thailand

  - The Company is waiting for EIA approval for several locations, and which include the L53A-North prospect in the northeastern portion of Concession L53. Approval for these locations is now expected in the July to August 2014 time frame.

  - Thailand drilling plans for the remainder of 2014 include two appraisal wells to be drilled at the L53-D East field in mid July 2014 and an exploration well at the L53A-North prospect once EIA approval is received. One of the appraisal wells to be drilled at the L53-D East field will be targeting an undrilled fault compartment where a portion of the 2013 year-end downward reserve revision was the result of a reclassification of reserves to prospective resourced based on new seismic mapping integrated with the wells drilled in 2013.

- Indonesia

  - The Indonesian farm-out process is continuing as Pan Orient seeks partners for exploration drilling through farm-out arrangements at the Batu Gajah, East Jabung and Citarum PSCs.

  - The Company has received and evaluated farm-in proposals for the East Jabung PSC and is currently negotiating the farm-in and joint operating agreements. The timing of an exploration well at East Jabung targeting the Anggun prospect will be directly dependent upon the timing of the intended farm-out and the completion of the road access to this remote well site. The Anggun prospect is interpreted as having a maximum structural closure of approximately 85 to 100 square km at three primary target levels.

  - Discussions are continuing with potential farm-in partners for the Batu Gajah and Citarum PSCs.

  - At the East Jabung PSC, the last portion of an approximately 440 km 2D seismic program over the North lead has been completed. Processing and interpretation of this data is expected to be completed in July 2014.

  - At the Batu Gajah PSC, Pan Orient is currently in discussions with the Indonesian oil and gas regulator relating to unitization of the potential new field in the adjacent Lemang PSC, and is working towards the drilling of a well in the area in 2014 / 2015. Under an agreement with the operator of the Lemang PSC, Pan Orient has the rights to the portion of a recently acquired 3D seismic survey over the Selong-1 discovery that extended into POE's adjacent Batu Gajah PSC. Once received, this data will be used to optimally locate an appraisal well within Pan Orient's acreage.

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

  - Andora has a 50% working interest in the Sawn Lake SAGD demonstration, and is the operator. 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 have a horizontal length of 780 meters, and construction of the SAGD facility for steam generation, water handling and oil treating has been completed in 2014. Steam injection at the Sawn Lake SAGD demonstration project commenced on May 21, 2014. After three months of steam injection, bitumen production is anticipated in approximately August 2014.

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

Oil Production and Revenue

Concession L53 averaged oil sales of 712 BOPD during the quarter and this compares with oil sales in fourth quarter of 2013 of 963 BOPD. Concession L53 oil sales in the first quarter of 2014 decreased 26% from the fourth quarter of 2013 primarily due to the L53-G field being shut-in until the L53-G field production environmental impact assessment ("EIA") was approved by the Government of Thailand on February 19, 2014 (decline of 184 BOPD) and a 99 BOPD production decline at L53-D field, partially offset by an increase of 11 BOPD at the L53-A field resulting from a workover.

Oil revenue was $6.8 million and $7.4 million for the three months ended March 31, 2014 and 2013, respectively. The decrease is attributed to decreased volumes partially offset by higher realized oil prices. The Company's average realized price for its oil sales was $105.28 per barrel in the first quarter of 2014 compared to $101.05 per barrel in the first quarter of 2013. 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 87% of Brent reference price in the first quarter of 2014 and consistent with 88% in the same period of 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. Total royalties paid were 5% of sales revenue in the first quarter of 2014 and 5% of sales revenue in both the fourth and first quarters of 2013 as production volumes did not exceed 2,000 BOPD in any concession.

Transportation Expenses

Transportation expenses represent the expense 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 averaged $1.62 per barrel in the first quarter of 2014 compared to $1.60 per barrel in the fourth quarter of 2013 and $1.51 per barrel in the first quarter of 2013. Transportation expense per barrel in the first quarter of 2014 is consistent with the transportation expense per barrel in the fourth quarter of 2013 as the oil trucking in both periods was from similar well locations.

Operating Expenses

Operating expenses are associated with oil production in Thailand. Operating costs were $1.0 million ($16.19 per barrel) in the first quarter of 2014 compared to $1.5 million ($17.46 per barrel) in the fourth quarter of 2013 and $0.8 million ($10.21 per barrel) in the first quarter of 2013. On a per barrel basis, operating expenses were lower in the first quarter of 2014 than the fourth quarter of 2013 due to year-end cost associated with the operating staff in Thailand. Operating costs on a per barrel basis were higher during the first quarter of 2014 than the first quarter of 2013 due to increased equipment rental and personnel costs as a result of more well locations.

Depletion and Depreciation (D&D)

	Three Months Ended March 31	
($thousands)	**2014**	2013
Depletion of Thailand PP&E[(1)]	**3,388**	3,591
Depreciation of office equipment and assets	**70**	86
Total D&D	**3,458**	3,677
Total D&D - per barrel	**$53.93**	$49.91

(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.

Thailand costs subject to depletion in the first quarter of 2014 included $17.7 million of estimated future development costs for proved plus probable reserves compared to $8.8 million of estimated future development costs included in the first quarter of 2013. The D&D expense per barrel is higher in first quarter of 2014 compared to the first quarter of 2013 due to the higher cost base from ongoing capital spending activity in Concession L53 and higher estimated future development costs included in the depletable base. The D&D expense in fourth quarter of 2013 was $50.95 per barrel.

Taxes

	Three Months Ended March 31	
($thousands)	**2014**	2013
Canadian income tax (recovery) expense	**-**	(82)
Thai income tax expense[(1)]	**1**	1
Special remuneratory benefit[(2)]	**-**	-
Total current tax (recovery) expense	**1**	(81)
Deferred tax (recovery) expense	**774**	1,210
Total tax expense	**775**	1,129

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

At March 31, 2014 the Company had a Thai tax payable of two thousand dollars related to taxes on non-petroleum revenue. The Company continues to utilize non-capital and SRB losses from Concession L53 to shelter its petroleum income from income tax and SRB tax. It is uncertain when SRB will be payable on the Concession. Because of the deductions allowed for capital spent, the effective rates of these taxes can vary significantly from the actual tax rates. For the three months ended March 31, 2014 SRB was 0.0% (2013 – 0.0%) of total revenue and income tax was less than one percent (2013 – 0%) of total revenue.

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

In July 2013 the Tax Directorate General of Indonesia assessed several oil and gas companies operating in Indonesia for Land and Building Tax using a new framework which is being challenged by the impacted oil and gas companies in Indonesia. Pan Orient was issued a tax payable notification for $7.8 million. The Company has filed an objection letter and this amount is not recorded in the consolidated financial statements and is pending the outcome of the objection filed.

General and Administrative (G&A) Expenses

	Three Months Ended March 31	
($thousands)	**2014**	2013
Thailand	**402**	453
Indonesia	**801**	1,494
Canada	**689**	488
Total G&A, net of overhead recoveries(1)	**1,892**	2,435
Allocated to capital projects(2)	**(749)**	(1,566)
Cash G&A	**1,143**	869
Accretion expenses	**18**	21
Stock-based payments	**60**	-
Total G&A	**1,221**	890
Cash G&A – per barrel	**17.83**	11.78
Total G&A – per barrel	**19.04**	12.08

(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 $168,000 in the first quarter of 2014 (2013 – nil).

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

G&A costs incurred in Thailand remained fairly consistent in the first quarter of 2014 as compared to the first quarter of 2013. G&A costs incurred in Indonesia were lower in the first quarter of 2014 than in the first quarter of 2013 as the Company was less active in its Indonesian exploration program in the first quarter of 2014. G&A costs incurred in Canada in the first quarter of 2014 were higher than the first quarter of 2013 as Canada did not record an overhead recovery from its Indonesia operations in the first quarter of 2014. Less G&A was capitalized in the first quarter of 2014 compared to the first quarter of 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 recognized on these PSCs in the second quarter of 2013.

Exploration Expenses

In 2013 the Company recognized a full impairment charge on its Citarum and South CPP assets in Indonesia. In 2014, all exploration costs incurred by these PSCs have been expensed as Exploration expenses rather than capitalized.

Capital Invested [(1)]

	Three Months Ended March 31			
	2014		2013	
	$000s	**Net wells drilled**	$000s	Net wells drilled
Capital expenditures				
Thailand	**2,554**	**1.0**	13,793	6.0
Indonesia [(2)]	**4,310**	**-**	18,492	2.0
Canada	**4,146**	**-**	2,224	-
Total capital expenditures	**11,010**	**1.0**	34,509	8.0

(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.

Thailand

Capital expenditures of $2.6 million in Thailand during the first quarter of 2014 in Concession L53 included $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 $4.3 million with $4.0 million at the East Jabung PSC related primarily to the 440 kilometer 2D seismic program, $0.2 million at the Batu Gajah PSC related to capitalized general and administrative expenses, and $0.1 million for equipment inventory.

Canada

Capital expenditures for the Sawn Lake demonstration project during the first quarter of 2014 were $4.1 million relating to the construction of the SAGD facility for steam generation, water handling and oil treating, and for final installation of the water source and disposal facilities.

Liquidity and Capital Resources

Pan Orient's capital program in the first quarter of 2014 was $11.0 million and was financed with $4.4 million of funds flow from operations, $2.7 million from the sale of Andora's gross overriding royalty and the remainder from existing working capital. Pan Orient's working capital position is forecasted regularly and the Company plans to fund future capital expenditures and commitments with existing cash balances, equipment inventory and expected cash flows from Thailand operations. At March 31, 2014 the Company's working capital plus non-current deposits of $44.0 million exceeded estimated outstanding commitments of $9.9 million by $34.1 million. At March 31, 2014 the Company had $7.5 million of equipment inventory to be utilized for future Thailand and Indonesia operations. The equipment inventory is included in exploration and evaluation costs in the statement of financial position.

At March 31, 2014 Pan Orient's cash and cash equivalents of $35.7 million, compared to $41.8 million at December 31, 2013 were held in the jurisdictions where the Company operates as follows:

($thousands)	**March 31, 2014**	December 31, 2013
Cash held in Canada	**29,715**	37,244
Cash held in Thailand	**3,307**	2,311
Cash held in Indonesia	**2,702**	2,276
Total cash	**35,724**	41,831

Working capital plus non-current deposits at March 31, 2014 was $44.0 million compared to $47.9 million at December 31, 2013 and $87.4 million at March 31, 2013.

Non-current cash deposits of $2.3 million at March 31, 2014 relate to a $1.6 million performance bond in Indonesia which will be returned to the Company upon completion of the commitments at the East Jabung PSC and $0.7 million in guarantees to the Thailand government for customs importation permits.

Share Capital

Outstanding (thousands)	As at May 26, 2014	As at March 31, 2014
Common shares	56,760	56,760
Stock options	3,261	5,590
Total	60,021	62,350

Foreign Exchange

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

	2014	**2013**				**2012**		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Rate at end of period								
Thai baht / CDN $ exchange	**29.03**	30.50	30.09	29.35	28.49	30.42	31.09	30.55
CDN $ / US $ exchange	**1.10**	1.06	1.03	1.05	1.02	0.99	0.98	1.03

A fundamental aspect of the Company's treasury function is mitigating the effect of foreign currency exchange fluctuations to the greatest extent possible. To accomplish this, surplus funds are moved to Canada to be held in Canadian dollars. An appropriate cushion of Thai baht is held in Thailand to satisfy payments in that currency as they come due, the most significant of which are the Company's SRB and taxes. Thailand uses Thai Baht and Indonesia uses the US dollar as their functional currencies for reporting, which are translated to Canadian dollars at each reporting period with the unrealized translation gain or loss being recognized in accumulated other comprehensive income ("AOCI"). In the first 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 March 31	
($thousands)	**2014**	2013
AOCI, beginning of period	**2,536**	(4,297)
Unrealized foreign currency translation gain	**5,454**	5,541
AOCI, end of period	**7,990**	1,244

The unrealized foreign currency translation gain is as follows:

	Three Months Ended March 31	
($thousands)	**2014**	2013
Foreign exchange gain related to Thailand	**2,609**	2,982
Foreign exchange gain related to Indonesia	**2,845**	2,559
Total change in AOCI	**5,454**	5,541

Summary of Quarterly Results

	2014	2013				2012		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Production (BOPD)	**712**	963	809	955	819	1,029	842	1,318
Funds flow from operations ($/bbl)								
Realized crude oil price	**105.28**	100.22	99.34	97.47	101.05	97.21	100.78	104.21
Royalties	**(5.13)**	(4.94)	(4.94)	(4.89)	(4.87)	(4.78)	(5.03)	(5.16)
Transportation & operating	**(17.81)**	(19.06)	(16.16)	(12.10)	(11.72)	(19.92)	(18.84)	(16.75)
Field Netback	**82.34**	76.22	78.24	80.48	84.46	72.51	76.90	82.30
General and administrative(1)	**(17.83)**	(17.86)	(16.64)	(9.74)	(11.79)	(16.41)	(15.59)	(14.33)
Exploration(2)	**(4.82)**	-	-	-	-	-	-	-
Interest income	**1.40**	1.64	2.14	2.44	4.18	3.91	4.69	0.82
Realized foreign exchange	**7.04**	1.09	1.33	1.18	(1.06)	1.68	(22.77)	1.86
Current income tax	**(0.02)**	2.09	(0.64)	0.81	1.10	-	(0.01)	(12.59)
Funds flow from operations	**68.11**	63.18	64.43	75.17	76.89	61.69	43.22	58.06
Financial ($thousands) except as indicated								
Oil revenue	**6,750**	8,880	7,397	8,475	7,444	9,198	7,808	12,502
Interest revenue	**90**	145	159	212	308	370	363	98
Funds flow ï Thailand disposition net proceeds(3)	**-**	-	-	-	-	785	553	157,952
Disposition of Andora's GORR	**2,698**	-	-	-	-	-	-	-
Net income (loss)(4)		7,083	(3,109)	(97,677)	341	859	(1,626)	79,285
Per share basic ($)	**(0.00)**	0.13	(0.05)	(1.73)	0.01	0.02	(0.03)	1.40
Per share diluted ($)	**(0.00)**	0.13	(0.05)	(1.73)	0.01	0.02	(0.03)	1.40
Capital expenditures(5)	**11,010**	11,144	17,649	37,978	34,509	20,539	12,021	23,980
Total assets	**289,195**	286,535	286,835	295,155	383,691	381,511	367,263	419,313
Shares outstanding (thousands)	**56,760**	56,760	56,760	56,760	56,760	56,720	56,720	56,685

(1) General and administrative costs excluding accretion expense and gain on settlement of decommissioning provision.
(2) Exploration expense consists of exploration costs incurred at the Citarum and South CPP PSCs in Indonesia.
(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 results in proceeds net of expenses of $159.3 million. After deducting $79.6 million related to the carrying value of petroleum and equipment, exploration and evaluation costs, and working capital sold (including the elimination of the associated deferred tax liabilities, employee pension liabilities, and decommissioning provision). The net after tax gain on sale is $79.6 million. The 2012 financial statements and operating results include revenue, expenses and capital expenditures associated with these properties to June 14, 2012.
(4) Net income (loss) attributed to common shareholders
(5) Excluding decommissioning provision, acquisition costs and foreign exchange

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

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

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

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

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

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

Q4 2013 – Corporate funds flow from operations was $5.6 million. Funds flow from operations in Thailand was $6.3 million with average daily oil sales of 963 BOPD from Concession L53, representing $70.79 on per barrel basis. Net income attributable to common shareholders was $7.1 million ($0.13 per share) for the quarter resulting primarily from a $12.6 million income tax recovery recorded as the Company plans on carrying its 2013 losses back and applying them against the 2012 gain on sale of Thailand interests. In the fourth quarter of 2013 the Company had a net impairment charge of $5.4 million with $2.1 million relating to the Citarum PSC in Indonesia and $3.3 relating to Concession L45 in Thailand. The Company had capital expenditures in the quarter of $11.1 million with $1.8 million in Thailand for workovers, $4.7 million in Indonesia for seismic programs at the Batu Gajah and East Jabung PSCs and $4.6 million spent in Canada associated with the SAGD demonstration project of Andora at Sawn Lake, Alberta. At December 31, 2013, working capital plus non-current deposits was $47.9 million and the Company had no long-term debt.

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 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 their 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.

Additional Information

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