



## PAN ORIENT ENERGY CORP.

### Press Release

#### 2012 Second Quarter Financial & Operating Results

**CALGARY, August 23, 2012**

Pan Orient Energy Corp. ("Pan Orient") (POE – TSXV) is pleased to provide highlights of its 2012 second quarter consolidated financial and operating results. *Please note that all amounts are in Canadian dollars unless otherwise stated and BOPD refers to barrels of oil per day net to Pan Orient.*

The Corporation is today filing its unaudited consolidated financial statements as at and for the six months ended June 30, 2012 and related management's discussion and analysis with Canadian securities regulatory authorities. Copies of these documents may be obtained online at [www.sedar.com](http://www.sedar.com) or the Corporation's website, [www.panorient.ca](http://www.panorient.ca).

#### HIGHLIGHTS

- On June 15, 2012 Pan Orient completed the sale of subsidiaries which held Pan Orient's 60% interests in Thailand Concessions L44, L33 and SW1 for proceeds, net of estimated costs and income tax, of \$158.0 million. The Company recorded an after tax gain of \$77.3 million for this Thailand disposition transaction. As at June 30, 2012 there was \$19.3 million held in escrow accounts jointly controlled by Pan Orient and the purchaser of the interests. After receipt of a further \$16.2 million in July, there is currently \$3.1 million held in escrow to support any warranty claims until December 15, 2013.
- On August 20<sup>th</sup> shareholders approved the \$0.75 per share special distribution and the record date has been set as August 30, 2012 with a payment date of September 6, 2012.
- Working Capital and non-current deposits at June 30, 2012 of \$184.5 million, with no long-term debt and \$4.9 million of equipment inventory to be utilized for future Thailand and Indonesia operations. Pan Orient will maintain financial strength while directing \$24.7 million to Andora for advancement of the SAGD pilot program, the special distribution of \$42.5 million, and up to \$73.2 million for the 2012 / 2013 drilling and seismic programs in Indonesia. The \$11 million Thailand drilling program at Concession L53 is expected to be funded through funds flow from Thailand operations. As at June 30, 2012 estimated commitments in Indonesia to November 2014 were \$49.3 million for the Citarum, Batu Gajah, South CPP and East Jabung PSC's. Commitments in Thailand at June 30, 2012 were \$0.1 million to January 2013.
- Second quarter 2012 corporate funds flow from operations of \$7.0 million (\$0.12 per share) and net income attributable to common shareholders of \$79.3 million (\$1.40 per share).
- Thailand oil sales in the second quarter of 2012 of 1,318 BOPD, including oil sales from the Thailand interests sold to June 14, and corresponding funds flow from Thailand operations of \$7.8 million (\$64.94 per barrel). July oil production from Concession L53 was 1,046 BOPD.
- Pan Orient has retained its operated 100% interest in Concession L53 in onshore Thailand.
  - Conventional sandstone oil production from Concession 53 was 1,358 BOPD in the first quarter of 2012 as a result of the L53D East field discovery and production from the L53-DST3 and L53-D2ST3 wells. Oil production of 520 BOPD in the second quarter of 2012 was impacted by the shut-in of L53-D2 well on April 17<sup>th</sup> at the end of its 90 production testing period and the L53-DST3 well being shut in during the majority of the quarter awaiting the service rig. Concession L53 oil sales for the first six months of 2012 averaged 939 BOPD with funds flow from operations of \$15.7 million (or \$91.79 per barrel).
  - July oil sales at Concession L53 were 1,046 BOPD and the L53-DST3 well was shut-in during the last week of July when it completed the initial 90 day testing period. The L53D production license was granted July 30<sup>th</sup> with an area of 11.98 square kilometers but the Company is still awaiting the associated environmental approval. A 90 day extension for the testing period for wells in the L53D East field was also received on July 30<sup>th</sup> and current oil production is about 1,150 BOPD with approximately 350 BOPD shut-in until August 25<sup>th</sup> due to water disposal limitations.
  - A 3D seismic survey has been completed over the unexplored northeast portion of Concession L53 and initial interpretation of the preliminary processing has confirmed the presence of the prospect which had been identified on the old vintage, sparsely spaced 2D seismic data.
  - There are four firm development wells and one water disposal well planned for the remainder of 2012 for approximately \$8 million. The drilling of two exploration wells in the new 3D area, with incremental capital of \$3 million, is expected in the first quarter of 2013.

- Active exploration programs at all four Production Sharing Contracts (“PSC’s”) in Indonesia:
  - At the Citarum PSC (Pan Orient operator & 77% ownership) there are three exploration wells to be drilled in 2012 for approximately \$23.7 million. The Jatayu #1 well currently drilling and the Geulis-1 and Cataka-1A wells will follow immediately thereafter. The increase of \$8.1 million in the forecast from the earlier estimated \$16.6 million provides for the potential re-drilling of the Jatayu-1 well if required, which has yet to be determined.
  - At the Batu Gajah PSC (Pan Orient operator & 97% ownership) land access agreements are being finalized with the surface rights holder. The drilling of two exploration wells is expected for late 2012 or early 2013 at a combined cost of \$10 million, and a 400 square kilometer 3D seismic program is planned in late 2012 for \$15.5 million. Total go forward capital is estimated at \$25.5 million.
  - At the South CPP PSC (Pan Orient operator & 97% ownership) a 250 line kilometer 2D seismic program and one exploration well are planned for 2012 / 2013 for approximately \$7 million.
  - At the East Jabung PSC (Pan Orient operator & 100% ownership) a 440 line kilometer 2D seismic program and two exploration wells are planned for 2012 / 2013 for approximately US\$17 million.
- On August 10, 2012 Pan Orient increased its ownership of Andora Energy Corporation ("Andora") to 71.8% through an additional \$24.7 million investment in Andora pursuant to a rights offering by Andora. Proceeds from the rights offering will be used for the procurement and construction of a thermal facility, drilling of one horizontal well pair, and operations in respect of its Sawn Lake Steam Assisted Gravity Drainage (“SAGD”) development project at an estimated cost, including operating costs, of \$23.5 million. Additionally, Andora acquired a private company in July which provides Andora with proprietary thermal facility design / process capabilities and expands the Andora team with thermal facility design and operating specialists.

## 2012 SECOND QUARTER OPERATING RESULTS

- On June 15, 2012 Pan Orient completed the sale of subsidiaries which held Pan Orient's 60% interest in Thailand Concessions L44, L33 and SW1 for a cash price of \$185.3 million. This resulted in net proceeds of \$158.0 million after deducting \$11.2 million of transaction costs and \$16.1 million of estimated income tax associated with the transaction. The carrying value of the assets and liabilities of the subsidiaries sold was \$80.6 million, resulting in net income after tax attributable to common shareholders of \$77.3 million.
 

The financial and operating results in Thailand include revenue, expenses and capital expenditures of the subsidiaries sold, and the interests in Thailand Concessions L44, L33 and SW1, until June 14, 2012.
- Pan Orient had total corporate funds flow from operations of \$25.6 million (\$0.45 per share) for the first half of 2012 compared to \$25.6 million (\$0.48 per share) for the first half of 2011.
 

Funds flow from operations for the second quarter of 2012 was \$7.0 million (\$0.12 per share) compared to \$18.7 million (\$0.33 per share) for the first quarter of 2012 and \$13.3 million (\$0.23 per share) for the second quarter of 2011. The reduction in funds flow from operations in the second quarter of 2012 compared to the first quarter of 2012 is primarily due to the lower oil production.
- Net income attributable to common shareholders of \$87.4 million (\$1.54 per share) for the first half of 2012 and \$79.3 million (\$1.40 per share) for the second quarter of 2012 was driven by the \$77.3 million after tax gain on the Thailand disposition transaction. This compared with net income attributable to common shareholders of \$8.5 million (\$0.16 per share) for the first half of 2011 and \$4.6 million (\$0.08 per share) for the second quarter of 2011.
- Total capital programs for the first half of 2012 were \$45.5 million, with \$26.8 million in Thailand for development of the L53-D East field, the L53-G exploration well and the drilling of five gross wells in Concessions L44 and SW1, \$18.5 million in Indonesia mainly for exploration activities in the Citarum PSC with drilling at Cataka#1 and Jatayu #1, and \$0.2 million in Canada. Capital expenditures in Thailand were funded by Thailand funds flow from operations and the capital programs in Indonesia and Canada were funded from working capital.
 

Capital expenditures were \$24.0 million in the second quarter of 2012 with \$13.2 million in Thailand and \$10.7 million in Indonesia primarily at the Citarum PSC exploration program for drilling costs of the Jatayu-1 well and site preparation for the Geulis-1 and Cataka-1A wells.
- **Thailand**
  - Oil sales in Thailand for the second quarter of 2012 averaged 1,318 BOPD with 520 BOPD from Concession L53, 581 BOPD from Concession L44, 33 BOPD from Concession L33, and 184 BOPD from Concession SW1. The reduction in oil sales compared to first quarter 2012 oil sales of 2,541 BOPD is primarily the result of temporarily shut-in production at Concession L53, approximately 280 BOPD of production temporarily shut-in in mid-May at Concession L44 awaiting approval for long term use on surface lands held by the Agricultural Land Reform Office (ALRO) of the Government of Thailand, and the sale of Pan Orient’s interests in Concessions L44, L33 and SW1 on June 15, 2012.

- In the first half of 2012 Concession L53 averaged oil sales of 939 BOPD and generated \$15.7 million in after tax funds flow from operations, or \$91.79 per barrel. On a per barrel basis, this represents oil sales of \$109.03, transportation expenses of \$1.35, operating expenses of \$6.68, general and administrative expenses of \$3.77 and amounts to the Thailand government of \$5.43. Oil sales during this period were allocated 11% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand in the form of royalties and minor amount of income tax, and 84% to Pan Orient. Minimal Thailand income tax has been recorded for the first half of 2012 for Concession L53, and at June 30, 2012 there are approximately \$23 million of income tax cost pools and losses which can be used in future periods.
- Capital expenditures in the first six months of 2012 were \$26.8 million in Thailand primarily with \$16.3 million at Concession L53 and \$10.5 million at Concessions L44, L33 and SW1 which were sold June 15, 2012. Capital expenditures of \$13.2 million in the second quarter of 2012 were focused on Concession L53 with the seismic program and continued drilling activity at the new L53-D East field. Drilling activity at the L53-D East field in the second quarter included three sidetracks drilled off of the original L53-D2 wellbore which had been spudded in December 2011 and brought into production in January 2012, and which had reached the end of its 90 day production test after production of 41,171 barrels of oil. The L53-D2ST1 well targeted untested deep sands within fault block "C" which proved water bearing. The L53-D2ST2 well into fault compartment "B" was unsuccessful. The L53-D2ST3 well is producing oil within the previously proven "A" fault compartment from new sandstone intervals with approximately 65 meters of net oil pay.

#### ➤ Indonesia

- Capital expenditures in Indonesia during the first half of 2012 have been \$18.5 million, with of \$17.4 million at the Citarum PSC (Pan Orient operator and 77% ownership), \$0.4 million at the Batu Gajah PSC (Pan Orient operator and 97% ownership), \$0.1 million at the South CPP PSC (Pan Orient operator and 97% ownership) and \$0.6 million at the East Jabung PSC (Pan Orient operator and 100% ownership).
- At the Citarum PSC on-shore Java, Pan Orient commenced the exploration drilling program at the end of December 2011 with the Cataka-1 well. Capital expenditures of \$17.4 million in the first half of 2012 include \$4.7 million for the Cataka-1 well, \$10.3 million for the Jatayu-1 well, \$2.0 million for site preparation at the Geulis-1 and Cataka-1A well sites and \$0.4 million for capitalized exploration overhead and other costs. Difficult drilling has been experienced to date in this complex fold belt environment and a number of initiatives have been implemented with regard to personnel and the present / future well design.
  - The Cataka-1 exploration well commenced drilling on December 31, 2011. The well encountered severe drilling difficulties and the decision was made in February 2012 to junk and abandon the well at a depth of approximately 400 meters true vertical depth, 1,500 meters above the primary reservoir objective. The primary reservoir objective of the well, at approximately 1,900 meters depth, had not been penetrated. Upon the completion of the Jatayu-1 and Geulis-1 wells drilling will commence on the re-drill of the Cataka prospect (with the Cataka-1A well) incorporating a redesigned well plan incorporating the information gathered from the original well.
  - The Jatayu-1 exploration well commenced drilling March 21, 2012 towards a primary reservoir objective target depth of 7,382 feet. At 6,156 feet the pipe became stuck after a drilling break and the well was plugged back at 4,700 feet and drilled vertically to avoid the issues associated with the initial directional / deviated hole. While conducting a wiper trip from 5,920 feet the drill string became stuck and was backed off to 5,300 feet. While drilling at a depth of 6,173 feet at the end of June severe lost circulation was encountered and a cement plug was set in an attempt to cure drilling fluid losses.

## OUTLOOK

#### ➤ Indonesia

- Citarum PSC (Pan Orient Operator and 77% Working Interest)

##### Jatayu-1 Exploration Well

Since the operations update of July 25<sup>th</sup>, the well was drilled through the first loss zone at 6,173 feet to a depth of 6,330 feet where total drilling fluid losses were once again encountered resulting in heavily gasified mud resulting in a four meter gas flare when the mud was run through a separator at surface. A cement plug was run to cure the losses and was drilled out to 6,329 feet where losses were once again encountered and the decision was made to run wireline logs and pressure points, which were run successfully. A preliminary interpretation of the wireline logs and pressure data collected over the interval of interest was unable to confirm the presence of gas pay.

Two further attempts were made to drill through the loss zone at 6,330 feet with a maximum depth of 6,346 feet achieved before once again having to set a cement plug in an attempt to deal with the

drilling fluid losses. Presently, one last cement plug has been set and the well is currently drilling cement just above the loss zone. In the event that the drilling fluid losses that are unable to be controlled are experienced in this latest attempt, the well will be suspended and the rig will mobilize to the Geulis-1 location with that well anticipated to spud in the next three to four weeks.

- Batu Gajah PSC (Pan Orient Operator and 97% Working Interest)

Negotiations are currently focused on the final draft access agreements. It is expected that these agreements will be finalized within the next two weeks, allowing for the drilling of two wells and the acquisition of 3D seismic to commence prior to year-end 2012. In the event that final agreements are unable to be agreed between Pan Orient and the Indonesian forestry company within two weeks, the start of operations will be delayed to the end of the first quarter of 2013 due to the rainy season.

- East Jabung PSC (Pan Orient Operator and 97% Working Interest)

A 2D seismic acquisition program is anticipated to commence in mid-March 2013 as the permitting for the program will not be completed until December 2012 and the end of the rainy season is typically in early March.

- South CPP PSC (Pan Orient Operator and 100% Working Interest)

A 2D seismic acquisition program at the South CPP PSC is expected to commence in October 2012 with the drilling of one exploration well planned for the first half of 2013.

- Thailand - Concession L53 (Pan Orient Operator and 100% Working Interest)

A 20 year production license has been granted over the L53-D East oil discovery. The production Environmental Impact Assessment for this production license and related development well drilling locations was not approved at early August meeting of the environmental regulatory organization and the second hearing is expected to take place in mid-September. Regardless of the outcome of the mid-September meeting, construction of drilling locations cannot take place until the end of the annual monsoon season which typically ends in late October each year. With a construction time of approximately one month per well pad, the drilling of four development wells is not anticipated to commence in Concession L53 until December 2012 with exploration drilling on the newly acquired 3D seismic survey likely to take place late in the first quarter of 2013.

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

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

Pan Orient is a Calgary, Alberta based oil and gas exploration and production company with operations currently located onshore Thailand, Indonesia and in Western Canada.

*This news release contains forward-looking information. Forward-looking information is generally identifiable by the terminology used, such as "expect", "believe", "estimate", "should", "anticipate" and "potential" or other similar wording. Forward-looking information in this news release includes, but is not limited to, references to: well drilling programs and drilling plans, estimates of reserves and potentially recoverable resources, and information on future production and project start-ups. By their very nature, the forward-looking statements contained in this news release require Pan Orient and its management to make assumptions that may not materialize or that may not be accurate. The forward-looking information contained in this news release is subject to known and unknown risks and uncertainties and other factors, which could cause actual results, expectations, achievements or performance to differ materially, including without limitation: imprecision of reserve estimates and estimates of recoverable quantities of oil, changes in project schedules, operating and reservoir performance, the effects of weather and climate change, the results of exploration and development drilling and related activities, demand for oil and gas, commercial negotiations, other technical and economic factors or revisions and other factors, many of which are beyond the control of Pan Orient. Although Pan Orient believes that the expectations reflected in its forward-looking statements are reasonable, it can give no assurances that the expectations of any forward-looking statements will prove to be correct.*

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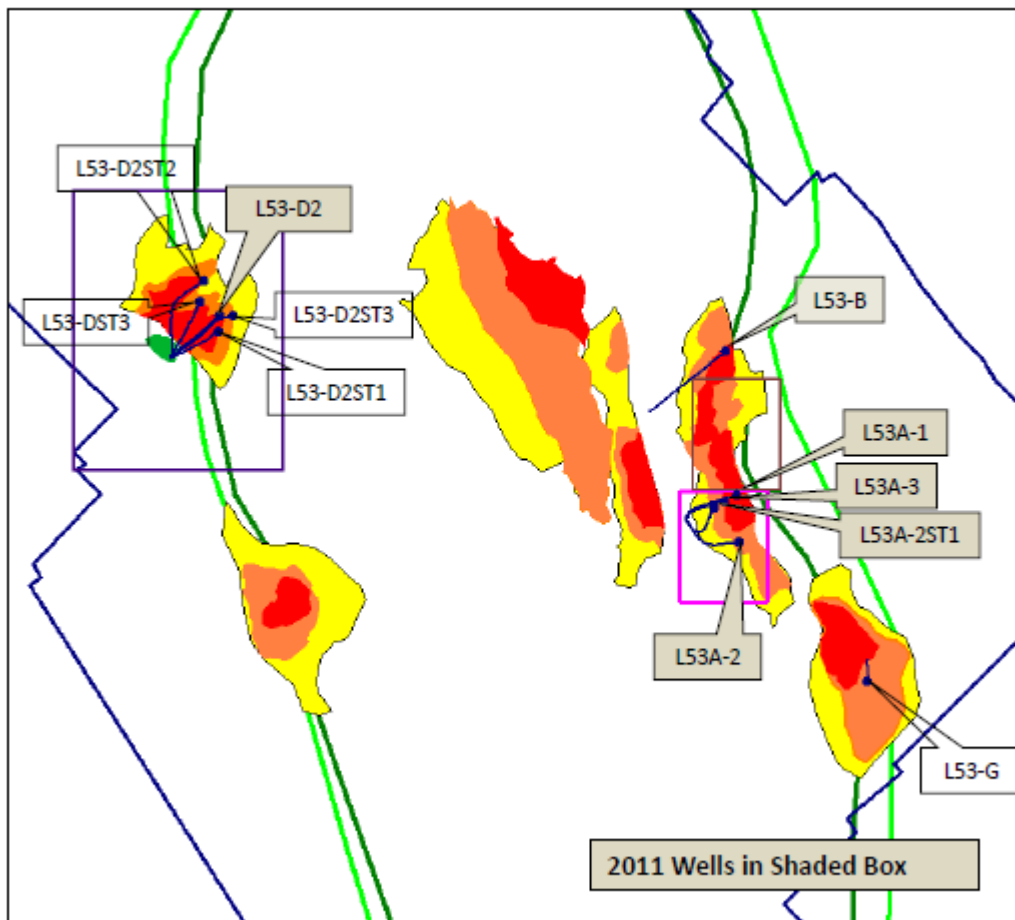
Financial and Operating Summary	Three Months Ended June 30,		Six Months Ended June 30,		Change
	2012	2011	2012	2011	
<i>(thousands of Canadian dollars except where indicated)</i>					
<b>FINANCIAL</b>					
Oil revenue, before royalties and transportation expense	12,502	18,521	38,156	36,970	3%
Funds flow from operations (Note 1)	6,966	13,283	25,634	25,644	0%
Per share – basic	\$ 0.12	\$ 0.23	\$ 0.45	\$ 0.48	-6%
Funds flow from operations by region (Note 1)					
Canada	(769)	19	(989)	(405)	144%
Thailand (Note 2)	7,790	13,494	26,744	26,353	1%
Indonesia	(55)	(231)	(121)	(304)	-60%
Total	6,966	13,282	25,634	25,644	0%
Funds flow – Thailand disposition net proceeds (Note 2)	157,952		157,952		
Net income attributable to common shareholders	79,285	4,608	87,409	8,536	924%
Per share – basic	\$ 1.40	\$ 0.08	\$ 1.54	\$ 0.16	864%
Working capital	180,775	56,686	180,775	56,686	219%
Working capital & non-current deposits	184,536	60,469	184,536	60,469	205%
Long-term debt	-	-	-	-	
Petroleum & natural gas properties (excluding disposition)					
Capital expenditures (Note 3)	23,980	22,495	45,451	42,467	7%
Acquisitions – Indonesia (Note 4)	-	(19)	-	1,761	-100%
Acquisitions – Sawn Lake, Canada (Note 7)	-	-	-	3,192	-100%
Shares outstanding (thousands)	56,685	56,685	56,685	56,685	0%
<b>Funds Flow from Operations per Barrel (Note 1)</b>					
Canada operations	\$ (6.41)	\$ 0.10	\$ (2.82)	\$ (1.04)	171%
Thailand operations (Note 2)	64.94	72.27	76.16	67.76	12%
Indonesia operations	(0.46)	(1.24)	(0.34)	(0.78)	-56%
	\$ 58.06	\$ 71.14	\$ 73.00	\$ 65.94	11%
<b>Capital Expenditures (Note 2)</b>					
Canada	131	147	174	214	-19%
Thailand (Note 2)	13,156	13,345	26,769	27,759	-4%
Indonesia	10,693	9,003	18,508	14,494	28%
Total	23,980	22,495	45,451	42,467	7%
<b>Working Capital and Non-current Deposits</b>					
Working capital & non-current deposits - beginning	48,501	69,166	51,632	31,396	64%
Funds flow from operations (Note 1)	6,966	13,283	25,634	25,644	0%
Thailand disposition net proceeds (Note 2)	157,952	-	157,952	-	
Thailand disposition – sale of working capital (Note 2)	(4,591)	-	(4,591)	-	
Capital expenditures (Note 3)	(23,980)	(22,495)	(45,451)	(42,467)	7%
Acquisitions – Indonesia (Note 5)	-	19	-	(1,417)	-100%
Foreign exchange impact on working capital	(312)	10	(640)	(303)	-214%
Net proceeds on share transactions	-	486	-	47,616	-100%
Working capital & non-current deposits - end of period	184,536	60,469	184,536	60,469	205%
<b>Canada Operations (excluding Thailand disposition)</b>					
Interest income	68	139	137	160	-15%
General and administrative expense (Note 5)	(1,061)	(43)	(1,317)	(306)	330%
Realized foreign exchange gain (loss)	224	(77)	191	(259)	-174%
Foreign new ventures expenditures	-	-	-	-	
Funds flow from operations (Note 1)	(769)	19	(989)	(405)	144%
Funds flow from operations per barrel					
Interest income	\$ 0.56	\$ 0.75	\$ 0.39	\$ 0.41	-5%
General and administrative expense (Note 5)	(8.84)	(0.23)	(3.75)	(0.79)	375%
Realized foreign exchange gain (loss)	1.87	(0.41)	0.54	(0.67)	-181%
	\$ (6.41)	\$ 0.10	\$ (2.82)	\$ (1.04)	171%
<b>Indonesia Operations</b>					
General and administrative expense (Note 5)	(55)	(231)	(121)	(304)	-60%
Foreign new ventures expenditures	-	-	-	-	
	(55)	(231)	(121)	(304)	-60%
Wells drilled	-	1	1	2	-50%
Net	-	1.0	0.8	2.0	-60%

	Three Months Ended June 30,		Six Months Ended June 30,		
	2012	2011	2012	2011	Change
<i>(thousands of Canadian dollars except where indicated)</i>					
<b>THAILAND OPERATIONS (Note 2)</b>					
Oil sales (bbls)	<b>119,970</b>	186,727	<b>351,158</b>	388,894	-10%
Average daily oil sales (bbls/d) by Concession					
L44 (interests sold June 15, 2012)	<b>581</b>	1,289	<b>780</b>	1,394	-44%
SW1 (interests sold June 15, 2012)	<b>184</b>	103	<b>171</b>	112	54%
L33 (interests sold June 15, 2012)	<b>33</b>	155	<b>39</b>	183	-79%
L53	<b>520</b>	505	<b>939</b>	460	104%
Total	<b>1,318</b>	2,052	<b>1,929</b>	2,149	-10%
Average oil sales price, before transportation (CDN\$/bbl)	<b>\$ 104.21</b>	\$ 99.19	<b>\$ 108.66</b>	\$ 95.06	14%
Reference Price (volume weighted) and differential					
Crude oil (Brent \$US/bbl)	<b>\$ 111.35</b>	\$ 117.31	<b>\$ 116.32</b>	\$ 111.22	5%
Exchange Rate \$US/\$Cdn	<b>1.01</b>	0.98	<b>1.01</b>	0.99	3%
Crude oil (Brent \$Cdn/bbl)	<b>\$ 111.94</b>	\$ 114.96	<b>\$ 117.97</b>	\$ 109.74	8%
Sale price / Brent \$Cdn reference price	<b>93%</b>	86%	<b>92%</b>	87%	5%
Funds flow from operations (Note 1)					
Crude oil sales	<b>12,502</b>	18,521	<b>38,156</b>	36,970	3%
Government royalty	<b>(619)</b>	(927)	<b>(1,892)</b>	(1,883)	0%
Other royalty	-	(40)	<b>(49)</b>	(85)	-42%
Transportation expense	<b>(249)</b>	(407)	<b>(693)</b>	(876)	-21%
Operating expense	<b>(1,761)</b>	(2,397)	<b>(3,887)</b>	(4,534)	-14%
	<b>9,873</b>	14,750	<b>31,635</b>	29,592	7%
General and administrative expense (Note 6)	<b>(603)</b>	(634)	<b>(1,524)</b>	(1,626)	-6%
Interest income	<b>30</b>	41	<b>39</b>	58	-32%
Special Remuneratory Benefit tax (SRB)	-	23	-	-	0%
Current income tax	<b>(1,510)</b>	(686)	<b>(3,406)</b>	(1,671)	104%
Funds flow from operations	<b>7,790</b>	13,494	<b>26,744</b>	26,353	1%
Funds flow from operations / barrel (CDN\$/bbl) (Note 1)					
Crude oil sales	<b>\$ 104.21</b>	\$ 99.19	<b>\$ 108.66</b>	\$ 95.06	14%
Government royalty	<b>(5.16)</b>	(4.96)	<b>(5.39)</b>	(4.84)	11%
Other royalty	-	(0.21)	<b>(0.14)</b>	(0.22)	-37%
Transportation expense	<b>(2.08)</b>	(2.18)	<b>(1.97)</b>	(2.25)	-12%
Operating expense	<b>(14.68)</b>	(12.84)	<b>(11.07)</b>	(11.66)	-5%
	<b>82.30</b>	78.99	<b>90.09</b>	76.09	18%
General and administrative expense (Note 6)	<b>(5.03)</b>	(3.39)	<b>(4.34)</b>	(4.18)	4%
Interest Income	<b>0.25</b>	0.22	<b>0.11</b>	0.15	-25%
Special Remuneratory Benefit (SRB)	-	0.12	-	-	0%
Current income tax	<b>(12.59)</b>	(3.67)	<b>(9.70)</b>	(4.30)	126%
Thailand - Funds flow from operations	<b>\$ 64.94</b>	\$ 72.27	<b>\$ 76.16</b>	\$ 67.76	12%
Government royalty as percentage of crude oil sales	<b>5.0%</b>	5.0%	<b>5.0%</b>	5.2%	-0.2%
SRB as percentage of crude oil sales	<b>0.0%</b>	-0.1%	<b>0.0%</b>	0.0%	0.0%
Income tax as percentage of crude oil sales	<b>12.1%</b>	3.7%	<b>8.9%</b>	4.5%	4.4%
As percentage of crude oil sales					
Expenses - transportation, operating, G&A and other	<b>21%</b>	18.8%	<b>16%</b>	19.2%	-3%
Government royalty, SRB and income tax	<b>17%</b>	8.6%	<b>14%</b>	9.7%	4%
Funds flow from operations, before interest income and realized foreign exchange gain	<b>62%</b>	72.6%	<b>70%</b>	71.1%	-1%
Wells drilled					
Gross	<b>1</b>	9	<b>7</b>	15	-53%
Net	<b>0.6</b>	6.6	<b>5.0</b>	11.0	-55%
Thailand Concession L53					
Funds flow from operations (Note 1)	<b>3,824</b>	3,482	<b>15,685</b>	6,235	152%
Funds flow from operations / barrel (CDN\$/bbl)	<b>\$ 80.78</b>	\$ 75.77	<b>\$ 91.79</b>	\$ 74.88	23%



- (1) Funds flow from operations ("funds flow" before changes in non-cash working capital and reclamation costs) is used by management to analyze operating performance and leverage. Funds flow as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures of other entities. Funds flow is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS.
- (2) Thailand Concessions SW1, L44 and L33 were sold on June 15, 2012. Proceeds of \$185.3 million less transaction costs of \$11.2 million and estimated tax of \$16.1 million results in proceeds net of expenses of \$158.0 million. After deducting \$80.6 million related to the carrying value of petroleum and equipment, exploration and evaluation costs, and working capital sold (including the elimination of the associated deferred tax liabilities, employee pension liabilities, and decommissioning provision). The net gain on sale is \$93.4 million before tax and \$77.3 million net after tax. The 2012 financial statements and operating results include revenue, expenses and capital expenditures associated with these properties to June 14, 2012.
- (3) Cost of capital expenditures, excluding any decommissioning provision and excluding the impact of changes in foreign exchange rates.
- (4) Cost of acquisitions, including deemed value of equity issued in the transaction.
- (5) Cost of acquisitions, excluding deemed value of equity issued in the transaction.
- (6) General & administrative expenses, excluding non-cash accretion on decommissioning provision.
- (7) The acquisition transaction was reversed in the fourth quarter of 2011.

### Thailand – Concession L53 Drilling 2011 to Aug 2012



Aug 23, 2012

				Oil Sales Net POE (BOPD)	
				Q1	Q2
<b>Pan Orient 2012 Thailand Drilling to June 30, 2012 (based on date drilling commenced)</b>					
Well	Field				
<b>2012 Q1</b>					
1	L44R-2ST2	L44R Exploration	Testing potential of two volcanic intervals below the proven oil bearing uppermost volcanic zone. Both zones tested oil at sub-commercial rates.	-	-
2	L44-G3	NSE Appraisal	Targeted two volcanic reservoirs. Deeper volcanic tight and upper volcanic zone tested oil at sub-commercial rates. Horizontal well planned for 2012.	1	-
3	POE-3A	SW1 Appraisal	Drilled horizontally into sandstone reservoir but sands appear to be depleted and well unsuccessful. Results had been incorporated into 2011 reserve report.	-	-
4	NS-4A	NSE Exploration	Target volcanic below main volcanic reservoir unsuccessful. Producing oil from four meters of net oil pay in a shallow sandstone zone.	-	18
5	L53-G	L53 Exploration	Well located 2.7 kilometers southeast and on trend of L53-A oil field in a distinctly separate structural closure tested oil at a sub-commercial rates.	1	-
6	L53-D ST3	L53 Exploration	Produced oil and testing of a number of sandstone intervals is ongoing during the 90 day test period and the 90 day extension to the test period.	436	274
<b>2012 Q2</b>					
7	NS-9A	NSE Appraisal	Producing oil from the main volcanic reservoir.	-	43

Interests in Concessions L44, L33 and SW1 sold June 15, 2012

**Pan Orient 2012 Indonesia Drilling to June 30, 2012 (based on date drilling commenced)**

Well	PSC		
1	Jatayu-1 & sidetracks	Citarum Exploration	Commenced drilling on March 21, 2012 and the well is currently drilling ahead.