



**PAN ORIENT ENERGY CORP.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
THREE MONTHS ENDED MARCH 31, 2012  
(Unaudited)**

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

(\$000s)	March 31, 2012	December 31, 2011
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	47,881	52,407
Restricted cash (note 11)	8,492	-
Accounts receivable	16,125	11,591
	<b>72,498</b>	<b>63,998</b>
<b>Deposits</b>	<b>3,122</b>	<b>2,981</b>
<b>Petroleum and equipment</b> (note 3)	<b>164,944</b>	<b>155,326</b>
<b>Exploration and evaluation costs</b> (note 4)	<b>155,904</b>	<b>148,971</b>
	<b>396,468</b>	<b>371,276</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 11)	21,196	11,635
Taxes payable (note 7)	5,923	3,712
	<b>27,119</b>	<b>15,347</b>
<b>Deferred tax liabilities</b>	<b>66,974</b>	<b>61,056</b>
<b>Employee pension liabilities</b>	<b>202</b>	<b>201</b>
<b>Decommissioning provision</b> (note 5)	<b>11,868</b>	<b>11,759</b>
	<b>106,163</b>	<b>88,363</b>
<b>Shareholders' equity</b> (note 6)		
Share capital	159,356	159,356
Contributed surplus	15,861	15,456
Non-controlling interest	17,880	17,932
Accumulated other comprehensive (loss) income	(198)	887
Retained earnings	97,406	89,282
	<b>290,305</b>	<b>282,913</b>
Commitments (note 10)		
Subsequent event (note 11)		
	<b>390,468</b>	<b>371,276</b>

See accompanying notes to the interim consolidated financial statements.

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

(\$000s, except per share amounts)	Three Months Ended March 31	
	2012	2011
<b>Revenue</b>		
Oil	25,654	18,449
Royalties	(1,322)	(1,001)
Interest	78	38
	<b>24,410</b>	<b>17,486</b>
<b>Expenses</b>		
Transportation	444	469
Production and operating	2,126	2,137
General and administrative	1,323	1,415
Depletion and depreciation	4,397	1,862
Stock-based compensation	380	1,161
Foreign exchange loss	33	182
	<b>8,703</b>	<b>7,226</b>
<b>Income before taxes and non-controlling interest</b>	<b>15,707</b>	<b>10,260</b>
<b>Taxes</b> (note 7)		
Special remuneratory benefit	-	23
Current income tax	1,896	985
Deferred tax expense	5,739	5,429
	<b>7,635</b>	<b>6,437</b>
<b>Net income for the period</b>	<b>8,072</b>	<b>3,823</b>
Foreign exchange loss on translation of foreign operations	(1,085)	(6,124)
<b>Comprehensive income (loss) for the period</b>	<b>6,987</b>	<b>(2,301)</b>
<b>Net income attributable to:</b>		
Common shareholders	8,124	3,928
Non-controlling interest	(52)	(105)
<b>Net income for the period</b>	<b>8,072</b>	<b>3,823</b>
<b>Comprehensive income (loss) for the period attributable to:</b>		
Common shareholders	7,039	(2,196)
Non-controlling interest	(52)	(105)
<b>Comprehensive income (loss) for the period</b>	<b>6,987</b>	<b>(2,301)</b>
<b>Net income per share attributable to common shareholders</b> (note 6)		
Basic	\$ 0.14	\$ 0.08
Diluted	\$ 0.14	\$ 0.08

See accompanying notes to the interim consolidated financial statements.

**Pan Orient Energy Corp.**  
**Interim Consolidated Statements of Changes in Equity**  
*(Unaudited)*

(\$000s)	Common Shares	Contributed Surplus	NCI	AOCI	Retained Earnings	Total
Balance as at January 1, 2011	110,576	13,569	18,227	2,915	65,291	210,578
Net income attributable to common shareholders	-	-	(105)	-	3,928	3,823
Stock-based compensation	-	1,161	-	-	-	1,161
Capitalized stock-based compensation expense	-	68	-	-	-	68
Shares issued for private placement	49,501	-	-	-	-	49,501
Shares issued for Indonesia acquisition	344	-	-	-	-	344
Share issue costs	(2,945)	-	-	-	-	(2,945)
Options exercised	574	-	-	-	-	574
Transfer from contributed surplus	285	(285)	-	-	-	-
Transactions effecting non-controlling interest	-	-	3,191	-	-	3,191
Other comprehensive loss	-	-	-	(6,124)	-	(6,124)
Balance as at March 31, 2011	158,335	14,513	21,313	(3,209)	69,219	260,171
Balance as at January 1, 2012	159,356	15,456	17,932	887	89,282	282,913
Net income attributable to common shareholders	-	-	(52)	-	8,124	8,072
Stock-based compensation	-	380	-	-	-	380
Capitalized stock-based compensation expense	-	25	-	-	-	25
Other comprehensive loss	-	-	-	(1,085)	-	(1,085)
Balance as at March 31, 2012	159,356	15,861	17,880	(198)	97,406	290,305

See accompanying notes to the interim consolidated financial statements.

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

(\$000s)	Three Months Ended March 31	
	2012	2011
<b>Cash Provided By (Used in)</b>		
<b>Operating Activities</b>		
Net income	8,072	3,823
Items not affecting cash		
Depletion and depreciation	4,397	1,862
Accretion	80	87
Stock-based compensation	380	1,161
Taxes	7,635	6,437
	<b>20,564</b>	13,370
Changes in non-cash working capital	<b>(4,425)</b>	(1,084)
	<b>16,139</b>	12,286
<b>Investing Activities</b>		
Petroleum and natural gas properties	(21,471)	(19,972)
Indonesia acquisition	-	(1,436)
Deposits	(157)	(187)
Change in non-cash working capital	977	2,026
	<b>(20,651)</b>	(19,569)
<b>Financing Activities</b>		
Issue of common shares	-	50,075
Share issue costs	-	(2,945)
	-	47,130
<b>Change in cash and cash equivalents</b>	<b>(4,512)</b>	39,847
<b>Effect of foreign exchange on cash balances</b>	<b>(14)</b>	(609)
<b>Cash and cash equivalents, beginning of period</b>	<b>52,407</b>	37,061
<b>Cash and cash equivalents, end of period</b>	<b>47,881</b>	76,299

See accompanying notes to the interim consolidated financial statements.

**Pan Orient Energy Corp.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**1) DESCRIPTION OF BUSINESS**

Pan Orient Energy Corp. (the "Company") 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**

The interim consolidated financial statement for the Company as at March 31, 2012 and for the three months ended March 31, 2012 and 2011 should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2011. The interim consolidated financial statements are prepared using the same accounting policies and methods of computation as disclosed in the annual consolidated financial statements.

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

The interim consolidated financial statements were approved by the Company's Board of Directors on May 25, 2012.

**3) PETROLEUM AND EQUIPMENT**

A reconciliation of the carrying amount of petroleum and equipment as at March 31, 2012 is set out below:

(\$000s)	Corporate Assets	Thailand Concessions	Indonesia	Total
<b>Cost</b>				
At December 31, 2011	507	174,605	-	175,112
Additions	4	13,191	-	13,195
Foreign currency translation	-	486	-	486
Changes in decommissioning provision	-	323	-	323
At March 31, 2012	511	188,605	-	189,116
<b>Accumulated depreciation and depletion</b>				
At December 31, 2011	(296)	(19,490)	-	(19,786)
Charge for the period	(28)	(4,358)	-	(4,386)
At March 31, 2012	(324)	(23,848)	-	(24,172)
<b>Net book value</b>				
At December 31, 2011	211	155,115	-	155,326
At March 31, 2012	187	164,757	-	164,944

**4) EXPLORATION AND EVALUATION COSTS**

A reconciliation of the carrying amount of exploration and evaluation assets as at March 31, 2012 is set out below:

(\$000s)	Canada	Thailand	Indonesia	Total
At December 31, 2011	58,484	12,508	77,979	148,971
Additions	64	422	7,805	8,291
Foreign currency translation	-	51	(1,339)	(1,288)
Changes in decommissioning provision	(89)	-	19	(70)
At March 31, 2012	58,459	12,981	84,464	155,904

5) DECOMMISSIONING PROVISION

(\$000s)	Three Months Ended March 31	
	2012	2011
Decommissioning provision, beginning of period	11,759	7,390
Obligations incurred	449	627
Revisions to obligations	(196)	-
Foreign currency translation	(224)	-
Accretion	80	87
Decommissioning provision, end of period	11,868	8,104

Estimated costs have been discounted at the risk-free interest rate in the jurisdiction of the expenditure which averaged 3% at March 31, 2012 (2011 . 4%).

6) SHARE CAPITAL

a) Issued and Outstanding Class A Common Shares

Common Shares	Number of shares	Amount (000s)
Balance as at December 31, 2011 and March 31, 2012	56,685,307	\$159,356

b) Options to Purchase Common Shares

	Number of options	Weighted average exercise price (\$)
Balance as at January 1, 2011	4,453,000	6.73
Exercised	(336,500)	3.23
Expired	(300,000)	3.90
Balance as at December 31, 2011 and March 31, 2012	3,816,500	7.26
Exercisable at March 31, 2012	2,876,004	7.34

c) Andora Energy Corporation

i) Issued and Outstanding Class A Common Shares

As at March 31, 2012 Andora had 57.3 million (December 31, 2011 . 57.3 million) common shares issued and outstanding of which Pan Orient held 53.4% (December 31, 2011 . 53.4%).

ii) Options to Purchase Common Shares of Andora

	Number	Weighted Average Exercise Price
Balance as at January 1, 2011, December 31, 2011 and March 31, 2012	5,775,000	\$ 0.72
Exercisable at March 31, 2012	3,850,000	\$ 0.72

d) Net Income per Share Attributable to Common Shareholders

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

	Three Months Ended March 31	
	2012	2011
Weighted average basic shares outstanding	56,685,307	50,921,489
Dilutive effect of stock options	2,960	766,108
Weighted average diluted	56,688,267	51,687,597

Options to purchase 3,731,500 common shares for three months ended March 31, 2012 (March 31, 2011 - 3,001,500) were not included in the computation of weighted average diluted common shares because they were anti-dilutive.

7) 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 Company's 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 Thailand's 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 months ended March 31, 2012 and 2011 is as follows:

(\$000s)	Three Months Ended March 31	
	2012	2011
Balance, beginning of period	3,712	12,509
SRB expense - current period	-	23
Income tax - current period	1,896	985
Foreign exchange	315	(190)
Balance, end of period	5,923	13,327

8) 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 March 31 the following financial instruments were denominated in currencies other than the Canadian dollar:

	As at March 31, 2012		As at March 31, 2011	
	Thai baht (000s of Thai baht)	USD (\$000s)	Thai baht (000s of Thai baht)	USD (\$000s)
Cash and cash equivalents	480,022	4,629	627,318	4,556
Accounts receivable	155,970	3,176	257,350	176
Deposits	95,000	-	44,000	3,316
Accounts payable	(161,677)	(5,468)	(198,997)	(3,450)
Taxes payable	(181,182)	-	(410,959)	-
Net exposure in functional currency	388,133	2,337	318,712	4,598
Net exposure in Canadian dollars <sup>(1)</sup> (\$000s)	12,688	2,325	10,336	4,462

(1) Translated at March 31, 2012 and 2011 exchange rates.



**Pan Orient Energy Corp.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**9) 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 months ended March 31:

(\$000s)	Three Months Ended March 31	
	2012	2011
Petroleum revenue		
Thailand	25,654	18,449
Indonesia	-	-
Canada	-	-
<b>Total</b>	<b>25,654</b>	<b>18,449</b>
Current income tax expense <sup>(1)</sup>		
Thailand	1,896	1,008
Indonesia	-	-
Canada	-	-
<b>Total</b>	<b>1,896</b>	<b>1,008</b>
Depletion and depreciation		
Thailand	4,358	1,819
Indonesia	10	11
Canada	29	32
<b>Total</b>	<b>4,397</b>	<b>1,862</b>
Net income (loss) attributable to common shareholders		
Thailand	8,767	5,459
Indonesia	(87)	(14)
Canada	(556)	(1,517)
<b>Total</b>	<b>8,124</b>	<b>3,928</b>
Capital expenditures <sup>(2)</sup>		
Thailand	13,613	14,414
Indonesia	7,815	5,490
Canada	43	68
<b>Total</b>	<b>21,471</b>	<b>19,972</b>

(1) Includes SRB and income tax.

(2) Does not include decommissioning provision and acquisition activities.

**Pan Orient Energy Corp.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**10) COMMITMENTS**

As at March 31, 2012 the Company's estimated outstanding capital commitments are as follows:

Country and Concession Name	Remaining Work Program Commitment	Obligation Period Ending	Estimated Net Financial Commitment	
			USD (\$000s)	CAD <sup>(1)</sup> (\$000s)
<b>Thailand</b>				
L 44/43	▪ Study and training fund	July 2012	18	18
	▪ Geological studies	July 2012	30	30
L33/43	▪ Study and training fund	July 2012	18	18
	▪ Geological studies	January 2013	25	25
L 53/48	▪ Study and training fund	January 2013	47	47
<b>Total Thailand</b>			<b>138</b>	<b>138</b>
<b>Indonesia <sup>(2)(3)</sup></b>				
Citarum	▪ Drill three exploration wells	October 2012	22,120	22,032
	▪ 400 km <sup>2</sup> 3D seismic and geological studies	January 2013	12,030	11,982
Batu Gajah	▪ Drill one exploration well	January 2013	3,800	3,785
	▪ 200 km 2D seismic and geological studies	November 2012	2,604	2,594
South CPP	▪ Drill one exploration well	November 2013	2,500	2,490
East Jabung	▪ Equipment bonus	November 2012	250	249
	▪ Seismic processing and geological studies	November 2012	100	100
	▪ Drill one pre-exploration well	November 2012	6,000	5,976
	▪ 250 km <sup>2</sup> 2D seismic and geological studies	November 2013	1,550	1,544
	▪ Geological studies	November 2014	75	75
	▪ Drill one exploration well	November 2014	3,000	2,988
<b>Total Indonesia</b>			<b>54,029</b>	<b>53,815</b>
<b>Consolidated Total</b>			<b>54,167</b>	<b>53,953</b>

(1) Translated at March 31, 2012 exchange rates.

(2) Amounts recorded in the 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, Batu Gajah and South CPP PSC's).

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 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.

**11) SUBSEQUENT EVENT**

On May 23, 2012, the Company has entered into an agreement for the sale of its operated 60% interest in Thailand Concessions L44/43, L33/43 and SW1 for a cash price of USD \$170 million plus approximately USD \$8 million for working capital and other adjustments. The transaction will be effected through the sale by the Company of its subsidiary Pan Orient Energy (Thailand) Ltd. (POET+), which holds the Company's 60% interest in Concession SW1 in Thailand and, indirectly through POET's subsidiary Pan Orient Resources (Thailand) Ltd, which holds the Company's 60% interest in Concessions L44/43 and L33/43 in Thailand.

The transaction is anticipated to close on approximately June 15, 2012 and will have a December 31, 2011 effective date. A USD \$8.5 million deposit was paid on behalf of the purchaser, to be applied with accrued interest against the purchase price at closing. Closing is subject to certain regulatory and other third party approvals and waivers, and other customary closing conditions.