PAN ORIENT ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

March 20, 2018

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 20, 2018 and should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2017 and December 31, 2016. 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.

Pan Orient holds a 71.8% equity interest in Andora. The accounts of Andora are included in the consolidated financial statements and the 28.2% of non-controlling interest in the net assets of Andora are identified separately from the Company's shareholders' equity.

Pan Orient holds a 50.01% equity interest in Pan Orient Energy (Siam) Ltd. as a joint arrangement where the Company shares joint control with the 49.99% equity interest holder. The resulting joint arrangement is classified as a Joint Venture under IFRS 11 and is accounted for using the equity method of accounting where Pan Orient's 50.01% equity interest in the assets, liabilities, working capital, operations and capital expenditures of Pan Orient Energy (Siam) Ltd. are recorded in Investment in Thailand Joint Venture.

Please note that all amounts are in Canadian dollars unless otherwise stated, translation of items denominated in foreign currencies as at December 31, 2017 into Canadian dollars using December 31, 2017 exchange rates, represent the net amount to Pan Orient's interests unless otherwise stated, and BOPD refers to barrels of oil per day.

Forward-Looking Statements

This 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 and gas concessions and production sharing contracts; other regulatory approvals; well drilling programs and drilling plans; estimates of reserves and potentially recoverable resources, information on future production and project start-ups, and status 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 reserves 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 has provided or may provide forward-looking information with respect to reserves and resources estimates related to Thailand, Indonesia and Canada and estimated costs associated with work commitments in Thailand, Indonesia and Canada. Reserves and resources 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 reserves 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 reserves and resources 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 reserves and resources 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 reserves and resources volumes; the Company's ability to add reserves through development and exploration activities; fluctuations in currency exchange rates; and changes in government legislation and regulations, including royalty and tax laws.

The forward-looking statements contained herein are as of March 20, 2018 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 this 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.

Total corporate funds flow from (used in) operations is cash flow from (used in) operating activities prior to changes in non-cash working capital, decommissioning expenditures, unrealized foreign exchange gain or loss plus the corresponding amount from the Thailand operations which is recorded 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.

The Company's 50.01% equity interest in Pan Orient Energy (Siam) Ltd. is accounted for 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 (used in) operations to cash flow from (used in) operating activities, which is the most directly comparable measure calculated in accordance with IFRS:

	Three months ended December 31		**Year ended December 31**	
($thousands)	**2017**	2016	**2017**	2016
Cash flow from (used in) operating activities	**(485)**	82	**(2,396)**	8,620
Changes in non-cash working capital	**(383)**	169	**(910)**	(12,398)
Decommissioning expenditures and settlements	**295**	-	**752**	-
Unrealized foreign exchange gain (loss)	**164**	-	**(1,838)**	-
Share of funds flow from Investment in Joint Venture	**916**	998	**3,716**	2,477
Total corporate funds flow from (used in) operations	**507**	1,249	**(676)**	(1,301)

Total corporate funds flow from (used in) operations, total corporate funds flow from (used in) operations per barrel and total corporate funds flow from (used in) operations per share (basic and diluted) do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Funds flow is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. All references to total corporate funds flow throughout this MD&A is cash flow from operating activities prior to changes in non-cash working capital, decommissioning expenditures and settlements, unrealized foreign exchange gain or loss plus the corresponding amount from the Thailand operations which is recorded in Joint Venture for financial statement purposes. Basic and diluted total corporate funds flow per share is calculated in the same manner as basic and diluted earnings or loss 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 interests in principal 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 Contract ("PSC"); and 3) undeveloped Canadian oil sands leases, held by Andora.

Thailand

<u>Concession L53</u>

At December 31, 2017, 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 partially developed, has oil production and an active exploration and development program.

Pan Orient's 50.01% equity interest in Pan Orient Energy (Siam) Ltd. is classified as a Joint Venture under IFRS and accounted for using the equity method. As a jointly controlled Joint Venture, Pan Orient's 50.01% equity interest in the working capital, assets, capital expenditures, liabilities and operations of Pan Orient Energy (Siam) Ltd. are recorded as Investment in Thailand Joint Venture. Pan Orient's 50.01% equity interest in Pan Orient Energy (Siam) Ltd. is the Company's only investment in Thailand.

Pan Orient Energy (Siam) Ltd. holds a 100% interest in Thailand Concession L53, which has oil production, development and exploration operations. Concession L53 is located approximately 60 kilometers west of Bangkok and consists of 22.22 square kilometers associated with the L53-A, L53-B, L53-D and L53-G fields that are held through production licenses (with a 20 year primary term ending from 2030 to 2037 plus an additional 10 year renewal period that can be applied for) and a 213.91 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 213.91 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. The reserved areas will expire in January 2021 after which only the production license areas will be retained. Crude oil revenue at Concession L53 is from sale of oil production to a refinery owned by the Thai National Oil Company.

The December 31, 2017 independent reserves evaluation for Thailand on-shore Concession L53 was prepared for Pan Orient Energy (Siam) Ltd., which is the operator and has a 100% working interest. The evaluation was conducted by Sproule International and was prepared in accordance with Canadian Securities Administrators National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities. Pan Orient has a 50.01% ownership interest in Pan Orient Energy (Siam) Ltd., 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, 2017 identified as "Net to Pan Orient's 50.01% Equity Interest in Pan Orient Energy (Siam) Ltd." represent 50.01% of Pan Orient Energy (Siam) Ltd. reserves and values. Net to Pan Orient's 50.01% equity interest in Pan Orient Energy (Siam) Ltd., proved plus probable crude oil reserves were 546,500 barrels at December 31, 2017 from conventional sandstone reservoirs.

Indonesia

At December 31, 2017, the Company owned a 49% non-operated working interest in the East Jabung PSC. There were no reserves assigned to the PSC at December 31, 2017. The Batu Gajah PSC, where the Company held a 77% operated working interest, expired on January 15, 2017 and as a result, the Company recorded in the fourth quarter of 2016 a $102.3 million impairment charge of Batu Gajah Exploration and Evaluation assets. The impairment charge was partially offset by a $22.6 million associated reduction in accumulated other comprehensive income related to foreign currency translation, resulting in a net impairment expense of $79.7 million.

<u>East Jabung PSC</u>

Pan Orient holds a 49% non-operated interest in the East Jabung PSC. The East Jabung PSC is located onshore Sumatra and consists of approximately 2,948 square kilometers at December 31, 2017. Pan Orient was awarded the 6,227.72 square kilometers East Jabung PSC in 2011 and relinquished the approximately 3,280 square kilometers of the East Jabung PSC's offshore area in 2013, and this relinquishment was finalized with the Government of Indonesia in October 2014. A 440 kilometer 2D seismic program was completed in 2014. On June 1, 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. Pan Orient received an upfront cash payment of USD$8 million, a firm commitment by the farminee to fund 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 justified.

Drilling of the Ayu-1X and Elok-1X exploration wells satisfied the East Jabung PSC firm commitment of two exploration wells to be drilled prior to the expiry of the six year exploration phase. The initial exploration phase of the East Jabung PSC has been extended by the Government of Indonesia to January 20, 2019.

Canada

Andora is a private oil company, in which Pan Orient has a 71.8% ownership. Pan Orient has interests in 88 sections of heavy oilsands leases in Sawn Lake, within the central Alberta Peace River Oil Sands area. Andora is focused on developing the bitumen resources at the Sawn Lake property using steam assisted gravity drainage ("SAGD") development.

The Sawn Lake property is in a pre-commercial stage and the commercial viability of the SAGD recovery process at Sawn Lake has not yet been established. No proved or probable reserves were assigned at December 31, 2017.

A SAGD demonstration project at Sawn Lake commenced in 2013 and is located in the Central Block of Sawn Lake where Andora is the operator and holds a 50% working interest. The demonstration project consisted of one SAGD well pair drilled to a depth of 650 meters and a horizontal length of 780 meters and the SAGD facility for steam generation, water handling and bitumen treating. Steam injection commenced in May 2014 and produced bitumen from September 2014 to February 2016. The demonstration project successfully captured the key data associated with the objectives of the demonstration project and operations were suspended at the end of February 2016. 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, instantaneous steam-oil ratio (ñISORò), and provided critical information required for well and facility design associated with future commercial development. 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 results of the demonstration project were used to update the reservoir model and used as an input in preparing the Update of the Evaluation of the Contingent Bitumen Resources in the Sawn Lake Area of Alberta of Andora Energy Corporation as of June 30, 2016 (ñSproule Contingent Bitumen Resources Reportò), which is a National Instrument 51-101 compliant resources evaluation for Andoraøs oil sands interests at Sawn Lake Alberta, Canada, as evaluated by Sproule Unconventional Limited. 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 Orientøs 71.8% equity interest in Andora). Andoraøs unrisked ñBest Estimateò contingent resources were 231.6 million barrels (166.3 million net to Pan Orientøs 71.8% equity interest in Andora) of recoverable bitumen as at June 30, 2016. The June 30, 2016 Contingent Resources Report by Sproule represents an update of a December 31, 2014 Contingent Resources Report also by Sproule. The June 30, 2016 report was 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 was no change to the geology or the industry standard development strategy.

At December 31, 2017 Andora had interests in 88 sections of Alberta oil sands leases at Sawn Lake. Andora is the operator of 37 sections, where it has a working interest of either 50% or 100%. The five Sawn Lake Alberta Crown oil sands leases operated by Andora (with 37 sections) contain 99.3% of the June 30, 2016 assigned contingent resources. With respect to the lands operated by Andora, three of the leases (with 22.75 sections) have an expiry date of July 10, 2018. In January 2018, Andora received approval for continuation of 21.75 sections in these three leases and the one section which was not continued had not been assigned contingent resources. The other two oil sands leases (with 14.25 sections), where Andora is the operator with a 100% working interest, have expiry dates for the initial term of the leases in 2021 or 2023. The six oil sands leases operated by another company (with 51 sections), where Andora is a non-operator with a 10% working interest, have expiry dates for the initial term of the leases of 2018 or 2019. These non-operated leases contain 0.7% of the June 30, 2016 assigned contingent resources of Andora. With respect to the non-operated leases with an expiry date in July 2018 it is uncertain to what extent leases for those 20 sections will be continued.

Regulatory approval was received on December 5, 2017 for potential commercial expansion to 3200 BOPD at the Sawn Lake, Alberta SAGD project (in which Andora has a 50% working interest and is the operator) using Andoraøs proprietary Produced Water Boiler. Commercial expansion to 3200 BOPD would include a reactivation of the demonstration project SAGD facility and existing wellpair, drilling of an additional four wellpairs and expansion of the facility to generate the additional necessary steam. It is anticipated that additional steam generation would include the test installation of the Andora proprietary Produced Water Boiler. Andora believes that its Produced Water Boiler could achieve significant benefits for Sawn Lake SAGD field and enable development using a series of ñbattery scaleò SAGD facilities (as supposed to a central processing facility). The lead time to acquiring the necessary equipment and commencing operations would be approximately 18 months and another 6 months is required for the start of bitumen production (after development of the steam chamber). An expansion is dependent on completion of detailed engineering and a higher commodity price environment to support project economics and financing.

Summarized financial information with respect to Andora is as follows:

Andora Energy Corporation	**As at and for the Three months ended December 31**		**As at and for the Year ended December 31**	
($thousands)	**2017**	2016	**2017**	2016
Total assets	**84,023**	84,414	**84,086**	84,414
Total liabilities	**8,612**	8,784	**8,603**	8,784
Funds flow used in operations	**(91)**	(79)	**(284)**	(223)
Net loss	**(114)**	(273)	**(485)**	(420)

Financial and Operating Summary	Three Months Ended December 31,		Twelve Months Ended December 31,		%
(thousands of Canadian dollars except where indicated)	**2017**	2016	**2017**	2016	Change
FINANCIAL					
Financial Statement Results – Excluding 50.01% Interest in Thailand Joint Venture (Note 1)					
Net loss attributed to common shareholders	**(578)**	(78,149)	**(5,132)**	(82,837)	-94%
Per share ï basic and diluted	**$ (0.01)**	$ (1.42)	**$ (0.09)**	$ (1.51)	-94%
Cash flow from (used in) operating activities (Note 2)	**(485)**	82	**(2,396)**	8,620	-128%
Per share ï basic and diluted	**$ (0.01)**	$ -	**$ (0.04)**	$ 0.16	-127%
Cash flow used in investing activities (Note 2)	**(1,990)**	(65)	**(4,810)**	(5,864)	-18%
Per share ï basic and diluted	**$ (0.04)**	$ -	**$ (0.09)**	$ (0.11)	-20%
Working capital	**32,536**	45,447	**32,536**	45,447	-20%
Working capital & non-current deposits	**36,897**	49,818	**36,897**	49,818	-26%
Long-term debt	**-**	-	**-**	-	0%
Shares outstanding (thousands)	**54,900**	54,885	**54,900**	54,885	0%
Capital commitments (Note 3)	**139**	2,318	**139**	2,318	-94%
Contingencies (Note 4)					
Working Capital and Non-current Deposits					
Beginning of period	**40,416**	49,945	**49,818**	79,160	-37%
Funds flow from (used in) operations (excluding Thailand Joint Venture) (Note 6)	**(409)**	251	**(4,392)**	(3,778)	16%
Special Distribution (Note 15)	**-**	-	**-**	(21,954)	-100%
Issue of common shares	**-**	-	**22**	-	100%
Consolidated capital expenditures (Note 8)	**(2,889)**	(431)	**(7,888)**	(3,905)	102%
Amounts advanced from Thailand Joint Venture	**31**	40	**169**	172	-2%
Disposal of petroleum and natural gas assets (Note 9)	**-**	56	**133**	161	-17%
Decommissioning expenditures and settlements	**(295)**	-	**(752)**	-	100%
Effect of foreign exchange	**43**	(43)	**(213)**	(38)	461%
End of period	**36,897**	49,818	**36,897**	49,818	-26%
Economic Results – Including 50.01% Interest in Thailand Joint Venture (Note 5)					
Total corporate funds flow from (used in) operations by region (Note 6)					
Canada (Note 7)	**(230)**	255	**(3,473)**	(2,424)	43%
Thailand (Note 1)	**(14)**	(2)	**(38)**	(29)	31%
Indonesia	**(165)**	(2)	**(881)**	(1,325)	-34%
Funds flow from (used in) operations (excl.Thailand Joint Venture)	**(409)**	251	**(4,392)**	(3,778)	16%
Share of Thailand Joint Venture (Note 5)	**916**	998	**3,716**	2,477	50%
Total corporate funds flow from (used in) operations	**507**	1,249	**(676)**	(1,301)	-48%
Per share ï basic and diluted	**$ 0.01**	$ 0.02	**$ (0.01)**	$ (0.02)	-38%
Capital Expenditures ï Petroleum & Natural Gas Properties (Note 8)					
Canada (Note 7)	**209**	176	**1,130**	1,980	-43%
Indonesia	**2,680**	255	**6,758**	1,925	251%
Consolidated capital expenditures (excl.Thailand joint venture)	**2,889**	431	**7,888**	3,905	102%
Share of Thailand Joint Venture capital expenditures	**1,033**	1,013	**1,849**	1,495	24%
Total capital expenditures (incl. Thailand joint venture)	**3,922**	1,444	**9,737**	5,400	80%
Disposition ï Petroleum & Natural Gas Properties (Note 9)	**-**	(56)	**(133)**	(161)	-17%
Investment in Thailand Joint Venture					
Beginning of period	**31,601**	33,316	**32,795**	35,088	-7%
Net loss from Joint Venture	**(172)**	(226)	**(1,004)**	(1,542)	-35%
Other comprehensive gain (loss) from Joint Venture	**787**	(255)	**563**	(579)	-197%
Amounts received from Joint Venture	**(31)**	(40)	**(169)**	(172)	-2%
End of period	**32,185**	32,795	**32,185**	32,795	-2%

(thousands of Canadian dollars except where indicated)	Three Months Ended December 31, **2017**	2016	Twelve Months Ended December 31, **2017**	2016	Change
Thailand Operations					
Economic Results – Including 50.01% Interest in Thailand Joint Venture (Note 5)					
Oil sales (bbls)	**21,470**	26,702	**92,568**	94,539	-2%
Average daily oil sales (BOPD) by Concession L53	**233**	290	**254**	258	-2%
Average oil sales price, before transportation (CDN$/bbl)	**$ 70.80**	$ 60.22	**$ 64.68**	$ 48.95	32%
Reference Price (volume weighted) and differential					
Crude oil (Brent $US/bbl)	**$ 61.37**	$ 49.12	**$ 53.94**	$ 43.51	24%
Exchange Rate $US/$Cdn	**1.29**	1.34	**1.32**	1.34	-1%
Crude oil (Brent $Cdn/bbl)	**$ 79.38**	$ 65.72	**$ 71.43**	$ 58.33	22%
Sale price / Brent reference price	**89%**	92%	**91%**	84%	8%
Funds flow from (used in) operations (Note 6)					
Crude oil sales	**1,520**	1,608	**5,987**	4,628	29%
Government royalty	**(72)**	(80)	**(294)**	(229)	28%
Transportation expense	**(35)**	(41)	**(150)**	(143)	5%
Operating expense	**(295)**	(289)	**(1,061)**	(1,057)	0%
Field netback	**1,118**	1,198	**4,482**	3,199	40%
General and administrative expense (Note 10)	**(232)**	(202)	**(831)**	(756)	10%
Interest income	**13**	5	**21**	11	91%
Foreign exchange gain (loss)	**3**	(5)	**6**	(5)	-220%
Current income tax	**-**	-	**-**	(1)	-100%
Thailand - Funds flow from operations	**902**	996	**3,678**	2,448	50%
Funds flow from (used in) operations / barrel (CDN$/bbl) (Note 6)					
Crude oil sales	**$ 70.80**	$ 60.22	**$ 64.68**	$ 48.95	32%
Government royalty	**(3.35)**	(3.00)	**(3.18)**	(2.42)	31%
Transportation expense	**(1.63)**	(1.54)	**(1.62)**	(1.51)	7%
Operating expense	**(13.75)**	(10.81)	**(11.46)**	(11.18)	3%
Field netback	**$ 52.07**	$ 44.87	**$ 48.42**	$ 33.84	43%
General and administrative expense (Note 10)	**(10.81)**	(7.57)	**(8.98)**	(8.01)	12%
Interest Income	**0.61**	0.19	**0.23**	0.12	89%
Foreign exchange gain (loss)	**0.14**	(0.19)	**0.06**	(0.05)	-230%
Current income tax	**-**	-	**-**	(0.01)	-100%
Thailand - Funds flow from operations	**$ 42.01**	$ 37.30	**$ 39.73**	$ 25.89	53%
Government royalty as percentage of crude oil sales	**5%**	5%	**5%**	5%	0%
Income tax & SRB as percentage of crude oil sales	**-**	-	**-**	-	0%
As percentage of crude oil sales					
Expenses - transportation, operating, G&A and other	**36%**	33%	**34%**	42%	-8%
Government royalty, SRB and income tax	**5%**	5%	**5%**	5%	0%
Funds flow from operations, before interest income	**59%**	62%	**61%**	53%	8%
Wells drilled					
Gross	**1**	1	**1**	1	0%
Net	**0.5**	0.5	**0.5**	0.5	0%
Financial Statement Presentation Results – Excluding 50.01% Interest in Thailand Joint Venture (Note 1)					
General and administrative expense (Note 10)	**(14)**	(3)	**(38)**	(30)	27%
Foreign exchange gain	**-**	1	**-**	1	-100%
Funds flow used in consolidated operations	**(14)**	(2)	**(38)**	(29)	31%
Funds flow included in Investment in Thailand Joint Venture					
Net loss from Thailand Joint Venture	**(172)**	(226)	**(1,004)**	(1,542)	-35%
Add back depletion & other non-cash items in net loss	**1,088**	1,224	**4,720**	4,019	17%
Funds flow from Thailand Joint Venture	**916**	998	**3,716**	2,477	50%
Thailand ï Economic funds flow from operations (Note 5)	**902**	996	**3,678**	2,448	50%

(thousands of Canadian dollars except where indicated)	Three Months Ended December 31, **2017**	2016	Twelve Months Ended December 31, **2017**	2016	Change
Canada Operations (Note 7)					
Interest income	**88**	46	**308**	173	78%
General and administrative expenses (Note 10)	**(482)**	(637)	**(2,092)**	(2,303)	-9%
Realized and unrealized foreign exchange gain (loss) (Note 20)	**164**	696	**(1,837)**	(165)	1013%
Current income tax	**-**	150	**148**	(129)	-215%
Canada ï Funds flow from (used in) operations	**(230)**	255	**(3,473)**	(2,424)	43%
Indonesia Operations					
General and administrative expense (Note 10)	**(151)**	(110)	**(823)**	(516)	59%
Exploration expense (Note 11)	**-**	101	**(5)**	(831)	-99%
Realized foreign exchange gain (loss)	**(14)**	7	**(53)**	22	-341%
Current income tax	**-**	-	**-**	-	0%
Indonesia ï Funds flow used in operations	**(165)**	(2)	**(881)**	(1,325)	-34%
Wells drilled					
Gross	**-**	-	**2**	-	
Net	**-**	-	**1.0**	-	

(thousands of Canadian dollars except where indicated)	Year Ended December 31, **2017**	2016	Change
RESERVES AND CONTINGENT RESOURCES			
Onshore Thailand ï Concession L53 (50.01% economic interest) (Note 1)	**(Note 12)**	(Note 13)	
Proved oil reserves (thousands of barrels)	**272**	273	0%
Proved plus probable oil reserves (thousands of barrels)	**547**	570	-4%
Net present value of proved + probable reserves, after tax discounted at 10%	**13,982**	13,187	6%
Per Pan Orient share ï basic (Note 14)	**$0.25**	$ 0.24	4%
Canada (Pan Orientôs 71.8% share of the oil sands leases of Andora at Sawn Lake, Alberta)		(Note 16)	

INTERNATIONAL INTERESTS AT DECEMBER 31, 2017

All amounts reflect Pan Orient's economic interest	Status	Net Square Kilometers	December 31, 2017 Financial Commitments (Cdn thousands)		2017 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, 2017) (Note 1 & 17)	Partially developed	108	-	to January 2021 (Note 17)	254	547
Onshore Indonesia PSC (Consolidated subsidiary)						
East Jabung PSC, South Sumatra (49% interest & non-operator) (Note 18 and 19)	Undeveloped	1,445	$17	to January 2019		
		1,553	$17			

(1) Pan Orient holds a 50.01% equity interest in Pan Orient Energy (Siam) Ltd. as a joint arrangement where the Company shares joint control with the 49.99% equity interest holder. The resulting joint arrangement is classified as a Joint Venture under IFRS 11 and is accounted for using the equity method of accounting where Pan Orientôs 50.01% equity interest in the assets, liabilities, working capital, operations and capital expenditures of Pan Orient Energy (Siam) Ltd. are recorded in Investment in Thailand 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 note disclosure of the December 31, 2017 and December 31, 2016 Consolidated Financial Statements.

(4) Refer to Contingencies note disclosure of the December 31, 2017 and December 31, 2016 Consolidated Financial Statements.

(5) For the purpose of providing more meaningful economic results from operations for Thailand, the amounts presented include 50.01% of results of the Thailand Joint Venture.

(6) Total corporate funds flow from operations is cash flow from operating activities prior to changes in non-cash working capital, decommissioning expenditures and settlements, unrealized foreign exchange gain or loss plus the corresponding amount from the Thailand operations which is recorded 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 excluded decommissioning costs, the impact of changes in foreign exchange and capitalized stock-based

compensation expense.

(9) In 2017, the Company sold some equipment inventory from its Indonesian operations to its Thailand joint venture. In 2016, the joint venture partners in Andora's Sawn Lake SAGD demonstration project purchased the SAGD reservoir data and the Sawn Lake joint venture sold some inventory of pipe.

(10) General & administrative expenses, excluding non-cash accretion on decommissioning provision. The nominal amount of G&A shown in the three and twelve months ended December 31, 2016 and December 31, 2017 for Thailand operations related to G&A of the holding company of Pan Orient Energy (Siam) Ltd.

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

(12) Thailand reserves as at December 31, 2017 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 $58.00 for 2018, $67.00 for 2019, $72.00 for 2020, $75.00 for 2021, $76.50 for 2022 and prices increase at 2.0% per year thereafter. Foreign exchange rate used of Cdn$1=US$0.79 for 2018, Cdn$1=US$0.82 for 2019 and Cdn$1=US$0.85 thereafter. The engineered values disclosed may not represent fair market value.

(13) 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 $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$0.80 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 54,900,407 and 54,885,407 Pan Orient Shares outstanding at December 31, 2017 and December 31, 2016, respectively.

(15) On February 16, 2016, the Company paid a return of capital special distribution of $0.40 per share to common shareholders.

(16) The evaluation of 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 had 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.

(17) At December 31, 2017 Concession L53/48 in Thailand consisted of 22 square kilometers associated with the L53-A, L53-B, 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 213.91 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 included a firm commitment by the farminee to fund the first US$10.0 million towards the first exploration well and a contingent commitment to fund the first US$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 Company was notified by the operator that the drilling of the Ayu-1X well and Elok-1X well qualified for the two wells under the firm 3 year exploration work program and the initial exploration phase of the East Jabung PSC has been extended by the GOI to January 20, 2019.

(20) Realized and unrealized foreign exchange gain or loss mainly related to the U.S. dollars denominated cash balances held in Canada.

(21) Tables may not add due to rounding.

2017 HIGHLIGHTS

Indonesia

- At the East Jabung Production Sharing Contract (“PSC”) in Indonesia, where Pan Orient is non-operator with a 49% ownership interest, the first two exploration wells have been drilled. The Ayu-1X and Elok-1X wells did not encounter commercial hydrocarbons, however drilling results were encouraging with significant indications of hydrocarbons significantly de-risking the petroleum system in this region. The Anggun-1X exploration well has been approved by the joint venture as part of the 2018 work program and budget and is expected to commence drilling in about September 2018.
- Drilling of the Ayu-1X and Elok-1X exploration wells satisfied the East Jabung PSC firm well commitment of two exploration wells to be drilled prior to the expiry of the first six year exploration phase. The initial exploration phase of the East Jabung PSC has been extended by the Government of Indonesia to January 20, 2019.
- During the third quarter of 2017, the Company received a ruling from the Indonesian Tax Court that it had won an appeal of the 2012 – 2014 offshore Land and Building Tax assessment for the East Jabung PSC but lost on the much smaller sub-surface tax assessment. As a result, a refund is expected in early 2019 of the $3.7 million deposit paid to appeal the assessment and the $0.7 million payable for the sub-surface assessment has been recorded.
- The Batu Gajah PSC, in which Pan Orient had an operated 77% interest, expired on January 15, 2017.

Thailand (net to Pan Orient’s 50.01% equity interest in the Thailand Joint Venture)

- Pan Orient conducted a series of successful workovers at Concession L53 in Thailand to maintain a relatively stable level of oil production with oil sales in 2017 of 254 BOPD compared with 258 BOPD in 2016.
- During 2017, the Brent reference price for oil increased 22% and funds flow from operations increased 50% to $3.7 million, or $39.73 per barrel.
- Capital expenditures of $1.8 million included a number of workovers and the L53AC-C1 exploration well, which was determined to be dominantly water bearing and abandoned.
- December 31, 2017 reserve report assigned proved plus probable crude oil reserves of 546,500 barrels from conventional sandstone reservoirs and a net present value using forecast prices and costs discounted at 10% per year, of Cdn$14.0 million. The reserve report excludes exploration lands.
- The 2018 Thailand capital program is expected to include one exploration well, an appraisal well at L53-B and a multi-well workover program.

Sawn Lake, Canada (Pan Orient’s 71.8% subsidiary Andora)

- Andora Energy Corporation (“Andora”) has finalized detailed engineering for its proprietary Thermal System and Process for Producing Steam from Oilfield Produced Water (“Produced Water Boiler”).
- Regulatory approval was received on December 5, 2017 for potential commercial expansion to 3200 BOPD at the Sawn Lake, Alberta steam assisted gravity drainage (“SAGD”) project (in which Andora has a 50% working interest and is the operator) using Andora’s proprietary Produced Water Boiler.

Corporate

- Total corporate funds flow used in operations, including Pan Orient’s 49% interest in the Thailand Joint Venture, was $0.7 million and the net loss attributable to common shareholders was $5.1 million, of which $1.8 million related to an unrealized foreign exchange loss on U.S. dollar denominated cash holdings.
- Pan Orient continues to maintain a strong financial position for planned exploration activities at the East Jabung PSC in Indonesia with working capital and non-current deposits at December 31, 2017 of $36.9 million and no long-term debt. In addition to this, Pan Orient’s Investment in Thailand Joint Venture includes $4.9 million of Thailand working capital and non-current deposits for future Thailand Joint Venture operations.

2017 FOURTH QUARTER OPERATING RESULTS

- Net loss attributable to common shareholders for the fourth quarter of 2017 of $0.6 million ($0.01 loss per share) compared with $1.8 million loss ($0.03 loss per share) in the third quarter of 2017.
- For the fourth quarter of 2017, the Company recorded total corporate funds flow from operations, which includes economic results of the 50.01% interest in the Thailand joint venture, of $0.5 million ($0.01 per share). This compares with total corporate funds flow used in operations for the third quarter of 2017 of $0.8 million ($0.01 loss per share). In the fourth quarter of 2017 the Company reported $0.1 million of realized and unrealized foreign exchange gains versus $1.1 million of realized and unrealized foreign exchange losses in the third quarter of 2017. These foreign exchange gains and losses primarily relate to the Company’s holdings of United States dollars.
- Pan Orient had capital expenditures of $2.9 million in the fourth quarter of 2017, with $2.7 million in Indonesia and $0.2 million in Canada at the Sawn Lake SAGD demonstration project of Andora. In addition, Pan Orient’s share of Thailand joint venture capital expenditures was $1.0 million, which was recorded in Investment in Thailand Joint Venture.
- Capital expenditures for 2017, net of dispositions, were $7.8 million, with $6.7 million in Indonesia, $0.1 million in Canada and $1.0 million at the Sawn Lake SAGD demonstration project of Andora. In addition, Pan Orient’s share of Thailand joint venture capital expenditures was $1.8 million, which was recorded in Investment in Thailand Joint Venture.

- At December 31, 2017, Pan Orient had $36.9 million of working capital and non-current deposits. Working capital and non-current deposits were comprised of $37.7 million cash, $4.4 million of non-current deposits, other receivables of $0.5 million and less $5.7 million for accounts payable and the current portion of the decommissioning provision. In addition, Pan Orient's Investment in Thailand Joint Venture includes $4.9 million of Thailand working capital and non-current deposits and $2.0 million of equipment inventory to be utilized for future Thailand Joint Venture operations and exploration.

- Pan Orient had outstanding capital commitments as at December 31, 2017 of $17,000 associated with the Company's 49% participating interest in the East Jabung PSC, Indonesia and $122,000 associated with natural gas pipeline tariff charges associated with the Sawn Lake SAGD demonstration project of Andora in Canada.

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

  - Average oil sales of 233 BOPD during the fourth quarter of 2017 and generated $0.9 million in funds flow from operations, or $42.01 per barrel. This compares with 2017 third quarter results of 262 BOPD (an 11% decrease) and $35.92 per barrel in funds flow from operations (a 17% increase). The average realized sales price per barrel has increased to $70.80 in the fourth quarter from $60.44 in the third quarter.

  - Per barrel amounts during the fourth quarter of 2017 were a realized price for oil sales of $70.80, transportation expenses of $1.63, operating expenses of $13.75, general and administrative expenses of $10.81 and a 5% royalty to the Thailand government of $3.35. Oil sales revenue during this period was allocated 36% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand for royalties, and 59% to the Thailand Joint Venture. No Thailand petroleum income taxes or Special Remuneratory Benefit tax was recorded during 2017.

  - Capital expenditures were $1.0 million during the fourth quarter of 2017 and $1.8 million for 2017. Capital expenditures for 2017 were comprised of $1.0 million for drilling of the L53AC-C1 exploration well, $0.7 million for workovers and other capital expenditures and $0.1 million for capitalized general and administrative expenses. The L53AC-C1 exploration well was determined to be dominantly water bearing and was abandoned.

  - Oil sales in January and February 2018 at Concession L53 averaged 174 BOPD as a result of downtime related to downhole pump issues. Production is currently in excess of 280 BOPD after the recent completion of the recent six well workover program.

  - The L53-B production license for 1.96 square kilometers was granted in May 2017. The L53-B Environmental Impact Assessment has been submitted with approval and commencement of production expected in approximately June 2018.

  - The December 31, 2017 independent reserves evaluation for Thailand on-shore Concession L53 was prepared for Pan Orient Energy (Siam) Ltd. ("POS"), a 50.01% owned subsidiary of Pan Orient, which is the operator and has a 100% working interest. The evaluation was conducted by Sproule International Limited of Calgary ("Sproule") and was prepared in accordance with Canadian Securities Administrators National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities. Pan Orient has a 50.01% ownership in POS, but does not have any direct interest in, or control over, the crude oil reserves or operations of on-shore Concession L53. The values at December 31, 2017 identified below as "Net to Pan Orient's 50.01% Equity Interest in POS" represent 50.01% of POS reserves and values.

    Net to Pan Orient's 50.01% equity interest in POS, proved plus probable crude oil reserves of 546,500 barrels at December 31, 2017 from conventional sandstone reservoirs, decreased 4% compared with the prior year as a result of oil sales partially offset by a positive technical revision. Net to Pan Orient's 50.01% equity interest in POS, net present value (after tax) of Thailand proved plus probable crude oil reserves at December 31, 2017, using forecast prices and costs discounted at 10% per year, of $14.0 million, or $0.25 per Pan Orient share based on the current 54.9 million Pan Orient shares outstanding.

- Indonesia

  - The Ayu-1X exploration well was drilled to a total depth of 1,140 meters within the granitic basement on August 21, 2017. Analysis indicated approximately 5.5 meters of high porosity net oil pay at the top of good quality reservoir in the Batu Raja limestone. Significant indications of hydrocarbons in the form of oil shows and high gas readings in well-developed sands of Gumai age were also found. The Ayu-1X well was drilled pursuant to the terms of the 2015 farm-out agreement whereby the farminee funds the first USD$10 million towards the first exploration well. The total estimated cost of the Ayu-1X well for location and access, drilling to total depth and post total depth evaluation is US$14.3 million. Pan Orient's net share of US$2.1 million (Cdn$2.7 million) was recorded in 2017.

  - The Elok-1X exploration well was drilled as a sidetrack from the Ayu-1X wellbore to a subsurface location approximately 700 meters south of the Ayu-1X well location and reached a total depth of 1,236 meters. The top of the primary Talang Akar formation sandstone objective (primary target) was encountered at 1,169 meters true vertical depth and found to be non-hydrocarbon bearing. The Batu Raja limestone, not a target at Elok-1X, was encountered approximately 26 meters structurally lower than at Ayu-1X, exhibiting high mud gas readings and oil stained carbonates in the upper portion. The total cost of the Elok-1X well is estimated at US$5.0 million. Pan Orient's 49% net share of US$2.4 million (Cdn$3.1 million) was recorded in 2017.

  - Significant indications of hydrocarbons in the form of oil shows and high gas readings were observed while drilling well-developed sands of Gumai age at both wells. Additional drilling is required to establish the commerciality of the Ayu, Elok and Anggun structural complex.

  - The Anggun-1X exploration well, approximately 5.6 kilometers to the north west of Ayu-1X and approximately 70 meters structurally up dip from Ayu-1X at the Gumai sandstone target level, is expected to commence drilling in about September 2018. The objectives of this well will be large structural closures at both the Batu Raja and Gumai target levels. The preliminary estimated dry hole cost of the Anggun-1X well, including permanent road, well pad construction and drilling, is US$15.4 million (Cdn$19.3 million), with Pan Orient's 49% share of US$7.55 million (Cdn$9.4 million).

- The drilling of the Ayu-1X and Elok-1X exploration wells satisfied the East Jabung PSC firm well commitment of two exploration wells to be drilled prior to the expiry of the first six year exploration phase. The initial exploration phase of the East Jabung PSC has been extended by the Government of Indonesia to January 20, 2019.
- Pan Orient's 2017 capital expenditures for the East Jabung PSC were $6.8 million comprised of $2.7 million for the Ayu-1X exploration well, $3.1 million for the Elok-1X exploration well and $1.0 million for seismic reprocessing and capitalized G&A expenses, all amounts in Canadian dollars.
- The Tax Directorate General of Indonesia assessed Pan Orient for 2012, 2013 and 2014 Land and Building Tax under a new tax framework of 78,705 million Indonesian rupiah, or $7.3 million when translated at the December 31, 2017 exchange rate. Of the $7.3 million tax assessed, $6.8 million was associated with offshore in 2013 and $0.5 million was associated with sub-surface for 2012 to 2014. Like other impacted oil and gas companies operating in Indonesia, Pan Orient lodged an objection, which was rejected by the Indonesian Tax office. The Company filed an appeal with the Indonesian Tax Court in 2014 and, as required by Indonesian law for filing an appeal with the Indonesian Tax Court, paid a refundable deposit of $3.7 million, which is equal to 50% of the tax being disputed. During the third quarter of 2017, the Company received a ruling from the Indonesian Tax Court that it had won the appeal on the offshore tax assessment but lost on the sub-surface tax assessment. The Company is following the process to obtain a refund of the $3.7 million deposit, which is recorded as a non-current deposit of the consolidated statements of financial position. The Company has accrued $0.7 million in accounts payable and accrued liabilities for the sub-surface tax assessment and penalties.

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

- Regulatory approval was received on December 5, 2017 for potential commercial expansion to 3200 BOPD at the Sawn Lake, Alberta SAGD project (in which Andora has a 50% working interest and is the operator) using Andora's proprietary Produced Water Boiler. Commercial expansion to 3200 BOPD would include a reactivation of the demonstration project SAGD facility and existing wellpair, drilling of an additional four wellpairs and expansion of the facility to generate the additional necessary steam. It is anticipated that additional steam generation would include the test installation of the Andora proprietary Produced Water Boiler. Andora believes that its Produced Water Boiler could achieve significant benefits for the Sawn Lake SAGD field and enable development using a series of "battery scale" SAGD facilities (as opposed to a central processing facility). The lead time to acquiring the necessary equipment and commencing operations would be approximately 18 months and another 6 months is required for the start of bitumen production (after development of the steam chamber). An expansion is dependent on completion of detailed engineering and a higher commodity price environment to support project economics and financing.
- At December 31, 2017 Andora had interests in 88 sections of Alberta oil sands leases at Sawn Lake. Andora is the operator of 37 sections, where it has a working interest of either 50% or 100%. The June 30, 2016 Contingent Resources Report by Sproule Unconventional Limited assigned risked "Best Estimate" contingent resources net to Andora of 197 million barrels of bitumen recoverable. The five Sawn Lake Alberta Crown oil sands leases operated by Andora (with 37 sections) contain 99.3% of the June 30, 2016 assigned contingent resources. With respect to the lands operated by Andora, three of the leases (with 22.75 sections) have an expiry date of July 10, 2018. In January 2018, Andora received approval for continuation of 21.75 sections in these three leases and the one section which was not continued had not been assigned contingent resources.
- Capital expenditures for the Sawn Lake demonstration project were $0.2 million in the fourth quarter of 2017 and totaled $1.0 million for 2017. Capital expenditures related to drilling of a core well to support continuation of mineral rights in one of the oil sands leases, capitalization of ongoing expenses at the demonstration project facility, engineering for the Produced Water Boiler, and capitalized G&A.

OUTLOOK

INDONESIA

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

The joint venture has approved a 2018 work program and budget that includes the drilling of the Anggun-1X exploration well, estimated to commence drilling in about September 2018 at a cost of US$15.4 (Cdn$19.3 million), and a contingent 3D seismic survey that would be acquired in the event of success at Anggun-1X.

THAILAND

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

Concession L53 continued to generate funds flow from operations as a low cost operation and limited capital expenditures. The 2018 Thailand capital program is expected to include one exploration well, an appraisal well at L53-B and a multi-well workover program. All activities in 2018 are expected to be financed by Thailand working capital and funds flow from operations.

CANADA

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

Sawn Lake is a top quartile SAGD asset that has been de-risked through the demonstration project. Pan Orient continues to move forward towards potential commercial expansion to 3200 BOPD and future development at Sawn Lake. It is recognized that stable crude oil prices, and specifically higher Western Canada Select reference prices, will have a significant impact on any decision regarding the timing and extent of future development.

Corporate

Pan Orient continues to maintain a strong cash balance, denominated mainly in United States dollar deposits, that will allow the Company to conduct key exploration and development activities and ensure financial flexibility. The Company constantly reviews its exploration and development asset portfolio in Indonesia, Thailand and Canada with the aim of maximizing corporate value and achieving the best allocation of resources.

Net Loss from Thailand Joint Venture

The Company holds a 50.01% equity interest in Pan Orient Energy (Siam) Ltd. ("POS"), which is considered a Joint Venture under IFRS and is accounted for using the equity method. Distributions received from the joint venture reduce the carrying amount of the investment whereas funding to the joint venture increases the carrying amount. The Company's profit or loss includes its share of the joint venture's profit or loss and the Company's other comprehensive income includes its share of the joint venture's other comprehensive income or loss.

Losses from Joint Venture	Three months ended December 31				Year ended December 31			
Pan Orient Energy (Siam) Ltd.	2017		2016		2017		2016	
(Net to Pan Orient 50.01%)	$000s	$ per bbl	$000s	$ per bbl	$000s	$ per bbl	$000s	$ per bbl
Crude oil revenue	1,520	70.80	1,608	60.22	5,987	64.68	4,628	48.95
Government royalty	(72)	(3.35)	(80)	(3.00)	(294)	(3.18)	(229)	(2.42)
Transportation expense	(35)	(1.63)	(41)	(1.54)	(150)	(1.62)	(143)	(1.51)
Production and Operating expense	(295)	(13.75)	(289)	(10.81)	(1,061)	(11.46)	(1,057)	(11.18)
Field netback	1,118	52.07	1,198	44.87	4,482	48.42	3,199	33.84
General and administrative	(218)	(10.15)	(199)	(7.45)	(793)	(8.57)	(726)	(7.68)
Foreign exchange gain (loss)	3	0.14	(5)	(0.19)	6	0.06	(5)	(0.06)
Interest income	13	0.61	5	0.19	21	0.23	11	0.12
Income tax expense	-	-	-	-	-	-	(1)	(0.01)
Funds flow from operations	916	42.67	999	37.42	3,716	40.14	2,478	26.21
Depletion, depreciation and amortization	(1,054)	(49.09)	(1,340)	(50.15)	(4,786)	(51.70)	(5,107)	(54.01)
Accretion	(6)	(0.28)	(7)	(0.26)	(26)	(0.28)	(24)	(0.25)
Exploration expense	-	-	-	-	(99)	(1.07)	-	-
Deferred tax recovery	87	4.05	201	7.53	624	6.74	1,417	14.99
Net loss	(57)	(2.65)	(147)	(5.46)	(571)	(6.17)	(1,236)	(13.06)
Amortization of fair value adjustment	(115)	(5.36)	(79)	(2.96)	(433)	(4.68)	(306)	(3.24)
Net loss from Joint Venture	(172)	(8.01)	(226)	(8.42)	(1,004)	(10.85)	(1,542)	(16.30)

Note: Tables may not add due to rounding

Crude oil revenue earned within Thailand Joint Venture, net to Pan Orient 50.01% equity interest

Oil sales from Concession L53 in Thailand averaged 233 BOPD during the three months ended December 31, 2017 compared to 262 BOPD during the third quarter of 2017 and 290 BOPD during the fourth quarter of 2016. Oil production in the fourth quarter of 2017 was lower than the other comparative periods due to natural declines in the producing oil fields. Oil sales from Concession L53 averaged 174 BOPD during January and February of 2018.

Oil sales revenue from Concession L53 was $1.5 million for the three months ended December 31, 2017 compared to $1.6 million in the same period of 2016. Revenue in the fourth quarter of 2017 was slightly lower than in the same period of 2016 due to lower production offset by higher realized prices. The realized price per barrel was $70.80 for the three months ended December 31, 2017 compared to $60.22 during the fourth quarter of 2016.

The realized sales price from the Thailand Joint Venture 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 realized price from the Thailand Joint Venture was 91% of the Brent reference price for the year ended December 31, 2017 compared to 84% for the year ended December 31, 2016.

Royalties expense incurred within Thailand Joint Venture, net to Pan Orient 50.01% equity interest

The Thailand Joint Venture pays royalties on oil revenue from Concession L53 in Thailand. Royalties in Thailand are paid to the Thailand government and are based on production volumes per concession ranging from 5% on production of less than 2,000 BOPD to 15% on production over 20,000 BOPD. The Company's royalties averaged 5% of revenue during the fourth quarter of 2017 and was consistent with the prior quarters.

Transportation expense incurred within Thailand Joint Venture, net to Pan Orient 50.01% equity interest

The Thailand Joint Venture incurs transportation costs to truck oil produced from Concession L53 in Thailand to the refinery in Bangkok. Transportation expense is based on production volumes. During the fourth quarter of 2017, Pan Orient's share of the transportation expense within the Thailand Joint Venture averaged $1.63 per barrel compared to $1.62 per barrel in third quarter of 2017 and $1.54 in the fourth quarter of 2016.

Production and operating expense incurred within Thailand Joint Venture, net to Pan Orient 50.01% equity interest

The Thailand Joint Venture incurs production and operating costs related to oil produced at Concession L53 in Thailand. Production and operating costs on a per barrel basis were $13.74 per barrel in the fourth quarter of 2017 compared to $11.28 per barrel in the third quarter of 2017 and $10.81 per barrel in the fourth quarter of 2016 due to some fixed costs do not increase or decrease with production volume.

Depletion, Depreciation & Amortization (ĩDD&Aö) incurred within Thailand Joint Venture, net to Pan Orient 50.01% equity interest

DD&A was $49.09 per barrel during the fourth quarter of 2017 compared to $50.15 per barrel during the fourth quarter of 2016. On a per barrel basis, the DD&A in the fourth quarter of 2017 was lower than the fourth quarter of 2016 due to the lower cost base.

Taxes

($thousands)	Three months ended December 31 **2017**	Three months ended December 31 2016	Year ended December 31 **2017**	Year ended December 31 2016
Current tax expense (recovery)	**-**	(150)	**(148)**	129
Deferred tax recovery	**(30)**	(1,772)	**(641)**	(2,802)
Total tax recovery	**(30)**	(1,922)	**(789)**	(2,673)

During 2017, the Company incurred non-capital losses for tax purposes and these losses could be carried back to recover the taxes previously paid of $0.1 million. All taxes receivable, payable, expense and recovery are calculated based on managementĩs 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 **2017**	Three months ended December 31 2016	Year ended December 31 **2017**	Year ended December 31 2016
Canada	**552**	3	**2,384**	30
Indonesia	**295**	414	**1,185**	1,894
Thailand (excluding Thailand Joint Venture)	**14**	711	**38**	2,600
Total G&A, net of overhead recoveries(1)	**861**	1,128	**3,607**	4,524
Allocated to capital projects(2)	**(215)**	(378)	**(655)**	(1,675)
Cash G&A	**646**	750	**2,952**	2,849
Accretion expenses	**12**	8	**39**	23
Consolidated G&A expense	**658**	758	**2,991**	2,872
Share of G&A from Thailand Joint Venture	**218**	199	**793**	726
Accretion from Thailand Joint Venture	**6**	7	**26**	24
Total G&A attributable to the economic interests of Pan Orient (including 50.01% interest in Thailand Joint Venture)	**882**	964	**3,810**	3,622

(1) Overhead recoveries represent the portion of Pan Orient's G&A expenses charged by Andora, as operator, to the Sawn Lake joint venture operations and capital projects. Overhead recoveries were $59 thousand and $169 thousand for the year ended December 31, 2017 and 2016, respectively.

(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 the East Jabung PSC in Indonesia 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.

Total G&A, net of recoveries, was higher during the year ended December 31, 2017 than 2016 mainly attributed to lower capitalization of G&A in the Indonesia operation and a higher expense for personnel due to employee severance paid, partially offset by lower office rent and legal expense.

Capital Invested

	Three months ended December				Year ended December 31			
	2017		2016		**2017**		2016	
Capital expenditures (1)	**$000s**	**Net wells drilled**	$000s	Net wells drilled	**$000s**	**Net wells drilled**	$000s	Net wells drilled
Indonesia	**2,680**	**-**	255	-	**6,758**	**1.0**	1,925	-
Canada	**209**	**-**	176	-	**1,130**	**0.5**	1,980	-
Consolidated capital expenditures	**2,889**	**-**	431	-	**7,888**	**1.5**	3,905	-
Share of Thailand joint venture capital expenditures (2)	**1,033**	**0.5**	1,013	0.5	**1,849**	**0.5**	1,495	0.5
Total capital expenditures attributable to the economic interest of Pan Orient (including 50.01% interest in Thailand Joint Venture)	**3,922**	**0.5**	1,444	0.5	**9,737**	**2.0**	5,400	0.5

(1) Excluding foreign exchange and decommissioning costs.
(2) Pan Orient’s 50.01% share of capital expenditures in the Thailand Joint Venture are accounted for using the equity method as an Investment in a Joint Venture.

Thailand
The Company’s share of capital expenditures from the Thailand Joint Venture for the year ended December 31, 2017 were $1.8 million comprised of $1.0 million for drilling of the L53AC-C1 exploration well, $0.7 million for workovers and other expenditures and $0.1 million for capitalized G&A.

Indonesia
Capital expenditures in Indonesia for the year ended December 31, 2017 were $6.8 million comprised of $2.7 million for the Ayu-1X exploration well, $3.1 million for the Elok-1X exploration well and $1.0 million for seismic reprocessing and capitalized G&A expenses.

Canada
Capital expenditures in Canada for the year ended December 31, 2017 of $1.1 million for costs related to drilling of a core well to support continuation of mineral rights in one of the oil sands leases, capitalization of ongoing expenses at the demonstration project facility, engineering for the Produced Water Boiler, and capitalized G&A.

Liquidity and Capital Resources

Pan Orient’s capital program, including the 50.01% share of the Thailand Joint Venture, was $9.7 million for the year ended December 31, 2017 and was financed from existing working capital and funds flow from operations within the Thailand Joint Venture. At December 31, 2017 the Company’s working capital plus non-current deposits was $36.9 million compared to $49.8 million at December 31, 2016 and the Company had estimated outstanding capital commitments of $139 thousand. In addition to Pan Orient’s consolidated working capital and non-current deposits, its investment in the Thailand Joint Venture includes $4.9 million of its share of working capital and non-current deposits and $2.0 million of equipment inventory to be utilized for future operations of the Thailand Joint Venture.

At December 31, 2017 Pan Orient’s consolidated cash and cash equivalents were held in the jurisdictions where the Company operates as follows:

($thousands)	December 31, 2017	December 31, 2016
Cash and cash equivalents held in Canada	37,318	46,350
Cash and cash equivalents held in Indonesia	344	584
Consolidated cash and cash equivalents	37,662	46,934

Working capital and non-current deposits totaled $36.9 at December 31, 2017 compared to $49.8 at December 31, 2016.

Non-current deposits of $4.4 million at December 31, 2017 consisted of a $3.7 million refundable deposit related to the successful appeal of the land and building tax assessed to the East Jabung PSC in Indonesia (refer to Contingency discussion below), $0.1 million work deposit to be refunded at the expired Batu Gajah PSC and $0.6 million deposited with the Alberta energy regulator in Canada for the interests of Andora at Sawn Lake.

Share Capital

Outstanding (thousands)	March 20, 2018	December 31, 2017	December 31, 2016
Common shares	54,900	54,900	54,885
Stock options	4,991	3,431	4,991
Total	59,891	58,331	59,876

On April 6, 2017 the Company announced that it intends to continue the purchase of its common shares pursuant to the renewal of its normal course issuer bid. Under the terms of the bid, Pan Orient is authorized to purchase, for cancellation, up to 4,512,964 of its common shares, subject to a maximum of 1,097,708 common shares during any 30 day period. Purchases under the bid can be made between April 12, 2017 and April 12, 2018. No shares were purchased between April 12, 2017 and the date of this MD&A.

Subsequent to year end, the Company granted options to directors, officers and employees to purchase an aggregate of 1,560,000 common shares under the Company's stock option plan. Each option has an exercise price of $1.09 (being the February 7, 2018 closing price of the shares on the TSX Venture Exchange), vests as to one-third on the grant date and one-third on each of the first and second anniversaries of the grant date and expires on February 7, 2023.

Foreign Exchange

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

	2017				2016			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Rate at end of period								
Thai baht / Cdn $ exchange	25.67	26.49	25.85	25.51	26.23	26.01	26.81	26.78
Cdn $ / US $ exchange	1.25	1.25	1.30	1.33	1.35	1.31	1.30	1.30

The Company holds U.S. dollars within Canada to meet U.S. dollar cash requirements of its foreign operations and at December 31, 2017 the Company held $19.8 million denominated in U.S. dollars as cash and cash equivalents.

Thailand joint venture operations use Thai baht and Indonesia operations use the U.S. dollar as their functional currencies for reporting. These foreign currencies are translated into Canadian dollars at each reporting period end with the unrealized translation gain or loss recognized in accumulated other comprehensive income ("AOCI").

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

	Three months ended December 31		Year months ended December 31	
($thousands)	**2017**	2016	**2017**	2016
AOCI, beginning of period	**376**	21,702	**1,377**	27,625
Unrealized foreign currency translation gain (loss) from Indonesia	**75**	2,493	**(702)**	(3,106)
Unrealized foreign currency translation gain (loss) from Thailand joint venture	**787**	(255)	**563**	(579)
Impairment of Batu Gajah PSC	**-**	(22,563)	**-**	(22,563)
AOCI, end of period	**1,238**	1,377	**1,238**	1,377

Contingencies

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

Indonesia 2013 and 2014 Land and Building Tax
The Tax Directorate General of Indonesia in 2013 and 2014 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 Tax Assessments and Notifications for the East Jabung PSC for 78,705 million Indonesian rupiah, or $7.3 million when translated at the December 31, 2017 exchange rate. Of the $7.3 million tax assessed, $6.8 million was associated with offshore and $0.5 million was associated with sub-surface.

Pan Orient lodged an objection with the Indonesian Tax Office in 2013 in respect of the Land and Building Tax for the East Jabung PSC. The Indonesia Tax Office rejected the Company's objection in 2014. Likewise, 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 in 2014 and, as required by Indonesian law for filing an appeal with the Indonesian Tax Court, paid a refundable deposit of $3.7 million, which is equal to 50% of the tax being disputed. This deposit is recorded in non-current deposit of the consolidated statements of financial position.

During the third quarter of 2017, the Company received a verdict from the Indonesian Tax Court that it had won the appeal on the offshore tax assessment but lost on the sub-surface tax assessment. The accrued penalty for the sub-surface tax assessment was $0.2 million. At December 31, 2017, The Company had accrued the sub-surface tax, including penalties, of $0.7 million in accounts payable and accrued liabilities.

The Indonesia Tax Office could submit a judicial review to the Supreme Court of Indonesia to appeal the Indonesian Tax Court ruling. As of the date of the financial statements, the Company is not aware of such appeal being submitted by the Indonesia Tax Office.

Selected Annual Information

	Years Ended December 31		
$thousands, except for per barrel and per share amounts	**2017**	2016	2015
Oil revenue before royalties, consolidated	**-**	-	809
Oil revenue before royalties, included in loss from Thailand Joint Venture (1)	**5,987**	4,628	6,044
Oil revenue before royalties, attributable to Pan Orient	**5,987**	4,628	6,853
Average daily oil sales (BOPD)	**254**	258	324
Average oil sales price (Cdn$/bbl)	**$ 64.68**	$ 48.95	$ 57.94
Total corporate funds flow from (used in) operations (2)	**(676)**	(1,301)	4,676
Per share ï basic and diluted	**$ (0.01)**	$ (0.02)	$ 0.08
Cash flow from (used in) operating activity (3)	**(2,396)**	8,620	1,439
Per share ï basic and diluted	**$ (0.04)**	$0.16	$0.03
Funds flow from (used in) operations by region (2)			
Canada	**(3,473)**	(2,424)	4,222
Thailand	**(38)**	(29)	305
Indonesia	**(881)**	(1,325)	(3,439)
Funds flow from (used in) consolidated operations	**(4,392)**	(3,778)	1,088
Share of funds flow from Thailand Joint Venture (1)	**3,716**	2,477	3,588
Total corporate funds flow from (used in) operations	**(676)**	(1,301)	4,676
Funds flow ï 2015 Thailand disposition net proceeds (1)	**-**	-	48,877
Disposal of petroleum and natural gas assets (4)	**133**	161	9,764
Net income (loss) attributable to common shareholders	**(5,132)**	(82,837)	29,053
Per share ï basic and diluted	**$ (0.09)**	$ (1.51)	$ 0.52
Total assets	**172,400**	174,392	310,296
Total non-current liabilities	**8,539**	9,400	9,932
Working capital	**32,536**	45,447	74,901
Working capital plus non-current deposits	**36,897**	49,818	79,160
Long-term debt	**-**	-	-
Capital expenditures			
Thailand	**-**	-	60
Canada	**1,131**	1,980	4,669
Indonesia	**6,757**	1,925	12,326
Consolidated capital expenditures	**7,888**	3,905	17,055
Share of capital expenditures from Thailand Joint Venture (1)	**1,849**	1,495	3,942
Total capital expenditures	**9,737**	5,400	20,997
Weighted average shares outstanding			
Basic	**54,893**	54,885	55,717
Diluted	**54,893**	54,885	55,724
Shares outstanding			
Basic	**54,900**	54,885	54,885
Diluted	**54,900**	54,885	54,885

(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.*

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

	2017				2016			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Financial ($thousands) except as indicated [1]								
Interest revenue	**88**	**90**	**71**	**59**	51	51	30	46
Cash flow from (used in) operating activity	**(485)**	**447**	**(1,586)**	**(1,730)**	82	6,379	2,356	(197)
Total assets	**172,400**	**170,994**	**171,203**	**173,438**	174,392	273,737	271,317	276,094
Working capital & non-current deposits	**36,897**	**40,416**	**45,908**	**47,344**	49,818	49,945	51,082	53,151
Shares outstanding (thousands)	**54,900**	**54,900**	**54,900**	**54,885**	54,885	54,885	54,885	54,885
Net income (loss)[2]	**(578)**	**(1,816)**	**(1,224)**	**(1,514)**	(78,149)	(876)	(1,591)	(2,221)
Per share basic and diluted ($)	**(0.01)**	**(0.03)**	**(0.02)**	**(0.03)**	(1.42)	(0.02)	(0.03)	(0.04)
Operations ($thousands), including share of Thailand Joint Venture								
Oil revenue (BOPD) net to Pan Orient [3]	**233**	**262**	**274**	**245**	290	236	238	269
Funds flow from (used in) operations [4]	**507**	**(762)**	**(249)**	**(172)**	1,249	299	(783)	(2,066)
Capital expenditures[5]	**3,922**	**3,981**	**803**	**1,031**	1,444	1,459	844	1,653
Total corporate funds flow from (used in) operations ($/bbl) [4]								
Realized crude oil price	**70.80**	**60.44**	**62.78**	**65.50**	60.22	50.68	46.74	37.07
Royalties	**(3.35)**	**(3.07)**	**(3.08)**	**(3.23)**	(3.00)	(2.49)	(2.31)	(1.84)
Transportation & operating	**(15.37)**	**(12.90)**	**(11.93)**	**(12.36)**	(12.36)	(13.03)	(11.58)	(13.75)
Field Netback – Thailand Joint Venture	**52.07**	**44.47**	**47.77**	**49.92**	44.87	35.16	32.85	21.48
General and administrative[6]	**(40.29)**	**(33.89)**	**(32.15)**	**(57.28)**	(35.54)	(41.01)	(41.85)	(33.88)
Exploration[7]	**-**	**-**	**-**	**(0.23)**	3.78	(0.18)	(37.56)	(4.66)
Interest income	**4.70**	**3.77**	**3.12**	**2.68**	1.91	2.35	1.62	1.92
Foreign exchange gain (loss)	**7.13**	**(45.96)**	**(28.71)**	**(9.63)**	26.14	11.37	1.02	(45.62)
Current income tax recovery (expense)	**-**	**-**	**-**	**6.72**	5.62	6.08	7.80	(23.77)
Total corporate funds flow from (used in) operations	**23.61**	**(31.61)**	**(9.97)**	**(7.82)**	46.78	13.77	(36.12)	(84.53)

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

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

(3) *Oil revenue generated within the Thailand Joint Venture, net to Pan Orient.*

(4) *Total corporate funds flow from operations is cash flow from operating activities prior to changes in non-cash working capital, decommissioning expenditures, unrealized foreign exchange gain or loss plus the corresponding amount from the Thailand operations which is recorded in Joint Venture for financial statement purposes. This measure is used by management to analyze operating performance and leverage. Funds flow as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures of other entities. Funds flow is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS.*

(5) *Including the 50.01% interest in the Thailand Joint Venture. Excluding decommissioning costs, impact of change in foreign exchange rates and capitalized stock-based compensation expense.*

(6) *General and administrative costs excluding accretion expense on decommissioning costs.*

(7) *Exploration expense consists of exploration costs incurred at the Batu Gajah and Citarum PSCs in Indonesia.*

(8) *Tables may not add due to rounding.*

Q1 2016 – 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 269 BOPD from Concession L53 ($13.71 per barrel), net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture. 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. 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. 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 – 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 238 BOPD from Concession L53 ($24.73 per barrel), net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture. 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. 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 – 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 ($26.74 per barrel), net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture. 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. 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 – 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 ($37.30 per barrel), net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture. 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. Capital expenditures of $1.4 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 $0.2 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. The ANE-A1 exploration well at the "A" North East prospect failed to encounter hydrocarbons. At December 31, 2016, working capital and non-current deposits totaled $49.8 million and the Company had no long-term debt.

Q1 2017 – Corporate funds flow used in operations was $0.2 million. Funds flow from operations in Thailand was $0.9 million with average daily oil sales from Concession L53 of 245 BOPD ($40.79 per barrel), net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture. Net loss attributable to common shareholders was $1.5 million ($0.03 per share) for the quarter. Capital expenditures of $1.0 million in the quarter, including Pan Orient's share of Thailand Joint Venture capital expenditures, with $0.2 million in Canada related to drilling of a core well associated with lease retention, engineering design work associated with the Produced Water Boiler and capitalized expenses on the Sawn Lake project in Andora, $0.7 million in Indonesia primary related to seismic reprocessing at the East Jabung PSC and $0.1 million in Thailand related to equipment inventory purchase. At March 31, 2017, working capital and non-current deposits totaled $47.3 million and the Company had no long-term debt.

Q2 2017 – Total corporate funds flow used in operations of $0.2 million. Funds flow from operations in Thailand was $1.0 million with average daily oil sales from Concession L53 of 274 BOPD ($40.52 per barrel), net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture. Net loss attributable to common shareholders was $1.2 million ($0.02 per share) for the quarter. Pan Orient had capital expenditures of $0.3 million in the second quarter of 2017, with $0.1 million in Indonesia for capitalized general & administrative expenses and $0.2 million in Canada at the Sawn Lake SAGD property of Andora. In addition, Pan Orient's share of Thailand joint venture capital expenditures was $0.5 million for workover activity. At June 30, 2017, working capital and non-current deposits totaled $45.9 million and the Company had no long-term debt.

Q3 2017 – Total corporate funds flow used in operations of $0.8 million. Funds flow from operations in Thailand was $0.9 million with average daily oil sales from Concession L53 of 262 BOPD ($35.92 per barrel), net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture. Net loss attributable to common shareholders was $1.8 million ($0.03 per share) for the quarter. Pan Orient had capital expenditures of $3.7 million in the third quarter of 2017, with $3.3 million in Indonesia for costs associated with drilling of the Ayu-1X and Elok-1X wells and capitalized general & administrative expenses, and $0.4 million in Canada at the Sawn Lake SAGD property of Andora. In addition, Pan Orient's share of Thailand joint venture capital expenditures was $0.3 million for equipment inventory purchases and capitalized general & administrative expenses. At September 30, 2017, working capital and non-current deposits totaled $40.4 million and the Company had no long-term debt.

Q4 2017 – Total corporate funds flow used in operations of $0.5 million. Funds flow from operations in Thailand was $0.9 million with average daily oil sales from Concession L53 of 233 BOPD ($42.01 per barrel), net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture. Net loss attributable to common shareholders was $0.6 million ($0.01 per share) for the quarter. Pan Orient had capital expenditures of $2.9 million in the fourth quarter of 2017, with $2.7 million in Indonesia for costs associated with drilling of the Ayu-1X and Elok-1X wells and capitalized general & administrative expenses, and $0.2 million in Canada at the Sawn Lake SAGD property of Andora. In addition, Pan Orient's share of Thailand joint venture capital expenditures was $1.0 million for the drilling of the

L53-AC-C1 exploration well and capitalized general & administrative expenses. At December 31, 2017, working capital and non-current deposits totaled $36.9 million and the Company had no long-term debt.

Additional Information

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