

Pan Orient Energy Corp. 2018 Third Quarter Financial & Operating Results

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CALGARY, Nov. 14, 2018 - [Pan Orient Energy Corp.](#) (“Pan Orient” or the “Company”) (POE – TSXV) reports 2018 third 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 nine months ended September 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 third quarter results, President and CEO Jeff Chisholm stated: “With the recent oil discovery in Concession L53 onshore Thailand and the commencement of road construction for the Anggun-1X exploration well in Indonesia, it is shaping up to be a very exciting next seven to eight months.”

HIGHLIGHTS FOR THE FIRST NINE MONTHS 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, road construction commenced at the beginning of November and the operator estimates that drilling will commence sometime between March 15 and May 15, 2019 depending on road construction during the rainy season. The joint venture is in the process to extend the exploration period for an additional four years when the six year exploration period ends on January 19, 2019, subject to Government of Indonesia approval.
- At the Thailand Joint Venture (where Pan Orient has a 50.01% equity interest) a two well program was completed early in the fourth quarter of 2018 with an oil discovery from the L53-DD1 exploration well and a successful L53-DD2 appraisal well. Government of Thailand approval was received for a 90 day production test of the L53-DD1 well and approval for L53-DD2 is expected shortly. The submission for a new L53DD production license which encompasses the discovery area is anticipated in early December 2018.
- Oil sales, net to Pan Orient’s 50.01% interest in the Thailand Joint Venture for Concession L53, were 210 BOPD for the first nine months of 2018, with funds flow from operations of \$3.1 million (\$54.31 per barrel).
- Total corporate funds flow from operations for the first nine months of 2018 was \$2.5 million, including Pan Orient’s 50.01% equity interest in the Thailand Joint Venture, and the net loss attributable to common shareholders was \$1.4 million (\$0.03 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 September 30, 2018 of \$33.0 million and no long-term debt. In addition, net to Pan Orient’s 50.01% equity interest in the Thailand Joint Venture is \$6.6 million of working capital and non-current deposits to fund exploration and development activities at Concession L53.

2018 THIRD QUARTER OPERATING RESULTS

- Net loss attributable to common shareholders for the third quarter of 2018 of \$1.0 million (\$0.02 loss per share) compared with \$0.2 million (\$0.00 loss per share) in the second quarter of 2018 and \$1.8 million (\$0.03 loss per share) in the third quarter of 2017. The change from the second quarter of 2018 is largely due to a foreign exchange loss of \$368,000 in the third quarter of 2018 compared with a foreign exchange gain of \$478,000 in the second quarter of 2018 as a result of a lower foreign exchange rate for Pan Orient's US dollar holdings.
- For the third 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 \$0.4 million (\$0.01 per share) compared with \$1.3 million (\$0.02 per share) in the second quarter of 2018.
- Pan Orient had capital expenditures of \$1.1 million in the third quarter of 2018, with \$1.0 million in Indonesia primarily associated with the Anggun-1X exploration well and \$0.2 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 \$0.9 million for workover activity and construction costs for the L53-DD1 exploration well related to the access road and site, which was recorded in Investment in Thailand Joint Venture.
- At September 30, 2018 Pan Orient had \$33.0 million of working capital and non-current deposits. Working capital and non-current deposits were comprised of \$31.5 million cash, \$3.8 million of Indonesian and Canadian accounts and taxes receivable, \$0.6 million of non-current deposits, and less accounts payable of \$2.9 million. In addition to this, Pan Orient's Investment in Thailand Joint Venture has \$6.6 million of working capital and non-current deposits and \$2.2 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
 - Concession L53 is a low cost operation that benefits from higher Brent crude oil reference prices.
 - Average oil sales of 214 BOPD during the third quarter of 2018 generated \$1.2 million in funds flow from operations, or \$60.22 per barrel. This compares with 235 BOPD and \$1.2 million of funds flow from operations, or \$57.97 per barrel, in the second quarter of 2018. The average realized sales price per barrel increased 6% from \$86.74 in the second quarter of 2018 to \$92.34 in the third quarter of 2018.
 - Per barrel amounts during the third quarter of 2018 were a realized price for oil sales of \$92.34, transportation expenses of \$1.83, operating expenses of \$15.37, general and administrative expenses of \$10.28 and a 5% royalty to the Thailand government of \$4.58. Oil sales revenue during this period was allocated 30% to expenses for transportation, operating, general & administrative and other, 5% to the government of Thailand for royalties, and 65% to the Thailand Joint Venture.

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 of US\$7.55 million). The quarry permit that was required in order to commence construction of the Anggun-1X exploration well access road has been approved and road construction has commenced. The operator estimates the Anggun-1X exploration well will commence drilling sometime between March 15 and May 15, 2019. The variation in timing is almost entirely a function of possible issues relating to road building during the rainy season. Anggun-1X is anticipated to take approximately 30 days to reach total depth with testing to commence immediately thereafter, if required.

As per the requirement under the East Jabung PSC to enter into the four year exploration period extension, the joint venture has submitted the final acreage relinquishment to the Government of Indonesia oil and gas regulator ("SKKMIGAS") bringing the remaining PSC area to 1,254.54 square kilometers, representing 20% of the original PSC area. Once this relinquishment area has been reviewed and approved

by the SKKMIGAS technical group, the joint venture will notify the Government of Indonesia of their election to enter into the four year exploration extension period that will commence when the six year exploration period ends on January 20, 2019. During the four year exploration extension period, the joint venture has the option of exiting or continuing with the PSC on an annual basis.

THAILAND

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

An oil discovery in October with the L53-DD1 exploration well was followed up with a successful appraisal well at L53-DD2. L53DD is located in the northern most portion of the Concession L53 "exploration reserve area"; approximately 28 kilometers north of any existing producing wells within Concession L53 and approximately 5 kilometers south of the PTT Exploration and Production Public Company Limited operated U-Thong oil field located in the adjacent concession. An application has been submitted for Government of Thailand approval for a 90 day production test of the L53-DD1 and L53-DD2 wells, and L53-DD1 approval has been received. This will be followed by the submission of an L53DD production license area application that will encompass the discovery area and generation of the technical information to be provided to the Company's reserve evaluators for inclusion of the L53DD discovery into the year-end 2018 independent reserves evaluation. Past experience has typically seen government approval of production licenses within three to five months of submission, at which time long term (not subject to 90 day production test) production can commence. In addition, work is currently underway utilizing the L53-DD1 and L53-DD2 well results to better define the hydrocarbon potential in the immediate vicinity of the L53-DD1 oil discovery that would form the basis for any potential future exploration drilling in the area.

The drilling of an appraisal well at L53B has been postponed due to the discovery with the L53-DD1 exploration well. Production of the existing L53-B discovery well will commence upon the in-country arrival of a variable speed control panel anticipated in December 2018.

Shareholders will be informed of the production test results for L53-DD1 and L53-DD2 after approximately the first seven to ten days of testing. At that time, a preliminary Thailand 2019 drilling program will also be outlined to Pan Orient shareholders.

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). The current high differential between the West Texas Intermediate reference price for light crude oil and the Western Canada Select reference price for heavy Canadian crude oil is a challenging economic environment for heavy oil producers in Canada. The level and stability of 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 is maintaining 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 End	
<i>(thousands of Canadian dollars except where indicated)</i>	September 30,	
FINANCIAL	2018	2017
Financial Statement Results & Excluding 50.01% Interest in Thailand Joint Venture (Note 1)		
Net loss attributed to common shareholders	(960)	(1,816)
Per share & basic and diluted	\$ (0.02)	\$ (0.03)
Cash flow from (used in) operating activities (Note 2)	(39)	447
Per share & basic and diluted	\$ (0.00)	\$ 0.01
Cash flow used in investing activities (Note 2)	(240)	(1,377)
Per share & basic and diluted	\$ (0.00)	\$ (0.03)
Working capital	32,403	39,709
Working capital & non-current deposits	32,993	40,416
Long-term debt	-	-
Shares outstanding (thousands)	54,900	54,900
Capital Commitments (Note 3)	660	2,012
Working Capital and Non-current Deposits		
Beginning of period - Excluding Thailand Joint Venture	34,992	45,900
Fund flow used in operations (excl. Thailand joint venture) (Note 4)	(789)	(1,630)
Issue of common shares	-	-
Consolidated capital expenditures (Note 5)	(1,136)	(3,715)
Disposal of petroleum and natural gas assets (Note 6)	-	-
Amounts advanced from (to) Thailand joint venture	55	58
Settlement of decommissioning liabilities	-	-
Effect of foreign exchange	(129)	(205)

End of period - Excluding Thailand Joint Venture	32,993	40,410
Pan Orient 50.01% Interest in Thailand Joint Venture Working Capital and Non-current Deposits	6,615	4,864
Economic Results – Including 50.01% Interest in Thailand Joint Venture (Note 7)		
Total corporate funds flow from (used in) operations by region (Note 4)		
Canada (Note 8)	(682)	(1,467)
Thailand (Note 1 & 9)	(10)	(2)
Indonesia	(97)	(161)
Funds flow used in operations (excl. Thailand Joint Venture)	(789)	(1,630)
Share of Thailand Joint Venture (Note 7)	1,193	868
Total corporate funds flow from (used in) operations	404	(762)
Per share – basic and diluted	\$ 0.01	\$ (0.01)
Capital Expenditures – Petroleum and natural gas properties (Note 5)		
Canada (Note 8)	168	447
Indonesia	968	3,268
Consolidated capital expenditures (excl. Thailand joint venture)	1,136	3,715
Share of Thailand Joint Venture capital expenditures	897	266
Total capital expenditures (incl. Thailand joint venture)	2,033	3,981
Disposition – Petroleum and natural gas properties (Note 6)	-	-
Investment in Thailand Joint Venture		
Beginning of period	32,804	32,620
Net loss from Joint Venture	(90)	(366)
Other comprehensive gain (loss) from Joint Venture	205	(595)
Amounts advanced to (from) Joint Venture	(55)	(58)
End of period	32,864	31,600

	Three Months Ended		Nine
	September 30,		Septe
	2018	2017	201
<i>(thousands of Canadian dollars except where indicated)</i>			
Thailand Operations			
Economic Results – Including 50.01% Interest in Thailand Joint Venture (Note 7)			
Oil sales (bbls)	19,644	24,107	57,5
Average daily oil sales (BOPD) by Concession L53	214	262	210
Average oil sales price, before transportation (CDN\$/bbl)	\$ 92.34	\$ 60.44	\$ 85.5
Reference Price (volume weighted) and differential			
Crude oil (Brent \$US/bbl)	\$ 75.37	\$ 52.03	\$ 72.0
Exchange Rate \$US/\$Cdn	1.32	1.28	1.3
Crude oil (Brent \$Cdn/bbl)	\$ 99.82	\$ 66.65	\$ 94.5
Sale price / Brent reference price	93 %	91 %	90 %
Funds flow from (used in) operations (Note 4)			
Crude oil sales	1,814	1,457	4,9
Government royalty	(90)	(74)	(24)
Transportation expense	(36)	(39)	(10)
Operating expense	(302)	(272)	(85)
Field netback	1,386	1,072	3,7
General and administrative expense (Note 9)	(202)	(207)	(60)
Interest income	-	1	16
Foreign exchange gain (loss)	(1)	-	1
Thailand - Funds flow from operations	1,183	866	3,1
Funds flow from (used in) operations / barrel (CDN\$/bbl) (Note 4)			

Crude oil sales	\$ 92.34	\$ 60.44	\$ 85.1
Government royalty	(4.58)	(3.07)	(4.2)
Transportation expense	(1.83)	(1.62)	(1.8)
Operating expense	(15.37)	(11.28)	(14.1)
Field netback	\$ 70.55	44.47	\$ 64.1
General and administrative expense (Note 9)	(10.28)	(8.59)	(10.1)
Interest Income	-	0.04	0.2
Foreign exchange gain (loss)	(0.05)	-	0.0
Thailand - Funds flow from operations	\$ 60.22	\$ 35.92	\$ 54.1
Government royalty as percentage of crude oil sales	5	% 5	% 5
Income tax & SRB as percentage of crude oil sales	-	-	-
As percentage of crude oil sales			
Expenses - transportation, operating, G&A and other	30	% 35	% 33
Government royalty, SRB and income tax	5	% 5	% 5
Funds flow from operations, before interest income	65	% 60	% 63

Financial Statement Presentation

Results & Excl. 50.01% Interest in Thailand Joint Venture (Note 1)

General and administrative expense (Note 9)	(10)	(2)	(25)
Funds flow used in consolidated operations	(10)	(2)	(25)
Fund Flow Included in Investment in Thailand Joint Venture			
Net loss from Thailand Joint Venture	(90)	(366)	(371)
Add back non-cash items in net loss	1,283	1,234	3,511
Funds flow from Thailand Joint Venture	1,193	868	3,140
Thailand & Economic funds flow from operations (Note 7)	1,183	866	3,130

<i>(thousands of Canadian dollars except where indicated)</i>	Three Months Ended		Nine Months Ended		% Change
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	
Canada Operations (Note 8)					
Interest income	151	90	389	220	77 %
General and administrative expenses (Note 9)	(469)	(513)	(1,490)	(1,610)	-7 %
Realized and unrealized foreign exchange gain (loss)	(364)	(1,044)	731	(2,001)	-137 %
Current income tax	-	-	-	148	-100 %
Canada & Funds flow used in operations	(682)	(1,467)	(370)	(3,243)	-89 %
Indonesia Operations					
General and administrative expense (Note 9)	(90)	(97)	(192)	(672)	-71 %
Exploration expense (Note 10)	(3)	-	(30)	(5)	500 %
Realized foreign exchange loss	(4)	(64)	(9)	(39)	-77 %
Indonesia & Funds flow used in operations	(97)	(161)	(231)	(716)	-68 %

- 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 September 30, 2018 and Note 12 of the September 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 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 three and nine months ended 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.

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