PAN ORIENT ENERGY CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013
(Unaudited)

Pan Orient Energy Corp.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars, unless otherwise noted)
(Unaudited)

($000s)	June 30, 2013	December 31, 2012
Assets		
Current		
Cash and cash equivalents	**66,085**	133,836
Accounts receivable	**14,103**	13,088
Taxes receivable (note 10)	**1,937**	-
	82,125	146,924
Deposits	**2,254**	2,166
Property, plant and equipment (note 4)	**60,147**	38,819
Exploration and evaluation (note 5)	**150,629**	194,209
	295,155	382,118
Liabilities		
Current		
Accounts payable and accrued liabilities	**30,033**	17,993
Taxes payable (note 10)	**1**	14,721
	30,034	32,714
Deferred tax liabilities	**23,411**	19,127
Employee pension liabilities	**60**	49
Decommissioning provision (note 7)	**3,286**	2,192
Long term royalty provision (note 8)	**-**	2,197
	56,791	56,279
Shareholders' equity		
Share capital (note 9)	**117,656**	117,430
Contributed surplus	**19,913**	18,460
Non-controlling interest	**17,612**	17,683
Accumulated other comprehensive income (loss)	**3,956**	(4,297)
Retained earnings	**79,227**	176,563
	238,364	325,839
Commitments (note 13)		
Subsequent event (note 14)		
	295,155	382,118

See accompanying notes to the condensed interim consolidated financial statements.

Pan Orient Energy Corp.
Condensed Interim Consolidated Statements of Operations and Comprehensive Income
(Expressed in Canadian dollars, unless otherwise noted)
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
($000s, except per share amounts)	**2013**	**2012**	**2013**	**2012**
Revenue				
Oil	**8,475**	12,502	**15,919**	38,156
Royalties	**(425)**	(619)	**(784)**	(1,941)
Interest	**212**	98	**520**	176
	8,262	11,981	**15,655**	36,391
Expenses				
Depletion and depreciation	**3,265**	2,325	**6,942**	6,722
General and administrative	**856**	1,795	**1,746**	3,118
Production and operating	**911**	1,761	**1,663**	3,887
Stock-based compensation	**483**	206	**963**	586
Transportation	**141**	249	**252**	693
Foreign exchange gain	**(103)**	(222)	**(25)**	(189)
Impairment on Indonesia assets (note 6)	**99,627**	-	**99,627**	-
Gain on sale of Thailand interests	**-**	(93,393)	**-**	(93,393)
	105,180	(87,279)	**111,168**	(78,576)
Income (loss) before taxes and non-controlling interest	**(96,918)**	99,260	**(95,513)**	114,967
Taxes (note 10)				
Current income tax (recovery) expense	**(1,855)**	17,599	**(1,936)**	19,495
Deferred tax expense	**2,620**	2,427	**3,830**	8,166
	765	20,026	**1,894**	27,661
Net income (loss) for the period	**(97,683)**	79,234	**(97,407)**	87,306
Foreign exchange gain on translation of foreign operations	**2,712**	2,358	**8,253**	1,273
Comprehensive income (loss) for the period	**(94,971)**	81,592	**(89,154)**	88,579
Net income (loss) attributable to:				
Common shareholders	**(97,677)**	79,285	**(97,336)**	87,409
Non-controlling interest	**(6)**	(51)	**(71)**	(103)
Net income (loss) for the period	**(97,683)**	79,234	**(97,407)**	87,306
Comprehensive income (loss) for the period attributable to:				
Common shareholders	**(94,965)**	81,643	**(89,083)**	88,682
Non-controlling interest	**(6)**	(51)	**(71)**	(103)
Comprehensive income (loss) for the period	**(94,971)**	81,592	**(89,154)**	88,579
Net income (loss) per share attributable to common shareholders (note 9)				
Basic	**$ (1.73)**	$ 1.40	**$ (1.72)**	$ 1.54
Diluted	**$ (1.73)**	$ 1.40	**$ (1.72)**	$ 1.54

See accompanying notes to the condensed interim consolidated financial statements.

Pan Orient Energy Corp.
Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars, unless otherwise noted)
(Unaudited)

($000s)	Common Shares	Contributed Surplus	NCI	AOCI	Retained Earnings	Total
Balance as at January 1, 2012	159,356	15,456	17,932	887	89,282	282,913
Net income (loss) for the period	-	-	(103)	-	87,409	87,306
Stock-based compensation expense	-	586	-	-	-	586
Capitalized stock-based compensation	-	44	-	-	-	44
Impact on AOCI from disposal of Thai interests	-	-	-	(2,855)	-	(2,855)
Other comprehensive income	-	-	-	1,273	-	1,273
Balance as at June 30, 2012	159,356	16,086	17,829	(695)	176,691	369,267
Balance as at January 1, 2013	117,430	18,460	17,683	(4,297)	176,563	325,839
Net loss for the period	-	-	(71)	-	(97,336)	(97,407)
Stock-based compensation expense	-	963	-	-	-	963
Capitalized stock-based compensation	-	586	-	-	-	586
Options exercised	130	-	-	-	-	130
Transferred from contributed surplus	96	(96)	-	-	-	-
Other comprehensive income	-	-	-	8,253	-	8,253
Balance as at June 30, 2013	117,656	19,913	17,612	3,956	79,227	238,364

See accompanying notes to the condensed interim consolidated financial statements.

Pan Orient Energy Corp.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars, unless otherwise noted)
(Unaudited)

($000s)	Six Months Ended June 30 2013	Six Months Ended June 30 2012
Cash Provided By (Used in)		
Operating Activities		
Net income (loss)	**(97,407)**	87,306
Items not affecting cash		
Depletion and depreciation	**6,942**	6,722
Stock-based compensation	**963**	586
Accretion	**46**	156
Gain on settlement of decommissioning provision	**(15)**	-
Impairment on Indonesia assets (note 6)	**99,627**	-
Gain on sale of Thailand interests	**-**	(93,393)
Taxes	**1,894**	27,661
	12,050	29,038
Taxes paid	**(3)**	(3,750)
Changes in non-cash working capital	**486**	5,425
	12,533	30,713
Investing Activities		
Petroleum and natural gas properties	**(72,487)**	(45,451)
Net proceeds received on sale of Thailand interests	**-**	149,102
Taxes paid on gain from sale of Thailand interests	**(14,718)**	-
Deposits	**(88)**	2,277
Change in non-cash working capital	**7,771**	(678)
	(79,522)	105,250
Financing Activities		
Issuance of common shares	**130**	-
	130	-
Change in cash and cash equivalents	**(66,859)**	135,963
Effect of foreign exchange on cash balances	**(892)**	559
Cash and cash equivalents, beginning of period	**133,836**	52,407
Cash and cash equivalents, end of period	**66,085**	188,929

See accompanying notes to the condensed interim consolidated financial statements.

1) DESCRIPTION OF BUSINESS

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

2) BASIS OF PRESENTATION

The condensed interim consolidated financial statements for the Company as at June 30, 2013 and for the three and six months ended June 30, 2013 and 2012 should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2012. The condensed interim consolidated financial statements are prepared using the same accounting policies and methods of computation as disclosed in the annual consolidated financial statements except as noted below (note 3).

The condensed interim consolidated financial statements are stated in Canadian dollars and have been prepared in accordance with the International Accounting Standards 34, ñInterim Financial Reportingò.

The condensed interim consolidated financial statements were approved by the Companyõs Board of Directors on August 26, 2013.

3) CHANGES IN ACCOUNTING POLICIES

IFRS 10 Consolidated Financial Statements

As of January 1, 2013 the Company adopted IFRS 10, ñConsolidated Financial Statementsò which requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaces SIC-12 ñConsolidation - Special Purpose Entitiesò and parts of IAS 27 ñConsolidated and Separate Financial Statementsò. The adoption of this standard did not impact these condensed interim financial statements.

IFRS 11 Joint Arrangements

As of January 1, 2013 the Company adopted IFRS 11, ñJoint Arrangementsò which requires a venturer to classify its interest in a joint arrangement as a joint venture or a joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. IFRS 11 supersedes IAS 31 ñInterests in Joint Venturesò and SIC-13 ñJointly Controlled Entities - Non-Monetary Contributions by Venturersò. This standard has no impact on the Company as all joint arrangements are considered jointly controlled assets and the Company will continue to include herein its proportionate share of the relevant assets and liabilities.

IFRS 12 Disclosure of Interests in Other Entities

As of January 1, 2013 the Company adopted IFRS 12, ñDisclosure of Interests in Other Entitiesò which applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The adoption of this standard did not impact these condensed interim financial statements.

IFRS 13 Fair Value Measurements

As of January 1, 2013 the Company adopted IFRS 13, ñFair Value Measurementsò which defines fair value, sets out a single IFRS framework for measuring value and requires disclosure about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurement, except in specified circumstances. The adoption of this standard did not impact these condensed interim financial statements.

4) PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the carrying amount of property, plant and equipment as at June 30, 2013 is set out below:

($000s)	**Canada**	**Thailand**	**Indonesia**	**Total**
Cost				
At December 31, 2012	1,337	52,723	88	54,148
Additions	1	25,516	61	25,578
Changes in decommissioning provision	-	997	-	997
Foreign currency translation	-	2,163	23	2,186
At June 30, 2013	1,338	81,399	172	82,909
Accumulated depletion and depreciation				
At December 31, 2012	(438)	(14,863)	(28)	(15,329)
Charge for the period	(81)	(6,839)	(22)	(6,942)
Foreign currency translation	-	(474)	(17)	(491)
At June 30, 2013	(519)	(22,176)	(67)	(22,762)
Net book value				
At December 31, 2012	899	37,860	60	38,819
At June 30, 2013	819	59,223	105	60,147

For the six months ended June 30, 2013 general and administrative costs of $221 thousand (2012 ï $224 thousand) that were directly related to development and production activities have been capitalized as property, plant and equipment.

5) EXPLORATION AND EVALUATION

A reconciliation of the carrying amount of exploration and evaluation assets as at June 30, 2013 is set out below:

($000s)	**Canada**	**Thailand**	**Indonesia**	**Total**
At December 31, 2012	59,366	13,453	121,390	194,209
Additions	5,077	7,422	34,996	47,495
Changes in decommissioning provision	238	-	(196)	42
Impairment on Indonesia assets (note 6)	-	-	(99,179)	(99,179)
Foreign currency translation	-	408	7,654	8,062
At June 30, 2013	64,681	21,283	64,665	150,629

For the six months ended June 30, 2013 general and administrative costs totaling $3.1 million (2012 ï $1.5 million) and stock-based compensation totaling $586 thousand (2012 - $44 thousand) that were directly related to exploration and evaluation activities have been capitalized as exploration and evaluation assets.

6) IMPAIRMENT LOSS

Indonesia – Citarum PSC

The Company recorded a net impairment loss of $86.3 million related to the Citarum Production Sharing Contract (ñPSCò) in Indonesia. The amount is comprised of an $88.6 million impairment loss recognized on E&E assets, offset by a reduction in the long term royalty provision of $2.3 million. The impairment loss was the result of the Companyõs decision to discontinue drilling and initiate a process to farm-out the PSC. The carrying value of the E&E assets after the impairment loss recorded is nil.

Indonesia – South CPP PSC

The Company recorded an impairment loss of $13.3 million on its E&E assets related to the South CPP PSC in Indonesia. The amount is comprised of a $10.5 million impairment loss recognized on E&E assets and an accrual of $2.8 million for relinquishment costs. The impairment loss was recognized as the Company has decided to relinquish the South CPP PSC. The recoverable amount of the E&E assets was assessed as nil.

7) DECOMMISSIONING PROVISION

	Six Months Ended June 30	
($000s)	**2013**	**2012**
Decommissioning provision, beginning of period	2,192	11,759
Obligations incurred	1,338	592
Revisions to obligations	(250)	228
Obligations settled	(49)	-
Disposition of Thailand interests	-	(10,763)
Accretion	32	156
Foreign currency translation	23	142
Decommissioning provision, end of period	3,286	2,114

Estimated costs have been discounted at the risk-free interest rate in the jurisdiction of the expenditure which averaged 3% at June 30, 2013 (2012 – 3%).

8) LONG TERM ROYALTY PROVISION

In 2012 the Company acquired an additional 20% interest in the Citarum PSC. As consideration for the interest acquired, the Company agreed to pay a future royalty on hydrocarbons discovered within the Citarum PSC. The Company has provided a provision for future royalty payments. The provision is based on management's best estimate of the future cash outflows discounted at the risk-free interest rate in the jurisdiction in which the expenditure is expected to be incurred, which was 1.25%. As at June 30, 2013 the Company revised the royalty provision to nil based on the impairment loss recognized on the Citarum PSC (note 6).

	Six Months Ended June 30	
($000s)	**2013**	**2012**
Long term royalty provision, beginning of period	2,197	-
Accretion	14	-
Foreign currency translation	119	-
Revision to obligation	(2,330)	
Long term royalty provision, end of period	-	-

9) SHARE CAPITAL

a) Issued and Outstanding Class A Common Shares

Common Shares	**Number of shares**	**Amount ($000s)**
Balance as at December 31, 2012	56,720,307	117,430
Exercise of stock options	40,000	130
Transfer from contributed surplus on exercise of stock options	-	96
Balance as at June 30, 2013	56,760,307	117,656

(Expressed in Canadian dollars, unless otherwise noted)

b) Options to Purchase Common Shares

	Number of options	Weighted average exercise price ($)
Balance as at December 31, 2012	4,988,167	4.63
Granted	400,000	4.15
Exercised	(40,000)	3.25
Cancelled	(89,667)	3.57
Balance as at June 30, 2013	5,258,500	4.62
Exercisable at June 30, 2013	3,762,004	5.28

c) Stock-based Compensation

The fair value of the stock options granted has been estimated on the grant dates using the Black-Scholes option pricing model. Weighted average assumptions and resultant fair values for stock options granted during the periods ended June 30, 2013 and 2012 are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2013	**2012**	**2013**	**2012**
Risk free interest rate (%)	**-**	1	**1**	1
Expected lives (years)	**-**	5	**5**	5
Expected volatility (%)	**-**	65	**68**	65
Dividend per share (%)	**-**	-	**-**	-
Forfeiture rate (%)	**-**	10	**10**	10
Weighted average fair value	**-**	$ 1.83	**$ 2.36**	$ 1.83

d) Andora Energy Corporation

i) Issued and Outstanding Class A Common Shares

As at June 30, 2013 Andora had 100.0 million (December 31, 2012 ï 100.0 million) common shares issued and outstanding of which Pan Orient held 71.8% (December 31, 2012 ï 71.8%).

ii) Options to Purchase Common Shares of Andora

	Number	Weighted Average Exercise Price
Balance, as at December 31, 2012 and June 30, 2013	10,000,000	$ 0.60
Exercisable at June 30, 2013	4,213,217	$ 0.60

(Expressed in Canadian dollars, unless otherwise noted)

e) Net Income per Share Attributable to Common Shareholders

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

	Three Months Ended June 30		Six Months Ended June 30	
	2013	**2012**	**2013**	**2012**
Weighted average basic and diluted shares outstanding	**56,760,307**	56,685,307	**56,754,340**	56,685,307

Options to purchase 5,258,500 common shares for the six months ended June 30, 2013 (June 30, 2012 ï 3,866,500) 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 (ôSRBö) and income tax in Thailand. Income tax in Thailand is calculated at 50% (2012 ï 50%) on petroleum income and 20% (2012 ï 23%) 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.

SRB tax is calculated separately for each of the Companyõs 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 Thailandõs 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. The Company did not incur any SRB tax expense for the period ended June 30, 2013 and 2012.

A summary of Thailand taxes payable for the three and six months ended June 30, 2013 and 2012 is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2013	**2012**	**2013**	**2012**
Balance, beginning of period	**3**	5,923	**3**	3,712
Income tax ï current period	**-**	1,508	**1**	3,404
Taxes paid	**(3)**	(3,750)	**(3)**	(3,750)
Tax liability disposed on sale of Thailand interests	**-**	(3,711)	**-**	(3,711)
Foreign currency translation	**1**	32	**-**	347
Balance, end of period	**1**	2	**1**	2

A summary of Canadian taxes payable and (receivable) for the three and six months ended June 30, 2013 and 2012 is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2013	**2012**	**2013**	**2012**
Balance, beginning of period	**(82)**	-	**14,718**	-
Income tax ï current period	**(1,855)**	16,091	**(1,937)**	16,091
Taxes paid	**-**	-	**(14,718)**	-
Balance, end of period	**(1,937)**	16,091	**(1,937)**	16,091

Taxes payable and receivable in separate jurisdictions have been presented seperately.

11) FINANCIAL INSTRUMENTS

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 June 30 the following financial instruments were denominated in currencies other than the Canadian dollar:

	As at June 30, 2013		**As at June 30, 2012**	
	Thai baht (000s of Thai baht)	USD ($000s)	Thai baht (000s of Thai baht)	USD ($000s)
Cash and cash equivalents	**44,671**	**2,579**	128,274	108,505
Accounts receivable	**230,785**	**4,830**	34,710	22,674
Deposits	**29,731**	**1,968**	20,000	-
Accounts payable	**(263,178)**	**(15,626)**	(110,320)	(8,472)
Taxes payable	**(37)**	**-**	(143)	-
Net exposure in functional currency	**41,972**	**(6,249)**	72,521	122,707
Net exposure in Canadian dollars(1) ($000s)	**1,430**	**(6,549)**	2,378	125,026

(1) Translated at June 30, 2013 and 2012 exchange rates.

Due to the short term nature of the Company's financial instruments the fair value approximates the carrying value.

Accumulated other comprehensive income is comprised of unrealized foreign exchange gains and losses on translation of foreign operations. These gains and losses are recycled into net income on the disposition of the foreign operation.

12) 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 and undeveloped 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 six months ended June 30:

	Three Months Ended June 30		Six Months Ended June 30	
($000s)	**2013**	**2012**	**2013**	**2012**
Petroleum revenue				
Thailand	**8,475**	12,502	**15,919**	38,156
Indonesia	**-**	-	**-**	-
Canada	**-**	-	**-**	-
Total	**8,475**	12,502	**15,919**	38,156
Current income tax (recovery) expense				
Thailand	**-**	1,508	**1**	3,404
Indonesia	**-**	-	**-**	-
Canada	**(1,855)**	16,091	**(1,937)**	16,091
Total	**(1,855)**	17,599	**(1,936)**	19,495
Depletion and depreciation				
Thailand	**3,214**	2,280	**6,840**	6,638
Indonesia	**13**	13	**22**	23
Canada	**38**	32	**80**	61
Total	**3,265**	2,325	**6,942**	6,722
Net income (loss) attributable to common shareholders				
Thailand	**600**	3,043	**1,613**	11,810
Indonesia (1)	**(99,663)**	(79)	**(99,754)**	(166)
Canada	**1,386**	76,321	**805**	75,765
Total	**(97,677)**	79,285	**(97,336)**	87,409
Capital expenditures (2)				
Thailand	**19,145**	13,156	**32,938**	26,769
Indonesia	**16,565**	10,693	**35,057**	18,508
Canada	**2,268**	131	**4,492**	174
Total	**37,978**	23,980	**72,487**	45,451

(1) Includes $99.6 million impairment loss on the Indonesia assets (note 6).
(2) Does not include decommissioning provision and acquisition activities.

13) COMMITMENTS

As at June 30, 2013 the Company's estimated outstanding capital commitments are as follows:

		Remaining Work Program Commitment	Obligation Period Ending	Estimated Net Financial Commitment USD[1] ($000s)	Estimated Net Financial Commitment CDN[1] ($000s)
Thailand Concessions					
L53/48	▪	Study and training fund	January 2014	17	18
	▪	Geological studies	January 2016	10	11
	▪	Study and training fund	January 2016	90	95
L45/50 [2]	▪	Drill one exploration well (20%)	April 2014	160	168
Total Thailand				277	292
Indonesia PSCs [3]					
Citarum [4][5]	▪	Drill two exploration wells	October 2015	10,000	10,484
Batu Gajah[4]	▪	400 sq. km 3D seismic acquisition and reprocessing and geological studies	January 2014	6,398	6,708
South CPP [4][6]	▪	Geological studies	-	-	-
	▪	Drill one exploration well	-	-	-
East Jabung [7]	▪	Seismic acquisition and reprocessing and geological studies	November 2013	43	45
	▪	Drill one pre-exploration well	November 2013	5,171	5,421
	▪	250 km 2D seismic acquisition and reprocessing and geological studies	November 2013	4,705	4,933
	▪	Geological studies	November 2014	75	79
	▪	Drill one exploration well	November 2014	3,000	3,145
Total Indonesia				29,392	30,815
Canadian Heavy Oil Sands (note 14)					
Sawn Lake, Alberta (owned by Andora Energy Corporation)	▪	Outstanding purchase orders on capital expenditures	September 2013	1,536	1,549
	▪	Natural gas pipeline tie-in and tariff (CDN $15 thousand per month)	Over 5 years effective November 2013	856	900
Total Canada				2,392	2,449
				32,061	**33,556**

(1) Translated at June 30, 2013 exchange rates.

(2) Commitment shown is Pan Orient's 20% share of the gross USD $800,000 stated in the Concession L45 Agreement. Pan Orient has earned a 20% interest pursuant to the Farm-in Agreement as at June 30, 2013. Under the Farm-in Agreement Pan Orient can elect to drill two additional exploration wells to earn an additional 20% working interest for each well drilled. The Company can increase its working interest from 20% to a maximum of 60% based on its election to drill the additional wells.

(3) Indonesia financial commitments as provided above represent the required initial 3-year firm exploration work program required under the PSC. With respect to Citarum, Batu Gajah and South CPP, extension of these initial 3-year firm exploration work program commitments have been successfully negotiated in the past with the Government of Indonesia ("GOI") to the dates indicated above. The deadlines for commitments and potential extension of the total exploration period with potential additional commitments is determined on a year-by-year basis as part of an annual submission of a work program which is approved by the GOI. Although extension of the deadline for completion of the 3-year firm exploration work program 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 relinquished is at the discretion of the operator) and 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 firm commitments may also result in penalty payment equal to the unfulfilled commitments and/or forfeiture of the PSC.

(4) Amounts recorded in the condensed interim consolidated 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 PSC, 23% for the Batu Gajah and South CPP PSC's).

(5) The Company believes that it has satisfied the Citarum PSC commitment for two wells with the drilling operations of the Jatayu-1 and Cataka-1A wells, however this has not been finalized with the GOI and the GOI may have a different interpretation of the requirement. The amount shown is based on the US$5 million per well as stated in the PSC.

(6) The Company has decided to relinquish the South CPP PSC. As part of the relinquishment it is expected that the Company will be required to pay the GOI for the unfulfilled commitments. The Company has accrued CDN $2.8 million as at June 30, 2013 for the estimated unfulfilled firm commitments representing $2.6 million for one unfulfilled exploration well and $0.2 million for the unfulfilled geological studies.

(7) The Company has submitted an application to the GOI to extend the East Jabung commitments. As at June 30, 2013 the application for extension has not yet been approved.

Management's estimate of the minimum amount to fulfill the commitments in Indonesia is based either on the amount stated in the PSC agreement, or the work program budget approved by the GOI if the work program activity has commenced. Commitments in Thailand are estimated based on the amount stated in the concession agreement.

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.

14) SUBSEQUENT EVENT

On August 15, 2013, Andora's joint venture partners elected to participate in the Sawn Lake Steam Assisted Gravity Drainage Demonstration Project located in North Central Alberta, Canada and have taken steps to secure funding for their share of the project. The project will proceed with Andora as operator with a 50% working interest and a 50% working interest held by the non-operating joint venture partners. Andora's 50% share of the 2013 phase of the project is expected to be $12.1 million. To June 30, 2013 Andora has invested approximately $5.5 million in the project, with $4.5 million in the period of January to June 2013. As part of the arrangement, Andora is allowing the joint venture partners to repurchase the 3% gross overriding royalty on their 40% working interest on 12 sections of land in the central block, where the demonstration project is located, for $2.8 million, under certain terms and conditions.