

Pan Orient Energy Corp.: 2018 Second Quarter Financial & Operating Results

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CALGARY, Aug. 15, 2018 - [Pan Orient Energy Corp.](#) (“Pan Orient” or the “Company”) (POE – TSXV) reports 2018 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, 2018 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 2018 second quarter results, President and CEO Jeff Chisholm stated: “Oil prices continued strong throughout the quarter and construction has commenced on the DD exploration well location in onshore Thailand Concession L53 targeting drilling in late Q3 to early Q4 2018. In addition, we received the environmental impact assessment approval on July 17th for the L53-B production license with production anticipated to commence in late August to early September upon completion of a planned four well workover program that includes the existing L53-B well. As part of the drilling program for the DD exploration well referenced above, an L53-B appraisal well will also be drilled from the existing L53-B well pad. In Indonesia, based on information provided by the operator on August 7, 2018, progress has been frustratingly slow towards the approval required for the land fill quarry that is required prior to commencing construction of the Anggun-1X access road and wellsite. While this approval is expected at any time, we are currently delayed approximately five months from the originally laid out timeline which will likely see drilling now pushed into Q1 2019. Various options that would reduce the originally planned construction timeline and hasten the drilling of the well are being reviewed and considered by the joint venture. A more specific timeline will be provided by the operator upon receipt of the land fill quarry approval and this will be communicated to Pan Orient shareholders. The operator remains firmly committed to the drilling of the Anggun-1X well in the most timely and expedient manner possible, this delay is not unlike those experienced by Pan Orient in the past, specifically regarding these sorts of permit issues. We continue to support the operator in whatever manner required. Rest assured we share the same frustrations with our many long term shareholders, with this delay.”

HIGHLIGHTS FOR THE FIRST HALF OF 2018

- For the Anggun-1X exploration well at the East Jabung Production Sharing Contract (“PSC”) in Indonesia, where Pan Orient is non-operator with a 49% ownership interest, the operator is working to obtain the final permit required to start construction of the 7.6 kilometer road. Upon receipt of the final permit, road construction will commence immediately and the timeline for drilling will be finalized.
- Oil sales, net to Pan Orient’s 50.01% equity interest in the Thailand Joint Venture, were 209 BOPD in the first half of 2018, with Thailand funds flow from operations of \$1.9 million (\$51.24 per barrel). Oil sales increased 29% in the second quarter to 235 BOPD compared with 182 BOPD in the first quarter of 2018 as a result of the first phase of a multi-well workover program. The second phase of the multi-well workover program is starting in late-August.
- At the Thailand Joint Venture (where Pan Orient’s has a 50.01% equity interest) the L53-B Environmental Impact Assessment (“EIA”) was approved on July 17, 2018 for the 1.96 square kilometers production license and the existing L53-B well will be placed back on production in late August to early September upon completion of workover operations. The drilling of an L53B appraisal well and the L53 DD exploration well is expected to commence late in the third quarter or early in the fourth quarter.
- Total corporate funds flow from operations in the first half of 2018 was \$2.1 million, including Pan Orient’s 50.01% equity interest in the Thailand Joint Venture, and the net loss attributable to common shareholders was \$0.5 million (\$0.01 loss per share).

- Pan Orient maintains a strong financial position for planned exploration activities at the East Jabung PSC in Indonesia with working capital and non-current deposits at June 30, 2018 of \$35.0 million and no long-term debt. For Concession L53 in Thailand there is \$6.3 million of working capital and non-current deposits related to Pan Orient's 50.01% equity interest in the Thailand Joint Venture to fund exploration and development activities.

2018 SECOND QUARTER OPERATING RESULTS

- Net loss attributable to common shareholders for the second quarter of 2018 of \$0.2 million (\$0.00 loss per share) compared with \$0.3 million (\$0.01 loss per share) in the first quarter of 2018 and \$1.2 million (\$0.02 loss per share) in the second quarter of 2017.
- For the second quarter of 2018, the Company recorded total corporate funds flow from operations, which includes the economic results of the 50.01% interest in the Thailand joint venture, of \$1.3 million (\$0.02 per share) compared with \$0.8 million (\$0.01 per share) first quarter of 2018.
- Pan Orient had capital expenditures of \$1.8 million in the second quarter of 2018, with \$1.5 million in Indonesia primarily associated with the Anggun-1X exploration well and \$0.3 million in Canada at the Sawn Lake SAGD property of Pan Orient's 71.8% subsidiary Andora Energy Corporation (“Andora”). In addition, Pan Orient's share of Thailand joint venture capital expenditures was \$0.2 million for workover activity, which was recorded in Investment in Thailand Joint Venture.
- At June 30, 2018 Pan Orient had \$35.0 million of working capital and non-current deposits. Working capital and non-current deposits were comprised of \$32.3 million cash, \$4.1 million of Indonesian and Canadian accounts and taxes receivable, \$0.7 million of non-current deposits, and less accounts payable of \$2.1 million. In addition to this, Pan Orient's Investment in Thailand Joint Venture has \$6.3 million of working capital and non-current deposits and \$2.0 million of equipment inventory to be utilized for future Thailand Joint Venture operations.
- Results net to Pan Orient's 50.01% interest in the Thailand Joint Venture for Concession L53 — Average oil sales of 235 BOPD during the second quarter of 2018 and generated \$1.2 million in funds flow from operations, or \$57.97 per barrel. This compares with 182 BOPD in the first quarter of 2018 and \$54.24 per barrel in funds flow from operations. The average realized sales price per barrel increased 15% from \$75.50 in the first quarter of 2018 to \$86.74 in the second quarter of 2018. — Per barrel amounts during the second quarter of 2018 were a realized price for oil sales of \$86.74, transportation expenses of \$1.87, operating expenses of \$13.47, general and administrative expenses of \$9.92 and a 5% royalty to the Thailand government of \$4.30. Oil sales revenue during this period was allocated 28% to expenses for transportation, operating, general & administrative and other, 5% to the government of Thailand for royalties, and 67% to the Thailand Joint Venture. No Thailand petroleum income taxes or Special Remuneratory Benefit tax were recorded during the quarter.

OUTLOOK

INDONESIA

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

The Anggun-1X exploration well is primarily targeting the Gumai sandstone level at a location 4.6 kilometers northwest and 80 meters structurally up-dip of the AYU-1X exploration well which was drilled in 2017. The estimated dry hole cost is US\$15.4 million (with Pan Orient's 49% share US\$7.55 million). On August 7, 2018, Pan Orient was informed by the operator that progress has been frustratingly slow towards the approval required for the land fill quarry that is required prior to commencing construction of the Anggun-1X access road and wellsite. While this approval is expected at any time, we are currently delayed approximately five months from the originally laid out timeline which will likely see drilling now pushed into Q1 2019. Various options that would reduce the originally planned construction timeline and hasten the drilling of the well are being reviewed and considered by the joint venture. A more specific timeline will be provided by the operator upon receipt of the land fill quarry approval.

THAILAND

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

Concession L53 continues to benefit from strong world crude oil prices and the effectiveness of earlier workover programs. In addition, a four well workover program will commence in late August 2018. The existing L53-B well is being placed back on production as part of the planned workover program now that the production EIA has been approved. Drilling of an L53B appraisal well and the L53 DD exploration well is expected to commence late in the third quarter or early in the fourth quarter. Concession L53 continues to generate funds flow from operations as a low cost operation and limited capital expenditures

CANADA

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

Pan Orient continues to work with joint venture partners to move forward towards potential commercial expansion to 3200 BOPD at the Sawn Lake, Alberta steam assisted gravity drainage ("SAGD") project (in which Andora has a 50% working interest and is the operator) using Andora's proprietary Produced Water Boiler. It is recognized that stable heavy oil prices will have a significant impact on any decision by the Sawn Lake partners regarding the timing and extent of future development, and the ability to finance the project.

Corporate

Pan Orient maintains a strong cash balance, denominated mainly in United States dollar deposits, to conduct key exploration and development activities and ensure financial flexibility. Pan Orient continually reviews its exploration and development asset portfolio in Indonesia, Thailand and Canada with the aim of maximizing corporate value and achieving the best allocation of resources.

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.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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Financial and Operating Summary	Three Months Ended		Six Months	
	June 30,	June 30,	June 30,	June 30,
<i>(thousands of Canadian dollars except where indicated)</i>	2018	2017	2018	2017
FINANCIAL				
Financial Statement Results & Excluding 50.01% Interest in Thailand Joint Venture (Note 1)				
Net income (loss) attributed to common shareholders	(151)	(1,224)	(489)	(2,000)
Per share & basic and diluted	\$ (0.00)	\$ (0.02)	\$ (0.01)	\$ (0.02)
Cash flow from (used in) operating activities (Note 2)	2,547	(1,586)	(2,123)	(3,000)
Per share & basic and diluted	\$ 0.05	\$ (0.03)	\$ (0.04)	\$ (0.05)
Cash flow from (used in) investing activities (Note 2)	(2,635)	(636)	(4,208)	(3,000)
Per share & basic and diluted	\$ (0.05)	\$ (0.01)	\$ (0.08)	\$ (0.05)
Working capital	34,305	41,258	34,305	41,258
Working capital & non-current deposits	34,992	45,908	34,992	45,908
Long-term debt	-	-	-	-
Shares outstanding (thousands)	54,900	54,900	54,900	54,900

Government royalty	(92)	(77)	(152)	(148)	3%
Transportation expense	(40)	(41)	(68)	(76)	-11%
Operating expense	(288)	(257)	(548)	(494)	11%
Field netback	1,434	1,193	2,322	2,292	1%
General and administrative expense (Note 9)	(212)	(190)	(406)	(392)	4%
Interest income	16	7	16	7	129%
Foreign exchange gain	1	2	2	3	-33%
Thailand - Funds flow from operations	1,239	1,012	1,934	1,910	1%
Funds flow from (used in) operations / barrel (CDN\$/bbl) (Note 4)					
Crude oil sales	\$ 86.74	\$ 62.78	\$ 81.87	\$ 64.06	28%
Government royalty	(4.30)	(3.08)	(4.03)	(3.15)	28%
Transportation expense	(1.87)	(1.64)	(1.80)	(1.62)	11%
Operating expense	(13.47)	(10.29)	(14.52)	(10.51)	38%
Field netback	\$ 67.09	\$ 47.77	\$ 61.52	\$ 48.78	26%
General and administrative expense (Note 9)	(9.92)	(7.61)	(10.76)	(8.34)	29%
Interest Income	0.75	0.28	0.42	0.15	183%
Foreign exchange gain	0.05	0.08	0.05	0.06	-12%
Thailand - Funds flow from operations	\$ 57.97	\$ 40.52	\$ 51.24	\$ 40.65	26%
Government royalty as percentage of crude oil sales	5%	5%	5%	5%	0%
Income tax & SRB as percentage of crude oil sales	-	-	-	-	0%
As percentage of crude oil sales					
Expenses - transportation, operating, G&A and other	28%	31%	32%	32%	0%
Government royalty, SRB and income tax	5%	5%	5%	5%	0%
Funds flow from operations, before interest income	67%	64%	63%	63%	0%
Financial Statement Presentation					
Results & Excl. 50.01% Interest in Thailand Joint Venture (Note 1)					
General and administrative expense (Note 9)	(2)	(7)	(15)	(22)	-32%
Funds flow used in consolidated operations	(2)	(7)	(15)	(22)	-32%
Funds flow included in Investment in Thailand Joint Venture					
Net loss from Thailand Joint Venture	(97)	(288)	(288)	(466)	-38%
Add back non-cash items in net loss	1,344	1,307	2,237	2,398	-7%
Funds flow from Thailand Joint Venture	1,247	1,019	1,949	1,932	1%
Thailand & Economic funds flow from operations (Note 7)	1,245	1,012	1,934	1,910	1%

<i>(thousands of Canadian dollars except where indicated)</i>	Three Months Ended		Six Months Ended		% Change
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	
Canada Operations (Note 8)					
Interest income	136	71	238	130	83%
General and administrative expenses (Note 9)	(507)	(537)	(1,021)	(1,097)	-7%
Realized and unrealized foreign exchange gain (loss)	439	(721)	1,095	(957)	-214%
Current income tax	-	-	-	148	-100%
Canada & Funds flow from (used in) operations	68	(1,187)	312	(1,776)	-118%
Indonesia Operations					
General and administrative expense (Note 9)	(32)	(76)	(102)	(575)	-82%
Exploration expense (Note 10)	(26)	-	(27)	(5)	440%
Realized foreign exchange gain (loss)	39	2	(5)	25	-120%
Indonesia & Funds flow used in operations	(19)	(74)	(134)	(555)	-76%

- Pan Orient holds a 50.01% equity interest in Pan Orient Energy (Siam) Ltd. as a joint arrangement where the Company shares joint control with the 49.99% equity interest holder. The resulting joint arrangement is
- (1) classified as a joint venture under IFRS 11 and is accounted for using the equity method of accounting where Pan Orient's 50.01% equity interest in the assets, liabilities, working capital, operations and capital expenditures of Pan Orient Energy (Siam) Ltd. 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, 2018 and June 30, 2017 Notes to the Interim Condensed Consolidated Financial Statements.
Total corporate funds flow from operations is cash flow from operating activities prior to changes in non-cash working capital, decommissioning expenditures and settlements, unrealized foreign exchange gain or loss 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.
 - (4) 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.
 - (5) Cost of capital expenditures, excluding decommissioning costs, the impact of changes in foreign exchange rates and capitalized stock-based compensation expense.
 - (6) In 2018, the Sawn Lake joint venture sold some inventory of pipe to outside third party.
 - (7) For the purpose of providing more meaningful economic results from operations for Thailand, the amounts presented include 50.01% of the results of the Thailand joint venture.
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.
 - (8) General & administrative expenses, excluding non-cash accretion on decommissioning provision. The nominal amount of G&A shown in the first half of 2017 and 2018 for Thailand operations related to G&A of the holding company of Pan Orient Energy (Siam) Ltd.
 - (9) Exploration expense relates to exploration costs associated with the Batu Gajah PSCs in Indonesia.
 - (10) Tables may not add due to rounding.
 - (11)

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