



PAN ORIENT ENERGY CORP.

Press Release

2017 First Quarter Financial & Operating Results

CALGARY, May 18, 2017

Pan Orient Energy Corp. ("Pan Orient") (POE – TSXV) reports 2017 first 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 three months ended March 31, 2017 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 2017 first quarter results, President and CEO Jeff Chisholm stated: "Despite the recent weather related delay to the commencement of drilling of the AYU-1X exploration well at the East Jabung PSC in Sumatra, Indonesia, significant progress has been made towards the drilling of this prospect with the access road completed in March and the first phase of rig mobilization started on May 8th".

2017 FIRST QUARTER HIGHLIGHTS

- The AYU-1X exploration well at the Anggun prospect of the East Jabung Production Sharing Contract ("PSC") is estimated to commence drilling late in the second quarter of 2017.
- The Batu Gajah PSC expired on January 15, 2017. Information on nearby wells indicated that the Akeh-1 accumulation was much more complex and substantially smaller than first believed and highly unlikely to achieve commercial thresholds set by the Government of Indonesia, as a result, Pan Orient elected not to drill the Akeh-2 appraisal well and allowed the PSC to expire.
- Oil sales, net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, were 245 BOPD in the first quarter of 2017 and generated \$0.9 million in funds flow from operations (\$40.79 per barrel).
- The 2017 Thailand capital program will include one exploration well and a multi-well work-over program.
- Total corporate funds flow used in operations in the first quarter of 2017 was \$0.2 million and the net loss attributable to common shareholders was \$1.5 million.
- Pan Orient continues to maintain a strong financial position for upcoming planned exploration activities during 2017 at the East Jabung PSC in Indonesia and at Concession L53 in Thailand with working capital and non-current deposits at March 31, 2017 of \$47.3 million and no long-term debt.

2017 FIRST QUARTER OPERATING RESULTS

- Net loss attributable to common shareholders for the first quarter of 2017 was \$1.5 million (\$0.03 loss per share) compared to a net loss attributable to common shareholders of \$2.2 million (\$0.04 per share) in the first quarter of 2016.
- For the first quarter of 2017, the Company reported total corporate funds flow used in operations, which includes the economic results of the 50.01% equity interest in the Thailand joint venture, of \$0.2 million (\$0.04 loss per share). This compares with total corporate funds flow from operations for the fourth quarter of 2016 of \$1.2 million (\$0.02 per share). This change is primarily due to a reduction in foreign exchange losses and a recovery of income tax in Canada.
- Pan Orient reports capital expenditures of \$0.9 million in the first quarter of 2017, with \$0.7 million in Indonesia at the East Jabung PSC and \$0.2 million in Canada related to the operations at the Sawn Lake Steam Assisted Gravity Drainage ("SAGD") project of Andora. In addition, Pan Orient's share of Thailand joint venture capital expenditures was \$0.1 million, which was recorded in Investment in Thailand Joint Venture.
- At March 31, 2017 Pan Orient had \$47.3 million of working capital and non-current deposits. Working capital and non-current deposits consisted of \$44.4 million of cash, \$4.3 million of non-current deposits, \$0.1 million of Canadian taxes receivable, other receivables of \$0.4 million and net of accounts payable of \$1.9 million. In addition, Pan Orient's Investment in Thailand Joint Venture includes \$3.1 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 March 31, 2017 of \$2.0 million in Indonesia associated with the Company's 49% participating interest in the East Jabung PSC. In Canada, capital commitments are \$0.2 million with respect to contracted natural gas pipeline tie-in and tariff charges associated with the Sawn Lake SAGD demonstration project of Andora that continue until October 2018.
- Pan Orient renewed the normal course issuer bid in April 2017 and Pan Orient is authorized to purchase, for cancellation, up to 4,512,964 of its common shares during the period from April 12, 2017 to April 12, 2018. No common shares have been repurchased under the renewed normal course issuer bid.
- Results Net to Pan Orient's 50.01% Interest in the Thailand Joint Venture for Concession L53
 - *Pan Orient holds a 50.01% equity interest in Pan Orient Energy (Siam) Ltd. ("POS") which is classified in the financial statements as a jointly controlled Joint Venture and Pan Orient's 50.01% equity interest in the working capital, assets, capital expenditures, liabilities and operations of POS are recorded as Investment in Thailand Joint Venture.*
 - Average oil sales of 245 BOPD during the first quarter of 2017 generated \$0.9 million in funds flow from operations, or \$40.79 per barrel. This compares to 290 BOPD in the fourth quarter of 2016 (a 16% decrease) and \$37.30 per barrel in funds flow from operations (a 9% increase). The average realized sales price per barrel increased from \$60.22 in the fourth quarter of 2016 to \$65.50 in the first quarter of 2017.
 - Per barrel amounts during the first quarter of 2017 represented a realized price for oil sales of \$65.50, transportation expenses of \$1.59, operating expenses of \$10.77, general and administrative expenses of \$9.18 and a 5% royalty to the Thailand government of \$3.23. Oil sales revenue during this period was allocated 33% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand for royalties, and 62% to the Thailand Joint Venture. No Thailand petroleum income taxes or Special Remuneratory Benefit tax was recorded during the quarter.
 - Oil sales in April 2017 at Concession L53 were 241 BOPD.
 - POS received approval for the 1.96 square kilometer L53-B production license in April 2017 and is currently about to commence the approximately six month production Environmental Impact Assessment that is required prior to the start of production.
- Indonesia
 - At the East Jabung PSC, where Pan Orient is non-operator with a 49% ownership interest, preparations are underway for the drilling of the AYU-1X exploration well at the Anggun prospect pursuant to the terms of the 2015 farm-out agreement. The access road was completed in March and the first phase of rig mobilization started on May 8, 2017.
 - Capital expenditures of \$0.7 million during the first quarter of 2017 related to seismic reprocessing at the East Jabung PSC.
 - The Batu Gajah PSC, where Pan Orient was operator with a 77% ownership interest, expired on January 15, 2017. As a result, the Company reported in the fourth quarter of 2016 a \$102.3 million impairment charge of Batu Gajah Exploration and Evaluation assets, offset by a \$22.6 million associated reduction in accumulated other comprehensive income related to foreign currency translation resulting in a net impairment expense of \$79.7 million.
- Sawn Lake Alberta Heavy Oil (Operated by Andora, in which Pan Orient has a 71.8% ownership)
 - Andora is completing detailed engineering for its proprietary Thermal System and Process for Producing Steam from Oilfield Produced Water ("Produced Water Boiler").
 - An application for a potential expansion at the demonstration project site to 3,200 BOPD was submitted in April 2016 and Andora is awaiting approval of the application. It is expected that a reactivation of the demonstration project facility and wellpair would be part of a potential commercial expansion to 3,200 BOPD. The expansion application requests the drilling of up to seven additional SAGD wellpairs which are tied into the existing demonstration project facility. The facility would be expanded to generate the additional necessary steam, and it is anticipated that additional steam generation would include the test installation of Andora's proprietary produced water boiler. Andora believes that its produced water boiler could achieve significant benefits for Sawn Lake SAGD field development. An expansion is dependent on regulatory approval, completion of detailed engineering and a higher commodity price environment to support project economics and financing.
 - Capital expenditures for the Sawn Lake project during the first quarter of 2017 were \$0.2 million related to drilling of a core well associated with lease retention, engineering design work associated with the Produced Water Boiler, and capitalized expenses during the quarter.

OUTLOOK

INDONESIA

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

Drilling of the AYU-1X exploration well, the first exploration well at the Anggun prospect of the East Jabung PSC, is now estimated to commence approximately late in the second quarter of 2017. The results of the AYU-1X exploration well will have a significant impact on Pan Orient's future strategy, which will be addressed upon completing analysis after the drilling of the AYU-1X well.

THAILAND

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

The 2017 Thailand capital program will include one exploration well in approximately the third quarter of 2017 and well work-overs throughout the remainder of the year.

CANADA

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

Pan Orient continues to move forward with long lead time steps towards potential future development at Sawn Lake. It is recognized that the need for stable crude oil prices, and specifically higher Western Canada Select reference prices, will have a significant impact on any decision regarding the timing and extent of future development. The first steps will be receiving approval for the Sawn Lake expansion and completing detailed engineering for Andora's proprietary Produced Water Boiler.

Corporate

Pan Orient continues to maintain a strong cash balance denominated mainly in United States dollar deposits that will allow the Company to conduct key exploration and development activities and ensure financial flexibility. During 2017, Pan Orient will continue to review its worldwide exploration and development asset portfolio with the aim of maximizing corporate value and the best allocation of its significant financial resources. These activities range from the potential divestment of existing assets to the ongoing screening of new venture and corporate opportunities.

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 may include, 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; potential purchases of common shares under the normal course issuer bid; 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, operating and reservoir performance, the effects of weather and climate change, the results of exploration and development drilling and related activities, demand for oil and gas, commercial negotiations, other technical and economic factors or revisions and other factors, many of which are beyond the control of Pan Orient. Although Pan Orient believes that the expectations reflected in its forward-looking statements are reasonable, it can give no assurances that the expectations of any forward-looking statements will prove to be correct.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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Financial and Operating Summary	Three Months Ended March 31,		% Change
	2017	2016	
<i>(thousands of Canadian dollars except where indicated)</i>			
FINANCIAL			
Financial Statement Results – Excluding 50.01% Interest in Thailand Joint Venture (Note 1)			
Net loss attributed to common shareholders	(1,514)	(2,221)	-32%
Per share – basic and diluted	\$ (0.03)	\$ (0.04)	-31%
Cash flow from operating activities (Note 2)	(1,730)	(197)	778%
Per share – basic and diluted	\$ (0.03)	\$ (0.00)	100%
Cash flow used in investing activities (Note 2)	(807)	(2,340)	-66%
Per share – basic and diluted	\$ (0.01)	\$ (0.04)	-63%
Working capital	43,018	49,006	-12%
Working capital & non-current deposits	47,344	53,151	-11%
Long-term debt	-	-	
Shares outstanding (thousands)	54,885	54,885	0%
Capital Commitments (Note 3)	2,212	2,635	16%
Contingencies (Note 4)			
Working Capital and Non-current Deposits			
Beginning of period	49,818	79,160	-37%
Funds flow used in operations (excluding Thailand Joint Venture)	(1,085)	(2,409)	-55%
Special Distribution (Note 6)	-	(21,954)	-100%
Consolidated capital expenditures (Note 7)	(937)	(1,626)	-42%
Amounts advanced to Thailand Joint Venture	24	(20)	-220%
Disposal of petroleum and natural gas assets (Note 8)	-	105	-100%
Settlement of decommissioning liabilities	(430)	-	100%
Foreign operations - unrealized foreign exchange impact	(46)	(105)	-56%
End of period	47,344	53,151	-11%
Economic Results – Including 50.01% Interest in Thailand Joint Venture (Note 9)			
Total corporate funds flow used in operations (Note 5)	(172)	(2,066)	-92%
Per share – basic and diluted	\$ (0.00)	\$ (0.04)	-92%
Total corporate funds flow used in operations by region (Note 5)			
Canada (Note 10)	(589)	(2,189)	-73%
Thailand (Notes 11)	(15)	(8)	88%
Indonesia	(481)	(212)	127%
Funds flow used in operations (excluding Thailand Joint Venture)	(1,085)	(2,409)	-55%
Share of Thailand Joint Venture (Note 9)	913	343	166%
Total corporate funds flow used in operations	(172)	(2,066)	-92%
Petroleum and natural gas properties			
Capital expenditures (Note 7)	1,031	1,653	-38%
Disposition (Note 8)	-	(105)	-100%
Capital Expenditures (Note 7)			
Canada (Note 10)	235	1,071	-78%
Indonesia	702	555	26%
Consolidated capital expenditures	937	1,626	-42%
Share of Thailand Joint Venture capital expenditures	94	27	248%
Total capital expenditures	1,031	1,653	-38%
Investment in Thailand Joint Venture			
Beginning of period	32,795	35,088	-7%
Net loss from Joint Venture	(178)	(558)	-68%
Other comprehensive gain (loss) from Joint Venture	723	(1,073)	-167%
Amounts advanced to (received from) Joint Venture	(24)	20	-220%
End of period	33,316	33,477	0%

<i>(thousands of Canadian dollars except where indicated)</i>	Three Months Ended March 31,		
	2017	2016	Change
Thailand Operations			
Economic Results – Including 50.01% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 9)			
Oil sales (bbls)	22,014	24,442	-10%
Average daily oil sales (BOPD) by Concession L53	245	269	-9%
Average oil sales price, before transportation (CDN\$/bbl)	\$ 65.50	\$ 37.07	77%
Reference Price (volume weighted) and differential			
Crude oil (Brent \$US/bbl)	\$ 53.72	\$ 33.53	60%
Exchange Rate \$US/\$Cdn	1.35	1.40	-4%
Crude oil (Brent \$Cdn/bbl)	\$72.58	\$ 47.05	54%
Sale price / Brent reference price	90%	79%	15%
Funds flow from (used in) operations (Note 5)			
Crude oil sales	1,442	906	59%
Government royalty	(71)	(45)	58%
Transportation expense	(35)	(36)	-3%
Operating expense	(237)	(300)	-21%
Field netback	1,099	525	109%
General and administrative expense (Note 12)	(202)	(191)	6%
Interest income		1	-100%
Foreign exchange loss	1	-	100%
Thailand - Funds flow from operations	898	335	168%
Funds flow from (used in) operations / barrel (CDN\$/bbl) (Note 5)			
Crude oil sales	\$ 65.50	\$ 37.07	77%
Government royalty	(3.23)	(1.84)	75%
Transportation expense	(1.59)	(1.47)	8%
Operating expense	(10.77)	(12.27)	-12%
Field netback	49.92	21.48	132%
General and administrative expense (Note 12)	(9.18)	(7.81)	17%
Interest Income	-	0.04	-100%
Foreign exchange loss	0.05	-	100%
Thailand - Funds flow from operations	\$ 40.79	\$ 13.71	198%
Government royalty as percentage of crude oil sales	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	33%	58%	-25%
Government royalty, SRB and income tax	5%	5%	0%
Funds flow from operations, before interest income	62%	37%	25%
Financial Statement Presentation			
Results – Excluding 50.01% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 1)			
General and administrative expense (Notes 11 & 12)	(15)	(8)	88%
Funds flow from (used in) consolidated operations	(15)	(8)	88%
Fund flow Included in Investment in Thailand Joint Venture			
Net loss from Thailand Joint Venture	(178)	(558)	-68%
Add back non-cash items in net loss	1,091	901	21%
Funds flow from Thailand Joint Venture	913	343	166%
Thailand – Economic funds flow from operations (Note 9)	898	335	168%
Canada Operations (Note 10)			
Interest income	59	46	28%
General and administrative expenses (Note 12)	(560)	(467)	20%
Foreign exchange loss	(236)	(1,187)	-80%
Current income tax	148	(581)	-125%
Canada – Funds flow used in operations	(589)	(2,189)	-73%
Indonesia Operations			
General and administrative expense (Note 12)	(499)	(170)	194%
Exploration expense (Note 13)	(5)	(114)	-96%
Foreign exchange gain	23	72	-68%
Indonesia – Funds flow used in operations	(481)	(212)	127%

- (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 unaudited Interim Condensed Consolidated Financial Statements of Pan Orient Energy Corp.
- (3) Refer to Commitments in Note 11 of the March 31, 2017 Notes to the unaudited Interim Condensed Consolidated Financial Statements and Note 10 of the March 31, 2016 Notes to the unaudited Interim Condensed Consolidated Financial Statements.
- (4) Refer to Contingencies in Note 12 of the March 31, 2017 Notes to the unaudited Interim Condensed Consolidated Financial Statements and Note 11 of the March 31, 2016 Notes to the unaudited Interim Condensed Consolidated Financial Statements.
- (5) Total corporate funds flow from operations is cash flow from operating activities prior to changes in non-cash working capital and decommissioning expenditures plus the corresponding amount from the Thailand operations which is recorded 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.
- (6) On February 16, 2016, the Company paid a return of capital special distribution of \$0.40 per share to common shareholders.
- (7) Cost of capital expenditures, excluding decommissioning provision and the impact of changes in foreign exchange rates.
- (8) In 2016, the joint venture partners in Andora's Sawn Lake SAGD demonstration project purchased the SAGD reservoir data.
- (9) For the purpose of providing more meaningful economic results from operations for Thailand, and for comparison to previous periods, the amounts presented include 50.01% of results of the Thailand Joint Venture.
- (10) The Sawn Lake 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.
- (11) The nominal amount of G&A shown in the first quarters of 2016 and 2017 for Thailand operations related to G&A of the holding company of Pan Orient Energy (Siam) Ltd.
- (12) General & administrative expenses, excluding non-cash accretion on decommissioning provision and stock-based payments.
- (13) Exploration expense relates to exploration costs associated with the Citarum and Batu Gajah PSCs in Indonesia.
- (14) Tables may not add due to rounding.