



**PAN ORIENT ENERGY CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014**

August 19, 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 August 19, 2014 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and six months ended June 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 and offshore 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, 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 and 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 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 August 19, 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, reclamation costs 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 June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Cash flow from operating activities	3,881	6,337	8,480	12,533
Changes in non-cash working capital	621	1,985	389	1,453
Settlement of decommissioning provision	98	-	98	-
Recovery of prior year taxes	-	(1,785)	-	(1,785)
Funds flow from operations	4,600	6,537	8,967	12,201

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 on-shore Thailand; 2) undeveloped interests in Indonesia Production Sharing Contracts (PSCs); and 3) undeveloped Canadian oil sands leases.

### Thailand

At June 30, 2014, the Company has a 100% operated working interest in Concession L53/48 (L53) in Thailand. Concessions L53 is located approximately 60 kilometers west of Bangkok. Currently all of Pan Orient's production of crude oil 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) expired on April 27, 2014.

#### Concession L53

Concession L53 is partially developed and has oil production and an active drilling program. Oil production has averaged 741 BOPD for the six months ended June 30, 2014 and 769 BOPD for the three months ended June 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.

#### Concession L45

Concession L45 was an undeveloped property with no production or assigned reserves. 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 and \$0.5 million accrued for unfulfilled commitments.

## **Indonesia**

At June 30, 2014, the Company owned interests in four PSCs, with a 97% operated working interest in the Citarum PSC, a 77% operated working interest in the Batu Gajah and South CPP PSCs, 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 and South CPP PSCs. There were no reserves assigned to any of the Indonesia PSCs at June 30, 2014.

### 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 with a new drilling rig, well design and personnel. 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 the farm-out process has commenced. 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.

### 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 (%TAF+). 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. Articles of the PSC contract indicate 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.

### 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. Formal relinquishment of the South CPP PSC is expected in the second half of 2014.

### East Jabung PSC

At the East Jabung PSC 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 3,242.72 square kilometers of the PSC's offshore area. At June 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. Pan Orient is seeking to farm-out a portion of the Company's interests in the East Jabung PSC.

## 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. The demonstration project has started with a 2013 phase consisting of one SAGD well pair, a facility for steam generation, water handling and oil treating, and water source and disposal facilities. 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 GORR for \$2.7 million. In the fourth quarter of 2013, the one SAGD well pair was drilled to a depth of approximately 650 meters and have a horizontal length of 750 meters. Work on construction of the facility and pipeline installation has been completed in May 2014. Steam operations commenced on May 21, 2014 and oil production is anticipated in September 2014.

Summarized financial information with respect to Andora is as follows:

(\$thousands)	As at and for the Three Months Ended June 30		As at and for the Six Months Ended June 30	
	2014	2013	2014	2013
Total assets	<b>84,462</b>	84,761	<b>84,462</b>	84,761
Total liabilities	<b>8,259</b>	7,672	<b>8,259</b>	7,672
Funds flow from (used in) operations	<b>55</b>	(70)	<b>(64)</b>	(73)
Net loss	<b>(34)</b>	(24)	<b>(242)</b>	(255)

<b>Financial and Operating Summary</b>	Three Months Ended June 30,		Six Months Ended June 30,		Change
	2014	2013	2014	2013	
<i>(thousands of Canadian dollars except where indicated)</i>					
<b>FINANCIAL</b>					
Oil revenue, before royalties and transportation expense	7,285	8,475	14,035	15,919	-12%
Funds flow from operations (Note 1)	4,600	6,537	8,967	12,201	-27%
Per share . basic and diluted	\$ 0.08	\$ 0.11	\$ 0.16	\$ 0.21	-25%
Funds flow from (used in) operations by region (Note 1)					
Canada	(609)	(65)	(509)	(188)	171%
Thailand	5,423	6,632	10,404	12,492	-17%
Indonesia	(214)	(30)	(928)	(103)	801%
Total	4,600	6,537	8,967	12,201	-27%
Net loss attributed to common shareholders	(147)	(97,677)	(332)	(97,336)	-100%
Per share . basic and diluted	\$ (0.01)	\$ (1.73)	\$ (0.01)	\$ (1.72)	-100%
Working capital	41,291	52,091	41,291	52,091	-21%
Working capital & non-current deposits	43,789	54,345	43,789	54,345	-19%
Long-term debt	-	-	-	-	0%
Petroleum and natural gas properties					
Capital expenditures (Note 2)	4,182	37,978	15,192	72,487	-79%
Dispositions (Note 3)	-	-	(2,698)	-	100%
Shares outstanding (thousands)	56,760	56,760	56,760	56,760	0%
<b>Funds Flow from (used in) Operations per Barrel (Note 1)</b>					
Canada operations	\$ (8.70)	\$ (0.75)	\$ (3.79)	\$ (1.17)	224%
Thailand operations	77.45	76.27	77.56	77.78	0%
Indonesia operations	(3.05)	(0.35)	(6.92)	(0.64)	980%
	\$ 65.70	\$ 75.17	\$ 66.85	\$ 75.97	-12%
<b>Capital Expenditures (Note 2)</b>					
Canada	2,576	2,268	6,722	4,492	50%
Thailand	879	19,145	3,433	32,938	-90%
Indonesia	727	16,565	5,037	35,057	-86%
Total	4,182	37,978	15,192	72,487	-79%
<b>Working Capital and Non-current Deposits</b>					
Beginning of period	44,040	87,442	47,889	116,376	-59%
Funds flow from operations (Note 1)	4,600	6,537	8,967	12,201	-27%
Proceeds from 2012 sale of Thailand interests	174	-	174	-	100%
Capital expenditures (Note 2)	(4,182)	(37,978)	(15,192)	(72,487)	-79%
Disposal of petroleum and natural gas assets (Note 3)	-	-	2,698	-	100%
Settlement of decommissioning liabilities	(98)	-	(98)	-	100%
Recovery of 2012 taxes	-	1,785	-	1,785	-100%
Accrued relinquishment costs	-	(2,778)	-	(2,778)	-100%
Foreign exchange impact on working capital	(745)	(663)	(649)	(882)	-26%
Net proceeds on share transactions	-	-	-	130	-100%
End of period	43,789	54,345	43,789	54,345	-19%
<b>Canada Operations</b>					
Interest income	61	190	149	495	-70%
General and administrative expense (Note 4)	(679)	(411)	(1,226)	(841)	46%
Current income tax recovery	-	70	-	152	-100%
Realized foreign exchange gain	9	86	568	6	9367%
Funds flow used in operations (Note 1)	(609)	(65)	(509)	(188)	171%
Funds flow used in operations per barrel					
Interest income	\$ 0.87	\$ 2.19	\$ 1.11	\$ 3.08	-64%
General and administrative expense (Note 4)	(9.70)	(4.74)	(9.14)	(5.24)	74%
Current income tax recovery	-	0.81	-	0.95	-100%
Realized foreign exchange gain	0.13	0.99	4.24	0.04	10500%
Canada . Funds flow used in operations	\$ (8.70)	\$ (0.75)	\$ (3.79)	\$ (1.17)	224%

	Three Months Ended June 30,		Six Months Ended June 30,		Change
	2014	2013	2014	2013	
<i>(thousands of Canadian dollars except where indicated)</i>					
<b>Thailand Operations</b>					
Oil sales (bbls)	70,016	86,949	134,133	160,615	-16%
Average daily oil sales (BOPD) by Concession L53	769	955	741	887	-16%
Average oil sales price, before transportation (CDN\$/bbl)	\$ 104.05	\$ 97.47	\$ 104.63	\$ 99.11	6%
Reference Price (volume weighted) and differential					
Crude oil (Brent \$US/bbl)	\$ 109.79	\$ 102.59	\$ 108.96	\$ 112.17	-3%
Exchange Rate \$US/\$Cdn	1.10	1.01	1.11	1.02	9%
Crude oil (Brent \$Cdn/bbl)	\$ 120.92	\$ 103.13	\$ 120.93	\$ 114.23	6%
Sale price / Brent reference price	86%	95%	87%	87%	-1%
Funds flow from operations (Note 1)					
Crude oil sales	7,285	8,475	14,035	15,919	-12%
Government royalty	(364)	(425)	(693)	(784)	-12%
Transportation expense	(116)	(141)	(220)	(252)	-13%
Operating expense	(884)	(911)	(1,922)	(1,663)	16%
Field netback	5,921	6,998	11,200	13,220	-15%
General and administrative expense (Note 4)	(510)	(388)	(809)	(752)	8%
Interest income	12	22	14	25	-44%
Current income tax	-	-	(1)	(1)	0%
Funds flow from operations	5,423	6,632	10,404	12,492	-17%
Funds flow from operations / barrel (CDN\$/bbl) (Note 1)					
Crude oil sales	\$ 104.05	\$ 97.47	\$ 104.63	\$ 99.11	6%
Government royalty	(5.20)	(4.89)	(5.17)	(4.88)	6%
Transportation expense	(1.66)	(1.62)	(1.64)	(1.57)	4%
Operating expense	(12.63)	(10.48)	(14.33)	(10.35)	38%
Field netback	84.56	80.48	83.49	82.31	1%
General and administrative expense (Note 4)	(7.28)	(4.46)	(6.02)	(4.68)	29%
Interest Income	0.17	0.25	0.10	0.16	-38%
Current income tax	-	-	(0.01)	(0.01)	0%
Thailand - Funds flow from operations	\$ 77.45	\$ 76.27	\$ 77.56	\$ 77.78	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%	17%	21%	17%	26%
Government royalty, SRB and income tax	5%	5%	5%	5%	0%
Funds flow from operations, before interest income	74%	78%	74%	78%	-5%
Wells drilled					
Gross	-	6	1	12	-92%
Net	-	6.0	1.0	12.0	-92%
<b>Indonesia Operations</b>					
General and administrative expense (Note 4)	(255)	(47)	(552)	(122)	352%
Exploration expense (Note 5)	15	-	(294)	-	100%
Realized foreign exchange gain (loss)	26	17	(82)	19	-532%
Indonesia - Funds flow used in operations	(214)	(30)	(928)	(103)	801%
Wells drilled					
Gross	-	1	-	3	-100%
Net	-	1.0	-	3.0	-100%

- (1) Funds flow from operations (cash flow from operating activities prior to changes in non-cash working capital, reclamation costs 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 Andora's 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 that are no longer being capitalized.
- (6) Tables may not add due to rounding.

## 2014 SECOND QUARTER OPERATING RESULTS

- For the second quarter of 2014, the Company recorded total corporate funds flow from operations of \$4.6 million (\$0.08 per share) and a net loss attributable to common shareholders of \$0.1 million (\$0.01 loss per share). For the first six months of 2014, corporate funds flow from operations was \$9.0 million (\$0.16 per share) and a net loss attributable to common shareholders of \$0.3 million (\$0.01 loss per share).
- At June 30, 2014 Pan Orient had \$43.8 million of working capital and non-current deposits, and no long-term debt. In addition, Pan Orient had \$7.5 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 \$27.2 million cash, \$2.5 million of non-current deposits, \$12.9 million of Canadian taxes receivable and other receivables of \$7.0 million and less payables of \$5.8 million.
- Capital expenditures were \$4.2 million for the second quarter of 2014 and included \$2.6 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, \$0.9 million in Thailand and \$0.7 million in Indonesia. During the first six months of 2014, capital expenditures were \$15.2 million with expenditures of \$6.7 million in Canada associated with the Sawn Lake SAGD demonstration project, \$3.4 million in Thailand for drilling the L53A Central well, workovers, other exploration costs and inventory, and \$5.0 million in Indonesia for completion of seismic programs and other exploration costs.
- Capital expenditures for the first half of 2014 were funded by \$9.0 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 \$3.5 million through existing working capital.
- At June 30, 2014 Pan Orient had outstanding capital commitments of \$0.1 million in Thailand associated with Concession L53, \$8.7 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**
  - In the second quarter of 2014 Concession L53 average oil sales increased 8% to 769 BOPD and generated \$5.4 million in after tax funds flow from operations, or \$77.45 per barrel. This compares with oil sales in the first quarter of 2014 of 712 BOPD and \$5.0 million in after tax funds flow from operations, or \$77.69 per barrel. Oil sales increased 8% during the second quarter of 2014 primarily due to flush production from successfully perforating a new zone at the L53-D2ST3 well in May 2014.
  - On a per barrel basis, after tax funds flow from operations of \$77.45 in the second quarter of 2014 was consistent with the first quarter of 2014 and resulted from oil sales of \$104.05, transportation expenses of \$1.66, operating expenses of \$12.63, general and administrative expenses of \$7.28 and a royalty to the Thailand government of \$5.20, and there was interest income equivalent to \$0.17. Oil revenue during the first half 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 second quarter of 2014 as the Company waited for EIA approval for several locations, including the L53A-North prospect in the northeastern portion of Concession L53 which is part of the planned three well drilling program for the remainder of 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 second quarter of 2014 at Concession L53 were \$0.9 million in Thailand primarily for workovers, final drilling costs for the L53-A Central exploration well and equipment inventory. For the first half of 2014 capital expenditures at Concession L53 have been \$3.4 million for drilling the L53A Central well, workovers, equipment inventory and other exploration costs and inventory.
  - The Company elected not to continue exploration activities at Concession L45 and the concession expired on April 27, 2014.
- **Indonesia**
  - Capital expenditures in Indonesia were \$5.0 million during the first half of 2014, with \$4.3 million in the first quarter and \$0.7 million in the second quarter. On a year to date basis, there have been capital expenditures of \$4.5 million at the East Jabung PSC related primarily to completing the 440 kilometer 2D seismic program, \$0.4 million at the Batu Gajah PSC related to capitalized general and administrative expenses, and \$0.1 million for equipment inventory.
- **Canada**
  - Capital expenditures for the Sawn Lake SAGD demonstration project were \$6.7 million during the first half of 2014, with \$4.1 million in the first quarter and \$2.6 million in the second quarter. These expenditures related to construction of the SAGD facility for steam generation, water handling and oil treating, and for final installation of the water source and disposal facilities.



## OUTLOOK

### ➤ Thailand

- On August 8, 2014 Environmental Impact Assessment (EIA) approval was received for six exploration drilling locations with four individual well cellars each. Production EIA approval was also part of all six location applications, allowing for accelerated long term production in the event of success.
- The L53A-North location was one of the six locations approved with well construction to commence in approximately seven days and be completed in approximately seven weeks allowing for rain delays during the current early monsoon period. A number of steps have been taken to mitigate the impact of the monsoon rains on construction including covered storage of earth fill and construction of a berm around the well pad perimeter.
- The Company currently plans to drill one appraisal well at each of the L53-D East field and the L53-B prospect prior to drilling of the L53A-North exploration well. The L53-D East location will be targeting an undrilled fault compartment and the L53-B location will be targeting numerous sands 20 to 25 meters up structure from the original L53-B well that was drilled in 2011 and produced small quantities of oil from two sandstone intervals prior to being shut-in. No reserves were attributed to the targets in either of these appraisal wells in the 2013 year end reserves report.
- Drilling of the first well of the three well drilling program is anticipated to commence at the end of September with each well taking 10 to 14 days to completion.
- Production is currently 583 BOPD and averaged 657 BOPD in July and 610 BOPD over the past 30 days. Oil production levels have been impacted by the rescheduling of the drilling program due to the delay in receiving EIA approvals.

### ➤ Indonesia

- East Jabung PSC Onshore Sumatra (Pan Orient operator and 100% ownership)
  - As disclosed on May 28th, Pan Orient has received a number of proposals from potential farminees with regard to obtain of an up to 50% working interest in East Jabung PSC. The Company has accepted a non-binding proposal and is currently facilitating legal and financial due diligence on an exclusive basis while working towards binding farm-in and joint operating agreements. These agreements, if concluded successfully, are anticipated to be completed in September.
- Batu Gajah PSC Onshore Sumatra (Pan Orient operator and 77% ownership)
  - The Company is currently in negotiations on a non-exclusive basis regarding the potential farm-out of an up to 40% working interest in the Batu Gajah PSC.
  - In the past three weeks approximately 120 square kilometers of 3D seismic data covering a large portion of the Akatara-Selong oil and gas discovery area made by another operator directly adjacent to our acreage at the Batu Gajah PSC has been purchased after being only recently made available by the Indonesian Government technical data administrator. The preliminary results of the interpretation of this high quality 3D seismic data continues to indicate the Company's view that the Selong oil discovery extends into Pan Orient's adjacent Batu Gajah PSC acreage. On the basis of this newly available seismic data, the Company has selected three drilling locations for which Forestry Ministry approval will be sought. It is estimated this approval process will take approximately four months and could be followed by drilling in mid-2015.
- Citarum PSC Onshore Java (Pan Orient operator and 97% ownership)
  - Pan Orient continues to operate a data room for potential farm-in parties and is seeking a 50% partner. This process continues to proceed.

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

- Andora 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 at the Sawn Lake SAGD demonstration project commenced on May 21, 2014. Steam has been injected into both the SAGD injector well and the SAGD production well for approximately three months. These wells are being monitored to determine the timing for recompleting the SAGD production well for production. It is expected that bitumen production will commence in early September 2014.

## Oil Production and Revenue

Concession L53 averaged oil sales of 769 BOPD for the three months ended June 30, 2014 compared to 712 BOPD in the first quarter of 2014 and 955 BOPD in second quarter of 2013. Concession L53 oil sales increased in the second quarter of 2014 compared to the first quarter primarily due to increased production from the L53-D and L53-G fields. The L53-G field was shut-in during the first quarter of 2014 until the environmental impact assessment ("EIA") was approved on February 19, 2014. Production from the L53-D field increased in the second quarter of 2014 after perforating and replacing the ESP pump at the L53-D2ST3 well. Oil sales in the second quarter of 2014 compared to the second quarter of 2013 have declined primarily due to lower production from the L53-A and L-53D fields.

Oil revenue was \$7.3 million for the three months ended June 30, 2014 compared to \$6.8 million in the first quarter of 2014 and \$8.5 million in the second quarter of 2013. Increased oil revenue in the second quarter of 2014 compared to the first quarter of 2014 is primarily attributable to increased production volumes partially offset by a slightly lower realized price per barrel. Decreased oil revenue in the second quarter of 2014 compared to the second quarter of 2013 is primarily attributable to lower production volume in 2014 offset by a higher realized price per barrel. The Company's average realized price for its oil sales was \$104.05 per barrel in the second quarter of 2014 compared to \$105.28 per barrel in the first quarter of 2014 and \$97.47 in the second 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 86% of Brent reference price in the second quarter of 2014 compared to 87% in the first quarter of 2014 and 95% in the second 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. Total royalties were 5% of sales revenue in both the first and second quarters of 2014 and the second quarter of 2013 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 \$1.66 per barrel in the second quarter of 2014 compared to \$1.62 per barrel in the first quarter of 2014 and \$1.62 per barrel in the second quarter of 2013. Transportation expense per barrel in the second quarter of 2014 is consistent with the transportation expense per barrel incurred in the first quarter of 2014 and the second quarter of 2013 as the oil was trucked from similar well locations.

## Operating Expenses

Operating expenses are associated with oil production in Thailand. Operating costs were \$0.9 million (\$12.63 per barrel) in the second quarter of 2014 compared to \$1.0 million (\$16.19 per barrel) in the first quarter of 2014 and \$0.9 million (\$10.48 per barrel) in the second quarter of 2013. On a per barrel basis, operating expenses were lower in the second quarter of 2014 than the first quarter of 2014 due to higher oil production and lower expenses associated with equipment rental and fuel. On a per barrel basis, operating expenses were higher in the second quarter of 2014 compared to 2013 due to lower production volumes in 2014 and fixed costs that did not decline with production volume.

## Depletion and Depreciation (D&D)

(\$thousands)	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2014	2013	2014	2013
Depletion of Thailand PP&E <sup>(1)</sup>	3,706	3,177	7,094	6,768
Depreciation of office equipment and assets	68	88	138	174
<b>Total D&amp;D</b>	<b>3,774</b>	<b>3,265</b>	<b>7,232</b>	<b>6,942</b>
<b>Total D&amp;D - per barrel</b>	<b>\$ 53.90</b>	<b>\$ 37.55</b>	<b>\$ 53.92</b>	<b>\$ 43.22</b>

(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 second quarter of 2014 included \$17.0 million of estimated future development costs for proved plus probable reserves compared to \$9.3 million of estimated future development costs included in the second quarter of 2013. The D&D expense per barrel is higher in second quarter of 2014 compared to the second 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. The D&D expense in first quarter of 2014 was \$53.93 per barrel.

## Taxes

(\$thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Canadian income tax (recovery) expense	-	(1,855)	-	(1,937)
Thai income tax expense <sup>(1)</sup>	-	-	1	1
Special remuneratory benefit <sup>(2)</sup>	-	-	-	-
Total current tax (recovery) expense	-	(1,855)	1	(1,936)
Deferred tax (recovery) expense	845	2,620	1,619	3,830
<b>Total tax expense</b>	<b>845</b>	<b>765</b>	<b>1,620</b>	<b>1,894</b>

(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) *Thailand Special remuneratory benefit (“SRB”) 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.*

At June 30, 2014 the Company had a Thai tax payable of one thousand dollars 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 actual tax rates. For the three months ended June 30, 2014 SRB was 0.0% (2013 . 0.0%) of total revenue and income tax was less than one percent (2013 . 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 Company’s subsidiaries which hold the South CPP and Citarum Production Sharing Contracts in Indonesia. Losses from 2013 are being carried back and applied to a gain in 2012 on the sale of the Company’s Thailand interests to recover taxes paid in 2012. The recovery of Canadian income taxes is based on management’s application of current income tax laws and may be assessed differently by the Canadian taxation authorities.

In July 2013 the Tax Directorate General of Indonesia assessed several oil and gas companies operating in Indonesia for Land and Building Tax using a new framework which is being challenged by the impacted oil and gas companies in Indonesia. Pan Orient was issued a tax payable notification for \$7.2 million. The Company has filed an objection letter and this amount is not recorded in the consolidated financial statements and is pending the outcome of the objection filed.

## General and Administrative (G&A) Expenses

(\$thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Thailand	599	520	1,001	973
Indonesia	799	1,583	1,600	3,077
Canada	724	458	1,413	946
Total G&A, net of overhead recoveries <sup>(1)</sup>	2,122	2,561	4,014	4,996
Allocated to capital projects <sup>(2)</sup>	(678)	(1,715)	(1,427)	(3,281)
Cash G&A	1,444	846	2,587	1,715
Accretion expenses	15	25	33	46
Stock-based payments	-	-	60	-
Gain on settlement of decommissioning provision	-	(15)	-	(15)
<b>Total G&amp;A</b>	<b>1,459</b>	<b>856</b>	<b>2,680</b>	<b>1,746</b>
Cash G&A . per barrel	\$ 20.62	\$ 9.73	\$ 19.29	\$ 10.68
<b>Total G&amp;A . per barrel</b>	<b>\$ 20.84</b>	<b>\$ 9.84</b>	<b>\$ 19.98</b>	<b>\$10.87</b>

(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 \$330,000 for the six months ended June 30 2014 (2013 – nil).*

(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, all four of the Indonesia PSCs (although 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.*

G&A costs incurred in Thailand for the first six months of 2014 are fairly consistent with the G&A costs incurred during the first six months of 2013. G&A costs incurred in Indonesia are lower in 2014 than in 2013 as the Company has been less active in its Indonesian exploration program. G&A incurred in Canada in 2014 is higher than G&A incurred in 2013 as Canada is not recording a

recovery from its Indonesia operations in 2014. Less G&A was capitalized 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 June 30				Six Months Ended June 30			
	2014		2013		2014		2013	
	\$000s	Net wells drilled	\$000s	Net wells drilled	\$000s	Net wells drilled	\$000s	Net wells drilled
Capital expenditures <sup>(1)</sup>								
Thailand	879	-	19,145	6.0	3,433	1.0	32,938	12.0
Indonesia <sup>(2)</sup>	727	-	16,565	1.0	5,037	-	35,057	3.0
Canada	2,576	-	2,268	-	6,722	-	4,492	-
Total capital expenditures	4,182	-	37,978	7.0	15,192	1.0	72,487	15.0

(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 \$3.4 million for the six months ended June 30, 2014 relate to Concession L53 and include \$1.9 million for the L53A-Central exploration well, \$0.5 million for equipment inventory, \$0.3 million for workovers, \$0.2 million for capitalized G&A and \$0.5 million for other capital expenditures. Capital expenditures in the second quarter of 2014 relate to \$0.1 million for the L53A-Central well, \$0.2 million for workovers, \$0.2 million for equipment inventory \$0.1 million for capitalized G&A and \$0.3 million for other capital expenditures.

#### Indonesia

Capital expenditures of \$5.0 million for the six months ended June 30, 2014 relate to \$4.5 million at the East Jabung PSC related primarily to the 440 kilometer 2D seismic program, \$0.4 million at the Batu Gajah PSC related to capitalized G&A, and \$0.1 million for equipment inventory. Capital expenditures in the second quarter of 2014 relate to \$0.5 million at the East Jabung PSC for seismic and capitalized G&A and \$0.2 million at the Batu Gajah PSC for capitalized G&A.

#### Canada

Capital expenditures of \$6.7 million for the six months ended June 30, 2014 relate to the Sawn Lake demonstration project. Expenditures include construction costs for a SAGD facility for steam generation, water handling and oil treating, and for final installation of the water source and disposal facilities. Capital expenditures in the second quarter of 2014 relate to \$1.7 million for the SAGD facility, \$0.6 million for capitalized pre-operating costs and \$0.3 million for other capital expenditures.

### Liquidity and Capital Resources

Pan Orient's capital program in the second quarter of 2014 was \$4.2 million and was financed by \$4.6 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 June 30, 2014 the Company's working capital plus non-current deposits of \$43.8 million exceeded estimated outstanding commitments of \$9.2 million by \$34.6 million. At June 30, 2014 the Company had \$7.5 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.

At June 30, 2014 Pan Orient's cash and cash equivalents of \$27.2 million, compared to \$41.8 million at December 31, 2013 and were held in the jurisdictions where the Company operates as follows:

	June 30, 2014	December 31, 2013
(\$thousands)		
Cash held in Canada	21,054	37,244
Cash held in Thailand	3,838	2,311
Cash held in Indonesia	2,282	2,276
Total cash	27,174	41,831

Working capital plus non-current deposits at June 30, 2014 was \$43.8 million compared to \$44.0 million at March 31, 2014 and \$54.3 million at June 30, 2013.

Non-current cash deposits of \$2.5 million at June 30, 2014 relate to a \$1.6 million performance bond in Indonesia which will be returned to the Company upon completion of the commitments at the East Jabung PSC, \$0.7 million in guarantees to the Thailand government for customs importation permits and a \$0.2 million deposit in Canada with the Alberta Energy Regulator.

### Share Capital

	As at August 19, 2014	As at June 30, 2014
Outstanding (thousands)		
Common shares	56,760	56,760
Stock options	3,211	3,261
Total	59,971	60,021

### 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		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Rate at end of period								
Thai baht / CDN \$ exchange	<b>30.08</b>	29.03	30.50	30.09	29.35	28.49	30.42	31.09
CDN \$ / US \$ exchange	<b>1.07</b>	1.10	1.06	1.03	1.05	1.02	0.99	0.98

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 first 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:

(\$thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
AOCI, beginning of period	<b>7,990</b>	1,244	<b>2,536</b>	(4,297)
Unrealized foreign currency translation gain (loss)	<b>(5,165)</b>	2,712	<b>289</b>	8,253
AOCI, end of period	<b>2,825</b>	3,956	<b>2,825</b>	3,956

The unrealized foreign currency translation gain is as follows:

(\$thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Foreign exchange gain (loss) related to Thailand	<b>(2,305)</b>	(1,821)	<b>305</b>	1,161
Foreign exchange gain (loss) related to Indonesia	<b>(2,860)</b>	4,533	<b>(16)</b>	7,092
Total change in AOCI	<b>(5,165)</b>	2,712	<b>289</b>	8,253

## Summary of Quarterly Results

	2014		2013				2012	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<b>Production (BOPD)</b>	<b>769</b>	712	963	809	955	819	1,029	842
<b>Funds flow from operations (\$/bbl)</b>								
Realized crude oil price	<b>104.05</b>	105.28	100.22	99.34	97.47	101.05	97.21	100.78
Royalties	<b>(5.20)</b>	(5.13)	(4.94)	(4.94)	(4.89)	(4.87)	(4.78)	(5.03)
Transportation & operating	<b>(14.29)</b>	(17.81)	(19.06)	(16.16)	(12.10)	(11.72)	(19.92)	(18.84)
Field Netback	<b>84.56</b>	82.34	76.22	78.24	80.48	84.46	72.51	76.90
General and administrative <sup>(1)</sup>	<b>(20.62)</b>	(17.83)	(17.86)	(16.64)	(9.74)	(11.79)	(16.41)	(15.59)
Exploration <sup>(2)</sup>	<b>0.21</b>	(4.82)	-	-	-	-	-	-
Interest income	<b>1.04</b>	1.40	1.64	2.14	2.44	4.18	3.91	4.69
Realized foreign exchange	<b>0.51</b>	7.04	1.09	1.33	1.18	(1.06)	1.68	(22.77)
Current income tax	-	(0.02)	2.09	(0.64)	0.81	1.10	-	(0.01)
<b>Funds flow from operations</b>	<b>65.70</b>	68.11	63.18	64.43	75.17	76.89	61.69	43.22
<b>Financial (\$thousands) except as indicated</b>								
Oil revenue	<b>7,285</b>	6,750	8,880	7,397	8,475	7,444	9,198	7,808
Interest revenue	<b>73</b>	90	145	159	212	308	370	363
Funds flow . 2012 Thailand disposition net proceeds <sup>(3)</sup>	<b>174</b>	-	-	-	-	-	785	553
Disposition of Andora GORR	-	2,698	-	-	-	-	-	-
<b>Net income (loss)<sup>(4)</sup></b>	<b>(147)</b>	(185)	7,083	(3,109)	(97,677)	341	859	(1,626)
Per share basic (\$)	<b>(0.01)</b>	(0.00)	0.13	(0.05)	(1.73)	0.01	0.02	(0.03)
Per share diluted (\$)	<b>(0.01)</b>	(0.00)	0.13	(0.05)	(1.73)	0.01	0.02	(0.03)
Capital expenditures <sup>(5)</sup>	<b>4,182</b>	11,010	11,144	17,649	37,978	34,509	20,539	12,021
Total assets	<b>276,672</b>	289,195	286,535	286,835	295,155	383,691	381,511	367,263
Working capital & non-current deposits	<b>43,789</b>	44,040	47,889	40,879	54,345	87,442	116,376	134,061
Shares outstanding (thousands)	<b>56,760</b>	56,760	56,760	56,760	56,760	56,760	56,720	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

**Q3 2012** . Corporate funds flow from operations for the third quarter of 2012 was \$3.3 million, or \$0.06 per share. The third quarter of 2012 is the first quarter of operations following the sale of the majority of interests in Thailand. Thailand operations in the third quarter consist only of Concession L53, which had average oil production of 842 BOPD. Net loss attributable to common shareholders was \$1.6 million, or a loss of \$0.03 per share, for the third quarter of 2012. Total capital expenditures for the third quarter of 2012 were \$12.0 million, with \$4.0 million in Thailand for development of the L53-D field and inventory, and \$8.0 million in Indonesia primarily related to the drilling program at the Citarum PSC.

**Q4 2012** . 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 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** . 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 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** . 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 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** . 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 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** . 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 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** . 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 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** . 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 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.

#### **Additional Information**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com)