

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

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CALGARY, Aug. 21, 2019 - [Pan Orient Energy Corp.](#) ("Pan Orient" or the "Company") (POE - TSXV) reports 2019 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, 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 second quarter results, President and CEO Jeff Chisholm stated: "The strong second quarter of 2019 financial results reflected the substantial production increase from Thailand. Before the end of August we'll see the commencement of drilling in Thailand with the L53-DD5 exploration well that will be testing a 3D seismically defined structural closure due west of the recent L53-DD oil discovery. A second Thailand exploration program is planned to commence in late October 2019. Of particular note, we also expect to commence drilling of the much anticipated potentially high impact Anggun-1X exploration well in October 2019. Despite a long series of permit, weather and operational related delays, substantial road and well pad construction progress has been made with the weather finally cooperating these past three weeks."

HIGHLIGHTS

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

- Two successful Thailand appraisal wells (L53-DD3 and L53-DD4) were drilled in the first quarter of 2019 as a follow-up to the discovery of the Concession L53-DD field in the fourth quarter of 2018.
- Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, oil sales from Concession L53 averaged 791 BOPD in the first half of 2019. During the second quarter of 2019 oil sales averaged 1,072 BOPD with 352 BOPD in April, 1,316 in May and 1,540 in June. The 111% increase compared to the first quarter of 2019 oil sales of 507 BOPD is due to the approval of the L53-DD Production License on April 22nd and recommencement of production from the four L53-DD wells.
- Adjusted funds flow from operations of \$9.4 million in the first half of 2019 with \$6.6 million (\$68.16 per barrel) in the second quarter and \$2.8 million (\$60.35 per barrel) in the first quarter.
- Strong financial results in Thailand during the second quarter of 2019 increased working capital and long-term deposits at June 30, 2019, net to Pan Orient's 50.01% equity interest, to \$11.4 million in Thailand alone.

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

- Construction of the access road and wellpad for the Anggun-1X exploration well at the East Jabung Production Sharing Contract ("PSC") in Indonesia continues to proceed although there have been delays for weather and additional work required for extra piles to support the rig substructure and mud tanks. Capital expenditures at the East Jabung PSC for first half of 2019 have been \$1.7 million.
- East Jabung 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.

Corporate

- Total corporate adjusted funds flow from operations (including Pan Orient's 50.01% equity interest in the Thailand Joint Venture) for the first half of 2019 of \$7.3 million (\$0.13 per share) with \$5.7 million (\$0.10 per share) in the second quarter of 2019 based on the strength of Thailand oil production.
- The net income attributable to common shareholders for the first half of 2019 was \$0.4 million (\$0.01 per share) with \$1.3 million (\$0.02 per share) in the second quarter of 2019.
- Under the renewed normal course issuer bid 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. To June 30, 2019 Pan Orient repurchased 63,400 common shares at an average price of \$1.92 per share.
- Pan Orient continues to maintain a strong financial position for exploration activities at the East Jabung PSC in Indonesia and at Concession L53 in Thailand with working capital and non-current deposits at June 30, 2019 of \$28.9 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 \$11.4 million and \$2.9 million of equipment inventory to be utilized for future Thailand Joint Venture operations. Total combined working capital and long-term deposits in Canada and Pan Orient's 50.01% equity interest in the Thailand Joint Venture is \$40.3 million.

OUTLOOK

INDONESIA

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

The Operator of the East Jabung PSC, Repsol (Indonesia), after consultations with the winning bid rig contractor, advised Pan Orient of a one month delay related mainly to the extra piles required to support the rig substructure and mud tanks. The approximate date for mobilization is expected in early September with drilling to commence 30 to 40 days after the start of mobilization.

THAILAND

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

A drilling program of two exploration wells and one appraisal well started with rig mobilization on August 15th and drilling is expected to commence on August 27th. The exploration wells at L53-DD5 and L53-DD6 are targeting exploration prospects offsetting the L53-DD field and the one appraisal well is L53-B1 at the L53-B field.

A second three to four well exploration drilling program, focused in the region of the L53-DD oil discovery, is likely to commence in late October to early November, approximately three months earlier than originally anticipated. 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 is working 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 Sawn Lake full field development plan using SAGD batteries incorporating Andora's Produced Water Boiler has been defined and Andora is preparing a new contingent resources evaluation of its interests in the third quarter of 2019. 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 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 results of the Indonesia and Thailand drilling programs in the second half of 2019 will be important in defining the go forward opportunities and strategies for Pan Orient.

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

(thousands of Canadian dollars except where indicated)

FINANCIAL

Financial Statement Results & Excluding 50.01% Interest in Thailand Joint Venture (Note 1)

	Three Months Ended June 30,	
	2019	2018
Net income (loss) attributed to common shareholders	1,287	(151)
Per share & basic and diluted	\$ 0.02	\$ (0.00)
Cash flow from (used in) operating activities (Note 2)	158	2,547
Per share & basic and diluted	\$ 0.00	\$ 0.05
Cash flow from (used in) investing activities (Note 2)	(1,050)	(2,635)
Per share & basic and diluted	\$ (0.02)	\$ (0.05)
Cash flow used in financing activities (Note 2)	(150)	-
Per share & basic and diluted	\$ (0.00)	-

Crude oil (Brent \$Cdn/bbl)	\$ 92.99	\$ 96.21	\$ 90.3
Sale price / Brent reference price	88 %	90 %	90 %
Adjusted funds flow from (used in) operations (Note 4)			
Crude oil sales	7,956	1,854	11,4
Government royalty	(417)	(92)	(59
Transportation expense	(238)	(40)	(34
Operating expense	(477)	(288)	(92
Field netback	6,824	1,434	9,7
General and administrative expense (Note 9)	(217)	(212)	(41
Interest income	22	16	22
Foreign exchange gain	19	1	41
Thailand - Adjusted funds flow from operations	6,648	1,239	9,4
Adjusted funds flow from (used in) operations / barrel (CDN\$/bbl) (Note 4)			
Crude oil sales	\$ 81.57	\$ 86.74	\$ 81.1
Government royalty	(4.28)	(4.30)	(4.1
Transportation expense	(2.44)	(1.87)	(2.3
Operating expense	(4.89)	(13.47)	(6.4
Field netback	\$ 69.96	\$ 67.09	\$ 68.
General and administrative expense (Note 9)	(2.22)	(9.92)	(2.8
Interest Income	0.23	0.75	0.1
Foreign exchange gain	0.19	0.05	0.2
Thailand – Adjusted funds flow from operations	\$ 68.16	\$ 57.97	\$ 65.
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	11 %	28 %	14 %
Government royalty, SRB and income tax	5 %	5 %	5 %
Adjusted funds flow from operations, before interest income	84 %	67 %	81 %
Wells drilled			
Gross	-	-	2
Net	-	-	1.0
Financial Statement Presentation			
Results – Excl. 50.01% Interest in Thailand Joint Venture (Note 1)			
General and administrative expense (Note 9)	(8)	(2)	(16
Adjusted funds flow used in consolidated operations	(8)	(2)	(16
Adjusted fund flow included in Investment in Thailand Joint Venture			
Net income (loss) from Thailand Joint Venture	1,699	(97)	2,3
Add back non-cash items in net loss	4,957	1,344	7,0
Adjusted funds flow from Thailand Joint Venture	6,656	1,247	9,4
Thailand – Economic adjusted funds flow from operations (Note 7)	6,648	1,245	9,4

<i>(thousands of Canadian dollars except where indicated)</i>	Three Months Ended		Six Months Ended		Change
	June 30, 2019	2018	June 30, 2019	2018	
Canada Operations (Note 8)					
Interest income	86	136	153	238	-36 %
General and administrative expenses (Note 9)	(467)	(507)	(1,258)	(1,021)	23 %
Realized foreign exchange gain (loss)	1	7	1	7	-86 %
Unrealized foreign exchange gain (loss)	(532)	432	(987)	1,088	-191 %
Canada – Adjusted funds flow from (used in) operations	912)	68	(2,091)	312	-770 %
Indonesia Operations					

General and administrative expense (Note 9)	(54	)	(32	)	(105	)	(102	)	3	%
Exploration expense	-		(26	)	-		(27	)	-100	%
Realized foreign exchange gain (loss)	7		39		73		(5	)	-1560	%
Indonesia – Adjusted funds flow used in operations	(47	)	(19	)	(32	)	(134	)	-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 Condensed Interim Consolidated Financial Statements.
- (3) Refer to Commitments in Note 13 of the June 30, 2019 Condensed Interim 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.
- (8) 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.
- (9) General & administrative expenses, excluding non-cash accretion on decommissioning provision. The nominal amount of G&A shown in the first half of 2019 and 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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