

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

CALGARY, AB, Aug. 12, 2021 /CNW/ - Pan Orient Energy Corp. ("Pan Orient" or the "Company") (TSXV: POE) reports 2021 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, 2021 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 2021 second quarter results, President and CEO Jeff Chisholm stated: "Thailand production in the second quarter of 2021 and in July was impacted by delays in the delivery of perforation charges and high volume pumps for water disposal wells, and some sand production issues. As a result, total oil production for a number of wells was less than well capability for much of the second quarter and July. These issues have now been mainly rectified and total Concession L53 oil sales have averaged 2,259 BOPD in July (1,130 net to Pan Orient's 50.01% equity interest) and 2,836 over the first 10 days of August BOPD (1,418 net to Pan Orient's 50.01% equity interest). Oil sales over the past four days has averaged 2,938 BOPD (1,469 net to Pan Orient's 50.01% equity interest). Further oil production optimization for current and future wells is anticipated with the delivery of a high volume (10,000 barrels of water per day) water disposal pump in September. An updated geological model and reservoir simulation that incorporated the three L53-DD wells drilled in early 2021 was commenced at the beginning of the quarter and is now complete. The simulation highlighted significant volumes of oil in all four main reservoir sands that is not currently being effectively drained and will require up to four additional production wells and the perforation of a number of zones currently behind pipe. It is contemplated the drilling of these new wells and perforation of zones in existing wells will take place prior to year-end 2021. Lastly, the conversion of the L53-DD5ST1 well to water disposal was approved by the Government of Thailand in late July, reducing the possibility of future water disposal bottlenecks when the four new wells are potentially drilled later in 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 half of 2021 were 1,376 BOPD, with 1,166 BOPD from the L53-DD field.
- Adjusted Thailand funds flow from operations of \$5.0 million (\$39.60 per barrel) in the second quarter of 2021 increased 17% compared with \$4.3 million (\$35.46 per barrel) in the first quarter of 2021. The increase in funds flow from operations is attributable to a \$1.0 million increase in oil sales and a \$0.1 million reduction in operating, transportation and G&A expenses, partially offset by a \$0.1 million increase in royalties and \$0.3 million increase in income tax. The average realized oil price per barrel increased 6% in the second quarter of 2021 to \$78.43 per barrel, reflecting continued strength in the Brent reference price which averaged US\$68.96 in the second quarter.
- Thailand adjusted funds flow from operations of \$9.4 million in the first half of 2021 funded \$3.7

million of Thailand exploration and development activities and the Thailand Joint Venture paid dividends to Pan Orient of \$8.6 million during the first half of 2021. Pan Orient's share of working capital and long-term deposits in Thailand on June 30, 2021 was \$1.4 million.

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

- The East Jabung Production Sharing Contract expired in January 2020 and the operator is determining final steps to be taken for formal approval of the expiry from the Government of Indonesia, including reclamation requirements. Pan Orient is withdrawing from operations in Indonesia.
- Activities of the Company in Indonesia are reported in 2020 and 2021 as discontinued operations. Discontinued operations in Indonesia for 2021 were \$102 thousand of expenses and \$80 thousand in unrealized foreign exchange gains on currency exchange rates since the end of 2020.

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

- After the impairment of Sawn Lake recorded at March 31, 2020, no operating expenses or G&A are capitalized. For the first half of 2021, Pan Orient reports total operating expenses of \$139 thousand associated with the Sawn Lake suspended SAGD facility and wellpair.
- The Western Canada Select reference price for heavy oil has increased significantly in 2021 and Andora continues to review alternatives for Sawn Lake, including partnership or outright sale to achieve value for Andora and Pan Orient shareholders.

Corporate

- Corporate adjusted funds flow from operations (including Pan Orient's 50.01% equity interest in the Thailand Joint Venture) was \$3.9 million (\$0.08 per share) in the second quarter and a total of \$7.3 million (\$0.14 per share) for the first half of 2021. The increase in the second quarter from \$3.4 million (\$0.07 per share) in the first quarter of 2021 was due to a \$0.7 million increase in Pan Orient's equity interest in Thailand Joint Venture adjusted funds flow from operations partially offset by higher expenses in Canada for Sawn Lake operating expenses, stock based compensation on restricted share units and unrealized foreign exchange loss on cash holdings denominated in US dollars.
- Net income attributable to common shareholders for the first half of 2021 was \$2.7 million (\$0.05 income per share). This compares a net loss attributable to common shareholders for the first half of 2020 of \$58.2 million (\$1.09 loss per share), with a net \$57.6 million impairment charge for the Sawn Lake, Alberta Exploration and Evaluation assets at March 31, 2020.
- Pan Orient repurchased 1,863,000 common shares in the first half of 2021, at an average price of \$0.86 per share, for \$1.6 million. The Company has repurchased an additional 87,100 shares in the third quarter to August 10, 2021, at an average price of \$1.09 per share. Common shares outstanding were 49.9 million at June 30, 2021 and 49.8 million at August 10, 2021.
- Pan Orient is in a strong financial position with working capital and non-current deposits of \$29.5 million and no long-term debt at June 30, 2021. Working capital in Canada includes \$31.1 million of cash and cash equivalent, comprised of USD\$16.4 million and Cdn\$10.7 million. In addition, the Thailand Joint Venture has \$1.4 million in working capital and long-term deposits, net to Pan Orient's 50.01% equity interest, and Thailand funds flow from operations are expected to increase the Company's cash balance through the remainder of 2021.

OUTLOOK

THAILAND

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

ownership)

An updated geological model and reservoir simulation that incorporated the three L53-DD wells drilled in early 2021 was commenced at the beginning of the quarter and is now complete. The simulation highlighted significant volumes of oil in all four main reservoir sands that is not currently being effectively drained and will require up to four additional production wells and the perforation of a number of zones currently behind pipe. It is contemplated the drilling of these new wells and perforation of zones in existing wells will take place prior to year-end 2021.

CANADA

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

As 2021 proceeds, the Company will consult with joint venture partners regarding development potential and alternatives.

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 lifted for certain tourist destinations. The infection and death rate was initially much lower in Thailand than in most western nations but a spike in both cases and deaths has been experienced since the end of the first quarter of 2021.

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 less volatile market conditions but the outlook for world oil prices remains somewhat uncertain.

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", "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 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.

Financial and Operating Summary (thousands of Canadian dollars except where indicated)	Three Months Ended June 30,		Six Months Ended June 30,		% Change
	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	1,516	(1,034)	2,656	(58,151)	-105%
Per share – basic and diluted	\$ 0.03	\$ (0.02)	\$ 0.05	\$ (1.09)	-105%
Cash flow used in operating activities (Note 2 & 3)	(620)	(591)	(1,611)	(990)	63%
Per share – basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.02)	63%
Cash flow from investing activities (Note 2 & 3)	6,012	-	8,622	4,202	105%
Per share – basic and diluted	\$ 0.12	\$ 0.00	\$ 0.17	\$ 0.08	105%
Cash flow used in financing activities (Note 2 & 3)	(388)	(743)	(1,628)	(1,442)	13%
Per share – basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.03)	13%
Change in cash and cash equivalents from discontinued operations (Note 3)	(103)	(181)	(136)	(707)	-81%
Working capital	28,931	24,193	28,931	24,193	20%
Working capital & non-current deposits	29,542	24,801	29,542	24,801	19%
Long-term debt	-	-	-	-	-
Shares outstanding (thousands)	49,881	52,175	49,881	52,175	-4%
Capital Commitments (Note 4)	801	719	801	719	11%
Working Capital and Non-current Deposits					
Beginning of period – Excluding Thailand Joint Venture	23,415	26,386	23,577	22,158	6%
Adjusted funds flow used in continuing operations (Note 3 & 6)	(1,163)	(1,523)	(2,087)	(464)	350%
Adjusted funds flow from (used in) discontinued operations (Note 3)	(2)	703	(22)	360	-106%
Consolidated capital expenditures (excluding Thailand Joint Venture)(Note 7)	-	-	-	(85)	-100%
Amounts received from (advanced to) Thailand Joint Venture	38	(8)	48	(10)	-580%
Dividend received from Thailand Joint Venture	5,974	-	8,574	4,300	99%
Finance lease payments	(17)	(10)	(19)	(131)	-85%
Normal course issuer bid	(371)	(733)	(1,609)	(1,422)	13%
Automatic shares purchase plan (Note 8)	1,574	-	945	-	-
Effect of foreign exchange and other	94	(14)	135	95	42%
End of period - Excluding Thailand Joint Venture	29,542	24,801	29,542	24,801	19%
Pan Orient 50.01% interest in Thailand Joint Venture Working Capital and Non-Current Deposits	1,383	6,553	1,383	6,553	-65%
Economic Results – Including 50.01% Interest in Thailand Joint Venture					
Total corporate adjusted funds flow from (used in) operations by region (Note 6)					
Canada	(1,158)	(1,515)	(2,074)	(450)	361%
Thailand (Note 9)	(5)	(8)	(13)	(14)	-7%
From continuing operations	(1,163)	(1,523)	(2,087)	(464)	350%
Indonesia – Discontinued Operations	(2)	703	(22)	360	-106%
Adjusted funds flow from (used in) operations (excl. Thailand Joint Venture)	(1,165)	(820)	(2,109)	(104)	1928%
Share of Thailand Joint Venture (Notes 1 & 5)	5,045	2,025	9,371	5,713	64%
Total corporate adjusted funds flow from operations	3,880	1,205	7,262	5,609	29%
Per share – basic and diluted	\$ 0.08	\$ 0.02	\$ 0.14	\$ 0.10	37%
Capital Expenditures – Petroleum and Natural Gas Properties (Note 7)					
Canada	-	-	-	85	-100%
Consolidated capital expenditures (excl. Thailand Joint Venture)	-	-	-	85	-100%
Share of Thailand Joint Venture capital expenditures	1,848	1,415	3,677	5,194	-29%
Total capital expenditures (incl. Thailand Joint Venture)	1,848	1,415	3,677	5,279	-30%
Investment in Thailand Joint Venture					
Beginning of period	26,252	30,209	28,329	34,127	-17%
Net income (loss) from Joint Venture	2,669	(65)	4,571	491	831%
Other comprehensive gain (loss) from Joint Venture	(1,011)	557	(2,380)	381	-725%
Dividend paid	(5,974)	-	(8,574)	(4,300)	99%
Amounts (received from) advanced to Joint Venture	(37)	8	(47)	10	-580%
End of period	21,899	30,709	21,899	30,709	-29%

(thousands of Canadian dollars except where indicated)	Three Months Ended June 30,		Six Months Ended June 30,		% Change
	2021	2020	2021	2020	
Thailand Operations					
Economic Results – Including 50.01% Interest in Thailand Joint Venture (Note 5)					
Oil sales (bbls)	127,266	96,466	248,999	204,417	22%
Average daily oil sales (BOPD) by Concession L53	1,399	1,060	1,376	1,123	22%

Average oil sales price, before transportation (CDN\$/bbl)	\$ 78.43	\$ 40.49	\$ 76.18	\$ 52.71	45%
Reference Price (volume weighted) and differential					
Crude oil (Brent \$US/bbl)	\$ 68.96	\$ 28.67	\$ 64.78	\$ 39.38	64%
Exchange Rate \$US/\$Cdn	1.24	1.40	1.26	1.37	-8%
Crude oil (Brent \$Cdn/bbl)	\$ 85.40	\$ 40.05	\$ 81.50	\$ 53.90	51%
Sale price / Brent reference price	92%	101%	93%	98%	-4%
Adjusted funds flow from (used in) operations (Note 6)					
Crude oil sales	9,982	3,906	18,968	10,775	76%
Government royalty	(538)	(195)	(1,017)	(549)	85%
Transportation expense	(296)	(208)	(588)	(460)	28%
Operating expense	(689)	(772)	(1,445)	(1,512)	-4%
Field netback	8,459	2,731	15,918	8,254	93%
General and administrative expense (Note 9)	(164)	(220)	(411)	(459)	-10%
Interest income	1	6	1	6	-83%
Foreign exchange gain (loss)	(29)	23	(15)	29	-152%
Current income tax	(3,227)	(523)	(6,136)	(2,131)	188%
Thailand - Adjusted funds flow from operations	5,040	2,017	9,357	5,699	64%
Adjusted funds flow from (used in) operations / barrel (CDN\$/bbl) (Note 6)					
Crude oil sales	\$ 78.43	\$ 40.49	\$ 76.18	\$ 52.71	45%
Government royalty	(4.23)	(2.02)	(4.08)	(2.69)	52%
Transportation expense	(2.33)	(2.16)	(2.36)	(2.25)	5%
Operating expense	(5.41)	(8.00)	(5.80)	(7.40)	-22%
Field netback	\$ 66.47	\$ 28.31	\$ 63.93	\$ 40.38	58%
General and administrative expense (Note 9)	(1.29)	(2.28)	(1.65)	(2.25)	-26%
Interest Income	0.01	0.06	-	0.03	86%
Foreign exchange gain (loss)	(0.23)	0.24	(0.06)	0.14	-142%
Current income tax	(25.36)	(5.42)	(24.64)	(10.42)	136%
Thailand - Adjusted funds flow from operations	\$ 39.60	\$ 20.91	\$ 37.58	\$ 27.88	35%
Government royalty as percentage of crude oil sales	5.4%	5%	5.4%	5.1%	0%
Income tax as percentage of crude oil sales	32%	13%	32%	20%	12%
As percentage of crude oil sales					
Expenses - transportation, operating, G&A and other	12%	18%	13%	18%	-5%
Government royalty, SRB and income tax	38%	28%	38%	28%	10%
Adjusted funds flow from operations, before interest income	50%	54%	49%	54%	-5%
Wells drilled					
Gross	1	1	3	5	-40%
Net	0.5	0.5	1.5	2.5	-40%
Financial Statement Presentation					
Results – Excl. 50.01% Interest in Thailand Joint Venture (Note 1)					
General and administrative expense (Note 9)	(4)	(8)	(13)	(14)	-7%
Adjusted funds flow used in consolidated operations	(4)	(8)	(13)	(14)	-7%
Adjusted fund flow Included in Investment in Thailand Joint Venture					
Net income (loss) from Thailand Joint Venture	2,669	(65)	4,571	491	831%
Add back non-cash items in net income	2,376	2,090	4,800	5,222	-8%
Adjusted funds flow from Thailand Joint Venture	5,045	2,025	9,371	5,713	64%
Thailand – Economic adjusted funds flow from operations (Note 5)	5,041	2,017	9,358	5,699	64%

(thousands of Canadian dollars except where indicated)	Three Months Ended June 30,		Six Months Ended June 30,		% Change
	2021	2020	2021	2020	
Canada Operations					
Interest income	12	23	18	132	-86%
General and administrative expenses (Note 9)	(521)	(507)	(1,041)	(1,069)	-3%
Operating expense (Note 10)	(97)	(63)	(139)	(63)	121%
Stock based compensation on restricted share units (note 11)	(253)	(75)	(352)	(75)	369%
Realized foreign exchange gain (Note 12)	2	1	1	1	0%
Unrealized foreign exchange gain (loss) (Note 12)	(301)	(894)	(561)	624	-190%
Canada – Adjusted funds flow used in operations	(1,158)	(1,515)	(2,074)	(450)	361%
Indonesia - Discontinued Operations					
General and administrative expense (Note 9)	(48)	(96)	(99)	(157)	-37%
Exploration expense	(2)	-	(3)	-	-
Recovery of impairment expense (Note 13)	-	672	-	672	-100%
Unrealized foreign exchange gain (loss)	48	127	80	(155)	-152%
Indonesia – Adjusted funds flow from (used in) operations	(2)	703	(22)	360	-106%

- (1) 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 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) The East Jabung Production Sharing Contract ("PSC") expired in January 2020 and the operator is determining final steps to be taken for formal approval of the expiry from the Government of Indonesia, including reclamation requirements. Pan Orient is withdrawing from operations in Indonesia and the office in Jakarta was closed March 31, 2020. For accounting purposes, the operation in Indonesia for accounting purposes is considered a discontinued operation since 2020.
- (4) Refer to Commitments note disclosure of the June 30, 2021 and June 30, 2020 Interim Condensed Consolidated Financial Statements.
- (5) 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.
- (6) 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. 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.
- (7) Cost of capital expenditures excluded decommissioning costs and the impact of changes in foreign exchange.
- (8) In December 2020, the Company entered into an Automatic Share Purchase Plan ("ASPP"), which permits an independent broker to repurchase shares during certain blackout periods under the Company's normal course issuer bid, subject to agreed trading parameters and other instructions for such purchases. At June 30, 2021, the Company recognized a provision of \$nil (December 31, 2020 - \$0.9 mil) in accounts payable and accrued liabilities as an estimate for the number of shares that may be repurchased during potential blackout periods at the maximum share price under the ASPP.
- (9) General & administrative expenses, excluding non-cash accretion expense. The nominal amount of G&A shown in the six months ended June 30, 2021 and June 30, 2020 for Thailand operations related to G&A of the holding company of Pan Orient Energy (Siam) Ltd.
- (10) Operating expense related to Andora's suspended demonstration project facility and wellpair at Saw n Lake Central. These expenses were previously capitalized prior to the E&E impairment recorded during the first quarter of 2020.
- (11) The Company granted 1,050,000 and 520,000 restricted share units ("RSUs") to directors, senior management, employees and consultant on May 19, 2020 and May 14, 2021, respectively. At June 30, 2021, 1,199,999 RSUs are outstanding. The amount represents the stock-based compensation expense.
- (12) Realized and unrealized foreign exchange gain or loss mainly related to the U.S. dollars denominated cash balances held in Canada.
- (13) Adjustment to previously booked capital expenditures at East Jabung PSC.
- (14) Tables may not add due to rounding.

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