

Zargon Oil & Gas Ltd. Provides 2017 Fourth Quarter and Full Year Financial Results

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CALGARY, Alberta, March 15, 2018 (GLOBE NEWSWIRE) --

Zargon Oil & Gas Ltd. ("Zargon" or the "Company") (TSX:ZAR) (TSX:ZAR.DB.A) has released its 2017 fourth quarter and full year financial results. Previously, Zargon provided 2017 year end reserves, production updates and 2018 H1 production/capital guidance in our February 12, 2018 and November 13, 2017 press releases. Highlights from the fourth quarter and year ended Dec. 31, 2017 are provided below:

HIGHLIGHTS FROM THE FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2017

- For calendar 2017, funds flow from operating activities of \$5.99 million (\$0.20 per basic share) was 67 percent higher than the \$3.58 million (\$0.12 per basic share) recorded in the prior year.
- Calendar 2017 total production reflected significant 2016 property sales and averaged 2,531 barrels of oil equivalent per day, a 28 percent decrease from the prior year. Oil and liquids production averaged 1,974 barrels of oil and liquids per day in 2017. Natural gas production averaged 3.34 million cubic feet per day in 2017. Fourth quarter 2017 total production averaged 2,416 barrels of oil equivalent per day and was comprised of 1,924 barrels of oil per day and 2.95 million cubic feet per day.
- Zargon's 2017 funds flow from operations was \$5.99 million, a 67 percent improvement over the prior year's \$3.58 million of funds flow from operations. For the fourth quarter of 2017 funds flow from operations were \$1.59 million and compares with third quarter 2017 funds flow from operations of \$1.76 million and fourth quarter 2016 funds flow from operations of \$0.92 million.
- Zargon's 2017 net capital expenditures totalled \$8.86 million and were primarily allocated to oil exploitation costs relating to facility, waterflood implementation and well reactivation expenditures. These expenditures consisted of \$8.58 million of exploitation, development and facility expenditures and included \$1.86 million of chemical costs for the Alkaline Surfactant Polymer ("ASP") Little Bow project. During the year, Zargon drilled nil net wells. Zargon's 2017 abandonment and reclamation costs totalled \$2.11 million.
- As at December 31, 2017, Zargon had \$38.41 million in net debt, net of working capital. This total includes \$3.53 million in working capital offset by \$41.94 million of convertible debentures.

	Three Months Ended December 31,			Year Ended December 31,	
	2017	2016	Percent Change	2017	2016
Financial Highlights					
Income and Investments (\$ millions)					
Gross petroleum and natural gas sales	10.31	9.24	12	38.68	44.1
Funds flow from operating activities	1.59	0.92	73	5.99	3.58
Cash flows from operating activities	0.29	(1.77)	116	2.48	4.6
Net loss	(3.55)	(17.81)	80	(9.31)	(20.1)
Field capital and administrative asset expenditures	2.41	1.42	70	8.65	6.9
Net property acquisitions/(dispositions)	0.04	0.01	300	0.21	(92)
Net capital expenditures/(dispositions)	2.45	1.43	71	8.86	(85)

Abandonment and reclamation costs	0.87	0.05	1640	2.11	0.00
Per Share, Basic					
Funds flow from operating activities (\$/share)	0.05	0.03	67	0.20	0.12
Net loss (\$/share)	(0.12)	(0.58)	79	(0.30)	(0.60)
Balance Sheet at Period End (\$ millions)					
Property and equipment (D&P)				128.91	137.00
Exploration and evaluation assets (E&E)				1.74	2.20
Total assets				140.55	169.00
Working capital				3.53	24.00
Convertible debentures at maturity				41.94	57.00
Shareholders' equity				22.72	32.00
Weighted Average Shares Outstanding for the Period (millions) – Basic	30.77	30.58	1	30.73	30.90
Weighted Average Shares Outstanding for the Period (millions) – Diluted	30.77	30.89	–	30.73	30.90
Total Common Shares Outstanding at Period End (millions)				30.80	30.90

Funds flow from operating activities is an additional GAAP term that represents net earnings/loss except for non-cash items.

Working capital excludes derivative assets/liabilities.

	Three Months Ended December 31,			Year December
	2017	2016	Percent Change	2017
Operating Highlights				
Average Daily Production				
Oil and liquids (bbl/d)	1,924	1,952	(1)	1,974
Natural gas (mmcf/d)	2.95	2.98	(1)	3.34
Equivalent (boe/d)	2,416	2,449	(1)	2,531
Average Selling Price (before the impact of financial risk management contracts)				
Oil and liquids (\$/bbl)	55.83	46.82	19	50.30
Natural gas (\$/mcf)	1.57	3.03	(48)	1.99
Netback (\$/boe)				
Gross petroleum and natural gas sales	46.37	41.01	13	41.86
Royalties	(5.37)	(4.54)	18	(4.80)
Realized gain/(loss) on derivatives	(2.74)	–	(100)	(0.41)
Operating expenses	(22.23)	(21.18)	5	(21.30)
Transportation expenses	(0.42)	(0.45)	(7)	(0.49)
Operating netback	15.61	14.84	5	14.86
Wells Drilled, Net	–	–	–	–
Undeveloped Land at Period End (thousand net acres)				32

The calculation of barrels of oil equivalent (“boe”) is based on the conversion ratio that six thousand cubic feet of natural gas is equivalent to one barrel of oil.

For further information regarding Zargon's properties, reserves and net asset values, please refer to the Company's corporate presentation, which is available at www.zargon.ca.

Strategic Alternatives Process

In 2015 Zargon formed a Special Board Committee (the "Committee") to examine alternatives available to maximize shareholder value. Macquarie Capital Markets Canada Ltd. ("Macquarie") is currently engaged as Zargon's exclusive financial advisor. The Company continues to evaluate strategic alternatives available to Zargon which may include a sale of the Company or a portion of the Company's assets, a restructuring of the Company's current capital structure, the addition of capital to further develop the potential of the assets, a merger, a farm-in or joint venture, or other such options as may be determined by the Board of Directors to be in the best interests of the Company and its stakeholders.

Forward-Looking Statements

This press release offers our assessment of Zargon's future plans and operations as at March 15, 2018, and contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "should", "plan", "intend", "believe" and similar expressions (including the negatives thereof) are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to our strategic alternatives process under the heading "Strategic Alternatives Process". In addition, all statements relating to reserves, including ASP reserves, in this press release are deemed to be forward-looking as they involve an implied assessment, based on certain assumptions and estimates, that the reserves described, can be properly produced in the future.

The forward-looking information and statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: those relating to results of operations and financial condition; general economic conditions; industry conditions; changes in regulatory and taxation regimes; volatility of commodity prices; escalation of operating and capital costs; currency fluctuations; the availability of services; imprecision of reserve estimates; geological, technical, drilling and processing problems; environmental risks; weather; the lack of availability of qualified personnel or management; stock market volatility; the ability to access sufficient capital from internal and external sources; and competition from other industry participants for, among other things, capital, services, acquisitions of reserves, undeveloped lands and skilled personnel. Risks are described in more detail in our Annual Information Form, which is available on www.zargon.ca and on www.sedar.com. Forward-looking statements are provided to allow investors to have a greater understanding of our business.

You are cautioned that the assumptions used in the preparation of such information and statements, including, among other things: future oil and natural gas prices; future capital expenditure levels; future production levels; future exchange rates; the cost of developing and expanding our assets; our ability to obtain equipment in a timely manner to carry out development activities; our ability to market our oil and natural gas successfully to current and new customers; the impact of increasing competition; the availability of adequate and acceptable debt and equity financing and funds from operations to fund our planned expenditures; and our ability to add production and reserves through our development and acquisition activities, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Our actual results, performance, or achievement could differ materially from those expressed in, or implied by, these forward-looking statements. We can give no assurance that any of the events anticipated will transpire or occur, or if any of them do, what benefits we will derive from them. The forward-looking information and statements contained in this document is expressly qualified by this cautionary statement. Our policy for updating forward-looking statements is that Zargon disclaims, except as required by law, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Additional GAAP and Non-GAAP Financial Measures

Zargon uses the following terms for measurement within this press release that do not have a standardized prescribed meaning under Canadian generally accepted accounting principles ("GAAP") and these measurements may not be comparable with the calculation of similar measurements of other entities.

The terms "funds flow from operating activities" and "operating netback per boe" in this press release are not recognized measures under GAAP. Management of Zargon believes that in addition to net earnings and cash flows from operating activities as defined by GAAP, these terms are useful supplemental measures to evaluate operating performance and assess leverage. Users are cautioned; however, that these measures should not be construed as an alternative to net earnings or cash flows from operating activities determined in accordance with GAAP as an indication of Zargon's performance.

Zargon considers funds flow from operating activities to be an important measure of Zargon's ability to generate the funds necessary to finance capital expenditures and repay debt. All references to funds flow from operating activities throughout this press release are based on cash provided by operating activities before the change in non-cash working capital since Zargon believes the timing of collection, payment or incurrence of these items involves a high degree of discretion and, as such, may not be useful for evaluating Zargon's operating performance. Zargon's method of calculating funds flow from operating activities may differ from that of other companies and, accordingly, may not be comparable to measures used by other companies. Funds flow from operating activities per basic share is calculated using the same weighted average basic shares outstanding as is used in calculating earnings per basic share. See Zargon's Management's Discussion and Analysis ("MD&A") as filed on www.zargon.ca and on www.sedar.com for the periods ended December 31, 2017 and 2016 for a discussion of cash flows from operating activities and funds flow from operating activities.

51-101 Advisory

In conformity with National Instrument 51-101, Standards for Disclosure of Oil and Gas Activities ("NI 51-101"), natural gas volumes have been converted to barrels of oil equivalent ("boe") using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil. In certain circumstances, natural gas liquid volumes have been converted to a thousand cubic feet equivalent ("mcf") on the basis of one barrel of natural gas liquids to six thousand cubic feet of gas. Boes and mcfes may be misleading, particularly if used in isolation. A conversion ratio of one barrel to six thousand cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. 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 ratio on a 6:1 basis may be misleading as an indication of value.

Filings

Zargon has filed with Canadian securities regulatory authorities its financial statements for the year ended December 31, 2017 and the accompanying MD&A. These filings are available on www.zargon.ca and under Zargon's SEDAR profile on www.sedar.com.

About Zargon

Zargon is a Calgary-based oil and natural gas company working in the Western Canadian and Williston sedimentary basins and is focused on oil exploitation projects (water floods and tertiary ASP) that profitably increase oil production and recovery factors from existing oil reservoirs.

In order to learn more about Zargon, we encourage you to visit Zargon's website at www.zargon.ca where you will find a current shareholder presentation, financial reports and historical news releases.

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