PAN ORIENT ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

November 14, 2017

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of the operating and financial results of Pan Orient Energy Corp. ("Pan Orient" or the "Company") is prepared effective November 14, 2017 and should be read in conjunction with the unaudited consolidated financial statements and notes thereto for the nine months ended September 30, 2017 and the audited consolidated financial statements and notes thereto and MD&A for the year ended December 31, 2016. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

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

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

Please note that all amounts are in Canadian dollars unless otherwise stated, translation of items denominated in foreign currencies as at September 30, 2017 into Canadian dollars using September 30, 2017 exchange rates, represent the net amount to Pan Orient's interests unless otherwise stated, and BOPD refers to barrels of oil per day.

Forward-Looking Statements

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 and gas concessions and production sharing contracts; other regulatory approvals; well drilling programs and drilling plans; estimates of reserves and potentially recoverable resources, information on future production and project start-ups, and status of farmout and other transactions; potential purchases of common shares under the normal course issuer bid; and sufficiency of financial resources. By their very nature, the forward-looking statements contained in this MD&A require Pan Orient and its management to make assumptions that may not materialize or that may not be accurate. The forward-looking information contained in this MD&A is subject to known and unknown risks and uncertainties and other factors, which could cause actual results, expectations, achievements or performance to differ materially, including without limitation: imprecision of reserves estimates and estimates of recoverable quantities of oil, changes in project schedules, operating and reservoir performance, the effects of weather and climate change, the results of exploration and development drilling and related activities, changes in demand for oil and gas, the results of commercial negotiations, the timing and outcome of applications for government approvals, other technical and economic factors or revisions and other factors, many of which are beyond the control of Pan Orient. Although Pan Orient believes that the expectations reflected in its forward-looking statements are reasonable, it can give no assurances that the expectations of any forward-looking statements will prove to be correct.

The Company 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 14, 2017 and are subject to change after this date. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive and as such undue reliance should not be placed on forward-looking statements. Except as required by applicable securities laws, with the exception of events or circumstances that occurred during the period to which the MD&A relates that are reasonably likely to cause actual results to differ materially from material forward-looking information that was previously disclosed to the public, the Company disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Non-IFRS Measures

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

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

The Company’s 50.01% equity interest in Pan Orient Energy (Siam) Ltd. is accounted for under the equity method as an Investment in a Joint Venture. Funds flow from Investment in Joint Venture is the Company’s net interest of the cash generated from operating activities from continuing operations before changes in non-cash working capital from Pan Orient Energy (Siam) Ltd.

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

	Three months ended September 30		**Nine months ended September 30**	
($thousands)	**2017**	2016	**2017**	2016
Cash flow from (used in) operating activities	**447**	6,379	**(1,911)**	8,538
Changes in non-cash working capital	**(1,033)**	(6,674)	**(527)**	(12,567)
Decommissioning expenditures	**-**	-	**457**	-
Unrealized foreign exchange loss	**(1,044)**	-	**(2,002)**	-
Share of funds flow from Investment in Joint Venture	**868**	594	**2,800**	1,479
Total corporate funds flow from (used in) operations	**(762)**	299	**(1,183)**	(2,550)

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

The term “field netback” is a non-IFRS measure that does not have a standardized meaning prescribed by IFRS. Pan Orient believes the term provides useful information to investors. “Field netback” is calculated by subtracting royalty, transportation and operating expenses from revenues.

Petroleum and Natural Gas Properties

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

Thailand

<u>Concession L53</u>

At September 30, 2017, the Company held a 50.01% equity interest in Pan Orient Energy (Siam) Ltd. which is the operator of and holds a 100% working interest in Concession L53/48 ("Concession L53") in Thailand. Concession L53 is partially developed, has oil production and an active exploration and development program.

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

Pan Orient Energy (Siam) Ltd. holds a 100% interest in Thailand Concession L53, which has oil production, development and exploration operations. Concession L53 is located approximately 60 kilometers west of Bangkok and consists of 22.22 square kilometers associated with the L53-A, L53-B, L53-D and L53-G fields that are held through production licenses (with a 20 year primary term ending from 2030 to 2037 plus an additional 10 year renewal period that can be applied for) and a 215.87 square kilometer reserved area of exploration lands for a period of up to five years with the payment of a surface reservation fee, which is reimbursable through work program expenditures. The reserved area of 215.87 square kilometers, reduced from the 955.74 square kilometers of exploration lands at January 7, 2016, encompasses all of the remaining prospects defined within Concession L53 and is based on full coverage 3D seismic data. The reserved areas will expire in January 2021 after which only the production license areas will be retained. Crude oil revenue at Concession L53 is from sale of oil production to a refinery owned by the Thai National Oil Company.

The December 31, 2016 independent reserves evaluation for Thailand on-shore Concession L53 was prepared for Pan Orient Energy (Siam) Ltd., which is the operator and has a 100% working interest. The evaluation was conducted by Sproule International and was prepared in accordance with Canadian Securities Administrators National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities. Pan Orient has a 50.01% ownership interest in Pan Orient Energy (Siam) Ltd., but does not have any direct interest in, or control over, the crude oil reserves or operations of on-shore Concession L53. The values at December 31, 2016 identified as "Net to Pan Orient's 50.01% Equity Interest in Pan Orient Energy (Siam) Ltd." represent 50.01% of Pan Orient Energy (Siam) Ltd. reserves and values. Net to Pan Orient's 50.01% equity interest in Pan Orient Energy (Siam) Ltd., proved plus probable crude oil reserves were 570,000 barrels at December 31, 2016 from conventional sandstone reservoirs.

Indonesia

At September 30, 2017, the Company owned a 49% non-operated working interest in the East Jabung PSC. There were no reserves assigned to the PSC at September 30, 2017. The Batu Gajah PSC, where the Company held a 77% operated working interest, expired on January 15, 2017 and as a result, the Company recorded in the fourth quarter of 2016 a $102.3 million impairment charge of Batu Gajah Exploration and Evaluation assets. The impairment charge was partially offset by a $22.6 million associated reduction in accumulated other comprehensive income related to foreign currency translation, resulting in a net impairment expense of $79.7 million.

<u>East Jabung PSC</u>

Pan Orient holds a 49% non-operated interest in the East Jabung PSC. The East Jabung PSC is located onshore Sumatra and consists of approximately 2,948 square kilometers at December 31, 2106. Pan Orient was awarded the 6,227.72 square kilometers East Jabung PSC in 2011 and relinquished the approximately 3,280 square kilometers of the East Jabung PSC's offshore area in 2013, and this relinquishment was finalized with the Government of Indonesia in October 2014. A 440 kilometer 2D seismic program was completed in 2014. On June 1, 2015 Pan Orient completed a farm-out of a 51% participating interest and operatorship of the East Jabung PSC to a subsidiary of Repsol S.A. Pan Orient received an upfront cash payment of USD$8 million, a firm commitment by the farminee to fund the first USD$10 million towards the first exploration well and a contingent commitment to fund the first USD$5 million towards an appraisal well, if justified.

During the third quarter of 2017, two gross exploration wells (one net well to Pan Orient) at AYU-1X and ELOK-1X were drilled and the Company was notified by the operator that the drilling of these wells has satisfied the East Jabung PSC firm well commitment of two exploration wells to be drilled prior to the expiry of the first six year exploration phase. The initial six year exploration phase of the East Jabung PSC has been extended by the Government of Indonesia to January 20, 2019 with Lost Time Replacement.

Canada

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

The Sawn Lake property is in a pre-commercial stage and the commercial viability of the SAGD recovery process at Sawn Lake has not yet been established. No proved or probable reserves were assigned at December 31, 2016.

A SAGD demonstration project at Sawn Lake commenced in 2013 and is located in the Central Block of Sawn Lake where Andora is the operator and holds a 50% working interest. The demonstration project consisted of one SAGD well pair drilled to a depth of 650 meters and a horizontal length of 780 meters and the SAGD facility for steam generation, water handling and bitumen treating. Steam injection commenced in May 2014 and produced bitumen from September 2014 to February 2016. The demonstration project successfully captured the key data associated with the objectives of the demonstration project and operations were suspended at the end of February 2016. The demonstration project has proven that the SAGD process works in the Bluesky formation at Sawn Lake, established characteristics of ramp up through stabilization of SAGD performance, indicated the productive capability, instantaneous steam-oil ratio (ñISORò), and provided critical information required for well and facility design associated with future commercial development. Production results to date are not necessarily indicative of long-term performance or of ultimate recovery and the Sawn Lake demonstration project has not yet proven that it is commercially viable.

The results of the demonstration project were used to update the reservoir model and used as an input in preparing the Update of the Evaluation of the Contingent Bitumen Resources in the Sawn Lake Area of Alberta of Andora Energy Corporation as of June 30, 2016 (ñSproule Contingent Bitumen Resources Reportò), which is a National Instrument 51-101 compliant resources evaluation for Andoraøs oil sands interests at Sawn Lake Alberta, Canada, as evaluated by Sproule Unconventional Limited. The evaluation assigned an 85% chance of development for Sawn Lake, or a 15% development risk, and the risked ñBest Estimateò contingent resources for Andora were 196.9 million barrels of bitumen recoverable (141.4 million barrels net to Pan Orientøs 71.8% equity interest in Andora). Andoraøs unrisked ñBest Estimateò contingent resources were 231.6 million barrels (166.3 million net to Pan Orientøs 71.8% equity interest in Andora) of recoverable bitumen as at June 30, 2016. The June 30, 2016 Contingent Resources Report by Sproule represents an update of a December 31, 2014 Contingent Resources Report also by Sproule. The June 30, 2016 report was updated for results of the Sawn Lake demonstration project, the June 30, 2016 price forecasts for crude oil, bitumen, natural gas and exchange rates, and a revised date of 2020 for the estimated commencement of commercial production. There was no change to the geology or the industry standard development strategy.

An application for a potential expansion at the demonstration project site to approximately 3200 BOPD was submitted at the end of April 2016 and regulatory approval is expected by mid-2018. The potential commercial expansion would include a reactivation of the demonstration project facility and wellpair. 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 Andoraøs proprietary produced water boiler. Andora believes that its produced water boiler could achieve significant benefits for Sawn Lake SAGD field development. Any potential reactivation of the facility and expansion is dependent on regulatory approval, completion of detailed engineering and a higher commodity price environment to support project economics and financing.

Summarized financial information with respect to Andora is as follows:

Andora Energy Corporation	**As at and for the Three months ended September 30**		**As at and for the Nine months ended September 30**	
($thousands)	**2017**	2016	**2017**	2016
Total assets	**84,086**	84,337	**84,086**	84,337
Total liabilities	**8,603**	8,684	**8,603**	8,684
Funds flow from (used in) operations	**(193)**	(71)	**10**	(144)
Net income (loss)	**(371)**	(66)	**6**	(147)

Financial and Operating Summary	Three Months Ended September 30,		Nine Months Ended September 30,		% Change
(thousands of Canadian dollars except where indicated)	**2017**	2016	**2017**	2016	
FINANCIAL					
Financial Statement Results – Excluding 50% Interest in Thailand Joint Venture (Note 1)					
Net loss attributed to common shareholders	**(1,816)**	(876)	**(4,554)**	(4,688)	-3%
Per share ï basic and diluted	**$ (0.03)**	$ (0.02)	**$ (0.08)**	$ (0.09)	-8%
Cash flow from (used in) operating activities (Note 2)	**447**	6,379	**(1,911)**	8,538	-122%
Per share ï basic and diluted	**$ 0.01**	$ 0.12	**$ (0.03)**	$ 0.16	-122%
Cash flow used in investing activities (Note 2)	**(1,377)**	(720)	**(2,820)**	(5,799)	-51%
Per share ï basic and diluted	**$ (0.03)**	$ (0.01)	**$ (0.05)**	$ (0.11)	-53%
Working capital	**39,709**	45,642	**39,709**	45,642	-13%
Working capital & non-current deposits	**40,416**	49,945	**40,416**	49,945	-19%
Long-term debt	**-**	-	**-**	-	0%
Shares outstanding (thousands)	**54,900**	54,885	**54,900**	54,885	0%
Capital Commitments (Note 3)	**2,012**	2,306	**2,012**	2,306	-13%
Contingencies (Note 4)					
Working Capital and Non-current Deposits					
Beginning of period	**45,908**	51,082	**49,818**	79,160	-37%
Fund flow used in operations (excluding Thailand Joint Venture)	**(1,630)**	(295)	**(3,983)**	(4,029)	-1%
Special Distribution (Note 6)	**-**	-	**-**	(21,954)	-100%
Issue of common shares	**-**	-	**22**	-	100%
Consolidated capital expenditures (Note 7)	**(3,715)**	(1,011)	**(4,999)**	(3,474)	44%
Disposal of petroleum and natural gas assets (Note 8)	**-**	-	**133**	132	5%
Amounts advanced from Thailand Joint Venture	**58**	65	**138**	105	27%
Settlement of decommissioning liabilities	**-**	-	**(457)**	-	100%
Effect of foreign exchange	**(205)**	104	**(256)**	5	
End of period	**40,416**	49,945	**40,416**	49,945	-19%
Economic Results – Including 50% Interest in Thailand Joint Venture (Note 9)					
Total corporate funds from (flow used) in operations (Note 5)	**(762)**	299	**(1,183)**	(2,550)	-54%
Per share ï basic and diluted	**$ (0.01)**	$ 0.01	**$ (0.02)**	$ (0.05)	-58%
Total corporate funds flow used in operations by region (Note 5)					
Canada (Note 10)	**(1,467)**	(140)	**(3,243)**	(2,679)	21%
Thailand (Note 1 & 11)	**(2)**	(13)	**(24)**	(27)	-11%
Indonesia	**(161)**	(142)	**(716)**	(1,323)	-46%
Funds flow used in operations (excluding Thailand Joint Venture)	**(1,630)**	(295)	**(3,983)**	(4,029)	-1%
Share of Thailand Joint Venture (Note 9)	**868**	594	**2,800**	1,479	89%
Total corporate funds flow from (used in) operations	**(762)**	299	**(1,183)**	(2,550)	-54%
Petroleum and natural gas properties					
Capital expenditures (Note 7)	**3,981**	1,459	**5,815**	3,956	47%
Disposition (Note 8)	**-**	-	**(133)**	(105)	27%
Capital Expenditures (Note 7)					
Canada (Note 10)	**447**	248	**921**	1,804	-49%
Indonesia	**3,268**	763	**4,078**	1,670	144%
Consolidated capital expenditures	**3,715**	1,011	**4,999**	3,474	44%
Share of Thailand Joint Venture capital expenditures	**266**	448	**816**	482	69%
Total capital expenditures	**3,981**	1,459	**5,815**	3,956	47%
Investment in Thailand Joint Venture					
Beginning of period	**32,620**	32,967	**32,795**	35,088	-7%
Net loss from Joint Venture	**(366)**	(365)	**(832)**	(1,316)	-37%
Other comprehensive gain (loss) from Joint Venture	**(595)**	779	**(224)**	(324)	-31%
Amounts received from Joint Venture	**(58)**	(65)	**(138)**	(132)	5%
End of period	**31,601**	33,316	**31,601**	33,316	-5%

(thousands of Canadian dollars except where indicated)	Three Months Ended September 30, **2017**	2016	Nine Months Ended September 30, **2017**	2016	% Change
Thailand Operations					
Economic Results – Including 50.01% Interest in Thailand Joint Venture (Note 9)					
Oil sales (bbls)	**24,107**	21,724	**71,098**	67,838	5%
Average daily oil sales (BOPD) by Concession L53	**262**	236	**260**	248	5%
Average oil sales price, before transportation (CDN$/bbl)	**$ 60.44**	$ 50.68	**$ 62.83**	$ 44.52	41%
Reference Price (volume weighted) and differential					
Crude oil (Brent $US/bbl)	**$ 52.03**	$ 45.88	**$ 51.52**	$ 41.30	25%
Exchange Rate $US/$Cdn	**1.28**	1.33	**1.36**	1.34	2%
Crude oil (Brent $Cdn/bbl)	**$ 66.65**	$ 60.97	**$ 70.23**	$ 55.42	27%
Sale price / Brent reference price	**91%**	83%	**89%**	80%	12%
Funds flow from (used in) operations (Note 5)					
Crude oil sales	**1,457**	1,101	**4,467**	3,020	48%
Government royalty	**(74)**	(54)	**(222)**	(149)	49%
Transportation expense	**(39)**	(33)	**(115)**	(102)	13%
Operating expense	**(272)**	(250)	**(766)**	(768)	0%
Field netback	**1,072**	764	**3,364**	2,001	68%
General and administrative expense (Note 12)	**(207)**	(183)	**(599)**	(554)	8%
Interest income	**1**	-	**8**	6	33%
Foreign exchange gain	**-**	-	**3**	-	100%
Current income tax	**-**	-	**-**	(1)	-100%
Thailand - Funds flow from operations	**866**	581	**2,776**	1,452	91%
Funds flow from (used in) operations / barrel (CDN$/bbl) (Note 5)					
Crude oil sales	**$ 60.44**	$ 50.68	**$ 62.83**	$ 44.52	41%
Government royalty	**(3.07)**	(2.49)	**(3.12)**	(2.20)	42%
Transportation expense	**(1.62)**	(1.52)	**(1.62)**	(1.50)	8%
Operating expense	**(11.28)**	(11.51)	**(10.77)**	(11.32)	-5%
Field netback	**$ 44.47**	35.16	**$ 47.31**	$ 29.50	60%
General and administrative expense (Note 12)	**(8.59)**	(8.42)	**(8.42)**	(8.17)	3%
Interest Income	**0.04**	-	**0.11**	0.09	25%
Foreign exchange gain	**-**	-	**0.04**	-	100%
Current income tax	**-**	-	**-**	(0.01)	-100%
Thailand - Funds flow from operations	**$ 35.92**	$ 26.74	**$ 39.04**	$ 21.41	82%
Government royalty as percentage of crude oil sales	**5%**	5%	**5%**	5%	0%
Income tax & SRB as percentage of crude oil sales	**-**	-	**-**	-	0%
As percentage of crude oil sales					
Expenses - transportation, operating, G&A and other	**35%**	42%	**33%**	47%	-14%
Government royalty, SRB and income tax	**5%**	5%	**5%**	5%	0%
Funds flow from operations, before interest income	**60%**	53%	**62%**	48%	14%
Financial Statement Presentation Results – Excluding 50.01% Interest in Thailand Joint Venture (Note 1)					
General and administrative expense (Note 11 & 12)	**(2)**	(13)	**(24)**	(27)	-11%
Funds flow used in consolidated operations	**(2)**	(13)	**(24)**	(27)	-11%
Fund Flow Included in Investment in Thailand Joint Venture					
Net loss from Thailand Joint Venture	**(366)**	(365)	**(832)**	(1,316)	-37%
Add back non-cash items in net loss	**1,234**	959	**3,632**	2,795	30%
Funds flow from Thailand Joint Venture	**868**	594	**2,800**	1,479	89%
Thailand ï Economic funds flow from operations (Note 9)	**866**	581	**2,776**	1,452	91%

(thousands of Canadian dollars except where indicated)	Three Months Ended September 30, **2017**	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016	% Change
Canada Operations (Note 10)					
Interest income	**90**	51	**220**	127	73%
General and administrative expenses (Note 12)	**(513)**	(565)	**(1,610)**	(1,666)	-3%
Realized and unrealized foreign exchange gain (loss) (Note 14)	**(1,044)**	242	**(2,001)**	(861)	132%
Current income tax	**-**	132	**148**	(279)	-153%
Canada – Funds flow used in operations	**(1,467)**	(140)	**(3,243)**	(2,679)	21%
Indonesia Operations					
General and administrative expense (Note 12)	**(97)**	(143)	**(672)**	(406)	66%
Exploration expense (Note 13)	**-**	(4)	**(5)**	(932)	-99%
Realized foreign exchange gain (loss)	**(64)**	5	**(39)**	15	-360%
Indonesia – Funds flow used in operations	**(161)**	(142)	**(716)**	(1,323)	-46%
Wells drilled					
Gross	**2**	-	**2**	-	
Net	**1.0**	-	**1.0**	-	

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

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

(3) Refer to Commitments in Note 12 of the September 30, 2017 Notes to the unaudited Interim Condensed Consolidated Financial Statements and Note 11 of the September 30, 2016 Notes to the unaudited Interim Condensed Consolidated Financial Statements.

(4) Refer to Contingencies in Note 13 of the September 30, 2017 Notes to the unaudited Interim Condensed Consolidated Financial Statements and Note 12 of the September 30, 2016 Notes to the unaudited Interim Condensed Consolidated Financial Statements.

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

(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, the impact of changes in foreign exchange rates and capitalized stock-based compensation expense.

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

(9) For the purpose of providing more meaningful economic results from operations for Thailand, and for comparison to previous periods, the amounts presented include 50.01% of results of the Thailand Joint Venture.

(10) The Sawn Lake 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 nominal amount of G&A shown in the three and nine months ended 2016 and 2017 for Thailand operations related to G&A of the holding company of Pan Orient Energy (Siam) Ltd.

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

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

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

(15) Tables may not add due to rounding.

HIGHLIGHTS FOR THE FIRST NINE MONTHS OF 2017

- At the East Jabung Production Sharing Contract (“PSC”) in Indonesia, where Pan Orient is non-operator with a 49% ownership interest, the first two exploration wells have been drilled. The AYU-1X and ELOK-1X wells did not encounter commercial hydrocarbons, however drilling results were encouraging with significant indications of hydrocarbons significantly derisking the petroleum system in this region. The ANGGUN-1X exploration has been approved by the joint venture as part of the 2018 work program and budget and is expected to commence drilling in the third quarter of 2018.
- The Batu Gajah PSC in Indonesia, in which Pan Orient had an operated 77% interest, expired on January 15, 2017.
- Oil sales, net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, were 260 BOPD in the first nine months of 2017, with funds flow from operations of $2.8 million ($39.04 per barrel).
- Pan Orient has conducted a series of workovers at Concession L53 in Thailand to maintain a relatively stable level of oil production. Drilling of the L53AC-C1 exploration well is expected to commence in the last week of November. An additional 4 well workover program is also anticipated to be completed by year end.
- Pan Orient's 71.8% subsidiary Andora Energy Corporation continues to work towards a potential commercial expansion to 3200 BOPD at the Sawn Lake, Alberta steam assisted gravity drainage (“SAGD”) project (in which Andora has a 50% working interest and is the operator) using Andora's proprietary produced water boiler technology.
- Total corporate funds flow used in operations in the first nine months of 2017 was $1.2 million and the net loss attributable to common shareholders was $4.6 million, of which $2.0 million related to an unrealized foreign exchange loss on U.S. dollar denominated cash holdings.
- Pan Orient continues to maintain a strong financial position for planned exploration activities at the East Jabung PSC in Indonesia and at Concession L53 in Thailand with working capital and non-current deposits at September 30, 2017 of $40.4 million and no long-term debt.

2017 THIRD QUARTER OPERATING RESULTS

- Net loss attributable to common shareholders for the third quarter of 2017 of $1.8 million ($0.03 loss per share) compared with $1.2 million ($0.02 loss per share) in the second quarter of 2017 and $0.9 million ($0.02 loss per share) in the third quarter of 2016.
- For the third quarter of 2017, the Company recorded total corporate funds flow used in operations, which includes the economic results of the 50.01% interest in the Thailand joint venture, of $0.8 million ($0.01 loss per share) compared with $0.2 million ($0.00 loss per share) in the second quarter of 2017.
- Pan Orient had capital expenditures of $3.7 million in the third quarter of 2017, with $3.3 million in Indonesia primarily associated with drilling of the AYU-1X and ELOK-1X wells, and $0.4 million in Canada at the Sawn Lake SAGD property of Andora. In addition, Pan Orient's share of Thailand joint venture capital expenditures was $0.3 million for the purchase of equipment inventory and an Environmental Impact Assessment (“EIA”) for the L53-B area, which was recorded in the Investment in Thailand Joint Venture.
- At September 30, 2017 Pan Orient had $40.4 million of working capital and non-current deposits. Working capital and non-current deposits were comprised of $40.0 million cash, $4.1 million of Indonesian and Canadian accounts and taxes receivable, $0.7 million of non-current deposits, and less accounts payable of $4.4 million. In addition, Pan Orient's Investment in Thailand Joint Venture includes $3.9 million of Thailand working capital and non-current deposits and $1.9 million of equipment inventory to be utilized for future Thailand Joint Venture operations.
- Pan Orient had outstanding capital commitments as at September 30, 2017 of $1.9 million in Indonesia associated with the Company's 49% participating interest in the East Jabung PSC. In Canada, capital commitments were $0.2 million with respect to contracted natural gas pipeline tariff charges associated with the Sawn Lake SAGD demonstration project of Andora that continue until October 2018.
- Pan Orient renewed the normal course issuer bid in April 2017 and Pan Orient is authorized to purchase, for cancellation, up to 4,512,964 of its common shares during the period from April 12, 2017 to April 12, 2018. 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

  Pan Orient holds a 50.01% equity interest in Pan Orient Energy (Siam) Ltd. (“POS”) which is classified in the financial statements 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.

  - Average oil sales of 262 BOPD during the third quarter of 2017 and generated $0.9 million in funds flow from operations, or $35.92 per barrel. This compares with 274 BOPD in the second quarter of 2017 and $40.52 per barrel in funds flow from operations. The average realized sales price per barrel decreased 4% from $62.78 in the second quarter of 2017 to $60.44 in the third quarter of 2017.
  - Per barrel amounts during the third quarter of 2017 were a realized price for oil sales of $60.44, transportation expenses of $1.62, operating expenses of $11.28, general and administrative expenses of $8.59 and a 5% royalty to the Thailand government of $3.07. Oil sales revenue during this period was allocated 35% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand for royalties, and 60% to the

Thailand Joint Venture. No Thailand petroleum income taxes or Special Remuneratory Benefit tax was recorded during the quarter.

- POS is preparing the L53-B EIA required to the start of production from the L53-B production license which was granted in second quarter of 2017. The EIA is anticipated to be completed in the first quarter of 2018.
- Oil sales in October 2017 at Concession L53, net to Pan Orient's 50.01% interest, were 251 BOPD.

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

- The AYU-1X exploration well was drilled to a total depth of 1,140 meters within the granitic basement on August 21. Analysis indicated approximately 5.5 meters of high porosity net oil pay at the top of good quality reservoir in the Batu Raja limestone. Significant indications of hydrocarbons in the form of oil shows and high gas readings in well-developed sands of Gumai age were also found. The AYU-1X well was drilled pursuant to the terms of the 2015 farm-out agreement whereby the farminee funds the first USD$10 million towards the first exploration well. The total estimated cost of the AYU-1X well for location and access, drilling to total depth and post total depth evaluation is estimated at USD$13.8 million, with US$11.5 million in the third quarter and an additional US$2.3 million in the fourth quarter for analysis and demobilization. Pan Orient's net share of the total cost is expected to be USD$1.8 million (Cdn$2.2 million), with USD$0.8 million (Cdn$1.0 million) recorded in the third quarter and USD$1.0 million (Cdn$1.2 million) in the fourth quarter.
- The ELOK-1X exploration well was drilled as a sidetrack from the AYU-1X wellbore to a subsurface location approximately 700 meters south of the AYU-1X well location and reached a total depth of 1,236 meters. The top of the primary Talang Akar formation sandstone objective (primary target) was encountered at 1,169 meters true vertical depth and found to be non-hydrocarbon bearing. The Batu Raja limestone, not a target at ELOK-1X, was encountered approximately 26 meters structurally lower than at AYU-1X, exhibiting high mud gas readings and oil stained carbonates in the upper portion. The total cost of the ELOK-1X well is estimated at USD$4.6 million, with US$3.5 million in the third quarter and an additional US$1.0 million in the fourth quarter for analysis and demobilization. Pan Orient's 49% net share of the estimated total cost is USD$2.3 million (Cdn$2.8 million), with USD$1.8 million (Cdn$2.2 million) recorded in the third quarter and USD$0.5 million (Cdn$0.6 million) in the fourth quarter.
- Significant indications of hydrocarbons in the form of oil shows and high gas readings were observed while drilling well-developed sands of Gumai age at both wells. Additional drilling is required to establish the commerciality of the Ayu, Elok and ANGGUN structural complex.
- The ANGGUN-1X exploration well, approximately 5.6 kilometers to the north west of AYU and approximately 70 meters structurally up dip from AYU-1X at the Gumai sandstone target level, is expected to be drilled in the third quarter of 2018. The objectives of this well will be large structural closures at both the Batu Raja and Gumai target levels.
- The drilling of the AYU-1X and ELOK-1X exploration wells have satisfied the East Jabung PSC firm well commitment of two exploration wells to be drilled prior to the expiry of the first six year exploration phase. The initial exploration phase of the East Jabung PSC has been extended by the Government of Indonesia to January 20, 2019.

OUTLOOK

INDONESIA

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

The joint venture has approved a 2018 work program and budget that includes the drilling of the ANGGUN-1X exploration well, estimated to be drilled in the third quarter of 2018, and a contingent 3D seismic survey that would be acquired in the event of success at ANGGUN-1X.

THAILAND

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

The L53AC-C1 exploration well is anticipated to commence drilling in the last week of November 2017 and take approximately 21 days to reach total depth. Prior to year-end a four well workover program will be completed to boost production from current levels.

CANADA

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

Pan Orient continues to move forward with engineering and identification of long lead time items towards potential expansion to 3200 BOPD and future development at Sawn Lake. Stable crude oil prices, and specifically higher Western Canada Select reference prices, will have a significant impact on any decision regarding the timing and extent of future development.

Corporate

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

Net Loss from Thailand Joint Venture

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

Losses from Joint Venture	**Three months ended September 30**				**Nine months ended September 30**			
Pan Orient Energy (Siam) Ltd.	**2017**		2016		**2017**		2016	
(Net to Pan Orient 50.01%)	**$000s**	**$ per bbl**	$000s	$ per bbl	**$000s**	**$ per bbl**	$000s	$ per bbl
Crude oil revenue	**1,457**	**60.44**	1,101	50.68	**4,467**	**62.83**	3,020	44.52
Government royalty	**(74)**	**(3.07)**	(54)	(2.49)	**(221)**	**(3.11)**	(149)	(2.20)
Transportation expense	**(39)**	**(1.62)**	(33)	(1.52)	**(115)**	**(1.62)**	(102)	(1.50)
Production and Operating expense	**(272)**	**(11.28)**	(250)	(11.51)	**(766)**	**(10.77)**	(768)	(11.32)
Field netback	**1,072**	**44.47**	764	35.16	**3,365**	**47.33**	2,001	29.50
General and administrative	**(205)**	**(8.50)**	(170)	(7.83)	**(575)**	**(8.09)**	(527)	(7.77)
Foreign exchange gain	**-**	**-**	-	-	**3**	**0.04**	-	-
Interest income	**1**	**0.04**	-	-	**8**	**0.11**	6	0.09
Income tax expense	**-**	**-**	-	-	**-**	**-**	(1)	(0.01)
Funds flow from operations	**868**	**36.01**	594	27.33	**2,801**	**39.39**	1,479	21.81
Depletion, depreciation and amortization	**(1,266)**	**(52.52)**	(1,200)	(55.24)	**(3,733)**	**(52.50)**	(3,767)	(55.53)
Accretion	**(6)**	**(0.25)**	(6)	(0.28)	**(20)**	**(0.28)**	(17)	(0.25)
Impairment	**(73)**	**(3.03)**	-	-	**(99)**	**(1.39)**	-	-
Deferred tax recovery	**237**	**9.83**	320	14.73	**537**	**7.55**	1,216	17.93
Net loss	**(240)**	**(9.96)**	(292)	(13.46)	**(514)**	**(7.23)**	(1,089)	(16.04)
Amortization of fair value adjustment	**(126)**	**(5.23)**	(73)	(3.36)	**(318)**	**(4.47)**	(227)	(3.35)
Net loss from Joint Venture	**(366)**	**(15.19)**	(365)	(16.82)	**(832)**	**(11.70)**	(1,316)	(19.39)

Note: Tables may not add due to rounding

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

Oil sales from Concession L53 in Thailand averaged 262 BOPD during the three months ended September 30, 2017 compared to 236 BOPD during the third quarter of 2016. Oil production in the third quarter of 2017 was higher mainly attributable to a number of well workovers completed at the various oil fields.

Oil sales revenue from Concession L53 was $1.5 million for the three months ended September 30, 2017 compared to $1.6 million in the second quarter of 2017 and $1.1 million in the third quarter of 2016. Revenue in the third quarter of 2017 was higher than in the third quarter of 2016 due to higher production and realized prices. The realized price per barrel was $60.44 for the three months ended September 30, 2017 compared to $62.78 during the second quarter of 2017 and $50.68 during the third quarter of 2016.

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

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

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

The Thailand Joint Venture incurs transportation costs to truck oil produced from Concession L53 in Thailand to the refinery in Bangkok. Transportation expense is based on production volumes. During the third quarter of 2017, Pan Orient's share of the transportation expense within the Thailand Joint Venture averaged $1.62 per barrel compared to $1.64 per barrel in second quarter of 2017 and $1.52 in the third quarter of 2016.

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

The Thailand Joint Venture incurs production and operating costs related to oil produced at Concession L53 in Thailand. Production and operating expenses were $0.3 million ($11.28 per barrel) in the third quarter of 2017 compared to $0.3 million ($10.29 per barrel) in the second quarter of 2017 and $0.3 million ($11.51 per barrel) in the third quarter of 2016. Production and operating costs during these periods were consistent as some fixed costs do not increase or decrease with production volume.

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

DD&A was $52.52 per barrel during the second and third quarter of 2017 compared to $55.24 per barrel during the third quarter of 2016. On a per barrel basis, the DD&A in the third quarter of 2017 was lower than the third quarter of 2016 due to the lower cost base.

Taxes

($thousands)	Three months ended September 30 **2017**	2016	Nine months ended September 30 **2017**	2016
Current tax expense (recovery)	**-**	(132)	**(148)**	279
Deferred tax expense (recovery)	**(234)**	119	**(611)**	(1,030)
Total tax (recovery)	**(234)**	(13)	**(759)**	(751)

During the nine months ended September 30, 2017, the Company incurred non-capital losses for tax purposes and these losses could be carried back to recover the taxes previously paid of $0.1 million. All taxes receivable, payable, expense and recovery are calculated based on management's application of current income tax laws in the jurisdictions where the taxes arise and may be assessed differently by the respective taxation authorities.

General and Administrative ("G&A") Expenses

($thousands)	Three months ended September 30 **2017**	2016	Nine months ended September 30 **2017**	2016
Canada	**587**	638	**1,832**	1,889
Indonesia	**203**	412	**890**	1,480
Thailand (excluding Thailand Joint Venture)	**2**	13	**24**	27
Total G&A, net of overhead recoveries(1)	**792**	1,063	**2,746**	3,396
Allocated to capital projects(2)	**(180)**	(342)	**(440)**	(1,297)
Cash G&A	**612**	721	**2,306**	2,099
Accretion expenses	**10**	5	**27**	14
Consolidated G&A expense	**622**	726	**2,333**	2,113
Share of G&A from Thailand Joint Venture	**205**	170	**575**	527
Accretion from Thailand Joint Venture	**6**	6	**20**	17
Total G&A attributable to the economic interests of Pan Orient (including 50.01% interest in Thailand Joint Venture)	**833**	902	**2,928**	2,657

(1) *Overhead recoveries represent the portion of Pan Orient's G&A expenses charged by Andora, as operator, to the Sawn Lake joint venture operations and capital projects. Overhead recoveries were $43 thousand and $165 thousand for the nine months ended September 30, 2017 and 2016, respectively.*

(2) *Capitalized G&A allocated to capital projects represents compensation and other directly attributable costs associated with property acquisition, and exploration and development activities. Capitalized G&A relates to exploration and development activities at the East Jabung PSC in Indonesia and the Company's heavy oil demonstration project in Canada. Amounts capitalized reflect the nature of the Company's capital activities and are reassessed in each reporting period.*

Total G&A, net of recoveries, was higher during the nine months ended September 30, 2017 than 2016 mainly attributed to lower capitalization of G&A in the Indonesia operation and a higher expense for personnel due to employee severance paid, partially offset by lower office rent and legal expense.

Capital Invested

	Three months ended September 30				Nine months ended September 30			
	2017		2016		**2017**		2016	
Capital expenditures (1)	**$000s**	**Net wells drilled**	$000s	Net wells drilled	**$000s**	**Net wells drilled**	$000s	Net wells drilled
Indonesia (2)	**3,268**	**1.0**	763	-	**4,078**	**1.0**	1,670	-
Canada	**447**	**-**	248	-	**921**	**-**	1,804	-
Consolidated capital expenditures	**3,715**	**1.0**	1,011	-	**4,999**	**1.0**	3,474	-
Share of joint venture capital expenditures (3)	**266**	**-**	448	-	**816**	**-**	482	-
Total capital expenditures attributable to the economic interest of Pan Orient (including 50.01% interest in Thailand Joint Venture)	**3,981**	**1.0**	1,459	-	**5,815**	**1.0**	3,956	-

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

(2) *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.*

(3) Pan Orient's 50.01% share of capital expenditures in the Thailand Joint Venture are accounted for using the equity method as an Investment in a Joint Venture.

<u>Thailand</u>
The Company's share of capital expenditures from the Thailand Joint Venture for the nine months ended September 30, 2017 were $0.8 million and related to workover activity, an increase in equipment inventory and capitalized G&A.

<u>Indonesia</u>
Capital expenditures in Indonesia for the nine months ended September 30, 2017 were $4.1 million and consisted primarily of the drilling of the AYU-1X and ELOK-1X wells, seismic reprocessing and capitalized G&A at the East Jabung PSC.

<u>Canada</u>
Capital expenditures in Canada for the nine months ended September 30, 2017 of $0.9 million for costs related to drilling of a core well associated with lease retention, engineering design work associated with the Produced Water Boiler, and capitalized expenses.

Liquidity and Capital Resources

Pan Orient's capital program, including the 50.01% share of the Thailand Joint Venture, was $5.8 million for the nine months ended September 30, 2017 and was financed from existing working capital. At September 30, 2017 the Company's working capital plus non-current deposits was $40.4 million compared to $49.8 million at December 31, 2016 and the Company had estimated outstanding capital commitments of $2.0 million. In addition to Pan Orient's consolidated working capital and non-current deposits, its investment in the Thailand Joint Venture includes $4.9 million of its share of working capital and non-current deposits and $1.9 million of equipment inventory to be utilized for future operations of the Thailand Joint Venture.

At September 30, 2017 Pan Orient's consolidated cash and cash equivalents were held in the jurisdictions where the Company operates as follows:

($thousands)	September 30, 2017	December 31, 2016
Cash and cash equivalents held in Canada	39,537	46,350
Cash and cash equivalents held in Indonesia	430	584
Consolidated cash and cash equivalents	39,967	46,934

Non-current deposits of $0.7 million at September 30, 2017 consisted of $0.1 million work deposit to be refunded at the Batu Gajah PSC and $0.6 million deposited with the Alberta energy regulator in Canada.

Share Capital

Outstanding (thousands)	November 14, 2017	September 30, 2017	December 31, 2016
Common shares	54,900	54,900	54,885
Stock options	3,431	4,916	4,991
Total	58,331	59,816	59,876

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

Stock options are granted pursuant to the Stock Option Plan. A copy of the Stock Option Plan is contained in the Management Information Circular dated May 11, 2017 for the Annual and Special Meeting of Shareholders held on June 13, 2017. In accordance with the Stock Option Plan, the option period will be extended, with respect to any option that would otherwise expire during a black-out period, until the fifth trading day following the end of the black-out period, provided that the option period cannot be extended to later than ten years from the date of option grant (or such other maximum option term permitted by the TSX Venture Exchange). A black-out period is a restriction imposed by the Company on all or any of its directors, officers, employees, consultants, insiders or other persons in a special relationship with the Company whereby they are to refrain from trading in the Company's securities until the restriction is lifted. 1,485,000 options with an exercise price of $2.31 and a stated expiry date of September 5, 2017 were extended to October 18, 2017 due to a trading blackout and expired at that time.

Foreign Exchange

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

	2017			2016				2015
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Rate at end of period								
Thai baht / Cdn $ exchange	26.49	25.85	25.51	26.23	26.01	26.81	26.78	25.73
Cdn $ / US $ exchange	1.25	1.30	1.33	1.35	1.31	1.30	1.30	1.39

The Company holds U.S. dollars within Canada to meet U.S. dollar cash requirements of its foreign operations and at September 30, 2017 the Company held $21.1 million denominated in U.S. dollars as cash and cash equivalents.

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

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

	Three months ended September 30		Nine months ended September 30	
($thousands)	**2017**	2016	**2017**	2016
AOCI, beginning of period	**1,636**	19,090	**1,377**	27,625
Unrealized foreign currency translation gain (loss) from Indonesia	**(666)**	1,832	**(777)**	(5,600)
Unrealized foreign currency translation gain (loss) from Thailand joint venture	**(594)**	779	**(224)**	(324)
AOCI, end of period	**376**	21,701	**376**	21,701

Contingencies

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

Indonesia 2013 and 2014 Land and Building Tax
The Tax Directorate General of Indonesia in 2013 and 2014 assessed several oil and gas companies operating in Indonesia for 2012, 2013 and 2014 Land and Building Tax using a new framework which is being challenged by the impacted oil and gas companies in Indonesia. Pan Orient was issued Tax Assessments and Notifications for the East Jabung PSC for 78,705 million Indonesian rupiah, or $7.3 million when translated at the September 30, 2017 exchange rate. Of the $7.3 million tax assessed, $6.8 million was associated with offshore and $0.5 million was associated with sub-surface.

Pan Orient lodged an objection with the Indonesian Tax Office in 2013 in respect of the Land and Building Tax for the East Jabung PSC. The Indonesia Tax Office rejected the Company's objection in 2014. Likewise, the Tax Office also rejected the objections of the other oil and gas companies on this issue. The Company filed an appeal with the Indonesian Tax Court in 2014 and, as required by Indonesian law for filing an appeal with the Indonesian Tax Court, paid a refundable deposit of $3.6 million, which is equal to 50% of the tax being disputed.

During the third quarter of 2017, the Company received a ruling from the Indonesian Tax Court that it had won the appeal on the offshore tax assessment but lost on the sub-surface tax assessment. The accrued penalty for the sub-surface tax assessment was $0.2 million. At September 30, 2017, The Company had accrued the sub-surface tax, including penalties, of $0.7 million in accounts payable and accrued liabilities. $3.6 million that was previously recorded in non-current deposit has been reclassified to current receivable during the third quarter of 2017.

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

Summary of Quarterly Results

	2017			2016				2015
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Financial ($thousands) except as indicated [(1)]								
Interest revenue	**90**	71	59	51	51	30	46	32
Cash flow from (used in) operating activity	**447**	(1,586)	(1,730)	82	6,379	2,356	(197)	80
Total assets	**170,994**	171,203	173,438	174,392	273,737	271,317	276,094	310,296
Working capital & non-current deposits	**40,416**	45,908	47,344	49,818	49,945	51,082	53,151	79,160
Shares outstanding (thousands)	**54,900**	54,900	54,885	54,885	54,885	54,885	54,885	54,885
Net income (loss)[(2)]	**(1,816)**	(1,224)	(1,514)	(78,149)	(876)	(1,591)	(2,221)	(3,980)
Per share basic and diluted ($)	**(0.03)**	(0.02)	(0.03)	(1.42)	(0.02)	(0.03)	(0.04)	(0.07)
Operations ($thousands), including share of Thailand Joint Venture								
Oil revenue (BOPD) net to Pan Orient [(3)]	**262**	274	245	290	236	238	269	421
Funds flow from (used in) operations [(4)]	**(762)**	(249)	(172)	1,249	299	(783)	(2,066)	1,837
Capital expenditures[(5)]	**3,981**	803	1,031	1,444	1,459	844	1,653	4,538
Total corporate funds flow from (used in) operations ($/bbl) [(4)]								
Realized crude oil price	**60.44**	62.78	65.50	60.22	50.68	46.74	37.07	49.61
Royalties	**(3.07)**	(3.08)	(3.23)	(3.00)	(2.49)	(2.31)	(1.84)	(2.43)
Transportation & operating	**(12.90)**	(11.93)	(12.36)	(12.36)	(13.03)	(11.58)	(13.75)	(11.02)
Field Netback – Thailand Joint Venture	**44.47**	47.77	49.92	44.87	35.16	32.85	21.48	36.16
General and administrative[(6)]	**(33.89)**	(32.15)	(57.28)	(35.54)	(41.01)	(41.85)	(33.88)	(29.32)
Exploration[(7)]	**-**	-	(0.23)	3.78	(0.18)	(37.56)	(4.66)	(1.50)
Interest income	**3.77**	3.12	2.68	1.91	2.35	1.62	1.92	0.88
Foreign exchange gain (loss)	**(2.65)**	(28.71)	(9.63)	26.14	11.37	1.02	(45.62)	40.17
Current income tax recovery (expense)	**-**	-	6.72	5.62	6.08	7.80	(23.77)	1.03
Total corporate funds flow from (used in) operations	**11.70**	(9.97)	(7.81)	46.78	13.77	(36.12)	(84.53)	47.42

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

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

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

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

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

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

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

(8) Tables may not add due to rounding.

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 ($33.51 per barrel), net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture. 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. 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 269 BOPD from Concession L53 ($13.71 per barrel), net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture. Net loss attributable to common shareholders was $2.1 million ($0.04 loss per share) for the quarter, resulting primarily from $0.7 million in G&A expenses, loss of $0.6 million from investment in Joint Venture, $1.1 million of a net foreign exchange loss offset in part by a $0.9 million deferred tax recovery. Capital expenditures of $1.7 million in the quarter, including Pan Orient's share of Thailand joint venture capital expenditures, with $1.1 million in Canada on the SAGD demonstration of Andora at Sawn Lake, Alberta and $0.6 million in Indonesia and Thailand primary related to capitalized G&A. Special distribution of $0.40 per share to common shareholders totaling $22.0 million. At March 31, 2016, working capital and non-current deposits totaled $53.2 million and the Company had no long-term debt.

Q2 2016 – Corporate funds flow used in operations was $0.8 million. Funds flow from operations in Thailand was $0.5 million with average daily oil sales of 238 BOPD from Concession L53 ($24.73 per barrel), net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture. Net loss attributable to common shareholders was $1.6 million ($0.03 loss per share) for the quarter, resulting primarily from $0.7 million in G&A expenses, loss of $0.4 million from investment in Joint Venture and $0.8 million exploration expense offset in part by a $0.4 million current and deferred tax recovery. Capital expenditures of $0.8 million in the quarter, including Pan Orient's share of Thailand joint venture capital expenditures, with $0.5 million in Canada on the SAGD demonstration of Andora at Sawn Lake, Alberta and $0.3 million in Indonesia and Thailand primary related to capitalized G&A. At June 30, 2016, working capital and non-current deposits totaled $51.1 million and the Company had no long-term debt.

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

Q4 2016 – Corporate funds flow from operations was $1.2 million. Funds flow from operations in Thailand was $1.0 million with average daily oil sales from Concession L53 of 290 BOPD ($37.30 per barrel), net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture. Net loss attributable to common shareholders was $78.1 million ($1.42 loss per share) for the quarter, resulting primarily from a $79.7 million impairment expense relating to the Batu Gajah PSC. Capital expenditures of $1.4 million in the quarter, including Pan Orient's share of Thailand joint venture capital expenditures, with $0.2 million in Canada on the SAGD demonstration of Andora at Sawn Lake, Alberta and $0.2 million in Indonesia primary related to capitalized G&A and $1.0 million in Thailand related to workovers and drilling the ANE-A1 exploration well. The ANE-A1 exploration well at the "A" North East prospect failed to encounter hydrocarbons. At December 31, 2016, working capital and non-current deposits totaled $49.8 million and the Company had no long-term debt.

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

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

Q3 2017 – Total corporate funds flow used in operations of $0.8 million. Funds flow from operations in Thailand was $0.9 million with average daily oil sales from Concession L53 of 262 BOPD ($60.44 per barrel), net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture. Net loss attributable to common shareholders was $1.8 million ($0.03 per share) for the quarter. Pan Orient had capital expenditures of $3.7 million in the third quarter of 2017, with $3.3 million in Indonesia for costs associated with drilling of the AYU-1X and ELOK-1X wells and capitalized general & administrative expenses, and $0.4 million in Canada at the Sawn Lake SAGD property of Andora. In addition, Pan Orient's share of Thailand joint venture capital expenditures was $0.3 million for equipment inventory purchases and capitalized general & administrative expenses. At September 30, 2017, working capital and non-current deposits totaled $40.4 million and the Company had no long-term debt.

Additional Information

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