

Leucrotta Announces Q3 2020 Financial and Operating Results

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Calgary, November 19, 2020 - [Leucrotta Exploration Inc.](#) (TSXV: LXE) ("Leucrotta" or the "Company") is pleased to announce its financial and operating results for the three and nine months ended September 30, 2020. All dollar figures are Canadian dollars unless otherwise noted.

FINANCIAL RESULTS

(\$000s, except per share amounts)	Three Months Ended September 30			Nine Months Ended September 30		
	2020	2019	% Change	2020	2019	% Change
Oil and natural gas sales	5,841	6,113	(4)	17,071	20,775	(18)
Cash flow from operating activities	368	950	(61)	975	8,367	(88)
Per share - basic and diluted	-	-	-	-	0.04	(100)
Adjusted funds flow ⁽¹⁾	586	1,825	(68)	548	7,950	(93)
Per share - basic and diluted	-	0.01	(100)	-	0.04	(100)
Net (loss) earnings	(2,525)	(1,181)	114	(94,158)	611	(15,511)
Per share - basic and diluted	(0.01)	(0.01)	-	(0.47)	-	(100)
Capital expenditures	647	2,841	(77)	13,321	10,837	21
Proceeds on sale of properties and equipment ⁽²⁾	-	1,625	(100)	8,206	4,767	72
Working capital (deficiency)				(4,421)	2,153	(306)
Common shares outstanding (000s)						
Weighted average - basic	200,525	200,525	-	200,525	200,525	-
Weighted average - diluted	200,525	200,525	-	200,525	200,710	-
End of period - basic				200,525	200,525	-
End of period - fully diluted				218,527	226,646	-

(1) See "Non-GAAP Measures" section.

(2) The sale of equipment for proceeds of \$4.8 million in 2019 is exclusive of \$2.7 million deposit received in Q4 2018.

OPERATING RESULTS ⁽¹⁾

	Three Months Ended September 30			Nine Months Ended September 30		
	2020	2019	% Change	2020	2019	% Change
Daily production						
Oil and NGLs (bbls/d)	790	829	(5)	926	838	11
Natural gas (mcf/d)	13,739	13,414	2	14,036	13,669	3
Oil equivalent (boe/d)	3,080	3,065	-	3,266	3,116	5
Revenue						
Oil and NGLs (\$/bbl)	38.21	47.81	(20)	31.81	51.96	(39)
Natural gas (\$/mcf)	2.42	2.00	21	2.34	2.38	(2)
Oil equivalent (\$/boe)	20.62	21.68	(5)	19.08	24.42	(22)
Royalties						
Oil and NGLs (\$/bbl)	1.93	-	100	1.49	-	100
Natural gas (\$/mcf)	0.06	-	100	0.05	-	100
Oil equivalent (\$/boe)	0.76	-	100	0.63	-	100
Net operating expenses ⁽²⁾						
Oil and NGLs (\$/bbl)	10.19	8.55	19	9.87	8.31	19
Natural gas (\$/mcf)	1.04	0.88	18	0.99	0.86	15
Oil equivalent (\$/boe)	7.24	6.17	17	7.05	6.01	17

Net transportation and marketing expenses ⁽²⁾						
Oil and NGLs (\$/bbl)	0.32	1.23	(74)	0.84	1.33	(37)
Natural gas (\$/mcf) ⁽³⁾	1.45	1.07	36	1.56	1.01	54
Oil equivalent (\$/boe)	6.53	4.99	31	6.95	4.79	45
Operating netback ⁽²⁾						
Oil and NGLs (\$/bbl)	25.77	38.03	(32)	19.61	42.32	(54)
Natural gas (\$/mcf)	(0.13)	0.05	(360)	(0.26)	0.51	(151)
Oil equivalent (\$/boe)	6.09	10.52	(42)	4.45	13.62	(67)
Depletion and depreciation (\$/boe)	(10.08)	(9.69)	4	(8.82)	(9.53)	(7)
Asset impairment (\$/boe)	-	-	-	(98.22)	-	100
General and administrative expenses (\$/boe)	(3.94)	(3.88)	2	(3.77)	(4.16)	(9)
Share based compensation (\$/boe)	(0.64)	(0.34)	88	(0.31)	(0.61)	(49)
Gain (loss) on sale of equipment (\$/boe)	-	(0.41)	(100)	1.68	1.69	(1)
Finance expense (\$/boe)	(0.33)	(0.40)	(18)	(0.25)	(0.33)	(24)
Finance income (\$/boe)	-	0.03	(100)	-	0.03	(100)
Net (loss) earnings (\$/boe)	(8.90)	(4.17)	113	(105.24)	0.71	(14,923)

(1) See "Frequently Recurring Terms" section.

(2) See "Non-GAAP Measures" section.

(3) Includes \$0.35/mcf and \$0.44/mcf of unutilized firm transportation expenses for the three and nine months ended September 30, 2020, respectively.

Selected financial and operational information outlined in this news release should be read in conjunction with Leucrotta's unaudited condensed interim financial statements and related Management's Discussion and Analysis ("MD&A") for the three and nine months ended September 30, 2020, which are available for review at www.sedar.com.

PRESIDENT'S MESSAGE

In Q3 2020, Leucrotta's capital spending continued to be minimal in order to maintain low debt levels during uncertain times. Leucrotta will continue to minimize capital expenditures and reduce debt throughout the remainder of the year. Production decreased to 3,080 boe/d in Q3 2020 as flush production came off at Two Rivers, in addition to Two Rivers being shut-in during September for a third party turn-around. Q3 2020 returned to positive cash flow despite low gas prices in Chicago and significant costs of unutilized transportation.

In Q4 2020, Leucrotta mitigated its remaining twelve months of unutilized transportation for a loss of \$2.2 million and signed a new bank credit facility that totals \$12 million providing Leucrotta with sufficient credit. With commodity prices continuing to increase, Leucrotta will be able to further reduce debt in 2021.

Leucrotta is working on several initiatives to help accelerate the development of its large Montney resource base in 2021 and we look forward to reporting on further business developments in the near future.

FREQUENTLY RECURRING TERMS

The Company uses the following frequently recurring industry terms in this news release: "bbls" refers to barrels, "mcf" refers to thousand cubic feet, and "boe" refers to barrel of oil equivalent. Disclosure provided herein in respect of a boe may be misleading, particularly if used in isolation. A boe conversion rate of six thousand cubic feet of natural gas to one barrel of oil equivalent has been used for the calculation of boe amounts in this news release. This boe conversion rate is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

NON-GAAP MEASURES

This news release refers to certain financial measures that are not determined in accordance with IFRS (or "GAAP"). This news release contains the terms "adjusted funds flow", "adjusted funds flow per share", "operating netback", "net operating expenses", and "net transportation and marketing expenses" which do not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures used by other companies. The Company uses these measures to help evaluate its performance.

Management considers adjusted funds flow to be a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and abandonment obligations and to repay debt, if any. Adjusted funds flow is a non-GAAP measure and has been defined by the Company as cash flow from operating activities excluding the change in non-cash working capital related to operating activities and expenditures on decommissioning obligations. The Company also presents adjusted funds flow per share whereby amounts per share are calculated using weighted average shares outstanding, consistent with the calculation of net earnings (loss) per share. Adjusted funds flow is reconciled from cash flow from operating activities under the heading "Cash Flow from Operating Activities and Adjusted Funds Flow" in the Company's MD&A for the three and nine months ended September 30, 2020, which is available on SEDAR at www.sedar.com.

Management considers operating netback an important measure as it demonstrates its profitability relative to current commodity prices. Operating netback, which is calculated as average unit sales price less royalties, net operating expenses, and net transportation and marketing expenses, represents the cash margin for every barrel of oil equivalent sold. Operating netback per boe is reconciled to net earnings (loss) per boe under the heading "Operating Netback".

Net operating expenses is calculated as operating expenses less processing revenues. Management uses net operating expenses to determine the current periods' cash cost of operating expenses less processing revenue and net operating expenses per boe is used to measure operating efficiency on a comparative basis. The measure approximates the Company's operating expenses relative to its produced volumes by excluding third party operating costs.

Net transportation and marketing expenses is calculated as transportation expenses less marketing revenues. Management uses net transportation and marketing expenses to determine the current periods' cash cost of transportation expenses less marketing revenue and net transportation and marketing expenses per boe is used to measure transportation efficiency on a comparative basis as well as the Company's ability to mitigate the cost of excess committed capacity.

FORWARD-LOOKING INFORMATION

This news release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "should", "believe", "intends", "forecast", "plans", "guidance" and similar expressions are intended to identify forward-looking statements or information.

More particularly and without limitation, this news release contains forward-looking statements and information relating to the Company's risk management program, oil, NGLs, and natural gas production, capital programs, and debt. The forward-looking statements and information are based on certain key expectations and assumptions made by the Company, including expectations and assumptions relating to prevailing commodity prices and exchange rates, applicable royalty rates and tax laws, future well production rates, the performance of existing wells, the success of drilling new wells, the availability of capital to undertake planned activities, and the availability and cost of labour and services.

Although the Company believes that the expectations reflected in such forward-looking statements and information are reasonable, it can give no assurance that such expectations will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of estimates and projections relating to production rates, costs, and expenses, commodity price and

exchange rate fluctuations, marketing and transportation, environmental risks, competition, the ability to access sufficient capital from internal and external sources and changes in tax, royalty, and environmental legislation. The forward-looking statements and information contained in this document are made as of the date hereof for the purpose of providing the readers with the Company's expectations for the coming year. The forward-looking statements and information may not be appropriate for other purposes. The Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Leucrotta is an oil and natural gas company, actively engaged in the acquisition, development, exploration, and production of oil and natural gas reserves in northeastern British Columbia, Canada.

Further Information

For additional information, please contact:

Mr. Robert J. Zakresky
President and Chief Executive Officer
(403) 705-4525

Mr. Nolan Chicoine
Vice President, Finance and Chief Financial Officer
(403) 705-4525

[Leucrotta Exploration Inc.](#)
Suite 700, 639 - 5th Avenue SW
Calgary, Alberta T2P 0M9
Phone: (403) 705-4525
Fax: (403) 705-4526

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