

CALGARY, March 21, 2017 /CNW/ - [Alvopetro Energy Ltd.](#) (TSX-V:ALV) is pleased to announce an operational update, fourth quarter 2016 and year-end 2016 financial results and filing of our annual information form.

Operational Update

In January 2017, our 198(A1) well, located on Block 198 in the Recôncavo basin in the State of Bahia, Brazil, was drilled to a total measured depth of 1,480 metres. Based on open-hole logs, the well encountered 31 metres of potential net natural gas pay in the Main Caruaçu Member, with an average 46% water saturation, and an average porosity of 11.4%, using an 8% porosity cut-off. The well also encountered 26 metres of potential net hydrocarbon pay in a series of thinner up-hole Pojuca sands, with an average 51% water saturation, and an average porosity of 14.3%, using an 8% porosity cut-off. Earlier this month two zones in the well were completed and production tested.

During the 48-hour test of the first zone, the well followed natural gas, on an unstimulated basis, at an average rate of 15,000 m³/d (534 Mcfpd or 89 boepd). During the 72-hour test of the second zone, the well followed natural gas, on an unstimulated basis, at an average rate of 76,000 m³/d (2.7 MMcfpd or 447 boepd). The pressure transient analysis from the first zone forecasts potential post-stimulation rates with near well bore damage removed (expected to be achieved using a near well bore acid wash) indicating deliverability of 835 Mcfpd (139 boepd) after three months of continuous production and 693 Mcfpd (116 boepd) after one year of continuous production. The first zone tested natural gas below the previously interpreted gas water contact but is in communication with the water contact. As such, we would likely put the well on production initially from just the second (upper) zone. We are awaiting results of the pressure transient analysis from the second zone.

The 198(A1) well was drilled as a step-out well to our 197(2) natural gas discovery on our Caburé field and satisfies our work commitment on the block, subject to the approval by the National Agency of Petroleum, Natural Gas and Biofuels of Brazil ("ANP"). The testing results from this well to date along with the testing results from the 197(2) well solidify the significant resource in place on this field. We are actively working towards finalizing the unitization agreement with the adjacent resource owner and have made significant advancements in negotiations to secure a natural gas sales contract. Alvopetro has completed conceptual engineering and has commenced environmental licensing work. Upon execution of the unitization agreement and a gas sales agreement, Alvopetro plans to commence development of the Caburé field.

Our \$5.0 million 2017 capital plan is expected to be funded with existing cash balances on hand and includes:

- Drilling and testing the 198(A1) well, the bulk of which was completed in January through March 2017;
- Drilling the 177(A1) well, subject to receipt of environmental permits; and
- Preliminary surveying and permitting work associated with the planned development of our Caburé gas field.

Financial and Operating Highlights - Fourth Quarter 2016

- Our production increased to 53 bopd in the fourth quarter of 2016, a 152% increase from the 21 bopd average in the third quarter as both our 182(B1) well and our Bom Lugar well were online for most of the quarter. As a result of increased production volumes and reduced production expenses, the Company achieved a positive operating netback of \$1.01 per barrel in the quarter.
- Capital and other asset expenditures of \$0.7 million in the fourth quarter included \$0.3 million for site construction and other preparatory costs for our 198(A1) well which was drilled in January 2017 and capitalized G&A of \$0.2 million.
- We reported a net loss of \$0.4 million in the fourth quarter due to negative funds flow from operations of \$1.0 million and a \$0.3 million impairment charge in respects of costs incurred in 2016 on our 182(B1) well, offset by a deferred tax recovery of \$1.1 million. The negative funds flow from operations included \$0.2 million in E&E expenditures on relinquished blocks.
- Our cash, restricted cash and working capital resources total \$17.1 million as at December 31, 2016, including \$17.8 million of cash and cash equivalents, \$0.1 million of current restricted cash and assets held for sale of \$0.4 million relating to anticipated sales of equipment inventory in 2017.

Financial and Operating Highlights ‐ Year-End 2016

- Capital and other asset expenditures decreased to \$8.4 million in 2016, compared to \$12.2 million in 2015. During the year the Company drilled the 170(B1) well and the 256(A1) well, incurring costs of \$2.4 million and \$3.3 million respectively. Additional capital expenditures included facility and workover costs at the 182(B1) well of \$0.7 million.
- In September 2016, we entered into a farmout agreement to transfer a 95% interest in Block 107 to an independent third party (the "Farmee") in exchange for a \$0.3 million cash payment and an agreement by the Farmee to undertake the necessary work commitments on the block. Upon completion of the work commitments on the block, we will be entitled to exchange our 5% participating interest for a 5% gross-overriding royalty ("GORR") and, in the event of drilling success on Block 107, a 5% GORR on an adjacent block held by the Farmee.
- The 2016 net loss of \$12.6 million included \$7.8 million in impairment charges, largely relating to impairment charges on Block 170 and Block 256 due to the lack of discovery of any commercial quantities of oil or gas on wells drilled on these blocks in 2016.
- Total assets decreased 9% from 2015 largely as a result of the \$7.8 million impairment charge, offset by the appreciation in Brazilian real ("BRL") denominated asset balances due to the 17% increase in the BRL relative to the USD in 2016.

Summary of Q4 2016 and Year-End 2016 Results

The following table provides a summary of Alvo Petro's financial and operating results for the periods noted. The audited consolidated financial statements with the Management's Discussion and Analysis ("MD&A") are available on our website at www.alvopetro.com and will be available on the System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com. The summary of annual and quarterly results contained in this news release represents a comparison of the respective periods ended December 31, 2016 and December 31, 2015.

SELECTED QUARTERLY AND ANNUAL RESULTS

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Financial				
(\$000s, except where noted)				
Oil sales	208	116	561	535
Funds flow from operations ⁽¹⁾	(1,006)	(1,017)	(4,695)	(4,966)
Per share – basic and diluted (\$) ⁽²⁾	(0.01)	(0.01)	(0.06)	(0.06)
Net loss	(371)	(9,797)	(12,578)	(12,424)
Per share – basic and diluted (\$) ⁽²⁾	-	(0.12)	(0.15)	(0.15)
Capital and other asset expenditures	708	1,610	8,394	12,202
Total assets	77,052	84,284	77,052	84,284
Debt	-	-	-	-
Net working capital surplus ^{(1) (3)}	17,055	29,405	17,055	29,405
Common shares outstanding, end of year (000s)				
Basic	85,167	85,167	85,167	85,167
Diluted ⁽²⁾	92,041	92,010	92,041	92,010
Operations				
Operating netback (\$/bbl) ⁽¹⁾				
Brent benchmark price	51.13	44.71	45.04	53.64
Discount	(8.82)	(8.41)	(8.64)	(10.39)
Sales price	42.31	36.30	36.40	43.25
Transportation expenses	(2.24)	(2.50)	(2.14)	(2.99)
Realized sales price	40.07	33.80	34.26	40.26
Royalties and production taxes	(4.48)	(3.13)	(3.83)	(3.07)
Production expenses	(34.58)	(56.32)	(74.82)	(70.49)
Operating netback	1.01	(25.65)	(44.39)	(33.30)
Average daily crude oil production (bopd)	53	35	42	34

Notes:

(1) Non-GAAP measure. See "Non-GAAP Measures" section within this news release.

(2) Consists of outstanding common shares and stock options of the Company as at December 31, 2016.

(3) Includes current restricted cash of \$0.1 million (December 31, 2015 - \$2.3 million) and assets held for sale of \$0.4 million (December 31, 2015 - \$nil).

Updated Corporate Presentation

Alvopetro's updated corporate presentation is available at: <http://www.alvopetro.com/corporate-presentation>.

Annual Information Form

Alvopetro has filed its annual information form (AIF) with the Canadian securities regulators on SEDAR. The AIF includes the disclosure and reports relating to oil and gas reserves data and other oil and gas information required pursuant to National Instrument 51-101 of the Canadian Securities Administrators. The AIF may be accessed electronically from at www.sedar.com.

[Alvopetro Energy Ltd.](#)'s vision is to be the premier independent exploration and production company in Brazil, maximizing shareholder value by applying innovation to underexploited opportunities. Our strategy is to focus on three core opportunities including lower risk development drilling on our mature fields, shallow conventional exploration, and the development of the significant hydrocarbon potential present in our deep Gomo tight-gas resource play. Our efforts in the near-term are concentrated on building a natural gas business by finalizing a unitization agreement and securing a gas sales contract.

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

Testing and Well Results. Data obtained from the 198(A1) well identified in this press release, including hydrocarbon shows, open-hole logging, net pay, porosities, and preliminary testing data should be considered to be preliminary until detailed pressure transient analysis and interpretation has been completed. Hydrocarbon shows can be seen during the drilling of a well in numerous circumstances and do not necessarily indicate a commercial discovery or the presence of commercial hydrocarbons in a well. There is no representation by Alvopetro that the data relating to the 198(A1) well contained in this press release is necessarily indicative of long-term performance or ultimate recovery. The reader is cautioned not to unduly rely on such data as such data may not be indicative of future performance of the well or of expected production or operational results for Alvopetro in the future.

Abbreviations:

m³ = cubic metre

m³/d = cubic metre per day

Mcfpd = thousand cubic feet per day

MMcf = million cubic feet

MMcfpd = million cubic feet per day

bopd = barrels of oil per day

boepd = barrels of oil equivalent per day

BOE Disclosure. The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet per barrel (6mcf/bbl) of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in this press release are derived from converting gas to oil in the ratio mix of six thousand cubic feet of gas to one barrel of oil.

Forward-Looking Statements and Cautionary Language. This news release contains "forward-looking information" within the meaning of applicable securities laws. The use of any of the words "will", "expect", "intend" and other similar words or expressions are intended to identify forward-looking information. More particularly and without limitation, this news release contains forward-looking information concerning potential hydrocarbons and potential production of hydrocarbons in our 197(2) and 198(A1) wells, exploration and development prospects of Alvopetro and the expected timing of certain of Alvopetro's testing and operational activities. The forward-looking statements are based on certain key expectations and assumptions made by Alvopetro, including but not limited to expectations and assumptions concerning testing results on our 197(2) well and 198(A1) well, the timing of regulatory licenses and approvals, completion of unitization with an adjacent Block owner, securing gas sales

agreements, availability of capital, the success of future drilling and development activities, prevailing commodity prices and economic conditions, the availability of labour and services, the ability to transport and market our production, timing of completion of infrastructure and transportation projects, weather and access to drilling locations. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Although Alvo Petro believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Alvo Petro can give no assurance that it will prove to be correct. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of Alvo Petro are included in our annual information form which may be accessed through the SEDAR website at www.sedar.com. The forward-looking information contained in this news release is made as of the date hereof and Alvo Petro undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Non-GAAP Measures. This news release contains financial terms that are not considered measures under International Financial Reporting Standards ("IFRS"), such as funds flow from operations, funds flow per share, net working capital surplus and operating netback. These measures are commonly utilized in the oil and gas industry and are considered informative for management and shareholders. Specifically, funds flow from operations and funds flow per share reflect cash generated from operating activities before changes in non-cash working capital. Management considers funds flow from operations and funds flow per share important as they help evaluate performance and demonstrate the Company's ability to generate sufficient cash to fund future growth opportunities. Net working capital surplus includes current assets (including current restricted cash and assets held for sale) less current liabilities (excluding the current portion of decommissioning obligations) and is used to evaluate the Company's financial resources. Operating netback is determined by dividing oil sales less royalties and production taxes, transportation and production expenses by sales volume of produced oil. Management considers operating netback important as it is a measure of profitability per barrel sold and reflects the economic quality of production. Funds flow from operations, funds flow per share, net working capital surplus and operating netbacks may not be comparable to those reported by other companies nor should they be viewed as an alternative to cash flow from operations, net income or other measures of financial performance calculated in accordance with IFRS.

SOURCE [Alvo Petro Energy Ltd.](#)

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