



**PAN ORIENT ENERGY CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
THREE MONTHS ENDED MARCH 31, 2010**  
*(Unaudited)*

**Pan Orient Energy Corp.**  
**Consolidated Balance Sheets**  
*(Unaudited)*

(\$000s)	March 31, 2010	December 31, 2009
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	41,251	44,760
Accounts receivable	13,992	13,104
	<b>55,243</b>	<b>57,864</b>
<b>Deposits</b>	<b>3,860</b>	<b>4,079</b>
<b>Petroleum and natural gas properties</b> (note 4)	<b>195,861</b>	<b>179,838</b>
	<b>254,964</b>	<b>241,781</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	12,261	14,287
Taxes payable (note 8)	21,484	14,918
	<b>33,745</b>	<b>29,205</b>
<b>Future income tax</b>	<b>39,690</b>	<b>34,812</b>
<b>Asset retirement obligation</b> (note 5)	<b>2,970</b>	<b>2,829</b>
	<b>76,405</b>	<b>66,846</b>
<b>Equity</b> (note 6)		
<b>Shareholders' Equity</b>		
Share capital	107,220	104,846
Contributed surplus (note 6e)	7,731	8,274
Accumulated other comprehensive (loss) (note 7)	(5,262)	(4,149)
Retained earnings	50,664	47,259
	<b>160,353</b>	<b>156,230</b>
<b>Non-controlling interest</b> (note 3 and note 6d)	<b>18,206</b>	<b>18,705</b>
	<b>178,559</b>	<b>174,935</b>
Commitments (note 10)		
Subsequent event (note 6b and note 6d)		
	<b>254,964</b>	<b>241,781</b>

See accompanying notes to the consolidated financial statements.

**Pan Orient Energy Corp.**  
**Consolidated Statements of Operations and Retained Earnings**  
*(Unaudited)*

(\$000s, except per share amounts)	Three Months Ended March 31	
	2010	2009
<b>Revenue</b>		
Petroleum revenue	25,038	26,699
Royalties	(1,610)	(2,116)
Interest	36	304
	<b>23,464</b>	<b>24,887</b>
<b>Expenses</b>		
Transportation	864	1,253
Operating	2,198	1,415
General and administrative	1,303	1,522
Depletion, depreciation and accretion	3,664	6,759
Stock-based compensation	292	317
Foreign exchange loss	171	148
Foreign new venture expenditures (note 4)	-	36
	<b>8,492</b>	<b>11,450</b>
<b>Income before taxes</b>	<b>14,972</b>	<b>13,437</b>
<b>Taxes (note 8)</b>		
Special remuneratory benefit	2,169	2,920
Current income tax	4,587	2,280
Future income tax expense	4,851	5,441
	<b>11,607</b>	<b>10,641</b>
<b>Net income for the period</b>	<b>3,365</b>	<b>2,796</b>
<b>Net income (loss) for the period attributable to (note 3):</b>		
Common Shareholders	3,405	2,881
Non-controlling interest	(40)	(85)
<b>Net income for the period</b>	<b>3,365</b>	<b>2,796</b>
<b>Retained earnings, beginning of period</b>	<b>47,259</b>	<b>32,127</b>
Net income for the period attributed to common shareholders	3,405	2,881
<b>Retained earnings, end of period</b>	<b>50,664</b>	<b>35,008</b>
<b>Net income per share attributable to common shareholders (note 6)</b>		
Basic	0.07	0.06
Diluted	0.07	0.06

See accompanying notes to the consolidated financial statements.

**Pan Orient Energy Corp.**  
**Consolidated Statements of Comprehensive Income**  
*(Unaudited)*

(\$000s)	Three Months Ended	
	March 31	
	2010	2009
Net income for the period	3,365	2,796
Foreign exchange (loss) gain on translation of self-sustaining operations	(1,113)	676
Foreign exchange loss realized	-	220
Comprehensive income for the period	2,252	3,692
Comprehensive income for the period attributable to:		
Common Shareholders	2,292	3,777
Non-controlling interest	(40)	(85)
Comprehensive income	2,252	3,692

See accompanying notes to the consolidated financial statements.

**Pan Orient Energy Corp.**  
**Consolidated Statements of Cash Flows**  
*(Unaudited)*

(\$000s)	Three Months Ended March 31	
	2010	2009
<b>Cash Provided By (Used in)</b>		
<b>Operating Activities</b>		
Net income	3,365	2,796
Items not affecting cash		
Depletion, depreciation and accretion	3,664	6,759
Stock-based compensation	292	317
Future income tax expense	4,851	5,441
Unrealized foreign exchange loss (gain)	164	(75)
	12,336	15,238
Changes in non-cash working capital	4,124	1,697
	16,460	16,935
<b>Investing Activities</b>		
Petroleum and natural gas properties	(20,269)	(13,596)
Deposits	140	(1,487)
Change in non-cash working capital	(1,047)	(730)
	(21,176)	(15,813)
<b>Financing Activities</b>		
Issue of common shares on exercise of options	1,526	-
<b>Change in cash and cash equivalents</b>	<b>(3,190)</b>	<b>1,122</b>
<b>Effect of foreign exchange on cash balances</b>	<b>(319)</b>	<b>4,166</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>44,760</b>	<b>98,925</b>
<b>Cash and cash equivalents, end of period</b>	<b>41,251</b>	<b>104,213</b>
<b>Taxes paid</b>	<b>-</b>	<b>-</b>

See accompanying notes to the consolidated financial statements.

**Pan Orient Energy Corp.**  
**Notes to Consolidated Financial Statements (Unaudited)**

**1) DESCRIPTION OF BUSINESS**

Pan Orient Energy Corp. ("Pan Orient" or the "Company"), is an oil and natural gas company based in Calgary, Alberta, which holds properties onshore Thailand and Indonesia as well as interests in subsidiaries with properties in Northern Alberta. The Company pursues other oil and natural gas exploration acreage in Asia.

**2) SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION**

The unaudited interim consolidated financial statements of Pan Orient have been prepared by management in accordance with Canadian generally accepted accounting principles. The interim financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements of the Company for the year ended December 31, 2009, except as noted below. The disclosures provided below are incremental to those included with the annual consolidated financial statements. Certain information and disclosures normally required in the notes to the annual financial statements have been condensed or omitted and therefore these interim financial statements and notes thereto should be read in conjunction with the audited financial statements for the year ended December 31, 2009. Unless otherwise indicated, all financial amounts are reported in thousands of Canadian dollars.

**3) CHANGES IN ACCOUNTING POLICIES**

On January 1, 2010, Pan Orient adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook sections:

"Business Combinations", Section 1582, which replaces the previous business combinations standard. The standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the date of acquisition. In addition, acquisition related and restructuring costs are to be recognized separately from the business combination and included in the statement of earnings. The adoption of this standard will impact the accounting treatment of future business combinations entered into after January 1, 2010.

"Consolidated Financial Statements", Section 1601, which, together with Section 1602 below, replace the former consolidated financial statements standard. Section 1601 establishes the requirements for the preparation of consolidated financial statements. The adoption of this standard had no material impact on Pan Orient's consolidated financial statements.

"Non-controlling Interests", Section 1602, establishes accounting and reporting standards for the non-controlling (minority) interest in a subsidiary as well as the accounting for (i) a parent's loss of control (deconsolidation) of a subsidiary and (ii) changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation. Section 1602 clarifies that a non-controlling interest in a subsidiary is an ownership interest in a consolidated entity that should be reported as equity in the consolidated financial statements. This Section also changes the way the consolidated statements of income (loss) and comprehensive income (loss) are presented by requiring consolidated net income (loss) and comprehensive income (loss) to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. Section 1602 required retrospective adoption of the presentation and disclosure requirements for non-controlling interests. All other requirements of Section 1602 have been applied prospectively.

The above CICA Handbook sections are converged with International Financial Reporting Standards ("IFRS"). Pan Orient will be required to report its results in accordance with IFRS beginning January 1, 2011.

Pan Orient Energy Corp.  
Notes to Consolidated Financial Statements (Unaudited)

4) PETROLEUM AND NATURAL GAS PROPERTIES

As at March 31, 2010 (\$000s)	Cost	Accumulated Depreciation and Amortization	Net Book Value
Oil & Natural Gas			
Canada	56,881	-	56,881
Thailand	137,868	(42,884)	94,984
Indonesia	43,372	-	43,372
Office equipment	1,779	(1,155)	624
	<b>239,900</b>	<b>(44,039)</b>	<b>195,861</b>
<hr/>			
<b>As at December 31, 2009 (\$000s)</b>			
Oil & Natural Gas			
Canada	56,624	-	56,624
Thailand	123,936	(39,429)	84,507
Indonesia	37,958	-	37,958
Office equipment	1,754	(1,005)	749
	<b>220,272</b>	<b>(40,434)</b>	<b>179,838</b>

General and administrative and stock-based compensation costs totaling \$1.3 million (2009 - \$0.8 million) that were directly related to exploration and development activities have been capitalized for the three months ended March 31, 2010.

Costs associated with unproven properties of \$25.0 million (2009 - \$16.3 million) with respect to the Thai full cost pool have been excluded from the depletion calculation. The capitalized costs associated with Canada and Indonesia are not subject to depletion as production has not commenced.

Recoverability of the Canadian and Indonesian capitalized costs is dependent on successfully completing development of the properties. With respect to the Canadian properties, recoverability is also dependent on determining the technical feasibility of the project. Capitalized costs incurred to date do not necessarily represent present or future values.

In 2009 costs of \$36,000 were expensed and included in foreign new venture expenditures as a result of an unsuccessful bid for various oil and gas concessions in India.

5) ASSET RETIREMENT OBLIGATIONS

(\$000s)	Three Months Ended March 31	
	2010	2009
Asset retirement obligations, beginning of period	<b>2,829</b>	1,964
Obligations incurred	<b>84</b>	450
Accretion	<b>57</b>	48
Asset retirement obligations, end of period	<b>2,970</b>	2,462

Total undiscounted cash flows, escalated at 2.0%, required to settle the Company's asset retirement obligations are estimated to be \$9.1 million (2009 - \$7.9 million). Estimated costs incurred in 2010 have been discounted at Pan Orient's credit-adjusted, risk-free interest rate of 8% (2009 and prior - 10%).

Pan Orient Energy Corp.  
Notes to Consolidated Financial Statements (Unaudited)

6) EQUITY

a) Issued and Outstanding Class A Common Shares

Common Shares	Number of shares	Amount (000s)
Balance as at December 31, 2009	46,313,366	\$ 104,846
Exercise of stock options	1,100,834	1,526
Transfer from contributed surplus on exercise of stock options	-	848
Balance as at March 31, 2010	47,414,200	\$ 107,220

b) Options to Purchase Common Shares

	Number of options	Weighted average exercise price (\$)
Balance as at December 31, 2009	4,441,500	3.66
Exercised	(1,100,834)	1.39
Balance as at March 31, 2010	3,340,666	4.41

Options Outstanding March 31, 2010				Options Exercisable March 31, 2010		
Exercise Price (\$)	Number of Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)
0.75 – 2.00	966,666	0.82	0.09	966,666	0.82	0.09
2.01 – 4.00	1,449,000	3.60	2.33	1,145,500	3.60	1.94
4.01 – 6.00	350,000	5.58	4.26	37,500	5.14	4.32
11.75	575,000	11.75	2.71	431,250	11.75	2.71
0.75 – 11.75	3,340,666	4.41	1.95	2,580,916	3.94	1.41

A total of 1,180,000 options were exercised subsequent to March 31, 2010. Of the options exercised, 900,000 had exercise prices ranging between \$0.75 and \$2.00 and 280,000 had exercise prices ranging between \$2.01 and \$4.00.

On April 16, 2010 Pan Orient granted options to purchase 2,411,500 common shares under Pan Orient's stock option plan, of which 2,275,000 were granted to directors and officers. Each option has an exercise price of \$7.15 (being the April 15, 2010 closing price of the shares on the TSX Venture Exchange); vests as to 1/3 on the grant date and 1/3 on each of the first and second anniversaries of the grant date and expires on April 16, 2014.

c) Stock-based Compensation

A Black-Scholes option pricing model is used to estimate the fair value of options on the date of the grant and revalue stock options granted to consultants on a quarterly basis. The fair value of the stock based compensation is amortized over the vesting period of the options, generally being two to three years.



**Pan Orient Energy Corp.**  
**Notes to Consolidated Financial Statements (Unaudited)**

Weighted average assumptions and resultant fair values for stock options granted or revalued during the three months ended March 31, 2010 and 2009, were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2010</b>	<b>2009</b>
Risk free interest rate (%)	<b>1.63</b>	2.50
Expected lives (years)	<b>2.71</b>	5.0
Expected volatility (%)	<b>68</b>	85
Dividend per share (%)	-	-
<b>Weighted average fair value (\$)</b>	<b>\$ 3.71</b>	<b>\$ 1.89</b>

**d) Andora Energy Corporation**

**i) Issued and Outstanding Class A Common Shares**

As at March 31, 2010 Andora had 57.2 million (December 31, 2009 – 57.6 million) common shares issued and outstanding of which Pan Orient held 53.5% (December 31, 2009 – 53.2%).

During 2010 Andora settled a \$0.6 million account receivable related to a lawsuit from a previous business acquisition that was outstanding at December 31, 2009. In lieu of a cash settlement, 0.4 million shares of Andora that were held in escrow were released to Andora and cancelled which increased Pan Orient's interest from 53.2% to 53.5%.

In accordance with the new accounting policy on non-controlling interests (note 3), increases or decreases in a parent's ownership interest while retaining control is a capital transaction. The transaction resulted in a decrease in non-controlling interest of \$0.5 million and a decrease in contributed surplus of \$0.1 million.

**ii) Options to Purchase Common Shares of Andora**

The following stock options of Andora are outstanding and exercisable at March 31, 2010:

<b>Options Outstanding March 31, 2010</b>				<b>Options Exercisable March 31, 2010</b>		
<b>Exercise Price (\$)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (\$)</b>	<b>Weighted Average Remaining Contractual Life (years)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (\$)</b>	<b>Weighted Average Remaining Contractual Life (years)</b>
1.60	1,325,000	1.60	1.25	1,262,500	1.60	1.24

On April 19, 2010 Andora cancelled 1,275,000 of the options outstanding as of March 31, 2010 and granted options to purchase 5,775,000 common shares under Andora's stock option plan. Each option has an exercise price of \$0.72; vests as to 1/3 on the grant date and 1/3 on each of the first and second anniversaries of the grant date and expires on April 19, 2014.

**Pan Orient Energy Corp.**  
**Notes to Consolidated Financial Statements (Unaudited)**

Weighted average assumptions and resultant fair values used in the Black Scholes calculations for Andora stock options granted or revalued during the three months ended March 31, 2010 and 2009 were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2010</b>	<b>2009</b>
Risk free interest rate (%)	1.63	2.50
Expected lives (years)	1.5	5.0
Expected volatility (%)	20	20
Dividend per share (%)	-	-
<b>Weighted average fair value (\$)</b>	<b>\$ 0.17</b>	<b>\$ 0.25</b>

**e) Contributed Surplus**

(\$000s)	<b>Three Months Ended March 31</b>	
	<b>2010</b>	<b>2009</b>
Balance, beginning of period	8,274	6,531
Pan Orient stock-based compensation expense	292	317
Pan Orient stock-based compensation capitalized	147	(6)
Andora stock-based compensation capitalized	8	7
Increase in Andora interest	(142)	-
Transferred to share capital on exercise of options	(848)	-
<b>Balance, end of period</b>	<b>7,731</b>	<b>6,849</b>

**f) Net Income per Share Attributable to Common Shareholders**

The basic weighted average and diluted common shares outstanding were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2010</b>	<b>2009</b>
Weighted average basic shares outstanding	46,999,233	45,568,366
Dilutive effect of stock options	1,716,510	1,907,672
<b>Weighted average diluted</b>	<b>48,715,743</b>	<b>47,476,038</b>

Options to purchase 575,000 common shares for the three months ended March 31, 2010 (March 31, 2009 – 1,604,000) were not included in the computation of weighted average diluted common shares because they were anti-dilutive.

**7) 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 baht and U.S. dollar relative to the Company's reporting currency must be recognized.

The Company's treasury function has been established with the goal of minimizing foreign currency exchange fluctuations to the extent possible. In addition to expatriating surplus funds from Thailand to Canada to hold in Canadian dollars, an integral part of this process is maintaining an appropriate cushion of baht in Thailand to satisfy payments in that currency as they come due, the most significant of which are the Company's SRB and taxes.

**Pan Orient Energy Corp.**  
**Notes to Consolidated Financial Statements (Unaudited)**

**Accumulated Other Comprehensive Income (“AOCI”)**

Activity related to the AOCI balance for the three months ended March 31, 2010 and 2009 was as follows:

(\$000s)	Three Months Ended March 31	
	2010	2009
Balance at beginning of period	(4,149)	4,037
Unrealized foreign currency translation (loss) gain	(1,113)	676
Foreign exchange loss realized	-	220
Balance at end of period	(5,262)	4,933

Accumulated other comprehensive income at the following balance sheet dates was comprised of the following:

(\$000s)	As at	
	March 31, 2010	March 31, 2009
Foreign exchange (loss) gain related to Thailand	(2,356)	5,788
Foreign exchange (loss) related to Indonesia investment	(2,906)	(855)
Total Accumulated Other Comprehensive (Loss) Income	(5,262)	4,933

The amount included in AOCI for Thailand relates to translation gains and losses on the permanent portion of the investment and will continue to fluctuate based on the exchange rates between the Thai baht and Canadian dollar. The balance of the Indonesia AOCI will continue to fluctuate in future periods depending on the amount of capital invested in Indonesia and the exchange rates between the Canadian and U.S. dollar.

**8) THAILAND SPECIAL REMUNERATORY BENEFIT TAX AND INCOME TAXES**

The Company is required to pay both Special Remuneratory Benefit (SRB) and income tax in Thailand. Thai income tax is calculated at 50% of taxable income which is basically comprised of cash flow from operations before changes in working capital less capital expenditures and other permitted deductions.

SRB is calculated separately for each of the Company's four concessions and is not charged until all capital has been recovered. The sliding scale SRB rate ranges from 0 - 75% and is principally driven by production and pricing but is also subject to other adjustments such as changes in Thailand's consumer price index, wholesale price index and cumulative meters drilled on the concession. The calculated SRB tax rate is applied to petroleum profits as defined in Thai tax legislation which includes a deduction for capital spent.

A summary of tax payable for the three months ended March 31, 2010 and 2009 are as follows:

(\$000s)	Three Months Ended March 31	
	2010	2009
Balance, beginning of period	14,918	55,260
SRB expense – current period	2,169	2,920
Income tax – current period	4,587	2,280
Foreign exchange	(190)	892
Balance, end of period	21,484	61,352

**Pan Orient Energy Corp.**  
**Notes to Consolidated Financial Statements (Unaudited)**

**9) FINANCIAL INSTRUMENTS**

**Credit Risk**

The most significant exposure to this risk is relative to the sale of oil production; all of the Company's production is sold to a refinery owned by the Thai National Oil Company. Pan Orient is paid for its production on a monthly basis, typically within a week of the end of the month. The Company has assessed the risk of non-collection from the Thai government as minimal.

**Foreign Currency Exchange Rate Risk**

The Company's reporting currency is the Canadian dollar and its functional currencies are the Canadian dollar, the Thai baht and the U.S. dollar (USD). Changes in foreign exchange rates between the Canadian dollar and the U.S. dollar and Thai baht can affect net income (loss) and other comprehensive income (loss).

As at March 31 the following financial instruments were denominated in currencies other than the Canadian dollar:

(\$000s)	As at March 31, 2010		As at March 31, 2009	
	Thai baht (000s of Thai baht)	USD (\$000s)	Thai baht (000s of Thai baht)	USD (\$000s)
Cash and cash equivalents	<b>874,388</b>	<b>3,350</b>	2,534,971	4,612
Accounts receivable	<b>351,811</b>	<b>681</b>	245,616	815
Deposits	<b>44,000</b>	<b>2,547</b>	44,000	3,703
Accounts payable	<b>(208,179)</b>	<b>(4,277)</b>	(160,471)	(3,296)
Taxes payable	<b>(672,321)</b>	-	(1,714,981)	-
Net exposure in functional currency	<b>389,699</b>	<b>2,301</b>	949,135	5,834
Net exposure in Canadian dollars <sup>(1)</sup> (\$000s)	<b>12,401</b>	<b>2,331</b>	33,948	7,329

(1) Translated at March 31, 2010 and 2009 exchange rates.

Based on financial instruments held at March 31, 2010 and 2009, fluctuations in the exchange rates as indicated below would have the following estimated effect on net income and other comprehensive income:

(\$000s)	As at March 31	
	2010	2009
Effect of 1% change in CAD\$ to USD exchange rate:		
Pre-tax net income	<b>17</b>	28
Other comprehensive income	<b>5</b>	116
Effect of 1% change in CAD\$ to baht exchange rate:		
Pre-tax net income	-	309
Other comprehensive income	<b>125</b>	309

The Company did not have any forward exchange contracts in place as at or during the three months ended March 31, 2010 or 2009.

Pan Orient Energy Corp.  
Notes to Consolidated Financial Statements (Unaudited)

10) COMMITMENTS

As at March 31, 2010 the Company's estimated outstanding capital commitments were as follows:

Country and Concession Name	Work Program Commitment	Obligation Period Ending	Estimated Net Financial Commitment	
			USD (\$000s)	CAD (\$000s) <sup>(1)</sup>
<b>Thailand</b>				
L 44/43	▪ study and training fund	July 2012	18	18
L33/43	▪ drill 2 exploration wells	July 2011	600	612
	▪ geological studies	July 2012	30	31
	▪ study and training fund	July 2012	18	18
	▪ study and training fund	July 2012	18	18
L 53/48	▪ drill 4 exploration wells	January 2013	1,300	1,326
	▪ geological studies		80	82
	▪ study and training fund		47	48
<b>Indonesia <sup>(2)</sup></b>				
Citarum (3)	▪ 1,250 km 2D seismic	October 2010	15,037	15,338
	▪ drill 3 exploration wells			
Batu Gajah (3)	▪ 500 km 2D seismic	January 2011	23,956	24,435
	▪ 400 km 3D seismic			
	▪ drill 3 exploration wells			
South CPP (3)	▪ 500 km 2D seismic reprocessing	November 2011	4,977	5,077
	▪ drill one exploration well			
<b>Total</b>			<b>46,063</b>	<b>46,985</b>

(1) Translated at March 31, 2010 exchange rate of US \$1 = CAD \$1.02.

(2) The Company owns a 90% working interest in the Batu Gajah production sharing contract (PSC) located onshore south Sumatra, a 69% operated working interest in the Citarum PSC located onshore west Java, and a 90% operated working interest in the South CPP PSC located onshore south central Sumatra. Amounts recorded in the financial statements and work commitments related to these PSCs include amounts paid by Pan Orient on behalf of a partner's carried interest (10% for Batu Gajah, 11% for Citarum and 10% for South CPP).

(3) "Work Program Commitment" is based on the original contract for all three PSCs; the "Obligation Period Ending" for the South CPP PSC is based on the original contract, however, the "Obligation Period Ending" for the Citarum and Batu Gajah PSCs has been extended from the original contract and this extension has been approved by the government.

Indonesia financial commitments as provided above represent the current exploration phase that the Company is conducting. If Pan Orient exercises its options to continue beyond the obligation periods noted, additional commitments will be determined on a year-by-year basis through submission of a work program and approval from the Government of Indonesia (GOI). The actual commitments are the work programs themselves as specified in the PSC agreement.

The obligation period shown for Citarum and Batu Gajah differs from the PSC agreement as commitments from previous years have been deferred and rolled forward. Every year the Company submits a work program for each PSC to the GOI and along with it, a request to roll forward any incomplete commitments from the previous year. Although this request is a departure from the original contract, it is considered standard practice in Indonesia. The above obligation periods for Citarum and Batu Gajah are consistent with this practice. 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 at the discretion of the operator. To date, Pan Orient has complied with all relinquishments as required. Depending on the stage of the PSC, failure to fulfill the required commitments may also result in penalty payment equal to the unspent commitments and/or forfeiture of the PSC.

The expenditures as provided in the table above represent the Company's estimated costs in completing the work program requirements. Actual expenditures required to carry out these commitments may be significantly different than the estimates.

The Company intends to fund commitments through existing cash surplus and expected cash flows from Thailand operations.

**Pan Orient Energy Corp.**  
**Notes to Consolidated Financial Statements (Unaudited)**

**11) SEGMENTED INFORMATION**

The Company has properties in three countries, each of which is considered a separate operating segment. The three segments consist of: 1) partially developed conventional petroleum and natural gas properties in Thailand; 2) undeveloped petroleum and natural gas properties in Indonesia; and 3) an undeveloped heavy oil property in Canada. The following table provides information for each geographical segment as at and for the three months ended March 31:

(\$000s)	Three Months Ended March 31	
	2010	2009
Petroleum revenue		
Thailand	<b>25,038</b>	26,699
Indonesia	-	-
Canada	-	-
<b>Total</b>	<b>25,038</b>	26,699
Interest revenue		
Thailand	<b>28</b>	285
Indonesia	-	-
Canada	<b>8</b>	19
<b>Total</b>	<b>36</b>	304
Current income tax expense <sup>(1)</sup>		
Thailand	<b>6,756</b>	5,200
Indonesia	-	-
Canada	-	-
<b>Total</b>	<b>6,756</b>	5,200
Depletion, depreciation and accretion		
Thailand	<b>3,538</b>	6,700
Indonesia	<b>83</b>	23
Canada	<b>43</b>	36
<b>Total</b>	<b>3,664</b>	6,759
Net income (loss) attributable to common shareholders <sup>(2)</sup>		
Thailand	<b>3,699</b>	4,058
Indonesia	<b>(133)</b>	(295)
Canada	<b>(161)</b>	(882)
<b>Total</b>	<b>3,405</b>	2,881
Capital expenditures <sup>(3)</sup>		
Thailand	<b>13,419</b>	10,778
Indonesia	<b>6,787</b>	2,673
Canada	<b>63</b>	145
<b>Total</b>	<b>20,269</b>	13,596
Total assets		
Thailand	<b>134,028</b>	163,306
Indonesia	<b>47,797</b>	38,646
Canada	<b>73,139</b>	70,152
<b>Total</b>	<b>254,964</b>	272,104

(1) Includes SRB and income tax.

(2) The net loss for Canada is a result of general and administrative expense, stock based compensation expense, depreciation, and unrealized foreign exchange being offset by overhead recoveries of general and administrative expenses and a future income tax recovery relating to Andora.

(3) Does not include acquisition activities.