



**PAN ORIENT ENERGY CORP.**

**2008 CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED JUNE 30, 2008**

**PAN ORIENT ENERGY CORP.****CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

	June 30	December 31
	2008	2007
(\$000s)		
<b><u>ASSETS</u></b>		
<b>CURRENT</b>		
Cash and cash equivalents	63,444	36,852
Accounts receivable	15,272	14,501
	<hr/> 78,716	51,353
Deposits	2,376	2,177
Petroleum and natural gas properties (Note 4)	115,525	88,940
	<hr/> 196,617	142,470
	<hr/> <hr/>	
<b><u>LIABILITIES</u></b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	10,935	8,122
Taxes payable	33,834	4,645
	<hr/> 44,769	12,767
Future income tax	10,716	7,721
Asset retirement obligation	84	84
	<hr/> 55,569	20,572
Non-controlling interest	17,881	18,018
<b><u>SHAREHOLDERS' EQUITY</u></b>		
SHARE CAPITAL (Note 5)	103,533	98,800
UNDERWRITERS COMPENSATION OPTIONS	-	119
CONTRIBUTED SURPLUS	6,534	5,671
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	207	(1,722)
RETAINED EARNINGS	12,893	1,012
	<hr/> 13,100	(710)
	<hr/> 123,167	103,880
Commitments and contingencies (note 9)		
Subsequent event (note 11)		
	<hr/> 196,617	142,470
	<hr/> <hr/>	

See accompanying notes to the consolidated financial statements

**PAN ORIENT ENERGY CORP.**

**CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND RETAINED EARNINGS (DEFICIT) (UNAUDITED)**

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2008	2007	2008	2007
<i>(\$000s, except per share amounts)</i>				
<b>REVENUES</b>				
Oil and natural gas	35,486	2,812	67,984	4,384
Royalties	(2,349)	(265)	(4,603)	(384)
Interest	93	98	359	223
	<b>33,230</b>	<b>2,645</b>	<b>63,740</b>	<b>4,223</b>
<b>EXPENSES</b>				
Operating	1,121	751	1,789	1,220
Transportation	945	116	1,963	192
General and administrative	1,378	765	2,263	1,315
Depletion, depreciation and accretion	2,955	1,164	6,042	1,954
Stock-based compensation	446	237	742	879
Foreign exchange loss	696	807	491	719
Foreign new ventures expenditures	-	-	-	40
	<b>7,541</b>	<b>3,840</b>	<b>13,290</b>	<b>6,319</b>
<b>INCOME (LOSS) BEFORE TAXES AND NON-CONTROLLING INTEREST</b>	<b>25,689</b>	<b>(1,195)</b>	<b>50,450</b>	<b>(2,096)</b>
<b>TAXES</b>				
Income tax	8,262	-	14,622	-
Special remuneratory benefit (note 7)	9,601	-	20,936	-
Future income tax (reduction) expense	(483)	40	3,148	(30)
	<b>17,380</b>	<b>40</b>	<b>38,706</b>	<b>(30)</b>
<b>INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST</b>	<b>8,309</b>	<b>(1,235)</b>	<b>11,744</b>	<b>(2,066)</b>
<b>NON-CONTROLLING INTEREST</b>	<b>149</b>	<b>(4)</b>	<b>137</b>	<b>124</b>
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>8,458</b>	<b>(1,239)</b>	<b>11,881</b>	<b>(1,942)</b>
<b>RETAINED EARNINGS (DEFICIT)</b>				
<b>BEGINNING OF PERIOD</b>	<b>4,435</b>	<b>(4,534)</b>	<b>1,012</b>	<b>(3,831)</b>
<b>RETAINED EARNINGS (DEFICIT) END OF PERIOD</b>	<b>12,893</b>	<b>(5,773)</b>	<b>12,893</b>	<b>(5,773)</b>
<b>INCOME (LOSS) PER SHARE (note 5)</b>				
Basic	0.19	(0.03)	0.26	(0.05)
Diluted	0.17	(0.03)	0.24	(0.05)

See accompanying notes to the consolidated financial statements

**PAN ORIENT ENERGY CORP.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<i>(\$000s)</i>				
Net income (loss)	<b>8,458</b>	(1,239)	<b>11,881</b>	(1,942)
Cumulative translation of self-sustaining operations	<b>(2,741)</b>	-	<b>2,519</b>	-
Foreign exchange loss realized	<b>(590)</b>	-	<b>(590)</b>	-
Comprehensive income (loss)	<b>5,127</b>	(1,239)	<b>13,810</b>	(1,942)

See accompanying notes to the consolidated financial statements

**PAN ORIENT ENERGY CORP.****CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2008	2007	2008	2007
<i>(\$000s)</i>				
<b>CASH PROVIDED BY (USED IN)</b>				
<b>OPERATING ACTIVITIES</b>				
Net income (loss) for the period	8,458	(1,239)	11,881	(1,942)
Items not affecting cash				
Depletion, depreciation and accretion	2,955	1,164	6,042	1,954
Stock-based compensation	446	237	742	879
Future income tax (reduction) expense	(483)	40	3,148	(30)
Unrealized foreign exchange (gain) loss	(280)	807	(116)	719
Non-controlling interest	(149)	4	(137)	(124)
	<b>10,947</b>	1,013	<b>21,560</b>	1,456
Change in non-cash working capital	<b>14,454</b>	(1,217)	<b>32,883</b>	(1,782)
	<b>25,401</b>	(204)	<b>54,443</b>	(326)
<b>INVESTING ACTIVITIES</b>				
Petroleum and natural gas properties	(6,686)	(5,277)	(10,267)	(6,667)
Indonesia acquisition	(15,406)	-	(15,406)	-
Change in non-cash working capital	(2,173)	4,620	(2,723)	2,704
Deposits	-	(2,348)	-	(4,855)
	<b>(24,265)</b>	(3,005)	<b>(28,396)</b>	(8,818)
<b>FINANCING ACTIVITIES</b>				
Issue of common shares, net of share issue costs	364	315	429	315
	<b>364</b>	315	<b>429</b>	315
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	<b>1,500</b>	(2,894)	<b>26,476</b>	(8,829)
EFFECT OF FOREIGN EXCHANGE ON CASH BALANCES	(16)	(310)	116	(310)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	61,960	10,187	36,852	16,122
CASH AND CASH EQUIVALENTS, END OF PERIOD	<b>63,444</b>	6,983	<b>63,444</b>	6,983

See accompanying notes to the consolidated financial statements

**PAN ORIENT ENERGY CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**1) DESCRIPTION OF BUSINESS**

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

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

The unaudited interim consolidated financial statements of Pan Orient have been prepared by management in accordance with Canadian generally accepted accounting principles. With the exception of changes as discussed, the interim financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements of the Company for the year ended December 31, 2007. Certain information and disclosures normally required in the notes to the annual financial statements have been condensed or omitted and therefore these interim financial statements and notes thereto should be read in conjunction with the audited financial statements for the year ended December 31, 2007. Unless otherwise indicated, all financial amounts are reported in thousands of Canadian dollars.

**CHANGES IN ACCOUNTING POLICIES**

**Capital Disclosures**

Effective January 1, 2008 the Company adopted Section 1535, *Capital Disclosures* which requires companies to disclose their objectives, policies and processes for managing capital. See note 6 for disclosure regarding the Company's capital structure.

**Financial Instruments Disclosure and Presentation**

On January 1, 2008 the Company adopted Section 3862, *Financial Instruments - Disclosures* and Section 3863 *Financial Instruments - Disclosure and Presentation*. These disclosure standards were adopted prospectively by the Company and require entities to provide information that enable users to evaluate: 1) the significance of financial instruments for the entity's financial position and performance; 2) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date; and 3) how the entity manages its risks. These disclosures are provided in note 8.

**3) ACQUISITION OF INDONESIAN COMPANIES**

During the three months ended June 30, 2008 the Company acquired all of the issued and outstanding shares of three privately-held companies with interests in Indonesia. These entities hold a 90% operated working interest in the Batu Gajah Production Sharing Contract (PSC) located onshore south Sumatra, a 69% operated working interest in the Citarum PSC located onshore West Java as well as certain rights to exploration lands within the Republic of Indonesia that may or may not be exercised at a future date.

**PAN ORIENT ENERGY CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

The allocation of the purchase price is as follows:

(\$000s)

Consideration:

Cash	14,741
Common shares	4,124
Transaction costs	1,539
	20,404
	20,404

Allocated as follows:

Petroleum and natural gas properties	19,656
Working capital, including cash of \$874,000	748
	20,404
	20,404

The purchase price equation is preliminary and subject to change.

**4) PETROLEUM AND NATURAL GAS PROPERTIES**

(\$000s)	Cost	Accumulated Depreciation and Amortization	Net Book Value
<b>As at June 30, 2008</b>			
Canada	56,920	-	56,920
Thailand	48,857	(11,292)	37,565
India	599	-	599
Indonesia	20,026	-	20,026
Office equipment - Canada	817	(402)	415
	127,219	(11,694)	115,525
	127,219	(11,694)	115,525
<b>As at December 31, 2007</b>			
Canada	56,182	-	56,182
Thailand	37,336	(5,284)	32,052
India	395	-	395
Office equipment - Canada	679	(368)	311
	94,592	(5,652)	88,940
	94,592	(5,652)	88,940

General and administrative and stock-based compensation expenses totaling \$0.2 million (2007 - \$0.1 million) and \$0.2 million (2007 - \$0.1 million) that were directly related to exploration and development activities have been capitalized for the three and six months ended June 30, 2008, respectively.

Costs associated with unproven properties of \$9.6 million (2007 - \$3.5 million) with respect to the Thai full cost pool have been excluded from the depletion calculation. The capitalized costs associated with Canada, India and Indonesia are not subject to depletion as production has not commenced.

**PAN ORIENT ENERGY CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**5) SHARE CAPITAL**

a) Issued and outstanding Class A common shares

Common Shares	Number of Shares	Amount (\$'000s)
Balance as at January 1, 2008	45,218,842	98,800
Indonesia acquisition	378,324	4,124
Exercise of stock options	94,600	115
Exercise of underwriters compensation options	78,000	433
Transfer from contributed surplus	-	61
Balance as at June 30, 2008	45,769,766	103,533

b) Options to purchase common shares

	Number of Options	Weighted Average Exercise Price (\$)
Balance, January 1, 2008	4,512,150	3.36
Granted	70,000	11.00
Exercised	(94,600)	1.22
Forfeited	(11,050)	2.08
Balance, June 30, 2008	4,476,500	3.52

Exercise Price(\$)	Number of Options	Options Outstanding		Options Exercisable		
		Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price(\$)	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price(\$)	
0.75	2,217,334	1.80	0.75	2,217,334	1.80	0.75
1.80 - 2.08	66,666	2.42	1.80	44,444	2.42	1.80
2.75 - 3.90	1,403,500	2.91	3.40	1,186,835	2.83	3.45
11.00 - 11.75	789,000	4.50	11.68	197,250	4.50	11.68
0.75 - 11.75	4,476,500	2.63	3.52	3,645,863	2.29	2.23

**PAN ORIENT ENERGY CORP.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

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

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Risk free interest rate (%)	3.6	4.5	3.6	4.5
Expected lives (years)	5	5	5	5
Expected volatility (%)	62	58	62	58
Dividend per share (%)	-	-	-	-

The weighted average grant date fair value of options issued during the six months ended June 30, 2008 was \$6.08 (2007 - \$1.64). Stock based compensation expense totalled \$0.7 million in 2008 (2007 - \$0.9 million) of which, \$0.2 million (2007 - \$0.1 million) was capitalized as it related to options granted to employees and consultants engaged in exploration activities.

c) **Options to purchase common shares of Andora**

Stock-based compensation expense for the three months ended June 30, 2008 includes the costs associated with 650,000 options that were granted in Andora, a 55.4 percent owned subsidiary of the Company, which entitles holders to acquire common shares of Andora. A Black-Scholes option pricing model, with assumptions of a 3.6% risk free interest rate, 3 year expected lives, volatility of 20% and no expected dividends was used to estimate the grant date fair value of the options as \$0.30 per option. The fair value of the Andora options was estimated to be \$0.2 million, net of expected forfeitures, of which \$115,000 was included as stock-based compensation expense and \$60,000 was capitalized as it related to employees directly involved in exploration and development activities.

d) **Accumulated other comprehensive income (loss)**

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
(\$000s)				
Balance at beginning of period	3,538	-	(1,722)	-
Unrealized foreign currency translation (loss) gain	(2,741)	-	2,519	-
Foreign exchange loss realized	(590)	-	(590)	-
Balance at end of period	207	-	207	-

**PAN ORIENT ENERGY CORP.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

## e) Income (loss) per share

The number of shares used in basic and diluted net income (loss) per share calculations are as follows:

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Weighted average basic				
shares outstanding	45,409,752	40,083,413	45,323,726	40,081,836
Dilutive effect of stock options	3,440,460	-	3,475,177	-
Weighted average diluted	<u>48,850,212</u>	<u>40,083,413</u>	<u>48,798,903</u>	<u>40,081,836</u>

**6) CAPITAL MANAGEMENT**

Pan Orient's primary objective for managing its capital structure is to maintain financial capacity for the purpose of sustaining the future development of the business and maintaining investor, creditor and market confidence.

The Company considers its capital structure to include shareholders' equity and working capital. Management is continually monitoring changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas industry. In the event that adjustments to the capital structure are necessary, the Company may consider issuing additional equity, raising debt or revising its capital investment programs.

Pan Orient's share capital is not subject to any external restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any currently contemplated. There were no changes to the Company's approach to capital management during the year.

**7) INCOME TAXES**

The Company is required to pay both income tax and Special Remuneratory Benefit (SRB) on its Thailand operations. The SRB tax was applicable to the Company, on certain of its subsidiaries, commencing in 2008. Income tax is calculated as 50% of cash flow less capital expenditures.

SRB is a complex calculation, performed separately for each of the Company's four concessions, and is not charged until all capital has been recovered on a concession. A calculated SRB rate is applied to petroleum profits less capital spent. The sliding scale SRB rate ranges from 0 - 75% and is principally driven by production and pricing but is also subject to other adjustments such as changes in Thailand's consumer price index, wholesale price index, cumulative meters drilled on the concession and for certain concessions, changes in the exchange rate between the baht and the U.S. dollar.

**PAN ORIENT ENERGY CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

As SRB is an annual calculation the amounts recorded at interim periods are based on management assumptions and estimates. The estimated SRB rate for the six months ended June 30, 2008 was 49% for concession L44/43, which contributed approximately 90% of production for the six months ended June 30, 2008, and 0% for concession SW1A, which contributed approximately 10% of production for the six months ended June 30, 2008. The SRB is deductible from income subjected to Thai income tax therefore the SRB has a net effective rate of approximately 25%.

**8) FINANCIAL INSTRUMENTS**

**Overview**

The nature of Pan Orient's operations expose the Company to credit risk, liquidity risk and market risk, and changes in commodity prices, foreign exchange rates and interest rates may have a material effect on cash flows, net income and comprehensive income.

This note provides information about the Company's exposure to each of the above risks as well as the Company's objectives, policies and processes for measuring and managing these risks.

Pan Orient's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to monitor market conditions and the Company's activities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and policies.

**Credit Risk**

Credit risk is the risk of financial loss to the Company if counterparties do not fulfill their contractual obligations. The most significant exposure to this risk is relative to the sale of oil production; all of the Company's production is sold indirectly to the Thai National Oil Company. Pan Orient is paid for its production on a monthly basis, typically within a week of the end of the month. The Company has assessed the risk of non-collection from the Thai government as minimal. As at June 30, 2008 the Company's accounts receivable from the Thai government was \$12.5 million which was collected subsequent to June 30, 2008.

Cash and cash equivalents consist of cash bank balances and short-term deposits maturing in less than 90 days. The Company's short-term investments are held with a Canadian chartered bank and are monitored to ensure a stable return. The Company's short-term investments currently consist of term deposits and bankers acceptances and it is not the Company's policy to utilize complex, higher-risk investment vehicles.

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. The Company did not have an allowance for doubtful accounts as at June 30, 2008 or December 31, 2007 and did not provide for any doubtful accounts nor was it required to write-off any receivables during the six months ended June 30, 2008 or June 30, 2007.

As at June 30, 2008 there were no significant amounts past due or impaired.

**PAN ORIENT ENERGY CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its work commitments and other financial obligations as they are due. Pan Orient's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking harm to the Company's reputation.

The Company's liquidity is dependent upon its operating cash flows and ability to raise funds. To forecast and monitor liquidity the Company prepares annual operating and capital expenditure budgets which are monitored and updated as considered necessary. Expected future cash flow from the Thailand properties currently exceeds operating and future capital expenditures. Considering these circumstances and the cash balance at June 30, 2008 of \$63.4 million, the Company's liquidity risk is assessed as low.

The Company's only contractual financial liabilities are accounts payable and accrued liabilities of \$10.9 million which will mature within one year. Taxes payable are not considered a financial instrument and the liability recorded on the balance sheet at June 30, 2008 is an estimate subject to operational results and other factors for the remainder of 2008. However upon final filing and approval of the Company's SRB and income tax returns, Pan Orient will be obligated to remit the calculated amounts, which will be significant.

**Market Risk**

Market risk is the risk that changes in foreign exchange rates, commodity prices and interest rates will affect the Company's cash flows, net income and comprehensive income. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

**Foreign Currency Exchange Rate Risk**

Foreign currency exchange rate risk is the risk that future cash flows, net income and comprehensive income will fluctuate as a result of changes in foreign exchange rates. All of the Company's petroleum sales are denominated in Thai baht and all operational and capital activities related to the Thailand properties are transacted in either Thai baht or the U.S. dollar. As well, the underlying market prices in Thailand for petroleum are impacted by changes in the exchange rate between the Thai baht and U.S. dollar.

The Company currently does not have significant exposure to other currencies. The work commitments in Indonesia are expected to be carried out in U.S. dollars.

Changes in foreign exchange rates between the Canadian dollar and the U.S. dollar and Thai baht can affect net income and other comprehensive income as a portion of the Company's operations is considered a self-sustaining foreign operation. As at June 30, 2008 the following financial instruments were denominated in currencies other than the Canadian dollar:

**PAN ORIENT ENERGY CORP.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

	Thai baht (000s of Thai baht)	U.S. Dollar (\$000s USD)
Cash and cash equivalents	1,974,534	7,697
Accounts receivable	760,398	661
Deposits	40,500	-
Accounts payable	(288,289)	(2,357)
Taxes payable	(1,139,562)	-
<b>Net exposure</b>	<b>1,347,581</b>	<b>6,001</b>
<b>Net exposure in CDN dollars<sup>(1)</sup> (\$000s)</b>	<b>41,085</b>	<b>6,069</b>
<b>Effect of a \$0.02 change in CDN \$ to USD (000s CDN \$):</b>		
Pre-tax net income	-	126
Other comprehensive income	-	21
<b>Effect of a 1.0 baht increase in baht to CDN \$ (000s CDN \$):</b>		
Other comprehensive income	1,462	-

*(1) Converted using exchange rate at June 30, 2008*

The Company did not have any forward exchange contracts in place as at or during the six months ended June 30, 2008.

**Commodity Price Risk**

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices, affecting results of operations and cash generated from operating activities. Such prices may also affect the value of exploration and development properties and level of spending for future activities. Prices received by the Company for its production are largely beyond Pan Orient's control as petroleum prices are impacted by world economic events that dictate the levels of supply and demand. All of Pan Orient's oil production is sold at spot rates exposing the Company to the risk of price movements.

The Company did not have any commodity price contracts in place as at or during the six months ended June 30, 2008.

**Interest Rate Risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on its cash and cash equivalents which bear a floating rate of interest. The risk is not considered significant as the Company's interest revenue is less than 1% of total revenue.

The Company did not have any interest rate swaps or financial contracts in place as at or during the six months ended June 30, 2008. For the six months ended June 30, 2008, a difference in the interest rate of 1.0% would change net income before tax by an estimated \$0.7 million, assuming all other variables are constant.

**PAN ORIENT ENERGY CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Fair Value of Financial Instruments**

The Company's financial instruments as at June 30, 2008 included cash and cash equivalents, accounts receivable, deposits and accounts payable and accrued liabilities. The fair value of these financial instruments, except for the deposits, approximate their carrying amounts due to their short terms to maturity. The fair value of the deposits approximate their carrying value as they bear interest at market rates.

The Company will assess at each reporting period whether financial assets, other than those classified as held-for-trading, are impaired. Any impairment loss will be included in net income for the period.

**9) COMMITMENTS AND CONTINGENCIES**

At June 30, 2008 \$0.8 million USD had yet to be expended on the Company's \$1.9 million USD commitment associated with the License 53/48 concession agreement in Thailand.

Pursuant to the terms of the Batu Gajah PSC in Indonesia, the Company is required to complete 500 kilometers of 2D seismic, 400 square kilometers of 3D seismic and drill 3 wells with estimated expenditures of \$29.8 million USD, to be completed by January 2010. At June 30, 2008, none of the proposed work program has been completed. Upon completion of the work program, Pan Orient has the option to continue on a year by year renewal basis for up to an additional 7 years, upon which time additional commitments will be required.

At June 30, 2008 remaining commitments on the Citarum PSC in Indonesia, include drilling three exploration wells and completing 750 kilometers of 2D seismic. Estimated costs for the remaining commitments, to be completed by October 2009, are \$23.0 million (\$18.4 million net) USD. If the Company exercises its option to continue beyond October 2009, additional commitments will be applicable on a year by year renewal basis

**10) SEGMENTED INFORMATION**

The Company has properties in three industry segments; the exploration for and production of conventional oil and gas in Asia (Thailand and Indonesia) and the development of heavy oil in Canada.

**As at and for the six months ended June 30, 2008 (\$000s)**

	<b>Canada</b>	<b>Thailand</b>	<b>Indonesia</b>	<b>Total</b>
Revenue	331	68,012	-	68,343
Net Income (loss)	(1,314)	13,195	-	11,881
Depletion, depreciation and accretion	34	6,008	-	6,042
Total assets	105,368	70,476	20,773	196,617
Capital expenditures for the period	552	9,715	-	10,267

**PAN ORIENT ENERGY CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**11) SUBSEQUENT EVENT**

On August 6, 2008 the Company announced that the TSX Venture Exchange approved a share repurchase program through a normal course issuer bid, the terms of which permit Pan Orient to purchase up to 2,288,488 (5%) of its issued and outstanding common shares prior to the expiry on August 10, 2009.



**PAN ORIENT ENERGY CORP.**

1505, 505 - 3rd Street SW, Calgary Alberta Canada T2P 3E6