

Third Quarter Operating, Sales and Transportation Costs Decrease 14%

CALGARY, Nov. 6, 2015 /CNW/ - [Bankers Petroleum Ltd.](#) ("Bankers" or the "Company") (TSX: BNK, AIM: BNK) is pleased to provide its 2015 third quarter financial and operational results.

During the quarter, Bankers achieved a cash margin of US\$27.50 per barrel and netback of US\$18.46 per barrel. All amounts listed in this news release are in US dollars unless otherwise stated.

"By any measure, the third quarter is a testament to our strategy of margin expansion over the past several years and reinforces our ability to perform in a challenging oil environment" said David French, Chief Executive Officer of Bankers Petroleum. "We have reduced our costs by \$8 per barrel since 2013 and reached combined levels of operating costs and sales and transportation costs not rivaled since 2009. Our improved cost structure, along with the success of our enhanced oil recovery program gives Bankers the ability to achieve more with less capital headed into 2016."

Results at a Glance	Three months ended September 30			Nine months ended September 30		
(US\$000s, except as noted)	2015	2014	% change	2015	2014	% change
Financial						
Oil revenue	71,643	158,932	(55%)	229,754	474,448	(52%)
Net operating income	33,508	92,624	(64%)	99,879	291,134	(66%)
Net income	14,360	25,592	(44%)	4,777	77,780	(94%)
Basic (US\$/share)	0.06	0.10	(40%)	0.02	0.30	(93%)
Diluted (US\$/share)	0.06	0.10	(40%)	0.02	0.29	(93%)
Funds generated from operations	42,083	84,617	(50%)	117,203	261,439	(55%)
Basic (US\$/share)	0.16	0.32	(50%)	0.45	1.01	(55%)
Basic (CAD\$/share)	0.21	0.35	(40%)	0.57	1.11	(49%)
Capital expenditures	31,850	87,605	(64%)	119,362	218,971	(45%)
Operating						
Average production (bopd)	19,600	21,865	(10%)	19,805	20,809	(5%)
Average sales (bopd)	19,730	21,994	(10%)	19,878	20,696	(4%)
Average Brent oil price (US\$/barrel)	50.47	101.93	(50%)	55.31	106.52	(48%)
Average realized price (US\$/barrel)	39.47	78.55	(50%)	42.34	83.97	(50%)
Netback (US\$/barrel)	18.46	45.78	(60%)	18.41	51.53	(64%)
Cash margin (US\$/barrel)	27.50	46.67	(41%)	26.75	51.85	(48%)

	September 30, 2015
Cash and restricted cash	60,936
Working capital	179,228
Total assets	11,280,846
Long-term debt	98,276
Shareholders' equity	766,206

Highlights for the period ended September 30, 2015 are:

Operational Highlights:

- Average oil production for the three months ended September 30, 2015 was 19,600 barrels of oil per day (bopd) compared to 20,050 bopd in the previous quarter and 21,865 bopd in the third quarter of 2014. For the nine months ended September 30, 2015, average oil production was 19,805 bopd compared to 20,809 bopd for the same period in 2014.
- Oil sales for the third quarter of 2015 averaged 19,730 bopd compared to 19,626 bopd for the previous quarter and 21,994 bopd for the third quarter of 2014. Crude oil inventory at September 30, 2015 decreased to 297,000 barrels compared to 307,000 barrels at June 30, 2015. For the nine months ended September 30, 2015, oil sales were 19,878 bopd compared to 20,696 bopd for the same period in 2014.
- During the third quarter of 2015, capital expenditures were \$32 million. The Company drilled 13 horizontal production wells during the quarter at the Patos-Marinza oilfield and one horizontal production well in the Kuçova oilfield. Capital expenditures were \$38 million for the previous quarter and \$88 million for the third quarter of 2014. For the nine months ended September 30, 2015, capital expenditures totalled \$119 million compared to \$219 million for the same period in 2014.

Product Margin Highlights:

- For the three months and nine months ended September 30, 2015, operating costs and sales and transportation (S&T) costs, originating from Albanian-based companies and their employees, were \$28 million (\$15.35/bbl) and \$97 million (\$17.90/bbl), respectively, reduced from \$43 million (\$21.41/bbl) and \$113 million (\$20.03/bbl) for the same periods in 2014. Operating and S&T costs improved by 14% on a per barrel basis from the second quarter of 2015 to the third quarter of 2015.
- Net operating income (netback) in the third quarter of 2015 was \$34 million (\$18.46/bbl) compared to \$42 million (\$23.24/bbl) for the previous quarter and \$93 million (\$45.78/bbl) for the third quarter of 2014. Net operating income for the nine months ended September 30, 2015 was \$100 million (\$18.41/bbl) compared to \$291 million (\$51.53/bbl) for the same period in 2014.
- Cash margin for the third quarter of 2015 was \$27.50/bbl compared to \$29.52/bbl in the previous quarter and \$46.67/bbl in the third quarter of 2014. Cash margin represents netback inclusive of the realized gain on commodity contracts and recovery against an outstanding accounts receivable balance. Cash margin for the nine months ended September 30, 2015 was \$26.75/bbl compared to \$51.85/bbl for the same period in 2014.

Financial Highlights:

- For the third quarter of 2015, revenue was \$72 million (\$39.47/bbl) compared to \$86 million (\$47.99/bbl) in the previous quarter and \$159 million (\$78.55/bbl) in the third quarter of 2014. Field price realization represented 78% of the Brent oil benchmark price (\$50.47/bbl) for the third quarter of 2015 compared to 78% of the Brent oil benchmark price (\$61.88/bbl) in the previous quarter and 77% of the Brent oil benchmark price (\$101.93/bbl) in the third quarter of 2014. The increase, as a percentage of Brent compared to the third quarter of 2014 was mainly due to higher export sales during the third quarter of 2015. For the nine months ended September 30, 2015, revenue was \$230 million (\$42.34/bbl) compared to \$474 million (\$83.97/bbl) for the same period in 2014.
- Royalties to the Albanian Government and related entities during the third quarter of 2015 were \$10 million (14% of revenue) compared to \$12 million (14% of revenue) for the previous quarter and \$23 million (14% of revenue) for the third quarter of 2014. For the nine months ended September 30, 2015, royalties were \$33 million (14% of revenue) compared to \$70 million (15% of revenue) for the same period in 2014.
- For the third quarter of 2015, funds generated from operations were \$42 million (US\$0.16 per share, CAD\$0.21 per share) compared to \$50 million (US\$0.19 per share, CAD\$0.24 per share) for the previous quarter and \$85 million (US\$0.32 per share, CAD\$0.35 per share) for the third quarter of 2014. Funds generated from operations for the nine months ended September 30, 2015 were \$117 million (US\$0.45 per share, CAD\$0.57 per share) compared to \$261 million (US\$1.01 per share, CAD\$1.11 per share) for the same period in 2014.
- The Company continues to maintain a strong financial position at September 30, 2015, with cash and restricted cash of \$64 million and working capital of \$174 million. At September 30, 2015, the Company had drawn \$123 million of its \$223 million approved credit facilities. Working capital for December 31, 2014 and September 30, 2014 was \$201 million and \$190 million, respectively.
- Bankers recognized realized gains of \$16 million (\$9.04/bbl) and \$40 million (\$7.44/bbl) on financial commodity contracts during the three and nine months periods ended September 30, 2015, respectively. The financial commodity contracts represent 6,000 bopd at a floor price of \$80/bbl of Dated Brent for 2015. At September 30, 2015, the fair value of these contracts was \$23 million.
- During the third quarter of 2015, Bankers initiated its 2016 hedging strategy by placing two costless collar contracts with an average floor of \$53.90/bbl and an average ceiling of \$58.19/bbl for a total of 2,500 bopd for the full year (all prices are referenced to Dated Brent). Subsequent to September 30, 2015, Bankers entered into an additional costless collar contract with a floor of \$55.00/bbl and a ceiling of \$55.80/bbl for 2016. Collectively, these contracts represent a hedging plan with an average floor of \$54.31/bbl and an average ceiling of \$57.29/bbl for a total of 4,000 bopd for 2016.
- The Company has signed a formal agreement with the Albanian National Agency for Natural Resources (AKBN) and the Minister of Energy and Industry to engage a third-party international auditor to assist in resolving the outstanding cost recovery audit. Subsequent to September 30, 2015, the contract was finalized with a third-party international auditor. In addition, the Albanian Courts have formally deferred (subject to appeal) the previously announced \$57 million profits tax assessment until resolution of the outstanding cost recovery audit.

Outlook

Production in the fourth quarter to date is 18,300 bopd, down from the third quarter average of 19,600 bopd due to temporary interruptions. Bankers anticipates exiting the year with an 18,500 to 19,000 bopd production rate.

In early October, southern Albania received significant rainfall resulting in flash flooding and power outages in the Patos Marinza field. The Company temporarily reduced production levels by an average of 1,000 bopd over an approximate two week period to manage high water levels and restricted access to well sites and facilities. The affected wells have been brought back on production and are in the process of approaching pre-flood production levels.

As previously announced, Bankers started up the flowline and inlet system of Satellite 3 in mid-October. Commissioning and stabilization of production will take approximately four (4) to six (6) weeks as twenty-three (23) pads are integrated into the system. Production has been impacted by approximately 500 bopd. The newly installed inlet separator allows Bankers to capture 1.5 to two (2) million cubic feet of gas, which can be utilized in operations.

In the third quarter, Bankers saw evidence of corrosion of the lateral liner in three polymer producer wells, limiting production from these wells by approximately 450 bopd. The corrosive environment is confined to a small aerial extent in the southern part of the field. The Company has repaired the first well with a lateral re-drill and installation of a chrome liner to mitigate the corrosive reservoir conditions. The other wells will be repaired by the end of the year. As a precaution, all new wells drilled in this area will follow this design.

The producing polymer patterns continue to perform well and Bankers expects to complete the planned twenty-five (25) to thirty (30) conversions in 2015. Eight (8) wells have been converted to injection to date in the fourth quarter and an additional two (2) to seven (7) conversions planned in the remainder of 2015.

Additional infrastructure and facilities projects in the fourth quarter include construction of the western gathering system, which is on schedule and expected to be completed in the first quarter of 2016. The vapor recovery units at Pad H and Pad D satellite facilities are expected to be fully commissioned in the fourth quarter of 2015. These two projects will capture additional gas to be used to offset diesel, propane and electricity costs.

Bankers continues to carry out a balanced capital program in the remainder of 2015, focused on maximizing the exit production rate. The Company intends to issue its 2016 Capital Program and host a conference call on Tuesday, December 15.

Supporting Documents

The full Management Discussion and Analysis (MD&A), Financial Statements and updated corporate presentation are available on www.bankerspetroleum.com. The MD&A and Financial Statements will also be available on www.sedar.com.

BANKERS PETROLEUM LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited, expressed in thousands of US dollars, except per share amounts)

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Revenues	\$ 71,643	\$ 158,932	\$ 229,754	\$ 474,448
Royalties	(10,269)	(22,985)	(32,719)	(70,111)
Revenue, net of royalties	61,374	135,947	197,035	404,337
Realized gain on financial commodity contracts	16,400	-	40,386	-
Unrealized gain (loss) on financial commodity contracts	4,291	1,556	(18,546)	(1,216)
	82,065	137,503	218,875	403,121
Operating expenses	19,854	25,639	65,481	70,617
Sales and transportation expenses	8,012	17,684	31,675	42,586
General and administrative expenses	4,943	5,440	14,783	17,409
Contract settlement (recovery) expenses	(10)	1,161	385	1,680
Depletion and depreciation	30,547	29,921	91,496	84,597
Share-based compensation	1,865	1,062	3,768	3,529
	65,211	80,907	207,588	220,418
Operating income	16,854	56,596	11,287	182,703
Net finance expense	(2,022)	(2,096)	(12,500)	(9,903)
Income (loss) before income tax	14,832	54,500	(1,213)	172,800
Deferred income tax recovery (expense)	(472)	(28,908)	5,990	(95,020)
Net income for the period	14,360	25,592	4,777	77,780
Other comprehensive loss				
Currency translation adjustment	(1,168)	(1,362)	(2,473)	(1,162)
Comprehensive income for the period	\$ 13,192	\$ 24,230	\$ 2,304	\$ 76,618
Basic earnings per share	\$ 0.055	\$ 0.098	\$ 0.018	\$ 0.300
Diluted earnings per share	\$ 0.055	\$ 0.095	\$ 0.018	\$ 0.292

BANKERS PETROLEUM LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited, expressed in thousands of US dollars)

ASSETS

	September 30	December 31
	2015	2014
Current assets		
Cash and cash equivalents	\$ 46,388	\$ 68,036
Restricted cash	17,489	5,000
Accounts receivable	86,064	81,612
Inventory	4,822	10,008
Deposits and prepaid expenses	54,058	62,984
Financial commodity contracts	23,368	44,170
	232,189	271,810
Non-current assets		
Financial commodity contracts	2,256	-
Property, plant and equipment	1,037,067	1,004,508
Exploration and evaluation assets	8,655	8,528
	\$ 1,280,167	\$ 1,284,846

LIABILITIES

Current liabilities

Accounts payable and accrued liabilities	\$ 37,336	\$ 69,285
Current portion of long-term debt	21,145	1,200
	58,481	70,485

Non-current liabilities

Long-term debt	98,916	98,276
Decommissioning obligation	28,155	26,147
Deferred tax liabilities	367,412	373,402
	552,964	568,310

SHAREHOLDERS' EQUITY

Share capital	365,045	363,670
Contributed surplus	93,397	86,409
Currency translation reserve	1,937	4,410
Retained earnings		

727,203	716,536
\$ 1,280,167	\$ 1,284,846

BANKERS PETROLEUM LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, expressed in thousands of US dollars)

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Cash provided by (used in):				
Operating activities				
Net income for the period	\$ 14,360	\$ 25,592	\$ 4,777	\$ 77,780
Depletion and depreciation	30,547	29,921	91,496	84,597
Accretion of long-term debt	233	24	733	1,073
Accretion of decommissioning obligation	333	284	969	830
Unrealized foreign exchange (gain) loss	(1,436)	382	2,904	446
Deferred income tax (recovery) expense	472	28,908	(5,990)	95,020
Share-based compensation	1,865	1,062	3,768	3,529
Discount and revaluation of long-term receivable	-	-	-	(205)
Unrealized (gain) loss on financial commodity contracts	(4,291)	(1,556)	18,546	1,216
Cash premiums paid for financial commodity contracts	-	-	-	(2,847)
Funds generated from operations	42,083	84,617	117,203	261,439
Change in long-term receivable	-	2,856	-	2,856
Change in non-cash working capital	10,166	18,139	(8,851)	(18,599)
	52,249	105,612	108,352	245,696
Investing activities				
Additions to property, plant and equipment	(31,850)	(86,220)	(119,235)	(217,318)
Additions to exploration and evaluation assets	-	(1,385)	(127)	(1,653)
Restricted cash	(11,717)	5,000	(12,489)	2,109
Change in non-cash working capital	(4,616)	15,853	(17,550)	18,351
	(48,183)	(66,752)	(149,401)	(198,511)
Financing activities				
Issue of shares for cash				

Financing costs	-	-	-	(435)
Change in long-term debt	9,078	-	19,345	(896)
	9,078	758	20,067	12,487
Foreign exchange loss on cash and cash equivalents	(573)	(1,469)	(666)	(1,293)
Increase (decrease) in cash and cash equivalents	12,571	38,149	(21,648)	58,379
Cash and cash equivalents, beginning of period	33,817	44,827	68,036	24,597
Cash and cash equivalents, end of period	\$46,388	\$ 82,976	\$46,388	\$ 82,976
Interest paid	\$ 299	\$ 21	\$ 3,439	\$ 3,452
Interest received	\$ 69	\$ 66	\$ 220	\$ 340

BANKERS PETROLEUM LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited, expressed in thousands of US dollars, except number of common shares)

	Number of common shares	Share capital	Contributed surplus	Currency translation reserve	Retained earnings	Total
Balance at December 31, 2013	255,681,911	\$40,305	\$4,811	\$,345	\$33,214	\$64,675
Share-based compensation	-	-	6,664	-	-	6,664
Options exercised	4,958,713	21,616	(8,921)	-	-	12,695
Warrants exercised	400,000	1,561	(438)	-	-	1,123
Net income for the period	-	-	-	-	77,780	77,780
Currency translation adjustment	-	-	-	(1,162)	-	(1,162)
Balance at September 30, 2014	261,040,624	\$63,482	\$2,116	\$,183	\$10,994	\$61,775
Share-based compensation	-	-	4,376	-	-	4,376
Options exercised	43,769	188	(83)	-	-	105
Net income for the period	-	-	-	-	51,053	51,053
Currency translation adjustment	-	-	-	(773)	-	(773)
Balance at December 31, 2014	261,084,393	\$63,670	\$6,409	\$,410	\$62,047	\$16,536
Share-based compensation	-	-	7,641	-	-	7,641
Options exercised	339,935	1,375	(653)	-	-	722
Net income for the period	-	-	-	-	4,777	4,777
Currency translation adjustment	-	-	-	(2,473)	-	(2,473)
Balance at September 30, 2015	261,424,328	\$65,045	\$3,397	\$,937	\$66,824	\$27,203

Caution Regarding Forward-looking Information

Information in this news release respecting matters such as the expected future production levels from wells, future prices and netback, work plans, anticipated total oil recovery of the Patos-Marinja and Kuçova oilfields constitute forward-looking information. Statements containing forward-looking information express, as at the date of this news release, the Company's plans, estimates, forecasts, projections, expectations, or beliefs as to future events or results and are believed to be reasonable based on information currently available to the Company.

Exploration for oil is a speculative business that involves a high degree of risk. The Company's expectations for its Albanian operations and plans are subject to a number of risks in addition to those inherent in oil production operations, including: that Brent oil prices could fall resulting in reduced returns and a change in the economics of the project; availability of financing; delays associated with equipment procurement, equipment failure and the lack of suitably qualified personnel; the inherent uncertainty in the estimation of reserves; exports from Albania being disrupted due to unplanned disruptions; and changes in the political or economic environment.

Production and netback forecasts are based on a number of assumptions including that the rate and cost of well takeovers, well reactivations and well recompletions of the past will continue and success rates will be similar to those rates experienced for previous well recompletions/reactivations/development; that further wells taken over and recompleted will produce at rates similar to the average rate of production achieved from wells recompletions/reactivations/development in the past; continued availability of the necessary equipment, personnel and financial resources to sustain the Company's planned work program; continued political and economic stability in Albania; the existence of reserves as expected; the continued release by Albpetrol of areas and wells pursuant to the Plan of Development and Addendum; the absence of unplanned disruptions; the ability of the Company to successfully drill new wells and bring production to market; and general risks inherent in oil and gas operations.

Forward-looking statements and information are based on assumptions that financing, equipment and personnel will be available when required and on reasonable terms, none of which are assured and are subject to a number of other risks and uncertainties described under "Risk Factors" in the Company's Annual Information Form and Management's Discussion and Analysis, which are available on SEDAR under the Company's profile at www.sedar.com.

There can be no assurance that forward-looking statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. Readers should not place undue reliance on forward-looking information and forward looking statements.

About Bankers Petroleum Ltd.

[Bankers Petroleum Ltd.](#) is a Canadian-based oil and gas exploration and production company focused on developing large oil and gas reserves. In Albania, Bankers operates and has the full rights to develop the Patos-Marinza heavy oilfield, has a 100% interest in the Kuçova oilfield, and a 100% interest in Exploration Block "F". Bankers' shares are traded on the Toronto Stock Exchange and the AIM Market in London, England under the stock symbol BNK.

SOURCE [Bankers Petroleum Ltd.](#)

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