

Pan Orient Energy Corp.: 2019 First Quarter Financial & Operating Results

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CALGARY, May 15, 2019 - [Pan Orient Energy Corp.](#) ("Pan Orient" or the "Company") (POE - TSXV) reports 2019 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.*

The Company is today filing its unaudited consolidated financial statements as at and for the three months ended March 31, 2019 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 2019 first quarter results, President and CEO Jeff Chisholm stated: "2019 is shaping up to be one of the Company's best years in recent memory with strong cash flow from Concession L53 generated from the recent L53 DD oil field discovery supporting significant, potential exploration upside in Thailand that will commence in July 2019 and Indonesia exploration drilling that will commence in August 2019."

HIGHLIGHTS

Thailand (net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture)

- Two successful Thailand appraisal wells were drilled in the first quarter of 2019 as follow-up to the discovery of the Concession L53-DD field in the fourth quarter of 2018. The L53-DD Production License was approved on April 22nd and these two wells, plus the original L53-DD1 and L53-DD2 wells, were put on production April 25th.
- Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, oil production from Concession L53 averaged 1,412 BOPD during the 10 day period from April 27th to May 6th with 1,234 BOPD from the four L53-DD wells that commenced stable production on April 27, 2019.
- Strong financial results in Thailand during the first quarter of 2019. Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, oil sales increased to 507 BOPD, adjusted funds flow from operations was \$2.8 million (\$60.35 per barrel) and working capital and long-term deposits at March 31, 2019 were \$6.3 million.

Indonesia East Jabung Production Sharing Contract (Pan Orient is non-operator with a 49% ownership interest)

- East Jabung Production Sharing Contract ("PSC") received approval on January 11, 2019 for a four year exploration extension period to January 20, 2023 with a remaining area of 1,245.56 square kilometers, representing 20% of the original PSC area.
- Construction of the access road and wellpad for the Anggun 1X exploration well at the East Jabung PSC in Indonesia is proceeding. The operator has advised that the estimated rig mobilization date is approximately July 1, 2019 with drilling to commence approximately August 1, 2019.
- On January 22, 2019 Pan Orient received the net \$3.0 million refund from the Government of Indonesia relating to Pan Orient's successful appeal of the 2013 and 2014 Land and Building Tax assessment.

Corporate

- Total corporate adjusted funds flow from operations in the first quarter of 2019 was \$1.6 million (\$0.03 per share), including Pan Orient's 50.01% equity interest in the Thailand Joint Venture.

- The net loss attributable to common shareholders was \$0.8 million (\$0.02 loss per share) with a foreign exchange loss of \$0.4 million on United States dollar holdings and higher expenses with respect to general and administrative expenses and stock-based compensation.
- Pan Orient maintains a strong financial position for the planned exploration activities at the East Jabung PSC in Indonesia and at Concession L53 in Thailand with working capital and non-current deposits at March 31, 2019 of \$31.6 million and no long-term debt. In addition, Pan Orient's 50.01% equity interest in the Thailand Joint Venture includes working capital and long-term deposits of \$6.4 million and \$2.2 million of equipment inventory to be utilized for future Thailand Joint Venture operations.
- The normal course issuer bid has been renewed and Pan Orient is authorized to purchase, for cancellation, up to 4,504,064 of its common shares (10% of the public float) during the period of May 16, 2019 to May 16, 2020.
- The Annual and Special Meeting of Shareholders will be held on July 4, 2019 in Calgary.

OUTLOOK

INDONESIA

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

The Anggun-1X exploration well is expected to commence drilling approximately August 1, 2019. The estimated cost (dry hole) for the well is US\$15.4 million (Pan Orient's 49% share US\$7.5 million). Approximately US\$5.8 million (Pan Orient's 49% share US\$2.8 million) in capital expenditures have been recorded to date. A contingent multi-zone testing program will also be conducted if justified by drilling results.

THAILAND

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

Current activities are focused on the L53-DD3 workover that will commence in three days and a multi-well exploration/appraisal drilling program that is expected to commence in late July to early August 2019, targeting exploration prospects offsetting the L53-DD field and appraisal drilling at L53-B. A second multi-well exploration drilling program focused mainly in the L53-DD field area is anticipated in late 2019 to early 2020 subject to the timing of required Government of Thailand approvals. All exploration and development activities in 2019 are expected to be financed by Thailand working capital and Thailand adjusted funds flow from operations.

CANADA

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

Since January 2019 the WTI reference price for crude oil has strengthened and the differential between WTI and the Western Canada Select reference price for heavy oil has narrowed. Pan Orient continues to work with joint venture partners 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. The level of stability in heavy oil prices will have a significant impact on any decision by the Sawn Lake partners regarding the timing and extent of investment in future development, and the ability to finance the project.

Corporate

Pan Orient maintains a strong cash balance, denominated mainly in United States dollar deposits, which allows the Company to conduct key exploration and development activities and ensure financial flexibility. The Company is continually reviewing 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. The next six months will be important in defining the go forward opportunities and strategies for Pan Orient based on drilling results in Indonesia and Thailand, and the evolving heavy oil situation in Canada.

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; sufficiency of financial resources; review of asset portfolio and defining opportunities and strategies; and the date and place of the shareholder meeting. 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	
	March 31,	
	2019	2018
<i>(thousands of Canadian dollars except where indicated)</i>		
FINANCIAL		
Financial Statement Results & Excluding 50.01% Interest in Thailand Joint Venture (Note 1)		
Net loss attributed to common shareholders	(849)	(338)
Per share & basic and diluted	\$ (0.02)	\$ (0.01)
Cash flow used in operating activities (Note 2)	(2,449)	(4,670)
Per share & basic and diluted	\$ (0.04)	\$ (0.09)
Cash flow from (used in) investing activities (Note 2)	2,180	(1,573)
Per share & basic and diluted	\$ 0.04	\$ (0.03)
Cash flow used in financing activities (Note 2)	(26)	-
Per share & basic and diluted	\$ 0.00	-
Working capital	30,970	36,159
Working capital & non-current deposits	31,566	36,867
Long-term debt	-	-
Shares outstanding (thousands)	54,900	54,900
Capital Commitments (Note 3)	2,068	104
Working Capital and Non-current Deposits		
Beginning of period & Excluding Thailand Joint Venture	33,139	36,897

Adjusted funds flow from (used in) operations (excluding Thailand Joint Venture) (Note 4)	(1,172)	116
Consolidated capital expenditures (Note 5)	(705)	(303)
Amounts received from Thailand Joint Venture	113	25
Disposal of petroleum and natural gas assets (Note 6)	-	133
Finance lease payments	(26)	-
Effect of foreign exchange	217	(1)
End of period – Excluding Thailand Joint Venture	31,566	36,867
Pan Orient 50.01% interest in Thailand Joint Venture Working Capital and Non-Current Deposits	6,413	5,435
Economic Results – Including 50.01% Interest in Thailand Joint Venture (Note 7)		
Total corporate adjusted funds flow from (used in) operations by region (Note 4)		
Canada (Note 8)	(1,179)	244
Thailand (Notes 1 & 9)	(8)	(13)
Indonesia	15	(115)
Adjusted funds flow from (used in) operations (excl. Thailand Joint Venture)	(1,172)	116
Share of Thailand Joint Venture (Note 7)	2,760	702
Total corporate adjusted funds flow from operations	1,588	818
Per share – basic and diluted	\$ 0.03	\$ 0.01
Capital Expenditures - Petroleum and Natural Gas Properties (Note 5)		
Canada (Note 8)	124	218
Indonesia	581	85
Consolidated capital expenditures (excl. Thailand Joint Venture)	705	303
Share of Thailand Joint Venture capital expenditures	2,678	466
Total capital expenditures (incl. Thailand Joint Venture)	3,383	769
Disposition - Petroleum and Natural Gas Properties (Note 6)	-	(133)
Investment in Thailand Joint Venture		
Beginning of period	34,504	32,185
Net income (loss) from Joint Venture	654	(191)
Other comprehensive gain from Joint Venture	135	1,906
Amounts advanced to Joint Venture	(113)	(25)
End of period	35,180	33,875

	Three Months Ended March 31,			
	2019	2018	%	
			Change	
<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)	45,601	16,370	179	%
Average daily oil sales (BOPD) by Concession L53	507	182	178	%
Average oil sales price, before transportation (CDN\$/bbl)	\$ 80.17	\$ 75.50	6	%
Reference Price (volume weighted) and differential				
Crude oil (Brent \$US/bbl)	\$ 62.24	\$ 66.92	-7	%
Exchange Rate \$US/\$Cdn	1.37	1.30	5	%
Crude oil (Brent \$Cdn/bbl)	\$ 85.25	\$ 87.09	-2	%
Sale price / Brent reference price	94	% 87	% 8	%
Adjusted funds flow from (used in) operations (Note 4)				
Crude oil sales	3,656	1,236	196	%
Government royalty	(178)	(60)	197	%
Transportation expense	(103)	(28)	268	%

Operating expense	(449)	(260)	73 %
Field netback	2,926	888	230 %
General and administrative expense (Note 9)	(196)	(194)	1 %
Foreign exchange gain	22	1	2100 %
Thailand – Adjusted funds flow from operations	2,752	695	296 %
Adjusted funds flow from (used in) operations / barrel (CDN\$/bbl) (Note 4)			
Crude oil sales	\$ 80.17	\$ 75.50	6 %
Government royalty	(3.90)	(3.67)	6 %
Transportation expense	(2.26)	(1.71)	32 %
Operating expense	(9.85)	(15.88)	-38 %
Field netback	64.17	54.24	18 %
General and administrative expense (Note 9)	(4.30)	(11.85)	-64 %
Foreign exchange gain	0.48	0.06	704 %
Thailand – Adjusted funds flow from operations	\$ 60.35	\$ 42.45	42 %
Government royalty as percentage of crude oil sales	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	20	% 39	% -19 %
Government royalty, SRB and income tax	5	% 5	% 0 %
Adjusted funds flow from operations, before interest income	75	% 56	% 19 %
Wells drilled			
Gross	2	-	100 %
Net	1.0	-	100 %
Financial Statement Presentation			
Results – Excl. 50.01% Interest in Thailand Joint Venture (Note 1)			
General and administrative expense (Notes 9)	(8)	(13)	-38 %
Adjusted funds flow used in consolidated operations	(8)	(13)	-38 %
Adjusted fund flow Included in Investment in Thailand Joint Venture			
Net income (loss) from Thailand Joint Venture	654	(191)	-442 %
Add back non-cash items in net loss	2,106	893	136 %
Adjusted funds flow from Thailand Joint Venture	2,760	702	293 %
Thailand – Economic adjusted funds flow from operations (Note 7)	2,752	689	299 %
Canada Operations (Note 8)			
Interest income	67	102	-34 %
General and administrative expenses (Note 9)	(791)	(514)	54 %
Realized foreign exchange gain	-	11	-100 %
Unrealized foreign exchange gain (loss)	(455)	645	-171 %
Canada – Adjusted funds flow from (used in) operations	(1,179)	244	-583 %
Indonesia Operations			
General and administrative expense (Note 9)	(51)	(70)	-27 %
Exploration expense	-	(1)	-100 %
Realized foreign exchange gain (loss)	66	(44)	-250 %
Indonesia – Adjusted funds flow from (used in) operations	15	(115)	-113 %

- 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 13 of the March 31, 2019 and March 31, 2018 Notes to the Interim Condensed Consolidated Financial Statements.
- Total corporate adjusted 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 Pan Orient's 50.01% interest in Thailand Joint Venture which is recorded in Joint Venture for financial statement purposes. This measure is used by management to
- (4) analyze operating performance and leverage. Adjusted 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. Adjusted 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
- (8) related costs and revenues are being capitalized as exploration and evaluation assets until commercial viability is achieved.
- General & administrative expenses, excluding non-cash accretion on decommissioning provision. The
- (9) nominal amount of G&A shown in the three months ended March 31, 2019 and March 31, 2018 for Thailand operations related to G&A of the holding company of Pan Orient Energy (Siam) Ltd.
- (10) Tables may not add due to rounding.
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