



PAN ORIENT ENERGY CORP.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE
THREE MONTHS ENDED MARCH 31, 2013
(Unaudited)**

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

(\$000s)	March 31, 2013	December 31, 2012
Assets		
Current		
Cash and cash equivalents	100,534	133,836
Accounts receivable	9,429	13,088
Taxes receivable (note 9)	82	-
	110,045	146,924
Deposits	2,227	2,166
Property, plant and equipment (note 4)	50,300	38,819
Exploration and evaluation (note 5)	221,119	194,209
	383,691	382,118
Liabilities		
Current		
Accounts payable and accrued liabilities	24,827	17,993
Taxes payable (note 9)	3	14,721
	24,830	32,714
Deferred tax liabilities	21,295	19,127
Employee pension liabilities	57	49
Decommissioning provision (note 6)	2,571	2,192
Long term royalty provision (note 7)	2,252	2,197
	51,005	56,279
Shareholders' equity		
Share capital (note 8)	117,656	117,430
Contributed surplus	19,264	18,460
Non-controlling interest	17,618	17,683
Accumulated other comprehensive income (loss)	1,244	(4,297)
Retained earnings	176,904	176,563
	332,686	325,839
Commitments (note 12)	383,691	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)

(\$000s, except per share amounts)	Three Months Ended March 31	
	2013	2012
Revenue		
Oil	7,444	25,654
Royalties	(359)	(1,322)
Interest	308	78
	7,393	24,410
Expenses		
Depletion and depreciation	3,677	4,397
General and administrative	890	1,323
Production and operating	752	2,126
Stock-based compensation	480	380
Transportation	111	444
Foreign exchange loss	78	33
	5,988	8,703
Income before taxes and non-controlling interest	1,405	15,707
Taxes (note 9)		
Current income tax (recovery) expense	(81)	1,896
Deferred tax expense	1,210	5,739
	1,129	7,635
Net income for the period	276	8,072
Foreign exchange gain (loss) on translation of foreign operations	5,541	(1,085)
Comprehensive income for the period	5,817	6,987
Net income attributable to:		
Common shareholders	341	8,124
Non-controlling interest	(65)	(52)
Net income for the period	276	8,072
Comprehensive income for the period attributable to:		
Common shareholders	5,882	7,039
Non-controlling interest	(65)	(52)
Comprehensive income for the period	5,817	6,987
Net income per share attributable to common shareholders (note 8)		
Basic	\$ 0.01	\$ 0.14
Diluted	\$ 0.01	\$ 0.14

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 attributable to common shareholders	-	-	(52)	-	8,124	8,072
Stock-based compensation expense	-	380	-	-	-	380
Capitalized stock-based compensation	-	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
Balance as at January 1, 2013	117,430	18,460	17,683	(4,297)	176,563	325,839
Net income attributable to common shareholders	-	-	(65)	-	341	276
Stock-based compensation expense	-	480	-	-	-	480
Capitalized stock-based compensation	-	420	-	-	-	420
Options exercised	130	-	-	-	-	130
Transferred from contributed surplus	96	(96)	-	-	-	-
Other comprehensive income	-	-	-	5,541	-	5,541
Balance as at March 31, 2013	117,656	19,264	17,618	1,244	176,904	332,686

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)	Three Months Ended	
	2013	2012
Cash Provided By (Used in)		
Operating Activities		
Net income	276	8,072
Items not affecting cash		
Depletion and depreciation	3,677	4,397
Accretion	21	80
Stock-based compensation	480	380
Taxes	1,129	7,635
	5,583	20,564
Changes in non-cash working capital	613	(4,425)
	6,196	16,139
Investing Activities		
Petroleum and natural gas properties	(34,509)	(21,471)
Deposits	(61)	(157)
Taxes paid for gain on sale of Thailand interests	(14,718)	-
Change in non-cash working capital	9,888	977
	(39,400)	(20,651)
Financing Activities		
Issuance of common shares	130	-
	130	-
Change in cash and cash equivalents	(33,074)	(4,512)
Effect of foreign exchange on cash balances	(228)	(14)
Cash and cash equivalents, beginning of period	133,836	52,407
Cash and cash equivalents, end of period	100,534	47,881

See accompanying notes to the condensed interim consolidated financial statements.

1) DESCRIPTION OF BUSINESS

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 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) BASIS OF PRESENTATION

The interim consolidated financial statement for the Company as at March 31, 2013 and for the three months ended March 31, 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 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 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 21, 2013.

3) CHANGES IN ACCOUNTING POLICIES

IFRS 10 Consolidated Financial Statements

As of January 1, 2013 the Company adopted IFRS 10, Consolidated Financial Statements 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 Consolidation - Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements. The adoption of this standard did not impact these interim financial statements.

IFRS 11 Joint Arrangements

As of January 1, 2013 the Company adopted IFRS 11, Joint Arrangements 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 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. 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, Disclosure of Interests in Other Entities 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 interim financial statements.

IFRS 13 Fair Value Measurements

As of January 1, 2013 the Company adopted IFRS 13, Fair Value Measurements 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 interim financial statements.

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

4) PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the carrying amount of property plant and equipment as at March 31, 2013 is set out below:

(\$000s)	Canada	Thailand	Indonesia	Total
Cost				
At December 31, 2012	1,337	52,625	88	54,050
Additions	-	11,742	33	11,775
Foreign currency translation	-	3,138	2	3,140
Changes in decommissioning provision	-	243	-	243
At March 31, 2013	1,337	67,748	123	69,208
Accumulated depreciation and depletion				
At December 31, 2012	(438)	(14,765)	(28)	(15,231)
Charge for the period	(42)	(3,626)	(9)	(3,677)
At March 31, 2013	(480)	(18,391)	(37)	(18,908)
Net book value				
At December 31, 2012	899	37,860	60	38,819
At March 31, 2013	857	49,357	86	50,300

For the three months ended March 31, 2013 general and administrative costs of \$89 thousand (2012 . \$121 thousand) that were directly related to development and production activities have been capitalized as property, plant and equipment.

5) EXPLORATION AND EVALUATION COSTS

A reconciliation of the carrying amount of exploration and evaluation assets as at March 31, 2013 is set out below:

(\$000s)	Canada	Thailand	Indonesia	Total
At December 31, 2012	59,366	13,453	121,390	194,209
Additions	2,644	2,051	18,459	23,154
Foreign currency translation	-	899	2,767	3,666
Changes in decommissioning provision	237	-	(147)	90
At March 31, 2013	62,247	16,403	142,469	221,119

For the three months ended March 31, 2013 general and administrative costs totaling \$1.5 million (2012 . \$0.6 million) and stock-based compensation totaling \$420 thousand (2012 - \$25 thousand) that were directly related to exploration and evaluation activities have been capitalized as exploration and evaluation assets.

Pan Orient Energy Corp.
Notes to the Condensed Interim Consolidated Financial Statements
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6) DECOMMISSIONING PROVISION

(\$000s)	Three Months Ended March 31	
	2013	2012
Decommissioning provision, beginning of period	2,192	11,759
Obligations incurred	583	449
Revisions to obligations	(250)	(196)
Accretion	14	80
Foreign currency translation	32	(224)
Decommissioning provision, end of period	2,571	11,868

Estimated costs have been discounted at the risk-free interest rate in the jurisdiction of the expenditure which averaged 3% at March 31, 2013 (2012 - 3%).

7) LONG TERM ROYALTY PROVISION

In 2012 the Company acquired an additional 20% interest in the Citarum Production Sharing Contract (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 future cash flows discounted at the risk-free interest rate in the jurisdiction in which the expenditure is expected to be incurred, which was 1.25%.

(\$000s)	Three Months Ended March 31	
	2013	2012
Long term royalty provision, beginning of period	2,197	-
Accretion	7	-
Foreign currency translation	48	-
Long term royalty provision, end of period	2,252	-

8) 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 March 31, 2013	56,760,307	\$117,656

Pan Orient Energy Corp.
Notes to the Condensed Interim Consolidated Financial Statements
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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	(23,000)	6.40
Balance as at March 31, 2013	5,325,167	4.60
Exercisable at March 31, 2013	3,792,671	5.23

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 March 31, 2013 and 2012 are as follows:

	Three Months Ended March 31	
	2013	2012
Risk free interest rate (%)	1	-
Expected lives (years)	5	-
Expected volatility (%)	68	-
Dividend per share (%)	-	-
Forfeiture rate (%)	10	-
Weighted average fair value	\$ 2.36	\$ -

d) Andora Energy Corporation

i) Issued and Outstanding Class A Common Shares

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

ii) Options to Purchase Common Shares of Andora

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

Pan Orient Energy Corp.
Notes to the Condensed Interim Consolidated Financial Statements
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e) 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	
	2013	2012
Weighted average basic shares outstanding	56,748,622	56,685,307
Dilutive effect of stock options	464,761	2,960
Weighted average diluted	57,213,383	56,688,267

Options to purchase 3,078,500 common shares for the three months ended March 31, 2013 (March 31, 2012 . 3,731,500) were not included in the computation of weighted average diluted common shares because they were anti-dilutive.

9) 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 tax is calculated separately for each of the Company's 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. The Company did not incur any SRB tax expense for the period ended March 31, 2013 and 2012.

A summary of Thailand taxes payable for the period ended March 31, 2013 and 2012 is as follows:

(\$000s)	Three Months Ended March 31	
	2013	2012
Balance, beginning of period	3	3,712
Income tax . current period	1	1,896
Foreign currency translation	(1)	315
Balance, end of period	3	5,923

A summary of Canadian taxes receivable for the period ended March 31, 2013 and 2012 is as follows:

(\$000s)	Three Months Ended March 31	
	2013	2012
Balance, beginning of period	14,718	-
Income tax . current period	(82)	-
Tax paid	(14,718)	-
Balance, end of period	(82)	-

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

Pan Orient Energy Corp.
Notes to the Condensed Interim Consolidated Financial Statements
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10) 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, 2013		As at March 31, 2012	
	Thai baht (000s of Thai baht)	USD (\$000s)	Thai baht (000s of Thai baht)	USD (\$000s)
Cash and cash equivalents	119,490	8,536	480,022	4,629
Accounts receivable	104,381	4,792	155,970	3,176
Deposits	26,733	1,857	95,000	-
Accounts payable	(194,502)	(16,716)	(161,677)	(5,468)
Taxes payable	(91)	-	(181,182)	-
Net exposure in functional currency	56,011	(1,531)	388,133	2,337
Net exposure in Canadian dollars ⁽¹⁾ (\$000s)	1,966	(1,581)	12,688	2,325

(1) Translated at March 31, 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.

Pan Orient Energy Corp.
Notes to the Condensed Interim Consolidated Financial Statements
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11) 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	
	2013	2012
Petroleum revenue		
Thailand	7,444	25,654
Indonesia	-	-
Canada	-	-
Total	7,444	25,654
Current income tax (recovery) expense		
Thailand	1	1,896
Indonesia	-	-
Canada	(82)	-
Total	(81)	1,896
Depletion and depreciation		
Thailand	3,626	4,358
Indonesia	9	10
Canada	42	29
Total	3,677	4,397
Net income attributable to common shareholders		
Thailand	1,013	8,767
Indonesia	(91)	(87)
Canada	(581)	(556)
Total	341	8,124
Capital expenditures ⁽¹⁾		
Thailand	13,793	13,613
Indonesia	18,492	7,815
Canada	2,224	43
Total	34,509	21,471

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

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

12) COMMITMENTS

As at March 31, 2013 the Company's estimated outstanding capital commitments are as follows:

	Remaining Work Program Commitment	Obligation Period Ending	Estimated Net Financial Commitment	
			USD (\$000s)	CAD ⁽¹⁾ (\$000s)
Thailand Concessions				
L53/48	<ul style="list-style-type: none"> ▪ Study and training fund ▪ 60 sq. km 3D seismic ▪ Drill one exploration well ▪ Geological studies ▪ Study and training fund 	<ul style="list-style-type: none"> January 2014 January 2015 January 2016 January 2016 January 2016 	<ul style="list-style-type: none"> 17 1,000 1,500 10 90 	<ul style="list-style-type: none"> 18 1,020 1,531 10 92
L45/50	<ul style="list-style-type: none"> ▪ 50 sq. km 3D seismic (100%) ▪ Drill one exploration well (20%) ▪ Geological studies (20%) 	<ul style="list-style-type: none"> April 2014 April 2014 April 2014 	<ul style="list-style-type: none"> 2,681 160 50 	<ul style="list-style-type: none"> 2,735 163 51
Total Thailand			5,508	5,620
Indonesia PSCs ⁽²⁾				
Citarum	<ul style="list-style-type: none"> ▪ Drill two exploration wells 	<ul style="list-style-type: none"> October 2013 	<ul style="list-style-type: none"> 10,000 	<ul style="list-style-type: none"> 10,156
Batu Gajah	<ul style="list-style-type: none"> ▪ 400 sq. km 3D seismic acquisition and reprocessing and geological studies 	<ul style="list-style-type: none"> January 2014 	<ul style="list-style-type: none"> 12,669 	<ul style="list-style-type: none"> 12,867
South CPP	<ul style="list-style-type: none"> ▪ 200 km 2D seismic acquisition and reprocessing and geological studies ▪ Drill one exploration well 	<ul style="list-style-type: none"> November 2013 November 2013 	<ul style="list-style-type: none"> 551 2,500 	<ul style="list-style-type: none"> 559 2,539
East Jabung	<ul style="list-style-type: none"> ▪ Seismic acquisition and reprocessing and geological studies ▪ Drill one pre-exploration well ▪ 250 km 2D seismic acquisition and reprocessing and geological studies ▪ Geological studies ▪ Drill one exploration well 	<ul style="list-style-type: none"> November 2013 November 2013 November 2013 November 2014 November 2014 	<ul style="list-style-type: none"> 43 5,172 2,513 75 3,000 	<ul style="list-style-type: none"> 44 5,253 2,552 76 3,047
Total Indonesia			36,523	37,093
Canadian Heavy Oil Sands				
Sawn Lake, Alberta (owned by Andora Energy Corporation)	<ul style="list-style-type: none"> ▪ Outstanding purchase orders on capital expenditures ▪ Natural gas pipeline tie-in and tariff (CDN \$15 thousand per month) 	<ul style="list-style-type: none"> May to July 2013 Over 5 years effective November 2013 	<ul style="list-style-type: none"> 1,831 886 	<ul style="list-style-type: none"> 1,860 900
Total Canada			2,717	2,760
			44,748	45,473

(1) Translated at March 31, 2013 exchange rates.

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

(2) *Amounts recorded in the 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).*

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.