



PAN ORIENT ENERGY CORP.

Press Release

2015 Second Quarter Financial & Operating Results

CALGARY, August 12, 2015

Pan Orient Energy Corp. ("Pan Orient") (POE – TSXV) reports its 2015 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 Corporation is today filing its unaudited consolidated financial statements as at and for the six months ended June 30, 2015 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 second quarter 2015 results, President and CEO Jeff Chisholm stated: "In the second quarter Pan Orient received the necessary Government of Indonesia approvals to complete the East Jabung farmout and received the upfront \$9.8 million cash payment, further strengthening the Company's balance sheet with working capital and deposits of \$86.9 million, mainly held in United States dollars, and zero debt at a time of weak oil prices and in stark contrast to many of our peers. The third quarter will be focused on increasing production in Concession L53 in Thailand where two workovers are currently underway, and drilling in Indonesia of the Akeh-1 exploration well in the 77% Pan Orient held and operated Batu Gajah PSC."

HIGHLIGHTS FOR THE FIRST HALF OF 2015

- Completed the sale on February 2, 2015 of a 50% equity interest in Thailand subsidiary for estimated net proceeds to Pan Orient, after closing adjustments and costs, of \$52.0 million, including a working capital adjustment of \$3.1 million.
- Completed the farm-out on June 1, 2015 of a 51% participating interest and operatorship of the East Jabung Production Sharing Contract ("PSC") to a subsidiary of Talisman Energy Inc. Pan Orient received initial consideration of \$9.8 million and the farminee is funding the first USD\$5 million of Pan Orient's share of the exploration program plus funding the associated general and administrative expenses of the PSC. The first well is planned to be drilled in the second quarter of 2016 at the Anggun Prospect.
- Preparation is underway in Indonesia to commence drilling of the Akeh-1 exploration well at Batu Gajah PSC in late August 2015 for an approximate cost of \$5 million.
- Bitumen production at the Sawn Lake, Alberta steam assisted gravity drainage ("SAGD") demonstration project of Andora Energy Corporation ("Andora") continues to ramp-up and the steam chamber has still not yet reached the top of the Bluesky reservoir. Bitumen production on a 100% basis averaged 399 BOPD (200 BOPD net to Andora) in July 2015 with a steam-oil ratio ("SOR") of 4.4.
- On June 16, 2015 a subsidiary of Andora was granted the Canadian patent for Thermal System and Process for Producing Steam from Oilfield Produced Water. The Company believes that this technology could achieve significant benefits in SAGD field development.
- Pan Orient's 50% interest in the Thailand Joint Venture for Concession L53 in the second quarter reported oil sales of 262 BOPD, a realized oil price of \$70.32 per barrel and generated \$1.0 million in funds flow from operations, or \$39.92 per barrel.
- Repurchased 1,330,800 common shares under the Normal Course Issuer Bid to June 30, 2015, resulting in 55.4 million outstanding Pan Orient shares at June 30, 2015.
- Strong financial position with working capital and non-current deposits of \$86.9 million as at June 30, 2015, which is mainly held as cash deposits in Canada denominated in United States dollars. Pan Orient has no long-term debt.

2015 SECOND QUARTER OPERATING RESULTS

- The financial statements reflect that on February 2, 2015 the Company sold a 50% equity interest in its subsidiary Pan Orient Energy (Siam) Ltd. and retained a 50% equity interest. From February 2, 2015 forward the retained 50% equity interest is reclassified as a jointly controlled Joint Venture and Pan Orient's 50% equity interest in the working capital, assets, capital expenditures, liabilities and operations of Pan Orient Energy (Siam) Ltd. are recorded as Investment in Thailand Joint Venture.
- Net loss attributable to common shareholders for the second quarter of 2015 of \$3.2 million (\$0.06 loss per share). Net income attributable to common shareholders for the first six months of 2015 of \$30.7 million (\$0.54 per share) is primarily due to the sale a 50% equity interest in its subsidiary Pan Orient Energy (Siam) Ltd. during the first quarter of 2015.
- For the second quarter of 2015, the Company recorded total corporate funds used in operations of \$0.9 million (\$0.02 per share), including the results of the 50% interest in the Thailand joint venture. For the six months ended June 30, 2015, total corporate funds used in operations were \$0.6 million (\$0.01 per share) and funds flow from sale of the Thailand interest of \$48.9 million (\$0.88 per share).
- Pan Orient reports capital expenditures of \$2.8 million in the second quarter of 2015, with \$1.1 million in Indonesia and \$1.7 million in Canada at the Sawn Lake SAGD demonstration project of Andora. In addition, Pan Orient's share of Thailand joint venture capital expenditures was \$1.1 million, which was recorded in Investment in Thailand Joint Venture. During the first six months of 2015 capital expenditures reported were \$1.5 million in Indonesia, \$0.1 million in Thailand prior to February 2, 2015 and \$3.1 million in Canada at the Sawn Lake SAGD demonstration project of Andora. In addition, Pan Orient's share of Thailand joint venture capital expenditures from February 2 to June 30, 2015 was \$3.6 million, which was recorded in Investment in Thailand Joint Venture.
- During the second quarter of 2015, Pan Orient repurchased 1,187,900 common shares at prices ranging from \$1.40 to \$1.67 per share under its normal course issuer bid. Subsequent to June 30th, Pan Orient repurchased an additional 40,300 common shares at prices ranging from \$1.25 to \$1.35 per share.
- At June 30, 2015 Pan Orient had \$86.9 million of working capital and non-current deposits. Working capital and non-current deposits were comprised of \$73.2 million cash, \$3.9 million of non-current deposits, \$12.7 million of Canadian taxes receivable, other receivables & prepaid expenses of \$2.3 million and less accounts payable of \$5.2 million. There is \$1.8 million of equipment inventory at the Batu Gajah PSC in Indonesia to be utilized in future drilling operations. In addition, Pan Orient's Investment in Thailand Joint Venture includes \$0.2 million of Thailand working capital and non-current deposits and \$2.0 million of equipment inventory to be utilized for future Thailand Joint Venture operations.
- Pan Orient had outstanding capital commitments as at June 30, 2015 of \$1.9 million in Indonesia associated with the Company's 49% participating interest in the East Jabung PSC. In Canada, there are capital commitments of \$300,000 with respect to outstanding purchase orders and natural gas pipeline tie-in and tariff charges associated with the Sawn Lake SAGD demonstration project of Andora.
- Pan Orient's 50% Interest in the Thailand Joint Venture for Concession L53
 - Average oil sales of 262 BOPD during the second quarter of 2015 and generated \$1.0 million in funds flow from operations, or \$39.92 per barrel. For the first half of 2015, average oil sales of 287 BOPD and \$1.7 million in funds flow from operations, or \$33.20 per barrel.
 - Per barrel amounts during the second quarter of 2015 were a realized price for oil sales of \$70.32, transportation expenses of \$1.68, operating expenses of \$17.61, general and administrative expenses of \$7.76 and a royalty to the Thailand government of \$3.52. Oil sales revenue during this period was allocated 38% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand for royalties, and 57% to Pan Orient. No Thailand petroleum income taxes or Special Remuneratory Benefit tax was recorded during the quarter.
 - Oil sales in July 2015 at Concession L53 were 236 BOPD net to Pan Orient's 50% interest in the Joint Venture.
 - Pan Orient commenced a three well Thailand drilling program in late February. The L53-ANC1 exploration well failed to encounter commercial hydrocarbons but initial interpretations suggest that potential quality reservoir sands may be expected further east. The L53-DC1ST1 appraisal well encountered 52 meters of true vertical thickness of net oil pay in ten sandstone intervals, was placed on production in March to test various zones, added 8 BOPD in the first quarter and added 67 BOPD in the second quarter net to Pan Orient. The L53-DEXT1ST2 appraisal well encountered 24 meters of true vertical thickness of net oil pay in nine sandstone intervals, was placed on production in April to test various zones and added 12 BOPD in the second quarter net to Pan Orient.
 - Capital expenditures were \$1.1 million in Thailand during the second quarter of 2015. The \$3.6 million of Thailand capital expenditures during the first half of 2015 at Concession L53, including the 50% interest in the Thailand Joint Venture from February 2, 2015 onwards, were comprised of \$3.1 million for the three well drilling program, \$0.4 million for workovers and other capital expenditures and \$0.1 million for capitalized general and administrative expenses.
- Indonesia

- Capital expenditures in Indonesia were \$1.5 million during the first half of 2015, with \$0.4 million in the first quarter and \$1.1 million in the second quarter as preparation began for drilling of the Akeh-1 exploration well at Batu Gajah PSC. On a year to date basis, there have been capital expenditures of \$0.5 million at the Batu Gajah PSC related to the Akeh-1 exploration well and \$1.0 million related to capitalized general and administrative expenses and other expenditures.

➤ Canada

- Andora is the operator and holds a 50% working interest the Sawn Lake, Alberta SAGD demonstration project. Andora is a 71.8% owned subsidiary of Pan Orient and is consolidated with Pan Orient for reporting purposes.
- Capital expenditures for the Sawn Lake demonstration project during the first six months of 2015 have been \$3.1 million. Capital expenditures are related to final construction of the SAGD facility, installation of additional equipment for processing and treating the bitumen production at site, replacement of the electrical submersible pump, purchase of inventory and capitalization of costs and revenues of the demonstration project.
- The SAGD producing well is still in its ramp-up phase and the steam chamber has not reached the top of the Bluesky formation sandstone reservoir. During the first quarter of 2015, bitumen production averaged 290 BOPD (145 BOPD net to Andora) with an SOR of 5.6. During the second quarter of 2015, bitumen production averaged 306 BOPD (153 BOPD net to Andora) with an SOR of 5.6 despite being shut-in from April 11th to April 30th due to a problem with the electrical submersible pump.
- Production results to date are not necessarily indicative of long-term performance or of ultimate recovery and the Sawn Lake demonstration project has not yet proven that it is commercially viable. All related costs and revenues are being capitalized as exploration and evaluation assets until commercial viability is achieved.

OUTLOOK

➤ Indonesia

- The Company is preparing to commence drilling of the Akeh-1 exploration well at the Batu Gajah PSC by the end of August.
- Following completion of the East Jabung PSC farm-out on June 1, 2015, a subsidiary of Talisman Energy Inc. is now the operator with a 51% participating interest. The first exploration well at the PSC is expected to be drilled at the Anggun prospect in the second quarter of 2016 under the terms of the farm-out agreement.

Gaffney Cline & Associates completed third party engineer NI-51-101 compliant Prospective Resources Report for the Anggun Prospect effective June 30, 2015. Prospective Resources are defined as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resource volumes are presented as unrisks. Prospective Resources have an associated geological chance of success. Prospective Resources are further classified as "High", "Best" and "Low" in accordance with the range of uncertainty. "Mean" refers to the expected average value of all possible successful outcomes. The report assigned unrisks mean estimated ultimate recoverable oil Prospective Resources of 44, 28 and 51 million barrels net to Pan Orient's 49% working interest in three potential reservoir horizons at the Anggun prospect. The assigned geological chance of success for each of these three potential reservoir horizons is 20%, 11% and 26% respectively. There is no certainty that any portion of the Prospective Resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

➤ Canada - Sawn Lake (Operated by Andora, in which Pan Orient has a 71.8% ownership)

- The Company expects the steam chamber to reach the top of the Bluesky formation sandstone reservoir by the end of September 2015 and maximum production is anticipated to occur by the end of November 2015.

➤ Thailand

- The focus for the remainder of 2015 is on workovers of existing wells to maximize production including one workover at L53-A field and another at L-53G currently underway. A decision on the timing of further Thailand exploration drilling will be made later in 2015.

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: well drilling programs and drilling plans, estimates of reserves and potentially recoverable resources, and information on future production and project start-ups. 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, 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.

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Financial and Operating Summary	Three Months Ended June 30,		Six Months Ended June 30,		% Change
	2015	2014	2015	2014	
<i>(thousands of Canadian dollars except where indicated)</i>					
FINANCIAL					
Financial Statement Results – Excluding 50% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 1)					
Net income (loss) attributed to common shareholders	(3,248)	(147)	30,692	(332)	
Per share – basic and diluted	\$ (0.06)	\$ (0.01)	\$ 0.54	\$ (0.01)	
Cash flow from (used in) operating activities (Note 2)	(2,224)	3,881	(2,734)	8,480	-132%
Per share – basic and diluted	\$ (0.04)	\$ 0.07	\$ (0.05)	\$ 0.15	-132%
Cash flow from (used in) investing activities (Note 2)	7,734	(11,661)	51,737	(22,477)	-330%
Per share – basic and diluted	\$ 0.14	\$ (0.21)	\$ 0.92	\$ (0.40)	-330%
Working capital	82,965	41,291	82,965	41,291	101%
Working capital & non-current deposits	86,909	43,789	86,909	43,789	98%
Long-term debt	-	-	-	-	0%
Shares outstanding (thousands)	55,430	56,760	55,430	56,760	-2%
Working Capital and Non-current Deposits					
Beginning of period	84,955	44,040	40,854	47,889	-15%
Funds flow from (used in) consolidated operations (Note 4)	(1,893)	4,600	(2,010)	8,967	-122%
Proceeds from 2012 sale of Thailand interest	-	174	-	174	-100%
Funds flow from sale of Thailand interest	-	-	48,877	-	100%
Working capital and non-current deposits derecognized on sale of Thailand interest and recorded in Investment in Joint Venture	-	-	(3,151)	-	100%
Consolidated capital expenditures (Note 6)	(2,816)	(4,182)	(4,680)	(15,192)	-69%
Funds flow used in investment in Thailand Joint Venture	(16)	-	(44)	-	100%
Disposal of petroleum and natural gas assets (Note 7)	9,764	-	9,764	2,698	262%
Settlement of Decommissioning liabilities	-	(98)	-	(98)	-100%
Normal course issuer bid	(1,809)	-	(2,011)	-	100%
Foreign exchange impact on working capital	(1,276)	(745)	(690)	(649)	6%
End of period	86,909	43,789	86,909	43,789	98%
Economic Results – Including 50% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 3)					
Total funds flow from (used in) operations (Note 4)	(941)	4,600	(581)	8,967	-106%
Per share – basic and diluted	\$ (0.02)	\$ 0.08	\$ (0.01)	\$ 0.16	-106%
Funds flow from (used in) operations by region (Note 4)					
Canada (Note 5)	(615)	(609)	(632)	(509)	24%
Thailand – 100% to February 1, 2015 (Note 1)	-	5,423	298	10,404	-97%
Indonesia	(1,278)	(214)	(1,676)	(928)	81%
Funds flow from (used in) consolidated operations	(1,893)	4,600	(2,010)	8,967	-122%
Share of Thailand Joint Venture (Note 3)	952	-	1,429	-	100%
Total funds flow from (used in) operations	(941)	4,600	(581)	8,967	-106%
Funds flow from sale of Thailand interest					
Sales proceeds	-	-	53,456	-	
Transaction costs	-	-	(1,428)	-	
Working capital and non-current deposits in Thailand interest sold	-	-	(3,151)	-	
Total funds flow from disposition of Thailand interest	-	-	48,877	-	
Petroleum and natural gas properties					
Capital expenditures (Note 6)	3,871	4,182	8,260	15,192	-46%
Dispositions – excluding sale of Thailand interest (Note 7)	(9,764)	-	(9,764)	(2,698)	262%
Capital Expenditures (Note 6)					
Canada (Note 5)	1,693	2,576	3,067	6,722	-54%
Thailand – 100% to February 1, 2015 (Note 1)	-	879	60	3,433	-98%
Indonesia	1,123	727	1,553	5,037	-69%
Consolidated capital expenditures	2,816	4,182	4,680	15,192	-69%
Share of Thailand Joint Venture capital expenditures	1,055	-	3,580	-	100%
Total capital expenditures	3,871	4,182	8,260	15,192	-46%
Investment in Thailand Joint Venture					
Beginning of period	38,758	-	-	-	
Investment retained on sale of Thailand interest	-	-	38,587	-	
Net loss from Joint Venture	(290)	-	(583)	-	
Other comprehensive loss from Joint Venture	(1,798)	-	(1,362)	-	
Amounts advanced to Joint Venture	16	-	44	-	
End of period	36,686	-	36,686	-	

	Three Months Ended June 30,		Six Months Ended June 30,		Change
	2015	2014	2015	2014	
<i>(thousands of Canadian dollars except where indicated)</i>					
Thailand Operations					
Economic Results – Including 50% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 3)					
Oil sales (bbls)	23,848	70,016	52,023	134,133	-61%
Average daily oil sales (BOPD) by Concession L53	262	769	287	741	-61%
Average oil sales price, before transportation (CDN\$/bbl)	\$ 70.32	\$ 104.05	\$ 64.86	\$ 104.63	-38%
Reference Price (volume weighted) and differential					
Crude oil (Brent \$US/bbl)	\$ 61.66	\$ 109.79	\$ 64.87	\$ 108.96	-40%
Exchange Rate \$US/\$Cdn	1.23	1.10	1.24	1.11	12%
Crude oil (Brent \$Cdn/bbl)	\$ 75.93	\$ 120.92	\$ 70.22	\$ 120.93	-42%
Sale price / Brent reference price	93%	86%	92%	87%	6%
Funds flow from (used in) operations (Note 4)					
Crude oil sales	1,677	7,285	3,374	14,035	-76%
Government royalty	(84)	(364)	(165)	(693)	-76%
Transportation expense	(40)	(116)	(86)	(220)	-61%
Operating expense	(420)	(884)	(895)	(1,922)	-53%
Field netback	1,133	5,921	2,228	11,200	-80%
General and administrative expense (Note 8)	(185)	(510)	(499)	(809)	-38%
Interest income	4	12	6	14	-57%
Realized foreign exchange loss	-	-	(8)	-	100%
Current income tax	-	-	-	(1)	-100%
Funds flow from operations	952	5,423	1,727	10,404	-83%
Funds flow from operations / barrel (CDN\$/bbl) (Note 4)					
Crude oil sales	\$ 70.32	\$ 104.05	\$ 64.86	\$ 104.63	-38%
Government royalty	(3.52)	(5.20)	(3.17)	(5.17)	-39%
Transportation expense	(1.68)	(1.66)	(1.65)	(1.64)	1%
Operating expense	(17.61)	(12.63)	(17.20)	(14.33)	20%
Field netback	47.51	84.56	\$ 42.83	\$ 83.49	-49%
General and administrative expense (Note 8)	(7.76)	(7.28)	(9.59)	(6.02)	59%
Interest Income	0.17	0.17	0.12	0.10	15%
Realized foreign exchange loss	-	-	(0.15)	-	100%
Current income tax	-	-	-	(0.01)	-100%
Thailand - Funds flow from operations	\$ 39.92	\$ 77.45	\$ 33.20	\$ 77.56	-57%
Government royalty as percentage of crude oil sales	5%	5%	5%	5%	0%
Income tax & SRB as percentage of crude oil sales	-	-	-	-	0%
As percentage of crude oil sales					
Expenses - transportation, operating, G&A and other	38%	21%	44%	21%	23%
Government royalty, SRB and income tax	5%	5%	5%	5%	0%
Funds flow from operations, before interest income	57%	74%	51%	74%	-23%
Wells drilled (wells were drilled after February 1, 2015)					
Gross	-	-	3	1	200%
Net	-	-	1.5	1.0	50%
Financial Statement Presentation					
Results – Excluding 50% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 1)					
Crude oil sales	-	7,285	809	14,035	-94%
Government royalty	-	(364)	(38)	(693)	-95%
Transportation expense	-	(116)	(24)	(220)	-89%
Operating expense	-	(884)	(257)	(1,922)	-87%
Field netback	-	5,921	490	11,200	-96%
General and administrative expense (Note 8)	-	(510)	(185)	(809)	-77%
Interest income	-	12	1	14	-93%
Realized foreign exchange loss	-	-	(8)	-	
Current income tax	-	-	-	(1)	-100%
Funds flow from consolidated operations	-	5,423	298	10,404	-97%
Included in Investment in Thailand Joint Venture					
Net loss from Thailand Joint Venture	(290)	-	(583)	-	
Add back non-cash items in net loss	1,242	-	2,012	-	
Funds flow from Thailand Joint Venture	952	-	1,429	-	
Thailand – Economic funds flow from operations	952	5,423	1,727	10,404	-83%

	Three Months Ended June 30,		Six Months Ended June 30,		Change
	2015	2014	2015	2014	
<i>(thousands of Canadian dollars except where indicated)</i>					
Canada Operations (Note 6)					
Interest income	39	61	86	149	-42%
General and administrative expenses (Note 8)	(860)	(679)	(1,434)	(1,226)	17%
Realized foreign exchange gain	206	9	716	568	26%
Canada – Funds flow used in operations	(615)	(609)	(632)	(509)	24%
Indonesia Operations					
General and administrative expense (Note 8)	(329)	(255)	(786)	(552)	42%
Exploration expense (Note 9)	(133)	15	(294)	(294)	0%
Realized foreign exchange gain (loss)	(360)	26	(140)	(82)	71%
Current income tax	(456)	-	(456)	-	100%
Indonesia – Funds flow used in operations	(1,278)	(214)	(1,676)	(928)	81%

- (1) On February 2, 2015 the Company sold a 49.99% equity interest in its subsidiary Pan Orient Energy (Siam) Ltd. and retained a 50.01% equity interest in the company. The transaction resulted in Pan Orient Energy (Siam) Ltd. changing from a wholly-owned and controlled subsidiary to a joint arrangement where the Company shares joint control with the purchaser of the 49.99% equity interest. The resulting joint arrangement is classified as a Joint Venture under IFRS 11 and is required to be accounted for using the equity method of accounting rather than consolidated as it had previously been when Pan Orient Energy (Siam) Ltd. was a controlled subsidiary. The change in accounting from consolidation to the equity method has resulted in the accounts of Pan Orient Energy (Siam) Ltd. being derecognized from the consolidated financial statements and a net investment related to the portion of the interest retained being recognized at its estimated fair value upon initial recognition. Pan Orient's 50.01% equity interest in the assets, liabilities, working capital, operations and capital expenditures of Pan Orient Energy (Siam) Ltd. from February 2, 2015 forward 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) For the purpose of providing more meaningful economic results from operations for Thailand, and for comparison to previous periods, the amounts presented consist of:
 - (a) Company's share of Thailand funds flow from operation at 100% from January 1, 2015 to February 1, 2015 (being the beginning of the year to the last date before the equity interest was completed as discussed in note 1)
 - (b) Company's share of Thailand funds flow from operating at 50.01% subsequent to February 2, 2015 (when the Company completed the equity sale transaction).
- (4) Funds flow from operations is cash flow from operating activities prior to changes in non-cash working capital, reclamation costs and excluding the recovery of prior year income taxes plus the corresponding amount from the Thailand operations which is recorded in Investment in Joint Venture for financial statement purposes. This measure is used by management to analyze operating performance and leverage. 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. 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) 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.
- (6) Cost of capital expenditures, excluding decommissioning provision and the impact of changes in foreign exchange rates.
- (7) During the second quarter of 2015 the Company completed a farmout of a 51% interest of the East Jabung PSC in Indonesia and received an upfront cash payment of USD \$8.0 million, less 5% withheld for transfer taxes, plus USD \$181 thousand reimbursed for G&A, which has been recorded as a disposal of E&E assets with no gain or loss recorded on the transaction. In 2014 the joint venture partners in Andora's Sawn Lake SAGD demonstration project repurchased the 3% gross overriding royalty on a portion of the non-owned working interests in 36.5 sections for \$2.7 million.
- (8) General & administrative expenses, excluding non-cash accretion on decommissioning provision and stock-based payments.
- (9) Exploration expense relates to exploration costs associated with the Citarum and South CPP PSCs in Indonesia.
- (10) Tables may not add due to rounding.