PAN ORIENT ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2012

May 25, 2012

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 May 25, 2012 and should be read in conjunction with the unaudited consolidated financial statements and notes thereto for the three months ended March 31, 2012 and the audited consolidated financial statements and notes thereto and MD&A for the year ended 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.

Please note that all amounts are in Canadian dollars unless otherwise stated, represent the net amount to Pan Orient's interests unless otherwise stated, and 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 May 25, 2012 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-International Financial Accounting Standards ("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 (funds flow), 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:

($000s)	Three Months Ended March 31 2012	2011
Cash flow from operating activities	**16,139**	12,286
Current tax expense	**(1,896)**	(1,008)
Add back changes in non-cash working capital	**4,425**	1,084
Funds flow from operations	**18,668**	12,362

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 Company‘s 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.

INTERNATIONAL INTERESTS

All amounts reflect Pan Orient's interest as at March 31, 2012 (Note1)	Status	Net Square Kilometers	March 31, 2012 Financial Commitments (CDN$ thousands)	
Onshore Thailand Concessions				
SW1A (60% working interest & operator)	Developed	9	-	-
L44/43 (60% working interest & operator) (Note 2)	Partially developed	556	$ 18	to July 2012
L33/43 (60% working interest & operator) (Note 3)	Partially developed	557	$ 48	to July 2012
L53/48 (100% working interest & operator)	Partially developed	1,959	$ 72	to January 2013
		3,081	$ 138	
Onshore Indonesia PSC‘s				
Citarum PSC, West Java (77% working interest & operator) (Note 4	Undeveloped	684	$22,032	to October 2012
Batu Gajah PSC, South Sumatra (97% working interest & operator) (Note 4)	Undeveloped	2,505	$15,767	to January 2013
CPP South PSC, Central Sumatra (97% working interest & operator) (Note 4)	Undeveloped	2,603	$ 5,084	to November 2013
Onshore & Offshore Indonesia PSC				
East Jabung PSC, South Sumatra (100% working interest & operator) (Note 4)	Undeveloped	4,339	$10,932	to November 2014
		10,131	$ 53,815	
Consolidated Total		13,212	$ 53,953	

(1) Amounts shown are calculated as at and for the period ended March 31, 2012. Commitments are denominated in USD and translated at March 31, 2012 exchange rates.

(2) Concession L44/43 in Thailand consists of 47 net square kilometers of lands held through production licenses (with a 20 year primary term plus an additional 10 year renewal period that can be applied for) and 509 net square kilometers of exploration lands. The exploration lands expire in July 2012 and the Company has applied for to reserve 294 net square kilometers of exploration lands for an additional 5 year period.

(3) Concession L33/43 in Thailand consists of 7 net square kilometers of lands held through production licenses (with a 20 year primary term plus an additional 10 year renewal period that can be applied for) and 550 net square kilometers of exploration lands. The exploration lands expire in July 2012 and the Company has applied to reserve 295 net square kilometers of exploration lands for an additional 5 year period.

(4) Estimated commitment amounts in Indonesia to satisfy commitments include partners' carried interests (3% for Citarum, Batu Gajah and South CPP) in Indonesia. Commitments include completion of a work program as well as the amount of expenditure. Activities and timing reported are based on the original contract with certain revisions as approved by the Government of Indonesia ("GOI"). Actual expenditures required to carry out these commitments may be significantly different from these estimates. 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.

Thailand

The Company has 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 is crude oil and is sold to a refinery near Bangkok owned by the Thai National Oil Company. Pan Orient is the operator of all four concessions in Thailand.

Proved plus probable reserves, as evaluated by independent reservoir engineers, as at December 31, 2011 assigned to the Thailand properties was 19.0 million barrels net to Pan Orient. Of this, 15.7 million barrels (83%) were allocated to L44, 526 million barrels (3%) to SW1, 1,959 million barrels (10%) to L33 and 795 (4%) to L53. Note that for the determination of crude oil reserves at December 31, 2011, no reserves were assigned to the new oilfield discovery with the L53-D2 well in Concession L53, which started drilling in December 2011 and started producing oil in January 2012 under a 90 day test period but has not yet been granted a production license.

Significant discoveries at L44 include the Na Sanun East field in 2007, the Bo Rang fields in 2009 and the Wichian Buri Extension (ñWBEXTò) field in 2010. This concession is partially developed with an ongoing drilling program which consisted of two (1.2 net) wells drilled during the three months ended March 31, 2012.

On Concession SW1, two (1.2 net) wells were drilled during the three months ended March 31, 2012

Concession L33 had its first commercial oil discovery in the third quarter of 2010 with the L33-1 and L33-2 wells which commenced production in November 2010. No wells were drilled in this concession during the three months ended March 31, 2012.

Concession L53 had its first commercial oil discovery in the first half of 2010 with the L53-A well which commenced commercial production in August 2010. Two (2.0 net) wells were drilled at this concession during the three months ended March 31, 2012, including the L53-DST3 exploration well which contributed 39,656 barrels of oil net to Pan Orient for the quarter (436 BOPD). During the quarter, an additional 40,917 barrels (450 BOPD) was produced from the L53-D2 well and 43,005 barrels (472 BOPD) from the L53-A field.

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 March 31, 2012 as follows:

	Citarum	Batu Gajah	South CPP	East Jabung
Pan Orient working interest	77%	97%	97%	100%
Third party working interest	20%	-	-	-
Third party carried interest	3%	3%	3%	-
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 partnerõs 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 at the end of the first quarter and into the second quarter encountered 10.5 feet of gas pay within good-quality sand near the top of the Lower Talang Akar formation (ñLTAFò). 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, NTO-2 is planned to be drilled in 2012 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 June and into July 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. The 2012 capital program includes the drilling of two wells at the Batu Gajah PSC with the Shinta-1 exploration well and the NTO-2 appraisal well. Discussions continue towards a comprehensive road and land access agreement with the Indonesian forestry company which holds the surface rights associated prospects planned to be drilled in Batu Gajah in 2012. Drilling will commence after signed agreements are in place.

At the Citarum PSC, the Cataka-1 exploration well started drilling on December 31, 2011, encountered severe drilling difficulties and the decision was made in February 2012 to junk and abandon the well at a depth of approximately 400 meters TVD (1,500 meters above the primary reservoir objective). The Jatayu-1 exploration well started drilling on March 21, 2012 and is currently drilling. Upon the completion of drilling at the Jatayu-1 well the rig will mobilize back to the Cataka prospect for the Cataka 1A well and then to the Geulis exploration prospect.

At the South CPP PSC, preparations are underway for a 200 kilometer 2D seismic program in 2012.

On November 21, 2011 the Company signed the 6,228 square kilometer East Jabung PSC located on and offshore south Sumatra, obtaining operatorship and a 100% working interest. The PSC's firm three year exploration commitment includes two wells and 2D seismic acquisition and processing for approximately $11.2 million based on estimated costs for the capital program.

There were no reserves assigned to any of the Indonesia PSCs at December 31, 2011.

Canada

Andora Energy Corporation, a private oil company in which Pan Orient has 53% 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) recovery process 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 100% owned acreage within the South 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, 2011 was evaluated by Sproule Associates Ltd. ("Sproule"). The contingent resource volumes estimated in the Sproule report are considered contingent until such time as commercial recovery has been demonstrated, regulatory approvals have been obtained and the company has committed to proceed with commercial development. Contingent Resources are further classified as "High", "Best" and "Low" in accordance with the level of certainty. The report assigned Sawn Lake "Best Case" contingent resources of 114.4 million barrels attributed to the 53.4% ownership interest of Pan Orient in Andora.

Andora Energy Corporation initiated a process in the first quarter of 2011 to identity and consider strategic alternatives. No binding proposal has been received to date and Andora is considering various alternatives for moving ahead with the pilot program.

Summarized financial information with respect to Andora is as follows:

	As at and for the Three Months Ended March 31	
($000s)	**2012**	**2011**
Total assets	**58,118**	60,087
Total liabilities	**6,811**	6,875
Funds flow from operations	**(78)**	(115)
Net loss	**153**	225

2012 FIRST QUARTER OPERATING RESULTS

- 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.
- At March 31, 2012 Pan Orient had $48.5 million of working capital and non-current deposits, and no long-term debt. In addition, Pan Orient had $11.6 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. As at March 31, 2012 estimated commitments in Indonesia to November 2014 were $53.8 million for the Batu Gajah, Citarum, South CPP and East Jabung PSC's ("Production Sharing Contracts"). Estimated commitments in Thailand at March 31, 2012 were $0.1 million to January 2013.
- Thailand
  - Average oil sales in Thailand for the first quarter of 2012 of 2,541 BOPD with 1,358 BOPD from Concession L53, 979 BOPD from Concession L44, 44 BOPD from Concession L33, and 160 BOPD from Concession SW1. Oil sales at Concession L53 increased to 1,358 BOPD in the first quarter of 2011 from 396 BOPD in the fourth quarter of 2011 with the addition of 885 BOPD from the L53-D2 and L53-DST3 exploration wells at the L53D-East field producing from new sandstone reservoirs under 90 day test periods. Production from sandstone reservoirs represented 63% of oil sales in the first quarter of 2012.

    Average oil sales in April 2012 were 1,757 BOPD, with 755 BOPD from Concession L53, 820 BOPD from Concession L44, 47 BOPD from Concession L33, and 135 BOPD from Concession SW1. Concession L53 production was impacted by the shut-in of L53-D2 on April 17th at the end of its 90 production period.

The L53-DST3 well was shut-in on May 1st with 27 days remaining on the 90 day allowable production testing period. Additional potential oil zones in the L53-DST3 well will be perforated after completion of the L53-D2ST2 well which is currently drilling. In mid-May approximately 280 BOPD of production was temporarily shut in at Concession L44 while the company awaits the approval for long term use on surface lands held by the Agricultural Land Reform Office (ALRO) of the Government of Thailand. Production is anticipated to be brought back on by mid-August 2012.

- Funds flow from Thailand operations was $19.0 million for the first quarter of 2012, or $81.98 per barrel. The results for the first quarter of 2012 reflect increased production in Concession L53, which has a high after tax netback from lower transportation expenses per barrel due to a closer proximity to the refinery and the utilization of income tax loss carry forward balances to eliminate current income tax. The increase in funds flow from Thailand operations to $19.0 million from $7.7 million in the fourth quarter of 2011 is a result of the 39% increase in oil sales volumes, a 6% increase in the realized price for crude oil, a reduction in operating and administrative expenses and a reduction in current income tax. Funds flow from Thailand operations funded the $13.6 million of capital expenditures during the quarter and generated an additional $5.4 million for other capital programs in Indonesia or Canada.

  For the first quarter of 2012, transportation expenses were $1.92 per barrel, operating expenses and other royalty were $9.41 per barrel, general and administrative expenses of $3.98 per barrel and amounts to the Thailand government of $13.71 per barrel resulted in after tax funds flow from operations per barrel of $81.98. The Brent reference price for crude oil per barrel increased 8% during the quarter to CDN$121.09 and the realized price was 92% of this reference price based on strength of oil product prices in Singapore. For the first quarter of 2012, Thailand crude oil revenue of $110.97 per barrel was allocated 14% to expenses for transportation, operating, and general & administrative, 12% to the government of Thailand in the form of royalties and Income Tax, and 74% to Pan Orient.

- A Thailand drilling program in the first quarter 2012 of six wells (4.4 net wells) with two exploration wells in Concession L53, an exploration well and an appraisal well in Concession L44, and an exploration well and an appraisal well in Concession SW1. In addition, drilling and testing work continued on the L53-D2 exploration well in Concession L53 which spudded December 15, 2011, and the L44V-D2ST2 appraisal well in the Bo Rang field in Concession L44 which spudded December 22, 2011.

  - The two exploration wells drilled in Concession L53 resulted in the L53-DST3 well producing oil from new sandstone intervals in the recently discovered L53-D East field, and the L53-G exploration well which tested oil at sub-commercial rates.

  - The two wells drilled during the quarter at Concession L44 (Pan Orient operator and 60% ownership) were the L44R-2ST2 exploration well which tested oil at sub-commercial rates and the L44-G3 appraisal well which tested oil at sub-commercial rates but is planned to be re-drilled horizontally later in 2012.

  - The two wells drilled during the quarter at Concession SW1 (Pan Orient operator and 60% ownership) were the POE-3A appraisal well which was unsuccessful and the NS-4A exploration well which encountered four meters of net oil pay in a shallow sandstone reservoir which is currently on production at approximately 54 BOPD with no water. Two immediate follow up wells are planned for this new sandstone discovery.

- The L53-D East sandstone oilfield in Concession L53 (Pan Orient 100% working interest and operator) was discovered with the L53-D2 exploration well which had been spudded in December 2011 and brought into production in January 2012 during a 90 day production testing period in which several zones were tested. The follow-up L53-DST3 exploration well was drilled and started production testing of different reservoir intervals in February 2012. During the first quarter of 2012, the L53-D East field produced 80,573 barrels of oil. The L53-D2ST1 well, sidetracked off of the original L53-D2 wellbore that had reached the end of its 90 day production test, was targeting the untested deep sands within fault block "C" which proved water bearing. The L53-D2ST2 well, a second sidetrack off the same wellbore, is currently drilling ahead towards a number of shallow and deep sandstone objectives in the untested fault compartment "B".

  The reserve report of Pan Orient at December 31, 2011 assigned no reserves to the L53-D East oilfield since there was no production license in place. As part of the production license application for L53-D East, a third party contingent resource estimate for one of four fault compartments (compartment "A") was completed at the end of April and submitted with the application in early May for a production license for the L53-D East sandstone field. This report estimated contingent resources for compartment "A" of: 1C 0.264 million barrels, 2C 0.944 million barrels and 3C 4.242 million barrels. Three zones that are interpreted as oil bearing, but were not tested as they were deemed certain oil, were not included in the assessment. Approval of the production license is anticipated by approximately the end of July. The follow-up work program is subject to the timing of the granting of a production license and the environmental approval for the drilling of up to 12 wells.

- A 3D seismic survey has been completed in Concession L53 to the northeast of the existing 3D seismic coverage with possible exploration wells drilled on the basis of this 3D seismic by year-end 2012.

➢ Indonesia

- Capital expenditures in Indonesia of $7.8 million with $7.5 million at the Citarum PSC (Pan Orient operator and 77% ownership), $0.1 million at the Batu Gajah PSC (Pan Orient operator and 97% ownership) and $0.2 million at the East Jabung PSC (Pan Orient operator and 100% ownership).

- At the Citarum PSC on-shore Java, Pan Orient commenced the exploration drilling program at the end of December 2011. Capital expenditures of $7.5 million in the first quarter of 2012 included $4.3 million for the Cataka-1 well, $1.9 million for the Jatayu-1 well, $0.8 million for site preparation for the Geulis-1 well and $0.5 million for capitalized exploration overhead and other costs.
  - The Cataka-1 exploration well commenced drilling on December 31, 2011. The well encountered severe drilling difficulties and the decision was made in February 2012 to junk and abandon the well at a depth of approximately 400 meters TVD, 1,500 meters above the primary reservoir objective. The primary reservoir objective of the well, at approximately 1,900 meters depth, had not been penetrated. Upon the completion of the Jatayu-1 and Geulis-1 wells drilling will commence on the re-drill of the Cataka prospect (with Cataka-1A well) incorporating a redesigned well plan incorporating the information gathered from the original well.
  - The Jatayu-1 exploration well commenced drilling on February 15, 2012 towards a primary reservoir objective target depth of 7,382 feet. At 6,156 a drilling break occurred where the penetration rate increased from 16 feet per hour to 54 feet per hour over a 50 foot interval while drilling through sands, suggesting porous sands. Associated with this drilling break was an influx of gas (18% mudgas, above 0.8% background) into the wellbore that required an increase in mud weight and two to three hours to circulate the gas out of the mud system. Shortly thereafter the pipe became stuck. The well is currently being plugged back to the 9 5/8ò casing shoe at 1,444 meters and will be drilled vertically from this location to avoid the issues associated with the initial directional / deviated hole in a complex fold belt environment. It is believed this will largely mitigate the difficulties experienced to date. The drilling break with associated gas influx observed in a secondary sandstone objective above the main reservoir target was very encouraging. The gas composition appears to be of biogenic origin (mainly methane), the similar to the approximately 780 Bcf Subang gas field to the north in an adjacent concession
  - Upon the completion of drilling at the Jatayu-1 well, the rig will*,* mobilize to the Geulis prospect and then to the Cataka prospect**.**

➢ Subsequent Event

On May 23, 2012 Pan Orient announce that it has entered into an agreement for the sale of its operated 60% interest in Thailand Concessions L44/43, L33/43 and SW1 for a cash price of USD $170 million plus approximately USD $8 million for working capital and other adjustments. It is expected that net proceeds after costs and income tax will be approximately USD $162 million. The transaction is anticipated to close on approximately June 15, 2012 and will have a December 31, 2011 effective date. Pan Orient's other interests in Thailand, consisting of its operated 100% interest in Concession L53/48, are being retained.

OUTLOOK

- Pan Orient will be focusing on a large acreage portfolio in western onshore Indonesia throughout the remainder of 2012. The current three well drilling program in the Citarum PSC has been challenging and encouraging; attributes not entirely unexpected in a frontier exploration foldbelt. Approximately late in the third quarter of 2012, exploration will focus on the Batu Gajah PSC onshore Sumatra with the drilling of 2 firm exploration wells and 2 contingent exploration wells. One of the firm wells will be an appraisal of the NTO-1 gas discovery that will be drilled to confirm the overall size of the gas accumulation in the Lower Talang Akar sandstones and test the possibility of an oil or gas accumulation in the overlying Upper Talang Akar sandstones. The Shinta-1 exploration well will be targeting potential stacked sandstone pay at a location in close proximity to, and surrounded by, some large fields operated by another operator. Both of these well locations have been selected on the basis of 3D seismic data. In the second half of 2012 we also be acquiring 2D seismic data in the East Jabung and South CPP PSCês, setting the stage for a three well exploration program on these PSC's in 2013. Meaningful exploration success of any of the above wells will alter the work program as outlined with a significant increase in the planned activity.
- In Thailand, the company will aggressively develop the L53 D East sandstone oil discovery and also likely be in a position to start the first exploration drilling in the northern portion of the concession late in the year on the basis of 3D seismic acquisition that was just recently completed. Pan Orient considers the Thailand operation core to its business and a generator of free cash flow used to fund exploration activities in Indonesia and additional new ventures opportunities that we know to be available in Thailand.
- Lastly, we anticipate activities related to the Sawn Lake heavy oil asset to come into focus over the remainder of 2012 with a clear course of action on the asset to be communicated to shareholders shortly after the closing of the sale of the Thailand assets.

Financial and Operating Summary	Three Months Ended March 31,		
(thousands of Canadian dollars except where indicated)	**2012**	2011	Change
FINANCIAL			
Oil revenue, before royalties and transportation expense	**25,654**	18,449	39%
Funds flow from operations (Note 1)	**18,668**	12,362	51%
Per share ï basic & diluted	**$ 0.33**	$ 0.24	37%
Funds flow from operations by region (Note 1)			
Canada	**(220)**	(424)	-48%
Thailand	**18,954**	12,859	47%
Indonesia	**(66)**	(73)	-10%
Total	**18,668**	12,362	51%
Net income attributable to common shareholders	**8,124**	3,928	107%
Per share ï basic and diluted	**$ 0.14**	$ 0.08	79%
Working capital	**45,379**	64,512	-30%
Working capital & non-current deposits	**48,501**	69,164	-30%
Long-term debt	**-**	-	
Capital expenditures (Note 2)	**21,471**	19,972	8%
Acquisitions ï Indonesia (Note 3)	**-**	1,780	0%
Acquisitions ï Sawn Lake, Canada (Note 3 & 6)	**-**	3,192	0%
Shares outstanding (thousands)	**56,685**	56,544	0%
Funds Flow from Operations per Barrel (Note 1)			
Canada operations	**$ (0.95)**	$ (2.10)	-55%
Thailand operations	**81.98**	63.61	29%
Indonesia operations	**(0.29)**	(0.36)	-21%
	$ 80.75	$ 61.15	32%
Capital Expenditures (Note 2)			
Canada	**43**	68	-37%
Thailand	**13,613**	14,414	-6%
Indonesia	**7,815**	5,490	42%
Total	**21,471**	19,972	8%
Working Capital and Non-current Deposits			
Working capital & non-current deposits - beginning	**51,632**	31,396	64%
Funds flow from operations (Note 1)	**18,668**	12,362	51%
Capital expenditures (Note 2)	**(21,471)**	(19,972)	8%
Acquisitions ï Indonesia (Note 4)	**-**	(1,436)	-100%
Foreign exchange impact on working capital	**(328)**	(314)	4%
Net proceeds on share transactions	**-**	47,130	-100%
Working capital & non-current deposits - end of period	**48,501**	69,166	-30%
Canada Operations			
Interest income	**69**	21	230%
General and administrative (expense) recovery (Note 5)	**(256)**	(263)	-3%
Realized foreign exchange (loss) gain	**(33)**	(182)	-82%
Funds flow from operations (Note 1)	**(220)**	(424)	-48%
Funds flow from operations per barrel			
Interest income	**$ 0.30**	$ 0.10	199%
General and administrative expense (Note 5)	**(1.11)**	(1.30)	-15%
Realized foreign exchange (loss) gain	**(0.14)**	(0.90)	-84%
	$ (0.95)	$ (2.10)	-55%
Indonesia Operations			
General and administrative (expense) recovery (Note 5)	**(66)**	(73)	-10%
Wells drilled Gross	**1**	1	0%
Net	**0.8**	1.0	-20%

(thousands of Canadian dollars except where indicated)	Three Months Ended March 31, 2012	2011	Change
THAILAND OPERATIONS			
Oil sales (bbls)	**231,188**	202,167	14%
Average daily oil sales (bbls/d) by Concession			
L44	**979**	1,501	-35%
SW1	**160**	122	31%
L33	**44**	210	-79%
L53	**1,358**	414	228%
Total	**2,541**	2,246	13%
Average oil sales price, before transportation (CDN$/bbl)	**$ 110.97**	$ 91.26	22%
Reference Price (volume weighted) and differential			
Exchange Rate $US/$Cdn	**0.96**	1.00	4%
Crude oil (Brent $US/bbl)	**$ 118.90**	$ 105.60	13%
Crude oil (Brent $Cdn/bbl)	**$ 121.09**	$ 105.60	15%
Sale price / Brent $Cdn reference price	**92%**	86%	5%
Funds flow from operations (Note 1)			
Crude oil sales	**25,654**	18,449	39%
Government royalty	**(1,273)**	(956)	33%
Other royalty	**(49)**	(45)	9%
Transportation expense	**(444)**	(469)	-5%
Operating expense	**(2,126)**	(2,137)	-1%
	21,762	14,842	47%
General and administrative expense (Note 5)	**(921)**	(992)	-7%
Interest income	**9**	17	-48%
Special Remuneratory Benefit tax (SRB)	**-**	(23)	-100%
Current income tax	**(1,896)**	(985)	92%
Funds flow from operations	**18,954**	12,859	47%
Funds flow from operations / barrel (CDN$/bbl) (Note 1)			
Crude oil sales	**$ 110.97**	$ 91.26	22%
Government royalty	**(5.51)**	(4.73)	16%
Other royalty	**(0.21)**	(0.22)	-4%
Transportation expense	**(1.92)**	(2.32)	-17%
Operating expense	**(9.20)**	(10.57)	-13%
	94.13	73.41	28%
General and administrative expense (Note 5)	**(3.98)**	(4.90)	-19%
Interest Income	**0.04**	0.08	-53%
Special Remuneratory Benefit (SRB)	**-**	(0.11)	-100%
Current income tax	**(8.20)**	(4.87)	68%
Thailand - Funds flow from operations	**$ 81.98**	$ 63.61	29%
Government royalty as percentage of crude oil sales	**5.0%**	5.2%	-0.2%
SRB as percentage of crude oil sales	**0.0%**	0.1%	-0.1%
Income tax as percentage of crude oil sales	**7.4%**	5.3%	2.1%
As percentage of crude oil sales			
Expenses - transportation, operating, G&A and other	**14%**	20%	-6%
Government royalty, SRB and income tax	**12%**	10%	2%
Funds flow from operations, before interest income and realized foreign exchange gain	**74%**	70%	4%
Wells drilled - Gross	**6**	6	0%
Net	**4.4**	4.4	0%

Notes to Financial and Operating Summary:

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

(3) Cost of acquisitions, including deemed value of equity issued in the transaction.
(4) Cost of acquisitions, excluding deemed value of equity issued in the transaction.
(5) General & administrative expenses, excluding non-cash accretion on decommissioning provision.
(6) The acquisition transaction was reversed in the fourth quarter of 2011.
(7) Totals may not add due to rounding.

Revenue, Production and Funds Flow from Operations

Petroleum revenue for the three months ended March 31, 2012 was $25.7 million, compared to $18.4 million for the first quarter of 2011 and $17.5 million reported in the fourth quarter of 2011. Average daily oil sales of 2,541 BOPD in the current period was 13% higher than the first quarter of 2011 and 39% higher than the fourth quarter of 2011. The increase in oil sales in the first quarter of 2012 compared to the first and fourth quarters of 2011 is primarily attributed to oil sales from the new L53-D East field in Concession L53 with the discovery well drilled in the fourth quarter of 2011 and an additional exploration well drilled in the first quarter of 2012. The average production from these two wells was 450 BOPD and 436 BOPD, respectively, during the three months ended March 31, 2012.

The Company's average realized price for its production was $110.97/bbl for the three months ended March 2012, representing an increase of 22% over the same period of 2011. The Company's realized sales price has historically been in the range of 85% to 90% of WTI, with the discount attributed to the high paraffin content of the petroleum. For the three months ended March 31, 2012 the Company's realized price was 92% of the Brent reference price due to the strength of oil product prices in Singapore which determine the price according to Pan Orient's oil sales contracts. The Brent reference price is used by the Company for comparison purposes.

Funds flow from operations was $18.7 million ($80.75/bbl) for the current quarter compared to $12.4 million ($61.15/bbl) for the comparable period of 2011, with the considerable increase in funds flow per barrel resulting primarily from 13% higher crude oil volumes and a 22% higher oil price partially offset by higher income tax.

Royalties

The Company pays two types of royalties: 1) to the Thai government on all production volumes; and 2) an 8% gross overriding royalty ("GORR") applied to certain wells in SW1. The GORR is payable on less than 1% of the Company's revenue and does 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 $1.3 million for the three months ended March 31, 2012 were 32% higher than the $1.0 million reported in the comparable quarter of 2011, and the increase was attributed to higher oil volumes and revenues. The average Thai government royalty rate for the first quarter of 2012 was 5.0% which was relatively consistent with the royalty rate reported in the first quarter of 2011 of 5.2%.

Production Expenses

Transportation expenses represent the cost 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. As a result, costs on a per barrel basis are generally consistent from one period to the next. Transportation expense was $1.92/bbl for the three months ended March 31, 2012 compared to $2.32 in the same quarter in 2011. Oil trucked from Concession L53 benefits from a lower contracted rate with its proximity to the Bangkok refinery compared to the other three concessions. As production from Concession L53 increases relative to total production volumes, transportation expense per barrel correspondingly decreases.

Operating expenses of $9.20/bbl for the first quarter were lower than $10.57/bbl in the first quarter of 2011 and considerably lower than the $17.26/bbl reported in the fourth quarter of 2011. Operating expenses for the first quarter of 2012 were $2.3 million compared to $2.9 million in the fourth quarter of 2011 and $2.1 million in the first quarter of 2011. A significant portion of the Company's operating expenses is fixed based on the number of wells and the geographical proximity of the wells. Therefore, a decline in production does not necessarily reduce operating expenses significantly.

Depletion and Depreciation (D&A)

	Three Months Ended March 31	
	2012	**2011**
Depletion of Thailand PP&E(1) - $000s	**4,333**	1,762
Depreciation of office equipment and assets - $000s	**64**	100
Total D&A - $000s	**4,397**	1,862
Total D&A - $/bbl	**19.02**	9.21

(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 centres.

Costs subject to depletion included $93.3 million (2011 - $76.0 million) of estimated future development costs for proved plus probable reserves.

Taxes

($000s)	Three Months Ended March 31 2012	2011
Special remuneratory benefit	**-**	23
Income tax	**1,896**	985
Total current tax expense	**1,896**	1,008
Deferred tax expense	**5,739**	5,429
Total tax expense	**7,635**	6,437

Pan Orient's current taxes consist of income tax and a special remuneratory benefit (SRB) on its Thailand operations.

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 and includes deductions for expenses and capital spent. The rate is determined principally 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 metres drilled on the concession. Currently, L44 is the only concession to which SRB is applicable. The calculated rate for the three months ended March 31, 2012 is 0%, primarily attributed to lower production volumes for the period. For oil sales at SW1, L33 and L53 in 2012, the Company continues to utilize its SRB loss carry forwards to shelter SRB taxes. Due to the numerous factors involved in the SRB calculation, it is uncertain when SRB will be payable on these three concessions.

Income tax 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.

Because of the deductions allowed for capital spent, the effective rates of these taxes can vary significantly from the actual tax rates. For the three months ended March 31, 2012 SRB was 0.0% (2011 – 0.1%) of total revenue and income tax was 7.3% (2011 – 5.3%) of total revenue.

At March 31, 2012 the Company had a tax payable of $5.9 million, representing 2011 income tax less the income tax installment paid in mid-2011.

General and Administrative (G&A) Expenses

($000s)	Three Months Ended March 31 2012	2011
Thailand	**1,042**	1,149
Indonesia	**739**	702
Canada	**287**	303
Total G&A, net of overhead recoveries	**2,068**	2,154
Allocated to capital projects	**(825)**	(826)
Cash G&A	**1,243**	1,328
Accretion on decommissioning provision	**80**	87
Total G&A	**1,323**	1,415
Cash G&A - $/bbl	**5.38**	6.56
Total G&A - $/bbl	**5.72**	7.00

Overhead recoveries represent the portion of Pan Orient's G&A expenses charged to working interest partners with respect to the Company's operated properties.

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

Total G&A of $1.3 million for the three months ended March 31, 2012 were 7% lower than the $1.4 million reported in the comparable quarter of 2011. This decrease reflects a reduction in the number of expatriate staff.

Capital Invested (1)

	2012		2011	
Three Months Ended March 31	$000s	Net wells drilled	$000s	Net wells drilled
Capital expenditures				
Thailand	**13,613**	**4.4**	14,414	4.4
Indonesia	**7,815**	**0.8**	5,490	1.0
Canada	**43**	**-**	68	-
Total capital expenditures	**21,471**	**5.2**	19,972	5.4
Indonesia acquisition expenditures – cash	**-**	**-**	1,436	-
Capital and acquisition expenditures – cash	**21,471**	**5.2**	21,408	5.4
Indonesia acquisition – non cash	**-**	**-**	344	-
Sawn Lake acquisition – non cash	**-**	**-**	3,192	-
Total capital invested	**21,471**	**5.2**	24,944	5.4

(1) Excluding foreign exchange and decommissioning provision

Liquidity and Capital Resources

Liquidity

Pan Orient's capital program in the first quarter of 2012 was financed 87% with funds generated from operating activities and the remainder from existing working capital. Thailand funds flow of $19.0 million financed 88% of the country's capital program in the first quarter of the year. Pan Orient's working capital position is forecasted regularly and the Company plans to fund future capital expenditures and commitments with existing cash balances, equipment inventory and expected cash flows from Thailand operations.

At March 31, 2012 Pan Orient's cash and cash equivalents of $47.9 million, compared to $52.4 million at December 31, 2011, were held in the jurisdictions where the Company operates as follows:

($000s)	March 31, 2012	December 31, 2011
Cash held in Canada	**27,595**	37,232
Cash held in Thailand	**15,699**	11,893
Cash held in Indonesia	**4,587**	3,282
Total cash excluding restricted cash	**47,881**	52,407
Restricted cash (1)	**8,492**	-
Total cash including restricted cash	**56,373**	52,407

(1) Refer to Subsequent Event discussion in page 7 of this MD&A

Working capital plus non-current cash deposits at March 31, 2012 was $48.5 million compared to $51.6 million at December 31, 2011. The decrease was attributable to the Company's capital expenditures in excess of operating cash flows. Specific details with respect to the fluctuations in working capital plus non-current deposits are presented in the "Financial and Operating Summary" table.

Non-current cash deposits of $3.1 million at March 31, 2012 relate to guarantees to the Thailand and Indonesia governments for the Company's work commitments and customs importation permits in Thailand.

At March 31, 2012, Pan Orient held $11.6 million in equipment inventory to be utilized for future Thailand and Indonesia operations. The equipment inventory is included in exploration and evaluation costs in the statement of financial position.

Share Capital

Common Shares and Stock Options Outstanding (000s)	May 25, 2012	March 31, 2012
Common shares	**56,685**	**56,685**
Stock options	**3,667**	**3,817**
Total	**60,352**	**60,502**

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				2010		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Rate at end of period								
Thai baht / CAD $ exchange	**30.59**	30.69	29.63	31.38	30.84	29.80	29.10	30.44
U.S. dollar / CAD $ exchange	**0.999**	1.02	1.04	0.968	0.971	1.001	1.034	1.054

A fundamental aspect of the Company's treasury function is mitigating the effect of foreign currency exchange fluctuations to the extent possible, and to accomplish this, surplus funds are repatriated 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. The Canadian dollar depreciated against the US dollar in the current period which resulted in an unrealized foreign exchange loss on the Company's Indonesian operations and amounts in Thailand and Canada held in US dollars. The Canadian dollar appreciated against the Thai baht in the current period, resulting in an unrealized foreign exchange gain on the Company's Thailand operations. All unrealized amounts have been recorded in accumulated other comprehensive income (AOCI) in the statement of financial position as follows:

	Three Months Ended March 31	
($000s)	**2012**	**2011**
AOCI, beginning of period	**887**	2,915
Unrealized foreign currency translation loss	**(1,085)**	(6,124)
AOCI, end of period	**(198)**	(3,209)

The unrealized foreign currency translation gain (loss) is as follows:

	As at and for the Three Months Ended March 31	
($000s)	**2012**	**2011**
Foreign exchange gain (loss) related to Thailand	**498**	(4,477)
Foreign exchange loss related to Indonesia	**(1,583)**	(1,647)
Total change in AOCI	**(1,085)**	(6,124)

Summary of Quarterly Results

	2012	2011				2010		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Production (BOPD)	**2,541**	1,826	2,000	2,052	2,246	4,056	4,211	3,448
Funds flow from operations ($/bbl)								
Realized crude oil price	**110.97**	104.29	98.29	99.19	91.26	76.36	69.82	71.51
Royalties	**(5.72)**	(5.56)	(5.14)	(5.18)	(4.95)	(4.99)	(4.52)	(4.41)
Transportation & operating	**(11.12)**	(19.69)	(14.74)	(15.02)	(12.89)	(10.46)	(8.96)	(8.77)
General and administrative[1]	**(5.38)**	(12.06)	(6.23)	(4.86)	(6.57)	(1.99)	(2.40)	(1.80)
Interest income	**0.34**	0.70	0.63	0.96	0.19	0.09	0.05	0.10
Current taxes	**(8.20)**	(24.29)	(1.62)	(3.55)	(4.99)	(10.88)	(14.26)	(14.06)
Foreign new venture expenditures	**-**	(1.09)	-	-	-	0.15	-	(0.18)
Realized foreign exchange	**(0.14)**	(0.28)	0.37	(0.40)	(0.90)	(0.57)	0.05	0.51
Total	**80.75**	42.02	71.56	71.14	61.15	47.71	39.78	42.90
Financial ($000's) except as indicated								
Oil revenue	**25,654**	17,523	18,083	18,521	18,449	28,495	27,050	22,436
Interest revenue	**78**	118	115	180	38	32	20	30
Net income[2]	**8,124**	11,573	3,882	4,608	3,928	9,833	5,403	4,216
Per share basic ($)	**0.14**	0.21	0.07	0.08	0.08	0.20	0.11	0.09
Per share diluted ($)	**0.14**	0.21	0.07	0.08	0.08	0.20	0.11	0.09
Capital expenditures[3]	**21,471**	13,065	15,364	22,495	19,972	13,638	11,012	16,409
Total assets	**396,468**	371,276	371,964	349,597	350,589	296,709	281,530	265,197
Shares outstanding (000s)	**56,685**	56,685	56,685	56,685	56,544	48,741	48,619	48,594

(1) General and administrative costs excluding accretion on decommissioning provision.
(2) Net income attributed to common shareholders
(3) Excluding decommissioning provision, acquisition costs and foreign exchange

Q2 2010 ï Funds flow from operations for the second quarter was $13.5 million compared with $12.3 million for the first quarter of 2010 and $16.6 million for the second quarter of 2009. Net income attributable to common shareholders was $4.2 million for the quarter versus $4.1 million in the first quarter of 2010. The financial results for Pan Orient in the second quarter of 2010 compared to the first quarter of 2010 reflect a 9% decrease in oil production and a 2% decrease in realized crude oil prices. Thailand oil sales for the second quarter of 2010 were 3,448 BOPD compared with 3,816 BOPD for the first quarter of 2010. For the second quarter of 2010, Thailand generated $12.8 million in funds flow from operations, compared with $12.4 million for the first quarter of 2010; the increase was the result of the 10% reduction in oil sales volume being more than offset by a significant reduction in Special Remuneratory Benefit and income tax expenses resulting from the high level of reinvestment into Concession L44 and minimal reinvestment in Concession L53. For the quarter, transportation expenses were $2.56/bbl, operating expenses $6.21/bbl, general and administrative expenses $3.69/bbl and amounts to the Thailand government of $18.38/bbl resulted in after tax funds flow from operations of $40.66/bbl. Operating expenses decreased to $1.9 million or $6.21/bbl in the second quarter from $2.2 million or $6.40/bbl in the first quarter of 2010. Pan Orient drilled seven wells (4.2 net wells) in Thailand during the second quarter of 2010 with three appraisal wells at Bo Rang ðBö, three appraisal wells at the NSE-F1 field to further define fields discovered in 2009, and one NSE development well. The seven wells drilled (4.2 net) resulted in two new producing wells at Bo Rang B, one new producing well at Na Sanun East (NSE-B3), and one new producing well in the NSE-F1 field (NSE-F2). At June 30, 2010, working capital plus deposits was $24 million and the Company had no long-term debt.

Q3 2010 ï Funds flow from operations of $15.4 million exceeded the previous quarterõs funds flow by $2.0 million and also exceeded capital expenditures for the quarter by $4.4 million. Third quarter production of 4,211 BOPD was 763 BOPD or 22% higher than the volumes reported in the second quarter. Increased revenue from the additional production volumes was slightly offset by a lower realized sales price and higher operating expenses resulting in a field netback of $56.34/bbl compared to $58.33/bbl in the second quarter. Operating expenses per barrel were impacted by significant costs related to Concession L53 and only a small amount production to allocate these costs to. During the quarter the Company had discoveries in the WBEXT field in Concession L44 and the L33-1 / L33-2 Fields in Concession L33. A production license application for the WBEXT field is currently with the Thailand Department of Mineral Fuels, however, under a 90-day production test the new wells in WBEXT contributed 1,729 BOPD for the third quarter. Commercial production of the previous discovery at L53-A commenced upon receipt of the production license in August. Net income attributed to common shareholders of $5.4 million for the quarter ($1.2 million higher than second quarter) reflected higher funds flow offset by higher DD&A expense, SRB and future income tax. At September 30, 2010 working capital plus deposits was $27.7 million, an increase of $3.7 million over June 30, 2010, and the Company had no long-term debt.

Q4 2010 ï The Company reported funds flow from operations of $17.8 million, an increase of $2.4 million over the previous quarter and $7.9 million higher than the fourth quarter of 2009. Compared to the most recent quarter, revenue was $1.5 million higher as a result of an increase in the realized oil price and current taxes were $1.4 million lower. The Companyõs capital program in Thailand had capital expenditures of $11.7 million and focused on exploration and appraisal drilling in the WBEXT field in Concession L44. In Indonesia, capital expenditures of $1.6 million related to drilling on Batu Gajah which commenced in March 2011 and capitalized G&A. Funds flow from operations exceeded capital expenditures by $4.2 million resulting in working capital plus deposits of $31.5 million, an increase of $3.8 million over the previous quarter. Net income attributed to common shareholders of $9.8 million ($0.20 per share on a diluted basis) was $4.9 million higher than the third quarter, impacted by higher depletion expense and lower future income tax expense.

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 Companyõs 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 ï 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 ï Funds flow from operations of $13.2 million ($71.56/bbl) was relatively consistent with the previous quarterõs 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 deposits was $58.0 million, which exceeded estimated outstanding commitments of $40.1 million (including East Jabung) by $17.9 million.

Q4 2011 ï 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 ï Funds flow from operations of $18.7 million ($80.75/bbl) was impacted by a 39% increase in oil sales volumes, a 6% increase in the realized price for crude oil, a reduction in operating and administrative expenses and a reduction in current Thailand income tax. Net income attributed to common shareholders of $8.1 million for the quarter. Capital expenditures of $21.5 million in the quarter were primarily for the drilling of six gross (4.4 net) wells in Thailand and the drilling of the exploration wells in Indonesia at Cataka-1 which spudded in December 2011 (0.8 net well) and Jatayu-1 which spudded during the quarter (0.8 net well). At March 31, 2012, the Company had no long-term debt and working capital plus non-current deposits of $48.5 million compared with estimated outstanding commitments of $54.0 million.

Additional Information

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