PAN ORIENT ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

November 12, 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 November 12, 2013 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto for the three and nine months ended September 30, 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 November 12, 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 ("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:

	Three Months Ended September 30		**Nine Months Ended September 30**	
($thousands)	**2013**	**2012**	**2013**	**2012**
Cash flow from operating activities	**4,408**	(2,344)	**16,941**	28,369
Current tax recovery (expense)	**99**	(4)	**250**	(3,408)
Changes in non-cash working capital	**289**	5,696	**(197)**	271
Taxes paid	**1**	-	**4**	3,750
Funds flow from operations	**4,797**	3,348	**16,998**	28,982

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

Petroleum and Natural Gas Properties

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

Pan Orient's Interests

All amounts reflect Pan Orient's interest as at September 30, 2013 (Note1)	Status	Net Square Kilometers	September 30, 2013 Financial Commitments (CDN$ thousands)	
Onshore Thailand Concessions				
L53/48 (100% working interest & operator)	Partially developed	975	$ 121	January 2014 to January 2016
L45/50 (20% working interest & operator) (Note 2 & 3)	Undeveloped	398	$ 166	April 2014
		1,373	$ 287	
Onshore Indonesia PSC's				
Citarum PSC, onshore west java (97% working interest & operator) (Note 4 & 5)	Undeveloped	861	See footnote 5	
Batu Gajah PSC, onshore South Sumatra (77% working interest & operator) (Notes 4)	Undeveloped	610	Commitments to date have been completed	
South CPP PSC, Central Sumatra (77% working interest & operator) (Note 4 & 6)	Undeveloped	-	Unfulfilled commitments of $2.8 million have been accrued as relinquishment cost	
Onshore & Offshore Indonesia PSC				
East Jabung PSC, South Sumatra (100% working interest & operator) (Note 4 & 7)	Undeveloped	6,228	$ 13,952	November 2014
		7,699	$ 13,952	
Canadian Heavy Oil Sands				
Sawn Lake, Alberta (Andora Energy Corporation 50% working interest and operator) (Note 8)	Undeveloped	93	$ 1,879	December 2013 to October 2018
		93	$ 1,879	
Consolidated Total		9,165	$ 16,118	

(1) Amounts shown are calculated as at and for the period ended September 30, 2013. Commitments in Thailand and Indonesia are denominated in USD and translated at September 30, 2013 exchange rates. Commitments in Canada are denominated in CDN.

(2) Commitment shown is Pan Orient's 20% share of the gross USD $800,000 stated in the Concession L45 Agreement to drill one exploration well. Pan Orient has earned a 20% interest pursuant to the Farm-in Agreement as at September 30, 2013. Under the Farm-in Agreement Pan Orient can elect to drill two additional exploration wells to earn an additional 20% working interest for each well drilled. The Company can increase its working interest from 20% to a maximum of 60% based on its election to drill two wells.

(3) Concession L45/50 in Thailand at September 30, 2013 consisted of 1,990 square kilometers of gross exploration lands. A 20% interest in Concession L45/50 represents 398 net 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. The Company can increase its working interest from 20% to a maximum of 60% based on its election to drill two wells.

(4) Work commitments related to these PSCs include amounts paid by Pan Orient on behalf of a partner's carried interest (3% for the Citarum PSC, 23% for the Batu Gajah and South CPP PSC's).

Indonesia financial commitments as provided above represent the initial 3-year firm exploration work program required under the PSC. With respect to Citarum, Batu Gajah and South CPP, extension of these initial 3-year firm exploration work program commitments have been successfully negotiated in the past with the Government of Indonesia ("GOI") to the dates indicated above. The deadlines for commitments and potential extension of the total exploration period with potential additional commitments is determined on a year-by-year basis as part of an annual submission of a work program which is approved by the GOI. Although extension of the deadline for completion of the 3-year firm exploration work program is a departure from the original contract, it is considered standard practice in Indonesia. In the past, such applications on behalf of Pan Orient have been approved by the GOI and management has no reason to believe that future requests will not be granted approval; however, there is no guarantee. Upon default of a commitment related to any of the first three years of a PSC, the operator is required to relinquish 15% of the original PSC area (the actual acreage relinquished is at the discretion of the operator) and to date, Citarum, Batu Gajah and South CPP have complied with these penalty relinquishments. Depending on the stage of the PSC, failure to fulfill the required 3-year firm commitments may also result in penalty payment equal to the unfulfilled commitments, other penalties and/or forfeiture of the PSC.

(5) *The Company believes that it has satisfied the Citarum PSC commitment for the two wells with the drilling operations of the Jatayu-1 and Cataka-1A wells, however this has not been finalized with the GOI and the GOI may have a different interpretation of the requirement.*

(6) The Company has decided to relinquish the South CPP PSC. As part of the relinquishment, the Company is required to pay the GOI for the unfulfilled commitments. The Company has accrued CDN $2.8 million as at September 30, 2013 in its consolidated statements of financial position for the estimated unfulfilled commitments for the drilling of an exploration well and geological studies.

(7) Subsequent to September 30, 2013, the Company submitted an application to the GOI to voluntarily relinquish approximately 3,243 square kilometers of the East Jabung PSC's offshore area. The result of the relinquishment does not impact the PSC's onshore exploration activities.

(8) 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.

Thailand

At September 30, 2013, the Company has operated working interests in two concessions in Thailand: 100% working interest and operator Concession L53/48 (L53) and 20% working interest and operator Concession L45/50 (L45) (and additional 40% can be earned with the drilling of two exploration wells). Concessions L53 and L45 are located approximately 60 kilometers west of Bangkok. Currently all of Pan Orient's production is crude oil from Concession L53 and is sold to a refinery owned by the Thai National Oil Company.

<u>Concession L53</u>
Concession L53 is partially developed and has oil production and an active drilling program. Oil production was 861 BOPD for the nine months ended September 30, 2013. Proved plus probable reserves, as evaluated by independent reservoir engineers, as at December 31, 2012 assigned to the L53A and L53-D East oilfields of Thailand Concession L53 was 1.1 million barrels net to Pan Orient. Of this, 0.6 million barrels (53%) were allocated to the sandstone L53A oilfield and 0.5 million barrels (47%) to the L53D East sandstone oilfield. The determination of crude oil reserves in Concession L53 at December 31, 2012, no reserves were assigned to the 2013 oilfield discoveries to date with the L53-DC1 well, the L53-EXT exploration well or the L53-G2 wells.

<u>Concession L45</u>
Concession L45 is an undeveloped property and as at September 30, 2013 no wells have been drilled by the Company and there is no production. No reserves have been assigned to Concession L45 at September 30, 2013. The Company commenced a 3D seismic program during the second quarter of 2013 and the work was completed by end of the third quarter of 2013. The data is currently being evaluated.

Indonesia

At September 30, 2013, the Company owned interests in four PSCs, with a 97% operated working interest in the Citarum PSC, a 77% operated working interest in the Batu Gajah and South CPP PSCs, and a 100% interest in the East Jabung PSC. A 3% carried interest is held by a third party on the Citarum PSC and a 23% carried interest in held by third parties on the Batu Gajah and South CPP PSCs. There were no reserves assigned to any of the Indonesia PSCs at September 30, 2013.

<u>Citarum PSC</u>
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 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 2012 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 commenced drilling in early December 2012 but was suspended in January 2013 due to numerous drilling rig issues and recommenced drilling in May 2013 with a new drilling rig, well design and personnel. The well encountered numerous intervals of severely tectonically fractured shale that were highly unstable and given the drilling difficulties encountered to date and the low probability of reaching the final objective in the Paragi Limestone zone, the well has been abandoned. At June 30, 2013, the Company decided to discontinue the drilling program at the Citarum PSC and initiate a process to farm-out the PSC. In the second quarter of 2013 the Company recorded a net impairment charge of $86.3 million related to the Citarum PSC and an additional $4.0 million in the third quarter of 2013 for costs relating to the Cataka-1A well which was drilling into the third quarter.

Batu Gajah PSC

At the Batu Gajah PSC, Pan Orient commenced the exploration drilling program in late March 2011. The Tuba Obi Utara-1 (NTO-1) exploration well drilled in the first half of 2011 encountered 10.5 feet of gas pay within good-quality sand near the top of the Lower Talang Akar formation ("LTAF"). The follow-up NTO-1ST side track well encountered the same LTAF gas sand formation identified at the NTO-1 well, but of lower reservoir quality. 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. During the second quarter of 2013, the Company continued the 400 square kilometer 3D seismic program and the major activity for the remainder of 2013 is to complete the acquisition and evaluation of this seismic program which is focused on the eastern half of the PSC. During the third quarter of 2013, the operator of the Lemang PSC (directly adjacent to Pan Orient's Batu Gajah PSC) announced that significant hydrocarbons have been encountered in two wells. One located approximately 175 meters from the shared Lemang / Batu Gajah PSC boundary and another approximately 500 meters from the shared boundary. Mapping of the 2D seismic data over these wells combined with the 2D seismic acquired by Pan Orient in 2010 indicates that a portion of this structural closure extends into Pan Orient's Batu Gajah PSC and perhaps the structural crest. Articles of the PSC contract indicate that unitization will be mandatory in the event of a "shared" field. Pan Orient is currently working on the front end requirements to drill a well on this area. Pan Orient is seeking to farmout a portion of the Company's interests in the Batu Gajah PSC and a decision on the timing and the extent of any working interest to be farmed out is planned to be made by year-end when all the seismic data has been acquired, processed and interpreted.

South CPP PSC

The South CPP PSC was granted to the Company in 2009. A 227 kilometer 2D seismic program was completed in the second quarter of 2013 and after evaluation of the seismic results the Company has decided to relinquish the South CPP PSC. As a result of this decision an impairment charge of $13.3 million was recorded in the second quarter of 2013 which includes an accrual for $2.8 million of expected unfulfilled commitments. In the third quarter of 2013 the Company reclassified a foreign exchange loss from accumulated other comprehensive income resulting in an additional impairment charge of $0.6 million.

East Jabung PSC

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 commenced in the East Jabung PSC with acquisition expected to be completed in early 2014. Pan Orient is seeking to farmout a portion of the Company's interests in the East Jabung PSC and a decision on the timing and the extent of any working interest to be farmed out is planned to be made in the first quarter of 2014 when all the seismic data has been acquired, processed and interpreted. Subsequent to September 30, 2013, the Company submitted an application to the GOI to voluntarily relinquish approximately 3,242.72 square kilometers of the PSC's offshore area. The result of the relinquishment does not impact the PSC's onshore exploration activities.

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.

The demonstration project has started with a 2013 phase consisting of one SAGD well pair, a facility for steam generation, water handling and oil treating, and water source and disposal facilities. The total project has an estimated cost of $25.2 million. In the third quarter of 2013, Andora's joint venture partners in the Sawn Lake demonstration project elected to participate for 50% and Andora is the operator and holds a 50% interest in the demonstration project. Subsequent to September 30, 2013, the wells have been drilled to a depth of approximately 650 meters and have a horizontal length of 750 meters. Work is proceeding on construction of the facility and pipeline installation. It is expected that the steam operations will be commencing in early January 2014. Oil production is anticipated early in the second quarter of 2014.

Summarized financial information with respect to Andora is as follows:

($thousands)	As at and for the Three Months Ended September 30 2013	2012	As at and for the Nine Months Ended September 30 2013	2012
Total assets	**91,207**	83,524	**91,207**	83,524
Total liabilities	**14,009**	6,581	**14,009**	6,581
Funds flow from operations	**79**	(88)	**6**	(294)
Net loss	**51**	804	**306**	1,024

Financial and Operating Summary	Three Months Ended September 30,		Nine Months Ended September 30,		
(thousands of Canadian dollars except where indicated)	**2013**	2012	**2013**	2012	Change
FINANCIAL					
Oil revenue, before royalties and transportation expense	**7,379**	7,808	**23,316**	45,964	-49%
Funds flow from operations (Note 1)	**4,797**	3,348	**16,998**	28,982	-41%
Per share – basic and diluted	**$ 0.08**	$ 0.06	**$ 0.30**	$ 0.51	-41%
Funds flow from operations by region (Note 1)					
Canada	**(48)**	(2,021)	**(236)**	(3,010)	-92%
Thailand	**5,445**	5,653	**17,937**	32,397	-45%
Indonesia	**(600)**	(284)	**(703)**	(405)	74%
Total	**4,797**	3,348	**16,998**	28,982	-41%
Funds flow – Thailand disposition net proceeds (Note 2)	**-**	553	**-**	158,505	-100%
Net income (loss) attributed to common shareholders	**(3,109)**	(1,626)	**(100,445)**	85,783	-217%
Per share – basic and diluted	**$ (0.05)**	$ (0.03)	**$ (1.77)**	$ 1.51	-217%
Working capital	**38,667**	130,470	**38,667**	130,470	-70%
Working capital & non-current deposits	**40,879**	134,061	**40,879**	134,061	-70%
Long-term debt	**-**	-	**-**	-	0%
Capital expenditures (Note 3)	**17,649**	12,021	**90,136**	57,472	57%
Shares outstanding (thousands)	**56,760**	56,720	**56,760**	56,720	0%
Funds Flow from Operations per Barrel (Note 1)					
Canada operations	**$ (0.64)**	$ (26.07)	**$ (1.01)**	$ (7.02)	-86%
Thailand operations	**73.13**	72.96	**76.30**	75.59	1%
Indonesia operations	**(8.06)**	(3.67)	**(2.99)**	(0.94)	218%
	$ 64.43	$ 43.22	**$ 72.30**	$ 67.63	7%
Capital Expenditures (Note 3)					
Canada	**(1,065)**	85	**3,427**	259	1223%
Thailand	**5,506**	3,961	**38,444**	30,730	25%
Indonesia	**13,208**	7,975	**48,265**	26,483	82%
Total	**17,649**	12,021	**90,136**	57,472	57%
Working Capital and Non-current Deposits					
Beginning of period	**54,345**	184,536	**116,376**	51,632	125%
Funds flow from operations (Note 1)	**4,797**	3,348	**16,998**	28,982	-41%
Thailand disposition net proceeds (Note 2)	**-**	553	**-**	158,505	-100%
Thailand disposition – sale of working capital (Note 2)	**-**	-	**-**	(4,591)	-100%
Special dividend	**-**	(42,540)	**-**	(42,540)	-100%
Recovery of 2012 taxes paid on Thailand disposition	**-**	-	**1,785**	-	100%
Capital expenditures (Note 3)	**(17,649)**	(12,021)	**(90,136)**	(57,472)	57%
Accrued relinquishment costs	**45**	-	**(2,733)**	-	100%
Foreign exchange impact on working capital	**(659)**	185	**(1,541)**	(455)	239%
Net proceeds on share transactions	**-**	-	**130**	-	100%
End of period	**40,879**	134,061	**40,879**	134,061	-70%
Canada Operations (excluding Thailand disposition)					
Interest income	**157**	359	**652**	496	31%
General and administrative expense (Note 4)	**(161)**	(617)	**(1,002)**	(1,934)	-48%
Current income tax recovery	**100**	-	**252**	-	100%
Realized foreign exchange loss	**(144)**	(1,763)	**(138)**	(1,572)	-91%
Funds flow from operations (Note 1)	**(48)**	(2,021)	**(236)**	(3,010)	-92%
Funds flow from operations per barrel					
Interest income	**$ 2.11**	$ 4.64	**$ 2.77**	$ 1.16	139%
General and administrative expense (Note 4)	**(2.16)**	(7.96)	**(4.26)**	(4.51)	-6%
Current income tax recovery	**1.34**	-	**1.07**	-	100%
Realized foreign exchange loss	**(1.93)**	(22.75)	**(0.59)**	(3.67)	-84%
	$ (0.64)	$ (26.07)	**$ (1.01)**	$ (7.02)	-86%
Indonesia Operations					
General and administrative expense (Note 4)	**(695)**	(284)	**(817)**	(405)	102%
Realized foreign exchange gain	**95**	-	**114**	-	100%
Indonesia – Funds flow from operations	**(600)**	(284)	**(703)**	(405)	74%
Wells drilled					
Gross	**-**	-	**3**	1	200%
Net	**-**	-	**3.0**	0.8	275%

(thousands of Canadian dollars except where indicated)	Three Months Ended September 30, 2013	2012	Nine Months Ended September 30, 2013	2012	Change
THAILAND OPERATIONS (Note 2)					
Oil sales (bbls)	**74,458**	77,477	**235,073**	428,635	-45%
Average daily oil sales (BOPD) by Concession					
L53	**809**	842	**861**	906	-5%
L44, L33, SW1 (interests sold June 15, 2012)	**-**	-	**-**	658	-100%
Total	**809**	842	**861**	1,564	-45%
Average oil sales price, before transportation (CDN$/bbl)	**$ 99.34**	$ 100.78	**$ 99.19**	$ 107.23	-8%
Reference Price (volume weighted) and differential					
Crude oil (Brent $US/bbl)	**$ 110.31**	$ 108.76	**$ 108.04**	$ 114.95	-6%
Exchange Rate $US/$Cdn	**1.02**	1.02	**1.03**	1.01	2%
Crude oil (Brent $Cdn/bbl)	**$ 112.09**	$ 110.51	**$ 111.38**	$ 116.61	-4%
Sale price / Brent reference price	**89%**	91%	**89%**	92%	-3%
Funds flow from operations (Note 1)					
Crude oil sales	**7,397**	7,808	**23,316**	45,964	-49%
Government royalty	**(368)**	(390)	**(1,152)**	(2,282)	-50%
Other royalty	**-**	-	**-**	(49)	-100%
Transportation expense	**(119)**	(103)	**(371)**	(796)	-53%
Operating expense	**(1,084)**	(1,357)	**(2,747)**	(5,244)	-48%
Field netback	**5,826**	5,958	**19,046**	37,593	-49%
General and administrative expense (Note 4)	**(382)**	(307)	**(1,134)**	(1,831)	-38%
Interest income	**2**	4	**27**	43	-37%
Current income tax	**(1)**	(2)	**(2)**	(3,408)	-100%
Thailand - Funds flow from operations (Note 1)	**5,445**	5,653	**17,937**	32,397	-45%
Funds flow from operations / barrel (CDN$/bbl) (Note 1)					
Crude oil sales	**$ 99.34**	$ 100.78	**$ 99.19**	$ 107.23	-8%
Government royalty	**(4.94)**	(5.04)	**(4.90)**	(5.32)	-8%
Other royalty	**-**	-	**-**	(0.11)	-100%
Transportation expense	**(1.60)**	(1.33)	**(1.58)**	(1.86)	-15%
Operating expense	**(14.56)**	(17.51)	**(11.69)**	(12.23)	-4%
Field netback	**78.24**	76.90	**81.02**	87.71	-8%
General and administrative expense (Note 4)	**(5.13)**	(3.96)	**(4.82)**	(4.27)	13%
Interest Income	**0.03**	0.05	**0.11**	0.10	15%
Current income tax	**(0.01)**	(0.03)	**(0.01)**	(7.95)	-100%
Thailand - Funds flow from operations (Note 1)	**$ 73.13**	$ 72.96	**$ 76.30**	$ 75.59	1%
Government royalty as percentage of crude oil sales	**5%**	5%	**5%**	5%	0%
SRB as percentage of crude oil sales	**0%**	0%	**0%**	0%	0%
Income tax as percentage of crude oil sales	**0%**	0%	**0%**	7%	-100%
As percentage of crude oil sales					
Expenses - transportation, operating and G&A	**21%**	23%	**18%**	17%	6%
Government royalty and income tax	**5%**	5%	**5%**	12%	-60%
Funds flow from operations, before interest income	**74%**	72%	**77%**	70%	9%
Wells drilled					
Gross	**1**	-	**13**	7	86%
Net	**1.0**	-	**13.0**	5.0	160%

(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. Sale 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) General & administrative expenses, excluding non-cash accretion and gain on settlement of decommissioning provision.

2013 THIRD QUARTER OPERATING RESULTS

- Total corporate funds flow from operations for the third quarter of 2013 were $4.8 million compared with $5.7 million in the first quarter of 2013 and $6.5 million for the second quarter of 2013. Funds flow from operations per share was $0.08 for the third quarter of 2013.
- During the third quarter of 2013 there was a net loss attributable to common shareholders of $3.1 million, or $0.05 per share, compared with net income attributable to common shareholders of $0.3 million, or $0.01 per share, for the first quarter of 2013 and a net loss attributable to common shareholders of $97.7 million, or $1.73 per share, for the second quarter of 2013. The 2013 cumulative net loss for the first three quarters of 2013 of $100.4 million largely resulted from the $104.2 million write-down of exploration and evaluation assets associated with the Citarum and South CPP Production Sharing Contracts ("PSC's") in Indonesia. For this write-down, $99.6 million was recorded in the second quarter of 2013 and a further $4.6 million was recorded in the third quarter of 2013 primarily relating to costs incurred to complete drilling operations of the Cataka-1A well in July.
- Capital expenditures were $17.6 million for the third quarter of 2013 and included $13.2 million in Indonesia and $5.5 million in Thailand. There was a $1.1 million recovery of capital costs in Canada at the Sawn Lake steam assisted gravity drainage ("SAGD") demonstration project of Andora Energy Corporation ("Andora") due to the joint venture partners electing to participate for a 50% working interest in the project. The reduction of Pan Orient capital expenditures in the third quarter from $34.5 million in the first quarter of 2013 and $38.0 million for the second quarter of 2013 reflects completion of all 2013 drilling and seismic programs in Thailand and Indonesia except for completion of the seismic program at East Jabung which is currently underway. Capital expenditures were funded partially by the $4.8 million of funds flow from operations and the remainder through existing working capital.
- At September 30, 2013 Pan Orient had $40.9 million of working capital and non-current deposits, and no long-term debt. In addition, Pan Orient had $7.5 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.
- Thailand
  - In the third quarter of 2013 Concession L53 averaged oil sales of 809 BOPD and generated $5.4 million in after tax funds flow from operations, or $73.13 per barrel. This compares with oil sales in the second quarter of 2013 of 955 BOPD and $6.6 million in after tax funds flow from operations, or $76.27 per barrel. Oil sales decreased 15% from the second quarter of 2013 primarily due to the L53-G2 well being shut-in from July 14th, when it was producing at approximately 301 BOPD, to September 3rd when permission was received to resume production testing, the shut-in of the L53-G3ST1 well on September 12^{th}, and declines in other wells in the L53-A and L53-D fields which were partially offset with oil sales from the new L53-EXT and L53-G4 wells which were brought on during the quarter.
  - Oil sales in October 2013 at Concession L53 were 1,156 BOPD. Estimated oil sales over the past 30 days has averaged 986 BOPD and current Thailand oil production is approximately 939 BOPD, excluding approximately 115 BOPD that is currently shut-in.
  - The L53-G2 well drilled in late March 2013 was a new pool discovery outside of the existing production license areas in Concession L53 and a production license and associated environmental approval is required for the new L53-G field before permanent production can commence. The Company applied for the new production license for the L53-G oil pool in mid-August. Until a production license is granted and environmental approval received for the L53-G field, wells in the L53-G field (including L53-G2, L53-G3ST1 and L53-G4) are shut-in at the end of their respective 90 day test periods as per government regulations. Approval of the L53-G production license is anticipated in late November 2013 and environmental approval is anticipated sometime between late November 2013 and mid-January 2014. The Company received permission for an additional 90 day test period for the L53-G2 well only and this production testing extension will end on December 3^{rd}. The L53-G2 well is currently producing 501 BOPD.
  - On a per barrel basis, after tax funds flow from operations of $73.13 in the third quarter of 2013 was fairly consistent with the first two quarters of 2013 and resulted from oil sales of $99.34, transportation expenses of $1.60, operating expenses of $14.56, general and administrative expenses of $5.13 and a royalty to the Thailand government of $4.94. Oil sales revenue during this period was allocated 21% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand for royalties, and 74% to Pan Orient.
  - Capital expenditures of $5.5 million in Thailand during the third quarter of 2013 included $2.2 million in drilling costs in Concession L53, including the L53-G4 well, and $3.3 million for well workovers in Concession L53 to evaluate different zones and add oil production. Pan Orient drilled the L53-G4 appraisal well in the third quarter to complete the drilling program. The well is currently producing at approximately 42 BOPD.
  - The Thailand drilling program in Concession L53 was completed in August and consisted of 13 wells which resulted in:
    - The L53-DC1, L53-DC2, L53-DC3 and L53-DC4 wells have produced oil from a new pool discovery from a new fault compartment within the L53-D East oil field area. Production from the heavy oil zones encountered in the shallow zones at the L53-DC East field has been inconsistent and various procedures are being implemented in an effort to improve oil production and deal with sand production. Installation of progressive cavity pumps is planned for the L53-DC3 well and two other wells in the L53-DC field and we are awaiting delivery of the pumps.

- The L53-DEXT exploration well was drilled in the second quarter of 2013 into a new fault compartment at the L53-D field. This well produced approximately 40 BOPD of 14 degree API heavier oil from a shallow "A3" sands during testing. The well is currently shut-in awaiting a workover to perforate additional possible oil pay zones above the existing perforations.
- The L53-G2 discovery well and the appraisal L53-G4 are producing oil from the new L53-G pool, and the L53-G3ST1 appraisal well has been shut-in since September 12th when it completed its 90 production test period. Oil sales to October 31, 2013 from these three wells have totaled 63,729 barrels of oil.
- Unsuccessful exploration wells at L53-DB1 (targeting the L53-D West prospect), L53-A4 (targeting the L53-H prospect), L53-F, and L53-EXT1 (targeting the deeper "A5" to "A3" oil bearing sands that were logged in the L53-DC4 pilot well). The L53-DB1 well has been converted to a water disposal well.
- The L53-A4ST1 exploration well drilled 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 well to a water disposal well.
- Wells drilled in this drilling program added an average of 533 BOPD in the third quarter of 2013, despite the L53-G2 well being shut in temporarily from July 14th to September 3rd, and the L53-G3ST1 well being shut-in temporarily on September 12th.

- Pan Orient has recently received environmental approval for drilling the L53-A Central prospect in Concession L53 and is waiting for environmental approval for drilling of the L53 North prospect and additional locations in L53-G field. The drilling of prospects at L53-A Central and L53 North, is anticipated in 2014.

➢ Indonesia

- The Company has conducted significant exploration activities in Indonesia during the first three quarters of 2013 with exploration drilling at the Batu Gajah and Citarum PSC's and seismic programs at the Batu Gajah, South CPP and East Jabung PSC's to evaluate exploration potential.
- Capital expenditures in Indonesia of $13.2 million in the third quarter of 2013 were $4.0 million for completion of drilling of the Cataka-1A well at the Citarum PSC, $8.4 million at the Batu Gajah PSC associated with the 3D seismic program, and $0.8 million at the East Jabung PSC for the 3D seismic program.
- During the first nine months of 2013 capital expenditures in Indonesia have been $48.3 million with $15.2 million at the Citarum PSC, $26.6 million at the Batu Gajah PSC, $4.5 million at the South CPP PSC and $2.0 million at the East Jabung. For the first nine months of 2013, capital expenditures were $22.9 million for exploration drilling, $21.7 million for seismic programs, $2.9 million for capitalized general and administrative expenses, and $0.8 for other exploration expenses.
- Citarum PSC onshore Java (Pan Orient operator and 97% ownership)
    - Capital expenditures of $15.2 million in the first nine months of 2013 were associated with the continued drilling operations at the Jatayu-1 and Cataka-1A wells.
    - Exploration drilling to date at the Citarum PSC has been very technically challenging and has not led to commercial discoveries. Pan Orient announced in July that the Company was initiating a farm-out process to seek a partner for continued exploration of the Citarum PSC and the farm-out process has commenced. The Citarum PSC has significant prospectivity for commercial quantities of crude oil and natural gas, including the defined Cataka and Jatayu prospects, within a region of existing infrastructure and a large deficit of natural gas supply relative to demand, good fiscal terms and an attractive large cost recovery pool.
    - Pan Orient's decision to discontinue drilling at the Citarum PSC and to initiate a farm-out process for continued exploration of the Citarum PSC and the future value of the Citarum PSC is dependent on the success of exploration drilling operations through the intended farm-out arrangement. As such, the Company reduced the carrying value of the Citarum PSC exploration and evaluation assets to zero in the second quarter of 2013 and recorded an impairment charge of $86.3 million and recorded a further $4.6 million impairment charge in the third quarter of 2013 primarily relating to costs incurred to complete drilling operations of the Cataka-1A well in July.
- Batu Gajah PSC onshore Sumatra (Pan Orient operator and 77% ownership)
    - 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).
    - Capital expenditures in the first nine months of 2013 of $26.6 with $4.7 million for drilling of the Shinta-1 exploration well, $4.5 million for the Buana-1 appraisal well, $16.3 million for the 400 square kilometer 3D seismic program which was completed in the third quarter and other capital expenditures of $1.1 million.
    - With respect to the 400 square kilometers 3D seismic program, field acquisition has been completed over the Raka, Takar, Rafa and western prospect areas, and the 3D data is being processed and mapped.
    - The operator of the Lemang PSC (directly adjacent to and west of a retained portion of Pan Orient's Batu Gajah PSC), has announced that significant hydrocarbons have been encountered in two wells located

close to the Lemang PSC / Batu Gajah PSC boundary. Mapping of 2D seismic data over these wells combined with 2D seismic acquired by Pan Orient in 2010 indicates a portion of this structural closure extends into the Batu Gajah PSC. Articles of the PSC contract indicate that unitization of the potential field will be mandatory in the event of a "shared" field. Pan Orient is currently evaluating the field and the potential for drilling a well in our portion of the field.

- South CPP PSC onshore Sumatra (Pan Orient operator and 77% ownership).
  - Capital expenditures were $4.5 million in the first nine months of 2013 with $4.2 million for the 227 kilometer 2D seismic program which was completed in May 2013 and $0.3 million for capitalized general and administrative expenses and other capital expenditures.
  - After the evaluation of the seismic program results, the Company decided in the second quarter of 2013 to relinquish the South CPP PSC. As part of the relinquishment, it is expected that the Company is required to pay the Government of Indonesia for unfulfilled firm commitments in the amount of $2.8 million, and this amount has been accrued for in the financial statements. As a result of the intended relinquishment the Company is reducing the carrying value of the South CPP PSC exploration and evaluation assets to zero and the Company recorded an impairment charge of $13.3 million for the exploration and evaluation assets of the South CPP PSC as at June 30, 2013.
- East Jabung PSC on-shore and offshore Sumatra (Pan Orient operator and 100% ownership)
  - Capital expenditures of $2.0 million in the first nine months of 2013 related primarily to the initial costs of the 430 kilometer 2D seismic program which is expected to be completed in early 2014.
  - Subsequent to September 30, 2013, the Company submitted an application to the GOI to voluntarily relinquish approximately 3,242.72 square kilometers of the PSC’s offshore area. The result of the relinquishment does not impact the PSC’s onshore exploration activities.
  - As at September 30, 2013 estimated commitments for Indonesia PSC’s to October 2015 were $14.0 million for the Batu Gajah, Citarum and East Jabung PSC’s.

➢ Canada

- The Sawn Lake SAGD demonstration project is significantly underway, in which Andora is the operator and has a 50% working interest. Andora is owned 71.8% by Pan Orient. The Sawn Lake SAGD demonstration project in 2013 consists of drilling one SAGD well pair, construction of a facility for steam generation, water handling and oil treating, and installing water source and disposal facilities with an estimated cost of $24.1 million. The SAGD wells have been drilled to a depth of 650 meters and have a horizontal length of 780 meters. Work is proceeding on installation of the facility.
- In the third quarter of 2013 our joint venture partners in the demonstration project provided notice of their election to participate for 50% in the demonstration project and provided the necessary funding to Andora. As part of the arrangement for the demonstration project, our joint venture partners have purchased a 50% interest in water facilities from Andora for $850,000 in the fourth quarter of 2013 and it is expected the joint venture partners will repurchase the 3% gross overriding royalty on their 40% working interest in the 12 sections of the Central Block for $2.8 million, under certain terms and conditions.

OUTLOOK

➢ Thailand

Between now and year end Thailand activities will be focused on a number of workovers and pump replacements on a number of the shallow heavy oil wells at the L53-D East field, and complete location construction for the L53 A Central prospect. Drilling at L53 A Central is currently planned for early in the first quarter of 2014, subject to rig availability.

➢ Indonesia

Pan Orient possesses a diverse portfolio of high quality, high impact exploration and production opportunities in Indonesia and is currently seeking to farm-out a portion of the Company's interests in the Batu Gajah, East Jabung and Citarum PSC's. Initial response has been strong from a wide range of companies, necessitating the opening of a second data room. It is expected that farmout activities will extend into early 2014 and be followed by the drilling of up to seven wells in mid-2014, subject to a number of variables.

Data processing of the 400 square kilometer Batu Gajah PSC 3D seismic survey is currently underway and 2D seismic acquisition continues in East Jabung PSC with completion expected in the first quarter of 2014.

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

At the Sawn Lake demonstration project drilling of the first SAGD well pair has been completed, final site preparation and construction is underway, and equipment for the facility is ready for installation. Steam injection at the Sawn Lake SAGD demonstration project is scheduled for January 2014, with production anticipated early in the second quarter of 2014.

Oil Production and Revenue

Average Thailand daily oil sales were 809 BOPD for the three months ended September 30, 2013, compared to 955 BOPD in the second quarter of 2013 and 842 in the third quarter of 2012. The decreased oil sales volume in the third quarter of 2013 compared to the second quarter of 2013 is primarily due to the temporary shut-in of the L53-G2 well after it completed its 90 day production test period on July 14th. Approval was received on September 5th to turn the L53-G2 well back on for a second 90 day test period that will expire on December 6, 2014. The third quarter decrease in production was also due to the shut-in of the L53-G3ST1 well on September 12th, and declines in other wells in the L53-A and L53-D fields which were partially offset by oil sales from new wells brought onto production during the third quarter at L53-DEXT and L53-G4.

Thailand crude oil sales were $7.4 million in the third quarter of 2013, compared with $8.5 million in the second quarter of 2013 and $7.8 million in the third quarter of 2012. The 13% decrease in crude oil sales from the second quarter of 2013 is the result of a 15% decrease in production volumes offset by a 2% increase in the average realized price of crude oil. The Company's average realized price for its oil sales was $99.34 per barrel in the third quarter of 2013 compared to $97.47 per barrel in the second quarter of 2013 and $100.78 per barrel in the third 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 and heavier crude oil as a portion of oil sales. For the third quarter of 2013 the Company's realized price was 89% of Brent reference price.

Royalties

The Company paid royalties on the crude oil sales in Thailand to the Thai government on all production volumes. 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, 2013 were 6% lower than the comparable quarter of 2012 due to the corresponding decrease in oil revenues. The average Thai government royalty rate for the third quarter of 2013 of 5% 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 $1.60 per barrel for the three months ended September 30, 2013 compared to $1.62 in the second quarter of 2013 and $1.33 in the third quarter of 2012. Transportation expense per barrel was relatively consistent between the second and third quarter of 2013 and higher than the third quarter of 2012 as the current well locations are further away from the refinery than the well locations in the same comparable period of 2012.

Operating Expenses

Operating expenses are associated with the oil production in Thailand. Operating costs were $1.1 million ($14.56 per barrel) in the third quarter of 2013 compared to $0.9 million ($10.48 per barrel) in the second quarter of 2013 and $1.4 million ($17.51 per barrel) in the third quarter of 2012. On a per barrel basis, operating expenses were higher in the third quarter of 2013 than the second quarter of 2013 due to additional pump rentals resulting from pump failure and additional safety, maintenance and personnel expenses incurred in the quarter. Operating costs on a per barrel basis were lower during the third quarter of 2013 than the third quarter of 2012 due to the decreased cost of water disposal. In the third quarter of 2013 Pan Orient was able to use its own water disposal facilities whereas in the third quarter of 2012 the Company had to utilize a cement plant for its water disposal after selling its previous facilities as part of the June 2012 Thai asset disposal.

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**	
($thousands)	**2013**	**2012**	**2013**	**2012**
Depletion of Thailand PP&E(1)	**3114**	2,289	**9,882**	8,873
Depreciation of office equipment and assets	**81**	46	**255**	184
Total D&A	**3,195**	2,335	**10,137**	9,057
Total D&A - $/bbl	**42.91**	30.01	**43.12**	21.13

(1) Including decommissioning cost

As the Company's Canadian and Indonesian assets are in the pre-production phase, depletion is not calculated for these cost centers.

Thailand costs subject to depletion in the third quarter of 2013 included $11.2 million (third quarter of 2012 - $6.1 million) of estimated future development costs for proved plus probable reserves. D&A per barrel for the three and nine months ended September, 2013 is higher than for the three and nine months ended September 30, 2012 as a result of the L53-DC field having oil production for the periods but estimated reserves have not yet been determined for the calculation.

Taxes

($thousands)	As at and for the Three Months Ended September 30 2013	2012	As at and for the Nine Months Ended September 30 2013	2012
Canadian income tax (recovery) expense	**(100)**	(516)	**(2,037)**	15,575
Thai income tax expense[(1)]	**1**	4	**2**	3,408
Special remuneratory benefit[(2)]	**-**	-	**-**	-
Total current tax (recovery) expense	**(99)**	(512)	**(2,035)**	18,983
Deferred tax (recovery) expense	**(238)**	1,877	**3,592**	10,043
Total tax expense	**(337)**	1,365	**1,557**	29,026

(1) *Income tax in Thailand is calculated at 50% (2012 – 50%) on petroleum income and 20% (2012 – 23%) on non-petroleum income. Taxable income in Thailand is comprised of cash flow from operations before changes in working capital less capital expenditures and other permitted deductions.*

(2) *Thailand Special remuneratory benefit ("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.*

At September 30, 2013 the Company had a Thai tax payable of one thousand dollars related to taxes on non-petroleum revenue. The Company continues to utilize non-capital and SRB losses from Concession L53 to shelter its petroleum income from income tax and SRB tax. 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. 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, 2013 SRB was 0.0% (2012 – 0.0%) of total revenue and income tax was less than one percent (2012 – 0%) of total revenue.

In Canada, $1.0 million of taxes receivable consists of an expected refund of 2012 provincial tax installments paid in relation to the gain on the sale of Thailand subsidiaries and a recovery of 2012 taxes from utilizing the current period's non-capital operating losses.

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

General and Administrative (G&A) Expenses

($thousands)	As at and for the Three Months Ended September 30 2013	2012	As at and for the Nine Months Ended September 30 2013	2012
Thailand	**509**	307	**1,482**	2,055
Indonesia	**1,215**	1,958	**4,292**	3,562
Canada	**206**	674	**1,152**	2,054
Total G&A, net of overhead recoveries[(1)]	**1,930**	2,939	**6,926**	7,671
Allocated to capital projects[(2)]	**(691)**	(1,731)	**(3,972)**	(3,501)
Cash G&A	**1,239**	1,208	**2,954**	4,170
Accretion expenses	**21**	(2)	**67**	154
Gain on settlement of decommissioning provision	**(4)**	-	**(19)**	-
Total G&A	**1,256**	1,206	**3,002**	4,324
Cash G&A - $/bbl	**16.67**	15.59	**12.57**	9.73
Total G&A - $/bbl	**16.90**	15.56	**12.78**	10.09

(1) *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.*

(2) *Capitalized G&A allocated to capital projects represents compensation and other costs associated with property acquisition, and exploration and development activities. Capitalized G&A relates to exploration and development activities on the L53 concession 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 at each reporting period.*

General and administrative expenses before allocation to capital projects has decreased from $2.6 million in the second quarter of 2013 to $1.9 million in the third quarter of 2013 as Andora records an overhead recovery from the joint venture account of the Sawn Lake project in Canada, and G&A in Indonesia has declined. G&A allocated to capital projects has decreased from $1.7 million in the second quarter of 2013 to $0.7 million in the third quarter as a result of reduced overall G&A and also the discontinuation of capitalizing G&A relating to the Citarum and South CPP PSCs in Indonesia for which an impairment charge was recorded.

Impairment Loss

The Company recorded an impairment loss on its Indonesia exploration and evaluation assets ("E&E") of $99.6 million during the second quarter of 2013 and an additional $4.6 million during the third quarter of 2013. The impairment loss was related to the following Indonesia PSCs:

Indonesia – Citarum PSC
In the second quarter of 2013 the Company decided to discontinue drilling at the Citarum PSC due to drilling difficulties and initiate a farm-out process for continued exploration of the PSC. As a result of this decision, the Company recorded a net impairment loss of $86.3 million in the second quarter of 2013 and an additional $4.0 million in the third quarter of 2013 relating to costs associated with the Cataka-1A well which was drilling into the third quarter. Future exploration of the PSC will be based on the result of the intended farm-out.

Indonesia – South CPP PSC
In the second quarter of 2013, after evaluation of the seismic results, the Company decided to relinquish the South CPP PSC. As a result of this decision the Company recorded an impairment loss of $13.3 million in the second quarter which includes an accrual for $2.8 million of unfulfilled commitments that is anticipated to be paid to the government of Indonesia. In the third quarter of 2013 the Company reclassified a foreign exchange loss from accumulated other comprehensive income resulting in an additional impairment charge of $0.6 million. The recoverable amount of the E&E assets for the South CPP PSC was assessed as nil at September 30, 2013.

Capital Invested (1)

	Nine Months Ended September 30			
	2013		2012	
	$000s	Net wells drilled	$000s	Net wells drilled
Capital expenditures				
Thailand	**38,444**	**13.0**	30,730	5.0
Indonesia (2)	**48,265**	**3.0**	26,483	0.8
Canada	**3,427**	**-**	259	-
Total capital expenditures	**90,136**	**15.0**	57,472	5.8

(1) Excluding foreign exchange and decommissioning provision.

(2) Amounts recorded in the MD&A and financial statements for capital expenditures related to the Indonesia 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.

Thailand
During the nine months ended September 30, 2013, total capital expenditures for Concession L53 were $38.4 million. On a year to date basis, the capital expenditures are mainly attributable to drilling of 13 wells, the 260 square kilometer 3D seismic survey and workovers. Capital expenditures for Concession L45 were $2.8 million during the nine months ended September 30, 2013 for work performed on the 3D seismic survey and geological studies.

Indonesia
Capital expenditures among the four Indonesia PSCs were $48.3 for the nine months ended September 30, 2013. On a year to date basis, the capital spending in Indonesia included drilling of the Shinta-1 and Buana-1 wells in the Batu Gajah PSC and drilling operations at Jatayu-1 and Cataka-1A in the Citarum PSC. Other capital expenditures in Indonesia included the work performed on the significant seismic programs at the Batu Gajah, South CPP and East Jabung PSCs, and capitalized G&A.

Canada
For the nine months ended September 30, 2013, capital expenditures in Canada of $3.4 million represent Andora's net share of costs associated with the Sawn Lake SAGD demonstration project. In the third quarter of 2013, Andora incurred $3.0 million of gross capital costs offset by a $4.1 million recovery from its joint venture partner after they elected to participate in the project.

Liquidity and Capital Resources

Pan Orient's capital program for the nine months ended September 30, 2013 was $90.1 million and was financed with $17.9 million in funds generated from operating activities in Thailand and the remainder from existing working capital. 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, 2013 the Company's working capital plus non-current deposits of $40.9 million exceeded estimated outstanding commitments of $26.4 million by $14.5 million. At September 30, 2013 the Company had $7.5 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.

At September 30, 2013 Pan Orient's cash and cash equivalents of $53.9 million, compared to $66.1 million at June 30, 2013 and $133.8 million at December 31, 2012, were held in the jurisdictions where the Company operates as follows:

($thousands)	**September 30, 2013**	**June 30, 2013**	**December 31, 2012**
Cash held in Canada	**48,712**	62,098	125,640
Cash held in Thailand	**3,123**	1,528	2,703
Cash held in Indonesia	**2,074**	2,459	5,493
Total cash	**53,909**	66,085	133,836

Working capital plus non-current deposits at September 30, 2013 was $40.9 million compared to $66.1 million at June 30, 2013 and $134.1 million at September 30, 2012.

Non-current cash deposits of $2.2 million at September 30, 2013 relate to a $1.5 million performance bond in Indonesia which will be returned to the Company upon completion of the seismic commitments at the East Jabung PSC and $0.7 million in guarantees to the Thailand government for customs importation permits.

Share Capital

Outstanding (thousands)	As at November12, 2013	As at September 30, 2013
Common shares	56,760	56,760
Stock options	4,705	4,705
Total	61,465	61,465

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**
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Rate at end of period								
Thai baht / CDN $ exchange	**30.09**	29.35	28.49	30.42	31.09	30.55	30.59	30.69
CDN $ / US $ exchange	**1.03**	1.05	1.02	0.99	0.98	1.03	1.00	1.02

A fundamental aspect of the Company's treasury function is mitigating the effect of foreign currency exchange fluctuations to the greatest extent possible. To accomplish this, surplus funds are expatriated to Canada to be held in Canadian dollars. An appropriate cushion of Thai baht is held in Thailand to satisfy payments in that currency as they come due, the most significant of which are the Company's SRB and taxes. Thailand and Indonesia use the US dollars as their functional currencies for reporting, which are translated to Canadian dollars at each reporting period with the unrealized translation gain or loss being recognized in accumulated other comprehensive income ("AOCI"). The third quarter of 2013 the US dollar and Thai baht depreciated against the Canadian dollar which resulted in an unrealized loss on the Company's foreign operations. AOCI in the consolidated statement of financial position is reported as follows:

($thousands)	**As at and for the Three Months Ended September 30 2013**	**2012**	**As at and for the Nine Months Ended September 30 2013**	**2012**
AOCI, beginning of period	**3,956**	(695)	**(4,297)**	887
Unrealized foreign currency translation gain (loss)	**(2,628)**	(4,722)	**5,625**	(6,304)
AOCI, end of period	**1,328**	(695)	**1,328**	(5,417)

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

($thousands)	**As at and for the Three Months Ended September 30 2013**	**2012**	**As at and for the Nine Months Ended September 30 2013**	**2012**
Foreign exchange (loss) related to Thailand	**(1,587)**	(729)	**(426)**	(283)
Foreign exchange gain (loss) related to Indonesia	**(1,041)**	(3,993)	**6,051**	(3,166)
Impact on AOCI from disposal of Thai interest	**-**	-	**-**	(2,855)
Total change in AOCI	**(2,628)**	(4,722)	**5,625**	(6,304)

Summary of Quarterly Results

	2013			2012				2011
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Production (BOPD)	**809**	955	819	1,029	842	1,318	2,541	1,826
Funds flow from operations ($/bbl)								
Realized crude oil price	**99.34**	97.47	101.05	97.21	100.78	104.21	110.97	104.29
Royalties	**(4.94)**	(4.89)	(4.87)	(4.78)	(5.03)	(5.16)	(5.72)	(5.56)
Transportation & operating	**(16.16)**	(12.10)	(11.72)	(19.92)	(18.84)	(16.75)	(11.12)	(19.69)
Field Netback	**78.24**	80.48	84.46	72.51	76.90	82.30	94.13	79.04
General and administrative(1)	**(16.64)**	(9.74)	(11.79)	(16.41)	(15.59)	(14.33)	(5.38)	(12.06)
Interest income	**2.14**	2.44	4.18	3.91	4.69	0.82	0.34	0.70
Foreign new ventures	**-**	-	-	-	-	-	-	(1.09)
Realized foreign exchange	**1.33**	1.18	(1.06)	1.68	(22.77)	1.86	(0.14)	(0.28)
Current income tax	**(0.64)**	0.81	1.10	-	(0.01)	(12.59)	(8.20)	(24.29)
Funds flow from operations	**64.43**	75.17	76.89	61.69	43.22	58.06	80.75	42.02
Financial ($thousands) except as indicated								
Oil revenue	**7,397**	8,475	7,444	9,198	7,808	12,502	25,654	17,523
Interest revenue	**159**	212	308	370	363	98	78	118
Funds flow – Thailand disposition net proceeds(2)	**-**	-	-	785	553	157,952	-	-
Net income (loss)(3)	**(3,109)**	(97,677)	341	859	(1,626)	79,285	8,124	11,573
Per share basic ($)	**(0.05)**	(1.73)	0.01	0.02	(0.03)	1.40	0.14	0.21
Per share diluted ($)	**(0.05)**	(1.73)	0.01	0.02	(0.03)	1.40	0.14	0.21
Capital expenditures(4)	**17,649**	37,978	34,509	20,539	12,021	23,980	21,471	13,065
Total assets	**286,835**	295,155	383,691	381,511	367,263	419,313	396,468	371,276
Shares outstanding (thousands)	**56,760**	56,760	56,760	56,720	56,720	56,685	56,685	56,685

(1) *General and administrative costs excluding accretion expense and gain on settlement of decommissioning provision.*

(2) *Thailand Concessions SW1, L44 and L33 were sold on June 15, 2012. Proceeds of $185.3 million less transaction costs of $11.2 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.*

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

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

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.

Q2 2013 – Corporate funds flow from operations was $6.5 million. Funds flow from operations in Thailand was $6.6 million with average daily oil sales of 955 BOPD from Concession L53, representing $76.27 on per barrel basis. Net loss attributable to Common Shareholders was $97.7 million ($1.73 per share) for the quarter resulting from a $99.6 million write-down of exploration and evaluation assets associated with the Citarum and South CPP PSC's in Indonesia. The Company had capital expenditures of $38.0 million with $19.1 million in Thailand for seismic and the drilling of six wells, $16.6 million in Indonesia for well operation at the re-drilled of the Cataka-1A in the Citarum PSC and seismic programs at the Batu Gajah, South CPP and East Jabung PSC's and $2.3 million in Canada for equipment purchase, engineering designs and construction related costs for the SAGD demonstration project of Andora at Sawn Lake, Alberta. At June 30, 2013, working capital plus non-current deposits was $54.3 million and the Company had no long-term debt.

Q3 2013 – Corporate funds flow from operations was $4.8 million. Funds flow from operations in Thailand was $5.4 million with average daily oil sales of 809 BOPD from Concession L53, representing $73.13 on per barrel basis. Net loss attributable to Common Shareholders was $3.1 million ($0.05 per share) for the quarter resulting primarily from a $4.6 million write-down of exploration and evaluation assets associated with the Citarum and South CPP PSC's in Indonesia. The Company had capital expenditures in the quarter of $17.6 million with $5.5 million in Thailand for workovers and drilling of one well at Concession L53 and seismic over Concession L45, $13.2 million in Indonesia for the well operations at Cataka-1A in the Citarum PSC and seismic programs at the Batu Gajah, South CPP and East Jabung PSC's and a net recovery of $1.1 million in Canada associated with the SAGD demonstration project of Andora at Sawn Lake, Alberta and the election by joint venture partners to participate for a 50% working interest. At September 30, 2013, working capital plus non-current deposits was $40.9 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