Pan Orient Energy Corp.: 2017 Year End Financial & Operating Results

CALGARY, Alberta, March 22, 2018 -- Pan Orient Energy Corp. (“Pan Orient”) (TSXV:POE) reports 2017 year-end and fourth 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 audited consolidated financial statements as at and for the year ended December 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 results, President and CEO Jeff Chisholm stated: "2017 was a year that saw progress made across all three segments of the company's business. The first two exploration wells drilled in the Indonesian East Jabung PSC proved a working petroleum system in this frontier area and have management very much anticipating the drilling of the Anggun-1X well in about September 2018. In Thailand, we completed and submitted the L53-B production Environmental Impact Assessment with approval and commencement of production estimated in June 2018, that will be followed shortly thereafter by the drilling of one L53-B appraisal well. Additionally, permitting for what are deemed to be two of the best exploration well locations made great progress with permitting expected to be completed in August 2018 and drilling of one of these two locations to take place shortly thereafter in 2018. Lastly, government approval was received for commercial expansion of the Sawn Lake project which incorporates the installation of the Andora proprietary Produced Water Boiler. Detailed engineering design and cost estimates are currently being completed in order to be in a position to move quickly when the investment climate improves."

2017 HIGHLIGHTS

Indonesia

- At the East Jabung Production Sharing Contract (“PSC”) in Indonesia, where Pan Orient is non-operator with a 49% ownership interest, the first two exploration wells have been drilled. The Ayu-1X and Elok-1X wells did not encounter commercial hydrocarbons, however drilling results were encouraging with significant indications of hydrocarbons significantly de-risking the petroleum system in this region. The Anggun-1X exploration well has been approved by the joint venture as part of the 2018 work program and budget and is expected to commence drilling in about September 2018.
- Drilling of the Ayu-1X and Elok-1X exploration wells satisfied the East Jabung PSC firm well commitment of two exploration wells to be drilled prior to the expiry of the first six year exploration phase. The initial exploration phase of the East Jabung PSC has been extended by the Government of Indonesia to January 20, 2019.
- During the third quarter of 2017, the Company received a ruling from the Indonesian Tax Court that it had won an appeal of the 2012 – 2014 offshore Land and Building Tax assessment for the East Jabung PSC but lost on the much smaller sub-surface tax assessment. As a result, a refund is expected in early 2019 of the $3.7 million deposit paid to appeal the assessment and the $0.7 million payable for the sub-surface assessment has been recorded.
- The Batu Gajah PSC, in which Pan Orient had an operated 77% interest, expired on January 15, 2017.

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

- Pan Orient conducted a series of successful workovers at Concession L53 in Thailand to maintain a relatively stable level of oil production with oil sales in 2017 of 254 BOPD compared with 258 BOPD in 2016.
- During 2017, the Brent reference price for oil increased 22% and funds flow from operations increased 50% to $3.7 million, or $39.73 per barrel.
- Capital expenditures of $1.8 million included a number of workovers and the L53AC-C1 exploration well, which was determined to be dominantly water bearing and abandoned.
- December 31, 2017 reserve report assigned proved plus probable crude oil reserves of 546,500 barrels from conventional sandstone reservoirs and a net present value using forecast prices and costs discounted at 10% per year, of Cdn$14.0 million. The reserve report excludes exploration lands.
- The 2018 Thailand capital program is expected to include one exploration well, an appraisal well at L53-B and a multi-well workover program.

Sawn Lake, Canada (Pan Orient’s 71.8% subsidiary Andora)

- Andora Energy Corporation (“Andora”) has finalized detailed engineering for its proprietary Thermal System and Process for Producing Steam from Oilfield Produced Water (“Produced Water Boiler”).
- Regulatory approval was received on December 5, 2017 for 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.

Corporate

- Total corporate funds flow used in operations, including Pan Orient's 49% interest in the Thailand Joint Venture, was $0.7 million and the net loss attributable to common shareholders was $5.1 million, of which $1.8 million related to an unrealized foreign exchange loss on U.S. dollar denominated cash holdings.
- Pan Orient continues to maintain a strong financial position for planned exploration activities at the East Jabung PSC in Indonesia with working capital and non-current deposits at December 31, 2017 of $36.9 million and no long-term debt. In addition to this, Pan Orient's Investment in Thailand Joint Venture includes $4.9 million of Thailand working capital and non-current deposits for future Thailand Joint Venture operations.

2017 FOURTH QUARTER OPERATING RESULTS

- Net loss attributable to common shareholders for the fourth quarter of 2017 of $0.6 million ($0.01 loss per share) compared with $1.8 million loss ($0.03 loss per share) in the third quarter of 2017.
- For the fourth quarter of 2017, the Company recorded total corporate funds flow from operations, which includes economic results of the 50.01% interest in the Thailand joint venture, of $0.5 million ($0.01 per share). This compares with total corporate funds flow used in operations for the third quarter of 2017 of $0.8 million ($0.01 loss per share). In the fourth quarter of 2017 the Company reported $0.1 million of realized and unrealized foreign exchange gains versus $1.1 million of realized and unrealized foreign exchange losses in the third quarter of 2017. These foreign exchange gains and losses primarily relate to the Company's holdings of United States dollars.
- Pan Orient had capital expenditures of $2.9 million in the fourth quarter of 2017, with $2.7 million in Indonesia and $0.2 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 $1.0 million, which was recorded in Investment in Thailand Joint Venture.
- Capital expenditures for 2017, net of dispositions, were $7.8 million, with $6.7 million in Indonesia, $0.1 million in Canada and $1.0 million at the Sawn Lake SAGD demonstration project of Andora. In addition, Pan Orient's share of Thailand joint venture capital expenditures was $1.8 million, which was recorded in Investment in Thailand Joint Venture.
- At December 31, 2017, Pan Orient had $36.9 million of working capital and non-current deposits. Working capital and non-current deposits were comprised of $37.7 million cash, $4.4 million of non-current deposits, other receivables of $0.5 million and less $5.7 million for accounts payable and the current portion of the decommissioning provision. In addition, Pan Orient's Investment in Thailand Joint Venture includes $4.9 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 and exploration.
- Pan Orient had outstanding capital commitments as at December 31, 2017 of $17,000 associated with the Company's 49% participating interest in the East Jabung PSC, Indonesia and $122,000 associated with natural gas pipeline tariff charges associated with the Sawn Lake SAGD demonstration project of Andora in Canada.
- Results net to Pan Orient's 50.01% Interest in the Thailand Joint Venture for Concession L53
  - Average oil sales of 233 BOPD during the fourth quarter of 2017 and generated $0.9 million in funds flow from operations, or $42.01 per barrel. This compares with 2017 third quarter results of 262 BOPD (an 11% decrease) and $35.92 per barrel in funds flow from operations (a 17% increase). The average realized sales price per barrel has increased to $70.80 in the fourth quarter from $60.44 in the third quarter.
  - Per barrel amounts during the fourth quarter of 2017 were a realized price for oil sales of $70.80, transportation expenses of $1.63, operating expenses of $13.75, general and administrative expenses of $10.81 and a 5% royalty to the Thailand government of $3.35. Oil sales revenue during this period was allocated 36% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand for royalties, and 59% to the Thailand Joint Venture. No Thailand petroleum income taxes or Special Remuneratory Benefit tax was recorded during 2017.
  - Capital expenditures were $1.0 million during the fourth quarter of 2017 and $1.8 million for 2017. Capital expenditures for 2017 were comprised of $1.0 million for drilling of the L53AC-C1 exploration well, $0.7 million for workovers and other capital expenditures and $0.1 million for capitalized general and administrative expenses. The L53AC-C1 exploration well was determined to be dominantly water bearing and was abandoned.
  - Oil sales in January and February 2018 at Concession L53 averaged 174 BOPD as a result of downtime related to downhole pump issues. Production is currently in excess of 280 BOPD after the recent completion of the recent six well workover program.
  - The L53-B production license for 1.96 square kilometers was granted in May 2017. The L53-B Environmental Impact Assessment has been submitted with approval and commencement of production expected in approximately June 2018.
  - The December 31, 2017 independent reserves evaluation for Thailand on-shore Concession L53 was prepared for Pan Orient Energy (Siam) Ltd. ("POS"), a 50.01% owned subsidiary of Pan Orient, which is the operator and has a 100% working interest. The evaluation was conducted by Sproule International Limited of Calgary ("Sproule") and was prepared in accordance with Canadian Securities Administrators National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities. Pan Orient has a 50.01% ownership in POS, but does not have any direct interest in, or control over, the crude oil reserves or operations of on-shore Concession L53. The values at December 31, 2017 identified below as "Net to Pan Orient's 50.01% Equity Interest in POS" represent 50.01% of POS reserves and values.

Net to Pan Orient's 50.01% equity interest in POS, proved plus probable crude oil reserves of 546,500 barrels at December 31, 2017 from conventional sandstone reservoirs, decreased 4% compared with the prior year as a result of oil sales partially offset by a positive technical revision. Net to Pan Orient's 50.01% equity interest in POS, net present value (after tax) of Thailand proved plus probable crude oil reserves at December 31, 2017, using forecast prices and costs discounted at 10% per year, of $14.0 million, or $0.25 per Pan Orient share based on the current 54.9 million Pan Orient shares outstanding.

- Indonesia
  - The Ayu-1X exploration well was drilled to a total depth of 1,140 meters within the granitic basement on August 21, 2017. Analysis indicated approximately 5.5 meters of high porosity net oil pay at the top of good quality reservoir in the Batu Raja limestone. Significant indications of hydrocarbons in the form of oil shows and high gas readings in well-developed sands of Gumai age were also found. The Ayu-1X well was drilled pursuant to the terms of the 2015 farm-out agreement whereby the farminee funds the first USD$10 million towards the first exploration well. The total estimated cost of the Ayu-1X well for location and access, drilling to total depth and post total depth evaluation is US$14.3 million. Pan Orient's net share of US$2.1 million (Cdn$2.7 million) was recorded in 2017.
  - The Elok-1X exploration well was drilled as a sidetrack from the Ayu-1X wellbore to a subsurface location approximately 700 meters south of the Ayu-1X well location and reached a total depth of 1,236 meters. The top of the primary Talang Akar formation sandstone objective (primary target) was encountered at 1,169 meters true vertical depth and found to be non-hydrocarbon bearing. The Batu Raja limestone, not a target at Elok-1X, was encountered approximately 26 meters structurally lower than at Ayu-1X, exhibiting high mud gas readings and oil stained carbonates in the upper portion. The total cost of the Elok-1X well is estimated at US$5.0 million. Pan Orient's 49% net share of US$2.4 million (Cdn$3.1 million) was recorded in 2017.
  - Significant indications of hydrocarbons in the form of oil shows and high gas readings were observed while drilling well-developed sands of Gumai age at both wells. Additional drilling is required to establish the commerciality of the Ayu, Elok and Anggun structural complex.
  - The Anggun-1X exploration well, approximately 5.6 kilometers to the north west of Ayu-1X and approximately 70 meters structurally up dip from Ayu-1X at the Gumai sandstone target level, is expected to commence drilling in about September 2018. The objectives of this well will be large structural closures at both the Batu Raja and Gumai target levels. The preliminary estimated dry hole cost of the Anggun-1X well, including permanent road, well pad construction and drilling, is US$15.4 million (Cdn$19.3 million), with Pan Orient's 49% share of US$7.55 million (Cdn$9.4 million).
  - The drilling of the Ayu-1X and Elok-1X exploration wells satisfied the East Jabung PSC firm well commitment of two exploration wells to be drilled prior to the expiry of the first six year exploration phase. The initial exploration phase of the East Jabung PSC has been extended by the Government of Indonesia to January 20, 2019.
  - Pan Orient's 2017 capital expenditures for the East Jabung PSC were $6.8 million comprised of $2.7 million for the Ayu-1X exploration well, $3.1 million for the Elok-1X exploration well and $1.0 million for seismic reprocessing and capitalized G&A expenses, all amounts in Canadian dollars.
  - The Tax Directorate General of Indonesia assessed Pan Orient for 2012, 2013 and 2014 Land and Building Tax under a new tax framework of 78,705 million Indonesian rupiah, or $7.3 million when translated at the December 31, 2017 exchange rate. Of the $7.3 million tax assessed, $6.8 million was associated with offshore in 2013 and $0.5 million was associated with sub-surface for 2012 to 2014. Like other impacted oil and gas companies operating in Indonesia, Pan Orient lodged an objection, which was rejected by the Indonesian Tax office. The Company filed an appeal with the Indonesian Tax Court in 2014 and, as required by Indonesian law for filing an appeal with the Indonesian Tax Court, paid a refundable deposit of $3.7 million, which is equal to 50% of the tax being disputed. During the third quarter of 2017, the Company received a ruling from the Indonesian Tax Court that it had won the appeal on the offshore tax assessment but lost on the sub-surface tax assessment. The Company is following the process to obtain a refund of the $3.7 million deposit, which is recorded as a non-current deposit of the consolidated statements of financial position. The Company has accrued $0.7 million in accounts payable and accrued liabilities for the sub-surface tax assessment and penalties.

- Sawn Lake Alberta Heavy Oil (Operated by Andora, in which Pan Orient has a 71.8% ownership)
  - Regulatory approval was received on December 5, 2017 for potential commercial expansion to 3200 BOPD at the Sawn Lake, Alberta SAGD project (in which Andora has a 50% working interest and is the operator) using Andora's proprietary Produced Water Boiler. Commercial expansion to 3200 BOPD would include a reactivation of the demonstration project SAGD facility and existing wellpair, drilling of an additional four wellpairs and expansion of the facility to generate the additional necessary steam. It is anticipated that additional steam generation would include the test installation of the Andora proprietary Produced Water Boiler. Andora believes that its Produced Water Boiler could achieve significant benefits for the Sawn Lake SAGD field and enable development using a series of "battery scale" SAGD facilities (as opposed to a central processing facility). The lead time to acquiring the necessary equipment and commencing operations would be approximately 18 months and another 6 months is required for the start of bitumen production (after development of the steam chamber). An expansion is dependent on completion of detailed engineering and a higher commodity price environment to support project economics and financing.
  - At December 31, 2017 Andora had interests in 88 sections of Alberta oil sands leases at Sawn Lake. Andora is the operator of 37 sections, where it has a working interest of either 50% or 100%. The June 30, 2016 Contingent Resources Report by Sproule Unconventional Limited assigned risked "Best Estimate" contingent

resources net to Andora of 197 million barrels of bitumen recoverable. The five Sawn Lake Alberta Crown oil sands leases operated by Andora (with 37 sections) contain 99.3% of the June 30, 2016 assigned contingent resources. With respect to the lands operated by Andora, three of the leases (with 22.75 sections) have an expiry date of July 10, 2018. In January 2018, Andora received approval for continuation of 21.75 sections in these three leases and the one section which was not continued had not been assigned contingent resources.

- Capital expenditures for the Sawn Lake demonstration project were $0.2 million in the fourth quarter of 2017 and totaled $1.0 million for 2017. Capital expenditures related to drilling of a core well to support continuation of mineral rights in one of the oil sands leases, capitalization of ongoing expenses at the demonstration project facility, engineering for the Produced Water Boiler, and capitalized G&A.

OUTLOOK

INDONESIA

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

The joint venture has approved a 2018 work program and budget that includes the drilling of the Anggun-1X exploration well, estimated to commence drilling in about September 2018 at a cost of US$15.4 (Cdn$19.3 million), and a contingent 3D seismic survey that would be acquired in the event of success at Anggun-1X.

THAILAND

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

Concession L53 continued to generate funds flow from operations as a low cost operation and limited capital expenditures. The 2018 Thailand capital program is expected to include one exploration well, an appraisal well at L53-B and a multi-well workover program. All 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)

Sawn Lake is a top quartile SAGD asset that has been de-risked through the demonstration project. Pan Orient continues to move forward towards potential commercial expansion to 3200 BOPD and future development at Sawn Lake. It is recognized that 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.

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. The Company constantly reviews its exploration and development asset portfolio in Indonesia, Thailand and Canada 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; the benefits of patented technology; 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 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.

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Financial and Operating Summary *(thousands of Canadian dollars except where indicated)*	Three Months Ended December 31, **2017**	Three Months Ended December 31, 2016	Twelve Months Ended December 31, **2017**	Twelve Months Ended December 31, 2016	% Change
FINANCIAL					
Financial Statement Results – Excluding 50.01% Interest in Thailand Joint Venture (Note 1)					
Net loss attributed to common shareholders	**(578)**	(78,149)	**(5,132)**	(82,837)	-94%
Per share – basic and diluted	**$ (0.01)**	$ (1.42)	**$ (0.09)**	$ (1.51)	-94%
Cash flow from (used in) operating activities (Note 2)	**(485)**	82	**(2,396)**	8,620	-128%
Per share – basic and diluted	**$ (0.01)**	$ -	**$ (0.04)**	$ 0.16	-127%
Cash flow used in investing activities (Note 2)	**(1,990)**	(65)	**(4,810)**	(5,864)	-18%
Per share – basic and diluted	**$ (0.04)**	$ -	**$ (0.09)**	$ (0.11)	-20%
Working capital	**32,536**	45,447	**32,536**	45,447	-20%
Working capital & non-current deposits	**36,897**	49,818	**36,897**	49,818	-26%
Long-term debt	**-**	-	**-**	-	0%
Shares outstanding (thousands)	**54,900**	54,885	**54,900**	54,885	0%
Capital commitments (Note 3)	**139**	2,318	**139**	2,318	-94%
Contingencies (Note 4)					
Working Capital and Non-current Deposits					
Beginning of period	**40,416**	49,945	**49,818**	79,160	-37%
Funds flow from (used in) operations (excluding Thailand Joint Venture) (Note 6)	**(409)**	251	**(4,392)**	(3,778)	16%
Special Distribution (Note 15)	**-**	-	**-**	(21,954)	-100%
Issue of common shares	**-**	-	**22**	-	100%
Consolidated capital expenditures (Note 8)	**(2,889)**	(431)	**(7,888)**	(3,905)	102%
Amounts advanced from Thailand Joint Venture	**31**	40	**169**	172	-2%
Disposal of petroleum and natural gas assets (Note 9)	**-**	56	**133**	161	-17%
Decommissioning expenditures and settlements	**(295)**	-	**(752)**	-	100%
Effect of foreign exchange	**43**	(43)	**(213)**	(38)	461%
End of period	**36,897**	49,818	**36,897**	49,818	-26%
Economic Results – Including 50.01% Interest in Thailand Joint Venture (Note 5)					
Total corporate funds flow from (used in) operations by region (Note 6)					
Canada (Note 7)	**(230)**	255	**(3,473)**	(2,424)	43%
Thailand (Note 1)	**(14)**	(2)	**(38)**	(29)	31%
Indonesia	**(165)**	(2)	**(881)**	(1,325)	-34%
Funds flow from (used in) operations (excl.Thailand Joint Venture)	**(409)**	251	**(4,392)**	(3,778)	16%
Share of Thailand Joint Venture (Note 5)	**916**	998	**3,716**	2,477	50%
Total corporate funds flow from (used in) operations	**507**	1,249	**(676)**	(1,301)	-48%
Per share – basic and diluted	**$ 0.01**	$ 0.02	**$ (0.01)**	$ (0.02)	-38%
Capital Expenditures – Petroleum & Natural Gas Properties (Note 8)					
Canada (Note 7)	**209**	176	**1,130**	1,980	-43%
Indonesia	**2,680**	255	**6,758**	1,925	251%
Consolidated capital expenditures (excl.Thailand joint venture)	**2,889**	431	**7,888**	3,905	102%
Share of Thailand Joint Venture capital expenditures	**1,033**	1,013	**1,849**	1,495	24%
Total capital expenditures (incl. Thailand joint venture)	**3,922**	1,444	**9,737**	5,400	80%

Disposition – Petroleum & Natural Gas Properties (Note 9)	**-**	(56)	**(133)**	(161)	-17%
Investment in Thailand Joint Venture					
Beginning of period	**31,601**	33,316	**32,795**	35,088	-7%
Net loss from Joint Venture	**(172)**	(226)	**(1,004)**	(1,542)	-35%
Other comprehensive gain (loss) from Joint Venture	**787**	(255)	**563**	(579)	-197%
Amounts received from Joint Venture	**(31)**	(40)	**(169)**	(172)	-2%
End of period	**32,185**	32,795	**32,185**	32,795	-2%

	Three Months Ended December 31,		Twelve Months Ended December 31,		
(thousands of Canadian dollars except where indicated)	**2017**	2016	**2017**	2016	Change
Thailand Operations					
Economic Results – Including 50.01% Interest in Thailand Joint Venture (Note 5)					
Oil sales (bbls)	**21,470**	26,702	**92,568**	94,539	-2%
Average daily oil sales (BOPD) by Concession L53	**233**	290	**254**	258	-2%
Average oil sales price, before transportation (CDN$/bbl)	**$ 70.80**	$ 60.22	**$ 64.68**	$ 48.95	32%
Reference Price (volume weighted) and differential					
Crude oil (Brent $US/bbl)	**$ 61.37**	$ 49.12	**$ 53.94**	$ 43.51	24%
Exchange Rate $US/$Cdn	**1.29**	1.34	**1.32**	1.34	-1%
Crude oil (Brent $Cdn/bbl)	**$ 79.38**	$ 65.72	**$ 71.43**	$ 58.33	22%
Sale price / Brent reference price	**89%**	92%	**91%**	84%	8%
Funds flow from (used in) operations (Note 6)					
Crude oil sales	**1,520**	1,608	**5,987**	4,628	29%
Government royalty	**(72)**	(80)	**(294)**	(229)	28%
Transportation expense	**(35)**	(41)	**(150)**	(143)	5%
Operating expense	**(295)**	(289)	**(1,061)**	(1,057)	0%
Field netback	**1,118**	1,198	**4,482**	3,199	40%
General and administrative expense (Note 10)	**(232)**	(202)	**(831)**	(756)	10%
Interest income	**13**	5	**21**	11	91%
Foreign exchange gain (loss)	**3**	(5)	**6**	(5)	-220%
Current income tax	**-**	-	**-**	(1)	-100%
Thailand - Funds flow from operations	**902**	996	**3,678**	2,448	50%
Funds flow from (used in) operations / barrel (CDN$/bbl) (Note 6)					
Crude oil sales	**$ 70.80**	$ 60.22	**$ 64.68**	$ 48.95	32%
Government royalty	**(3.35)**	(3.00)	**(3.18)**	(2.42)	31%
Transportation expense	**(1.63)**	(1.54)	**(1.62)**	(1.51)	7%
Operating expense	**(13.75)**	(10.81)	**(11.46)**	(11.18)	3%
Field netback	**$ 52.07**	$ 44.87	**$ 48.42**	$ 33.84	43%
General and administrative expense (Note 10)	**(10.81)**	(7.57)	**(8.98)**	(8.01)	12%
Interest Income	**0.61**	0.19	**0.23**	0.12	89%
Foreign exchange gain (loss)	**0.14**	(0.19)	**0.06**	(0.05)	-230%
Current income tax	**-**	-	**-**	(0.01)	-100%
Thailand - Funds flow from operations	**$ 42.01**	$ 37.30	**$ 39.73**	$ 25.89	53%
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	**36%**	33%	**34%**	42%	-8%
Government royalty, SRB and income tax	**5%**	5%	**5%**	5%	0%
Funds flow from operations, before interest income	**59%**	62%	**61%**	53%	8%
Wells drilled					
Gross	**1**	1	**1**	1	0%
Net	**0.5**	0.5	**0.5**	0.5	0%
Financial Statement Presentation Results – Excluding 50.01% Interest in Thailand Joint Venture					

(Note 1)					
General and administrative expense (Note 10)	**(14)**	(3)	**(38)**	(30)	27%
Foreign exchange gain	**-**	1	**-**	1	-100%
Funds flow used in consolidated operations	**(14)**	(2)	**(38)**	(29)	31%
Funds flow included in Investment in Thailand Joint Venture					
Net loss from Thailand Joint Venture	**(172)**	(226)	**(1,004)**	(1,542)	-35%
Add back depletion & other non-cash items in net loss	**1,088**	1,224	**4,720**	4,019	17%
Funds flow from Thailand Joint Venture	**916**	998	**3,716**	2,477	50%
Thailand – Economic funds flow from operations (Note 5)	**902**	996	**3,678**	2,448	50%

(thousands of Canadian dollars except where indicated)	Three Months Ended December 31, **2017**	2016	Twelve Months Ended December 31, **2017**	2016	Change
Canada Operations (Note 7)					
Interest income	**88**	46	**308**	173	78%
General and administrative expenses (Note 10)	**(482)**	(637)	**(2,092)**	(2,303)	-9%
Realized and unrealized foreign exchange gain (loss) (Note 20)	**164**	696	**(1,837)**	(165)	1013%
Current income tax	**-**	150	**148**	(129)	-215%
Canada – Funds flow from (used in) operations	**(230)**	255	**(3,473)**	(2,424)	43%
Indonesia Operations					
General and administrative expense (Note 10)	**(151)**	(110)	**(823)**	(516)	59%
Exploration expense (Note 11)	**-**	101	**(5)**	(831)	-99%
Realized foreign exchange gain (loss)	**(14)**	7	**(53)**	22	-341%
Current income tax	**-**	-	**-**	-	0%
Indonesia – Funds flow used in operations	**(165)**	(2)	**(881)**	(1,325)	-34%
Wells drilled					
Gross	**-**	-	**2**	-	
Net	**-**	-	**1.0**	-	

(thousands of Canadian dollars except where indicated)	Year Ended December 31, **2017**	2016	Change
RESERVES AND CONTINGENT RESOURCES			
Onshore Thailand – Concession L53 (50.01% economic interest) (Note 1)	**(Note 12)**	(Note 13)	
Proved oil reserves (thousands of barrels)	**272**	273	0%
Proved plus probable oil reserves (thousands of barrels)	**547**	570	-4%
Net present value of proved + probable reserves, after tax discounted at 10%	**13,982**	13,187	6%
Per Pan Orient share – basic (Note 14)	**$ 0.25**	$ 0.24	4%
Canada (Pan Orient’s 71.8% share of the oil sands leases of Andora at Sawn Lake, Alberta)		(Note 16)	

INTERNATIONAL INTERESTS AT DECEMBER 31, 2017

All amounts reflect Pan Orient's economic interest	Status	Net Square Kilometers	December 31, 2017 Financial Commitments (Cdn thousands)		2017 Avg. Production (BOPD)	P+P Reserves (thousands of barrels)
<u>Onshore Thailand Concession (Recorded in Investment in Joint Venture)</u>						
L53/48 (Pan Orient 50.01% ownership as at December 31, 2017) (Note 1 & 17)	Partially developed	108	-	to January 2021 (Note 17)	254	547
<u>Onshore Indonesia PSC (Consolidated subsidiary)</u>						
East Jabung PSC, South Sumatra (49% interest & non-operator) (Note 18 and 19)	Undeveloped	1,445	$17	to January 2019		
		1,553	$17			

(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) Refer to Commitments note disclosure of the December 31, 2017 and December 31, 2016 Consolidated Financial Statements.

(4) Refer to Contingencies note disclosure of the December 31, 2017 and December 31, 2016 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.

(6) 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.

(7) 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.

(8) Cost of capital expenditures excluded decommissioning costs, the impact of changes in foreign exchange and capitalized stock-based compensation expense.

(9) In 2017, the Company sold some equipment inventory from its Indonesian operations to its Thailand joint venture. In 2016, the joint venture partners in Andora's Sawn Lake SAGD demonstration project purchased the SAGD reservoir data and the Sawn Lake joint venture sold some inventory of pipe.

(10) General & administrative expenses, excluding non-cash accretion on decommissioning provision. The nominal amount of G&A shown in the three and twelve months ended December 31, 2016 and December 31, 2017 for Thailand operations related to G&A of the holding company of Pan Orient Energy (Siam) Ltd.

(11) Exploration expense relates to exploration costs associated with the Citarum and Batu Gajah PSCs in Indonesia.

(12) Thailand reserves as at December 31, 2017 as evaluated by Sproule International Limited of Calgary assessed at forecast crude oil reference prices and costs. The US$ reference price for crude oil per barrel (US$ UK Brent per barrel) in the evaluation is $58.00 for 2018, $67.00 for 2019, $72.00 for 2020, $75.00 for 2021, $76.50 for 2022 and prices increase at 2.0% per year thereafter. Foreign exchange rate used of Cdn$1=US$0.79 for 2018, Cdn$1=US$0.82 for 2019 and Cdn$1=US$0.85 thereafter. The engineered values disclosed may not represent fair market value.

(13) Thailand reserves as at December 31, 2016 as evaluated by Sproule International Limited of Calgary assessed at forecast crude oil reference prices and costs. The US$ reference price for crude oil per barrel (US$ UK Brent per barrel) in the evaluation is $60.00 for 2017, $70.00 for 2018, $80.00 for 2019, $81.20 for 2020, $82.42 for 2021 and prices increase at 1.5% per year thereafter. Foreign exchange rate used of Cdn$1=US$0.80 for 2017, Cdn$1=US$0.83 for 2018 and Cdn$1=US$0.85 thereafter. The engineered values disclosed may not represent fair market value.

(14) Per share values calculated based on 54,900,407 and 54,885,407 Pan Orient Shares outstanding at December 31, 2017 and December 31, 2016, respectively.

(15) On February 16, 2016, the Company paid a return of capital special distribution of $0.40 per share to common shareholders.

(16) The evaluation of Andora's contingent resources of the oil sands project at Sawn Lake Alberta, Canada as at June 30, 2016 was conducted by Sproule Unconventional Limited. The evaluation assigned an 85% chance of development for Sawn Lake, or a 15% development risk, and the risked "Best Estimate" contingent resources for Andora were 196.9 million barrels of bitumen recoverable (141.4 million barrels net to Pan Orient's interest in Andora). Andora's unrisked "Best Estimate" contingent resources were 231.6 million barrels (166.3 million net to Pan Orient's interest in Andora) of recoverable bitumen as at June 30, 2016. The June 30, 2016 report had been updated for results of the Sawn Lake demonstration project, the June 30, 2016 price forecasts for crude oil, bitumen, natural gas and exchange rates, and a revised date of 2020 for the estimated commencement of commercial production.

(17) At December 31, 2017 Concession L53/48 in Thailand consisted of 22 square kilometers associated with the L53-A, L53-B, L53-D and L53-G fields held through production licenses (with a 20 year primary term to 2036 plus an additional 10 year renewal period that can be applied for) and 213.91 square kilometers of "reserved area" exploration lands.
The original nine year exploration period for Concession L53 expired on January 7, 2016. The Government of Thailand approved a 215.87 square kilometer "reserved area" within Concession L53 for up to five years, with the payment of a surface reservation fee of $0.8 million gross ($0.4 million net to Pan Orient), for each year the Company elects to retain

the reserved area. The Company is entitled to receive a refund of the surface reservation fee for a particular year in an amount equal to the petroleum exploration expenditures spent in that year within the reserved area up to the reservation fee paid. The Company intends to spend at least the full amount each year the reserved area is renewed and, therefore, it is expected that the annual reservation fee will be fully refunded.

(18) Pan Orient's share of commitments in Indonesia reflects amounts to be paid by Pan Orient in respect of the East Jabung Production Sharing Contract ("PSC"). Commitments in Indonesia include the completion of a work program as well as the Company's estimated amount of the expenditure. Financial commitments as provided above represent management's assessment of the costs of the work program required under the initial 3-year firm commitment exploration period of the PSC. The work program commitment is based on the original contract and timing is subject to Government of Indonesia ("GOI") approval. With respect to the East Jabung PSC, the extension of this initial exploration period has been agreed to with the GOI to the date indicated. If Pan Orient exercises its options to continue beyond the initial exploration period, additional commitments will be determined on a year-by-year basis through submission of a work program and approval from the GOI. Although extension of the exploration period is a departure from the original contract, it is considered standard practice in Indonesia.

(19) In the fourth quarter of 2014 the Company entered into a farmin agreement for the transfer of a 51% direct working interest and operatorship of the East Jabung PSC. The agreement included a firm commitment by the farminee to fund the first US$10.0 million towards the first exploration well and a contingent commitment to fund the first US$5.0 million towards an appraisal well, if justified. The transaction closed on June 1, 2015 and the Company transferred the operatorship of the PSC to the farminee and reduced its interest to 49%. The Company was notified by the operator that the drilling of the Ayu-1X well and Elok-1X well qualified for the two wells under the firm 3 year exploration work program and the initial exploration phase of the East Jabung PSC has been extended by the GOI to January 20, 2019.

(20) Realized and unrealized foreign exchange gain or loss mainly related to the U.S. dollars denominated cash balances held in Canada.

(21) Tables may not add due to rounding.