PAN ORIENT ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011

November 24, 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 November 24, 2011 and should be read in conjunction with the unaudited consolidated financial statements and notes thereto for the three and nine months ended September 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 November 24, 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 nine months ended September 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 nine months ended September 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 September 30		**Nine Months Ended September 30**	
($000s)	**2011**	**2010**	**2011**	**2010**
Cash flow from operating activities	**12,800**	6,252	**29,506**	26,206
Current tax expense	**(298)**	(5,525)	**(1,969)**	(16,691)
Add back changes in non-cash working capital	**(1,251)**	6,237	**(3,120)**	8,222
Add back taxes paid	**1,914**	8,448	**14,392**	23,472
Funds flow from operations	**13,165**	15,412	**38,809**	41,209

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

Petroleum and Natural Gas Properties

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

A summary of the Company's international interests as at September 30, 2011 (plus East Jabung PSC) is as follows:

Country	Working Interest	Status	Net Square Kilometres(2)	2011 Average Production(2)	Estimated Net Financial Commitments(1) CAD $000s(2)	Obligation Period Ending
Thailand Onshore Concessions						
L44/43	60%	Partially developed	505	1,322	19	July 2012
SW1	60%	Developed	9	142	-	
L33/43	60%	Partially developed	550	160	50	July 2012
L53/48	100%	Partially developed	1,959	474	781	January 2013
Total Thailand			3,023	2,098	850	
Indonesia Onshore Production Sharing Contracts (PSC) (3)						
Citarum(4)	77%	Undeveloped	2,216	-	11,711	October 2012
Batu Gajah	97%	Undeveloped	2,447	-	14,695	January 2013
South CPP(4)	97%	Undeveloped	4,338	-	5,536	November 2013
East Jabung(5)	100%	Undeveloped	6,228		7,270	November 2014
Total Indonesia			15,229	-	39,212	
Consolidated Total			18,252	2,098	40,062	

(1) Estimated amount to satisfy commitments includes partners' carried interests (3% for Citarum, Batu Gajah and South CPP) in Indonesia. Commitments include completion of a work program as well as the amount of expenditure. Activities and timing reported are based on the original contract with certain revisions as approved by the Government of Indonesia (GOI). Actual expenditures required to carry out these commitments may be significantly different from these estimates.

(2) Amounts shown are calculated as at and for the year ended September 30, 2011, including the East Jabung PSC signed subsequent to the end of the period. Commitments are denominated in USD and translated at September 30, 2011 exchange rates.

(3) Indonesia financial commitments as provided represent the work program required under the initial 3-year exploration period of the PSC. Extension of the initial exploration periods 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.

(4) Subsequent to September 30, 2011 Pan Orient was required to relinquish an additional area on Citarum so that the amount retained will not be in excess of 20% (684 km^2 net) of the original total contract area. Also subsequent to the end of the period, the Company was required to relinquish approximately 1,736 km^2 of the contract area related to the South CPP PSC. The official relinquishment of these areas is currently awaiting approval from the GOI of Pan Orient's requested relinquishment portions.

(5) The East Jabung PSC was signed on November 21, 2011 and commitments include two wells and 2D seismic acquisition and processing.

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.

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 capital activities consisting of thirteen (7.8 net) wells drilled to September 30, 2011. Environmental approval is expected for up to 15 wells in the WBEXT "E" and "D" sandstone reservoir area at the end of December 2011, with an aggressive sandstone development program to follow in January 2012 (assuming environmental approval is granted at the upcoming December 30, 2011 meeting with the Government of Thailand environmental regulator). At least three sandstone exploration targets in close proximity to the WBEXT reservoir area are also planned to be drilled in 2012 and these locations are covered by the environmental approval referred to above.

On Concession SW1 one well was drilled in the current quarter and produced 66 BOPD for the three months ended September 30, 2011.

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.

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, contributing 395 BOPD to third quarter production and 322 BOPD to October production. The L53-D2 (L53-D East) and L53-G exploration wells at Concession L53 are planned to start drilling multiple stacked sandstone reservoir targets in mid-December 2011. A 200 square kilometer 3D survey in Concession L53 is being considered for the second quarter of 2012 targeting an area which has minimal data coverage between Pan Orient's oil producing wells and a recent oil discovery made by a competitor to the North, adjacent to the concession boundary.

Indonesia

The Company has working interests in the Citarum PSC located onshore west Java, the Batu Gajah PSC located onshore south Sumatra, the South CPP PSC located onshore south central Sumatra and the East Jabung PSC located on and offshore south Sumatra with working interests as at November 24, 2011 as follows:

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

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

On the Batu Gajah PSC, the Tuba Obi Utara-1 (NTO-1) exploration well 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. The SE Tiung-1 exploration well, spudded in June 2011, encountered oil shows and good quality sands within the primary Lower Talang Akar target horizon but wireline 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 so the well is currently being abandoned. Drilling of Betano-1, originally planned to immediately follow SE-Tiung has been deferred. Two wells are planned for the Batu Gajah PSC in the first quarter of 2012 with the North Tuba Obi Utara-2 (NTO-2) exploration / appraisal well and Shinta-1 exploration well. The Company is currently focused on finalizing a comprehensive surface access agreement which includes the use of roads and land area for well pads with the Indonesian company which holds the forestry surface rights. This agreement is estimated to be in place by year end.

On the Citarum PSC, one location (Jatayu-1) has been completed and a second location (Cataka-1) is approximately 90% complete after having experienced some delay as a result of annual monsoon rains. Surface casing has been set on both wells utilizing a service rig and drilling rig mobilization on to the Cataka-1 location is planned to commence on November 26th with drilling to commence in early to mid-December. Construction on the third location, Geulis-1, will commence shortly after the completion of construction on Cataka-1. All three wells are planned to be drilled back to back starting with Cataka-1 in the first half of December 2011. In accordance with the Citarum PSC, in October 2011 the Company was required to relinquish an additional area on Citarum so that the amount retained will not be in excess of 684 km^2 (net to Pan Orient) of the original total contact area. The Company has submitted its proposal for the exact area to relinquish and is awaiting approval from the GOI.

Preparations are currently underway for a 200 kilometer 2D seismic program in 2012 on South CPP. In November 2011, pursuant to the South CPP PSC, Pan Orient was required to relinquish approximately 1,736 km^2 of the total contract area. As with Citarum, the Company has submitted its proposed area for relinquishment and is awaiting GOI approval.

On November 21, 2011 the Company signed the 6,228 km^2 East Jabung PSC located on and offshore south Sumatra, obtaining operatorship and a 100% working interest. The PSC's firm three year exploration commitment includes two wells and 2D seismic acquisition and processing for an estimated $7.3 million.

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. No binding proposals to purchase the Company or farm-in to the asset have been received to date and the process continues.

At September 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:

($000s)	As at and for the Three Months Ended September 30		As at and for the Nine Months Ended September 30	
	2011	**2010**	**2011**	**2010**
Total assets	**61,454**	58,580	**61,454**	58,580
Total liabilities	**6,795**	7,724	**6,795**	7,724
Funds flow from operations	**(93)**	(148)	**(276)**	(299)
Net loss	**117**	228	**517**	834

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.

2011 THIRD QUARTER HIGHLIGHTS

- Pan Orient had total corporate funds flow from operations of $13.2 million for the third quarter of 2011 compared with $13.3 million for the second quarter of 2011 and $15.4 million for the third quarter of 2010. Funds flow from operations per share (basic) was $0.23 for the third quarter of 2011. For the nine months ended September 30, 2011, Pan Orient had total corporate funds flow from operations of $38.8 million, or $0.71 per share (basic).
- Net income attributable to common shareholders of $3.9 million, or $0.07 per share (basic), for the third quarter of 2011 compared with net income attributable to common shareholders of $4.6 million ($0.08 per share - basic) for the second quarter of 2011 and $5.4 million ($0.11 per share - basic) for the third quarter of 2010. For the nine months ended September 30, 2011, Pan Orient had net income attributable to common shareholders of $12.4 million, or $0.23 per share (basic).
- Total capital expenditures for the third quarter of 2011 were $15.4 million, with $10.3 million in Thailand and $5.0 million in Indonesia. For the first nine months of 2011, total capital expenditures have been $57.8 million, with $38.1 million in Thailand primarily for the drilling of 20 gross wells, $19.5 million in Indonesia for exploration activities relating to the four Production Sharing Contracts ("PSC's") and the drilling of two wells at the Batu Gajah PSC, and $0.2 million in Canada. For the first nine months of 2011, capital expenditures in Thailand have been funded by Thailand funds flow from operations, and the capital expenditures in Indonesia and Canada have been funded from the $1.4 million of free cash flow from Thailand and $18.4 million from working capital.
- At September 30, 2011 Pan Orient had $58.0 million of working capital and non-current deposits, and no long-term debt. In addition, Pan Orient had $12.0 million of equipment inventory to be utilized for future Thailand and Indonesia operations which is included in exploration and evaluation costs on the balance sheet. As at September 30, 2011 estimated commitments in Indonesia were $31.9 million for the Batu Gajah, Citarum and South CPP PSC's, plus an estimated $7.3 million in commitments associated with the East Jabung PSC which was formally granted on November 21, 2011. Estimated commitments in Thailand at September 30, 2011 were $0.9 million, principally for the drilling of two additional wells in Concession L53.
- Indonesia
    - 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 drilled at the end of the first quarter and into the second quarter encountered 10.5 feet of gas pay within good-quality sand near the top of the Lower Talang Akar formation ("LTAF"). The follow-up NTO-1ST side track well encountered the same LTAF gas sand formation identified at the NTO-1 well, but of lower reservoir quality. Initial drilling results at North Tuba Obi are encouraging with proven gas in the LTAF and oil shows in the Upper Talang Akar sand. The first Appraisal of the North Tuba Obi gas discovery, NTO-2 is planned to be drilled in the first quarter of 2012 at a location approximately 5.5 kilometers east and 200 meters structurally higher than the NTO-1 discovery well. NTO-2 will be targeting natural gas in the LTAF and oil in the overlying Upper Talang Akar and Air Benakat sandstone zones.

- The SE Tiung-1 exploration well drilled in June and into July encountered oil shows and good quality sands within the primary Lower Talang Akar target horizon but wire line logging indicated the zone to be water bearing. The secondary objective of the Gumai and Upper Talang Akar formation sands were also present, but interpreted as being water bearing. The results at SE Tiung-1 have no bearing whatsoever on the prospectivity of the upcoming two well program planned for the first quarter of 2011 and we remain confident in the overall hydrocarbon potential of the Batu Gajah PSC.
- Two wells are planned for the Batu Gajah PSC in the first quarter of 2012 with the North Tuba Obi Utara-2 (NTO-2) exploration / appraisal well and Shinta-1 exploration well. The Company is currently focused on finalizing a comprehensive surface access agreement which includes the use of roads and land area for well pads with the Indonesian company which holds the forestry surface rights. This agreement is estimated to be in place by year end.

- At the Citarum PSC on-shore Java (Pan Orient operator and 77% ownership), one location (Jatayu-1) has been completed and a second location (Cataka-1) is approximately 90% complete after having experienced some delay as a result of annual monsoon rains. Surface casing has been set on both wells utilizing a service rig and drilling rig mobilization on to the Cataka-1 location is planned to commence on November 26th with drilling to commence in early to mid-December. Construction on the third location Geulis-1, will commence shortly after the completion of construction on Cataka-1. All three wells are planned to be drilled back to back starting with Cataka-1 in the first half of December 2011.
- East Jabung PSC was formally granted on a 100% basis to Pan Orient on November 21, 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 firm three year exploration commitment (including two wells and seismic) for the East Jabung PSC totals $7.3 million.

- Thailand

  - Average 2011 oil sales in Thailand in the third quarter of 2011 of 2,000 BOPD with 1,181 BOPD from Concession L44, 502 BOPD from Concession L53, 200 BOPD from Concession SW1 and 117 BOPD from Concession L33. This compares with 2,052 BOPD in the second quarter of 2011 and 4,211 BOPD in the third quarter of 2010.
  - Funds flow from Thailand operations was $13.1 million for the third quarter of 2011 ($71.33 per barrel) compared with $13.5 million for the second quarter of 2011 ($72.27 per barrel). Funds flow from Thailand operations decreased 3% in the third quarter of 2011 due to a 3% decrease in oil sales volumes and a 1% decrease in the realized price for crude oil, partially offset a decrease in current income taxes.
  - For the third quarter of 2011, transportation expenses were $2.16 per barrel, operating expenses and other royalty $12.80 per barrel, general and administrative expenses $5.49 per barrel and amounts to the Thailand government of $6.54 per barrel resulted in after tax funds flow from operations per barrel of $71.33. The Company's realized price for crude oil per barrel of CDN$98.29 represents 87% of the Brent reference price for crude oil of CDN$112.47 per barrel, and 110% of the WTI reference price for crude oil of CDN$89.50 per barrel. For the third quarter of 2011, Thailand crude oil revenue of $98.29 per barrel was allocated 21% to expenses for transportation, operating, and general & administrative, 7% to the government of Thailand in the form of royalties, Special Remuneratory Benefit ("SRB") and Income Tax, and 72% to Pan Orient.
  - During the third quarter of 2011 Pan Orient drilled five wells (3.0 net wells) in Thailand with capital expenditures of $10.3 million. Four wells were drilled at Concession L44 with the NSW-A exploration well, the L44-G2 appraisal well in the Na Sanun East field, a development well at the NSE-F1 field and the POR-6B appraisal well at the Wichian Buri field, and the NS-2A appraisal well was drilled in Concession SW1. In addition, the WBEXT-1D well drilled in late 2010 was sidetracked.
  - In the first nine months of 2011 Pan Orient has drilled 20 wells (14.0 net wells) with total capital expenditures in Thailand of $38.1 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 $13.8 million to September 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 three producing sandstone oil wells and oil produced from the appraisal wells under their 90 day test periods. These wells added 395 BOPD of oil sales in the third quarter of 2011 and 322 BOPD in October.
    - Pan Orient has drilled four wells at the WBEXT field in Concession L44 (Pan Orient operator and 60% ownership) including one development well, one appraisal well, and two exploration wells. Capital costs to September 30, 2011 of $7.0 million include this four well program, the sidetrack to the WBEXT-1D well drilled in December 2010, plus capital costs of $1.4 million associated wells spudded in December 2010 that continued drilling into 2011. This has resulted in the WBEXT-1E and WBEXT-1F wells producing from sandstone zones, the WBEXT-2B well producing from the WBV2 volcanic zone, and the WBEXT-1D sidetrack producing from the WBV1 Volcanic zone. Appraisal of the "E" sand reservoir in the main WBEXT fault compartment will be a near term focus of drilling activity in 2012 after Environmental Impact Approval is received for drilling locations. 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 there will be follow-up appraisal drilling in 2012. The WBEXT-2B appraisal well is producing from the WBEXT WBV2 volcanic zone. The three new wells plus the WBEXT-1D side track added 267 BOPD of oil sales in the third quarter of 2011 and 144 BOPD in October.

- Another five exploration wells and two appraisal wells and two development wells were drilled in Concession L44 (Pan Orient operator and 60% ownership) at a cost of $9.5 million. The two development wells at POR-6B and NSE-F6 resulted in two producing oil wells (one from the "G" sandstone zone and one from the volcanic zone), and the two appraisal wells resulted in one new oil well producing from the "G" sandstone zone. The Company had limited success in the five exploration wells drilled at Si Thep, Na Sanun East (the NSE-E4 well) and three new exploration areas (L44-E, L44-F, and NSW-A) which did not add oil production. The three new wells (POR-6A, POR-6B and NSE-F6 added 228 BOPD in October.

- The NS-2A appraisal well was drilled in Concession SW1 at a capital cost of $0.5 million. This well is on production from the volcanic zone and added 66 BOPD of oil sales in the third quarter of 2011 and 61 BOPD in October.

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

Thailand Operations Update

Recent flooding in Thailand related to the historically high annual monsoon rains has had, and is expected to have, no impact on Thailand production and drilling operations.

Thailand production was 2,000 BOPD in the third quarter of 2011 and is currently approximately 1,960 BOPD with six new wells and one sidetrack well planned to be completed prior to year-end 2011 on Concession L44 and Concession L53 in addition to one new ICD technology recompletion on an existing well in L44 within the Bo Rang "B" volcanic reservoir. The vast majority of the production declines since the last update are attributed to a single well (NSE-F6) which declined from 600 BOPD net to 35 BOPD net in the intervening period.

Each of the remaining four development wells and 1 sidetrack well are estimated to be capable of initial production rates in excess of 300 BOPD per well net to Pan Orient. Year end production will be heavily influenced by: 1) the initial production rates observed in these yet to be drilled wells, 2) the decline rates these wells exhibit prior to year end, and 3) the results of the two well exploration program on concession L53.

The initial results of an ICD controlled in flow technology pilot on the BR-1RDST1 have been very encouraging with production at approximately 215 barrels of oil per day gross (129 BOPD net to Pan Orient) which is up 165 barrels of oil per day gross from the 50 barrels of oil per day gross production rate prior to the ICD recompletion. Current plans are to run one additional ICD recompletion prior to year end on an existing horizontal well within the Bo Rang "B" field and evaluate the results prior to making a decision on the redevelopment using ICD controlled in flow technology of the NSE Central, NSE South, NSE-E1, Bo Rang A and Bo Rang B fields.

Environmental approval is anticipated for up to 15 wells in the WBEXT "E" and "D" sandstone reservoir area at the end of December 2011, with an aggressive sandstone development program to follow in January 2011 (assuming environmental approval is granted at the upcoming December 30, 2011 meeting with the Government of Thailand environmental regulator). At least three sandstone exploration targets in close proximity to the WBEXT reservoir area are also planned to be drilled in 2012 and these locations are covered by the environmental approval referred to above.

The L53-D2 (L53-D East) and L53-G exploration wells at Concession L53 are planned to commence drilling stacked multiple sandstone reservoir targets in mid-December 2011. A 200 square kilometer 3D survey in Concessions L53 is being considered for the second quarter of 2012 targeting an area which has minimal data coverage between Pan Orient's oil producing wells and a recent oil discovery made by a competitor to the North, adjacent to the concession boundary.

Financial and Operating Summary	Three Months Ended September 30,		Nine Months Ended September 30,		
(thousands of Canadian dollars except where indicated)	**2011**	2010	**2011**	2010	Change
FINANCIAL					
Oil revenue, before royalties and transportation expense	**18,083**	27,050	**55,053**	74,524	-26%
Funds flow from operations (Note 1)	**13,165**	15,412	**38,809**	41,209	-6%
Per share – basic	**$ 0.23**	$ 0.32	**$ 0.71**	$ 0.85	-17%
Per share – diluted	**$ 0.23**	$ 0.31	**$ 0.71**	$ 0.82	-14%
Funds flow from operations by region (Note 1)					
Canada	**20**	(33)	**(384)**	814	-147%
Thailand	**13,123**	15,370	**39,477**	40,490	-3%
Indonesia	**22**	75	**(284)**	(95)	199%
Total	**13,165**	15,412	**38,809**	41,209	-6%
Net income attributable to common shareholders	**3,882**	5,405	**12,418**	13,691	-9%
Per share - basic	**$ 0.07**	$ 0.11	**$ 0.23**	$ 0.28	-19%
Per share - diluted	**$ 0.07**	$ 0.11	**$ 0.23**	$ 0.27	-6%
Working capital	**52,756**	23,897	**52,756**	23,897	121%
Working capital & deposits	**58,016**	27,746	**58,016**	27,746	109%
Long-term debt	**-**	-	**-**	-	
Capital expenditures (Note 2)	**15,364**	11,012	**57,831**	47,690	21%
Acquisitions – Indonesia (Note 3)	**-**	-	**1,761**	-	
Acquisitions – Sawn Lake, Canada (Note 3)	**-**	-	**3,192**	-	
Shares outstanding (thousands)	**56,685**	48,619	**56,685**	48,619	17%
Funds Flow from Operations per Barrel (Note 1)					
Canada operations	**$ 0.11**	$ (0.08)	**$ (0.67)**	$ 0.78	-186%
Thailand operations	**71.33**	39.67	**68.91**	38.76	78%
Indonesia operations	**0.12**	0.19	**(0.50)**	(0.09)	451%
	$ 71.56	$ 39.78	**$ 67.74**	$ 39.45	72%
Capital Expenditures (Note 2)					
Canada	**22**	185	**236**	595	-60%
Thailand	**10,310**	8,694	**38,069**	31,695	20%
Indonesia	**5,032**	2,133	**19,526**	15,400	27%
Total	**15,364**	11,012	**57,831**	47,690	21%
Working Capital and Non-current Deposits					
Working capital & non-current deposits - beginning of period	**60,469**	24,029	**31,396**	32,738	-4%
Funds flow from operations (Note 1)	**13,165**	15,412	**38,809**	41,209	-6%
Capital expenditures (Note 2)	**(15,364)**	(11,012)	**(57,831)**	(47,690)	21%
Acquisitions – Indonesia (Note 4)	**-**	-	**(1,417)**	-	
Non-cash settlement of Andora receivable	**-**	-	**-**	(600)	
Foreign exchange impact on working capital	**(254)**	(772)	**(557)**	(1,247)	-55%
Net proceeds on share transactions	**-**	89	**47,616**	3,336	1327%
Working capital & non-current deposits - end of period	**58,016**	27,746	**58,016**	27,746	109%
Canada Operations					
Interest income	**109**	15	**269**	29	828%
General and administrative (expense) recovery (Note 5)	**(157)**	(67)	**(462)**	670	-169%
Realized foreign exchange gain (loss)	**68**	19	**(191)**	172	-211%
Foreign new ventures expenditures	**-**	-	**-**	(57)	
Funds flow from operations (Note 1)	**20**	(33)	**(384)**	814	-147%
Funds flow from operations per barrel					
Interest income	**$ 0.59**	$ 0.04	**$ 0.47**	$ 0.03	1466%
General and administrative expense (Note 5)	**(0.85)**	(0.17)	**(0.81)**	0.64	-226%
Realized foreign exchange gain (loss)	**0.37**	0.05	**(0.33)**	0.16	-308%
Foreign new ventures expenditures	**-**	-	**-**	(0.05)	
	$ 0.11	$ (0.08)	**$ (0.67)**	$ 0.78	-186%
Indonesia Operations					
General and administrative recovery (expense) (Note 5)	**22**	75	**(284)**	(95)	199%
Wells drilled					
Gross	**-**	-	**2**	-	
Net	**-**	-	**2.0**	-	

(thousands of Canadian dollars except where indicated)	Three Months Ended September 30, 2011	2010	Nine Months Ended September 30, 2011	2010	Change
THAILAND OPERATIONS					
Oil sales (bbls)	**183,973**	387,444	**572,867**	1,044,601	-45%
Average daily oil sales (bbls/d) by Concession					
L44	**1,181**	3,842	**1,322**	3,577	-63%
SW1	**200**	146	**142**	174	-18%
L33	**117**	-	**160**	-	
L53	**502**	223	**474**	75	528%
Total	**2,000**	4,211	**2,098**	3,826	-45%
Average oil sales price, before transportation (CDN$/bbl)	**$ 98.29**	$ 69.82	**$ 96.10**	$ 71.34	35%
Reference Price (volume weighted) and differential					
Crude oil (WTI $US/bbl)	**$ 90.31**	$ 76.82	**$ 95.65**	$ 77.78	23%
Exchange Rate $US/$Cdn	**0.99**	1.04	**0.99**	1.04	-5%
Crude oil (WTI $Cdn/bbl)	**$ 89.50**	$ 79.69	**$ 94.56**	$ 81.21	16%
Sales price / WTI reference price	**110%**	88%	**102%**	88%	14%
Crude oil (Brent $US/bbl)	**$ 113.49**	$ 77.07	**$ 111.95**	$ 77.35	45%
Crude oil (Brent $Cdn/bbl)	**$ 112.47**	$ 79.95	**$ 110.61**	$ 80.76	37%
Sale price / Brent reference price	**87%**	87%	**87%**	88%	-1%
Funds flow from operations (Note 1)					
Crude oil sales	**18,083**	27,050	**55,053**	74,524	-26%
Government royalty	**(894)**	(1,725)	**(2,777)**	(4,698)	-41%
Other royalty	**(51)**	(26)	**(136)**	(47)	190%
Transportation expense	**(398)**	(970)	**(1,274)**	(2,636)	-52%
Operating expense	**(2,314)**	(2,502)	**(6,848)**	(6,649)	3%
	14,426	21,827	**44,018**	60,494	-27%
General and administrative expense (Note 5)	**(1,011)**	(937)	**(2,636)**	(3,370)	-22%
Interest income	**6**	5	**64**	57	12%
Special Remuneratory Benefit tax (SRB)	**-**	(1,957)	**-**	(4,863)	-100%
Current income tax	**(298)**	(3,568)	**(1,969)**	(11,828)	-83%
Funds flow from operations	**13,123**	15,370	**39,477**	40,490	-3%
Funds flow from operations / barrel (CDN$/bbl) (Note 1)					
Crude oil sales	**$ 98.29**	$ 69.82	**$ 96.10**	$ 71.34	35%
Government royalty	**(4.92)**	(4.45)	**(4.94)**	(4.50)	10%
Other royalty	**(0.22)**	(0.07)	**(0.15)**	(0.04)	271%
Transportation expense	**(2.16)**	(2.50)	**(2.22)**	(2.52)	-12%
Operating expense	**(12.58)**	(6.46)	**(11.95)**	(6.36)	88%
	78.41	56.34	**76.84**	57.92	33%
General and administrative expense (Note 5)	**(5.49)**	(2.42)	**(4.60)**	(3.23)	42%
Interest Income	**0.03**	0.01	**0.11**	0.05	123%
Special Remuneratory Benefit (SRB)	**-**	(5.05)	**-**	(4.66)	-100%
Current income tax	**(1.62)**	(9.21)	**(3.44)**	(11.32)	-70%
Thailand - Funds flow from operations	**$ 71.33**	$ 39.67	**$ 68.91**	$ 38.76	78%
Government royalty as percentage of crude oil sales	**5.0%**	6.4%	**5.0%**	6.3%	-1.3%
SRB as percentage of crude oil sales	**0.0%**	7.2%	**0.0%**	6.5%	-6.5%
Income tax as percentage of crude oil sales	**1.6%**	13.2%	**3.6%**	15.9%	-12.3%
As percentage of crude oil sales					
Expenses - transportation, operating, G&A and other	**20.9%**	16.4%	**19.8%**	17.0%	2.8%
Government royalty, SRB and income tax	**6.6%**	26.8%	**8.6%**	28.7%	-20.1%
Funds flow from operations, before interest income and realized foreign exchange gain	**72.5%**	56.8%	**71.6%**	54.3%	17.3%
Wells drilled					
Gross	**5**	7	**20**	19	5%
Net	**3.0**	4.2	**14.0**	11.4	23%

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.

Revenue, Production and Funds Flow from Operations

Petroleum revenue for the three and nine months ended September 30, 2011 was $18.1 million and $55.1 million, respectively. Year-to-date this represents a decline of 26% compared to the previous year. Average daily oil sales of 2,098 BOPD for the nine months ended September 30, 2011 was 45% less than the comparable period of 2010. Third quarter oil sales of 2,000 BOPD were down 53% from than the third quarter of 2010 and 3% from the second quarter of 2011. The declines from L44 are predominantly responsible for the Company's decreasing volumes. This concession reported 1,322 BOPD for the nine months ended September 30, 2011 compared to 3,577 BOPD for the nine months ended September 30, 2010, a 63% decrease. Additions from wells drilled in 2011, hindered by rig down time and environmental approvals delays (243 BOPD for the third quarter) were far surpassed by declines resulting from existing wells coming off high initial production rates and water incursion at certain wells. Offsetting a portion of the declines from L44, Concession L53 increased its production from 75 BOPD for the nine months ended September 30, 2010 to 474 BOPD in the comparable period of 2011 with volumes from L53-A1, L53-A2 and L53-A3, all drilled in 2011, contributing approximately 395 BOPD to the current quarter.

The Company's average realized price for its production was $98.29/bbl for the three months ended and $96.10/bbl for the nine months ended September 2011, representing increases of 41% and 35%, 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 nine months ended September 30, 2011 the Company's realized price was 102% 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. The Company's realized price can be more accurately trended to Brent Crude, an international benchmark, of which Pan Orient's realized price for the nine months ended September 30, 2011 was 87%, compared to 88% for the nine months ended September 30, 2010.

Funds flow from operations was $13.2 million ($71.55/bbl) for the current quarter compared to $15.4 ($39.78/bbl) million for the comparable period of 2010. Year-to-date, funds flow was $38.8 million ($67.74/bbl) in 2011 and $41.2 million ($39.45/bbl) in 2010. The considerable increase in per barrel funds flow in 2011 is primarily a result of lower taxes. Combined SRB tax and income tax was 3.6% of revenue in 2011 compared to 22.4% 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 $0.9 million for the three months ended September 30, 2011 were relatively consistent with royalties reported in the first and second quarters of the year. Overall royalties of $2.9 million to September 30, 2011 were $1.8 million less than the nine months ended September 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 5.1% of revenue in 2011 compared to 6.3% 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. Transportation expense was $2.16/bbl for the three and $2.22/bbl for the nine months ended September 30, 2011. In 2010 this expense was $2.50/bbl and $2.52/bbl for the three and nine month period ended September 30, respectively. 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.

Operating expenses of $12.58/bbl for the third quarter were marginally lower than $12.84/bbl in the second quarter of 2011 and considerably higher than the $6.46/bbl reported in the comparable quarter of 2010. Operating expenses for the second quarter of 2011 were $2.3 million compared to $2.4 million in the second quarter of the year and $2.5 million in the third 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 does not necessarily reduce operating expenses significantly.

Depletion and Depreciation (D&A)

($000s)	As at and for the Three Months Ended September 30 2011	2010	As at and for the Nine Months Ended September 30 2011	2010
Depletion of Thailand PP&E[(1)]- $000s	**1,888**	2,221	**5,482**	5,798
Depreciation of office equipment & assets - $000s	**80**	56	**297**	242
Total D&A - $000s	**1,968**	2,277	**5,779**	6,040
Total D&A - $/bbl	**10.70**	5.91	**10.09**	5.78

(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 nine months ended September 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 $64.7 million (2010 - $54.8 million) of estimated future development costs for proved plus probable reserves.

Taxes

($000s)	As at and for the Three Months Ended September 30		As at and for the Nine Months Ended September 30 2011	2010
Special remuneratory benefit	**-**	1,957	**-**	4,863
Income tax	**298**	3,568	**1,969**	11,828
Total current tax expense	**298**	5,525	**1,969**	16,691
Deferred tax expense	**6,867**	6,346	**18,398**	15,252
Total tax expense	**7,165**	11,871	**20,367**	31,943

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. Currently L44 is the only concession for which SRB is applicable however the calculated rate for the nine months ended September 30, 2011 is 0%, primarily attributed to lower production volumes for the period. 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 nine months ended September 30, 2011 SRB was 0.0% (2010 – 6.5%) of total revenue and income tax was 3.6% (2010 – 15.9%) of total revenue.

At September 30, 2011 the Company has a tax receivable of $0.2 million which represents the difference between the half-year income tax paid in August 2011 and the current estimated tax expense to September 30, 2011. The taxes paid in August is an estimate for the first half of 2011 calculated based on estimates of taxable income for the entire year. As a result of lower than forecasted production volumes, the Company's estimated taxable income for 2011 is anticipated to be lower than when the tax payments were calculated and remitted to the Government of Thailand.

General and Administrative (G&A) Expenses

	As at and for the Three Months Ended September 30		As at and for the Nine Months Ended September 30	
($000s)	**2011**	**2010**	**2011**	**2010**
Thailand	**1,142**	1,064	**3,019**	4,012
Indonesia	**838**	251	**2,419**	1,888
Canada	**171**	107	**557**	(568)
Total G&A, net of overhead recoveries	**2,151**	1,422	**5,995**	5,332
Allocated to capital projects	**(1,005)**	(493)	**(2,613)**	(2,535)
Cash G&A	**1,146**	929	**3,382**	2,797
Accretion on decommissioning provision	**93**	76	**270**	182
Total G&A	**1,239**	1,005	**3,652**	2,979
Cash G&A - $/bbl	**6.23**	2.40	**5.90**	2.68
Total G&A - $/bbl	**6.73**	2.59	**6.38**	2.97

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.

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.

G&A in Indonesia, along with a corresponding amount of capitalized G&A, continues to increase as operations and need for resources there expands. Canada and Thailand 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.

Capital Invested

	Nine Months Ended September 30			
	2011		**2010**	
	$000s	**Net wells drilled**	**$000s**	**Net wells drilled**
Capital expenditures				
Thailand	**38,069**	**14.0**	31,695	11.4
Indonesia	**19,526**	**2.0**	15,400	-
Canada	**236**	**-**	595	-
Total capital expenditures	**57,831**	**16.0**	47,690	11.4
Indonesia acquisition expenditures - cash	**1,417**	**-**	-	-
Capital and acquisition expenditures – cash	**59,248**	**16.0**	47,690	11.4
Indonesia acquisition – non cash	**344**	**-**	-	-
Sawn Lake acquisition – non cash	**3,192**	**-**	-	-
Total capital invested	**62,784**	**16.0**	47,690	11.4

(1) Excluding foreign exchange and decommissioning provision

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 and the WBEXT-1F exploration well which resulted in the discovery of new "D" and "E" sandstone reservoir pools. Third quarter activities included drilling of 4 (2.4 net) wells for total costs of $8.6 million, resulting in two producing wells; POR-6B and NSE-F6. Wells drilled on L44 in 2011 added 244 BOPD of oil sales in the third quarter and produced 323 BOPD in October.

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 395 BOPD to third-quarter production and in October produced 322 BOPD.

On Concession L33 Pan Orient drilled the L33-4 exploration well in the second quarter 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.

NS-2A was drilled on Concession SW1 in the third quarter for total costs of $0.5 million resulting in production of 66 BOPD for the third quarter and production of 61 BOPD in October.

Indonesia

On the Batu Gajah PSC the Tuba Obi-Utara-1 (NTO-1) exploration well was spudded in March 2011 and was followed up by the SE Tiung-1 exploration well 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 encountered oil shows and good quality sands within the primary Lower Talang Akar target horizon but wireline 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 so the well is currently being abandoned. Capital expenditures for this PSC were $3.1 million for the third quarter of 2011 and $14.7 million year-to-date. Current quarter costs consisted of costs related to drilling of SE Tiung as it was spudded near the end of the second quarter.

On Citarum costs of $2.5 million were incurred to September 30th for site construction and preparation related to the three well drilling program expected to commence.

Related to East Jabung, in the third quarter the Company incurred $1.5 million for the signature bonus, paid prior to official signing of the PSC on November 21, 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, 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 67% 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 year-to-date funds flow of $39.5 million exceeded Pan Orient's $38.1 million capital program in the country. 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 September 30, 2011 the Company's working capital plus non-current deposits of $58.0 million exceeded estimated outstanding commitments of $40.1 million (including East Jabung) by $17.9 million. The Company intends to fund commitments through expected cash flows from Thailand operations and the Company's existing cash balance.

At September 30, 2011 Pan Orient's cash and cash equivalents of $50.7 million, compared to $59.2 million at June 30, 2011 and $37.1 million at December 31, 2010, were held in the Company's jurisdictions as follows:

($000s)	**As at September 30, 2011**	**As at June 30, 2011**	**As at December 31, 2010**
Cash held in Canada	**38,543**	41,389	16,273
Cash held in Thailand	**11,055**	15,362	19,776
Cash held in Indonesia	**1,146**	2,497	1,012
Total cash	**50,744**	59,248	37,061

Working capital plus non-current cash deposits at September 30, 2011 was $58.0 million compared to $60.5 million at June 30, 2011 and $31.4 million at December 31, 2010, the increase 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 $5.3 million at September 30, 2011 relate to guarantees to the Thailand and Indonesia governments for the Company's work commitments and customs importation permits in Thailand.

At September 30, 2011, Pan Orient held $12.0 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)	**November 24, 2011**	**September 30, 2011**
Common shares	**56,685**	**56,685**
Stock options	**3,817**	**3,817**
Total	**60,502**	**60,502**

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**
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Rate at end of period								
Thai baht / CAD $ exchange	**29.63**	31.38	30.84	29.80	29.10	30.44	31.42	31.53
U.S. dollar / CAD $ exchange	**1.04**	0.968	0.971	1.001	1.034	1.054	1.016	1.047

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. The Canadian dollar spent much of 2011 above parity compared to the US dollar but lost some ground and by the end of the period was less than the greenback. As such, the Company reported an unrealized foreign exchange gain on its Indonesian operations and amounts in Thailand and Canada held in US dollars. The Canadian dollar followed the same trend compared to the Thai baht in the current period, also creating unrealized gains on the Company's Thailand operations year-to-date and for the current quarter. All unrealized amounts were recorded in accumulated other comprehensive income (AOCI) on the balance sheet as follows:

	As at and for the Three Months Ended September 30		**As at and for the Nine Months Ended September 30**	
($000s)	**2011**	**2010**	**2011**	**2010**
AOCI balance at beginning of period	**(5,509)**	4,931	**2,915**	-
Unrealized foreign currency translation gain	**13,417**	5,189	**4,993**	10,120
AOCI balance at end of period	**7,908**	10,120	**7,908**	10,120

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

	As at and for the Three Months Ended September 30		**As at and for the Nine Months Ended September 30**	
($000s)	**2011**	**2010**	**2011**	**2010**
Foreign exchange gain related to Thailand	**8,501**	6,763	**1,348**	7,051
Foreign exchange gain (loss) related to Indonesia	**4,916**	(1,574)	**3,645**	3,069
Total change in AOCI	**13,417**	5,189	**4,993**	10,120

Summary of Quarterly Results

	2011			2010				2009(1)
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Production (BOPD)	**2,000**	2,052	2,246	4,056	4,211	3,448	3,816	3,370
Funds flow from operations ($/bbl)								
Realized crude oil price	**98.29**	99.19	91.26	76.36	69.82	71.51	72.91	71.87
Royalties	**(5.14)**	(5.18)	(4.95)	(4.99)	(4.52)	(4.41)	(4.68)	(4.46)
Transportation & operating	**(14.74)**	(15.02)	(12.89)	(10.46)	(8.96)	(8.77)	(8.92)	(9.80)
General & administrative(2)	**(6.23)**	(4.86)	(6.57)	(1.99)	(2.40)	(1.80)	(3.79)	(3.71)
Interest income	**0.63**	0.96	0.19	0.09	0.05	0.10	0.10	0.08
Current taxes	**(1.62)**	(3.55)	(4.99)	(10.88)	(14.26)	(14.06)	(19.67)	(19.60)
Foreign new venture expenditures	**-**	-	-	0.15	-	(0.18)	-	(0.07)
Realized foreign exchange	**0.37**	(0.40)	(0.90)	(0.57)	0.05	0.51	(0.02)	(2.22)
Total	**71.56**	71.14	61.15	47.71	39.78	42.90	35.93	32.09
Financial ($000's) except as indicated								
Oil revenue	**18,083**	18,521	18,449	28,495	27,050	22,436	25,038	22,280
Interest revenue	**115**	180	38	32	20	30	36	26
Net income(3)	**3,882**	4,608	3,928	9,835	5,403	4,216	4,070	6,996
Per share basic ($)	**0.07**	0.08	0.08	0.20	0.11	0.09	0.09	0.15
Per share diluted ($)	**0.07**	0.08	0.08	0.20	0.11	0.09	0.08	0.14
Capital expenditures(4)	**15,364**	22,495	19,972	13,638	11,012	16,409	20,269	18,960
Total assets	**371,964**	349,597	350,589	296,709	281,530	265,197	256,726	241,781
Shares outstanding (000s)	**56,685**	56,685	56,544	48,741	48,619	48,594	47,414	46,313

(1) Amounts are stated in accordance with Canadian Generally Accepted Accounting Principles prior to the conversion to IFRS.
(2) General and administrative costs excluding accretion on decommissioning liabilities.
(3) Net income attributed to common shareholders
(4) Excluding decommissioning provision, acquisition costs and foreign exchange

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.

Q3 2011 – Funds flow from operations of $13.2 million ($71.56/bbl) was relatively consistent with the previous quarter's funds flow of $13.3 million ($71.14/bbl). Third quarter production of 2,000 BOPD was 3% lower than the volumes reported in the second quarter. Net income attributed to common shareholders of $3.9 million for the quarter was $0.7 million less than the second quarter, primarily attributed to higher future income tax. Capital activities for the quarter included 5 (3.0 net) wells in Thailand and in Indonesia, wellsite preparation for upcoming drilling programs on Citarum and Batu Gajah and payment of the signature bonus for the East Jabung PSC, resulting in total expenditures of $15.4 million. At September 30, 2011 the Company had no long-term debt and working capital plus deposits was $58.0 million, which exceeded estimated outstanding commitments of $40.1 million (including East Jabung) by $17.9 million.

Additional Information

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