

CALGARY, ALBERTA--(Marketwired - Aug 17, 2016) - [Pan Orient Energy Corp.](#) ("Pan Orient" or the "Company") (TSX VENTURE:POE) reports 2016 second quarter consolidated financial and operating results. *Please note that all amounts are in Canadian dollars unless otherwise stated and BOPD refers to barrels of oil per day.*

The Company is today filing its unaudited consolidated financial statements as at and for the six months ended June 30, 2016 and related management's discussion and analysis with Canadian securities regulatory authorities. Copies of these documents may be obtained online at www.sedar.com or the Company's website, www.panorient.ca.

Commenting today on Pan Orient's 2016 second quarter results, President and CEO Jeff Chisholm stated: "The second quarter of 2016 in Thailand was focused on operating cost reductions and procurement / planning for an imminent four well workover program and a fourth quarter 2016 exploration drilling program. In Indonesia, activity centered on completing the Batu Gajah PSC extension application which was submitted just after quarter-end, and planning for an Akeh-1 hydrocarbon discovery appraisal well. In Canada, reservoir modeling incorporating recent demonstration project well performance data was completed for the Sawn Lake Bluesky formation reservoir and this has formed the basis for an updated Sawn Lake contingent resources report that is currently underway and expected to be completed in September. These activities in all three focus areas are intended to continue moving these assets up the value curve with modest capital expenditure in a time of low oil price".

HIGHLIGHTS FOR THE FIRST HALF OF 2016

Indonesia

- The most recent information from the operator is that the first exploration well at the Anggun prospect of the East Jabung Production Sharing Contract ("PSC") is planned to commence in the late third quarter of 2016, followed by drilling in the fourth quarter.
- An appraisal well is required by the oil and gas regulator of the Government of Indonesia for the Akeh-1 discovery at the Batu Gajah PSC. Preparations are underway towards drilling of the Akeh-2 appraisal well in late 2016 and the Company has submitted a request for additional exploration period beyond the stated January 15, 2017 expiry date of the Batu Gajah PSC to complete the work.

Thailand

- Oil sales, net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, were 253 BOPD in the first half of 2016, with funds flow from operations of \$0.9 million (\$18.89 per barrel).
- Approval was received on May 10, 2016 from the Government of Thailand for a 215.87 square kilometer "reserved area" for exploration at Concession L53 for a period of up to five years.
- Exploration and development program for the remainder of 2016 including the "A" North East prospect scheduled for the fourth quarter, four workovers which will commence shortly and potentially a second exploration well.

Sawn Lake, Canada (Pan Orient's 71.8% subsidiary Andora owns a 50% working interest and is the operator)

- The Sawn Lake Steam Assisted Gravity Drainage ("SAGD") Demonstration Project in Alberta reached a steady state production level in January and February 2016 of an average of 615 barrels per day ("BOPD") (307 BOPD net to Andora) with an average instantaneous steam-oil ratio ("ISOR") of 2.1 from the one SAGD wellpair. The demonstration project has successfully captured key data associated with the objectives of the demonstration project and operations were suspended at the end of February 2016.
- An application for a potential expansion at Sawn Lake to 3,200 BOPD was submitted on April 29, 2016.
- A new contingent resources report is being prepared which incorporates results of the demonstration project.

Corporate

- On February 16, 2016, Pan Orient returned \$22.0 million (\$0.40 per common share) to shareholders.
- Corporate funds flow used in operations in the first half of 2016 was \$2.9 million with \$2.1 million in the first quarter of 2016 and \$0.8 million in the second quarter.
- Pan Orient is maintaining a strong financial position for upcoming planned 2016 exploration activities in Indonesia and Thailand with working capital and non-current deposits at June 30, 2016 of \$51.1 million and no long-term debt.

2016 SECOND QUARTER OPERATING RESULTS

The financial statements reflect that on February 2, 2015 the Company sold a 49.99% equity interest in its subsidiary Pan Orient Energy (Siam) Ltd. ("POS") and retained a 50.01% equity interest. From February 2, 2015 forward the retained 50.01% equity interest is reclassified as a jointly controlled Joint Venture and Pan Orient's 50.01% equity interest in the working capital, assets, capital expenditures, liabilities and operations of POS are recorded as Investment in Thailand Joint Venture.

- Net loss attributable to common shareholders for the second quarter of 2016 of \$1.6 million (\$0.03 loss per share) compared with \$2.2 million (\$0.04 loss per share) in the first quarter of 2016 and \$3.2 million (\$0.06 loss per share) in the second quarter of 2015.

- For the second quarter of 2016, the Company recorded total corporate funds flow used in operations, which includes the economic results of the 50.01% interest in the Thailand joint venture, of \$0.8 million (\$0.01 loss per share). This compares with total corporate funds flow used in operations for the first quarter of 2016 of \$2.1 million (\$0.04 loss per share). Compared with corporate funds flow used in operations from the first quarter of 2016, the second quarter had:
 - minor foreign exchange gains of \$22 thousand (\$1.1 million loss in the first quarter)
 - an income tax recovery of \$0.2 million in Canada (\$0.6 million expense in the first quarter)
 - Indonesia exploration expenses \$0.8 million (\$0.1 million expense in the first quarter)
 - Economic funds flow from Thailand operations higher by \$0.2 million primarily due to higher oil prices and lower operating expenses during the second quarter
- Pan Orient had capital expenditures of \$0.8 million in the second quarter of 2016, with \$0.4 million in Indonesia and \$0.5 million in Canada at the Sawn Lake SAGD demonstration project of Andora. In addition, Pan Orient's share of Thailand joint venture capital expenditures was minor at \$7 thousand, which was recorded in Investment in Thailand Joint Venture.
- At June 30, 2016 Pan Orient had \$51.1 million of working capital and non-current deposits. Working capital and non-current deposits were comprised of \$41.2 million cash, \$4.2 million of non-current deposits, \$6.5 million of Canadian taxes receivable (of which \$6.4 million was received in July 2016), other receivables of \$0.8 million and less Canadian taxes payable of \$0.4 million, accounts payable of \$1.3 million. There is \$1.3 million of equipment inventory at the Batu Gajah PSC in Indonesia for utilization in future drilling operations at the PSC. In addition, Pan Orient's Investment in Thailand Joint Venture includes \$2.8 million of Thailand working capital and non-current deposits and \$2.0 million of equipment inventory to be utilized for future Thailand Joint Venture operations.
- Pan Orient had outstanding capital commitments as at June 30, 2016 of \$2.0 million in Indonesia associated with the Company's 49% participating interest in the East Jabung PSC. In Canada, capital commitments are \$0.3 million with respect to contracted natural gas pipeline tie-in and tariff charges associated with the Sawn Lake SAGD demonstration project of Andora.
- Pan Orient renewed the normal course issuer bid in March 2016 and Pan Orient is authorized to purchase, for cancellation, up to 4,549,963 of its common shares during the period of March 28, 2016 to March 28, 2017. No common shares have been repurchased under the renewed normal course issuer bid.
- Results Net to Pan Orient's 50.01% Interest in the Thailand Joint Venture for Concession L53
 - Average oil sales of 238 BOPD during the second quarter of 2016 and generated \$0.5 million in funds flow from operations of \$24.73 per barrel. This compares with 269 BOPD in the first quarter of 2016 (a 12% decrease) and \$13.71 per barrel in the first quarter from operations (an 80% increase). The average realized sales price per barrel increased from \$37.07 in the first quarter of 2016 to \$46.74 in the second quarter of 2016.
 - Per barrel amounts during the second quarter of 2016 were a realized price for oil sales of \$46.74, transportation expenses of \$1.52, operating expenses of \$10.06, general and administrative expenses of \$8.31 and a 5% royalty to the Thailand government of \$2.31. Oil sales revenue during this period was allocated 42% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand for royalties, and 53% to the Thailand Joint Venture. No Thailand petroleum income taxes or Special Remuneratory Benefit tax was recorded during the quarter.
 - Oil sales in July 2016 at Concession L53, net to Pan Orient's 50.01% interest, were 214 BOPD.
 - The original nine year exploration period for Concession L53 expired in January 2016. The Government of Thailand applied for a 215.87 square kilometer "reserved area" with the payment of an annual surface reservation fee of \$0.8 million (\$0.4 million net to Pan Orient's 50.01% ownership interest) for up to five years. This surface reservation fee is reimbursable through project program expenditures and the reserved area encompasses all of the remaining prospects defined within Concession L53 based on full coverage 3D seismic data.
- Indonesia
 - Capital expenditures of \$0.4 million during the second quarter of 2016, and \$0.9 million for the first half of 2016, primarily related to capitalized G&A expenses at the Batu Gajah PSC.
 - Batu Gajah, Onshore Sumatra Indonesia (Pan Orient 77% ownership & Operator)
 - Preparations are currently underway towards tendering for services to be utilized in the drilling of the Akeh-2 deviated appraisal well in the fourth quarter of 2016 from the existing Akeh-1 well pad.
 - The Batu Gajah PSC 10 year exploration phase expires in January of 2017 and the Company submitted an application in July 2016 to request an additional exploration period to allow the time required to finish drilling and analysis of the appraisal well, apply for "Release from Exploration Status" and move forward to prepare a Plan of Development to determine the likelihood of the commerciality of the Akeh-1 discovery. The Government of Indonesia will determine in its discretion if an extension is to be granted, and the length of any extension which may be granted.
 - Sawn Lake Alberta Heavy Oil (Operated by Andora, in which Pan Orient has a 71.8% ownership)
 - The demonstration project has proven that the SAGD process works in the Bluesky formation at Sawn Lake, established the characteristics of ramp up through stabilization of SAGD performance, indicated the productive capability and ISOR, and provided critical information required for well and facility design associated with future commercial development. Productivity results to date are not necessarily indicative of long-term performance or of ultimate recovery and the Sawn Lake demonstration project has not yet proven that it is commercially viable.
 - An application for a potential expansion at the demonstration project site to 3,200 BOPD has been submitted. It is expected that a reactivation of the demonstration project facility and wellpair would be considered as part of a potential commercial expansion to 3,200 BOPD. An expansion is dependent on regulatory approval, completion of detailed engineering and a higher commodity price environment to support project economics and financing.
 - Capital expenditures for the Sawn Lake demonstration project during the second quarter of 2016 were \$0.5 million, and \$0.9 million for the first half of 2016. Capital expenditures related to suspension of demonstration project operations at the end of February 2016, costs associated with filing the application for potential commercial expansion at the demonstration project and capitalization of expenses and revenues of the demonstration project and capitalized G&A. Andora capitalized \$0.9 million for demonstration project expenses less revenues in first half of 2016.

OUTLOOK

INDONESIA

Batu Gajah, Onshore Sumatra Indonesia (Pan Orient 77% ownership & Operator)

The Company is preparing to drill the Akeh-2 appraisal well in the fourth quarter of 2016 and is working through the process with the Government of Indonesia related to the application for extension of the exploration period for the Batu Gajah PSC.

There have been discussions with a number of parties since December 2015 seeking a partner in the Batu Gajah PSC and these discussions are currently on hold pending further information regarding a decision by the Government of Indonesia to grant an extension to the PSC.

East Jabung PSC, Onshore Sumatra Indonesia (Pan Orient 49% ownership & Non Operator)

Pan Orient looks forward to the planned drilling of the first East Jabung exploration well at the Anggun prospect in the fourth quarter of 2016. The Anggun prospect is a relatively shallow, onshore, potentially high impact target adjacent to existing infrastructure and possesses some of the best fiscal terms in Indonesia. Success at Anggun would have the potential to materially transform Pan Orient within a framework of manageable appraisal and development costs and in the context of Pan Orient's available financial resources. As future timing and activity information is provided by the operator, Pan Orient will provide timely updates to its shareholders.

THAILAND

Concession L53 Onshore (Pan Orient Energy (Siam) Ltd., in which Pan Orient has 50.01% ownership)

Oil production at onshore Concession L53 benefits from having a low cost structure, as demonstrated during the first half of 2016 when the Brent reference price for crude oil averaged US\$39.14 per barrel.

The remaining 2016 Thailand capital program is scheduled to include an exploration well at the "A" North East prospect and four workovers (including new zone testing at L53-B). A second exploration well before the end of 2016 may be added to the program.

CANADA

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

Pan Orient is pleased with the results of the Sawn Lake SAGD demonstration project and is moving forward with steps which allow for future development at Sawn Lake. The Sawn Lake reservoir model and contingent resources report are being updated to incorporate the results of the demonstration project and the application for a potential commercial expansion at the demonstration project site was submitted at the end of April. It is recognized that higher crude oil prices, and specifically higher Western Canada Select reference prices, will be required for future development.

Corporate

Pan Orient continues to focus on and move towards demonstrating the value of its exploration portfolio in Indonesia, Thailand and Canada. Pan Orient maintains a strong financial position allowing us to conduct key exploration activities and ensure financial flexibility.

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

This news release contains forward-looking information. Forward-looking information is generally identifiable by the terminology used, such as "expect", "believe", "estimate", "should", "anticipate" and "potential" or other similar wording. Forward-looking information in this news release includes, but is not limited to, references to: renewal, extension or termination of oil concessions and production sharing contracts; other regulatory approvals; well drilling programs and drilling plans; estimates of reserves and potentially recoverable resources, information on future production and project start-ups, and negotiation, agreement, closing and financing and other terms of farmout and other transactions; potential purchases of common shares under the normal course issuer bid; and sufficiency of financial resources. By their very nature, the forward-looking statements contained in this news release require Pan Orient and its management to make assumptions that may not materialize or that may not be accurate. The forward-looking information contained in this news release is subject to known and unknown risks and uncertainties and other factors, which could cause actual results, expectations, achievements or performance to differ materially, including without limitation: imprecision of reserves estimates and estimates of recoverable quantities of oil, changes in project schedules, operating and reservoir performance, the effects of weather and climate change, the results of exploration

and development drilling and related activities, demand for oil and gas, commercial negotiations, other technical and economic factors or revisions and other factors, many of which are beyond the control of Pan Orient. Although Pan Orient believes that the expectations reflected in its forward-looking statements are reasonable, it can give no assurances that the expectations of any forward-looking statements will prove to be correct.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Financial and Operating Summary

(thousands of Canadian dollars except where indicated)

FINANCIAL

Financial Statement Results - Excluding 50% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 1)

Net income (loss) attributed to common shareholders	(1
Per share - basic and diluted	\$
Cash flow from (used in) operating activities (Note 2)	2,
Per share - basic and diluted	\$
Cash flow from (used in) investing activities (Note 2)	(2
Per share - basic and diluted	\$
Working capital	46
Working capital & non-current deposits	51
Long-term debt	-
Shares outstanding (thousands)	54
Capital Commitments (Note 3)	2,
Contingencies (Note 4)	
Working Capital and Non-current Deposits	
Beginning of period	53
Corporate funds flow used in operations (Note 5)	(1
Special Distribution (Note 6)	-
Funds flow from sale of Thailand interest	-
Working capital and non-current deposits derecognized on sale of Thailand interest and recorded in Investment in Joint Venture	
Consolidated capital expenditures (Note 7)	(8
Amounts advanced (to) from Thailand Joint Venture	87
Disposal of petroleum and natural gas assets (Note 8)	-
Normal course issuer bid	-
Foreign operations - unrealized foreign exchange impact	6
End of period	51
Economic Results - Including 50% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 9)	
Corporate funds flow used in operations (Note 5)	(7
Per share - basic and diluted	\$
Corporate funds flow used in operations by region (Note 5)	
Canada (Note 10)	(3
Thailand - 100% to February 1, 2015 (Note 1 & 11)	(6
Indonesia	(9
Funds flow used in consolidated operations	(1
Share of Thailand Joint Venture (Note 9)	54
Total corporate funds flow used in operations	(7
Funds flow from sale of Thailand interest	-
Petroleum and natural gas properties	
Capital expenditures (Note 7)	84
Disposition (Note 8)	-
Capital Expenditures (Note 7)	
Canada (Note 10)	48
Thailand - 100% to February 1, 2015 (Note 1)	-
Indonesia	35
Consolidated capital expenditures	83
Share of Thailand Joint Venture capital expenditures	7
Total capital expenditures	84
Investment in Thailand Joint Venture	

Beginning of period	33
Investment retained on sale of Thailand interest	-
Net loss from Joint Venture	(3)
Other comprehensive loss from Joint Venture	(3)
Amounts advanced to (from) Joint Venture	(8)
End of period	32
	Th
	Ju
<i>(thousands of Canadian dollars except where indicated)</i>	20
Thailand Operations	
Economic Results - Including 50.01% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 9)	
Oil sales (bbls)	21
Average daily oil sales (BOPD) by Concession L53	23
Average oil sales price, before transportation (CDN\$/bbl)	\$
Reference Price (volume weighted) and differential	
Crude oil (Brent \$US/bbl)	\$
Exchange Rate \$US/\$Cdn	1.
Crude oil (Brent \$Cdn/bbl)	\$
Sale price / Brent reference price	79
Funds flow from (used in) operations (Note 5)	
Crude oil sales	1,
Government royalty	(5)
Transportation expense	(3)
Operating expense	(2)
Field netback	71
General and administrative expense (Note 12)	(1)
Interest income	5
Foreign exchange loss	-
Current income tax expense	(1)
Thailand - Funds flow from operations	53
Funds flow from (used in) operations / barrel (CDN\$/bbl) (Note 5)	
Crude oil sales	\$
Government royalty	(2)
Transportation expense	(1)
Operating expense	(1)
Field netback	\$
General and administrative expense (Note 12)	(8)
Interest Income	0.
Foreign exchange loss	-
Current income tax expense	(0)
Thailand - Funds flow from operations	\$
Government royalty as percentage of crude oil sales	5%
Income tax & SRB as percentage of crude oil sales	-
As percentage of crude oil sales	
Expenses - transportation, operating, G&A and other	42
Government royalty, SRB and income tax	5%
Funds flow from operations, before interest income	53
Wells drilled	
Gross	-
Net	-
Financial Statement Presentation Results - Excluding 50.01% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 1)	
Crude oil sales	-
Government royalty	-
Transportation expense	-
Operating expense	-
Field netback	-
General and administrative expense (Note 11 & 12)	(6)

Interest income	-
Foreign exchange loss	-
Funds flow from (used in) consolidated operations	(6)
Fund Flow Included in Investment in Thailand Joint Venture	
Net loss from Thailand Joint Venture	(3)
Contact	
Add back non-cash items in net loss	93
Funds flow from Thailand Joint Venture	54
Pan Orient Energy Corp.	53
Thailand - Economic funds flow from operations (Note 9)	
Jeff Chisholm	
President and CEO (located in Bangkok, Thailand)	Th
Email: jeff@panorient.ca	Ju
Pan Orient Energy Corp.	20
Thousands of Canadian dollars except where indicated)	
Bill Ostlund	
Canada Operations (Note 10)	
Vice President Finance and CFO	
Telephone (408) 294-1770, Extension 233	30
General and administrative expenses (Note 12)	(6)
Foreign exchange gain (loss)	84
Current income tax recovery (expense)	17
Canada - Funds flow used in operations	(3)
Indonesia Operations	
General and administrative expense (Note 12)	(9)
Exploration expense (Note 13)	(8)
Realized foreign exchange gain (loss)	(6)
Current income tax expense	-
Indonesia - Funds flow used in operations	(9)

- (1) On February 2, 2015 the Company sold a 49.99% equity interest in its subsidiary Pan Orient Energy (Siam) Ltd. and retained a 50.01% equity interest in the company. The transaction resulted in Pan Orient Energy (Siam) Ltd. changing from a wholly-owned and controlled subsidiary to a joint arrangement where the Company shares joint control with the purchaser of the 49.99% equity interest. The resulting joint arrangement is classified as a Joint Venture under IFRS 11 and is required to be accounted for using the equity method of accounting rather than consolidated as it had previously been when Pan Orient Energy (Siam) Ltd. was a controlled subsidiary. The change in accounting from consolidation to the equity method has resulted in the accounts of Pan Orient Energy (Siam) Ltd. being derecognized from the consolidated financial statements and a net investment related to the portion of the interest retained being recognized at its estimated fair value upon initial recognition. Pan Orient's 50.01% equity interest in the assets, liabilities, working capital, operations and capital expenditures of Pan Orient Energy (Siam) Ltd. from February 2, 2015 forward are recorded in Investment in Thailand Joint Venture.
- (2) As set out in the Consolidated Statements of Cash Flows in the unaudited Consolidated Financial Statements of [Pan Orient Energy Corp.](#)
- (3) Refer to Commitments in Note 11 of the June 30, 2016 Notes to the Interim Condensed Consolidated Financial Statements and Note 11 of the June 30, 2015 Notes to the Interim Condensed Consolidated Financial Statements.
- (4) Refer to Contingencies in Note 12 of the June 30, 2016 Notes to the Interim Condensed Consolidated Financial Statements and Note 12 of the June 30, 2015 Notes to the Interim Condensed Consolidated Financial Statements.
- (5) Corporate funds flow from operations is cash flow from operating activities prior to changes in non-cash working capital and reclamation costs plus the corresponding amount from the Thailand operations which is recorded in Joint Venture for financial statement purposes. This measure is used by management to analyze operating performance and leverage. Funds flow as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures of other entities. Funds flow is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS.
- (6) On February 16, 2016, the Company paid a return of capital special distribution of \$0.40 per share to common shareholders.
- (7) Cost of capital expenditures, excluding decommissioning provision and the impact of changes in foreign exchange rates.
- (8) In 2016, the joint venture partners in Andora's Sawn Lake SAGD demonstration project purchased the SAGD reservoir data.
- (9) For the purpose of providing more meaningful economic results from operations for Thailand, and for comparison to previous period, the amounts presented consist of:
Company's share of Thailand funds flow from operation at 100% from January 1, 2015 to February 1, 2015 (being the beginning of the year to the last date before the equity interest was completed as discussed in note 1)
Company's share of Thailand funds flow from operating at 50.01% subsequent to February 2, 2015 (when the Company completed the equity sale transaction).
- (10) The Sawn Lake Demonstration Project in Alberta has not yet proven that it is commercially viable and all related costs and revenues are being capitalized as exploration and evaluation assets until commercial viability is achieved.
- (11) The small amount of G&A shown in 2016 for Thailand operations relates to G&A of the consolidated holding company of Pan Orient Energy (Siam) Ltd.
- (12) General & administrative expenses, excluding non-cash accretion on decommissioning provision and stock-based payments.
- (13) Exploration expense relates to exploration costs associated with the Citarum and South CPP PSCs in Indonesia.
- (14) Tables may not add due to rounding.