



**PAN ORIENT ENERGY CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
THREE MONTHS ENDED MARCH 31, 2009**

*Please note the interim consolidated financial statements for the  
three months ended March 31, 2008 have not been reviewed  
or audited by external auditors.*

**Pan Orient Energy Corp.**  
**Consolidated Balance Sheets**  
*(Unaudited)*

(\$000s)	March 31, 2009	December 31, 2008
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	104,213	98,925
Accounts receivable	10,620	13,161
	<b>114,833</b>	<b>112,086</b>
<b>Deposits</b>	<b>5,786</b>	<b>4,299</b>
<b>Petroleum and natural gas properties</b> (note 3)	<b>151,485</b>	<b>142,823</b>
	<b>272,104</b>	<b>259,208</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	11,562	14,739
Taxes payable (note 6)	61,352	55,260
	<b>72,914</b>	<b>69,999</b>
<b>Future income tax</b>	<b>28,172</b>	<b>22,698</b>
<b>Asset retirement obligation</b> (note 4)	<b>2,462</b>	<b>1,964</b>
	<b>103,548</b>	<b>94,661</b>
<b>Non-controlling interest</b>	<b>18,688</b>	<b>18,774</b>
<b>Shareholders' equity</b> (note 5)		
Share capital	103,078	103,078
Contributed surplus	6,849	6,531
Accumulated other comprehensive income	4,933	4,037
Retained earnings	35,008	32,127
	<b>39,941</b>	<b>36,164</b>
	<b>149,868</b>	<b>145,773</b>
<b>Commitments</b> (note 8)	<b>272,104</b>	<b>259,208</b>

See accompanying notes.

**Pan Orient Energy Corp.**  
**Consolidated Statements of Operations and Retained Earnings**  
*(Unaudited)*

	<b>Three Months Ended March 31</b>	
(\$000s, except per share amounts)	<b>2009</b>	<b>2008</b>
<b>Revenue</b>		
Oil and natural gas revenue	26,699	32,498
Royalties	(2,116)	(2,254)
Interest	304	265
	<b>24,887</b>	<b>30,509</b>
<b>Expenses</b>		
Transportation	1,253	1,018
Operating	1,415	668
General and administrative	1,522	885
Depletion, depreciation and accretion	6,759	3,086
Stock-based compensation	317	296
Foreign exchange loss (gain)	148	(205)
Foreign new venture expenditures	36	-
	<b>11,450</b>	<b>5,748</b>
<b>Income before taxes and non-controlling interest</b>	<b>13,437</b>	<b>24,761</b>
<b>Taxes</b> (note 6)		
Special remuneratory benefit	2,920	11,335
Income tax	2,280	6,360
Future income tax	5,441	3,631
	<b>10,641</b>	<b>21,326</b>
<b>Income before non-controlling interest</b>	<b>2,796</b>	<b>3,435</b>
Non-controlling interest	85	(12)
<b>Net income for the period</b>	<b>2,881</b>	<b>3,423</b>
<b>Retained earnings beginning of period</b>	<b>32,127</b>	<b>1,012</b>
<b>Retained earnings end of period</b>	<b>35,008</b>	<b>4,435</b>
<b>Net income per share</b> (note 5)		
Basic	<b>0.06</b>	0.08
Diluted	<b>0.06</b>	0.07

See accompanying notes.

**Pan Orient Energy Corp.**  
**Consolidated Statements of Comprehensive Income**  
*(Unaudited)*

(\$000s)	Three Months Ended	
	March 31	
	2009	2008
Net income	2,881	3,423
Cumulative translation of self-sustaining operations	676	5,260
Foreign exchange loss realized	220	-
<b>Comprehensive income</b>	<b>3,777</b>	<b>8,683</b>

See accompanying notes.

**Pan Orient Energy Corp.**  
**Consolidated Statements of Cash Flows**  
*(Unaudited)*

(\$000s)	Three Months Ended March 31	
	2009	2008
<b>Cash Provided By (Used in)</b>		
<b>Operating Activities</b>		
Net income for the period	2,881	3,423
Items not affecting cash		
Depletion, depreciation and accretion	6,759	3,086
Stock-based compensation	317	296
Future income tax expense	5,441	3,631
Unrealized foreign exchange (gain) loss	(75)	164
Non-controlling interest	(85)	12
	<b>15,238</b>	<b>10,612</b>
Changes in non-cash working capital	<b>1,697</b>	<b>18,429</b>
	<b>16,935</b>	<b>29,041</b>
<b>Investing Activities</b>		
Petroleum and natural gas properties	(13,596)	(3,581)
Deposits	(1,487)	-
Change in non-cash working capital	(730)	(550)
	<b>(15,813)</b>	<b>(4,131)</b>
<b>Financing Activities</b>		
Issue of common shares, net of issue costs	-	65
	-	65
<b>Increase in Cash and Cash Equivalents</b>	<b>1,122</b>	<b>24,975</b>
<b>Effect of Foreign Exchange on Cash Balances</b>	<b>4,166</b>	<b>133</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>98,925</b>	<b>36,852</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>104,213</b>	<b>61,960</b>

See accompanying notes.

**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 pursues 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. 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, 2008. 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, 2008. Unless otherwise indicated, all financial amounts are reported in thousands of Canadian dollars.

***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 generally 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 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 eliminate it by deducting it from certain non-current assets in the purchase price allocation. 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 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 change in control there is a gain or loss recognized on the sale of the held interests whereas increases or decreases in a parent's ownership interest while retaining control is a capital transaction. Section 1062 is effective on January 1, 2011, with early adoption permitted.

PAN ORIENT ENERGY CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

3) PETROLEUM AND NATURAL GAS PROPERTIES

<b>As at March 31, 2009</b>	<b>Cost</b>	<b>Accumulated Depreciation and Amortization</b>	<b>Net Book Value</b>
Oil & Natural Gas			
Canada	55,147	-	55,147
Thailand	94,146	(29,938)	64,208
Indonesia	31,327	-	31,327
Office equipment	1,583	(780)	803
	<b>182,203</b>	<b>(30,718)</b>	<b>151,485</b>

<b>As at December 31, 2008</b>	<b>Cost</b>	<b>Accumulated Depreciation and Amortization</b>	<b>Net Book Value</b>
Oil & Natural Gas			
Canada	55,075	-	55,075
Thailand	81,765	(23,303)	58,462
Indonesia	28,504	-	28,504
Office equipment	1,491	(709)	782
	<b>166,835</b>	<b>(24,012)</b>	<b>142,823</b>

General and administrative and stock-based compensation expenses totaling \$0.8 million (2008 - \$31,000) that were directly related to exploration and development activities have been capitalized for the three months ended March 31, 2009.

Costs associated with unproven properties of \$16.3 million (2008 - \$12.3 million) with respect to the Thai full cost pool have been excluded from the depletion calculation. Capitalized costs associated with Canada and Indonesia are not subject to depletion as production has not commenced.

Recoverability of the Canadian and Indonesian capitalized costs is dependent on successfully completing development of the properties. With respect to the Canadian properties, recoverability is also dependent on determining the technical feasibility of the project. Capitalized costs incurred to date do not necessarily represent present or future values.

4) ASSET RETIREMENT OBLIGATIONS

(\$000s)	<b>Three Months Ended March 31</b>	
	<b>2009</b>	<b>2008</b>
Asset retirement obligations, beginning of period	<b>1,964</b>	84
Obligations incurred	<b>450</b>	-
Accretion	<b>48</b>	-
Asset retirement obligations, end of period	<b>2,462</b>	84

Total undiscounted cash flows, escalated at 2.0%, required to settle the Company's asset retirement obligations are estimated to be \$7.9 million (2008 - \$0.1 million).

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

**5) SHARE CAPITAL**

**a) Issued and Outstanding Class A Common Shares**

<b>Common Shares</b>	<b>Number</b>	<b>Amount (000s)</b>
Balance as at March 31, 2009 and December 31, 2008	45,568,366	\$103,078

**b) Options to Purchase Common Shares**

There was no stock option activity during the three months ended March 31, 2009. The following table summarizes the Company's stock options outstanding and exercisable at March 31, 2009.

<b>Options Outstanding</b>				<b>Options Exercisable</b>		
<b>Exercise Price (\$)</b>	<b>Number of Options</b>	<b>Weighted Average of Remaining Contractual Life (years)</b>	<b>Weighted Average Exercise Price (\$)</b>	<b>Number of Options</b>	<b>Weighted Average Remaining Contractual Life (years)</b>	<b>Weighted Average Exercise Price (\$)</b>
0.75 - 2.08	2,284,000	1.06	0.78	2,284,000	1.06	0.78
2.75 - 3.90	1,368,500	2.21	3.44	1,280,168	2.14	3.45
11.00 - 11.75	789,000	3.75	11.68	377,000	3.73	11.72
0.75 - 11.75	4,441,500	1.89	3.54	3,941,168	1.67	2.69

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. Weighted average assumptions and resultant fair values for stock options granted or revalued during the three months ended March 31 were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2009</b>	<b>2008</b>
Risk free interest rate (%)	2.5	4.5
Expected lives (years)	5	5
Expected volatility (%)	85	67
Dividend per share (%)	-	-
Weighted average fair value (\$)	1.89	7.77

**PAN ORIENT ENERGY CORP.**

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

**c) Andora Energy Corporation**

The Company holds 53.2% of the issued and outstanding common shares of Andora Energy Corporation. Andora's stock options outstanding and exercisable at March 31, 2009 are as follows:

Options Outstanding				Options Exercisable		
Exercise Price (\$)	Number of Options	Weighted Average of Remaining Contractual Life (years)	Weighted Average Exercise Price (\$)	Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price (\$)
1.35	3,750,000	0.65	1.35	3,750,000	0.65	1.35
1.60	1,150,000	2.15	1.60	775,000	1.99	1.60
1.35 – 1.60	4,900,000	1.00	1.25	4,525,000	0.88	1.39

Weighted average assumptions and resultant fair values for Andora stock options granted or revalued during the three months ended March 31 were as follows:

	Three Months Ended March 31	
	2009	2008
Risk free interest rate (%)	2.5	3.2
Expected lives (years)	5	5
Expected volatility (%)	20	20
Dividend per share (%)	-	-
Weighted average fair value (\$)	0.25	0.29

**d) Contributed Surplus**

	Three Months Ended March 31	
	2009	2008
Balance, beginning of period	6,531	5,671
Pan Orient stock-based compensation expense	317	296
Pan Orient stock-based compensation capitalized	(6)	17
Andora stock-based compensation capitalized	7	-
Transferred to share capital on exercise of options	-	(29)
Balance, end of period	6,849	5,955

**e) Share Appreciation Rights Plan**

At December 31, 2008 the Company had 55,000 share appreciation rights (SARs) (March 31, 2008 – nil) outstanding with an exercise price of \$4.00 per SAR. During the first quarter of 2009, an additional 95,000 SARs were granted with an exercise price of \$4.00 per SAR. Subsequent to March 31, 2009 all SARs were cancelled at no cost to the Company. No compensation expense has been recorded for the SARs for the three months ended March 31, 2009.

f) **Accumulated Other Comprehensive Income**

	Three Months Ended March 31	
	2009	2008
Balance at beginning of period	4,037	(1,722)
Unrealized foreign currency translation gain	676	5,260
Foreign exchange loss realized	220	-
Balance at end of period	4,933	3,538

g) **Income per Share**

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

	Three Months Ended March 31	
	2009	2008
Weighted average basic shares outstanding	45,568,366	45,237,699
Dilutive effect of stock options	1,907,672	3,577,814
Weighted average diluted	47,476,038	48,815,513

6) **SPECIAL REMUNERATORY BENEFIT AND INCOME TAXES**

Pan Orient pays a special remuneratory benefit (SRB) and income tax 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 a deduction for 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. In addition, Thai current income tax is 50% of taxable income which is principally calculated as cash flow from operations before changes in non-cash working capital less capital expenditures, SRB and other permitted deductions.

Taxes payable at March 31, 2009 represents SRB for the year ended December 31, 2008, income tax for the six months ended December 31, 2008 and SRB and income tax for the three months ended March 31, 2009. The amounts payable applicable to 2008 are scheduled to be paid during the second quarter from the Company's existing cash balance.

7) **FINANCIAL INSTRUMENTS**

**Credit Risk**

The most significant exposure to this risk is relative to the sale of oil production; all of the Company's production is sold to a refinery owned by the Thai National Oil Company. Pan Orient is paid for its production on a monthly basis and the Company has assessed the risk of non-collection from the Thai government as minimal. As at March 31, 2009 the Company's accounts receivable from the Thai government was \$7.5 million which was collected subsequent to the end of the period.

**PAN ORIENT ENERGY CORP.**

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

***Foreign Currency Exchange Rate Risk***

The Company holds financial instruments in Thai baht and the U.S. dollar and changes in foreign exchange rates between the Canadian dollar and the U.S. dollar and Thai baht affect net income and other comprehensive income. As at March 31, 2009 the following financial instruments were denominated in currencies other than the Canadian dollar:

	Thai baht (000s of Thai baht)	U.S. Dollar (\$000s USD)
Cash and cash equivalents	2,534,971	4,612
Accounts receivable	245,616	815
Deposits	44,000	3,703
Accounts payable	(160,471)	(3,296)
Taxes payable	(1,714,981)	-
Net exposure	949,135	5,834
Net exposure in CAD dollars <sup>(1)</sup> (\$000s)	33,948	7,329

(1) Translated at March 31, 2009 exchange rates of CAD\$1 = 27.96 Thai baht and US \$1 = CAD \$1.257.

Fluctuations in the exchange rates as indicated would have the following effect on net income and other comprehensive income:

Effect of a \$0.02 change in CAD \$ to USD (000s CAD \$):	
Pre-tax net income	31
Other comprehensive income	130
Effect of a 1.0 baht change in baht to CAD dollar (000s CAD \$):	
Pre-tax net income	630
Other comprehensive income	630

The Company did not have any forward exchange contracts in place as at or during the three months ended March 31, 2009 or 2008.

PAN ORIENT ENERGY CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

8) COMMITMENTS

As at March 31, 2009 the Company's outstanding capital commitments were as follows:

Country and Concession Name	Work Program Commitment	Obligation Period Ending	Net Financial Commitment	
			USD (\$000s)	CAD (\$000s)
Thailand				
L 53/48	<ul style="list-style-type: none"> <li>▪ geological studies</li> <li>▪ drill 2 wells</li> </ul>	January 2013	780	980
L 44/43	<ul style="list-style-type: none"> <li>▪ Study and training fund</li> </ul>	July 2009	24	30
Indonesia				
Batu Gajah	<ul style="list-style-type: none"> <li>▪ 500 km 2D seismic</li> <li>▪ 400 km<sup>2</sup> 3D seismic</li> <li>▪ drill 3 exploration wells</li> </ul>	January 2010	32,776	41,183
Citarum	<ul style="list-style-type: none"> <li>▪ 1,250 km 2D seismic</li> <li>▪ drill 3 exploration wells</li> </ul>	October 2009	26,725	33,579
South CPP	<ul style="list-style-type: none"> <li>▪ 200 km 2D seismic reprocessing;</li> <li>▪ drill one exploration well</li> </ul>	November 2011	5,050	6,345
<b>Total</b>			<b>65,355</b>	<b>82,117</b>

(1) Translated at March 31, 2009 exchange rate of US \$1 = CAD \$1.257.

Indonesia financial commitments only include the current exploration phase that the Company is conducting. If Pan Orient exercises its options to continue beyond the obligation periods noted above, additional commitments will be determined on a year-by-year basis through submission of a work program and approval from the Indonesian government.

The intended timing of the Indonesian capital activities does not always fall within the "obligation period ending" in the table above. Each year the Company submits a work program for each PSC to the Government of Indonesia (GOI) and along with it, a request to roll forward any incomplete commitments from the previous year. The above obligation periods for the Citarum and Batu Gajah operations represent the most-recently approved work programs for 2009 pursuant to this practice. Although in the past, such requests on behalf of Pan Orient have been approved by the GOI, and management has no reason to believe that they will not be in the future, there is no guarantee that future requests will be approved.

**PAN ORIENT ENERGY CORP.**

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

**10) SEGMENTED INFORMATION**

The Company has properties in three countries, each of which is considered a separate operating segment. The three segments consist of: 1) partially developed conventional oil and gas properties in Thailand; 2) undeveloped conventional oil and gas properties in Indonesia; and 3) an undeveloped heavy oil property in Canada. The following table provides information for each geographical segment as at and for the three months ended March 31:

	<b>Three Months Ended March 31</b>	
	<b>2009</b>	<b>2008</b>
Petroleum revenue		
Thailand	<b>26,699</b>	32,498
Indonesia	-	-
Canada	-	-
Total	<b>26,699</b>	32,498
Interest revenue		
Thailand	<b>285</b>	4
Indonesia	-	-
Canada	<b>19</b>	261
Total	<b>304</b>	265
Current income tax expense <sup>(1)</sup>		
Thailand	<b>5,200</b>	17,695
Indonesia	-	-
Canada	-	-
Total	<b>5,200</b>	17,695
Depletion, depreciation and accretion		
Thailand	<b>6,700</b>	3,025
Indonesia	<b>23</b>	-
Canada	<b>36</b>	61
Total	<b>6,759</b>	3,086
Net income (loss)		
Thailand	<b>4,058</b>	3,738
Indonesia	<b>(295)</b>	-
Canada	<b>(882)</b>	(315)
Total	<b>2,881</b>	3,423
Capital expenditures <sup>(2)</sup>		
Thailand	<b>10,778</b>	3,268
Indonesia	<b>2,673</b>	-
Canada	<b>145</b>	313
Total	<b>13,596</b>	3,581
Total assets		
Thailand	<b>163,306</b>	78,015
Indonesia	<b>38,646</b>	-
Canada	<b>70,152</b>	97,280
Total	<b>272,104</b>	175,295

(1) Includes SRB and income tax.

(2) Does not include acquisition activities.