



PAN ORIENT ENERGY CORP.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013
(Unaudited)**

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

(\$000s)	September 30, 2013	December 31, 2012
Assets		
Current		
Cash and cash equivalents	53,909	133,836
Accounts receivable	11,268	13,088
Taxes receivable (note 10)	966	-
	66,143	146,924
Deposits	2,212	2,166
Property, plant and equipment (note 4)	62,251	38,819
Exploration and evaluation (note 5)	156,229	194,209
	286,835	382,118
Liabilities		
Current		
Accounts payable and accrued liabilities	27,475	17,993
Taxes payable (note 10)	1	14,721
	27,476	32,714
Deferred tax liabilities	22,774	19,127
Employee pension liabilities	64	49
Decommissioning provision (note 7)	3,364	2,192
Long term royalty provision (note 8)	-	2,197
	53,678	56,279
Shareholders' equity		
Share capital (note 9)	117,656	117,430
Contributed surplus	20,458	18,460
Non-controlling interest	17,597	17,683
Accumulated other comprehensive income (loss)	1,328	(4,297)
Retained earnings	76,118	176,563
	233,157	325,839
Commitments (note 13)		
Contingencies (note 14)		
	286,835	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 September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Revenue				
Oil	7,397	7,808	23,316	45,964
Royalties	(368)	(390)	(1,152)	(2,331)
Interest	159	363	679	539
	7,188	7,781	22,843	44,172
Expenses				
Depletion and depreciation	3,195	2,335	10,137	9,057
General and administrative	1,256	1,206	3,002	4,324
Production and operating	1,084	1,357	2,747	5,244
Stock-based compensation	391	1,555	1,354	2,141
Transportation	119	103	371	796
Foreign exchange loss	48	1,761	23	1,572
Impairment on Indonesia assets (note 6)	4,556	-	104,183	-
Gain on sale of Thailand interests	-	(39)	-	(93,432)
	10,649	8,278	121,817	(70,298)
Income (loss) before taxes and non-controlling interest	(3,461)	(497)	(98,974)	114,470
Taxes (note 10)				
Current income tax (recovery) expense	(99)	(512)	(2,035)	18,983
Deferred tax expense	(238)	1,877	3,592	10,043
	(337)	1,365	1,557	29,026
Net income (loss) for the period	(3,124)	(1,862)	(100,531)	85,444
Foreign exchange gain (loss) on translation of foreign operations	(2,628)	(4,722)	5,625	(3,449)
Comprehensive income (loss) for the period	(5,752)	(6,584)	(94,906)	81,995
Net income (loss) attributable to:				
Common shareholders	(3,109)	(1,626)	(100,445)	85,783
Non-controlling interest	(15)	(236)	(86)	(339)
Net income (loss) for the period	(3,124)	(1,862)	(100,531)	85,444
Comprehensive income (loss) for the period attributable to:				
Common shareholders	(5,737)	(6,348)	(94,820)	82,334
Non-controlling interest	(15)	(236)	(86)	(339)
Comprehensive income (loss) for the period	(5,752)	(6,584)	(94,906)	81,995
Net income (loss) per share attributable to common shareholders (note 9)				
Basic	\$ (0.05)	\$ (0.03)	\$ (1.77)	\$ 1.51
Diluted	\$ (0.05)	\$ (0.03)	\$ (1.77)	\$ 1.51

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	-	-	(339)	-	85,783	85,444
Stock-based compensation expense	-	2,141	-	-	-	2,141
Capitalized stock-based compensation	-	476	-	-	-	476
Shares issued to NCI	-	-	783	-	-	783
Options exercised	119	-	-	-	-	119
Transferred from contributed surplus	61	(61)	-	-	-	-
Special distribution	(42,540)	-	-	-	-	(42,540)
Transactions effecting non-controlling interest	-	-	(639)	-	639	-
Impact on AOCI from disposal of Thai interests	-	-	-	(2,855)	-	(2,855)
Other comprehensive income	-	-	-	(3,449)	-	(3,449)
Balance as at September 30, 2012	116,996	18,012	17,737	(5,417)	175,704	323,032
Balance as at January 1, 2013	117,430	18,460	17,683	(4,297)	176,563	325,839
Net loss for the period	-	-	(86)	-	(100,445)	(100,531)
Stock-based compensation expense	-	1,354	-	-	-	1,354
Capitalized stock-based compensation	-	740	-	-	-	740
Options exercised	130	-	-	-	-	130
Transferred from contributed surplus	96	(96)	-	-	-	-
Other comprehensive income	-	-	-	5,625	-	5,625
Balance as at September 30, 2013	117,656	20,458	17,597	1,328	76,118	233,157

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)	Nine Months Ended	
	September 30	2012
	2013	2012
Cash Provided By (Used in)		
Operating Activities		
Net income (loss)	(100,531)	85,444
Items not affecting cash		
Depletion and depreciation	10,137	9,057
Stock-based compensation	1,354	2,141
Accretion	67	154
Gain on settlement of decommissioning provision	(19)	-
Impairment on Indonesia assets (note 6)	104,183	-
Gain on sale of Thailand interests	-	(93,432)
Taxes	1,557	29,026
	16,748	32,390
Taxes paid	(4)	(3,750)
Changes in non-cash working capital	197	(271)
	16,941	28,369
Investing Activities		
Petroleum and natural gas properties	(90,136)	(57,472)
Net proceeds received on sale of Thailand interests	-	163,647
Taxes paid on gain from sale of Thailand interests	(13,647)	-
Deposits	(46)	2,322
Change in non-cash working capital	8,387	(1,224)
	(95,442)	107,273
Financing Activities		
Special distribution	-	(42,540)
Subsidiary's issuance of common shares	-	274
Issuance of common shares	130	119
	130	(42,147)
Change in cash and cash equivalents	(78,371)	93,495
Effect of foreign exchange on cash balances	(1,556)	(2,467)
Cash and cash equivalents, beginning of period	133,836	52,407
Cash and cash equivalents, end of period	53,909	143,435

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, 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 September 30, 2013 and for the three and nine months ended September 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, "Interim Financial Reporting".

The condensed interim consolidated financial statements were approved by the Company's Board of Directors on November 12, 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 condensed 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 condensed 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 condensed interim financial statements.

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

4) PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the carrying amount of property, plant and equipment as at September 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	31,970	61	32,032
Transfers from exploration and evaluation	-	155	-	155
Changes in decommissioning provision	-	1,109	-	1,109
Foreign currency translation	-	183	16	199
At September 30, 2013	1,338	86,140	165	87,643
Accumulated depletion and depreciation				
At December 31, 2012	(438)	(14,863)	(28)	(15,329)
Charge for the period	(115)	(9,988)	(34)	(10,137)
Foreign currency translation	-	86	(12)	74
At September 30, 2013	(553)	(24,765)	(74)	(25,392)
Net book value				
At December 31, 2012	899	37,860	60	38,819
At September 30, 2013	785	61,375	91	62,251

For the nine months ended September 30, 2013 general and administrative costs of \$346 thousand (2012 – \$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 September 30, 2013 is set out below:

(\$000s)	Canada	Thailand	Indonesia	Total
At December 31, 2012	59,366	13,453	121,390	194,209
Additions	4,166	6,474	48,204	58,844
Transfers to property, plant and equipment	-	(155)	-	(155)
Changes in decommissioning provision	279	-	(254)	25
Impairment on Indonesia assets (note 6)	-	-	(103,148)	(103,148)
Foreign currency translation	-	(77)	6,531	6,454
At September 30, 2013	63,811	19,695	72,723	156,229

For the nine months ended September 30, 2013 general and administrative costs totaling \$3.6 million (2012 – \$2.8 million) and stock-based compensation totaling \$740 thousand (2012 - \$476 thousand) that were directly related to exploration and evaluation activities have been capitalized as exploration and evaluation assets.

6) IMPAIRMENT LOSS

Indonesia – Citarum PSC

In the second quarter of 2013 the Company recorded a net impairment loss of \$86.3 million related to the Citarum Production Sharing Contract ("PSC") in Indonesia 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. In the third quarter of 2013 the Company incurred additional capital costs associated with the Cataka-1A well which was drilling until the end of July, resulting in an additional impairment loss of \$4.0 million. The impairment loss was the result of the Company's decision to discontinue the drilling program and initiate a process to farm-out the PSC. The carrying value of the E&E assets after the impairment loss is nil.

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Indonesia – South CPP PSC

In the second quarter the Company recorded an impairment loss of \$13.3 million on its E&E assets related to the South CPP PSC in Indonesia comprised of a \$10.5 million impairment loss recognized on E&E assets and an accrual of \$2.8 million for relinquishment costs. In the third quarter of 2013 the Company reclassified a foreign exchange loss from accumulated other comprehensive income resulting in an additional impairment loss of \$0.6 million. The impairment loss was recognized as the Company has decided to relinquish the South CPP PSC. The carrying value of the E&E assets after the impairment loss is nil.

7) DECOMMISSIONING PROVISION

(\$000s)	Nine Months Ended September 30	
	2013	2012
Decommissioning provision, beginning of period	2,192	11,759
Obligations incurred	1,448	612
Revisions to obligations	(207)	236
Obligations settled	(107)	-
Disposition of Thailand interests	-	(10,763)
Accretion	53	154
Foreign currency translation	(15)	46
Decommissioning provision, end of period	3,364	2,044

Estimated costs have been discounted at the risk-free interest rate in the jurisdiction of the expenditure which averaged 2% at September 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%. In the second quarter of 2013 the Company revised the royalty provision to nil based on the impairment loss recognized on the Citarum PSC (note 6).

(\$000s)	Nine Months Ended September 30	
	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	-	-

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(Unaudited)

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 September 30, 2013	56,760,307	117,656

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
Forfeited	(643,000)	4.74
Balance as at September 30, 2013	4,705,167	4.59
Exercisable at September 30, 2013	3,862,669	4.87

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 September 30, 2013 and 2012 are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Risk free interest rate (%)	-	1	1	1
Expected lives (years)	-	5	5	5
Expected volatility (%)	-	70	68	69
Dividend per share (%)	-	-	-	-
Forfeiture rate (%)	-	10	10	10
Weighted average fair value	-	\$ 1.59	\$ 2.36	\$ 1.61

d) Andora Energy Corporation

i) Issued and Outstanding Class A Common Shares

As at September 30, 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%).

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ii) Options to Purchase Common Shares of Andora

	Number	Weighted Average Exercise Price
Balance, as at December 31, 2012 and September 30, 2013	10,000,000	\$ 0.60
Exercisable at September 30, 2013	7,106,607	\$ 0.60

e) Net Income per Share Attributable to Common Shareholders

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Weighted average basic shares outstanding	56,760,307	56,717,230	56,756,351	56,695,948
Dilutive effect of stock options	-	-	-	9,517
Weighted average diluted	56,760,307	56,717,230	56,756,351	56,705,465

Options to purchase 4,705,167 common shares for the nine months ended September 30, 2013 (September 30, 2012 – 3,681,500) were not included in the computation of weighted average diluted common shares because they were anti-dilutive.

10) TAXES

The Company is required to pay both Special Remuneratory Benefit (“SRB”) and income tax in Thailand. Income tax in Thailand is calculated at 50% (2012 – 50%) on petroleum income and 20% (2012 – 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 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 periods ended September 30, 2013 and 2012.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Balance, beginning of period	1	2	3	3,712
Income tax – current period	1	4	2	3,408
Taxes paid	(1)	-	(4)	(3,750)
Tax liability disposed on sale of Thailand interests	-	-	-	(3,711)
Foreign currency translation	-	-	-	347
Balance, end of period	1	6	1	6

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Balance, beginning of period	(1,937)	16,091	14,718	-
Income tax – current period	(100)	(516)	(2,037)	15,575
Taxes paid	-	-	(14,718)	-
Taxes recovered	1,071	-	1,071	-
Balance, end of period	(966)	15,575	(966)	15,575

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

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

	As at September 30, 2013		As at September 30, 2012	
	Thai baht (000s of Thai baht)	USD (\$000s)	Thai baht (000s of Thai baht)	USD (\$000s)
Cash and cash equivalents	93,817	2,296	72,512	17,070
Accounts receivable	149,509	4,822	182,773	4,736
Deposits	32,950	1,873	20,000	3,173
Accounts payable	(148,461)	(14,932)	(60,562)	(6,671)
Taxes payable	(20)	-	(175)	-
Net exposure in functional currency	127,795	(5,941)	214,548	18,308
Net exposure in Canadian dollars ⁽¹⁾ (\$000s)	4,247	(6,140)	6,476	18,941

(1) Translated at September 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 or deemed disposition of the foreign operation.

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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 nine months ended September 30:

(\$000s)	Three Months Ended		Nine Months Ended	
	September 30 2013	2012	September 30 2013	2012
Petroleum revenue				
Thailand	7,397	7,808	23,316	45,964
Indonesia	-	-	-	-
Canada	-	-	-	-
Total	7,397	7,808	23,316	45,964
Current income tax (recovery) expense				
Thailand	1	4	2	3,408
Indonesia	-	-	-	-
Canada	(100)	(516)	(2,037)	15,575
Total	(99)	(512)	(2,035)	18,983
Depletion and depreciation				
Thailand	3,148	2,312	9,988	8,950
Indonesia	12	(3)	34	20
Canada	35	26	115	87
Total	3,195	2,335	10,137	9,057
Net income (loss) attributable to common shareholders				
Thailand	2,503	1,459	4,116	13,269
Indonesia ⁽¹⁾	(5,165)	(269)	(104,919)	(435)
Canada	(447)	(2,816)	358	72,949
Total	(3,109)	(1,626)	(100,445)	85,783
Capital expenditures ⁽²⁾				
Thailand	5,506	3,961	38,444	30,730
Indonesia	13,208	7,975	48,265	26,483
Canada ⁽³⁾	(1,065)	85	3,427	259
Total	17,649	12,021	90,136	57,472

(1) Includes \$99.6 million impairment loss in the second quarter of 2013 and \$4.6 million impairment loss in the third quarter of 2013 on the Company's Indonesia assets (note 6).

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

(3) In the third quarter of 2013 Andora incurred \$3.0 million of capital expenditures offset by a \$4.1 million recovery from its joint venture partners when they elected to participate in the Sawn Lake Steam Assisted Gravity Drainage Demonstration Project.

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13) COMMITMENTS

As at September 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)	CDN ⁽¹⁾ (\$000s)
Thailand Concessions				
L53/48	<ul style="list-style-type: none"> ▪ Study and training fund ▪ Geological studies ▪ Study and training fund 	<ul style="list-style-type: none"> January 2014 January 2016 January 2016 	<ul style="list-style-type: none"> 17 10 90 	<ul style="list-style-type: none"> 18 10 93
L45/50 ⁽²⁾	<ul style="list-style-type: none"> ▪ Drill one exploration well (20%) 	<ul style="list-style-type: none"> April 2014 	<ul style="list-style-type: none"> 160 	<ul style="list-style-type: none"> 166
Total Thailand			277	287
Indonesia PSCs⁽³⁾				
Citarum ⁽⁴⁾⁽⁵⁾	<ul style="list-style-type: none"> ▪ See footnote 5 	-	-	-
Batu Gajah ⁽⁴⁾	<ul style="list-style-type: none"> ▪ Commitments to date have been completed 	-	-	-
South CPP ⁽⁴⁾⁽⁶⁾	<ul style="list-style-type: none"> ▪ Unfulfilled commitments have been accrued as relinquishment costs 	-	-	-
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 2014 November 2014 November 2014 November 2014 November 2014 	<ul style="list-style-type: none"> 29 5,167 5,255 75 3,000 	<ul style="list-style-type: none"> 30 5,330 5,420 77 3,095
Total Indonesia			13,526	13,952
Canadian Heavy Oil Sands – Andora Energy Corporation				
Sawn Lake, Alberta	<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"> December 2013 Over 5 years effective November 2013 	<ul style="list-style-type: none"> 1,389 438 	<ul style="list-style-type: none"> 1,429 450
Total Canada			1,827	1,879
			15,630	16,118

(1) Translated at September 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 September 30, 2013. Under the Farm-in Agreement Pan

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(Unaudited)

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.*
- (6) The Company has decided to relinquish the South CPP PSC. As part of the relinquishment the Company will be paying the GOI for the unfulfilled commitments. The Company has accrued CDN \$2.8 million as at September 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.*

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) CONTINGENCIES

The Company has significant international operations and subsidiaries incorporated outside of Canada. The international operations and earnings of the Company and its affiliates have been, and may in the future be, affected from time to time in varying degree by political developments and laws and regulations, such as forced divestiture of assets; restrictions on production, imports and exports; price controls; tax increases and retroactive tax claims; expropriation of property; cancellation of contract rights and environmental regulations. Both the likelihood of such occurrences and their overall effect upon the Corporation vary greatly from country to country and are not predictable.

In July 2013 the Tax Directorate General of Indonesia assessed several oil and gas companies operating in Indonesia for Land and Building Tax using a new framework which is being challenged by the impacted oil and gas companies in Indonesia. Pan Orient was issued a tax payable notification for \$7.1 million, has filed an objection letter and this amount is not recorded in the condensed interim consolidated financial statements pending the outcome of the objection filed.