Canamax Energy Ltd. Announces Financial and Operating Results for the Second Quarter Ended June 30, 2015

26.08.2015 | Marketwired

Canamax Energy Ltd. ("Canamax" or the "Company") (TSX VENTURE: CAC) is pleased to announce the Company's financial and operational results for the interim period ended June 30, 2015.

Highlights

During Q2 2015 and through July 2015, Canamax completed a number of material transactions which resulted in the Company significantly increasing its production base and achieving a debt free financial position at July 30, 2015. These transactions are summarized as follows:

- In May 2015, Canamax announced the signing of a purchase and sale agreement with an intermediate oil and gas company to acquire certain assets in Alberta consisting primarily of properties in Grande Prairie and Grimshaw (the "Greater Grimshaw Asset Acquisition") for $24.0 million. The acquisition, which closed July 15, 2015, added approximately 750 boe/d (54% oil & NGL's) of low decline production to Canamax's existing production base. The production and facilities from the Grande Prairie and Grimshaw properties each have contiguous, substantially 100%-owned acreage and facilities with significant development potential for Montney oil. The Grimshaw property is located just south of Canamax's largest core area, Flood, with both properties producing from the same Montney fairway. The actual purchase price paid on the closing date of $24.3 million included $0.3 million of customary closing adjustments.

- In May 2015, Canamax established a standby bridge loan facility with an arms-length lender which provided lending capability of up to $20.0 million, if required, to fund a portion of the Greater Grimshaw Asset Acquisition. This facility was not utilized as Canamax was able to fund the acquisition from net proceeds of a $15.4 million equity financing that closed in July plus proceeds from the Company's increased bank credit facilities (both discussed below).

- On July 9, 2015, Canamax closed a brokered private placement which resulted in the raising of $15.4 million in gross proceeds (approximately $14.3 million in net proceeds). The private placement included the issue of 21,724,268 subscription receipts at a price of $0.60 per subscription receipt and 3,618,893 flow-through common shares at a price of $0.65 per share. The subscription receipts were converted to common shares on a 1 for 1 basis on July 21 after obtaining a final receipt for a short-form prospectus filed in certain provinces in Canada.

- In conjunction with the closing of the $15.4 million private placement financing, and closing of the Greater Grimshaw Asset Acquisition, Canamax's bank credit facilities were increased from the previous limit of $10 million to $21 million. The increased facilities were used to fund a portion of the acquisition.

- On July 30, 2015, Canamax completed a plan of arrangement with Powder Mountain Energy Ltd ("Powder"), whereby Canamax acquired all of the outstanding shares of Powder in exchange for 45.9 million shares of Canamax (the "Powder Acquisition"). At the acquisition date, Powder had a working capital surplus (substantially all cash) of approximately $21.7 million and approximately 100 bbl/d of light oil production from properties located in southeast Saskatchewan.

Subsequent to these transactions, Canamax increased its production base to approximately 1,750 boe/d at July 30, with an additional 150 boe/d (primarily natural gas) of shut-in production due to an interruption in service on a major TransCanada pipeline at Brazeau River. In addition, Canamax has significantly improved its financial position with no debt and an estimated $3.5 million in working capital surplus at July 30th (on a pro forma basis given the June 30, 2015 net debt balance of $9.4 million).

Operational highlights during Q2 2015:

- During Q2 2015, Canamax production averaged 914 boe/d (59% oil and NGL's) which was consistent with Q1 2015 production of 921 boe/d (56% oil and NGL's).

- Funds flow from operations during Q2 2015 was $0.7 million ($0.02 per share) reflecting field operating netbacks of $18.24 per boe.

- During April, Canamax acquired a strategic half section of land in Wapiti which increased the total land position in that area to 3.0 (net 2.4) sections and increased the Cardium horizontal drilling inventory to 9.0 (net 7.5) locations. Canamax currently has 2 (net 1.4) producing Cardium wells in the area.

In July and August (as part of the Company's previously announced capital plan for 2015), Canamax drilled six vertical Montney oil wells at Flood. These wells, which are expected to be completed and placed on production by September 30, are being partially funded by a previously announced royalty arrangement with a third party. In addition, in early August, Canamax announced that the Company would be increasing its 2015 capital budget by $2.8 million. This capital will be allocated primarily to the drilling of a new Montney horizontal oil well and one horizontal Montney re-entry (both at Flood). These wells are targeted to be completed prior to September 30 and these expenditures will satisfy a majority of the capital commitment from the flow-through shares issued in July.

As a result of the significant capacity constraints for natural gas on TransCanada pipelines, spot prices for natural gas deliveries to the Alliance pipeline in northern Alberta have weakened considerably through the summer months. If these spot price levels persist, then Canamax plans on shutting in approximately 400 boe/d of production (substantially all gas) from the newly acquired Grande Prairie properties in early September. At normalized AECO reference pricing and at current oil prices, these properties would generate approximately $50,000 in cash flow per month. However, negative cash flow would be realized at the current gas spot prices. This production will be brought back on stream once normalized AECO reference pricing returns which will depend in part on TCPL pipeline capacity being restored.

During September 2014, the Company's Board of Directors approved a change in year-end from February 28 to December 31 which resulted in a ten-month stub year-end period of December 31, 2014. As a result of the year-end change in 2014, the comparative financial periods to the three and six-month periods ended June 30, 2015 are the three and six-month periods ended May 31, 2014.

Financial and Operational Summary

http://www.marketwired.com/press-release/canamax-announces-financial-operating-results-second-quarter-ended-june

Outlook

As a result of the transactions completed during Q2 2015 and through July 2015, Canamax has been re-capitalized and has significantly grown its production base. The Greater Grimshaw assets add significant development inventory to the Company's existing development portfolio. As a result of having no debt (immediately after the July transactions), Canamax is in a strong financial position with operating flexibility moving forward.

Given the current low oil prices, the Company continues to focus on reducing field operating and G&A expenses. Canamax has been able to capitalize on the reduced drilling and completion costs in its current drilling program as a result of the industry slow-down. These cost reductions will partially mitigate the effects of the reduced oil prices. Canamax is also continuing to evaluate strategic acquisition opportunities which become available as a result of the challenging environment with the primary objective of maintaining the Company's strong balance sheet.

Reconciliation of Funds from Operations

The reconciliation from cash flow from (used in) operating activities as reported in the condensed interim financial statements to funds from operations is as follows:

http://www.marketwired.com/press-release/canamax-announces-financial-operating-results-second-quarter-ended-june

About Canamax

Canamax is a Montney oil focused junior oil and gas company with its core assets located in the Greater Grimshaw area of Northwestern Alberta.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of *the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

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, cashflow, operating costs and earnings, debt levels, working capital surplus levels, completion of drilling and re-completion programs, timing of placing production on stream, shut-in of existing production, realization of reductions in capital costs, operating costs and general and administrative costs.

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 press release are made as of the date of this press 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.

NOT FOR DISSEMINATION IN THE UNITED STATES OF AMERICA

For further information contact:

Canamax Energy Ltd.
Brad Gabel, President & CEO
(587) 349-5186

Chris Martin, CA, Vice President, Finance & CFO
(587) 349-5186
Website - www.canamaxenergy.ca