PAN ORIENT ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

April 19, 2016

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of the operating and financial results of Pan Orient Energy Corp. ("Pan Orient" or the "Company") is prepared effective April 19, 2016 and should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2015 and December 31, 2014. 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 Indonesia and interests in Pan Orient Energy (Siam) Ltd. which has properties onshore Thailand, and interests in Andora Energy Corporation ("Andora") 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. 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.

Please note that all amounts are in Canadian dollars unless otherwise stated, translation of items denominated in foreign currencies as at December 31, 2015 into Canadian dollars using December 31, 2015 exchange rates, represent the net amount to Pan Orient's interests unless otherwise stated, and BOPD refers to barrels of oil per day.

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 generally identifiable by the terminology used, such as "expect", "believe", "estimate", "should", "anticipate" and "potential" or other similar wording. Forward-looking information in this news release includes, but is not limited to, references to: renewal, extension or termination of oil concessions and production sharing contracts; other regulatory approvals; well drilling programs and drilling plans; the benefits of patented technology; estimates of reserves and potentially recoverable resources, information on future production and project start-ups, and negotiation, agreement, closing and financing and other terms of farmout and other transactions; potential purchases of common shares under the normal course issuer bid; and sufficiency of financial resources. 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, changes in demand for oil and gas, the results of commercial negotiations, the timing and outcome of applications for government approvals, 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 or has provided forward-looking information with respect to reserves and resource estimates related to Thailand, Indonesia and Canada and estimated costs associated with work commitments in Thailand, Indonesia and Canada. 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; Land and Building Tax in Indonesia; and changes in government legislation and regulations, including royalty and tax laws.

The forward-looking statements contained herein are as of April 19, 2016 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 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 subsequently 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 December 31		**Year Ended December 31**	
($thousands)	**2015**	2014	**2015**	2014
Cash flow from (used in) operating activities	**80**	(302)	**1,439**	12,362
Changes in non-cash working capital	**478**	845	**(351)**	644
Settlement of decommissioning liabilities	**-**	-	**-**	225
Funds flow from Investment in Joint Venture	**1,279**	-	**3,588**	-
Funds flow from operations	**1,837**	543	**4,676**	13,231

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 refers to funds flow from operations, which is 1) cash flow from operating activities prior to changes in non-cash working capital, reclamation costs and 2) 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 bitumen production in September 2014.

Thailand

<u>Concession L53</u>

At December 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 and consist 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 renewed the exploration period for a further three years to January 7, 2016. Additionally, Pan Orient as concessionaire submitted an application to the Government of Thailand in November 2015 for a 215 square kilometer reserve area for a period of up to five years with the payment of a surface reservation fee, which is reimbursable through work program expenditures. The reserve area encompasses all of the remaining prospects defined within Concession L53 and based on full coverage 3D seismic data. The Company expects the approval letter from the Government of Thailand for the reserve area shortly. The surface reservation fee is at a rate of 100,000 Thai Baht per square kilometer of the reserve area per year up to 5 years (equivalent to Cdn $3,886 per square kilometer when translated at the 2015 year-end exchange rate). The original area of the Concession L53/48 exploration block was 3,997 square kilometers. All of Pan Orient's crude oil revenue is from Concession L53 and is from sale of oil production 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 from Concession L53 averaged 842 BOPD (421 BOPD net to Pan Orient) during the fourth quarter of 2015 and 607 BOPD (324 BOPD net to Pan Orient) for the year ended December 31, 2015. Production increased during the fourth quarter of 2015 due to workovers at the L53A and L53D fields with production added from new reservoir zones. In the first quarter of 2015, three gross wells (1.5 net wells to Pan Orient) were drilled in late February. The 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 and was placed on production March 22, 2015 to test various zones and added a total of 10,904 barrels of oil net to Pan Orient during 2015. The L53-DEXTST2 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 and was placed on production in April to test various zones and added a total of 2,509 barrels of oil net to Pan Orient during 2015. Oil sales from Concession L53 averaged 537 BOPD (269 BOPD net to Pan Orient) during the first quarter of 2016.

The evaluation of the Thailand reserves of Concession L53 (based on a 100% working interest) as at December 31, 2015 was conducted by Sproule International Limited of Calgary and was prepared in accordance with Canadian Securities Administrators National Instrument 51-101 – "Standards of Disclosure for Oil and Gas Activities". Proved and probable crude oil reserves of 1,197,000 barrels at December 31, 2015 from conventional sandstone reservoirs, compared with proved plus probable oil reserves of 1,166,000 barrels at December 31, 2014. The three percent increase in 2015 reflected the following changes during 2015:

- 2015 oil sales of 221,501 barrels (607 BOPD), with 130,985 barrels (359 BOPD) from the L53G field, 50,806 barrels (139 BOPD) from the L53D field and 39,710 barrels (109 BOPD) from the L53A field.
- An increase of 252,501 barrels resulting from 201,600 barrels of discoveries, 63,201 barrels from positive technical revisions less a reduction of 12,300 barrels from economic factors. These reserve additions are primarily at the L53-B and L53-G fields.

Indonesia

At December 31, 2015, the Company owned interests in two PSCs, with a 77% operated working interest in the Batu Gajah PSC and a 49% non-operated working interest in the East Jabung PSC. A 23% carried interest is held by third parties on the Batu Gajah PSC. There were no reserves assigned to any of the Indonesia PSCs at December 31, 2015. The Citarum PSC, where the Company had a 97% operated working interest, expired October 6, 2015 and the Company is awaiting final approval of the relinquishment from the Government of Indonesia ("GOI").

<u>Batu Gajah PSC</u>

Pan Orient acquired an interest in the Batu Gajah PSC in 2008. Pan Orient 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 drilled in 2011 failed to find commercial hydrocarbons and were abandoned. In January 2013, 1,730 square kilometers (gross) of exploration lands were relinquished at the Batu Gajah PSC which now holds 791.71 square kilometers (gross) of exploration lands. In the first quarter of 2013 the Company drilled the Shinta-1 and Buana-1 exploration wells and commenced a 400 square kilometer 3D seismic program at the Batu Gajah PSC. These two exploration wells were unsuccessful and abandoned. For the remainder of 2013 the Company worked to complete the acquisition and evaluation of a 400 square kilometer 3D seismic program focused on the eastern half of the PSC. In the third quarter of 2013, the operator of the Lemang PSC (directly adjacent to Pan Orient's Batu Gajah PSC) announced that significant hydrocarbons had 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. During the third quarter of 2015, Pan Orient drilled and cased the Akeh-1 exploration well (Akeh-1) at the Batu Gajah PSC to a depth of 1,850 meters and completed the testing of four zones within the primary target Lower Talang Akar sandstone formation. Pan Orient announced an oil and condensate discovery with the Akeh-1 exploration well on October 20, 2015 based on the testing results. Technical data obtained in the drilling and testing of the Akeh-1 exploration well is being used to update our understanding of the Akeh prospect, plan drilling of the Akeh-2 delineation well and prepare regulatory filings.

During the first quarter of 2016, the Company was informed that the GOI oil and gas regulator requires one additional appraisal well of the Akeh discovery prior to considering "Released from Exploration Status". A successful release would allow the commencement of a "Pre-Plan of Development" study to determine the likelihood of the commerciality of the Akeh-1 discovery, which would be followed (if commerciality is deemed likely) by the compilation and submission of a Plan of Development. Long lead time preparations are currently underway towards the drilling of a deviated appraisal well, Akeh-2, from the existing Akeh-1 well pad. In parallel to these Akeh-2 pre-drill tasks, the Company has been involved in discussions with a number of parties since December 2015 seeking a partner in the Batu Gajah PSC. Readers are cautioned that test results are not necessarily indicative of long-term performance or of ultimate recovery.

The Batu Gajah PSC 10 year exploration phase expires in January of 2017 and the Company intends to submit an application for a two year extension in June 2016, the earliest date for an application allowed under oil and gas regulations. The two year extension would allow the time required to finish drilling Akeh-2, apply for Released from Exploration Status and commence work on the Pre-Plan of Development study. The GOI may require Pan Orient to have drilled the Akeh-2 well prior to granting an extension. In addition to the Akeh prospect, the Batu Gajah contains a number of other exploration prospects with exploration potential.

<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 GOI to voluntarily relinquish approximately 3,279.96 square kilometers of the PSC's offshore area. The GOI approved the offshore relinquishment in the fourth quarter of 2014 and the area has been relinquished. The result of the relinquishment does not impact the PSC's onshore exploration activities.

On June 1, 2015 Pan Orient completed a farm-out to transfer a 51% interest and operatorship of the East Jabung PSC for consideration of: 1) an upfront cash payment of USD$ 8.0 million; 2) a firm commitment to fund the first USD$ 10.0 million towards the first exploration well in addition to all related general and administrative expenses ("G&A") and overhead costs incurred by the operator until the USD$ 10.0 million expenditure has been completed; 3) an option for Pan Orient to acquire a 20% working interest in the farminee operated South Sumatra Joint Study Area where the farminee holds the right of first refusal in an upcoming Indonesia bid round to bid on a new PSC located adjacent to the East Jabung PSC; and 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.

Pan Orient was informed by the operator in March 2016 that significant progress has been made towards a road access agreement to the first proposed exploration drilling location at the East Jabung PSC. Successful conclusion of this agreement will result in a substantially reduced length of new build road, from the originally proposed 24 kilometers, to approximately three kilometers. This would result in a substantially reduced well cost estimate, making it likely that the first East Jabung exploration well will be drilled within the US$10 million limit for Pan Orient's carried interest.

Further, Pan Orient was informed by the operator that road and well pad construction is currently planned to commence in the late third quarter of 2016, followed by drilling in the fourth quarter of 2016.

Gaffney Cline & Associates completed a third party engineer NI-51-101 compliant Prospective Resource Report for the Anggun Prospect effective June 30, 2015. Prospective Resources are defined as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have an associated geological chance of success (“GCOS”). Prospective Resources are further classified as "High", “Best” and “Low” in accordance with the range of uncertainty. “Mean” refers to the expected average value of all possible successful outcomes. There is no certainty that any portion of the Prospective Resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources. Prospective Resource volumes are presented as unrisked.

The report assigned unrisked mean estimated ultimate recoverable oil Prospective Resources of 44, 28 and 51 million barrels of oil equivalent net to Pan Orient's 49% working interest in three potential reservoir horizons at the Anggun prospect. The assigned geological chance of success for each of these three potential reservoir horizons is 20%, 11% and 26% respectively.

Anggun Prospect, East Jabung PSC, Prospective Resources (Gross 100%)
(Million of barrels of oil equivalent except where indicated)

Prospect/Zone	Low Estimate (P90)	Best Estimate (P50)	Mean	High Estimate (P10)	GCOS
Intra Air Benakat Fm	13	58	89	288	20%
Gumai Fm	8	36	58	212	11%
Batu Raja Fm	11	59	104	350	26%

Notes:
1. Gross Prospective Resources are 100% of the volumes estimated to be recoverable from the Prospect. Pan Orient's working interest share is 49% of the Gross Prospective Resources.
2. The volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk, that no discovery will be made, or that any discovery would be developed.
3. The GCOS reported herein represents an indicative estimate of the probability that drilling this Prospect would result in a discovery. This does not include any assessment of the risk that the discovery, if made, may not be developed.
4. Identification of Prospective Resources associated with a Prospect is not indicative of any certainty that the Prospect will be drilled, or will be drilled in a timely manner.
5. Prospective Resources should not be aggregated with each other, because of the different levels of risk involved.
6. Anggun is an oil-and-associated gas prospect, exhibiting conventional reservoirs with light oil to be developed using conventional oil technology. The conversion gas to boe: 1MMboe = 6Bcf
7. Pan Orient will not bear the risk of the first exploration well in East Jabung up to US$10 million. The estimated dry hole cost in the East Jabung PSC is US$7.0 million. The other partner holds the 51% working interest and bears the first exploration well cost up to US$10 million. The other partner would also bear the appraisal well cost up to US$5 million in the event of success of the exploration well.
8. The conceptual development of the Best Case includes a first phase of 72 wells over a three year period of field evaluation, a second phase of 136 wells to bring production to peak levels and a third phase of infill drilling and workovers. Total drilling, workover and facilities costs are estimated at US$546 million. The Best Case models development recovering approximately 150 million barrels from three reservoir objectives over 16 years at a peak rate of 39,000 barrels per day on a 100% basis. It is assumed that the first well is drilled in 2016 and first commercial production is in 2019.

<u>Citarum PSC</u>

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 was very technically challenging and did not lead 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. As a result of the Company’s decision to discontinue drilling, a net impairment charge of $92.6 million was recorded in 2013. The Company was not able to find a farmout partner and on July 1, 2015 submitted an application to the Government of Indonesia to relinquish the Citarum PSC which expired on October 6, 2015. The final relinquishment of the Citarum PSC will be dependent upon final approvals from the Indonesian government.

<u>South CPP PSC</u>

A 227 kilometer 2D seismic program at the South CPP PSC was completed in 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 final approval of the relinquishment was obtained from the GOI in September 2015.

Canada

Andora Energy Corporation is a private oil company, in which Pan Orient has a 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 August 11, 2014 and bitumen production commenced September 16, 2014.

In January and February of 2016, bitumen production at the Sawn Lake Demonstration Project reached a steady state of production of 615 barrels per day ("BOPD") (307 BOPD net to Andora) with an average instantaneous steam-oil ratio ("ISOR") of 2.1 from the one SAGD wellpair. Bitumen production, on a 100% basis, averaged 603 BOPD with an ISOR of 2.2 in January and 629 BOPD with an ISOR of 2.1 in February. Production results to date are not necessarily indicative of long-term performance or of ultimate recovery and the Sawn Lake demonstration project has not yet proven that it is commercially viable.

The demonstration project has successfully captured the key data associated with the objectives of the demonstration project. The demonstration project has demonstrated that the SAGD process works in the Bluesky formation at Sawn Lake, established characteristics of ramp up through stabilization of SAGD performance, indicated the productive capability and ISOR, and provided critical information required for well and facility design associated with future commercial development.

Given the current low price environment for bitumen, Sawn Lake Demonstration Project operations were suspended at the end of February 2016. The decision considered the expectation that extremely low bitumen prices may continue for some time and the estimated time required for approval of the 3,200 BOPD expansion application at the demonstration project site, which will be submitted by the end April 2016. It is expected that a reactivation of the demonstration project facility and wellpair would be considered as part of a potential commercial expansion to 3,200 BOPD. An expansion is dependent on regulatory approval, completion of detailed engineering and a higher commodity price environment to support project economics and financing.

Summarized financial information with respect to Andora is as follows:

Andora Energy Corporation	**As at and for the Three months ended December 31**		**As at and for the Year ended December 31**	
($thousands)	**2015**	2014	**2015**	2014
Total assets	**84,801**	87,473	**84,801**	87,473
Total liabilities	**9,001**	11,178	**9,001**	11,178
Funds flow from (used in) operations	**(3)**	21	**106**	86
Net income (loss)	**(18)**	17	**(495)**	(196)

Financial and Operating Summary	Three Months Ended December 31,		Year Ended December 31,		
(thousands of Canadian dollars except where indicated)	**2015**	2014	**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	**(3,980)**	(1,793)	**29,053**	(2,488)	-1268%
Per share ï basic and diluted	**$ (0.07)**	$ (0.03)	**$ 0.52**	$ (0.04)	-1290%
Cash flow from (used in) operating activities (Note 2)	**80**	(302)	**1,439**	12,362	-88%
Per share ï basic and diluted	**$ 0.00**	$ (0.01)	**$ 0.03**	$ 0.22	-88%
Cash flow from (used in) investing activities (Note 2)	**(6,057)**	(4,600)	**40,342**	(27,156)	-249%
Per share ï basic and diluted	**$ (0.11)**	$ (0.08)	**$ 0.72**	$ (0.48)	-251%
Working capital	**74,901**	36,227	**74,901**	36,227	107%
Working capital & non-current deposits	**79,160**	40,854	**79,160**	40,854	94%
Long-term debt	**-**	-	**-**	-	-
Shares outstanding (thousands)	**54,885**	56,760	**54,885**	56,760	-3%
Working Capital and Non-current Deposits					
Beginning of period	**81,128**	44,573	**40,854**	47,889	-15%
Corporate funds flow from operations (Note 4)	**558**	543	**1,088**	13,231	-92%
Proceeds from 2012 sale of Thailand interest	**-**	(152)	**-**	22	-100%
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)	**(4,301)**	(4,254)	**(17,055)**	(22,609)	-25%
Amounts received from Thailand Joint Venture	**1,391**	-	**1,293**	-	100%
Disposal of petroleum and natural gas assets (Note 7)	**-**	-	**9,764**	2,698	262%
Settlement of Decommissioning liabilities	**-**	-	**-**	(225)	-100%
Normal course issuer bid	**-**	-	**(2,691)**	-	100%
Foreign operations - unrealized foreign exchange impact	**384**	144	**181**	(152)	-219%
End of period	**79,160**	40,854	**79,160**	40,854	94%
Economic Results – Including 50% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 3)					
Total corporate funds flow from operations (Note 4)	**1,837**	543	**4,676**	13,231	-65%
Per share ï basic and diluted	**$ 0.03**	$ 0.01	**$ 0.08**	$ 0.23	-64%
Corporate funds flow from (used in) operations by region (Note 4)					
Canada (Note 5)	**1,063**	(206)	**4,222**	(888)	-575%
Thailand ï 100% to February 1, 2015 (Note 1)	**19**	1,447	**305**	16,162	-98%
Indonesia	**(524)**	(698)	**(3,439)**	(2,043)	68%
Funds flow from consolidated operations	**558**	543	**1,088**	13,231	-92%
Share of Thailand Joint Venture (Note 3)	**1,279**	-	**3,588**	-	100%
Total corporate funds flow from operations	**1,837**	543	**4,676**	13,231	-65%
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)	**4,538**	4,254	**20,997**	22,609	-7%
Dispositions ï excluding sale of Thailand interest (Note 7)	**-**	-	**(9,764)**	(2,698)	262%
Capital Expenditures (Note 6)					
Canada (Note 5)	**703**	2,666	**4,669**	11,265	-59%
Thailand ï 100% to February 1, 2015 (Note 1)	**-**	864	**60**	4,780	-99%
Indonesia	**3,598**	724	**12,326**	6,564	88%
Consolidated capital expenditures	**4,301**	4,254	**17,055**	22,609	-25%
Share of Thailand Joint Venture capital expenditures	**237**	-	**3,942**	-	100%
Total capital expenditures	**4,538**	4,254	**20,997**	22,609	-7%

(thousands of Canadian dollars except where indicated)	Three Months Ended December 31, 2015	Three Months Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2014	Change
Investment in Thailand Joint Venture					
Beginning of period	**36,328**	-	**-**	-	-
Investment retained on sale of Thailand interest	**-**	-	**38,587**	-	100%
Net loss from Joint Venture	**(928)**	-	**(1,992)**	-	100%
Other comprehensive loss (gain) from Joint Venture	**1,078**	-	**(214)**	-	100%
Amounts received from Joint Venture	**(1,391)**	-	**(1,293)**	-	100%
End of period	**35,088**	-	**35,088**	-	100%
Thailand Operations					
Economic Results – Including 50% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 3)					
Oil sales (bbls)	**38,740**	47,118	**118,269**	239,453	-51%
Average daily oil sales (BOPD) by Concession L53	**421**	512	**324**	656	-51%
Average oil sales price, before transportation (CDN$/bbl)	**$ 49.61**	$ 78.70	**$ 57.94**	$ 98.49	-41%
Reference Price (volume weighted) and differential					
Crude oil (Brent $US/bbl)	**$ 44.02**	$ 77.09	**$ 50.84**	$ 100.98	-50%
Exchange Rate $US/$Cdn	**1.35**	1.14	**1.28**	1.11	15%
Crude oil (Brent $Cdn/bbl)	**$ 59.34**	$ 87.67	**$ 65.23**	$ 112.36	-42%
Sale price / Brent reference price	**84%**	90%	**89%**	88%	1%
Funds flow from (used in) operations (Note 4)					
Crude oil sales	**1,922**	3,708	**6,853**	23,583	-71%
Government royalty	**(94)**	(182)	**(336)**	(1,161)	-71%
Transportation expense	**(56)**	(79)	**(186)**	(394)	-53%
Operating expense	**(371)**	(925)	**(1,626)**	(3,613)	-55%
Field netback	**1,401**	2,522	**4,705**	18,415	-74%
General and administrative expense (Note 8)	**(102)**	(739)	**(777)**	(1,932)	-60%
Interest income	**2**	24	**9**	40	-78%
Foreign exchange loss	**(3)**	-	**(44)**	-	100%
Current income tax	**-**	(1)	**-**	(2)	-100%
Funds flow from operations ï Concession L53	**1,298**	1,806	**3,893**	16,521	-76%
Exploration expense ï Concession L45	**-**	(359)	**-**	(359)	-100%
Funds flow from operations - Thailand	**1,298**	1,447	**3,893**	16,162	-76%
Funds flow from (used in) operations / barrel (CDN$/bbl) (Note 4)					
Crude oil sales	**$ 49.61**	$ 78.70	**$ 57.94**	$ 98.49	-41%
Government royalty	**(2.43)**	(3.86)	**(2.84)**	(4.85)	-41%
Transportation expense	**(1.45)**	(1.68)	**(1.57)**	(1.65)	-4%
Operating expense	**(9.58)**	(19.63)	**(13.75)**	(15.09)	-9%
Field netback	**$ 36.16**	$ 53.53	**$ 39.78**	$ 76.90	-48%
General and administrative expense (Note 8)	**(2.63)**	(15.68)	**(6.57)**	(8.07)	-19%
Interest Income	**0.05**	0.51	**0.08**	0.17	-54%
Foreign exchange loss	**(0.08)**	-	**(0.37)**	-	100%
Current income tax	**-**	(0.02)	**-**	(0.01)	-100%
Funds flow from operations ï Concession L53	**$ 33.51**	$ 38.34	**$ 32.92**	$ 68.99	-52%
Exploration expense ï Concession L45	**-**	(7.62)	**-**	(1.50)	-100%
Funds flow from operations - Thailand	**$ 33.51**	$ 30.72	**$ 32.92**	$ 67.49	-51%
Government royalty as percentage of crude oil sales	**5%**	5%	**5%**	5%	-
Income tax & SRB as percentage of crude oil sales	**-**	-	**-**	-	-
As percentage of crude oil sales					
Expenses - transportation, operating, G&A and other	**28%**	47%	**38%**	25%	13%
Government royalty, SRB and income tax	**5%**	5%	**5%**	5%	-
Funds flow from operations, before interest income	**68%**	48%	**57%**	70%	-13%
Wells drilled (wells were drilled after February 1, 2015)					
Gross	**-**	-	**3**	1	200%
Net	**-**	-	**1.5**	1.0	50%

(thousands of Canadian dollars except where indicated)	Three Months Ended December 31, 2015	Three Months Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2014	Change
Thailand Operations, continued					
Financial Statement Presentation Results – Excluding 50% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 1)					
Crude oil sales	**-**	3,708	**809**	23,583	-97%
Government royalty	**-**	(182)	**(38)**	(1,161)	-97%
Transportation expense	**-**	(79)	**(24)**	(394)	-94%
Operating expense	**-**	(925)	**(257)**	(3,613)	-93%
Field netback	**-**	2,522	**490**	18,415	-97%
General and administrative expense (Note 8)	**(2)**	(739)	**(199)**	(1,932)	-90%
Interest income	**-**	24	**1**	40	-98%
Foreign exchange loss	**21**	-	**13**	-	100%
Exploration expense	**-**	(359)	**-**	(359)	100%
Current income tax	**-**	(1)	**-**	(2)	-100%
Funds flow from consolidated operations	**19**	1,447	**305**	16,162	-98%
Funds flow included in Investment in Thailand Joint Venture					
Net loss from Thailand Joint Venture	**(928)**	-	**(1,992)**	-	100%
Add back non-cash items in net loss	**2,207**	-	**5,580**	-	100%
Funds flow from Thailand Joint Venture	**1,279**	-	**3,588**	-	100%
Thailand ï Economic funds flow from operations	**1,298**	1,447	**3,893**	16,162	-76%
Canada Operations (Note 5)					
Interest income	**32**	35	**149**	241	-38%
General and administrative expenses (Note 8)	**(604)**	(268)	**(2,425)**	(1,803)	34%
Foreign exchange gain	**1,635**	27	**6,498**	674	864%
Canada ï Funds flow from (used in) operations	**1,063**	(206)	**4,222**	(888)	-575%
Indonesia Operations					
General and administrative expense (Note 8)	**(430)**	(615)	**(1,678)**	(1,547)	8%
Exploration expense (Note 9)	**(58)**	(47)	**(464)**	(362)	28%
Foreign exchange loss	**(76)**	(36)	**(881)**	(134)	557%
Current income tax	**40**	-	**(416)**	-	100%
Indonesia ï Funds flow used in operations	**(524)**	(698)	**(3,439)**	(2,043)	68%
Wells drilled					
Gross	**-**	-	**1**	-	100%
Net	**-**	-	**0.8**	-	100%

(thousands of Canadian dollars except where indicated)	Year Ended December 31, **2015**	2014	Change
RESERVES AND CONTINGENT RESOURCES			
Onshore Thailand ï Concession L53 (50.01% economic interest) (Note 1)	**(Note 10)**	(Note 11)	
Proved oil reserves (thousands of barrels)	**253**	218	16%
Proved plus probable oil reserves (thousands of barrels)	**599**	583	3%
Net present value of proved + probable reserves, after tax discounted at 10%	**13,051**	16,550	-21%
Per Pan Orient share ï basic (Note 12)	**$ 0.24**	$ 0.29	-17%
Canada (Pan Orientôs 71.8% share of the oil sands leases of Andora at Sawn Lake, Alberta)	**(Note 13)**	(Note 14)	

INTERNATIONAL INTERESTS AT DECEMBER 31, 2015

All amounts reflect Pan Orient's economic interest	Status	Net Square Kilometers	December 31, 2015 Financial Commitments (Cdn thousands)		2015 Avg. Production (BOPD)	P+P Reserves (thousands of barrels)
Onshore Thailand Concession (Recorded in Investment in Joint Venture)						
L53/48 (Pan Orient 50.01% ownership as at December 31, 2015) (Note 1 & 15)	Partially developed	488	$ 42	to January 2016 (Note 15)	324	599
Onshore Indonesia PSCs (Consolidated subsidiaries)						
Batu Gajah PSC, South Sumatra (77% interest & operator) (Note 16 & 17)	Undeveloped	610	Commitments to date have been completed			
East Jabung PSC, South Sumatra (49% interest & non-operator) (Note 18 & 19)	Undeveloped	1,445	$ 2,144	to November 2016		
		2,055	$ 2,144			

(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 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. Pan Orientôs 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 Joint Venture.

(2) As set out in the Consolidated Statements of Cash Flows in the 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) Companyôs share of Thailand funds flow from operation at 100% from January 1, 2015 to February 1, 2015 (being the beginning of the year to the last date before the equity interest was completed as discussed in note 1)

   (b) Companyôs share of Thailand funds flow from operating at 50.01% subsequent to February 2, 2015 (when the Company completed the equity sale transaction).

(4) Corporate funds flow from operations is cash flow from operating activities prior to changes in non-cash working capital, and reclamation costs 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) During the second quarter of 2015 the Company completed a farmout of a 51% interest of the East Jabung PSC in Indonesia and received an upfront cash payment of USD $8.0 million, less 5% withheld for transfer taxes, plus USD $181 thousand reimbursed for G&A, which has been recorded as a disposal of E&E assets with no gain or loss recorded on the transaction. In 2014 the joint venture partners in Andoraôs 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) Thailand reserves as at December 31, 2015 as evaluated by Sproule International Limited of Calgary assessed at forecast crude oil

reference prices and costs. The US$ reference price for crude oil per barrel (US$ UK Brent per barrel) in the evaluation is $45.00 for 2016, $60.00 for 2017, $70.00 for 2018, $80.00 for 2019, $81.20 for 2020, $82.42 for 2021 and prices increase at 1.5% per year thereafter. Foreign exchange rate used of Cdn$1=US$0.75 for 2016, Cdn$1=US$0.80 for 2017, Cdn$1=US$0.83 for 2018 and Cdn$1=US$0.85 thereafter. The engineered values disclosed may not represent fair market value.

(11) Thailand reserves as at December 31, 2014 as evaluated by Sproule International Limited of Calgary assessed at forecast crude oil reference prices and costs. The US$ reference price for crude oil per barrel (US$ UK Brent per barrel) in the evaluation is $68.00 for 2015, $83.00 for 2016, $93.00 for 2017, $94.40 for 2018, $95.81 for 2019, $97.25 for 2020 and prices increase at 1.5% per year thereafter. Foreign exchange rate used of Cdn$1=US$0.85 for 2015 and Cdn$1=US$0.87 thereafter. The engineered values disclosed may not represent fair market value.

(12) Per share values calculated based on 54,885,407 Pan Orient Shares outstanding at December 31, 2015 and 56,760,307 shares outstanding at December 31, 2014.

(13) Bitumen production at the Sawn Lake Demonstration Project reached a steady state production level in January and February 2016 of 615 barrels per day ("BOPD") (307 BOPD net to Andora) with an average instantaneous steam-oil ratio ("ISOR") of 2.1 from the one SAGD wellpair. Production results to date are not necessarily indicative of long-term performance or of ultimate recovery and the Sawn Lake demonstration project has not yet proven that it is commercially viable. The demonstration project has successfully captured the key data associated with the objectives of the demonstration project. The demonstration project has demonstrated that the SAGD process works in the Bluesky formation at Sawn Lake, established characteristics of ramp up through stabilization of SAGD performance, indicated the productive capability and ISOR, and provided critical information required for well and facility design associated with future commercial development. An updated reservoir model and contingent resource report will be prepared which incorporates the results of the Sawn Lake demonstration project. As such, a contingent resources report has not been prepared for December 31, 2015.

(14) Pan Orient's 71.8% share as at December 31, 2014 of the “Best Case” contingent resources of Andora, a private company as evaluated by Sproule Unconventional Limited assessed at forecast crude oil reference prices and costs. The “Best Case” company gross contingent resources at Sawn Lake were 214 million barrels of bitumen recoverable attributed to Andora’s working interest, which is 154 million barrels attributed to the 71.8% ownership interest of Pan Orient in Andora. The reference prices for crude oil per barrel (Western Canada Select WCS 20.5 API in Canadian dollars) is $60.50 for 2015, $75.13 for 2016, $84.52 for 2017, $85.79 for 2018, $87.07 for 2019, $89.31 for 2020 and prices for the reference price (WCS) increase at 1.5% per year thereafter. Undiscounted future capital expenditures for Pan Orient's 71.8% share are estimated at $1,578 million. The engineered values disclosed may not represent fair market value and there is no certainty that it will be commercially viable to produce any portion of the resources.

(15) At December 31, 2015 Concession L53/48 in Thailand consisted of 975 square kilometers of lands of which 20.26 square kilometers associated with the L53-A, L53-D and L53-G fields are held through production licenses (with a 20 year primary term plus an additional 10 year renewal period that can be applied for) and 955.74 square kilometers of exploration lands. The original term of the exploration lands ended on January 7, 2013 and the Company renewed the exploration period for a further three years to January 7, 2016. Additionally, Pan Orient as concessionaire submitted an application to the Government of Thailand in November 2015 for a 215 square kilometer reserve area for a period of up to five years with the payment of a surface reservation fee, which is reimbursable through work program expenditures. The surface reservation fee is at a rate of 100,000 Thai Baht per square kilometer of the reserve area per year up to 5 years (equivalent to Cdn $3,886 per square kilometer when translated at the year-end exchange rate). The reserve area encompasses all of the remaining prospects defined within Concession L53 and based on full coverage 3D seismic data. The Company expects the approval letter from the Government of Thailand for the reserve area shortly. The original area of the Concession L53/48 exploration block was 3,997 square kilometers.

(16) Pan Orient’s share of commitments in Indonesia reflect amounts to be paid by Pan Orient in respect of a Production Sharing Contract ("PSC"), including the share of carried interest partners (23% for Batu Gajah). Commitments in Indonesia include the completion of a work program as well as the Company’s estimated amount of the expenditure. Financial commitments as provided above represent management’s assessment of the costs of the work program required under the initial 3-year firm commitment exploration period of the PSC. The work program commitment is based on the original contract and timing is subject to Government of Indonesia (“GOI”) approval. With respect to the East Jabung PSC, the extension of this initial exploration period has been agreed to with the GOI to the date indicated above. If Pan Orient exercises its options to continue beyond the initial exploration period, additional commitments will be determined on a year-by-year basis through submission of a work program and approval from the GOI. Although extension of the exploration period is a departure from the original contract, it is considered standard practice in Indonesia.

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

(18) In the fourth quarter of 2014 the Company entered into a farmin agreement for the transfer of a 51% direct working interest and operatorship of the East Jabung PSC. The agreement includes a firm commitment by the farminee to fund the first USD $10.0 million towards the first exploration well and a contingent commitment to fund the first USD $5.0 million towards an appraisal well, if justified. The transaction closed on June 1, 2015 and the Company transferred the operatorship of the PSC to the farminee and reduced its interest to 49%. The commitment provided above represents the Company’s 49% interest in the second exploration well and its share of the outstanding geological studies.

(19) The Company relinquished the East Jabung PSC’s offshore area of 3,279.96 square kilometers in 2013, and this relinquishment was finalized in 2014. The result of the relinquishment does not impact the PSC’s onshore exploration activities. As at December 31, 2015 Pan Orient had a 49% interest in the East Jabung PSC, which had an area of 2,947.76 square kilometers.

(20) Tables may not add due to rounding.

2015 HIGHLIGHTS

- Pan Orient completed the sale on February 2, 2015 of a 50% equity interest in Thailand subsidiary for net proceeds to Pan Orient, after closing adjustments and costs, of $52.0 million, including a working capital adjustment of $3.1 million.
- Despite a low oil price environment, Pan Orientõs interests in Thailand Concession L53 had average oil sales of 324 BOPD and generated $3.9 million of funds flow from operations ($32.92 per barrel) in 2015. The 2016 Thailand capital program is being reviewed on a monthly basis in light of the recent oil price decline, but will likely include the drilling of an exploration well in late 2016 and at least one low cost work-over in the third quarter of 2016.
- Pan Orient completed a farm-out of a 51% participating interest and operatorship of the East Jabung Production Sharing Contract (ñPSCò) in Indonesia to a subsidiary of Repsol S.A. on June 1, 2015. Pan Orient has been informed by the operator that road and well pad construction for the first exploration well at the Anggun prospect is currently planned to commence in the late third quarter of 2016, followed by drilling in the fourth quarter of 2016. The farminee is funding the first USD$10 million of the first exploration well.
- The Akeh-1 exploration well at Batu Gajah PSC in Indonesia was drilled during the third quarter of 2015 and resulted in a natural gas and condensate discovery. The Company is currently preparing for the drilling of an additional delineation well and has also been involved in discussions with a number of parties since December 2015 seeking a partner in the Batu Gajah PSC.
- Bitumen production at the Sawn Lake Steam Assisted Gravity Drainage (ñSAGDò) Demonstration Project in Alberta, in which Pan Orientõs 71.8% subsidiary Andora owns a 50% working interest and is the operator, reached a steady state production level in January and February 2016 of an average of 615 barrels per day (ñBOPDò) (307 BOPD net to Andora) with an average instantaneous steam-oil ratio (ñISORò) of 2.1 from the one SAGD wellpair. The demonstration project has successfully captured the key data associated with the objectives of the demonstration project. Demonstration project operations were suspended at the end of February 2016 and a reactivation of the facility and wellpair would be considered as part of a potential commercial expansion for which an application will be submitted by the end of April.
- On June 16, 2015 a subsidiary of Andora was granted the Canadian patent for Thermal System and Process for Producing Steam from Oilfield Produced Water. The Company believes that this technology could achieve significant benefits in SAGD field development.
- Corporate funds flow from operations in 2015 was $4.7 million, with $1.8 million in the fourth quarter of 2015. Net income attributable to common shareholders in 2015 was $29.1 million, with a $4.0 million net loss attributable to common shareholders in the fourth quarter of 2015.
- During 2015, Pan Orient increased financial strength, moved forward with exploration and development activities in Indonesia, Thailand and Canada, and reduced work program commitments. The Company had working capital and non-current deposits at December 31, 2015 of $79.2 million and no long-term debt.
- On February 16, 2016, Pan Orient returned $22.0 million ($0.40 per common share) to shareholders as a special distribution. Pan Orient continues to maintain a strong financial position for upcoming potential exploration activities during 2016 at the Batu Gajah and East Jabung PSCs in Indonesia, and at Concession L53 in Thailand.

2015 FOURTH QUARTER OPERATING RESULTS

The financial statements reflect that on February 2, 2015 the Company sold a 49.99% equity interest in its subsidiary Pan Orient Energy (Siam) Ltd. ("POS") and retained a 50.01% equity interest. From February 2, 2015 forward the retained 50.01% equity interest is reclassified as a jointly controlled Joint Venture and Pan Orient's 50.01% equity interest in the working capital, assets, capital expenditures, liabilities and operations of POS are recorded as Investment in Thailand Joint Venture.

- Net loss attributable to common shareholders for the fourth quarter of 2015 of $4.0 million ($0.07 per share). Net income attributable to common shareholders for 2015 of $29.1 million ($0.52 per share) primarily from the $36.7 million gain recorded on the sale of a 49.99% equity interest in its subsidiary Pan Orient Energy (Siam) Ltd. during the first quarter of 2015.
- For the fourth quarter of 2015, the Company recorded total corporate funds flow from operations of $1.8 million ($0.03 per share), including the economic results of the 50.01% interest in the Thailand joint venture. Total corporate funds flow from operations for 2015 was $4.7 million ($0.08 per share) and funds flow from sale of the Thailand interest was $48.9 million ($0.89 per share). This compares with total corporate funds flow from operations for 2014 of $13.2 million ($0.23 per share). The difference from 2014 is primarily due to the 42% decline in the Canadian dollar value of the Brent crude oil reference price and the sale of a 49.99% equity interest in its subsidiary POS during the first quarter of 2015.
- Pan Orient reports capital expenditures of $4.5 million in the fourth quarter of 2015, with $3.6 million in Indonesia and $0.7 million in Canada at the Sawn Lake SAGD demonstration project of Andora. In addition, Pan Orientõs share of Thailand joint venture capital expenditures was $0.2 million, which was recorded in Investment in Thailand Joint Venture. Capital expenditures in 2015 were $12.3 million in Indonesia, $0.1 million in Thailand prior to February 2, 2015 and $4.7 million in Canada at the Sawn Lake SAGD demonstration project of Andora. In addition, Pan Orientõs share of Thailand joint venture capital expenditures from February 2 to December 31, 2015 was $3.9 million.
- Pan Orient repurchased 1,874,900 common shares during 2015 at an average price of $1.44 per share under its normal course issuer bid. No common shares were repurchased during the fourth quarter of 2015. The normal course issuer bid was renewed in March 2016 and Pan Orient is authorized to purchase, for cancellation, up to 4,549,963 of its common shares during the period of March 28, 2016 to March 28, 2017.

- At December 31, 2015 Pan Orient had $79.2 million of working capital and non-current deposits. Working capital and non-current deposits were comprised of $66.2 million cash, $4.3 million of non-current deposits, $12.5 million of Canadian taxes receivable, other receivables of $1.3 million and less accounts payable of $5.1 million. There is $1.4 million of equipment inventory at the Batu Gajah PSC in Indonesia for utilization in future drilling operations at the PSC. In addition, Pan Orient's Investment in Thailand Joint Venture includes $2.0 million of Thailand working capital and non-current deposits and $2.1 million of equipment inventory to be utilized for future Thailand Joint Venture operations.

- Pan Orient had outstanding capital commitments as at December 31, 2015 of $2.1 million in Indonesia associated with the Company's 49% participating interest in the East Jabung PSC. In Canada, there were capital commitments of $0.3 million with respect to contracted natural gas pipeline tie-in and tariff charges associated with the Sawn Lake SAGD demonstration project of Andora.

- Results Net to Pan Orient's 50.01% Interest in the Thailand Joint Venture for Concession L53

  - Average oil sales of 421 BOPD during the fourth quarter of 2015 and generated $1.3 million in funds flow from operations, or $33.51 per barrel. The increase in oil sales compared with 299 BOPD in the third quarter of 2015 is the result of workovers late in the third quarter on two wells at the L53G field and one well at the L53A field to produce from additional reservoir zones. Oil sales in 2015 averaged 324 BOPD and $3.9 million in funds flow from operations, or $32.92 per barrel.

  - Per barrel amounts during the fourth quarter of 2015 were a realized price for oil sales of $49.61, transportation expenses of $1.45, operating expenses of $9.58, general and administrative expenses of $2.63 and a 5% royalty to the Thailand government of $2.43. Oil sales revenue during this period was allocated 28% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand for royalties, and 68% to the Thailand Joint Venture. No Thailand petroleum income taxes or Special Remuneratory Benefit tax was recorded during the quarter.

  - Per barrel amounts for 2015 were a realized price for oil sales of $57.94, transportation expenses of $1.57, operating expenses of $13.75, general and administrative expenses of $6.57 and a 5% royalty to the Thailand government of $2.84. Compared with 2014, total oil sales for Concession L53 declined 7% and the Brent reference price in Canadian dollars declined 42%, which was partially offset by a 12% reduction in operating and general & administrative expenses.

  - Oil sales in the first quarter of 2016 at Concession L53 were 269 BOPD.

  - Three wells were drilled at Concession L53 in 2015. The L53-ANC1 exploration well drilled in February 2015 failed to encounter commercial hydrocarbons but initial interpretations suggest that potential quality reservoir sands may be expected further east. The L53-DC1ST1 appraisal well drilled in March 2015 added an average of 30 BOPD in 2015 and oil sales in March 2016 averaged 16 BOPD. The L53-DEXT1ST2 appraisal well also drilled in March 2015 averaged 14 BOPD from May 15, 2015 until October 26th, at which time it was shut-in.

  - Capital expenditures were $0.2 million in Thailand during the fourth quarter of 2015. The $4.0 million of Thailand capital expenditures in 2015 at Concession L53, including the 50.01% interest in the Thailand Joint Venture from February 2, 2015 onwards, were comprised of $3.1 million for the three well drilling program, $0.7 million for workovers and other capital expenditures and $0.2 million for capitalized general and administrative expenses.

  - The December 31, 2015 independent reserves evaluation for Thailand on-shore Concession L53 was prepared for POS, a 50.01% owned subsidiary of Pan Orient, which is the operator and has a 100% working interest. The evaluation was conducted by Sproule International Limited of Calgary ("Sproule") and was prepared in accordance with Canadian Securities Administrators National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities. Pan Orient has a 50.01% ownership in POS, but does not have any direct interest in, or control over, the crude oil reserves or operations of on-shore Concession L53. The values at December 31, 2015 identified as "Net to Pan Orient's 50.01% Equity Interest in Pan Orient Energy (Siam) Ltd." represent 50.01% of POS reserves and values.

    Net to Pan Orient's 50.01% equity interest in POS, proved plus probable crude oil reserves of 598,500 barrels at December 31, 2015 from conventional sandstone reservoirs, increased 3% compared with the prior year. Net to Pan Orient's 50.01% equity interest in POS, net present value (after tax) of Thailand proved plus probable crude oil reserves at December 31, 2015, using forecast prices and costs discounted at 10% per year, of Cdn$13.1 million, or $0.24 per Pan Orient share based on the current 54.9 million Pan Orient shares outstanding.

  - The original nine year exploration period for Concession L53 expired in January 2016. An application to the Government of Thailand ("GOT") was submitted in November 2015 for a 215 square kilometer "reserve area" that encompasses all of the remaining defined prospects within Concession L53 based on full coverage 3D seismic data. GOT approval has been delayed and the Company expects the approval letter from the GOT for the reserve area shortly.

- Indonesia

  - Capital expenditures in Indonesia were $12.3 million during 2015. Capital expenditures of $12.0 million at the Batu Gajah PSC were $10.2 million for drilling of the Akeh-1 exploration well and $1.8 million for capitalized G&A and other exploration expenditures. Capital expenditures of $0.3 million at the East Jabung PSC were for permits and fees at the Anggun Prospect prior to the farming-out of interests, engineering fees and capitalized G&A.

  - Batu Gajah, Onshore Sumatra Indonesia (Pan Orient 77% & Operator)

    - The Akeh-1 exploration well at Batu Gajah PSC in Indonesia was drilled during the third quarter of 2015 and resulted in a natural gas and condensate discovery. The oil and gas regulator of the Government of Indonesia

("GOI") has informed the Company that an additional appraisal well of the Akeh discovery is required prior to granting of "Release from Exploration Status" as a "conclusive discovery" and moving forward to prepare a Plan of Development to determine the likelihood of the commerciality of the Akeh-1 discovery. Preparations are currently underway towards the drilling of the Akeh-2 deviated appraisal well from the existing Akeh-1 well pad.

    - The Batu Gajah PSC 10 year exploration phase expires in January of 2017 and the Company intends to submit an application for a two year extension in June 2016, the earliest date for an application allowed under oil and gas regulations. The two year extension would allow the time required to finish drilling the Akeh-2 appraisal well, obtain the "Release from Exploration Status" and submit a completed Plan of Development. The GOI may require Pan Orient to have drilled the Akeh-2 well prior to granting an extension.
    - Pan Orient has also been involved in discussions with a number of parties since December 2015 seeking a partner in the Batu Gajah PSC.
  - East Jabung PSC, Onshore Sumatra Indonesia (Pan Orient 49% & Non Operator)
    - Pan Orient has been informed by the operator that significant progress has been made towards a road access agreement to the first proposed exploration drilling location at the East Jabung PSC. Successful conclusion of this agreement will result in a substantially reduced length of new build road, from the originally proposed 24 kilometers, to approximately three kilometers. This would result in a substantially reduced well cost estimate, making it likely that the first East Jabung exploration well will be drilled within the US$10 million limit for Pan Orient's carried interest.
    - Further, Pan Orient was informed by the operator that road and well pad construction is currently planned to commence in the late third quarter of 2016, followed by drilling in the fourth quarter of 2016.
    - Pan Orient is pleased with the progress that the operator has made to date towards the shorter and less costly well location access route and even more encouraged by the additional technical work that the operator has completed on the first East Jabung drilling prospect that was focused on assessing various technical risks and the overall chance of success. Pan Orient is very encouraged by the prospective resource volumes that were estimated for the first prospect as part of the operator's additional in-house technical work.
  - On October 6, 2015 the Citarum PSC (onshore Java Indonesia in which Pan Orient was Operator with a 97% interest) expired and $0.5 million was recorded as an exploration expense in 2015.

- Sawn Lake Alberta Heavy Oil (Operated by Andora, in which Pan Orient has a 71.8% ownership)
  - Andora is the operator and holds a 50% working interest in 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 2015 were $4.7 million, with $0.7 million in the fourth quarter of 2015. Capital expenditures in 2015 were related to final construction of the SAGD facility, installation of additional equipment for processing and treating the bitumen production at site, replacement of an electrical submersible pump, purchase of inventory and capitalization of expenses and revenues of the demonstration project. Andora capitalized $2.8 million of demonstration project expenses less revenues in 2015.
  - Bitumen production at the Sawn Lake Demonstration Project reached a steady state production level during January and February 2016 of an average of 615 barrels per day ("BOPD") (307 BOPD net to Andora) with an average instantaneous steam-oil ratio ("ISOR") of 2.1 from the one SAGD wellpair. Bitumen production, on a 100% basis, averaged 603 BOPD with an ISOR of 2.2 in January and 629 BOPD with an ISOR of 2.1 in February. Production results to date are not necessarily indicative of long-term performance or of ultimate recovery and the Sawn Lake demonstration project has not yet proven that it is commercially viable.
  - The demonstration project commenced bitumen production in September 2014 and has successfully captured the key data associated with the objectives of the demonstration project. The demonstration project has demonstrated that the SAGD process works in the Bluesky formation at Sawn Lake, established characteristics of ramp up through stabilization of SAGD performance, indicated the productive capability and ISOR, and provided critical information required for well and facility design associated with future commercial development.
  - Given the current low price environment for bitumen, Sawn Lake Demonstration Project operations were suspended at the end of February 2016. This decision considered the expectation that extremely low bitumen prices may continue for some time and the estimated time required for approval of the 3,200 BOPD expansion application at the demonstration project site, which will be submitted by the end of April 2016. It is expected that a reactivation of the demonstration project facility and wellpair would be considered as part of a potential commercial expansion to 3,200 BOPD. An expansion is dependent on regulatory approval, completion of detailed engineering and a higher commodity price environment to support project economics and financing.

OUTLOOK

INDONESIA

Batu Gajah, Onshore Sumatra Indonesia (Pan Orient 77% & Operator)

Pan Orient has received GOI approval for, and is currently preparing for the drilling of the Akeh-2 deviated appraisal well from the existing Akeh-1 well pad to further delineate the Akeh prospect as required to apply for "Release from Exploration Status".

The Company intends to submit an application for a two year extension in June 2016. A two year extension would allow the time required to finish drilling the Akeh-2 appraisal well, apply for "Release from Exploration Status" and move forward to prepare a Plan of Development to determine the likelihood of the commerciality of the Akeh-1 discovery. The GOI may require Pan Orient to have drilled the Akeh-2 well prior to granting an extension.

Pan Orient has also been involved in discussions with a number of parties since December 2015 seeking a partner in the Batu Gajah PSC.

East Jabung PSC, Onshore Sumatra Indonesia (Pan Orient 49% & Non Operator)

The operator has advised Pan Orient the first exploration well at the Anggun prospect in the East Jabung PSC is scheduled to be drilled in the fourth quarter of 2016. The Anggun prospect is a relatively shallow, onshore, high impact target adjacent to existing infrastructure and possesses some of the best fiscal terms in Indonesia. Success at Anggun would have the potential to materially transform Pan Orient within a framework of manageable appraisal and development costs and in the context of Pan Orient's available financial resources.

THAILAND

Concession L53 Onshore (Pan Orient Energy (Siam) Ltd., in which Pan Orient has 50.01% ownership)

Oil production at onshore Concession L53 benefits from having a low cost structure. The 2016 Thailand capital program is being reviewed but will likely include the drilling of an exploration well in late 2016 and at least one low cost work-over in the third quarter of 2016.

CANADA

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

Pan Orient is pleased with the results of the Sawn Lake SAGD demonstration project and is moving with steps which allow for future development at Sawn Lake. It is recognized that higher crude oil prices, and specifically higher Western Canada Select reference prices, will be required for future development.

The Sawn Lake reservoir model and contingent resource report are being updated to incorporate the results of the demonstration project and Andora is starting through the regulatory approval process for approval for commercial expansion to 3,200 BOPD at the demonstration project site. The regulatory approval process is expected to take approximately 1½ years and any expansion is dependent on regulatory approval, completion of detailed engineering and a higher commodity price environment to support project economics and financing.

Corporate

Pan Orient is focused on demonstrating the value of its exploration prospects in Indonesia, Thailand and Canada. Pan Orient continues to maintain a strong financial position to conduct key exploration activities and ensure financial flexibility.

Oil Production and Revenue

The Company's oil revenue is generated from Concession L53 in Thailand. On February 2, 2015 the Company completed the sale of a 49.99% equity interest in its subsidiary that holds a 100% interest in Concession L53. Oil sales from January 1 to February 1, 2015 have been consolidated and reported as oil revenue in the Company's statement of comprehensive income and loss and all oil sales subsequent to the sale of the equity interest are accounted for using the equity method and included in the Company's share of net income or loss from its investment in the joint venture.

Oil sales from Concession L53 in Thailand averaged 842 BOPD (421 BOPD net to Pan Orient) during the three months ended December 31, 2015 and 607 BOPD (324 BOPD net to Pan Orient) for the year ended December 31, 2015. Gross oil sales from Concession L53 of 842 BOPD in the fourth quarter of 2015 were higher than oil sales of 598 BOPD in the third quarter of 2015 and 512 BOPD in the fourth quarter of 2014 due to workovers late in the third quarter on two wells at the L53G field and one well at the L53A field to produce from additional reservoir zones.

Pan Orient's share of revenue from Concession L53 was $1.9 million for the three months ended December 31, 2015 and was higher than Pan Orient's $1.6 million share of revenue in the third quarter, but lower than Pan Orient's $3.7 million share of revenue in the fourth quarter of 2014. Pan Orient's share of oil revenue increased in the fourth quarter of 2015 compared to the third quarter of 2015 as a result of increased production volume in the fourth quarter and a similar realized price. Pan Orient's share of oil revenue in the fourth quarter of 2015 was lower than Pan Orient's share of oil revenue in the fourth quarter of 2014 due to the sale of a 49.99% interest in its Thailand subsidiary in the first quarter of 2015 and a lower realized price per barrel in 2015. The Company's realized price per barrel was $49.61 for the three months ended December 31, 2015 which was lower than $56.61 for the three months ended

September 30, 2015 and $78.70 for the three months ended December 31, 2014. 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 a portion which is heavier crude. The Company's realized price was 84% of the Brent reference price for the three months ended December 31, 2015 and 89% for the year ended December 31, 2015. This is lower than the 88% realized in the third quarter of 2015 and the 90% realized in the fourth quarter of 2014.

Royalties

The Company pays royalties on crude oil sales from Concession L53 in Thailand to the Thai government. On February 2, 2015 the Company completed the sale of a 49.99% equity interest in its subsidiary that holds a 100% interest in Concession L53 in Thailand. Royalty expense from January 1 to February 1, 2015 has been consolidated and reported as royalty expense in the Company's statement of comprehensive income and loss with all subsequent royalty amounts being included in the Company's share of net income or loss from the joint venture. 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 averaged 5% of revenue and was consistent with the previous quarters of 2015 and 2014 as the concession did not have production over 2,000 BOPD.

Transportation Expense

The Company incurs transportation expenses to truck its oil production from Concession L53 in Thailand 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. On February 2, 2015 the Company sold a 49.99% interest in its subsidiary that holds its interest in Concession L53 in Thailand. Transportation expenses from January 1 to February 1, 2015 have been consolidated and reported as transportation expense in the Company's statement of comprehensive income and loss with all subsequent amounts being included in the Company's share of net income or loss from its investment in joint venture. Transportation costs averaged $1.45 per barrel in the fourth quarter of 2015 and $1.57 per barrel for the year ended December 31, 2015 compared to $1.60 per barrel in the third quarter of 2015 and $1.63 per barrel for the year ended December 31, 2014. The overall decrease in 2015 compared to 2014 as a result of lower fuel related costs charged by the contractors.

Production and Operating Expense

Production and operating expenses are associated with oil production at Concession L53 in Thailand. On February 2, 2015 the Company sold a 49.99% interest in its subsidiary that holds its interest in Concession L53. Production and operating costs from January 1 to February 1, 2015 have been consolidated and reported as an expense in the Company's statement of comprehensive income and loss with all subsequent costs being included in the Company's share of net income or loss from the joint venture. Production and operating costs averaged $9.58 per barrel in the fourth quarter of 2015 and $13.75 per barrel for the year ended December 31, 2015. This is lower than $13.09 per barrel in the third quarter of 2015 and $19.63 per barrel in the fourth quarter of 2014 due to several cost saving initiatives. The most significant reductions in production expense from prior year related to repairs and maintenance, trucking and hauling, field personnel and fuel expense.

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

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

Depletion is recorded for Thailand Property, Plant & Equipment ("PP&E") assets on a per barrel basis. Depletion on Thailand PP&E assets had increased in 2015 when compared to 2014 due to a higher cost base from ongoing capital spending activity in Concession L53 and estimated higher future development costs denominated in US dollars. 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 Thailand joint venture.

	Three months ended December 31		**Year ended December 31**	
($thousands)	**2015**	2014	**2015**	2014
Depletion of Thailand PP&E (1)	**-**	2,789	**936**	13,006
Depreciation and amortization of office equipment	**18**	56	**131**	253
DD&A expense recorded in financial statements	**18**	2,845	**1,067**	13,259
Share of DD&A from Joint Venture	**2,146**	-	**6,591**	-
Total DD&A attributable to Pan Orient	**2,164**	2,845	**7,658**	13,259
Total DD&A per barrel attributable to the economic interests of Pan Orient (including 50% interest in Thailand Joint Venture)	**$ 55.86**	$ 60.38	**$ 64.75**	$ 55.37

(1) Including decommissioning cost

Taxes

	Three months ended December 31		Year ended December 31	
($thousands)	**2015**	2014	**2015**	2014
Current tax expense	**(40)**	1	**416**	2
Deferred tax (recovery) expense	**1,462**	(800)	**1,651**	1,446
Total tax (recovery) expense	**1,422**	(799)	**2,067**	1,448

The $12.5 million of taxes receivable at December 31, 2015 relates to Canadian taxes receivable arising on losses from loans made to the Company's subsidiaries which hold the South CPP and Citarum PSCs in Indonesia. Tax losses on these loans 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 large portion of the proceeds were received as a repayment of an intercompany loan and the Company had sufficient tax pools to shelter the remaining proceeds that were in excess of the loan repayment.

The $0.4 million of current tax expense recorded in 2015 related to branch profits tax payable in Indonesia on the proceeds received from the farmout of the East Jabung PSC.

All taxes receivable, payable, expense and recovery are calculated based on management's application of current income tax laws in the jurisdictions where the taxes arise and may be assessed differently by the respective taxation authorities.

Deferred tax expense of $1.4 million recorded in the fourth quarter of 2015 was due to a change in the application of the Company's capital losses, the impact on the losses available for carryforward and unrealized foreign exchange gains on USD denominated cash on hand.

General and Administrative ("G&A") Expenses

	Three months ended December 31		Year ended December 31	
($thousands)	**2015**	2014	**2015**	2014
Thailand (excluding Thailand Joint Venture)	**2**	805	**236**	2,286
Indonesia	**1,126**	1,135	**3,933**	3,600
Canada	**646**	312	**2,615**	2,099
Total G&A, net of overhead recoveries(1)	**1,774**	2,252	**6,784**	7,985
Allocated to capital projects(2)	**(738)**	(629)	**(2,482)**	(2,703)
Cash G&A	**1,036**	1,623	**4,302**	5,282
Accretion expenses	**5**	16	**27**	64
Stock-based payments	**-**	-	**-**	60
Consolidated G&A expense	**1,041**	1,639	**4,329**	5,406
G&A from Thailand joint venture	**100**	-	**578**	-
Accretion from Thailand joint venture	**7**	-	**28**	-
Total G&A attributable to the economic interests of Pan Orient (including 50% interest in Thailand Joint Venture)	**1,148**	1,639	**4,935**	5,406
Cash G&A – per barrel	**$ 26.74**	$ 34.45	**$ 36.37**	$ 22.06
Total G&A – per barrel	**$ 29.63**	$ 34.79	**$ 41.73**	$ 22.58

(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 $111 thousand (2014 - $ 207 thousand) for the three months ended December 31, 2015 and $546 thousand (2014 - $699 thousand) for the year ended December 31, 2015.*

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

G&A expenses in Thailand are lower as amounts from Pan Orient Energy (Siam) Ltd. are only included in consolidated G&A expense to February 1, 2015 with all subsequent G&A amounts being included in the Company's share of earnings or loss from the joint venture. The small amount of G&A shown in the fourth quarter of 2015 for Thailand operations is for G&A of the holding company of Pan Orient Energy (Siam) Ltd.

In Indonesia, G&A costs were higher for the year ended December 31, 2015 due to costs associated with the relinquishment of the Citarum PSC and transferring personnel from the subsidiary that held the Citarum PSC to another one of the Company's subsidiaries in accordance with the laws of Indonesia and professional fees on advices associated with the land and building tax being disputed at the East Jabung PSC. (Refer to Contingency discussion below)

In Canada, G&A costs were higher for the year ended December 31, 2015 due to costs associated with professional services and personnel expenses.

G&A per barrel increased in 2015 due to lower oil volumes attributable to Pan Orient 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

The Company previously recognized an impairment charge on its Citarum and South CPP assets in Indonesia and its Concession L45 assets in Thailand. In 2015, $0.5 million (2014 - $0.7 million) of exploration expense relating 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 forfeited to the Indonesian government upon expiry of the Citarum PSC. On July 1, 2015 the Company submitted an application to the Government of Indonesia to relinquish the Citarum PSC and at June 30, 2015 the Company recorded a $0.6 million impairment provision on an investment in another subsidiary that holds an 11% carried interest in the Citarum PSC.

Net Loss from Joint Venture

On February 2, 2015 the Company sold a 49.99% equity interest in Pan Orient Energy (Siam) Ltd. and subsequently accounted for its remaining 50.01% interest under the equity method as Investment in Joint Venture.

Losses from Joint Venture Pan Orient Energy (Siam) Ltd. (Net to Pan Orient 50.01% equity interest)	**Three months ended December 31, 2015**		**February 2, 2015 to December 31, 2015**	
	$000s	$ per bbl	**$000s**	$ per bbl
Crude oil sales	**1,922**	49.61	**6,044**	58.54
Government royalty	**(94)**	(2.43)	**(298)**	(2.89)
Transportation expense	**(56)**	(1.45)	**(162)**	(1.57)
Operating expense	**(371)**	(9.58)	**(1,369)**	(13.26)
Field netback	**1,401**	36.16	**4,215**	40.82
General and administrative	**(100)**	(2.58)	**(578)**	(5.60)
Foreign exchange loss	**(24)**	(0.62)	**(57)**	(0.55)
Interest income	**2**	0.05	**8**	0.08
Funds flow from operations	**1,279**	33.02	**3,588**	34.75
Depletion, depreciation and amortization	**(2,146)**	(55.40)	**(6,591)**	(63.83)
Accretion	**(7)**	(0.18)	**(28)**	(0.27)
Deferred tax recovery	**303**	7.82	**1,396**	13.52
Net loss	**(571)**	(14.74)	**(1,635)**	(15.84)
Amortization of fair value adjustment	**(357)**	(9.21)	**(357)**	(3.45)
Net loss from Joint Venture	**(928)**	(23.95)	**(1,992)**	(19.29)

In the fourth quarter of 2015 the Company recorded a net loss from its investment in joint venture of $928 thousand which was higher than the net loss of $481 thousand in the third quarter of 2015 due to lower oil prices in the fourth quarter and higher DD&A offset by lower G&A expense.

Capital Invested

	Three months ended December 31				Year ended December 31			
	2015		2014		**2015**		2014	
Capital expenditures [1]	**$000s**	**Net wells drilled**	$000s	Net wells drilled	**$000s**	**Net wells drilled**	$000s	Net wells drilled
Thailand (to February 1, 2015) [2]	**-**	**-**	864	-	**60**	**-**	4,780	1.0
Indonesia [3]	**3,598**	**-**	724	-	**12,326**	**0.8**	6,564	-
Canada	**703**	**-**	2,666	-	**4,669**	**-**	11,265	-
Consolidated capital expenditures	**4,301**	**-**	4,254	-	**17,055**	**0.8**	22,609	1.0
Share of joint venture capital expenditures [2]	**237**	**-**	-	-	**3,942**	**1.5**	-	-
Total capital expenditures attributable to the economic interests of Pan Orient (including 50% interest in Thailand Joint Venture)	**4,538**	**-**	4,254	-	**20,997**	**2.3**	22,609	1.0

(1) *Excluding foreign exchange and decommissioning provision.*

(2) *Amounts recorded in the MD&A and financial statements for capital expenditures in Thailand only include capital expenditures to February 1, 2015. Pan Orient's 50.01% share of capital expenditures in the Thailand joint venture from February 2, 2015 onwards are under the equity method as an Investment in a Joint Venture.*

(3) *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.*

Thailand

Capital expenditures in Thailand for 2015 were primarily related to Pan Orient's 50.01% share of the joint venture's expenditures after February 1, 2015. The $4.0 million of Thailand capital expenditures for the year ended December 31, 2015 at Concession L53, including the 50.01% interest in the Thailand Joint Venture from February 2, 2015 onwards, were comprised of $3.1 million for the three well drilling program, $0.7 million for workovers and other capital expenditures, $0.2 million for capitalized general and administrative expenses.

Indonesia

Capital expenditures in Indonesia were $12.3 million during 2015. Capital expenditures of $12.0 million at the Batu Gajah PSC were $10.2 million for drilling of the Akeh-1 exploration well and $1.8 million for capitalized G&A and other exploration expenditures. Capital expenditures of $0.3 million at the East Jabung PSC were for permits and fees at the Anggun Prospect prior to the farming-out of interest, engineering fees and capitalized G&A.

Canada

Capital expenditures in Canada for the year ended December 31, 2015 of $1.9 million related to the final construction of the SAGD facility, installation of additional equipment for the processing and treating the bitumen at site, replacement of the electrical submersible pump and purchase of inventory. $2.8 million related to capitalized expenses less revenues of the demonstration project.

Liquidity and Capital Resources

Pan Orient's capital program, excluding the Thailand joint venture, was $4.3 million for the three months ended December 31, 2015 and $17.1 million for the year ended December 31, 2015 and was financed from existing working capital, funds provided by the sale of the Thailand equity interest and funds provided from the farmout of the East Jabung PSC. At December 31, 2015 the Company's working capital plus non-current deposits were $79.1 million compared with estimated outstanding commitments of $2.1 million.

At December 31, 2015 Pan Orient's cash and cash equivalents were $66.2 million compared to $26.9 million at December 31, 2014 and were held in the jurisdictions where the Company operates as follows:

($thousands)	December 31, 2015	December 31, 2014
Cash and cash equivalents held in Canada	65,353	19,015
Cash and cash equivalents held in Thailand [1]	-	5,836
Cash and cash equivalents held in Indonesia	817	2,006
Total cash and cash equivalents	66,170	26,857

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

Working capital plus non-current deposits at December 31, 2015 was $79.1 million compared to $40.9 million at December 31, 2014. Non-current deposits of $4.3 million at December 31, 2015 related 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.

On February 16, 2016 the Company paid a return of capital special distribution of $0.40 per share to common shareholders and reduced the exercise price of outstanding stock options by $0.40 per option. The special distribution decreased the Company's cash and cash equivalents by $22.0 million.

Share Capital

Outstanding (thousands)	April 19, 2016	December 31, 2015	December 31, 2014
Common shares	54,885	54,885	56,760
Stock options	5,166	5,166	3,211
Total	60,051	60,051	59,971

In the first quarter of 2015, the TSX Venture Exchange accepted notice by the Company of its intention to purchase common shares under a normal course issuer bid. The Company could 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 could continue until March 17, 2016 or the earlier date on which the Company either acquired the maximum number of common shares specified above or otherwise decided not to make any further purchases. To date, the Company has purchased and cancelled 1,874,900 common shares at prices in accordance with TSX Venture Exchange policy ranging from $1.09 to $1.67 per share with a weighted average price of $1.44 per share.

Subsequent to year end, on March 22, 2016 the Company announced that it intends to continue the purchase of its common shares pursuant to the renewal of its normal course issuer bid. Under the terms of the bid, Pan Orient will be authorized to purchase, for cancellation, up to 4,549,963 of its common shares, subject to a maximum of 1,097,708 common shares during any 30 day period. Purchases under the bid may be made between March 28, 2016 and March 28, 2017. No shares were purchased between March 28, 2016 and the date of the MD&A.

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			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Rate at end of period								
Thai baht / Cdn $ exchange	25.73	26.76	26.84	25.33	28.00	28.69	30.08	29.03
Cdn $ / US $ exchange	1.39	1.34	1.25	1.27	1.16	1.12	1.07	1.10

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, the Company holds an adequate balance of US dollars within Canada to meet the US dollar cash requirements of its foreign operations.

At December 31, 2015 the Company held $38.1 million US dollars within Canada and during the fourth quarter recorded a $1.6 million foreign exchange gain on the appreciation of the US dollar against the Canadian dollar.

The refundable deposit to dispute the Land and Building Tax assessed to the East Jabung PSC in Indonesia (refer to Contingency discussion below) was denominated in Indonesian rupiah and the rupiah currency appreciated against the US dollar during the three months ended December 31, 2015 resulting in an unrealized foreign exchange gain of $0.2 million during the three months ended December 31, 2015.

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"). For the year ended December 31, 2015 the US dollar appreciated against the Canadian dollar while the Thai Baht slightly depreciated against the Canadian dollar and resulted in an unrealized foreign exchange gain on the Company's foreign operations.

Accumulated Other Comprehensive Income in the consolidated statement of financial position is reported as follows:

	Three months ended December 31		Year ended December 31	
($thousands)	**2015**	2014	**2015**	2014
AOCI, beginning of period	**22,676**	9,184	**14,180**	2,536
Unrealized foreign currency translation gain	**3,871**	4,996	**22,145**	11,644
Other comprehensive gain (loss) from joint venture	**1,078**	-	**(214)**	-
Disposition of Thailand interest	**-**	-	**(8,486)**	-
AOCI, end of period	**27,625**	14,180	**27,625**	14,180

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

	Three months ended December 31		Year ended December 31	
($thousands)	**2015**	2014	**2015**	2014
Foreign currency translation gain related to Thailand	**-**	1,438	**4,975**	4,362
Foreign currency translation gain related to Indonesia	**3,871**	3,558	**17,170**	7,282
Other comprehensive gain (loss) from joint venture	**1,078**	-	**(214)**	-
Disposition of Thailand interest	**-**	-	**(8,486)**	-
Total change in AOCI	**4,949**	4,996	**13,445**	11,644

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 $7.9 million when translated at the December 31, 2015 exchange rate. The potential accrued penalty for the unpaid tax to the end of the period was an additional $2.8 million. Of the total amount for the assessed Land and Building Tax and penalty of $10.8 million, $10.1 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 and in August 2014 in respect of the 2014 Land and Building Tax for the East Jabung PSC. On September 25, 2014 the Indonesia Tax Office rejected the Company's Objection in respect of 2012 and 2013 and on December 31, 2014 the Tax Office rejected the Company's Objection in respect of 2014. Likewise, the Tax Office also rejected the objections of the other oil and gas companies for the years 2012, 2013 and 2014 on this issue. In the fourth quarter of 2014 the Company filed an appeal in respect of the 2012 and 2013 assessments 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 $4.0 million, which is equal to 50% of the tax being disputed. In the first quarter of 2015 the Company filed an appeal in respect of the 2014 assessment 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 $88,000, which is equal to 50% of the tax being disputed. Management believes that the Company has a strong technical position against the taxes assessed and has not recorded any provision in the 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. Regardless of the Company's decision to appeal to a higher court, in the event that it loses at the Tax Court stage it will be required to pay the total taxes less the already paid 50% deposit. The Company would also be required to pay a penalty up to a maximum of $2.8 million should it lose the appeal. If the Company then succeeds in its appeal to a higher court it will be entitled to a refund of all taxes and penalties paid after the Tax Court decision.

In the second quarter of 2015 Pan Orient completed the transfer of a 51% interest and operatorship of the East Jabung PSC. The Company is responsible for the contingency of the Land and Building Tax obligation of the East Jabung PSC as discussed in the notes to the financial statements.

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Selected Annual Information

	Years Ended December 31		
$thousands, unless presented per barrel or per share	**2015**	2014	**2013**
Oil revenue before royalties, consolidated	**809**	23,583	32,196
Oil revenue before royalties, included in loss from Joint Venture (1)	**6,044**	-	-
Oil revenue before royalties, attributable to Pan Orient	**6,853**	23,583	32,196
Average daily oil sales (BOPD)	**324**	656	887
Average oil sales price (Cdn$/bbl)	**$58**	$98	$ 99
Funds flow from operations (2)	**4,676**	13,231	22,596
Per share ï basic and diluted	**$0.08**	$ 0.23	$ 0.40
Cash flow from operating activity (3)	**1,439**	12,362	21,675
Per share ï basic and diluted	**$0.03**	$ 0.22	$ 0.38
Funds flow from (used in) operations by region (2)			
Canada	**4,222**	(888)	(157)
Thailand	**305**	16,162	24,209
Indonesia	**(3,439)**	(2,043)	(1,456)
Funds flow from consolidated operations	**1,088**	13,231	22,596
Share of funds flow from Thailand Joint Venture (1)	**3,588**	-	-
Total funds flow from operations	**4,676**	13,231	22,596
Funds flow ï 2015 Thailand disposition net proceeds (1)	**48,877**	-	-
Funds flow ï 2012 Thailand disposition net proceeds	**-**	22	-
Disposal of petroleum and natural gas assets (4)	**9,764**	2,698	-
Net income (loss) attributable to common shareholders	**29,053**	(2,488)	(93,362)
Per share ï basic and diluted	**$ 0.52**	$ (0.04)	$ (1.64)
Total assets	**310,296**	289,670	286,535
Total non-current liabilities	**9,932**	30,000	26,651
Working capital	**74,901**	36,237	45,635
Working capital plus non-current deposits	**79,160**	40,854	47,889
Long-term debt	**-**	-	-
Capital expenditures			
Canada	**4,669**	11,265	8,061
Thailand	**60**	4,780	40,209
Indonesia	**12,326**	6,564	53,010
Consolidated capital expenditures	**17,055**	22,609	101,280
Share of Thailand Joint Venture capital expenditures (1)	**3,942**	-	-
Total capital expenditures	**20,997**	22,609	101,280
Weighted average shares outstanding			
Basic	**55,717**	56,760	56,757
Diluted	**55,724**	56,760	56,757
Shares outstanding			
Basic	**54,885**	56,760	56,760
Diluted	**54,885**	56,760	56,760

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

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

(4) *During the second quarter of 2015 the Company completed a farmout of a 51% interest of the East Jabung PSC in Indonesia and received an upfront cash payment of USD $8.0 million, less 5% withheld for transfer taxes, plus USD $181 thousand reimbursed for G&A, which has been recorded as a disposal of E&E assets with no gain or loss recorded on the transaction. In 2014 the 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.

Thailand revenue and funds flow from operations for the most recent three years are reflective of the production volumes and the realized price for the Companyôs oil. The majority of the funds flow (outflow) of Canadian operations is from realized foreign exchange gain (loss) and general and administrative expenses less management fees charged to its international subsidiaries according to the various joint operating agreements. Indonesia funds flow represents general and administrative costs for its personnel and office in the country less any amounts allocated to exploration and development. Fluctuations in working capital in the past three years reflect funds flow from operations, capital expenditures, and the disposition in the equity sale of Pan Orient Energy (Siam) Ltd. and the farm out of the East Jabung PSC.

Summary of Quarterly Results

	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial ($thousands) except as indicated (1)(2)								
Oil revenue (2)	**-**	-	-	809	3,708	5,840	7,285	6,750
Interest revenue	**32**	31	39	48	59	59	73	90
Cash flow from (used in) operating activity	**80**	4,093	(2,224)	(510)	(302)	4,184	3,881	4,599
Cash flow from Farmout of East Jabung PSC	**-**	-	9,764	-	-	-	-	-
Cash flow from 2015 Thailand disposition net proceeds (2)	**-**	-	-	46,947	-	-	-	-
Cash flow from (used in) ï 2012 Thailand disposition net proceeds (3)	**-**	-	-	-	(152)	-	174	-
Cash flow from Disposition of Andoraôs GORR	**-**	-	-	-	-	-	-	2,698
Total assets	**310,296**	309,326	296,528	305,796	289,670	284,286	276,672	289,195
Working capital & non-current deposits	**79,160**	81,128	86,909	84,955	40,854	44,573	43,789	44,040
Shares outstanding (thousands)	**54,885**	54,885	55,430	56,617	56,760	56,760	56,760	56,760
Net income (loss)(4)	**(3,980)**	2,341	(3,248)	33,940	(1,793)	(363)	(147)	(185)
Per share basic ($)	**(0.07)**	0.04	(0.06)	0.60	(0.03)	(0.00)	(0.01)	(0.00)
Per share diluted ($)	**(0.07)**	0.04	(0.06)	0.60	(0.03)	(0.00)	(0.01)	(0.00)
Operations ($thousands), including share of Thailand Joint Venture								
Oil sales (BOPD) net to Pan Orient (5)	**421**	299	262	313	512	633	769	712
Funds flow from (used in) operations (6)	**1,837**	3,420	(941)	360	543	3,721	4,600	4,367
Funds flowï 2015 Thailand disposition net proceeds (2)	**-**	-	-	48,877	-	-	-	-
Capital expenditures(7) ($thousands)	**4,538**	8,199	3,871	4,389	4,254	3,163	4,182	11,010
Funds flow from operations ($/bbl) (6)								
Realized crude oil price	**49.61**	56.61	70.32	60.23	78.70	100.34	104.05	105.28
Royalties	**(2.43)**	(2.80)	(3.52)	(2.87)	(3.86)	(4.91)	(5.20)	(5.13)
Transportation & operating	**(11.02)**	(14.69)	(19.29)	(18.49)	(21.31)	(14.79)	(14.29)	(17.81)
Field Netback - Thailand	**36.16**	39.12	47.51	38.87	53.53	80.64	84.56	82.34
General and administrative(8)	**(29.32)**	(37.26)	(57.61)	(47.74)	(34.45)	(18.42)	(20.62)	(17.83)
Exploration(9)	**(1.50)**	(4.07)	(5.58)	(5.71)	(8.62)	(0.36)	0.21	(4.82)
Interest income	**0.88**	1.16	1.80	1.74	1.25	1.01	1.04	1.40
Foreign exchange	**40.17**	125.39	(6.46)	25.63	(0.17)	1.07	0.51	7.04
Current income tax recovery (expense)	**1.03**	-	(19.12)	0.00	(0.02)	-	-	(0.02)
Funds flow from (used in) operations	**47.42**	124.34	(39.46)	12.79	11.52	63.94	65.70	68.11

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

(2) 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. Pan Orient Energy (Siam) Ltd. holds a 100% working interest in Concession L53 in Thailand. 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. 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.

(3) Thailand Concessions SW1, L44 and L33 were sold on June 15, 2012. Proceeds of $185.3 million less transaction costs of $11.3 million and estimated tax of $14.7 million resulted in proceeds net of expenses of $159.3 million. After deducting $79.6 million related to the carrying value of petroleum and equipment, exploration and evaluation costs, and working capital sold (including the elimination of the associated deferred tax liabilities, employee pension liabilities, and decommissioning provision), the net after tax gain on sale was $79.6 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) Oil sales (BOPD) net to Pan Orient including the 50.01% interest in the Thailand Joint Venture from February 2, 2015 onwards.

(6) Funds flow from operations is cash flow from operating activities prior to changes in non-cash working capital, reclamation costs and excluding the recovery in 2013 of prior year income taxes and including 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. Including the 50.01% interest in the Thailand Joint Venture from February 2, 2015 onwards.

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

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

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

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 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.

Q2 2015 – Corporate funds flow used in operations was $0.9 million. Funds flow from operations in Thailand was $1.0 million with average daily oil sales of 262 BOPD from Concession L53, representing $39.92 on a per barrel basis. Pan Orient completed the farmout of a 51% interest and transfer of operatorship in the East Jabung PSC in Indonesia for upfront proceeds of US$8.0 million, less 5% transfer taxes, plus US$181 thousand for reimbursed G&A. Net loss attributable to common shareholders was $3.2 million ($0.06 loss per share) for the quarter resulting primarily from low oil prices and high depletion rates that have created a loss attributable to Pan Orient from its investment in the Thailand joint venture. The Company had capital expenditures during the quarter of $3.9 million, including Pan Orient's share of Thailand joint venture capital expenditures, with $1.1 million in Thailand, $1.1 million in Indonesia and $1.7 million in Canada associated with the SAGD demonstration project of Andora at Sawn Lake, Alberta. At June 30, 2015, working capital plus non-current deposits was $86.9 million and no long-term debt.

Q3 2015 – Corporate funds flow from operations was $3.4 million. Funds flow from operations in Thailand was $0.9 million with average daily oil sales of 299 BOPD from Concession L53, representing $31.56 on a per barrel basis. Net income attributable to common shareholders was $2.3 million ($0.04 per share) for the quarter resulting primarily from a foreign exchange gain on cash held in US Dollars. The Company had capital expenditures during the quarter of $8.2 million, including Pan Orient's share of Thailand joint venture capital expenditures, with $0.1 million in Thailand, $7.2 million in Indonesia related to the Akeh-1 exploration well, and $0.9

million in Canada associated with the SAGD demonstration project of Andora at Sawn Lake, Alberta. At September 30, 2015, working capital plus non-current deposits was $81.1 million and no long-term debt.

Q4 2015 – Corporate funds flow from operations was $1.8 million. Funds flow from operations in Thailand was $1.3 million with average daily oil sales of 421 BOPD from Concession L53, representing $33.51 on a per barrel basis. Net loss attributable to common shareholders was $4.0 million ($0.07 per share) for the quarter resulting primarily from $1.0 million G&A expense offset by a $1.6 million foreign exchange gain and $1.5 million deferred tax expense resulting from changes in the Company's Canadian tax pools. The Company had capital expenditures during the quarter of $4.5 million, including Pan Orient's share of Thailand joint venture capital expenditures, with $0.2 million in Thailand, $3.6 million in Indonesia related to the Akeh-1 exploration well, and $0.7 million in Canada associated with the SAGD demonstration project of Andora at Sawn Lake, Alberta. At December 31, 2015, working capital plus non-current deposits was $79.2 million and no long-term debt.

Critical Accounting Policies and New Accounting Pronouncements

Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Critical Accounting Estimates

Pan Orient's consolidated financial statements are prepared in accordance with IFRS, which require management to make judgments, estimates and assumptions, which may have a significant impact on the financial statements. A summary of Pan Orient's significant policies can be found in Note 3 to Pan Orient's December 31, 2015 audited consolidated financial statements. The following are the critical judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- Reserve estimates can have a significant impact on net income and the carrying value of capital assets. The process of estimating reserves requires significant judgment based on available geological, geophysical, engineering, and economic data, projected rates of production, estimated commodity price forecasts, the timing of future expenditures, exchange rates, discount rates, and production and transportation costs for future cash flows, all of which are subject to interpretation and uncertainty. Reserve estimates impact net income through depletion expense and the application of impairment tests. Revisions or changes in reserve estimates can have either a positive or a negative impact on net income and can affect the carrying value and impairment of assets, investment in joint venture, decommissioning obligations, economic feasibility of exploration and evaluation assets and the amounts reported for depletion, depreciation and amortization of property, plant and equipment. These reserve estimates are verified by third party professional engineers, who work with information provided by the Company to establish reserve determinations in accordance with National Instrument 51-101 and the Canadian Oil and Gas Evaluation Handbook.

- Pan Orient's assets are aggregated into cash-generating units for the purpose of calculating impairment. Cash generating units ("CGU" or "CGUs") are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGUs was based on management's judgment in regards to shared infrastructure, geographical proximity, petroleum type and similar exposure to market risk and materiality.

- Judgments are required to assess when impairment indicators exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of land and other relevant assumptions.

- The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to expected governmental approvals and whether economic quantities of reserves are likely to be or will be found.

- The Company estimates the decommissioning obligations for oil and natural gas wells and their associated production facilities and pipelines. In most instances, removal of assets and remediation occurs many years into the future. Amounts recorded for the decommissioning obligations and related accretion expense require assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, inflation estimates, future removal technologies in determining the removal cost, and the estimate of the liability specific discount rates to determine the present value of these cash flows. Actual payments to settle the obligations may differ from estimated amounts.

- Deferred income taxes are measured using the tax rates that are expected to apply when the deferred tax asset is realized or the deferred tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The provision for income taxes is based on judgments in applying income tax law and estimates on the timing, likelihood and reversal of temporary differences between the accounting and tax bases of assets and liabilities. Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings.

- The Company's estimate of stock-based compensation is dependent upon estimates of historic volatility and forfeiture rates.

Adoption of Accounting Standards

The International Accounting Standards Board ("IASB") released the following new standards:

IAS 1 – Presentation of Financial Statements
In December 2014, the IASB issued amendments to IAS 1 Presentation of Financial Statements to clarify existing requirements related to materiality, order of notes, subtotals, accounting policies and disaggregation. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2016 with earlier application permitted. The adoption of this amended standard is not expected to impact the Company's consolidated financial statements.

IFRS 9 – Financial Instruments
In July 2014, IFRS 9 Financial Instruments was issued as a complete standard, including the requirements previously issued related to classification and measurement of financial assets and liabilities, and additional amendments to introduce a new expected loss impairment model for financial assets. Retrospective application of this standard with certain exemptions is effective for fiscal years beginning on or after January 1, 2018 with earlier application permitted. The Company is currently assessing the impact of this standard.

IFRS 15 – Revenue
In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers and in September 2015 deferred the effective date to January 1, 2018. It replaces existing revenue recognition guidance and provides a single, principles based five-step model to be applied to all contracts with customers. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2018 with earlier application permitted. The Company is currently assessing the impact of this standard.

IFRS 16 – Leases
In January 2016, the IASB issued IFRS 16 Leases to replace IAS 17 Leases. IFRS 16 will eliminate the distinction between operating and financing leases and require all lease obligations to be presented as a liability on the statement of financial position. Application of this standard is effective for fiscal years beginning on or after January 1, 2019 with earlier application permitted. The Company is currently assessing the impact of this standard.

Risk Factors and Industry Conditions

There are a number of risk factors that the Company faces as participants in the Canadian and international oil and gas industries, which are inherently risky. The reader is referred to Pan Orient's 2014 Annual Information Form for a description of risk factors and industry conditions plus updated information contained in this MD&A. Readers must also be cautious that those risk factors are not exhaustive.

Additional Information

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

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