PAN ORIENT ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2013

May 21, 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 May 21, 2013 and should be read in conjunction with the unaudited consolidated financial statements and notes thereto for the three months ended March 31, 2013 and the audited consolidated financial statements and notes thereto and MD&A for the year ended December 31, 2012. 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 21, 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-International Financial Accounting Standards (ñIFRSò) 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:

	Three Months Ended March 31	
($thousands)	**2013**	**2012**
Cash flow from operating activities	**6,196**	16,139
Current tax recovery (expense)	**81**	(1,896)
Changes in non-cash working capital	**(613)**	4,425
Funds flow from operations	**5,664**	18,668

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 Production Sharing Contracts (ñPSCõsò); 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 2013 (Note1)	Status	Net Square Kilometers	March 31, 2013 Financial Commitments (CDN$ thousands)	
<u>Onshore Thailand Concessions</u>				
L53/48 (100% working interest & operator) (Note 2)	Partially developed	975	$ 2,671	January 2014 to January 2016
L45/50 (20% working interest & operator) (Note 3)	Partially developed	398	$ 2,949	April 2014
		1,373	$ 5,620	
<u>Onshore Indonesia PSCõs</u>				
Citarum PSC, West Java (97% working interest & operator) (Note 4)	Undeveloped	861	$ 10,156	October 2013
Batu Gajah PSC, South Sumatra (77% working interest & operator) (Notes 4 & 5)	Undeveloped	610	$ 12,867	January 2014
CPP South PSC, Central Sumatra (77% working interest & operator) (Note 4)	Undeveloped	2,058	$ 3,098	November 2013
<u>Onshore & Offshore Indonesia PSC</u>				
East Jabung PSC, South Sumatra (100% working interest & operator) (Note 4)	Undeveloped	6,228	$ 10,972	November 2013 to November 2014
		9,757	$ 37,093	
<u>Canadian Heavy Oil Sands</u>				
Sawn Lake, Alberta (owned by Andora Energy Corporation) (Note 6)		93	$ 2,760	May to October 2018
		93	$ 2,760	
Consolidated Total		11,223	$ 45,473	

(1) Amounts shown are calculated as at and for the period ended March 31, 2013. Commitments in Thailand and Indonesia are denominated in USD and translated at March 31, 2013 exchange rates. Commitments in Canada are denominated in CDN.

(2) In early 2013, the exploration period for 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 statement commitment of US$2.6 million. After the relinquishment, Concession L53 consists of 975 square kilometers, including 14 square kilometers associated with the L53-A and L53-D held through production licenses which have a 20 year primary term after the end of the exploration period.

(3) Concession L45 in Thailand at March 31, 2013 consisted of 1,990 square kilometers of exploration lands. The original exploration term expires in April 2014, and at that time a renewal period of up to three years may be applied for.

In November 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 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 contractual agreement by Pan Orient to earn the initial 20% interest through the farm-in agreement, Pan Orient has commitments to pay 100% of the cost of the seismic program plus an additional $210,000 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.

(4) Estimated commitment amounts in Indonesia to satisfy commitments include partners' carried interests (3% for Citarum, 23% for 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.

(5) On January 16, 2013, the Batu Gajah PSC had relinquished an additional 1,730 gross (net: 1,332) square kilometers of exploration lands. After the relinquishment, Batu Gajah PSC consists of 793 gross square kilometers (net: 610).

(6) Commitments for Canada consist of Andora's outstanding purchase orders on the capital expenditures on the Sawn Lake SAGD demonstration project, natural gas pipeline tie-in and tariff.

Indonesia Working Interests

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, 2013 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 partnerõs share of crude oil or natural gas produced from that PSC.

In October 2012, the Company completed the access agreement with the surface rights holder of lands covering a large portion of the Batu Gajah and South CPP PSCs. In consideration for unlimited access to an extensive road network and surface lands covering the Batu Gajah and South CPP PSCs through the entire exploration, development and production period, the Company will hold in trust a 20% carried interest in both the South CPP and Batu Gajah PSCõs 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 October 2012 the Company also entered into an agreement to purchase a 20% participating interest from its partner in the Citarum Production Sharing Contract (ìPSCî) for consideration of: 1) the responsibility of all of the partnerõs 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%.

Thailand

At January 1, 2012 the Company had operated working interests in four concessions in Thailand: Concession 44/43 (ŉL44ö); Concession SW1 (ŉSW1ö); Concession 33/43 (ŉL33ö); and Concession 53/48 (ŉL53ö). Concessions SW1, L44 and L33 were located approximately 240 kilometers north of Bangkok and Concession L53 is located approximately 60 kilometers west of Bangkok. 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 retained its operated 100% interest in Concession L53/48 in onshore Thailand. 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.

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.

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.

As at December 31, 2012 the Company had not conducted any work programs at Concession L45 and as at December 31, 2012 no reserves were assigned to Concession L45.

During the first quarter of 2013 Pan Orient drilled two appraisal wells in the L53-D East field and four exploration wells. In addition, 3D seismic surveys commenced in Concession L53 during March 2013 to acquire additional seismic data over the northeast corner of Concession 53 and the adjacent lands in Concession L45. These wells added an average of 141 BOPD in the first quarter, 441 BOPD in April 2013 and resulted in new oil pool discoveries with the L53-D1, L53- A4ST1, and L53-G2 wells.

Indonesia

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 (ŉLTAFö). 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. 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. On January 16, 2013 an additional 1,730 square kilometers (gross) of exploration lands were relinquished at the Batu Gajah PSC, to hold 793 square kilometers (gross). In the first quarter of 2013 the Company drilled two exploration wells and commenced a 400 square kilometer 3D seismic program at the Batu Gajah PSC. The Shinta-1 exploration well encountered sub-commercial oil in the primary Lower Talangakar sandstone target. The Buana-1 well was an updip appraisal of the North Tuba Obi-1 well drilled in 2011, which targeted natural gas in the Lower Talang Akar formation. Open hole wire line logs and pressure data indicated the sands to be water bearing. These results suggest the Buana-1 and the North Tuba Obi-1 fault compartments are not in communication and the gas accumulation encountered in the North Tuba Obi-1 well in 2011 is limited and sub-commercial.

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. A number of changes have been made with respect to drilling personnel, equipment, contractors and well design for the re-entry of the Cataka-1A well. Drilling is expected to recommence by the end of May 2013 with an experienced Indonesian drilling contractor.

At the South CPP PSC, a 227 kilometer 2D seismic program was completed in May 2013 with data processing expected to be completed in June 2013 and followed by the drilling of one exploration well in 2014.

At the East Jabung PSC the firm three year exploration commitment includes two wells and 2D seismic acquisition and processing. A 430 kilometer 2D seismic program has just commenced in the East Jabung PSC with acquisition expected to be completed in October 2013 followed by the drilling of up to 2 exploration wells in 2014.

There were no reserves assigned to any of the Indonesia PSCs at March 31, 2013.

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 demonstration project location is on Andora 50% owned acreage within the Central Block of its Sawn Lake Property in the Peace River Oil Sands Region.

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 (ñSAGDò) development project at an estimated cost, including operating costs, of $23.5 million.

The oil sands project at Sawn Lake Alberta as at December 31, 2012 was evaluated by Sproule Unconventional Limited. (ñSprouleò). 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 ñBest Caseò contingent resources of 154.0 million barrels attributed to the 71.8% ownership interest of Pan Orient in Andora.

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.

Summarized financial information with respect to Andora is as follows:

	As at and for the Three Months Ended March 31	
($thousands)	**2013**	**2012**
Total assets	**83,696**	58,118
Total liabilities	**6,790**	6,811
Funds flow from operations	**(3)**	(78)
Net loss	**231**	153

Financial & Operating Summary

(thousands of Canadian dollars except where indicated)	Three Months Ended March 31, 2013	2012	Change
FINANCIAL			
Oil revenue, before royalties and transportation expense	**7,444**	25,654	-71%
Funds flow from operations (Note 1)	**5,664**	18,668	-70%
Per share ï basic and diluted	**$ 0.10**	$ 0.33	-70%
Funds flow from operations by region (Note 1)			
Canada	**(123)**	(220)	-44%
Thailand	**5,860**	18,954	-69%
Indonesia	**(73)**	(66)	11%
Total	**5,664**	18,668	-70%
Net income attributed to common shareholders	**341**	8,124	-96%
Per share ï basic and diluted	**$ 0.01**	$ 0.14	-96%
Working capital	**85,215**	45,379	88%
Working capital and non-current deposits	**87,442**	48,501	80%
Long-term debt	**-**	-	
Petroleum and natural gas properties			
Capital expenditures (Note 2)	**34,509**	21,471	61%
Shares outstanding (thousands)	**56,760**	56,685	0%
Funds Flow from Operations per Barrel (Note 1)			
Canada operations	**$ (1.67)**	$ (0.95)	76%
Thailand operations	**79.55**	81.98	-3%
Indonesia operations	**(0.99)**	(0.29)	242%
	$ 76.89	$ 80.75	-5%
Capital Expenditures (Note 2)			
Canada	**2,224**	43	5072%
Thailand	**13,793**	13,613	1%
Indonesia	**18,492**	7,815	137%
Total	**34,509**	21,471	61%
Working Capital and Non-current Deposits			
Working capital and non-current deposits & long term accounts receivable ï beginning of period	**116,376**	51,632	125%
Funds flow from operations (Note 1)	**5,664**	18,668	-70%
Capital expenditures (Note 2)	**(34,509)**	(21,471)	61%
Foreign exchange impact on working capital	**(219)**	(328)	-33%
Net proceeds on share transactions	**130**	-	100%
Working capital and non-current deposits & long term accounts receivable ï end of period	**87,442**	48,501	80%
Canada Operations			
Interest income	**305**	69	342%
General and administrative expense (Note 3)	**(430)**	(256)	68%
Current income tax recovery	**82**	-	100%
Realized foreign exchange loss	**(80)**	(33)	142%
Funds flow from operations (Note 1)	**(123)**	(220)	-44%
Funds flow from operations per barrel			
Interest income	**$ 4.14**	$ 0.30	1280%
General and administrative expense (Note 3)	**(5.84)**	(1.11)	426%
Current income tax recovery	**1.11**	-	100%
Realized foreign exchange loss	**(1.08)**	(0.14)	676%
	$ (1.67)	$ (0.95)	76%
Indonesia Operations			
General and administrative expense (Note 3)	**(75)**	(66)	14%
Realized foreign exchange gain	**2**	-	100%
Indonesia ï Funds flow from operations	**(73)**	(66)	11%
Wells drilled			
Gross	**2**	1	100%
Net	**2.0**	0.8	150%

(thousands of Canadian dollars except where indicated)	Three Months Ended March 31, **2013**	2012	Change
Thailand Operations			
Oil sales (bbls)	**73,666**	231,188	-68%
Average daily oil sales (BOPD) by Concession			
L53	**819**	1,358	-40%
L44, L33, SW1 (interests sold June 15, 2012)	**-**	1,183	-100%
Total	**819**	2,541	-68%
Average oil sales price, before transportation (CDN$/bbl)	**$ 101.05**	$ 110.97	-9%
Reference Price (volume weighted) and differential			
Crude oil (Brent $US/bbl)	**$ 112.17**	$ 118.90	-6%
Exchange Rate $US/$Cdn	**1.02**	1.02	0%
Crude oil (Brent $Cdn/bbl)	**$ 114.23**	$ 121.09	-6%
Sale price / Brent reference price	**88%**	92%	-3%
Funds flow from operations (Note 1)			
Crude oil sales	**7,444**	25,654	-71%
Government royalty	**(359)**	(1,273)	-72%
Other royalty	**-**	(49)	-100%
Transportation expense	**(111)**	(444)	-75%
Operating expense	**(752)**	(2,126)	-65%
Field netback	**6,222**	21,762	-71%
General and administrative expense (Note 3)	**(364)**	(921)	-61%
Interest income	**3**	9	-67%
Current income tax	**(1)**	(1,896)	-100%
Funds flow from operations	**5,860**	18,954	-69%
Funds flow from operations / barrel (CDN$/bbl) (Note 1)			
Crude oil sales	**$ 101.05**	$ 110.97	-9%
Government royalty	**(4.87)**	(5.51)	-12%
Other royalty	**-**	(0.21)	-100%
Transportation expense	**(1.51)**	(1.92)	-22%
Operating expense	**(10.21)**	(9.20)	11%
Field netback	**84.46**	94.13	-10%
General and administrative expense (Note 3)	**(4.94)**	(3.98)	24%
Interest income	**0.04**	0.04	2%
Current income tax	**(0.01)**	(8.20)	-100%
Thailand – Funds flow from operations	**$ 79.55**	$ 81.98	-3%
Government royalty as percentage of crude oil sales	**5%**	5%	0%
Income tax as percentage of crude oil sales	**0%**	7%	-7%
As percentage of crude oil sales			
Expenses – transportation, operating, G&A and other	**16%**	14%	3%
Government royalty, and income tax	**5%**	12%	-8%
Funds flow from operations, before interest income	**79%**	74%	5%
Wells drilled			
Gross	**6**	6	0%
Net	**6.0**	4.4	36%

(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 provision and excluding the impact of changes in foreign exchange rates.

(3) General & administrative expenses, excluding non-cash accretion expenses.

(4) Tables may not add due to rounding.

2013 FIRST QUARTER OPERATING RESULTS

- Total corporate funds flow from operations for the first quarter of 2013 were $5.7 million compared with $5.8 million for the fourth quarter of 2012 and $18.7 million for the first quarter of 2012. Funds flow from operations per share was $0.10 for the first quarter of 2013. The reduction compared to the first quarter of 2012 is primarily due to the sale in June 2012 of subsidiaries holding Pan Orient's 60% interests in Thailand Concessions L44, L33 and SW1 and oil production at the L53-D East field in Concession L53 in Thailand coming off flush production levels.
- Net income attributable to common shareholders of $0.3 million, or $0.01 per share, for the first quarter of 2013 compared with net income attributable to common shareholders of $0.9 million, or $0.02 per share, for the fourth quarter of 2012 and $8.1 million, or $0.14 per share, for the first quarter of 2012.
- Capital expenditures were $34.5 million for the first quarter of 2013 with $13.8 million in Thailand, $18.5 million in Indonesia and $2.2 million in Canada. Capital expenditures were partially funded by Thailand funds flow from operations and existing working capital.
- At March 31, 2013 Pan Orient had $87.4 million of working capital and non-current deposits, and no long-term debt. In addition, Pan Orient had $9.3 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. As at March 31, 2013 estimated commitments for Indonesia PSC's ("Production Sharing Contracts") to November 2014 were $37.1 million for the Batu Gajah, Citarum, South CPP and East Jabung PSC's. Estimated commitments in Thailand at March 31, 2013 relating to Concessions L53 and L45 were $5.6 million to January 2016. Estimated commitments for Canada operations at March 31, 2013 relating to the SAGD demonstration project of Andora Energy Corporation ("Andora"), a subsidiary 71.8% owned by Pan Orient, were $2.8 million to October 2018 relating the Sawn Lake Steam Assisted Gravity Drainage ("SAGD") demonstration project.
- Thailand
  - In the first quarter of 2013 Concession L53 averaged oil sales of 819 BOPD and generated $5.9 million in after tax funds flow from operations, or $79.55 per barrel. This compares with oil sales in the fourth quarter of 2012 of 1,029 BOPD and $6.3 million in after tax funds flow from operations, or $66.66 per barrel. Compared with the fourth quarter of 2012, oil sales declined 20% due to downtime associated with workovers and declining oil production rates from the deeper "C" sandstone zones at the L53-DST3 well and there was a $8.28 per barrel reduction in operating expenses primarily due to the decrease in water disposal costs from Pan Orient being able to use its own water disposal facilities.
  - On a per barrel basis, after tax funds flow from operations in the first quarter of 2013 resulted from oil sales of $101.05, transportation expenses of $1.51, operating expenses of $10.21, general and administrative expenses of $4.94 and a royalty to the Thailand government of $4.88. Oil sales revenue during this period was allocated 16% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand for royalties, and 79% to Pan Orient.
  - Capital expenditures at Concession L53 during the first quarter of 2013 of $13.8 million in included $9.3 million in drilling costs for six wells, $3.2 million for 3D seismic programs, and $1.2 million for well workovers and $0.1 million for other costs. The six well program in the first quarter of 2013 consisted of two appraisal wells in the L53-D East field and four exploration wells. These wells added an average of 141 BOPD in the first quarter, 441 BOPD in April 2013 and resulted in new oil pool discoveries with the L53-DC1, L53-A4ST1, and L53-G2 wells. The L53-A4ST1 and L53-G2 wells are outside existing production license areas and Pan Orient plans to apply for a single contiguous production license over the L53-A4ST1 and L53-G2 structures in June, with approval expected by the fourth quarter of 2013.
    - The L53-DC1 and L53-DC2 appraisal wells are producing oil from a new pool discovery located in the L53-D East oil field area of Concession L53 producing from a fault compartment which had not been penetrated by any earlier wells. For the determination of crude oil reserves at December 31, 2012, no reserves had been assigned to this new pool discovery with the L53-DC1 appraisal well in Concession L53 which started drilling in January 2013. On a combined basis, these two wells produced 21,078 barrels of oil to April 30th and averaged 286 BOPD in April. Testing of the individual sandstone zones continues and each well contains three to four additional uphole, oil bearing sandstone zones will be put on production at a future date as existing zones water out.
    - The L53-DB1 exploration well targeting the L53-D West prospect was unsuccessful and has been converted to a water disposal well.
    - The L53-A4 exploration well targeting the L53-H prospect was unsuccessful.
    - The L53-A4ST1 exploration well was a sidetrack to the L53-A4 well utilizing the same well bore but drilled 180 degrees in the opposite direction to test a small independent structural closure south east of the L53-A field and outside the L53-A production license area. This well encountered net oil pay in the "K40-A" sand and had produced on a 90 day production test at approximately 15 to 50 BOPD with a water cut of approximately 93%. L53-A4ST1 is currently shut-in and Pan Orient plans to convert the L53-A4ST1 well to a water disposal well if a deeper high risk potential oil zone proves water bearing on a planned future test, and after a production license covering this structure has been granted.
    - The L53-G2 exploration well resulted in a new pool discovery at the L53-G prospect. The L53-G2 well has been producing approximately 340 to 350 BOPD of 24 degree API oil on a 90 day production test since late April with a 0.5% water cut from the "K40-D" sandstone zone. It is planned to continue

producing the well at this restricted rate throughout the duration of the test. The well encountered a combined total of 20 meters of net oil pay averaging 28% to 32% porosity in the ñK40-D, C, B and Aò sands.

- 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. After the relinquishment, Concession L53 consists of 975 square kilometers, including 14 square kilometers associated with the L53-A and L53-D East fields held through production licenses which have a 20 year primary term after the end of the exploration period.
- 3D seismic surveys commenced in Concession L53 during March 2013 to acquire additional seismic data over the northeast corner of Concession 53 and the adjacent lands in Concession L45.

➢ Indonesia

- Capital expenditures in Indonesia of $18.5 million with $3.7 million at the Citarum PSC, $10.6 million at the Batu Gajah PSC, $3.4 million at the South CPP PSC and $0.8 million at the East Jabung.
- At the Citarum PSC on-shore Java (Pan Orient operator and 97% ownership) capital expenditures were $3.7 million as Pan Orient continued well operations at Jatayu-1 and Cataka-1A. .
    - The Jatayu-1 exploration well commenced drilling in March 2012 and was suspended in September 2012 due to drilling difficulties. Drilling recommenced in early December 2012 utilizing slim hole drilling equipment. A severe overpressure gas zone encountered created an unacceptable level of well control risk in early January 2013 and drilling stopped above the primary target formation. Formation water present in gas zone suggested no commercial potential in the section that had been drilled above the primary objective. The well was abandoned in January 2013.
    - The Cataka-1A well spudded in early December 2012 and the well was drilled and cased to a depth of 1,692 feet before the well was suspended in mid-January 2013 due to numerous issues encountered relative to the operation of the drilling rig. A number of changes have been made with respect to drilling personnel, equipment, contractors and well design for the re-entry of the Cataka-1A well. Drilling is expected to recommence by the end of May 2013 with an experienced Indonesian drilling contractor.
- At the Batu Gajah PSC on-shore Sumatra (Pan Orient operator and 77% ownership) capital expenditures were $10.6 million directed to the drilling of the Shinta-1 exploration well, the Buana-1 appraisal well, commencement of the 400 square kilometer 3D seismic program and other capital expenditures.
    - The Shinta-1 exploration well encountered sub-commercial oil in the primary Lower Talangakar sandstone target.
    - The Buana-1 well was an updip appraisal of the North Tuba Obi-1 well drilled in 2011, which targeted natural gas in the Lower Talang Akar formation. Open hole wire line logs and pressure data indicated the sands to be water bearing. These results suggest the Buana-1 and the North Tuba Obi-1 fault compartments are not in communication and the gas accumulation encountered in the North Tuba Obi-1 well in 2011 is limited and sub-commercial. The Buana-1 well continued drilling unsuccessfully to a total depth of approximately 3,800 feet, as required by the Indonesian oil and gas regulator and within the secondary basement reservoir objective.
    - During the first quarter of 2013 work continued on site preparation for the Kemala-1well. In light of drilling results in the western portion of Batu Gajah PSC, the decision was 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.
    - On January 16, 2013 an additional 1,730 square kilometers (gross) of exploration lands were relinquished at the Batu Gajah PSC, to hold 793 square kilometers (gross).
- At the South CPP PSC on-shore Sumatra (Pan Orient operator and 77% ownership) capital expenditures of $3.4 million with $3.2 million for the 227 kilometer 2D seismic program that was completed in May 2013 and $0.2 million for capitalized general and administrative expenses and other capital expenditures.
- At the East Jabung PSC on-shore Sumatra (Pan Orient operator and 100% ownership) capital expenditures of $0.8 million related primarily to the initial costs of the 430 kilometer 2D seismic program that has just commenced.

➢ Canada

- 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. Capital expenditures in the first quarter of 2013 were $2.2 million for design and engineering work, site preparation and the purchase of equipment. At March 31, 2013 there is an additional $2.8 million in commitments relating to contracts for the purchase of equipment and materials and a natural gas transmission tariff.

OUTLOOK

- Thailand

The L53-G3ST1 well, the second appraisal well to the L53-G2 oil discovery, has just completed drilling to a measured depth of 1,500 meters (1,250 meters true vertical depth) at a subsurface location approximately 350 meters south of the L53-G2 oil discovery, and is currently logging. Prior to release of the E-01 drilling rig at the end of the current drilling campaign, one additional well is planned for L53-G field and three additional wells are planned to target the shallow sands in various fault compartments within the L53-D East structure. The Thailand capital budget is being increased approximately $8.7 million for the addition of these four wells and recompletion activities.

The 260 square kilometer 3D seismic survey covering the northern portion of Concession L53 and the adjacent lands in Concession L45 is expected to be completed in June 2013 and set up an exploration drilling program to commence in 2014.

Oil production averaged 879 BOPD for the month of April. Oil production is currently 1,156 BOPD with a target at the end of the current drilling program of greater than 1,500 BOPD. As expected, the L53-A4ST1 well has now been shut in as a result of high water cut, resulting in a decrease in production of 50 BOPD from the last production update on April 25th. The L53-DC well, which represented 175 BOPD in the last production update, is shut-in pending the arrival of a workover rig to perforate the ñA1ò sand. A workover is also planned for the L53-DST3 well to complete a lower zone with previously untested deep ñCò sands. The recently announced oil discovery at L53-G2 continues to perform well with production averaging approximately 340 BOPD with a 0.5% water cut.

The average production for the remainder of the year will be severely impacted by the time required to receive approval of the L53-G production license and associated production EIA. Until a production license is granted over the L53-G field, wells in the L53-G field will be shut-in at the end of their respective 90 day test periods as per government regulations. Historically, it has been an approximately 90 day period from the submission of the production license application to approval. It is expected that sufficient data will be available to complete an application in June 2013. Production environmental approval has historically taken substantially longer than 90 days, but in a number of cases approval has been granted to extend the 90 day production test period until the environmental approval has been received Given these uncertainties, an accurate estimate of what production will average for the remainder of 2013 is not possible.

- Indonesia

A 227 kilometer 2D seismic program has just been completed in the South CPP PSC with data processing expected to be completed by June 2013 and followed by the drilling of one exploration well in 2014.

A 400 square kilometer seismic program has been underway for approximately one month in the Batu Gajah PSC, with acquisition expected to be completed in the third quarter of 2013 and the drilling of up to three exploration wells in 2014.

A 430 kilometer 2D seismic program has just commenced in the East Jabung PSC with acquisition expected to be completed in October 2013 followed by the drilling of up to two exploration wells in 2014.

The Cataka-1A well in the Citarum PSC is expected to commence drilling in the last week of May 2013 and take approximately 30 days to reach the top of the Parigi formation target at a depth of approximately 2,300 meters. The well was originally suspended in mid-January 2013 at a depth of approximately 550 meters, 1,750 meters above the primary reservoir objective. The continuation of drilling will utilize a number of changes including a more experienced rig contractor and drilling team, a rotary steerable directional drilling assembly and a managed pressure drilling system. The Cataka prospect is a large, approximately 25 square kilometer structure at the depth of the Parigi limestone objective level.

Oil Production and Revenue

Average Thailand daily oil sales were 819 BOPD for the first quarter of 2013 compared with 1,029 BOPD for the fourth quarter of 2012 and 1,358 BOPD in the first quarter of 2012. The reduction in oil sales volume in the first quarter of 2013 compared to the fourth quarter of 2012 is primarily attributed to due to downtime associated with workovers and declining oil production rates from the deeper "C" sandstone zones at the L53-DST3 well. The reduction in oil sales compared with the first quarter of is primarily the result of the sale of Pan Orient's interest in Concession L44, L33 and SW1 on June 15, 2012and the reduction from flush production levels at the L53-D East field.

Thailand crude oil sales were $7.4 million in the first quarter or 2013, compared with $9.2 million in the fourth quarter of 2012 and $25.7 million in the first quarter of 2012. The 19% reduction in crude oil sales from the fourth quarter of 2012 is the result of the 22% reduction in oil sales volumes partially offset by a 4% increase in the average realized price of crude oil. The Company's average realized price for its oil sales was $101.05 per barrel for the three months ended March 31, 2013 represents an increase of 4% compared to the fourth quarter of 2012 and a decrease of 9% from the first quarter of 2012. The Company's 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 first quarter of 2013 the Company's realized price was 88% 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 ("GORR") applied to certain wells in SW1 prior to April 1, 2012. The GORR was payable on less than 1% of the Company's 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.

In 2013, the Company only pays the Thai government royalty on oil production.

Total royalties of $0.4 million for the three months ended March 31, 2013 were 72% lower than the $1.3 million reported in the comparable quarter of 2012 due to the corresponding decrease in oil revenues. The average Thai government royalty rate for the first quarter of 2012 of 5.0% is consistent with the royalty rate paid in 2012.

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 $1.51 per barrel for the three months ended March 31, 2013 compared to $1.92 for the comparable period of 2012 and $1.43 for the fourth quarter of 2012. Transportation expense has decreased due to the sale of Thailand interests in Concessions L44, L33 and SW1 on June 15, 2012 which was further away from the refinery than Concession L53 which was retained by Pan Orient.

Operating Expenses

Operating expenses are associated with the oil production in Thailand. Operating costs were $0.8 million ($10.21 per barrel) in the first quarter of 2013 compared to $1.8 million ($18.49 per barrel) in the fourth quarter of 2012 and $2.1 million ($9.20 per barrel) in the first quarter of 2012. On a per barrel basis, operating expenses were lower in the first quarter of 2013 than the fourth quarter of 2012 due a $1.0 million decrease in water disposal costs from Pan Orient being able to use its own water disposal facilities.

Depletion and Depreciation (D&A)

	Three Months Ended March 31	
($thousands)	**2013**	**2012**
Depletion of Thailand PP&E[(1)]	**3,591**	4,333
Depreciation of office equipment and assets	**86**	64
Total D&A	**3,677**	4,397
Total D&A - $/bbl	**49.91**	19.02

(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 in the first quarter of 2013 included $8.8 million (first quarter of 2012 - $93.3 million) of estimated future development costs for proved plus probable reserves. The D&A rate per barrel in the fourth quarter of 2012 was $41.66 per barrel. The D&A rate per barrel in the first quarter of 2013 and 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

($thousands)	Three Months Ended March 31 2013	2012
Special remuneratory benefit	**-**	-
Canadian income tax recovery	**(82)**	-
Thai income tax expense	**1**	1,896
Total current tax (recovery) expense	**(81)**	1,896
Deferred tax expense	**1,210**	5,739
Total tax expense	**1,129**	7,635

Pan Orient's current taxes consist of income tax on its Thailand operations and an income tax recovery of Canadian income taxes paid on the sale of Thailand interests in 2012.

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 2012 up to their disposition in June 2012. For 2012 and 2013 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. Concession L45 does not have sales of oil or natural gas, and all operating expenses and capital expenditures add to SRB loss carry forward deductions.

Thailand income tax on petroleum operations 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 the first quarter of 2012 of $8.2 million is associated with Concessions L44, L33 and SW1 (disposition in June 2012). The small amount of income tax for the first quarter of 2013 relates to interest and other income.

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, 2013 SRB was 0.0% (2012 – 0.0%) of total revenue and income tax was less than one percent (2012 – 7.3%) of total revenue.

At March 31, 2013 the Company had a Thai tax payable of $3 thousand related to operations and $82 thousand Canadian taxes receivable for the current period's loss which will be utilized against 2012's gain on the sale of Thai interests.

General and Administrative (G&A) Expenses

($thousands)	Three Months Ended March 31 2013	2012
Thailand	**453**	1,042
Indonesia	**1,494**	739
Canada	**488**	287
Total G&A, net of overhead recoveries	**2,435**	2,068
Allocated to capital projects	**(1,566)**	(825)
Cash G&A	**869**	1,243
Accretion expenses	**21**	80
Total G&A	**890**	1,323
Cash G&A - $/bbl	**11.78**	5.38
Total G&A - $/bbl	**12.08**	5.72

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. With the sale of Pan Orient's 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 Company's heavy oil development project in Canada. Amounts capitalized reflect the nature of the Company's capital activities and are reassessed each reporting period.

During the first quarter of 2013 G&A decreased in Canada and Thailand compared to the fourth quarter of 2012 due to year-end amounts recorded in the fourth quarter of 2012, and G&A in Indonesia increased in the first quarter of 2013 with the addition of technical staff.

Capital Invested (1)

	Three Months Ended March 31			
	2013		2012	
	$000s	Net wells drilled	$000s	Net wells drilled
Capital expenditures				
Thailand	**13,793**	**6.0**	13,613	4.4
Indonesia	**18,492**	**2.0**	7,815	0.8
Canada	**2,224**	**-**	43	-
Total capital expenditures	**34,509**	**8.0**	21,471	5.2

(1) Excluding foreign exchange and decommissioning provision

Liquidity and Capital Resources

Liquidity

Pan Orient's capital program in the first quarter of 2013 was financed 16% with funds generated from operating activities and the remainder from existing working capital. Thailand funds flow of $5.9 million financed 42% of the capital program in Thailand for 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, 2013 the Company's working capital plus non-current deposits of $87.4 million exceeded estimated outstanding commitments of $44.7 million by $42.7 million. At March 31, 2013 the Company had $9.3 million of 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.
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At March 31, 2013 Pan Orient's cash and cash equivalents of $100.5 million, compared to $133.8 million at December 31, 2012, were held in the jurisdictions where the Company operates as follows:

($thousands)	March 31, 2013	December 31, 2012
Cash held in Canada	**93,414**	125,640
Cash held in Thailand	**4,200**	2,703
Cash held in Indonesia	**2,920**	5,493
Total cash including restricted cash	**100,534**	133,836

Working capital plus non-current deposits at March 31, 2013 was $87.4 million compared to $116.4 million at December 31, 2012 and $48.5 million at March 31, 2012.

Non-current cash deposits of $2.2 million at March 31, 2013 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 (thousands)	As at May 21, 2013	As at March 31, 2013
Common shares	56,760	56,760
Stock options	5,259	5,325
Total	62,019	62,085

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:

	2013	2012				2011		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Rate at end of period								
Thai baht / CAD $ exchange	**28.49**	30.42	31.09	30.55	30.59	30.69	29.63	31.38
U.S. dollar / CAD $ exchange	**1.02**	0.99	0.98	1.03	1.00	1.02	1.04	0.97

A fundamental aspect of the Companyõs 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 Companyõs 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 (ñAOCIò). The first quarter of 2013 the Canadian dollar depreciated against both the US dollar and the Thai baht which resulted in an unrealized gain on the Companyõs foreign operations. AOCI in the consolidated statement of financial position is reported as follows:

	Three Months Ended March 31	
($thousands)	**2013**	**2012**
AOCI, beginning of period	**(4,297)**	887
Unrealized foreign currency translation gain (loss)	**5,541**	(1,085)
AOCI, end of period	**1,244**	(198)

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

	As at and for the Three Months Ended March 31	
($thousands)	**2013**	**2012**
Foreign exchange gain related to Thailand	**2,982**	498
Foreign exchange gain (loss) related to Indonesia	**2,559**	(1,583)
Total change in AOCI	**5,541**	(1,085)

Summary of Quarterly Results

	2013	**2012**				**2011**		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Production (BOPD)	**819**	1,029	842	1,318	2,541	1,826	2,000	2,052
Funds flow from operations ($/bbl)								
Realized crude oil price	**101.05**	97.21	100.78	104.21	110.97	104.29	98.29	99.19
Royalties	**(4.87)**	(4.78)	(5.03)	(5.16)	(5.72)	(5.56)	(5.14)	(5.18)
Transportation & operating	**(11.72)**	(19.92)	(18.84)	(16.75)	(11.12)	(19.69)	(14.74)	(15.02)
Field Netback	**84.46**	72.51	76.90	82.30	94.13	79.04	78.41	78.99
General and administrative(1)	**(11.79)**	(16.41)	(15.59)	(14.33)	(5.38)	(12.06)	(6.23)	(4.86)
Interest income	**4.18**	3.91	4.69	0.82	0.34	0.70	0.63	0.96
Foreign new ventures	**-**	-	-	-	-	(1.09)	-	-
Realized foreign exchange	**(1.06)**	1.68	(22.77)	1.86	(0.14)	(0.28)	0.37	(0.40)
Special remuneratory benefit	**-**	-	-	-	-	-	-	0.12
Current income tax	**1.10**	-	(0.01)	(12.59)	(8.20)	(24.29)	(1.62)	(3.67)
Funds flow from operations	**76.89**	61.69	43.22	58.06	80.75	42.02	71.56	71.14
Financial ($thousands) except as indicated								
Oil revenue	**7,444**	9,198	7,808	12,502	25,654	17,523	18,083	18,521
Interest revenue	**308**	370	363	98	78	118	115	180
Funds flow ï Thailand disposition net proceeds(2)	**-**	785	553	157,952	-	-	-	-
Net income (loss)(3)	**341**	859	(1,626)	79,285	8,124	11,573	3,882	4,608
Per share basic ($)	**0.01**	0.02	(0.03)	1.40	0.14	0.21	0.07	0.08
Per share diluted ($)	**0.01**	0.02	(0.03)	1.40	0.14	0.21	0.07	0.08
Capital expenditures(4)	**34,509**	20,539	12,021	23,980	21,471	13,065	15,364	22,495
Total assets	**383,691**	381,511	367,263	419,313	396,468	371,276	371,964	349,597
Shares outstanding (thousands)	**56,760**	56,720	56,720	56,685	56,685	56,685	56,685	56,685

(1) General and administrative costs excluding accretion expenses

(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

Q2 2011 – 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 partially offset by a reduction in oil volumes. Average daily oil sales for the period was 2,052 BOPD, a 9% decrease from the previous quarter. 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. 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 five (3.0 net) wells in Thailand, wellsite preparation for upcoming drilling programs 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. 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 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.

Q1 2013 – Corporate funds flow from operations was $5.7 million. Funds flow from operations in Thailand was $5.9 million with average daily oil sales of 819 BOPD from Concession L53 in Thailand, representing $79.55 on per barrel basis. Net income attributable to Common Shareholders was $0.3 million ($0.01 per share) for the quarter. The Company had capital expenditures of $34.5 million with $13.8 million in Thailand for seismic and the drilling of six wells, $18.5 million in Indonesia for well operations at Jatayu-1 and Cataka-1A in the Citarum PSC, drilling of the Shinta-1 and Buana-1 wells at the Batu Gajah PSC, and seismic programs at the Batu Gajah, South CPP and East Jabung PSC's, and $2.2 million in Canada for work relating to the SAGD demonstration project of Andora at Sawn Lake, Alberta. At March 31, 2013, working capital plus non-current deposits was $87.4 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