

# Mart Announces Financial and Operating Results for the Three and Six Months Ended June 30, 2014

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CALGARY, ALBERTA--(Marketwired - Aug 14, 2014) - [Mart Resources Inc.](#) (TSX:MMT) ("Mart" or the "Company") is pleased to announce its financial and operating results (all amounts in United States dollars unless noted) for the six months ended June 30, 2014 ("Q2 2014"):

## THREE MONTHS ENDED JUNE 30, 2014

- Mart's share of average daily oil produced and sold for the three months ended June 30, 2014 ("Q2 2014") from the Umusadege field per calendar day was 5,213 barrels of oil per day ("bopd") compared to 5,070 bopd for the three months ended June 30, 2013 ("Q2 2013"). Mart's share of average daily oil produced and sold for Q2 2014 from the Umusadege field per production day was 7,412 bopd compared to 7,323 bopd for Q2 2013. During Q2 2014, the Umusadege field was shut down for a total of 27 days (Q2 2013: 28 days) due primarily to various disruptions, repairs, and maintenance to the export pipeline and export facility.
- On June 30, 2014, Mart announced the declaration of a quarterly dividend of CAD \$0.015 per common share and it was paid on July 28, 2014. As per the Company's Share Dividend Plan, shareholders had the right to elect to be paid in cash or in common shares of the Company.
- Net loss for Q2 2014 was \$1.4 million (\$0.004 loss per share) compared to net income of \$19.1 million (\$0.054 per share) for Q2 2013. The loss during Q2 2014 primarily arose due to a write down of the carrying value of the drilling rig (i.e. re-measurement of the assets for disposal group held for sale to net realizable value). Results from operating activities during the period were impacted mainly by taxes on venture production incurred in Q2 2014 but not in Q2 2013, business development and corporate costs, and higher depletion expense in Q2 2014 due to increased depletable cost base.
- Funds flow from continuing production operations was \$36.0 million (\$0.101 per share) for Q2 2014 compared to \$33.8 million (\$0.095 per share) for Q2 2013 (see Note 1 to the Financial and Operating Results table on page 4 hereof regarding Non-IFRS measures).
- Mart's share of Umusadege field oil produced and sold in Q2 2014 was 474,343 barrels of oil ("bbls") compared to 461,329 bbls for Q2 2013.
- The average price received by Mart for oil sales during Q2 2014 was \$111.18 per bbl compared to \$109.30 per bbl for Q2 2013.
- Mart's share of Umusadege field pipeline and export facility losses ("pipeline losses") for Q2 2014 was 164,973 bbls (Q2 2013: 85,750 bbls), or approximately 25.8% (Q2 2013: 15.7%; actual Q2 2013 pipeline losses that were subsequently reported by the pipeline operator were approximately 24.9%) of Mart's share of total crude deliveries from the Umusadege field.

## SIX MONTHS ENDED JUNE 30, 2014

- Mart's share of average daily oil produced and sold for the six months ended June 30, 2014 from the Umusadege field per calendar day was 6,047 barrels of oil per day ("bopd") compared to 3,827 bopd for the six months ended June 30, 2013. Mart's share of average daily oil produced and sold for the six months ended June 30, 2014 from the Umusadege field per production day was 8,019 bopd compared to 6,474 bopd for the six months ended June 30, 2013. During the six months ended June 30, 2014, the Umusadege field was shut down for a total of 44.5 days (2013: 74 days) due primarily to various disruptions, repairs, and maintenance to the export pipeline and export facility.

- During the six months ended June 30, 2013 Mart has declared total dividends CAD \$0.065 per common share for an aggregate amount of \$21.1 million (CAD \$23.2 million); (2013: \$34.5 million (CAD \$35.6 million)).
- Net income for the six months ended June 30, 2014 was \$13.1 million (\$0.037 per share) compared to \$21.0 million (\$0.059 per share) for the six months ended June 30, 2013. Cash flows from operating activities were an inflow of \$43.1 million for the six months ended June 30, 2014 compared to an inflow of \$32.7 million for the six months ended June 30, 2013. Excluding the changes in non-cash working capital, the cash flows from operating activities for the six months ended June 30, 2014 were an inflow of \$53.0 million (2013: \$33.8 million), which represents an increase of \$19.2 million in the six months ended June 30, 2014 compared to six months ended June 30, 2013 (see Note 1 to the Financial and Operating Results table on page 4 hereof regarding Non-IFRS measures). The higher cash flows from operating activities during the period were primarily due to increased production due to fewer days of export pipeline and export facility shutdowns, offset by increased production costs, business development and corporate costs and taxes on venture production for the six months ended June 30, 2014 compared to the six months ended June 30, 2013.
- Funds flow from continuing production operations was \$84.4 million (\$0.237 per share) for the six months ended June 30, 2014 compared to \$48.0 million (\$0.135 per share) for the six months ended June 30, 2013 (see Note 1 to the Financial and Operating Results table on page 4 hereof regarding Non-IFRS measures).
- Mart's share of Umusadege field oil produced and sold for the six months ended June 30, 2014 was 1,094,566 barrels of oil ("bbls") compared to 692,713 bbls for the six months ended June 30, 2013.
- The average price received by Mart for oil sales for the six months ended June 30, 2014 was \$110.85 per bbl compared to \$109.53 per bbl for the six months ended June 30, 2013.
- Mart's share of Umusadege field pipeline and export facility losses ("pipeline losses") for the six months ended June 30, 2014 was 241,578 bbls (2013: 136,903 bbls), or approximately 17.8% (2013: 16.0%; actual six months ended June 30, 2013 pipeline losses that were subsequently reported by the pipeline operator were approximately 24.0%) of Mart's share of total crude deliveries from the Umusadege field.

## FINANCIAL AND OPERATING RESULTS

The following table provides a summary of Mart's selected financial and operating results for the three and six month periods ended June 30, 2014 and 2013 and the twelve months ended December 31, 2013:

USD \$ 000's(except oil produced and sold, oil sales prices, per share amounts, and shares outstanding)	3 months ended June 30, 2014	3 months ended June 30, 2013	6 months ended June 30, 2013
Mart's share of the Umusadege Field:			
Barrels of oil produced and sold	474,343	461,329	1,094,566
Average sales price per barrel	\$111.18	\$109.30	\$110.85
Mart's percentage share of total Umusadege oil produced and sold during the period	82.5 %	69.8 %	77.0 %
Funds flow from continuing production operations (1)	\$35,999	\$33,780	\$84,400
Per share - basic (continuing operations)	\$0.101	\$0.095	\$0.135
Net income from continuing operations	\$4,183	\$22,885	\$21,000
Loss from discontinued operations	(\$5,564)	(\$3,797)	(\$8,000)
Net (loss)/income for the period	(\$1,381)	\$19,088	\$13,000
Earnings per share from continuing operations			
Per share - basic	\$0.012	\$0.064	\$0.059
Per share - diluted	\$0.012	\$0.064	\$0.059
Loss per share from discontinued operations			
Per share - basic	(\$0.016)	(\$0.010)	(\$0.016)
Per share - diluted	(\$0.016)	(\$0.011)	(\$0.016)
(Loss)/earnings per share from all activities			
Per share - basic	(\$0.004)	\$0.054	\$0.043
Per share - diluted	(\$0.004)	\$0.053	\$0.043
Petroleum property interests capital expenditure (2)	\$18,999	\$13,654	\$35,000

Total assets	\$360,868	\$267,116	\$360,
Dividends paid	\$16,130	\$17,966	\$32,
Cash provided by operating activities	\$31,063	\$24,617	\$43,
Total borrowings (3)	\$135,173	\$23,425	\$135,
Weighted average shares outstanding for periods ended:			
Basic	356,574,869	356,574,869	356,574,
Diluted	359,855,068	358,717,631	359,572,

## Notes:

1. Indicates non-IFRS measures. Non-IFRS measures are informative measures commonly used in the oil and gas industry. Such measures do not conform to IFRS and may not be comparable to those reported by other companies nor should they be viewed as an alternative to other measures of financial performance calculated in accordance with IFRS. For the purposes of this table, the Company defines "Funds flow from continuing production operations" as petroleum sales less royalties, content development levy, community development costs and production costs. Funds flow from continuing production operations is intended to give a comparative indication of the Company's net petroleum sales less production costs. Cash provided by operating activities excluding non-cash working capital is intended to give a comparative indication of the Company's cash inflows from operations. The reconciliation of funds flows from continuing production operations to income from continuing operations before finance income and reconciliation of cash provided by operating activities to cash provided by operating activities excluding non-cash working capital are shown in the following table:

USD \$ 000's Reconciliation of funds flow from continuing production operations to income from continuing operations before finance income and expenses	3 months ended June 30, 2014	3 months ended June 30, 2013	6 months ended June 30, 2014	6 months ended June 30, 2013	12 months ended December 31, 2013
Net petroleum sales	45,365	43,214	102,940	63,036	136,040
Less: Production costs	9,366	9,434	18,536	15,079	34,764
Funds flow from continuing production operations	35,999	33,780	84,404	47,957	101,276
Foreign exchange loss/(gain)	279	(91 )	385	151	(132 )
General and administrative	4,273	3,363	8,124	6,479	13,753
Tax benefit contributions	-	446	-	1,044	3,389
Taxes on venture production	3,898	-	10,126	-	-
Business development and corporate costs	1,972	-	2,496	-	-
Share-based compensation	486	(122 )	1,424	161	1,891
Depreciation	69	90	138	176	311
Depletion	11,055	7,515	25,812	11,206	26,064
Income from continuing operations before finance income and expenses	13,967	22,579	35,899	28,740	56,000
USD \$ 000's					
Reconciliation of cash provided by operating activities to cash provided by operating activities excluding non-cash working capital			6 months ended June 30, 2014	6 months ended June 30, 2013	12 months ended December 31, 2013
Cash provided by operating activities			43,099	32,725	66,743
Add changes in non-cash working capital			9,948	1,103	6,386
Cash provided by operating activities excluding non-cash working capital			53,047	33,828	73,129

1. Petroleum property interests capital expenditure relates to additions to petroleum property interests excluding the capitalized decommissioning obligations.

1. The total gross amount of loan drawdowns net of loan repayments is \$135.8 million (December 31, 2013: \$57.2 million) and \$135.2 million (December 31, 2013: \$56.7 million) net of unamortized borrowing costs. After taking account of unamortized borrowing costs, the total loan amount due within one year is \$48.8 million (December 31, 2013: \$16.5 million) and has been reported under current liabilities in the statement of financial position. The amount due after one year is \$86.4 million (December 31, 2013: \$40.2 million) and is included within non-current liabilities in the statement of financial position.

## OUTLOOK AND OPERATIONS UPDATE:

### *Financing*

In July 2014, the Company increased its secured term loan credit facility with Guaranty Trust Bank PLC from \$175 million to \$232.5 million. The increase in the facility is available to provide funds for potential future Nigerian oil and gas opportunities. The secured loan facility has a term of five years and bears interest at 90 days LIBOR plus 4% (floor of 8.25%), which is unchanged from the terms of the Company's prior facility with Guaranty Trust Bank PLC.

### *Dividend*

On June 30, 2014, Mart declared a quarterly dividend of CAD \$0.015 per common share. On July 28, 2014, Mart paid the quarterly dividend. As per the Company's Share Dividend Plan, shareholders had the right to elect to be paid in cash or in common shares of the Company. The cash component of the dividend was \$4.7 million (CAD \$5.1 million) and 195,621 common shares of the Company, amounting to \$0.3 million (CAD \$0.3 million), were issued to shareholders in lieu of cash.

### *UMU-3 well results and drilling update*

The UMU-3STH well, a horizontal side track of the original UMU-3 well, was drilled to target the oil bearing VI sand, which has average gross pay thickness in excess of 35 feet. The well was completed over a 787 foot horizontal section. During initial flow testing, the well was tested at multiple choke settings ranging from 16/64 up to 40/64 over a 28 hour test period. In all tests, no sand production or water production was observed. The testing of the VI sand yielded an oil rate of 4,893 bopd of 26.6 API crude oil on a 40/64 choke setting and flowing tubing head pressure of 190 psig during a three hour flow test. Basic sediment and water ("BS&W") was less than 0.5%. The UMU-3STH well had a final test of 4,898 bopd on a 40/64 choke with a bottom hole flowing pressure of 2962 psi, and a final shut in bottom hole pressure of 3015 psi.

The rig was moved to the UMU-4 well, to drill a horizontal side-track targeting the VII sand. After setting casing at the entry point, the lateral section is presently being drilled. The design is similar to the recently completed UMU-3 horizontal in the VI sand. Following the drilling of the UMU-4 side track horizontal, the rig will be skidded to another slot on the same pad location to drill a horizontal well targeting the VIII sand.

The Company expects to spend approximately \$95 million during 2014 for the planned drilling program including the amounts expected to be spent on the above-mentioned wells and miscellaneous Umusadege field capital expenditures.

### *Umugini pipeline capital expenditure*

The Company will continue funding its 15% share of the Umugini pipeline project costs in 2014. Mart's share of the total Umugini pipeline construction budget was \$11 million of which \$9.2 million had been incurred by June 30, 2014. The Company budgeted to spend \$8.7 million during 2014 towards the construction of the pipeline. Additional costs are expected to be incurred in connection with the tie-in and commissioning of the Umugini pipeline.

### *Cash flows from operating activities*

The Company expects the Umugini pipeline to be commissioned before the end of August 2014, which is expected to facilitate an increase in production and revenues from the Umusadege field and therefore lead to an increase in the Company's cash flows from operating activities.

### *Umugini Pipeline Update*

Progress continues as the Umugini pipeline construction and tie-in near completion. Radiographic testing of the welds on the pipeline is complete. Pre-start-up assessment is ongoing. Midwestern Oil and Gas

Company Limited ("Midwestern"), the company managing the construction and operation of the Umugini pipeline, is targeting completion by the end of August 2014.

#### *July 2014 Production Update*

Umusadege field production during July 2014 averaged 7,439 bopd. Aggregate Umusadege field downtime during July 2014 was approximately 11.7 days due to shutdowns of the Nigerian Agip Oil Company Limited ("NAOC") export pipeline resulting from operational interruptions due to general pipeline repairs and maintenance. There were five full down days during the month. The average field production based on producing days was 11,958 bopd in July 2014.

Total net crude oil deliveries into the NAOC export pipeline from the Umusadege field for July 2014 were approximately 210,566 bbls before pipeline losses. Based upon the 12-month rolling average rate of pipeline and export facility losses from July 2013 to June 2014 of 22.35%, Mart estimates pipeline and export facility losses for July 2014 will be approximately 47,052 bbls. Using this estimated pipeline and export facility loss volume, Mart estimates that the total net crude deliveries into the NAOC export pipeline from the Umusadege field for July 2014 less estimated pipeline losses will be 163,514 bbls.

Pipeline and export facility losses reported by NAOC and allocated to Mart and its co-venturers for June 2014 were 55,087 bbls, or 27.0% of total crude oil deliveries into the export pipeline for that month. Pipeline and export facility losses allocated to Mart and its co-venturers from January to June 2014 have averaged 17.8% of total crude oil deliveries into the export pipeline for 2014.

As previously announced, total net crude oil deliveries into the export pipeline from the Umusadege field for June 2014 were approximately 203,786 bbls. Accordingly, after deducting the actual pipeline and export facility losses allocated for June 2014, the total net crude oil deliveries less losses for June 2014 were 148,699 bbls. Mart previously estimated pipeline and export facility losses for June 2014 to be approximately 46,353 bbls, based upon the 12-month rolling average rate of pipeline and export facility losses of 22.75% between June 2013 and May 2014. July 2014 pipeline and export facility losses have not yet been reported by NAOC.

#### **CHAIRMAN'S COMMENT:**

Wade Cherwayko, Chairman & CEO of Mart said, "During Q2 2014, Mart and its co-venturers, Midwestern (Operator of the Umusadege field) and SunTrust Oil Company Limited, continued successful development of the Umusadege field. Drilling and testing of the UMU-3STH a horizontal side-track of the original UMU-3 well were completed with great production test results from the VI sand. The drilling program continues with drilling the lateral section of the UMU-4 horizontal side-track well targeting the VII sand to continue to develop the field and enhance the efficiency and productivity of the field. The Umugini pipeline construction project continued to progress during Q2 2014 and construction of the pipeline is expected to be completed in August of 2014. The Umugini pipeline will provide sufficient pipeline capacity to fully realize the current production potential of Umusadege field. Mart is also pursuing a number of potential opportunities that could diversify and expand the Company's holdings and operations."

Mart will hold a conference call to discuss the operational and financial results for the quarter ended June 30, 2014. The conference call is scheduled for August 15, 2014 at 9:30 AM Mountain Daylight Time (11:30 Eastern Daylight Time). Wade Cherwayko, Chairman & CEO of Mart, and Dmitri Tsvetkov, Chief Financial Officer of Mart, will host the call and be available during the question-and-answer session. To access the conference call, please dial 1-866-223-7781 or 416-340-2216. An instant replay of the call will be available until August 22, 2014 by dialing 1-800-408-3053 or 905-694-9451 and entering pass code 2094095.

Additional information regarding Mart is available on the Company's website at [www.martresources.com](http://www.martresources.com) and under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

*Notes: Except where expressly stated otherwise, all production figures set out in this press release, including bopd, reflect gross Umusadege field production rather than production attributable to Mart. Mart's share of total gross production before taxes and royalties from the Umusadege field fluctuates between 82.5% (before capital cost recovery) and 50% (after capital cost recovery).*

### *Forward Looking Statements*

*Certain statements contained in this press release constitute "forward-looking statements" as such term is used in applicable Canadian and US securities laws. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or are not statements of historical fact and should be viewed as "forward-looking statements". These statements relate to analyses and other information that are based upon forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.*

*In particular, statements (express or implied) contained herein or in Mart's Management's Discussion and Analysis ("MD&A") regarding the following should be considered forward-looking statements: the Company's goals and growth strategy, estimates of reserves and future net revenues, exploration and development activities in respect of the Umusadege field, the Company's ability to finance its drilling and development plans with cash flows from operations, the ability of the Company to successfully drill and complete future wells, the ability of the Company to commercially produce, transport and sell oil from the Umusadege field, future anticipated production rates, export pipeline capacity available to the Company, the expectation of the Company that production and export pipeline disruptions will not have a lasting impact on the Company's future production, timing of completion of the Company's upgrading of the central production facility, the construction and completion of an alternative export pipeline, the acceptance of the Company's tax filings by the Nigerian taxing authorities, treatment under government regulatory regimes including royalty and tax laws, projections of market prices and costs, supply and demand for oil, timing for receipt of government approvals, and the ability of the Company to satisfy its current and future financial obligations to its banks and other creditors.*

*There can be no assurance that such forward-looking statements will prove to be accurate as actual results and future events could vary or differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements contained in this news release. This cautionary statement expressly qualifies the forward-looking statements contained herein.*

*Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and the Company undertakes no obligation to update forward-looking statements and if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable law.*

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