

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

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CALGARY, Nov. 14, 2019 - [Pan Orient Energy Corp.](#) ("Pan Orient" or the "Company") (POE &dash; TSXV) reports 2019 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, 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 third quarter results, President and CEO Jeff Chisholm stated: "The third quarter of 2019 saw the third new pool / field oil discovery in the L53-DD oil field region onshore Thailand and substantial progress towards the drilling of the Anggun-1X exploration well in Indonesia. We are pleased to announce drilling of the Anggun-1X exploration well in Indonesia commenced November 14<sup>th</sup> and the well is expected to reach total depth in an estimated 20 to 30 days. The fourth quarter will see preparations for an expanded Thailand exploration and appraisal drilling program that will commence in early January 2020."

## HIGHLIGHTS

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

- Successful 2019 drilling program to date with two appraisal wells in the first quarter (L53-DD3 and L53-DD4) brought on production, a new pool discovery in the third quarter with the L53-DD5ST1 exploration well and the L53-B1 appraisal well in the fourth quarter which will be put on production. The L53-DD3 and L53-DD4 wells commenced production on April 25<sup>th</sup> after approval of the L53-DD Production License, the L53-DD5ST1 well commenced a 90 day production test for the new pool discovery on November 6<sup>th</sup> and the L53-B1 well will be put on production this week.
- Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, oil sales from Concession L53 in 2019 increased from 507 BOPD in the first quarter and 1,072 BOPD in the second quarter to 1,418 BOPD in the third quarter as a result of strong production from the four L53-DD wells.
- Adjusted funds flow from Thailand operations of \$15.9 million (\$57.99 per barrel) in the first nine months of 2019. Adjusted funds flow from operations of \$6.5 million (\$49.56 per barrel) in the third quarter compared with \$6.6 million (\$68.16 per barrel) in the second quarter. The reduction on a per barrel basis is due to 4% lower sales price and current income tax during the third quarter equivalent to \$15.32 per barrel. The Thailand operation became taxable in the third quarter of 2019 as cashflow from operations and realized foreign exchange gains exceeded available tax pools.
- Pan Orient received a dividend of \$6.6 million from the Thailand Joint Venture during the third quarter. A strong financial position is maintained in Thailand with working capital and long-term deposits at September 30, 2019, net to Pan Orient's 50.01% equity interest, of \$9.4 million.

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

- Drilling rig acceptance procedures for the Anggun-1X exploration well were completed and drilling commenced November 14<sup>th</sup>. The Operator of the East Jabung PSC has revised the estimated dry hole cost of the Anggun-1X well, including the permanent road to US\$20.5 million (Cdn\$27.1 million), with Pan Orient's 49% share of US\$10.0 million (Cdn\$13.3 million). Total capital costs for the Anggun-1X well from inception to September 30, 2019 have been USD \$10.5 million on a gross basis (USD \$5.1 million or CAD \$7.0 million net to Pan Orient).

Corporate

- Total corporate adjusted funds flow from operations (including Pan Orient's 50.01% equity interest in the Thailand Joint Venture) for the first nine months of 2019 of \$13.7 million (\$0.25 per share) with \$6.4 million (\$0.12 per share) in the third quarter of 2019 as a result of strong Thailand oil production and netbacks.
- The net income attributable to common shareholders for the first nine months of 2019 was \$1.6 million (\$0.03 per share) with \$1.1 million (\$0.02 per share) in the third 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 September 30, 2019 Pan Orient repurchased 66,000 common shares at an average price of \$1.93 per share.
- Pan Orient maintains a strong financial position for exploration activities at the East Jabung PSC in Indonesia and potential development activities in Canada with working capital and non-current deposits at September 30, 2019 of \$32.5 million and no long-term debt. In addition, the Thailand Joint Venture is in a strong financial position for further exploration and development activities with working capital and long-term deposits of \$9.4 million and \$2.8 million of equipment inventory, net to Pan Orient's 50.01% equity interest.

## OUTLOOK

### INDONESIA

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

The Anggun-1X exploration well has commenced drilling and the results will have a significant impact on Pan Orient's future strategy.

### THAILAND

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

The L53-DD5ST1 exploration well commenced a 90 day production test for the new pool discovery on November 6<sup>th</sup> and the L53-B1 appraisal well is about to be put on production.

A five to six well drilling program is planned to commence in early January 2020 with four or five exploration wells and an appraisal well. The program will be focused on the general region of the L53-DD oil discovery, with one exploration well in the vicinity of the L53-D field further south in the Kamphaeng Saen basin. Pan Orient Energy (Siam) Ltd. will be preparing a new December 31, 2019 independent reserves evaluation for Concession L53/48 which will reflect 2019 drilling results and well performance.

### CANADA

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

Andora is finalizing a new contingent resources evaluation of its interests at the Sawn Lake, Alberta steam assisted gravity drainage project. Andora will work with the Sawn Lake partners in determining the timing and extent of investment in future development.

### Corporate

Pan Orient continues to maintain a strong cash position for conducting key exploration and development activities and provide financial flexibility. The results of the Anggun-1X well in Indonesia, results of the ongoing Thailand drilling program and the new independent evaluation reports on reserves and resources 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 and testing 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; and review of asset portfolio and defining opportunities and strategies. 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:

[Pan Orient Energy Corp.](#)

Jeff Chisholm, President and CEO (located in Bangkok, Thailand)

Email: jeff@panorient.ca

- or -

Bill Ostlund, Vice President Finance and CFO

Telephone: (403) 294-1770, Extension 233

Financial and Operating Summary	Three Months Ended	
<i>(thousands of Canadian dollars except where indicated)</i>	September 30,	
	2019	2018
<b>FINANCIAL</b>		
Financial Statement Results & Excluding 50.01% Interest in Thailand Joint Venture (Note 1)		
Net income (loss) attributed to common shareholders	1,114	(960)
Per share & basic and diluted	\$ 0.02	\$ (0.02)
Cash flow from (used in) operating activities (Note 2)	75	(39)
Per share & basic and diluted	\$ 0.00	\$ (0.00)
Cash flow from (used in) investing activities (Note 2)	4,049	(240)
Per share & basic and diluted	\$ 0.07	\$ (0.00)
Cash flow from financing activities (Note 2)	188	-
Per share & basic and diluted	\$ 0.00	-
Working capital	31,857	32,403
Working capital & non-current deposits	32,458	32,993
Long-term debt	-	-
Shares outstanding (thousands)	55,084	54,900
Capital Commitments (Note 3)	2,049	660
Working Capital and Non-current Deposits		
Beginning of period & Excluding Thailand Joint Venture	28,902	34,992
Adjusted Fund flow used in operations (excluding Thailand joint venture) (Note 4)	(88 )	(789 )
Issuance of common shares	222	-
Consolidated capital expenditures (Note 5)	(2,482 )	(1,136 )

Amounts (advanced to) received from Thailand Joint Venture	(682 )	55
Disposal of petroleum and natural gas assets (Note 6)	-	-
Dividend received from Thailand Joint Venture	6,624	-
Finance lease payments	(29 )	-
Normal course issuer bid	(5 )	-
Effect of foreign exchange	(4 )	(129)
End of period - Excluding Thailand Joint Venture	32,458	32,999
Pan Orient 50.01% interest in Thailand Joint Venture Working Capital and Non-Current Deposits	9,401	6,615
Economic Results &ndash; 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)	(8 )	(682)
Thailand (Note 1 & 9)	(16 )	(10)
Indonesia	(64 )	(97)
Adjusted funds flow from (used in) operations (excl. Thailand Joint Venture)	(88 )	(789)
Share of Thailand Joint Venture (Note 7)	6,479	1,193
Total corporate adjusted funds flow from operations	6,391	404
Per share &ndash; basic and diluted	\$ 0.12	\$ 0.01
Capital Expenditures &ndash; Petroleum and Natural Gas Properties (Note 5)		
Canada (Note 8)	153	168
Indonesia	2,329	968
Consolidated capital expenditures (excl. Thailand Joint Venture)	2,482	1,136
Share of Thailand Joint Venture capital expenditures	1,930	897
Total capital expenditures (incl. Thailand Joint Venture)	4,412	2,033
Disposition &ndash; Petroleum and Natural Gas Properties (Note 6)	-	-
Investment in Thailand Joint Venture		
Beginning of period	37,060	32,804
Net income (loss) from Joint Venture	1,351	(90)
Other comprehensive gain from Joint Venture	429	205
Dividend paid	(6,624 )	-
Amounts (received from) advanced to Joint Venture	682	(55)
End of period	32,898	32,864

	Three Months Ended		Nine Months Ended
	September 30,		September 30,
	2019	2018	2019
<i>(thousands of Canadian dollars except where indicated)</i>			
<b>Thailand Operations</b>			
Economic Results &ndash; 50.01% Interest in Thailand Joint Venture (Note 7)			
Oil sales (bbls)	130,415	19,644	273,553
Average daily oil sales (BOPD) by Concession L53	1,418	214	1,002
Average oil sales price, before transportation (CDN\$/bbl)	\$ 77.99	\$ 92.34	\$ 79.63
Reference Price (volume weighted) and differential			
Crude oil (Brent \$US/bbl)	\$ 61.99	\$ 75.37	\$ 64.15
Exchange Rate \$US/\$Cdn	1.34	1.32	1.36
Crude oil (Brent \$Cdn/bbl)	\$ 83.27	\$ 99.82	\$ 87.05
Sale price / Brent reference price	94	% 93	% 91
Adjusted funds flow from (used in) operations (Note 4)			
Crude oil sales	10,171	1,814	21,783
Government royalty	(539 )	(90 )	(1,134 )
Transportation expense	(321 )	(36 )	(662 )
Operating expense	(613 )	(302 )	(1,539 )

Field netback	8,698	1,386	18,448
General and administrative expense (Note 9)	(241 )	(202 )	(654 )
Interest income	-	-	22
Foreign exchange gain (loss)	4	(1 )	45
Current income tax	(1,998 )	-	(1,998 )
Thailand - Adjusted funds flow from operations	6,463	1,183	15,863
Adjusted funds flow from (used in) operations / barrel (CDN\$/bbl) (Note 4)			
Crude oil sales	\$ 77.99	\$ 92.34	\$ 79.63
Government royalty	(4.13 )	(4.58 )	(4.15 )
Transportation expense	(2.46 )	(1.83 )	(2.42 )
Operating expense	(4.70 )	(15.37 )	(5.63 )
Field netback	\$ 66.69	\$ 70.56	\$ 67.44
General and administrative expense (Note 9)	(1.85 )	(10.28 )	(2.39 )
Interest Income	-	-	0.08
Foreign exchange gain (loss)	0.03	(0.05 )	0.16
Current income tax	(15.32 )	-	(7.30 )
Thailand & Adjusted funds flow from operations	\$ 49.56	\$ 60.22	\$ 57.99
Government royalty as percentage of crude oil sales	5	% 5	% 5
Income tax & SRB as percentage of crude oil sales	20	% -	% 9
As percentage of crude oil sales			
Expenses - transportation, operating, G&A and other	12	% 30	% 13
Government royalty, SRB and income tax	25	% 5	% 14
Adjusted funds flow from operations, before interest income	64	% 65	% 73
Wells drilled			
Gross	4	-	6
Net	2.0	-	3.0
Financial Statement Presentation			
Results & Excl. 50.01% Interest in Thailand Joint Venture (Note 1)			
General and administrative expense (Note 9)	(16 )	(10 )	(32 )
Adjusted funds flow used in consolidated operations	(16 )	(10 )	(32 )
Adjusted fund flow included in Investment in Thailand Joint Venture			
Net income (loss) from Thailand Joint Venture	1,351	(90 )	3,704
Add back non-cash items in net loss	5,128	1,283	12,191
Adjusted funds flow from Thailand Joint Venture	6,479	1,193	15,895
Thailand & Economic adjusted funds flow from operations (Note 7)	6,463	1,183	15,863

(thousands of Canadian dollars except where indicated)	Three Months Ended		Nine Months Ended		% Change
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018	
Canada Operations (Note 8)					
Interest income	125	151	278	389	-29 %
General and administrative expenses (Note 9)	(427 )	(469 )	(1,685 )	(1,490 )	13 %
Realized foreign exchange gain (loss)	(1 )	-	-	7	-100 %
Unrealized foreign exchange gain (loss)	295	(364 )	(692 )	724	-196 %
Canada & Adjusted funds flow used in operations	(8 )	(682 )	(2,099 )	(370 )	467 %
Indonesia Operations					
General and administrative expense (Note 9)	(63 )	(90 )	(168 )	(192 )	-13 %
Exploration expense	-	(3 )	-	(30 )	-100 %
Realized foreign exchange gain (loss)	(1 )	(4 )	72	(9 )	-900 %

Indonesia &ndash; Adjusted funds flow used in operations (64 ) (97 ) (96 ) (231 ) -58 %

- 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 September 30, 2019 and Note 11 of the September 30, 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 Investment in Joint Venture for financial statement purposes. This measure is used by management to analyze operating performance and leverage. Adjusted funds flow as presented does not
  - (4 ) 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.  
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. Pan Orient has a 50.01% ownership
  - (7 ) interest in Pan Orient Energy (Siam) Ltd., but does not have any direct interest in, or control over, the crude oil reserves, operations or working capital of on-shore Concession L53.  
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.
  - (9 ) General & administrative expenses, excluding non-cash accretion on decommissioning provision. With respect to Thailand operations, the nominal amount of G&A shown in the first nine months of 2019 and 2018 is 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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