

# Trilogy Energy Corp. Announces Financial and Operating Results for the Three and Six Months-Ended June 30, 2013 and Updates 2013 Guidance

07.08.2013 | [Marketwired](#)

CALGARY, ALBERTA--(Marketwired - Aug 6, 2013) - [Trilogy Energy Corp.](#) (TSX:TET) ("Trilogy") is pleased to announce its financial and operating results for the three and six months-ended June 30, 2013 and updates 2013 guidance.

## FINANCIAL AND OPERATING HIGHLIGHTS

- Reported sales volumes for the second quarter of 2013 averaged 37,209 Boe/d, representing an increase of 3 percent over the prior quarter (12 percent year to date 2013 over the same period in 2012).
- Reflected in Q2 are revenues the prior quarter (12 percent year to date 2013 over the same period in 2012).
- Oil and natural gas liquids sales volumes represented 44 percent of total sales volumes in the quarter and 45 percent year to date in 2013 (40 percent year to date in 2012).
- Funds flow from operations <sup>(1)</sup> was higher at \$88.1 million as compared to \$80.3 million for the previous quarter resulting in a 10 percent increase (47 percent increase year to date 2013 over 2012).
- Realized gas prices have increased 13 percent over the prior quarter (67 percent year to date 2013 over 2012).

FINANCIAL AND OPERATING HIGHLIGHTS TABLE  
 (In thousands of Canadian dollars unless otherwise indicated)

	June 30, 2013	March 31, 2013	Change %	June 30, 2013	June 30, 2012	Change %
<b>FINANCIAL AND OPERATING HIGHLIGHTS</b>						
Petroleum and natural gas sales	159,366	142,671	12	302,037	276,941	9
Funds flow						
From operations <sup>(1)</sup>	88,160	80,290	10	168,449	114,236	47
Per share - diluted	0.73	0.67	10	1.41	0.96	46
Earnings						
Earnings (loss) before tax	25,826	14,343	80	40,169	(2,154)	1,965
Per share - diluted	0.22	0.12	79	0.34	(0.02)	1,775
Earnings (loss) after tax	20,017	9,644	108	29,661	(2,721)	1,190
Per share - diluted	0.17	0.08	108	0.25	(0.02)	1,337
Dividends declared	12,351	12,287	1	24,638	24,458	1
Per share	0.105	0.105	-	0.210	0.210	-
Capital expenditures						
Exploration, development, land, and facility	57,035	169,456	(66)	226,492	210,925	7
Acquisitions (dispositions) and other - net	18	182	(90)	198	2,447	(92)
Net capital expenditures	57,053	169,638	(66)	226,690	213,372	6
Total assets	1,509,213	1,516,855	(1)	1,509,213	1,355,818	11
Net debt(1)	719,171	741,826	(3)	719,171	603,276	19
Shareholders' equity	504,165	490,900	3	504,165	510,958	(1)
Total shares outstanding (thousands)						
- As at end of period <sup>(2)</sup>	117,841	117,000	1	117,841	116,491	1
<b>OPERATING</b>						
<b>Production</b>						
Natural gas (MMcf/d)	125	117	7	121	119	2
Oil (Bbl/d)	11,680	11,543	1	11,612	8,905	30
Natural gas liquids (Boe/d)	4,644	5,072	(8)	4,857	4,092	19
Total production (Boe/d @ 6:1)	37,209	36,119	3	36,667	32,798	12
Average prices before financial instruments						
Natural gas (\$/Mcf)	3.95	3.48	13	3.72	2.23	67
Crude Oil (\$/Bbl)	88.20	80.54	10	84.41	81.05	4
Natural gas liquids (\$/Boe)	48.73	48.96	-	48.85	50.24	(3)
Average realized price	47.07	43.89	7	45.51	36.34	25
Drilling activity (gross)						

Gas	2	5	(60)	7	21	(67)
Oil	8	30	(73)	38	20	90
Total wells	10	35	(71)	45	41	10

(1) Funds flow from operations and net debt are non-GAAP terms. Please refer to the advisory on Non-GAAP measures below.

(2) Excluding shares held in trust for the benefit of Trilogy's officers and employees under the Company's Share Incentive Plan. Includes Common Shares and Non-voting Shares. Refer to the notes to the interim consolidated financial statements for additional information.

## OUTLOOK

Trilogy is adjusting its annual 2013 guidance as follows:

Average production	37,000 - 39,000 Boe/d (45% oil and NGLs)
Average operating cost	\$8.00 - \$9.00/Boe
Capital expenditures	\$350 million

## ADDITIONAL INFORMATION

A copy of Trilogy's June 30, 2013 quarterly report to Shareholders, including Management's Discussion and Analysis and unaudited interim consolidated financial statements and related notes can be obtained at <http://media3.marketwire.com/docs/806tet.pdf>. This report will also be made available at a later date through Trilogy's website at [www.trilogenergy.com](http://www.trilogenergy.com) and SEDAR at [www.sedar.com](http://www.sedar.com).

## ABOUT TRILOGY

Trilogy is a growing petroleum and natural gas-focused Canadian energy corporation that actively develops, produces and sells natural gas, crude oil and natural gas liquids. Trilogy's geographically concentrated assets are primarily, high working interest properties that provide abundant low-risk infill drilling opportunities and good access to infrastructure and processing facilities, many of which are operated and controlled by Trilogy. Trilogy's common shares are listed on the Toronto Stock Exchange under the symbol "TET".

## NON-GAAP MEASURES

Certain measures used in this document, including "finding and development costs", "funds flow from operations", "operating income", "net debt", "operating netback", "payout ratio" and "recycle ratio" collectively the "Non-GAAP measures" do not have any standardized meaning as prescribed by IFRS and previous GAAP and, therefore, are considered Non-GAAP measures. Non-GAAP measures are commonly used in the oil and gas industry and by Trilogy to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. However, given their lack of standardized meaning, such measurements are unlikely to be comparable to similar measures presented by other issuers.

"Finding and development costs" refers to all current year net capital expenditures, excluding property acquisitions and dispositions with associated reserves, and including changes in future development capital on a proved and proved plus probable basis. "Finding and development costs per Barrel of oil equivalent" ("F&D \$/Boe") is calculated by dividing finding and development costs by the current year's reserve extensions, discoveries and revisions on a proved or proved plus probable reserve basis.

"Funds flow from operations" refers to the cash flow from operating activities before net changes in operating working capital. The most directly comparable measure to "funds flow from operations" calculated in accordance with IFRS is the cash flow from operating activities. "Funds flow from operations" can be reconciled to cash flow from operating activities by adding (deducting) the net change in operating working capital as shown in the consolidated statements of cash flows.

"Operating income" is equal to petroleum and natural gas sales before financial instruments and bad debt expenses minus royalties, operating costs, and transportation costs. "Operating netback" refers to Operating income plus realized financial instrument gains and losses and other income minus actual decommissioning and restoration costs incurred. "Net debt" is calculated as current liabilities minus current assets plus long-term debt. The components described for "operating income", "operating netback" and "net debt" can

be derived directly from Trilogy's consolidated financial statements.

"Payout ratio" refers to dividends divided by funds flow from operations. This measure assists in providing a more complete understanding of the Company's ability to fund future dividends to shareholders from funds flow from operations.

"Recycle ratio" is equal to "Operating netback" on a production barrel of oil equivalent for the year divided by "F&D \$/Boe" (computed on a proved or proved plus probable reserve basis as applicable).

Investors are cautioned that the Non-GAAP measures should not be considered in isolation or construed as alternatives to their most directly comparable measure calculated in accordance with IFRS, as set forth above, or other measures of financial performance calculated in accordance with IFRS.

## **FORWARD-LOOKING INFORMATION**

Certain information included in this news release constitutes forward-looking statements under applicable securities legislation. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "budget" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this news release pertain to, without limitation: expected average production volumes and the relative content of crude oil, natural gas, and natural gas liquids therein; average operating costs; and capital expenditures and the relative allocation and timing thereof. Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect. Such assumptions include: current commodity price forecasts for petroleum, natural gas and natural gas liquids; current reserves estimates; current production forecasts and the relative mix of crude oil, NGLs and natural gas therein; geology applicable to Trilogy's land holdings; the extent and development potential of Trilogy's assets including, without limitation, Trilogy's Kaybob area Montney oil and gas assets, the Duvernay Shale Gas development program and the Dunvegan oil program; continuity of the mutually beneficial NGL recovery agreement with Aux Sable Canada LP and pricing thereunder; assumptions regarding royalties and expenses and the continuity of government incentive programs and their applicability to Trilogy; operating and other costs; currency exchange and interest rates; expected timelines and budgets being met; budget allocations and capital spending flexibility; access to capital markets and other sources of funding for Trilogy's planned operations and expenditures; estimates of deferred tax amounts, tax assets and tax pools; the ability of Trilogy and its partners to achieve drilling, completion construction and other operational results consistent with our expectations; general business, economic, and market conditions; the ability of Trilogy to obtain equipment, services and supplies in a timely manner to carry out its activities; the ability of Trilogy to market oil and natural gas successfully to current and new customers; the timing and costs of pipeline, storage and facility construction and expansion facility run-times; the ability to secure adequate product processing, transmission and transportation and the timely receipt of required regulatory approvals: among others.

Although Trilogy 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 Trilogy can give no assurance that such expectations will prove to be correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by Trilogy and described in the forward-looking statements or information. These risks and uncertainties include, but are not limited to: fluctuations of oil, natural gas and natural gas liquids prices, foreign currency, exchange rates and interest rates, volatile economic and business conditions, the ability of management to execute its business plan; the risks of the oil and gas industry, such as operational risks in exploring for, developing and producing crude oil, natural gas and associated by-products and market demand; risks and uncertainties involving geology of oil and gas deposits; risks inherent in Trilogy's marketing operations, including credit risk; the uncertainty of reserves estimates and reserves life; the uncertainty of estimates and projections relating to future production, NGL yields, costs and expenses; uncertainty in amounts and timing of royalty payments and applicability of and change to royalty regimes and government incentive programs including, without limitation, the Natural Gas Deep Drilling Programs and the Drilling Royalty Credit Program; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; the availability of financing; the ability to generate sufficient cash flow from operations and other sources of financing at an acceptable cost to fund Trilogy's exploration, development and construction plans and repay debt; Trilogy's ability to secure adequate product transmission and transportation on a timely basis or at all; Trilogy's ability to enter into or renew leases; health, safety and environmental risks; the ability of Trilogy to add production and reserves through development and

exploration activities; weather conditions; the possibility that government policies, regulations or laws, including without limitation those relating to the environment and taxation, may change; imprecision in estimates of product sales, tax pools, tax shelters, tax deductions available to Trilogy, changes to and the interpretation of tax legislation and regulations applicable to Trilogy, and timing and amounts of reversals of temporary differences between assets and liabilities recognized for accounting and tax purpose; the possibility that regulatory approvals may be delayed or withheld; risks associated with existing and potential future lawsuits and regulatory actions against Trilogy; uncertainty regarding aboriginal land claims and co-existing local populations; hiring/maintaining staff; the impact of market competition; and other risks and uncertainties described elsewhere in this document or in Trilogy's other filings with Canadian securities authorities.

The forward-looking statements and information contained in this news release are made as of the date hereof and Trilogy undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Refer to Trilogy's Management's Discussion and Analysis for additional information on forward-looking information.

## **OIL AND GAS ADVISORY**

This news release contains disclosure expressed as "Boe", "Boe/d", "Mcf/d", "MMcf/d", "Bbl" and "Bbl/d". All oil and natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil. Equivalency measures 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 well head. For Q2 2013, the ratio between Trilogy's average realized oil price and the average realized natural gas price was approximately 22:1 ("Value Ratio"). The Value Ratio is obtained using the Q2 2013 average realized oil price of \$88.20 (CAD/Bbl) and the Q2 2013 average realized natural gas price of \$3.95 (CAD\$/mcf). This Value Ratio is significantly different from the energy equivalency ratio of 6:1 and using a 6:1 ratio would be misleading as an indication of value.

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/154152--Trilogy-Energy-Corp.-Announces-Financial-and-Operating-Results-for-the-Three-and-Six-Months-Ended-June-30-2013>

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