



PAN ORIENT ENERGY CORP.
Press Release
2018 First Quarter Financial & Operating Results

CALGARY, May 16, 2018

Pan Orient Energy Corp. ("Pan Orient" or the "Company") (POE – TSXV) reports 2018 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 Company is today filing its unaudited consolidated financial statements as at and for the three months ended March 31, 2018 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 2018 first quarter results, President and CEO Jeff Chisholm stated: "The first quarter of 2018 activities in Thailand saw a successful multi-well workover program and progress towards a two well drilling program (one exploration and one appraisal well) that is expected to commence in the fourth quarter of 2018. Given the current high oil prices and success of the just completed workover program, plans have just been completed for an additional three well workover program that is expected to commence in July 2018. In Indonesia, permitting activities related to the drilling of the Anggun-1X exploration well continue with the exact timing of a key permit approval expected to be better defined within the next few weeks. Upon receipt of this permit approval, road construction will commence immediately. The commencement of drilling Anggun-1X has been revised by the operator to October 2018 with further possible revisions based on the timing of the approval of the key permit described above. The stage is currently being set for an active second half of 2018 with drilling in both Thailand and Indonesia".

2018 FIRST QUARTER HIGHLIGHTS

- Oil sales, net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, were 182 BOPD in the first quarter of 2018, with funds flow from operations of \$0.7 million (\$42.45 per barrel). The multi-well workover program has been completed and oil sales in April increased to 256 BOPD, net to Pan Orient's 50.01% equity interest.
- Total corporate funds flow from operations in the first quarter of 2018 was \$0.8 million, including Pan Orient's 50.01% equity interest in the Thailand Joint Venture, and the net loss attributable to common shareholders was \$0.3 million.
- Pan Orient has a strong financial position for the planned exploration activities at the East Jabung PSC in Indonesia and at Concession L53 in Thailand with working capital and non-current deposits at March 31, 2018 of \$36.9 million and no long-term debt.

2018 FIRST QUARTER RESULTS

- Net loss attributable to common shareholders for the first quarter of 2018 of \$0.3 million (\$0.01 loss per share) compared with \$0.6 million (\$0.01 loss per share) in the fourth quarter of 2017.
- For the first quarter of 2018, the Company recorded total corporate funds flow from operations, which includes the economic results of the 50.01% interest in the Thailand joint venture, of \$0.8 million (\$0.01 per share) compared with \$0.5 million (\$0.01 per share) in the fourth quarter of 2017.
- Pan Orient had limited capital expenditures in the first quarter of 2018 as preparations are underway in Indonesia for drilling of the Anggun-1X exploration well, and as Pan Orient's 71.8% subsidiary Andora Energy Corporation continues to work towards a potential commercial expansion at the Sawn Lake SAGD property of Andora after receiving regulatory approval in December 2017. Capital expenditures of \$0.3 million incurred in the first quarter of 2018, with \$0.1 million in Indonesia associated with the East Jabung PSC, and \$0.2 million in Canada at Sawn Lake. In addition, Pan Orient's share of Thailand joint venture capital expenditures was \$0.5 million primarily for the multi-well workover program, which was recorded in the Investment in Thailand Joint Venture.
- At March 31, 2018 Pan Orient had \$36.9 million of working capital and non-current deposits. Working capital and non-current deposits were comprised of \$32.1 million cash, \$5.7 million of Indonesian and Canadian accounts and taxes receivable, \$0.7 million of non-current deposits, and less accounts payable of \$1.6 million. In addition, Pan Orient's Investment in Thailand Joint Venture includes \$5.4 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 renewed its normal course issuer bid in April 2018 and Pan Orient is authorized to purchase, for cancellation, up to 4,514,494 of its common shares during the period from April 30, 2018 to April 30, 2019. No common shares have been repurchased under this renewed normal course issuer bid.

- Results net to Pan Orient's 50.01% interest in the Thailand Joint Venture for Concession L53
 - Average oil sales of 182 BOPD during the first quarter of 2018 and generated \$0.7 million in funds flow from operations, or \$45.42 per barrel. This compares with 233 BOPD in the fourth quarter of 2017 and \$42.01 per barrel in funds flow from operations. The average realized sales price per barrel increased 7% from \$70.80 in the fourth quarter of 2017 to \$75.50 in the first quarter of 2018.
 - Per barrel amounts during the first quarter of 2018 were a realized price for oil sales of \$75.50, transportation expenses of \$1.71, operating expenses of \$15.88, general and administrative expenses of \$11.85 and a 5% royalty to the Thailand government of \$3.67. Oil sales revenue during this period was allocated 39% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand for royalties, and 56% to the Thailand Joint Venture. No Thailand petroleum income taxes or Special Remuneratory Benefit tax were recorded during the quarter.

OUTLOOK

INDONESIA

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

Drilling of the Anggun-1X exploration well is estimated to commence in about October 2018, subject to permit approval timing described earlier, with an estimated cost (dry hole) of US\$15.4 (Pan Orient's 49% share US\$7.55 million). A contingent multi-zone testing program will also be conducted if justified by drilling results.

THAILAND

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

Concession L53 is benefiting from the strengthening of world crude oil prices and continues to generate funds flow from operations as a low cost operation and limited capital expenditures. The remaining 2018 Thailand capital program is expected to include one exploration well and an appraisal well at L53-B with drilling commencing in the fourth quarter. On the basis of strong oil prices and the success of the first multi-well workover program, a second three well workover program will commence in July 2018. Exploration and development activities in 2018 are expected to be financed by Thailand working capital and funds flow from operations.

CANADA

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

Pan Orient continues to move forward towards potential commercial expansion to 3200 BOPD at the Sawn Lake, Alberta steam assisted gravity drainage ("SAGD") project (in which Andora has a 50% working interest and is the operator) using Andora's proprietary Produced Water Boiler. The potential expansion has an estimated cost of approximately \$50 - \$60 million (on a 100% working interest basis) and bitumen production would commence about 24 months after an investment decision by Andora and its partners. Although the WTI reference price for crude oil has strengthened and the differential between WTI and the Western Canada Select reference price for heavy oil has narrowed in recent months, it is recognized that stable heavy oil prices will have a significant impact on any decision by the Sawn Lake partners regarding the timing and extent of future development, and the ability to finance the project.

Corporate

Pan Orient is maintaining a strong cash balance, denominated mainly in United States dollar deposits, to conduct key exploration and development activities and ensure financial flexibility. With an asset portfolio in Indonesia, Thailand and Canada, Pan Orient constantly reviews its exploration and development asset portfolio in with the aim of maximizing corporate value and achieving the best allocation of resources.

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: renewal, extension or termination of oil concessions and production sharing contracts; other regulatory approvals; well drilling programs and drilling 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; 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 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.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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Financial and Operating Summary <i>(thousands of Canadian dollars except where indicated)</i>	Three Months Ended March 31,		%
	2018	2017	
FINANCIAL			
Financial Statement Results – Excluding 50.01% Interest in Thailand Joint Venture (Note 1)			
Net loss attributed to common shareholders	(338)	(1,514)	-78%
Per share – basic and diluted	\$ (0.01)	\$ (0.03)	-79%
Cash flow used in operating activities (Note 2)	(4,670)	(1,730)	170%
Per share – basic and diluted	\$ (0.09)	\$ (0.03)	184%
Cash flow used in investing activities (Note 2)	(1,573)	(807)	95%
Per share – basic and diluted	\$ (0.03)	\$ (0.01)	187%
Working capital	36,159	43,018	-16%
Working capital & non-current deposits	36,867	47,344	-22%
Long-term debt	-	-	
Shares outstanding (thousands)	54,900	54,885	0%
Capital Commitments (Note 3)	104	2,212	-95%
Working Capital and Non-current Deposits			
Beginning of period	36,897	49,818	-26%
Funds flow from (used in) operations (excl. Thailand joint venture) (Note 4)	116	(1,085)	-111%
Consolidated capital expenditures (Note 5)	(303)	(937)	-68%
Amounts advanced to Thailand joint venture	25	24	4%
Disposal of petroleum and natural gas assets (Note 6)	133	-	100%
Settlement of decommissioning liabilities	-	(430)	-100%
Effect of foreign exchange	(1)	(46)	-98%
End of period	36,867	47,344	-22%
Economic Results – Including 50.01% Interest in Thailand Joint Venture (Note 7)			
Total corporate funds flow from (used in) operations by region (Note 4)			
Canada (Note 8)	244	(589)	-141%
Thailand (Notes 1 & 9)	(13)	(15)	-13%
Indonesia	(115)	(481)	-76%
Funds flow from (used in) operations (excl. Thailand Joint Venture)	116	(1,085)	-111%
Share of Thailand Joint Venture (Note 7)	702	913	-23%
Total corporate funds flow from (used in) operations	818	(172)	-576%
Per share – basic and diluted	\$ 0.01	\$ (0.00)	
Capital Expenditures - Petroleum and natural gas properties (Note 5)			
Canada (Note 8)	218	235	-7%
Indonesia	85	702	-88%
Consolidated capital expenditures (excl. Thailand joint venture)	303	937	-68%
Share of Thailand Joint Venture capital expenditures	466	94	396%
Total capital expenditures (incl. Thailand joint venture)	769	1,031	-25%
Disposition - Petroleum and natural gas properties (Note 6)	(133)	-	-100%
Investment in Thailand Joint Venture			
Beginning of period	32,185	32,795	-2%
Net loss from Joint Venture	(191)	(178)	7%
Other comprehensive gain from Joint Venture	1,906	723	163%
Amounts received from Joint Venture	(25)	(24)	4%
End of period	33,875	33,316	2%

	Three Months Ended		
	March 31,		%
(thousands of Canadian dollars except where indicated)	2018	2017	Change
Thailand Operations			
Economic Results – Including 50.01% Interest in Thailand Joint Venture (Note 7)			
Oil sales (bbls)	16,370	22,014	-26%
Average daily oil sales (BOPD) by Concession L53	182	245	-26%
Average oil sales price, before transportation (CDN\$/bbl)	\$ 75.50	\$ 65.50	15%
Reference Price (volume weighted) and differential			
Crude oil (Brent \$US/bbl)	\$ 66.92	\$ 53.72	25%
Exchange Rate \$US/\$Cdn	1.30	1.35	-4%
Crude oil (Brent \$Cdn/bbl)	\$ 87.09	\$ 72.58	20%
Sale price / Brent reference price	87%	90%	-4%
Funds flow from (used in) operations (Note 4)			
Crude oil sales	1,236	1,442	-14%
Government royalty	(60)	(71)	-15%
Transportation expense	(28)	(35)	-20%
Operating expense	(260)	(237)	10%
Field netback	888	1,099	-19%
General and administrative expense (Note 9)	(194)	(202)	-4%
Foreign exchange gain	1	1	0%
Thailand - Funds flow from operations	695	898	-23%
Funds flow from (used in) operations / barrel (CDN\$/bbl) (Note 4)			
Crude oil sales	\$ 75.50	\$ 65.50	15%
Government royalty	(3.67)	(3.23)	13%
Transportation expense	(1.71)	(1.59)	8%
Operating expense	(15.88)	(10.77)	47%
Field netback	54.24	49.92	9%
General and administrative expense (Note 9)	(11.85)	(9.18)	29%
Foreign exchange loss	0.06	0.05	22%
Thailand - Funds flow from operations	\$ 42.45	\$ 40.79	4%
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	39%	33%	6%
Government royalty, SRB and income tax	5%	5%	0%
Funds flow from operations, before interest income	56%	62%	-6%
Financial Statement Presentation			
Results – Excl. 50.01% Interest in Thailand Joint Venture (Note 1)			
General and administrative expense (Notes 9)	(13)	(15)	-13%
Funds flow used in consolidated operations	(13)	(15)	-13%
Fund flow Included in Investment in Thailand Joint Venture			
Net loss from Thailand Joint Venture	(191)	(178)	7%
Add back non-cash items in net loss	893	1,091	-18%
Funds flow from Thailand Joint Venture	702	913	-23%
Thailand – Economic funds flow from operations (Note 7)	689	898	-23%
Canada Operations (Note 8)			
Interest income	102	59	73%
General and administrative expenses (Note 9)	(514)	(560)	-8%
Realized and unrealized foreign exchange gain (loss)	656	(236)	-378%
Current income tax	-	148	-100%
Canada – Funds flow from (used in) operations	244	(589)	-141%
Indonesia Operations			
General and administrative expense (Note 9)	(70)	(499)	-86%
Exploration expense (Note 10)	(1)	(5)	-80%
Realized foreign exchange gain (loss)	(44)	23	-291%
Indonesia – Funds flow used in operations	(115)	(481)	-76%

- (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 Consolidated Financial Statements of Pan Orient Energy Corp.
- (3) Refer to Commitments in Note 11 of the March 31, 2018 and March 31, 2017 Notes to the Interim Condensed Consolidated Financial Statements.
- (4) Total corporate funds flow from operations is cash flow from operating activities prior to changes in non-cash working capital, decommissioning expenditures and settlements, unrealized foreign exchange gain or loss 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.
- (5) Cost of capital expenditures, excluding decommissioning costs, the impact of changes in foreign exchange rates and capitalized stock-based compensation expense.
- (6) In 2018, the Sawn Lake joint venture sold some inventory of pipe to outside third party.
- (7) 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.
- (8) 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.
- (9) General & administrative expenses, excluding non-cash accretion on decommissioning provision. The nominal amount of G&A shown in the three months ended March 31, 2018 and March 31, 2017 for Thailand operations related to G&A of the holding company of Pan Orient Energy (Siam) Ltd.
- (10) Exploration expense relates to exploration costs associated with the Batu Gajah PSCs in Indonesia.
- (11) Tables may not add due to rounding.