PAN ORIENT ENERGY CORP.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011
(Unaudited)

Pan Orient Energy Corp.
Condensed Consolidated Statements of Financial Position
(Unaudited)

($000s)	September 30, 2011	December 31, 2010
Assets		
Current		
Cash and cash equivalents	**50,744**	37,061
Accounts receivable	**9,884**	14,166
Taxes receivable (note 10)	**207**	-
	60,835	51,227
Deposits	**5,260**	4,628
Petroleum and equipment (note 6)	**153,978**	118,387
Exploration and evaluation costs (note 7)	**151,891**	122,467
	371,964	296,709
Liabilities		
Current		
Accounts payable and accrued liabilities	**8,079**	11,950
Taxes payable (note 10)	**-**	12,509
	8,079	24,459
Deferred tax liabilities (note 10)	**73,602**	54,282
Decommissioning provision (note 8)	**9,106**	7,390
	90,787	86,131
Shareholders' equity (note 9)		
Share capital	**159,356**	110,576
Contributed surplus	**15,027**	13,569
Non-controlling interest	**21,177**	18,227
Accumulated other comprehensive income	**7,908**	2,915
Retained earnings	**77,709**	65,291
	281,177	210,578
Related parties transaction (note 12)		
Commitments (note 14)		
	371,964	296,709

See accompanying notes to the consolidated financial statements.

Pan Orient Energy Corp.
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
($000s, except per share amounts)	**2011**	**2010**	**2011**	2010
Revenue				
Oil	**18,083**	27,050	**55,053**	74,524
Royalties	**(945)**	(1,751)	**(2,913)**	(4,745)
Interest	**115**	20	**333**	86
	17,253	25,319	**52,473**	69,865
Expenses				
Transportation	**398**	970	**1,274**	2,636
Production and operating	**2,314**	2,502	**6,848**	6,649
General and administrative	**1,239**	1,005	**3,652**	2,979
Depletion and depreciation	**1,968**	2,277	**5,779**	6,040
Stock-based compensation	**410**	1,278	**2,126**	5,564
Foreign exchange loss (gain)	**(68)**	19	**191**	122
Foreign new venture expenditures	**-**	-	**59**	531
	6,261	8,051	**19,929**	24,521
Income before taxes and non-controlling interest	**10,992**	17,268	**32,544**	45,344
Taxes (note 10)				
Special remuneratory benefit	**-**	1,957	**-**	4,863
Current income tax	**298**	3,568	**1,969**	11,828
Deferred tax expense	**6,867**	6,346	**18,398**	15,252
	7,165	11,871	**20,367**	31,943
Net income for the period	**3,827**	5,397	**12,177**	13,401
Foreign exchange gain on translation of foreign operations	**13,417**	5,189	**4,993**	10,120
Comprehensive income for the period	**17,244**	10,586	**17,170**	23,521
Net income attributable to:				
Common shareholders	**3,882**	5,405	**12,418**	13,691
Non-controlling interest	**(55)**	(8)	**(241)**	(290)
Net income for the period	**3,827**	5,397	**12,177**	13,401
Comprehensive income for the period attributable to:				
Common shareholders	**17,299**	10,594	**17,411**	23,811
Non-controlling interest	**(55)**	(8)	**(241)**	(290)
Comprehensive income for the period	**17,244**	10,586	**17,170**	23,521
Net income per share attributable to common shareholders (note 9)				
Basic	**$0.07**	$0.11	**$ 0.23**	$ 0.28
Diluted	**$0.07**	$0.11	**$ 0.23**	$ 0.27

See accompanying notes to the consolidated financial statements.

Pan Orient Energy Corp.
Condensed Interim Consolidated Statement of Changes in Equity
(Unaudited)

($000s)	Common Shares	Contributed Surplus	Retained Earnings	AOCI	NCI	Total
Balance as at January 1, 2010	104,846	8,574	41,767	-	18,705	173,892
Net income attributable to common shareholders	-	-	13,691	-	(290)	13,401
Stock-based compensation	-	5,564	-	-	-	5,564
Capitalized stock-based compensation expense	-	210	-	-	-	210
Options exercised	3,336	-	-	-	-	3,336
Transfer from contributed surplus	1,886	(1,886)	-	-	-	-
Increase in Andora interest	-	(150)	-	-	-	(150)
Transactions effecting non-controlling interest	-	-	-	-	(378)	(378)
Other comprehensive loss	-	-	-	10,120	-	10,120
Balance as at September 30, 2010	110,068	12,312	55,458	10,120	18,037	205,995
Balance as at December 31, 2010	110,576	13,569	65,291	2,915	18,227	210,578
Net income attributable to common shareholders	-	-	12,418	-	(241)	12,177
Stock-based compensation	-	2,126	-	-	-	2,126
Capitalized stock-based compensation expense	-	152	-	-	-	152
Share issued for private placement	49,501	-	-	-	-	49,501
Shares issued for Indonesia acquisition	344	-	-	-	-	344
Share issue costs	(2,971)	-	-	-	-	(2,971)
Options exercised	1,086	-	-	-	-	1,086
Transfer from contributed surplus	820	(820)	-	-	-	-
Transactions effecting non-controlling interest	-	-	-	-	3,191	3,191
Other comprehensive income	-	-	-	4,993	-	4,993
Balance as at September 30, 2011	159,356	15,027	77,709	7,908	21,177	281,177

Pan Orient Energy Corp.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

($000s)	Nine Months Ended September 30 2011	2010
Cash Provided By (Used in)		
Operating Activities		
Net income	**12,177**	13,401
Items not affecting cash		
Depletion and depreciation	**5,779**	6,040
Accretion	**270**	182
Stock-based compensation	**2,126**	5,564
Taxes	**20,367**	31,943
Non-cash foreign venture expenditures	**59**	474
Unrealized foreign exchange loss	**-**	296
	40,778	57,900
Taxes paid	**(14,392)**	(23,472)
Changes in non-cash working capital	**3,120**	8,222
	29,506	26,206
Investing Activities		
Petroleum and natural gas properties	**(57,831)**	(47,690)
Indonesia acquisition (note 5)	**(1,417)**	-
Deposits	**(632)**	226
Change in non-cash working capital	**(714)**	(3,163)
	(60,594)	(50,627)
Financing Activities		
Issue of common shares	**50,587**	3,336
Share issue costs	**(2,971)**	-
	47,616	3,336
Change in cash and cash equivalents	**16,528**	(21,085)
Effect of foreign exchange on cash balances	**(2,845)**	29
Cash and cash equivalents, beginning of period	**37,061**	44,760
Cash and cash equivalents, end of period	**50,744**	23,704

See accompanying notes to the consolidated financial statements.

1) DESCRIPTION OF BUSINESS

Pan Orient Energy Corp. (ñPan Orientò or the ñCompanyò), is an oil and natural gas company based in Calgary, Alberta, which holds properties onshore Thailand and Indonesia as well as interests in a subsidiary with properties in Northern Alberta. The Company is continually pursuing other oil and natural gas exploration opportunities in Asia.

2) SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

These interim consolidated financial statements are unaudited and have been prepared in accordance with IAS 34 ôInterim Financial Reportingö (ñIAS 34ò) using accounting policies consistent with the International Financial Reporting Standards (ñIFRSò) issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee (ñIFRICò).

The interim financial statements have been prepared following the same accounting policies and methods of computation as the unaudited financial statements of the Company for the period ended March 31, 2011 and June 30, 2011. These interim financial statements and notes thereto should be read in conjunction with the 2010 annual financial statements and note 3 of the unaudited financial statements for the period ended March 31, 2011 which describes the Companyøs significant accounting policies under IFRS.

These interim consolidated financial statements do not include all of the information required for full annual financial statements. The impact of the new standards, including reconciliations presenting the change from Canadian to IFRS as at September 30, 2010 and for the three and nine months ended September 30, 2010, is presented in Note 4. These financial statements were authorized for issuance by the Board of Directors on November 22, 2011.

3) PENDING ACCOUNTING STANDARDS

Presentation of Financial Statements
In June 2011, the International Accounting Standards Board (ñIASBò) issued IAS 1, "Presentation of Items of OCI: Amendments to IAS 1 Presentation of Financial Statements." The amendments stipulate the presentation of net earnings and OCI and also require the Company to group items within OCI based on whether the items may be subsequently reclassified to profit or loss. Amendments to IAS 1 are effective for the Company beginning on January 1, 2012 with retrospective application and early adoption permitted. The adoption of the amendments to this standard is not expected to have a material impact on the Companyøs financial statements.

Consolidated Financial Statements
In May 2011, the IASB published IFRS 10, ñConsolidated Financial Statements,ò which is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. IFRS 10 provides a single control model to be applied in the assessment of control for all entities in which the Company has an investment including special purpose entities currently in the scope of Standing Interpretations Committee (ñSICò) 12. Under the new control model, the Company has control over an investment if the Company has the ability to direct the activities of the investment, is exposed to the variability of returns from the investment and there is a linkage between the ability to direct activities and the variability of returns. The Company intends to retrospectively adopt IFRS 10 in its financial statements for the annual period beginning on January 1, 2013. The Company is assessing the impact of this standard on its financial statements.

Disclosure of Interests in Other Entities
In May 2011, the IASB published IFRS 12, ñDisclosure of Interests in Other Entities,ò which is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. IFRS 12 contains new disclosure requirements for interests the Company has in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

Required disclosures aim to provide readers of the financial statements with information to evaluate the nature of and risks associated with the Companyøs interests in other entities and the effects of those interests on the Companyøs financial statements. The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on January 1, 2013. It is expected that IFRS 12 will increase the current level of disclosure related to the Companyøs interests in other entities upon adoption. The Company has not completed its evaluation of the effect of adopting this standard on its consolidated financial statements.

Joint Arrangements
As of January 1, 2013, the Company will be required to adopt IFRS 11, ñJoint Arrangementsò which provides a revised method for determining how a company should account for joint arrangements. Based on the terms of the joint agreement a company will account for joint arrangements using either proportionate consolidation or the equity method.

4) Presented below are reconciliations of Canadian GAAP to IFRS:

Consolidated Statement of Financial Position at September 30, 2010 (unaudited)

($000s)	**Canadian GAAP September 30, 2010**	Adjust-ments at January 1, 2010	(a)	(b) and (e)	(c) and (e)	(f) and (e)	**IFRS September 30, 2010**
Assets							
Current							
Cash and cash equivalents	23,704	-	-	-	-	-	23,704
Accounts receivable	18,857	-	-	-	-	-	18,857
	42,561	-	-	-	-	-	42,561
Deposits	3,849	-	-	-	-	-	3,849
Petroleum and equipment	229,098	(118,397)	(24,679)	633	(327)	5,683	92,011
Exploration and evaluation costs	-	118,428	24,679	-	-	-	143,107
	275,508	31	-	633	(327)	5,683	281,528
Liabilities							
Current							
Accounts payable and accrued liabilities	9,895	-	-	-	-	-	9,895
Taxes payable	8,769	-	-	-	-	-	8,769
	18,664	-	-	-	-	-	18,664
Deferred tax liabilities	47,167	(1,119)	-	9	(24)	3,605	49,638
Decommissioning provision	4,424	2,193	-	614	-	-	7,231
	70,255	1,074	-	623	(24)	3,605	75,533
Shareholders' equity							
Share capital	110,068	-	-	-	-	-	110,068
Contributed surplus	11,793	300	-	-	219	-	12,312
Non-controlling interest	18,037	-	-	-	-	-	18,037
Accumulated other comprehensive income (loss)	6,016	4,149	-	-	-	(45)	10,120
Retained earnings	59,339	(5,492)	-	10	(522)	2,123	55,458
	205,253	(1,043)	-	10	(303)	2,078	205,995
	275,508	31	-	633	(327)	5,683	281,528

Consolidated Statement of Operations and Retained Earnings for the Nine Month Ended September 30, 2010 (unaudited)

($000s)	**Canadian GAAP Nine Months Ended September 30, 2010**	Adjust-ments at January 1, 2010	(b) and (e)	(c) and (e)	(f) and (e)	**IFRS Nine Months Ended September 30, 2010**
Revenue						
Oil	74,524	-	-	-	-	74,524
Royalties	(4,745)					(4,745)
Interest	86	-	-	-	-	86
	69,865	-	-	-	-	69,865
Expenses						
Transportation	2,636	-	-	-	-	2,636
Production and operating	6,649	-	-	-	-	6,649
General and administrative	2,797	-	(19)	-	201	2,979
Depletion and depreciation	11,969	-	-	-	(5,929)	6,040
Stock-based compensation	5,042	-	-	522	-	5,564
Foreign exchange loss	122	-	-	-	-	122
Foreign new ventures expenditures	531	-	-	-	-	531
	29,746	-	(19)	522	(5,728)	24,521
Income before taxes and non-controlling interest	40,119	-	19	(522)	5,728	45,344
Taxes						
Special remuneratory benefit	4,863	-	-	-	-	4,863
Income tax	11,828	-	-	-	-	11,828
Deferred tax expense	11,638	-	9	-	3,605	15,252
	28,329	-	9	-	3,605	31,943
Net income for the period	11,790	-	10	(522)	2,123	13,401
Net income attributable to:						
Common Shareholders	12,080	-	10	(522)	2,123	13,691
Non-controlling interest	(290)	-	-	-	-	(290)
Net income for the period	11,790	-	10	(522)	2,123	13,401
Foreign exchange gain (loss) on translation of self-sustaining operations	10,165	-	-	-	(45)	10,120
Comprehensive income for the period	21,955	-	10	(522)	2,078	23,521
Retained earnings, beginning of period	47,259	(5,492)	-	-	-	41,767
Net income attributable to Common Shareholders	12,080	-	10	(522)	2,123	13,691
Retained earnings, end of period	59,339	(5,492)	10	(522)	2,123	55,458

Consolidated Statement of Operations and Retained Earnings for the Three Month Ended September 30, 2010 (unaudited)

($000s)	**Canadian GAAP Three Months Ended September 30, 2010**	Opening Adjust-ments	(b) and (e)	(c) and (e)	(f) and (e)	**IFRS Three Months Ended September 30, 2010**
Revenue						
Oil	27,050	-	-	-	-	27,050
Royalties	(1,751)					(1,751)
Interest	20	-	-	-	-	20
	25,319	-	-	-	-	25,319
Expenses						
Transportation	970	-	-	-	-	970
Production and operating	2,502	-	-	-	-	2,502
General and administrative	929	-	(8)	-	84	1,005
Depletion and depreciation	4,779	-	-	-	(2,502)	2,277
Stock-based compensation	1,055	-	-	223	-	1,278
Foreign exchange gain	19	-	-	-	-	19
	10,254	-	(8)	223	(2,418)	8,051
Income before taxes and non-controlling interest	15,065	-	8	(223)	2,418	17,268
Taxes						
Special remuneratory benefit	1,957	-	-	-	-	1,957
Income tax	3,568	-	-	-	-	3,568
Deferred tax expense	4,821	-	3	-	1,522	6,346
	10,346	-	3	-	1,522	11,871
Net income for the period	4,719	-	5	(223)	896	5,397
Net income attributable to:						
Common Shareholders	4,727	-	5	(223)	896	5,405
Non-controlling interest	(8)	-	-	-	-	(8)
Net income for the period	4,719	-	5	(223)	896	5,397
Foreign exchange gain (loss) on translation of self-sustaining operations	5,208	-	-	-	(19)	5,189
Comprehensive income for the period	9,927	-	5	(223)	877	10,586
Retained earnings, beginning of period	54,612	(4,559)	-	-	-	50,053
Net income attributable to Common Shareholders	4,727	-	5	(223)	896	5,405
Retained earnings, end of period	59,339	(4,559)	5	(223)	896	55,458

(a) Reclassifications and Other

Exploration and evaluation (E&E) assets
E&E assets consist of the Company's undeveloped properties associated with the following areas:

- ŏ Undeveloped portion of Concession SW1/L44;
- ŏ Undeveloped portion of Concession L33;
- ŏ Undeveloped portion of Concession L53;
- ŏ Citarum PSC;
- ŏ Batu Gajah PSC;
- ŏ South CPP PSC; and
- ŏ Sawn Lake.

The Company applied the IFRS 1 election for full cost oil and gas entities whereby the full cost pool in each country was first allocated to E&E assets based on their company value under Canadian GAAP and then allocated to producing assets based on reserve volumes.

(b) Decommissioning Costs

Under Canadian GAAP, the decommissioning provision was initially measured as the estimated fair value of the retirement and decommissioning expenditures expected to be incurred at the credit adjusted risk free rate. The decommissioning provision is not re-measured using current discount rates. Under IFRS, the decommissioning provision is measured as the best estimate of the expenditure to be incurred and discounted at the risk-free rate. Under IFRS, the change in discount rates increased the decommissioning provision with an offset recorded in retained earnings.

(c) Stock-based compensation expense

Under Canadian GAAP the Company used the straight line method to expense vested options. The fair value of stock based awards was calculated as one grant and the resulting fair value was recognized on a straight line basis over vesting period. Under IFRS each tranche of an award with different vesting dates is valued separately and the resulting fair value is amortized over the vesting period of the respective tranches.

The Company elected an IFRS 1 exemption for all options issued whereby the stock-based compensation expense and contributed surplus for options that vested prior to the transition date were not required to be restated.

(d) Accumulated other comprehensive income

On the date of adoption of IFRS, the Company elected to reclassify foreign exchange translation losses included in accumulated other comprehensive income recognized in accordance with Canadian GAAP to the retained earnings. As such, the accumulated other comprehensive income at January 1, 2010, which was made up entirely of cumulative translation differences, was reclassified to the retained earnings.

(e) Deferred tax

Upon transition of IFRS, the Company's deferred tax liability is adjusted as a result of the transitional adjustments affecting the carrying value of property, plant, and equipment, exploration and evaluation assets, and decommissioning liabilities.

(f) Depletion

Upon transition to IFRS, the Company adopted a policy of depleting petroleum and natural gas interests on a unit of production basis over proved plus probable reserves. The depletion policy under Canadian GAAP was based on units of production over proved reserves.

5) ACQUISITION ACTIVITIES

Indonesia

During the nine months ended September 30, 2011 the Company acquired additional interests in each of its three PSCs through two separate transactions:

1. The repurchase of a 7% carried interest in the Batu Gajah and South CPP PSCs, increasing the Company's interest to 97% for total consideration of USD $1.3 million including the issuance of 28,958 shares of Pan Orient at a deemed market value of USD $0.2 million; and
2. The repurchase of an 8% carried interest in the Citarum PSC, increasing the Company's interests to 77% for consideration of USD $0.5 million, including the issuance of 21,719 shares of Pan Orient at a deemed market value of $0.15 million.

Combined consideration of the transactions was $1.8 million CAD as follows:

($000s)	
Consideration:	
Cash	1,398
Transaction costs	19
Total cash consideration	1,417
Shares issued	344
Total	1,761

The acquisition was not considered a business combination under IFRS therefore E&E assets have been increased by the amount of the consideration paid.

Sawn Lake

Andora entered into a binding conveyance agreement in February 2011 to acquire an additional 10% working interest in the Sawn Lake Central and North Blocks. Consideration issued to the vendor in the transaction was 4,433,031 non-voting special warrants of Andora. Each special warrant will entitle the holder thereof to receive one common share of Andora, at no additional consideration and without any further action, upon the happening of a liquidity event involving Andora. If a liquidity event is not completed by November 25, 2011, the acquired interests will be reconveyed to the vendor and the warrants will be cancelled. The estimated fair value of the warrants of $3.2 million is included in non-controlling interest.

6) PETROLEUM AND EQUIPMENT

($000s)	Corporate Assets	Thailand Concessions	Indonesia	Total
Cost				
At January 1, 2010	307	61,134	-	61,441
Additions	107	28,634	-	28,741
Foreign currency translation	-	5,442	-	5,442
Transfers from exploration and evaluation	-	29,360	-	29,360
Changes in decommissioning provision	-	2,227	-	2,227
At December 31, 2010	414	126,797	-	127,211
Additions	137	36,726	-	36,863
Foreign currency translation	-	2,707	-	2,707
Transfers from exploration and evaluation	-	437	-	437
Changes in decommissioning provision	-	1,340	-	1,340
At September 30, 2011	551	168,007	-	168,558
Accumulated depreciation and depletion				
At January 1, 2010	-	-	-	-
Charge for the year	(158)	(8,666)	-	(8,824)
At December 31, 2010	(158)	(8,666)	-	(8,824)
Charge for the period	(107)	(5,649)	-	(5,756)
At September 30, 2011	(265)	(14,315)	-	(14,580)
Net book value				
At September 30, 2011	286	153,692	-	153,978
At December 31, 2010	256	118,131	-	118,387
At January 1, 2010	307	61,134	-	61,441

General and administrative and stock-based compensation costs totaling $0.7 million (2010 - $1.0 million) and $2.4 million (2010 - $2.4 million) that were directly related to exploration and development activities have been capitalized for the three and nine months ended September 30, 2011, respectively.

7) EXPLORATION AND EVALUATION COSTS

A reconciliation of the carrying amount of exploration and evaluation assets as at September 30, 2011 and December 31, 2010 is set out below.

($000s)	**Canada**	**Thailand**	**Indonesia**	**Total**
At January 1, 2010	56,751	23,832	37,845	118,428
Additions	1,577	14,720	16,086	32,383
Foreign currency translation	-	2,839	(1,823)	1,016
Transfers to petroleum and equipment	-	(29,360)	-	(29,360)
At December 31, 2010	58,328	12,031	52,108	122,467
Additions	3,444	1,343	21,369	26,156
Foreign currency translation	-	(83)	3,788	3,705
Transfers to petroleum and equipment	-	(437)	-	(437)
At September 30, 2011	61,772	12,854	77,265	151,891

Recoverability of the Canadian and Indonesian capitalized costs is dependent on successfully completing development of the properties. With respect to the Canadian properties, recoverability is also dependent on determining the technical feasibility of the project. Capitalized costs incurred to date do not necessarily represent present or future values.

The carrying value of the Company's unproved Canadian and Indonesian properties are expected to be recoverable and as such no writedown has been recorded.

8) DECOMMISSIONING PROVISION

	Nine Months Ended September 30	
($000s)	**2011**	**2010**
Decommissioning provision, beginning of period	7,390	5,022
Obligations incurred	1,370	1,667
Revisions to obligations	76	360
Accretion	270	182
Decommissioning provision, end of period	9,106	7,231

The decommissioning provision is based on the Company's net ownership of wells and facilities in Thailand, Indonesia and Canada, management's estimates of costs to abandon and reclaim those wells and facilities and the potential future timing of the costs to be incurred.

Total undiscounted cash flows, escalated at 2.0%, required to settle the Company's decommissioning provision are estimated to be $14.6 million (2010 - $12.2 million). Payments to settle this provision will occur over the operating lives of the underlying assets estimated, for the majority of wells, to be between 2020 and 2025. Estimated costs have been discounted at the risk-free interest rate in the jurisdiction of the expenditure which averaged 4% at September 30, 2011 (2010 – 4%).

9) SHARE CAPITAL

a) Authorized
Unlimited Common Voting Shares
Unlimited Preferred Shares

b) Issued and Outstanding Class A Common Shares

Common Shares	Number of shares	Amount (000s)
Balance as at December 31, 2010	48,740,866	110,576
Issued through private placement, net of share issue costs	7,557,264	46,530
Indonesia acquisition (note 5)	50,677	344
Exercise of stock options	336,500	1,086
Transfer from contributed surplus on exercise of stock options	-	820
Balance as at September 30, 2011	56,685,307	$159,356

c) Options to Purchase Common Shares

	Number of options	Weighted average exercise price ($)
Balance as at January 1, 2010	4,441,500	3.66
Granted	2,501,500	7.14
Exercised	(2,427,500)	1.52
Forfeited	(62,500)	7.72
Balance as at December 31, 2010	4,453,000	6.73
Exercised	(336,500)	3.23
Expired	(300,000)	3.90
Balance as at September 30, 2011	3,816,500	7.26

	Options Outstanding September 30, 2011			Options Exercisable September 30, 2011		
Exercise Price ($)	Number of Options	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (years)
3.41 ï 4.00	465,000	3.60	2.31	342,500	3.59	2.23
4.01 ï 6.00	300,000	5.67	2.69	208,334	5.65	2.69
6.01 ï 8.00	2,501,500	7.14	2.60	1,630,170	7.15	2.57
11.75	550,000	11.75	1.21	550,000	11.75	1.21
3.41 ï 11.75	3,816,500	7.26	2.37	2,731,004	7.51	2.26

d) Stock-based Compensation

The fair value of the stock options granted has been estimated on the grant dates using the Black-Scholes option pricing method. Weighted average assumptions and resultant fair values for stock options granted during the periods ended September 30, 2011 and 2010 were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	**2010**	**2011**	**2010**
Risk free interest rate (%)	**-**	-	**-**	3
Expected lives (years)	**-**	-	**-**	2.5
Expected volatility (%)	**-**	-	**-**	69
Dividend per share (%)	**-**	-	**-**	-
Forfeiture rate (%)	**-**	-	**-**	10
Weighted average fair value ($)	**$ -**	$ -	**$ -**	$ 3.44

The Company did not grant any stock options during the nine months ended September 30, 2011.

e) Andora Energy Corporation

i) Issued and Outstanding Class A Common Shares

As at September 30, 2011 Andora had 57.3 million (December 31, 2010 ï 57.3 million) Common Shares issued and outstanding of which Pan Orient held 53.4% (December 31, 2010 ï 53.4%).

ii) Special Warrants

As at September 30, 2011 4,433,031 non-voting special warrants of Andora were outstanding; issued in conjunction with an acquisition completed by Andora (see note 5). Each special warrant entitles the holder thereof to receive one common share of Andora, at no additional consideration and without any further action, upon the happening of a liquidity event involving Andora. If a liquidity event is not completed by November 25, 2011 (subject to extension by the parties), the acquired interests will be reconveyed to the vendor and the warrants will be returned to Andora for cancellation.

iii) Options to Purchase Common Shares of Andora

	Number	**Weighted Average Exercise Price**
Balance, as at January 1, 2010	1,325,000	$ 1.60
Granted	5,775,000	0.72
Expired	(50,000)	1.60
Cancelled	(1,275,000)	1.60
Forfeited	-	-
Balance, as at December 31, 2010 and September 30, 2011	5,775,000	$ 0.72

The following stock options of Andora are outstanding and exercisable at September 30, 2011:

	Options Outstanding September 30, 2011			Options Exercisable September 30, 2011		
Exercise Price ($)	**Number of Options**	**Weighted Average Exercise Price ($)**	**Weighted Average Remaining Contractual Life (years)**	**Number of Options**	**Weighted Average Exercise Price ($)**	**Weighted Average Remaining Contractual Life (years)**
0.72	5,775,000	0.72	2.5	3,850,000	0.72	2.5

Weighted average assumptions and resultant fair values used in the Black Scholes calculations for Andora stock options granted during the periods ended September 30, 2011 and 2010 were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	**2010**	**2011**	**2010**
Risk free interest rate (%)	-	-	**-**	3
Expected lives (years)	-	-	**-**	2.5
Expected volatility (%)	-	-	**-**	40
Dividend per share (%)	-	-	**-**	-
Forfeiture rate (%)	-	-	**-**	10
Weighted average fair value ($)	**$** -	$ -	**$ -**	$ 0.25

Andora did not grant any stock options during the nine months ended September 30, 2011.

f) Contributed Surplus

	Three Months Ended September 30		Nine Months Ended September 30	
($000s)	**2011**	**2010**	**2011**	**2010**
Balance, beginning of period	**14,590**	11,071	**13,569**	8,574
Pan Orient stock-based compensation expense	**361**	1,159	**1,863**	4,963
Pan Orient stock-based compensation capitalized	**21**	1	**120**	128
Andora stock-based compensation expense	**49**	119	**263**	601
Andora stock-based compensation capitalized	**6**	15	**32**	82
Transferred to share capital on exercise of options	**-**	(53)	**(820)**	(1,886)
Increase in Andora interest	**-**	-	**-**	(150)
Balance, end of period	**15,027**	12,312	**15,027**	12,312

Capitalized stock-based compensation relates to options granted to individuals engaged in exploration and development activities.

g) Net Income per Share Attributable to Common Shareholders

The basic weighted average and diluted common shares outstanding were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	**2010**	**2011**	**2010**
Weighted average basic shares outstanding	**56,685,307**	48,611,508	**54,771,488**	48,536,106
Dilutive effect of stock options	**11,523**	1,448,419	**194,218**	1,458,863
Weighted average diluted	**56,696,830**	50,059,927	**54,965,706**	49,994,969

Options to purchase 3,391,500 and 3,251,500 common shares for three and nine months ended September 30, 2011, respectively, (three and nine months ended September 30, 2010 ï 2,986,500) were not included in the computation of weighted average diluted common shares because they were anti-dilutive.

10) TAXES

The Company is required to pay both Special Remuneratory Benefit (SRB) and income tax in Thailand. Thai income tax is calculated at 50% of taxable income which is basically comprised of cash flow from operations before changes in working capital less capital expenditures and other permitted deductions.

SRB is calculated separately for each of the Companyôs four concessions and is not charged until all capital has been recovered. The sliding scale SRB rate ranges from 0 - 75% and is principally driven by production and pricing but is also subject to other adjustments such as changes in Thailandôs consumer price index, wholesale price index and cumulative meters drilled on the concession. The calculated SRB tax rate is applied to petroleum profits as defined in Thai tax legislation which includes a deduction for capital spent.

A summary of tax payable (receivable) for the three and nine months ended September 30, 2011 and 2010 are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
($000s)	**2011**	**2010**	**2011**	**2010**
Balance, beginning of period	**1,665**	11,667	**12,509**	14,918
SRB expense ï current period	**-**	1,957	**-**	4,863
Income tax ï current period	**298**	3,568	**1,969**	11,828
Prior period SRB paid	**-**	-	**(6,407)**	(6,585)
Prior period income tax paid	**(1,914)**	(8,448)	**(7,985)**	(16,887)
Foreign exchange	**(256)**	25	**(293)**	632
Balance, end of period	**(207)**	8,769	**(207)**	8,769

11) FINANCIAL INSTRUMENTS

Foreign Currency Exchange Rate Risk

Foreign currency exchange rate risk is the risk that future cash flows, net income and comprehensive income will fluctuate as a result of changes in foreign exchange rates. All of the Companyôs petroleum sales are denominated in Thai baht based on a $USD oil price, and all operational and capital activities related to the Thailand properties are transacted in either Thai baht or the U.S. dollar. As well, the underlying market prices in Thailand for petroleum are impacted by changes in the exchange rate between the Thai baht and U.S. dollar.

The work commitments in Indonesia are expected to be carried out in U.S. dollars.

The Company's reporting currency is the Canadian dollar and its functional currencies are the Canadian dollar, the Thai baht and the U.S. dollar (USD). Changes in foreign exchange rates between the Canadian dollar and the U.S. dollar and Thai baht can affect net income and other comprehensive income. As at September 30 the following financial instruments were denominated in currencies other than the Canadian dollar:

	As at September 30, 2011		**As at September 30, 2010**	
($000s)	Thai baht (000s of Thai baht)	USD ($000s)	Thai baht (000s of Thai baht)	USD ($000s)
Cash and cash equivalents	**327,014**	**3,470**	345,329	8,682
Accounts receivable	**186,416**	**206**	418,136	828
Deposits	**44,000**	**2,250**	44,000	2,335
Accounts payable	**(146,560)**	**(2,579)**	(374,110)	(1,222)
Taxes receivable (payable)	**6,141**	**-**	(255,131)	-
Net exposure in functional currency	**417,011**	**3,347**	178,224	10,623
Net exposure in Canadian dollars[1] ($000s)	**14,072**	**3,474**	6,126	10,951

(1) Translated at September 30, 2011 and 2010 exchange rates.

Based on financial instruments held at September 30, 2011 and 2010, fluctuations in the exchange rates as indicated below would have the following estimated effect on net income and other comprehensive income:

	As at September 30	
($000s)	**2011**	**2010**
Effect of 1% change in CAD$ to USD exchange rate:		
Pre-tax net income	**(27)**	77
Other comprehensive income	**(5)**	31
Effect of 1% change in CAD$ to baht exchange rate:		
Pre-tax net income	**-**	-
Other comprehensive income	**142**	62

The Company did not have any forward exchange contracts in place as at or during the three or nine months ended September 30, 2011 or 2010.

12) RELATED PARTIES TRANSACTION

In 2011 Pan Orient remitted to the Canada Revenue Agency $74,588 on behalf of the President and Chief Executive Officer of the Company. This amount represents the required tax remittance on the benefit related to exercise of 90,000 stock options of the Company. Pursuant to the agreement between the Company and the CEO, the Company will be reimbursed for the remitted amount and accrued interest, at the HSBC Bank Canada reference rate plus 1%, by April 30, 2012. Security for the payment consists of 18,000 Pan Orient Common Shares pledged to the Company.

13) SEGMENTED INFORMATION

The Company has properties in three countries, each of which is considered a separate operating segment. The three segments consist of: 1) partially developed conventional petroleum and natural gas properties in Thailand; 2) undeveloped petroleum and natural gas properties in Indonesia; and 3) an undeveloped heavy oil property in Canada. The following table provides information for each geographical segment for the three and nine months ended September 30:

	Three Months Ended September 30		Nine Months Ended September 30	
($000s)	**2011**	**2010**	**2011**	**2010**
Petroleum revenue				
Thailand	**18,083**	27,050	**55,053**	74,524
Indonesia	**-**	-	**-**	-
Canada	**-**	-	**-**	-
Total	**18,083**	27,050	**55,053**	74,524
Current income tax expense[1]				
Thailand	**298**	5,525	**1,969**	16,691
Indonesia	**-**	-	**-**	-
Canada	**-**	-	**-**	-
Total	**298**	5,525	**1,969**	16,691
Depletion and depreciation				
Thailand	**1,943**	2,369	**5,649**	5,886
Indonesia	**(10)**	(130)	**23**	33
Canada	**35**	38	**107**	121
Total	**1,968**	2,277	**5,779**	6,040
Net income (loss) attributable to common shareholders				
Thailand	**4,353**	6,578	**15,587**	18,892
Indonesia	**(153)**	173	**(788)**	(147)
Canada	**(318)**	(1,346)	**(2,381)**	(5,054)
Total	**3,882**	5,405	**12,418**	13,691
Capital expenditures [2]				
Thailand	**10,310**	8,695	**38,069**	31,695
Indonesia	**5,032**	2,132	**19,526**	15,400
Canada	**22**	185	**236**	595
Total	**15,364**	11,012	**57,831**	47,690

(1) Includes SRB and income tax.
(2) Does not include decommissioning provision and acquisition activities.

14) COMMITMENTS

As at September 30, 2011 the Company's estimated outstanding capital commitments were as follows:

Country and Concession Name	Remaining Work Program Commitment	Obligation Period Ending	Estimated Net Financial Commitment USD ($000s)	Estimated Net Financial Commitment CAD[1] ($000s)
Thailand				
L 44/43	▪ study and training fund	July 2012	18	19
L33/43	▪ geological studies	July 2012	30	31
	▪ study and training fund		18	19
L 53/48	▪ drill 2 exploration wells	January 2013	650	675
	▪ geological studies		55	57
	▪ study and training fund		47	49
Total Thailand			818	850
Indonesia [2][3]				
Citarum	▪ drill 3 exploration wells	October 2012	11,276	11,711
Batu Gajah	▪ 400 km^2 3D seismic	January 2013	14,149	14,695
	▪ drill 1 exploration well			
South CPP	▪ 200 km 2D seismic	November 2012	5,330	5,536
	▪ drill one exploration well	November 2013		
Total Indonesia			30,755	31,942
Consolidated Total			**31,573**	**32,792**

(1) Translated at September 30, 2011 exchange rates.
(2) Amounts recorded in the financial statements and work commitments related to these PSCs include amounts paid by Pan Orient on behalf of a partner's carried interest (3% for the Citarum, Batu Gajah and South CPP PSC's).
(3) Does not include commitments with respect to the East Jabung PSC, which was signed in November 2011.

Indonesia financial commitments as provided above represent the work program required under the initial 3-year exploration period of the PSC. With respect to Citarum, Batu Gajah and South CPP extension of this initial exploration period has been successfully negotiated with the Government of Indonesia (GOI) to the dates indicated above. If Pan Orient exercises its options to continue beyond the exploration period, additional commitments will be determined on a year-by-year basis through submission of a work program and approval from the GOI

Although extension of the exploration period is a departure from the original contract, it is considered standard practice in Indonesia. In the past, such applications on behalf of Pan Orient have been approved by the GOI and management has no reason to believe that future requests will not be granted approval, however there is no guarantee. Upon default of a commitment related to any of the first three years of a PSC the operator is required to relinquish 15% of the original PSC area, the actual acreage at the discretion of the operator. To date, Citarum, Batu Gajah and South CPP have complied with these penalty relinquishments. Depending on the stage of the PSC, failure to fulfill the required commitments may also result in penalty payment equal to the unspent commitments and/or forfeiture of the PSC.

The expenditures as provided in the table above represent management's estimates of the minimum amounts required to fulfill the work program requirements in Thailand and Indonesia. Actual expenditures required to carry out these commitments may be significantly different from the estimates. The Company intends to fund commitments through expected cash flows from Thailand and the Company's existing cash balance.