PAN ORIENT ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

November 13, 2018

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of the operating and financial results of Pan Orient Energy Corp. ("Pan Orient" or the "Company") is prepared effective November 13, 2018 and should be read in conjunction with the unaudited consolidated financial statements and notes thereto for the nine months ended September 30, 2018 and the audited consolidated financial statements and notes thereto and MD&A for the year ended December 31, 2017. 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 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, 2018 into Canadian dollars using September 30, 2018 exchange rates, represent the net amount to Pan Orient's interests unless otherwise stated, and BOPD refers to barrels of oil per day.

Forward-Looking Statements

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

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

The Company has provided or may provide forward-looking information with respect to reserves and resources estimates related to Thailand, Indonesia and Canada and estimated costs associated with work commitments in Thailand, Indonesia and Canada. Reserves and resources estimates are prepared by independent reservoir engineers and there are numerous uncertainties inherent in estimating quantities of oil and the cash flows to be derived therefrom. In general, estimates of economically recoverable volumes and the associated future net cash flows are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserves recovery, timing and amount of capital expenditures, marketability of commodities, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. All such estimates are to some degree speculative, and classifications of reserves and resources volumes are only attempts to define the degree of speculation involved. The Company's actual production, revenues and development and operating expenditures with respect to its reserves and resources estimates will vary from estimates thereof and such variations could be material. The Company's estimated commitments are based on internally-prepared budgets and assumptions and, in the case where a tender process has been completed, actual contracted amounts. The estimated expenditures as provided by management will vary from the actual amounts required to carry out these commitments, and the difference may be significant.

Because forward-looking information addresses future events and conditions, it involves risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking information. These risks and uncertainties include, but are not limited to: commodity price volatility; well performance and marketability of production; transportation and refining availability and costs; exploration and development costs; the recoverability of estimated reserves and resources volumes; the Company's ability to add reserves through development and exploration activities; fluctuations in currency exchange rates; and changes in government legislation and regulations, including royalty and tax laws.

The forward-looking statements contained herein are as of November 13, 2018 and are subject to change after this date. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive and as such undue reliance should not be placed on forward-looking statements. Except as required by applicable securities laws, with the exception of events or circumstances that occurred during the period to which this MD&A relates that are reasonably likely to cause actual results to differ materially from material forward-looking information that was previously disclosed to the public, the Company disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Non-IFRS Measures

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

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

The Company's 50.01% equity interest in Pan Orient Energy (Siam) Ltd. is accounted for under the equity method as an Investment in 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)	**2018**	2017	**2018**	2017
Cash flow from (used in) operating activities	**(39)**	447	**(2,162)**	(1,911)
Changes in non-cash working capital	**(386)**	(1,033)	**812**	(527)
Decommissioning expenditures and settlements	**-**	-	**-**	457
Unrealized foreign exchange gain (loss)	**(364)**	(1,044)	**724**	(2,002)
Share of funds flow from Investment in Joint Venture	**1,146**	868	**3,142**	2,800
Total corporate funds flow from (used in) operations	**357**	(762)	**2,516**	(1,183)

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

Concession L53

At September 30, 2018, the Company held a 50.01% equity interest in Pan Orient Energy (Siam) Ltd. which is the operator of and holds a 100% working interest in Concession L53/48 ("Concession L53") in Thailand. Concession L53 is partially developed, has oil production and an active exploration and development program.

Pan Orientôs 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 Orientôs 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 Joint Venture. Pan Orientôs 50.01% equity interest in Pan Orient Energy (Siam) Ltd. is the Companyôs only investment in Thailand.

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

The December 31, 2017 independent reserves evaluation for Thailand on-shore Concession L53 was prepared for Pan Orient Energy (Siam) Ltd., which is the operator and has a 100% working interest. The evaluation was conducted by Sproule International and was prepared in accordance with Canadian Securities Administrators National Instrument 51-101 ï Standards of Disclosure for Oil and Gas Activities. Pan Orient has a 50.01% ownership interest in Pan Orient Energy (Siam) Ltd., but does not have any direct interest in, or control over, the crude oil reserves or operations of on-shore Concession L53. The values at December 31, 2017 identified as ñNet to Pan Orientôs 50.01% Equity Interest in Pan Orient Energy (Siam) Ltd.ò represent 50.01% of Pan Orient Energy (Siam) Ltd. reserves and values. Net to Pan Orientôs 50.01% equity interest in Pan Orient Energy (Siam) Ltd., proved plus probable crude oil reserves were 546,500 barrels at December 31, 2017 from conventional sandstone reservoirs.

During 2018, two workover programs have been completed at Concession L53 and a successful two well drilling program with the L53-DD1 exploration well and the L53-DD2 appraisal well commenced in October 2018.

Indonesia

East Jabung PSC

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 September 30, 2018. Pan Orient was awarded the 6,227.72 square kilometers East Jabung PSC in 2011 and relinquished approximately 3,280 square kilometers of the East Jabung PSCôs 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.

In 2017, the Ayu-1X and Elok-1X wells were drilled but did not encounter commercial hydrocarbons, however drilling results were encouraging with significant indications of hydrocarbons significantly de-risking the petroleum system in this region. The joint venture has approved a 2018 work program and budget that includes the drilling of the Anggun-1X exploration well. The Anggun-1X exploration well is primarily targeting the Gumai sandstone level at a location 4.6 kilometers northwest and 80 meters structurally up-dip of the AYU-1X exploration well which was drilled in 2017. The estimated dry hole cost is US$15.4 million (with Pan Orientôs 49% share US$7.55 million). In November 2018, Pan Orient was informed by the operator that quarry permit that was required in order to commence construction of the Anggun-1X exploration well access road has been approved and road construction has commenced. The operator estimates the Anggun-1X exploration well will commence drilling sometime between March 15 and May 15, 2019. The variation in timing is almost entirely a function of possible issues relating to road building during the rainy season. Anggun-1X is anticipated to take approximately 30 days to reach total depth with testing to commence immediately thereafter, if required.

Drilling of the Ayu-1X and Elok-1X exploration wells satisfied the East Jabung PSC firm commitment of two exploration wells to be drilled prior to the expiry of the six year exploration phase. In October 2017 the initial exploration phase of the East Jabung PSC was extended by the Government of Indonesia to January 20, 2019. In November 2018, as per the requirement under the East Jabung PSC to enter into the four year exploration period extension, the joint venture has submitted the final acreage relinquishment to the Government of Indonesia oil and gas regulator (ñSKKMIGASò) bringing the remaining PSC area to 1,254.54 square kilometers, representing 20% of the original PSC area. Once this relinquishment area has been reviewed and approved by the SKKMIGAS technical group, the joint venture will notify the Government of Indonesia of their election to enter into the four year exploration extension period that will commence when the six year exploration period ends on January 20, 2019. During the four year exploration extension period, the joint venture has the option of exiting or continuing with the PSC on an annual basis.

There were no reserves assigned to the PSC at September 30, 2018.

Canada

Andora is a private oil company, in which Pan Orient has a 71.8% ownership. Andora has interests in 88 sections of heavy oil sands 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 (ñSAGDò) development.

The Sawn Lake property is in a pre-commercial stage and the commercial viability of the SAGD recovery process at Sawn Lake has not yet been established. No proved or probable reserves were assigned at September 30, 2018.

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

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

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

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

Summarized financial information with respect to Andora is as follows:

Andora Energy Corporation	**As at and for the three months ended September 30**		**As at and for the nine months ended September 30**	
($thousands)	**2018**	2017	**2018**	2017
Total assets	**84,236**	84,086	**84,236**	84,086
Total liabilities	**9,048**	8,603	**9,048**	8,603
Funds flow from (used in) operations	**(86)**	(193)	**(264)**	10
Net income (loss)	**(98)**	(371)	**(298)**	6

Andora entered into a convertible loan agreement with Pan Orient on January 30, 2018 whereby Andora can draw up to $2 million against a revolving credit facility. The loan bears interest at HSBC Canada prime rate for commercial loans in Canadian dollars plus three percent, per annum. Any principal drawn against the credit facility, including accrued interest (collectively, ñoutstanding amountò), is repayable upon demand or by December 31, 2022, whichever is earlier. Security for repayment of any outstanding amount is provided by a general security agreement creating a first fixed charge over all of Andoraõs property, subject to certain permitted encumbrances. Pan Orient has the option under the loan agreement to convert the outstanding amount, or a portion thereof, into Andoraõs common shares at a price of $0.15 per share. As of September 30, 2018, Andora had drawn $750,000 against the credit facility.

Financial and Operating Summary	Three Months Ended September 30,		Nine Months Ended September 30,		% Change
(thousands of Canadian dollars except where indicated)	**2018**	2017	**2018**	2017	
FINANCIAL					
Financial Statement Results – Excluding 50.01% Interest in Thailand Joint Venture (Note 1)					
Net loss attributed to common shareholders	**(960)**	(1,816)	**(1,449)**	(4,554)	-68%
Per share ï basic and diluted	**$ (0.02)**	$ (0.03)	**$ (0.03)**	$ (0.08)	-67%
Cash flow from (used in) operating activities (Note 2)	**(39)**	447	**(2,162)**	(1,911)	13%
Per share ï basic and diluted	**$ (0.00)**	$ 0.01	**$ (0.04)**	$ (0.03)	31%
Cash flow used in investing activities (Note 2)	**(240)**	(1,377)	**(4,448)**	(2,820)	58%
Per share ï basic and diluted	**$ (0.00)**	$ (0.03)	**$ (0.08)**	$ (0.05)	62%
Working capital	**32,403**	39,709	**32,403**	39,709	-18%
Working capital & non-current deposits	**32,993**	40,416	**32,993**	40,416	-18%
Long-term debt	**-**	-	**-**	-	0%
Shares outstanding (thousands)	**54,900**	54,900	**54,900**	54,900	0%
Capital Commitments (Note 3)	**660**	2,012	**660**	2,012	-67%
Working Capital and Non-current Deposits					
Beginning of period - Excluding Thailand Joint Venture	**34,992**	45,908	**36,897**	49,818	-26%
Fund flow used in operations (excl. Thailand joint venture) (Note 4)	**(789)**	(1,630)	**(626)**	(3,983)	-84%
Issue of common shares	**-**	-	**-**	22	-100%
Consolidated capital expenditures (Note 5)	**(1,136)**	(3,715)	**(3,258)**	(4,999)	-35%
Disposal of petroleum and natural gas assets (Note 6)	**-**	-	**133**	133	0%
Amounts advanced from (to) Thailand joint venture	**55**	58	**128**	138	-7%
Settlement of decommissioning liabilities	**-**	-	**-**	(457)	-100%
Effect of foreign exchange	**(129)**	(205)	**(281)**	(256)	10%
End of period - Excluding Thailand Joint Venture	**32,993**	40,416	**32,993**	40,416	-18%
Pan Orient 50.01% Interest in Thailand Joint Venture Working Capital and Non-current Deposits	**6,615**	4,864	**6,615**	4,864	36%
Economic Results – Including 50.01% Interest in Thailand Joint Venture (Note 7)					
Total corporate funds flow from (used in) operations by region (Note 4)					
Canada (Note 8)	**(682)**	(1,467)	**(370)**	(3,243)	-89%
Thailand (Note 1 & 9)	**(10)**	(2)	**(25)**	(24)	4%
Indonesia	**(97)**	(161)	**(231)**	(716)	-68%
Funds flow used in operations (excl. Thailand Joint Venture)	**(789)**	(1,630)	**(626)**	(3,983)	-84%
Share of Thailand Joint Venture (Note 7)	**1,193**	868	**3,142**	2,800	12%
Total corporate funds flow from (used in) operations	**404**	(762)	**2,516**	(1,183)	-313%
Per share ï basic and diluted	**$ 0.01**	$ (0.01)	**$ 0.05**	$ (0.02)	-329%
Capital Expenditures ï Petroleum and natural gas properties (Note 5)					
Canada (Note 8)	**168**	447	**664**	921	-28%
Indonesia	**968**	3,268	**2,594**	4,078	-36%
Consolidated capital expenditures (excl. Thailand joint venture)	**1,136**	3,715	**3,258**	4,999	-35%
Share of Thailand Joint Venture capital expenditures	**897**	266	**1,514**	816	86%
Total capital expenditures (incl. Thailand joint venture)	**2,033**	3,981	**4,772**	5,815	-18%
Disposition ï Petroleum and natural gas properties (Note 6)	**-**	-	**(133)**	(133)	0%
Investment in Thailand Joint Venture					
Beginning of period	**32,804**	32,620	**32,185**	32,795	-2%
Net loss from Joint Venture	**(90)**	(366)	**(378)**	(832)	-55%
Other comprehensive gain (loss) from Joint Venture	**205**	(595)	**1,185**	(224)	-629%
Amounts advanced to (from) Joint Venture	**(55)**	(58)	**(128)**	(138)	-7%
End of period	**32,864**	31,601	**32,864**	31,601	4%

(thousands of Canadian dollars except where indicated)	Three Months Ended September 30, **2018**	2017	Nine Months Ended September 30, **2018**	2017	% Change
Thailand Operations					
Economic Results – Including 50.01% Interest in Thailand Joint Venture (Note 7)					
Oil sales (bbls)	**19,644**	24,107	**57,388**	71,098	-19%
Average daily oil sales (BOPD) by Concession L53	**214**	262	**210**	260	-19%
Average oil sales price, before transportation (CDN$/bbl)	**$ 92.34**	$ 60.44	**$ 85.45**	$ 62.83	36%
Reference Price (volume weighted) and differential					
Crude oil (Brent $US/bbl)	**$ 75.37**	$ 52.03	**$ 72.61**	$ 51.52	41%
Exchange Rate $US/$Cdn	**1.32**	1.28	**1.31**	1.36	-4%
Crude oil (Brent $Cdn/bbl)	**$ 99.82**	$ 66.65	**$ 94.86**	$ 70.23	35%
Sale price / Brent reference price	**93%**	91%	**90%**	89%	1%
Funds flow from (used in) operations (Note 4)					
Crude oil sales	**1,814**	1,457	**4,904**	4,467	10%
Government royalty	**(90)**	(74)	**(242)**	(222)	9%
Transportation expense	**(36)**	(39)	**(104)**	(115)	-10%
Operating expense	**(302)**	(272)	**(850)**	(766)	11%
Field netback	**1,386**	1,072	**3,708**	3,364	10%
General and administrative expense (Note 9)	**(202)**	(207)	**(608)**	(599)	2%
Interest income	**-**	1	**16**	8	100%
Foreign exchange gain (loss)	**(1)**	-	**1**	3	-67%
Thailand - Funds flow from operations	**1,183**	866	**3,117**	2,776	12%
Funds flow from (used in) operations / barrel (CDN$/bbl) (Note 4)					
Crude oil sales	**$ 92.34**	$ 60.44	**$ 85.45**	$ 62.83	36%
Government royalty	**(4.58)**	(3.07)	**(4.22)**	(3.12)	35%
Transportation expense	**(1.83)**	(1.62)	**(1.81)**	(1.62)	12%
Operating expense	**(15.37)**	(11.28)	**(14.81)**	(10.77)	38%
Field netback	**$ 70.55**	44.47	**$ 64.61**	$ 47.31	37%
General and administrative expense (Note 9)	**(10.28)**	(8.59)	**(10.59)**	(8.42)	26%
Interest Income	**-**	0.04	**0.28**	0.11	153%
Foreign exchange gain (loss)	**(0.05)**	-	**0.02**	0.04	-56%
Thailand - Funds flow from operations	**$ 60.22**	$ 35.92	**$ 54.31**	$ 39.04	39%
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	**30%**	35%	**33%**	33%	0%
Government royalty, SRB and income tax	**5%**	5%	**5%**	5%	0%
Funds flow from operations, before interest income	**65%**	60%	**63%**	62%	1%
Financial Statement Presentation Results – Excl. 50.01% Interest in Thailand Joint Venture (Note 1)					
General and administrative expense (Note 9)	**(10)**	(2)	**(25)**	(24)	4%
Funds flow used in consolidated operations	**(10)**	(2)	**(25)**	(24)	4%
Fund Flow Included in Investment in Thailand Joint Venture					
Net loss from Thailand Joint Venture	**(90)**	(366)	**(378)**	(832)	-55%
Add back non-cash items in net loss	**1,283**	1,234	**3,520**	3,632	-3%
Funds flow from Thailand Joint Venture	**1,193**	868	**3,142**	2,800	12%
Thailand ï Economic funds flow from operations (Note 7)	**1,183**	866	**3,117**	2,776	12%

(thousands of Canadian dollars except where indicated)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017	% Change
Canada Operations (Note 8)					
Interest income	**151**	90	**389**	220	77%
General and administrative expenses (Note 9)	**(469)**	(513)	**(1,490)**	(1,610)	-7%
Realized and unrealized foreign exchange gain (loss)	**(364)**	(1,044)	**731**	(2,001)	-137%
Current income tax	**-**	-	**-**	148	-100%
Canada ï Funds flow used in operations	**(682)**	(1,467)	**(370)**	(3,243)	-89%
Indonesia Operations					
General and administrative expense (Note 9)	**(90)**	(97)	**(192)**	(672)	-71%
Exploration expense (Note 10)	**(3)**	-	**(30)**	(5)	500%
Realized foreign exchange loss	**(4)**	(64)	**(9)**	(39)	-77%
Indonesia ï Funds flow used in operations	**(97)**	(161)	**(231)**	(716)	-68%

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

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

(3) Refer to Commitments in Note 11 of the September 30, 2018 and Note 12 of the September 30, 2017 Notes to the Interim Condensed Consolidated Financial Statements.

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

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

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

(7) For the purpose of providing more meaningful economic results from operations for Thailand, the amounts presented include 50.01% of results of the Thailand joint venture.

(8) 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.

(9) General & administrative expenses, excluding non-cash accretion on decommissioning provision. The nominal amount of G&A shown in the three and nine months ended 2017 and 2018 for Thailand operations related to G&A of the holding company of Pan Orient Energy (Siam) Ltd.

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

(11) Tables may not add due to rounding.

HIGHLIGHTS FOR THE FIRST NINE MONTHS OF 2018

- For the Anggun-1X exploration well at the East Jabung Production Sharing Contract ("PSC") in Indonesia, where Pan Orient is non-operator with a 49% ownership interest, road construction commenced at the beginning of November and the operator estimates that drilling will commence sometime between March 15 and May 15, 2019 depending on road construction during the rainy season. The joint venture is in the process to extend the exploration period for an additional four years when the six year exploration period ends on January 19, 2019, subject to Government of Indonesia approval.
- At the Thailand Joint Venture (where Pan Orient's has a 50.01% equity interest) a two well program was completed early in the fourth quarter of 2018 with an oil discovery from the L53-DD1 exploration well and a successful L53-DD2 appraisal well. Government of Thailand approval was received for a 90 day production test of the L53-DD1 well and approval for L53-DD2 is expected shortly. The submission for a new L53DD production license which encompasses the discovery area is anticipated in early December 2018.
- Oil sales, net to Pan Orient's 50.01% interest in the Thailand Joint Venture for Concession L53, were 210 BOPD for the first nine months of 2018, with funds flow from operations of $3.1 million ($54.31 per barrel).
- Total corporate funds flow from operations for the first nine months of 2018 was $2.5 million, including Pan Orient's 50.01% equity interest in the Thailand Joint Venture, and the net loss attributable to common shareholders was $1.4 million ($0.03 loss per share).
- Pan Orient maintains a strong financial position for planned exploration activities at the East Jabung PSC in Indonesia with working capital and non-current deposits at September 30, 2018 of $33.0 million and no long-term debt. In addition, net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture is $6.6 million of working capital and non-current deposits to fund exploration and development activities at Concession L53.

2018 THIRD QUARTER OPERATING RESULTS

- Net loss attributable to common shareholders for the third quarter of 2018 of $1.0 million ($0.02 loss per share) compared with $0.2 million ($0.00 loss per share) in the second quarter of 2018 and $1.8 million ($0.03 loss per share) in the third quarter of 2017. The change from the second quarter of 2018 is largely due to a foreign exchange loss of $368,000 in the third quarter of 2018 compared with a foreign exchange gain of $478,000 in the second quarter of 2018 as a result of a lower foreign exchange rate for Pan Orient's US dollar holdings.
- For the third quarter of 2018, 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 $0.4 million ($0.01 per share) compared with $1.3 million ($0.02 per share) in the second quarter of 2018.
- Pan Orient had capital expenditures of $1.1 million in the third quarter of 2018, with $1.0 million in Indonesia primarily associated with the Anggun-1X exploration well and $0.2 million in Canada at the Sawn Lake SAGD property of Pan Orient's 71.8% subsidiary Andora Energy Corporation ("Andora"). In addition, Pan Orient's share of Thailand joint venture capital expenditures was $0.9 million for workover activity and construction costs for the L53-DD1 exploration well related to the access road and site, which was recorded in Investment in Thailand Joint Venture.
- At September 30, 2018 Pan Orient had $33.0 million of working capital and non-current deposits. Working capital and non-current deposits were comprised of $31.5 million cash, $3.8 million of Indonesian and Canadian accounts and taxes receivable, $0.6 million of non-current deposits, and less accounts payable of $2.9 million. In addition to this, Pan Orient's Investment in Thailand Joint Venture has $6.6 million of working capital and non-current deposits and $2.2 million of equipment inventory to be utilized for future Thailand Joint Venture operations.
- Results net to Pan Orient's 50.01% interest in the Thailand Joint Venture for Concession L53
  - Concession L53 is a low cost operation that benefits from higher Brent crude oil reference prices.
  - Average oil sales of 214 BOPD during the third quarter of 2018 generated $1.2 million in funds flow from operations, or $60.22 per barrel. This compares with 235 BOPD and $1.2 million of funds flow from operations, or $57.97 per barrel, in the second quarter of 2018. The average realized sales price per barrel increased 6% from $86.74 in the second quarter of 2018 to $92.34 in the third quarter of 2018.
  - Per barrel amounts during the third quarter of 2018 were a realized price for oil sales of $92.34, transportation expenses of $1.83, operating expenses of $15.37, general and administrative expenses of $10.28 and a 5% royalty to the Thailand government of $4.58. Oil sales revenue during this period was allocated 30% to expenses for transportation, operating, general & administrative and other, 5% to the government of Thailand for royalties, and 65% to the Thailand Joint Venture.

OUTLOOK

INDONESIA

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

The Anggun-1X exploration well is primarily targeting the Gumai sandstone level at a location 4.6 kilometers northwest and 80 meters structurally up-dip of the Ayu-1X exploration well which was drilled in 2017. The estimated dry hole cost is US$15.4 million (with Pan Orient's 49% share of US$7.55 million). The quarry permit that was required in order to commence construction of the Anggun-1X exploration well access road has been approved and road construction has commenced. The operator estimates the Anggun-1X exploration well will commence drilling sometime between March 15 and May 15, 2019. The variation in timing is almost entirely a function of possible issues relating to road building during the rainy season. Anggun-1X is anticipated to take approximately 30 days to reach total depth with testing to commence immediately thereafter, if required.

As per the requirement under the East Jabung PSC to enter into the four year exploration period extension, the joint venture has submitted the final acreage relinquishment to the Government of Indonesia oil and gas regulator ("SKKMIGAS") bringing the remaining PSC area to 1,254.54 square kilometers, representing 20% of the original PSC area. Once this relinquishment area has been reviewed and approved by the SKKMIGAS technical group, the joint venture will notify the Government of Indonesia of their election to enter into the four year exploration extension period that will commence when the six year exploration period ends on January 20, 2019. During the four year exploration extension period, the joint venture has the option of exiting or continuing with the PSC on an annual basis.

THAILAND

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

An oil discovery in October with the L53-DD1 exploration well was followed up with a successful appraisal well at L53-DD2. L53DD is located in the northern most portion of the Concession L53 "exploration reserve area", approximately 28 kilometers north of any existing producing wells within Concession L53 and approximately 5 kilometers south of the PTT Exploration and Production Public Company Limited operated U-Thong oil field located in the adjacent concession. An application has been submitted for Government of Thailand approval for a 90 day production test of the L53-DD1 and L53-DD2 wells, and L53-DD1 approval has been received. This will be followed by the submission of an L53DD production license area application that will encompass the discovery area and generation of the technical information to be provided to the Company's reserve evaluators for inclusion of the L53DD discovery into the year-end 2018 independent reserves evaluation. Past experience has typically seen government approval of production licenses within three to five months of submission, at which time long term (not subject to 90 day production test) production can commence. In addition, work is currently underway utilizing the L53-DD1 and L53-DD2 well results to better define the hydrocarbon potential in the immediate vicinity of the L53-DD1 oil discovery that would form the basis for any potential future exploration drilling in the area.

The drilling of an appraisal well at L53B has been postponed due to the discovery with the L53-DD1 exploration well. Production of the existing L53-B discovery well will commence upon the in-country arrival of a variable speed control panel anticipated in December 2018.

Shareholders will be informed of the production test results for L53-DD1 and L53-DD2 after approximately the first seven to ten days of testing. At that time, a preliminary Thailand 2019 drilling program will also be outlined to Pan Orient shareholders.

CANADA

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

Pan Orient continues to work with joint venture partners to move forward towards 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). The current high differential between the West Texas Intermediate reference price for light crude oil and the Western Canada Select reference price for heavy Canadian crude oil is a challenging economic environment for heavy oil producers in Canada. The level and stability of heavy oil prices will have a significant impact on any decision by the Sawn Lake partners regarding the timing and extent of future development, and the ability to finance the project.

Corporate

Pan Orient is maintaining a strong cash balance, denominated mainly in United States dollar deposits, to conduct key exploration and development activities and ensure financial flexibility. Pan Orient continually 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.

Net loss from Joint Venture	Three months ended September 30				Nine months ended September 30			
Pan Orient Energy (Siam) Ltd.	**2018**		2017		**2018**		2017	
(Net to Pan Orient 50.01%)	**$000s**	**$ per bbl**	$000s	$ per bbl	**$000s**	**$ per bbl**	$000s	$ per bbl
Crude oil revenue	**1,814**	**92.34**	1,457	60.44	**4,904**	**85.45**	4,467	62.83
Government royalty	**(90)**	**(4.58)**	(74)	(3.07)	**(242)**	**(4.22)**	(221)	(3.11)
Transportation expense	**(36)**	**(1.83)**	(39)	(1.62)	**(104)**	**(1.81)**	(115)	(1.62)
Production and Operating expense	**(302)**	**(15.37)**	(272)	(11.28)	**(850)**	**(14.81)**	(766)	(10.77)
Field netback	**1,386**	**70.56**	1,072	44.47	**3,708**	**64.61**	3,365	47.33
General and administrative	**(192)**	**(9.77)**	(205)	(8.50)	**(583)**	**(10.16)**	(575)	(8.09)
Foreign exchange gain (loss)	**(1)**	**(0.05)**	-	-	**1**	**0.02**	3	0.04
Interest income	**-**	**-**	1	0.04	**16**	**0.28**	8	0.11
Funds flow from operations	**1,193**	**60.73**	868	36.01	**3,142**	**54.75**	2,801	39.39
Depletion, depreciation and amortization	**(1,073)**	**(54.62)**	(1,266)	(52.52)	**(3,085)**	**(53.76)**	(3,733)	(52.50)
Accretion	**(14)**	**(0.71)**	(6)	(0.25)	**(47)**	**(0.82)**	(20)	(0.28)
Exploration expense	**-**	**-**	(73)	(3.03)	**(52)**	**(0.91)**	(99)	(1.39)
Deferred tax recovery (expense)	**(45)**	**(2.29)**	237	9.83	**60**	**1.05**	537	7.55
Net income (loss)	**61**	**3.11**	(240)	(9.96)	**18**	**0.31**	(514)	(7.23)
Amortization of fair value adjustment	**(151)**	**(7.69)**	(126)	(5.23)	**(396)**	**(6.90)**	(318)	(4.47)
Net loss from Joint Venture	**(90)**	**(4.58)**	(366)	(15.19)	**(378)**	**(6.59)**	(832)	(11.70)

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 214 BOPD during the three months ended September 30, 2018 compared to 235 BOPD during the second quarter of 2018 and 262 BOPD during the third quarter of 2017.

Oil sales revenue from Concession L53 was $1.8 million for the three months ended September 30, 2018 compared to $1.9 million in the second quarter of 2018 and $1.5 million in the third quarter of 2017. Revenue in the third quarter of 2018 was lower than the second quarter due to lower production offset by higher realized prices. The realized price per barrel was $92.34 for the three months ended September 30, 2018 compared to $86.74 during the second quarter of 2018 and $60.44 during the third quarter of 2017.

The realized sales price from the Thailand Joint Venture has historically been in the range of 85% to 95% of the Brent reference price, with the discount attributed to the high paraffin content of the petroleum and a portion which is heavier crude. The realized price from the Thailand Joint Venture was 93% of the Brent reference price for the three months ended September 30, 2018 compared to 90% for the three months ended June 30, 2018 and 91% for the three months ended September 30, 2017.

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 2018 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 2018, Pan Orient's share of the transportation expense within the Thailand Joint Venture averaged $1.83 per barrel compared to $1.84 per barrel in second quarter of 2018 and $1.62 in the third quarter of 2017.

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

The Thailand Joint Venture incurs production and operating costs related to oil produced at Concession L53 in Thailand. Production and operating costs on a per barrel basis were $15.37 per barrel ($0.3 million) in the third quarter of 2018 compared to $13.47 per barrel ($0.3 million) in the second quarter of 2018 and $11.28 per barrel ($0.3 million) in the third quarter of 2017. Higher operating costs per barrel during the third quarter of 2018 when compared to the other comparative periods due to higher personnel, repair and maintenance, water hauling expenses and 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 $54.62 per barrel during the third quarter of 2018 compared to $54.41 per barrel during the second quarter of 2018 and $52.52 per barrel during the third quarter of 2017. On a per barrel basis, the DD&A in the third quarter of 2018 was higher than other comparative periods due to a higher cost base.

Taxes

	Three months ended September 30		Nine months ended September 30	
($thousands)	**2018**	2017	**2018**	2017
Current tax recovery	**-**	-	**-**	(148)
Deferred tax recovery	**(26)**	(234)	**(78)**	(611)
Total tax recovery	**(26)**	(234)	**(78)**	(759)

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

General and Administrative ("G&A") Expenses

	Three months ended September 30		Nine months ended September 30	
($thousands)	**2018**	2017	**2018**	2017
Canada	**538**	587	**1,706**	1,832
Indonesia	**199**	203	**554**	890
Thailand (excluding Thailand Joint Venture)	**10**	2	**25**	24
Total G&A, net of overhead recoveries (1)	**747**	792	**2,285**	2,746
Allocated to capital projects(2)	**(178)**	(180)	**(578)**	(440)
Cash G&A	**569**	612	**1,707**	2,306
Accretion expenses	**12**	10	**35**	27
Consolidated G&A expense	**581**	622	**1,742**	2,333
G&A from Thailand Joint Venture	**192**	205	**583**	575
Accretion from Thailand Joint Venture	**14**	6	**47**	20
Total G&A attributable to the economic interests of Pan Orient (including 50.01% interest in Thailand Joint Venture)	**787**	833	**2,372**	2,928

(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 $26 thousand and $43 thousand for the nine months ended September 30, 2018 and 2017, respectively.

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

Total G&A, net of recoveries, was lower during the nine months ended of 2018 than 2017 mainly attributed to higher capitalization of G&A in the Indonesia operation and lower personnel and legal expenses.

Capital Invested

	Three months ended September 30				Nine months ended September 30			
	2018		2017		**2018**		2017	
Capital expenditures (1)	**$000s**	**Net wells drilled**	$000s	Net wells drilled	**$000s**	**Net wells drilled**	$000s	Net wells drilled
Indonesia	**968**	**-**	3,268	1.0	**2,594**	**-**	4,078	1.0
Canada	**168**	**-**	447	-	**664**	**-**	921	-
Consolidated capital expenditures	**1,136**	**-**	3,715	1.0	**3,258**	**-**	4,999	1.0
Share of joint venture capital expenditures (2)	**897**	**-**	266	-	**1,514**	**-**	816	-
Total capital expenditures attributable to the economic interest of Pan Orient (including 50.01% interest in Thailand Joint Venture)	**2,033**	**-**	3,981	1.0	**4,772**	**-**	5,815	1.0

(1) Excluding foreign exchange and decommissioning costs.

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

Thailand

The Company's share of capital expenditures from the Thailand Joint Venture for the three months ended September 30, 2018 were $0.9 million comprised of workover activity and construction costs for the L53-DD1 exploration well (which was drilled in October 2018) related to the access road and site.

Indonesia

Capital expenditures in Indonesia for the three months ended September 30, 2018 were $1.0 million primarily related to Anggun-1X exploration well.

Canada

Capital expenditures in Canada for the three months ended September 30, 2018 of $0.2 million for capitalization of ongoing expenses at the demonstration project facility and capitalized G&A. During the first quarter of 2018, the Sawn Lake joint venture sold some inventory of pipe to outside third party for $133 thousand.

Liquidity and Capital Resources

Pan Orient's capital program, including the 50.01% share of the Thailand Joint Venture, was $4.8 million for the nine months ended September 30, 2018 and was financed from existing working capital and funds flow from operations within the Thailand Joint Venture. At September 30, 2018 the Company's working capital plus non-current deposits was $33.0 million compared to $36.9 million at December 31, 2017. The Company had estimated outstanding capital commitments of $0.7 thousand at September 30, 2018 compared to $139 thousand at December 31, 2017. In addition to Pan Orient's consolidated working capital and non-current deposits, its investment in the Thailand Joint Venture includes $6.6 million of its share of working capital and non-current deposits and $2.2 million of equipment inventory to be utilized for future operations of the Thailand Joint Venture.

At September 30, 2018 Pan Orient's consolidated cash and cash equivalents (excluding Pan Orient's share of the Thailand Joint Venture) were held in the jurisdictions where the Company operates as follows:

($thousands)	September 30, 2018	December 31, 2017
Cash and cash equivalents held in Canada	31,143	37,318
Cash and cash equivalents held in Indonesia	352	344
Consolidated cash and cash equivalents	31,495	37,662

Non-current deposits of $0.6 million at September 30, 2018 consisted of deposits placed with the Alberta energy regulator in Canada for the interests of Andora at Sawn Lake.

Share Capital

Outstanding (thousands)	November 13, 2018	September 30, 2018	December 31, 2017
Common shares	54,900	54,900	54,900
Stock options	4,991	4,991	3,431
Total	59,891	59,891	58,331

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

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

Foreign Exchange

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

	2018			2017				2016
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Rate at end of period								
Thai baht / Cdn $ exchange	24.51	24.70	23.89	25.67	26.49	25.85	25.51	26.23
Cdn $ / US $ exchange	1.29	1.32	1.29	1.25	1.25	1.30	1.33	1.35

The Company holds U.S. dollars within Canada to meet U.S. dollar cash requirements of its foreign operations. At September 30, 2018 the Company held $19.6 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)	**2018**	2017	**2018**	2017
AOCI, beginning of period	**2,806**	1,636	**1,238**	1,377
Unrealized foreign currency translation gain (loss) from Indonesia	**(391)**	(666)	**197**	(777)
Unrealized foreign currency translation gain (loss) from Thailand joint venture	**205**	(594)	**1,185**	(224)
AOCI, end of period	**2,620**	376	**2,620**	376

Summary of Quarterly Results

	2018			2017				2016
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Financial ($thousands) except as indicated (1)								
Interest revenue	**151**	136	102	88	90	71	59	51
Cash flow from (used in) operating activity	**(39)**	2,547	(4,670)	(485)	447	(1,586)	(1,730)	82
Total assets	**169,716**	170,213	170,494	172,400	170,994	171,203	173,438	174,392
Working capital & non-current deposits	**32,993**	34,992	36,867	36,897	40,416	45,908	47,344	49,818
Shares outstanding (thousands)	**54,900**	54,900	54,900	54,900	54,900	54,900	54,885	54,885
Net (loss)(2)	**(960)**	(151)	(338)	(578)	(1,816)	(1,224)	(1,514)	(78,149)
Per share basic and diluted ($)	**(0.02)**	(0.00)	(0.01)	(0.01)	(0.03)	(0.02)	(0.03)	(1.42)
Operations ($thousands), including share of Thailand Joint Venture								
Oil revenue (BOPD) net to Pan Orient (3)	**210**	235	182	233	262	274	245	290
Funds flow from (used in) operations (4)	**404**	1,294	818	507	(762)	(249)	(172)	1,249
Capital expenditures(5)	**2,033**	1,970	769	3,922	3,981	803	1,031	1,444
Total corporate funds flow from (used in) operations ($/bbl) (4)								
Realized crude oil price	**92.34**	86.74	75.50	70.80	60.44	62.78	65.50	60.22
Royalties	**(4.58)**	(4.30)	(3.67)	(3.35)	(3.07)	(3.08)	(3.23)	(3.00)
Transportation & operating	**(17.20)**	(15.35)	(17.59)	(15.37)	(12.90)	(11.93)	(12.36)	(12.36)
Field Netback – Thailand Joint Venture	**70.56**	67.09	54.24	52.07	44.47	47.77	49.92	44.87
General and administrative(6)	**(38.74)**	(34.86)	(47.89)	(40.29)	(33.89)	(32.15)	(57.28)	(35.54)
Exploration(7)	**(0.15)**	(1.22)	(0.06)	-	-	-	(0.23)	3.78
Interest income	**7.69**	7.11	6.23	4.70	3.77	3.12	2.68	1.91
Foreign exchange gain (loss)	**(0.31)**	1.73	(1.95)	7.13	(45.96)	(28.71)	(9.63)	26.14
Current income tax recovery (expense)	**-**	-	-	-	-	-	6.72	5.62
Total corporate funds flow from (used in) operations	**39.04**	39.86	10.57	23.61	(31.61)	(9.97)	(7.82)	46.78

(1) Amounts presented were set out in the Consolidated Financial Statements of Pan Orient Energy Corp.
(2) Net income (loss) attributed to common shareholders.
(3) Oil revenue generated within the Thailand Joint Venture, net to Pan Orient.
(4) Total corporate funds flow from operations is cash flow from operating activities prior to changes in non-cash working capital, decommissioning expenditures, unrealized foreign exchange gain or loss plus the corresponding amount from the Thailand operations which is recorded in Joint Venture for financial statement purposes. This measure is used by management to analyze operating performance and leverage. Funds flow as presented does not have any standardized meaning prescribed by IFRS and therefore it may

not be comparable with the calculation of similar measures of other entities. Funds flow is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS.

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

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

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

(8) Tables may not add due to rounding.

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

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

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

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

Q4 2017 – Total corporate funds flow used in operations of $0.5 million. Funds flow from operations in Thailand was $0.9 million with average daily oil sales from Concession L53 of 233 BOPD ($42.01 per barrel), net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture. Net loss attributable to common shareholders was $0.6 million ($0.01 per share) for the quarter. Pan Orient had capital expenditures of $2.9 million in the fourth quarter of 2017, with $2.7 million in Indonesia for costs associated with drilling of the Ayu-1X and Elok-1X wells and capitalized general & administrative expenses, and $0.2 million in Canada at the Sawn Lake SAGD property of Andora. In addition, Pan Orient's share of Thailand joint venture capital expenditures was $1.0 million for the drilling of the L53-AC-C1 exploration well and capitalized general & administrative expenses. At December 31, 2017, working capital and non-current deposits totaled $36.9 million and the Company had no long-term debt.

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

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

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

Additional Information

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