PAN ORIENT ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

March 12, 2019

Management’s Discussion and Analysis

The following Managementôs Discussion and Analysis (ñMD&Aö) of the operating and financial results of Pan Orient Energy Corp. (ñPan Orientò or the ñCompanyö) is prepared effective March 12, 2019 and should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2018 and December 31, 2017. The financial statements have been prepared in accordance with International Financial Reporting Standards (ñIFRSö).

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 (ñAndoraö) 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 Companyôs shareholdersô 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 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.

Please note that all amounts are in Canadian dollars unless otherwise stated, translation of items denominated in foreign currencies as at December 31, 2018 into Canadian dollars using December 31, 2018 exchange rates, represent the net amount to Pan Orientôs 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 managementôs 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", "estimateö, "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 Companyôs 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 Companyôs 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 12, 2019 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 adjusted 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. Adjusted 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. Adjusted 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. Adjusted 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 adjusted 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)	**2018**	2017	**2018**	2017
Cash flow used in operating activities	**(245)**	(485)	**(2,407)**	(2,396)
Changes in non-cash working capital	**(106)**	(383)	**706**	(910)
Decommissioning expenditures and settlements	**-**	295	**-**	752
Unrealized foreign exchange gain (loss)	**1,323**	164	**2,047**	(1,838)
Share of adjusted funds flow from Investment in Joint Venture	**2,029**	916	**5,171**	3,716
Total corporate adjusted funds flow from (used in) operations	**3,001**	507	**5,517**	(676)

Total corporate adjusted funds flow from (used in) operations, total corporate adjusted funds flow from (used in) operations per barrel and total corporate adjusted 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. Adjusted 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 adjusted 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 Pan Orient's 50.01% interest in the Thailand Joint Venture which is recorded in Joint Venture for financial statement purposes. Basic and diluted total corporate adjusted 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 an Indonesian Production Sharing Contract ("PSC"); and 3) undeveloped Canadian oil sands leases, held by Andora.

Thailand

<u>Concession L53</u>

At December 31, 2018, 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.

In October 2018, the Company made an oil discovery in the reserve area at the L53-DD oil field with the drilling of the L53-DD1 exploration well and L53-DD2 appraisal well. Each well was placed on production in the fourth quarter of 2018 under a 90 day production test period. An application for an L53-DD Production License of 1.973 square kilometers was submitted on December 21, 2018 and approval is anticipated in the April to May 2019 time frame.

The December 31, 2018 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, 2018 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 1,365,500 barrels at December 31, 2018 from conventional sandstone reservoirs. Net to Pan Orient's 50.01% equity interest in Pan Orient Energy (Siam) Ltd., proved, probable and possible crude oil reserves were 2,927,000 barrels at December 31, 2018. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Indonesia

<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, 2018. Pan Orient was awarded the 6,227.72 square kilometers East Jabung PSC in 2011 and relinquished approximately 3,280 square kilometers of the East Jabung PSC's offshore area in 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.

In 2017, the Ayu-1X and Elok-1X wells were drilled but 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 joint venture approved a 2018 work program and budget that includes the drilling of the Anggun-1X exploration well. The Anggun-1X exploration well is primarily targeting the Gumai sandstone level at a location 4.6 kilometers northwest and 80 meters structurally up-dip of the AYU-1X exploration well which was drilled in 2017. The estimated dry hole cost is US$15.3 million (with Pan Orient's 49% share US$7.5 million).

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. On January 11, 2019, the East Jabung PSC received approval for a four year exploration extension period of the PSC to January 20, 2023. The final remaining East Jabung PSC area after the extension is 1,245.56 square kilometers, representing 20% of the original PSC area. During the four year exploration extension period, the joint venture has the option of exiting or continuing with the East Jabung PSC on an annual basis. There were no reserves assigned to the East Jabung PSC at December 31, 2018.

Canada

Andora is a private oil company, in which Pan Orient has a 71.8% ownership. As at December 31, 2018, Andora has interests in 78 sections (34.7 net sections) of Sawn Lake Alberta Crown oil sands 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 (ñSAGDò) 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, 2018.

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 Andoraôs 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 Orientôs 71.8% equity interest in Andora). Andoraôs unrisked ñBest Estimateò contingent resources were 231.6 million barrels (166.3 million net to Pan Orientôs 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.

Andora is the operator of five oil sands leases with 36 gross sections (30.5 net sections) at Sawn Lake, where it has a working interest of either 50% or 100%. These five leases operated by Andora contain 99.3% of contingent resources assigned in a June 30, 2016 evaluation by Sproule Unconventional Limited. One section (0.5 net sections) which had not been assigned contingent resources in the June 30, 2016 evaluation expired in July 2018. Six oil sands leases are operated by another company with 42 gross sections (4.2 net sections), where Andora is a non-operator with a 10% working interest. These non-operated leases contain 0.7% of the contingent resources assigned in the June 30, 2016 evaluation. Nine sections (0.9 sections net) of the non-operated leases expired in July 2018.

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 Andoraôs 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)	**2018**	2017	**2018**	2017
Total assets	**84,610**	84,023	**84,610**	84,023
Total liabilities	**9,397**	8,612	**9,397**	8,612
Adjusted funds flow used in operations	**(12)**	(91)	**(276)**	(284)
Net loss	**(77)**	(114)	**(375)**	(485)

Financial and Operating Summary *(thousands of Canadian dollars except where indicated)*	Three Months Ended December 31,		Twelve Months Ended December 31,		
	2018	2017	**2018**	2017	% Change
FINANCIAL					
Financial Statement Results – Excluding 50.01% Interest in Thailand Joint Venture (Note 1)					
Net income (loss) attributed to common shareholders	**1,409**	(578)	**(40)**	(5,132)	-99%
Per share ï basic and diluted	**$ 0.03**	$ (0.01)	**$ (0.00)**	$ (0.09)	-99%
Cash flow used in operating activities (Note 2)	**(245)**	(485)	**(2,407)**	(2,396)	0%
Per share ï basic and diluted	**$ (0.00)**	$ (0.01)	**$ (0.04)**	$ (0.04)	0%
Cash flow used in investing activities (Note 2)	**(1,052)**	(1,990)	**(5,500)**	(4,810)	14%
Per share ï basic and diluted	**$ (0.02)**	$ (0.04)	**$ (0.10)**	$ (0.09)	14%
Working capital	**32,546**	32,536	**32,546**	32,536	0%
Working capital & non-current deposits	**33,139**	36,897	**33,139**	36,897	-10%
Long-term debt	**-**	-	**-**	-	0%
Shares outstanding (thousands)	**54,900**	54,900	**54,900**	54,900	0%
Capital commitments (Note 3)	**738**	139	**738**	139	431%
Working Capital and Non-current Deposits					
Beginning of period ï Excluding Thailand Joint Venture	**32,993**	40,416	**36,897**	49,818	-26%
Adjusted funds flow from (used in) operations (excluding Thailand Joint Venture) (Note 5)	**972**	(409)	**346**	(4,392)	-108%
Issue of common shares	**-**	-	**-**	22	-100%
Consolidated capital expenditures (Note 7)	**(998)**	(2,889)	**(4,256)**	(7,888)	-46%
Amounts advanced from Thailand Joint Venture	**31**	31	**159**	169	-6%
Disposal of petroleum and natural gas assets (Note 8)	**-**	-	**133**	133	0%
Settlement of decommissioning liabilities	**-**	(295)	**-**	(752)	-100%
Effect of foreign exchange	**141**	43	**(140)**	(213)	-34%
End of period ï Excluding Thailand Joint Venture	**33,139**	36,897	**33,139**	36,897	-10%
Pan Orient 50.01% interest in Thailand Joint Venture Working Capital and Non-Current Deposits	**6,385**	4,867	**6,385**	4,867	31%
Economic Results – Including 50.01% Interest in Thailand Joint Venture (Note 5)					
Total corporate adjusted funds flow from (used in) operations by region (Note 5)					
Canada (Note 6)	**1,021**	(230)	**651**	(3,473)	-119%
Thailand (Note 1)	**(7)**	(14)	**(32)**	(38)	-16%
Indonesia	**(42)**	(165)	**(273)**	(881)	-69%
Adjusted funds flow from (used in) operations (excl. Thailand Joint Venture)	**972**	(409)	**346**	(4,392)	-108%
Share of Thailand Joint Venture (Note 4)	**2,029**	916	**5,171**	3,716	39%
Total corporate adjusted funds flow from (used in) operations	**3,001**	507	**5,517**	(676)	-916%
Per share ï basic and diluted	**$ 0.05**	$ 0.01	**$ 0.10**	$ (0.01)	-1105%
Capital Expenditures ï Petroleum & Natural Gas Properties (Note 7)					
Canada (Note 6)	**233**	209	**897**	1,130	-21%
Indonesia	**765**	2,680	**3,359**	6,758	-50%
Consolidated capital expenditures (excl. Thailand Joint Venture)	**998**	2,889	**4,256**	7,888	-46%
Share of Thailand Joint Venture capital expenditures	**2,321**	1,033	**3,835**	1,849	107%
Total capital expenditures (incl. Thailand Joint Venture)	**3,319**	3,922	**8,091**	9,737	-17%
Disposition ï Petroleum & Natural Gas Properties (Note 8)	**-**	-	**(133)**	(133)	0%
Investment in Thailand Joint Venture					
Beginning of period	**32,864**	31,601	**32,185**	32,795	-2%
Net income (loss) from Joint Venture	**492**	(172)	**114**	(1,004)	-111%
Other comprehensive gain from Joint Venture	**1,179**	787	**2,364**	563	320%
Amounts advanced to Joint Venture	**(31)**	(31)	**(159)**	(169)	-6%
End of period	**34,504**	32,185	**34,504**	32,185	7%

(thousands of Canadian dollars except where indicated)	Three Months Ended December 31, **2018**	2017	Twelve Months Ended December 31, **2018**	2017	Change
Thailand Operations					
Economic Results – Including 50.01% Interest in Thailand Joint Venture (Note 4)					
Oil sales (bbls)	**33,702**	21,470	**91,090**	92,568	-2%
Average daily oil sales (BOPD) by Concession L53	**366**	233	**250**	254	-2%
Average oil sales price, before transportation (CDN$/bbl)	**$ 83.75**	$ 70.80	**$ 84.82**	$ 64.68	31%
Reference Price (volume weighted) and differential					
Crude oil (Brent $US/bbl)	**$ 64.54**	$ 61.37	**$ 69.62**	$ 53.94	29%
Exchange Rate $US/$Cdn	**1.34**	1.29	**1.32**	1.32	0%
Crude oil (Brent $Cdn/bbl)	**$ 86.78**	$ 79.38	**$ 91.91**	$ 71.43	29%
Sale price / Brent reference price	**97%**	89%	**92%**	91%	1%
Adjusted funds flow from (used in) operations (Note 5)					
Crude oil sales	**2,823**	1,520	**7,727**	5,987	29%
Government royalty	**(137)**	(72)	**(379)**	(294)	29%
Transportation expense	**(68)**	(35)	**(172)**	(150)	15%
Operating expense	**(386)**	(295)	**(1,236)**	(1,061)	16%
Field netback	**2,232**	1,118	**5,940**	4,482	33%
General and administrative expense (Note 9)	**(227)**	(232)	**(835)**	(831)	0%
Interest income	**21**	13	**37**	21	76%
Foreign exchange gain (loss)	**(4)**	3	**(3)**	6	-150%
Thailand ï Adjusted funds flow from operations	**2,022**	902	**5,139**	3,678	40%
Adjusted funds flow from (used in) operations / barrel (CDN$/bbl) (Note 5)					
Crude oil sales	**$ 83.75**	$ 70.80	**$ 84.82**	$ 64.68	31%
Government royalty	**(4.07)**	(3.35)	**(4.16)**	(3.18)	31%
Transportation expense	**(2.02)**	(1.63)	**(1.89)**	(1.62)	17%
Operating expense	**(11.45)**	(13.75)	**(13.57)**	(11.46)	18%
Field netback	**$ 66.21**	$ 52.07	**$ 65.20**	$ 48.42	35%
General and administrative expense (Note 9)	**(6.74)**	(10.81)	**(9.17)**	(8.98)	2%
Interest Income	**0.62**	0.61	**0.41**	0.23	77%
Foreign exchange gain (loss)	**(0.12)**	0.14	**(0.03)**	0.06	-155%
Thailand ï Adjusted funds flow from operations	**$ 59.97**	$ 42.01	**$ 56.41**	$ 39.73	42%
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	**24%**	36%	**28%**	34%	-6%
Government royalty, SRB and income tax	**5%**	5%	**5%**	5%	0%
Adjusted funds flow from operations, before interest income	**72%**	59%	**67%**	61%	6%
Wells drilled					
Gross	**2**	1	**2**	1	100%
Net	**1**	0.5	**1**	0.5	100%
Financial Statement Presentation					
Results – Excl. 50.01% Interest in Thailand Joint Venture (Note 1)					
General and administrative expense (Note 9)	**(7)**	(14)	**(32)**	(38)	-16%
Adjusted funds flow used in consolidated operations	**(7)**	(14)	**(32)**	(38)	-16%
Adjusted funds flow included in Investment in Thailand Joint Venture					
Net income (loss) from Thailand Joint Venture	**492**	(172)	**114**	(1,004)	-111%
Add back non-cash items in net loss	**1,537**	1,088	**5,057**	4,720	7%
Adjusted funds flow from Thailand Joint Venture	**2,029**	916	**5,171**	3,716	39%
Thailand ï Economic adjusted funds flow from operations (Note 4)	**2,022**	902	**5,139**	3,678	40%

(thousands of Canadian dollars except where indicated)	Three Months Ended December 31, **2018**	2017	Twelve Months Ended December 31, **2018**	2017	Change
Canada Operations (Note 7)					
Interest income	**105**	88	**494**	308	60%
General and administrative expenses (Note 9)	**(420)**	(482)	**(1,910)**	(2,092)	-9%
Realized foreign exchange gain	**13**	-	**20**	1	1900%
Unrealized foreign exchange gain (loss) (Note 16)	**1,323**	164	**2,047**	(1,838)	-211%
Current income tax	**-**	-	**-**	148	-100%
Canada ï Adjusted funds flow from (used in) operations	**1,021**	(230)	**651**	(3,473)	-119%
Indonesia Operations					
General and administrative expense (Note 9)	**(63)**	(151)	**(255)**	(823)	-69%
Exploration recovery	**30**	-	**-**	(5)	-100%
Realized foreign exchange loss	**(9)**	(14)	**(18)**	(53)	-66%
Indonesia ï Adjusted funds flow used in operations	**(42)**	(165)	**(273)**	(881)	-69%
Wells drilled					
Gross	**-**	-	**-**	2	
Net	**-**	-	**-**	1.0	

(thousands of Canadian dollars except where indicated)	Year Ended December 31, **2018**	2017	Change
RESERVES AND CONTINGENT RESOURCES			
Onshore Thailand ï Concession L53 (50.01% economic interest) (Note 1)	**(Note 10)**	(Note 11)	
Proved oil reserves (thousands of barrels)	**451**	272	65%
Proved plus probable oil reserves (thousands of barrels)	**1,366**	547	150%
Net present value of proved + probable reserves, after tax discounted at 10%	**39,507**	13,982	182%
Per Pan Orient share ï basic (Note 12)	**$0.72**	$ 0.25	188%
Canada (Pan Orientõs 71.8% share of the oil sands leases of Andora at Sawn Lake, Alberta)		(Note 13)	

INTERNATIONAL INTERESTS AT DECEMBER 31, 2018

All amounts reflect Pan Orient's economic interest	Status	Net Square Kilometers	December 31, 2018 Financial Commitments (Cdn thousands)		2018 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, 2018) (Note 1 & 14)	Partially developed	118	-	to January 2021 (Note 14)	250	1,366
Onshore Indonesia PSC (Consolidated subsidiary)						
East Jabung PSC, South Sumatra (49% interest & non-operator) (Note 15)	Undeveloped	610	19	to January 2020		
		728	19			

(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 Orientõs 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, 2018 and December 31, 2017 Consolidated Financial Statements.

(4) 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.

(5) Total corporate adjusted 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 Pan Orientõs 50.01% interest in the Thailand Joint Venture which is recorded in Joint Venture for financial statement purposes. This measure is used by management to analyze operating performance and leverage. Adjusted 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. Adjusted funds flow is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS.

(6) The 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.

(7) Cost of capital expenditures excluded decommissioning costs, the impact of changes in foreign exchange and capitalized stock-based compensation expense.

(8) In 2018, the Sawn Lake joint venture sold some inventory of pipe to outside third party. In 2017, the Company sold some equipment inventory from its Indonesian operations to its Thailand joint venture.

(9) 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, 2017 and 2018 for Thailand operations related to G&A of the holding company of Pan Orient Energy (Siam) Ltd.

(10) Thailand reserves as at December 31, 2018 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 $70.00 for 2019, $72.00 for 2020, $73.00 for 2021, $74.46 for 2022, $75.95 for 2023, and prices increase at 2.0% per year thereafter. Foreign exchange rate used of Cdn$1=US$0.77 for 2019, Cdn$1=US$0.80 for 2020 and Cdn$1=US$0.80 thereafter. The engineered values disclosed may not represent fair market value.

(11) 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.

(12) Per share values calculated based on 54,900,407 Pan Orient Shares outstanding at December 31, 2018 and December 31, 2017.

(13) The evaluation of Andoraôs 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 ñBest Estimateò contingent resources for Andora were 196.9 million barrels of bitumen recoverable (141.4 million barrels net to Pan Orientôs interest in Andora). Andoraôs unrisked ñBest Estimateò contingent resources were 231.6 million barrels (166.3 million net to Pan Orientôs 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.

(14) At December 31, 2018 Concession L53/48 in Thailand consisted of 22.22 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 ñreserved areaò exploration lands. The Company has submitted the application for the production license for the L53-DD field and approval is anticipated in April or May of 2019.

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.

(15) In 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 drilling of the Ayu-1X well and Elok-1X well in 2017 qualified for the two wells under the firm 3 year exploration work program. The original expiry of the East Jabung PSC occurred on November 21, 2017 and was extended by the Government of Indonesia (ñGOIò) to January 20, 2019. Subsequent to year end, the East Jabung PSC joint venture received approval for a four year exploration extension period of the PSC to January 20, 2023. Capital commitments for the first year of the PSC exploration extension include drilling of one exploration well and geological studies. The drilling of the Anggun-1X well will qualify as the exploration well commitment. The estimated dry hole cost of the Anggun-1X well, including permanent road, well pad construction and drilling is USD 15.4 million (CAD 21.0 million), with Pan Orientôs 49% share of US$7.5 million (Cdn$10.2 million). Additional commitments for the second to fourth year PSC extension will be determined on a year-by-year basis through submission of a work program and approval from the GOI. During the four year exploration extension period, the joint venture has the option of exiting or continuing with the PSC on an annual basis. The final remaining PSC area after the extension is 1,245.56 square kilometers, representing 20% of the original PSC area.

(16) Unrealized foreign exchange gain or loss in Canada is related to the U.S. dollars denominated cash balances held in Canada.

(17) Tables may not add due to rounding.

2018 HIGHLIGHTS

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

- The L53-DD oil field discovery in October 2018 resulted in a significant production increase and proved, probable and possible reserves at December 31, 2018 of 2.2 million barrels. Two wells were placed on 90 day production tests in late 2018 and an L53-DD Production License was applied for on December 21, 2018.
- The field netback per barrel at Concession L53 increased 35% to $65.20 per barrel in 2018 through higher realized oil prices, which were approximately 92% of the Brent oil reference price.
- Strong financial results in Thailand from Pan Orient's share of the Thailand Joint Venture with adjusted funds flow from operations of $5.1 million (including $2.0 million in the fourth quarter) funding capital expenditures of $3.8 million and working capital and long-term deposits at December 31, 2018 of $6.4 million.
- December 31, 2018 reserve report assigned proved plus probable crude oil reserves of 1.4 million barrels from conventional sandstone reservoirs (an increase of 150%) and a net present value using forecast prices and costs discounted at 10% per year of $39.5 million (an increase of 182%). The reserve report also assigned 1.6 million barrels of possible reserves, with 1.3 million barrels assigned to the new L53-DD oil field.
- The discovery at L53-DD set up a 2019 Thailand a two well L53-DD appraisal drilling program, with the L53-DD4 well drilled and the L53-DD3 well currently underway. A four to five well exploration drilling program is planned to commence late in the second quarter to early in the third quarter.

Indonesia East Jabung Production Sharing Contract (Pan Orient is non-operator with a 49% ownership interest)

- Construction of the access road and drill pad for the Anggun-1X exploration well at the East Jabung Production Sharing Contract ("PSC") commenced in November 2018 and is expected to be completed in June 2019. The operator has advised that rig mobilization to the staging area is anticipated to commence in May and drilling in late June to July 2019.
- The East Jabung PSC received approval on January 11, 2019 for a four year exploration extension period to January 20, 2023 with a remaining area of 1,245.56 square kilometers, representing 20% of the original PSC area.

Corporate

- For 2018, total corporate adjusted funds flow from operations, including Pan Orient's 50.01% interest in the Thailand Joint Venture, was $5.5 million and the net loss attributable to common shareholders was $40 thousand.
- Pan Orient has maintained 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, 2018 of $33.1 million and no long-term debt. In addition to this, Pan Orient's Investment in the Thailand Joint Venture includes $6.4 million of Thailand working capital and non-current deposits for funding 2019 Thailand Joint Venture exploration and development programs in addition to the Thailand adjusted funds flow from operations.

2018 FOURTH QUARTER OPERATING RESULTS

- Net income attributable to common shareholders for the fourth quarter of 2018 of $1.4 million ($0.03 per share) compared with a net loss of $1.0 million ($0.02 loss per share) in the third quarter of 2018. The increase compared to the third quarter of 2018 is primarily due to a foreign exchange gain on Pan Orient's US dollar holdings and net income from the Thailand Joint Venture. The total 2018 net loss attributable to common shareholders was $40 thousand ($0.00 per share).
- For the fourth quarter of 2018, the Company recorded total corporate adjusted funds flow from operations, which includes economic results of the 50.01% interest in the Thailand Joint Venture, of $3.0 million ($0.05 per share). This compares with total corporate adjusted funds flow from operations for the third quarter of 2018 of $0.4 million ($0.01 per share). In the fourth quarter of 2018 the Company reported $1.3 million of realized and unrealized foreign exchange gains versus $0.4 million of realized and unrealized foreign exchange losses in the third quarter of 2018. Additionally, Pan Orient's share of adjusted funds flow of the Thailand Joint Venture increased to $2.0 million in the fourth quarter from $1.2 million in the third quarter as a result of increased oil production from the L53-DD field discovered in October 2018. Total corporate adjusted funds flow from operations for 2018 was $5.5 million ($0.10 per share).
- Pan Orient had capital expenditures of $1.0 million in the fourth quarter of 2018, with $0.8 million for Indonesian exploration activities and $0.2 million in Canada at the Sawn Lake steam assisted gravity drainage ("SAGD") project of Andora Energy Corporation ("Andora"). In addition, Pan Orient's share of Thailand Joint Venture capital expenditures was $2.3 million, which was recorded in Investment in Thailand Joint Venture.
- Capital expenditures for 2018 were $4.3 million, with $3.4 million in Indonesia, $0.1 million in Canada and $0.8 million at the Sawn Lake SAGD demonstration project of Andora. In addition, Pan Orient's share of Thailand Joint Venture capital expenditures was $3.8 million, which was recorded in Investment in Thailand Joint Venture.
- At December 31, 2018, Pan Orient had $33.1 million of working capital and non-current deposits. Working capital and non-current deposits were comprised of $31.7 million cash, $0.6 million of non-current deposits, $3.0 million of net Indonesian taxes receivable (subsequently received in January 2019), and less $2.2 million for other accounts payable, accounts receivable and the current portion of the decommissioning provision. In addition, Pan Orient's Investment in Thailand Joint Venture includes $6.4 million of Thailand working capital and non-current deposits and $1.9 million of equipment inventory to be utilized for future Thailand Joint Venture operations and exploration.

- Pan Orient had outstanding capital commitments of $738,000 as at December 31, 2018 of which $19,000 was associated with the Company's 49% participating interest in the East Jabung PSC, Indonesia and $719,000 was 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 366 BOPD during the fourth quarter of 2018 generated $2.0 million in adjusted funds flow from operations, or $59.97 per barrel. This compares with 2018 third quarter results of 214 BOPD (a 71% increase), $1.2 million in adjusted funds flow from operations (a 71% increase) and $60.22 per barrel in adjusted funds flow from operations. The average realized sales price per barrel decreased to $83.75 in the fourth quarter from $92.34 in the third quarter.

  - Per barrel amounts during the fourth quarter of 2018 were a realized price for oil sales of $83.75, transportation expenses of $2.02, operating expenses of $11.45, general and administrative expenses of $6.74 and a 5% royalty to the Thailand government of $4.07. Oil sales revenue during this period was allocated 24% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand for royalties, and 71% to the Thailand Joint Venture.

  - Capital expenditures were $2.3 million during the fourth quarter of 2018 and $3.8 million for 2018. Capital expenditures related to the discovery of the L53-DD oil field were $1.9 million for site construction and access road, and drilling of L53-DD1 and L53-DD2 wells. Additional capital expenditures in 2018 included workover programs, reservoir engineering, and other development activities and capitalized general and administrative expenses.

  - The L53-DD oil field was discovered in October 2018 with the drilling of the L53-DD1 exploration well and immediately followed up with the L53-DD2 appraisal well. Each well was placed on production in the fourth quarter of 2018 under a 90 day production test period and combined oil sales from the two wells in 2018 were 13,835 barrels. An application for an L53-DD Production License of 1.973 square kilometers was submitted on December 21, 2018 and approval is anticipated in the April to May 2019 time frame.

  - The December 31, 2018 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, 2018 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 1,365,500 barrels at December 31, 2018 from conventional sandstone reservoirs, an increase of 150% compared with the prior year primarily as a result of the discovery of the L53-DD oil field in the fourth quarter of 2018 which has been assigned proved reserves of 199,500 barrels and proved plus probable reserves of 859,500 barrels at December 31, 2018. 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, 2018, using forecast prices and costs discounted at 10% per year, of $39.5 million, or $0.72 per Pan Orient share based on the current 54.9 million Pan Orient shares outstanding.

    Given the early stage development of the recent L53-DD oil discovery, the Company requested the inclusion of possible oil reserves at December 31, 2018 in order to define the potential upside of the field. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves. Possible oil reserves were not evaluated at December 31, 2017. Net to Pan Orient's 50.01% equity interest in POS, proved plus probable plus possible crude oil reserves were 2,927,000 barrels at December 31, 2018. Net to Pan Orient's 50.01% equity interest in POS, net present value (after tax) of Thailand proved plus probable plus possible crude oil reserves at December 31, 2018, using forecast prices and costs discounted at 10% per year, of Cdn$76.8 million, or $1.40 per Pan Orient share based on the current 54.9 million Pan Orient shares outstanding.

- Indonesia

  - Capital expenditures in Indonesia were $3.4 million in 2018 for the East Jabung PSC. Drilling activities were $2.9 million with $3.3 million for the planned Anggun-1X exploration well and a reduction of $0.4 million for adjustments to the cost of the Ayu-1X and Elok-1X exploration wells drilled in 2017. Additional capital expenditures of $0.5 million in 2018 related to capitalized general and administrative expenses, data purchase and sample analysis.

  - On January 22, 2019 Pan Orient received the net $3.0 million refund from the Government of Indonesia relating to Pan Orient's appeal of the 2013 and 2014 Land and Building Tax assessment, and for which the verdict was received in the third quarter of 2017

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

  - Andora is a 71.8% owned subsidiary of Pan Orient and is consolidated with Pan Orient for reporting purposes.

  - Andora has interests in 78 gross sections (34.7 net sections) of Sawn Lake Alberta Crown oil sands leases at December 31, 2018. Andora is the operator of five oil sands leases with 36 gross sections (30.5 net sections) at Sawn Lake, where it has a working interest of either 50% or 100%. These five leases operated by Andora contain 99.3% of contingent resources assigned in a June 30, 2016 evaluation by Sproule Unconventional Limited. One section (0.5 net sections) which had not been assigned contingent resources in the June 30, 2016 evaluation expired in July 2018. Six oil sands leases are operated by another company with 42 gross sections (4.2 net sections), where Andora is a non-operator with a 10%

working interest. These non-operated leases contain 0.7% of the contingent resources assigned in the June 30, 2016 evaluation. Nine sections (0.9 sections net) of the non-operated leases expired in July 2018.

- Andora is the operator and holds a 50% working interest in the Sawn Lake, Alberta SAGD demonstration project. 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.
- Capital expenditures of $0.8 million in 2018 comprised of $0.5 million capitalization of ongoing expenses at the demonstration project facility, engineering and development work of $0.1 million and $0.2 million of capitalization of general and administrative expenses.

OUTLOOK

INDONESIA

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

The Anggun-1X exploration well is approximately 5.6 kilometers to the northwest of the Ayu-1X exploration well drilled in 2017 and approximately 70 meters structurally up-dip from Ayu-1X at the Gumai sandstone target level. The Anggun-1X exploration well will target the Gumai sandstones (primary target) in a structural closure up-dip of the Ayu-1X drilling location and the Batu Raja limestone (secondary target) that is expected to be an independent closure from the Ayu-1X well. The estimated dry hole cost of the Anggun-1X well, including permanent road, well pad construction and drilling, is US$15.4 million (Cdn$21.0 million), with Pan Orient's 49% share of US$7.5 million (Cdn$10.2 million). The cost of the Anggun-1X well to the end of 2018 has been US$5.0 million, with Pan Orient's 49% share being US$2.5 million (Cdn$3.3 million).

The operator has advised that drilling of Anggun-1X is anticipated to commence in late June to July 2019. There is a potential follow-up appraisal well in 2020 in the event of Anggun-1X success.

THAILAND

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

A two well appraisal drilling program commenced with the spudding of the L53-DD4 well on February 11, 2019. The well encountered an interpreted, combined 15.6 meters of net oil pay within the AA2 and BB/CC sandstones between the true vertical depth of 1,010 to 1,103 meters. The L53-DD4 well penetrated a fault compartment with assigned year-end 2018 possible reserves (no proved or probable reserves were assigned) adjacent to and north of the main DD oil field fault compartment that was drilled previously by the L53-DD1 and L53-DD2 wells. As a result, proved and probable reserves additions within this new fault compartment are anticipated at year-end 2019. The CC sand at L53-DD4 was encountered 7.5 meters structurally higher than at L53-DD1 and possesses superior reservoir quality and thickness. The AA sand at L53-DD4 (no proved or probable reserves assigned at this location at year-end 2018) was poorly developed; however, high quality oil pay was encountered in the deeper AA2 sand resulting in a new oil pool discovery. The DD/EE sands (no proved or probable reserves assigned at this location at year-end 2018) were water bearing at L53-DD4. A 90 day well test application for L53-DD4 has been submitted to the Government of Thailand and testing will commence when the approval is received.

The L53-DD3 was spudded on March 3, 2019 and is currently drilling. The L53-DD3 well is essentially a twin of the earlier L53-DD2 well with the exception being that the AA sand that was faulted out in L53-DD2 is expected to be penetrated in a structurally higher position than at L53-DD1. L53-DD3 is designed to effectively drain the thick, high quality oil pay within the BB/CC sands at this structurally high location in a timely manner.

Seismic mapping incorporating the DD field drilling results has been completed and on the basis of this information, permits for a multi-well exploration drilling program to commence late in the second quarter to early in the third quarter of 2019 are underway. It is anticipated two prospects will be tested initially in the immediate DD field area with the first two exploration wells. A second three well exploration drilling program is expected to commence in late 2019. All exploration and development activities in 2019 are expected to be financed by Thailand working capital and adjusted funds flow from operations.

CANADA

Sawn Lake, Alberta (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 work with joint venture partners to move towards the 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). 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. Exploration and development activities in Indonesia and Thailand, and the heavy oil situation in Canada in 2019 will be key in defining the go forward opportunities and strategies for Pan Orient.

Net Income (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 or loss includes its share of the joint venture's other comprehensive income or loss.

Income (loss) from Joint Venture	**Three months ended December 31**				**Year ended December 31**			
Pan Orient Energy (Siam) Ltd.	**2018**		2017		**2018**		2017	
(Net to Pan Orient 50.01%)	**$000s**	**$ per bbl**	$000s	$ per bbl	**$000s**	**$ per bbl**	$000s	$ per bbl
Crude oil revenue	**2,823**	**83.75**	1,520	70.80	**7,727**	**84.82**	5,987	64.68
Government royalty	**(137)**	**(4.07)**	(72)	(3.35)	**(379)**	**(4.16)**	(294)	(3.18)
Transportation expense	**(68)**	**(2.02)**	(35)	(1.63)	**(172)**	**(1.89)**	(150)	(1.62)
Production and Operating expense	**(386)**	**(11.45)**	(295)	(13.75)	**(1,236)**	**(13.57)**	(1,061)	(11.46)
Field netback	**2,232**	**66.21**	1,118	52.07	**5,940**	**65.20**	4,482	48.42
General and administrative	**(220)**	**(6.53)**	(218)	(10.15)	**(803)**	**(8.82)**	(793)	(8.57)
Foreign exchange gain (loss)	**(4)**	**(0.12)**	3	0.14	**(3)**	**(0.03)**	6	0.06
Interest income	**21**	**0.62**	13	0.61	**37**	**0.41**	21	0.23
Adjusted funds flow from operations	**2,029**	**60.20**	916	42.67	**5,171**	**56.76**	3,716	40.14
Depletion, depreciation and amortization	**(810)**	**(24.03)**	(1,054)	(49.09)	**(3,895)**	**(42.76)**	(4,786)	(51.70)
Accretion	**(2)**	**(0.06)**	(6)	(0.28)	**(49)**	**(0.54)**	(26)	(0.28)
Exploration expense	**(121)**	**(3.59)**	-	-	**(173)**	**(1.90)**	(99)	(1.07)
Deferred tax (expense) recovery	**(504)**	**(14.95)**	87	4.05	**(444)**	**(4.87)**	624	6.74
Net income (loss)	**592**	**17.57**	(57)	(2.65)	**610**	**6.69**	(571)	(6.17)
Amortization of fair value adjustment	**(100)**	**(2.97)**	(115)	(5.36)	**(496)**	**(5.45)**	(433)	(4.68)
Net income (loss) from Joint Venture	**492**	**14.60**	(172)	(8.01)	**114**	**1.24**	(1,004)	(10.85)

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 366 and 250 BOPD during the three months and year ended December 31, 2018 compared to 233 and 254 BOPD during the three months and year ended December 31, 2017. Oil production in the fourth quarter of 2018 was higher than the fourth quarter of 2017 due to the L53-DD oil field discovery from drilling of the L53-DD1 and L53-DD2 wells. Oil production for the year of 2018 was slightly lower than the year of 2017 due to natural decline in the oilfields but largely offset by the increase production from L53-DD oil field discovery in the fourth quarter.

Oil sales revenue from Concession L53 was $2.8 million and $7.7 million for the three months and year ended December 31, 2018 compared to $1.5 million and $6.0 million during the same period of 2017. Oil revenue for the three months and year end 2018 were higher than in 2017 due to higher production and realized prices. The realized price per barrel was $83.75 and $84.82 for the three months and year ended December 31, 2018 compared to $70.80 and $64.68 during the same comparative periods in 2017. 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.

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

Royalties on Concession L53 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.

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

Production and operating costs of $11.45 per barrel ($0.4 million) in the fourth quarter of 2018 were lower on a per barrel basis compared to $15.37 per barrel ($0.3 million) in the third quarter of 2018 and $13.75 per barrel in the fourth quarter of 2017 mainly due higher oil production and some fixed costs do not increase with production volume.

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

Depletion is provided on costs accumulated using the unit-of production method based on an independent engineering estimate of the Thailand Joint Venture's share of proved plus probable reserves, before royalties. DD&A was $24.03 and $42.76 per barrel for the three months and year ended 2018 compared to $49.09 and $51.70 per barrel for the three months and year ended 2017. On a per barrel basis, the DD&A was overall lower in 2018 than in 2017 due to the L53-DD oil field discovery in October 2018 resulted in a significant increase in proved and probable reserves.

Taxes

	Three months ended December 31		Year ended December 31	
($thousands)	**2018**	2017	**2018**	2017
Current tax recovery	**-**	-	**-**	(148)
Deferred tax recovery	**(47)**	(30)	**(125)**	(641)
Total tax recovery	**(47)**	(30)	**(125)**	(789)

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

General and Administrative ("G&A") Expenses

	Three months ended December 31		Year ended December 31	
($thousands)	**2018**	2017	**2018**	2017
Canada	**490**	552	**2,196**	2,384
Indonesia	**183**	295	**737**	1,185
Thailand (excluding Thailand Joint Venture)	**7**	14	**32**	38
Total G&A, net of overhead recoveries(1)	**680**	861	**2,965**	3,607
Allocated to capital projects(2)	**(190)**	(215)	**(768)**	(655)
Cash G&A	**490**	646	**2,197**	2,952
Accretion expenses	**14**	12	**49**	39
Consolidated G&A expense	**504**	658	**2,246**	2,991
Share of G&A from Thailand Joint Venture	**220**	218	**803**	793
Accretion from Thailand Joint Venture	**2**	6	**49**	26
Total G&A attributable to the economic interests of Pan Orient (including 50.01% interest in Thailand Joint Venture)	**726**	882	**3,098**	3,810

(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 $52 thousand and $59 thousand for the year ended December 31, 2018 and 2017, 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 lower during the year ended December 31, 2018 than 2017 mainly attributed to higher expense for personnel due to employee severance paid in 2017 and lower office rent and legal expense during 2018.

Capital Invested

	Three months ended December				Year ended December 31			
	2018		2017		**2018**		2017	
Capital expenditures [(1)]	**$000s**	**Net wells drilled**	$000s	Net wells drilled	**$000s**	**Net wells drilled**	$000s	Net wells drilled
Indonesia	**764**	**-**	2,680	-	**3,359**	**-**	6,758	1.0
Canada	**234**	**-**	209	-	**897**	**-**	1,130	0.5
Consolidated capital expenditures	**998**	**-**	2,889	-	**4,256**	**-**	7,888	1.5
Share of Thailand Joint Venture capital expenditures [(2)]	**2,321**	**1**	1,033	0.5	**3,835**	**1**	1,849	0.5
Total capital expenditures attributable to the economic interest of Pan Orient (including 50.01% interest in Thailand Joint Venture)	**3,319**	**1**	3,922	0.5	**8,091**	**1**	9,737	2.0

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

Thailand
Capital expenditures were $3.8 million for 2018 in which $1.9 million was related to site construction and access road, and drilling of L53-DD1 and L53-DD1 wells. Additional capital expenditures in 2018 included workover programs, reservoir engineering, and other development activities and capitalized general and administrative expenses.

Indonesia
Capital expenditures in Indonesia were $3.4 million in 2018 for the East Jabung PSC. Drilling activities were $2.9 million with $3.3 million for the planned Anggun-1X exploration well and a reduction of $0.4 million for adjustments to the cost of the Ayu-1X and Elok-1X exploration wells drilled in 2017. Additional capital expenditures of $0.5 million in 2018 related to capitalized general and administrative expenses, data purchase and sample analysis.

Canada
Capital expenditures of $0.8 million in 2018 comprised of $0.5 million capitalization of ongoing expenses at the demonstration project facility, engineering and development work of $0.1 million and $0.2 million of capitalization of general and administrative expenses.

Liquidity and Capital Resources

Pan Orient's capital program, including the 50.01% share of the Thailand Joint Venture, was $3.3 million for the year ended December 31, 2018 and was financed from existing working capital and adjusted funds flow from operations within the Thailand Joint Venture. At December 31, 2018 the Company's working capital plus non-current deposits was $33.1 million compared to $36.9 million at December 31, 2017 and the Company had estimated outstanding capital commitments of $738 thousand. In addition to Pan Orient's consolidated working capital and non-current deposits, its investment in the Thailand Joint Venture includes $6.4 million of its share of working capital and non-current deposits and $1.9 million of equipment inventory to be utilized for future operations of the Thailand Joint Venture.

At December 31, 2018 Pan Orient's consolidated cash and cash equivalents were held in the jurisdictions where the Company operates as follows:

($thousands)	December 31, 2018	December 31, 2017
Cash and cash equivalents held in Canada	31,364	37,318
Cash and cash equivalents held in Indonesia	298	344
Consolidated cash and cash equivalents	31,662	37,662

Non-current deposits of $0.6 million at December 31, 2018 consisted of deposits placed with the Alberta energy regulator in Canada for the interests of Andora at Sawn Lake.

Share Capital

Outstanding (thousands)	March 12, 2019	December 31, 2018	December 31, 2017
Common shares	54,900	54,900	54,900
Stock options	3,990	3,990	3,431
Total	58,890	58,890	58,331

During the first quarter of 2018, 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.

In April 2018, the Company renewed its normal course issuer bid through the TSX-V to continue the ability to purchase its common shares. Under the terms of the bid, Pan Orient is authorized to purchase, for cancellation, up to 4,514,494 of its common shares (10% of the public float), subject to a maximum of 1,098,008 common shares (2% of the 54,900,407 issued and outstanding common shares) during any 30 day period. The ability to purchase common shares under the bid commenced on April 30, 2018 and ends one year after commencement or on the earlier date on which Pan Orient has either acquired the maximum number of common shares specified above or otherwise decided not to make any further purchases. No shares were purchased between April 30, 2018 and the approval date of the MD&A.

Foreign Exchange

The Company's reporting currency is the Canadian dollar and its functional currencies are the Canadian dollar, the Thai baht and the 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:

	2018				**2017**			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Rate at end of period								
Thai baht / Cdn $ exchange	23.47	24.51	24.70	23.89	25.67	26.49	25.85	25.51
Cdn $ / US $ exchange	1.36	1.29	1.32	1.29	1.25	1.25	1.30	1.33

The Company holds U.S. dollars within Canada to meet U.S. dollar cash requirements of its foreign operations and at December 31, 2018 the Company held $19.1 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)	**2018**	2017	**2018**	2017
AOCI, beginning of period	**2,620**	376	**1,238**	1,377
Unrealized foreign currency translation gain (loss) from Indonesia	**1,077**	75	**2,262**	(702)
Unrealized foreign currency translation gain from Thailand Joint Venture	**881**	787	**1,078**	563
AOCI, end of period	**4,578**	1,238	**4,578**	1,238

Selected Annual Information

$thousands, except for per barrel and per share amounts	Years Ended December 31 **2018**	 2017	 2016
Oil revenue before royalties, included in loss from Thailand Joint Venture (1)	**7,727**	5,987	4,628
Average daily oil sales (BOPD)	**250**	254	258
Average oil sales price (Cdn$/bbl)	**$ 84.82**	$ 64.68	$ 48.95
Total corporate adjusted funds flow from (used in) operations (2)	**5,517**	(676)	(1,301)
Per share ï basic and diluted	**$ 0.10**	$ (0.01)	$ (0.02)
Cash flow from (used in) operating activity (3)	**(2,407)**	(2,396)	8,620
Per share ï basic and diluted	**$ (0.04)**	$ (0.04)	$0.16
Adjusted funds flow from (used in) operations by region (2)			
Canada	**651)**	(3,473)	(2,424)
Thailand	**(32)**	(38)	(29)
Indonesia	**(273)**	(881)	(1,325)
Adjusted funds flow from (used in) consolidated operations	**346**	(4,392)	(3,778)
Share of adjusted funds flow from Thailand Joint Venture (1)	**5,171**	3,716	2,477
Total corporate adjusted funds flow from (used in) operations	**5,517**	(676)	(1,301)
Disposal of petroleum and natural gas assets (4)	**133**	133	161
Net loss attributable to common shareholders	**(40)**	(5,132)	(82,837)
Per share ï basic and diluted	**$ (0.00)**	$ (0.09)	$ (1.51)
Total assets	**173,717**	172,400	174,392
Total non-current liabilities	**8,594**	8,539	9,400
Working capital	**32,546**	32,536	45,447
Working capital plus non-current deposits	**33,139**	36,897	49,818
Long-term debt	**-**	-	-
Capital expenditures			
Canada	**897**	1,130	1,980
Indonesia	**3,359**	6,758	1,925
Consolidated capital expenditures	**4,256**	7,888	3,905
Share of capital expenditures from Thailand Joint Venture (1)	**3,835**	1,849	1,495
Total capital expenditures	**8,091**	9,737	5,400
Weighted average shares outstanding			
Basic	**54,900**	54,893	54,885
Diluted	**54,900**	54,893	54,885
Shares outstanding			
Basic	**54,900**	54,900	54,885
Diluted	**54,900**	54,900	54,885

(1) The Company holds a 50.01% interest in Pan Orient Energy (Siam) Ltd., which is considered a Joint Venture under IFRS and is accounted for using the equity method. Initial recognition of the investment in Joint Venture was recorded at fair value. The carrying amount is subsequently increased or decreased to recognize the Company's share of the profit or loss from the joint venture. Distributions received from the joint venture reduce the carrying amount of the investment whereas funding to the joint venture increase 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.

(2) Total corporate adjusted 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 Pan Orient's 50.01% interest in the Thailand Joint Venture which is recorded in Joint Venture for financial statement purposes. This measure is used by management to analyze operating performance and leverage. Adjusted 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. Adjusted 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.

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

(4) In 2018, the Sawn Lake joint venture sold some inventory of pipe to outside third party. 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.

Summary of Quarterly Results

	2018				2017			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Financial ($thousands) except as indicated (1)								
Interest revenue	**105**	151	136	102	88	90	71	59
Cash flow from (used in) operating activity	**(245)**	(39)	2,547	(4,670)	(485)	447	(1,586)	(1,730)
Total assets	**173,717**	169,716	170,213	170,494	172,400	170,994	171,203	173,438
Working capital & non-current deposits	**33,139**	32,993	34,992	36,867	36,897	40,416	45,908	47,344
Shares outstanding (thousands)	**54,900**	54,900	54,900	54,900	54,900	54,900	54,900	54,885
Net income (loss)(2)	**1,409**	(960)	(151)	(338)	(578)	(1,816)	(1,224)	(1,514)
Per share basic and diluted ($)	**0.03**	(0.02)	(0.00)	(0.01)	(0.01)	(0.03)	(0.02)	(0.03)
Operations ($thousands), including share of Thailand Joint Venture								
Oil revenue (BOPD) net to Pan Orient (3)	**366**	214	235	182	233	262	274	245
Total corporate adjusted funds flow from (used in) operations (4)	**3,001**	404	1,294	818	507	(762)	(249)	(172)
Capital expenditures(5)	**3,319**	2,033	1,970	769	3,922	3,981	803	1,031
Total corporate adjusted funds flow from (used in) operations ($/bbl) (4)								
Realized crude oil price	**83.75**	92.34	86.74	75.50	70.80	60.44	62.78	65.50
Royalties	**(4.07)**	(4.58)	(4.30)	(3.67)	(3.35)	(3.07)	(3.08)	(3.23)
Transportation & operating	**(13.47)**	(17.20)	(15.35)	(17.59)	(15.37)	(12.90)	(11.93)	(12.36)
Field Netback ï Thailand Joint Venture	**66.21**	70.56	67.09	54.24	52.07	44.47	47.77	49.92
General and administrative(6)	**(21.30)**	(38.74)	(34.86)	(47.89)	(40.29)	(33.89)	(32.15)	(57.28)
Exploration recovery (expense) (7)	**0.89**	(0.15)	(1.22)	(0.06)	-	-	-	(0.23)
Interest income	**3.74**	7.69	7.11	6.23	4.70	3.77	3.12	2.68
Foreign exchange gain (loss)	**39.26**	(18.78)	22.41	37.45	7.13	(45.96)	(28.71)	(9.63)
Current income tax recovery	**-**	-	-	-	-	-	-	6.72
Total corporate adjusted funds flow from (used in) operations	**88.80**	20.58	60.53	49.97	23.61	(31.61)	(9.97)	(7.82)

(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 adjusted 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 Pan Orient's 50.01% interest in the Thailand Joint Venture which is recorded in Joint Venture for financial statement purposes. This measure is used by management to analyze operating performance and leverage. Adjusted 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. Adjusted 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 2017 ï Corporate adjusted funds flow used in operations was $0.2 million. Adjusted 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 ï Total corporate adjusted funds flow used in operations of $0.2 million. Adjusted 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 ï Total corporate adjusted funds flow used in operations of $0.8 million. Adjusted 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 Orientœ 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 Orientœ 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 ï Total corporate adjusted funds flow used in operations of $0.5 million. Adjusted 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 Orientœ 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 Orientœ 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.

Q1 2018 – Total corporate adjusted funds flow from operations of $0.8 million. Adjusted funds flow from operations in Thailand was $0.7 million with average daily oil sales from Concession L53 of 182 BOPD ($42.45 per barrel), net to Pan Orientœ 50.01% equity interest in the Thailand Joint Venture. Net loss attributable to common shareholders was $0.3 million ($0.01 per share) for the quarter. Pan Orient had capital expenditures of $0.3 million in the first quarter of 2018, with $0.1 million in Indonesia for costs associated with the Anggun-1X exploration well and capitalized general & administrative expenses, and $0.2 million in Canada at the Sawn Lake SAGD property of Andora. In addition, Pan Orientœ share of Thailand Joint Venture capital expenditures was $0.7 million for workover activities and capitalized general & administrative expenses. The Sawn Lake joint venture sold some inventory of pipe to outside third party for $133 thousand. At March 31, 2018, working capital and non-current deposits totaled $36.9 million and the Company had no long-term debt.

Q2 2018 – Total corporate adjusted funds flow from operations of $1.3 million. Adjusted funds flow from operations in Thailand was $1.2 million with average daily oil sales from Concession L53 of 235 BOPD ($57.97 per barrel), net to Pan Orientœ 50.01% equity interest in the Thailand Joint Venture. Net loss attributable to common shareholders was $0.2 million ($0.00 per share) for the quarter. Pan Orient had capital expenditures of $2.0 million in the second quarter of 2018, with $1.5 million in Indonesia for costs primarily associated with the Anggun-1X exploration well, and $0.3 million in Canada at the Sawn Lake SAGD property of Andora. In addition, Pan Orientœ share of Thailand Joint Venture capital expenditures was $0.2 million for workover activities and capitalized general & administrative expenses. At June 30, 2018, working capital and non-current deposits totaled $35.0 million and the Company had no long-term debt.

Q3 2018 – Total corporate adjusted funds flow from operations of $0.4 million. Adjusted funds flow from operations in Thailand was $1.2 million with average daily oil sales from Concession L53 of 214 BOPD ($60.22 per barrel), net to Pan Orientœ 50.01% equity interest in the Thailand Joint Venture. Net loss attributable to common shareholders was $1.0 million ($0.02 loss per share) for the quarter. Pan Orient had capital expenditures of $1.1 million in the third quarter of 2018, with $1.0 million in Indonesia for costs primarily associated with the Anggun-1X exploration well, and $0.2 million in Canada at the Sawn Lake SAGD property of Andora. In addition, Pan Orientœ share of Thailand Joint Venture capital expenditures was $0.9 million for workover activities and construction costs for the L53-DD1 exploration well related to the access road and site. At September 30, 2018, working capital and non-current deposits totaled $33.0 million and the Company had no long-term debt.

Q4 2018 – Total corporate adjusted funds flow from operations of $3.0 million. Adjusted funds flow from operations in Thailand was $2.0 million with average daily oil sales from Concession L53 of 366 BOPD ($66.21 per barrel), net to Pan Orientœ 50.01% equity interest in the Thailand Joint Venture. Net income attributable to common shareholders was $1.4 million ($0.03 per share) for the quarter. Pan Orient had capital expenditures of $3.3 million in the third quarter of 2018, with $0.8 million in Indonesia for costs primarily associated with the Anggun-1X exploration well, and $0.2 million in Canada at the Sawn Lake SAGD property of Andora. In addition, Pan Orientœ share of Thailand Joint Venture capital expenditures was $2.3 million related to site construction and access road at the new discovery L53-DD oil field, drilling of L53-DD1 and L53-DD1 wells, workover programs, reservoir engineering, and other development activities and capitalized general and administrative expenses. At December 31, 2018, working capital and non-current deposits totaled $33.1 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