Americas Petrogas Announces First Quarter 2014 Results

30.05.2014 | Marketwired

CALGARY, ALBERTA -- (Marketwired - May 30, 2014) - Americas Petrogas Inc. ("Americas Petrogas" or the "Company") (TSX VENTURE:BOE) announces its first quarter 2014 results.

Summary Financial and Operational Highlights

Selected financial and operational information is outlined below and should be read in conjunction with the Company's interim consolidated financial statements and the related Management's Discussion and Analysis ("MD&A") for the quarter, which have been filed on SEDAR under the Company's profile at www.sedar.com and are also available on the Company's website at www.americaspetrogas.com. All amounts are in Canadian dollars unless otherwise stated.

($ in thousands, except share, per share, and per barrel amounts)

	Three months ended March 31	
	2014	2013
Gross oil sales revenue	$ 9,108	$ 16,450
Net revenue(1)	$ 7,763	$ 14,347
Operating netback (including Oil Plus benefits)(2)	$ 4,094	$ 13,167
Operating netback (including Oil Plus benefits) per barrel(2)	$ 36.73	$ 60.88
Operating netback (excluding Oil Plus benefits) per barrel(2)	$ 36.73	$ 47.70
Net income (loss) attributable to owners of the Company (3)	$ (24,557)	$
Earnings (loss) per share- basic and diluted	$ (0.12)	$ 0.02
Funds flow from operations(4)	$ 2,047	$ 9,874
Per share - basic	$ 0.01	$ 0.05
Per share - diluted	$ 0.01	$ 0.05
Weighted average number of common shares outstanding(5)		
Basic	212,572,440	212,760,484
Diluted	214,139,198	216,952,633
Cash flow from operating activities	$ 8,860	$ 5,465
Capital expenditures	$ 10,948	$ 27,296
Average barrels sold per day	1,238	2,403
Average selling price per barrel	$ 81.72	$ 76.06

($ in thousands)	March 31, 2014	December 31, 2013
Cash and cash equivalents	$ 15,217	$ 18,334
Working capital(6)	$ 14,746	$ 21,687
Equity outstanding		
Common shares	212,572,440	212,572,440
Stock options	17,946,093	17,946,093

Notes:
1. "Net revenue" is an additional GAAP measure because it is presented in the consolidated statement of income (loss). Net revenue is gross revenue less royalties. The Company uses "net revenue" as an indicator of operating performance.

2. "Operating netback" is a non-GAAP measure and is calculated as revenues from oil sales less royalties and production costs. Operating netback is used as an indicator of operating performance, profitability and liquidity. "Operating netback (excluding Oil Plus benefits)" excludes any Oil Plus benefits credited to production costs. "Operating netback (including Oil Plus benefits)" is net of any Oil Plus benefits credited to production costs. Operating netback does not have a standardized meaning prescribed by IFRS. It is unlikely for non-GAAP measures to be comparable to similar measures presented by other companies. For the three *months ended March 31, 2014, operating netback was $4.1 million (calculated as gross oil sales revenue of $9.1 million less royalties of $1.3 million and production costs of $3.7 million). For the three months ended March 31, 2013, operating netback was $13.2 million (calculated as gross oil sales revenue of $16.5 million less royalties of $2.1 million and production costs of $1.2 million).*

3. The net loss in 2014 includes a non-cash foreign exchange loss of $17.97 million associated with the Company's USD intercompany loans. See note 16(c) of the Company's condensed interim consolidated financial statements for the three months ended March 31, 2014 and section "1.4 Results of Operations -- Foreign Exchange Gain/Loss and Other Comprehensive Income/Loss" of the Company's MD&A for the quarter.

4. "Funds flow from operations" is an additional GAAP measure because it is presented in the consolidated statement of cash flows. Funds flow from operations and funds flow from operations per share are used to analyze operating performance and liquidity. Funds flow from operations is calculated as net cash generated from (used by) operating activities (as determined in accordance with IFRS) before changes in non-cash balance sheet operating items. Funds flow from operations per share is calculated by dividing funds flow from operations by the weighted average number of shares outstanding. Funds flow from operations should not be considered an alternative to, or more meaningful than net cash generated from (used by) operating activities as determined in accordance with IFRS. Funds flow from operations per share should not be considered an alternative to, or more meaningful than earnings (loss) per share as determined in accordance with IFRS.

5. Diluted weighted average number of common shares outstanding is computed by adjusting basic weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method, which assumes any proceeds received by the Company upon exercise of the in-the-money instruments would be used to repurchase common shares at the average market price for the period. For the three months ended March 31, 2014, 1,566,758 (three months ended March 31, 2013 - 4,192,149) common shares were deemed to be issued for no consideration in respect of options.

6. Working capital is a non-GAAP measure and is calculated as current assets less current liabilities. Working capital is used to assess liquidity and general financial strength. Working capital does not have a standardized meaning prescribed by IFRS. It is unlikely for non-GAAP measures to be comparable to similar measures presented by other companies. Working capital should not be considered an alternative to, or more meaningful than current assets or current liabilities as determined in accordance with IFRS.

- Net loss: The loss for 2014 of $24.6 million is primarily attributable to a non-cash, foreign exchange loss of $17.97 million on intercompany loans between the Canadian parent company and its Argentina subsidiary, which arose primarily due to an approximate 20% decline in the Argentina Peso against the US dollar in January 2014. For the three months ended March 31, 2013, net income was $4.3 million.

- Cash position: $15.2 million of consolidated cash and cash equivalents as of March 31, 2014. In May 2014, the Company announced that it had executed an underwriting agreement to raise gross proceeds of $15 million. For additional information, see "Highlights and Recent Activities" below.

- Oil Plus benefits: during the first quarter of 2014, the Company did not recognize any Oil Plus benefits, though $7.3 million of Oil Plus benefits (recognized in 2013) were collected in January 2014. During the year ended December 31, 2013, the Company recognized $25.5 million of Oil Plus benefits (related to production and reserve increases). As of the current date, a total of $26.8 million of Oil Plus benefits have already been collected. An additional $16.2 million has been applied for and remains to be collected.

Highlights and Recent Activities

- In May 2014, the Company entered into an underwriting agreement with a syndicate of underwriters to raise $15 million in gross proceeds (the "Offering"). The Company has filed a preliminary short form prospectus in connection with the Offering, which is being conducted in all provinces in Canada (except Quebec) and outside of Canada where permitted under applicable securities laws. The Offering consists of 16,666,666 units (the "Units") of the Company at an offering price of $0.90 per Unit, with each Unit consisting of one Common Share and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, a "Warrant"). Each Warrant is exercisable for a period of 36 months following closing at an exercise price of $1.125 per Common Share. The Company has granted to the underwriters an over-allotment option which entitles the underwriters to acquire up to an additional 15% of the Units distributed in the Offering at the Offering price at any time up to 30 days following the closing of the Offering. The Company expects to close the Offering on or about June 6, 2014, subject to satisfaction of customary closing conditions. In connection with the Offering, the underwriters will receive a cash commission equal to 6% of the gross proceeds raised under the Offering and non-transferable compensation options entitling the Underwriters to acquire up to 500,000 Units (575,000 Units if the over-allotment option is exercised in full) for a period of 12 months from the closing date of the Offering at $0.90 per Unit having the same terms as the Units comprising the Offering.

- On September 19, 2013, Americas Petrogas announced a strategic review, which commenced a process to review strategic alternatives for maximizing shareholder value. The Company engaged Jefferies LLC as its sole financial advisor to assist management in evaluating a range of strategic alternatives. The strategic review is ongoing and the Company continues to evaluate a range of alternatives.

- So far in 2014, as the Company reduces its capital expenditures in an effort to preserve its cash position while the strategic review with Jefferies is ongoing, oil sales volumes in 2014 have been lower in comparison to 2013. Sales volumes during the first quarter of 2014, including oil sales from testing unconventional wells, averaged 1,238 bopd (net), a decrease over the average daily production during the same period in 2013, which was 2,403 bopd (net).

- As of January 2014, the Company successfully completed and brought on-stream its own power generation facility at Medanito Sur using associated gas from oil production. This now allows substantially all of the operations at Medanito Sur to be powered via the produced gas. This, in turn, has reduced the need for rental generators and associated diesel and labour costs. Management estimates that it will be able to power approximately 400 pump jacks and associated surface process facilities using this system.

- In April 2014, the Company began a gas reinjection program, injecting approximately 1 million cubic feet per day (mmcfd) of produced gas into the top of the El Tordillo formation at the easternmost updip area of the El Jabali Field. The total gas treatment and injection capacity is 7 mmcfd.

- In May 2014, the Peruvian state-owned company Activos Mineros S.A.C. and the Executive Director of ProInversion executed the transfer agreement formally granting the Bayovar Property to APPSA, Americas Petrogas' Peruvian subsidiary.

- The Company obtained an extension until September 2015 of its exploration contract terms for the Totoral, Yerba Buena and Bajada Colorada Blocks while returning to the government a total of approximately 1,510 square kilometers in the three blocks, leaving the Company with 3,048 square kilometres or 753,200 acres gross (2,743 square kilometres or 677,880 acres net). Ryder Scott Company estimated (updated as of March 31, 2014) that the Company has 7.56 billion BOE P50 Best Case Unrisked Prospective (Recoverable) Resources (27% oil/condensate and 73% gas) in the Company's nine unconventional shale oil and shale gas properties. The original estimates (8.3 billion BOE P50 Best Case Unrisked Prospective (Recoverable) Resources) were included in a report prepared as of June 30, 2013 but, subsequently, the estimates were amended to account for the aforementioned return of lands to the government on the Totoral, Yerba Buena and Bajada Colorada Blocks. The Ryder Scott estimates only considered the Vaca Muerta, Agrio and Los Molles shales. The report did not consider additional zones of interest such as the Mulichinco, Quintuco, Tordillo, and other prospective formations.

For further information regarding the Company's financial results, financial position and related changes, please see the interim consolidated financial statements and the related MD&A.

About Americas Petrogas Inc.

Americas Petrogas Inc. is a Canadian company whose shares trade on the TSX Venture Exchange under the symbol "BOE". Americas Petrogas has conventional and unconventional shale oil and gas and tight sands oil and gas interests in numerous blocks in the Neuquén Basin of Argentina. Americas Petrogas has joint venture partners, including ExxonMobil and YPF, on various blocks in the shale oil and gas corridor in the Neuquén Basin, Argentina. Americas Petrogas also owns an 80% interest in GrowMax Agri Corp., a private company involved in the exploration for near-surface potash, phosphates and other minerals, and potential development of a fertilizer project in Peru. Indian Farmers Fertiliser Co-operative Limited (IFFCO) owns a 20% interest in GrowMax Agri Corp. For more information about Americas Petrogas Inc., please visit www.americaspetrogas.com.

Forward Looking Information

This Press Release contains forward-looking information including, but not limited to, the Company's goals and growth, estimates of reserves and resources, production and cash flows, reviewing various strategic alternatives, exploration, appraisal and development activities related to conventional and unconventional oil and gas, other exploration, development and production activities in respect of the projects in Argentina and Peru, and closing of the Offering. The recovery and resources estimates for the Company's properties described in this Press Release are estimates only and there is no guarantee that the estimated resources will be recovered. The actual resources for the Company's properties may be greater or less than those calculated. Additional forward-looking information is contained in the Company's Annual MD&A and Annual Information Form for the year ended December 31, 2013, and reference should be made to the additional disclosures of the assumptions, risks and uncertainties relating to such forward-looking information in those documents.

Forward‐looking information is based on management's expectations regarding the Company's future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity (including the timing, location, depth and the number of wells), environmental matters, business prospects and opportunities and expectations with respect to general economic conditions. Such forward‐looking information reflects management's current beliefs and assumptions and is based on information, including reserves and resources information, currently available to management. Forward‐looking information involves significant known and unknown risks and uncertainties. A number of factors could cause actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by the forward‐looking information, including but not limited to, risks associated with the oil and gas industry (e.g. operational risks in development, exploration and production, delays or changes to plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of geological interpretations; the uncertainty of estimates and projections in relation to production, costs and expenses and health, safety and environment risks, extensions of concessions and commitments), the risk of commodity price and foreign exchange rate fluctuations, the uncertainty associated with negotiating with foreign governments and third parties located in foreign jurisdictions and the risk associated with international activity and the risk of being unable to raise significant funds on terms acceptable to the Company to meet its capital and operating expenditure requirements in respect of its properties.

Although the forward-looking information contained herein is based upon assumptions which management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with this forward-looking information. This forward-looking information is made as of the date hereof and the Company assumes no obligation to update or revise this information to reflect new events or circumstances, except as required by law. Because of the risks, uncertainties and assumptions inherent in forward-looking information, prospective investors in the Company's securities should not place undue reliance on this forward-looking information.

The term BOE (barrels of oil equivalent) is used in this press release. All calculations converting natural gas to BOE have been made using a conversion ratio of six thousand cubic feet (six "Mcf") of natural gas to one barrel of oil, unless otherwise stated. The use of BOE may be misleading, particularly if used in isolation, as the conversion ratio of six Mcf of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Uncertainty Ranges are described by the COGEH as low, best, and high estimates for reserves and resources. The Best Estimate is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.

In the case of undiscovered resources or a subcategory of undiscovered resources, there is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources. For undiscovered hydrocarbons, the term 'unrisked' means that no geologic or chance of discovery ("play risk") has been incorporated into the hydrocarbon volume estimates.

The estimates of resources for individual properties may not reflect the same confidence level as estimates of resources for all properties, due to the effects of aggregation.

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Contact

Americas Petrogas Inc.
Barclay Hambrook, P. Eng., MBA, President and CEO
(403) 685-1888
inquiries@americaspetrogas.com
www.americaspetrogas.com