PAN ORIENT ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

November 15, 2016

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of the operating and financial results of Pan Orient Energy Corp. ("Pan Orient" or the "Company") is prepared effective November 15, 2016 and should be read in conjunction with the unaudited consolidated financial statements and notes thereto for the nine months ended September 30, 2016 and the audited consolidated financial statements and notes thereto and MD&A for the year ended December 31, 2015. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

On February 2, 2015 the Company sold a 49.99% equity interest in its subsidiary Pan Orient Energy (Siam) Ltd. and retained a 50.01% equity interest in the company. The transaction resulted in Pan Orient Energy (Siam) Ltd. changing from a wholly-owned and controlled subsidiary to a joint arrangement where the Company shares joint control with the purchaser of the 49.99% equity interest. The resulting joint arrangement is classified as a Joint Venture under IFRS 11 and is required to be accounted for using the equity method of accounting rather than consolidated as it had previously been when Pan Orient Energy (Siam) Ltd. was a controlled subsidiary. The change in accounting from consolidation to the equity method has resulted in the accounts of Pan Orient Energy (Siam) Ltd. being derecognized from the consolidated financial statements and a net investment related to the portion of the interest retained being recognized at its estimated fair value upon initial recognition. Pan Orient's 50.01% equity interest in the assets, liabilities, working capital, operations and capital expenditures of Pan Orient Energy (Siam) Ltd. from February 2, 2015 forward are recorded in Investment in Thailand Joint Venture.

Please note that all amounts are in Canadian dollars unless otherwise stated, translation of items denominated in foreign currencies as at September 30, 2016 into Canadian dollars using September 30, 2016 exchange rates, represent the net amount to Pan Orient's interests unless otherwise stated, and BOPD refers to barrels of oil per day.

Forward-Looking Statements

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

Forward-looking information is generally identifiable by the terminology used, such as "expect", "believe", "estimate", "should", "anticipate" and "potential" or other similar wording. Forward-looking information in this MD&A includes, but is not limited to, references to: renewal, extension or termination of oil concessions and production sharing contracts; other regulatory approvals; well drilling programs and drilling plans; 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 provides or has provided 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; Land and Building Tax in Indonesia; and changes in government legislation and regulations, including royalty and tax laws.

The forward-looking statements contained herein are as of November 15, 2016 and are subject to change after this date. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive and as such undue reliance should not be placed on forward-looking statements. Except as required by applicable securities laws, with the exception of events or circumstances that occurred during the period to which the MD&A relates that are reasonably likely to cause actual results to differ materially from material forward-looking information that was previously disclosed to the public, the Company disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Non-IFRS Measures

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

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

On February 2, 2015 the Company sold a 49.99% equity interest in Pan Orient Energy (Siam) Ltd. and subsequently accounted for its remaining 50.01% interest under the equity method as an Investment in a Joint Venture. Funds flow from Investment in Joint Venture is the Company's net interest of the cash generated from operating activities from continuing operations before changes in non-cash working capital from Pan Orient Energy (Siam) Ltd.

The following table reconciles funds flow from (used in) operations to cash flow used in operating activities, which is the most directly comparable measure calculated in accordance with IFRS:

	Three Months Ended September 30		**Nine Months Ended September 30**	
($thousands)	**2016**	2015	**2016**	2015
Cash flow from operating activities	**6,379**	4,093	**8,538**	1,359
Changes in non-cash working capital	**(6,674)**	(1,553)	**(12,567)**	(829)
Funds flow from Investment in Joint Venture	**594**	880	**1,479**	2,309
Funds flow from (used in) operations	**299**	3,420	**(2,550)**	2,839

Funds flow from (used in) operations, funds flow from (used in) operations per barrel and 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 funds flow throughout this MD&A refers to funds flow from (used in) operations, which is 1) cash flow used in operating activities prior to changes in non-cash working capital, reclamation costs and 2) the corresponding amount from the Thailand operations which is recorded in Investment in Joint Venture for financial statement purposes. Basic and diluted funds flow per share is calculated in the same manner as basic and diluted earnings or losses 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 Contracts ("PSCs"); and 3) undeveloped Canadian oil sands leases, held by Andora Energy Corporation.

Thailand

Concession L53

At September 30, 2016, the Company held a 50.01% equity interest in Pan Orient Energy (Siam) Ltd. which is the operator of and holds a 100% working interest in Concession L53/48 ("Concession L53") in Thailand. Concession L53 is partially developed, has oil production and an active exploration and development program.

On February 2, 2015 the Company completed the sale of a 49.99% equity interest in Pan Orient Energy (Siam) Ltd. for proceeds of $53.5 million and the Company's equity interest was reduced from 100% to 50.01%. The transaction resulted in Pan Orient Energy (Siam) Ltd. changing from a wholly-owned and controlled subsidiary of the Company to a joint arrangement where the Company has joint control with the purchaser of the 49.99% equity interest. The resulting joint arrangement is classified as a Joint Venture under IFRS and is required to be accounted for using the equity method rather than consolidated as it had previously been when Pan Orient Energy (Siam) Ltd. was a wholly-owned and controlled subsidiary. On February 2, 2015 the Company derecognized all of the accounts of Pan Orient Energy (Siam) Ltd. from its consolidated financial statements and recognized a net investment related to its retained 50.01% equity interest in Pan Orient Energy (Siam) Ltd.

Concession L53 is located approximately 60 kilometers west of Bangkok and consist of 975 square kilometers of lands of which 20.26 square kilometers associated with the L53-A, L53-D and L53-G fields are held through production licenses (with a 20 year primary term plus an additional 10 year renewal period that can be applied for) and 955.74 square kilometers of exploration lands. The original term of the exploration lands ended on January 7, 2013 and Pan Orient Energy (Siam) Ltd. renewed the exploration period for a further three years to January 7, 2016. Approval was received in 2016 from the Government of Thailand for a 215.87 square kilometer reserved area for a period of up to five years with the payment of a surface reservation fee, which is reimbursable through work program expenditures. The reserved area of 215.87 square kilometer, 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 based on full coverage 3D seismic data. The original area of the Concession L53 exploration block was 3,997 square kilometers. Crude oil revenue at Concession L53 is from sale of oil production to a refinery owned by the Thai National Oil Company.

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

Indonesia

At September 30, 2016, the Company owned interests in two PSCs, with a 77% operated working interest in the Batu Gajah PSC and a 49% non-operated working interest in the East Jabung PSC. A 23% carried interest is held by third parties on the Batu Gajah PSC. There were no reserves assigned to any of the Indonesia PSCs at September 30, 2016. The Citarum PSC, where the Company had a 97% operated working interest, expired on October 6, 2015 and the Company received approval in May 2016 for the relinquishment from the Government of Indonesia ("GOI").

Batu Gajah PSC

Pan Orient acquired an interest in the Batu Gajah PSC in 2008. Pan Orient conducted seismic programs in the PSC and commenced the exploration drilling program in late March 2011. The Tuba Obi Utara-1 (NTO-1) and SE Tiung-1 exploration wells drilled in 2011 failed to find commercial hydrocarbons and were abandoned. In January 2013, 1,730 square kilometers (gross) of exploration lands were relinquished at the Batu Gajah PSC which now holds 791.71 square kilometers (gross) of exploration lands. In the first quarter of 2013 the Company drilled the Shinta-1 and Buana-1 exploration wells and commenced a 400 square kilometer 3D seismic program at the Batu Gajah PSC. These two exploration wells were unsuccessful and abandoned. For the remainder of 2013 the Company worked to complete the acquisition and evaluation of a 400 square kilometer 3D seismic program focused on the eastern half of the PSC. In the third quarter of 2013, the operator of the Lemang PSC (directly adjacent to Pan Orient's Batu Gajah PSC) announced that significant hydrocarbons had been encountered in two wells. The Selong-1 discovery well in the Lemang PSC is located approximately 175 meters from the shared Lemang / Batu Gajah PSC boundary and another well is approximately 500 meters from the shared boundary. During the third quarter of 2015, Pan Orient drilled and cased the Akeh-1 exploration well (Akeh-1) at the Batu Gajah PSC to a depth of 1,850 meters and completed the testing of four zones within the primary target Lower Talang Akar sandstone formation. Pan Orient announced an oil and condensate discovery with the Akeh-1 exploration well on October 20, 2015 based on the testing results. Technical data obtained in the drilling and testing of the Akeh-1 exploration well is being used to update our understanding of the Akeh prospect, plan drilling of the Akeh-2 delineation well and prepare regulatory filings. Readers are cautioned that test results are not necessarily indicative of long-term performance or of ultimate recovery.

During the first quarter of 2016, the Company was informed that the GOI oil and gas regulator requires one additional appraisal well of the Akeh discovery prior to considering "Released from Exploration Status". A successful release would allow the commencement of a "Pre-Plan of Development" study to determine the likelihood of the commerciality of the Akeh-1 discovery, which would be followed (if commerciality is deemed likely) by the compilation and submission of a Plan of Development. Preparations were commenced towards the drilling of a deviated appraisal well, Akeh-2, from the existing Akeh-1 well pad.

The Batu Gajah PSC 10 year exploration phase expires in January of 2017 and the Company submitted an application in July 2016 to request an additional exploration period to allow the time required to finish drilling and analysis of the Akeh-2 appraisal well, apply for "Released from Exploration Status" and move forward to prepare a Pre-Plan of Development to determine the likelihood of the commerciality of the Akeh-1 discovery. The GOI at its discretion will determine if an extension is to be granted, and the length of any extension which may be granted. The Company still awaits the decision on the PSC extension as at the date of this MD&A. Without the granting of an extension, it is not certain the Company will elect to proceed with the drilling of an appraisal well at the Akeh discovery, prior to the expiry of the PSC. A decision by the GOI on the status of the application is expected prior to year-end.

In addition, the Company has been involved in discussions with a number of parties since December 2015 seeking a partner in the Batu Gajah PSC and these discussions are currently on hold pending further information regarding a decision by the GOI to grant an extension to the PSC.

East Jabung PSC

On November 21, 2011 the Company signed the East Jabung PSC located on and offshore south Sumatra, obtaining operatorship and a 100% working interest. The firm three year exploration commitment includes two wells and 2D seismic acquisition and processing. A 440 kilometer 2D seismic program commenced in 2013 and was completed in April 2014. In the fourth quarter of 2013 the Company submitted an application to the GOI to voluntarily relinquish approximately 3,279.96 square kilometers of the PSC's offshore area. The GOI approved the offshore relinquishment in the fourth quarter of 2014. The result of the relinquishment does not impact the PSC's onshore exploration activities which now consist of 2,947.76 square kilometers (gross) of exploration lands.

On June 1, 2015 Pan Orient completed a farm-out to transfer a 51% interest and operatorship of the East Jabung PSC for consideration of: 1) an upfront cash payment of USD$ 8.0 million; 2) a firm commitment to fund the first USD$ 10.0 million towards the first exploration well in addition to all related general and administrative expenses ("G&A") and overhead costs incurred by the operator until the USD$ 10.0 million expenditure has been completed; 3) an option for Pan Orient to acquire a 20% working interest in the farminee operated South Sumatra Joint Study Area where the farminee holds the right of first refusal in an upcoming Indonesia bid round to bid on a new PSC located adjacent to the East Jabung PSC; and 4) a contingent commitment to fund the first USD$ 5.0 million towards an appraisal well, if justified, in addition to all associated G&A and overhead incurred by the operator until the first USD$ 5.0 million expenditure has been completed.

As at September 30, 2016, the remaining exploration commitment includes the drilling of two exploration wells and geological studies and in November 2016 the operator applied for a one year extension from the GOI to fulfill the remaining commitments.

Gaffney Cline & Associates completed a third party engineer NI-51-101 compliant Prospective Resources Report for the Anggun Prospect effective June 30, 2015, the results of which were contained in a Pan Orient press release of August 4, 2015.

Updates by the operator on the status of the first exploration well at the Anggun prospect of the East Jabung PSC indicate that a topographic survey to the proposed first exploration drilling location has been completed and the procurement of all long lead time items was initiated in September of 2016. Construction of an approximately 5 kilometer access road and drilling pad is expected to start in December 2016 followed by the commencement of the drilling of an approximately 1,500 meter Ayu-1 exploration well late in the first quarter of 2017.

Canada

Andora Energy Corporation is a private oil company, in which Pan Orient has a 71.8% ownership, focused on development of the Sawn Lake area oil sands property in the Peace River Oil Sands Region of Northern Alberta using the steam assisted gravity drainage ("SAGD") recovery process. Andora is in pre-production phase and the commercial viability of the SAGD recovery process at Sawn Lake has not yet been established.

Andora is the operator and holds a 50% working interest in the demonstration project, located in the Central Block of Sawn Lake, which commenced in 2013. For the SAGD demonstration project, one SAGD well pair was drilled in the fourth quarter of 2013 to a depth of 650 meters and a horizontal length of 780 meters. Construction of the SAGD facility for steam generation, water handling and bitumen treating was completed in 2014, steam injection commenced August 2014 and bitumen production commenced September 2014. In January and February of 2016, bitumen production at the Sawn Lake Demonstration Project reached a steady state of production of 615 barrels per day ("BOPD") (307 BOPD net to Andora) with an average instantaneous steam-oil ratio ("ISOR") of 2.1 from the one SAGD wellpair. Bitumen production, on a 100% basis, averaged 603 BOPD with an ISOR of 2.2 in January and 629 BOPD with an ISOR of 2.1 in February of 2016. Production results to date are not necessarily indicative of long-term performance or of ultimate recovery and the Sawn Lake demonstration project has not yet proven that it is commercially viable.

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

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

The evaluation of the 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. Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology under development for SAGD, but which are not currently considered to be commercially recoverable due to one or more contingencies. The contingent resources volumes estimated in the Sproule report are considered contingent until such time as commercial recovery has been confirmed by further evaluation drilling, refinement of the development plan, regulatory approval, corporate commitment, funding and economic factors. Contingent resources are further classified as "High", "Best" and "Low" in accordance with the level of certainty. There is uncertainty that it will be commercially viable to produce any portion of the reported contingent resources volumes.

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

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

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

Summarized financial information with respect to Andora is as follows:

Andora Energy Corporation	**As at and for the Three months ended September 30**		**As at and for the Nine months ended September 30**	
($thousands)	**2016**	2015	**2016**	2015
Total assets	**84,337**	84,973	**84,337**	84,973
Total liabilities	**8,684**	9,156	**8,684**	9,156
Funds flow from (used in) operations	**(71)**	16	**(144)**	109
Net loss	**66**	3	**147**	477

Financial and Operating Summary	Three Months Ended September 30,		Nine Months Ended September 30,		
(thousands of Canadian dollars except where indicated)	**2016**	2015	**2016**	2015	% Change
FINANCIAL					
Financial Statement Results – Excluding 50% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 1)					
Net income (loss) attributed to common shareholders	**(876)**	2,341	**(4,688)**	33,033	-114%
Per share ï basic and diluted	**$ (0.02)**	$ 0.04	**$ (0.09)**	$ 0.59	-114%
Cash flow from operating activities (Note 2)	**6,379**	4,093	**8,538**	1,359	528%
Per share ï basic and diluted	**$ 0.12**	$ 0.07	**$ 0.16**	$ 0.02	678%
Cash flow from (used in) investing activities (Note 2)	**(720)**	(5,338)	**(5,799)**	46,399	-112%
Per share ï basic and diluted	**$ (0.01)**	$ (0.10)	**$ (0.11)**	$ 0.83	-113%
Working capital	**45,642**	77,225	**45,642**	77,225	-41%
Working capital & non-current deposits	**49,945**	81,128	**49,945**	81,128	-38%
Long-term debt	**-**	-	**-**	-	
Shares outstanding (thousands)	**54,885**	54,885	**54,885**	54,885	0%
Capital Commitments (Note 3)	**2,306**	2,352	**2,306**	2,352	-2%
Contingencies (Note 4)					
Working Capital and Non-current Deposits					
Beginning of period	**51,082**	86,909	**79,160**	40,854	94%
Corporate funds flow from (used in) operations (Note 5)	**(295)**	2,540	**(4,029)**	530	-860%
Special Distribution (Note 6)	**-**	-	**(21,954)**	-	100%
Funds flow from sale of Thailand interest	**-**	-	**-**	48,877	-100%
Working capital and non-current deposits derecognized on sale of Thailand interest and recorded in Investment in Joint Venture	**-**	-	**-**	(3,151)	-100%
Consolidated capital expenditures (Note 7)	**(1,011)**	(8,074)	**(3,474)**	(12,754)	-73%
Amounts advanced (to) from Thailand Joint Venture	**65**	(54)	**132**	(98)	-234%
Disposal of petroleum and natural gas assets (Note 8)	**-**	-	**105**	9,764	-99%
Normal course issuer bid	**-**	(680)	**-**	(2,691)	-100%
Foreign operations ï unrealized foreign exchange impact	**104**	487	**5**	(203)	-102%
End of period	**49,945**	81,128	**49,945**	81,128	-38%
Economic Results – Including 50% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 9)					
Corporate funds flow from (used in) operations (Note 5)	**299**	3,420	**(2,550)**	2,839	-190%
Per share ï basic and diluted	**$ 0.01**	$ 0.06	**$ (0.05)**	$ 0.05	-193%
Corporate funds flow from (used in) operations by region (Note 5)					
Canada (Note 10)	**(140)**	3,791	**(2,679)**	3,159	-185%
Thailand ï 100% to February 1, 2015 (Note 1 & 11)	**(13)**	(12)	**(27)**	286	-109%
Indonesia	**(142)**	(1,239)	**(1,323)**	(2,915)	-55%
Funds flow from (used in) consolidated operations	**(295)**	2,540	**(4,029)**	530	-860%
Share of Thailand Joint Venture (Note 9)	**594**	880	**1,479**	2,309	-36%
Total corporate funds flow from (used in) operations	**299**	3,420	**(2,550)**	2,839	-190%
Funds flow from sale of Thailand interest	**-**	-	**-**	48,877	-100%
Petroleum and natural gas properties					
Capital expenditures (Note 7)	**1,459**	8,199	**3,956**	16,459	-76%
Disposition (Note 8)	**-**	-	**(105)**	(9,764)	-99%
Capital Expenditures (Note 7)					
Canada (Note 10)	**248**	899	**1,804**	3,966	-55%
Thailand ï 100% to February 1, 2015 (Note 1)	**-**	-	**-**	60	-100%
Indonesia	**763**	7,175	**1,670**	8,728	-81%
Consolidated capital expenditures	**1,011**	8,074	**3,474**	12,754	-73%
Share of Thailand Joint Venture capital expenditures	**448**	125	**482**	3,705	-87%
Total capital expenditures	**1,459**	8,199	**3,956**	16,459	-76%
Investment in Thailand Joint Venture					
Beginning of period	**32,967**	36,686	**35,088**	-	
Investment retained on sale of Thailand interest	**-**	-	**-**	38,587	
Net loss from Joint Venture	**(365)**	(481)	**(1,316)**	(1,064)	24%
Other comprehensive income (loss) from Joint Venture	**779**	70	**(324)**	(1,292)	-75%
Amounts advanced to (from) Joint Venture	**(65)**	54	**(132)**	98	-234%
End of period	**33,316**	36,329	**33,316**	36,329	-8%

(thousands of Canadian dollars except where indicated)	Three Months Ended September 30,		Nine Months Ended September 30,		
	2016	2015	**2016**	2015	Change
Thailand Operations					
Economic Results – Including 50.01% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 9)					
Oil sales (bbls)	**21,724**	27,506	**67,838**	79,529	-15%
Average daily oil sales (BOPD) by Concession L53	**236**	299	**248**	291	-15%
Average oil sales price, before transportation (CDN$/bbl)	**$ 50.68**	$ 56.61	**$ 44.52**	$ 62.00	-28%
Reference Price (volume weighted) and differential					
Crude oil (Brent $US/bbl)	**$ 45.88**	$ 49.66	**$ 41.30**	$ 55.24	-25%
Exchange Rate $US/$Cdn	**1.33**	1.30	**1.34**	1.26	7%
Crude oil (Brent $Cdn/bbl)	**$ 60.97**	$ 64.53	**$ 55.42**	$ 69.56	-20%
Sale price / Brent reference price	**83%**	88%	**80%**	89%	-10%
Funds flow from (used in) operations (Note 5)					
Crude oil sales	**1,101**	1,557	**3,020**	4,931	-39%
Government royalty	**(54)**	(77)	**(149)**	(242)	-38%
Transportation expense	**(33)**	(44)	**(102)**	(130)	-22%
Operating expense	**(250)**	(360)	**(768)**	(1,255)	-39%
Field netback	**764**	1,076	**2,001**	3,304	-39%
General and administrative expense (Note 12)	**(183)**	(176)	**(554)**	(675)	-18%
Interest income	**-**	1	**6**	7	-14%
Foreign exchange loss	**-**	(33)	**-**	(41)	-100%
Current income tax	**-**	-	**(1)**	-	100%
Thailand - Funds flow from operations	**581**	868	**1,452**	2,595	-44%
Funds flow from (used in) operations / barrel (CDN$/bbl) (Note 5)					
Crude oil sales	**$ 50.68**	$ 56.61	**$ 44.52**	$ 62.00	-28%
Government royalty	**(2.49)**	(2.80)	**(2.20)**	(3.04)	-28%
Transportation expense	**(1.52)**	(1.60)	**(1.50)**	(1.63)	-8%
Operating expense	**(11.51)**	(13.09)	**(11.32)**	(15.78)	-28%
Field netback	**$ 35.16**	39.12	**$ 29.50**	$ 41.55	-29%
General and administrative expense (Note 12)	**(8.42)**	(6.40)	**(8.17)**	(8.49)	-4%
Interest Income	**-**	0.04	**0.09**	0.09	0%
Foreign exchange loss	**-**	(1.20)	**-**	(0.52)	-100%
Current income tax	**-**	-	**(0.01)**	-	100%
Thailand - Funds flow from operations	**$ 26.74**	$ 31.56	**$ 21.41**	$ 32.63	-34%
Government royalty as percentage of crude oil sales	**5%**	5%	**5%**	5%	
Income tax & SRB as percentage of crude oil sales	**-**	-	**-**	-	
As percentage of crude oil sales					
Expenses - transportation, operating, G&A and other	**42%**	39%	**47%**	42%	4%
Government royalty, SRB and income tax	**5%**	5%	**5%**	5%	0%
Funds flow from operations, before interest income	**53%**	56%	**48%**	53%	-5%
Wells drilled					
Gross	**-**	-	**-**	3	-100%
Net	**-**	-	**-**	1.5	-100%
Financial Statement Presentation Results – Excluding 50.01% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 1)					
Crude oil sales	**-**	-	**-**	809	-100%
Government royalty	**-**	-	**-**	(38)	-100%
Transportation expense	**-**	-	**-**	(24)	-100%
Operating expense	**-**	-	**-**	(257)	-100%
Field netback	**-**	-	**-**	490	-100%
General and administrative expense (Note 11 & 12)	**(13)**	(12)	**(27)**	(197)	-86%
Interest income	**-**	-	**-**	1	-100%
Foreign exchange loss	**-**	-	**-**	(8)	-100%
Funds flow from (used in) consolidated operations	**(13)**	(12)	**(27)**	286	-109%
Fund Flow Included in Investment in Thailand Joint Venture					
Net loss from Thailand Joint Venture	**(365)**	(481)	**(1,316)**	(1,064)	24%
Add back non-cash items in net loss	**959**	1,361	**2,795**	3,373	-17%
Funds flow from Thailand Joint Venture	**594**	880	**1,479**	2,309	-36%
Thailand ï Economic funds flow from operations (Note 9)	**581**	868	**1,452**	2,595	-44%

(thousands of Canadian dollars except where indicated)	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015	Change
Canada Operations (Note 10)					
Interest income	**51**	31	**127**	117	9%
General and administrative expenses (Note 12)	**(565)**	(387)	**(1,666)**	(1,821)	-9%
Foreign exchange gain (loss)	**242**	4,147	**(861)**	4,863	-118%
Current income tax	**132**	-	**(279)**	-	100%
Canada – Funds flow from (used in) operations	**(140)**	3,791	**(2,679)**	3,159	-185%
Indonesia Operations					
General and administrative expense (Note 12)	**(143)**	(462)	**(406)**	(1,248)	-67%
Exploration expense (Note 13)	**(4)**	(112)	**(932)**	(406)	130%
Foreign exchange gain (loss)	**5**	(665)	**15**	(805)	-102%
Current income tax	**-**	-	**-**	(456)	-100%
Indonesia – Funds flow used in operations	**(142)**	(1,239)	**(1,323)**	(2,915)	-55%
Wells drilled					
Gross	**-**	1	**-**	1	-100%
Net	**-**	0.8	**-**	0.8	-100%

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

(3) Refer to Commitments in Note 11 of the September 30, 2016 and September 30, 2015 Notes to the Interim Condensed Consolidated Financial Statements.

(4) Refer to Contingencies in Note 12 of the September 30, 2016 and September 30, 2015 Notes to the Interim Condensed Consolidated Financial Statements.

(5) 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 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.

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

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

(8) In 2016, the joint venture partners in Andora's Sawn Lake SAGD demonstration project purchased the SAGD reservoir data. In 2015, the disposition related to the farmout of 51% interest of the East Jabung PSC in Indonesia.

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

(a) Company's share of Thailand funds flow from operation at 100% from January 1, 2015 to February 1, 2015 (being the beginning of the year to the last date before the equity interest was completed as discussed in note 1)

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

(10) 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.

(11) The small amount of G&A shown in 2016 for Thailand operations relates to G&A of the consolidated holding company of Pan Orient Energy (Siam) Ltd.

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

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

(14) Tables may not add due to rounding.

HIGHLIGHTS FOR THE FIRST NINE MONTHS OF 2016

Indonesia

- The first exploration well at the Anggun prospect of the East Jabung Production Sharing Contract (ñPSCò) is planned to commence construction of the five kilometer access road in December 2016, followed late in the first quarter of 2017 with the drilling of the Ayu-1 exploration well.
- The Company is waiting for the decision on an extension application for the Batu Gajah PSC that was submitted in July 2016. Without the granting of a two year extension to the original ten year term of the PSC, it is not certain the Company will elect to proceed with the drilling of an appraisal well at the Akeh discovery, prior to the expiry of the PSC. A decision by the Government of Indonesia is expected prior to year-end.

Thailand

- Oil sales, net to Pan Orientõs 50.01% equity interest in the Thailand Joint Venture, were 236 BOPD in the first half of 2016, with funds flow from operations of $0.6 million ($26.74 per barrel).
- Approval was received on May 10, 2016 from the Government of Thailand for a 215.87 square kilometer "reserved area" for exploration at Concession L53 for a period of up to five years.
- The 2016 exploration and development program has included five workovers and the ANE-A1 exploration well at the ñAò North East prospect which failed to encounter hydrocarbons.

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

- The steam assisted gravity drainage (ñSAGDò) demonstration project reached a steady state production level in the first two months of 2016 with an average of 615 barrels per day (ñBOPDò) (307 BOPD net to Andora) with an average instantaneous steam-oil ratio (ñISORò) of 2.1 from the one SAGD wellpair. The demonstration project successfully captured the key data associated with its objectives and was suspended on February 29, 2016.
- The demonstration project established the viability of the SAGD process in the Bluesky formation at Sawn Lake, indicated the productive capability and ISOR, and provided critical information required for well and facility design associated with future commercial development. An application for a potential commercial expansion at Sawn Lake to 3,200 BOPD was submitted on April 29, 2016.
- In Andoraõs June 30, 2016 Contingent Resources Report based on the demonstration project, estimated unrisked ñBest Estimateò contingent resources increased 8% to 231.6 million barrels of recoverable bitumen and the estimated before tax net present value, discounted at 10%, increased 21% to $568 million, in each case compared to the prior report as at December 31, 2014.

Corporate

- On February 16, 2016, Pan Orient returned $22.0 million ($0.40 per common share) to shareholders.
- Corporate funds flow used in operations for the first nine months of 2016 was $2.6 million with $2.9 million used in the first half of 2016 and corporate funds flow from operations of $0.3 million in the third quarter.
- Pan Orient is maintaining a strong financial position for planned exploration activities in Indonesia and Thailand with working capital and non-current deposits at September 30, 2016 of $49.9 million and no long-term debt.

2016 THIRD QUARTER OPERATING RESULTS

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

- Net loss attributable to common shareholders for the third quarter of 2016 of $0.9 million ($0.02 loss per share) compared with $1.6 million ($0.03 loss per share) in the second quarter of 2016 and $2.3 million net income ($0.04 net income per share) in the third quarter of 2015.
- For the third quarter of 2016, the Company recorded total corporate funds flow from operations, which includes the economic results of the 50.01% interest in the Thailand joint venture, of $0.3 million ($0.01 per share). This compares with total corporate funds flow used in operations for the second quarter of 2016 of $0.8 million ($0.01 loss per share). Compared with corporate funds flow used in operations from the second quarter of 2016, the third quarter of 2016 had:
    - foreign exchange gains in Canada of $242 thousand ($84 thousand gain in the second quarter)
    - Indonesia exploration expenses of $4 thousand (versus $0.8 million expense in the second quarter)
    - economic funds flow from Thailand operations 10% higher driven by an 8% increase in the realized crude oil price
- Pan Orient had capital expenditures of $1.5 million in the third quarter of 2016, with $0.8 million in Indonesia and $0.2 million in Canada at the Sawn Lake SAGD demonstration project of Andora. In addition, Pan Orientõs share of Thailand joint venture capital expenditures was $0.4 million, which was recorded in Investment in Thailand Joint Venture.
- At September 30, 2016 Pan Orient had $49.9 million of working capital and non-current deposits. Working capital and non-current deposits were comprised of $47.0 million cash, $4.3 million of non-current deposits, other receivables of $0.4 million and less Canadian taxes payable of $0.1 million and accounts payable of $1.6 million. There is $1.4 million of equipment inventory

at the Batu Gajah PSC in Indonesia for utilization in future drilling operations at the PSC. In addition, Pan Orient's Investment in Thailand Joint Venture includes $3.0 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.

- Pan Orient had outstanding capital commitments as at September 30, 2016 of $2.0 million in Indonesia associated with the Company's 49% participating interest in the East Jabung PSC. In Canada, capital commitments are $0.3 million with respect to contracted natural gas pipeline tie-in and tariff charges associated with the Sawn Lake SAGD demonstration project of Andora.

- Pan Orient renewed the normal course issuer bid in March 2016 and Pan Orient is authorized to purchase, for cancellation, up to 4,549,963 of its common shares during the period of March 28, 2016 to March 28, 2017. No common shares have been repurchased under the renewed normal course issuer bid.

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

  - Average oil sales of 236 BOPD during the third quarter of 2016 and generated $0.6 million in funds flow from operations, or $26.74 per barrel. This compares with 238 BOPD in the second quarter of 2016 and $24.73 per barrel in funds flow from operations (an 8% increase). The average realized sales price per barrel increased to $50.68 from $37.07 in the first quarter and $46.74 in the second quarter.

  - Per barrel amounts during the third quarter of 2016 were a realized price for oil sales of $50.68, transportation expenses of $1.52, operating expenses of $11.51, general and administrative expenses of $8.42 and a 5% royalty to the Thailand government of $2.49. Oil sales revenue during this period was allocated 42% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand for royalties, and 53% to the Thailand Joint Venture. No Thailand petroleum income taxes or Special Remuneratory Benefit tax was recorded during the quarter.

  - Oil sales in October 2016 at Concession L53, net to Pan Orient's 50.01% interest, were 303 BOPD.

- Capital expenditures in Indonesia of $0.8 million during the third quarter of 2016 comprised of $0.5 million at the East Jabung PSC accrued for the sub-surface portion of the 2012, 2013 and 2014 Land and Building Tax assessments and $0.3 million capitalized G&A expenses at the Batu Gajah PSC.

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

  - Capital expenditures for the Sawn Lake demonstration project during the third quarter of 2016 were $0.2 million and $1.8 million for the first nine months of 2016. Capital expenditures related to suspension of demonstration project operations at the end of February 2016, costs associated with filing the application for potential commercial expansion at the demonstration project site, capitalization of expenses and revenues of the demonstration project and capitalized G&A. Andora capitalized $1.0 million of demonstration project expenses less revenues in first nine months of 2016.

  - The demonstration project successfully captured the key data associated with its objectives, which was used to update the Sawn Lake reservoir model and prepare an updated contingent resources report. Production results to date are not necessarily indicative of long-term performance or of ultimate recovery and the Sawn Lake demonstration project has not yet proven that it is commercially viable.

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

OUTLOOK

INDONESIA

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

The current 10 year term of the Batu Gajah PSC expires on January 15, 2017 and the Company awaits the decision on a PSC extension application that was submitted in July 2016. Without the granting of a two year extension to the original ten year term of the PSC, it is not certain the Company will elect to proceed with the drilling of an appraisal well at the Akeh discovery, prior to the expiry of the PSC. A decision by the Government of Indonesia on the status of the application is expected prior to year-end.

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

At an East Jabung PSC joint venture partnersô meeting at the end of October the operator provided an update on the upcoming exploration drilling program at the Anggun prospect and presented the proposed 2017 Work Program and Budget. The operator has indicated that a topographic survey to the proposed first exploration drilling location has been completed and the procurement of all long lead time items was initiated in September. Construction of an approximately five kilometer access road and drilling pad is expected to start in December followed late in the first quarter of 2017 of the commencement of the drilling of an approximately 1,500 meter well called Ayu-1(the original Cantik-1 was renamed to Ayu-1 at the request of the Government of Indonesia). The updated timeline comes after a detailed analysis of the alternative options for the access to the location while maximizing the efficiency of the operations. The original plan considered the use of a 70 kilometer stretch of public road that has seriously degraded over the past three years and would have required substantial upgrading.

THAILAND

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

Oil production at onshore Concession L53 benefits from having a low cost structure, as demonstrated during the third quarter where the Brent reference price for crude oil averaged US$45.88 per barrel and the field netback was $35.16 per barrel and funds flow from operations was $26.74 per barrel.

The five well workover program completed in October has increased production from 192 BOPD in August to 303 BOPD in October. The ANE-A1 exploration well was drilled to a total measured depth of 1,260 meters and is currently rigging down after failing to encounter commercial hydrocarbons despite the presence of excellent quality sandstones within the main target intervals. The well was drilled at a substantially reduced cost relative to recent wells as a result of substantial reductions to drilling rig and services costs. There still remains significant exploration potential within Concession L53 and plans for future exploration drilling will be detailed to shareholders prior to year-end 2016.

CANADA

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

Pan Orient continues to move forward with steps which allow for future development at Sawn Lake. It is recognized that higher crude oil prices, and specifically higher Western Canada Select reference prices, will be required for future development.

An application for a potential expansion at the demonstration project site to 3,200 BOPD was submitted at the end of April 2016. It is expected that a reactivation of the demonstration project facility and wellpair would be considered as part of a potential commercial expansion to 3,200 BOPD. The expansion application requests the drilling of up to seven additional SAGD wellpairs which are tied into the existing demonstration project facility. The facility would be expanded to generate the additional necessary steam, and it is anticipated that additional steam generation would include the test installation of Andora's proprietary produced water boiler. Andora believes that its produced water boiler could achieve significant benefits for Sawn Lake SAGD field development. An expansion is dependent on regulatory approval, completion of detailed engineering and a higher commodity price environment to support project economics and financing.

Corporate

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

Oil Production and Revenue

Pan Orient holds a 50.01% equity interest in Pan Orient Energy (Siam) Ltd. which generates oil revenue from Concession L53 in Thailand. Pan Orient's 50.01% interest in Pan Orient Energy (Siam) Ltd. is accounted for under the equity method and all revenue from oil sales are included in the Company's share of net income or loss from its investment in the joint venture.

Oil sales from Concession L53 in Thailand, net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, averaged 236 BOPD during the three months ended September 30, 2016 compared to 238 BOPD during the second quarter of 2016 and 299 BOPD during the third quarter of 2015. Oil production was consistent between the second and third quarter of 2016 however decline against third quarter of 2015 due to natural declines from the Company's existing oil producing zones.

Oil sales revenue from Concession L53 net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, was $1.1 million for the three months ended September 30, 2016 compared to $1.0 million in the second quarter of 2016 and $1.6 million in the third quarter of 2015. Revenue in the third quarter of 2016 was 8% higher than in the second quarter of 2016 from higher realized prices. Oil revenue in the third quarter of 2016 was lower than the third quarter of 2015 due to lower production volume and a lower realized price per barrel. The realized price per barrel was $50.68 for the three months ended September 30, 2016 compared to $46.74 during the second quarter of 2016 and $56.61 during the third quarter of 2015.

Royalties

The Company pays royalties on oil revenue from Concession L53 in Thailand. Royalties in Thailand are paid to the Thai 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 third quarter of 2016 and was consistent with the prior quarters as the concession did not have production over 2,000 BOPD. The Company's share of royalty expense is included in its share of net income or loss from its investment in the joint venture.

Transportation Expense

The Company incurs transportation costs to truck oil produced from Concession L53 in Thailand to the refinery in Bangkok. The Company's share of transportation expense is included in its share of net income or loss from its investment in the joint venture. The Company is charged a contracted rate based on the number of tankers and trips required; and both factors are driven by production volumes. During the second and third quarters of 2016 the Company's transportation expense averaged $1.52 per barrel compared to $1.60 per barrel in third quarter of 2015. Transportation expense per barrel has fluctuated due to the costs of fuel required to truck the oil to the refinery in Bangkok.

Production and Operating Expense

The Company incurs production and operating costs related to oil produced at Concession L53 in Thailand. The Company's share of production and operating expense is included in its share of net income or loss from its investment in the joint venture. During the three months ended September 30, 2016 the Company's share of production and operating expense was $0.3 million ($11.51 per barrel) compared to $0.2 million ($10.06 per barrel) in the second quarter of 2016 and $0.4 million ($13.09 per barrel) in the third quarter of 2015. Production and operating expense during the third quarter of 2016 was higher than second quarter of 2016 due to higher repair and maintenance costs, but was lower than the third quarter of 2015 due to cost saving initiatives and reduced cost of trucking and hauling, field personnel, fuel expense and equipment rentals.

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

As the Company's Canadian and Indonesian assets are in the pre-production phase, depletion is not calculated for these cost centres. Depreciation expense is recorded on the Company's office equipment in Canada and Indonesia.

Pan Orient Energy (Siam) Ltd., which the Company holds a 50.01% equity interest, records depletion on a per barrel basis and is included in the Company's share of net income or loss from its investment in the joint venture. For the three months ended September 30, 2016 $1.3 million of DD&A was included in the Company's share of net income or loss from its investment the joint venture compared to $1.2 million in the second quarter of 2016 and $1.9 million in the third quarter of 2015. The DD&A between the second and third quarter 2016 was relatively consistent but decreased against the third quarter of 2015 due to a lower depletable cost base and lower oil production volumes.

($thousands)	Three Months ended September 30 **2016**	2015	Nine Months ended September 30 **2016**	2015
Depletion of Thailand PP&E [(1)]	**-**	-	**-**	936
Depreciation and amortization of office equipment	**14**	43	**46**	113
DD&A expense recorded in financial statements	**14**	43	**46**	1,049
Share of DD&A from Joint Venture	**1,273**	1,914	**3,994**	4,445
Total DD&A attributable to Pan Orient, including 50.01% share of Joint Venture	**1,287**	1,957	**4,040**	5,494
Total DD&A per barrel attributable to the economic interests of Pan Orient (including 50% interest in Thailand Joint Venture)	**$59.24**	$71.15	**$59.55**	$69.08

(1) Thailand depletion expense from January 1 to February 1, 2015

Taxes

($thousands)	Three Months ended September 30 **2016**	2015	Nine Months ended September 30 **2016**	2015
Current tax expense (recovery)	**(132)**	-	**279**	456
Deferred tax expense (recovery)	**119**	(671)	**(1,030)**	189
Total tax expense (recovery)	**(13)**	(671)	**(751)**	645

During the nine months ended September 30, 2016, the Company recorded current tax expense of $0.3 million relating to foreign exchange gains realized on converting USD dollars to Canadian dollars during the period. During the same period, $1.0 million of deferred tax recovery was recorded relating to unrealized foreign exchange on the Companyõs US dollar cash balance held in Canada.

During the nine months ended September 30, 2016 the Company received $12.4 million of taxes receivable. The tax refund was resulted from tax losses incurred during 2013, 2014 and 2015 and carried back to reduce taxable gains in 2012.

All taxes receivable, payable, expense and recovery are calculated based on managementõs 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

($thousands)	Three months ended September 30 **2016**	2015	Nine months ended September 30 **2016**	2015
Thailand (excluding Thailand Joint Venture) [(1)]	**13**	12	**27**	234
Indonesia	**412**	1,158	**1,480**	2,807
Canada	**638**	430	**1,889**	1,969
Total G&A, net of overhead recoveries[(2)]	**1,063**	1,600	**3,396**	5,010
Allocated to capital projects[(3)]	**(342)**	(739)	**(1,297)**	(1,744)
Cash G&A	**721**	861	**2,099**	3,266
Accretion expenses	**5**	6	**14**	22
Consolidated G&A expense	**726**	867	**2,113**	3,288
G&A from Thailand joint venture	**170**	164	**527**	478
Accretion from Thailand joint venture	**6**	8	**17**	21
Total G&A attributable to the economic interests of Pan Orient (including 50% interest in Thailand Joint Venture)	**902**	1,039	**2,657**	3,787
Cash G&A ï per barrel	**$ 33.19**	$ 31.30	**$ 30.94**	$ 41.07
Total G&A ï per barrel	**$ 41.52**	$ 37.77	**$ 39.17**	$ 47.62

(1) The nominal amount of G&A expenses shown in 2016 relates to the holding company of Pan Orient Energy (Siam) Ltd. which is not part of the Thailand Joint Venture.

(2) Overhead recoveries represent the portion of Pan Orient’s G&A expenses charged through Andora’s joint venture operated by the Company to working interest partners and capital projects. Overhead recoveries were $12 thousand and $163 thousand for the three months ended September 30, 2016 and 2015, respectively.

(3) Capitalized G&A allocated to capital projects represents compensation and other directly attributable costs associated with property acquisition, and exploration and development activities. Capitalized G&A relates to exploration and development activities at Concession

L53 in Thailand, the Indonesia PSCs and the Company's heavy oil demonstration project in Canada. Amounts capitalized reflect the nature of the Company's capital activities and are reassessed at each reporting period.

Total G&A, net of recoveries, was lower in the third quarter of 2016 than in 2015 due to several cost saving initiatives undertaken in all three countries with lower expenses for personnel and office rent.

Net Loss from Joint Venture

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

Losses from Joint Venture	**Three months ended September 30**				**Nine months ended September 30**			
Pan Orient Energy (Siam) Ltd.	**2016**		2015		**2016**		2015	
(Net to Pan Orient 50.01% equity interest)	**$000s**	**$ per bbl**	$000s	$ per bbl	**$000s**	**$ per bbl**	$000s	$ per bbl
Crude oil sales	**1,101**	**50.68**	1,557	56.61	**3,020**	**44.52**	4,122	63.89
Government royalty	**(54)**	**(2.49)**	(77)	(2.80)	**(149)**	**(2.20)**	(204)	(3.16)
Transportation expense	**(33)**	**(1.52)**	(44)	(1.60)	**(102)**	**(1.50)**	(106)	(1.64)
Operating expense	**(250)**	**(11.51)**	(360)	(13.09)	**(768)**	**(11.32)**	(998)	(15.47)
Field netback	**764**	**35.16**	1,076	39.12	**2,001**	**29.50**	2,814	43.62
General and administrative	**(170)**	**(7.83)**	(164)	(5.96)	**(527)**	**(7.77)**	(478)	(7.41)
Foreign exchange loss	**-**	**-**	(33)	(1.20)	**-**	**-**	(33)	(0.51)
Income tax	**-**	**-**	-	-	**(1)**	**(0.01)**	-	-
Interest income	**-**	**-**	1	0.04	**6**	**0.09**	6	0.09
Funds flow from operations	**594**	**27.33**	880	31.99	**1,479**	**21.81**	2,309	35.79
Depletion, depreciation and amortization	**(1,200)**	**(55.24)**	(1,914)	(69.58)	**(3,767)**	**(55.53)**	(4,445)	(68.90)
Accretion	**(6)**	**(0.28)**	(8)	(0.29)	**(17)**	**(0.25)**	(21)	(0.33)
Deferred tax recovery	**320**	**14.73**	561	20.40	**1,216**	**17.93**	1,093	16.94
Net loss	**(292)**	**(13.46)**	(481)	(17.49)	**(1,089)**	**(16.04)**	(1,064)	(16.49)
Amortization of fair value adjustment	**(73)**	**(3.36)**	-	-	**(227)**	**(3.35)**	-	-
Net loss from Joint Venture	**(365)**	**(16.82)**	(481)	(17.49)	**(1,316)**	**(19.39)**	(1,064)	(16.49)

Note: Tables may not add due to rounding

In the third quarter of 2016, the Company recorded a net loss from its Investment in Joint Venture of $0.4 million which was consistent with the net loss recorded during the second quarter of 2016 of $0.4 million. The net loss during the third quarter of 2016 was lower than the third quarter of 2015 due to lower operating costs per barrel in 2016 and lower DD&A charges per barrel in 2016.

Capital Invested

	Three months ended September 30				**Nine months ended September 30**			
	2016		2015		**2016**		2015	
Capital expenditures [(1)]	**$000s**	**Net wells drilled**	$000s	Net wells drilled	**$000s**	**Net wells drilled**	$000s	Net wells drilled
Thailand (to February 1, 2015) [(2)]	**-**	**-**	-	-	**-**	**-**	60	-
Indonesia [(3)]	**763**	**-**	7,175	0.8	**1,670**	**-**	8,728	0.8
Canada	**248**	**-**	899	-	**1,804**	**-**	3,966	-
Consolidated capital expenditures	**1,011**		8,074	0.8	**3,474**	**-**	12,754	0.8
Share of join venture capital expenditures [(2)]	**448**	**-**	125	-	**482**	**-**	3,705	1.5
Total capital expenditures attributable to the economic interest of Pan Orient (including 50% interest in Thailand Joint Venture)	**1,459**	**-**	8,199	0.8	**3,956**	**-**	16,459	2.3

(1) Excluding foreign exchange and decommissioning provision.

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

(3) Amounts recorded in the MD&A and financial statements for capital expenditures related to the Indonesia PSCs include the amount paid by Pan Orient on behalf of the carried interest partners. If commercial production is established for a PSC, the amounts previously paid by Pan Orient on behalf of the carried interest partners will be recoverable through the partner's share of crude oil or natural gas produced from that PSC.

Thailand
The Company's share of capital expenditures from the Thailand joint venture for the nine months ended September 30, 2016 is related to retaining costs for a service rig, workovers and capitalized G&A.

Indonesia
Capital expenditures in Indonesia for the nine months ended September 30, 2016 were $1.7 million and consisted primary of 0.5 million at the East Jabung PSC accrued for the sub-surface portion of the 2012, 2013 and 2014 Land and Building Tax assessments which have been appealed by Pan Orient to the Indonesian Tax Court, capitalized G&A and accrued property taxes related to the East Jabung PSC.

Canada
Capital expenditures in Canada for the nine months ended September 30, 2016 of $1.8 million related to suspension of the demonstration project operations at the end of February 2016, costs associated with filing the application for potential commercial expansion at the demonstration project site, capitalization of expenses and revenues of the demonstration project and capitalized G&A. Andora capitalized $1.0 million of demonstration project expenses less revenues during the nine months ended September 30, 2016.

Liquidity and Capital Resources

Pan Orient's capital program, including the 50.01% share of the Thailand joint venture, was $4.0 million for the nine months ended September 30, 2016 and was financed from existing working capital. At September 30, 2016 the Company's working capital plus non-current deposits was $49.9 million and the Company had estimated outstanding capital commitments of $2.3 million. In Indonesia, the Company has $1.4 million of equipment inventory to be utilized for future operations of the Batu Gajah PSC. In addition to Pan Orient's consolidated working capital and non-current deposits, its investment in the Thailand Joint Venture includes $3.0 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 September 30, 2016 Pan Orient's consolidated cash and cash equivalents were held in the jurisdictions where the Company operates as follows:

($thousands)	September 30, 2016	December 31, 2015
Cash and cash equivalents held in Canada	46,495	65,353
Cash and cash equivalents held in Indonesia	465	817
Consolidated cash and cash equivalents	46,960	66,170

Working capital and non-current deposits totaled $49.9 million at September 30, 2016 compared to $66.2 million at December 31, 2015. On February 16, 2016, the Company made a special distribution and returned $22.0 million ($0.40 per common share) to shareholders. This return of capital reduced the Company's cash and cash equivalents by $22.0 million offset by $12.4 million of taxes recovered.

Non-current deposits of $4.3 million at September 30, 2016 consisted of a $4.0 million refundable deposit related to the disputed land and building tax assessed to the East Jabung PSC in Indonesia (refer to Contingency discussion below) and $0.3 million deposited with the Alberta energy regulator in Canada..

Share Capital

Outstanding (thousands)	November 15, 2016	September 30	December 31, 2015
Common shares	54,885	54,885	54,885
Stock options	4,991	4,991	5,166
Total	59,876	59,876	60,051

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

Foreign Exchange

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

	2016			2015				2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Rate at end of period								
Thai baht / Cdn $ exchange	26.01	26.81	26.78	25.73	26.76	26.84	25.33	28.00
Cdn $ / US $ exchange	1.31	1.30	1.30	1.39	1.34	1.25	1.27	1.16

The Company holds U.S. dollars within Canada to meet U.S. dollar cash requirements of its foreign operations. During the first nine months of 2016 the Company realized a foreign exchange gain of $2.6 million when it converted a portion of its U.S. dollar cash balance into Canadian dollars. The realized foreign exchange gain was offset by a $3.5 million unrealized foreign exchange loss resulting from revaluing the Company's remaining cash held in U.S. dollars and the weakening of the U.S. dollar against the Canadian dollar. At September 30, 2016 the Company held USD$22.9 million U.S. dollars as cash and cash equivalents.

Thailand 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"). For the nine months ended September 30, 2016, the U.S. dollar and Thai Baht depreciated against the Canadian dollar resulting in a foreign currency translation loss on the Company's foreign operations.

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

	Three months ended September 30		Nine months ended September 30	
($thousands)	**2016**	2015	**2016**	2015
AOCI, beginning of period	**19,090**	14,831	**27,625**	14,180
Unrealized foreign currency translation gain (loss)	**1,832**	7,775	**(5,600)**	18,274
Other comprehensive gain (loss) from joint venture	**779**	70	**(324)**	(1,292)
Disposition of Thailand interest	**-**	-	**-**	(8,486)
AOCI, end of period	**21,701**	22,676	**21,701**	22,676

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

	Three months ended September 30		Nine months ended September 30	
($thousands)	**2016**	2015	**2016**	2015
Foreign currency translation gain related to Thailand	**-**	-	**-**	4,975
Foreign currency translation gain (loss) related to Indonesia	**1,832**	7,775	**(5,600)**	13,299
Other comprehensive gain (loss) from joint venture	**779**	70	**(324)**	(1,292)
Disposition of Thailand interest	**-**	-	**-**	(8,486)
Total change in AOCI	**2,611**	7,845	**(5,924)**	8,496

Contingencies

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.

The Tax Directorate General of Indonesia assessed several oil and gas companies operating in Indonesia for 2012, 2013 and 2014 Land and Building Tax using a new framework which is being challenged by the impacted oil and gas companies in Indonesia. Pan Orient was issued a Tax Assessment and Notification for the East Jabung PSC for 78,705 million Indonesian rupiah or $8.0 million when translated at the September 30, 2016 exchange rate. The Land and Building Tax assessments related to sub-surface assessments for 2012, 2013 and 2014 and a surface assessment for 2013. The potential accrued penalty for the unpaid tax to the end of the period was an additional $2.8 million. Of the total amount for the assessed Land and Building Tax and penalty of $10.8 million, $10.1 million is associated with the 2013 assessment on the Company's offshore acreage which the Company applied to voluntarily relinquish in the fourth quarter of 2013 and the relinquishment was finalized in 2014.

Pan Orient lodged an Objection with the Indonesian Tax Office in respect of the Land and Building Tax for the East Jabung PSC. The Indonesia Tax Office rejected the Company's Objection. 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 and, as required by Indonesian law to file an appeal with the Indonesian Tax Court, paid a refundable deposit of $4.0 million, which is equal to 50% of the tax being disputed.

With respect to the 2013 surface tax assessment on the Company's offshore acreage of $10.1 million including accrued penalties, management believes that the Company has a strong technical position against the taxes assessed and has not recorded any provision in the consolidated financial statements.

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

In the event the Company loses its appeal for the surface or sub-surface tax assessments, it has the option to further appeal to a higher court level which may take three years to deliver a verdict. Regardless of the Company's decision to appeal to a higher court, in the event that it loses at the Tax Court stage it will be required to pay the total taxes less the already paid 50% deposit. The Company would also be required to pay an additional penalty up to a maximum of $2.9 million should it lose the appeal. If the Company then succeeds in its appeal to a higher court it will be entitled to a refund of all taxes and penalties paid after the Tax Court decision.

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

Summary of Quarterly Results

	2016			2015				2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Financial ($thousands) except as indicated (1)(2)								
Oil revenue (2)	**-**	-	-	-	-	-	809	3,708
Interest revenue	**51**	30	46	32	31	39	48	59
Cash flow from (used in) operating activity	**6,379**	2,356	(197)	80	4,093	(2,224)	(510)	(302)
Cash flow from Farmout of East Jabung PSC	**-**	-	-	-	-	9,764	-	-
Cash flow from 2015 Thailand disposition net proceeds (2)	**-**	-	-	-	-	-	46,947	-
Cash flow used in – 2012 Thailand disposition net proceeds (3)	**-**	-	-	-	-	-	-	(152)
Total assets	**273,737**	271,317	276,094	310,296	309,326	296,528	305,796	289,670
Working capital & non-current deposits	**49,945**	51,082	53,151	79,160	81,128	86,909	84,955	40,854
Shares outstanding (thousands)	**54,885**	54,885	54,885	54,885	54,885	55,430	56,617	56,760
Net income (loss)(4)	**(876)**	(1,591)	(2,221)	(3,980)	2,341	(3,248)	33,940	(1,793)
Per share basic ($)	**(0.02)**	(0.03)	(0.04)	(0.07)	0.04	(0.06)	0.60	(0.03)
Per share diluted ($)	**(0.02)**	(0.03)	(0.04)	(0.07)	0.04	(0.06)	0.60	(0.03)
Operations ($thousands), including share of Thailand Joint Venture								
Oil sales (BOPD) net to Pan Orient (5)	**236**	238	269	421	299	262	313	512
Funds flow from (used in) operations (6)	**299**	(783)	(2,066)	1,837	3,420	(941)	360	543
Funds flow – 2015 Thailand disposition net proceeds (2)			-	-	-	-	48,877	-
Capital expenditures(7) ($thousands)	**1,459**	844	1,653	4,538	8,199	3,871	4,389	4,254
Funds flow from (used in) operations ($/bbl) (6)								
Realized crude oil price	**50.68**	46.74	37.07	49.61	56.61	70.32	60.23	78.70
Royalties	**(2.49)**	(2.31)	(1.84)	(2.43)	(2.80)	(3.52)	(2.87)	(3.86)
Transportation & operating	**(13.03)**	(11.58)	(13.75)	(11.02)	(14.69)	(19.29)	(18.49)	(21.31)
Field Netback - Thailand	**35.16**	32.85	21.48	36.16	39.12	47.51	38.87	53.53
General and administrative(8)	**(41.01)**	(41.85)	(33.88)	(29.32)	(37.26)	(57.61)	(47.74)	(34.45)
Exploration(9)	**(0.18)**	(37.56)	(4.66)	(1.50)	(4.07)	(5.58)	(5.71)	(8.62)
Interest income	**2.35**	1.62	1.92	0.88	1.16	1.80	1.74	1.25
Foreign exchange gain (loss)	**11.37**	1.02	(45.62)	40.17	125.39	(6.46)	25.63	(0.17)
Current income tax recovery (expense)	**6.08**	7.80	(23.77)	1.03	-	(19.12)	0.00	(0.02)
Funds flow from (used in) operations	**13.77**	(36.12)	(84.53)	47.42	124.34	(39.46)	12.79	11.52

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

(2) *On February 2, 2015 the Company sold a 49.99% equity interest in its subsidiary Pan Orient Energy (Siam) Ltd. and retained a 50.01% equity interest in the company. Pan Orient Energy (Siam) Ltd. holds a 100% working interest in Concession L53 in Thailand. The transaction resulted in Pan Orient Energy (Siam) Ltd. changing from a wholly-owned and controlled subsidiary to a joint arrangement where the Company shares joint control with the purchaser of the 49.99% equity interest. The resulting joint arrangement is classified as a Joint Venture under IFRS 11 and is required to be accounted for using the equity method of accounting rather than consolidated as it had previously been when Pan Orient Energy (Siam) Ltd. was a controlled subsidiary. Pan Orient's 50.01% equity interest in the assets, liabilities, working capital, operations and capital expenditures of Pan Orient Energy (Siam) Ltd. from February 2, 2015 forward are recorded in Investment in Thailand Joint Venture.*

(3) *Related to the final adjustments of the sale of Thailand Concessions SW1, L44 and L33 in 2012.*

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

(5) *Oil sales (BOPD) net to Pan Orient including the 50.01% interest in the Thailand Joint Venture from February 2, 2015 onwards.*

(6) *Funds flow from (used in) operations is cash flow from operating activities prior to changes in non-cash working capital, reclamation costs and including the corresponding amount from the Thailand operations which is recorded in Investment in Joint Venture for financial statement purposes. This measure is used by management to analyze operating performance and leverage. Funds flow as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures of other entities. Funds flow is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. Including the 50.01% interest in the Thailand Joint Venture from February 2, 2015 onwards.*

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

(8) *General and administrative costs excluding accretion expense and gain on settlement of decommissioning provision.*

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

Q4 2014 – Corporate funds flow from operations was $0.5 million. Funds flow from operations in Thailand was $1.4 million with average daily oil sales of 512 BOPD from Concession L53, representing $30.72 on a per barrel basis. Net loss attributable to common shareholders was $1.8 million ($0.03 per share) for the quarter. The Company had capital expenditures in the quarter of $4.3 million with $0.9 million in Thailand, $0.7 million in Indonesia and $2.7 million spent in Canada associated with the SAGD demonstration project of Andora at Sawn Lake, Alberta. At December 31, 2014 working capital plus non-current deposits was $40.9 million and the Company had no long-term debt.

Q1 2015 – Corporate funds flow from operations was $0.4 million. Funds flow from operations in Thailand was $0.8 million with average daily oil sales of 313 BOPD from Concession L53, representing $27.51 on a per barrel basis. Pan Orient completed the sale on February 2, 2015 of a 50.01% equity interest in Thailand subsidiary for estimated net proceeds to Pan Orient, after closing adjustments and costs, of $52.0 million, including a working capital adjustment of $3.1 million. The transaction resulted in Pan Orient Energy (Siam) Ltd. changing from a wholly-owned and controlled subsidiary to a joint arrangement where the Company shares joint control with the purchaser of the 49.99% equity interest. The resulting joint arrangement is classified as a Joint Venture under IFRS 11 and is required to be accounted for using the equity method of accounting rather than consolidated as it had previously been when Pan Orient Energy (Siam) Ltd. was a controlled subsidiary. Net income attributable to common shareholders was $33.9 million ($0.60 per share) for the quarter resulting primarily from the gain on the disposition of the Thailand interest. The Company had capital expenditures during the quarter of $4.4 million with $2.6 million in Thailand, including Pan Orient's share of Thailand joint venture capital expenditures, $0.4 million in Indonesia, $1.4 million spent in Canada associated with the SAGD demonstration project of Andora at Sawn Lake, Alberta. At March 31, 2015, working capital plus non-current deposits was $85.0 million and the Company had no long-term debt.

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

Q3 2015 – Corporate funds flow from operations was $3.4 million. Funds flow from operations in Thailand was $0.9 million with average daily oil sales of 299 BOPD from Concession L53, representing $31.56 on a per barrel basis. Net income attributable to common shareholders was $2.3 million ($0.04 per share) for the quarter resulting primarily from a foreign exchange gain on cash held in U.S. dollars. The Company had capital expenditures during the quarter of $8.2 million, including Pan Orient's share of Thailand joint venture capital expenditures, with $0.1 million in Thailand, $7.2 million in Indonesia related to the Akeh-1 exploration well, and $0.9 million in Canada associated with the SAGD demonstration project of Andora at Sawn Lake, Alberta. At September 30, 2015, working capital plus non-current deposits was $81.1 million and no long-term debt.

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

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

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

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

Additional Information

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