



PAN ORIENT ENERGY CORP.

2007 CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007

Management has compiled the unaudited interim consolidated financial information of Pan Orient Energy Corp. consisting of the interim consolidated Balance Sheets at September 30, 2007 and the interim consolidated Statements of Operations and interim consolidated Statements of Cash Flows for the three and nine month periods ended September 30, 2007 and 2006. Please note the interim financial statements have not been reviewed or audited by external auditors.

PAN ORIENT ENERGY CORP.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	September 30 2007	December 31 2006
<u>ASSETS</u>		
CURRENT		
Cash and cash equivalents	\$ 9,646,442	\$ 16,121,554
Accounts receivable	4,770,207	2,925,414
	<hr/> 14,416,649	19,046,968
Deposits (Note 3)	6,312,078	1,144,188
Petroleum and natural gas properties (Note 5)	83,928,522	58,652,742
	<hr/> \$ 104,657,249	\$ 78,843,898
<u>LIABILITIES</u>		
CURRENT		
Accounts payable and accrued liabilities	\$ 10,138,370	\$ 1,952,070
Future income tax	9,276,340	8,192,052
Asset retirement obligation	83,601	20,001
	<hr/> 19,498,311	10,164,123
Non-controlling interest	18,495,790	7,726,888
<u>SHAREHOLDERS' EQUITY</u>		
SHARE CAPITAL (Note 6)	68,433,505	61,962,901
UNDERWRITERS COMPENSATION OPTIONS	246,500	365,000
CONTRIBUTED SURPLUS	3,670,110	2,456,194
DEFICIT	(5,686,967)	(3,831,208)
	<hr/> 66,663,148	60,952,887
Subsequent events (note 7)		
	<hr/> \$ 104,657,249	\$ 78,843,898

See accompanying notes to the consolidated financial statements

PAN ORIENT ENERGY CORP.**CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2007	2006	2007	2006
REVENUES				
Oil - Thailand	\$ 4,213,990	263,586	\$ 8,598,108	825,838
Royalties - Thailand	(241,511)	(36,808)	(625,801)	(127,130)
Interest - Canada	117,656	206,823	340,936	497,878
	4,090,135	433,601	8,313,243	1,196,586
EXPENSES				
Depletion, depreciation and accretion	1,565,965	135,205	3,519,808	399,552
Stock based compensation	235,183	254,331	1,113,916	1,254,709
General and administrative	763,766	390,792	2,078,730	1,032,724
Production and operating	411,053	64,642	1,823,448	288,846
Foreign new ventures expenditures	-	-	40,000	-
Foreign exchange loss (gain)	1,079,351	(20,394)	1,798,358	60,352
	4,055,318	824,576	10,374,260	3,036,183
INCOME (LOSS) BEFORE TAXES AND NON-CONTROLLING INTEREST	34,817	(390,975)	(2,061,017)	(1,839,597)
FUTURE INCOME TAX REDUCTION	28,158	-	58,758	-
NON-CONTROLLING INTEREST	22,800	-	146,500	-
NET INCOME (LOSS) FOR THE PERIOD	85,775	(390,975)	(1,855,759)	(1,839,597)
DEFICIT, BEGINNING OF PERIOD	(5,772,742)	(2,993,339)	(3,831,208)	(1,544,717)
DEFICIT, END OF PERIOD	\$ (5,686,967)	(3,384,314)	\$ (5,686,967)	(3,384,314)
INCOME (LOSS) PER SHARE – Basic and Diluted	\$ 0.00	(0.01)	\$ (0.05)	(0.06)

See accompanying notes to the consolidated financial statements

PAN ORIENT ENERGY CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2007	2006	2007	2006
CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net income (loss) for the period	\$ 85,775	(390,975)	\$ (1,855,759)	(1,839,597)
Items not affecting cash				
Stock based compensation	235,183	254,331	1,113,916	1,254,709
Future income tax expense (reduction)	(28,158)	-	(58,758)	-
Depletion, depreciation and accretion	1,565,965	135,205	3,519,808	399,552
Unrealized foreign exchange loss (gain)	619,351	(20,394)	1,338,358	60,352
Non-controlling interest	(22,800)	-	(146,500)	-
	2,455,316	(21,833)	3,911,065	(124,984)
Change in non-cash working capital	(1,842,155)	2,598,706	(3,623,688)	1,902,014
	613,161	2,576,873	287,377	1,777,030
INVESTING ACTIVITIES				
Cash acquired with Signet, net of cash costs	2,801,563	-	2,801,563	-
Acquisition of Andora	-	(8,620,621)	-	(8,620,621)
Deposits	(896,605)	241,655	(5,751,890)	(486,561)
Petroleum and natural gas properties	(9,034,686)	(2,312,127)	(15,701,713)	(7,094,051)
Change in non-cash working capital	3,187,562	-	5,892,447	-
	(3,942,166)	(10,691,093)	(12,759,593)	(16,201,233)
FINANCING ACTIVITIES				
Issue of common shares				
net of share issue cost	6,036,984	(31,030)	6,352,104	28,051,987
Convertible debentures	-	-	-	(86,162)
	6,036,984	(31,030)	6,352,104	27,965,825
INCREASE (DECREASE) IN CASH	2,707,979	(8,145,250)	(6,120,112)	(13,541,622)
EFFECT OF FOREIGN EXCHANGE ON CASH BALANCES	(45,000)	-	(355,000)	-
CASH, BEGINNING OF PERIOD	6,983,463	30,389,061	16,121,554	8,702,189
CASH, END OF PERIOD	\$ 9,646,442	22,243,811	\$ 9,646,442	22,243,811

See accompanying notes to the consolidated financial statements

PAN ORIENT ENERGY CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1) BASIS OF PRESENTATION

Pan Orient Energy Corp. (“Pan Orient” or the “Company”), is an oil and natural gas company based in Calgary, Alberta, which holds properties onshore Thailand and interests in subsidiaries with non-producing properties in Northern Alberta. In addition, the Company is pursuing other oil and natural gas exploration acreage in Asia.

2) SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim consolidated financial statements of Pan Orient have been prepared by management in accordance with Canadian generally accepted accounting principles. The interim financial statements have been prepared following the accounting policies and methods of computation used for the financial statements of the Company for the year ended December 31, 2006 except for changes related to the adoption of new Canadian accounting standards noted below. The disclosures included below are incremental to those included with the annual financial statements. The interim financial statements should be read in conjunction with the Company’s financial statements and notes thereto for the year ended December 31, 2006.

On January 1, 2007, the Company adopted new Canadian accounting standards pertaining to financial instruments – recognition and measurement, financial instruments – presentation and disclosures, hedging, comprehensive income and equity. As prescribed by the new standards, prior periods have not been restated.

The new standards require all financial instruments within its scope, including all derivatives, to be recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities except those held-for-trading and available for sale are measured at amortized cost determined using the effective interest rate method. Held-for-trading financial assets are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income and reclassified to earnings when derecognized or impaired. There was no impact on the financial statements as a result of adopting the new standards.

The new standards require a statement of other comprehensive income; however, there are no amounts that the Company would include in other comprehensive income except the net loss.

3) DEPOSITS

Included in deposits is approximately \$1.86 million (\$1.87 million USD) of cash deposits securing a Standby Letter of Credit posted in favor of the Government of Thailand guaranteeing the Company’s work program on its 100% owned L53/48 onshore concession. Deposits also include \$2.5 million of cash, securing a Standby Letter of Credit relating to the L53/48 seismic shoot that was completed in October, 2007. The remainder of deposits are comprised mainly of cash deposits issued to the Thai government relating to importation permits.

PAN ORIENT ENERGY CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

4) ANDORA ACQUISITION OF SIGNET ENERGY INC.

On September 19, 2007, the Company's subsidiary, Andora, completed a business combination with Signet Energy Inc. ("Signet"). Signet was a private oil and gas company holding heavy oil interests in Sawn Lake, Alberta. The combination was effected by way of a plan of arrangement under the Business Corporations Act (Alberta) whereby the security holders of Signet received, in aggregate, 10,741,128 common shares of Andora with a deemed value of \$17,185,804. Certain shareholders of Signet exercised their right to dissent to the combination, and as such Andora has recorded a liability of \$3,716,675. In addition to Signet's heavy oil interests, Andora received Signet's working capital, comprised mainly of cash, of \$3.1 million.

In connection with the transaction, Andora also issued 310,000 share purchase warrants, to an existing third party Signet warrant holder, with an exercise price of \$2.86 per Andora share, expiring November 17, 2008. The estimated fair value of these warrants was not significant on the combination date.

Following the combination described above, Pan Orient owns approximately 53.5% of the issued and outstanding common shares of Andora, and has warrants which, if exercised, would increase Pan Orient's ownership to approximately 55.4%.

Andora was deemed the acquirer of Signet and consequently Andora has accounted for Signet as an acquisition using the purchase method of accounting as follows:

Consideration	
Shares issued	\$ 17,185,804
Consideration payable for Signet Shares	3,716,675
Acquisition costs	276,339
	<hr/>
	\$ 21,178,818
	<hr/> <hr/>
Purchase Price at Fair Value	
Petroleum and natural gas properties	\$ 21,784,277
Working capital, including cash of \$3.1 million	3,121,186
Future income tax liability	(3,663,045)
Asset retirement obligation	(63,600)
	<hr/>
	\$ 21,178,818
	<hr/> <hr/>

The above purchase price equation is preliminary and subject to change.

In addition to the \$21.8 million increase in petroleum and natural gas properties above, the dilution of Pan Orient's holdings in Andora, from 67% to 53.5%, resulted in a decrease in petroleum and natural gas properties of \$8.8 million increase (net \$13.0 million increase), and a decrease in the future income tax liability of \$2.6 million. Non-controlling interest also increased by \$10.9 million.

PAN ORIENT ENERGY CORP.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****5) PETROLEUM AND NATURAL GAS PROPERTIES**

		Cost	Accumulated Amortization	Net Book Value
2007	Canada	\$ 56,122,875	-	56,122,875
	Thailand	31,256,849	(4,129,000)	27,127,849
	India	355,410	-	355,410
	Office equipment - Canada	660,398	(338,010)	322,388
		<u>\$ 88,395,532</u>	<u>(4,467,010)</u>	<u>83,928,522</u>

General and administrative expenses totaling 127,084 (2006 - \$141,666) that were directly related to exploration and development activities have been capitalized for the nine months ended September 30, 2007.

6) SHARE CAPITAL

a) Authorized:

Unlimited Class A and B Common Voting Shares
 Unlimited Class C Common Non Voting Shares
 Unlimited Preferred Shares

b) Issued and outstanding common shares

Common Shares	Number	Amount
Balance as at January 1, 2007	40,056,842	\$ 61,962,901
Issued for cash	1,500,000	6,375,000
Less: share issue costs	-	(338,016)
Underwriters compensation options exercised	78,000	315,120
Reclassification upon exercise of underwriters compensation options	-	118,500
Balance as at September 30, 2007	<u>41,634,842</u>	<u>\$ 68,433,505</u>

During the three months ended June 30, 2007, 78,000 underwriters compensation options were exercised for common shares of the Company at a price of \$4.04 per share. As at September 30, 2007, 162,000 underwriters compensation options remain, expiring April 28, 2008.

On July 13, 2007, the Company issued, by way of a non-brokered private placement, 1.5 million common shares at \$4.25 per share, for gross proceeds of \$6,375,000 (\$6,036,984 net of finders fee and other costs paid).

PAN ORIENT ENERGY CORP.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

c) Options to purchase common shares of Pan Orient

	Number of Shares	Weighted Average Exercise Price
Balance, January 1, 2007	3,793,150	\$ 1.77
Granted	40,000	3.00
Forfeited	(40,000)	(3.00)
Balance, September 30, 2007	3,793,150	\$ 1.77

A Black-Scholes option pricing model, with the following weighted average assumptions was used to estimate the fair value of options on the date of the grant, for inclusion as stock-based compensation expense. The fair value of the stock based compensation is amortized over the vesting period of the options, generally being two years.

Risk free interest rate	4.50%
Expected lives	5 years
Expected volatility	58%
Dividend per share	0.00%

The weighted average grant date fair value of options issued during 2007 was \$1.64 per option (2006 - \$1.93 per option).

d) Options to purchase common shares of Andora Energy Corporation ("Andora")

Stock-based compensation expense includes the cost associated with 3,750,000 options that were granted in Andora, a 67 percent owned subsidiary of the Company which entitle the holders to acquire common shares of Andora. A Black-Scholes option pricing model, with assumptions of a 4.5% risk free interest rate, 3 year expected lives, volatility of 20%, and no expected dividends was used to estimate the grant date fair value of the options as \$0.12 per option. The fair value of the Andora options was estimated to be \$400,000, net of expected forfeitures, of which \$300,000 was included as stock-based compensation expense and \$100,000 was capitalized as it related to employees directly involved in exploration and development activities.

e) Loss per share

The loss per share is based on the nine month weighted average shares outstanding of 40,539,260 shares (2006 - 34,376,370 shares).

7) SUBSEQUENT EVENT**Private Placement**

On November 14, 2007, the Company issued, by way of a brokered private placement, 3.5 million common shares at \$9.15 per share, for gross proceeds of \$32,025,000 (\$30,103,500 net of commissions paid).



PAN ORIENT ENERGY CORP.

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