PAN ORIENT ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

March 27, 2013

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of the operating and financial results of Pan Orient Energy Corp. is prepared effective March 27, 2013 and should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2012 and December 31, 2011. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Pan Orient Energy Corp. ("Pan Orient" or the "Company") is an oil and natural gas company based in Calgary, Alberta, with properties onshore Thailand, onshore Indonesia and in northern Alberta, Canada.

All amounts are in Canadian dollars unless otherwise stated and represent the net amount to Pan Orient's interests unless otherwise stated. BOPD refers to barrels of oil per day net to Pan Orient.

Forward-Looking Statements

The MD&A contains forward-looking information within the meaning of securities laws. Forward-looking statements and information concerning anticipated financial performance are based on management's assumptions using information currently available. Material factors or assumptions used to develop forward-looking information include potential business prospects, growth strategies, the ability to add production and reserves through development and exploration activities, projected capital costs, government legislation, well performance, the ability to market production, the commodity price environment and quality differentials and exchange rates. Although management considers its assumptions to be reasonable based on these factors, they may prove to be incorrect.

Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "assume", "believe", "estimate", "expect", "forecast", "guidance", "may", "plan", "predict", "project", "should", "will", or similar words suggesting future outcomes. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to reserves, future production volumes, royalty and tax obligations, production expenses, general and administrative expenses, future income taxes, and future exploration and development activities and the related expenditures.

The Company provides forward-looking information with respect to reservoir and resource estimates related to Thailand and Canada and estimated costs associated with work commitments in Thailand and Indonesia. Reserve and resource estimates are prepared by independent reservoir engineers and there are numerous uncertainties inherent in estimating quantities of oil and the cash flows to be derived therefrom. In general, estimates of economically recoverable volumes and the associated future net cash flows are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of commodities, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. All such estimates are to some degree speculative, and classifications of reserve and resource volumes are only attempts to define the degree of speculation involved. The Company's actual production, revenues and development and operating expenditures with respect to its reserve and resource estimates will vary from estimates thereof and such variations could be material. The Company's estimated commitments are based on internally-prepared budgets and, in the case where a tender process has been completed, actual contracted amounts. The estimated expenditures as provided by management will vary from the actual amounts required to carry out these commitments, and the difference may be significant.

Because forward-looking information addresses future events and conditions, it involves risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking information. These risks and uncertainties include, but are not limited to: commodity price volatility; well performance and marketability of production; transportation and refining availability and costs; exploration and development costs; the recoverability of estimated reserve and resource volumes; the Company's ability to add reserves through development and exploration activities; fluctuations in currency exchange rates; and changes in government legislation and regulations, including royalty and tax laws.

The forward-looking statements contained herein are as of March 27, 2013 and are subject to change after this date. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive and as such undue reliance should not be placed on forward-looking statements. Except as required by applicable securities laws, with the exception of events or circumstances that occurred during the period to which the MD&A relates that are reasonably likely to cause actual results to differ materially from material forward-looking information that was previously disclosed to the public, the Company disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Non-IFRS Measures

Management uses and reports certain non-IFRS measures in the evaluation of operating and financial performance. Unless identified as a non-IFRS measure in this section all amounts presented in this MD&A are calculated in accordance with IFRS.

Funds flow from operations (ñfunds flowò), which represents cash flow from operating activities prior to changes in non-cash working capital and reclamation costs and after income tax paid, is used by the Company to evaluate operating performance, leverage and liquidity. The following table reconciles funds flow from operations to cash flow from operating activities which is the most directly comparable measure calculated in accordance with IFRS:

	Three Months Ended December 31		Year Ended December 31	
($thousands)	2012	2011	2012	2011
Cash flow from operating activities	**5,954**	10,284	**34,323**	39,791
Current tax expense	**-**	(4,081)	**(3,408)**	(6,050)
Add back changes in non-cash working capital	**(121)**	853	**150**	(2,268)
Add back taxes paid	**4**	5	**3,754**	14,397
Funds flow from operations	**5,837**	7,061	**34,819**	45,870

Funds flow from operations, funds flow from operations per barrel and funds flow from operations per share (basic and diluted) do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Funds flow is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. All references to funds flow throughout this MD&A are based on funds flow from operations before changes in non-cash working capital and reclamation costs.

Petroleum and Natural Gas Properties

The Companyõs principal properties are divided into three distinct groups: 1) partially developed concessions located on-shore Thailand; 2) undeveloped interests in Indonesia; and 3) undeveloped Canadian oil sands leases. Pan Orient is continually pursuing other oil and natural gas exploration acreage in Asia.

Thailand

At January 1, 2012 the Company had operated working interests in four concessions in Thailand: Concession 44/43 (ñL44ò); Concession SW1 (ñSW1ò); Concession 33/43 (ñL33ò); and Concession 53/48 (ñL53ò). Concessions SW1, L44 and L33 are located approximately 240 kilometers north of Bangkok and Concession L53 is located approximately 60 kilometers west of Bangkok. All of Pan Orientõs production in Thailand is crude oil and is sold to a refinery near Bangkok owned by the Thai National Oil Company. Pan Orient was the operator of all four concessions in Thailand.

On June 15, 2012 Pan Orient completed the sale of subsidiaries which held Pan Orient's 60% interests in Thailand Concessions L44, L33 and SW1.

Pan Orient has retained its operated 100% interest in Concession L53/48 in onshore Thailand. Concession L53/48 in Thailand consists of 1,959 square kilometers of lands of which 14 square kilometers associated with the L53-A and L53-D fields are held through production licenses (with a 20 year primary term plus an additional 10 year renewal period that can be applied for) and 1,945 square kilometers of exploration lands. The original term of the exploration lands ended on January 7, 2013 and the Company has renewed the exploration period for a further three years to January 7, 2016. The renewal included a relinquishment of 25% of Concession lands and new commitments including a 3D seismic survey and three exploration wells with a stated commitment of US$2.6 million.

Proved plus probable reserves, as evaluated by independent reservoir engineers, as at December 31, 2012 assigned to the Thailand Concession L53 was 1.1 million barrels net to Pan Orient. Of this, 0.6 million barrels (53%) were allocated to sandstone L53A oilfield and 0.5 million barrels (47%) to East sandstone L53D oilfield. Note that for the determination of crude oil reserves at December 31, 2012, no reserves were assigned to the new oilfield discovery with the L53-DC1 appraisal well in Concession L53 which started drilling on January 7, 2013 and is currently being tested.

During 2012 Pan Orient drilled two wells in Concession L53 (being the L53-DST3 well and the L53-G well), plus continued work on the L53-D2 well spudded in December 2011 which has included three sidetracks. The L53-DST3 well is a producing oil well (average of 247 BOPD in 2012), the L53-D2ST3 well is a producing oil well (average of 179 BOPD in 2012) and the L53-G tested oil at sub-commercial rates and has been converted to a water disposal well. In addition, a 3D seismic survey has been completed over the unexplored northeast portion of Concession L53 and initial interpretation of the preliminary processing has confirmed the presence of the prospect which had been identified on the old vintage, sparsely spaced 2D seismic data.

In the fourth quarter of 2012 Pan Orient entered into a farm-in agreement whereby Pan Orient will become operator and is committed to earn an initial 20% interest in Concession L45/50 in Thailand through the completion of a minimum of 50 square kilometer 3D seismic program. Up to a further 40% interest in the Concession can be earned through the farm-in agreement with the drilling of up to two exploration wells at the election of Pan Orient by December 26, 2013. Based on the earning by Pan Orient of the initial 20% interest, Pan Orient has commitments to pay 100% of the cost of the seismic program plus an additional $310,000 for a 20% share of other commitments as set in the Concession Agreement for L45/50 with one well and geological studies. A 20% interest in Concession L45/50 represents 398 net square kilometers of exploration lands for which the original exploration term expires in April 2014, and at that time a renewal period of up to three years may be applied for.

Indonesia

The Company has working interests in the Citarum PSC located onshore west Java, the Batu Gajah PSC located onshore south Sumatra, the South CPP PSC located onshore south central Sumatra and the East Jabung PSC located on and offshore south Sumatra, with working interests as at December 31, 2012 as follows:

	Citarum	**Batu Gajah**	**South CPP**	**East Jabung**
Pan Orient working interest	97%	77%	77%	100%
Third party carried interest	3%	23%	23%	-
Total	100%	100%	100%	100%

Amounts recorded in the financial statements for capital expenditures and work commitments related to these PSCs include the amount paid by Pan Orient on behalf of the carried interest partners. If commercial production is established for a PSC, the amounts previously paid by Pan Orient on behalf of the carried interest partners will be recoverable through the partner's share of crude oil or natural gas produced from that PSC.

At the Batu Gajah PSC, Pan Orient commenced the exploration drilling program in late March 2011. The Tuba Obi Utara-1 (NTO-1) exploration well drilled in the first half of 2011 encountered 10.5 feet of gas pay within good-quality sand near the top of the Lower Talang Akar formation (“LTAF”). The follow-up NTO-1ST side track well encountered the same LTAF gas sand formation identified at the NTO-1 well, but of lower reservoir quality. Initial drilling results at North Tuba Obi are encouraging with proven gas in the LTAF and oil shows in the Upper Talang Akar sand. The first Appraisal of the North Tuba Obi gas discovery, Buana-1 (formerly referred to as NTO-2) is being drilled in 2013 to target natural gas in the LTAF and oil in the overlying Upper Talang Akar and Air Benakat sandstone zones. The SE Tiung-1 exploration well drilled in mid-2011 encountered oil shows and good quality sands within the primary Lower Talang Akar target horizon but wire line logging indicated the zone to be water bearing. The secondary objective of the Gumai and Upper Talang Akar formation sands were also present, but interpreted as being water bearing.

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 PSC's 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. The 2013 capital program includes the Shinta-1 exploration well and the Buana-1 appraisal well. The Kemala-1 exploration well initially planned for 2013 has been deferred to 2014. The contract for a 400 square kilometer 3D seismic survey has been awarded and acquisition is anticipated to commence in mid-2013.

At the Citarum PSC, the Cataka-1 exploration well commenced drilling on December 31, 2011 and was junked and abandoned due to severe drilling difficulties. The Cataka prospect is being re-drilled with the Cataka-1A well. The Jatayu-1 exploration well commenced drilling in March 2012 and was suspended in September due to drilling difficulties. Drilling recommenced in December utilizing slim hole drilling equipment. A severe overpressure gas zone encountered created an unacceptable level of well control risk and formation water present in gas zone suggested no commercial potential resulting in the well being abandoned. . The Geulis-1 exploration well was drilled from early October to early November and the results indicated that the Geulis prospect is not deemed commercially viable on a stand-alone basis but may be commercially viable as part of a larger development should exploration success be achieved at the Cataka or Jatayu prospects. The well has been abandoned. . The Cataka-1A well spudded in early December and the well was drilled and cased to a depth of 1,692 feet before well suspended in January 2013 due to numerous issues encountered relative to the operation of the drilling rig. The Chief Operating Officer, based in Jakarta, Indonesia, who joined Pan Orient in January 2013, has implemented a number of initiatives with regard to drilling personnel, equipment, contractors and well design for the re-entry of the Cataka-1A well to recommence drilling by early June.

In October 2012 the Company entered into an agreement to purchase a 20% participating interest from its partner in the Citarum Production Sharing Contract (“PSC”) for consideration of: 1) the responsibility of all of the partner's work program obligations in the PSC effective from July 13, 2012, and 2) the payment of a future royalty of $10 million USD on the first of any potential future hydrocarbon discovery made within the Citarum PSC and an additional $6 million USD on the second of any future hydrocarbon discovery. The Company's interest in the Citarum PSC now stands at 97%.

At the South CPP PSC, preparations are underway for a 200 kilometer 2D seismic program in 2013.

On November 20, 2011 the Company was granted the 6,228 square kilometer East Jabung PSC located on and offshore south Sumatra, obtaining operatorship and a 100% working interest. The PSCõs firm three year exploration commitment includes two wells and 2D seismic acquisition and processing for approximately $9.8 million based on estimated costs for the capital program.

There were no reserves assigned to any of the Indonesia PSCs at December 31, 2012.

Canada

Andora Energy Corporation, a private oil company in which Pan Orient has 71.8% ownership, has an oil sands project in the Sawn Lake area of Northern Alberta. Andora received Commercial Scheme Approval for a Steam Assisted Gravity Drainage (SAGD) demonstration project under the Oil Sands Conservation Act from the Energy Resources Conservation Board (ERCB) and approval from the Government of Alberta under the Environmental Protection and Enhancement Act (EPEA) in 2009. The pilot project location is on Andora 50% owned acreage within the Central Block of its Sawn Lake Property in the Peace River Oil Sands Region.

The oil sands project at Sawn Lake Alberta as at December 31, 2012 was evaluated by Sproule Unconventional Limited. (ôSprouleö). The contingent resource volumes estimated in the Sproule report are considered contingent until such time as commercial recovery has been demonstrated, regulatory approvals for commercial SAGD development have been obtained and the company has a firm commercial development plan and funding for the commercial development. The report assigned Sawn Lake ôBest Caseö contingent resources of 154.0 million barrels attributed to the 71.8% ownership interest of Pan Orient in Andora.

In July 2012 Andora acquired a private company which provides Andora with proprietary thermal facility design / process capabilities and expands the Andora team with thermal facility design and operating specialists. This acquisition was through the issuance of one million common shares of Andora.

On August 10, 2012 Pan Orient increased its ownership of Andora Energy Corporation ("Andora") from 52.5% to 71.8% through an additional $24.7 million investment in Andora pursuant to a rights offering by Andora. Proceeds from the rights offering will be used by Andora for the procurement and construction of a thermal facility, drilling of one horizontal well pair, and operations in respect of its Sawn Lake Steam Assisted Gravity Drainage (ôSAGDö) development project at an estimated cost, including operating costs, of $23.5 million.

Summarized financial information with respect to Andora is as follows:

	As at and for the Three Months Ended December 31		As at and for the Year Ended December 31	
($thousands)	2012	2011	2012	2011
Total assets	**83,557**	58,141	**83,557**	58,141
Total liabilities	**6,627**	6,735	**6,627**	6,735
Funds flow from operations	**(121)**	(125)	**(415)**	(401)
Net loss	**(189)**	(116)	**(1,213)**	(633)

Financial & Operating Summary	Three Months Ended December 31,		Twelve Months Ended December 31,		
(thousands of Canadian dollars except where indicated)	**2012**	2011	**2012**	2011	Change
FINANCIAL					
Oil revenue, before royalties and transportation expense	9,198	17,523	55,162	72,576	-24%
Funds flow from operations (Note 1)	5,837	7,061	34,819	45,870	-24%
Per share ï basic and diluted	$ 0.10	$ 0.12	$ 0.61	$ 0.83	-26%
Funds flow from operations by region (Note 1)					
Canada	(324)	(301)	(3,334)	(686)	386%
Thailand	6,308	7,708	38,705	47,184	-18%
Indonesia	(147)	(346)	(552)	(628)	-12%
Total	5,837	7,061	34,819	45,870	-24%
Funds flow ï Thailand disposition net proceeds (Note 2)	785	-	159,290	-	
Net income attributed to common shareholders	859	11,573	86,642	23,991	261%
Per share ï basic and diluted	$ 0.02	$ 0.21	$ 1.53	$ 0.43	253%
Working capital	114,210	48,651	114,210	48,651	135%
Working capital and non-current deposits	116,376	51,632	116,376	51,632	125%
Long-term debt	-	-	-	-	
Petroleum and natural gas properties					
Capital expenditures (Note 3)	20,539	13,065	78,011	70,896	10%
Dispositions	-	(308)	-	(308)	
Acquisitions ï Indonesia (Note 4)	5,729	-	5,729	1,761	
Acquisitions ï Sawn Lake, Canada (Note 7)	-	(3,192)	-	-	
Shares outstanding (thousands)	56,720	56,685	56,720	56,685	0%
Funds Flow from Operations per Barrel (Note 1)					
Canada operations	$ (3.42)	$(1.79)	$ (6.37)	$ (0.93)	588%
Thailand operations	66.66	45.87	73.97	63.69	16%
Indonesia operations	(1.55)	(2.06)	(1.05)	(0.85)	24%
Total	$ 61.69	$ 42.02	$ 66.55	$ 61.90	7%
Capital Expenditures (Note 3)					
Canada	316	142	575	378	52%
Thailand	6,677	10,230	37,407	48,299	-23%
Indonesia	13,546	2,693	40,029	22,219	80%
Total	20,539	13,065	78,011	70,896	10%
Working Capital and Non-current Deposits					
Working capital and non-current deposits ï beginning of period	134,061	58,016	51,632	31,396	64%
Funds flow from operations (Note 1)	5,837	7,061	34,819	45,870	-24%
Thailand disposition net proceeds (Note 2)	785	-	159,290	-	
Thailand disposition ï sale of working capital (Note 2)	-	-	(4,591)	-	
Capital expenditures (Note 3)	(20,539)	(13,065)	(78,011)	(70,896)	10%
Special dividend	-	-	(42,540)	-	
Acquisitions ï Indonesia (Note 5)	(3,552)	-	(3,552)	(1,417)	
Foreign exchange impact on working capital	(335)	(380)	(790)	(937)	-16%
Net proceeds on share transactions	119	-	119	47,616	-100%
Working capital and non-current deposits ï end of period	116,376	51,632	116,376	51,632	125%
Canada Operations (excluding Thailand disposition)					
Interest income	349	93	845	362	134%
General and administrative expense (Note 6)	(832)	(347)	(2,766)	(810)	241%
Realized foreign exchange gain (loss)	159	(47)	(1,413)	(238)	495%
Funds flow from operations (Note 1)	(324)	(301)	(3,334)	(686)	386%
Funds flow from operations per barrel					
Interest income	$ 3.69	$ 0.55	$ 1.61	$ 0.49	231%
General and administrative expense (Note 6)	(8.79)	(2.07)	(5.29)	(1.09)	383%
Realized foreign exchange gain (loss)	1.68	(0.28)	(2.70)	(0.32)	742%
	$ (3.42)	$ (1.79)	$ (6.37)	$ (0.93)	588%
Indonesia Operations					
General and administrative expense (Note 6)	(147)	(163)	(552)	(445)	24%
Foreign new ventures expenditures	-	(183)	-	(183)	-100%
	(147)	(346)	(552)	(628)	-12%
Wells drilled					
Gross	2	1	3	3	0%
Net	1.6	0.8	2.4	2.8	-14%

(thousands of Canadian dollars except where indicated)	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011	Twelve Months Ended December 31, 2012	Twelve Months Ended December 31, 2011	Change
Thailand Operations (Note 2)					
Oil sales (bbls)	**94,624**	168,022	**523,259**	740,889	-29%
Average daily oil sales (BOPD) by Concession					
L44 (interests sold June 15, 2012)	**-**	1,162	**388**	1,282	-70%
SW1 (interests sold June 15, 2012)	**-**	200	**86**	156	-45%
L33 (interests sold June 15, 2012)	**-**	69	**19**	137	-86%
L53	**1,029**	396	**937**	454	106%
Total	**1,029**	1,826	**1,430**	2,030	-30%
Average oil sales price, before transportation (CDN$/bbl)	**$ 97.21**	$ 104.29	**$ 105.42**	$ 97.96	8%
Reference Price (volume weighted) and differential					
Crude oil (Brent $US/bbl)	**$ 110.07**	$ 109.29	**$ 114.07**	$ 111.35	2%
Exchange Rate $US/$Cdn	**1.01**	1.03	**1.01**	1.00	2%
Crude oil (Brent $Cdn/bbl)	**$ 110.80**	$ 112.30	**$ 115.57**	$ 110.99	4%
Sale price / Brent reference price	**88%**	93%	**91%**	88%	3.0%
Funds flow from operations (Note 1)					
Crude oil sales	**9,198**	17,523	**55,162**	72,576	-24%
Government royalty	**(452)**	(874)	**(2,734)**	(3,651)	-25%
Other royalty	**-**	(60)	**(49)**	(196)	-75%
Transportation expense	**(135)**	(409)	**(931)**	(1,683)	-45%
Operating expense	**(1,750)**	(2,900)	**(6,994)**	(9,748)	-28%
Field netback	**6,861**	13,280	**44,454**	57,298	-22%
General and administrative expense (Note 6)	**(574)**	(1,516)	**(2,405)**	(4,153)	-42%
Interest income	**21**	25	**64**	89	-28%
Special Remuneratory Benefit tax (SRB)	**-**	-	**-**	-	
Current income tax	**-**	(4,081)	**(3,408)**	(6,050)	-44%
Funds flow from operations	**6,308**	7,708	**38,705**	47,184	-18%
Funds flow from operations / barrel (CDN$/bbl) (Note 1)					
Crude oil sales	**$ 97.21**	$ 104.29	**$ 105.42**	$ 97.96	8%
Government royalty	**(4.78)**	(5.20)	**(5.22)**	(4.93)	6%
Other royalty	**-**	(0.36)	**(0.09)**	(0.26)	-65%
Transportation expense	**(1.43)**	(2.43)	**(1.78)**	(2.27)	-22%
Operating expense	**(18.49)**	(17.26)	**(13.37)**	(13.16)	2%
	72.51	79.04	**84.96**	77.34	10%
General and administrative expense (Note 6)	**(6.07)**	(9.02)	**(4.60)**	(5.61)	-18%
Interest income	**0.22**	0.15	**0.12**	0.12	1%
Special Remuneratory Benefit (SRB)	**-**	-	**-**	-	
Current income tax	**-**	(24.29)	**(6.51)**	(8.17)	-20%
Thailand ï Funds flow from operations	**$ 66.66**	$ 45.87	**$ 73.97**	$ 63.69	16%
Government royalty as percentage of crude oil sales	**5%**	5%	**5%**	5%	0%
SRB as percentage of crude oil sales	**0%**	0%	**0%**	0%	0%
Income tax as percentage of crude oil sales	**0%**	23%	**6%**	8%	-2%
As percentage of crude oil sales					
Expenses ï transportation, operating, G&A and other	**27%**	28%	**19 %**	22%	-3%
Government royalty, SRB and income tax	**5%**	28%	**11 %**	13%	-2%
Funds flow from operations, before interest income	**68%**	44%	**70%**	65%	5%
Wells drilled					
Gross	**-**	8	**7**	28	-75%
Net	**-**	5.2	**5.0**	19.2	-74%

(thousands of Canadian dollars except where indicated)	Year Ended December 31, **2012**	2011	Change
RESERVES AND CONTINGENT RESOURCES			
Onshore Thailand			
Reserves at December 31, 2012 assigned to Concession L53/48 where Pan Orient is the operator with a 100% interest.			
Reserves at December 31, 2011 assigned to Concessions L44/43, L33/43 and SW1 where Pan Orient was the operator with a 60% interest, and Concession L53/48 where Pan Orient was the operator with a 100% interest). Interests in Concessions L44/43, L33/43 and SW1 were sold June 15, 2012 (Note 2)	**(Note 8)**	(Note 9)	
Proved oil reserves (thousands of barrels)	**405**	5,993	-93%
Proved plus probable oil reserves (thousands of barrels)	**1,087**	18,998	-94%
Net present value of proved + probable reserves, after tax discounted at 10%	**41,494**	349,000	-88%
Per Pan Orient share ï basic (Note 10)	**$ 0.73**	$ 6.15	-88%
Net present value of proved + probable reserves, after tax discounted at 15%	**40,060**	283,000	-86%
Per Pan Orient share ï basic (Note 10)	**$ 0.71**	$ 4.99	-86%
Canada (Pan Orientõs share of the oil sands leases of Andora at Sawn Lake, Alberta)	**(Note 11)**	(Note 12)	
Contingent Oil Resources ï Best Estimate ñ2Cò (thousands of barrels)	**154,000**	114,400	35%
Net Present value, before tax discounted at 10%	**351,000**	327,000	7%
Per Pan Orient share ï basic (Note 10)	**$ 6.18**	$ 5.77	7%
Net present value, before tax discounted at 15%	**93,000**	103,000	-10%
Per Pan Orient share ï basic (Note 10)	**$ 1.64**	$ 1.82	-10%

INTERNATIONAL INTERESTS AT DECEMBER 31, 2012

All amounts reflect Pan Orient's interest	Status	Net Square Kilometers	December 31, 2012 Financial Commitments (CDN thousands)		2012 Avg. Production (BOPD)	P+P Reserves (Mstb)
Onshore Thailand Concessions						
SW1A (60% working interest & operator) (Note 2)	Sold June 2012	-	-		86	-
L44/43 (60% working interest & operator) (Note 2)	Sold June 2012	-	-		388	-
L33/43 (60% working interest & operator) (Note 2)	Sold June 2012	-	-		19	-
L53/48 (100% working interest & operator) (Note 13)	Partially developed	1,959	2,643	to January 2016	937	1,087
L45/50 (farm-in with earning initial 20% for seismic program and the potential for an additional 40% through the drilling of two wells at the option of Pan Orient) (Note 14)	Undeveloped	398	2,988	to April 2014	-	-
		2,357	5,631		1,430	1,087
Onshore Indonesia PSCõs						
Citarum PSC, West Java (97% working interest & operator) (Note 15)	Undeveloped	861	11,366	To October 2013		
Batu Gajah PSC, South Sumatra (77% working interest & operator) (Note 15 & 16)	Undeveloped	1,942	18,991	To January 2014		
CPP South PSC, Central Sumatra (77% working interest & operator) (Note 15)	Undeveloped	2,058	4,172	to November 2013		
Onshore & Offshore Indonesia PSC						
East Jabung PSC, South Sumatra (100% working interest & operator) (Note 15)	Undeveloped	6,228	9,838	to November 2014		
		11,089	44,367			
Consolidated Total		13,446	49,998			

(1) Funds flow from operations ("funds flow" before changes in non-cash working capital and reclamation costs) is used by management to analyze operating performance and leverage. Funds flow as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures of other entities. Funds flow is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS.

(2) Thailand Concessions SW1, L44 and L33 were sold on June 15, 2012. Proceeds of $185.3 million less transaction costs of $11.3 million and estimated tax of $14.7 million results in proceeds net of expenses of $159.3 million. After deducting $79.6 million related to the carrying value of petroleum and equipment, exploration and evaluation costs, and working capital sold (including the elimination of the associated deferred tax liabilities, employee pension liabilities, and decommissioning provision). The net after tax gain on sale is $79.7 million. The 2012 financial statements and operating results include revenue, expenses and capital expenditures associated with these properties to June 14, 2012.

(3) Cost of capital expenditures, excluding any decommissioning provision and excluding the impact of changes in foreign exchange rates.

(4) Cost of acquisitions, including deemed value of equity issued in the 2011 transaction for acquisition of Indonesia's interests and the provision for the long term accrued liabilities of future payments contingent upon the delivery of petroleum from a commercial development of hydrocarbon from discoveries related to the 2012 acquisition.

(5) Cost of acquisitions, excluding deemed value of equity issued in the 2011 transaction for acquisition of Indonesia's interests and the provision for the long term accrued liabilities of future payments contingent upon the delivery of petroleum from a commercial development of hydrocarbon from discoveries related to the 2012 acquisition.

(6) General & administrative expenses, excluding non-cash accretion on decommissioning provision.

(7) The acquisition transaction by Andora was reversed in the fourth quarter of 2011 pursuant to the terms of the agreement.

(8) Thailand reserves as at December 31, 2012 as evaluated by Sproule International Limited of Calgary assessed at forecast crude oil reference prices and costs. The US$ reference price for crude oil per barrel (US$ UK Brent per barrel) in the evaluation is $106.42 for 2013, $101.65 for 2014, $97.56 for 2015, $105.07 for 2016, $106.65 for 2017, $108.25 for 2018 and prices increase at 1.5% per year thereafter. The engineered values disclosed may not represent fair market value.

(9) Thailand reserves as at December 31, 2011 as evaluated by Gaffney Cline & Associates (Consultants) Pte. Ltd. of Singapore assessed at forecast crude oil reference prices and costs. The reference price for crude oil per barrel (US$ Brent per barrel) in the evaluation is $105.61 for 2012, $101.36 for 2013, $97.23 for 2014, $97.41 for 2015, $101.42 for 2016, $103.37 for 2017 and prices increase at 2.0% per year thereafter. The engineered values disclosed may not represent fair market value.

(10) Per share values calculated based on 56,760,307 Pan Orient Shares outstanding at December 31, 2012 and 56,685,307 Pan Orient Shares outstanding at December 31, 2011.

(11) Pan Orient's 71.8% share as at December 31, 2012 of the resources of Andora, a private company as evaluated by Sproule Unconventional Limited assessed at forecast crude oil reference prices and costs. The reference price for crude oil per barrel (Western Canada Select WCS 20.5 API adjusted for quality and transportation in Canadian dollars) is $69.33 for 2013, $74.57 for 2014, $73.21 for 2015, $80.17 for 2016, $81.37 for 2017, and prices for the reference price (WCS) increase at 1.5% per year thereafter. Future capital expenditures for Pan Orient's 71.8% share estimated at $1,673 million. The engineered values disclosed may not represent fair market value and there is no certainty that it will be commercially viable to produce any portion of the resources.

(12) Pan Orient's 53.4% share as at December 31, 2011 of the resources of Andora, a private company as evaluated by Sproule Unconventional Limited assessed at forecast crude oil reference prices and costs. The reference price for crude oil per barrel (Western Canada Select WCS 20.5 API adjusted for quality and transportation in Canadian dollars) is $82.34 for 2012, $79.69 for 2013, $77.25 for 2014, $81.80 for 2015, $83.44 for 2016 and prices increasing at 2% thereafter. The engineered values disclosed may not represent fair market value and there is no certainty that it will be commercially viable to produce any portion of the resources.

(13) Concession L53/48 in Thailand consisted of 1,959 square kilometers of lands of which 14 square kilometers associated with the L53-A and L53-D fields are held through production licenses (with a 20 year primary term plus an additional 10 year renewal period that can be applied for) and 1,945 square kilometers of exploration lands. The original term of the exploration lands ended on January 7, 2013 and the Company has renewed the exploration period for a further three years to January 7, 2016. The renewal included a relinquishment of 25% of Concession lands and new commitments including a 3D seismic survey and three exploration wells with a stated commitment of US$2.6 million.

(14) Pan Orient has entered into a farm-in agreement whereby Pan Orient will become operator and is committed to earn an initial 20% interest in Concession L45/50 in Thailand through the completion of a minimum of 50 square kilometer 3D seismic program. Up to a further 40% interest in the Concession can be earned through the farm-in agreement with the drilling of up to two exploration wells at the election of Pan Orient by December 26, 2013. Based on the earning by Pan Orient of the initial 20% interest, Pan Orient has commitments to pay 100% of the cost of the seismic program plus an additional $310,000 for a 20% share of other commitments as set in the Concession Agreement for L45/50 with one well and geological studies. A 20% interest in Concession L45/50 represents 398 net square kilometers of exploration lands for which the original exploration term expires in April 2014, and at that time a renewal period of up to three years may be applied for.

(15) Share of commitments in Indonesia reflect amounts to be paid by Pan Orient, including carried interest partners (3% for Citarum, 23% Batu Gajah and 23% South CPP). Commitments for a Production Sharing Contract ("PSC") in Indonesia include the completion of a work program as well as the Company's estimated amount of the expenditure. Financial commitments as provided above represent the work program required under the initial 3-year firm commitment exploration period of the PSC. The work program commitment is based on the original contract and timing is subject to government approval. With respect to Citarum, Batu Gajah and South CPP PSC's, extension of this initial exploration period has been agreed to with the Government of Indonesia (GOI) to the dates indicated above. If Pan Orient exercises its options to continue beyond the initial 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.

(16) For the Batu Gajah PSC, an additional 1,730 square kilometers is relinquished January 16, 2013.

(17) Tables may not add due to rounding.

2012 RESULTS

- On June 15, 2012 Pan Orient completed the sale of Pan Orient's 60% interests in Thailand Concessions L44, L33 and SW1 for proceeds, net of estimated costs and income tax, of $159.3 million. The Company recorded an after tax gain of $79.7 million for this Thailand disposition transaction. As at December 31, 2012 there was $3.0 million held in escrow to support any warranty claims until December 15, 2013.

- On September 6, 2012 Pan Orient paid shareholders a special distribution of $42.5 million ($0.75 per share) associated with the June 15, 2012 sale of Thailand subsidiaries. The special distribution represented a return of capital to shareholders and additional tax information related to the special distribution is available on the Pan Orient website.

- Total corporate funds flow from operations in 2012 of $34.8 million ($0.61 per share), net proceeds from the Thailand disposition of $159.3 million ($2.81 per share) and net income attributable to common shareholders of $86.6 million ($1.53 per share). This compares with corporate funds flow from operations in 2011 of $45.9 million ($0.83 per share), and net income attributable to common shareholders of $24.0 million ($0.43 per share).

- Thailand oil sales in 2012 averaged 1,430 BOPD with 937 BOPD from Concession L53 and oil sales from Concessions L44, L33 and SW1 until their sale June 15, 2012 contributed 493 BOPD in average oil sales for 2012. Funds flow from operations in Thailand for 2012 were $38.7 million, or $73.97 per barrel.

- After the sale of the majority of Pan Orient's Thailand interests in June 2012 Pan Orient retained its operated 100% interest in Concession L53 in onshore Thailand which has oil production from conventional sandstone reservoirs and exploration acreage. In early 2013 the exploration period for Concession L53 was renewed until January 2016 with a relinquishment of 25% of Concession lands and new commitments including a 3D seismic survey and three exploration wells with a stated commitment of US$2.6 million.

  Average oil sales in 2012 for Concession L53 from the L53-A and L53-D fields of 937 BOPD contributed funds flow from operations after tax of $27.6 million (or $80.55 per barrel). Oil sales from Concession L53 were 1,029 BOPD in the fourth quarter of 2012. Oil sales averaged 824 BOPD in the first two months of 2013 due to downtime associated with workovers and declining oil production rates from the deeper "C" sandstone zones at the L53-DST3 well.

  Capital expenditures in 2012 for Concession L53 of $26.9 million included $12.3 million for drilling (the L53-G and L53-DST3 wells drilled in 2012 and the L53-D2 well which spudded in mid-December 2011), $4.9 million of equipment inventory, $4.6 million for workovers and water disposal facilities, $3.5 million for the 100 square kilometer 3D seismic program northeast of the previous 3D seismic coverage and $1.6 million in costs associated with the 2013 drilling program.

- In November 2012, the Company entered into an agreement for a farm-in at Thailand on-shore Concession L45/50 ("L45"), which is immediately west of Concession L53, whereby the Company will become the operator and will earn up to a 60% interest by the acquisition of a minimum of 50 square kilometers of 3D seismic data late in first quarter of 2013 following by the drilling of up to two exploration wells.

- Pan Orient conducted active exploration programs in Indonesia during 2012 with capital expenditures of $40.0 million relating to the Citarum, Batu Gajah, South CPP and East Jabung Production Sharing Contract ("PSC") areas.

- Capital expenditures of $35.9 million at the Citarum PSC were primarily focused on exploration drilling with $4.7 million for the Cataka-1 well, $18.8 million for the Jatayu-1 well, $4.9 million for the Geulis-1 well, $5.0 million for the Cataka-1A well, and $2.5 million for capitalized exploration overhead and other costs. Difficult drilling was experienced in 2012 in the complex fold belt environment of the Citarum PSC.

  - The Cataka-1 exploration well commenced drilling on December 31, 2011 and was junked and abandoned due to severe drilling difficulties. The Cataka prospect is being re-drilled with the Cataka-1A well.

  - The Jatayu-1 exploration well commenced drilling in March 2012 and was suspended in September due to drilling difficulties. Drilling recommenced in December utilizing slim hole drilling equipment. A severe overpressure gas zone encountered created an unacceptable level of well control risk and formation water present in gas zone suggested no commercial potential resulting in the well being abandoned.

  - The Geulis-1 exploration well was drilled from early October to early November and the results indicated that the Geulis prospect is not deemed commercially viable on a stand-alone basis but may be commercially viable as part of a larger development should exploration success be achieved at the Cataka or Jatayu prospects. The well has been abandoned.

  - The Cataka-1A well spudded in early December and the well was drilled and cased to a depth of 1,692 feet before the well was suspended in January 2013 due to numerous issues encountered relative to the operation of the drilling rig. The Chief Operating Officer, based in Jakarta, Indonesia, who joined Pan Orient in January 2013, has implemented a number of initiatives with regard to drilling personnel, equipment, contractors and well design for the re-entry of the Cataka-1A well to recommence drilling by early June.

- The Company entered into two agreements in October 2012 to adjust Indonesia PSC ownership interests in conjunction with drilling operations. The Company purchased an additional 20% participating interest in the Citarum PSC in consideration for assuming the partner's work program obligations effective July 2012 plus contingent future payments upon the delivery of petroleum from a commercial development of hydrocarbons from discoveries made within the Citarum PSC. The Company also completed the access agreements 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 Batu Gajah and South CPP PSC's 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 August 2012 Pan Orient increased its ownership of Andora Energy Corporation ("Andora") to 71.8% through providing funding of $24.7 million to Andora pursuant to a rights offering by Andora. Proceeds will be used for the procurement and construction of a thermal facility, drilling of one horizontal well pair, and operations in respect of its Sawn Lake Steam Assisted Gravity Drainage ("SAGD") development project at an estimated cost of $23.5 million. In addition, Andora acquired a private company in July 2012 which provides Andora with proprietary thermal facility design / process capabilities and expands the Andora team with thermal facility design and operating specialists. The cash balances, capital expenditures and operations of Andora are reported as part of Pan Orient.

- Working capital and non-current deposits at December 31, 2012 of $116.4 million, with no long-term debt and $10.3 million of equipment inventory to be utilized for future Thailand and Indonesia operations. Pan Orient will maintain financial strength while at the same time conducting active seismic and drilling programs in Thailand and Indonesia, and with $23.5 million of capital expenditures through Andora for advancement of the SAGD pilot program at Sawn Lake in Alberta.

- Pan Orient continued to strengthen the organization during 2012. In September 2012 Mr. Jeff Chisholm, President and CEO of the Corporation, relocated to Bangkok, Thailand to be closer to Pan Orient's key Asian operations and business development activities. In November 2012 Mr. Gerry Macey, a director of Pan Orient since 2005, was appointed Chairman of the Corporation, and in January 2013 Mr. Edward Bush joined Pan Orient as Chief Operating Officer and is based in Jakarta, Indonesia.

2012 FOURTH QUARTER OPERATING RESULTS

- Total corporate funds flow from operations was $5.8 million in the fourth quarter of 2012 compared with $7.1 million in the fourth quarter of 2011. The increase from $3.3 million reported in the third quarter of 2012 is due to a 22% increase in oil sales at Concession L53 in Thailand and from a foreign exchange gain of $0.2 million in the fourth quarter of 2012 compared with a $1.8 million loss in the third quarter of 2012.

- Net income attributable to common shareholders was $0.9 million in the fourth quarter compared with a loss of $1.6 million in the third quarter of 2012 and a gain of $11.6 million in the fourth quarter of 2011. In the fourth quarter of 2012 the Company recorded a $2.5 million charge for deferred income tax expense compared with the $10.3 million reduction in deferred income tax expense reported for the fourth quarter of 2011.

- Capital expenditures were $20.5 million in the fourth quarter of 2012 with $6.7 million in Thailand, $13.5 million in Indonesia and $0.3 million in Canada. The capital expenditures in Canada were for initial costs by Andora associated with the demonstration project. Capital expenditures in Thailand were principally funded by Thailand funds flow from operations and the capital programs in Indonesia and Canada were funded from working capital.

- **Thailand**

    - In the fourth quarter of 2012 Concession L53 averaged oil sales of 1,029 BOPD and generated $6.3 million in after tax funds flow from operations, or $66.66 per barrel. On a per barrel basis, this represents oil sales of $97.21, transportation expenses of $1.43, operating expenses of $18.49, general and administrative expenses of $6.07 and amounts to the Thailand government of $4.78. Oil sales during this period were allocated 27% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand for royalties, and 68% to Pan Orient. The high operating expenses in the fourth quarter of 2012 resulted from the non-recurring disposal of produced water at cement plants which had built up prior to Pan Orient installing its own water disposal facilities, and represented a cost of $11.06 per barrel of oil in the quarter.

    - Capital expenditures in Thailand were $6.7 million in the fourth quarter of 2012 for equipment inventory, workovers and site preparation for the 2013 drilling program.

- **Indonesia**

    - The $13.5 million of capital expenditures in Indonesia during the quarter were $10.9 million for the Citarum PSC with drilling costs of the Jatayu-1 and Geulis-1 wells and site preparation for the Cataka-1A well, $1.3 million for the Batu Gajah PSC with costs associated with the 2013 drilling program, $1.1 million at the South CPP PSC with costs associated with the 2013 seismic program, and $0.2 million at the East Jabung PSC.

OUTLOOK

- **Corporate**

  In November 2012 the Board of Directors of Pan Orient approved a total capital program of $96.7 million for Indonesia, Thailand and Canada for the 13 month period of December 1, 2012 to December 31, 2013. This included $19.0 million in Thailand for the drilling of five development / exploration wells plus 260 square kilometers of 3D seismic, and $54.2 million in Indonesia for five exploration / appraisal wells at the Citarum and Batu Gajah PSCôs plus 4,000 square kilometers of 3D seismic and 657 kilometers of 2D seismic at the Batu Gajah, South CPP and East Jabung PSCôs. A further $23.5 million of capital expenditures was expected by Pan Orient, through capital expenditures of Andora, for advancement of the SAGD pilot program. Andora is a subsidiary of Pan Orient and as such, the financial statements of Pan Orient at December 31, 2012 include the $24.0 million of cash held in Andora, and capital expenditures of Andora for the SAGD pilot program will be reported as capital expenditures in the financial statements of Pan Orient as they are incurred.

  In light of recent drilling results and updated actual work program cost, the Indonesian budget has been reduced by approximately $5 million dollars related to a deferral of the Kemala-1 exploration well at the Batu Gajah PSC into 2014. The capital budget associated with the drilling of Kemala-1 has now been reallocated to three additional wells in Thailand Concession L53 (to a total drilling program of eight wells) at an estimated cost of approximately $5.7 million.

  With this reallocation of the capital budget, the 2013 capital budget, after adjusting for capital expenditures incurred in the fourth quarter of 2012, is $79.4 million with $18.5 million for Thailand, $37.7 million for Indonesia and $23.2 million for the SAGD demonstration project of Andora.

- **Indonesia**

  The Indonesian 2013 revised capital budget of $ 37.7 million includes completion of the Shinta-1 exploration well and the Buana-1 appraisal well in the Batu Gajah PSC. As previously announced, the Shinta-1 well encountered sub-commercial oil in the primary Lower Talangakar sandstone target.

  The Buana-1 well, the second well in the program, is an updip appraisal of the North Tuba Obi-1 gas discovery drilled in 2011, and has just been drilled to a total depth of 3,396 feet and logged. Excellent quality reservoir sands approximately 30 meters in thickness were encountered in the Lower Talangakar sandstone primary objective, however open hole wire line logs and pressure data indicated the sands to be water bearing. These results suggest the Buana-1 (previously referred to as North Tuba Obi-2) and the North Tuba Obi-1 ("NTO-1") fault compartments are not in communication, meaning the gas accumulation encountered in the NTO-1 well in 2011 is limited and sub-commercial. The Buana-1 well is currently drilling towards a total depth of approximately 3,800 feet, which is the depth of the commitment to the Indonesian oil and gas regulator and is within the secondary basement reservoir objective. The total cost for the Batu Gajah two well drilling program is approximately $7.7 million.

  In light of recent drilling results in the western portion of Batu Gajah PSC, the decision has been made to defer the drilling of Kemala-1, a third well initially planned for 2013, until 2014 when the acquisition and interpretation of the recently commenced 400 square kilometer 3D seismic program has been completed.

  The 430 kilometers of 2D seismic at East Jabung is expected to commence by May 2013 and the 227 kilometer 2D seismic program at South CPP is near completion. In late 2013, Pan Orient is expected to have all of the 2D seismic data acquired in South CPP and East Jabung and the 3D in Batu Gajah interpreted and will be in position to choose the best targets for a 2014 drilling campaign from an array of prospects located over a large, highly prospective region on the basis of recently acquired, high quality seismic data.

  The Citarum drilling program will recommence in May 2013 with drilling of the remaining section down to target at Cataka-1A. The rig contract for the recommencement of drilling of the Cataka-1A well has been signed with an experienced Indonesian drilling contractor.

- **Thailand**

  The capital budget previously allocated to the Kemala-1 well at the Batu Gajah PSC in Indonesia will be redeployed to Thailand with the drilling program expanded to a firm eight well program, up from the original five firm and two contingent wells initially planned. The 2013 Thailand revised capital budget of $18.5 million includes the drilling of eight wells in Concession L53 in addition to approximately 240 square kilometers of 3D seismic data.

  <u>Production</u>

  Thailand oil production exited 2012 at approximately 1,500 BOPD but has averaged 824 BOPD in the first two months of 2013 mainly due to downtime associated with workovers, the inability to conduct simultaneous operations on pads while a well is drilling and declining oil production rates from the deeper ñCò sandstone zones at the L53-DST3 well (no reserves had been attributed to the "C" sands in the recent December 31, 2012 reserve report as they were considered depleted). Current production is approximately 1,000 BOPD and the L53-A4ST1 exploration well is expected to commence testing shortly. Updated guidance for 2013 oil production will be provided at the completion of the drilling of the two remaining exploration wells at L53-G2 and L53-F and the appraisal well at L53-DC3. Success at any of these three remaining wells will likely result in the drilling of a number of additional appraisal / development wells from available well cellars. The L53-A Central and L53-A West prospects that were identified on the recently acquired L53 3D seismic survey will not likely be drilled until late 2013 or early 2014 due to delays in the environmental permitting process. The 2014 drilling program will also include additional wells that will be targeting prospects defined by the L53 and L45 3D seismic surveys currently being acquired.

Drilling

The L53-DC1 well, announced earlier as a new fault compartment discovery, is currently producing at approximately 147 BOPD of heavy 16 degree API crude and with a water cut of 30% from the ñA2ò lower sand.

The L53-DC2 well, a successful appraisal of the new fault compartment discovered by L53-DC1, is currently producing at 267 BOPD with a water cut of 0.8% from the ñA3ò sand. Both of the DC wells possess three to four additional uphole, oil bearing sands that will be put on production at a future date as existing zones water out.

The L53-A4 well, targeting the L53-H prospect, was unsuccessful as was the L53-DB1 well targeting the L53-D West prospect. The L53-DB1 well has been converted to a water disposal well and L53-A4 well was sidetracked (L53-A4ST1 well) to test a small independent structural closure south east of the L53-A field and encountered approximately seven meters of interpreted net oil pay in the ñK40-Aò sand. This well is expected to start testing soon.

The L53-G2 well is currently drilling ahead at a depth of approximately 550 meters and is targeting the L53-G prospect that was originally tested by the L53-G well in early 2012. The original L53-G well tested approximately 25 BOPD from the ñK40-Aò sandstone zone before being shut in. Subsequent reprocessing of the 3D seismic data in this area indicates the well penetrated a large fault immediately below the oil pay in the ñK40-Aò sand and missed the remainder of the ñK40-Aò sand and the ñK40-Bò, ñCò and ñDò sands that were located in structural closure.

Upon completion of drilling at L53-G, the rig will move to either the L53-F exploration prospect located south of the L53-D East field or the L53-DC3 location which is an appraisal of the largest, structurally highest fault compartment in the L53-D East field. This compartment was originally tested by the L53-D discovery well drilled in 2009 that encountered approximately eight meters of oil pay in the ñA7ò sand. The six sands above the ñA7ò which are the primary reservoirs in the adjacent down thrown fault compartments penetrated by the L53-D2ST3, L53-DC1 and L53-DC2 wells were faulted out in the original L53-D well and will be targeted by the upcoming L53-DC3 well.

➢ **Canada - Sawn Lake (Operated by Andora, in which Pan Orient has a 71.8% ownership)**

Activities are currently underway at the Sawn Lake SAGD demonstration project for drilling of the SAGD well pair in the third quarter and start-up of steam operations in the fourth quarter of 2013.

Oil Production and Revenue

Average Thailand daily oil sales were 1,430 BOPD for 2012 and 1,029 BOPD in the fourth quarter of 2012 compared with 2,030 BOPD for 2011 and 1,826 BOPD in the fourth quarter of 2011. The reduction in oil sales is primarily the result of the sale of Pan Orientôs interest in Concession L44, L33 and SW1 on June 15, 2012.

Thailand crude oil sales were $55.2 million for 2012, with $9.2 million in the fourth quarter or 2012, compared with $72.6 million in 2011 and $17.5 million in the fourth quarter of 2011. The 24% reduction in crude oil sales is the result of the 30% reduction in oil sales volumes, principally due to the sale of the majority of interests in Thailand, and partially offset by an 8% increase in the average realized price of crude oil. The Companyôs average realized price for its oil sales was $97.21 per barrel for the three months ended December 31, 2012 and $105.42 per barrel for the year ended December 31, 2012, representing a fourth quarter decrease of 7% compared to the fourth quarter of 2011 and an increase of 8% for the twelve months ending December 31, 2012. The Companyôs realized sales price has historically been in the range of 85% to 95% of the Brent reference price, with the discount attributed to the high paraffin content of the petroleum. For the year ended December, 2012, the Companyôs realized price was 91% of Brent reference price.

Royalties

The Company paid two types of royalties in 2012 on the crude oil sales in Thailand: 1) to the Thai government on all production volumes; and 2) an 8% gross overriding royalty (ñGORRò) applied to certain wells in SW1 prior to April 1, 2012. The GORR was payable on less than 1% of the Companyôs revenue and did not have a significant impact on the royalty rate. The royalty rate paid to the Thai government is based on a sliding scale, ranging from 5% on production of less than 2,000 BOPD to 15% on production in excess of 20,000 BOPD per concession.

Total royalties of $0.5 million for the three months ended December 31, 2012 were 48% lower than the $0.9 reported in the comparable quarter of 2012, and the decrease was attributed to the lower oil volumes and revenues. The average Thai government royalty rate throughout 2012 was 5.0%, which was consistent with the royalty rate in 2011.

Transportation Expenses

Transportation expenses represent the expense to truck the Company's Thailand oil production to the refinery in Bangkok. The Company is charged a contracted rate based on the number of tankers and trips required; and both factors are driven by production volumes. Transportation expense was $1.43 per barrel for the three months ended December 31, 2012 and $1.78 per barrel for the year ended December 31, 2012. The transportation expense was lower in the second half of 2012 due to the sale of Thailand interests in Concessions L44, L33 and SW1 June 15, 2012 which are further away from the refinery than Concession L53 which was retained by Pan Orient. All oil production in the second half of 2012 was from Concession L53 and oil trucked from Concession L53 benefits from a lower contracted rate due to its proximity to the Bangkok refinery compared to the other three concessions and had average $1.37 per barrel for the twelve months ended 2012. In 2011 this expense was $2.43 per barrel and $2.27 per barrel for the three and twelve month period ended December 31, 2011 respectively.

Operating Expenses

Operating expenses represent the costs for with the field expenditures associated with the oil production in Thailand. Operating expenses in 2012 decreased 28% to $7.0 million in 2012 from $9.7 million in 2011. Operating costs were $1.8 million in the fourth quarter of 2012 compared to $1.4 million in the third quarter of 2012 and $2.9 million in the fourth quarter of 2011. Year-end bonuses and standard Thailand government mandated pension obligations were recorded in the fourth quarter. On a per barrel basis, operating expenses of $18.49 per barrel for the fourth quarter of 2012 was higher than $17.51 per barrel in the third quarter of 2012 and also higher than the $17.26 per barrel reported in the fourth quarter of 2011 due to a reduction in production volumes and the cost of disposal of produced water at cement plants represented $11.06 per barrel of oil produced. The Companies historic water disposal facilities were part of the Thailand assets sold in June 2012 resulting in the use of cement plants for part of fourth quarter of 2012. In December 2012, the water disposal costs had decreased to $2.75 per barrel for that month with the elimination of water disposal at the cement plants.

Depletion and Depreciation ("D&A")

	As at and for the Three Months Ended December 31		As at and for the Year Ended December 31	
($thousands)	2012	2011	2012	2011
Depletion of Thailand PP&E(1)	**3,864**	5,122	**12,737**	10,604
Depreciation of office equipment and assets	**78**	81	**262**	378
Total D&A	**3,942**	5,203	**12,999**	10,982
Total D&A - $/bbl	**41.66**	30.97	**24.84**	14.82

(1) Including decommissioning costs

As the Company's Canadian and Indonesian assets are in the pre-production phase, depletion is not calculated for these cost centers. Costs subject to depletion included $8.8 million (2011 - $90.6 million) of estimated future development costs for proved plus probable reserves. The D&A rate per barrel in the fourth quarter of 2012 reflects the carrying costs and estimated underlying proved and probable reserves for Concession L53 after the sale of other Thailand interests in June 2012 as per the December 31, 2012 independent reserves evaluation.

Taxes

	As at and for the Three Months Ended December 31		As at and for the Year Ended December 31	
($thousands)	2012	2011	2012	2011
Special remuneratory benefit	**-**	-	**-**	-
Income tax on Thailand operations	**-**	4,081	**3,408**	6,050
Taxes (recovery) expense on sale of subsidiaries holding Thailand interests	**(857)**	-	**14,718**	-
Current tax (recovery) expense	**(857)**	4,081	**18,126**	6,050
Deferred tax expense (recovery)	**2,509**	(10,265)	**12,552**	8,233
Total tax (recovery) expense	**1,652**	(6,184)	**30,678**	14,283

Pan Orient's current taxes consist of income tax and a special remuneratory benefit (SRB) on its Thailand operations, and tax expense on the sale in June 2012 of subsidiaries holding Thailand interests.

Thailand SRB is a tax at sliding scale rates of 0 - 75% applied on a concession-by-concession basis to petroleum profits as defined in Thai tax legislation which includes deductions for expenses and capital spent. The rate is principally determined by revenue for the concession (production and pricing) but is subject to other adjustments such as changes in Thailand's consumer and wholesale price indices and cumulative meters drilled on the concession. There was no SRB tax for Concessions L44, L33 and SW1 in 2011 or in 2012 up to their disposition in June 2012. For 2011 and 2012 oil sales at L53, the Company continued to utilize its SRB loss carry forward deductions to shelter SRB taxes and because of the numerous factors involved in the SRB calculation, it is uncertain when SRB will be payable on the concession.

Income tax in Thailand is 50% of taxable income which is calculated based on funds flow from operations less capital expenditures (deductible at varying rates), SRB, and other permitted deductions. The income tax on Thailand operations in 2012 of $3.4 million is associated with Concessions L44, L33 and SW1 up to their disposition in June 2012.

Because of the deductions allowed for capital spent, the effective rates of the SRB and income tax can vary significantly from the actual SRB and income tax rates. For the year ended December 31, 2012, SRB was 0.0% (2011 ï 0.0%) of total revenue and income tax from operations was 6.2% (8.3%) of total revenue.

At December 31, 2012, the Company had Canadian tax payable of $14.7 million mainly attributed to the estimated current income tax provision associated with the sale of Thai assets.

General and Administrative (G&A) Expense

	As at and for the Three Months Ended December 31		As at and for the Year Ended December 31	
($thousands)	2012	2011	2012	2011
Thailand	**732**	1,644	**2,787**	4,663
Indonesia	**1,348**	632	**4,414**	3,051
Canada	**885**	378	**2,939**	935
Total G&A, net of overhead recoveries	**2,965**	2,654	**10,140**	8,649
Allocated to capital projects	**(1,412)**	(628)	**(4,417)**	(3,241)
Cash G&A	**1,553**	2,026	**5,723**	5,408
Accretion on decommissioning provision	**13**	102	**167**	372
Total G&A	**1,566**	2,128	**5,890**	5,780
Cash G&A - $/bbl	**16.41**	12.06	**10.94**	7.30
Total G&A - $/bbl	**16.55**	12.67	**11.26**	7.80

Overhead recoveries represent the portion of Pan Orientõs G&A expenses charged to working interest partners with respect to the Companyõs operated properties. With the sale of Pan Orientõs operated interests in Thailand Concessions L44, L33 and SW1 on June 15, 2012, the amount of overhead recoveries has been significantly reduced.

Capitalized G&A allocated to capital projects represents compensation and other costs associated with property acquisition, and exploration and development activities. Capitalized G&A in the current year relates to exploration and development activities on the L44, L33 and L53 concessions in Thailand, all four of the Indonesia PSCs and the Companyõs heavy oil development project in Canada. Amounts capitalized reflect the nature of the Companyõs capital activities and are reassessed each reporting period.

During the fourth quarter of 2012 G&A increased in Thailand as Pan Orient continued to rebuild the Thailand organization for operation of Concessions L53 and L45 following the sale transaction in June 2012. G&A in Indonesia increased during 2012 with the addition of technical staff associated with the increased drilling activity.

Capital Invested [1]

	Year Ended December 31

	2012		2011	
	$000s	Net wells drilled	$000s	Net wells drilled
Capital expenditures				
Thailand	**37,407**	**5**	48,299	19.2
Indonesia	**40,029**	**2.4**	22,219	2.8
Canada	**575**	**-**	378	-
Total capital expenditures	**78,011**	**7.4**	70,896	22.0
Indonesia acquisition ï cash	**3,552**	**-**	1,417	-
Disposition	**-**	**-**	(308)	-
Capital and acquisition expenditures and dispositions ï cash	**81,563**	**7.4**	72,005	22.0
Indonesia acquisition ï non cash	**2,177**	**-**	344	-
Sawn Lake acquisition ï non cash	**-**	**-**	3,192	-
Sawn Lake disposition ï non cash	**-**	**-**	(3,192)	-
Total capital invested	**83,740**	**7.4**	72,349	22.0

(1) Excluding foreign exchange and decommissioning provision

Liquidity and Capital Resources

Liquidity

Pan Orient's capital program for the 3 months ended December 31, 2012 was financed with funds generated from operating activities and the use of working capital and proceeds received from the sale of the Thai assets. For the year ended December 31, 2012 Thailand funds flow from operations of $38.7 million financed 100% of the country's capital program of $37.4 million. Pan Orient's working capital position is forecasted regularly and it plans to fund future capital expenditures and commitments with existing cash balances, equipment inventory and expected cash flows from the Thailand operations. At December 31, 2012 the Company's working capital plus non-current deposits of $116.4 million exceeded estimated outstanding commitments of $50.0 million by $66.4 million. At December 31, 2012 the Company had $10.3 million of equipment inventory to be utilized for future Thailand and Indonesia operations which is included in exploration and evaluation assets in the consolidated statement of financial position.

At December 31, 2012, Pan Orient's cash and cash equivalents of $133.8 million, compared to $143.4 million at September 30, 2012 and $52.4 million at December 31, 2011, were held in jurisdictions as follows:

($thousands)	As at December 31, 2012	As at September 30, 2012	As at December 31, 2011
Cash held in Canada	**125,640**	139,158	37,232
Cash held in Thailand	**2,703**	2,338	11,893
Cash held in Indonesia	**5,493**	1,939	3,282
Total cash	**133,836**	143,435	52,407

Working capital and non-current cash deposits at December 31, 2012 were $116.4 million compared to $134.1 million at September 30, 2012 and $51.6 million at December 31, 2011.

Non-current cash deposits of $2.2 million at December 31, 2012 relate to guarantees to the Thailand government for customs importation permits and to the Indonesia governments for the Company's work commitments.

Share Capital

Outstanding (000s)	As at March 27, 2013	As at December 31, 2012
Common shares	56,760	**56,720**
Stock options	5,348	**4,998**
Total	62,108	**61,718**

Foreign Exchange

The Company's reporting currency is the Canadian dollar and its functional currencies are the Canadian dollar, the Thai baht and the US dollar. In each reporting period, the changes in the values of the Thai baht and U.S. dollar relative to the Company's reporting currency are recognized. The period end rates used to translate the Company's Thai baht and U.S. dollar denominated financial statement items for the reporting periods as specified are as follows:

	2012				2011			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Rate at end of period								
Thai baht / CAD $ exchange	**30.42**	31.09	30.55	30.59	30.69	29.63	31.38	30.84
U.S. dollar / CAD $ exchange	**0.99**	0.98	1.03	1.00	1.02	1.04	0.97	0.97

A fundamental aspect of the Company's treasury function is mitigating the effect of foreign currency exchange fluctuations to the greatest extent possible. To accomplish this, surplus funds are expatriated to Canada to be held in Canadian dollars. An appropriate cushion of Thai baht is held in Thailand to satisfy payments in that currency as they come due, the most significant of which are the Company's SRB and taxes. Thailand and Indonesia use the US dollars as their functional currencies for reporting, which are translated to Canadian dollars at each reporting period with the unrealized translation gain or loss being recognized in accumulated other comprehensive income ("AOCI"). During 2012 an overall unrealized foreign currency translation loss was recognized in AOCI as the Canadian dollar declined below parity with the US dollar. The fourth quarter saw a slight recovery of the Canadian dollar which resulted in a fourth quarter unrealized gain. AOCI in the consolidated statement of financial position is reported as follows:

	As at and for the Three Months Ended December 31		As at and for the Year Ended December 31	
($thousands)	2012	2011	2012	2011
AOCI balance at beginning of period	**(5,417)**	7,908	**887**	2,915
Unrealized foreign currency translation gain (loss)	**1,120**	(7,021)	**(5,184)**	(2,028)
AOCI balance at end of period	**(4,297)**	887	**(4,297)**	887

The unrealized foreign currency translation gain (loss) is comprised of the following:

	As at and for the Three Months Ended December 31		As at and for the Year Ended December 31	
($thousands)	2012	2011	2012	2011
Foreign exchange gain (loss) related to Thailand	**840**	(4,446)	**557**	(3,098)
Foreign exchange gain (loss) related to Indonesia	**280**	(2,575)	**(2,886)**	1,070
Impact on AOCI from disposal of Thai assets	**-**	-	**(2,855)**	-
Total change in AOCI	**1,120**	(7,021)	**(5,184)**	(2,028)

Selected Annual Information

	Years Ended December 31,		
(thousands of Canadian dollars except where indicated)	**2012**	2011	2010
FINANCIAL			
Oil revenue before royalties	**55,162**	72,576	103,019
Average daily oil sales (BOPD)	**1,430**	2,030	3,884
Average oil sales price (CDN$/bbl)	**$ 105**	$ 98	$ 73
Funds flow from operations (Note 1)	**34,819**	45,870	59,014
Per share – basic	**$ 0.61**	$ 0.83	$ 1.22
Per share – diluted	**$ 0.61**	$ 0.83	$ 1.21
Funds flow from operations by region (Note 1)			
Canada	**(3,334)**	(686)	718
Thailand	**38,705**	47,184	59,198
Indonesia	**(552)**	(628)	98
Total	**34,819**	45,870	60,014
Funds flow – Thailand disposition net proceeds (Note2)	**159,290**	-	-
Net income	**86,642**	23,991	23,524
Per share - basic	**$ 1.53**	$ 0.43	$ 0.49
Per share - diluted	**$ 1.53**	$ 0.43	$ 0.48
Total assets	**382,118**	371,276	296,709
Total non-current liabilities	**23,565**	73,016	61,672
Working capital	**114,210**	48,651	26,768
Working capital plus non-current deposits	**116,376**	51,632	31,396
Long-term debt		-	-
Capital expenditures	**78,011**	70,896	61,328

Weighted average shares outstanding (thousands)			
Basic	**56,702**	55,254	48,187
Diluted	**56,719**	55,357	48,823
Shares outstanding (thousands)			
Basic	**56,720**	56,685	48,741
Diluted	**61,708**	60,502	53,194

(1) Funds flow from operations ("funds flow" before changes in non-cash working capital and reclamation costs) is used by management to analyze operating performance and leverage. Funds flow as presented does not have any standardized meaning prescribed by Canadian GAAP and therefore it may not be comparable with the calculation of similar measures of other entities

(2) Thailand Concessions SW1, L44 and L33 were sold on June 15, 2012. Proceeds of $185.3 million less transaction costs of $11.3 million and estimated tax of $14.7 million results in proceeds net of expenses of $159.3 million. After deducting $79.6 million related to the carrying value of petroleum and equipment, exploration and evaluation costs, and working capital sold (including the elimination of the associated deferred tax liabilities, employee pension liabilities, and decommissioning provision). The net after tax gain on sale is $79.7 million. The 2012 financial statements and operating results include revenue, expenses and capital expenditures associated with these properties to June 14, 2012.

Thailand revenue and funds flow from operations for the most recent three years are reflective of the production volumes and the realized price for the Companyõs oil. The majority of the funds flow (outflow) of Canadian operations is from realized foreign exchange gain (loss) and general and administrative expenses less management fees charged to its international subsidiaries according to the various joint operating agreements. Indonesia funds flow represents general and administrative costs for its personnel and office in the country less any amounts allocated to exploration and development. Fluctuations in working capital in the past three years reflect funds flow from operations, capital expenditures, and the disposition in June 2012 of subsidiaries holding interests in Thailand Concessions L44, L33 and SW1.

Summary of Quarterly Results

	2012				2011			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Production (BOPD)	**1,029**	842	1,318	2,541	1,826	2,000	2,052	2,246
Funds flow from operations ($/bbl)								
Realized crude oil price	**97.21**	100.78	104.21	110.97	104.29	98.29	99.19	91.26
Royalties	**(4.78)**	(5.03)	(5.16)	(5.72)	(5.56)	(5.14)	(5.18)	(4.95)
Transportation and operating	**(19.92)**	(18.84)	(16.75)	(11.12)	(19.69)	(14.74)	(15.02)	(12.89)
Field Netback	**72.51**	76.90	82.30	94.13	79.04	78.41	78.99	73.42
General and administrative(1)	**(16.41)**	(15.59)	(14.33)	(5.38)	(12.06)	(6.23)	(4.86)	(6.57)
Interest income	**3.91**	4.69	0.82	0.34	0.70	0.63	0.96	0.19
Foreign new ventures	-	-	-	-	(1.09)	-	-	-
Realized foreign exchange	**1.68**	(22.77)	1.86	(0.14)	(0.28)	0.37	(0.40)	(0.91)
Special remuneratory benefit	-	-	-	-	-	-	0.12	(0.11)
Current income tax	-	(0.01)	(12.59)	(8.20)	(24.29)	(1.62)	(3.67)	(4.87)
Funds flow from operations	**61.69**	43.22	58.06	80.75	42.02	71.56	71.14	61.15
Financial ($thousands) except as indicated								
Oil revenue	**9,198**	7,808	12,502	25,654	17,523	18,083	18,521	18,449
Interest revenue	**370**	363	98	78	118	115	180	38
Funds flow ï Thailand disposition net proceeds(2)	**785**	553	157,952	-	-	-	-	-
Net income (loss)(3)	**859**	(1,626)	79,285	8,124	11,573	3,882	4,608	3,928
Per share basic ($)	**0.02**	(0.03)	1.40	0.14	0.21	0.07	0.08	0.08
Per share diluted ($)	**0.02**	(0.03)	1.40	0.14	0.21	0.07	0.08	0.08
Capital expenditures(4)	**20,539**	12,021	23,980	21,471	13,065	15,364	22,495	19,972
Total assets	**381,511**	367,263	419,313	396,468	371,276	371,964	349,597	350,589
Shares outstanding (000s)	**56,720**	56,720	56,685	56,685	56,685	56,685	56,685	56,544

(1) General and administrative costs excluding accretion on decommissioning provision

(2) Thailand Concessions SW1, L44 and L33 were sold on June 15, 2012. Proceeds of $185.3 million less transaction costs of $11.3 million and estimated tax of $14.7 million results in proceeds net of expenses of $159.3 million. After deducting $79.6 million related to the carrying value of petroleum and equipment, exploration and evaluation costs, and working capital sold (including the elimination of the associated deferred tax liabilities, employee pension liabilities, and decommissioning provision). The net after tax gain on sale is $79.7 million.

(3) Net income (loss) attributed to common shareholders

(4) Excluding decommissioning provision, acquisition costs and foreign exchange

Q1 2011 ï Funds flow from operations for the first quarter was $12.4 million compared to $17.8 million in the fourth quarter of 2010, the reduction primarily a result of reduced revenues attributed to lower production volumes. Average daily oil sales for the period was 2,246 BOPD, a 45% decrease from the fourth quarter of 2010. Oil sales in Concession L44 declined during the first quarter of as a result of incursion of water at the WBEXT-1C well in early January, wells coming off high initial production rates, and three significant wells being brought back on-stream at reduced rates to minimize the water cut. Oil sales at Concession L53 increased in the first quarter of 2011 with increased production from a workover of the L53-A well and new oil production from the L53-A1 well. On a per barrel basis the Company's funds flow from operations was $61.15 compared to $47.71 in the previous quarter. Funds flow in the first quarter of 2011 benefitted from lower current taxes which were 5.4% as a percentage of crude oil sales compared to 14.2% in the fourth quarter of 2010. Net income attributable to Common Shareholders was $3.9 million ($0.08/share basic) for the quarter versus $8.5 million in the fourth quarter of 2010. The Company drilled 6 (4.4 net) wells in Thailand and 1 (1.0 net) well in Indonesia for total capital expenditures of $20.0 million. Also during the period the Company increased its interests in the three Indonesia PSCs for a total cost of $1.8 million including $0.4 million of Pan Orient shares issued and Andora completed an acquisition for a total cost of $3.2 million in warrants issued to the vendor. During the quarter the Company completed a financing involving the issuance of 7.6 million common shares for net proceeds of $46.6 million. At March 31, 2011, working capital plus non-current deposits was $69.2 million and the Company had no long-term debt.

Q2 2011 – Average daily oil sales for the period was 2,052 BOPD, a 9% decrease from the previous quarter. Funds flow from operations of $13.3 million was a $1.0 million (7%) increase over the first quarter of 2011, predominantly due to higher oil prices and lower taxes. On a per barrel basis this resulted in funds flow from operations of $71.14 in the current period compared to $61.15 in the first quarter of 2011. Current taxes were 3.6% as a percentage of crude oil sales in the second quarter of 2011 compared to 5.4% in the previous quarter. Net income attributable to Common Shareholders was $4.6 million ($0.08/share basic) for the quarter versus $3.9 million in the first quarter of 2011. The Company drilled 9 (6.6 net) wells in Thailand and 1 (1.0 net) well in Indonesia for total capital expenditures of $22.5 million, including costs related to bidding on the East Jabung PSC in Indonesia which the Company anticipates signing before the end of September with firm three-year commitments of USD $7.7 million. At June 30, 2011, working capital plus non-current deposits was $60.5 million, the cash balance exceeded estimated outstanding commitments (not including East Jabung) by $27.1 million and the Company had no long-term debt.

Q3 2011 – Funds flow from operations of $13.2 million ($71.56/bbl) was relatively consistent with the previous quarter's funds flow of $13.3 million ($71.14/bbl). Third quarter production of 2,000 BOPD was 3% lower than the volumes reported in the second quarter. Net income attributed to common shareholders of $3.9 million for the quarter was $0.7 million less than the second quarter, primarily attributed to higher future income tax. Capital activities for the quarter included 5 (3.0 net) wells in Thailand and in Indonesia, wellsite preparation for upcoming drilling programs on Citarum and Batu Gajah and payment of the signature bonus for the East Jabung PSC, resulting in total expenditures of $15.4 million. At September 30, 2011 the Company had no long-term debt and working capital plus non-current deposits was $58.0 million, which exceeded estimated outstanding commitments of $40.1 million (including East Jabung) by $17.9 million.

Q4 2011 – Funds flow from operations of $7.1 million ($42.02/bbl) was impacted by a 9% reduction in oil production, current Thailand income taxes in the quarter of $4.1 million and increased operating expenses and general and administrative expenses in Thailand partially offset by a 6% increase in the realized price per barrel for oil. Net income attributed to common shareholders of $11.6 million for the quarter reflects a $10.2 million reduction in future tax expense partially offset by higher depletion. Capital expenditures of $13.1 million in the quarter were for the drilling of eight gross (5.2 net) wells in Thailand, wellsite preparation in Indonesia for the three well Citarum drilling program and commencement of drilling the Cataka-1 exploration well (0.8 net well) in Indonesia December 31st. At December 31, 2011 the Company had no long-term debt and working capital plus non-current deposits of $51.6 million, which exceeded estimated outstanding commitments of $45.1 million by $6 million.

Q1 2012 – Funds flow from operations for the first quarter of 2012 was $18.7 million compared with $7.1 million for the fourth quarter of 2011 and $12.4 million for the first quarter of 2011. Funds flow from operations per share was $0.33 for the first quarter of 2012. Net income attributable to common shareholders was $8.1 million, or $0.14 per share, for the first quarter of 2012 compared with net income attributable to common shareholders of $11.6 million, or $0.21 per share, for the fourth quarter of 2011 and $3.9 million, or $0.08 per share, for the first quarter of 2011. Net income attributable to common shareholders for the fourth quarter of 2011 included a $10.3 million reduction in future tax expense. Total capital expenditures for the first quarter of 2012 were $21.5 million, with $13.6 million in Thailand, $7.8 million in Indonesia and $0.1 million in Canada.

Q2 2012 – On June 15, 2012 Pan Orient completed the sale of subsidiaries which held Pan Orient's 60% interests in Thailand Concessions L44, L33 and SW1 for proceeds, net of estimated costs and income tax, of $158.0 million. The company recorded an after tax gain of $77.3 million for this Thailand disposition transaction. Funds flow from operations for the second quarter of 2012 was $7.0 million, or $0.12 per share. Net income attributable to common shareholders was $79.3 million, or $1.40 per share for the second quarter of 2012. Total capital expenditures for the second quarter of 2012 were $24.0 million, with $13.2 million in Thailand, $10.7 million in Indonesia and $0.1 million in Canada.

Q3 2012 – Corporate funds flow from operations for the third quarter of 2012 was $3.3 million, or $0.06 per share. The third quarter of 2012 is the first quarter of operations following the sale of the majority of interests in Thailand. Thailand operations in the third quarter consist only of Concession L53, which had average oil production of 842 BOPD. Net loss attributable to common shareholders was $1.6 million, or a loss of $0.03 per share, for the third quarter of 2012. Total capital expenditures for the third quarter of 2012 were $12.0 million, with $4.0 million in Thailand for development of the L53-D field and inventory, and $8.0 million in Indonesia primarily related to the drilling program at the Citarum PSC.

Q4 2012 – Corporate funds flow from operations was $5.8 million in the fourth quarter of 2012. Funds flow from operations in Thailand was $6.3 million with average daily oil sales of 1,029 BOPD from Concession L53 in Thailand, representing $66.66 on per barrel basis. Net income attributable to Common Shareholders was $0.9 million ($0.02 per share) for the quarter. The Company had capital expenditures of $20.5 million in the fourth quarter of 2012 with $6.7 million in Thailand for equipment inventory and in preparation for the 2013 drilling program, $13.5 million in Indonesia focused on drilling at the Citarum PSC, and $0.3 million in Canada for initial work relating to the SAGD demonstration project of Andora at Sawn Lake, Alberta. The Company spudded two wells (1.6 net wells) at the Citarum PSC in Indonesia with the Jatayu-1 and Cataka-1A exploration wells. At December 31, 2012, working capital plus non-current deposits was $116.4 million and the Company had no long-term debt.

Additional Information

Additional information relating to the Company can be found on SEDAR at www.sedar.com.