PAN ORIENT ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

March 21, 2017

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 March 21, 2017 and should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2016 and December 31, 2015. 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 Joint Venture.

Please note that all amounts are in Canadian dollars unless otherwise stated, items denominated in foreign currencies as at December 31, 2016 were translated into Canadian dollars using December 31, 2016 exchange rates, amounts 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 MD&A 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 March 21, 2017 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 plus the corresponding amount from the Thailand operations which is recorded in Investment in Joint Venture and 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 income 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)	**2016**	2015	**2016**	2015
Cash flow from operating activities	**82**	80	**8,620**	1,439
Changes in non-cash working capital	**169**	478	**(12,398)**	(351)
Funds flow from Investment in Joint Venture	**998**	1,279	**2,477**	3,588
Total corporate funds flow from (used in) operations	**1,249**	1,837	**(1,301)**	4,676

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 income 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 income 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 interests in properties are divided into three distinct groups: 1) partially developed concession located onshore Thailand, held by Pan Orient Energy (Siam) Ltd.; 2) undeveloped onshore interests in Indonesia Production Sharing Contracts ("PSCs"); and 3) undeveloped Canadian oil sands leases, held by Andora.

Thailand

<u>Concession L53</u>

At December 31, 2016, 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.

Concession L53 is located approximately 60 kilometers west of Bangkok and consists of 20.26 square kilometers associated with the L53-A, L53-D and L53-G fields that are held through production licenses (with a 20 year primary term ending in 2036 plus an additional 10 year renewal period that can be applied for) and a 215.87 square kilometer reserved area of exploration lands for a period of up to five years with the payment of a surface reservation fee, which is reimbursable through work program expenditures. The reserved area of 215.87 square kilometers, reduced from the 955.74 square kilometers of exploration lands at January 7, 2016, encompasses all of the remaining prospects defined within Concession L53 and is based on full coverage 3D seismic data. Crude oil revenue at Concession L53 is from sale of oil production to a refinery owned by the Thai National Oil Company.

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 partially developed, has oil production and an active exploration and development program. Oil sales from Concession L53 averaged 580 BOPD (290 BOPD net to Pan Orient) during the fourth quarter of 2016 and 517 BOPD (258 BOPD net to Pan Orient) for the year ended December 31, 2016. The 2016 exploration and development program included five workovers and the ANE-A1 exploration well at the "A" North East prospect which failed to encounter hydrocarbons. The five well workover program completed in October increased production for the fourth quarter of 2016. Oil sales from Concession L53 averaged 520 and 496 BOPD (260 and 248 BOPD net to Pan Orient) during January and February of 2017, respectively.

The evaluation of the Thailand reserves of Concession L53 (based on a 100% working interest) as at December 31, 2016 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 plus probable crude oil reserves were 1,140,000 barrels at December 31, 2016 from conventional sandstone reservoirs, compared with proved plus probable crude oil reserves of 1,197,000 barrels at December 31, 2015. The 4.8% decrease in 2016 reflects the following changes during 2016:

- 2016 oil sales of 189,059 barrels (517 BOPD), with 129,334 barrels (353 BOPD) from the L53G field, 11,078 barrels (30 BOPD) from the L53D field, 47,976 barrels (131 BOPD) from the L53A field and 671 barrels (2 BOPD) from the L53B field. The L53B field produced 671 barrels as test production in the fourth quarter of 2016 and Pan Orient Energy (Siam) Ltd. ("POS") applied for a production license for the L53B field on December 16, 2016.
- An increase of 132,100 barrels resulting from a positive technical revision of 134,100 barrels less a reduction of 2,000 barrels from economic factors. There were positive technical revisions at all four fields, with the most significant being at the L53G field.

Indonesia

At December 31, 2016, the Company owned interests in two PSCs: a 49% non-operated working interest in the East Jabung PSC; and a 77% operated working interest in the Batu Gajah PSC with a 23% carried interest held by third parties. There were no reserves assigned to any of the Indonesia PSCs at December 31, 2016.

<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 exploration work program 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 ("G&A") expenses 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.

Drilling of the AYU-1 exploration well, the first exploration well at the Anggun prospect of the East Jabung PSC, is estimated to commence in late-April 2017. Construction of the five kilometer access road has been completed and well pad construction is underway.
As at December 31, 2016, the remaining exploration commitment includes the drilling of two exploration wells and geological studies.

Gaffney Cline & Associates completed a third party engineer NI-51-101 compliant Prospective Resources Report for the Anggun Prospect effective June 30, 2015, the results of which were contained in a Pan Orient press release issued on August 4, 2015. The evaluation assigned mean unrisked estimated ultimate recoverable oil Prospective Resources of 44, 28 and 51 million barrels net to Pan Orient's 49% working interest in three respective potential reservoir horizons at the Anggun prospect. ñMeanò 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.

Batu Gajah PSC

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 to then hold 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. During the second half 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, but recognizing that the test results for Akeh-1 are not necessarily indicative of long-term performance, ultimate recovery or commercially viability.

In the first quarter of 2016 the oil and gas regulator of the Government of Indonesia ("GOI") informed the Company that an additional appraisal well of the Akeh discovery was required prior to granting of ñRelease from Exploration Statusò as a ñconclusive discoveryò. During 2016, Pan Orient worked 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 had an expiry date of January 15, 2017 and the Company submitted an application for a two year extension in June 2016, the earliest date for an application allowed under oil and gas regulations. The requested two year extension would provide time to drill the Akeh-2 appraisal well, potentially obtain the ñRelease from Exploration Statusò, move forward to prepare a Plan of Development to determine the likelihood of the commerciality of the Akeh-1 discovery and to undertake other drilling activities within the PSC. Discussions with the GOI at the end of 2016 indicated the possibility of a one year extension to the exploration term of the PSC, specifically only allowing the appraisal of the Akeh-1 discovery made in early 2016 and no other drilling activity. Additionally, information at that time indicated that nearby wells, in close proximity to the Batu Gajah PSC boundary, have performed in a fashion suggesting that the Akeh-1 accumulation is both much more complex and substantially smaller than first believed. The implications are that it appears very unlikely Pan Orient would achieve the required commercial threshold for an approved Plan of Development for the Akeh structure, and as a result, it is not possible to justify the expenditures required for the drilling of an Akeh-2 appraisal well, particularly combined with the current and foreseeable oil price environment. On January 12, 2017 Pan Orient notified the GOI that the PSC would expire at the end of the 10 year term on January 15, 2017. As a result, the Company at December 31, 2016 reported a $102.3 million impairment charge of Batu Gajah Exploration and Evaluation assets and offset by the $22.6 million associated reduction in accumulated other comprehensive income related to foreign currency translation for a net impairment expense of $79.7 million.

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 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 in August 2014 and bitumen production commenced in September 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 of 2016. 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 been proven that it is commercially viable.

The demonstration project successfully captured the key data associated with the objectives of the demonstration project. The demonstration project has proven 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 was submitted at the end of April 2016. It is expected that a re-activation 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.

The evaluation of the Andoraõs contingent resources of the oil sands project at Sawn Lake Alberta, Canada as at June 30, 2016 was conducted by Sproule Unconventional Limited. Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology under development for SAGD, but which are not currently considered to be commercially recoverable due to one or more contingencies. The contingent resources volumes estimated in the Sproule report are considered contingent until such time as commercial recovery has been confirmed by further evaluation drilling, refinement of the development plan, regulatory approval, corporate commitment, funding and economic factors. Contingent resources are further classified as ñHighò, ñBestò and ñLowò in accordance with the level of certainty. There is uncertainty that the Sawn Lake area oil sands property will be commercially viable to produce any portion of the reported contingent resources volumes.

The evaluation assigned an 85% chance of development for Sawn Lake, or a 15% development risk, and the risked ñBest Estimateò contingent resources for Andora were 196.9 million barrels of bitumen recoverable (141.4 million barrels net to Pan Orientõs interest in Andora). Andoraõs unrisked ñBest Estimateò contingent resources were 231.6 million barrels (166.3 million net to Pan Orientõs interest in Andora) of recoverable bitumen as at June 30, 2016 (December 31, 2014: 214.4 million barrels or 153.9 million barrels net to Pan Orientõs interest in Andora). The June 30, 2016 Contingent Resources Report by Sproule represents an update of a December 31, 2014 Contingent Resources Report also prepared by Sproule. The June 30, 2016 report has been updated for results of the Sawn Lake Demonstration Project, the June 30, 2016 price forecasts for crude oil, bitumen, natural gas and exchange rates, and a revised date of 2020 for the estimated commencement of commercial production. There is no change to the geology or the industry standard development strategy. The December 31, 2014 Contingent Resources Report reported unrisked volumes and did not report risked volumes.

Summary of Contingent Bitumen Resources as of June 30, 2016 as provided by Sproule:

Marketable Resources ï Company Gross (million barrels)	**Andora**	**Pan Orient 71.8%**
Risked (evaluation assigned a 15% development risk)		
Contingent ï Low Estimate ñ1Cò	178.2	128.0
Contingent ï Best Estimate ñ2Cò	196.9	141.4
Contingent ï High Estimate ñ3Cò	231.3	166.1
Unrisked		
Contingent ï Low Estimate ñ1Cò	209.7	150.5
Contingent ï Best Estimate ñ2Cò	231.6	166.3
Contingent ï High Estimate ñ3Cò	272.2	195.4

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)	**2016**	2015	**2016**	2015
Total assets	**84,414**	84,801	**84,414**	84,801
Total liabilities	**8,784**	9,001	**8,784**	9,001
Funds flow from (used in) operations	**(79)**	(3)	**(223)**	106
Net income (loss)	**(273)**	(18)	**(420)**	(495)

Financial and Operating Summary	Three Months Ended December 31,		Twelve Months Ended December 31,		
(thousands of Canadian dollars except where indicated)	**2016**	2015	**2016**	2015	% Change
FINANCIAL					
Financial Statement Results – Excluding 50.01% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 1)					
Net income (loss) attributed to common shareholders	**(78,149)**	(3,980)	**(82,837)**	29,053	-385%
Per share ï basic and diluted	**$ (1.42)**	$ (0.07)	**$ (1.51)**	$ 0.52	-390%
Cash flow from operating activities (Note 2)	**82**	80	**8,620**	1,439	499%
Per share ï basic and diluted	**$ 0.00**	$ 0.00	**$ 0.16**	$ 0.03	424%
Cash flow from (used in) investing activities (Note 2)	**(65)**	(6,057)	**(5,864)**	40,342	-115%
Per share ï basic and diluted	**$ (0.00)**	$ (0.11)	**$ (0.11)**	$ 0.72	-115%
Working capital	**45,447**	74,901	**45,447**	74,901	-39%
Working capital & non-current deposits	**49,818**	79,160	**49,818**	79,160	-37%
Long-term debt	**-**	-	**-**	-	0%
Shares outstanding (thousands)	**54,885**	54,885	**54,885**	54,885	0%
Capital commitments (Note 3)	**2,318**	2,399	**2,318**	2,399	59%
Contingencies (Note 4)					
Working Capital and Non-current Deposits					
Beginning of period	**49,945**	81,128	**79,160**	40,854	94%
Corporate funds flow from (used in) operations (Note 6)	**251**	558	**(3,778)**	1,088	-447%
Special distribution	**-**	-	**(21,954)**	-	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 8)	**(431)**	(4,301)	**(3,905)**	(17,055)	-77%
Amounts received from Thailand Joint Venture	**40**	1,391	**172**	1,293	-87%
Disposal of petroleum and natural gas assets (Note 9)	**56**	-	**161**	9,764	-98%
Normal course issuer bid	**-**	-	**-**	(2,691)	-100%
Foreign operations - unrealized foreign exchange gain (loss)	**(43)**	384	**(38)**	181	-121%
End of period	**49,818**	79,160	**49,818**	79,160	-37%
Economic Results – Including 50.01% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 5)					
Total corporate funds flow from (used in) operations (Note 6)	**1,249**	1,837	**(1,301)**	4,676	-128%
Per share ï basic and diluted	**$ 0.02**	$ 0.03	**$ (0.02)**	$ 0.08	-130%
Corporate funds flow from (used in) operations by region (Note 6)					
Canada (Note 7)	**255**	1,063	**(2,424)**	4,222	-157%
Thailand ï 100% to February 1, 2015 (Note 1)	**(2)**	19	**(29)**	305	-110%
Indonesia	**(2)**	(524)	**(1,325)**	(3,439)	-61%
Funds flow from (used in) consolidated operations	**251**	558	**(3,778)**	1,088	-447%
Share of funds flow from Thailand Joint Venture (Note 5)	**998**	1,279	**2,477**	3,588	-31%
Total corporate funds flow from (used in) operations	**1,249**	1,837	**(1,301)**	4,676	-128%
Funds flow from sale of Thailand interest	**-**	-	**-**	48,877	-100%
Petroleum and natural gas properties					
Capital expenditures (Note 8)	**1,444**	4,538	**5,400**	20,997	-74%
Dispositions ï excluding sale of Thailand interest (Note 9)	**(56)**	-	**(161)**	(9,764)	-98%
Capital Expenditures (Note 8)					
Canada (Note 7)	**176**	703	**1,980**	4,669	-58%
Thailand ï 100% to February 1, 2015 (Note 1)	**-**	-	**-**	60	-100%
Indonesia	**255**	3,598	**1,925**	12,326	-84%
Consolidated capital expenditures	**431**	4,301	**3,905**	17,055	-77%
Share of Thailand Joint Venture capital expenditures	**1,013**	237	**1,495**	3,942	-62%
Total capital expenditures	**1,444**	4,538	**5,400**	20,997	-74%
Investment in Thailand Joint Venture					
Beginning of period	**33,316**	36,328	**35,088**	-	100%
Investment retained on sale of Thailand interest	**-**	-	**-**	38,587	-100%
Net loss from Joint Venture	**(226)**	(928)	**(1,542)**	(1,992)	-23%
Other comprehensive gain (loss) from Joint Venture	**(255)**	1,078	**(579)**	(214)	171%
Amounts received from Joint Venture	**(40)**	(1,391)	**(172)**	(1,293)	-87%
End of period	**32,795**	35,088	**32,795**	35,088	-7%

(thousands of Canadian dollars except where indicated)	Three Months Ended December 31, **2016**	2015	Twelve Months Ended December 31, **2016**	2015	Change
Thailand Operations					
Economic Results – Including 50.01% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 5)					
Oil sales (bbls)	**26,702**	38,740	**94,539**	118,269	-20%
Average daily oil sales (BOPD) by Concession L53	**290**	421	**258**	324	-20%
Average oil sales price, before transportation (CDN$/bbl)	**$ 60.22**	$ 49.61	**$ 48.95**	$ 57.94	-16%
Reference Price (volume weighted) and differential					
Crude oil (Brent $US/bbl)	**$ 49.12**	$ 44.02	**$ 43.51**	$ 50.84	-14%
Exchange Rate $US/$Cdn	**1.34**	1.35	**1.34**	1.28	4%
Crude oil (Brent $Cdn/bbl)	**$ 65.72**	$ 59.34	**$ 58.33**	$ 65.23	-11%
Sale price / Brent reference price	**92%**	84%	**84%**	89%	-6%
Funds flow from (used in) operations (Note 6)					
Crude oil sales	**1,608**	1,922	**4,628**	6,853	-32%
Government royalty	**(80)**	(94)	**(229)**	(336)	-32%
Transportation expense	**(41)**	(56)	**(143)**	(186)	-23%
Operating expense	**(289)**	(371)	**(1,057)**	(1,626)	-35%
Field netback	**1,198**	1,401	**3,199**	4,705	-32%
General and administrative expense (Note 10)	**(202)**	(102)	**(756)**	(777)	-3%
Interest income	**5**	2	**11**	9	22%
Foreign exchange loss	**(5)**	(3)	**(5)**	(44)	-89%
Current income tax	**-**	-	**(1)**	-	100%
Funds flow from operations - Thailand	**996**	1,298	**2,448**	3,893	-37%
Funds flow from (used in) operations / barrel (CDN$/bbl) (Note 6)					
Crude oil sales	**$ 60.22**	$ 49.61	**$ 48.95**	$ 57.94	-16%
Government royalty	**(3.00)**	(2.43)	**(2.42)**	(2.84)	-15%
Transportation expense	**(1.54)**	(1.45)	**(1.51)**	(1.57)	-4%
Operating expense	**(10.81)**	(9.58)	**(11.18)**	(13.75)	-19%
Field netback	**$ 44.87**	$ 36.16	**$ 33.84**	$ 39.78	-15%
General and administrative expense (Note 10)	**(7.57)**	(2.63)	**(8.01)**	(6.57)	22%
Interest Income	**0.19**	0.05	**0.12**	0.08	53%
Foreign exchange loss	**(0.19)**	(0.08)	**(0.05)**	(0.37)	-86%
Current income tax	**-**	-	**(0.01)**	-	100%
Funds flow from operations - Thailand	**$ 37.30**	$ 33.51	**$ 25.89**	$ 32.92	-21%
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	**33%**	28%	**42%**	38%	4%
Government royalty, SRB and income tax	**5%**	5%	**5%**	5%	0%
Funds flow from operations, before interest income	**62%**	68%	**53%**	57%	-4%
Wells drilled					
Gross	**1**	-	**1**	3	-67%
Net	**0.5**	-	**0.5**	1.5	-67%
Financial Statement Presentation Results – Excluding 50.01% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 1)					
Crude oil sales	**-**	-	**-**	809	-100%
Government royalty	**-**	-	**-**	(38)	-100%
Transportation expense	**-**	-	**-**	(24)	-100%
Operating expense	**-**	-	**-**	(257)	-100%
Field netback	**-**	-	**-**	490	-100%
General and administrative expense (Note 10)	**(3)**	(2)	**(30)**	(199)	-85%
Interest income	**-**	-	**-**	1	-100%
Foreign exchange gain	**1**	21	**1**	13	-92%
Funds flow from (used in) consolidated operations	**(2)**	19	**(29)**	305	-110%
Funds flow included in Investment in Thailand Joint Venture					
Net loss from Thailand Joint Venture	**(226)**	(928)	**(1,542)**	(1,992)	-23%
Add back non-cash items in net loss	**1,224**	2,207	**4,019**	5,580	-28%
Funds flow from Thailand Joint Venture	**998**	1,279	**2,477**	3,588	-31%
Thailand ï Economic funds flow from operations	**996**	1,298	**2,448**	3,893	-37%

(thousands of Canadian dollars except where indicated)	Three Months Ended December 31, **2016**	2015	Twelve Months Ended December 31, **2016**	2015	Change
Canada Operations (Note 7)					
Interest income	**46**	32	**173**	149	16%
General and administrative expenses (Note 10)	**(637)**	(604)	**(2,303)**	(2,425)	-5%
Foreign exchange gain (loss)	**696**	1,635	**(165)**	6,498	-103%
Current income tax	**150**	-	**(129)**	-	100%
Canada – Funds flow from (used in) operations	**255**	1,063	**(2,424)**	4,222	-157%
Indonesia Operations					
General and administrative expense (Note 10)	**(110)**	(430)	**(516)**	(1,678)	-69%
Exploration expense (Note 11)	**101**	(58)	**(831)**	(464)	79%
Foreign exchange gain (loss)	**7**	(76)	**22**	(881)	-102%
Current income tax	**-**	40	**-**	(416)	-100%
Indonesia – Funds flow used in operations	**(2)**	(524)	**(1,325)**	(3,439)	-61%
Wells drilled					
Gross	**-**	-	**-**	1	-100%
Net	**-**	-	**-**	0.8	-100%

(thousands of Canadian dollars except where indicated)	Year Ended December 31, **2016**	2015	Change
RESERVES AND CONTINGENT RESOURCES			
Onshore Thailand – Concession L53 (50.01% economic interest) (Note 1)	**(Note 12)**	(Note 13)	
Proved oil reserves (thousands of barrels)	**273**	253	8%
Proved plus probable oil reserves (thousands of barrels)	**570**	599	-5%
Net present value of proved + probable reserves, after tax discounted at 10%	**13,187**	13,051	1%
Per Pan Orient share – basic (Note 14)	**$0.24**	$ 0.24	0%
Canada (Pan Orient's 71.8% share of the oil sands leases of Andora at Sawn Lake, Alberta)	**(Note 15)**	(Note 16)	

INTERNATIONAL INTERESTS AT DECEMBER 31, 2016

All amounts reflect Pan Orient's economic interest	Status	Net Square Kilometers	December 31, 2016 Financial Commitments (Cdn thousands)		2016 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, 2016) (Note 1 & 17)	Partially developed	108	-	to January 2021 (Note 17)	258	570
Onshore Indonesia PSCs (Consolidated subsidiaries)						
East Jabung PSC, South Sumatra (49% interest & non-operator) (Note 18, 10 & 20)	Undeveloped	1,445	$ 2,049	to November 2017		
Batu Gajah PSC, South Sumatra (77% interest & operator) (Note 21)	Undeveloped	-	-	PSC expired January 15, 2017		
		1,553	$ 2,049			

(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 Joint Venture.

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

(3) Refer to Commitments in Note 19 of the December 31, 2016 and December 31, 2015 Consolidated Financial Statements.

(4) Refer to Contingencies in Note 20 of the December 31, 2016 and December 31, 2015 Consolidated Financial Statements.

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

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

(6) 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.

(7) 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.

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

(9) 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.

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

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

(12) Thailand reserves as at December 31, 2016 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 $55.00 for 2017, $65.00 for 2018, $70.00 for 2019, $71.40 for 2020, $72.83 for 2021 and prices increase at 2.0% per year thereafter. Foreign exchange rate used of Cdn$1=US$0.78 for 2017, Cdn$1=US$0.82 for 2018 and Cdn$1=US$0.85 thereafter. The engineered values disclosed may not represent fair market value.

(13) 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.

(14) Per share values calculated based on 54,885,407 Pan Orient Shares outstanding at December 31, 2016 and December 31, 2015.

(15) The evaluation of the Andora's contingent resources of the oil sands project at Sawn Lake Alberta, Canada as at June 30, 2016 was conducted by Sproule Unconventional Limited. The evaluation assigned an 85% chance of development for Sawn Lake, or a 15% development risk, and the risked "Best Estimate" contingent resources for Andora were 196.9 million barrels of bitumen recoverable (141.4 million barrels net to Pan Orient's interest in Andora). Andora's unrisked "Best Estimate" contingent resources were 231.6 million barrels (166.3 million net to Pan Orient's interest in Andora) of recoverable bitumen as at June 30, 2016. The June 30, 2016 report has been updated for results of the Sawn Lake demonstration project, the June 30, 2016 price forecasts for crude oil, bitumen, natural gas and exchange rates, and a revised date of 2020 for the estimated commencement of commercial production.

(16) A contingent resource report was not prepared for December 31, 2015. 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.

(17) At December 31, 2016 Concession L53/48 in Thailand consisted of 20 square kilometers associated with the L53-A, L53-D and L53-G fields held through production licenses (with a 20 year primary term to 2036 plus an additional 10 year renewal period that can be applied for) and 215.87 square kilometers of "reserved area" exploration lands.

The original nine year exploration period for Concession L53 expired on January 7, 2016. The Government of Thailand approved a 215.87 square kilometer "reserved area" within Concession L53 for up to five years, with the payment of a surface reservation fee of $0.8 million gross ($0.4 million net to Pan Orient), for each year the Company elects to retain the reserved area. The Company is entitled to receive a refund of the surface reservation fee for a particular year in an amount equal to the petroleum exploration expenditures spent in that year within the reserved area up to the reservation fee paid. The Company intends to spend at least the full amount each year the reserved area is renewed and, therefore, it is expected that the annual reservation fee will be fully refunded.

(18) Pan Orient's share of commitments in Indonesia reflects amounts to be paid by Pan Orient in respect of the East Jabung Production Sharing Contract ("PSC"). 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. 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.

(19) 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 two exploration wells and its share of the outstanding geological studies.

(20) The Company relinquished the East Jabung PSC's offshore area of 3,279.96 square kilometers in 2013, and this relinquishment was finalized in 2014. The result of the relinquishment does not impact the PSC's onshore exploration activities. As at December 31, 2016 Pan Orient had a 49% interest in the East Jabung PSC, which had a gross area of 2,947.76 square kilometers (1,445 square kilometers net).

(21) At December 31, 2016 Pan Orient held a 77% interest in the Batu Gajah PSC, which had a gross area of 791.71 square kilometers (610 square kilometers net). On January 15, 2017 the Batu Gajah PSC expired.

(22) Tables may not add due to rounding.

2016 HIGHLIGHTS

Indonesia

- Construction of the road to the AYU-1 exploration well location was completed on March 9th and well pad construction is currently underway. Heavy rain has been experienced throughout the construction period and as a result, the first exploration well at the Anggun prospect of the East Jabung Production Sharing Contract (ñPSCò), is estimated to commence in late-April 2017.
- The Batu Gajah PSC expired on January 15, 2017. The requested two year extension to the PSC allowing for drilling throughout the PSC was not going to be granted and information on nearby wells indicated that the Akeh-1 accumulation was much more complex and substantially smaller than first believed. Pan Orient decided not to drill the Akeh-2 appraisal well and allowed the PSC to expire.

Thailand

- Net to Pan Orientôs 50.01% equity interest in the Thailand Joint Venture, oil sales were 258 BOPD in 2016, (compared with 324 BOPD in 2015) and funds flow from operations was $2.4 million, or $25.89 per barrel (compared with $3.9 million and $32.92 per barrel in 2015).
- Approval was received from the Government of Thailand effective, January 8, 2016, for a 215.87 square kilometer "reserved area" for exploration at Concession L53 for a period of up to five years.
- The 2016 exploration and development program included a number of workovers and the ANE-A1 exploration well at the ñAò North East prospect which failed to encounter hydrocarbons.
- It is expected that the 2017 Thailand capital program will include at least one exploration well and a multi-well work-over program.

Sawn Lake, Canada (Pan Orientôs 71.8% subsidiary Andora owns a 50% working interest and is the operator)

- The steam assisted gravity drainage (ñSAGDò) demonstration project reached a steady state production level in January and February 2016 with an average of 615 barrels per day (ñBOPDò) (307 BOPD net to Andora) and an average instantaneous steam-oil ratio (ñISORò) of 2.1 from the one SAGD wellpair.
- The demonstration project established the viability of the SAGD process in the Bluesky formation at Sawn Lake, indicated the productive capability and ISOR, and provided critical information required for well and facility design associated with potential future commercial development. The demonstration project was suspended on February 29, 2016.
- Andoraôs June 30, 2016 Contingent Resources Report estimated unrisked ñBest Estimateò contingent resources of 231.6 million barrels of recoverable bitumen (166.3 million barrels net to Pan Orientôs 71.8% interest in Andora).
- Andora submitted an application for a potential commercial expansion at Sawn Lake to 3,200 BOPD and is waiting for regulatory approval. Expansion is dependent on completion of detailed engineering and higher commodity prices to support project economics and financing.

Corporate

- On February 16, 2016, Pan Orient returned $22.0 million ($0.40 per common share) to shareholders.
- Corporate funds flow used in operations for 2016 was $1.3 million with $2.5 million used in the first nine months of 2016, corporate funds flow from operations was $1.2 million in the fourth quarter of 2016. Corporate funds flow in the fourth quarter resulted from increased oil sales and oil prices associated with Pan Orientôs 50.01% equity interest in the Thailand Joint Venture and foreign exchange gains on United States dollar holdings.
- The net loss attributable to common shareholders in 2016 was $82.8 million, with a $78.1 million net loss attributable to common shareholders in the fourth quarter of 2016, primarily due to the net impairment expense associated with the expiry of the Batu Gajah PSC.
- Pan Orient has a strong financial position at December 31, 2016 for planned exploration activities in Indonesia and Thailand with working capital and non-current deposits of $49.8 million and no long-term debt.

2016 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 2016 of $78.1 million ($1.42 loss per share) compared with $0.9 million loss ($0.02 loss per share) in the third quarter of 2016 and $4.0 million loss ($0.07 loss per share) in the fourth quarter of 2015. In the fourth quarter of 2016 the Company reported a $102.3 million impairment charge of Batu Gajah Exploration and Evaluation assets offset by the $22.6 million associated reduction in accumulated other comprehensive income related to foreign currency translation for a net impairment expense of $79.7 million.
- For the fourth quarter of 2016, the Company recorded total corporate funds flow from operations, which includes the economic results of the 50.01% interest in the Thailand joint venture, of $1.2 million ($0.02 per share). This compares with total corporate funds flow from operations for the third quarter of 2016 of $0.3 million ($0.01 per share). Compared with corporate funds flow from operations from the third quarter of 2016, the fourth quarter of 2016 had:

- economic funds flow from Thailand operations were 71% higher driven by an 19% increase in the realized crude oil price and a 23% increase in oil sales volume.
- foreign exchange gains in Canada of $696 thousand ($242 thousand gain in the third quarter) from the stronger United States dollar.
- Indonesia exploration expense recovery of $101 thousand ($4 thousand expense in the third quarter) from receiving refund of government deposit associated with the Citarum PSC.

➢ Pan Orient had capital expenditures of $0.4 million in the fourth quarter of 2016, with $0.2 million in Indonesia and $0.2 million in Canada at the Sawn Lake SAGD demonstration project of Andora. In addition, Pan Orientõs share of Thailand joint venture capital expenditures was $1.0 million, which was recorded in Investment in Thailand Joint Venture.

➢ Capital expenditures for 2016, net of dispositions, were $5.2 million, with $1.9 million in Indonesia, $1.8 million in Canada at the Sawn Lake SAGD demonstration project of Andora, and $1.5 million for Pan Orientõs share of Thailand joint venture capital expenditures.

➢ At December 31, 2016, Pan Orient had $49.8 million of working capital and non-current deposits. Working capital and non-current deposits were comprised of $46.9 million cash, $4.4 million of non-current deposits, other receivables of $0.3 million and less Canadian taxes payable of $0.1 million and accounts payable of $1.7 million. In addition, Pan Orientõs Investment in Thailand Joint Venture includes $3.0 million of Thailand working capital and non-current deposits and $1.9 million of equipment inventory to be utilized for future Thailand Joint Venture operations.

➢ Pan Orient had outstanding capital commitments as at December 31, 2016 of $2.0 million in Indonesia associated with the Companyõs 49% participating interest in the East Jabung PSC. In Canada, capital commitments are $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 Orientõs 50.01% Interest in the Thailand Joint Venture for Concession L53

  ▪ Average oil sales of 290 BOPD during the fourth quarter of 2016 and generated $1.0 million in funds flow from operations, or $37.30 per barrel. This compares with 2016 third quarter results of 236 BOPD (a 23% increase) and $26.74 per barrel in funds flow from operations (a 39% increase). The average realized sales price per barrel has increased to $60.22 in the fourth quarter from $37.07 in the first quarter and $50.68 in the third quarter.

  ▪ Per barrel amounts during the fourth quarter of 2016 were a realized price for oil sales of $60.22, transportation expenses of $1.54, operating expenses of $10.81, general and administrative expenses of $7.57 and a 5% royalty to the Thailand government of $3.00. Oil sales revenue during this period was allocated 33% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand for royalties, and 62% to the Thailand Joint Venture. No Thailand petroleum income taxes or Special Remuneratory Benefit tax was recorded during the quarter.

  ▪ Capital expenditures were $1.0 million during the fourth quarter of 2016 and $1.5 million for 2016. Capital expenditures for 2016 were comprised of $0.9 million for drilling of the ANE-A1 exploration well at the ñAò North East prospect, $0.5 million for workovers and other capital expenditures and $0.1 million for capitalized general and administrative expenses. The ANE-A1 exploration well at the ñAò North East prospect did not encounter hydrocarbons.

  ▪ Oil sales in January and February 2017 at Concession L53, net to Pan Orientõs 50.01% interest, averaged 254 BOPD.

  ▪ The December 31, 2016 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 (ñSprouleò) and was prepared in accordance with Canadian Securities Administrators National Instrument 51-101 ï 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, 2016 identified as ñNet to Pan Orientõs 50.01% Equity Interest in Pan Orient Energy (Siam) Ltd.ò represent 50.01% of POS reserves and values.

    Net to Pan Orientõs 50.01% equity interest in POS, proved plus probable crude oil reserves of 570,000 barrels at December 31, 2016 from conventional sandstone reservoirs, decreased 5% compared with the prior year. Net to Pan Orientõs 50.01% equity interest in POS, net present value (after tax) of Thailand proved plus probable crude oil reserves at December 31, 2016, using forecast prices and costs discounted at 10% per year, of Cdn$13.2 million, or $0.24 per Pan Orient share based on the current 54.9 million Pan Orient shares outstanding.

➢ Indonesia

  - At the East Jabung PSC, onshore Sumatra, Pan Orient has a 49% participating interest and is a non-operator. In 2015 Pan Orient completed a farm-out of a 51% participating interest and operatorship of the East Jabung PSC to a subsidiary of Repsol S.A. whereby the farminee funds the first USD$10 million towards the first exploration well and a contingent commitment to fund the first USD$5 million towards an appraisal well if the farminee elects to drill an appraisal well as a follow up to success in the first exploration well. In addition, the farminee bears 100% of the general and administrative costs associated with the first exploration well and for any appraisal well. Efforts in 2016 were focused towards drilling of the AYU-1 exploration well, the first exploration well at the Anggun ELOK prospect complex of the East Jabung PSC. Construction of the five kilometer access road was completed on March 9 and well pad construction is currently underway. Drilling rig mobilization is planned to start prior to month end and the commencement of drilling of the approximately 21 day well is anticipated on or about the end of April. Rain has impacted timelines throughout the entire period of road and well pad construction resulting in a departure from the original timelines as mitigation measures are carried out.

- Pan Orient’s 2016 capital expenditures for the East Jabung PSC were $0.6 million comprised of $0.5 million at the East Jabung PSC accrued for the sub-surface portion of the 2012, 2013 and 2014 Land and Building Tax assessments and $0.1 million for seismic reprocessing and capitalized G&A expenses.

- At the Batu Gajah PSC, onshore Sumatra, Pan Orient was operator with a 77% participating interest. During 2016, Pan Orient worked towards drilling the Akeh-2 appraisal well to the Akeh-1 exploration well drilled in the fourth quarter of 2015 which resulted in a natural gas and condensate discovery, but recognizing that the test results for Akeh-1 are not necessarily indicative of long-term performance, ultimate recovery or commercial viability. In early 2016 the oil and gas regulator of the Government of Indonesia ("GOI") informed the Company that an additional appraisal well of the Akeh discovery was required prior to granting of “Release from Exploration Status” as a “conclusive discovery”. The Batu Gajah PSC 10 year exploration phase had an expiry date of January 15, 2017 and the Company submitted an application for a two year extension in June 2016, the earliest date for an application allowed under oil and gas regulations. The requested two year extension would provide time to drill the Akeh-2 appraisal well, potentially obtain the “Release from Exploration Status”, move forward to prepare a Plan of Development to determine the likelihood of the commerciality of the Akeh-1 discovery and to undertake other drilling activities within the PSC. Discussions with the GOI at the end of 2016 indicated the possibility of a one year extension to the exploration term of the PSC, specifically only allowing the Akeh-2 appraisal well in early 2017 and no other drilling activity. Additionally, information at that time indicated that nearby wells, in close proximity to the Batu Gajah PSC boundary, have performed in a fashion suggesting that the Akeh-1 accumulation is both much more complex and substantially smaller than first believed. The implications are that it appears very unlikely Pan Orient would achieve the required commercial threshold for an approved Plan of Development for the Akeh structure, and as a result, it is not possible to justify the expenditures required for the drilling of the Akeh-2 appraisal well, particularly combined with the current and foreseeable oil price environment. Pan Orient notified the GOI that the PSC would expire at the end of the 10 year term on January 15, 2017. As a result, the Company reported a $102.3 million impairment charge of Batu Gajah Exploration and Evaluation assets and offset by the $22.6 million associated reduction in accumulated other comprehensive income related to foreign currency translation for a net impairment expense of $79.7 million.

- Pan Orient’s 2016 capital expenditures for the Batu Gajah PSC were $1.3 million comprised of $1.4 million for capitalized G&A expenses, and less a $0.1 million recovery from the expected refund of government deposit associated with the Batu Gajah PSC.

- During 2016 Pan Orient recorded $0.8 million of exploration expenses associated with the Citarum PSC which expired in 2015. These expenses related to final drilling expenses associated with the PSC, expenses associated with the relinquishment of the PSC, and less recovery of $0.1 million from receiving refund of government deposit associated with the Citarum PSC.

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

- Capital expenditures for the Sawn Lake demonstration project during the fourth quarter of 2016 were $0.1 million and $1.8 million for 2016. Capital expenditures related to suspension of demonstration project operations at the end of February 2016, costs associated with filing the application for potential commercial expansion at the demonstration project site, capitalization of expenses and revenues of the demonstration project and capitalized G&A. Andora capitalized $1.1 million of demonstration project expenses less revenues in 2016.

- The demonstration project successfully captured the key data associated with its objectives, which was used to update the Sawn Lake reservoir model and prepare an updated contingent resources report. 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 June 30, 2016 Contingent Resources Report is a National Instrument 51-101 compliant resources evaluation for Andora’s oil sands interests at Sawn Lake Alberta, Canada, as evaluated by Sproule Unconventional Limited (“Sproule”). The evaluation included all of Andora’s Oil Sands Leases at Sawn Lake based on exploitation using SAGD. Results of the demonstration project increased unrisked recoverable resources 8%, significantly increased average peak production rates and decreased the requirement for natural gas by 16%. Andora’s unrisked “Best Estimate” contingent resources increased 8% to 231.6 million barrels of recoverable bitumen (166.3 million barrels net to Pan Orient’s 71.8% interest in Andora). The estimated before tax net present value, discounted at 10%, of Andora’s unrisked “Best Estimate” contingent resources increased 21% to $568 million ($408 million net to Pan Orient’s 71.8% interest in Andora), despite a 15% decrease in the forecast average realized price per barrel for bitumen, given the performance of the demonstration project in terms of peak production rate and cumulative steam-oil ratio (“CSOR”). The estimated after tax net present value, discounted at 10%, of Andora’s unrisked “Best Estimate” contingent resources increased 26% to $374 million ($268 million net to Pan Orient’s 71.8% interest in Andora). The evaluation assigned an 85% chance of development for Sawn Lake, or a 15% development risk, and the risked “Best Estimate” contingent resources for Andora are 196.9 million barrels of bitumen recoverable (141.4 million barrels net to Pan Orient’s 71.8% interest in Andora). The risked “Best Estimate” net present value, discounted at 10%, for Andora’s interests is $482 million on a before tax basis and $318 million on an after tax basis ($346 million and $228 million net to Pan Orient’s 71.8% interest in Andora respectively).

- An application for a potential expansion at the demonstration project site to 3,200 BOPD was submitted in 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. The expansion application requests the drilling of up to seven additional SAGD wellpairs which are tied into the existing demonstration project facility. The facility would be expanded to generate the additional necessary steam, and it is anticipated that additional steam generation would include the test installation of Andora's proprietary produced water boiler. Andora believes that its produced water boiler could achieve significant benefits for Sawn Lake SAGD field development. An expansion is dependent on regulatory approval, completion of detailed engineering and a higher commodity price environment to support project economics and financing.

- Andora is completing detailed engineering for its proprietary Thermal System and Process for Producing Steam from Oilfield Produced Water ("Produced Water Boiler").

OUTLOOK

INDONESIA

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

Drilling of the AYU-1 exploration well, the first exploration well at the Anggun prospect of the East Jabung Production Sharing Contract ("PSC"), is estimated to commence in late-April 2017. Construction of the five kilometer access road has been completed and well pad construction is underway. Exploration success with AYU-1 could have a significant impact on Pan Orient. With the expiry of the Batu Gajah PSC, Pan Orient will have substantially reduced overhead and G&A in Indonesia.

THAILAND

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

Concession L53 has continued to generate funds flow from operations throughout 2016 due to its low cost structure. Exploration activities in 2017 are expected to be financed by Thailand working capital and funds flow from operations. The 2017 Thailand capital program, soon to be finalized with partners, will include at least one exploration well and a multi-well work-over program.

CANADA

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

Pan Orient continues to move forward with steps towards potential future development at Sawn Lake. It is recognized that higher crude oil prices, and specifically higher Western Canada Select reference prices, will have a significant impact on any decision regarding the timing of future development. The first steps will be receiving approval for the Sawn Lake expansion and completing detailed engineering for its proprietary Produced Water Boiler.

Corporate

The Company maintains a strong financial position to conduct key exploration and development activities in all three countries during 2017 and ensure financial flexibility. Pan Orient continues to review its worldwide exploration and development asset portfolio with the aim of maximizing corporate value and the best allocation of a substantial net cash balance that is in excess of future capital commitments. These activities range from the potential divestment of existing assets to the ongoing screening of new venture opportunities.

Oil Production and Revenue

Pan Orient holds a 50.01% equity interest in Pan Orient Energy (Siam) Ltd. which generates oil revenue from 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 in Thailand. Oil revenue from January 1 to February 1, 2015 has been consolidated in the Company's statement of comprehensive income and loss with all subsequent revenue included in the Company's share of net income or loss from the joint venture.

Net oil sales from Concession L53 in Thailand averaged 258 BOPD net to Pan Orient's interest for the year ended December 31, 2016 compared to 324 BOPD for the year ended December 31, 2015. Oil sales during the fourth quarter of 2016 were 290 BOPD net to Pan Orient's interest compared to 421 BOPD during the fourth quarter of 2015 and 236 BOPD during the third quarter of 2016. Oil production increased in the fourth quarter of 2016, compared to the third quarter of 2016, mainly attributable to the workovers completed at the L53-G1 and L53-A1 wells. Annual production was lower in 2016 than 2015 due to natural declines in the Company's producing oil fields. Oil sales from Concession L53 averaged 520 and 496 BOPD (260 and 248 BOPD net to Pan Orient) during January and February of 2017, respectively.

Pan Orient's share of revenue from Concession L53 was $4.6 million for the year ended December 31, 2016 compared to $6.9 million for the year ended December 31, 2015. Revenue was lower in 2016 due to lower production volumes attributable to Pan Orient's interest and a lower average realized price of $48.95 per barrel in 2016 compared to $57.94 per barrel in 2015. In the fourth quarter of 2016 Pan Orient's share of revenue from Concession L53 was $1.6 million with an average realized price of $60.22 per barrel compared to $1.9 million in the fourth quarter of 2015 with an average realized price of $49.61 per barrel and $1.1 million in the third quarter of 2016 with an average realized price of $50.68 per barrel.

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 year ended December 31, 2016 compared to 89% for the year ended December 31, 2015. The Company's realized price was 92% of the Brent reference price in the fourth quarter of 2016 compared to 84% in the fourth quarter of 2015 and 83% in the third quarter of 2016.

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 2016 and 2015 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 $1.51 per barrel for the year ended December 31, 2016 compared to $1.57 per barrel for the year ended December 31, 2015. In the fourth quarter of 2016 transportation costs averaged $1.54 per barrel compared to $1.45 per barrel in the fourth quarter of 2015 and $1.52 per barrel in the third quarter of 2016.

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 $11.18 per barrel for the year ended December 31, 2016 compared to $13.75 per barrel for the year ended December 31, 2015. Production and operating costs averaged $10.81 in the fourth quarter of 2016 compared to $9.58 in the fourth quarter of 2015 and $11.51 in the third quarter of 2016. Production and operating costs were lower on a per barrel basis in 2016 due to reduced costs relating to equipment rentals, water hauling, fuel, and utilities.

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 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 income or loss from the Thailand joint venture.

($thousands)	Three months ended December 31 2016	2015	Year ended December 31 2016	2015
Depletion of Thailand PP&E [(1)]	**-**	-	**-**	936
Depreciation and amortization of office equipment	**14**	18	**60**	131
DD&A expense recorded in financial statements	**14**	18	**60**	1,067
Share of DD&A from Thailand Joint Venture	**1,418**	2,503	**5,412**	6,948
Total DD&A per barrel attributable to the economic interests of Pan Orient (including 50.01% interest in Thailand Joint Venture)	**$53.63**	$ 65.07	**$57.88**	$ 67.77

(1) Including decommissioning cost

Taxes

($thousands)	Three months ended December 31 2016	2015	Year ended December 31 2016	2015
Current tax (recovery) expense	**(150)**	(40)	**129**	416
Deferred tax (recovery) expense	**(1,772)**	1,462	**(2,802)**	1,651
Total tax (recovery) expense	**(1,922)**	1,422	**(2,673)**	2,067

For the year ended December 31, 2016 the Company recorded current Canadian tax expense of $0.1 million relating to foreign exchange gains realized on converting US dollars to Canadian dollars during the period. During the same period, $2.8 million of deferred tax recovery was recorded relating to unrealized foreign exchange on the Company's US dollar cash balance held in Canada and capital losses on its investments in Indonesia.

At December 31, 2015 the Company had Canadian taxes receivable of $12.5 million and these amounts were received during 2016. These tax refunds resulted from the carryback in 2015 of 2013, 2014 and 2015 tax losses to 2012 to reduce gains previously taxed in that year.

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.

General and Administrative ("G&A") Expenses

($thousands)	Three months ended December 31 2016	2015	Year ended December 31 2016	2015
Thailand (excluding Thailand Joint Venture)	**3**	2	**30**	236
Indonesia	**414**	1,126	**1,894**	3,933
Canada	**711**	646	**2,600**	2,615
Total G&A, net of overhead recoveries[(1)]	**1,128**	1,774	**4,524**	6,784
Allocated to capital projects[(2)]	**(378)**	(738)	**(1,675)**	(2,482)
Cash G&A	**750**	1,036	**2,849**	4,302
Accretion expenses	**8**	5	**23**	27
Consolidated G&A expense	**758**	1,041	**2,872**	4,329
G&A from Thailand joint venture	**199**	100	**726**	578
Accretion from Thailand joint venture	**7**	7	**24**	28
Total G&A attributable to the economic interests of Pan Orient (including 50.01% interest in Thailand Joint Venture)	**964**	1,148	**3,622**	4,935
Cash G&A – per barrel	**$ 28.09**	$ 26.74	**$ 30.14**	$ 36.37
Total G&A – per barrel	**$ 36.10**	$ 29.63	**$ 38.31**	$ 41.73

(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 $4 thousand (2015 - $ 111 thousand) for the three months ended December 31, 2016 and $169 thousand (2015 - $546 thousand) for the year ended December 31, 2016.

(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 and the Company's heavy oil demonstration project in Canada. Amounts capitalized reflect the nature of the Company's capital activities and are reassessed in each reporting period.

G&A expenses in Thailand are lower as amounts related to Pan Orient Energy (Siam) Ltd. were included in consolidated G&A expense only to February 1, 2015 with all subsequent G&A amounts being included in the Company's share of income or loss from the joint venture. The nominal G&A for the Thailand operations represents 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 incurred for the relinquishment of the Citarum PSC and the transfer of personnel from the subsidiary that held the Citarum PSC to another subsidiary of the Company in accordance with the laws of Indonesia as well as professional fees on advice associated with the land and building tax dispute in connection with the East Jabung PSC.

In Canada, G&A costs were consistent with the prior year and relate to administrative costs of running the head office of the Company and Andora.

G&A per barrel increased in 2016 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.

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	**Three months ended December 31**				**Year ended December 31**			
Pan Orient Energy (Siam) Ltd.	**2016**		2015		**2016**		2015	
(Net to Pan Orient 50.01% equity interest)	**$000s**	**$ per bbl**	$000s	$ per bbl	**$000s**	**$ per bbl**	$000s	$ per bbl
Crude oil sales	**1,608**	**60.22**	1,922	49.61	**4,628**	**48.95**	6,044	58.54
Government royalty	**(80)**	**(3.00)**	(94)	(2.43)	**(229)**	**(2.42)**	(298)	(2.89)
Transportation expense	**(41)**	**(1.54)**	(56)	(1.45)	**(143)**	**(1.51)**	(162)	(1.57)
Operating expense	**(289)**	**(10.82)**	(371)	(9.58)	**(1,057)**	**(11.18)**	(1,369)	(13.26)
Field netback	**1,198**	**44.87**	1,401	36.16	**3,199**	**33.84**	4,215	40.82
General and administrative	**(199)**	**(7.45)**	(100)	(2.58)	**(726)**	**(7.68)**	(578)	(5.60)
Foreign exchange loss	**(5)**	**(0.22)**	(24)	(0.62)	**(5)**	**(0.05)**	(57)	(0.55)
Interest income	**5**	**0.19**	2	0.05	**11**	**0.12**	8	0.08
Income tax	**-**	**-**	-	-	**(1)**	**(0.01)**	-	-
Funds flow from operations	**999**	**37.38**	1,279	33.02	**2,478**	**26.20**	3,588	34.75
Depletion, depreciation and amortization	**(1,340)**	**(50.15)**	(2,146)	(55.40)	**(5,107)**	**(54.01)**	(6,591)	(63.83)
Accretion	**(7)**	**(0.26)**	(7)	(0.18)	**(24)**	**(0.25)**	(28)	(0.27)
Deferred tax recovery	**201**	**7.53**	303	7.82	**1,417**	**14.99**	1,396	13.52
Net loss	**(147)**	**(5.50)**	(571)	(14.74)	**(1,236)**	**(13.07)**	(1,635)	(15.84)
Amortization of fair value adjustment	**(79)**	**(2.96)**	(357)	(9.21)	**(306)**	**(3.24)**	(357)	(3.45)
Net loss from Joint Venture	**(226)**	**(8.46)**	(928)	(23.95)	**(1,542)**	**(16.31)**	(1,992)	(19.29)

Note: Tables may not add due to rounding

For the year ended December 31, 2016 the Company recognized a net loss of $1.5 million from its Investment in Joint Venture compared to a net loss of $2.0 million for the year ended December 31, 2015. A smaller net loss was recognized in 2016 due to lower DD&A expense from lower production volume and a lower depletable base in 2016.

Exploration Expense

The Company previously recognized an impairment charge on its Citarum and South CPP assets in Indonesia with all subsequent costs being recorded as exploration expense. In 2016, exploration expense of $0.8 million (2015 - $0.5 million) related to costs incurred at the Citarum PSC.

Impairment Expense

Indonesia – Batu Gajah PSC

Discussions with the Government of Indonesia indicated the possibility of a one year extension of the Batu Gajah PSC. However, the extension only allowed for the appraisal of the Akeh-1 discovery made in early 2016 and no other drilling activity. Information from other nearby wells led the Company to believe that the Akeh-1 accumulation is much more complex and substantially smaller than it first believed. Given the restrictions imposed on the extension of the PSC and information from other nearby wells, the Company was not able to justify the expenditures required to drill the Akeh-2 appraisal well and on January 12, 2017 the Company formally notified the GOI of its intention to relinquish the Batu Gajah Block on its expiry date of January 15, 2017.

At December 31, 2016 the Company recognized a $102.3 million impairment charge against the Exploration and Evaluation assets of the Batu Gajah PSC, offset by $22.6 million of Accumulated Other Comprehensive Income relating to foreign currency translation of the Batu Gajah PSC's net assets.

Capital Invested

	Three months ended December 31				Year ended December 31			
	2016		2015		**2016**		2015	
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]	**-**	**-**	-	-	**-**	**-**	60	-
Indonesia [3]	**255**	**-**	3,598	-	**1,925**	**-**	12,326	0.8
Canada	**176**	**-**	703	-	**1,980**	**-**	4,669	-
Consolidated capital expenditures	**431**	**-**	4,301	-	**3,905**	**-**	17,055	0.8
Share of joint venture capital expenditures [2]	**1,013**	**0.5**	237	-	**1,495**	**0.5**	3,942	1.5
Total capital expenditures attributable to the economic interests of Pan Orient (including 50.01% interest in Thailand Joint Venture)	**1,444**	**0.5**	4,538	-	**5,400**	**0.5**	20,997	2.3

(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 recorded using 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.*

<u>Indonesia</u>
Capital expenditures of $1.9 million in Indonesia during 2016 pertained to $1.3 million spent at the Batu Gajah PSC relating to capitalized G&A and $0.6 million spent at the East Jabung PSC relating to capitalized land and building taxes and capitalized G&A.

<u>Canada</u>
Capital expenditures of $2.0 million in Canada for the year ended December 31, 2016 related to suspension of the demonstration project operations at the end of February 2016, costs associated with filing the application for potential commercial expansion at the demonstration project site, capitalization of expenses and revenues of the demonstration project and capitalized G&A. Andora capitalized $1.1 million of demonstration project expenses less revenues during the year ended December 31, 2016.

<u>Thailand (Investment in Joint Venture)</u>
Capital expenditures of $1.5 million in Thailand for 2016 related to Pan Orient's 50.01% share of the joint venture's expenditures and were comprised of $1.0 million incurred for drilling the ANE-A1 exploration well, $0.5 million for workovers, $0.2 million of capitalized G&A and other costs, less $0.2 million of inventory on hand at the start of the year used in the drilling and workovers.

Liquidity and Capital Resources

Pan Orient's capital program, excluding the Thailand joint venture, was $3.9 million for the year ended December 31, 2016 and $0.4 million for the three months ended December 31, 2016 and was financed from existing working capital. At December 31, 2016 the Company's working capital plus non-current deposits were $49.8 million compared with estimated outstanding capital commitments of $2.3 million.

At December 31, 2016 Pan Orient's consolidated cash and cash equivalents were $46.9 million compared to $66.2 million at December 31, 2015 and were held in the jurisdictions where the Company operates, as follows:

($thousands)	**December 31, 2016**	December 31, 2015
Cash and cash equivalents held in Canada	**46,350**	65,353
Cash and cash equivalents held in Indonesia	**584**	817
Consolidated cash and cash equivalents	**46,934**	66,170

Working capital plus non-current deposits at December 31, 2016 was $49.8 million compared to $79.2 million at December 31, 2015. Non-current deposits of $4.4 million at December 31, 2016 related to a $3.9 million refundable deposit to dispute the land and building tax assessed to the East Jabung PSC in Indonesia (refer to Contingency discussion below), $0.3 million deposit in Canada with the Alberta energy regulator and $0.2 million of other long term deposits in Indonesia relating to office rent and work deposits.

Share Capital

Outstanding (thousands)	March 21, 2017	**December 31, 2016**	December 31, 2015
Common shares	54,885	**54,885**	54,885
Stock options	4,991	**4,991**	5,166
Total	59,876	**59,876**	60,051

Under a normal course issuer bid 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. No common shares have been repurchased, or are expected to be repurchased, under this normal course issuer bid.

Foreign Exchange

The Company's reporting currency is the Canadian dollar and its functional subsidiaries' 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 US dollar relative to the Company's reporting currency are recognized. The period end rates used to translate the Company's Thai baht and US dollar denominated financial statement items for the reporting periods as specified are as follows:

	2016				**2015**			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Rate at end of period								
Thai baht / Cdn $ exchange	26.23	26.01	26.81	26.78	25.73	26.76	26.84	25.33
Cdn $ / US $ exchange	1.35	1.31	1.30	1.30	1.39	1.34	1.25	1.27

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.

During 2016 the Company realized a foreign exchange gain of $2.6 million when it converted a portion of its US dollar cash balance into Canadian dollars. The realized foreign exchange gain was offset by a $2.8 million unrealized foreign exchange loss resulting from revaluing the Company's remaining cash held in US dollars with the weakening of the US dollar against the Canadian dollar. At December 31, 2016 the Company held USD$22.0 million in Canada as cash and cash equivalents.

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, 2016 the US dollar and Thai baht depreciated against the Canadian dollar resulting in an unrealized foreign exchange loss 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)	**2016**	2015	**2016**	2015
AOCI, beginning of period	**21,702**	22,676	**27,625**	14,180
Unrealized foreign currency translation gain (loss)	**2,493**	3,871	**(3,106)**	22,145
Other comprehensive gain (loss) from joint venture	**(255)**	1,078	**(579)**	(214)
Disposition of Thailand interest	**-**	-	**-**	(8,486)
Impairment of Batu Gajah PSC	**(22,563)**	-	**(22,563)**	-
AOCI, end of period	**1,377**	27,625	**1,377**	27,625

Details of the unrealized foreign currency translation gain (loss) are as follows:

	Three months ended December 31		**Year ended December 31**	
($thousands)	**2016**	2015	**2016**	2015
Foreign currency translation gain related to Thailand	**-**	-	**-**	4,975
Foreign currency translation gain related to Indonesia	**2,493**	3,871	**(3,106)**	17,170
Other comprehensive gain (loss) from joint venture	**(255)**	1,078	**(579)**	(214)
Disposition of Thailand interest	**-**	-	**-**	(8,486)
Impairment of Batu Gajah PSC	**(22,563)**	-	**(22,563)**	-
Total change in AOCI	**(20,325)**	4,949	**(26,248)**	13,445

Contingencies

The Company has significant international operations and subsidiaries incorporated outside of Canada. The international operations and income of the Company and its affiliates have been, and may in the future be, affected from time to time in varying degrees 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 on the Company can vary greatly from country to country and are not predictable.

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 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, 2016 exchange rate. The Land and Building Tax assessments related to sub-surface assessments for 2012, 2013 and 2014 and a surface assessment for 2013. 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 $10.7 million, $10.0 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 the relinquishment was finalized in 2014.

Pan Orient lodged an Objection with the Indonesian Tax Office in respect of the Land and Building Tax for the East Jabung PSC. The Indonesia Tax Office rejected the Company's Objection. The Tax Office also rejected the objections of the other oil and gas companies on this issue. The Company filed an appeal with the Indonesian Tax Court and, as required by Indonesian law for filing an appeal with the Indonesian Tax Court, paid a refundable deposit of $3.9 million, which is equal to 50% of the tax being disputed.

With respect to the 2013 surface tax assessment on the Company's offshore acreage of $10.0 million including accrued penalties, 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.

With respect to the sub-surface tax assessments totaling $0.7 million including accrued penalties, a number of impacted companies have received their appeal verdict issued by the Indonesian Tax Court and they have all lost on their sub-surface tax appeals. Although the verdicts issued to these companies are completely independent to the case of Pan Orient, the Company has accrued an estimated sub-surface tax, including penalties, of $0.7 million which is included in accounts payable and accrued liabilities in the consolidated statement of financial position.

In the event the Company loses its appeal with respect to the surface or sub-surface tax assessments, 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 an additional penalty of 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.

Selected Annual Information

$thousands, except for per barrel and per share amounts	Years Ended December 31 **2016**	2015	2014
Oil revenue before royalties, consolidated	**-**	809	23,583
Oil revenue before royalties, included in loss from Thailand Joint Venture (1)	**4,628**	6,044	-
Oil revenue before royalties, attributable to Pan Orient	**4,628**	6,853	23,583
Average daily oil sales (BOPD)	**258**	324	656
Average oil sales price (Cdn$/bbl)	**$48.95**	$57.94	$98.49
Total corporate funds flow from (used in) operations (2)	**(1,301)**	4,676	13,231
Per share ï basic and diluted	**$ (0.02)**	$ 0.08	$ 0.23
Cash flow from operating activity (3)	**8,620**	1,439	12,362
Per share ï basic and diluted	**$0.16**	$0.03	$ 0.22
Funds flow from (used in) operations by region (2)			
Canada	**(2,424)**	4,222	(888)
Thailand	**(29)**	305	16,162
Indonesia	**(1,325)**	(3,439)	(2,043)
Funds flow from (used in) consolidated operations	**(3,778)**	1,088	13,231
Share of funds flow from Thailand Joint Venture (1)	**2,477**	3,588	-
Total corporate funds flow from (used in) operations	**(1,301)**	4,676	13,231
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)	**161**	9,764	2,698
Net income (loss) attributable to common shareholders	**(82,837)**	29,053	(2,488)
Per share ï basic and diluted	**$ (1.51)**	$ 0.52	$ (0.04)
Total assets	**174,392**	310,296	289,670
Total non-current liabilities	**9,400**	9,932	30,000
Working capital	**45,447**	74,901	36,237
Working capital plus non-current deposits	**49,818**	79,160	40,854
Long-term debt	**-**	-	-
Capital expenditures			
Thailand	**-**	60	4,780
Canada	**1,980**	4,669	11,265
Indonesia	**1,925**	12,326	6,564
Consolidated capital expenditures	**3,905**	17,055	22,609
Share of capital expenditures from Thailand Joint Venture (1)	**1,495**	3,942	-
Total capital expenditures	**5,400**	20,997	22,609
Weighted average shares outstanding			
Basic	**54,885**	55,717	56,760
Diluted	**54,885**	55,724	56,760
Shares outstanding			
Basic	**54,885**	54,885	56,760
Diluted	**54,885**	54,885	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) *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 income or other measures of financial performance calculated in accordance with IFRS.*

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

Summary of Quarterly Results

	2016				2015			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Financial ($thousands) except as indicated (1)(2)								
Oil revenue (2)	**-**	-	-	-	-	-	-	809
Interest revenue	**51**	51	30	46	32	31	39	48
Cash flow from (used in) operating activity	**82**	6,379	2,356	(197)	80	4,093	(2,224)	(510)
Cash flow from Farmout of East Jabung PSC	**-**	-	-	-	-	-	9,764	-
Cash flow from 2015 Thailand disposition net proceeds (2)	**-**	-	-	-	-	-	-	46,947
Total assets	**174,392**	273,737	271,317	276,094	310,296	309,326	296,528	305,796
Working capital & non-current deposits	**49,818**	49,945	51,082	53,151	79,160	81,128	86,909	84,955
Shares outstanding (thousands)	**54,885**	54,885	54,885	54,885	54,885	54,885	55,430	56,617
Net income (loss)(4)	**(78,149)**	(876)	(1,591)	(2,221)	(3,980)	2,341	(3,248)	33,940
Per share basic ($)	**(1.42)**	(0.02)	(0.03)	(0.04)	(0.07)	0.04	(0.06)	0.60
Per share diluted ($)	**(1.42)**	(0.02)	(0.03)	(0.04)	(0.07)	0.04	(0.06)	0.60
Operations ($thousands), including share of Thailand Joint Venture								
Oil sales (BOPD) net to Pan Orient (5)	**290**	236	238	269	421	299	262	313
Funds flow from (used in) operations (6)	**1,249**	299	(783)	(2,066)	1,837	3,420	(941)	360
Funds flowï 2015 Thailand disposition net proceeds (2)	**-**			-	-	-	-	48,877
Capital expenditures(7)	**1,444**	1,459	844	1,653	4,538	8,199	3,871	4,389
Funds flow from (used in) operations ($/bbl) (6)								
Realized crude oil price	**60.22**	50.68	46.74	37.07	49.61	56.61	70.32	60.23
Royalties	**(3.00)**	(2.49)	(2.31)	(1.84)	(2.43)	(2.80)	(3.52)	(2.87)
Transportation & operating	**(12.36)**	(13.03)	(11.58)	(13.75)	(11.02)	(14.69)	(19.29)	(18.49)
Field Netback - Thailand	**44.87**	35.16	32.85	21.48	36.16	39.12	47.51	38.87
General and administrative(8)	**(35.54)**	(41.01)	(41.85)	(33.88)	(29.32)	(37.26)	(57.61)	(47.74)
Exploration(9)	**3.78**	(0.18)	(37.56)	(4.66)	(1.50)	(4.07)	(5.58)	(5.71)
Interest income	**1.91**	2.35	1.62	1.92	0.88	1.16	1.80	1.74
Foreign exchange gain (loss)	**26.14**	11.37	1.02	(45.62)	40.17	125.39	(6.46)	25.63
Current income tax recovery (expense)	**5.62**	6.08	7.80	(23.77)	1.03	-	(19.12)	0.00
Funds flow from (used in) operations	**46.78**	13.77	(36.12)	(84.53)	47.42	124.34	(39.46)	12.79

(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) Related to the final adjustments of the sale of Thailand Concessions SW1, L44 and L33 in 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 (used in) operations is cash flow from operating activities prior to changes in non-cash working capital, reclamation costs 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 income 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.

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

Q1 2015 ï 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 ï 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 ï 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 U.S. 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 ï 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.

Q1 2016 ï Corporate funds flow used in operations was $2.1 million. Funds flow from operations in Thailand was $0.3 million with average daily oil sales of 537 BOPD from Concession L53 (269 BOPD net to Pan Orient), representing $13.71 on a per barrel basis. Net loss attributable to common shareholders was $2.1 million ($0.04 loss per share) for the quarter, resulting primarily from $0.7 million in G&A expenses, loss of $0.6 million from investment in Joint Venture, $1.1 million of a net foreign exchange loss offset in part by a $0.9 million deferred tax recovery. The Company had capital expenditures of $1.7 million in the quarter, including Pan Orient's share of Thailand joint venture capital expenditures, with $1.1 million in Canada on the SAGD demonstration of Andora at Sawn Lake, Alberta and $0.6 million in Indonesia and Thailand primary related to capitalized G&A. The Company made a special distribution of $0.40 per share to common shareholders totaling $22.0 million. At March 31, 2016, working capital and non-current deposits totaled $53.2 million and the Company had no long-term debt.

Q2 2016 ï Corporate funds flow used in operations was $0.8 million. Funds flow from operations in Thailand was $0.5 million with average daily oil sales of 476 BOPD from Concession L53 (238 BOPD net to Pan Orient), representing $24.73 on a per barrel basis. Net loss attributable to common shareholders was $1.6 million ($0.03 loss per share) for the quarter, resulting primarily from $0.7 million in G&A expenses, loss of $0.4 million from investment in Joint Venture and $0.8 million exploration expense offset in part by a $0.4 million current and deferred tax recovery. The Company had capital expenditures of $0.8 million in the quarter, including Pan Orient's share of Thailand joint venture capital expenditures, with $0.5 million in Canada on the SAGD demonstration of Andora at Sawn Lake, Alberta and $0.3 million in Indonesia and Thailand primary related to capitalized G&A. At June 30, 2016, working capital and non-current deposits totaled $51.1 million and the Company had no long-term debt.

Q3 2016 ï Corporate funds flow from operations was $0.3 million. Funds flow from operations in Thailand was $0.6 million with average daily oil sales from Concession L53 of 236 BOPD, net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, representing $26.74 on a per barrel basis. Net loss attributable to common shareholders was $0.9 million ($0.02 loss per share) for the quarter, resulting primarily from $0.7 million in G&A expenses and a loss of $0.4 million from investment in Joint Venture. The Company had capital expenditures of $1.5 million in the quarter, including Pan Orient's share of Thailand joint venture capital expenditures, with $0.2 million in Canada on the SAGD demonstration of Andora at Sawn Lake, Alberta and $0.8 million in Indonesia primary related to capitalized G&A and accrued sub-surface Land and Building Tax related to the East Jabung PSC and $0.4 million in Thailand related to workovers. At September 30, 2016, working capital and non-current deposits totaled $49.9 million and the Company had no long-term debt.

Q4 2016 ï Corporate funds flow from operations was $1.2 million. Funds flow from operations in Thailand was $1.0 million with average daily oil sales from Concession L53 of 290 BOPD, net to Pan Orientœ 50.01% equity interest in the Thailand Joint Venture, representing $37.30 on a per barrel basis. Net loss attributable to common shareholders was $78.1 million ($1.42 loss per share) for the quarter, resulting primarily from a $79.7 million impairment expense relating to the Batu Gajah PSC. The Company had capital expenditures of $1.4 million in the quarter, including Pan Orientœ share of Thailand joint venture capital expenditures, with $0.2 million in Canada on the SAGD demonstration of Andora at Sawn Lake, Alberta and $0.2 million in Indonesia primary related to capitalized G&A and $1.0 million in Thailand related to workovers and drilling the ANE-A1 exploration well. At December 31, 2016, working capital and non-current deposits totaled $49.8 million and the Company had 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 Orientœ 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 Orientœ significant policies can be found in Note 3 to Pan Orientœ December 31, 2016 audited consolidated financial statements. The following are the critical judgments that management has made in the process of applying the Companyœ 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 Orientœ 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 unitœ ability to generate independent cash inflows. The determination of these CGUs was based on managementœ 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 Companyœ 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 income.

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

Accounting Pronouncements

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

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 and does not anticipate material changes to the valuation of its financial instruments.

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 if the Company also applies IFRS 15. The Company is currently assessing the impact of this standard.

IAS 7 – Statement of Cash Flows

In January 2016, the IASB issued an amendment to IAS 7 Statement of Cash Flows. The amendment to IAS 7 requires additional disclosures for changes in liabilities arising from financing activities. The amendment is effective for fiscal years beginning on or after January 1, 2017 and is applied on a prospective basis. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

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 and the 2015 Statement of Reserves Data and other Oil and Gas Information for a description of risk factors and industry conditions as well as 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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