



PAN ORIENT ENERGY CORP.

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012
(Unaudited)**

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

| (\$000s) | September 30, 2012 | December 31, 2011 |
|--|-----------------------|----------------------|
| Assets | | |
| Current | | |
| Cash and cash equivalents | 143,435 | 52,407 |
| Accounts receivable | 11,284 | 11,591 |
| | 154,719 | 63,998 |
| Long term accounts receivable (note 5) | 2,950 | - |
| Deposits | 641 | 2,981 |
| Petroleum and equipment (note 3) | 38,674 | 155,326 |
| Exploration and evaluation costs (note 4) | 170,279 | 148,971 |
| | 367,263 | 371,276 |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities | 8,668 | 11,635 |
| Taxes payable (note 8) | 15,581 | 3,712 |
| | 24,249 | 15,347 |
| Deferred tax liabilities | 17,938 | 61,056 |
| Employee pension liabilities | - | 201 |
| Decommissioning provision (note 6) | 2,044 | 11,759 |
| | 44,231 | 88,363 |
| Shareholders' equity (note 7) | | |
| Share capital | 116,996 | 159,356 |
| Contributed surplus | 18,012 | 15,456 |
| Non-controlling interest | 17,737 | 17,932 |
| Accumulated other comprehensive (loss) income | (5,417) | 887 |
| Retained earnings | 175,704 | 89,282 |
| | 323,032 | 282,913 |
| Commitments (note 11) | | |
| Subsequent events (note 12) | | |
| | 367,263 | 371,276 |

See accompanying notes to the consolidated financial statements.

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

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|---------------|-------------------|---------------|
| | September 30 | | September 30 | |
| (\$000s, except per share amounts) | 2012 | 2011 | 2012 | 2011 |
| Revenue | | | | |
| Oil | 7,808 | 18,083 | 45,964 | 55,053 |
| Royalties | (390) | (945) | (2,331) | (2,913) |
| Interest | 363 | 115 | 539 | 333 |
| | 7,781 | 17,253 | 44,172 | 52,473 |
| Expenses | | | | |
| Transportation | 103 | 398 | 796 | 1,274 |
| Production and operating | 1,357 | 2,314 | 5,244 | 6,848 |
| General and administrative | 1,206 | 1,239 | 4,324 | 3,652 |
| Gain on sale of Thailand interests (note 5) | (39) | - | (93,432) | - |
| Depletion and depreciation | 2,335 | 1,968 | 9,057 | 5,779 |
| Stock-based compensation | 1,555 | 410 | 2,141 | 2,126 |
| Foreign exchange loss (gain) | 1,761 | (68) | 1,572 | 191 |
| Foreign new venture expenditures | - | - | - | 59 |
| | 8,278 | 6,261 | (70,298) | 19,929 |
| Income (loss) before taxes and non-controlling interest | (497) | 10,992 | 114,470 | 32,544 |
| Taxes (note 8) | | | | |
| Current income tax (recovery) expense | (512) | 298 | 18,983 | 1,969 |
| Deferred tax expense | 1,877 | 6,867 | 10,043 | 18,398 |
| | 1,365 | 7,165 | 29,026 | 20,367 |
| Net income (loss) for the period | (1,862) | 3,827 | 85,444 | 12,177 |
| Foreign exchange (loss) gain on translation of foreign operations | (4,722) | 13,417 | (3,449) | 4,993 |
| Comprehensive income (loss) for the period | (6,584) | 17,244 | 81,995 | 17,170 |
| Net income (loss) attributable to: | | | | |
| Common shareholders | (1,626) | 3,882 | 85,783 | 12,418 |
| Non-controlling interest | (236) | (55) | (339) | (241) |
| Net income (loss) for the period | (1,862) | 3,827 | 85,444 | 12,177 |
| Comprehensive income (loss) for the period attributable to: | | | | |
| Common shareholders | (6,348) | 17,299 | 82,334 | 17,411 |
| Non-controlling interest | (236) | (55) | (339) | (241) |
| Comprehensive income (loss) for the period | (6,584) | 17,244 | 81,995 | 17,170 |
| Net income (loss) per share attributable to common shareholders | | | | |
| Basic | \$ (0.03) | \$ 0.07 | \$ 1.51 | \$ 0.23 |
| Diluted | \$ (0.03) | \$ 0.07 | \$ 1.51 | \$ 0.23 |

See accompanying notes to the consolidated financial statements.

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

| (\$000s) | Common Shares | Contributed Surplus | NCI | AOCI | Retained Earnings | Total |
|---|------------------|------------------------|---------------|----------------|----------------------|----------------|
| Balance as at December 31, 2010 | 110,576 | 13,569 | 18,227 | 2,915 | 65,291 | 210,578 |
| Net income (loss) | - | - | (241) | - | 12,418 | 12,177 |
| Pan Orient stock-based compensation expense | - | 1,863 | - | - | - | 1,863 |
| Pan Orient capitalized stock-based compensation | - | 120 | - | - | - | 120 |
| Andora stock-based compensation expense | - | 263 | - | - | - | 263 |
| Andora capitalized stock-based compensation | - | 32 | - | - | - | 32 |
| Shares 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 | 21,177 | 7,908 | 77,709 | 281,177 |
| Balance as at December 31, 2011 | 159,356 | 15,456 | 17,932 | 887 | 89,282 | 282,913 |
| Net income (loss) | - | - | (339) | - | 85,783 | 85,444 |
| Pan Orient stock-based compensation expense | - | 1,328 | - | - | - | 1,328 |
| Pan Orient capitalized stock-based compensation | - | 238 | - | - | - | 238 |
| Andora stock-based compensation expense | - | 813 | - | - | - | 813 |
| Andora capitalized stock-based compensation | - | 238 | - | - | - | 238 |
| Shares issued to NCI | - | - | 783 | - | - | 783 |
| Options exercised | 119 | - | - | - | - | 119 |
| Transfer from contributed surplus | 61 | (61) | - | - | - | - |
| Special distribution (note 7) | (42,540) | - | - | - | - | (42,540) |
| Impact on AOCI from disposal of Thai assets | - | - | - | (2,855) | - | (2,855) |
| Transactions effecting non-controlling interest | - | - | (639) | - | 639 | - |
| Other comprehensive loss | - | - | - | (3,449) | - | (3,449) |
| Balance as at September 30, 2012 | 116,996 | 18,012 | 17,737 | (5,417) | 175,704 | 323,032 |

See accompanying notes to the condensed consolidated financial statements.

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

| (\$000s) | Nine Months Ended September 30 | |
|---|-----------------------------------|-----------------|
| | 2012 | 2011 |
| Cash Provided By (Used in) | | |
| Operating Activities | | |
| Net income | 85,444 | 12,177 |
| Items not affecting cash | | |
| Depletion and depreciation | 9,057 | 5,779 |
| Accretion | 154 | 270 |
| Stock-based compensation | 2,141 | 2,126 |
| Gain on sale of Thailand interest (note 5) | (93,432) | - |
| Taxes | 29,026 | 20,367 |
| Non-cash foreign venture expenditures | - | 59 |
| | 32,390 | 40,778 |
| Taxes paid | (3,750) | (14,392) |
| Changes in non-cash working capital | (271) | 3,120 |
| | 28,369 | 29,506 |
| Investing Activities | | |
| Petroleum and natural gas properties | (57,472) | (57,831) |
| Indonesia acquisition | - | (1,417) |
| Net proceeds received on sale of Thailand interest | 163,647 | - |
| Deposits | 2,322 | (632) |
| Change in non-cash working capital | (1,224) | (714) |
| | 107,273 | (60,594) |
| Financing Activities | | |
| Special distribution (note 7) | (42,540) | - |
| Subsidiary issuance of common shares | 274 | 50,587 |
| Issue of common shares | 119 | (2,971) |
| | (42,147) | 47,616 |
| Change in cash and cash equivalents | 93,495 | 16,528 |
| Effect of foreign exchange on cash balances | (2,467) | (2,845) |
| Cash and cash equivalents, beginning of period | 52,407 | 37,061 |
| Cash and cash equivalents, end of period | 143,435 | 50,744 |

See accompanying notes to the consolidated financial statements.

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

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) SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The interim consolidated financial statements for the Company as at September 30, 2012 and for the nine months ended September 30, 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 November 26, 2012.

3) PETROLEUM AND EQUIPMENT

A reconciliation of the carrying amount of petroleum and equipment as at September 30, 2012 is set out below.

| (\$000s) | Corporate Assets | Thailand Concessions | Indonesia | Total |
|---|-----------------------------|---------------------------------|------------------|--------------|
| Cost | | | | |
| At December 31, 2011 | 507 | 174,605 | - | 175,112 |
| Additions | 619 | 24,340 | - | 24,959 |
| Dispositions | - | (151,444) | - | (151,444) |
| Foreign currency translation | - | 426 | - | 426 |
| Changes in decommissioning provision | - | 890 | - | 890 |
| At September 30, 2012 | 1,126 | 48,817 | - | 49,943 |
| Accumulated depreciation and depletion | | | | |
| At December 31, 2011 | (296) | (19,490) | - | (19,786) |
| Dispositions | - | 17,554 | - | 17,554 |
| Charge for the period | (87) | (8,950) | - | (9,037) |
| At September 30, 2012 | (383) | (10,886) | - | (11,269) |
| Net book value | | | | |
| At September 30, 2012 | 743 | 37,931 | - | 38,674 |
| At December 31, 2011 | 211 | 155,115 | - | 155,326 |

General and administrative costs totaling \$3.0 million (2011 . \$2.6 million) and stock-based compensation totaling \$0.5 million (2011 . \$0.2 million) that were directly related to exploration and development activities have been capitalized for the nine months ended September 30, 2012.

4) EXPLORATION AND EVALUATION COSTS

A reconciliation of the carrying amount of exploration and evaluation assets as at September 30, 2012 is set out below.

| (\$000s) | Canada | Thailand | Indonesia | Total |
|--------------------------------------|--------|----------|-----------|---------|
| At December 31, 2011 | 58,484 | 12,508 | 77,979 | 148,971 |
| Additions | 716 | 6,390 | 26,463 | 33,569 |
| Dispositions | - | (9,314) | - | (9,314) |
| Changes in decommissioning provision | (89) | - | 47 | (42) |
| Foreign currency translation | - | (8) | (2,897) | (2,905) |
| At September 30, 2012 | 59,111 | 9,576 | 101,592 | 170,279 |

5) DISPOSITION OF THAILAND INTEREST

On June 15, 2012, the Company closed the sale of its operated 60% interest in Thailand Concessions L44/43, L33/43 and SW1 for net proceeds of \$174.1 million, resulting in a net gain on disposition of \$93.4 million, before estimated current income taxes of \$15.6 million. As at September 30, 2012 there was \$4.6 million held in escrow accounts jointly controlled by the Company and the purchaser of the interests. US\$3.0 million is held in escrow to support any warranty claims until December 15, 2013 and has been classified as long term.

The gain on disposition, before tax, is calculated as follows:

| (\$000s) | |
|----------------------------------|-----------|
| Proceeds from disposition | 185,273 |
| Transaction costs | (11,193) |
| Net proceeds | 174,080 |
| Net assets disposed of: | |
| Cash and cash equivalents | (5,618) |
| Non-cash working capital | 1,027 |
| Petroleum and equipment | (133,890) |
| Exploration and evaluation costs | (9,314) |
| Decommissioning provision | 10,763 |
| Deferred tax liabilities | 53,327 |
| Other | 3,057 |
| Gain on disposition, before tax | 93,432 |

6) DECOMMISSIONING PROVISION

| (\$000s) | Nine Months Ended September 30 | |
|--|-----------------------------------|-------|
| | 2012 | 2011 |
| Decommissioning provision, beginning of period | 11,759 | 7,390 |
| Obligations incurred | 612 | 1,370 |
| Revisions to obligations | 236 | 76 |
| Dispositions of Thai assets | (10,763) | - |
| Foreign currency translation | 46 | - |
| Accretion | 154 | 270 |
| Decommissioning provision, end of period | 2,044 | 9,106 |

Estimated costs have been discounted at the risk-free interest rate in the jurisdiction of the expenditures which averaged 3% at September 30, 2012 (2011 . 4%).

7) SHARE CAPITAL

a) Issued and Outstanding Class A Common Shares

| Common Shares | Number of shares | Amount (000s) |
|----------------------------------|------------------|---------------|
| Balance as at September 30, 2012 | 56,720,307 | \$116,996 |

Effective September 6, 2012 the Company underwent a capital reorganization resulting in a \$0.75 per common share return of capital distribution (the special distribution). The distribution has been shown as a reduction to share capital.

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 | 3,816,500 | 7.26 |
| Granted | 2,040,000 | 2.80 |
| Exercised | (35,000) | 3.41 |
| Forfeited | (150,000) | 5.90 |
| Balance, as at September 30, 2012 ⁽¹⁾ | 5,671,500 | 5.20 |
| Exercisable at September 30, 2012 ⁽¹⁾ | 4,249,838 | 6.00 |

(1) The special distribution to shareholders on September 6, 2012 resulted in a \$0.75 adjustment to reduce the exercise price for the 3,881,500 stock options outstanding at that time in accordance with the Stock Option Plan. The weighted average exercise price includes this adjustment.

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 method. Weighted average assumptions and resultant fair values for stock options granted during the periods ended September 30, 2012 and 2011 were as follows:

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|----------------------------------|---------------------------------|------|--------------------------------|------|
| | 2012 | 2011 | 2012 | 2011 |
| Risk free interest rate (%) | 1 | - | 1 | - |
| Expected lives (years) | 5 | - | 5 | - |
| Expected volatility (%) | 70 | - | 69 | - |
| Dividend per share (%) | - | - | - | - |
| Forfeiture rate (%) | 10 | - | 10 | - |
| Weighted average fair value (\$) | \$ 1.59 | \$ - | \$ 1.61 | \$ - |

d) Andora Energy Corporation

i) Issued and Outstanding Class A Common Shares

Andora had 100.0 million (December 31, 2011 . 57.3 million) common shares issued and outstanding as at September 30, 2012.

The Company entered into a standby commitment agreement dated July 17, 2012 with respect to a rights offering by Andora. One right was issued for each outstanding Andora common share and 1.4 rights plus \$0.60 entitled the holder to subscribe for one Andora share. Pan Orient agreed to exercise all rights issued to it, and to acquire all Andora shares issuable pursuant to rights not exercised by other Andora shareholders, for an aggregate subscription price (when combined with the exercise of rights issued to Pan Orient) of up to \$25 million. The rights expired on August 9, 2012. By acquiring Andora shares through the exercise of rights issued to it and satisfaction of its standby commitment, the Company purchased an additional 41.2 million Andora shares for \$24.7 million, thereby increasing its ownership of Andora to 71.8% (December 31, 2011 . 53.4%).

ii) Options to Purchase Common Shares of Andora

| | Number | Weighted Average Exercise Price (\$) |
|--|-------------|--------------------------------------|
| Balance, as at January 1, 2011 and December 31, 2011 | 5,775,000 | 0.72 |
| Granted | 10,000,000 | 0.60 |
| Cancelled | (5,775,000) | 0.72 |
| Balance, as at September 30, 2012 | 10,000,000 | 0.60 |
| Exercisable, as at September 30, 2012 | 3,333,333 | 0.60 |

e) Net Income per Share Attributable to Common Shareholders

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

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|------------------------------------|------------|-----------------------------------|------------|
| | 2012 | 2011 | 2012 | 2011 |
| Weighted average basic shares outstanding | 56,717,230 | 56,685,307 | 56,695,948 | 54,771,488 |
| Dilutive effect of stock options | 224,154 | 11,523 | 9,517 | 194,218 |
| Weighted average diluted | 56,941,384 | 56,696,830 | 56,705,465 | 54,965,706 |

Options to purchase 3,291,500 and 3,681,500 common shares for three and nine months ended September 30, 2012, respectively, (three and nine months ended September 30, 2011 . 2,986,500) were not included in the computation of weighted average diluted common shares because they were anti-dilutive.

8) 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 and nine months ended September 30, 2012 and 2011 are as follows:

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

| (\$000s) | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|--|------------------------------------|---------|-----------------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Balance, beginning of period | 16,093 | 1,665 | 3,712 | 12,509 |
| Income tax (recovery) . current period | (512) | 298 | 18,983 | 1,969 |
| Prior period SRB paid | - | - | - | (6,407) |
| Prior period income tax paid | - | (1,914) | (3,750) | (7,985) |
| Taxes liability disposed on sale of Thai assets (note 5) | - | - | (3,711) | - |
| Foreign exchange | - | (256) | 347 | (293) |
| Balance, end of period | 15,581 | (207) | 15,581 | (207) |

9) 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 Company's 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, 2012 and 2011, the following financial instruments were denominated in currencies other than the Canadian dollar:

| (\$000s) | As at September 30, 2012 | | As at September 30, 2011 | |
|--|--------------------------|-----------------|--------------------------|-----------------|
| | Thai baht (000s) | USD (\$000s) | Thai baht (000s) | USD (\$000s) |
| Cash and cash equivalents | 72,512 | 17,070 | 327,014 | 3,470 |
| Accounts receivable | 182,773 | 4,736 | 186,416 | 206 |
| Deposits | 20,000 | 3,173 | 44,000 | 2,250 |
| Accounts payable | (60,562) | (6,671) | (146,560) | (2,579) |
| Taxes receivable (payable) | (175) | - | 6,141 | - |
| Net exposure in functional currency | 214,548 | 18,308 | 417,011 | 3,347 |
| Net exposure in Canadian dollars ⁽¹⁾ (\$000s) | 6,476 | 18,941 | 14,072 | 3,474 |

(1) Translated at September 30, 2012 and 2011 exchange rates.

Based on financial instruments held at September 30, 2012 and 2011, fluctuations in the exchange rates as indicated below would have the following estimated effect on net income and other comprehensive income:

| (\$000s) | As at September 30 | |
|--|--------------------|------|
| | 2012 | 2011 |
| Effect of 1% change in CAD\$ to USD exchange rate: | | |
| Pre-tax net income | 811 | (27) |
| Other comprehensive income | (66) | (5) |
| Effect of 1.0% baht change in baht to CAD\$: | | |
| Pre-tax net income | - | - |
| Other comprehensive income | 495 | 142 |

The Company did not have any forward exchange contracts in place as at or during the three or nine months ended September 30, 2012 or 2011.

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

10) 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, 2012 and 2011:

| (\$000s) | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|------------------------------------|--------|-----------------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Petroleum revenue | | | | |
| Thailand | 7,808 | 18,083 | 45,964 | 55,053 |
| Indonesia | - | - | - | - |
| Canada | - | - | - | - |
| Total | 7,808 | 18,083 | 45,964 | 55,053 |
| Current income tax expense (recovery) ⁽¹⁾ | | | | |
| Thailand | 4 | 298 | 3,408 | 1,969 |
| Indonesia | - | - | - | - |
| Canada | (516) | - | 15,575 | - |
| Total | (512) | 298 | 18,983 | 1,969 |
| Depletion and depreciation | | | | |
| Thailand | 2,312 | 1,943 | 8,950 | 5,649 |
| Indonesia | (3) | (10) | 20 | 23 |
| Canada | 26 | 35 | 87 | 107 |
| Total | 2,335 | 1,968 | 9,057 | 5,779 |
| Net income (loss) attributable to common shareholders | | | | |
| Thailand | 1,459 | 4,353 | 13,269 | 15,587 |
| Indonesia | (269) | (153) | (435) | (788) |
| Canada | (2,816) | (318) | 72,949 | (2,381) |
| Total | (1,626) | 3,882 | 85,783 | 12,418 |
| Capital expenditures ⁽²⁾ | | | | |
| Thailand | 3,961 | 10,310 | 30,730 | 38,069 |
| Indonesia | 7,975 | 5,032 | 26,483 | 19,526 |
| Canada | 85 | 22 | 259 | 236 |
| Total | 12,021 | 15,364 | 57,472 | 57,831 |

(1) Includes SRB, income tax and estimated taxes payable on sale of the Thai assets (note 5)

(2) Does not include decommissioning provision and acquisition activities

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

11) COMMITMENTS

As at September 30, 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 ⁽¹⁾ (\$000s) |
| Thailand⁽³⁾ | | | | |
| L 53/48 | <ul style="list-style-type: none"> ▪ Geological studies ▪ Study and training fund | <ul style="list-style-type: none"> January 2013 January 2013 | <ul style="list-style-type: none"> 25 32 | <ul style="list-style-type: none"> 25 32 |
| Total Thailand | | | 57 | 57 |
| Indonesia^{(2) (3)} | | | | |
| Citarum | <ul style="list-style-type: none"> ▪ Drill three exploration wells | October 2013 | 12,880 | 12,612 |
| Batu Gajah | <ul style="list-style-type: none"> ▪ 400 km² 3D seismic and geological studies ▪ Drill one exploration well | <ul style="list-style-type: none"> January 2013 January 2013 | <ul style="list-style-type: none"> 14,200 5,500 | <ul style="list-style-type: none"> 13,905 5,386 |
| South CPP | <ul style="list-style-type: none"> ▪ 200 km 2D seismic and geological studies ▪ Drill one exploration well | <ul style="list-style-type: none"> November 2013 November 2013 | <ul style="list-style-type: none"> 4,600 2,500 | <ul style="list-style-type: none"> 4,504 2,448 |
| East Jabung | <ul style="list-style-type: none"> ▪ Seismic processing and geological studies ▪ Drill one pre-exploration well ▪ 250 km² 2D seismic 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"> 48 10,000 3,372 75 3,000 | <ul style="list-style-type: none"> 47 9,792 3,302 73 2,938 |
| Total Indonesia | | | 56,175 | 55,007 |
| Consolidated Total | | | 56,232 | 55,064 |

(1) Translated at September 30, 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 at September 30, 2012).

(3) Refer to Note 12 for Subsequent Events. Amounts included in the commitment table at September 30, 2012 do not include subsequent events and represent the interest of Pan Orient as at September 30, 2012.

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.

The Company has planned activities to meet the stated obligations, however the actual timing of completion of the work commitments is dependent upon a number of factors that may or may not be in control of the Company. Extensions for work programs are discussed with the GOI each September as part of process in setting the work program for the following year. 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.

12) SUBSEQUENT EVENTS

In October 2012, the Company purchased an additional 20% participating interest in the Citarum PSC in consideration for assuming the partner's work program obligations and the payment of a future payment contingent upon the delivery of petroleum from a commercial development of hydrocarbon from discoveries made within the Citarum PSC.

In October 2012, the Company completed the access agreement with the surface rights holder of lands covering a large portion of the Batu Gajah and South CPP PSCs. In consideration for unlimited access to an extensive road network and surface lands covering the Batu Gajah and South CPP PSCs through the entire exploration, development and production period, the Company will hold in trust a 20% carried interest in both the South CPP and Batu Gajah PSCs for the surface rights holder and will continue to pay certain access fees as mandated by the various Government of Indonesia bodies. All costs incurred by the Company in relation to the 20% carried interest will be preferentially recovered from the future cost recovery on any potential future discovery that is brought on stream.

In November 2012, the Company entered into an agreement for a farm-in at Thailand on-shore Concession L45/50 whereby the Company will become operator and will earn up to a 60% interest by the acquisition of approximately 80 square kilometers of 3D seismic data late in first quarter of 2013 following by the drilling of up to two exploration wells. The farm-in is subject to approval by the Government of Thailand.