PAN ORIENT ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012

November 26, 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 November 26, 2012 and should be read in conjunction with the unaudited consolidated financial statements and notes thereto for the three and nine months ended September 30, 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 November 26, 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-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 September 30 2012	2011	Nine Months Ended September 30 2012	2011
Cash flow from operating activities	**(2,344)**	12,800	**28,369**	29,506
Current tax expense	**(4)**	(298)	**(3,408)**	(1,969)
Add back changes in non-cash working capital	**5,696**	(1,251)	**271**	(3,120)
Add back taxes paid	**-**	1,914	**3,750**	14,392
Funds flow from operations	**3,348**	13,165	**28,982**	38,809

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 at September 30, 2012 are divided into three distinct groups: 1) partially developed concessions located on-shore Thailand; 2) undeveloped interests on-shore 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 September 30, 2012 (Notes1, 4, 5 & 6)	Status	Net Square Kilometers	September 30, 2012 Financial Commitments (CDN$ thousands)	
Onshore Thailand Concessions (Notes 2 & 6)				
L53/48 (100% working interest & operator)	Partially developed	1,959	$ 57	January 2013
		1,959	$ 57	
Onshore Indonesia PSC's				
Citarum PSC, West Java (77% working interest & operator) (Notes 3 & 4)	Undeveloped	684	$12,612	October 2013
Batu Gajah PSC, South Sumatra (97% working interest & operator) (Notes 3 & 5)	Undeveloped	2,505	$19,291	January 2013
CPP South PSC, Central Sumatra (97% working interest & operator) (Notes 3 & 5)	Undeveloped	2,603	$ 6,952	November 2013
Onshore & Offshore Indonesia PSC				
East Jabung PSC, South Sumatra (100% working interest & operator) (Note 3)	Undeveloped	4,339	$16,152	November 2013 to November 2014
		10,131	$55,007	
Consolidated Total		13,212	$ 55,064	

(1) Amounts shown are calculated as at and for the period ended September 30, 2012. Commitments are denominated in USD and translated at September 30, 2012 exchange rates.

(2) Interests in Thailand Concessions SW1, L44 and L33 were sold on June 15, 2012.

(3) 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.

(4) On October 17, 2012 (subsequent to September 30, 2012 and not reflected in the table of International Interests above), the Company entered into an agreement to purchase a 20% participating interest from the Company's partner in the Citarum Production Sharing Contract ("PSC") in consideration for: 1) the responsibility of all the partner's work program obligation in the PSC effective from July 13, 2012, and 2) the payment of a future royalty of $10 million USD on the first delivery of petroleum from a commercial development of hydrocarbons for any potential future discovery made within the Citarum PSC and an additional $6 million on the delivery of petroleum from a commercial development of hydrocarbons for any second future hydrocarbon discovery. The Company's interest in the Citarum PSC became 97%.

(5) In October 2012 (subsequent to September 30, 2012 and not reflected in the table of International Interests above), the Company completed the access agreement with the surface rights holder of lands covering a large portion of the Batu Gajah and South CPP PSCs. In consideration for unlimited access to an extensive road network and surface lands covering the Batu Gajah and South CPP PSCs through the entire exploration, development and production period, the Company will hold in trust a 20% carried interest in both the South CPP and Batu Gajah PSC's for the surface rights holder and will continue to pay certain access fees as mandated by the various Government of Indonesia bodies. All costs incurred by the Company in relation to the 20% carried interest will be preferentially recovered from the future cost recovery on any potential future discovery that is brought on stream.

(6) In November 2012 (subsequent to September 30, 2012 and not reflected in the table of International Interests above),, the Company entered into an agreement for a farm-in at Thailand on-shore Concession L45/50 whereby the Company will become operator and will earn up to a 60% interest by the acquisition of approximately 80 square kilometers of 3D seismic data late in first quarter of 2013 following by the drilling of up to two exploration wells. The farm-in is subject to approval by the Government of Thailand.

Thailand

At January 1, 2012 the Company had operated working interests in four concessions in Thailand: Concession 44/43 (“L44”); Concession SW1 (“SW1”); Concession 33/43 (“L33”); and Concession 53/48 (“L53”). 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 Orient’s 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.

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, 0.5 million barrels (3%) to SW1, 2.0 million barrels (10%) to L33 and 0.8 million barrels (4%) to L53 for the L53-A field. 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.

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

Pan Orient has retained its operated 100% interest in Concession L53 in onshore Thailand. The L53-A oilfield commenced commercial production in August 2010. Proved plus probable reserves, as evaluated by independent reservoir engineers, as at December 31, 2011 assigned the sandstone L53-A oilfield in Concession L53 0.8 million barrels. The L53-D East sandstone oilfield 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. No reserves were assigned to the L53-D East oilfield at December 31, 2011 since there was no production license in place. As part of the Thailand 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. The L53D production license was granted on July 30, 2012 with an area of 11.98 square kilometers.

In the first nine months of 2012 Pan Orient has drilled two wells in Concession L53 (being the L53-DST3 well and the L53-G well), plus continued work on the L53-D2 well which has included three sidetracks. 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. There are four firm development / appraisal wells and one exploration planned for the remainder of 2012 for approximately $8 million. Depending on the timing of approvals for wells in the new 3D area, a contingent additional two exploration wells are possible with incremental capital of $3 million.

In November 2012 (subsequent to September 30, 2012), the Company entered into an agreement for a farm-in at Thailand on-shore Concession L45/50 whereby the Company will become operator and will earn up to a 60% interest by the acquisition of approximately 80 square kilometers of 3D seismic data late in first quarter of 2013 following by the drilling of up to two exploration wells. The farm-in is subject to approval by the Government of Thailand

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 November 26, 2012 as follows:

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

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

At the Batu Gajah PSC, Pan Orient commenced the exploration drilling program in late March 2011. The Tuba Obi Utara-1 (NTO-1) exploration well drilled 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 planned 2012-2013 capital program includes the drilling of three wells at the Batu Gajah PSC with the Shinta-1 and Kemala-1 exploration wells and the Buana-1 (formerly referred to as NTO-2) appraisal well.

October 2012 (subsequent to September 30, 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. The drilling of the first of three back to back appraisal / exploration wells is anticipated to commence by the end of December 2012. The contract for a 400 square kilometer 3D seismic survey has been awarded and acquisition is anticipated to commence in March 2013.

At the Citarum PSC, 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 4,875 feet above the primary reservoir objective at 6,500 feet which had not been penetrated. With completion of drilling at Geulis-1 well, the drilling rig at the Cataka-1A well site and is preparing to commence the re-drill of the Cataka prospect (with the Cataka-1A well) incorporating a redesigned well plan incorporating the information gathered from the original well. The Jatayu-1 exploration well commenced drilling March 21, 2012 towards a primary reservoir objective target depth of 7,382 feet. Drilling difficulties were encountered and the decision was made to set 4.5 inch casing and drill the additional approximately 1,300 feet to the Parigi limestone target utilizing slim hole drilling equipment. Drilling is expected to recommence with the slim hole equipment on in early December. Subsequent to the end of the third quarter, the Geulis-1 exploration well was spudded on October 2, 2012. The Geulis-1 well was drilled to a depth of 4,300 feet and encountered approximately 8 feet of combined interpreted gas pay over two separate zones based on open hole wire line and mud logs. 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.

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

On November 20, 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 PSCõs firm three year exploration commitment includes two wells and 2D seismic acquisition and processing for approximately $16.2 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 (ñAndoraò), a private oil company in which Pan Orient had 71.8% ownership at November 26, 2012, 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 oil sands project at Sawn Lake Alberta as at December 31, 2011 was evaluated by Sproule Associates Ltd. (ñSprouleò). 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", ñBestò and ñLowò in accordance with the level of certainty. The report assigned Sawn Lake ñBest Caseò contingent resources of 114.4 million barrels attributed to the 53.4% ownership interest of Pan Orient in Andora.

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

On August 10, 2012 Pan Orient increased its ownership of Andora Energy Corporation ("Andora") from 52.5% to 71.8% through an additional $24.7 million investment in Andora pursuant to a rights offering by Andora. Proceeds from the rights offering will be used 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.

Summarized financial information with respect to Andora is as follows:

($000s)	As at and for the Three Months Ended September 30 2012	2011	As at and for the Nine Months Ended September 30 2012	2011
Total assets	**83,524**	61,454	**83,524**	61,454
Total liabilities	**6,581**	6,795	**6,581**	6,795
Funds flow from operations	**(88)**	(93)	**(294)**	(276)
Net loss	**804**	117	**1,024**	517

HIGHLIGHTS

- On September 6, 2012 Pan Orient paid shareholders a special distribution of $42.5 million ($0.75 per share). The distribution was funded by the June 2012 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 $158.5 million. The Company recorded an after tax gain of $77.9 million for this Thailand disposition transaction.

- Following the June 2012 sale of the majority of Pan Orient's Thailand interests, Thailand operations in the third quarter consist only of Concession L53. Third quarter 2012 corporate funds flow from operations were $3.3 million ($0.06 per share) and reflects the sale of the majority of Thailand interests in June 2012. A net loss attributable to common shareholders of $1.6 million (loss of $0.03 per share) was primarily attributable to the foreign exchange loss on the conversion of the proceeds of the Thailand asset sale from US dollars to Canadian dollars and stock-based compensation. For the nine months ended September 30, 2012 corporate funds flow from operations of $29.0 million ($0.51 per share), net proceeds from the Thailand disposition of $158.5 million ($2.80 per share) and net income attributable to common shareholders of $85.8 million ($1.51 per share).

- Thailand oil sales in the third quarter of 2012 of 842 BOPD and funds flow from Thailand operations of $5.7 million ($72.96 per barrel). October oil production from Concession L53 was 975 BOPD and current production is approximately 1,195 BOPD, which excludes production from the L53-DST3 well which is currently shut-in pending the completion of a workover that is expected to initially add 400 to 500 BOPD of production. Oil production from the middle of June to the middle of October was curtailed by fluctuating water disposal capacity. The Company's historic water disposal facilities were part of the Thailand assets sold in June 2012 and produced water was disposed of only through contracts with cement plants until October 2012. This water disposal issue has now been resolved with water disposal capacity on the concession of approximately 3,500 barrels of water per day.

- Pan Orient has retained its operated 100% interest in Concession L53 in onshore Thailand. Conventional sandstone oil production from the L53-A and L53-D fields in Concession 53 has averaged 906 BOPD and contributed funds flow from operations of $21.3 million (or $85.95 per barrel) for the first nine months of 2012. A drilling program of five wells is scheduled to start in early December with three development / step out appraisal wells planned in the L53-D field and two exploration wells planned at the L53-F and L53-H prospects. As a result of the 100 square kilometer 3D seismic survey over the unexplored northeast portion of Concession L53 completed earlier in 2012, environmental impact assessments are currently underway for exploration drilling locations that are expected to be ready for potential drilling in the third quarter of 2013. An additional 260 square kilometers of 3D seismic acquisition is anticipated to start in Concession L53 and the adjacent Concession L45 in the first quarter of 2013.

- Pan Orient has conducted active exploration programs in Indonesia during the first three quarters of 2012 with capital expenditures of $26.5 million. Capital expenditures have been focused on exploration drilling in the Citarum Production Sharing Contract ("PSC"). Difficult drilling was experienced to the end of the third quarter in the complex fold belt environment of the Citarum PSC, and a number of initiatives were successfully implemented with regard to personnel and well design for the drilling at Geulis-1 and are anticipated to achieve similar results at Cataka-1A.

- In August 2012 Pan Orient increased its ownership of Andora Energy Corporation ("Andora") to 71.8% through a $24.7 million investment in Andora pursuant to a rights offering by Andora. Proceeds will be used for the procurement and construction of a thermal facility, drilling of one horizontal well pair, and operations in respect of its Sawn Lake Steam Assisted Gravity Drainage ("SAGD") development project at an estimated cost of $23.5 million. In addition, Andora acquired a private company in July which provides Andora with proprietary thermal facility design / process capabilities and expands the Andora team with thermal facility design and operating specialists. The operations of Andora are reported as part of Pan Orient.

- Working Capital and non-current deposits and receivables at September 30, 2012 of $134.1 million, with no long-term debt and $5.8 million of equipment inventory to be utilized for future Thailand and Indonesia operations. Pan Orient will maintain financial strength while at the same time conducting active seismic and drilling programs in Thailand and Indonesia, and investing $23.5 million through Andora Energy for advancement of the SAGD pilot program.

SUBSEQUENT EVENTS

- In October 2012, the Company purchased an additional 20% participating interest in the Citarum PSC in consideration for assuming the partner's work program obligations and the payment of future payment contingent upon the delivery of petroleum from a commercial development of hydrocarbon from discoveries made within the Citarum PSC.
- In October 2012, the Company completed the access agreement with the surface rights holder of lands covering a large portion of the Batu Gajah and South CPP PSCs. In consideration for unlimited access to an extensive road network and surface lands covering the Batu Gajah and South CPP PSCs through the entire exploration, development and production period, the Company will hold in trust a 20% carried interest in both the Batu Gajah and South CPP PSC's for the surface rights holder and will continue to pay certain access fees as mandated by the various Government of Indonesia bodies. All costs incurred by the Company in relation to the 20% carried interest will be preferentially recovered from the future cost recovery on any potential future discovery that is brought on stream. Pan Orient will proceed with first of three back to back appraisal / exploration wells by the end of December 2012 and a 400 square kilometer 3D seismic survey is anticipated to commence in March 2013.
- In November 2012, the Company entered into an agreement for a farm-in at Thailand on-shore Concession L45/50 whereby the Company will become operator and will earn up to a 60% interest by the acquisition of approximately 80 square kilometers of 3D seismic data late in first quarter of 2013 following by the drilling of up to two exploration wells. The farm-in is subject to approval by the Government of Thailand.

2012 THIRD QUARTER OPERATING RESULTS

- Capital expenditures were $12.0 million in the third quarter of 2012 with $4.0 million in Thailand for development of the L53-D field, inventory and land purchases, and $8.0 million in Indonesia primarily for the Citarum PSC exploration program with drilling costs of the Jatayu-1 well and site preparation for the Geulis-1 and Cataka-1A wells. Capital expenditures in Thailand were funded by Thailand funds flow from operations and the capital programs in Indonesia and Canada were principally funded from working capital.
- **Thailand**
  - In the third quarter of 2012 Concession L53 averaged oil sales of 842 BOPD and generated $5.7 million in after tax funds flow from operations, or $72.96 per barrel. On a per barrel basis, this represents oil sales of $100.78, transportation expenses of $1.33, operating expenses of $17.51, general and administrative expenses of $3.96 and amounts to the Thailand government of $5.04. Oil sales during this period were allocated 23% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand in the form of royalties and minor amount of income tax, and 72% to Pan Orient. The higher operating expenses during the quarter resulted from the disposal of produced water at cement plants at a cost representing $13.50 per barrel of oil.
- **Indonesia**
  - The $26.5 million of capital expenditures in Indonesia during the first three quarters of 2012 were $24.9 million at the Citarum PSC, $0.6 million at the Batu Gajah PSC, $0.3 million at the South CPP PSC and $0.7 million at the East Jabung PSC.
  - At the Citarum PSC on-shore Java, Pan Orient commenced the exploration drilling program at the end of December 2011 with the Cataka-1 well. Capital expenditures of $24.9 million in the first three quarters of 2012 include $4.8 million for the Cataka-1 well, $15.8 million for the Jatayu-1 well, $3.2 million for site preparation at the Geulis-1 and Cataka-1A well sites and $1.1 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 4,875 feet above the primary reservoir objective at 6,500 feet which had not been penetrated. With completion of drilling at Geulis-1 well, the drilling rig is currently moving (46%) rigging up (10%) at the Cataka-1A well site and is preparing to commence the re-drill of the Cataka prospect (with the Cataka-1A well) incorporating a redesigned well plan in the second half of December.
    - The Jatayu-1 exploration well commenced drilling March 21, 2012 towards a primary reservoir objective target depth of 7,382 feet. Drilling difficulties were encountered and the decision was made to set 4.5 inch casing and to drill the additional approximately 1,300 feet to the Parigi limestone target utilizing slim hole drilling equipment. Drilling is expected to recommence with the slim hole equipment in early December. Subsequent to the end of the third quarter, the Geulis-1 exploration well was spudded on October 2, 2012. The Geulis-1 well was drilled to a depth of 4,300 feet and encountered approximately 8 feet of combined interpreted gas pay over two separate zones based on open hole wire line and mud logs. 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.

OUTLOOK

- **Corporate**

The Board of Directors of Pan Orient Energy Corp. has approved a firm capital program in Indonesia and Thailand for the 13 month period of December 1, 2012 to December 31, 2013 of $73.2 million which includes the drilling of four development wells / step out appraisal wells and six exploration wells in addition to 660 square kilometers of 3D seismic and 657 kilometers of 2D seismic. This significant seismic expenditure will result in the fulfillment of the firm seismic commitments on all the Indonesian PSC's, cover entirely the prospective portions of the Thailand Concession L53 and will set the foundation for an active 2014 drilling program.

In addition to the $73.2 million firm capital budget, an additional $22.8 million in contingent capital expenditures has been approved which includes well testing programs in Indonesia where justified by drilling results, two additional exploration wells in Thailand and the exploration well at the East Jabung PSC in Indonesia.

A further $23.5 million is expected to be invested by Andora for advancement of the SAGD pilot program. Andora is a subsidiary of Pan Orient and as such, the financial statements of Pan Orient at September 30, 2012 include the $23.5 million of cash held in Andora, and capital expenditures of Andora for the SAGD pilot program will be reported as capital expenditures in the financial statements of Pan Orient as they are incurred.

Mr. Jeff Chisholm, President and CEO of the corporation is now based in Bangkok, Thailand to be closer to Pan Orient's key Asian operations and business development activities.

The Board of Directors of Pan Orient Energy Corp is pleased to announce Mr. Gerry Macey, who has been a director of Pan Orient since 2005, has been appointed Chairman of the Corporation. Mr. Macey possesses an exceptional track record of exploration success for the period he was in charge of the international and frontier exploration efforts of Encana Corporation and its predecessor, PanCanadian Energy Corporation. In addition to his role of as Chairman of Pan Orient, Mr. Macey is a member of the Gran Tierra Energy Inc. Board of Directors and was a member of the Board of Directors of Addax Petroleum Corporation and Verenex Energy Inc.

- **Indonesia**

The firm Indonesian capital budget of $54.2 million will include the drilling of two exploration wells and one appraisal well in Batu Gajah PSC at Shinta-1, Buana-1 (which was formerly referred to as NTO-2) and Kemala-1, and two exploration well operations in the Citarum PSC with the slim hole deepening at Jatayu-1 and drilling of Cataka-1A. The Citarum drilling program is about to recommence and the first of three back to back wells in Batu Gajah is expected to start drilling in late December 2012. A 400 square kilometer 3D seismic program at Batu Gajah, 430 kilometers of 2D seismic at East Jabung and 227 kilometers of 2D seismic at South CPP is also part of the firm capital budget.

There is one contingent exploration well at East Jabung and testing for each of the five firm wells in the Indonesian contingent capital budget of $19 million.

- **Thailand**

The firm Thailand capital budget of $19 million includes five wells, with three development / appraisal wells at L53-D East, one exploration well targeting the L53-H prospect and one targeting the L53-F prospect. Drilling of the L53-H exploration well is expected to commence in early December 2012, followed immediately by drilling at L53-D East and L53-F. Approximately 180 square kilometers of 3D seismic acquisition on Concession L53 and 80 square kilometers on Concession L45 is expected to commence in late March 2013. There are two development / appraisal wells in the $3.8 million contingent capital budget that would be drilled in the event of any step out appraisal or exploration success.

Thailand production is anticipated to exit 2012 at between 1,400 to 1,600 BOPD. Guidance production for 2013 will be provided in February 2013 once the initial results of appraisal drilling at L53-D East and exploration drilling at L53-F and L53-H are known.

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

Activities are currently underway to commence steam injection at the Sawn Lake SAGD demonstration project in the second quarter of 2013, and production anticipated in the fourth quarter of 2013.

Financial and Operating Summary	Three Months Ended September 30,		Nine Months Ended September 30,		
(thousands of Canadian dollars except where indicated)	**2012**	2011	**2012**	2011	Change
FINANCIAL					
Oil revenue, before royalties and transportation expense	**7,808**	18,083	**45,964**	55,053	-17%
Funds flow from operations (Note 1)	**3,348**	13,165	**28,982**	38,809	-25%
Per share ï basic and diluted	**$ 0.06**	$ 0.23	**$ 0.51**	$ 0.71	-28%
Funds flow from operations by region (Note 1)					
Canada	**(2,021)**	20	**(3,010)**	(384)	684%
Thailand	**5,653**	13,123	**32,397**	39,477	-18%
Indonesia	**(284)**	22	**(405)**	(284)	43%
Total	**3,348**	13,165	**28,982**	38,809	-25%
Funds flow ï Thailand disposition net proceeds (Note 2)	**553**		**158,505**		
Net income (loss) attributable to common shareholders	**(1,626)**	3,882	**85,783**	12,418	591%
Per share ï basic and diluted	**$ (0.03)**	$ 0.07	**$ 1.51**	$ 0.23	558%
Working capital	**130,470**	52,756	**130,470**	52,756	147%
Working capital and non-current deposits & receivables	**134,061**	58,016	**134,061**	58,016	131%
Long-term debt	**-**	-	**-**	-	
Petroleum and natural gas properties					
Capital expenditures (Note 3)	**12,021**	15,364	**57,472**	57,831	-1%
Acquisitions ï Indonesia (Note 4)	**-**	-	**-**	1,761	
Acquisitions ï Sawn Lake, Canada (Note 7)	**-**	-	**-**	3,192	
Shares outstanding (thousands)	**56,720**	56,685	**56,720**	56,685	0%
Funds Flow from Operations per Barrel (Note 1)					
Canada operations	**$ (26.07)**	$ 0.11	**$ (7.02)**	$ (0.67)	948%
Thailand operations	**72.96**	71.33	**75.58**	68.91	10%
Indonesia operations	**(3.67)**	0.12	**(0.94)**	(0.50)	89%
	$ 43.22	$ 71.56	**$ 67.62**	$ 67.74	0%
Capital Expenditures (Note 3)					
Canada	**85**	22	**259**	236	10%
Thailand	**3,961**	10,310	**30,730**	38,069	-19%
Indonesia	**7,975**	5,032	**26,483**	19,526	36%
Total	**12,021**	15,364	**57,472**	57,831	-1%
Working Capital and Non-current Deposits					
Working capital and non-current deposits & receivables ï beginning of period	**184,536**	60,469	**51,632**	31,396	64%
Funds flow from operations (Note 1)	**3,348**	13,165	**28,982**	38,809	-25%
Thailand disposition net proceeds (Note 2)	**553**	-	**158,505**	-	
Thailand disposition ï sale of working capital (Note 2)	**-**	-	**(4,591)**	-	
Capital expenditures (Note 3)	**(12,021)**	(15,364)	**(57,472)**	(57,831)	-1%
Special dividend	**(42,540)**		**(42,540)**	-	
Acquisitions ï Indonesia (Note 5)	**-**	-	**-**	(1,417)	
Foreign exchange impact on working capital	**185**	(254)	**(455)**	(557)	-19%
Net proceeds on share transactions	**-**	-	**-**	47,616	-100%
Working capital and non-current deposits & receivables - end of period	**134,061**	58,016	**134,061**	58,016	131%
Canada Operations (excluding Thailand disposition)					
Interest income	**359**	109	**496**	269	85%
General and administrative expense recovery (Note 6)	**(617)**	(157)	**(1,934)**	(462)	319%
Realized foreign exchange (loss) gain	**(1,763)**	68	**(1,572)**	(191)	723%
Funds flow from operations (Note 1)	**(2,021)**	20	**(3,010)**	(384)	684%
Funds flow from operations per barrel					
Interest income	**$ 4.64**	$ 0.59	**$ 1.16**	$ 0.47	146%
General and administrative expense (Note 6)	**(7.96)**	(0.85)	**(4.51)**	(0.81)	457%
Realized foreign exchange gain (loss)	**(22.75)**	0.37	**(3.67)**	(0.33)	1011%
	$ (26.07)	$ 0.11	**$ (7.02)**	$ (0.67)	948%
Indonesia Operations					
General and administrative recovery (expense) (Note 6)	**(284)**	22	**(405)**	(284)	43%
Wells drilled Gross	**-**	-	**1**	2	-50%
Net	**-**	-	**0.8**	2.0	-60%

(thousands of Canadian dollars except where indicated)	Three Months Ended September 30, 2012	2011	Nine Months Ended September 30, 2012	2011	Change
THAILAND OPERATIONS (Note 2)					
Oil sales (bbls)	**77,477**	183,973	**428,635**	572,867	-25%
Average daily oil sales (BOPD) by Concession					
L44 (interests sold June 15, 2012)	**-**	1,181	**518**	1,322	-61%
SW1 (interests sold June 15, 2012)	**-**	200	**114**	142	20%
L33 (interests sold June 15, 2012)	**-**	117	**26**	160	-84%
L53	**842**	502	**906**	474	91%
Total	**842**	2,000	**1,564**	2,098	-25%
Average oil sales price, before transportation (CDN$/bbl)	**$ 100.78**	$ 98.29	**$ 107.23**	$ 96.10	12%
Reference Price (volume weighted) and differential					
Crude oil (Brent $US/bbl)	**$ 108.76**	$ 113.49	**$ 114.95**	$ 111.95	3%
Exchange Rate $US/$Cdn	**1.02**	0.99	**1.01**	0.99	3%
Crude oil (Brent $Cdn/bbl)	**$ 110.51**	$ 112.47	**$ 116.62**	$ 110.61	5%
Sale price / Brent reference price	**91%**	87%	**92%**	87%	5.0%
Funds flow from operations (Note 1)					
Crude oil sales	**7,808**	18,083	**45,964**	55,053	-17%
Government royalty	**(390)**	(894)	**(2,282)**	(2,777)	-18%
Other royalty	**-**	(51)	**(49)**	(136)	-64%
Transportation expense	**(103)**	(398)	**(796)**	(1,274)	-38%
Operating expense	**(1,357)**	(2,314)	**(5,244)**	(6,848)	-23%
Field netback	**5,958**	14,426	**37,593**	44,018	-15%
General and administrative expense (Note 6)	**(307)**	(1,011)	**(1,831)**	(2,636)	-31%
Interest income	**4**	6	**43**	64	-33%
Current income tax	**(2)**	(298)	**(3,408)**	(1,969)	73%
Funds flow from operations	**5,653**	13,123	**32,397**	39,477	-18%
Funds flow from operations / barrel (CDN$/bbl) (Note 1)					
Crude oil sales	**$ 100.78**	$ 98.29	**$ 107.23**	$ 96.10	12%
Government royalty	**(5.04)**	(4.92)	**(5.32)**	(4.94)	8%
Other royalty	**-**	(0.22)	**(0.11)**	(0.15)	-24%
Transportation expense	**(1.33)**	(2.16)	**(1.86)**	(2.22)	-16%
Operating expense	**(17.51)**	(12.58)	**(12.23)**	(11.95)	2%
	76.90	78.41	**87.71**	76.84	14%
General and administrative expense (Note 6)	**(3.96)**	(5.49)	**(4.27)**	(4.60)	-7%
Interest Income	**0.05**	0.03	**0.10**	0.11	-10%
Current income tax	**(0.03)**	(1.62)	**(7.95)**	(3.44)	131%
Thailand - Funds flow from operations	**$ 72.96**	$ 71.33	**$ 75.59**	$ 68.91	10%
Government royalty as percentage of crude oil sales	**5.0%**	5.0%	**5.0%**	5.0%	0.0%
SRB as percentage of crude oil sales	**0.0%**	0.0%	**0.0%**	0.0%	0.0%
Income tax as percentage of crude oil sales	**0.0%**	1.6%	**7.4%**	3.6%	3.8%
As percentage of crude oil sales					
Expenses - transportation, operating, G&A and other	**22.6%**	20.9%	**17.2%**	19.8%	-2.6%
Government royalty, SRB and income tax	**5.0%**	6.6%	**12.4%**	8.6%	3.8%
Funds flow from operations, before interest income and realized foreign exchange gain	**72.4%**	72.5%	**70.4%**	71.6%	-1.2%
Wells drilled					
Gross	**-**	5	**7**	20	-65%
Net	**-**	3.0	**5.0**	14.0	-64%

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

(2) Thailand Concessions SW1, L44 and L33 were sold on June 15, 2012. Proceeds of $185.3 million less transaction costs of $11.2 million and estimated tax of $15.6 million results in proceeds net of expenses of $158.5 million. After deducting $80.6 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 $77.9 million. The 2012 financial statements and operating

results include revenue, expenses and capital expenditures associated with these properties to June 14, 2012.

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

(4) Cost of acquisitions, including deemed value of equity issued in the transaction.

(5) Cost of acquisitions, excluding deemed value of equity issued in the transaction.

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

(7) The acquisition transaction was reversed in the fourth quarter of 2011.

Revenue and Production

Petroleum revenue for the three months ended September 30, 2012 was $7.8 million, compared to $18.1 million for the third quarter of 2011 and $12.5 million reported in the second quarter of 2012. Average daily oil sales of 842 BOPD in the current period was 58% lower than the third quarter of 2011 and 36% lower than the second quarter of 2012 primarily the result of the sale of Pan Orient's interest in Concession L44, L33 and SW1 on June 15, 2012 and temporarily shut-in production at Concession L53.

The Company's average realized price for its production was $100.78/bbl for the three months ended September 30, 2012, representing an increase of 3% over the same period of 2011. 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 three months ended September 30, 2012 the Company's realized price was 91% of the Brent reference price.

Royalties

The Company paid two types of royalties in 2012: 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.

Total royalties of $0.4 million for the three months ended September 30, 2012 were 59% lower than the $0.9 million reported in the comparable quarter of 2011, and the decrease was attributed to lower oil volumes and revenues and elimination of the 8% gross overriding royalty ("GORR") in SW1 effective April 1, 2012 . The average Thai government royalty rate for the third quarter of 2012 was 5.0% which was relatively consistent with the royalty rate reported in the third quarter of 2011.

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 $1.33/bbl for the three months ended September 30, 2012 compared to $2.16/bbl in the same quarter of 2011. All oil production in the third quarter of 2012 was from Concession L53, and oil trucked from Concession L53 benefits from a lower contracted rate with its proximity to the Bangkok refinery compared to the other three concessions and had averaged $1.35 per barrel for the first nine months of 2012.

Operating expenses for the third quarter of 2012 were $1.4 million compared to $1.8 million in the second quarter of 2012 and $2.3 million in the third quarter of 2011. Operating expenses of $17.51/bbl for the third quarter of 2012 were higher than $12.58/bbl in the third quarter of 2011 and the $14.68/bbl reported in the second quarter of 2012 due to a reduction in production volumes and the cost of disposing of produced water at cement plants represented $13.50 per barrel of oil produced. The Companies historic water disposal facilities were part of the Thailand assets sold in June 2012 resulting in the use of cement plants for the third quarter of 2012. In October 2012 the water disposal issue was resolved with water disposal capacity on the concession of approximately 3,500 barrels of water per day.

Depletion and Depreciation (D&A)

	As at and for the Three Months Ended September 30		As at and for the Nine Months Ended September 30	
($000s)	**2012**	**2011**	**2012**	**2011**
Depletion of Thailand PP&E - $000s	**2,289**	1,888	**8,873**	5,482
Depreciation of office equipment & assets - $000s	**46**	80	**184**	297
Total D&A - $000s	**2,335**	1,968	**9,057**	5,779
Total D&A - $/bbl	**30.01**	10.70	**21.13**	10.09

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 $6.1 million (2011 - $71.2 million) of estimated future development costs for proved plus probable reserves. The D&A rate per barrel in the third 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.

Taxes

($000s)	As at and for the Three Months Ended September 30 2012	2011	As at and for the Nine Months Ended September 30 2012	2011
Special remuneratory benefit	**-**	-	**-**	-
Income tax on Thailand operations	**4**	298	**3,408**	1,969
Taxes expense (recovery) on sale of Thai assets	**(516)**	-	**15,575**	-
Current tax expense (recovery)	**(512)**	298	**18,983**	1,969
Deferred tax expense	**1,877**	6,867	**10,043**	18,398
Total tax expense	**1,365**	7,165	**29,026**	20,367

Pan Orient's current taxes consist of a special remuneratory benefit (SRB) and income tax on its Thailand operations and estimated taxes payable (recovery) on sale of the Thai assets

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 metres drilled on the concession. For 2012 oil sales at L53, the Company continues to utilize its SRB loss carry forward deductions to shelter SRB taxes and because of the numerous factors involved in the SRB calculation it is uncertain when SRB will be payable on the concession.

Income tax 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 nine months ended September 30, 2012 SRB was 0.0% (2011: 0%) of total revenue and income tax from operations was 7.4% (2011 – 3.6%) of total revenue.

At September 30, 2012 the Company had a tax payable of $15.6 million mainly attributed to the estimated current income tax provision associated with the sale of Thai assets.

General and Administrative (G&A) Expenses

($000s)	As at and for the Three Months Ended September 30 2012	2011	As at and for the Nine Months Ended September 30 2012	2011
Thailand	**307**	1,142	**2,055**	3,019
Indonesia	**1,958**	838	**3,562**	2,419
Canada	**674**	171	**2,054**	557
Total G&A, net of overhead recoveries	**2,939**	2,151	**7,671**	5,995
Allocated to capital projects	**(1,731)**	(1,005)	**(3,501)**	(2,613)
Cash G&A	**1,208**	1,146	**4,170**	3,382
Accretion on decommissioning provision	**(2)**	93	**154**	270
Total G&A	**1,206**	1,239	**4,324**	3,652
Cash G&A - $/bbl	**15.59**	6.23	**9.73**	5.90
Total G&A - $/bbl	**15.56**	6.73	**10.09**	6.38

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 reduced.

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 $1.2 million for the three months ended September 30, 2012 was consistent with the $1.2 million reported in the comparable quarter of 2011. During the third quarter of 2012 G&A decreased in Thailand as the Thailand organization was reduced in size as a result of the sale transaction in June 2012. G&A in Indonesia increased in the third quarter of 2012 with an increase in the technical staff.

Capital Invested

	Nine Months Ended September 30			
	2012		2011	
	$000s	Net wells drilled	$000s	Net wells drilled
Capital expenditures				
Thailand	**30,730**	**5.0**	38,069	14.0
Indonesia	**26,483**	**0.8**	19,526	2.0
Canada	**259**	**-**	236	-
Total capital expenditures	**57,472**	**5.8**	57,831	16.0
Indonesia acquisition expenditures - cash	**-**	**-**	1,417	-
Capital and acquisition expenditures – cash	**57,472**	**5.8**	59,248	16.0
Indonesia acquisition – non cash	**-**	**-**	344	-
Sawn Lake acquisition – non cash	**-**	**-**	3,192	-
Total capital invested	**57,472**	**5.8**	62,784	16.0

(1) Excluding foreign exchange and decommissioning provision

Liquidity and Capital Resources

Liquidity

Pan Orient's capital program for the 3 months ended September 30, 2012 was financed with funds generated from operating activities, the remainder from existing working capital and proceeds received from the sale of the Thai assets. Thailand funds flow of $5.7 million financed 100% of the country's capital program of $4.0 million for the 3 months ended September 30, 2012. 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 September 30, 2012 Pan Orient's cash and cash equivalents of $143.4 million, compared to $188.9 million at June 30, 2012, were held in the jurisdictions where the Company operates as follows:

($000s)	As at September 30, 2012	As at June 30, 2012	As at December 31, 2011
Cash held in Canada	**139,158**	179,734	37,232
Cash held in Thailand	**2,332**	4,204	11,893
Cash held in Indonesia	**1,945**	4,991	3,282
Total cash	**143,435**	188,929	52,407

Working capital plus non-current cash deposits and receivables at September 30, 2012 was $134.1 million compared to $184.5 million at June 30, 2012. The decrease was attributable to capital expenditures of $12.0 million exceeding funds flow from operations of $3.3 million, and payment of the $42.5 million special distribution in September 2012.

Non-current cash deposits of $0.6 million at September 30, 2012 relate to guarantees to the Thailand and Indonesia governments for the Company's work commitments and customs importation permits in Thailand.

At September 30, 2012, Pan Orient held $5.8 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 Outstanding at period-end (000s)	November 26, 2012	September 30, 2012
Common shares	**56,720**	**56,720**
Stock options	**5,672**	**5,672**
Total	**62,392**	**62,392**

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. Each reporting period, the changes in the values of the Thai baht and U.S. dollar relative to the Company's reporting currency must be 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 were as follows:

	2012			2011				2010
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Rate at end of period								
Thai baht / CAD $ exchange	**31.09**	30.55	30.59	30.69	29.63	31.38	30.84	29.80
U.S. dollar / CAD $ exchange	**0.98**	1.02	0.999	1.02	1.04	0.968	0.971	1.001

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 expatriated to Canada to be held in Canadian dollars. An appropriate cushion of Thai baht is held in Thailand to satisfy payments in that currency as they come due, the most significant of which are the Company's SRB and taxes. All unrealized amounts were recorded in accumulated other comprehensive income (AOCI) on the balance sheet as follows:

	As at and for the Three Months Ended September 30		As at and for the Nine Months Ended September 30	
($000s)	**2012**	**2011**	**2012**	**2011**
AOCI balance at beginning of period	**(695)**	(5,509)	**887**	2,915
Foreign currency translation loss	**(4,722)**	13,417	**(6,304)**	4,993
AOCI balance at end of period	**(5,417)**	7,908	**(5,417)**	7,908

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

	As at and for the Three Months Ended September 30		As at and for the Nine Months Ended September 30	
($000s)	**2012**	**2011**	**2012**	**2011**
Foreign exchange gain (loss) related to Thailand	**(729)**	8,501	**(283)**	1,348
Foreign exchange gain (loss) related to Indonesia	**(3,993)**	4,916	**(3,166)**	3,645
Impact on AOCI from disposal of Thai assets	**-**	-	**(2,855)**	-
Foreign currency translation gain (loss)	**(4,722)**	13,417	**(6,304)**	4,993

Summary of Quarterly Results

	2012			2011				2010(1)
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Production (BOPD)	**842**	1,318	2,541	1,826	2,000	2,052	2,246	4,056
Funds flow from operations ($/bbl)								
Realized oil price	**100.78**	104.21	110.97	104.29	98.29	99.19	91.26	76.36
Royalties	**(5.04)**	(5.16)	(5.72)	(5.56)	(5.14)	(5.18)	(4.95)	(4.99)
Transportation & operating	**(18.84)**	(16.75)	(11.12)	(19.69)	(14.74)	(15.02)	(12.89)	(10.46)
Field Netback	**76.90**	82.30	94.13	79.04	78.41	78.99	73.41	60.91
Financial ($000's) except as indicated								
Oil revenue	**7,808**	12,502	25,654	17,523	18,083	18,521	18,449	28,495
Interest revenue	**363**	98	78	118	115	180	38	32
Net income (loss)(2)	**(1,626)**	79,285	8,124	11,573	3,882	4,608	3,928	9,835
Per share basic ($)	**(0.03)**	1.40	0.14	0.21	0.07	0.08	0.08	0.20
Per share diluted ($)	**(0.03)**	1.40	0.14	0.21	0.07	0.08	0.08	0.20
Capital expenditures(3)	**12,021**	23,980	21,471	13,065	15,364	22,495	19,972	13,638
Total assets	**367,263**	419,313	396,468	371,276	371,964	349,597	350,589	296,709
Shares outstanding (000s)	**56,720**	56,685	56,685	56,685	56,685	56,685	56,544	48,741

(1) Amounts are stated in accordance with Canadian Generally Accepted Accounting Principles prior to the conversion to IFRS.
(2) Net income attributed to common shareholders
(3) Excluding decommissioning provision and acquisition costs

Q4 2010 – 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 Company's 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 – Funds flow from operations for the first quarter was $12.4 million compared to $17.8 million in the fourth quarter of 2010, the reduction primarily a result of reduced revenues attributed to lower production volumes. Average daily oil sales for the period was 2,246 BOPD, a 45% decrease from the fourth quarter of 2010. Oil sales in Concession L44 declined during the first quarter of as a result of incursion of water at the WBEXT-1C well in early January, wells coming off high initial production rates, and three significant wells being brought back on-stream at reduced rates to minimize the water cut. Oil sales at Concession L53 increased in the first quarter of 2011 with increased production from a workover of the L53-A well and new oil production from the L53-A1 well. On a per barrel basis the Company's funds flow from operations was $61.15 compared to $47.71 in the previous quarter. Funds flow in the first quarter of 2011 benefitted from lower current taxes which were 5.4% as a percentage of crude oil sales compared to 14.2% in the fourth quarter of 2010. Net income attributable to Common Shareholders was $3.9 million ($0.08/share basic) for the quarter versus $8.5 million in the fourth quarter of 2010. The Company drilled 6 (4.4 net) wells in Thailand and 1 (1.0 net) well in Indonesia for total capital expenditures of $20.0 million. Also during the period the Company increased its interests in the three Indonesia PSCs for a total cost of $1.8 million including $0.4 million of Pan Orient shares issued and Andora completed an acquisition for a total cost of $3.2 million in warrants issued to the vendor. During the quarter the Company completed a financing involving the issuance of 7.6 million common shares for net proceeds of $46.6 million. At March 31, 2011, working capital plus non-current deposits was $69.2 million and the Company had no long-term debt.

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

Q3 2011 – Funds flow from operations of $13.2 million ($71.56/bbl) was relatively consistent with the previous quarter's funds flow of $13.3 million ($71.14/bbl). Third quarter production of 2,000 BOPD was 3% lower than the volumes reported in the second quarter. Net income attributed to common shareholders of $3.9 million for the quarter was $0.7 million less than the second quarter, primarily attributed to higher future income tax. Capital activities for the quarter included 5 (3.0 net) wells in Thailand and in Indonesia, wellsite preparation for upcoming drilling programs on Citarum and Batu Gajah and payment of the signature bonus for the East Jabung PSC, resulting in total expenditures of $15.4 million. At September 30, 2011 the Company had no long-term debt and working capital plus 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 – 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 ï 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. Corporate funds flow from operations for the third quarter of 2012 was $3.3 million, or $0.06 per share. 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.

Additional Information

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