



PAN ORIENT ENERGY CORP.

Press Release

Operations Update

CALGARY, October 18, 2012

INDONESIA OPERATIONS UPDATE

Citarum PSC (Pan Orient Operator and 97% Working Interest)

On October 17, 2012 Pan Orient entered into an agreement to purchase a 20% participating interest from our partner in the Citarum Production Sharing Contract ("PSC") in consideration for: 1) the responsibility of all of the partner's work program obligations in the PSC effective from July 13, 2012, and 2) the payment of a future royalty of \$10 million USD on the first of any potential future hydrocarbon discovery made within the Citarum PSC and an additional \$6 million USD on the second of any future hydrocarbon discovery. The Company's interest in the Citarum PSC now stands at 97%.

The Jatayu-1 exploration well, located onshore Indonesia that was suspended with the setting of 4.5" casing down to 6,640 feet measured depth, is expected to recommence drilling of an additional 1,300 feet (true vertical depth) with a slim hole drilling assembly on approximately November 6, 2012.

The Geulis-1 exploration well is currently drilling ahead at a depth of 1,633 feet towards a planned total depth of approximately 3,960 feet. The two pre drill primary objectives have yet to be penetrated and drilling on this high risk exploration well is anticipated to be completed by the end of October 2012.

Upon the completion of the drilling of Geulis-1, the rig will mobilize immediately to the Cataka-1A location.

Batu Gajah PSC (Pan Orient Operator and 77% Working Interest)

The company is pleased to announce the completion of access agreements with the surface rights holder of lands covering a large portion of the Batu Gajah and South CPP PSCs. In consideration for unlimited access to an extensive road network and surface lands covering the Batu Gajah and South CPP PSCs through the entire exploration, development and production period, Pan Orient will hold in trust a 20% carried interest in both the South CPP and Batu Gajah PSC's for the surface rights holder and will continue to pay certain access fees as mandated by the various Government of Indonesia bodies. All costs incurred by Pan Orient in relation to the 20% carried interest will be preferentially recovered from the future cost recovery on any potential future discovery that is brought on stream.

The drilling of the first of two back to back appraisal / exploration wells is anticipated to commence by the end of December 2012. The contract for a 400 square kilometer 3D seismic survey has been awarded and acquisition is anticipated to commence in March 2013.

South CPP PSC (Pan Orient Operator and 77% Working Interest)

The contract for the acquisition of approximately 227 kilometers of 2D seismic has been awarded and the survey is anticipated to commence in December 2012, setting the stage for exploration drilling 2013.

East Jabung PSC (Pan Orient Operator and 100% Working Interest)

The contract for the acquisition of approximately 430 kilometers of 2D seismic data has been awarded and the survey is expected to commence in April 2013, setting the stage for exploration drilling in late 2013.

THAILAND OPERATIONS UPDATE

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

Current oil production is 1,480 BOPD with all the workovers at the L53-A field just completed and two wells at L53-G and L53-C having just been brought online as water disposal wells with a combined water disposal capacity of approximately 2,600 barrels of water per day. Oil sales in September 2012 averaged 505 BOPD and averaged 767 BOPD in the first 15 days of October, both negatively impacted by fluctuating water disposal capacity at two of three cement plants used to dispose of produced water and a number of workovers conducted through the period on wells at the L53-A field. Oil sales in third quarter of 2012 averaged 842 BOPD with a realized oil price of US\$99.20 per barrel, representing 91% of the Brent oil reference price.

A rig contract for five firm and two optional wells has just been signed with drilling expected to commence on December 1, 2012. . The annual Thailand monsoon appears to ending and construction of well drilling locations is anticipated to commence by the end of October.

An additional 180 square kilometers of 3D seismic acquisition is anticipated to commence in February 2013. Work towards environmental permits is currently underway on approximately six new exploration well locations that are based on the recently acquired 100 square kilometers of 3D seismic and commencement of drilling is targeted for April 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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