PAN ORIENT ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011

August 15, 2011

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 August 15, 2011 and should be read in conjunction with the unaudited consolidated financial statements and notes thereto for the three and six months ended June 30, 2011 and the audited consolidated financial statements and notes thereto and MD&A for the year ended December 31, 2010. 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 August 15, 2011 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.

Adoption of International Financial Reporting Standards

Pan Orient adopted International Financial Accounting Standards (IFRS) as the Company's GAAP, effective January 1, 2011. The impact of adopting IFRS is disclosed in Note 4 of the unaudited consolidated financial statements for the three and six months ended June 30, 2011. The Company's 2010 comparative financial information has been restated accordingly with details provided in Note 4 of the unaudited consolidated financial statements as at and for the three and six months ended June 30, 2010.

Non-IFRS Measures

Management uses and reports certain non-IFRS measures in the evaluation of operating and financial performance. Unless identified as a non-IFRS measure in this section all amounts presented in this MD&A are calculated in accordance with IFRS.

Funds flow from operations (funds flow), which represents cash flow from operating activities prior to changes in non-cash working capital and reclamation costs and after income tax paid, is used by the Company to evaluate operating performance, leverage and liquidity. The following table reconciles funds flow from operations to cash flow from operating activities which is the most directly comparable measure calculated in accordance with IFRS:

	Three Months Ended June 30		**Six Months Ended June 30**	
($000s)	**2011**	**2010**	**2011**	**2010**
Cash flow from operating activities	**4,417**	3,494	**16,706**	19,954
Current tax expense	**(663)**	(4,410)	**(1,671)**	(11,166)
Add back changes in non-cash working capital	**(2,949)**	(647)	**(1,869)**	1,985
Add back taxes paid	**12,478**	15,024	**12,478**	15,024
Funds flow from operations	**13,283**	13,461	**25,644**	25,797

Field netback is calculated as average unit sales price less royalties, transportation costs and operating expenses. It represents the cash margin for every barrel of oil equivalent sold and is a common benchmark used in the oil and gas industry. There is no IFRS measure that is reasonably comparable to netback and the calculation is presented in the "Financial and Operating Summary" section.

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

Petroleum and Natural Gas Properties

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

Thailand

The Company has operated working interests in four concessions in Thailand: Concession 44/43 (L44); Concession SW1 (SW1); Concession 33/43 (L33); and Concession 53/48 (L53). Concessions SW1, L44 and L33 are located approximately 240 kilometres north of Bangkok and Concession 53 is located approximately 60 kilometres west of Bangkok. Currently all of Pan Orient's production is crude oil and is sold to a refinery owned by the Thai National Oil Company. Pan Orient is the operator of all four concessions in Thailand, and its working interests and 2011 net production volumes compared to 2010 net production volumes by concession are as follows:

Concession	**Working Interest**	**2011 Average Production[(1)]**		**2010 Average Production[(2)]**		
		BOPD	**%**	**BOPD**	**%**	**% Change in BOPD**
L44	60%	1,394	65	3,575	92	-61
SW1	60%	112	5	161	4	-30
L33	60%	183	9	69	2	165
L53	100%	460	21	79	2	482
		2,149	100	3,884	100	-45

(1) For the six months ended June 30, 2011
(2) For the year ended December 31, 2010

Proved plus probable reserves, as evaluated by independent reservoir engineers, assigned to the Thailand properties was 31.9 million barrels (Mstb) net to Pan Orient as at December 31, 2010. Of this, 23,997 Mstb (75%) were allocated to L44, 886 Mstb (3%) to SW1, 5,649 Mstb (18%) to L33 and 1,403 (4%) to L53.

Significant discoveries at L44 include the Na Sanun East field in 2007, the Bo Rang fields in 2009 and the Wichian Buri Extension (WBEXT) field in 2010. This concession is partially developed with an ongoing drilling program which so far in 2011 consisted of nine (5.4 net) wells drilled with an active drilling program in the remainder of the year.

Concession L33 had its first commercial oil discovery in the third quarter of 2010 with the L33-1 and L33-2 wells which commenced production in November 2010. During the second quarter the Company drilled the L33-4 exploration well which is now shut-in. Drilling plans for this concession in the remainder 2011 consist of at least one exploration well.

Concession L53 had its first commercial oil discovery in the first half of 2010 with the L53-A well which commenced commercial production in August 2010. Five (5.0 net) wells were drilled on this concession in the first half of 2011 and at least one more exploration well is expected later in 2011.

Indonesia
The Company has working interests in the Citarum PSC located onshore west Java, the Batu Gajah production sharing contract (PSC) located onshore south Sumatra and the South CPP PSC located onshore south central Sumatra. In the first quarter of 2011 the Company increased its interest in all three PSCs and working interests for each PSC at June 30, 2011 were as follows:

	Citarum	**Batu Gajah**	**South CPP**
Pan Orient working interest	77%	97%	97%
Third party working interest	20%	-	-
Third party carried interest	3%	3%	3%
Total	100%	100%	100%

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

On the Batu Gajah PSC Tuba Obi Utara-1 (NTO-1), the first of three back-to-back exploration wells was drilled in March 2011. Initial drilling results for NTO-1, and the follow-up sidetrack well (NTO-1ST), indicated gas and hydrocarbon potential however further appraisal drilling will be required to determine the commerciality and size of the accumulation, expected to commence with drilling of NTO-2. SE Tiung-1 was spudded in June 2011 and is currently being abandoned. Drilling of Betano-1, originally planned to immediately follow SE-Tiung has been deferred and final approval has been received for drilling of three additional wells (including NTO-2) planned to commence as early as October 2011.

On the Citarum PSC land purchase has been finalized, contracts for a drilling rig and location construction have been awarded, site construction is underway and final acceptance of the locations is expected on September 15, 2011. Drilling of the first well in the planned three well exploration drilling program is expected to commence near the end of September.

No drilling is planned on South CPP until 2012.

In May 2011 the Company was notified by the Government of Indonesia that it was the successful bidder on a 100% working interest basis for the 6,228 km^2 East Jabung PSC. Official signing of the PSC is anticipated before the end of September. With the official signing of the PSC, the initial bonus and firm three year exploration commitment (including two wells and seismic) for the East Jabung PSC total $9.2 million. These amounts are not included in the Company's commitments as at June 30, 2011.

There were no reserves assigned to any of the Indonesia PSCs at December 31, 2010.

Canada
Andora Energy, a private company owned and controlled by Pan Orient with an oil sands project at Sawn Lake, Alberta, initiated a process to identify and consider strategic alternatives late in February 2011. It was expected that an agreement associated with the strategic review would have been in place by the middle of June, however this did not happen and the process is ongoing. At June 30, 2011 Pan Orient owned 53.4% of the common shares of Andora and none of the special warrants, resulting in an ownership interest of 49.6% of the total common shares of Andora on a diluted basis assuming the exercise of the special warrants. Refer to "Capital Invested – Canada" on page 9 of this MD&A for further information with respect to the special warrants.

Summarized financial information with respect to Andora is as follows:

	As at and for the Three Months Ended June 30		**As at and for the Six Months Ended June 30**	
($000s)	**2011**	**2010**	**2011**	**2010**
Total assets	**61,684**	58,505	**61,684**	58,505
Total liabilities	**6,962**	7,554	**6,962**	7,554
Funds flow from operations	**(183)**	(153)	**(68)**	(44)
Net loss	**400**	606	**175**	519

The oil sands project at Sawn Lake was evaluated by Sproule Unconventional Limited (Sproule) as at December 31, 2010. The contingent resource volumes estimated by Sproule are considered contingent until commercial recovery has been demonstrated, regulatory approvals are obtained and Andora has committed to proceed with commercial development. Contingent resources in Sproule's report are further classified as "high", "best" and "low" in accordance with the level of certainty. "Best" case contingent resources assigned were 214.2 million barrels to Andora (114.4 million barrels net to Pan Orient's 53.4% ownership interest). In February 2011, Andora acquired additional interests at Sawn Lake which it estimates represents a pro rata addition of 29 million contingent resources barrels based on the December 31, 2010 evaluation of "Best Case" contingent resources by Sproule Unconventional Limited.

Financial and Operating Summary	Three Months Ended June 30,		Six Months Ended June 30,		
(thousands of Canadian dollars except where indicated)	**2011**	2010	**2011**	2010	Change
FINANCIAL					
Oil revenue, before royalties and transportation expense	**18,521**	22,436	**36,970**	47,474	-22%
Funds flow from operations (Note 1)	**13,283**	13,461	**25,644**	25,797	-1%
Per share – basic	**$ 0.23**	$ 0.28	**$ 0.48**	$ 0.54	-12%
Per share – diluted	**$ 0.23**	$ 0.27	**$ 0.47**	$ 0.53	-11%
Funds flow from operations by region (Note 1)					
Canada	**19**	818	**(405)**	849	-148%
Thailand	**13,494**	12,756	**26,353**	25,119	5%
Indonesia	**(231)**	(113)	**(304)**	(171)	
Total	**13,283**	13,461	**25,644**	25,797	-1%
Net income attributable to common shareholders	**4,608**	4,216	**8,536**	8,286	3%
Per share - basic	**$ 0.08**	$ 0.09	**$ 0.16**	$ 0.17	-7%
Per share - diluted	**$ 0.08**	$ 0.09	**$ 0.16**	$ 0.17	-7%
Working capital	**56,686**	20,035	**56,686**	20,035	183%
Working capital & deposits	**60,469**	24,029	**60,469**	24,029	152%
Long-term debt	**-**	-	**-**	-	
Capital expenditures (Note 2)	**22,495**	16,409	**42,467**	36,678	16%
Acquisitions – Indonesia (Note 3)	**(19)**	-	**1,761**	-	
Acquisitions – Sawn Lake, Canada (Note 3)	**-**	-	**3,192**	-	
Shares outstanding (thousands)	**56,685**	48,594	**56,685**	48,594	17%
Funds Flow from Operations per Barrel (Note 1)					
Canada operations	**$ 0.10**	$ 2.61	**$ (1.04)**	$ 1.29	-181%
Thailand operations	**72.27**	40.66	**67.76**	38.22	77%
Indonesia operations	**(1.24)**	(0.36)	**(0.78)**	(0.26)	
	$ 71.14	$ 42.90	**$ 65.94**	$ 39.25	68%
Capital Expenditures (Note 2)					
Canada	**147**	346	**214**	410	-48%
Thailand	**13,345**	9,582	**27,759**	23,001	21%
Indonesia	**9,003**	6,481	**14,494**	13,267	9%
Total	**22,495**	16,409	**42,467**	36,678	16%
Working Capital and Non-current Deposits					
Working capital & non-current deposits - beginning of period	**69,166**	25,358	**31,396**	32,738	-4%
Funds flow from operations (Note 1)	**13,283**	13,461	**25,644**	25,797	-1%
Capital expenditures (Note 2)	**(22,495)**	(16,409)	**(42,467)**	(36,678)	16%
Acquisitions – Indonesia (Note 4)	**19**	-	**(1,417)**	-	
Non-cash settlement of Andora receivable	**-**	-	**-**	(600)	
Foreign exchange impact on working capital	**10**	(102)	**(303)**	(475)	-36%
Net proceeds on share transactions	**486**	1,721	**47,616**	3,247	1366%
Working capital & non-current deposits - end of period	**60,469**	24,029	**60,469**	24,029	152%
Canada Operations					
Interest income	**139**	6	**160**	14	1043%
General and administrative (expense) recovery (Note 5)	**(43)**	707	**(306)**	737	-142%
Realized foreign exchange (loss) gain	**(77)**	162	**(259)**	155	-267%
Foreign new ventures expenditures	**-**	(57)	**-**	(57)	
Funds flow from operations (Note 1)	**19**	818	**(405)**	849	-148%
Funds flow from operations per barrel					
Interest income	**$ 0.75**	$ 0.02	**$ 0.41**	$ 0.02	1950%
General and administrative expense	**(0.23)**	2.25	**(0.79)**	1.12	-170%
Realized foreign exchange gain (loss)	**(0.41)**	0.52	**(0.67)**	0.24	-379%
Foreign new ventures expenditures	**-**	(0.18)	**-**	(0.09)	-100%
	$ 0.10	$ 2.61	**$ (1.04)**	$ 1.29	-181%
Indonesia Operations					
General and administrative expense (Note 5)	**(231)**	(113)	**(304)**	(171)	
Wells drilled					
Gross	**1**	-	**2**	-	
Net	**1.0**	-	**2.0**	-	

(thousands of Canadian dollars except where indicated)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	Change
THAILAND OPERATIONS					
Oil sales (bbls)	**186,727**	313,757	**388,894**	657,157	-41%
Average daily oil sales (bbls/d) by Concession					
L44	**1,289**	3,284	**1,394**	3,443	-60%
SW1	**103**	164	**112**	188	-40%
L33	**155**	-	**183**	-	
L53	**505**	-	**460**	-	
Total	**2,052**	3,448	**2,149**	3,631	-41%
Average oil sales price, before transportation (CDN$/bbl)	**$ 99.19**	$ 71.51	**$ 95.06**	$ 72.24	32%
Reference Price (volume weighted) and differential					
Crude oil (WTI $US/bbl)	**$ 102.10**	$ 77.82	**$ 98.18**	$ 78.35	25%
Exchange Rate $US/$Cdn	**0.98**	1.04	**0.99**	1.05	-6%
Crude oil (WTI $Cdn/bbl)	**$ 99.90**	$ 80.73	**$ 96.87**	$ 82.13	18%
Sales price / WTI reference price	**99%**	89%	**98%**	88%	10%
Funds flow from operations (Note 1)					
Crude oil sales	**18,521**	22,436	**36,970**	47,474	-22%
Government royalty	**(927)**	(1,358)	**(1,883)**	(2,947)	-36%
Other royalty	**(40)**	(26)	**(85)**	(47)	81%
Transportation expense	**(407)**	(802)	**(876)**	(1,666)	-47%
Operating expense	**(2,397)**	(1,949)	**(4,534)**	(4,147)	9%
Field netback	**14,750**	18,301	**29,592**	38,667	-23%
General and administrative expense (Note 5)	**(634)**	(1,159)	**(1,626)**	(2,434)	-33%
Interest income	**41**	24	**58**	52	11%
Special Remuneratory Benefit tax (SRB)	**23**	(737)	**-**	(2,906)	-100%
Current income tax	**(686)**	(3,673)	**(1,671)**	(8,260)	-80%
Funds flow from operations	**13,494**	12,756	**26,353**	25,119	5%
Funds flow from operations per barrel (CDN$/bbl)					
Crude oil sales	**$ 99.19**	$ 71.51	**$ 95.06**	$ 72.24	32%
Government royalty	**(4.96)**	(4.33)	**(4.84)**	(4.48)	8%
Other royalty	**(0.21)**	(0.08)	**(0.22)**	(0.07)	214%
Transportation expense	**(2.18)**	(2.56)	**(2.25)**	(2.53)	-11%
Operating expense	**(12.84)**	(6.21)	**(11.66)**	(6.31)	85%
Field Netback	**78.99**	58.33	**76.09**	58.84	29%
General and administrative expense	**(3.39)**	(3.69)	**(4.18)**	(3.70)	13%
Interest Income	**0.22**	0.08	**0.15**	0.08	88%
Special Remuneratory Benefit (SRB)	**0.12**	(2.35)	**-**	(4.42)	-100%
Current income tax	**(3.67)**	(11.71)	**(4.30)**	(12.57)	-66%
Thailand - Funds flow from operations	**$ 72.27**	$ 40.66	**$ 67.76**	$ 38.22	77%
Government royalty as percentage of crude oil sales	**5.0%**	6.1%	**5.2%**	6.2%	-1.0%
SRB as percentage of crude oil sales	**-0.1%**	3.3%	**0.0%**	6.1%	-6.1%
Income tax as percentage of crude oil sales	**3.7%**	16.4%	**4.5%**	17.4%	-12.9%
As percentage of crude oil sales					
Expenses - transportation, operating, G&A and other	**18.8%**	17.5%	**19.2%**	17.5%	2%
Government royalty, SRB and income tax	**8.6%**	25.7%	**9.7%**	29.7%	-20%
Funds flow from operations, before interest income and realized foreign exchange gain	**72.6%**	56.8%	**71.1%**	52.8%	18%
Wells drilled					
Gross	**9**	7	**15**	12	25%
Net	**6.6**	4.2	**11.0**	7.2	53%

Notes to Financial and Operating Summary:

(1) Funds flow from operations ("funds flow" before changes in non-cash working capital and reclamation costs and after income tax paid) 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. 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.

(2) Cost of capital expenditures, excluding any asset retirement obligation and excluding the impact of changes in foreign exchange rates.

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

(4) Cost of acquisitions, excluding deemed value of shares of the Company issued as part of consideration.

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

(6) Totals may not add due to rounding.

2011 SECOND QUARTER HIGHLIGHTS

- Pan Orient had total corporate funds flow from operations of $13.3 million for the second quarter of 2011 compared with $12.4 million for the first quarter of 2011 and $13.5 million for the second quarter of 2010. Funds flow from operations per share (basic) was $0.23 for the second quarter of 2011. For the six months ended June 30, 2011, Pan Orient had total corporate funds flow from operations of $25.6 million, or $0.48 per share (basic).
- Net income attributable to common shareholders of $4.6 million, or $0.08 per share (basic), for the second quarter of 2011 compared with net income attributable to common shareholders of $3.9 million ($0.8 per share - basic) for the first quarter of 2011 and $4.0 million ($0.09 per share - basic) for the second quarter of 2010. For the six months ended June 30, 2011, Pan Orient had net income attributable to common shareholders of $8.5 million, or $0.16 per share (basic).
- Total capital expenditures for the second quarter of 2011 were $22.5 million, with $13.3 million in Thailand, $9.0 million in Indonesia and $0.1 million in Canada. For the first six months of 2011, total capital expenditures have been $42.5 million, with $27.8 million in Thailand primarily for the drilling of 15 gross wells, $14.5 million in Indonesia for exploration activities and the Batu Gajah drilling program, and $0.2 million in Canada. For the first six months of 2011, Thailand funds flow from operations has funded 95% of capital expenditures in Thailand and the remaining capital expenditures have been funded from working capital.
- At June 30, 2011 Pan Orient had $60.5 million of working capital and non-current deposits, and no long-term debt. In addition, Pan Orient had $10.2 million of equipment inventory to be utilized for future Thailand and Indonesia operations that is included in petroleum and natural gas assets on the balance sheet. As at June 30, 2011 estimate commitments in Indonesia were $31.3 million for the Batu Gajah, Citarum and South CPP Production Sharing Contracts (“PSC’s”), excluding commitments associated with the East Jabung PSC which is expected to be formally granted by the end of September. Estimated commitments in Thailand at June 30, 2011 were $0.8 million, principally for the drilling of two additional wells in Concession L53 which are scheduled for the fourth quarter of 2011.
- Indonesia
    - In the first quarter of 2011 Pan Orient repurchased carried interests in the Batu Gajah, Citarum and South CPP PSC’s for $1.8 million, including the issuance of 50,677 shares in Pan Orient at a deemed market value of $0.3 million. After these transactions, Pan Orient has a 97% interest and is the operator at the Batu Gajah PSC, a 77% interest and is the operator at the Citarum PSC, and 97% interest and is the operator at the South CPP PSC.
    - At the Batu Gajah PSC on-shore Sumatra (Pan Orient operator and 97% ownership), Pan Orient commenced the exploration drilling program in late March 2011.
        - The Tuba Obi Utara-1 (NTO-1) exploration well 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 gas sand formation identified at the NTO-1 well. Initial drilling results at North Tuba Obi are encouraging with proven gas in the LTAF and additional hydrocarbon potential in the overlying formations existing eastward towards the crest of the Tuba Obi structure. Further appraisal drilling will be required to determine the commerciality and size of this accumulation.
        - The SE Tiung-1 exploration well encountered oil shows and good quality sands within the primary Lower Talang Akar target horizon but wire line logging indicated the zone to be water bearing. The secondary objective of the Gumai and Upper Talang Akar formation sands were also present, but interpreted as being water bearing. The well is currently being plugged and abandoned. The results at SE Tiung-1 have no bearing whatsoever on the prospectivity of the upcoming three well program and we remain confident in the overall hydrocarbon potential of the Batu Gajah PSC.

- There was repeated rig down time, rig repairs and resultant delays experienced during the drilling of Tuba Obi Utara-1 and SE Tiung-1 exploration wells. The decision has been made to release this drilling rig and defer the drilling of Betano-1 exploration well for cost and safety considerations.

- Final location approval has been received for three additional wells planned for the Batu Gajah PSC (Tuba Obi Utara-2, Kemala-1 and Shinta-1) later in 2011 and final AFE approval is anticipated shortly. The Company is currently focused on accelerating the commencement of the drilling of these additional wells (two exploration wells and one appraisal well) with drilling to commence perhaps as early as October 2011.

- At the Citarum PSC on-shore Java (Pan Orient operator and 77% ownership), land purchase has been finalized on two of three locations, contracts for a drilling rig and location construction have been awarded, site construction has been completed at Jatayu-1 and final acceptance of the three drilling locations is expected to be delayed from September 15, 2011 until October, 2011 due to the rerouting of location access at Cataka-1. Drilling of the first well is anticipated to commence in approximately the same October 2011 time frame as in Batu Gajah PSC.

- It is expected that the East Jabung PSC will be formally granted to Pan Orient in September 2011. The 6,228 square kilometer East Jabung PSC is located on and offshore south Sumatra Indonesia, and directly east and adjacent to the company's 97% working interest and operated Batu Gajah PSC. The initial bonus and firm three year exploration commitment (including two wells and seismic) for the East Jabung PSC total $9.2 million.

- Thailand

  - Average 2011 oil sales in Thailand in the second quarter of 2011 of 2,052 BOPD with 1,289 BOPD from Concession L44, 505 BOPD from Concession L53, 155 BOPD from Concession L33, and 103 BOPD from Concession SW1. This compares with 2,246 BOPD in the first quarter of 2011 and 3,448 BOPD in the second quarter of 2010.

    Average oil sales in July 2011 were 2,211 BOPD, with 1,353 BOPD from Concession L44, 537 BOPD from Concession L53, 134 BOPD from Concession L33, and 186 BOPD from Concession SW1.

  - Funds flow from Thailand operations was $13.5 million for the second quarter of 2011 ($72.27 per barrel) compared with $12.9 million for the first quarter of 2011 ($63.61 per barrel). Funds flow from Thailand operations increased 5% in the second quarter of 2011 due to a 9% increase in the realized price for crude oil and a decrease in current SRB and income taxes, partially offset by an 8% decrease in oil sales volumes.

    For the second quarter of 2011, transportation expenses were $2.18 per barrel, operating expenses and other royalty $13.05 per barrel, general and administrative expenses $3.39 per barrel and amounts to the Thailand government of $8.51 per barrel resulted in after tax funds flow from operations per barrel of $72.27. The WTI reference price for crude oil per barrel increased 6% during the quarter to CDN$99.90 and the Company's realized price increased to 99% of this reference price based on strength of oil product prices in Singapore. For the second quarter of 2011, Thailand crude oil revenue of $99.19 per barrel was allocated 19% to expenses for transportation, operating, and general & administrative, 9% to the government of Thailand in the form of royalties, Special Remuneratory Benefit ("SRB") and Income Tax, and 72% to Pan Orient.

  - During the second quarter of 2011 Pan Orient drilled nine wells (6.6 net wells) in Thailand with capital expenditures of $13.3 million. One drilling rig was deployed at Concession L53 for most of the quarter drilling two development wells and an appraisal well which twinned the L53-D exploration well drilled in 2009. The second drilling rig at Concession L44 and Concession L33 drilled six wells, with two exploration wells, an appraisal well and a development well at the WBEXT field, the L33-4 exploration well in Concession L33, and the POE-6A appraisal well at the Wichian Buri field.

  - In the first six months of 2011 Pan Orient has drilled 15 wells (11.0 net wells) with total capital expenditures in Thailand of $27.8 million.

    - Pan Orient has drilled five wells in Concession L53 (Pan Orient operator and 100% ownership) including three development wells, the L53-B appraisal well, and the appraisal to the L53-D well which was drilled in 2009. Capital costs of $12.7 million to June 30, 2011 include this five well drilling program plus capital costs associated with the L53-C exploration well which spudded on December 30, 2010. This five well drilling program has resulted in four producing sandstone oil wells and the L53-B oil well which had produced 3,135 barrels of oil under a 90 day test period. These wells added 286 BOPD in the second quarter of 2011 and are currently producing 402 BOPD.

    - Pan Orient has drilled four wells at the WBEXT field in Concession L44 (Pan Orient operator and 60% ownership) at a cost of $5.2 million. This has resulted in two oil wells producing from sandstone zones and on oil well producing from the WBV2 volcanic zone. The WBEXT-1E development well is on production from the "E" sandstone zone, and the "E" sand reservoir will be a near term focus of drilling activity with 15-20 locations in the main WBEXT fault compartment. The WBEXT-1F exploration well resulted in the discovery of new "D" and "E" sandstone reservoir pools in the WBEXT-1F fault compartment for which a follow-up appraisal program is being defined. The WBEXT-2B appraisal well is producing from the WBEXT WBV2 volcanic zone. These wells added 79 BOPD of oil sales in the second quarter of 2011 and are currently producing 209 BOPD.

    - Another four exploration wells and one appraisal well were drilled in Concession L44 (Pan Orient operator and 60% ownership) at a cost of $5.1 million. In the first quarter of 2011 the Company had limited success in the four exploration wells drilled at Si Thep, Na Sanun East (the NSE-E4 well) and two new exploration areas (L44-E and L44-F) resulting in three unsuccessful wells and one well with minor oil production. The POE-6A appraisal well drilled in the second quarter of 2011 is producing oil from the "G" sandstone zone at 46 BOPD.

    - Pan Orient drilled the L33-4 exploration well in Concession L33 (Pan Orient operator and 60% ownership) plus completed sidetrack operations to evaluate the WBV1 volcanic reservoir at the L33-2 well with a capital cost of $3.0 million. These wells are shut-in.

- Andora Energy, a private company owned controlled by Pan Orient which has an oil sands project at Sawn Lake, Alberta, initiated a process to identity and consider strategic alternatives late in February 2011. It had been expected that an agreement associated with the strategic review would have been in place by the middle of June, however this did not happen and this process is ongoing with a number of parties having expressed interest, in addition to one entity that has only recently initiated their technical evaluation of the asset.

Thailand Operations Update

Concession L53 (Pan Orient 100% working interest and operator)

Concession L53 drilling in 2011 has established production from three different producing sandstone zones, the K40-D, K40-C and K40-A sands. Current production rates are at levels consistent with the proved and probable oil reserves assigned in the December 31, 2010 evaluation. At least one exploration well is planned in Concession L53 for the remainder of 2011 at the L53-G prospect targeting conventional sandstone reservoirs that are on trend with the L53-A field. Drilling is anticipated to commence in October or November 2011 upon completion of location construction after the monsoon season.

The operator of the concession immediately to the north of Concession L53 has conducted a higher level of activity in 2011 and requested permission to extend a small portion of a large 3D seismic survey into the northern part of Concession L53, which we have granted, in exchange for the receiving that portion of the seismic data located in Concession L53. To date, Pan Orient has concentrated drilling in a region 32 kilometers south of this northern boundary area where we completed a 3D seismic program in 2007. Recent mapping of limited old vintage 2D seismic over the northern boundary region indicates the presence of a mature source rock kitchen that in combination with a producing oil field located 3.6 kilometers north of the concession boundary, highlights the potential of this approximately 250 square kilometer area. A 2D seismic acquisition program is being considered for this northern area in late 2011.

Concessions L44, L33 & SW1 (Pan Orient 60% working interest and operator)

The POE-6A appraisal well is currently on production from a sandstone zone at a stabilized rate of 47 BOPD and NS-2A is currently on production from a sandstone zone at 86 BOPD. The NSW-A exploration well encountered a tight primary volcanic objective; however oil shows were encountered in sands below the volcanic zone. Unfortunately well bore conditions did not allow wire line logging despite repeated attempts. This well has been suspended and the deeper sandstone potential is being evaluated to determine if the sidetrack of the well is justified.

WBEXT-1DST2 development well is currently drilling ahead just above the primary WBV1 volcanic objective within the WBEXT field limits and is anticipated to reach total depth within the next few days. Upon the completion of WBEXT-1DST2, the rig will commence drilling of the first appraisal well of the NSE North volcanic discovery made back in August 2007.

In the first week of August, the second rig brought down from Concession L53 in June was released due to poor performance with continued mechanical and electronic issues experienced on every well drilled since January resulting in significant down time. The primary drilling rig used by Pan Orient has exhibited superior performance over the past year and the drilling rig company has indicated that a second rig may be available in the October 2011 time frame, if required.

Based on drilling and production performance achieved thus far in 2011, negative reserve revisions are anticipated at the L33-2 field based on the one unsuccessful appraisal well and one marginal producer drilled earlier this year.

At the WBEXT field we are currently evaluating the deeper WBV2 volcanic reservoir and the impact of the WBEXT-2B well that was drilled earlier in the year, whereby the field gas/oil contact was encountered at the structural level for possible oil reserves assigned in the December 31, 2010 evaluation but the oil/water contact appears to be at the structural level for proved oil reserves assigned in the December 31, 2010 evaluation based on the water production from the well. Successful wells have been drilled within the WBEXT “E” and “D” sand reservoirs, the POE-6 “G” sand reservoir and a new pool discovery at WBEXT-1F was made in the “E” and “D” sands in a fault compartment due east of the WBEXT reserve envelope assigned in the December 31, 2010 evaluation.

The go forward 2011 drill program anticipates approximately 14 development wells and five exploration wells. The development well program includes five wells targeting the WBEXT “E” sands once the first of two batches of environmental approvals are in place (anticipated September, 2011), an additional well into the POE-6 “G” sand, two wells targeting the “F” and “G” sands at the Wichian Buri field, two additional development wells targeting sandstone zones and four development wells targeting volcanic reservoirs. Generally, the sandstone target wells are shallow and are expected to take five days of drilling rig time versus the nine days of drilling rig time on the deeper volcanic target wells which will allow the drilling of the three potential exploration wells prior to year end. As indicated earlier, a second rig may also be available in October, 2011 if required.

Thailand Production

Thailand production has lagged the guidance as set out at the beginning of 2011 by a significant margin with production averaging 2,149 BOPD in the first half of 2011 versus the forecast of an average of 5,000 to 6,000 BOPD for 2011. Production in July 2011 averaged 2,211 BOPD. As a result, we expect to exit 2011 at a rate of 3,500 BOPD net to Pan Orient. This target anticipates the drilling of the approximately 14 development wells between now and year end with one active drilling rig, and each well producing at an average rate of 90 BOPD.

Revenue, Production and Funds Flow from Operations

Petroleum revenue for the three and six months ended June 30, 2011 was $18.5 million and $37.0 million, respectively. Year-to-date this represents a decline of 22% compared to the previous year. Average daily oil sales of 2,149 BOPD for the six months ended June 30, 2011 was 41% less than the comparable period of 2010. Second quarter oil sales of 2,052 BOPD were down 40% from than the second quarter of 2010 and 9% from the first quarter of 2011. Concession L44 experienced the most significant reduction as production additions from new wells could not surpass declines resulting from existing wells coming off high initial production rates and water incursion at certain wells. The WBEXT-1F exploration well which represented the discovery of two new sandstone reservoir pools commenced production in June and the WBEXT-1E well came on production in May. These wells added 79 BOPD of oil sales in the second quarter and along with the WBEXT-2B appraisal well, which came on production in July, are currently producing 209 BOPD. Production from Concession L53 increased to 505 BOPD from 414 BOPD in the first quarter and 88 BOPD in the fourth quarter of 2010. Production additions in 2011 included L53A-1 which came on stream at the end of February, L53A-2, L53A-3, L53-B which commenced production in May and L53-D which came on in June.

Reflecting the increase in world petroleum prices, the Company's average realized price for its production was $99.19/bbl for the three months ended and $95.06/bbl for the six months ended June 2011, representing increases of 39% and 32%, over the respective periods of 2010. The Company's realized sales price has historically been in the range of 85% to 90% of WTI, with the discount attributed to the high paraffin content of the petroleum. However, for the six months ended June 30, 2011 the Company's realized price was 98% of WTI due to the strength of oil product prices in Singapore which determine the price according to Pan Orient's oil sales contracts. The WTI reference price is used by the Company for comparison purposes because of stakeholder familiarity with this benchmark, however, it does not necessarily influence the price Pan Orient receives for its production. In the past it has trended consistently with Pan Orient's realized price but volatility in Singapore's Fuel-Oil inventory in 2011 caused a sharp increase in the reference price used by the Bangkok refinery.

Funds flow from operations was $13.3 million ($71.14/bbl) for the current quarter compared to $13.5 ($42.90/bbl) million for the comparable period of 2010. Year-to-date, funds flow was $25.6 million ($65.94/bbl) in 2011 and $25.8 million ($39.25/bbl) in 2010. The considerable increase in per barrel funds flow in 2011 is primarily a result of lower current taxes. Combined SRB tax and income tax was 4.5% of revenue in 2011 compared to 23.5% in 2010.

Royalties

The Company pays two types of royalties: 1) to the Thai government on all production volumes; and 2) an 8% gross overriding royalty ("GORR") applied to certain wells in SW1. The GORR is payable on less than 1% of the Company's revenue and does not have a significant impact on the royalty rate. The royalty rate paid to the Thai government is based on a sliding scale, ranging from 5% on production of less than 2,000 BOPD to 15% on production in excess of 20,000 BOPD per concession.

Total royalties of $1.0 million for the three months ended June 30, 2011 were relatively consistent with royalties reported in the first quarter of the year as the effect of the decline in production volumes was offset by the increase in price. Overall royalties of $2.0 million to June 30, 2011 were $1.0 million less than the six months ended June 30, 2010 largely due to the reduced production volumes and from production volumes diversified amongst the four concessions in 2011. As a result the Thailand government royalty was 5.2% of revenue in 2011 compared to 6.2% in 2010.

Production Expenses

Transportation expenses represent the cost to truck the Company's Thailand oil production to the refinery in Bangkok. The Company is charged a contracted rate based on the number of tankers and trips required; both factors which are driven by production volumes. As a result, costs on a per barrel basis are generally consistent from one period to the next. Oil trucked from Concession L53 (which commenced production in August 2010) benefits from a lower contracted rate with its proximity to the Bangkok refinery compared to the other three concessions so as production from this concession increases relative to total production volumes, the Company can expect to benefit from proportionately reduced transportation costs.

As a result of reduced production volumes operating expenses of $12.84/bbl for the second quarter were slightly higher than $10.57/bbl in the first quarter of 2011 and considerably higher than the $6.21/bbl reported in the comparable quarter of 2010. Operating expenses for the second quarter of 2011 were $2.4 million compared to $2.1 million in the first quarter of the year and $1.9 million in the second quarter of 2010. A significant portion of the Company's operating expenses are fixed based on the number of wells and the geographical proximity of the wells therefore a decline in production will not necessarily reduce operating expenses significantly.

Depletion and Depreciation (D&A)

	As at and for the Three Months Ended June 30		As at and for the Six Months Ended June 30	
($000s)	**2011**	**2010**	**2011**	**2010**
Depletion of Thailand PP&E[1]- $000s	**1,832**	1,691	**3,594**	3,463
Depreciation of office equipment & assets - $000s	**117**	136	**217**	289
Total D&A - $000s	**1,949**	1,827	**3,811**	3,752
Total D&A - $/bbl	**10.44**	5.82	**9.8**	5.71

(1) Including decommissioning costs

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

Prior to January 1, 2011 the Company calculated depletion using volumes and future development costs with respect to proved reserves. With the conversion to IFRS effective January 1, 2011, (and restated for the three and six months ended June 30, 2010) the Company calculates depletion using volumes and future development costs with respect to proved plus probable reserves. The overall effect is lower depletion expense.

Costs subject to depletion included $71.2 million (2010 - $41.3 million) of estimated future development costs for proved plus probable reserves.

Taxes

	As at and for the Three Months Ended June 30		As at and for the Six Months Ended June 30	
($000s)			2011	2010
Special remuneratory benefit	**(23)**	737	**-**	2,906
Income tax	**686**	3,673	**1,671**	8,260
Total current tax expense	**663**	4,410	**1,671**	11,166
Deferred tax expense	**6,102**	2,993	**11,531**	8,906
Total tax expense	**6,765**	7,403	**13,202**	20,072

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

SRB is a tax at sliding scale rates of 0 - 75% applied on a concession-by-concession basis to petroleum profits as defined in Thai tax legislation which includes deductions for expenses and capital spent. The rate is principally determined by revenue for the concession (production and pricing) but is subject to other adjustments such as changes in Thailand's consumer and wholesale price indices and cumulative metres drilled on the concession. In the first quarter of 2011 the Company recorded SRB of $23,000 on the L44 concession however the half-year calculation resulted in $nil SRB as the capital related deductions exceeded the petroleum profits. As a result, the amount recorded to March 31, 2011 was reversed in the current quarter. For 2011 oil sales at SW1, L33 and L53 in 2011 the Company continues to utilize its SRB loss carry forward deductions to shelter SRB taxes and because of the numerous factors involved in the SRB calculation it is uncertain when SRB will be payable on these three concessions.

Income tax is 50% of taxable income which is calculated based on funds flow from operations less capital expenditures (deductible at varying rates), SRB, and other permitted deductions.

Because of the deductions allowed for capital spent, the effective rates of these taxes can vary significantly from the actual tax rates. For the six months ended June 30, 2011 SRB was 0.0% (2010 – 6.1%) of total revenue and income tax was 4.5% (2010 – 17.4%) of total revenue.

Taxes payable of $1.7 million at June 30, 2011 represented SRB and income tax for 2011.

General and Administrative (G&A) Expenses

	As at and for the Three Months Ended June 30		As at and for the Six Months Ended June 30	
	2011	2010	2011	2010
Thailand	**759**	1,339	**1,877**	2,948
Indonesia	**879**	826	**1,581**	1,636
Canada	**82**	(668)	**386**	(674)
Total G&A, net of overhead recoveries	**1,720**	1,497	**3,844**	3,910
Allocated to capital projects	**(812)**	(932)	**(1,608)**	(2,042)
Cash G&A	**908**	565	**2,236**	1,868
Accretion on decommissioning provision	**90**	62	**177**	106
Total G&A	**998**	627	**2,413**	1,974
Cash G&A - $/bbl	**4.86**	1.80	**5.75**	2.84
Total G&A - $/bbl	**5.35**	2.00	**6.21**	3.00

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

G&A in 2010 was affected by several non-recurring items including recoveries from third parties of approximately $0.7 million related to stock options exercised by Thailand personnel, severance payments and other non-routine expenses associated with the reduction of expatriate personnel in Thailand, resulting in higher G&A in Thailand and recoveries in Canada.

Capitalized G&A allocated to capital projects represents compensation and other costs associated with property acquisition, exploration and development activities. Capitalized G&A in the current year relates to exploration and development activities on the

L44, L33 and L53 concessions in Thailand, all three of the Indonesia PSCs and the Company's heavy oil development project in Canada. Amounts capitalized reflect the nature of the Company's capital activities and are reassessed each reporting period.

Capital Invested

	Six Months Ended June 30			
	2011		2010	
	$000s	**Net wells drilled**	**$000s**	**Net wells drilled**
Capital expenditures				
Thailand	**27,759**	**11.0**	23,001	7.2
Indonesia	**14,494**	**2.0**	13,267	-
Canada	**214**	**-**	410	-
Total capital expenditures	**42,467**	**13.0**	36,678	7.2
Indonesia acquisition expenditures - cash	**1,417**	**-**	-	
Capital and acquisition expenditures – cash	**43,884**	**13.0**	36,678	7.2
Indonesia acquisition – non cash	**344**	**-**	-	-
Sawn Lake acquisition – non cash	**3,192**	**-**	-	-
Total capital invested	**47,420**	**13.0**	36,678	7.2

(1) Excluding foreign exchange and asset retirement obligations

Thailand

On Concession L44 total capital expenditures for the first quarter were $8.5 million with 4 (2.4 net) exploration wells drilled. In the second quarter the Company drilled 5 (3.0 net) wells, for total costs of $6.5 million. Four wells were drilled on the WBEXT field resulting in three producing wells, including the WBEXT-1E development well which will be a near term focus of drilling activity with 15-20 locations in the main WBEXT fault compartment. The WBEXT-1F exploration well resulted in the discovery of new "D" and "E" sandstone reservoir pools for which a follow-up appraisal program is being defined. These wells added 79 BOPD of oil sales in the second quarter of 2011 and are currently producing 209 BOPD. The POE-6A appraisal well, drilled in June is currently producing 46 BOPD.

In the first quarter of 2011 the Company drilled two (2.0 net) wells on L53, incurring capital costs of $5.9 million. During the second quarter three (3.0 net) wells were drilled on this concession for total costs of $6.7 million. All three wells are currently producing and, combined with production from the successful well drilled in the first quarter, contributed 286 BOPD to second-quarter production and are currently producing 402 BOPD.

On Concession L33 Pan Orient drilled the L33-4 exploration well and completed sidetrack operations to evaluate the WBV1 volcanic reservoir at L33-2 for total capital costs of $3.0 million. These wells are currently shut-in.

Indonesia

The first well, Tuba Obi-Utara-1 (NTO-1) was spudded on this PSC in March 2011 and was followed up by SE Tiung-1 in June 2011. Initial drilling results for NTO-1, and the follow-up sidetrack well (NTO-1ST), indicated gas and hydrocarbon potential however further appraisal drilling will be required to determine the commerciality and size of the accumulation, expected to commence with drilling of NTO-2. SE Tiung-1 is currently being abandoned. Capital expenditures for this PSC were $6.7 million for the second quarter of 2011 and $11.6 million year-to-date. In addition to the two-well drilling program these costs comprised initial preparation for the Betano-1 well, initially planned to follow SE Tiung-1 but now deferred, and capitalized G&A. Additional costs incurred in Indonesia included preparation for Citarum's drilling program, expected to commence as early as October 2011, and costs related to the bid process for the East Jabung PSC.

Costs incurred to June 30, 2011 for bidding on the East Jabung PSC were $1.3 million. Official signing of the PSC is anticipated before the end of September and with a firm three year commitment of $USD $7.7 million, which is not included in the Company's commitments as at June 30, 2011.

Through two separate transactions in the first quarter of 2011 the Company increased its interest in both the Batu Gajah and South CPP PSCs from 90% to 97% and in the Citarum PSC from 69% to 77%. Total consideration of the transactions was $1.8 million including the issuance of 50,677 Pan Orient Common Shares at a deemed market value of $0.3 million.

Canada

In support of the review of its strategic alternatives Andora entered into a binding conveyance agreement in February 2011 to acquire an additional 10% working interest in the Sawn Lake Central and North Blocks. Consideration issued to the vendor in the transaction was 4,433,031 non-voting special warrants of Andora. Each special warrant will entitle the holder thereof to receive one common share of Andora, at no additional consideration and without any further action, upon the happening of a liquidity event involving Andora. If a liquidity event is not completed by November 25, 2011 (subject to extension by the parties), the acquired interests will be reconveyed to the vendor and the special warrants will be cancelled.

Liquidity and Capital Resources

Liquidity

Pan Orient's capital program in 2011 was financed 60% by funds generated from operating activities with the remainder obtained from existing working capital and proceeds from the Company's financing which closed in March 2011, involving the issuance of 7.6 million common shares at a price of $6.55 per share for proceeds of $46.6 million net of expenses. Thailand funds flow of $26.4 million financed 95% of the country's capital program in the year. Pan Orient's working capital position is forecasted regularly and it plans to fund future capital expenditures and commitments with existing cash balances, equipment inventory and expected cash flows from Thailand operations. At June 30, 2011 the Company's cash balance of $59.2 million exceeded estimated outstanding commitments in Thailand and Indonesia by $27.1 million.

At June 30, 2011 Pan Orient's cash and cash equivalents was $59.2 million compared to $76.3 million at March 31, 2011 and $37.1 million at December 31, 2010, held in the Company's jurisdictions as follows:

($000s)	As at June 30, 2011	As at March 31, 2011	As at December 31, 2010
Cash held in Canada	**41,389**	54,859	16,273
Cash held in Thailand	**15,362**	20,358	19,776
Cash held in Indonesia	**2,497**	1,082	1,012
Total cash	**59,248**	76,299	37,061

Working capital plus non-current cash deposits at June 30, 2011 was $60.5 million compared to $69.2 million at March 31, 2011 and $31.4 million at December 31, 2010, the increase since 2010 attributable to the Company's March 2011 financing, offset by capital expenditures in excess of operating cash flows. Specific details with respect to the fluctuations in working capital plus non-current deposits are shown in the "Financial and Operating Summary" table.

Non-current cash deposits of $3.8 million at June 30, 2011 relate to guarantees to the Thailand and Indonesia governments for the Company's work commitments and customs importation permits in Thailand.

At June 30, 2011, Pan Orient held $10.2 million of equipment inventory to be utilized for future Thailand and Indonesia operations that is included in exploration and evaluation costs on the balance sheet.

Share Capital

Common Shares Outstanding at period-end (000s)	August 12, 2011	June 30, 2011
Common shares	56,685	56,685
Stock options	4,117	4,117
Total	60,802	60,802

Foreign Exchange

The Company's reporting currency is the Canadian dollar and its functional currencies are the Canadian dollar, the Thai baht and the US dollar. Each reporting period, the changes in the values of the Thai baht and U.S. dollar relative to the Company's reporting currency must be recognized. The period end rates used to translate the Company's Thai baht and U.S. dollar denominated financial statement items for the reporting periods as specified were as follows:

	2011		2010				2009	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Rate at end of period								
Thai baht / CAD $ exchange	**31.38**	30.84	29.80	29.10	30.44	31.42	31.53	30.69
U.S. dollar / CAD $ exchange	**0.968**	0.971	1.001	1.034	1.054	1.016	1.047	1.072

A fundamental aspect of the Company's treasury function is mitigating the effect of foreign currency exchange fluctuations to the extent possible and to accomplish this surplus funds are expatriated to Canada to be held in Canadian dollars. An appropriate cushion of Thai baht is held in Thailand to satisfy payments in that currency as they come due, the most significant of which are the Company's SRB and taxes. With the Canadian dollar surpassing parity on the US dollar so far in 2011 the Company recorded an unrealized foreign exchange loss on its Indonesian operations and amounts in Thailand and Canada held in US dollars. The Canadian dollar also appreciated against the Thai baht in the current period, creating further unrealized losses on the Company's Thailand operations. All unrealized amounts were recorded in accumulated other comprehensive income (AOCI) on the balance sheet as follows:

($000s)	As at and for the Three Months Ended June 30 2011	2010	As at and for the Six Months Ended June 30 2011	2010
AOCI balance at beginning of period	**(3,209)**	(1,126)	**2,915**	-
Unrealized foreign currency translation (loss) gain	**(2,300)**	6,057	**(8,424)**	4,931
AOCI balance at end of period	**(5,509)**	4,931	**(5,509)**	4,931

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

($000s)	As at and for the Three Months Ended June 30 2011	2010	As at and for the Six Months Ended June 30 2011	2010
Foreign exchange (loss) gain related to Thailand	**(2,676)**	4,366	**(7,153)**	4,643
Foreign exchange gain (loss) related to Indonesia	**376**	1,691	**(1,271)**	288
AOCI balance at end of period	**(2,300)**	6,057	**(8,424)**	4,931

Commitments

As at June 30, 2011 the Company's estimated outstanding capital commitments were as follows:

Country and Concession Name	Remaining Work Program Commitment	Obligation Period Ending	Estimated Net Financial Commitn USD ($000s)	CAD ($000s)(1)
Thailand				
L 44/43	▪ study and training fund	July 2012	18	17
L33/43	▪ geological studies	July 2012	30	29
	▪ study and training fund		18	17
L 53/48	▪ drill 2 exploration wells	January 2013	650	627
	▪ geological studies		55	53
	▪ study and training fund		47	45
Total Thailand			818	788
Indonesia (2)(3)				
Citarum	▪ drill 3 exploration wells	October 2011	12,341	11,947
Batu Gajah	▪ 400 km^2 3D seismic	January 2012	14,644	14,175
	▪ drill 1 exploration well			
South CPP	▪ 200 km 2D seismic	November 2012	5,388	5,216
	▪ drill one exploration well	November 2013		
Total Indonesia			32,373	31,338
Consolidated Total			**33,191**	**32,126**

(1) *Translated at June 30, 2011 exchange rates.*
(2) *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 (3% for each PSC).*
(3) *Does not include planned capital activities with respect to the East Jabung PSC, which is expected to be signed by the end of September 2011.*

Indonesia financial commitments as provided above represent the work program required under the initial 3-year exploration period of the PSC. With respect to Citarum, Batu Gajah and South CPP, extension of this initial exploration period has been successfully negotiated with the Government of Indonesia (GOI) to the dates indicated above. If Pan Orient exercises its options to continue beyond the exploration period, additional commitments will be determined on a year-by-year basis through submission of a work program and approval from the GOI.

Although extension of the exploration period is a departure from the original contract, it is considered standard practice in Indonesia. 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, both Citarum and Batu Gajah have complied with these penalty relinquishments. 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 management's estimates of the minimum amounts required to fulfill the work program requirements in Thailand and Indonesia. Actual expenditures required to carry out these commitments may be significantly different from the estimates. The Company intends to fund commitments through expected cash flows from Thailand operations and the Company's existing cash balance.

Summary of Quarterly Results

	2011		2010				2009(1)	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Production (BOPD)	**2,052**	2,246	4,056	4,211	3,448	3,816	3,370	3,648
Per Unit information ($/bbl)								
Realized oil price	**99.19**	91.26	76.36	69.82	71.51	72.91	71.87	68.01
Royalties	**(5.18)**	(4.95)	(4.99)	(4.52)	(4.41)	(4.68)	(4.46)	(4.31)
Transportation & operating	**(15.02)**	(12.89)	(10.46)	(8.96)	(8.77)	(8.92)	(9.80)	(8.29)
	78.99	73.41	60.91	56.34	58.33	59.31	57.61	55.41
Financial ($000's) except as indicated								
Oil revenue	**18,521**	18,449	28,495	27,050	22,436	25,038	22,280	22,824
Interest revenue	**180**	38	32	20	30	36	26	12
Net income(2)	**4,608**	3,928	9,835	5,403	4,216	4,070	6,996	10,617
Per share basic ($)	**0.08**	0.08	0.20	0.11	0.09	0.09	0.15	0.23
Per share diluted ($)	**0.08**	0.08	0.20	0.11	0.09	0.08	0.14	0.22
Capital expenditures(3)	**22,495**	19,972	13,638	11,012	16,409	20,269	18,960	16,033
Total assets	**349,597**	350,589	296,709	281,530	265,197	256,726	241,781	227,198
Shares outstanding (000s)	**56,685**	56,544	48,741	48,619	48,594	47,414	46,313	46,163

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

Q3 2009 – Funds flow from operations was $11.2 million and net income was $10.6 million for the quarter. The operating results for Pan Orient in the third quarter of 2009 compared to the previous quarter reflect higher crude oil prices, lower production volumes, and a $3.9 million foreign exchange gain upon reclassification of accumulated other comprehensive income related to the Company's investment in Thailand. Third quarter production volumes of 3,648 BOPD were 1,192 BOPD less than the 4,840 BOPD reported in the second quarter of 2009. Thailand funds flow from operations was $11.2 million or $33.34/bbl. During the quarter the Company drilled 3 (1.8 net) wells; two of which were successful and one of which is currently being tested. During the period, independent resource estimates were made for the 2009 discoveries at the Bo Rang "A" and "B" structures, L44W and NSE-F1 in L44. The results of this evaluation were an additional 16.9 MMbl (net) of 2C contingent resource volumes for the Bo Rang "A" and "B" and L44W structures and 6.1 MMbl (net) of best case prospective resource volumes for NSE-F1. The contingent resource estimates are contingent upon approval from the Government of Thailand of the Company's production license application. At September 30, 2009, working capital plus deposits was $39.8 million and the Company had no long-term debt.

Q4 2009 – Funds flow from operations for the fourth quarter was $9.9 million compared with $11.2 million for the third quarter of 2009 and $25.0 million for the fourth quarter of 2008. Net income was $7.0 million for the quarter versus $10.6 million in the third quarter of 2009. There was a $1.3 million decrease in funds flow from operations compared with the third quarter of 2009. In the fourth quarter of 2009, the Company recorded a $0.7 million realized foreign exchange loss as a result of the strengthening Canadian dollar and the movement of funds from the Thailand operations to Canada. The financial results for Pan Orient in the fourth quarter of 2009 compared to the third quarter of 2009 reflect an 8% decrease in oil production offset by a 6% increase in realized crude oil prices, and foreign exchange losses due to the strengthening Canadian dollar. Thailand oil sales for the fourth quarter of 2009 was 3,370 BOPD compared with 3,648 BOPD for the third quarter of 2009. In the fourth quarter of 2009, Pan Orient continued its active drilling program in Thailand with four wells (2.4 net) in Concession L44 and two exploration wells (2.0 net) in the 100% owned Concession L53. For the fourth quarter of 2009, Thailand generated $11.1 million in funds flow from operations, compared with $11.2 million for the third quarter of 2009 primarily as a result of the 8% decrease in oil sales volumes offset by a 6% increase in the realized price for crude oil. For the quarter, transportation expenses were $2.45/bbl, operating expenses $7.35/bbl, general and administrative expenses $2.37/bbl and amounts to the Thailand government of $23.94/bbl resulted in after tax funds flow from operations of $35.69/bbl. Operating expenses increased to $2.3 million or $7.35/bbl in the fourth quarter from $2.0 million or $5.95/bbl in the third quarter of 2009 as a result of lower production levels and additional expenses for maintenance and water hauling. At December 31, 2009, working capital plus deposits was $32.7 million and the Company had no long-term debt.

Q1 2010 – Funds flow from operations for the first quarter was $12.3 million compared with $9.9 million for the fourth quarter of 2009 and $15.2 million for the first quarter of 2009. Net income attributable to common shareholders was $4.1 million for the quarter versus $7.0 million in the fourth quarter of 2009. The decrease in net income attributable to common shareholders is the result of future income tax expense of $5.9 million in Q1 2010 versus a future income tax recovery of $0.7 million in Q4 2009. There was a $2.4

million increase in funds flow from operations compared with the fourth quarter of 2009. The financial results for Pan Orient in the first quarter of 2010 compared to the fourth quarter of 2009 reflect a 13% increase in oil production and a 1% increase in realized crude oil prices. Thailand oil sales for the first quarter of 2010 were 3,816 BOPD compared with 3,370 BOPD for the fourth quarter of 2009. In the first quarter of 2010 Pan Orient drilled two development wells and three exploration / appraisal wells in Concession L44. The five wells drilled (3.0 net) resulted in two new producing horizontal wells at Bo Rang "B" and one new Na Sanun East producing well at NSE-E3. For the first quarter of 2010, Thailand generated $12.4 million in funds flow from operations, compared with $11.1 million for the fourth quarter of 2009 primarily as a result of the 13% increase in oil sales volumes. For the quarter, transportation expenses were $2.52/bbl, operating expenses $6.40/bbl, general and administrative expenses $3.70/bbl and amounts to the Thailand government of $24.31/bbl resulted in after tax funds flow from operations of $36.01/bbl. Operating expenses decreased to $2.2 million or $6.40/bbl in the first quarter from $2.3 million or $7.35/bbl in the fourth quarter of 2009 as a result of higher production levels. General and administrative expenses increased to $1.3 million or $3.70/bbl in the first quarter from $0.7 million or $2.37/bbl in the fourth quarter of 2009 primarily as a result of severance payments. At March 31, 2010, working capital plus deposits was $25.4 million and the Company had no long-term debt.

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

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

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

Q1 2011 – Funds flow from operations for the first quarter was $12.4 million compared to $17.8 million in the fourth quarter of 2010, the reduction primarily a result of reduced revenues attributed to lower production volumes. Average daily oil sales for the period was 2,246 BOPD, a 45% decrease from the fourth quarter of 2010. Oil sales in Concession L44 declined during the first quarter of as a result of incursion of water at the WBEXT-1C well in early January, wells coming off high initial production rates, and three significant wells being brought back on-stream at reduced rates to minimize the water cut. Oil sales at Concession L53 increased in the first quarter of 2011 with increased production from a workover of the L53-A well and new oil production from the L53-A1 well. On a per barrel basis the Company's funds flow from operations was $61.15 compared to $47.71 in the previous quarter. Funds flow in the first quarter of 2011 benefitted from lower current taxes which were 5.4% as a percentage of crude oil sales compared to 14.2% in the fourth quarter of 2010. Net income attributable to Common Shareholders was $3.9 million ($0.08/share basic) for the quarter versus $8.5 million in the fourth quarter of 2010. The Company drilled 6 (4.4 net) wells in Thailand and 1 (1.0 net) well in Indonesia for total capital expenditures of $20.0 million. Also during the period the Company increased its interests in the three Indonesia PSCs for a total cost of $1.8 million including $0.4 million of Pan Orient shares issued and Andora completed an acquisition for a total cost of $3.2 million in warrants issued to the vendor. During the quarter the Company completed a financing involving the issuance of 7.6 million common shares for net proceeds of $46.6 million. At March 31, 2011, working capital plus non-current deposits was $69.2 million and the Company had no long-term debt.

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

Additional Information

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