



PAN ORIENT ENERGY CORP.

**MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009**

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 24, 2009

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, 2009 and should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto for the three and nine months ended September 30, 2009 and the audited consolidated financial statements and notes thereto and MD&A for the year ended December 31, 2008. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada (GAAP).

Pan Orient Energy Corp. ("Pan Orient" or the "Company") is a junior oil and natural gas company based in Calgary, Alberta, with properties onshore Thailand, onshore Indonesia and in northern Alberta.

Forward-Looking Statements

The MD&A contains forward-looking statements within the meaning of securities laws, including the "safe harbour" provisions of Canadian securities legislation. 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 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 Corporation'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, 2009 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 for a period that is not yet complete 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.

Non-GAAP Measures

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

Funds flow from operations (funds flow), which represents cash flow from operating activities prior to changes in non-cash working capital 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 GAAP:

(\$000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Cash flow from operating activities	13,880	26,514	(5,691)	80,954
Changes in non-cash working capital	(2,691)	(9,148)	48,696	(42,030)
Funds flow from operations	11,189	17,366	43,005	38,924

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

Funds flow from operations, funds flow from operations per barrel and field netback do not have standardized meanings prescribed by Canadian GAAP and therefore are unlikely to 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 Canadian GAAP. All references to funds flow throughout this report are based on funds flow from operations before changes in non-cash working capital and reclamation costs.

Petroleum and Natural Gas Properties

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

Thailand

The Company has interests in four on-shore concessions in Thailand: Concession SW1A (SW1A); Concession 44/43 (L44); Concession 33/43 (L33); and Concession 53/48 (L53). The SW1A concession is developed, L44 is partially developed and concessions L33 and L53 are undeveloped. Pan Orient is the operator for all four concessions with a 60% working interest in the first three and a 100% working interest in the fourth. Pan Orient produces crude oil with 95% of production from L44, and the remaining 5% from SW1A. Currently all of the Company's production is sold to a refinery owned by the Thai National Oil Company. Proved plus probable reserves at December 31, 2008, as evaluated by independent reserve engineers, were 25.0 MMbbl net to Pan Orient. During the third quarter of 2009 independent resource estimates were made for the recent discoveries at the Bo Rang North structure, L44W structure and NSE-F1 extension area in L44. The results of this evaluation were an additional 16.9 MMbbl (net) of 2C contingent resource volumes for the Bo Rang North and L44W structures and 6.1 MMbbl (net) of best case prospective resource volumes for the NSE F1 extension area. These resource estimates are contingent upon Government of Thailand approval of the Company's production license application. To date, the Company's operations have been unaffected by political events in Thailand.

Eighteen wells were drilled during the nine months ended September 30, 2009 with a success rate of 71%. The Company expects to drill an additional five wells in L44 during the fourth quarter of 2009, and in November of this year spudded the first of two planned exploration wells at L53.

Indonesia

The Company owns a 90% 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 and a 90% operated working interest in the South CPP PSC (formerly the Pamai Taluk joint study agreement) located onshore south central Sumatra.

The Citarum block has one previously-drilled well, Pasundan-1, which was drilled by the former operator, tested by Pan Orient in the fourth quarter of 2008, into 2009 and then subsequently abandoned. The program for an initial 750 km of 2D seismic continues with an expected completion date in early 2010. Exploration drilling of three wells is tentatively scheduled to commence in 2010 upon the completion of the initial drilling program at Batu Gajah. At Batu Gajah, the seismic program for 500 kilometres of 2D data commenced in September 2009 and the Company plans to drill up to four exploration wells commencing in mid 2010. The Company has no drilling planned on South CPP until 2012.

Amounts recorded in the financial statements and work commitments related to these PSCs include a partner's carried interest of 10% for Batu Gajah, 11% for Citarum and 10% for South CPP.

Canada

Through its 53.1% ownership of the privately-held Andora Energy Corp. (Andora), Pan Orient has interests in heavy oil sand leases in Sawn Lake, within the central Alberta Peace River Oil Sands area.

The property is in the pre-production stage with commercial scheme approval for a steam assisted gravity drainage (SAGD) recovery process from the Energy Resources Conservation Board (ERCB) and the Environmental Protection and Enhancement Act (EPEA). The pilot location is on Andora 100% owned acreage.

The objective of the pilot is to demonstrate the feasibility of producing bitumen from the Bluesky Zone at economic rates and the technical feasibility of the SAGD thermal recovery process. The pilot will consist of a single well pair and associated steam injection and bitumen production facilities for an estimated cost of \$15 million. All season access into the site is currently underway with completion anticipated by the end of November 2009, weather dependent. The timing for equipment procurement, construction of the project facility and drilling of the well pair has yet to be determined

Probable reserves at December 31, 2008, as evaluated by independent reserve engineers, were 131.8 MMbbl net to Andora (70.1 MMbbl net to Pan Orient).

Operations Summary

(\$000s except as indicated)	Three Months Ended September 30,		Nine Months Ended September 30,		Change
	2009	2008	2009	2008	
FINANCIAL					
Petroleum revenue	22,824	43,241	75,956	111,225	-32%
Funds flow from operations	11,189	17,366	43,005	38,924	10%
Per share - basic	\$ 0.24	0.38	\$ 0.94	\$0.86	9%
Per share - diluted	\$ 0.23	0.35	\$ 0.90	\$0.80	12%
Funds flow from operations by region					
Canada	(68)	(1,275)	(654)	(2,659)	
Thailand	11,218	18,821	43,750	41,763	5%
Indonesia	39	(180)	(91)	(180)	
Total	11,189	17,366	43,005	38,924	10%
Net Income	10,617	9,058	8,149	20,939	-61%
Per share - basic	\$ 0.23	\$ 0.20	\$ 0.18	\$ 0.46	-61%
Per share - diluted	\$ 0.22	\$ 0.19	\$ 0.17	\$ 0.43	-60%
Working capital	34,689	37,663	34,689	37,663	-8%
Working capital plus deposits	39,830	40,022	39,830	40,022	0%
Long-term debt	-	-	-	-	
Capital expenditures ⁽¹⁾	16,033	13,627	44,535	23,893	86%
Shares outstanding (thousands)	46,163	45,650	46,163	45,650	1%
Funds flow from operations per barrel					
Canada operations	\$ (0.21)	\$ (3.23)	\$ (0.50)	\$ (2.27)	
Thailand operations	33.42	47.67	32.87	35.75	-8%
Indonesia operations - G&A expense	0.13	(0.45)	(0.06)	(0.13)	
	\$ 33.34	\$ 43.99	\$ 32.31	\$ 33.35	15%
Capital Expenditures ⁽¹⁾					
Thailand	12,403	10,700	35,645	20,859	71%
Indonesia	3,528	2,116	8,539	2,116	304%
Canada	102	811	351	918	-62%
Total	16,033	13,627	44,535	23,893	86%
Working Capital and Deposits					
Working Capital & Deposits - beginning of period	41,969	36,323	46,386	40,763	14%
Funds flow from operations	11,189	17,366	43,005	38,924	10%
Capital expenditures ⁽¹⁾	(16,033)	(13,627)	(44,535)	(23,893)	86%
Indonesia acquisition	-	(8)	-	(15,414)	
Realized foreign exchange gain on Thailand investment	3,897	-	3,897	-	
Unrealized effect of FX on non-cash working capital	2,187	88	(4,519)	(785)	
Unrealized effect of FX on cash balance	(3,354)	633	(4,929)	750	
Net (expenditures) proceeds on share transactions	(25)	(753)	525	(323)	
Working Capital & Deposits - end of period	39,830	40,022	39,830	40,022	0%
Canada Operations					
Interest income	7	86	30	415	-93%
General and administrative expense	5	(1,038)	(1,090)	(2,143)	-49%
Realized foreign exchange gain (loss)	(77)	296	445	(312)	-220%
Foreign new ventures expenditures	(3)	(619)	(39)	(619)	-94%
Funds flow from operations	(68)	(1,275)	(654)	(2,659)	
Funds flow from operations per barrel					
Interest income	\$ 0.02	\$ 0.22	\$ 0.02	\$ 0.36	-94%
General and administrative expense	0.01	(2.63)	(0.82)	(1.83)	-55%
Realized foreign exchange gain (loss)	(0.23)	0.75	0.33	(0.27)	
Foreign new ventures expenditures	(0.01)	(1.57)	(0.03)	(0.53)	-94%
	\$ (0.21)	\$ (3.23)	\$ (0.50)	\$ (2.27)	

(\$000s except as indicated)	Three Months Ended September 30,		Nine Months Ended September 30,		Change
	2009	2008	2009	2008	
Thailand Operations					
Total production	335,584	394,769	1,330,887	1,168,137	14%
Average daily oil production (bbls/d)	3,648	4,291	4,875	4,263	14%
Average oil sales price, before transportation (CDN\$/bbl)	\$ 68.01	\$ 109.53	\$ 57.07	\$ 95.22	-40%
Reference Price (volume weighted) and differential					
Crude oil (WTI \$US/bbl)	\$ 67.89	\$ 117.62	\$ 54.51	\$ 112.71	-52%
Exchange Rate \$US/\$Cdn	1.111	1.041	1.184	1.018	16%
Crude oil (WTI \$Cdn/bbl)	\$ 75.43	\$ 122.43	\$ 64.54	\$ 114.78	-44%
Sales price / WTI reference price	90%	89%	88%	83%	5%
Funds flow from operations					
Crude oil sales	22,824	43,241	75,956	111,225	-32%
Government royalty	(1,414)	(2,711)	(5,385)	(7,131)	-25%
Other royalty	(34)	(97)	(77)	(280)	-73%
Transportation expense	(787)	(1,032)	(3,105)	(2,994)	4%
Operating expense	(1,996)	(907)	(5,277)	(2,696)	96%
Field Netback	18,593	38,494	62,112	98,124	-37%
General and administrative expense	(621)	(559)	(2,658)	(1,718)	55%
Interest Income	5	123	394	152	159%
Special Remuneratory Benefit (SRB)	(592)	(8,196)	(4,883)	(29,132)	-83%
Current income tax	(6,167)	(11,041)	(11,215)	(25,663)	-56%
Funds flow from operations	11,218	18,821	43,750	41,763	5%
Funds flow from operations per barrel (CDN\$/bbl)					
Crude oil sales	\$ 68.01	\$ 109.53	\$ 57.07	\$ 95.22	-40%
Government royalty	(4.21)	(6.77)	(4.05)	(6.19)	-35%
Other royalty	(0.10)	(0.34)	(0.06)	(0.16)	-63%
Transportation expense	(2.35)	(2.61)	(2.33)	(2.56)	-9%
Operating expense	(5.95)	(2.30)	(3.96)	(2.31)	72%
Field Netback	55.40	97.51	46.67	84.00	-44%
General and administrative expense	(1.85)	(1.42)	(2.00)	(1.47)	36%
Interest Income	0.01	0.31	0.30	0.13	131%
Special Remuneratory Benefit (SRB)	(1.76)	(20.76)	(3.67)	(24.94)	-85%
Current income tax	(18.38)	(27.97)	(8.43)	(21.97)	-62%
Thailand - Funds flow from operations	\$ 33.42	\$ 47.67	\$ 32.87	\$ 35.75	-8%
Government royalty as percentage of petroleum revenue	6%	6%	7%	6%	1%
SRB as percentage of petroleum revenue	3%	19%	6%	26%	-20%
Income tax as percentage of petroleum revenue	27%	26%	15%	23%	-8%
As percentage of petroleum revenue					
Expenses - transportation, operating, G&A and other	15%	6%	15%	7%	8%
Government royalty, SRB and income tax	36%	51%	28%	56%	-27%
Funds flow from operations, before interest income and realized foreign exchange gain	49%	43%	57%	37%	20%
Wells drilled					
Gross	3	6	18	15	20%
Net	1.8	3.6	10.8	9.0	20%

(1) Cost of capital expenditures, excluding any asset retirement obligation, capitalized stock-based compensation and the impact of changes in foreign exchange rates.

Overall Performance

- Pan Orient has directed Thailand capital programs in 2009 to the drilling of exploration and appraisal targets to add new reserves and new drilling opportunities. The main focus for the third quarter has been appraisal drilling to further define the discoveries at Bo Rang and W44 made earlier in the year. Exploration and appraisal drilling has not generally resulted in immediate production additions, but rather, has potentially resulted in new field / pool discoveries, a significant increase in crude oil reserves and set the stage for the Thailand drilling programs of 2010. During the first nine months of 2009 Pan Orient has reinvested \$35.6 million in Thailand with the drilling of 18 wells (10.8 net) and other field programs. Capital expenditures in Thailand have been fully funded by production in Thailand which has generated \$43.8 million in funds flow from operations during this period.
- The 18 wells drilled in the first nine months of 2009 have resulted in twelve producing oil wells, one well at NSE-J2 currently awaiting perforating and testing, and five wells that were not capable of production. This represents a drilling success rate of 71%. Drilling success during the first nine months of 2009 has included significant appraisal wells at NSE-E2 and NSE-H1, new volcanic field / pool oil discoveries at NSE-F1, L44-W, NSE-H3, Bo Rang "A" and Bo Rang "B", and the discovery of a new producing sandstone reservoir at NSE-J1.

Capital expenditures of \$12.4 million in the quarter included three new wells at L44W (L44-W2, L44-W3 and L44-W4) and continued well operations at Bo Rang with sidetracks at L44-V and Bo Rang-1RD. During the third quarter of 2009 independent resource estimates were made for the 2009 discoveries at the Bo Rang "A" and "B" structures, L44W and NSE-F1 in L44. The results of this evaluation as at August 31, 2009 were an additional 16.9 MMbbl (net) of 2C contingent resource volumes for the Bo Rang "A" and "B" and L44W structures and 6.1 MMbbl (net) of best case prospective resource volumes for NSE-F1. The contingent resource estimates are contingent upon Government of Thailand approval of the Company's production license application for those areas and will be updated at year-end as part of the annual independent assessment of reserve volumes for all properties.

The twelve producing wells drilled in 2009 contributed production, net to Pan Orient, of 1,305 BOPD in the second quarter of 2009 and 993 BOPD in the third quarter of 2009. Subsequent to September 30, the Company announced that the horizontal wells at Bo Rang-3 and L44-W4 had started producing on a 90 day production test. In addition, the L44W discovery well completed its 90 day production test allowance in July 2009 and is currently shut-in awaiting the granting of a production license before production can resume. Production of L44-W was approximately 300 BOPD net to Pan Orient at the time it was shut-in.

- Thailand production volumes for the third quarter of 3,648 BOPD were consistent with the previously announced guidance of 3,300 to 3,700 BOPD, but were lower than the 4,840 BOPD reported in the second quarter of 2009. Production declined during the third quarter of 2009 as production additions from new wells did not replace the production declines. Lower production in 2009 has been the result of wells drilled in 2008 coming off flush production, temporary water handling constraints in the first half of 2009, natural production declines and reduced production from a significant well at Na Sanun East which has averaged 717 BOPD for the first nine months of 2009 compared with average production in 2008 of 1,575 BOPD net to Pan Orient.

On a year to date basis, average production for the first three quarters of 2009 was 4,875 BOPD compared with 4,263 BOPD for the first three quarters of 2008.

- The operating results for Pan Orient in the third quarter of 2009 compared to the previous quarter reflect higher crude oil prices, lower production volumes, and a foreign exchange gain recognized upon realization of the entire non-permanent portion of Pan Orient's investment in Thailand.
 - Funds flow from operations for the quarter was \$11.2 million compared with \$16.6 million for the second quarter of 2009 and \$17.4 million for third quarter of 2008. Funds flow from operations per share (diluted) was \$0.23 for the third quarter of 2009 and \$0.90 year to date. The decrease in funds flow from operations compared with the second quarter of 2009 is primarily the result of the lower revenue from a 25% decrease in production levels and higher income taxes in Thailand, partially offset by a 13% increase in the realized price for crude oil.
 - There was net income of \$10.6 million, or \$0.23 per share, for the three months ended September 30, 2009 compared with a net loss of \$5.3 million, or a loss of \$0.12 per share, for the second quarter of 2009. In the third quarter of 2009, the Company recorded a realized foreign exchange gain of \$3.8 million and an unrealized foreign exchange gain of \$1.3 million compared with a realized foreign exchange gain of \$0.7 million and an unrealized foreign exchange loss of \$11.8 million in the second quarter of 2009.

On a year to date basis, Pan Orient reported net income of \$8.1 million, or \$0.18 per share to September 30, 2009 compared with net income of \$20.9 million, or \$0.46 per share, for the comparable period in 2008.

- Foreign exchange was a significant factor in 2009 net income and will likely continue to be so in future periods because of the accounting treatment required under GAAP with regards to foreign exchange on our interests in Thailand.

A realized foreign exchange gain of \$3.9 million was recorded in the third quarter of 2009 on the recovery of Pan Orient's intercompany loan portion of its investment in Thailand. The intercompany loans were primarily denominated in U.S. dollars and Thai baht, spanning a period of almost four years at varying exchange rates and resulted in an accumulated translation gain recorded on the balance sheet. This accumulated foreign currency gain related to the intercompany loans was reclassified to net earnings in the periods of settlement of the underlying loans resulting in a consequential increase to net income for the third quarter. This realized exchange gain is reported as an investing activity and is not part of operating activities or part of funds flow from operations.

Unrealized gains or losses, which are substantially all related to the translation of the Company's Thailand assets and liabilities commencing April 1, 2009 are a function of the change in the exchange rate between the Canadian dollar and Thai baht as well as the changes in the net asset balance. An unrealized foreign exchange gain of \$1.3 million was recorded in the third quarter as the decline in net assets offset the increase in the Canadian dollar. An unrealized foreign exchange loss of \$11.8 million was recorded in the second quarter of 2009 because both net assets and the Canadian dollar increased during the period. The year-to-date loss of \$10.5 million reflects the strength of the Canadian dollar and increase in net assets through 2009.

- For the third quarter of 2009, operations in Thailand generated \$11.2 million in funds flow from operations, with transportation expenses of \$2.35 per barrel, operating expenses of \$5.95 per barrel, and funds flow from operations per barrel of \$33.42. The WTI reference price for crude oil increased 15% during the quarter to US\$67.89 per barrel from US\$59.20 per barrel in the second quarter of 2009, but declined from US\$117.62 in the third quarter of 2008. Operating expenses increased to \$2.0 million or \$5.95 per barrel in the third quarter from \$1.9 million or \$4.24 per barrel in the second quarter of 2009 as a result of lower production levels and additional expenses for maintenance and water hauling. For the third quarter of 2009, Thailand petroleum revenue was allocated 15% to expenses for other royalties, transportation, operating, and general & administrative, 36% to the government of Thailand in the form of royalties, Special Remuneratory Benefit and Income Tax, and 49% to Pan Orient (before interest income and realized foreign exchange gain).

The Special Remuneratory Benefit as a percentage of crude oil sales was lower in the third quarter due to the level of capital investment in L44, which is a direct write-off in the calculation of SRB. For the calculation of Thailand income tax, exploratory expenses for producing concessions (including expenditures for drilling and representing 70% of capital expenditures) are fully deductible, other capital expenditures in the field (representing 24% of capital expenditures) are deducted as tax depletion based on the amount of production compared to the reserve base, and additions to the inventory of capital items (representing \$1.9 million or 6% of capital expenditures) are not deductible until used in field operations. Income taxes for the third quarter increased due to a revised estimate for tax depletion. The actual amount of tax depletion for the year will be determined using the year-end reserve reports.

On a year to date basis, Thailand operations have generated \$43.8 million in funds flow from operations and \$32.87 per barrel. For the first three quarters of 2009, Thailand petroleum revenue was allocated 15% to expenses for other royalties, transportation, operating, and general & administrative, 28% to the government of Thailand in the form of royalties, Special Remuneratory Benefit and Income Tax, and 57% to Pan Orient (before interest income and realized foreign exchange gain).

- Capital expenditures in Indonesia were \$3.5 million for the third quarter and \$8.5 million for the nine months ended September 30, 2009. These expenditures related primarily to seismic programs being conducted in both the Citarum Production Sharing Contract area and Batu Gajah Production Sharing Contract area.
- Pan Orient continues to maintain its financial strength and flexibility. At September 30, 2009 Pan Orient had \$39.8 million of working capital and deposits, and no long-term debt. For the nine months ended September 30, 2009 Pan Orient reported internally generated funds flow from operations of \$43.0 million, funding 97% of the capital expenditures for Thailand, Indonesia and Canada totaling \$44.5 million. At September 30, 2009 Pan Orient had \$8.8 million of equipment inventory to be utilized for future Thailand and Indonesia operations that is included in petroleum and natural gas assets on the balance sheet.

Revenue and Production

The price Pan Orient receives for its production is determined by petroleum benchmark prices, and to a lesser extent, the effect of the Canadian dollar exchange rate relative to the U.S. dollar and the Thai baht. Oil prices fluctuate in response to global supply and demand and, along with foreign currency rates, are influenced by factors out of the Company's control. The Company's realized prices, discounted for the paraffin content of its oil, were 90% and 88% of the WTI reference price for the three and nine months ended September 30, 2009, respectively. In 2009 the third quarter WTI \$US reference price was 42% lower than the comparable period of 2008 but the impact on Pan Orient's revenue was partially mitigated by the stronger U.S. dollar.

Also alleviating the effect on revenues of the lower price environment was increased production compared with the previous year. Average production volumes were 584 bbl/d (14%) and 615 bbl/d (14%) higher for the three and nine months ended

September 30, 2009 compared to the three and nine months ended September 30, 2008. Compared to the 4,840 bbls/d reported in the second quarter of 2009, third quarter production volumes were lower as production additions from new wells did not replace the production declines. Substantially all production is from the wells in the Company's Na Sanun East development drilling program, many of which have come off flush production through 2009. Lower production in the current year is also due to temporary water handling constraints in the first half of 2009, natural production declines and reduced production from a significant well at Na Sanun East which averaged 717 bbls/d for the first nine months of 2009 compared with average production in 2008 of 1,575 bbls/d net to Pan Orient.

The Company's drilling success in the year is not entirely represented by production volumes reported. The 2009 program has been focused on exploration and appraisal targets to add oil reserves and is more time intensive than the 2008 development drilling program. As such, there is a longer delay between drilling activity and production growth. The twelve producing wells from the 2009 drilling program added 1,305 bbls/d in the second quarter and 993 bbls/d in the third quarter and drilling activities also resulted in several discoveries which are expected to impact 2010 production levels.

Royalties

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Royalties - \$000s	1,448	2,808	5,462	7,411
Royalties - \$/bbl	4.31	7.11	4.10	6.34
Royalties - % of revenue	6.3	6.5	7.2	6.7

The Company pays two types of royalties: 1) to the Thai government on all production volumes; and 2) a 10% gross overriding royalty (GORR) on a small portion of production from the Wichian Buri oil field. The GORR is payable on approximately 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 bbl/d to 15% on production in excess of 20,000 bbl/d per concession. Approximately 95% of crude oil production is from the L44 Concession with the remaining 5% from the SW1A Concession.

Overall 2009 quarterly and year-to-date royalties and royalties per barrel decreased from the previous year as a result of lower revenues. Higher volumes command a higher royalty rate causing the increase in royalties as a percentage of revenue from 2008 to 2009, year to date.

Production Expenses

(\$000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Transportation expenses	787	1,032	3,105	2,994
Operating expenses	1,996	907	5,277	2,696
Total production expenses	2,783	1,939	8,382	5,690

(\$/bbl)	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Transportation expenses	2.35	2.61	2.33	2.56
Operating expenses	5.95	2.30	3.96	2.31
Total production expenses	8.30	4.91	6.29	4.87

Transportation expenses represent the cost to truck the Company's oil production in Thailand to the refinery in Bangkok. The Company is charged a contracted rate based on volumes transported therefore on a per barrel basis, costs are generally consistent regardless of production volumes.

Over 40% of the Company's operating expenses relate to employee and consultant compensation and are substantially fixed. The number of individuals required to operate the Company's properties does not fluctuate with production volumes but more so with the number of wells and the geographical proximity of the wells and the Company currently has the resources to accommodate future production growth. Higher 2009 operating expenses per barrel are a function of a slightly higher level of expenses and reduced volumes. Incremental production sites, specifically the generator, fuel and repair and maintenance

costs associated with these additional locations as well as increased costs for water handling have contributed to higher costs in the current year.

Depletion, Depreciation and Accretion

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Depletion, depreciation and accretion – \$000s	3,481	5,000	13,783	11,042
Depletion, depreciation and accretion – \$/bbl	10.37	12.67	10.36	9.45

Depletion, depreciation and accretion (DD&A) expense for the three and nine months ended September 30, 2009 consists primarily of depletion of Pan Orient's Thai capital base. As the Company's Canadian and Indonesian assets are in the pre-production phase, depletion is not calculated for these cost centres.

Total DD&A and DD&A per barrel for the nine months ended September 30, 2009 were higher than the comparative period of 2008 as a result of the increased capital base. DD&A for the current quarter incorporates August 2009 externally-evaluated resource additions and the associated future capital costs. Compared to 2008, a higher proportion of capital expenditures related to properties for which there has not yet been a determination of associated reserve volumes were excluded from the full cost pool at September 30, 2009. Excluded from the depletable base was \$20.2 million (2008 - \$11.2 million) related to unproved properties in Thailand and equipment for future exploration and development activities. As a result, DD&A expense per barrel for the three months ended September 30, 2009 is 18% lower than the comparable period in 2008.

Costs subject to depletion included \$26.3 million (2008 - \$nil) of estimated future development costs for proved reserves.

Taxes

(\$000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Special remuneratory benefit	592	8,196	4,883	29,132
Current tax	6,167	11,041	11,215	25,663
Total current tax	6,759	19,237	16,098	54,795
Future tax expense	1,811	3,833	13,344	6,982
Total tax expense	8,570	23,070	29,442	61,777

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 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 the Company pays SRB on its L44 Concession only and the SRB rates applicable to petroleum profits of this concession (after deduction of capital expenditures) were 18% for the third quarter of 2009 and 21% year-to-date.

Income tax is 50% of taxable income which is calculated as funds flow from operations less capital expenditures (deductible at varying rates), SRB and other permitted deductions. For the calculation of Thailand income tax, exploratory expenses for producing concessions (including expenditures for drilling and representing 70% of capital expenditures) are fully deductible, other capital expenditures in the field (representing 24% of capital expenditures) are deducted as tax depletion based on the amount of production compared to the reserve base, and additions to the inventory of capital items (representing \$1.9 million or 6% of capital expenditures) are not deductible until used in field operations. Income taxes of \$6.2 million for the third quarter were higher than the second quarter due to a revised estimate for tax depletion. The actual amount of tax depletion for the year will be determined using the year-end reserve reports.

Because of the deductions allowed for capital spent, the effective rates of these taxes can vary significantly from the actual tax rates. In 2009 the ratio of deductible capital expenditures relative to earnings was higher than in 2008, resulting in lower effective tax rates in the current year. For the nine months ended September 30, 2009 SRB was 6% (2008 - 26%) and income tax was 15% (2008 - 23%) of total revenue. The effective rate for the remainder of 2009 will be dependent on the level of capital expenditures in the period.

Taxes payable of \$11.4 million at September 30, 2009 represents SRB for 2009 and income tax from July 1, 2009 to September 30, 2009.

General and Administrative (G&A) Expenses

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2009	2008	2009	2008
G&A, net of overhead recoveries - \$000s	736	1,719	4,590	4,165
Capitalized G&A	(159)	58	(751)	(124)
G&A, net - \$000s	577	1,777	3,839	4,041
G&A - \$/bbl	1.72	4.50	2.88	3.46

G&A expenses as reported are net of overhead recoveries and G&A expenses allocated to capital projects. Overhead recoveries are the allocation and recovery from third parties of G&A expenses on Pan Orient–operated properties. G&A in the current year has been affected by growth of the operations in Indonesia as well as several significant payments and offsetting recoveries in Canada and Thailand which are not expected to recur to the same magnitude in future periods.

G&A expenses allocated to capital projects represent compensation and other costs associated with property acquisition, exploration and development activities. Capitalized G&A in the current period relates to the L53 concession in Thailand, the Indonesia properties acquired in mid 2008, and the Company's heavy oil development project in Canada. Amounts capitalized continue to increase relative to 2008 primarily due to the Company's Indonesia operations. These allocations are reviewed periodically by management and will continue to reflect the nature of the Company's capital activities in future periods.

Capital Invested

(\$000s)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2009	2008	2009	2008
Thailand				
Land and G&G	379	(32)	799	449
Drilling and completions	10,319	8,486	32,680	18,202
Inventory purchases	1,665	1,409	1,954	1,594
Other	40	836	212	613
Total Thailand	12,403	10,700	35,645	20,859
Indonesia	3,528	2,116	8,539	2,116
Canada	102	811	351	918
Total capital expenditures	16,033	13,627	44,535	23,893
Indonesia acquisition expenditures – cash	-	8	-	15,414
Total capital and acquisition expenditures - cash	16,033	13,635	44,535	39,307
Indonesia acquisition expenditures – non cash	-	-	-	4,124
Total capital expenditures	16,033	13,635	44,535	43,431

Thailand

Pan Orient's capital program in 2008 consisted primarily of developing its Na Sanun East (NSE) property. In 2009 the focus shifted to exploration targets and of the \$32.7 million drilling and completion capital incurred in the current year, over 90% was dedicated to exploration and appraisal activities.

Pan Orient has directed Thailand capital programs in 2009 to the drilling of exploration and appraisal targets to add new reserves and new drilling opportunities. The main focus for the third quarter has been appraisal drilling to further define the discoveries at Bo Rang and W44 made earlier in the year. Exploration and appraisal drilling has not generally resulted in immediate production additions, but rather, has potentially resulted in new field / pool discoveries, a significant increase in crude oil reserves and has set the stage for the Thailand drilling programs of 2010. The 18 wells drilled in the first nine months of 2009 have resulted in twelve producing oil wells, one well at NSE-J2 currently awaiting perforating and testing, and five wells that were not capable of production. This represents a drilling success rate of 71%. Drilling success during the first nine

months of 2009 has included significant appraisal wells at NSE-E2 and NSE-H1, new volcanic field / pool oil discoveries at NSE-F1, L44-W, NSE-H3, Bo Rang "A" and Bo Rang "B", and the discovery of a new producing sandstone reservoir at NSE-J1.

Thailand capital expenditures of \$12.4 million in the quarter included three new wells at L44W (L44-W2, L44-W3 and L44-W4) and continued well operations at Bo Rang with sidetracks at L44-V and Bo Rang-1RD. During the third quarter of 2009 independent resource estimates were made for the 2009 discoveries at the Bo Rang North structure, L44W structure and NSE-F1 extension area in L44. The results of this evaluation as at August 31, 2009 were an additional 16.9 MMbbl (net) of 2C contingent resource volumes for the Bo Rang North and L44W structures, and 6.1 MMbbl (net) of best case prospective resource volumes for the NSE F1 extension area. These resource estimates are contingent upon Government of Thailand approval of the Company's production license application for those areas. These resource estimates will be updated at year-end as part of the annual independent assessment of reserve volumes for all properties.

Significant results of drilling activity at L44 (Pan Orient 60% and Operator) include:

- NSE-D2 – appraisal well on production with 2009 Q3 production of 66 BOPD (gross).
- NSE-F1 – new pool discovery establishing commercial production 1 kilometer from the nearest NSE field producer. Well on production with 2009 Q3 production 43 BOPD (gross).
- NSE-H1 – appraisal well on production with 2009 Q3 production of 402 BOPD (gross).
- NSE-H2 – appraisal well on production with 2009 Q3 production of 111 BOPD (gross).
- L44-W – exploration well with significant new oil field discovery straddling concessions L44 and L33. Well temporarily shut-in at the end of the 90 day production test allowance awaiting granting of production license for the L44W and Bo Rang areas. Production of 480 BOPD (gross) in July before it was shut-in.
- NSE-E2 – appraisal well on production with 2009 Q3 production of 758 BOPD (gross).
- NSE-H3 – new pool discovery in previously untested volcanic reservoir and production in 2009 Q3 production of 70 BOPD (gross).
- NSE-I1 – exploration well into previously untested volcanic reservoir unsuccessful after initial oil production but started producing 100% water.
- NSE-J1 – discovery of a new producing sandstone reservoir and production in 2009 Q3 of 57 BOPD (gross).
- Bo Rang-1 RDST1 – exploration well and the first horizontal well drilled into the Bo Rang "A" reservoir on production with 2009 Q3 average production of 115 BOPD.
- NSE-J2 – development well with initial oil production but started producing 100% water. The well will be perforated and tested in the upper sandstone zone corresponding to oil production at NSE-J1.
- Bo Rang-2ST1 – exploration well and the Bo Rang "B" (upper volcanic) field discovery well which confirmed testing of oil at commercial rates. Well on production later in third quarter of 2009 and October 2009 production of 30 BOPD (gross).
- L44W-4ST1 – appraisal well and the first horizontal well drilled into the L44-W structure. The well started a 90 day test allowance period in November with production of 650 BOPD and approximately 0.5 MMcf/d of natural gas (with natural gas production decreasing).
- L44W-3ST1 – horizontal appraisal well drilled to test the down dip extent of the L44-W oil accumulation. The well flowed only formation water and was unsuccessful, however a sidetrack is planned in early 2010 to evaluate two shallow volcanic zones.
- L44V-D2ST2 – appraisal well and the second horizontal well drilled into the Bo Rang "A" field. The well started a 90 day test allowance period in November with production of 548 BOPD.

Pan Orient has the following wells which started drilling after September 30, 2009 at L44 (Pan Orient 60% and Operator) and are in various stages of drilling and testing:

- Si Thep-2 – exploration well drilled nine kilometers south of the NSE South field. Testing indicated the main volcanic objective at 1,038 meters to be tight however drilling encountered the shallow sands producing in Si Thep-1 and a nine meter thick sand at 870 meters which is currently testing.
- Bo Rang-3D1 – first horizontal well into the Bo Rang "B" reservoir at a depth of 446 meters which has started a 90 day test allowance period in November with production at 700 BOPD, and confirmed Bo Rang "B" field as highly commercial.
- Bo Rang-4D1 – currently drilling

Pan Orient is currently drilling the L53-A exploration well at L53 (Pan Orient 100%) and it is expected to drill to final target depth by the end of November.

Future production from Pan Orient's discoveries is contingent on successfully obtaining a production license from the Government of Thailand. The Company does not have any reason to believe the necessary licenses will not be granted.

The Company expects to drill an additional five wells in L44 during the fourth quarter of 2009.

Indonesia

The Company's seismic programs for Citarum and Batu Gajah are currently underway and drilling is expected to commence in mid 2010 with up to 4 exploration wells planned for Batu Gajah and 3 exploration wells on Citarum. With the exception of \$1.0 million incurred for testing of the Pasundun-1 well, substantially all capital costs of \$8.5 million in 2009 related to the seismic activities.

A \$1.4 million bond for the Company's Citarum seismic program was established during the first quarter of 2009 and included in non current deposits.

The Company's capital expenditures for Indonesia will be determined by the timing and extent of work commitments and are estimated under "Commitments".

Liquidity and Capital Resources

Liquidity

At September 30, 2009 Pan Orient's cash and cash equivalents was \$45.3 million compared to \$51.1 million at June 30, 2009 and \$98.9 million at December 31, 2008. At September 30, 2009, \$17.6 million (December 31, 2008 - \$80.0 million) was held in Thailand, \$26.5 million (December 31, 2008 - \$15.7) was held in Canada, and the remainder in Indonesia. The Company's treasury policy implemented in 2009 involves transferring excess capital from Thailand to Canada on a regular basis to closely monitor foreign exchange and interest earned as well as to have funds available for redistribution to Indonesia as needed. The Company's current cash balance in Canada is held at interest rates similar to short term deposits.

Pan Orient has funded its 2009 capital program of \$44.5 million through funds generated from operating activities of \$43.0 million and existing working capital. The Company's working capital position is forecasted regularly and the Company plans to fund future capital expenditures and commitments with existing cash surplus and expected cash flows from Thailand operations.

Working capital plus non current cash deposits at September 30, 2009 was \$39.8 million compared to \$42.0 million at June 30, 2009 and \$46.4 million at December 31, 2008. The decrease is attributable to capital expenditures in excess of funds flow from operations and the strength of the Canadian dollar relative to the U.S. dollar and baht and resultant foreign exchange loss on net assets. Non current cash deposits relate to guarantees to the Thailand and Indonesia governments for the Company's work commitments and customs importation permits in Thailand. The change in working capital plus deposits was as follows:

Working Capital Plus Deposits	Three Months Ended		Nine Months Ended	
	September 30		September 30	
(\$000s)	2009	2008	2009	2008
Balance at beginning of period	41,969	36,323	46,386	40,763
Funds flow from operations	11,189	17,365	43,005	38,924
Capital expenditures	(16,033)	(13,626)	(44,535)	(23,893)
Indonesia acquisition	-	(8)	-	(15,414)
Realized gain on Thailand investment	3,897	-	3,897	-
Unrealized foreign exchange on working capital	(1,167)	721	(9,448)	(35)
Net proceeds on share transactions	(25)	(753)	525	430
Balance at end of period	39,830	40,022	39,830	40,022

At September 30, 2009, Pan Orient held \$8.8 million of equipment inventory to be utilized for future Thailand and Indonesia operations that is included in petroleum and natural gas assets on the balance sheet.

Current Economic Conditions

The economic downturn beginning mid-2008 and continuing into early 2009 decreased world oil consumption resulting in higher inventory levels and reduced prices. Since the first quarter of 2009 oil prices have steadily increased in accordance with rising consumption levels and increasing optimism regarding the world financial situation. The sustainability of this increase in crude oil prices is uncertain, particularly considering current inventory levels, surplus productive capacity and uncertainty with respect to the timing of full economic recovery. World oil prices affect not only current cash flows of oil and gas companies but also expected future cash flows, thus impacting the ability to carry out planned activities necessary for

future growth. The industry has also become challenged by reduced liquidity in financial markets and limited access to financing. Given the Company's present working capital position and ability to generate positive cash flows in the 2009 price environment, management does not expect any current capital programs to be curtailed however the Company continues to proactively forecast cash flows to assess whether planned capital activities are manageable.

Share Capital

Outstanding at period-end	November 24, 2009	September 30, 2009
Common shares	46,313,366	46,163,366
Common shares issuable on conversion of stock options	4,391,500	4,541,500
Total	50,704,866	50,704,866

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 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 baht and U.S. dollar denominated financial statement items for the reporting periods as specified were as follows:

	2009				2008		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Rate at end of period							
Thai baht / CAD \$ exchange	30.69	29.14	27.96	28.43	32.15	32.84	30.48
U.S. dollar / CAD \$ exchange	1.072	1.115	1.257	1.223	1.039	1.011	1.020

The Company's treasury function has been established with the goal of minimizing foreign currency exchange fluctuations to the extent possible. Surplus funds are expatriated to Canada to hold in Canadian dollars, ensuring that an appropriate cushion of 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 Company's Thailand operations have a functional currency of Thai baht. Prior to April 1, 2009, the Company's net investment in the Thailand operations included intercompany loans that were denominated in baht, U.S. dollars and Canadian dollars and there was no planned or anticipated settlements of these loans contemplated. Accordingly, foreign currency translation gains and losses on these intercompany loans and the Company's investment in the shares of its Thailand subsidiaries were recognized in other comprehensive income. As a result, translation gains and losses on the Thailand operations were included in AOCI on the balance sheet. Commencing April 1, 2009 the Company made a decision to repatriate funds from the Thailand operations through settlement of the intercompany loans and payment of dividends. Once this decision was reached, the intercompany loans were not considered as part of the Company's net investment in the Thailand operations. Therefore, effective April 1, 2009:

- translation gains and losses on the non-temporary investment in the Thailand operations are included in other comprehensive income and reclassified to net income as the investment is repatriated; and
- previous foreign currency gains and losses related to the intercompany loans that were included in AOCI were reclassified to net earnings in the periods of settlement of the underlying loans. As at September 30, 2009 all amounts included in AOCI related to the intercompany loans have been reclassified to net earnings.

During the quarter the Canadian dollar remained strong relative to the baht and U.S. dollar as they declined in value resulting in significant translation differences affecting both in earnings and AOCI.

The components of the Company's foreign exchange gain (loss) were as follows:

(\$000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Realized				
Canada	(77)	828	(304)	(370)
Gain on Thailand investment	3,897		3,897	
Thailand gain transferred from OCI	-	(532)	749	58
Total realized	3,820	296	4,342	(312)
Unrealized	1,274	635	(10,452)	752
Total Foreign Exchange Gain (Loss)	5,094	931	(6,110)	440

The Company's investment in Thailand has spanned almost four years during which time the Canadian dollar has fluctuated significantly. As of April 1, 2009 when the decision was made to recover the investment, a translation gain of \$5.8 million had accumulated over the years, recorded as AOCI on the balance sheet. Of this balance, \$0.7 million was transferred to earnings in the second quarter, \$3.9 million was recorded as an investment gain in the third quarter and \$1.2 million related to the permanent portion. These gains of \$0.7 million and \$3.9 million are considered realized; the \$3.9 million considered an investing activity, excluded from operating activities.

The Company began recording unrealized gains and losses on the Thailand operations subsequent to March 31, 2009 in earnings on funds repatriated to Canada resulting in significant impact on earnings in 2009. Gains or losses are a function of the change in the exchange rate between the Canadian dollar and Thai baht as well as the changes in the net asset balance. As a result of the repatriation of funds to Canada, the baht cash balance in Thailand has decreased from 2.5 billion baht at March 31, 2009 to 0.5 billion baht at September 30, 2009. Taxes payable can also fluctuate significantly as it is the Company's largest expense and certain payments are due in May and August of each year. As a result, translation differences are affected by timing of tax payments and surplus cash transfers to Canada. Generally when the Canadian dollar increases relative to the baht a loss is recognized on the Company's assets and a gain is recognized on its liabilities. From April 1, 2009 to September 30, 2009 the Canadian dollar increased 9.8% relative to the baht and the Company's net asset position increased by 4% resulting in a foreign exchange loss of \$10.5 million. During the third quarter of 2009 the Company realized a gain of \$1.3 million as the 2% decline in net assets offset the 5.8% increase in the Canadian dollar.

The impact of foreign exchange on Pan Orient's balance sheet was as follows:

(\$000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Unrealized effect of foreign exchange on cash	(3,354)	633	(4,929)	750
Unrealized effect of foreign exchange on non-cash working capital	2,187	89	(4,518)	(785)
Unrealized effect on long term assets	(5,963)	(134)	(9,043)	2,516)
Translation effect on future tax liability	431	(110)	573	43
	(6,699)	478	(17,917)	2,524

These translation (losses) and gains were allocated as follows:

(\$000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Unrealized foreign exchange gain (loss)	1,274	(157)	(10,452)	752
Net gain (loss) recorded in AOCI	(7,973)	635	(7,465)	1,772
	(6,699)	478	(17,917)	2,524

Accumulated other comprehensive income as at September 30, 2009 and December 31, 2008 was comprised of the following:

(\$000s)	As at	
	September 30, 2009	December 31, 2008
Foreign exchange gain related to Thailand	154	922
Foreign exchange gain related to Thailand non-permanent investment	-	2,888
Foreign exchange (loss) gain related to Indonesia investment	(3,582)	227
Total Accumulated Other Comprehensive (Loss) Income	(3,428)	4,037

The remaining amount included in AOCI with respect to Thailand relates to translation gains and losses on the permanent investment and undistributed earnings and will continue to fluctuate based on the exchange rates between the Thai baht and Canadian dollar. The balance of the Indonesia AOCI will continue to fluctuate in future periods depending on the exchange rates between the Canadian and U.S. dollar.

Commitments

As at September 30, 2009 the Company's estimated outstanding capital commitments were as follows:

Country and Concession Name	Work Program Commitment	Obligation Period Ending	Estimated Net Financial Commitment	
			USD (\$000s)	CAD (\$000s) ⁽¹⁾
Thailand				
L 44/43	▪ study and training fund	July 2012	24	26
L33/43	▪ drill 3 exploration wells	July 2012	630	684
L 53/48	▪ geological studies	January 2013	2,160	2,345
	▪ drill 6 exploration wells			
Indonesia				
Citarum ⁽²⁾	▪ 1,250 km 2D seismic	October 2010	18,005	19,478
	▪ drill 3 exploration wells			
Batu Gajah ⁽²⁾	▪ 500 km 2D seismic	January 2010	28,843	31,202
	▪ 400 km ² 3D seismic			
	▪ drill 3 exploration wells			
South CPP	▪ 200 km 2D seismic reprocessing	November 2011	5,026	5,438
	▪ drill one exploration well			
Total			54,688	59,173

(1) Translated at September 30, 2009 exchange rate.

(2) Work program commitment is based on original contract and timing is subject to government approval.

Indonesia financial commitments as provided above represent the current exploration phase that the Company is conducting. If Pan Orient exercises its options to continue beyond the obligation periods noted, additional commitments will be determined on a year-by-year basis through submission of a work program and approval from the Government of Indonesia (GOI). The actual commitments are the work programs themselves as specified in the PSC agreement.

The obligation period ending for Citarum and Batu Gajah differs from the PSC agreement as commitments from previous years have been deferred and rolled forward. Every year the Company submits a work program for each PSC to the GOI and along with it, a request to roll forward any incomplete commitments from the previous year. Although this request is a departure from the original contract, it is considered standard practice in Indonesia. The above obligation periods for Citarum and Batu Gajah are consistent with this practice. In the past, such applications on behalf of Pan Orient have been approved by the GOI and management has no reason to believe that future requests will not be granted approval however there is no guarantee. Upon default of a commitment related to any of the first three years of a PSC the operator is required to relinquish 15% of the original PSC area, the actual acreage at the discretion of the operator. To date, Pan Orient has complied with all relinquishments as required. Depending on the stage of the PSC, failure to fulfill the required commitments may also result in penalty payment of amount equal to the unspent commitments and/or forfeiture of the PSC.

The expenditures as provided in the table above represent the Company's estimated costs in completing the work program requirements. Actual expenditures required to carry out these commitments may be significantly different than the estimates.

The Company intends to fund commitments through existing cash surplus and expected cash flows from Thailand operations.

Summary of Quarterly Results

	2009				2008		2007	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Production (bbl/d)	3,648	4,840	6,165	6,982	4,291	3,894	4,604	2,320
Per Unit information (\$/bbl)								
Realized oil price	68.01	60.01	48.12	56.56	109.54	100.13	77.56	72.34
Royalties	(4.31)	(4.31)	(3.82)	(4.55)	(7.11)	(6.63)	(5.38)	(4.36)
Transportation & operating	(8.29)	(6.66)	(4.81)	(4.16)	(4.91)	(5.83)	(4.03)	(4.99)
	55.41	49.04	39.50	47.85	97.52	87.67	68.15	62.99
Financial (\$000's) except as indicated								
Oil revenue	22,824	26,432	26,699	36,329	43,241	35,486	32,498	15,435
Interest revenue	12	109	304	424	209	93	265	234
Net (loss) income	10,617	(5,349)	2,768	10,813	9,058	8,458	3,423	6,699
Per share basic (\$)	0.23	(0.12)	0.06	0.24	0.20	0.19	0.08	0.15
Per share diluted (\$)	0.22	(0.12)	0.06	0.23	0.19	0.17	0.07	0.14
Capital expenditures ⁽¹⁾	16,033	14,906	13,596	16,598	13,627	6,686	3,581	6,524
Total assets	227,198	227,898	271,680	259,208	220,521	196,617	175,279	142,470
Shares outstanding (000s)	46,163	46,168	45,568	45,568	45,650	45,770	45,247	45,218

⁽¹⁾ Not including acquisition of Indonesian companies and excluding asset retirement obligation

Quarterly Summary

Q4 2007 – Positive results from the Na Sanun drilling program increased production capacity to 6,000 bbl/d (3,600 bbl/d net). Due to transportation (trucking) constraints the Company was not able to produce to capacity and average daily production for the quarter was 2,320 bbl/d (net), an increase of 221% over the previous quarter. Pan Orient exercised 2.25 million Andora Energy warrants at a price of \$1.60 per share to increase the Company's ownership interest in Andora Energy to 55.4%. The Company raised gross proceeds of \$32.0 million through the issuance of 3.5 million common shares at a price of \$9.15 per share.

Q1 2008 – Thailand transportation constraints were resolved and three wells, ranging from 1,200 bbl/d to 3,900 bbl/d (gross) further improved quarterly production to 4,604 bbl/d (net), an increase of 98% over the previous quarter.

Q2 2008 – The Company acquired an operated 90% interest in the Batu Gajah PSC, and a 69% operated interest in the Citarum PSC, onshore Indonesia. In accordance with these acquisitions Pan Orient issued 378,324 common shares to the vendor of both these interests. Also during the quarter Pan Orient received environmental approvals from the Thai government for 32 drilling locations.

Q3 2008 – In Thailand the Company focused on production growth with the spud of 8 wells, a multi-well workover program and 5 new wells brought on-stream. Production gains from the new wells in the quarter were largely offset by natural declines and downtime related to producing wells being shut-in during the drilling of adjacent development wells from the same surface pad. Production averaged 4,291 bbl/d during the quarter, up 10% from the prior quarter. October 2008 production averaged over 6,600 bbl/d net to Pan Orient. This is the first period Indonesia's operations have been included in the Company's operating results. During the quarter this segment incurred \$2.1 million of capital costs and \$0.2 million of administrative expenses. In August of 2008 the Company announced a share repurchase program through which 119,900 common shares were acquired during the quarter and returned to treasury.

Q4 2008 – During the fourth quarter 7 (4.2 net) wells were drilled in Thailand with a success rate of 71%. Production additions from capital activities in the last half of the year resulted in volumes of 6,982 bbl/d for the fourth quarter; an increase of 63% over the third quarter. Although oil prices fell considerably during the period, reducing the company's operating netbacks, lower cash taxes positively impacted funds flow from operations and fourth quarter funds flow was \$25.0 million compared to \$17.4 million for the third quarter; a 44% increase. Foreign exchange gains of \$6.4 million were a prevalent factor in net

income of \$10.8 million. Indonesia activities consisted of testing of the Pasundun well in the Citarum block and commencement of the seismic program for Citarum. One of the Company's Indonesian subsidiaries obtained operatorship and a 90% working interest in the South CPP PSC which covers the area associated with the former Pamai Taluk joint study agreement. With respect to the Company's normal course issuer bid another 81,500 common shares were acquired and returned to treasury, for a total of 201,400. In November 2008 Andora issued 2.2 million shares to former Signet dissenting shareholders. As a result, Pan Orient's interest in Andora was reduced from 55.4% to 53.2%.

Q1 2009 – Pan Orient continued to benefit from strong production levels and funds flow from operations in Thailand which fully funded drilling operations in Thailand of \$10.8 million and seismic programs in Indonesia of \$2.7 million. Overall corporate funds flow from operations of \$15.2 million funded capital expenditures of \$13.6 million and increased working capital and deposits by \$1.3 million. Thailand oil production averaged 6,165 barrels per day and generated funds flow from Thailand operations of \$15.8 million. Thailand funds flow from operations per barrel of \$28.54 was comprised of oil revenue of \$48.12, less transportation and operating expenses of \$4.81, less G&A and other items of \$1.62 and amount to the Thai government of \$13.15 for government royalties, SRB and income tax. During the first quarter of 2009, Pan Orient drilled 7 (net 4.2) wells in concession L44 with a success rate of 71%.

Q2 2009 – Pan Orient had overall corporate funds flow from operations for the quarter of \$16.6 million and capital expenditures of \$14.9 million (with drilling operations in Thailand of \$12.4 million and seismic programs in Indonesia of \$2.4 million). There was a net loss for the quarter of \$5.5 million as a result of an \$11.1 million foreign exchange loss resulting from the strength in the Canadian dollar compared to the Thai baht and US dollar. Thailand oil production averaged 4,840 barrels per day and generated funds flow from Thailand operations of \$17.4 million. Average production in the second quarter of 2009 of 4,840 bbls/d was 1,325 bbl/d, or 21%, lower than the first quarter of 2009 as production additions were less than the production decline from previously drilled wells. Thailand funds flow from operations per barrel of \$39.60 was comprised of oil revenue of \$60.01, less transportation and operating expenses of \$6.66, less G&A and other items of \$0.09 and amount to the Thai government of \$13.65 for government royalties, SRB and income tax. During the second quarter of 2009, Pan Orient drilled 8 (net 4.8) wells in concession L44. At June 30, 2009, the Company had working capital plus deposits of \$42.0 million and no long-term debt.

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

Accounting Standards

Recent Accounting Pronouncements

Business Combinations

In January 2009, the CICA issued section 1582, "Business Combinations," which will replace CICA section 1581 of the same name. Under this guidance, the purchase price used in a business combination is based on the fair value of shares exchanged at their market price at the date of the exchange. Currently the purchase price used is based on the market price of the shares for a reasonable period before and after the date the acquisition is agreed upon and announced. This new guidance requires all acquisition costs to be expensed, which currently are capitalized as part of the purchase price. Contingent consideration is to be recognized at fair value at the acquisition date and will be measured at fair value through earnings each period until settled. Currently only contingent consideration that is resolved and payable is included in the cost to acquire the business. In addition, negative goodwill (bargain purchase gain) is required to be recognized immediately in earnings, unlike the current requirement to first reduce certain non-current assets in the purchase price allocation with any excess being recognized as an extraordinary gain. Section 1582 is effective January 1, 2011 with prospective application and early adoption permitted.

Consolidated Financial Statements

In January 2009, the CICA issued section 1601, "Consolidated Financial Statements" which will replace the associated portion of CICA section 1600 of the same name. This guidance requires uniform accounting policies to be consistent throughout all consolidated entities and the difference between reporting dates of a parent and a subsidiary to be no longer than three months. These are not explicitly required under the current standards. Section 1601 is effective on January 1, 2011 with early adoption permitted. This standard is not anticipated to have a significant effect on the Company.

Non-controlling Interests

In January 2009 the CICA issued section 1602, "Non-controlling Interests" which will replace CICA section 1600, "Consolidated Financial Statements". Minority interest is now referred to as non-controlling interest and is presented within equity. Under this new guidance, when there is a loss of control there is a gain or loss recognized on the sold and retained interests whereas increases or decreases in a parent's ownership interest while retaining control is a capital transaction. Section 1602 is effective on January 1, 2011 with early adoption permitted.

Financial Instruments

In May 2009, the CICA amended Section 3862, "*Financial Instruments – Disclosures*" to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level One are determined by reference to quoted prices in active markets for identical assets and liabilities. Fair values of assets and liabilities in Level Two include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Fair values in Level Three are based on inputs that are unobservable and significant to the overall fair value measurement. These amendments will be effective for Pan Orient on December 31, 2009.

International Financial Reporting Standards

International Financial Reporting Standards (IFRS) will be adopted as Canadian GAAP for the purpose of public company interim and annual reporting beginning on or after January 1, 2011. This transition is a significant undertaking that may materially affect the Company's reported financial position and results of operations although currently the Company cannot reasonably estimate the effect on the financial statements.

The Company is currently in the diagnostic phase, assessing the impact of adopting IFRS on existing accounting policies, data systems, internal controls over financial reporting and business activities. The team is partaking in training sessions as required and reports to the Chief Financial Officer and the audit committee. The initial implementation phase is expected to be completed in mid 2010.

The Company continually monitors the development of standards issued by the International Accounting Standards Board and the Canadian Accounting Standards Board which may affect the timing, nature or disclosure of the company's adoption of IFRS.

Additional Information

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