

Pan Orient Energy Corp. - 2021 Third Quarter Financial & Operating Results

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CALGARY, Nov. 10, 2021 - [Pan Orient Energy Corp.](#) ("Pan Orient" or the "Company") (TSXV: POE) reports 2021 third consolidated financial and operating results. Please note that all amounts are in Canadian dollars unless otherwise stated. All units refer 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, 2021 and related management's discussion and analysis with Canadian securities regulatory authorities. Copies of these documents can be obtained online at www.sedar.com or the Company's website, www.panorient.ca.

Commenting today on Pan Orient's 2021 third quarter results, President and CEO Jeff Chisholm stated: "The third quarter was a testament to a job well done by Pan Orient's operations staff. We are now focused on a series of workovers, that will define new reserves in the AA2 sand, which had no reserves attributed to it at year-end 2020, and the asset sales program on October 28, 2021."

HIGHLIGHTS

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

- Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, oil sales from Concession L53 in the first nine months of 2021 were 1,385 BOPD, with 1,179 BOPD from the L53-DD field.
- Adjusted Thailand funds flow from operations after tax of \$5.3 million (\$41.45 per barrel) in the third quarter of 2021 compared with \$5.0 million (\$39.60 per barrel) in the second quarter of 2021. Per barrel amounts during the third quarter were a realized price for oil sales of \$87.55, transportation expenses \$2.36, operating expenses \$5.21, general and administrative expenses \$1.68, foreign exchange loss and other \$0.18, a 5% royalty to the Thailand government and income tax \$32.00. Oil sales revenue during this period was allocated 11% to expenses for transportation, operating & administrative, 42% to the government of Thailand for royalties & income tax, and 47% to the Thailand Joint Venture.
- Thailand adjusted funds flow from operations of \$14.7 million in the first nine months of 2021 funded \$5.0 million of exploration and development activities and dividends paid to Pan Orient from the Thailand Joint Venture of \$8.6 million. Pan Orient's share of working capital and long-term deposits in Thailand at September 30, 2021 was \$5.3 million.

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

- The East Jabung Production Sharing Contract ("PSC") expired in January 2020 and the operator is determining final costs to be taken for formal approval of the expiry from the Government of Indonesia. The estimated cost by the operator for decommissioning and reclamation of the East Jabung PSC is US\$0.7 million (Cdn\$0.9 million) net to Pan Orient's 49% interest.
- Activities of the Company in Indonesia are reported in 2020 and 2021 as discontinued operations. Discontinued operations in Indonesia for 2021 were \$168 thousand of expenses and \$7 thousand of unrealized foreign exchange gains on currency exchange rates since the end of 2020. In addition, during the third quarter of 2021 the Company recorded \$0.6 million of current decommissioning expense for discontinued operations related to the East Jabung PSC. The total provision for abandonment and reclamation for East Jabung PSC at September 30, 2021 is \$0.9 million.

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

- For the first nine months of 2021, Pan Orient reports total operating expenses of \$220 thousand associated with the suspended SAGD facility and wellpair. In addition, the estimated decommissioning provision for Sawn Lake was \$0.9 million during the third quarter of 2021 based on an assessment of Sawn Lake by a specialized third-party reclamation contractor.

Corporate

- Corporate adjusted funds flow from operations (including Pan Orient's 50.01% equity interest in the Thailand Joint Venture) was \$5.0 million (\$0.10 per share) in the third quarter and a total of \$12.3 million (\$0.24 per share) for the first nine months of 2021. The increase in the third quarter from \$3.9 million (\$0.08 per share) in the second quarter of 2021 was primarily due to a \$1.0 million increase in Pan Orient's equity interest in Thailand Joint Venture adjusted funds flow from operations and a \$0.3 million foreign exchange gain on Canadian cash holdings denominated in US dollars.
- Net income attributable to common shareholders for the first nine months of 2021 was \$5.5 million (\$0.11 income per share) compared to a net loss attributable to common shareholders for the first nine months of 2020 of \$59.2 million (\$1.19 loss per share), with a net \$57.6 million impairment charge for the Sawn Lake, Alberta Exploration and Evaluation assets in the third quarter of 2020.
- Pan Orient repurchased 1,950,100 common shares in the first nine months of 2021, at an average price of \$0.87 per share for a total of \$1.7 million. The Company repurchased 87,100 shares in the third quarter at an average price of \$1.09 per share. Shares outstanding at September 30, 2021, and currently, are 49.8 million.
- Pan Orient is in a strong financial position with working capital and non-current deposits of \$28.4 million, mainly consisting of cash and cash equivalents held in Canada, and no long-term debt at September 30, 2021. In addition, the Thailand Joint Venture has \$5.3 million in working capital and long-term deposits, net to Pan Orient's 50.01% equity interest, and Thailand Joint Venture funds from operations are expected to increase the Company's cash balance during the remainder of 2021.

OUTLOOK

THAILAND

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

We are now focused on a series of workovers, that with success will define new reserves in the AA2 sand, which had no reserves attributed to it at year-end 2020. In addition, an updated reservoir simulation is underway that will incorporate: 1) updated production data, 2) some AA sand model changes made in response to observed production performance, and 3) the addition of the AA1 and AA2 sands into the model. No further drilling is anticipated in 2021.

CORPORATE

The Company has started a process to accelerate shareholder value given the mid to late stage development of Thailand, the desire to allocate no further funds to the Sawn Lake asset, and strength in current oil prices. It is expected this process will involve both the Thailand assets and the Sawn Lake, Canada assets, and be completed by mid-2022. Discussions for both assets are currently underway with interested parties. It seems most likely that no individual potential purchaser is interested in both assets due to their contrasting nature, and that distinct transactions are the more likely outcome. It is intended that the proceeds from any potential sale of any of the assets will be returned to Pan Orient shareholders through a return of capital.

Based on this new direction, the Company announced on October 28th that it plans to pay a \$0.40 per share special distribution to shareholders, subject to shareholder and regulatory approval. The distribution is intended to be a return of capital, which would require shareholder approval of a reorganization of the Company's share capital. Pan Orient anticipates that the required annual and special meeting of shareholders will be held in mid-January 2022. If approved by shareholders, the record date for the determination of shareholders entitled to receive the distribution would be set and the distribution paid in early-February 2022.

It is currently proposed that in the period after the sale of the Company's oil and gas interests, and the distribution of the vast majority of cash to shareholders, the Company will continue to pursue international oil and gas opportunities with a substantially scaled down cost structure.

COVID-19 Coronavirus

The operations in Thailand of Pan Orient Energy (Siam) Ltd. ("POS") continue to be somewhat affected by the worldwide COVID-19 coronavirus pandemic. The Thailand government imposed a state of emergency in late March 2020, giving it wide-ranging powers to address the crisis. Domestic travel restrictions have now been eased and restrictions on fully vaccinated foreigners entering Thailand are being reduced.

Prudent measures have been taken by POS to help protect the health and safety of staff, which are of paramount importance. Fortunately, POS in Thailand was able to complete its initial three well 2021 appraisal drilling program. POS and Pan Orient are well-positioned to withstand these unprecedented events. The Company is optimistic about a return to normal operations and continued strength in world oil prices.

Pan Orient is a Calgary, Alberta based oil and gas exploration and production company with operations currently located onshore Thailand and Western Canada.

This news release contains forward-looking information. Forward-looking information is generally identifiable by the terminology used, such as "expect", "believe", "plans", "estimate", "should", "anticipate" and "potential" or other similar wording. Forward-looking information in this news release includes, but is not limited to, references express or implied to; well drilling and workover programs; the scope of an updated reservoir simulation; the initiation of a process to accelerate shareholder value; a planned special cash distribution to shareholders and the timing and manner of that distribution; and the Company's intentions regarding operations after the sale of its oil and gas interest and distribution of cash to shareholders. 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, regulatory and legal requirements, shareholder opinions and voting results, availability of other oil and gas opportunities 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.

Financial and Operating Summary	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
(thousands of Canadian dollars except where indicated)	2021	2020	2021	2020
FINANCIAL				
Financial Statement Results - Excluding 50.01% Interest in Thailand Joint Venture (Note 1)				
Net income (loss) attributed to common shareholders	2,872	(1,063)	5,528	(59,214)
Per share - basic and diluted	\$ 0.06	\$ (0.02)	\$ 0.11	\$ (1.12)
Cash flow used in operating activities (Note 2 & 3)	(227)	(355)	(1,838)	(1,345)
Per share - basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.04)	\$ (0.03)
Cash flow from (used in) investing activities (Note 2 & 3)	(8)	2,808	8,614	7,010
Per share - basic and diluted	\$ 0.00	\$ 0.05	\$ 0.17	\$ 0.13
Cash flow used in financing activities (Note 2 & 3)	(97)	(65)	(1,725)	(1,507)
Per share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.03)	\$ (0.03)
Change in cash and cash equivalents from discontinued operations (Note 3)	(7)	(42)	(143)	(749)
Working capital	27,831	25,802	27,831	25,802
Working capital & non-current deposits	28,443	26,411	28,443	26,411
Long-term debt	-	-	-	-
Shares outstanding (thousands)	49,794	52,077	49,794	52,077
Capital Commitments (Note 4)	801	719	801	719
Working Capital and Non-current Deposits				
Beginning of period - Excluding Thailand Joint Venture	29,542	24,801	23,577	22,158
Adjusted funds flow used in continuing operations (Note 3 & 6)	(217)	(1,122)	(2,304)	(1,586)
Adjusted funds flow from (used in) discontinued operations (Note 3)	(139)	(12)	(161)	348
Consolidated capital expenditures (excluding Thailand Joint Venture)(Note 7)	-	-	-	(85)
Amounts received from (advanced to) Thailand Joint Venture	(8)	(8)	39	(18)
Dividend received from Thailand Joint Venture	-	2,812	8,574	7,112
Finance lease payments	(2)	(5)	(21)	(136)
Changes in current decommissioning liabilities in Indonesia	(643)	-	(643)	-
Normal course issuer bid	(95)	(61)	(1,704)	(1,483)
Automatic shares purchase plan (Note 8)	-	-	945	-
Effect of foreign exchange and other	5	6	141	101
End of period - Excluding Thailand Joint Venture				

28,443

Pan Orient 50.01% interest in Thailand Joint Venture Working Capital and Non-Current Deposits	5,332	3,509	5,332	3,509
Economic Results - Including 50.01% Interest in Thailand Joint Venture				
Total corporate adjusted funds flow from (used in) operations by region (Note 6)				
Canada	(200)	(1,115)	(2,274)	(1,565)
Thailand (Note 9)	(17)	(7)	(30)	(21)
From continuing operations	(217)	(1,122)	(2,304)	(1,586)
Indonesia - Discontinued Operations	(139)	(12)	(161)	348
Adjusted funds flow used in operations (excl. Thailand Joint Venture)	(356)	(1,134)	(2,465)	(1,238)
Share of Thailand Joint Venture (Notes 1 & 5)	5,364	3,544	14,735	9,257
Total corporate adjusted funds flow from operations	5,008	2,410	12,270	8,019
Per share - basic and diluted	\$ 0.10	\$ 0.05	\$ 0.24	\$ 0.15
Capital Expenditures - Petroleum and Natural Gas Properties (Note 7)				
Canada	-	-	-	85
Consolidated capital expenditures (excl. Thailand Joint Venture)	-	-	-	85
Share of Thailand Joint Venture capital expenditures	1,273	3,410	4,950	8,604
Total capital expenditures (incl. Thailand Joint Venture)	1,273	3,410	4,950	8,689
Investment in Thailand Joint Venture				
Beginning of period	21,899	30,709	28,329	34,127
Net income from Joint Venture	3,316	121	7,887	612
Other comprehensive loss from Joint Venture	(587)	(1,217)	(2,967)	(836)
Dividend paid	-	(2,812)	(8,574)	(7,112)
Amounts (received from) advanced to Joint Venture	8	8	(39)	18
End of period	24,636	26,809	24,636	26,809

	Three Months Ended		Nine Months Ended		%
	September 30,		September 30,		
(thousands of Canadian dollars except where indicated)	2021	2020	2021	2020	
Thailand Operations					
Economic Results - Including 50.01% Interest in Thailand Joint Venture (Note 5)					
Oil sales (bbls)	128,988	102,466	377,987	306,883	23%
Average daily oil sales (BOPD) by Concession L53	1,402	1,114	1,385	1,120	24%
Average oil sales price, before transportation (CDN\$/bbl)	\$ 87.55	\$ 53.38	\$ 80.06	\$ 52.94	51%
Reference Price (volume weighted) and differential					
Crude oil (Brent \$US/bbl)	\$ 73.27	\$ 42.57	\$ 67.68	\$ 40.44	67%
Exchange Rate \$US/\$Cdn	1.27	1.34	1.26	1.36	-7%
Crude oil (Brent \$Cdn/bbl)	\$ 93.26	\$ 57.25	\$ 85.81	\$ 55.03	55%
Sale price / Brent reference price	94%	93%	94%	96%	-3%
Adjusted funds flow from (used in) operations (Note 6)					
Crude oil sales	11,293	5,470	30,261	16,245	86%
Government royalty	(603)	(284)	(1,620)	(833)	94%
Transportation expense	(304)	(231)	(892)	(691)	29%
Operating expense	(672)	(818)	(2,117)	(2,330)	-9%
Field netback	9,714	4,137	25,632	12,391	100%
General and administrative expense (Note 9)	(217)	(203)	(628)	(662)	-5%
Interest income	1	-	2	6	-6%
Foreign exchange gain (loss)	(24)	13	(39)	42	-19%
Current income tax	(4,127)	(410)	(10,263)	(2,541)	30%
Thailand - Adjusted funds flow from operations	5,347	3,537	14,704	9,236	59%
Adjusted funds flow from (used in) operations / barrel (CDN\$/bbl) (Note 6)					
Crude oil sales	\$ 87.55	\$ 53.38	\$ 80.06	\$ 52.94	51%
Government royalty	(4.67)	(2.77)	(4.29)	(2.71)	58%
Transportation expense	(2.36)	(2.25)	(2.36)	(2.25)	5%
Operating expense	(5.21)	(7.98)	(5.60)	(7.59)	-26%
Field netback	\$ 75.31	\$ 40.37	\$ 67.81	\$ 40.38	68%
General and administrative expense (Note 9)	(1.68)	(1.98)	(1.66)	(2.16)	-23%
Interest Income					

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Foreign exchange gain (loss)	(0.19)	0.13	(0.10)	0.14	-17
Current income tax	(32.00)	(4.00)	(27.15)	(8.28)	22
Thailand - Adjusted funds flow from operations	\$ 41.45	\$ 34.52	\$ 38.90	\$ 30.10	29
Government royalty as percentage of crude oil sales	5.3%	5.2%	5.4%	5.1%	0%
Income tax as percentage of crude oil sales	37%	7%	34%	16%	18
As percentage of crude oil sales					
Expenses - transportation, operating, G&A and other	11%	23%	12%	22%	-10
Government royalty and income tax	42%	13%	39%	21%	18
Adjusted funds flow from operations, before interest income	47%	65%	49%	57%	-8%
Wells drilled					
Gross	-	2	3	7	-57
Net	-	1.0	1.5	3.5	-57
Financial Statement Presentation					
Results - Excl. 50.01% Interest in Thailand Joint Venture (Note 1)					
General and administrative expense (Note 9)	(17)	(7)	(30)	(21)	43
Adjusted funds flow used in consolidated operations	(17)	(7)	(30)	(21)	43
Adjusted fund flow Included in Investment in Thailand Joint Venture					
Net income from Thailand Joint Venture	3,316	121	7,887	612	11
Add back non-cash items in net income	2,048	3,423	6,848	8,645	-2
Adjusted funds flow from Thailand Joint Venture	5,364	3,544	14,735	9,257	59
Thailand - Economic adjusted funds flow from operations (Note 5)	5,347	3,537	14,705	9,236	59

Three Months Ended
September 30, 2021
Nine Months Ended
September 30, 2021
%
Change

September 30, 2021	September 30, 2021	September 30, 2020	% Change	
Canadian operations	69	35	201	-83%
General and administrative expenses	(455)	(1,472)	(1,524)	-3%
Depreciation and amortization	(90)	(220)	(156)	41%
Provision for doubtful accounts	(152)	(626)	(227)	176%
Impairment of long-lived assets	-	1	-	-100%
Foreign exchange gain	(84)	9	140	-94%
Gain on sale of foreign operations	(1,115)	(2,274)	(1,565)	45%
Restructuring expense	(38)	888	(295)	-401%
Goodwill impairment	(66)	(167)	(223)	-25%
Operations in Indonesia	(66)	(167)	(223)	-25%
Administrative expenses	(1)	(1)	674	-100%
Foreign exchange loss	52	7	(103)	-107%
Loss on sale of Indonesia (loss)	(12)	(161)	348	-146%
Restructuring expense	(632)	(632)	-	-
Net investment from operations	(11)	(793)	227	-449%

Pan Orient holds a 50.01% equity interest in Pan Orient Energy (Siam)

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For
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Refer
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Pan
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50.01%
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Cost
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Share
Purchase
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2020.

The Company granted 1,050,000 and 520,000 restricted share units ("RSUs") during the periods ended September 30, 2021, and 2020, respectively. The RSUs represent the stock-based compensation expenses.

SOURCE [Pan Orient Energy Corp.](#)

Contact

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