

Insignia Energy Ltd. announces its 2012 year end financial and operating results

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CALGARY, March 13, 2013 /CNW/ - [Insignia Energy Ltd.](#) ("Insignia" or the "Company") (TSX: ISN) is pleased to announce its financial and operating results for the fourth quarter of 2012 and 2012 fiscal year.

Copies of the Financial Statements and Management's Discussion and Analysis for the period ended December 31, 2012 will be filed with Canadian securities regulators on SEDAR on March 13, 2013 and accessible at www.sedar.com or by visiting Insignia's website at www.insigniaenergy.ca.

FINANCIAL AND OPERATING HIGHLIGHTS

Fourth Quarter 2012 Highlights

- Fourth quarter production averaged 3,595 boe/d consisting of 997 bbls/d of oil and natural gas liquids ("NGLs") (28% of production) and 15,587 mcf/d of natural gas, which represented a 2.4 percent increase from the same quarter in 2011 and a 4.6 percent increase on a fully diluted per share basis. It also represented the Company's highest quarterly average since inception;
- Funds from operations for the fourth quarter were \$5.6 million (\$0.10/share), up 81 per cent from the previous quarter; and
- During the fourth quarter the Company tied in three (3.0 net) Pembina Cardium horizontal oil wells that were drilled in 2012. The average production for the month of December from the three wells was 510 boe/d (66% oil). Also, the Company tied in one (0.5 net) Pouce Coupe Montney horizontal gas well that was completed earlier in 2012. The average production for the month December from this well was at a restricted rate of 580 boe/d (290 boe/d net, 91% natural gas).

2012 Year Highlights

- In 2012, Insignia spent \$22.1 million, which represented 1.3 times 2012 cash flow and, factoring in the \$6.0 million of dispositions, represents a ratio of 1.0 times 2012 cash flow of \$16.5 million;
- Insignia drilled four (3.5 net) wells and completed seven (5.5 net) wells in 2012 with a 100% success rate;
- Annual production averaged 3,297 boe/d which was essentially flat compared to 2011 on a fully diluted basis;
- Funds from operations for 2012 were \$16.5 million (\$0.28/share);
- Insignia exited 2012 with net debt of \$11.2 million and a credit facility of \$45 million with a Canadian chartered bank;
- In two separate transactions, the Company successfully closed and sold four (3.9 net) sections of undeveloped land for gross proceeds of \$5.6 million. The Company had no production or reserves assigned to these lands;
- In 2012, the Company was successful at acquiring mineral rights in 25.75 sections in its core areas and has increased its potential drilling locations by over 50 for a total in excess of 200 locations;
- On February 7, 2013, the Company released its 2012 year end reserves summary, as prepared by its independent evaluator GLJ Petroleum Consultants Ltd., announcing proved reserves of 7.2 MMboe and proved plus probable reserves of 15.0 MMboe. The 2012 reserves were essentially flat on a fully diluted per share basis compared to 2011 year end levels. Also, as of December 31, 2012, the net present value of the Company's proved plus probable reserves (before tax and discounted at 10%) was estimated at \$110.6 million, and after adjusting for year-end net debt, land value and dilutive securities resulted in a net asset value of \$1.98 per fully diluted common share;

- Finding & Development ("F&D") costs for 2012 were \$10.60/boe proved reserves and \$8.07/boe proved plus probable reserves, including change in future development costs; and
- The Company achieved a recycle ratio of 2.1x based on our 2012 average operating netback of \$17.09/boe and the F&D of \$8.07/boe for proved plus probable reserves.

Below are the Financial and Operating Statistics for the fourth quarter of 2012 and the year ended 2012:

	Three months ended			Year ended	
	Dec 31, 2012	Sep 30, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
Financial					
(\$ thousands, except per share amounts)					
Oil and natural gas sales	11,507	8,382	13,721	38,424	49,087
Funds from operations(1)	5,639	3,123	7,581	16,455	24,478
Per share - Basic and diluted (1)	0.10	0.05	0.17	0.28	0.72
Net loss	(1,443)	(1,672)	(9,747)	(17,862)	(11,983)
Per share - Basic and diluted	(0.02)	(0.03)	(0.22)	(0.30)	(0.35)
Net Debt (1)	11,215	12,442	9,742	11,215	9,742
Total assets	141,500	143,072	161,217	141,500	161,217
Weighted average common shares outstanding (thousands):					
Basic and diluted	58,132	58,641	43,888	58,647	33,994
Operating					
(boe conversion - 6:1 basis)					
Average daily production					
Natural gas (mcf/d)	15,587	13,960	14,488	14,596	14,768
Oil and NGL (bbls/d)	997	746	1,096	864	902
Total (boe/d)	3,595	3,073	3,511	3,297	3,363
Product prices(2)					
Natural gas (\$/mcf)	3.23	2.41	3.51	2.55	3.90
Oil and NGL (\$/bbl)	74.90	76.93	89.59	78.36	85.24
Total (\$/boe)	34.79	29.65	42.48	31.84	39.99
Operating netback (\$/boe) (1)	20.28	14.24	26.85	17.09	23.91

(1) Funds from operations, funds from operations per share, operating netback and net debt are not defined by IFRS in Canada and are referred to as non-IFRS measures. Funds from operations is cash provided by operating activities before changes in non-cash working capital and before abandonment and reclamation costs. Funds from operations per share is calculated by dividing funds from operations by the weighted average number of shares outstanding, consistent with the calculation of net loss per share. Operating netback per boe is calculated as total oil and natural gas revenue less royalties, operating costs, transportation costs and net of any realized income on financial derivative contracts, calculated on a boe basis. Net debt is the sum of bank indebtedness and working capital but excludes financial derivative contracts.

(2) The average selling prices reported are before transportation charges.

Subsequent to year end:

- Insignia's current production is in excess of 3,300 boe/d;
- At Pembina, the Company successfully drilled, completed and tied in one (0.2 net) Cardium horizontal well. The well is currently producing in excess of 250 boe/d (net 50 boe/d);
- At Caroline, the Company drilled one (1.0 net) vertical well located at 02-20-033-06W5 in the Lower Mannville formation. The well is expected to be completed prior to the end of the first quarter of 2013; and
- As previously announced, the Board of Directors of Insignia have approved a 2013 first half capital budget of \$7.5 million which is being directed to the drilling, completion and tie-in of one (1.0 net) Mannville liquids rich natural gas well at Caroline, one (0.2 net) horizontal Cardium oil well at Pembina and one (0.5 net) recompletion of a vertical Montney well at Pouce Coupe.

Normal Course Issuer Bid ("NCIB")

On March 16, 2012 the Company had announced a NCIB to purchase the Company's common shares on the TSX. As of December 31, 2012 the Company had purchased 1,103,200 common shares (1.9% of the outstanding common shares) at an average price of \$0.79 per common share for a total cost, including expenses, of \$0.9 million. As a result of the NCIB the Company had 57,858,909 common shares outstanding as of December 31, 2012. Subsequent to year end the Company has purchased an additional 139,400 common shares for a total cost, including expenses, of \$0.1 million.

Outlook

While 2012 was a challenging year for natural gas prices, trading at its lowest yearly average price since 1998, 2013 natural gas prices appear to be showing signs of recovery with improved supply/demand fundamentals. That said, as with the overall world economy, this recovery is both volatile and conservative.

Notwithstanding these challenges, during the past several years including 2012, Insignia has taken a conservative approach to both its capital spending and managing its balance sheet. We believe this has been a prudent strategy in order to position the Company for long term sustainability and ultimately to maximize shareholder value over the longer term. In short, in this period of low natural gas prices, it has not been our intention to accelerate the production of our quality, long life natural gas reserves at the expense of participating in marginally economic projects or eroding our balance sheet.

This conservative approach has allowed us to preserve the integrity of the Company's reserves which have stayed relatively flat over the past four years. During this period, we have also actively managed our land base through opportunistic dispositions and tuck in, strategic acquisitions in each of our core areas. Through these acquisitions, we have expanded our potential drilling inventory by over 30% or from 150 net locations at the end of 2011 to over 200 net locations currently. In addition, we would note that of these locations only 26 or 13% are included in our year end 2012 reserves report which suggests that there is extensive upside on our land base.

In closing, I would like to thank the employees of Insignia for their significant efforts and performance in 2012 and to our Board of Directors who have been supportive and encouraging as we navigate in these volatile and, at times, challenging times.

The discussion of our oil and natural gas production and related performance measures is presented on a working-interest, before royalties basis. For the purpose of calculating unit information, natural gas is converted to a barrel of oil equivalent ("boe") using six thousand cubic feet of natural gas equal to one barrel of oil. Readers are cautioned that boe's may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet 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. In addition, as the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil 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. In this press release: boe/d means boe per day; mcf/d means thousand cubic feet per day, bbl means barrel, mbbl means thousand barrels, mmcf means million cubic feet and mboe means thousand boe's.

Any reference to production tests included in this press release are not necessarily indicative of long-term performance or ultimate recovery.

Investors are further cautioned that the preparation of financial statements in accordance with International Financial Reporting Standards as adopted by Canadian generally accepted accounting principles ("Canadian GAAP") requires management to make estimates and assumptions that affect the reported amounts of our assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and our revenues and expenses during the reporting period. Our management reviews these estimates, including those related to accruals, environmental and asset retirement obligations, income taxes, and the determination of proved reserves on an ongoing basis. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates.

Certain financial measures referenced to in this news release are not prescribed by Canadian GAAP. These non-GAAP financial measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other companies. We include these measures because management utilizes them to analyze operating and financial performance. The additional information should not be considered in isolation or as a substitute for measures of performance prepared in accordance with the Canadian GAAP. We use funds from operations which is cash provided by operating activities before changes in non-cash working capital and before abandonment and reclamation costs. Funds from operations

per share is calculated by dividing funds from operations by the weighted average number of shares outstanding, consistent with the calculation of net loss per share. Funds from operations netback per boe is calculated as funds from operations divided by our total boe produced. Operating netback per boe is calculated as total oil and natural gas revenue less royalties, operating costs, transportation costs and net of any realized financial instrument income calculated on a boe basis. Net debt is the sum of bank indebtedness and working capital but excludes financial derivative contracts. Recycle ratio is calculated as operating netback divided by F&D costs.

The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.

In relation to the disclosure of net asset value ("NAV"), the calculation of NAV is a "produce-out" NAV calculation whereby the current value of the Company's reserves would be produced at forecast future prices and costs and do not necessarily represent a "going concern" value of the Company. The value is a snapshot in time and is based on various assumptions including commodity prices and foreign exchange rates that vary over time. It should not be assumed that the future net revenues estimated by GLJ represent the fair market value of the reserves, nor should it be assumed that Insignia's internally estimated value of its undeveloped land holdings of \$18 million represents the fair market value of the lands.

Forward Looking Statements

Statements throughout this Press Release that are not historical facts may be considered to be "forward looking statements". These forward looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Company's objectives, goals, or future plans, including, without limitation, anticipated cash flow and net debt, anticipated production rates or volumes and commodity mix, management's assessment of future plans and operations, anticipated commodity prices and their impact, anticipated demand for commodity prices, timing of expenditures, budgeted capital expenditures and the nature of those expenditures and the method of funding thereof, drilling plans and the timing of drilling and wells to be brought on production, completion and tie-in of wells and the timing thereof, the expected levels of production and allocation of capital, may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, volatility of commodity prices, imprecision of reserve estimates, environmental risks, competition from other producers, incorrect assessment of the value of acquisitions, failure to complete and/or realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources and changes in the regulatory and taxation environment. As a consequence, the Company's actual results may differ materially from those expressed in, or implied by, the forward-looking statements. Forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: the ability of the Company to obtain equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Company has an interest in to operate the field in a safe, efficient and effective manor; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through development of exploration; future oil and natural gas prices; interest rates; the regulatory framework regarding royalties, and the ability of the Company to successfully market its oil and natural gas products. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included elsewhere herein and in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com, or at the Company's website www.insigniaenergy.ca). Furthermore, the forward-looking statements contained in this Press Release are made as at the date of this Press Release and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable securities laws.

Insignia is a publicly listed junior oil and gas exploration and development company based in Calgary, Alberta. Insignia's shares trade on the TSX under the symbol "ISN".

For further information:

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