PAN ORIENT ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

November 27, 2014

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 27, 2014 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2014 and the audited consolidated financial statements and notes thereto and MD&A for the year ended December 31, 2013. 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 Thailand, onshore Indonesia and an interest in Andora Energy Corporation ("Andora") which has properties in northern Alberta, Canada.

Please note that all amounts are in Canadian dollars unless otherwise stated, translation of items denominated in foreign currencies as at September 30, 2014 into Canadian dollars using September 30, 2014 exchange rates, represent the net amount to Pan Orient's interests unless otherwise stated, and BOPD refers to barrels of oil per day net to Pan Orient.

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 often, but not always, identified by the use of words such as "anticipate", "assume", "believe", "estimate", "expect", "forecast", "guidance", "may", "plan", "predict", "project", "should", "will", or similar words suggesting future outcomes. Forward-looking statements in this MD&A include, but are not limited to, references to: well drilling programs and drilling plans, estimates of reserves and potentially recoverable resources, information on future production and project start-ups and the status, completion of transactions generally; anticipated closing dates; anticipated net proceeds; and the likelihood of farmout negotiations and agreements. 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 reserve 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, demand for oil and gas, commercial negotiations, 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 forward-looking information with respect to reservoir and resource estimates related to Thailand and Canada and estimated costs associated with work commitments in Thailand, Canada and Indonesia. Reserve and resource 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 reserve 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 reserve and resource 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 reserve and resource 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 reserve and resource 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 27, 2014 and are subject to change after this date. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive and as such undue reliance should not be placed on forward-looking statements. Except as required by applicable securities laws, with the exception of events or circumstances that occurred during the period to which the MD&A relates that are reasonably likely to cause actual results to differ materially from material forward-looking information that was previously disclosed to the public, the Company disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Non-IFRS Measures

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

Funds flow from operations ("funds flow"), which represents cash flow from operating activities prior to changes in non-cash working capital, decommissioning expenditures and excluding the recovery of prior year income taxes, is used by the Company to evaluate operating performance, leverage and liquidity. The following table reconciles funds flow from operations to cash flow from operating activities which is the most directly comparable measure calculated in accordance with IFRS:

($thousands)	**Three Months Ended September 30**		**Nine months Ended September 30**	
	2014	2013	**2014**	2013
Cash flow from operating activities	**4,184**	4,408	**12,664**	16,941
Changes in non-cash working capital	**(590)**	389	**(201)**	1,842
Decommissioning expenditures	**127**	-	**225**	-
Recovery of prior year taxes	**-**	-	**-**	(1,785)
Funds flow from operations	**3,721**	4,797	**12,688**	16,998

Funds flow from operations, funds flow from operations per barrel and funds flow from operations per share (basic and diluted) do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Funds flow is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. All references to funds flow throughout this MD&A are based on funds flow from operations after tax and before changes in non-cash working capital and reclamation costs.

Petroleum and Natural Gas Properties

The Company's principal properties are divided into three distinct groups: 1) partially developed concession located onshore Thailand; 2) undeveloped onshore interests in Indonesia Production Sharing Contracts ("PSCs"); and 3) undeveloped Canadian oil sands leases.

Thailand

At September 30, 2014, the Company has a 100% operated working interest in Concession L53/48 ("L53") in Thailand. Concession L53 is located approximately 60 kilometers west of Bangkok. Currently all of Pan Orient's crude oil revenue is from Concession L53 and sold to a refinery owned by the Thai National Oil Company. The Company's operated 20% working interest in Concession L45/50 ("L45") which expired on April 27, 2014.

Subsequent to September 30, 2014 the Company entered into an agreement for the sale of a 50% equity interest in its wholly owned subsidiary Pan Orient Energy (Siam) Ltd. for a cash price of USD $42.5 million (CDN$47.6 million) including a working capital adjustment of USD $2.4 million (CDN$2.7 million). Pan Orient Energy (Siam) Ltd. holds the Company's 100% interest in Concession L53/48 in Thailand and is the operator of the concession after the sale. The transaction is anticipated to close in January 2015 and is subject to the purchaser's shareholder approval, financing, certain regulatory and other third party approvals and waivers, as well as other customary closing conditions. A USD $4.0 million (CDN$4.5 million) break fee is payable by the purchaser if the purchaser's shareholder approval or financing is not obtained.

<u>Concession L53</u>
Concession L53 is partially developed, has oil production and an active exploration and development program. Oil production has averaged 705 BOPD for the nine months ended September 30, 2014 and 633 BOPD for the three months ended September 30, 2014. Proved plus probable reserves, as evaluated by Sproule International Limited of Calgary (the Company's independent reservoir engineers), as at December 31, 2013 assigned to the L53A, L53-D East and L53-G oilfields of Thailand Concession L53 was 1.5 million barrels net to Pan Orient. This evaluation reflects the discovery of the L53-G oilfield in 2013. The L53-G field production EIA was approved by the Government of Thailand on February 19, 2014 and three L53-G wells which had been shut in awaiting approval of the production EIA were brought back on production on February 20, 2014. On August 8, 2014 Environmental Impact Assessment ("EIA") approved was received for six exploration drilling locations, with four individual cellars each, including the L53A-North prospect.

<u>Concession L45</u>
Concession L45 was an undeveloped property with no production or assigned reserves which expired on April 27, 2014. Pan Orient earned a 20% working interest in the Concession by completing a 3D seismic program in 2013. Pursuant to the Farm-in Agreement, the Company could have elected to drill an additional two wells to earn an additional 40% interest, however the Company elected not to drill these wells and the concession expired on April 27, 2014. Although the Company only earned a 20% interest pursuant to the Farm-in Agreement, the Company was registered with the Government of Thailand as holding a 60% interest in the concession and was committed to 60% of the unfulfilled commitment when the concession expired. As a result of the expiration and the Company's election not to drill the exploration wells, a net impairment loss of $3.3 million was recorded in the fourth quarter of 2013 relating to $2.8 million of L45 seismic costs already incurred and $0.5 million accrued for unfulfilled commitments which settled during the third quarter of 2014

Indonesia

At September 30, 2014, the Company owned interests in three PSCs, with a 97% operated working interest in the Citarum PSC, a 77% operated working interest in the Batu Gajah PSC, and a 100% interest in the East Jabung PSC. A 3% carried interest is held by a third party on the Citarum PSC and a 23% carried interest is held by third parties on the Batu Gajah PSC. There were no reserves assigned to any of the Indonesia PSCs at September 30, 2014.

Batu Gajah PSC

At the Batu Gajah PSC, Pan Orient commenced the exploration drilling program in late March 2011. The Tuba Obi Utara-1 (NTO-1) exploration well drilled in the first half of 2011 encountered 10.5 feet of gas pay within good-quality sand near the top of the Lower Talang Akar formation ("LTAF"). The follow-up NTO-1ST side track well encountered the same LTAF gas sand formation identified at the NTO-1 well, but of lower reservoir quality. The SE Tiung-1 exploration well drilled in mid-2011 encountered oil shows and good quality sands within the primary Lower Talang Akar target horizon but wire line logging indicated the zone to be water bearing. The secondary objective of the Gumai and Upper Talang Akar formation sands were also present, but interpreted as being water bearing. On January 16, 2013 1,730 square kilometers (gross) of exploration lands were relinquished at the Batu Gajah PSC which now holds 793 square kilometers (gross). In the first quarter of 2013 the Company drilled two exploration wells and commenced a 400 square kilometer 3D seismic program at the Batu Gajah PSC. The Shinta-1 exploration well was spudded in the first quarter of 2013 and encountered sub-commercial oil in the primary Lower Talangakar sandstone target. The Buana-1 well was also spudded in the first quarter of 2013 as an updip appraisal of the North Tuba Obi-1 well drilled in 2011, which targeted natural gas in the Lower Talang Akar formation. Open hole wire line logs and pressure data indicated the sands to be water bearing. These results suggest the Buana-1 and the North Tuba Obi-1 fault compartments are not in communication and the gas accumulation encountered in the North Tuba Obi-1 well in 2011 is limited and sub-commercial. For the remainder of 2013 the Company worked to complete the acquisition and evaluation of the 400 square kilometer 3D seismic program focused on the eastern half of the PSC. In the third quarter of 2013, the operator of the Lemang PSC (directly adjacent to Pan Orient's Batu Gajah PSC) announced that significant hydrocarbons have been encountered in two wells. One is located approximately 175 meters from the shared Lemang / Batu Gajah PSC boundary and another approximately 500 meters from the shared boundary. Mapping of the 2D seismic data over these wells combined with the 2D seismic acquired by Pan Orient in 2010 and 3D seismic data purchased in 2014 indicates that a portion of this structural closure extends into Pan Orient's Batu Gajah PSC and perhaps the structural crest. Indonesian law states that unitization will be mandatory in the event of a "shared" field. Pan Orient is currently working on the front end requirements to drill a well on this area. Pan Orient is seeking to farm-out a portion of the Company's interests in the Batu Gajah PSC.

East Jabung PSC

On November 21, 2011 the Company signed the East Jabung PSC located on and offshore south Sumatra, obtaining operatorship and a 100% working interest. The firm three year exploration commitment includes two wells and 2D seismic acquisition and processing. A 440 kilometer 2D seismic program commenced in 2013 and was completed by the end of April 2014. In the fourth quarter of 2013 the Company submitted an application to the Government of Indonesia ("GOI") to voluntarily relinquish approximately 3,243 square kilometers of the PSC's offshore area. At September 30, 2014 the relinquishment has not yet been finalized with the GOI. The result of the relinquishment does not impact the PSC's onshore exploration activities.

Subsequent to September 30, 2014 Pan Orient entered into an agreement to transfer a 51% interest and operatorship of the East Jabung PSC to a wholly owned subsidiary of Talisman Energy for consideration of: 1) an upfront cash payment of USD$ 8.0 million (CDN$9.0 million); 2) a firm commitment to fund the first USD$ 10.0 million (CDN$11.2 million) towards the first exploration well in addition to all related general and administrative expenses ("G&A") and overhead costs incurred by the operator until the USD$ 10.0 million (CDN$11.2 million) expenditure has been completed; 3) an option for Pan Orient to acquire a 20% working interest in a Talisman operated South Sumatra Joint Study Area where Talisman holds the right of first refusal in an upcoming Indonesia bid round to bid on a new PSC located adjacent to the East Jabung PSC; 4) a contingent commitment to fund the first USD$ 5.0 million (CDN$5.6 million) towards an appraisal well, if justified, in addition to all associated G&A and overhead incurred by the operator until the first USD$ 5.0 million (CDN$5.6 million) expenditure has been completed. The transaction is anticipated to close approximately March 2015 upon receiving approval from the GOI.

Citarum PSC

At the Citarum PSC, the Cataka-1 exploration well commenced drilling on December 31, 2011 and was junked and abandoned due to severe drilling difficulties. The Jatayu-1 exploration well commenced drilling in March 2012 and was suspended in September 2012 due to drilling difficulties. Jatayu-1 drilling recommenced in December 2012 utilizing slim hole drilling equipment. A severe overpressure gas zone encountered created an unacceptable level of well control risk and formation water present in the gas zone suggested no commercial potential resulting in the well being abandoned. The Geulis-1 exploration well was drilled from early October 2012 to early November 2012 and the results indicated that the Geulis prospect is not deemed commercially viable on a stand-alone basis, but may be commercially viable as part of a larger development should exploration success be achieved at the Cataka or Jatayu prospects. The well has been abandoned. The Cataka-1A well commenced drilling in early December 2012 but was suspended in January 2013 due to numerous drilling rig issues and recommenced drilling in May 2013. The well encountered numerous intervals of severely tectonically fractured shale that were highly unstable and given the drilling difficulties encountered to date and the low probability of reaching the final objective in the Paragi Limestone zone, the well has been abandoned. Exploration drilling to date at the Citarum PSC has been very technically challenging and has not led to commercial discoveries. Pan Orient announced in 2013 that the Company was initiating a farm-out process to seek a partner for continued exploration of the Citarum PSC and a farm-out process is in process. As a result of the Company's decision to discontinue drilling, a net impairment charge of $92.6 million was recorded in 2013. The Citarum PSC has significant prospectivity for commercial quantities of crude oil and natural gas, including the defined Cataka and Jatayu prospects, within a region of existing infrastructure and a large deficit of natural gas supply relative to demand, good fiscal terms and an attractive large cost recovery pool. The future value of the Citarum PSC is dependent on the success of exploration drilling operations through the intended farm-out arrangement. If commercial production results from exploration activities at the Citarum PSC, then Pan Orient will become obligated to pay royalties up to USD $16.0 million as a deferred purchase price for the 20% interest in the Citarum PSC purchased in 2012.

South CPP PSC
A 227 kilometer 2D seismic program was completed in the first half 2013 and after evaluation of the seismic results the Company decided to relinquish the South CPP PSC. As a result of this decision, the Company recorded a net impairment charge of $13.7 million in 2013. In the third quarter of 2014 the Company completed the requirements to relinquish the PSC and is awaiting final approval from the Indonesian Government on the relinquishment.

Canada

Andora Energy Corporation is a private oil company in which Pan Orient has 71.8% ownership. Its principal activities to date relate to the development of the Sawn Lake area oil sands property in the Peace River Oil Sands Region of Northern Alberta using the steam assisted gravity drainage ("SAGD") recovery process. Andora is in pre-production phase and the commercial viability of the SAGD recovery process at Sawn Lake has not yet been established. The Company has received regulatory approval to build and operate the SAGD demonstration project located in the Central Block of Sawn Lake where Andora is the operator and holds a 50% working interest. In July 2013, Andora and its joint venture partners entered into an agreement for the demonstration project at Sawn Lake, and Andora's joint venture partners elected to participate for 50% and provided the necessary funding to Andora. As part of the arrangement, a joint venture partner had the right to repurchase the 3% gross overriding royalty ("GORR") on their 40% working interest in the 12 sections of the Central Block subject to certain terms and conditions. In the first quarter of 2014 the joint venture partner repurchased the 3% GORR for $2.7 million. The demonstration project started with a 2013 / 2014 phase consisting of one SAGD well pair, a facility for steam generation, water handling and oil treating, and water source and disposal facilities. In the fourth quarter of 2013, one SAGD well pair was drilled to a depth of approximately 650 meters and a horizontal length of 750 meters. Work on construction of the facility and pipeline installation was completed for steam operations in May 2014 and injection of steam commenced on May 21, 2014. Bitumen production started September 16, 2014. The project has not yet proven that it is commercially viable and all related costs and revenues are being capitalized as E&E assets until it is determined to be commercial viable. Commercial viability will determine based on several factors including but not limited to the assignment of proven and probable reserves, confirmation of commercial SAGD production rates from a SAGD pilot, regulatory approvals for a commercial SAGD development, a firm commercial development plan and the funding thereof.

Summarized financial information with respect to Andora is as follows:

	As at and for the Three Months Ended September 30		**As at and for the Nine months Ended September 30**	
($thousands)	**2014**	2013	**2014**	2013
Total assets	**84,462**	84,761	**84,462**	84,761
Total liabilities	**8,259**	7,672	**8,259**	7,672
Funds flow from (used in) operations	**55**	(70)	**(64)**	(73)
Net loss	**(34)**	(24)	**(242)**	(255)

Financial and Operating Summary *(thousands of Canadian dollars except where indicated)*	Three Months Ended September 30, **2014**	2013	Nine Months Ended September 30, **2014**	2013	Change
FINANCIAL					
Oil revenue, before royalties and transportation expense	**5,840**	7,397	**19,875**	23,316	-15%
Funds flow from operations (Note 1)	**3,721**	4,797	**12,688**	16,998	-25%
Per share ï basic and diluted	**$ 0.06**	$ 0.08	**$ 0.22**	$ 0.30	-25%
Funds flow from (used in) operations by region (Note 1)					
Canada (Note 6)	**(173)**	(48)	**(682)**	(236)	189%
Thailand	**4,311**	5,445	**14,715**	17,937	-18%
Indonesia	**(417)**	(600)	**(1,345)**	(703)	91%
Total	**3,721**	4,797	**12,688**	16,998	-25%
Net loss attributed to common shareholders	**(363)**	(3,109)	**(695)**	(100,445)	-99%
Per share ï basic and diluted	**$ (0.00)**	$ (0.05)	**$ (0.01)**	$ (1.77)	-99%
Working capital	**43,633**	38,667	**43,633**	38,667	13%
Working capital & non-current deposits	**44,573**	40,879	**44,573**	40,879	9%
Long-term debt	**-**	-	**-**	-	0%
Petroleum and natural gas properties					
Capital expenditures (Note 2)	**3,163**	17,649	**18,355**	90,136	-80%
Dispositions (Note 3)	**-**	-	**(2,698)**	-	100%
Shares outstanding (thousands)	**56,760**	56,760	**56,760**	56,760	0%
Funds Flow from (used in) Operations per Barrel (Note 1)					
Canada operations	**$ (2.97)**	$ (0.64)	**$ (3.55)**	$ (1.01)	251%
Thailand operations	**74.07**	73.13	**76.50**	76.30	0%
Indonesia operations	**(7.16)**	(8.06)	**(6.99)**	(2.99)	134%
	$ 63.94	$ 64.43	**$ 65.96**	$ 72.30	-9%
Capital Expenditures (Note 2)					
Canada (Note 6)	**1,877**	(1,065)	**8,599**	3,427	151%
Thailand	**483**	5,506	**3,916**	38,444	-90%
Indonesia	**803**	13,208	**5,840**	48,265	-88%
Total	**3,163**	17,649	**18,355**	90,136	-80%
Working Capital and Non-current Deposits					
Beginning of period	**43,789**	54,345	**47,889**	116,376	-59%
Funds flow from operations (Note 1)	**3,721**	4,797	**12,688**	16,998	-25%
Proceeds from 2012 sale of Thailand interests	**-**	-	**174**	-	100%
Capital expenditures (Note 2)	**(3,163)**	(17,649)	**(18,355)**	(90,136)	-80%
Disposal of petroleum and natural gas assets (Note 3)	**-**	-	**2,698**	-	100%
Settlement of decommissioning liabilities	**(127)**	-	**(225)**	-	100%
Recovery of 2012 taxes	**-**	-	**-**	1,785	-100%
Accrued relinquishment costs	**-**	45	**-**	(2,733)	-100%
Foreign exchange impact on working capital	**353**	(659)	**(296)**	(1,541)	-81%
Net proceeds on share transactions	**-**	-	**-**	130	-100%
End of period	**44,573**	40,879	**44,573**	40,879	9%
Canada Operations (Note 6)					
Interest income	**57**	157	**206**	652	-68%
General and administrative expense (Note 4)	**(309)**	(161)	**(1,535)**	(1,002)	53%
Current income tax recovery	**-**	100	**-**	252	-100%
Realized foreign exchange gain	**79**	(144)	**647**	(138)	-569%
Funds flow used in operations (Note 1)	**(173)**	(48)	**(682)**	(236)	189%
Funds flow used in operations per barrel					
Interest income	**$ 0.98**	$ 2.11	**$ 1.07**	$ 2.77	-61%
General and administrative expense (Note 4)	**(5.31)**	(2.16)	**(7.98)**	(4.26)	87%
Current income tax recovery	**-**	1.34	**-**	1.07	-100%
Realized foreign exchange gain	**1.36**	(1.93)	**3.36**	(0.59)	-669%
Canada ï Funds flow used in operations	**$ (2.97)**	$ (0.64)	**$ (3.55)**	$ (1.01)	251%

(thousands of Canadian dollars except where indicated)	Three Months Ended September 30, **2014**	2013	Nine Months Ended September 30, **2014**	2013	Change
Thailand Operations					
Oil sales (bbls)	**58,202**	74,458	**192,335**	235,073	-18%
Average daily oil sales (BOPD) by Concession L53	**633**	809	**705**	861	-18%
Average oil sales price, before transportation (CDN$/bbl)	**$ 100.34**	$ 99.34	**$ 103.34**	$ 99.19	4%
Reference Price (volume weighted) and differential					
Crude oil (Brent $US/bbl)	**$ 101.92**	$ 110.31	**$ 106.83**	$ 108.04	-1%
Exchange Rate $US/$Cdn	**1.10**	1.02	**1.11**	1.03	8%
Crude oil (Brent $Cdn/bbl)	**$ 112.56**	$ 112.09	**$ 118.39**	$ 111.38	6%
Sale price / Brent reference price	**89%**	89%	**87%**	89%	-2%
Funds flow from operations (Note 1)					
Crude oil sales	**5,840**	7,397	**19,875**	23,316	-15%
Government royalty	**(286)**	(368)	**(979)**	(1,152)	-15%
Transportation expense	**(95)**	(119)	**(315)**	(371)	-15%
Operating expense	**(766)**	(1,084)	**(2,688)**	(2,747)	-2%
Field netback	**4,693**	5,826	**15,893**	19,046	-17%
General and administrative expense (Note 4)	**(384)**	(382)	**(1,193)**	(1,134)	5%
Interest income	**2**	2	**16**	27	-41%
Current income tax	**-**	(1)	**(1)**	(2)	-50%
Funds flow from operations	**4,311**	5,445	**14,715**	17,937	-18%
Funds flow from operations / barrel (CDN$/bbl) (Note 1)					
Crude oil sales	**$ 100.34**	$ 99.34	**$ 103.34**	$ 99.19	4%
Government royalty	**(4.91)**	(4.94)	**(5.09)**	(4.90)	4%
Transportation expense	**(1.63)**	(1.60)	**(1.64)**	(1.58)	4%
Operating expense	**(13.16)**	(14.56)	**(13.98)**	(11.69)	20%
Field netback	**80.64**	78.24	**82.63**	81.02	2%
General and administrative expense (Note 4)	**(6.60)**	(5.13)	**(6.20)**	(4.82)	29%
Interest Income	**0.03**	0.03	**0.08**	0.11	-27%
Current income tax	**-**	(0.01)	**(0.01)**	(0.01)	0%
Thailand - Funds flow from operations	**$ 74.07**	$ 73.13	**$ 76.50**	$ 76.30	0%
Government royalty as percentage of crude oil sales	**5%**	5%	**5%**	5%	0%
SRB as percentage of crude oil sales	**0%**	0%	**0%**	0%	0%
Income tax as percentage of crude oil sales	**0%**	0%	**0%**	0%	0%
As percentage of crude oil sales					
Expenses - transportation, operating, G&A and other	**21%**	21%	**21%**	18%	16%
Government royalty and income tax	**5%**	5%	**5%**	5%	0%
Funds flow from operations, before interest income	**74%**	74%	**74%**	77%	-4%
Wells drilled					
Gross	**-**	1	**1**	13	-92%
Net	**-**	1.0	**1.0**	13.0	-92%
Indonesia Operations					
General and administrative expense (Note 4)	**(380)**	(695)	**(932)**	(817)	14%
Exploration expense (Note 5)	**(21)**	-	**(315)**	-	100%
Realized foreign exchange gain (loss)	**(16)**	95	**(98)**	114	-186%
Indonesia ï Funds flow used in operations	**(417)**	(600)	**(1,345)**	(703)	91%
Wells drilled					
Gross	**-**	-	**-**	3	-100%
Net	**-**	-	**-**	3.0	-100%

(1) Funds flow from operations (cash flow from operating activities prior to changes in non-cash working capital, decommissioning expenditures and excluding the recovery of prior year income taxes) 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.

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

(3) Joint venture partners in Andoraõs Sawn Lake SAGD demonstration project repurchased the 3% gross overriding royalty on a portion of the non-owned working interests in 36.5 sections for $2.7 million.

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

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

(6) The Sawn Lake demonstration project in Alberta has not yet proven that it is commercially viable and all related costs and revenues are being capitalized as exploration and evaluation assets until commercial viability is achieved.

(7) Tables may not add due to rounding.

HIGHLIGHTS

- Important quarter for the Company with significant advancement of exploration initiatives in all three regions: Thailand, Indonesia and Canada.
- Substantial progress towards the corporate initiative of strengthening the Company's balance sheet and de-risking its portfolio of assets, through partial sale or seeking partners.
- November 5th announcement that Pan Orient has entered into an agreement to sell a 50% interest in the subsidiary holding Thailand Concession L53 for net proceeds of $46.5 million. A three well drilling program to commence in late January 2015 after closing of the transaction, including the potentially high impact L53-A North Central exploration well.
- November 11th announcement that Pan Orient has entered into an agreement to farmout a 51% interest in the onshore Sumatra, Indonesia East Jabung Production Sharing Contract ("PSC") to a subsidiary of Talisman Energy Inc. for a $9.2 million upfront cash payment and funding of the first $11.4 million spent towards drilling of the potentially high impact Anggun prospect.
- Significant progress made in the farm-out effort of the Citarum PSC onshore Java, Indonesia.
- Bitumen production commenced at the Sawn Lake, Alberta Steam Assisted Gravity Drainage ("SAGD") demonstration project on September 16, 2014. Bitumen sales, on a 100% basis for the producing well, averaged 126, 150, and 221 barrels of bitumen per day during the first, second and partial third thirty day periods since the start-up of SAGD mode production and ending November 24, 2014. Corresponding steam oil ratios were estimated at 8.39, 7.61 and 6.32 respectively. These early stage production numbers compare favorably to an analogous reservoir in a demonstration project operated by another company of similar reservoir type that we are monitoring and using as a basis of comparison.
- Pan Orient has working capital and non-current deposits at September 30, 2014 of $44.6 million, no debt and the financial base of Pan Orient is being further strengthened through the expected closing of the Thailand transaction and farmout at the East Jabung PSC in Indonesia.

2014 THIRD QUARTER OPERATING RESULTS

- For the third quarter of 2014, the Company recorded total corporate funds flow from operations of $3.7 million ($0.06 per share) and a net loss attributable to common shareholders of $0.4 million ($0.00 loss per share). For the first nine months of 2014, corporate funds flow from operations was $12.7 million ($0.22 per share) and a net loss attributable to common shareholders of $0.7 million ($0.01 loss per share).
- Capital expenditures were $3.2 million for the third quarter of 2014 and included $1.9 million in Canada associated with the Sawn Lake SAGD demonstration project of Andora Energy Corporation ("Andora"), which is owned 71.8% by Pan Orient and consolidated with Pan Orient for reporting purposes, $0.5 million in Thailand and $0.8 million in Indonesia. During the first nine months of 2014, capital expenditures were $18.4 million with expenditures of $8.6 million in Canada associated with the Sawn Lake SAGD demonstration project, $3.9 million in Thailand for drilling the L53-A Central well pad, workovers, other exploration costs and inventory, and $5.8 million in Indonesia for completion of seismic programs and other exploration costs.
- Capital expenditures for the first nine months of 2014 were funded by $12.7 million of funds flow from operations, $2.7 million from a joint venture partner repurchasing a gross overriding royalty interest at Sawn Lake as part of an overall agreement entered into in 2013 for the advancement of the Sawn Lake demonstration project and the remaining $3.0 million through existing working capital.
- At September 30, 2014 Pan Orient had $44.6 million of working capital and non-current deposits, and no long-term debt. In addition, Pan Orient had $8.0 million of equipment inventory to be utilized for future Thailand and Indonesia operations which is included in exploration and evaluation assets in the consolidated statement of financial position. Working capital and non-current deposits were comprised of $31.6 million cash, $1.0 million of non-current deposits, $12.9 million of Canadian taxes receivable and other receivables of $4.5 million and less accounts payable of $5.4 million.
- At September 30, 2014 Pan Orient had outstanding capital commitments of $0.1 million in Thailand associated with Concession L53, $8.9 million in Indonesia associated with the East Jabung PSC, and $0.4 million in Canada for natural gas pipeline tie-in and tariff charges associated with the Sawn Lake SAGD demonstration project of Andora.
- Thailand
  - Concession L53 oil sales averaged 633 BOPD in the third quarter of 2014 and generated $4.3 million in after tax funds flow from operations, or $74.07 per barrel. This compares with oil sales in the second quarter of 2014 of 769 BOPD and $5.4 million in after tax funds flow from operations, or $77.45 per barrel. Production levels were impacted substantially by the delay of a planned three well program until closing of the Sea Oil Public Company Limited transaction anticipated on January 12, 2015.
  - On a per barrel basis, after tax funds flow from operations of $74.07 in the third quarter of 2014 resulted from oil sales of $100.34, transportation expenses of $1.63, operating expenses of $13.16, general and

administrative expenses of $6.60, a royalty to the Thailand government of $4.91, and interest income equivalent to $0.03. Oil revenue during the quarter and for the first nine months of 2014 was allocated 21% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand for royalties, and 74% to Pan Orient.

- No wells were drilled in the third quarter of 2014 as the Company waited for Government of Thailand environmental impact assessment approval for several locations, including the L53-A North prospect in the northeastern portion of Concession L53 which is part of the upcoming three well drilling program. This drilling program is now planned for the first quarter of 2015, after the expected closing of the Thailand transaction which was announced on November 5, 2014. The L53-A Central exploration well drilled during the first quarter of 2014 failed to encounter commercial hydrocarbons and was abandoned.
- Capital expenditures during the third quarter of 2014 at Concession L53 were $0.5 million in Thailand related to workovers, site restoration and abandonment costs for the L53-A Central exploration well and equipment inventory. For the first nine months of 2014 capital expenditures at Concession L53 have been $3.9 million for the L53-A Central well, workovers, equipment inventory and other exploration costs.

➢ Indonesia

- Indonesia activity during 2014 has been focused on completion of the seismic programs at East Jabung and Batu Gajah and on negotiating farmout arrangements for exploration drilling at the East Jabung, Batu Gajah and Citarum PSCs.
- Capital expenditures in Indonesia were $5.8 million during the nine months of 2014, with $4.3 million in the first quarter, $0.7 million in the second quarter and $0.8 million in the third quarter. On a year to date basis, there have been capital expenditures of $5.0 million at the East Jabung PSC principally related to completing the 440 kilometer 2D seismic program, $0.7 million at the Batu Gajah PSC associated with completion of the 400 square kilometer 3D seismic program and capitalized general and administrative expenses, and $0.1 million for equipment inventory.

➢ Canada

- Andora (in which Pan Orient has a 71.8% ownership interest) has a 50% working interest in the Sawn Lake SAGD demonstration project, and is the operator. The first step towards determining the commercial viability of the SAGD recovery process at Sawn Lake is for the demonstration project to provide an indication of the productivity of the reservoir and the amount of steam injection required to produce the bitumen, which are key components in assessing the potential for SAGD development at Sawn Lake.
- For Phase 1 of the SAGD demonstration project, one SAGD well pair was drilled in the fourth quarter of 2013 to a depth of 650 meters and has a horizontal length of 780 meters. Construction of the SAGD facility for steam generation, water handling and oil treating was completed in 2014, steam injection commenced May 21, 2014 and bitumen production commenced September 16, 2014.
- The Sawn Lake demonstration project 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.
- Capital expenditures at the Sawn Lake SAGD demonstration project of $1.9 million during the third quarter of 2014 and $8.6 million for the first nine months of 2014 relate to completion of construction of the SAGD facility, installation of the water source and disposal facilities, recompletion of the SAGD producing well for production and capitalization of expenses and revenue.

OUTLOOK

- Thailand

  - Construction of the high impact L53-A North Central exploration well pad has been completed with drilling expected to commence in February 2015 shortly after the closing of the Sea Oil sale transaction. Upon closing of the Sea Oil sale transaction the Company will commence a first phase three well drilling program that includes the L53-A North Central exploration well and two L53-D appraisal wells. A second phase three to four well drilling program is planned late in the second quarter of 2015 that will include appraisal drilling in the event of success at L53-A North Central or the L53-A North East prospect in addition to appraisal drilling at L53-A and L53-G fields. The exact composition of this second phase program will be dependent upon phase drilling results and partner approval.

  - Oil sales averaged 591 BOPD in October and 476 BOPD over the past 30 days. Oil production levels have been substantially impacted by the rescheduling of the drilling program to the first quarter of 2015.

- Indonesia

  - East Jabung PSC Onshore Sumatra (Pan Orient operator and 100% ownership)

    - Activities in the first quarter of 2015 will be focused on the transfer of a 51% interest and operatorship to a subsidiary of Talisman Energy Inc. and finalizing the various Government of Indonesia approvals required. Drilling of the potentially high impact Anggun prospect is expected to commence in the fourth quarter of 2015 to the second quarter of 2016 depending on the well access route that is secured.

  - Batu Gajah PSC Onshore Java (Pan Orient operator and 77% ownership)

    - The Company continues farmout discussions, but regardless of the outcome is planning to commence drilling of the Selong oil field offset well in approximately September 2015 with the exact timing subject to receipt of Government of Indonesia forestry approval.

  - Citarum PSC Onshore Java (Pan Orient operator and 97% ownership)

    - The Company has made significant progress in farmout discussions towards completing an agreement prior to year end 2015 with drilling planned in the third quarter of 2015, subject to the successful completion of negotiations.

- Canada - Sawn Lake (operated by Andora, in which Pan Orient has a 71.8% ownership interest)

  - The objective of this initial pilot well pair was to establish that the SAGD process works in the Bluesky formation reservoir, and results to date support this. We are now focused on achieving commercial rates and targeting to reach production of between 345 and 370 barrels of bitumen per day, with associated steam oil ratios of between 4.7 and 3.8. These production parameters correspond to the Best and High case estimates used by Sproule Unconventional Limited in the December 31, 2013 NI51-101 compliant Sawn Lake contingent resource report for a well pair drilled in a 15 to 20 meter thick reservoir with no bottom or top water. We expect to achieve these results in early March 2015 when reservoir modeling indicates that the steam chamber will reach the top of the Bluesky formation sandstone reservoir. Maximum production is anticipated to occur in September 2015 corresponding to the end of the first year of production. However, production results to date are of course not necessarily indicative of long-term performance or of ultimate recovery.

  - The Sawn Lake Partners will meet at the beginning of 2015 in order to decide upon an agenda to spend a capital budget of $12.0 million (Andora share: $6.0 million). This budget would include the drilling of an additional well pair (approximately $8.2 million gross) in addition to Phase 2 front end engineering and design, and facility upgrades. Andora's cash position at September 30, 2014 was $12.1 million, which is more than sufficient to meet the expected capital and operating requirements through 2015.

Oil Production and Revenue

Concession L53 averaged oil sales of 633 BOPD for the three months ended September 30, 2014 compared to 769 BOPD in the second quarter of 2014 and 809 BOPD in third quarter of 2013. Wells experienced natural production declines, partially offset by workovers in certain wells to evaluate new producing zones.

Oil revenue was $5.8 million for the three months ended September 30, 2014 compared to $7.3 million in the second quarter of 2014 and $7.4 million in the third quarter of 2013. Lower oil revenue in the third quarter of 2014 compared to the second quarter of 2014 is attributable to lower production volumes and a lower realized price per barrel. Decreased oil revenue in the third quarter of 2014 compared to the third quarter of 2013 is attributable to lower production volume in 2014 partially offset by a higher realized price per barrel. The Company's average realized price for its oil sales was $100.34 per barrel in the third quarter of 2014 compared to $104.05 per barrel in the second quarter of 2014 and $99.34 in the third quarter of 2013. The Company's realized sales price 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 heavier crude oil as a portion of oil sales. The Company's realized price was 89% of Brent reference price in the third quarter of 2014 compared to 86% in the second quarter of 2014 and 89% in the third quarter of 2013.

Royalties

The Company pays royalties on crude oil sales in Thailand to the Thai government. The royalty rate paid to the Thai government is based on a sliding scale ranging from 5% on production of less than 2,000 BOPD to 15% on production in excess of 20,000 BOPD per concession. Royalties have been consistent at 5% of sales revenue as production volumes did not exceed 2,000 BOPD in any concession.

Transportation Expenses

Transportation expenses represent the cost to truck the Company's Thailand oil production to the refinery in Bangkok. The Company is charged a contracted rate based on the number of tankers and trips required; and both factors are driven by production volumes. Transportation expense averaged $1.63 per barrel in the third quarter of 2014 compared to $1.66 per barrel in the second quarter of 2014 and $1.60 per barrel in the third quarter of 2013.

Operating Expenses

Operating expenses are associated with oil production in Thailand. Operating costs were $0.8 million ($13.16 per barrel) in the third quarter of 2014 compared to $0.9 million ($12.63 per barrel) in the second quarter of 2014 and $1.1 million ($14.56 per barrel) in the third quarter of 2013. Operating expenses have decreased during 2014, but higher on a per barrel basis in the third quarter of 2014 than the second quarter of 2014 due to lower oil production and recognizing that fixed costs do not decline with production volume.

Depletion and Depreciation ("D&D")

	Three Months Ended September 30		**Nine months Ended September 30**	
($thousands)	**2014**	2013	**2014**	2013
Depletion of Thailand PP&E[1]	**3,123**	3,114	**10,217**	9,882
Depreciation of office equipment and assets	**59**	81	**197**	255
Total D&D	**3,182**	3,195	**10,414**	10,137
Total D&D - per barrel	**$ 54.67**	$ 42.91	**$ 54.15**	$ 43.12

(1) Including decommissioning cost

As the Company's Canadian and Indonesian assets are in the pre-production phase depletion is not calculated for these cost centres.

Thailand costs subject to depletion in the third quarter of 2014 included $17.8 million of estimated future development costs for proved plus probable reserves compared to $11.2 million of estimated future development costs included in the third quarter of 2013. The D&D expense per barrel is higher in third quarter of 2014 compared to the third quarter of 2013 due to the higher cost base from ongoing capital spending activity in Concession L53 and higher estimated future development costs included in the depletable base. For comparison, the D&D expense in second quarter of 2014 was $53.90 per barrel.

Taxes

($thousands)	Three Months Ended September 30 **2014**	2013	Nine months Ended September 30 **2014**	2013
Canadian income tax (recovery)	**-**	(100)	**-**	(2,037)
Thai income tax expense(1)	**-**	1	**1**	2
Special remuneratory benefit(2)	**-**	-	**-**	-
Total current tax (recovery) expense	**-**	(99)	**1**	(2,035)
Deferred tax (recovery) expense	**627**	(238)	**2,246**	3,592
Total tax expense (recovery)	**627**	(337)	**2,247**	1,557

(1) *Income tax in Thailand is calculated at 50% (2013 – 50%) on petroleum income and 20% (2013 – 20%) on non-petroleum income. Taxable income in Thailand is comprised of cash flow from operations before changes in working capital less capital expenditures and other permitted deductions.*

(2) *Special remuneratory benefit ("SRB") in Thailand is a tax at sliding scale rates of 0 - 75% applied on a concession-by-concession basis to petroleum profits as defined in Thai tax legislation which includes deductions for expenses and capital spent. The rate is principally determined by revenue for the concession (production and pricing) but is subject to other adjustments such as changes in Thailand's consumer and wholesale price indices and cumulative meters drilled on the concession.*

As at September 30, 2014 the Company has paid one thousand dollars of Thai tax related to taxes on non-petroleum revenue. The Company continues to utilize non-capital income tax losses and SRB losses from Concession L53 to shelter its petroleum income from income tax and SRB tax. It is uncertain when SRB will be payable on the Concession. Because of the deductions allowed for capital spent, the effective rates of these taxes can vary significantly from the stated tax rates. For the three months ended September 30, 2014 SRB was 0.0% (2013 ï 0.0%) of total revenue and income tax was less than one percent (2013 ï 0%) of total revenue.

In Canada, $12.9 million of taxes receivable is the result of losses recognized in 2013 on loans made to the Companyôs subsidiaries which hold the South CPP and Citarum PSCs in Indonesia. Losses from 2013 are being carried back and applied to a gain in 2012 on the sale of the Companyôs Thailand interests to recover taxes paid in 2012. The recovery of Canadian income taxes is based on managementôs application of current income tax laws and may be assessed differently by the Canadian taxation authorities.

General and Administrative ("G&A") Expenses

($thousands)	Three Months Ended September 30 **2014**	2013	Nine months Ended September 30 **2014**	2013
Thailand	**480**	509	**1,481**	1,482
Indonesia	**865**	1,215	**2,465**	4,292
Canada	**374**	206	**1,787**	1,152
Total G&A, net of overhead recoveries(1)	**1,719**	1,930	**5,733**	6,926
Allocated to capital projects(2)	**(647)**	(691)	**(2,074)**	(3,972)
Cash G&A	**1,072**	1,239	**3,659**	2,954
Accretion expenses	**15**	21	**48**	67
Stock-based payments	**-**	-	**60**	-
Gain on settlement of decommissioning provision	**-**	(4)	**-**	(19)
Total G&A	**1,087**	1,256	**3,767**	3,002
Cash G&A ï per barrel	**$ 18.42**	$ 16.67	**$ 19.02**	$ 12.57
Total G&A ï per barrel	**$ 18.68**	$ 16.90	**$ 19.59**	$12.78

(1) *Overhead recoveries represent the portion of Pan Orient's G&A expenses charged through joint ventures operated by the Company to working interest partners and capital projects. Overhead recoveries were $492 thousand for the nine months ended September 30, 2014 (2013 – $103 thousand).*

(2) *Capitalized G&A allocated to capital projects represents compensation and other costs associated with property acquisition, and exploration and development activities. Capitalized G&A relates to exploration and development activities at Concession L53 in Thailand, the Indonesia PSCs (no capitalization of G&A after the second quarter of 2013 for the Citarum and South CPP PSCs) and the Company's heavy oil development project in Canada. Amounts capitalized reflect the nature of the Company's capital activities and are reassessed at each reporting period.*

During the three and nine months ended, G&A costs incurred in Indonesia are lower in 2014 than in 2013 due to the recovery of some personnel expense being charged back to the Thailand office and the decrease in other administrative expense associated with the reduced exploration program.

G&A incurred in Canada in 2014 is higher than G&A incurred in 2013 with expanded operations of Andora and reduced recoveries as Canada is no longer recording an overhead recovery from its Indonesia operations in 2014.

Capitalization of G&A has decreased in 2014 compared to 2013 due to reduced overall G&A incurred and the Company discontinued capitalizing G&A relating to the Citarum and South CPP PSCs in Indonesia after impairment was recorded for these PSC in 2013.

Exploration Expenses

In 2013 the Company recognized a full impairment charge on its Citarum and South CPP assets in Indonesia. In 2014, all exploration costs incurred by these PSCs have been expensed as exploration expenses rather than capitalized.

Capital Invested

	Three Months Ended September 30				**Nine months Ended September 30**			
	2014		2013		**2014**		2013	
Capital expenditures [1]	**$000s**	**Net wells drilled**	$000s	Net wells drilled	**$000s**	**Net wells drilled**	$000s	Net wells drilled
Thailand	**483**	**-**	5,506	1.0	**3,916**	**1.0**	38,444	13.0
Indonesia [2]	**803**	**-**	13,208	-	**5,840**	**-**	48,265	3.0
Canada	**1,877**	**-**	(1,065)	-	**8,599**	**-**	3,427	-
Total capital expenditures	**3,163**	**-**	17,649	1.0	**18,355**	**1.0**	90,136	16.0

(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. The calculation of net wells is based on Pan Orient's working interest of 100% at Citarum and Batu Gajah and is not reduced for the carried interests held by third parties of 3% at the Citarum PSC and 23% at the Batu Gajah PSC.

Thailand

Capital expenditures of $3.9 million for the nine months ended September 30, 2014 relate to Concession L53 and include $1.9 million for the L53A-Central exploration well, $0.7 million for equipment inventory, $0.5 million for workovers, $0.3 million for capitalized G&A and $0.5 million for other capital expenditures. Capital expenditures in the third quarter of 2014 relate to $0.2 million for workovers, $0.2 million for equipment inventory and $0.1 million for capitalized G&A and other capital expenditures.

Indonesia

Capital expenditures of $5.8 million for the nine months ended September 30, 2014 relate to $5.1 million at the East Jabung PSC and $0.7 million at the Batu Gajah PSC. Capital expenditures for the nine months ended September 30, 2014 at the East Jabung PSC consisted of $3.8 million on the 440 kilometer 2D seismic program, $1.0 million of capitalized G&A and $0.3 million for other capital expenditures. Capital expenditures for the nine months ended September 30, 2014 at the Batu Gajah PSC consisted of $0.5 of capitalized G&A and $0.2 million on the 3D seismic program. Capital expenditures in the third quarter of 2014 relate to $0.5 million at the East Jabung PSC and $0.3 million at the Batu Gajah PSC. Capital expenditures in the third quarter at the East Jabung PSC consist of $0.3 million for capitalized G&A and $0.2 million other capital expenditures. Capital expenditures in the third quarter at the Batu Gajah PSC consist of $0.2 million for capitalized G&A and $0.1 million other capital expenditures.

Canada

Capital expenditures at the Sawn Lake SAGD demonstration project of $1.9 million during the third quarter of 2014 and $8.6 million for the first nine months of 2014 relate to completion of construction of the SAGD facility, installation of the water source and disposal facilities, recompletion of the SAGD producing well for production and capitalization of expenses and revenue.

Liquidity and Capital Resources

Pan Orient's capital program in the third quarter of 2014 of $3.2 million was financed by $3.7 million of funds flow from operations. Pan Orient's working capital position is forecasted regularly and the Company plans to fund future capital expenditures and commitments with existing cash balances, equipment inventory and expected cash flows from Thailand operations. At September 30, 2014 the Company's working capital plus non-current deposits of $44.6 million exceeded estimated outstanding commitments of $9.4 million by $35.2 million. At September 30, 2014 the Company had $8.0 million of equipment inventory to be utilized for future Thailand and Indonesia operations. The equipment inventory is included in exploration and evaluation costs in the statement of financial position.

Subsequent to September 30, 2014 the Company entered into two agreements that will provide additional liquidity and capital resources. One agreement is for the sale of a 50% equity interest in the Company's wholly owned subsidiary Pan Orient Energy (Siam) Ltd. which holds the Company's interest in Thailand concession L53 for a cash price of USD $42.5 million (CDN$47.6 million) and a second agreement for the farm-out of a 51% interest in the East Jabung PSC that includes an upfront cash payment of USD $8.0 million (CDN$9.6 million) and a commitment to fund the first exploration and appraisal wells. Both transactions are scheduled to close in the first quarter of 2015.

At September 30, 2014 Pan Orient's cash and cash equivalents were $31.6 million compared to $41.8 million at December 31, 2013 and were held in the jurisdictions where the Company operates as follows:

($thousands)	**September 30, 2014**	December 31, 2013
Cash held in Canada	**20,777**	37,244
Cash held in Thailand	**7,448**	2,311
Cash held in Indonesia	**3,398**	2,276
Total cash	**31,623**	41,831

Working capital plus non-current deposits at September 30, 2014 was $44.6 million compared to $43.8 million at June 30, 2014 and $40.9 million at September 30, 2013.

Non-current cash deposits of $0.9 million at September 30, 2014 relate to $0.7 million of guarantees to the Thailand government for customs importation permits and a $0.2 million deposit in Canada with the Alberta Energy Regulator.

Share Capital

Outstanding (thousands)	As at November 27, 2014	As at September 30, 2014
Common shares	56,760	56,760
Stock options	3,211	3,211
Total	59,971	59,971

Foreign Exchange

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

	2014			**2013**				**2012**
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Rate at end of period								
Thai baht / CDN $ exchange	**28.69**	30.08	29.03	30.50	30.09	29.35	28.49	30.42
CDN $ / US $ exchange	**1.12**	1.07	1.10	1.06	1.03	1.05	1.02	0.99

A fundamental aspect of the Company's treasury function is mitigating the effect of foreign currency exchange fluctuations to the greatest extent possible. To accomplish this, surplus funds are moved to Canada to be held in Canadian dollars. An appropriate cushion of Thai baht is held in Thailand to satisfy payments in that currency as they come due, the most significant of which are the Company's SRB and taxes. Thailand uses Thai Baht and Indonesia uses the US dollar as their functional currencies for reporting, which are translated to Canadian dollars at each reporting period with the unrealized translation gain or loss being recognized in accumulated other comprehensive income ("AOCI"). In the third quarter of 2014 the US dollar and Thai baht appreciated against the Canadian dollar which resulted in an unrealized foreign exchange gain on the Company's foreign operations. AOCI in the consolidated statement of financial position is reported as follows:

	Three Months Ended September 30		**Nine months Ended September 30**	
($thousands)	**2014**	2013	**2014**	2013
AOCI, beginning of period	**2,825**	3,956	**2,536**	(4,297)
Unrealized foreign currency translation gain (loss)	**6,359**	(2,628)	**6,648**	5,625
AOCI, end of period	**9,184**	1,328	**9,184**	1,328

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

	Three Months Ended September 30		**Nine months Ended September 30**	
($thousands)	**2014**	2013	**2014**	2013
Foreign exchange gain (loss) related to Thailand	**2,620**	(1,587)	**2,924**	(426)
Foreign exchange gain (loss) related to Indonesia	**3,739**	(1,041)	**3,724**	6,051
Total change in AOCI	**6,359**	(2,628)	**6,648**	5,625

Contingency

In July 2013 the Directorate General of Taxation in Indonesia assessed several oil and gas companies operating in Indonesia 2013 Land and Building Tax using a new framework, especially for the calculation of surface Land and Building Tax on offshore acreage, which is being challenged by the impacted oil and gas companies in Indonesia. Pan Orient was issued a Tax Assessment and Notification for the East Jabung PSC equivalent to $7.2 million at current exchange rates, for which $7.0 million is associated with the offshore acreage. Pan Orient lodged an Objection with the Indonesian Tax Office in September 2013, as did other oil and gas companies.

In the fourth quarter of 2013 the Company submitted an application to the Government of Indonesia (“GOI”) to voluntarily relinquish the offshore area of the East Jabung PSC. This relinquishment does not impact the PSC’s onshore exploration activities.

On December 20, 2013 the Directorate General of Taxation set out new guidelines and procedures for reporting and charging of the Land and Building Tax effective January 1, 2014 under which Land and Building Tax is excluded for areas where the rights are not owned and its benefits are not obtained by the taxpayer for business activity of oil and gas. There is still uncertainty as to the interpretation and implementation of the new guidelines.

On September 25, 2014 the Indonesia Tax Office rejected the Company’s Objection and also rejected the objections of the other oil and gas companies on this issue. It is the intention of Pan Orient to now proceed to Appeal the Objection Decisions to the Indonesian Tax Court in December 2014. The Tax Court hearings can take up to 15 months and it can take a further one to two years for the Tax Court to issue its decision.

The Land and Building Tax for the East Jabung PSC is pending the outcome of the expected Appeal of the Objection Decisions to the Indonesian Tax Court and the 2013 assessment and any potential interest is not recorded in the consolidated financial statements.

Summary of Quarterly Results

	2014			2013				2012
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Production (BOPD)	**633**	769	712	963	809	955	819	1,029
Funds flow from operations ($/bbl)								
Realized crude oil price	**100.34**	104.05	105.28	100.22	99.34	97.47	101.05	97.21
Royalties	**(4.91)**	(5.20)	(5.13)	(4.94)	(4.94)	(4.89)	(4.87)	(4.78)
Transportation & operating	**(14.79)**	(14.29)	(17.81)	(19.06)	(16.16)	(12.10)	(11.72)	(19.92)
Field Netback	**80.64**	84.56	82.34	76.22	78.24	80.48	84.46	72.51
General and administrative(1)	**(18.42)**	(20.62)	(17.83)	(17.86)	(16.64)	(9.74)	(11.79)	(16.41)
Exploration(2)	**(0.36)**	0.21	(4.82)	-	-	-	-	-
Interest income	**1.01**	1.04	1.40	1.64	2.14	2.44	4.18	3.91
Realized foreign exchange	**1.07**	0.51	7.04	1.09	1.33	1.18	(1.06)	1.68
Current income tax	**-**	-	(0.02)	2.09	(0.64)	0.81	1.10	-
Funds flow from operations	**63.94**	65.70	68.11	63.18	64.43	75.17	76.89	61.69
Financial ($thousands) except as indicated								
Oil revenue	**5,840**	7,285	6,750	8,880	7,397	8,475	7,444	9,198
Interest revenue	**59**	73	90	145	159	212	308	370
Funds flow – 2012 Thailand disposition net proceeds(3)	**-**	174	-	-	-	-	-	785
Disposition of Andora’s GORR	**-**	-	2,698	-	-	-	-	-
Net income (loss)(4)	**(363)**	(147)	(185)	7,083	(3,109)	(97,677)	341	859
Per share basic ($)	**(0.00)**	(0.01)	(0.00)	0.13	(0.05)	(1.73)	0.01	0.02
Per share diluted ($)	**(0.00)**	(0.01)	(0.00)	0.13	(0.05)	(1.73)	0.01	0.02
Capital expenditures(5)	**3,163**	4,182	11,010	11,144	17,649	37,978	34,509	20,539
Total assets	**284,286**	276,672	289,195	286,535	286,835	295,155	383,691	381,511
Working capital & non-current deposits	**44,573**	43,789	44,040	47,889	40,879	54,345	87,442	116,376
Shares outstanding (thousands)	**56,760**	56,760	56,760	56,760	56,760	56,760	56,760	56,720

(1) General and administrative costs excluding accretion expense and gain on settlement of decommissioning provision.
(2) Exploration expense consists of exploration costs incurred at the Citarum and South CPP PSCs in Indonesia.
(3) Thailand Concessions SW1, L44 and L33 were sold on June 15, 2012. Proceeds of $185.3 million less transaction costs of $11.3 million and estimated tax of $14.7 million results in proceeds net of expenses of $159.3 million. After deducting $79.6 million related to the carrying value of petroleum and equipment, exploration and evaluation costs, and working capital sold (including the elimination of the associated deferred tax liabilities, employee pension liabilities, and decommissioning provision). The net after tax gain on sale is $79.6 million. The 2012 financial statements and operating results include revenue, expenses and capital expenditures associated with these properties to June 14, 2012.
(4) Net income (loss) attributed to common shareholders
(5) Excluding decommissioning provision, acquisition costs and foreign exchange

Q4 2012 ï Corporate funds flow from operations was $5.8 million. Funds flow from operations in Thailand was $6.3 million with average daily oil sales of 1,029 BOPD from Concession L53 in Thailand, representing $66.66 on a per barrel basis. Net income attributable to Common Shareholders was $0.9 million ($0.02 per share) for the quarter. The Company had capital expenditures of $20.5 million with $6.7 million in Thailand for equipment inventory and in preparation for the 2013 drilling program, $13.5 million in Indonesia focused on drilling at the Citarum PSC, and $0.3 million in Canada for initial work relating to the SAGD demonstration project of Andora at Sawn Lake, Alberta. The Company spudded two wells (1.6 net wells) at the Citarum PSC in Indonesia with the Jatayu-1 and Cataka-1A exploration wells. At December 31, 2012, working capital plus non-current deposits was $116.4 million and the Company had no long-term debt.

Q1 2013 ï Corporate funds flow from operations was $5.7 million. Funds flow from operations in Thailand was $5.9 million with average daily oil sales of 819 BOPD from Concession L53 in Thailand, representing $79.55 on a per barrel basis. Net income attributable to Common Shareholders was $0.3 million ($0.01 per share) for the quarter. The Company had capital expenditures of $34.5 million with $13.8 million in Thailand for seismic and the drilling of six wells, $18.5 million in Indonesia for well operations at Jatayu-1 and Cataka-1A in the Citarum PSC, drilling of the Shinta-1 and Buana-1 wells at the Batu Gajah PSC, and seismic programs at the Batu Gajah, South CPP and East Jabung PSCs, and $2.2 million in Canada for work relating to the SAGD demonstration project of Andora at Sawn Lake, Alberta. At March 31, 2013, working capital plus non-current deposits was $87.4 million and the Company had no long-term debt.

Q2 2013 ï Corporate funds flow from operations was $6.5 million. Funds flow from operations in Thailand was $6.6 million with average daily oil sales of 955 BOPD from Concession L53, representing $76.27 on a per barrel basis. Net loss attributable to Common Shareholders was $97.7 million ($1.73 per share) for the quarter resulting from a $99.6 million write-down of exploration and evaluation assets associated with the Citarum and South CPP PSCs in Indonesia. The Company had capital expenditures of $38.0 million with $19.1 million in Thailand for seismic and the drilling of six wells, $16.6 million in Indonesia for well operation at the re-drilled of the Cataka-1A in the Citarum PSC and seismic programs at the Batu Gajah, South CPP and East Jabung PSCs and $2.3 million in Canada for equipment purchase, engineering designs and construction related costs for the SAGD demonstration project of Andora at Sawn Lake, Alberta. At June 30, 2013, working capital plus non-current deposits was $54.3 million and the Company had no long-term debt.

Q3 2013 ï Corporate funds flow from operations was $4.8 million. Funds flow from operations in Thailand was $5.4 million with average daily oil sales of 809 BOPD from Concession L53, representing $73.13 on a per barrel basis. Net loss attributable to Common Shareholders was $3.1 million ($0.05 per share) for the quarter resulting primarily from a $4.6 million write-down of exploration and evaluation assets associated with the Citarum and South CPP PSCs in Indonesia. The Company had capital expenditures in the quarter of $17.6 million with $5.5 million in Thailand for workovers and drilling of one well at Concession L53 and seismic over Concession L45, $13.2 million in Indonesia for the well operations at Cataka-1A in the Citarum PSC and seismic programs at the Batu Gajah, South CPP and East Jabung PSCs and a net recovery of $1.1 million in Canada associated with the SAGD demonstration project of Andora at Sawn Lake, Alberta and the election by joint venture partners to participate for a 50% working interest. At September 30, 2013, working capital plus non-current deposits was $40.9 million and the Company had no long-term debt.

Q4 2013 ï Corporate funds flow from operations was $5.6 million. Funds flow from operations in Thailand was $6.3 million with average daily oil sales of 963 BOPD from Concession L53, representing $70.79 on a per barrel basis. Net income attributable to common shareholders was $7.1 million ($0.13 per share) for the quarter resulting primarily from a $12.6 million income tax recovery recorded as the Company plans on carrying its 2013 losses back and applying them against the 2012 gain on sale of Thailand interests. In the fourth quarter of 2013 the Company had a net impairment charge of $5.4 million with $2.1 million relating to the Citarum PSC in Indonesia and $3.3 relating to Concession L45 in Thailand. The Company had capital expenditures in the quarter of $11.1 million with $1.8 million in Thailand for workovers, $4.7 million in Indonesia for seismic programs at the Batu Gajah and East Jabung PSCs and $4.6 million spent in Canada associated with the SAGD demonstration project of Andora at Sawn Lake, Alberta. At December 31, 2013, working capital plus non-current deposits was $47.9 million and the Company had no long-term debt.

Q1 2014 ï Corporate funds flow from operations was $4.4 million. Funds flow from operations in Thailand was $5.0 million with average daily oil sales of 712 BOPD from Concession L53, representing $77.69 on a per barrel basis. Net loss attributable to common shareholders was $185 thousand ($0.00 per share) for the quarter resulting primarily from a decline in oil sales and increased G&A, operating and exploration expenses. The Company had capital expenditures in the quarter of $11.0 million with $2.6 million in Thailand for one well, $4.3 million in Indonesia for seismic acquisition and processing at the East Jabung PSC and $4.1 million spent in Canada associated with the SAGD demonstration project of Andora at Sawn Lake, Alberta. In the first quarter of 2014 Andora's joint venture partner repurchased the 3% GORR Andora held on their working interest for $2.7 million. At March 31, 2014, working capital plus non-current deposits was $44.0 million and the Company had no long-term debt.

Q2 2014 ï Corporate funds flow from operations was $4.6 million. Funds flow from operations in Thailand was $5.4 million with average daily oil sales of 769 BOPD from Concession L53, representing $77.45 on a per barrel basis. Net loss attributable to common shareholders was $147 thousand ($0.01 per share) for the quarter. The Company had capital expenditures in the quarter of $4.2 million with $0.9 million in Thailand, $0.7 million in Indonesia and $2.6 million spent in Canada associated with the SAGD demonstration project of Andora at Sawn Lake, Alberta. At June 30, 2014, working capital plus non-current deposits was $43.8 million and the Company had no long-term debt.

Q3 2014 ï Corporate funds flow from operations was $3.7 million. Funds flow from operations in Thailand was $4.3 million with average daily oil sales of 633 BOPD from Concession L53, representing $74.07 on a per barrel basis. Net loss attributable to common shareholders was $0.4 million ($0.00 per share) for the quarter. The Company had capital expenditures in the quarter of $3.2 million with $0.5 million in Thailand, $0.8 million in Indonesia and $1.9 million spent in Canada associated with the SAGD demonstration project of Andora at Sawn Lake, Alberta. At September 30, 2014, working capital plus non-current deposits was $44.6 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

PAN ORIENT ENERGY CORP.
1505, 505 - 3rd Street SW, Calgary Alberta Canada T2P 3E6