

# Canamax Announces Increased Production and Cash Flow for Second Quarter August 31, 2014

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CALGARY, ALBERTA -- (Marketwired - October 29, 2014) - [Canamax Energy Ltd.](#) ("Canamax" or the "Company") (TSX VENTURE: CAC) is pleased to announce the Company's financial and operational results for the second quarter ended August 31, 2014.

## Highlights

Canamax exited the second quarter with a net production rate of just under 1,100 boe/d, a 38% increase from the exit rate of approximately 800 boe/d reported at the May 31, 2014 prior quarter end. In addition, the Company's funds from operations during the current quarter increased to approximately \$1.8 million from the \$0.5 million recognized in the previous quarter -- an increase of 230%. Canamax continued to maintain its strong financial position with \$1.8 million of working capital and no debt at August 31, 2014. Below are the significant highlights during Q2 2014:

- Drilled two successful Montney oil wells at Flood;
- Re-completed three producing wells in bypassed pay at Flood (such wells originally acquired as part of a property acquisition in Q1 2014);
- Activated the water handling/disposal facilities on the southwest portion of the Flood property and placed four shut-in wells on production that were awaiting for start-up of these facilities;
- Successfully re-completed four wells at Retlaw (a property acquired as part of the Ki Exploration Inc. ("Ki") acquisition that closed during Q1 2014);
- Acquired a gross overriding royalty at Flood which will improve future operating netbacks in that area;
- Established a \$6 million bank credit facility; and
- Continued to build the Canamax team to match the increased activity levels in the Company including the hiring of the following new employees: land manager, field superintendent, controller, and operations manager.

Subsequent to August 31, 2014, and through late October, Canamax completed the following:

- Disposed of a non-core property in Saskatchewan, with approximate production of 50 bbl/d, for proceeds of \$2.4 million (such property originally acquired as part of the Ki acquisition);
- Commenced the construction of pipeline gathering infrastructure and expanded water handling/disposal facilities at Flood. This infrastructure has a targeted completion date of end November, and should result in significant operating cost reductions once the related Flood wells are tied in;
- Completed the drilling of six Montney oil wells at Flood. These wells are currently being completed and are expected to be tied into the new gathering system infrastructure by the end of November;
- Commenced the drilling of a second Cardium oil well at Wapiti in late October, with a targeted drilling completion date of mid-November;
- Increased the bank credit facility from \$6 million to \$10 million as a result of the successful drilling and re-completion programs during the second quarter; and
- Listed 7,951,514 of the Company's share purchase warrants for trading on the TSX Venture Exchange on September 16, 2014. Each warrant entitles the holder to purchase one common share of Canamax at an exercise price of \$2.40 until March 31, 2016.

## Financial and Operational Summary

## Financial

(\$000 except share, per share and per boe amounts)

Three months ended

August 31st Six months ended

August 31st

2014	2013	2014	2013		
Revenue	\$4,646	\$35	\$7,896	\$59	
Operating netback (1)		\$2,463	\$22	\$4,022	\$16
Funds from continuing operations					
(1) (2) (3)	\$1,755	(\$84)	\$2,283	(\$181)	
- per share	\$0.04	(\$0.01)	\$0.06	(\$0.02)	
Net earnings (loss) - continuing operations					
(2)	\$70	(\$103)	(\$1,151)	(\$223)	
- per share	-	(\$0.01)	(\$0.03)	(\$0.02)	
Net loss - discontinued operations					
(2)	-	(\$235)	-	(\$381)	
- per share	-	(\$0.02)	-	(\$0.04)	
Net capital expenditures (4)					
\$7,006	-	\$10,059	-		
Net proceeds from financings					
(\$13)	\$370	\$11,987	\$370		
Proceeds from share purchase warrant and stock option exercises					
\$249	-	\$767	-		
Cash and working capital - end of period					
\$1,788	(\$498)	\$1,788	(\$498)		
Weighted average shares outstanding (in 000)					
41,479	9,788	36,489	9,788		
Common shares outstanding - end of period (in 000)					
41,626	9,788	41,626	9,788		
Operating					
Average Daily Production					
Oil and NGL's (bbls/d)		469	4	381	4
Natural gas (mcf/d)		2,587	6	2,392	5
Oil equivalent (boe/d)		900	5	780	5
Average Price					
Oil and NGL's (\$/bbl)		\$84.46	\$85.25	\$83.08	\$75.81
Natural gas (\$/mcf)		\$4.25	\$3.21	\$4.72	\$3.32
Oil equivalent (\$/boe)		\$56.16	\$72.32	\$55.06	\$65.39
Royalties (\$/boe)		\$6.87	\$2.41	\$8.28	\$6.83
Operating expenses (\$/boe)		\$19.51	\$25.74	\$18.72	\$40.99
Operating netback (\$/boe)(1)		\$29.78	\$44.17	\$28.06	\$17.57

1. See "Non-IFRS Measures".

2. During the year ended February 28, 2014, Canamax terminated its Colombia operations (including shutting down the office in Bogota and terminating all staff) to focus on operations in western Canada. The Colombia operations have therefore been reflected as discontinued operations in the prior period.

3. The funds from continuing operations in the six-month period ended August 31, 2014 were impacted by a one-time restructuring cost of \$0.4 million in Q1 2014 associated with changes in the executive management team.

4. Net capital expenditures reflect property acquisitions combined with drilling, completion, facility and undeveloped land expenditures.

## Change in Year End

During September 2014, the directors of Canamax approved a change in the Company's year-end from the current February 28 to December 31. As a result, Canamax will have a ten-month stub period ended December 31, 2014 this year, and regular twelve-month calendar fiscal periods going forward. Instead of a three-month quarter ended November 30, 2014, the Company will have a four-month period from September 1 to December 31, 2014 as part of the alignment to the new year-end.

## Outlook

Canamax continues to be pleased with the execution of the Company's capital expenditure and operational plans which have delivered results in line with management's expectations. Through late October, the Company has already drilled six of the ten wells planned for the September through December 2014 period (all at Flood), and commenced the drilling of the seventh well (at Wapiti). Canamax will provide guidance on the Company's 2015 capital expenditure plans later this year once results are obtained from the current drilling and infrastructure activities.

Management continues to focus on reducing the Company's operating costs and general and administrative expenses on a per boe basis. The significant infrastructure investment at Flood should have an immediate, favourable impact on the Company's overall operating costs per boe, once the Flood wells are tied into the new gathering system. Future general and administrative expenses on a boe basis should also decline as production volumes increase. The existing Canamax team has been built to handle a higher production base and increased capital activities. Management of Canamax continues to assess the operating conditions in western Canada in light of the recent erosion in oil prices, to ensure the Company maintains its strong financial position.

### Non-IFRS Measures

This press release refers to certain financial measures that are not determined in accordance with IFRS such as "funds from continuing operations", "funds from continuing operations per share", "operating netback" and "operating netback per boe". These terms do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures used by other companies. The Company uses these measures to help evaluate its performance.

Management uses funds from continuing operations to analyze performance and considers it a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments. Funds from continuing operations is a non-IFRS measure and has been defined by the Company as net loss from continuing operations plus non-cash items (depletion and depreciation, accretion of decommissioning obligation, share based compensation, gain on sale of properties, other income (expenses) and deferred income taxes) and excludes the change in non-cash working capital related to operating activities, expenditures on decommissioning obligations and expensed transaction costs. The Company also presents funds from continuing operations per share whereby amounts per share are calculated using weighted average shares outstanding, consistent with the calculation of earnings per share. Funds from continuing operations is reconciled to cash flow from operating activities under the heading "Funds from Continuing Operations".

Operating netbacks are determined by deducting royalties and operating expenses from oil and gas revenue. Operating netbacks are typically on a per boe basis and are used in operational and capital allocation decisions.

### Funds from Continuing Operations

The reconciliation from cash flow from operating activities as reported in the condensed, consolidated interim financial statements to funds from continuing operations is as follows:

(\$000's)	Three months ended		Six months ended	
August 31st	August 31st		August 31st	
2014	2013	2014	2013	
Cash flow from operating activities - continuing operations				
\$1,026	\$44	(\$3,329)	\$39	
Add (deduct):				
Change in non-cash working capital				
723	(128)	5,163	(220)	
Transaction costs-acquisitions				
6	-	449	-	
Funds from continuing operations				
\$1,755	(\$84)	\$2,283	(\$181)	

### About Canamax

Canamax is a junior oil and gas company in the business of consolidating micro-cap oil and gas companies

and exploiting low risk development opportunities in the Western Canadian Sedimentary Basin.

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### **Reader Advisories**

*Certain information in this press release constitutes forward-looking statements under applicable securities law. Any statements that are contained in this press release that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements are often identified by terms such as "may", "should", "anticipate", "expects", "seeks", "potential", "plans", "estimates", and similar expressions. Specific forward-looking statements included in this press release include comments related to expected production rates, capital expenditure plans, oil prices, reductions in operating and general and administrative expenses, cashflow and earnings, completion of drilling programs, facilities, infrastructure and tie-ins for the Company's production.*

*Forward-looking statements necessarily involve known and unknown risks and uncertainties, including, without limitation, the impact of general economic conditions, the risks and liabilities inherent in oil and natural gas operations; marketing and transportation; loss of markets; volatility of commodity prices; currency and interest rate fluctuations; environmental risks; competition; incorrect assessment of the value of acquisitions; failure to realize the anticipated benefits of acquisitions or dispositions; inability to access sufficient capital from internal and external sources; changes in legislation, including but not limited to income tax, environmental laws and regulatory matters, including changes in how they are interpreted and enforced; changes in incentive programs related to the oil and natural gas industry generally; geological, technical, drilling and processing problems and other difficulties in producing petroleum reserves; and obtaining required approvals of regulatory authorities. Readers are cautioned that the foregoing list of factors is not exhaustive.*

*Readers are cautioned not to place undue reliance on forward-looking statements. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits that the Company will derive from them. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated. Forward-looking statements contained in this press release are expressly qualified by this cautionary statement.*

*The forward looking statements contained in this news release are made as of the date of this news release, and Canamax 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 expressly required by securities law.*

### **Conversion**

*BOE's may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl 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, 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.*

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