

# Pan Orient Energy Corp.: 2014 First Quarter Financial & Operating Results

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CALGARY, ALBERTA--(Marketwired - May 28, 2014) - [Pan Orient Energy Corp.](#) ("Pan Orient") (TSX VENTURE:POE) reports its 2014 first 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 net to Pan Orient.*

The Corporation is today filing its unaudited consolidated financial statements as at and for the three months ended March 31, 2014 and related management's discussion and analysis with Canadian securities regulatory authorities. Copies of these documents may be obtained online at [www.sedar.com](http://www.sedar.com) or the Corporation's website, [www.panorient.ca](http://www.panorient.ca).

Commenting today on Pan Orient's first quarter 2014 results, President and CEO Jeff Chisholm stated: "The first quarter of 2014 and subsequent period have seen positive results and significant progress made across all three of Pan Orient's operating regions. Of particular note, a significant milestone was achieved with first steam injection at the Sawn Lake steam assisted gravity drainage ("SAGD") demonstration project. With regard to recent political events in Thailand, we have not experienced any impact to our current operations and do not anticipate any impact on our planned future operations."

## Highlights

- First Steam injection commenced at the Sawn Lake, Canada, SAGD demonstration project.
- Thailand Concession L53 production is currently 996 BOPD after successfully perforating a new zone at the L53-D2ST3 well.
- Preparations were completed towards a planned Thailand three well drilling program in Concession L53 which is anticipated to commence in July 2014.
- Significant progress on the soon to be concluded farm-out of a 49% interest in the East Jabung PSC in Indonesia.

## 2014 FIRST QUARTER OPERATING RESULTS

- For the first quarter of 2014, the Company recorded total corporate funds flow from operations of \$4.4 million (\$0.08 per share) and a net loss attributable to common shareholders of \$0.2 million (\$0.00 loss per share).
- At March 31, 2014 Pan Orient had \$44.0 million of working capital and non-current deposits, and no long-term debt. In addition, Pan Orient had \$7.5 million of equipment inventory to be utilized for future Thailand and Indonesia operations which is included in exploration and evaluation assets in the consolidated statement of financial position. Working capital and non-current deposits were comprised of \$35.7 million cash, \$2.3 million of non-current deposits, \$12.9 million of Canadian taxes receivable and other receivables of \$6.4 million and less payables of \$13.3 million.
- Capital expenditures were \$11.0 million in the first quarter of 2014, with \$4.3 million in Indonesia, \$2.6 million in Thailand and \$4.1 million in Canada at the Sawn Lake SAGD demonstration project of Andora Energy Corporation ("Andora"), which is owned 71.8% by Pan Orient and consolidated with Pan Orient for reporting purposes. Capital expenditures were funded partially by the \$4.4 million of funds flow from operations, \$2.7 million from a joint venture partner repurchasing a gross overriding royalty interest at Sawn Lake as part of an overall agreement entered into in 2013 for the advancement of the Sawn Lake demonstration project and the remaining \$3.9 million through existing working capital.

- At March 31, 2014 Pan Orient had outstanding capital commitments of \$130,000 in Thailand associated with Concession L53, \$9.1 million in Indonesia associated with the East Jabung production sharing contract ("PSC"), and \$665,000 in Canada with respect to outstanding purchase orders and natural gas pipeline tie-in and tariff charges associated with the Sawn Lake SAGD demonstration project of Andora.
- Thailand
  - Concession L53 averaged oil sales of 712 BOPD during the quarter and generated \$5.0 million in after tax funds flow from operations, or \$77.69 per barrel. This compares with oil sales in fourth quarter of 2013 of 963 BOPD and \$6.3 million in after tax funds flow from operations, or \$70.79 per barrel. The reference price of Brent crude oil in Canadian dollars and the realized oil price increased by 5% during the first quarter of 2014. Concession L53 oil sales in the first quarter of 2014 decreased 26% from the fourth quarter of 2013 primarily due to the L53-G field being shut-in until the L53-G field production environmental impact assessment ("EIA") was approved by the Government of Thailand on February 19, 2014 (decline of 184 BOPD) and a 99 BOPD production decline at L53-D field, partially offset by an increase of 11 BOPD at the L53-A field resulting from a workover.
  - Oil sales in April 2014 at Concession L53 were 743 BOPD and production is currently 996 BOPD after recently perforating a new reservoir zone at the L53-D2ST3 well.
  - On a per barrel basis, first quarter 2014 after tax funds flow from operations of \$77.69 resulted from oil sales of \$105.28, transportation expenses of \$1.62, operating expenses of \$16.19, general and administrative expenses of \$4.66 and a royalty to the Thailand government of \$5.13. Oil sales revenue during this period was allocated 21% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand for royalties, and 74% to Pan Orient. No Thailand petroleum income taxes or Special Remuneratory Benefit tax was recorded during the quarter.
  - The L53-A Central exploration well drilled during the first quarter of 2014 failed to encounter commercial hydrocarbons and was abandoned.
  - Capital expenditures of \$2.6 million in Thailand during the first quarter of 2014 in Concession L53 included \$1.8 million for the L53A-Central exploration well, \$0.3 million for equipment inventory, \$0.1 million for capitalized general and administrative expenses and \$0.4 million for other capital expenditures.
  - Thailand Concession L45 expired on April 27, 2014 and \$0.5 million has been accrued for expected unfulfilled commitments that will be payable to the Government of Thailand.
- Indonesia
  - Capital expenditures in Indonesia of \$4.3 million with \$4.0 million at the East Jabung PSC related primarily to the 440 kilometer 2D seismic program, \$0.2 million at the Batu Gajah PSC related to capitalized general and administrative expenses, and \$0.1 million for equipment inventory.
- Canada
  - Capital expenditures for the Sawn Lake demonstration project during the first quarter of 2014 were \$4.1 million relating to the construction of the SAGD facility for steam generation, water handling and oil treating, and for final installation of the water source and disposal facilities.

## OUTLOOK

- Thailand

- The Company is waiting for EIA approval for several locations, and which include the L53A-North prospect in the northeastern portion of Concession L53. Approval for these locations is now expected in the July to August 2014 time frame.
- Thailand drilling plans for the remainder of 2014 include two appraisal wells to be drilled at the L53-D East field in mid July 2014 and an exploration well at the L53A-North prospect once EIA approval is received. One of the appraisal wells to be drilled at the L53-D East field will be targeting an undrilled fault compartment where a portion of the 2013 year-end downward reserve revision was the result of a reclassification of reserves to prospective resourced based on new seismic mapping integrated with the wells drilled in 2013.

- Indonesia

- The Indonesian farm-out process is continuing as Pan Orient seeks partners for exploration drilling through farm-out arrangements at the Batu Gajah, East Jabung and Citarum PSCs.
- The Company has received and evaluated farm-in proposals for the East Jabung PSC and is currently negotiating the farm-in and joint operating agreements. The timing of an exploration well at East Jabung targeting the Anggun prospect will be directly dependent upon the timing of the intended farm-out and the completion of the road access to this remote well site. The Anggun prospect is interpreted as having a maximum structural closure of approximately 85 to 100 square km at three primary target levels.
- Discussions are continuing with potential farm-in partners for the Batu Gajah and Citarum PSCs.
- At the East Jabung PSC, the last portion of an approximately 440 km 2D seismic program over the North lead has been completed. Processing and interpretation of this data is expected to be completed in July 2014.
- At the Batu Gajah PSC, Pan Orient is currently in discussions with the Indonesian oil and gas regulator relating to unitization of the potential new field in the adjacent Lemang PSC, and is working towards the drilling of a well in the area in 2014 / 2015. Under an agreement with the operator of the Lemang PSC, Pan Orient has the rights to the portion of a recently acquired 3D seismic survey over the Selong-1 discovery that extended into POE's adjacent Batu Gajah PSC. Once received, this data will be used to optimally locate an appraisal well within Pan Orient's acreage.

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

- Andora has a 50% working interest in the Sawn Lake SAGD demonstration, and is the operator. For Phase 1 of the SAGD demonstration project, one SAGD well pair was drilled in the fourth quarter of 2013 to a depth of 650 meters and have a horizontal length of 780 meters, and construction of the SAGD facility for steam generation, water handling and oil treating has been completed in 2014. Steam injection at the Sawn Lake SAGD demonstration project commenced on May 21, 2014. After three months of steam injection, bitumen production is anticipated in approximately August 2014.
- Depending on results of the first SAGD well pair in Phase 1, Andora will proceed with Phase 2 of the demonstration project. The second phase would include the drilling of two additional SAGD well pairs and the associated expansion of the SAGD facility.

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

*This news release contains forward-looking information. Forward-looking information is generally identifiable by the terminology used, such as "expect", "believe", "estimate", "should", "anticipate" and "potential" or other similar wording. Forward-looking information in this news release includes, but is not limited to, references to: well drilling programs and drilling plans, estimates of reserves and potentially recoverable resources, and information on future production and project start-ups. By their very nature, the forward-looking statements contained in this news release require Pan Orient and its management to make assumptions that may not materialize or that may not be accurate. The forward-looking information contained*

*in this news release is subject to known and unknown risks and uncertainties and other factors, which could cause actual results, expectations, achievements or performance to differ materially, including without limitation: imprecision of reserve estimates and estimates of recoverable quantities of oil, changes in project schedules, operating and reservoir performance, the effects of weather and climate change, the results of exploration and development drilling and related activities, demand for oil and gas, commercial negotiations, other technical and economic factors or revisions and other factors, many of which are beyond the control of Pan Orient. Although Pan Orient believes that the expectations reflected in its forward-looking statements are reasonable, it can give no assurances that the expectations of any forward-looking statements will prove to be correct.*

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 <i>(thousands of Canadian dollars except where indicated)</i>	Three Months Ended March 31,		
	2014	2013	Change
<b>FINANCIAL</b>			
Oil revenue, before royalties and transportation expense	6,750	7,444	-9%
Funds flow from operations (Note 1)	4,367	5,664	-23%
Per share - basic and diluted	\$ 0.08	\$ 0.10	-23%
Funds flow from (used in) operations by region (Note 1)			
Canada	100	(123)	-181%
Thailand	4,981	5,860	-15%
Indonesia	(714)	(73)	878%
Total	4,367	5,664	-23%
Net income (loss) attributed to common shareholders	(185)	341	-154%
Per share - basic and diluted	\$ (0.00)	\$ 0.01	-119%
Working capital	41,699	85,215	-51%
Working capital & non-current deposits	44,040	87,442	-50%
Long-term debt	-	-	0%
Petroleum and natural gas properties			
Capital expenditures (Note 2)	11,010	34,509	-68%
Capital disposals (Note 3)	(2,698)	-	100%
Shares outstanding (thousands)	56,760	56,760	0%
<b>Funds Flow from (Used In) Operations per Barrel (Note 1)</b>			
Canada operations	\$ 1.56	\$ (1.67)	-193%
Thailand operations	77.69	79.55	-2%
Indonesia operations	(11.14)	(0.99)	1025%
Total	\$ 68.11	\$ 76.89	-11%
<b>Capital Expenditures (Note 2)</b>			
Canada	4,146	2,224	86%
Thailand	2,554	13,793	-81%
Indonesia	4,310	18,492	-77%
Total	11,010	34,509	-68%
<b>Working Capital and Non-current Deposits</b>			
Beginning of period	47,889	116,376	-59%
Funds flow from operations (Note 1)	4,367	5,664	-23%
Capital expenditures (Note 2)	(11,010)	(34,509)	-68%
Disposal of petroleum and natural gas assets (Note 3)	2,698	-	100%
Foreign exchange impact on working capital	96	(219)	-144%
Net proceeds on share transactions	-	130	-100%
End of period	44,040	87,442	-50%
<b>Canada Operations</b>			
Interest income	88	305	-71%
General and administrative expense (Note 4)	(547)	(430)	27%
Current income tax recovery	-	82	-100%
Realized foreign exchange gain (loss)	559	(80)	-799%
Funds flow from (used in) operations (Note 1)	100	(123)	-181%
Funds flow from (used in) operations per barrel			
Interest income	\$ 1.37	\$ 4.14	-67%
General and administrative expense (Note 4)	(8.53)	(5.84)	46%
Current income tax recovery	-	1.11	-100%
Realized foreign exchange gain (loss)	8.72	(1.08)	-907%

Canada - Funds flow (used in) from operations	\$	1.56	\$	(1.67)	-193%
Indonesia Operations					
General and administrative expense (Note 4)		(297)		(75)	296%
Exploration expense (Note 5)		(309)		-	100%
Realized foreign exchange (loss) gain		(108)		2	5500%
Indonesia - Funds flow (used in) operations		(714)		(73)	878%
Wells drilled					
Gross		-		2	-100%
Net		-		2.0	-100%

Financial and Operating Summary (continued) (thousands of Canadian dollars except where indicated)	Three Months Ended March 31,			Change
	2014	2013		
Thailand Operations				
Oil sales (bbls)	64,117	73,666		-13%
Average daily oil sales (BOPD) by Concession L53	712	819		-13%
Average oil sales price, before transportation (CDN\$/bbl)	\$ 105.28	\$ 101.05		4%
Reference Price (volume weighted) and differential				
Crude oil (Brent \$US/bbl)	\$ 108.07	\$ 112.17		-4%
Exchange Rate \$US/\$Cdn	1.12	1.02		10%
Crude oil (Brent \$Cdn/bbl)	\$ 120.93	\$ 114.23		6%
Sale price / Brent reference price	87%	88%		-1%
Funds flow from operations (Note 1)				
Crude oil sales	6,750	7,444		-9%
Government royalty	(329)	(359)		-8%
Transportation expense	(104)	(111)		-6%
Operating expense	(1,038)	(752)		38%
Field netback	5,279	6,222		-15%
General and administrative expense (Note 4)	(299)	(364)		-18%
Interest income	2	3		-33%
Current income tax	(1)	(1)		0%
Thailand - Funds flow from operations (Note 1)	4,981	5,860		-15%
Funds flow from operations / barrel (CDN\$/bbl) (Note 1)				
Crude oil sales	\$ 105.28	\$ 101.05		4%
Government royalty	(5.13)	(4.87)		5%
Transportation expense	(1.62)	(1.51)		7%
Operating expense	(16.19)	(10.21)		59%
Field netback	82.34	84.46		-3%
General and administrative expense (Note 4)	(4.66)	(4.94)		-6%
Interest Income	0.03	0.04		-25%
Current income tax	(0.02)	(0.01)		100%
Thailand - Funds flow from operations (Note 1)	\$ 77.69	\$ 79.55		-2%
Government royalty as percentage of crude oil sales				
	5%	5%		0%
Income tax as percentage of crude oil sales				
	0%	0%		0%
As percentage of crude oil sales				
Expenses - transportation, operating and G&A	21%	16%		30%
Government royalty and income tax	5%	5%		0%
Funds flow from operations, before interest income	74%	79%		-6%
Wells drilled				
Gross	1	6		-83%
Net	1.0	6.0		-83%

- (1) Funds flow from operations ("funds flow" after tax and before changes in non-cash working capital and reclamation costs) 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.
- (2) Cost of capital expenditures, excluding any decommissioning provision and excluding the impact of changes in foreign exchange rates.
- (3) In March 2014, joint venture partner in Andora's Sawn Lake SAGD demonstration project repurchased the 3% gross overriding royalty on a portion of the non-owned working interests in 12 sections of the Central Block and 24.5 sections of the North Block for \$2.7 million.
- (4) General & administrative expenses, excluding non-cash accretion on decommissioning provision and stock-based payments.

- (5) Exploration expense relates to exploration costs associated with the Citarum and South CPP PSCs that are no longer being capitalized.
- (6) Tables may not add due to rounding.

To view the figure associated with this press release, please visit the following link:  
<http://media3.marketwire.com/docs/pano0527.pdf>

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