

Pan Orient Energy Corp.: 2019 Year-end Financial & Operating Results

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CALGARY, March 12, 2020 - [Pan Orient Energy Corp.](#) ("Pan Orient") (POE - TSXV) reports 2019 year-end and fourth quarter consolidated financial and operating results. *Please note that all amounts are in Canadian dollars unless otherwise stated, BOPD refers to barrels of oil per day and BOPD for Thailand operations represents volumes net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture.*

The Corporation is today filing its audited consolidated financial statements as at and for the year ended December 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 Corporation's website, www.panorient.ca.

Commenting today on Pan Orient's 2019 results, President and CEO Jeff Chisholm stated:

"2019 saw solid Thailand reserves growth and strong oil production, and we anticipate this to continue through 2020 despite the current low oil price environment. The Company is in a strong financial position going into 2020 with working capital and non-current deposits in Canada and Thailand of a combined \$32.7 million. Low cost, high netback Thailand oil production is expected to fund the 2020 capital program, even at current oil prices. Operating expenses for Thailand operations in 2019 averaged a low \$6.16 per barrel of oil, which was a 55% reduction from the prior year. We are constantly evaluating various means by which to further reduce the 2020 operating expenses with significant cost savings identified for optimized water handling at the L53DD production site that will see a water disposal well drilled there in the second quarter of 2020 as an example.

Reserves and production growth in 2020 is anticipated on the basis of a firm \$10 million capital program, with an additional \$2 million mainly related to well workovers, contingent upon oil prices. 2020 reserves growth is targeted through L53DD field reservoir performance augmented by a capital program that includes five exploration wells (including sidetracks), of which L53-AA2 is awaiting testing, L53-AA1 and L53-AAST1 failed to encounter oil bearing sands, and the L53-BB1 and L53AC-E wells are to be drilled. This exploration program will fully evaluate the Concession L53 "reserved area" exploration lands that expire in January 2021. Production growth is expected mainly through the granting of the L53 AA South production license in July 2020, the drilling of two L53DD appraisal wells in Q3 2020 and further supported by any exploration success.

With a very strong balance sheet, an active 2020 drilling program funded entirely through after tax cash flow from low cost high netback onshore Thailand Production, the Company possesses the financial and operational strength to withstand and grow in an environment of low oil prices and take advantage of any opportunities that may present themselves during this challenging time."

2019 HIGHLIGHTS

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

- Successful 2019 drilling program with two new producing wells at the L53-DD field (L53-DD3 and L53-DD4 appraisal wells), discovery of the L53-AA South field with the L53-DD5ST1 exploration well and production from the new L53-B1 appraisal well. These four wells added 447 BOPD of average oil sales in 2019.

- Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, oil sales from Concession L53 in 2019 increased to 1,060 BOPD from 249 BOPD in 2018 (a 325% increase) based on the strength of the L53-DD field discovered in October 2018. Oil sales by field in 2019 were 843 BOPD from L53DD, 94 BOPD from L53G, 59 BOPD from L53A, 36 BOPD from L53D, 9 BOPD from L53B and 19 BOPD from the new L53AA South field which commenced production in November 2019. The L53-DD Production License was approved by the Government of Thailand on April 25, 2019.
- The 2019 Concession L53 field netback per barrel was \$62.19 per barrel compared with \$65.20 in 2018. The realized oil price in 2019 decreased \$10.17 per barrel, or 12%, due to an 8% lower Brent crude oil reference price and a temporary higher differential to Brent during the fourth quarter before new oil sales contracts were established to adjust for the IMO 2020 regulations which came into effect January 1, 2020. Largely offsetting the realized oil price decline was a 55% reduction in operating expenses to \$6.16 per barrel (from \$13.57 per barrel in 2018). Effective February 1, 2020 a new crude oil sales agreement was agreed to that would see, on a comparable basis, the average 26% discount to Brent experienced through the October to December 2019 period reduced to a 2.75% discount to Brent.
- Strong 2019 financial results in Thailand net to Pan Orient's share of the Thailand Joint Venture with adjusted funds flow from operations of \$19.9 million funding capital expenditures of \$9.1 million, a \$6.6 million dividend to Pan Orient in August 2019, and increasing Thailand Joint Venture working capital and long-term deposits at December 31, 2019 to \$10.5 million.
- December 31, 2019 reserve report assigned proved plus probable crude oil reserves of 1.8 million barrels, net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture (an increase of 34%) and a net present value using forecast prices and costs discounted at 10% per year of \$43.7 million (an increase of 11%). Positive technical revisions of proved plus probable reserves were reported for each of the five existing L53/48 fields totaling 1,548,000 barrels (57% of December 31, 2018 proved plus probable reserves) based on reservoir performance. The reserve report also assigned 2.0 million barrels of possible reserves, up from 1.6 million barrels at December 31, 2018. It is noted that the December 31, 2019 reserve report assumed a realized price which is at a 10% discount to the Brent reference oil price.

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

- The Anggun-1X exploration well in the East Jabung Production Sharing Contract ("PSC") was drilled in the fourth quarter of 2019. The main targets were the Gumai sandstone zone, which indicated minor amounts of oil and gas but predominantly water, and Batu Raja limestone zone which proved to be a tight, low permeability limestone with no reservoir potential. The well was subsequently plugged and abandoned. The estimated cost of the well was \$15.1 million net to Pan Orient, with \$3.3 million reported in 2018 and \$11.8 million reported in 2019.
- The Operator of the East Jabung PSC has provided notice to the Government of Indonesia of withdrawal from the East Jabung PSC and Pan Orient is withdrawing from operations in Indonesia.
- In the fourth quarter of 2019 the Company reported a \$28.6 million impairment charge on East Jabung Exploration and Evaluation assets offset by the \$1.6 million associated reduction in accumulated other comprehensive income related to foreign currency translation for a net impairment expense of \$27.0 million.

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

- Capital expenditures in 2019 for Andora were \$573 thousand for capital expenditures at Sawn Lake, capitalized operating expenses for the suspended demonstration project facility and wellpair at Sawn Lake Central and capitalized G&A.

- A September 30, 2019 Contingent Bitumen Resources Report (“Resources Report”) by Sproule Associates Limited evaluated Andora’s oil sands interests at Sawn Lake Alberta, Canada using Steam Assisted Gravity Drainage (“SAGD”). The Resources Report assigned an 85% chance of development for Sawn Lake, and the risked “Best Estimate” contingent resources for Andora are 193.6 million barrels of bitumen recoverable (139.0 million barrels net to Pan Orient’s 71.8% interest in Andora) assigned to the Sawn Lake Central and the Sawn Lake South blocks, both of which are operated by Andora. The risked “Best Estimate” after tax net present value for Andora’s interests is \$199 million discounted at 10% (\$143 million net to Pan Orient’s 71.8% interest in Andora), and \$74 million discounted at 15% (\$53 million net to Pan Orient’s 71.8% interest in Andora).

The Resources Report reflects the development plan for Sawn Lake Central and Sawn Lake South of staged development with five standardized “battery scale” SAGD facilities where growth is primarily funded by cash flow generated by the project. Full field development is with SAGD batteries of 5000 to 6000 BOPD each, which utilizes Andora’s proprietary Produced Water Boiler (“PWB”) technology using water from SAGD production to generate steam and meet water recycle requirements in Alberta. This strategy is intended to significantly reduce financial, reservoir and operating risk.

The first stage of Sawn Lake commercial development would be reactivation of the existing SAGD facility and wellpair at Sawn Lake Central (Andora operator with 50% working interest), and expansion to install the first PWB and drill an additional wellpair at an estimated cost of \$11 million net to Andora. A further potential expansion with the drilling of an additional three wellpairs plus facilities work, at an estimated cost of \$16 million net to Andora, would be to increase Andora’s share of production from 620 BOPD to 1547 BOPD. Regulatory approval was received in December 2017 for commercial operation of the existing Sawn Lake Central project at 3200 BOPD (1600 BOPD net to Andora’s 50%) using Andora’s PWB. The lead time to acquiring the necessary equipment and commence operations would be approximately 18 months and another 6 months is required until the start of bitumen production (after development of the steam chamber).

- Andora is working with joint venture partners to assess commercial development at Sawn Lake and it is recognized that crude oil prices, and specifically Western Canada Select benchmark prices, and Government of Canada policy, will have a significant impact on project economics and financing, and on decisions regarding the timing and extent of future development.

Corporate

- Total corporate adjusted funds flow from operations (including Pan Orient’s 50.01% equity interest in the Thailand Joint Venture) for 2019 of \$16.9 million (\$0.31 per share) with \$3.2 million (\$0.06 per share) in the fourth quarter of 2019, each as a result of strong Thailand oil production and netbacks.
- The loss attributable to common shareholders for 2019 was \$25.3 million (\$0.46 loss per share), with a loss of \$26.9 million (\$0.49 per share) in the fourth quarter of 2019, resulting from a net \$27.0 million impairment charge for the East Jabung Indonesia Exploration and Evaluation assets.
- 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 December 31, 2019 Pan Orient repurchased 654,400 common shares at an average price of \$1.22 per share.
- Pan Orient has a strong financial position at December 31, 2019 with working capital and non-current deposits of \$22.2 million and no long-term debt. In addition, the Thailand Joint Venture has \$10.5 million in working capital and long-term deposits, net to Pan Orient’s 50.01% equity interest, and Thailand funds flow from operations will fund the 2020 Thailand exploration and development activities.

OUTLOOK

THAILAND

Concession L53 Onshore (Pan Orient Energy (Siam) Ltd., in which Pan Orient has 50.01% ownership) Oil sales in January and February 2020 at Concession L53, net to Pan Orient’s 50.01% interest, averaged 1,106 BOPD, with 1,041 BOPD in January and 1,177 BOPD in February.

The Thailand capital budget is \$12 million net to Pan Orient's 50.01% interest for 2020, with \$10 million firm and \$2 million contingent on oil prices, which includes the drilling of five exploration wells (including side tracks), three development or appraisal wells (within the L53DD field), one L53DD water disposal well and a number of workovers. This program will be funded through Thailand cash flow.

The 2020 drilling program commenced with the drilling of the L53-DD6ST2 appraisal well which has been on production since February 11th. Oil production from the L53-DD6ST2 well February 15th to March 6th has averaged 409 BOPD (net to Pan Orient's 50.01% interest) from the BB/CC sand and a water cut of 1.1%. Test results are not necessarily indicative of long-term performance or ultimate recovery.

The L53-AA2 exploration well was the second well drilled in the program. Confirmation of the potential of this well through a 90 day production test period will commence as soon as approval from the Government of Thailand is received. The L53-AA1 exploration well, that was targeting a structural closure approximately 1.2 kilometers due south of the L53-AA2 well AA sand penetration, has been abandoned after failing to encounter oil bearing sands. L53-AA1 was immediately sidetracked (L53-AAST1), targeting a structural closure separate and up dip and due west of the L53-AA2 exploration well but also failed to encounter oil bearing sands.

The drilling rig will now be demobilized with the drilling program planned to re-start in the second half of April 2020 utilizing a new drilling rig under contract with a substantially reduced day rate in comparison to the rig that just completed drilling the L53AA pad wells. Drilling will recommence initially with a water disposal well at the L53DD well pad, followed by the L53-BB1 exploration well that is targeting multiple sands on trend and north of the L53-DD field and then the L53AC-E exploration well targeting the West A1-A4 prospect fault compartments within the Kampaeng Saen basin, immediately north of the producing L53-D field. An additional two appraisal wells will also be drilled within the L53-DD field to complete this drilling program.

On January 7, 2021 the 211.69 square kilometers of "reserved area" exploration lands will expire and only exploration and development lands within production license areas will remain (with a 20 year primary term to January 7, 2036 plus an additional 10 year renewal period that can be applied for). Pan Orient Energy (Siam) Ltd. has 24.44 square kilometers associated with the L53-A, L53-B, L53-D, L53-G and L53-DD fields, has submitted a production license application for the L53-AA South field, and will submit production license applications for any other new discoveries. For this reason, the 2020 work program is focused on exploration drilling, and it is the intention that at the end of 2020 all main prospects will have been drilled and have production license applications approved.

CANADA

Sawn Lake (Operated by Andora Energy Corporation, in which Pan Orient has a 71.8% ownership) These are uncertain times for bitumen producers, especially junior companies, with the challenges of volatile prices, pipeline egress, regulatory uncertainty and access to capital. Sawn Lake is a quality SAGD project that has regulatory approval, the right development plan based on Andora's proprietary produced water boiler and an existing facility that can be expanded for commercial production. Pan Orient is looking to have the project move forward in some manner for the benefit of Pan Orient shareholders.

Corporate

The Company maintains a strong cash position for conducting key exploration and development activities and to provide financial flexibility. Pan Orient is constantly reviewing its exploration and development asset portfolio in Thailand and Canada with the aim of maximizing corporate value and achieving the best allocation of resources. The near-term strategy for Pan Orient is to complete exploration drilling and development activities in Thailand prior to the "reserved area" exploration lands expiring in January 2021, and to monitor events impacting the Sawn Lake SAGD heavy oil project in the coming months to decide on how to best proceed.

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 "forecast", "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; the benefits of patented technology; estimates of reserves and potentially recoverable resources; information on future production and project start-ups; expectations as to prices for oil produced and the impact of sales agreements; anticipated reductions in operating expenses; 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 reserve estimates and estimates of recoverable quantities of oil, changes in project schedules, regulatory changes and delays, operating and reservoir performance, the effects of weather and climate change, the results of exploration and development drilling and related activities, supply, demand and resulting prices 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	
	December 31,	
<i>(thousands of Canadian dollars except where indicated)</i>	2019	2018
FINANCIAL		
Financial Statement Results & Excluding 50.01% Interest in Thailand Joint Venture (Note 1)		
Net income (loss) attributed to common shareholders	(26,856)	1,409
Per share & basic and diluted	\$ (0.49)	\$ 0.03
Cash flow from (used in) operating activities (Note 2)	(338)	(245)
Per share & basic and diluted	\$ (0.01)	\$ (0.00)
Cash flow from (used in) investing activities (Note 2)	(7,762)	(1,051)
Per share & basic and diluted	\$ (0.14)	\$ (0.02)
Cash flow used in financing activities (Note 2)	(718)	-
Per share & basic and diluted	\$ (0.01)	-
Working capital	21,554	32,541
Working capital & non-current deposits	22,158	33,131
Long-term debt	-	-
Shares outstanding (thousands)	54,496	54,900
Capital Commitments (Note 3)	719	738
Working Capital and Non-current Deposits		
Beginning of period & Excluding Thailand Joint Venture	32,458	32,991
Adjusted funds flow from (used in) operations (excluding Thailand joint venture) (Note 5)	(898)	972

Issuance of common shares	-	-
Consolidated capital expenditures (Note 7)	(8,433)	(998)
Amounts (advanced to) received from Thailand Joint Venture	(7)	31)
Disposal of petroleum and natural gas assets (Note 8)	-	-
Dividend received from Thailand Joint Venture	-	-
Finance lease payments	(47)	-
Normal course issuer bid	(671)	-
Effect of foreign exchange	(244)	141)
End of period - Excluding Thailand Joint Venture	22,158	33,133
Pan Orient 50.01% interest in Thailand Joint Venture Working Capital and Non-Current Deposits	10,493	6,385
Economic Results – Including 50.01% Interest in Thailand Joint Venture (Note 7)		
Total corporate adjusted funds flow from (used in) operations by region (Note 5)		
Canada (Note 6)	(593)	1,021)
Thailand (Note 17)	(9)	(7)
Indonesia	(296)	(42)
Adjusted funds flow from (used in) operations (excl. Thailand Joint Venture)	(898)	972)
Share of Thailand Joint Venture (Note 7)	4,089	2,029
Total corporate adjusted funds flow from operations	3,191	3,001
Per share – basic and diluted	\$ 0.06	\$ 0.05
Capital Expenditures – Petroleum and Natural Gas Properties (Note 7)		
Canada (Note 6)	205	233
Indonesia	8,228	765
Consolidated capital expenditures (excl. Thailand Joint Venture)	8,433	998
Share of Thailand Joint Venture capital expenditures	2,872	2,321
Total capital expenditures (incl. Thailand Joint Venture)	11,305	3,319
Disposition – Petroleum and Natural Gas Properties (Note 8)	-	-
Investment in Thailand Joint Venture		
Beginning of period	32,898	32,863
Net income from Joint Venture	1,186	492
Other comprehensive gain from Joint Venture	37	1,179
Dividend paid	-	-
Amounts (received from) advanced to Joint Venture	7	(31)
End of period	34,128	34,502

	Three Months Ended December 31,		Year Ended December 31,
	2019	2018	2019
<i>(thousands of Canadian dollars except where indicated)</i>			
Thailand Operations			
Economic Results – 50.01% Interest in Thailand Joint Venture (Note 4)			
Oil sales (bbls)	113,324	33,702	386,877
Average daily oil sales (BOPD) by Concession L53	1,232	366	1,060
Average oil sales price, before transportation (CDN\$/bbl)	\$ 62.64	\$ 83.75	\$ 74.65
Reference Price (volume weighted) and differential			
Crude oil (Brent \$US/bbl)	\$ 63.32	\$ 64.54	\$ 63.91
Exchange Rate \$US/\$Cdn	1.34	1.34	1.35
Crude oil (Brent \$Cdn/bbl)	\$ 84.96	\$ 86.78	\$ 86.48
Sale price / Brent reference price	74 %	97 %	86 %
Adjusted funds flow from (used in) operations (Note 5)			
Crude oil sales	7,099	2,823	28,882
Government royalty	(369)	(137)	(1,503)

Transportation expense	(272)	(68)	(934)
Operating expense	(846)	(386)	(2,385)
Field netback	5,612	2,232	24,060
General and administrative expense (Note 9)	(299)	(227)	(953)
Interest income	21	21	43
Foreign exchange gain (loss)	23	(4)	68
Current income tax	(1,277)	-	(3,275)
Thailand - Adjusted funds flow from operations	4,080	2,022	19,943
Adjusted funds flow from (used in) operations / barrel (CDN\$/bbl) (Note 5)			
Crude oil sales	\$ 62.64	\$ 83.75	\$ 74.65
Government royalty	(3.26)	(4.07)	(3.88)
Transportation expense	(2.40)	(2.02)	(2.41)
Operating expense	(7.47)	(11.45)	(6.16)
Field netback	\$ 49.52	\$ 66.21	\$ 62.19
General and administrative expense (Note 9)	(2.64)	(6.74)	(2.46)
Interest Income	0.19	0.62	0.11
Foreign exchange gain (loss)	0.20	(0.12)	0.18
Current income tax	(11.27)	-	(8.47)
Thailand & Adjusted funds flow from operations	\$ 36.00	\$ 59.97	\$ 51.55
Government royalty as percentage of crude oil sales	5 %	5 %	5 %
Income tax & SRB as percentage of crude oil sales	18.0 %	-	11.3 %
As percentage of crude oil sales			
Expenses - transportation, operating, G&A and other	19 %	24 %	14 %
Government royalty, SRB and income tax	23 %	5 %	17 %
Adjusted funds flow from operations, before interest income	57 %	72 %	69 %
Wells drilled			
Gross	1	2	7
Net	0.5	1	3.5
Financial Statement Presentation			
Results & Excl. 50.01% Interest in Thailand Joint Venture (Note 1)			
General and administrative expense (Note 9)	(9)	(7)	(41)
Adjusted funds flow used in consolidated operations	(9)	(7)	(41)
Adjusted fund flow included in Investment in Thailand Joint Venture			
Net income from Thailand Joint Venture	1,186	492	4,890
Add back non-cash items in net loss	2,903	1,537	15,094
Adjusted funds flow from Thailand Joint Venture	4,089	2,029	19,984
Thailand & Economic adjusted funds flow from operations (Note 4)	4,080	2,022	19,943

	Three Months Ended		Year Ended		% Change
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	
<i>(thousands of Canadian dollars except where indicated)</i>					
Canada Operations (Note 6)					
Interest income	119	105	397	494	-20 %
General and administrative expenses (Note 9)	(397)	(420)	(2,082)	(1,910)	9 %
Realized foreign exchange gain	1	13	1	20	-95 %
Unrealized foreign exchange loss (Note 16)	(316)	1,323	(1,008)	2,047	-149 %
Canada & Adjusted funds flow from (used in) operations	593)	1,021	(2,692)	651	-514 %
Indonesia Operations					
General and administrative expense (Note 9)	(274)	(63)	(442)	(255)	73 %
Exploration recovery	-	30	-	-	0 %
Realized foreign exchange gain (loss)	(22)	(9)	50	(18)	-378 %

Indonesia – Adjusted funds flow used in operations (296) (42) (392) (273) 44 %

Year Ended
December 31,

(thousands of Canadian dollars except where indicated)

RESERVES AND CONTINGENT RESOURCES

Onshore Thailand – Concession L53 (50.01% economic interest) (Note 1) (Note 11)

Proved oil reserves (thousands of barrels)

Proved plus probable oil reserves (thousands of barrels)

Net present value of proved + probable reserves, after tax discounted at 10%

Per Pan Orient share – basic (Note 12) \$

Canada (Pan Orient’s 71.8% share of the oil sands leases of Andora at Sawn Lake, Alberta) (Note 13)

INTERNATIONAL INTERESTS AT DECEMBER 31, 2019

~~Onshore Thailand Concession (Recorded in Investment in Joint Venture)~~ December 31, 2019
~~53/48 (Pan Orient 50.01% ownership in Pan Orient Energy (Siam) Ltd. as at December 31, 2019)~~ Financial Commitments
~~Partially developed~~ (Cdn thousands)

Onshore Thailand Concession (Recorded in Investment in Joint Venture)
 53/48 (Pan Orient 50.01% ownership in Pan Orient Energy (Siam) Ltd. as at December 31, 2019) (Note 1 & 14)
 Partially developed to January 2021 (1)

Onshore Indonesia PSC (Consolidated subsidiary)
 66/66 (Pan Orient 49% interest & non-operator) (Note 15) to January 2020
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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 Consolidated Financial Statements of [Pan Orient Energy Corp.](#)
- (3) Refer to Commitments note disclosure of the December 31, 2019 and December 31, 2018 Consolidated Financial Statements.

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 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.

Total corporate adjusted funds flow from operations is cash flow from operating activities prior to changes in non-cash working capital, unrealized foreign exchange gain or loss plus the corresponding amount from Pan Orient’s 50.01% interest in the Thailand Joint Venture which is recorded in Joint Venture for financial statement purposes. This measure is used by management to analyze operating performance and leverage.

- (5) 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.
- (6) 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.
- (7) Cost of capital expenditures excluded decommissioning costs, the impact of changes in foreign exchange and capitalized stock-based compensation expense.
- (8) In 2018, the Sawn Lake joint venture sold some inventory of pipe to outside third party.

- (9) General & administrative expenses, excluding non-cash accretion on decommissioning provision. The nominal amount of G&A shown in the three months and year ended 2019 and 2018 for Thailand operations related to G&A of the holding company of Pan Orient Energy (Siam) Ltd.
- (10) Thailand reserves as at December 31, 2018 as evaluated by Sproule International Limited of Calgary assessed at forecast crude oil reference prices and costs. The US\$ reference price for crude oil per barrel (US\$ UK Brent per barrel) in the evaluation is \$70.00 for 2019, \$72.00 for 2020, \$73.00 for 2021, \$74.46 for 2022, \$75.95 for 2023, and prices increase at 2.0% per year thereafter. Foreign exchange rate used of Cdn\$1=US\$0.77 for 2019, Cdn\$1=US\$0.80 for 2020 and Cdn\$1=US\$0.80 thereafter. The engineered values disclosed may not represent fair market value.
- (11) Thailand reserves as at December 31, 2019 as evaluated by Sproule International Limited of Calgary assessed at forecast crude oil reference prices and costs. The US\$ reference price for crude oil per barrel (US\$ UK Brent per barrel) in the evaluation is \$65.00 for 2020, \$68.00 for 2021, \$70.00 for 2022, \$71.40 for 2023, \$72.83 for 2024 and prices increase at 2.0% per year thereafter. Foreign exchange rate used of Cdn\$1=US\$0.76 for 2020, Cdn\$1=US\$0.77 for 2021 and Cdn\$1=US\$0.80 thereafter. The engineered values disclosed may not represent fair market value.
- (12) Per share values calculated based on 54,496,007 and 54,900,407 Pan Orient Shares outstanding at December 31, 2019 and 2018, respectively.
- (13) The evaluation of Andora's contingent resources of the oil sands project at Sawn Lake Alberta, Canada as at September 30, 2019 was conducted by Sproule Associates Limited. The evaluation assigned an 85% chance of development for Sawn Lake, or a 15% development risk, and the risked "Best Estimate" contingent resources for Andora were 193.6 million barrels of bitumen recoverable (139.0 million barrels net to Pan Orient's interest in Andora). Andora's unrisked "Best Estimate" contingent resources were 227.8 million barrels (163.6 million net to Pan Orient's interest in Andora) of recoverable bitumen as at September 30, 2019.
- (14) At December 31, 2019 Concession L53/48 in Thailand consisted of 24.44 square kilometers associated with the L53-A, L53-B, L53-D, L53-G and L53-DD fields held through production licenses (with a 20 year primary term to January 7, 2036 plus an additional 10 year renewal period that can be applied for) and 211.69 square kilometers of "reserved area" exploration lands. The Company has submitted the application for the production license for the L53-AA South field and approval is expected to be received in approximately June of 2020. The "reserved area" exploration lands expire on January 7, 2021. The original nine year exploration period for Concession L53 expired on January 7, 2016. The Government of Thailand approved a 215.87 square kilometer "reserved area" within Concession L53 for up to five years, with the payment of a surface reservation fee of \$0.8 million gross (\$0.4 million net to Pan Orient), for each year the Company elects to retain the reserved area. The Company is entitled to receive a refund of the surface reservation fee for a particular year in an amount equal to the petroleum exploration expenditures spent in that year within the reserved area up to the reservation fee paid. The Company intends to spend at least the full amount each year the reserved area is renewed and, therefore, it is expected that the annual reservation fee will be fully refunded.
- (15) Pursuant to a June 1, 2015 farmout agreement, the Company transferred a 51% direct working interest and operatorship of the East Jabung PSC. The farminee committed to funding US\$10.2 million towards the first and second exploration wells and a contingent commitment to fund the first US\$5.1 million towards an appraisal well, if justified. The drilling of the Ayu-1X and Elok-1X exploration wells in 2017 qualified for the two wells under the firm 3 year exploration work program. The original November 21, 2017 expiry date of the East Jabung PSC was extended by the Government of Indonesia to January 20, 2019. On January 11, 2019 the East Jabung PSC joint venture received approval for a four year exploration extension period with an exploration area of 1,245.56 square kilometers, where the joint venture has the option of exiting or continuing with the PSC on an annual basis. The Anggun-1X well was drilled in the fourth quarter of 2019. In January 2020 the PSC joint venture provided notice to the Government of Indonesia of withdrawal from the East Jabung PSC.
- (16) Realized and unrealized foreign exchange gain or loss mainly related to the U.S. dollars denominated cash balances held in Canada.
- (17) The nominal amount of G&A shown in the three months and year ended 2019 and 2018 for Thailand operations related to G&A of the holding company of Pan Orient Energy (Siam) Ltd.
- (18) Tables may not add due to rounding.

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