

Yangarra Announces 2021 First Quarter Financial and Operating Results

28.04.2021 | [CNW](#)

CALGARY, April 28, 2021 - [Yangarra Resources Ltd.](#) ("Yangarra" or the "Company") (TSX: YGR) announces its financial operating results for the three months ended March 31, 2021.

During the first quarter, Yangarra continued its disciplined approach to controlling costs on operations and capital spending, successfully drilling seven wells and completing eight wells below previous guidance on cost estimates. The emphasis on a profitable growth strategy resulted in delays to bringing these wells on stream as the Company purposefully maximized company owned services to minimize costs. As of April, all the wells completed in the first quarter are on production. Yangarra's focus on cost reduction has established a cost base that will allow for significant improvements on profitability into the future. The Company expects these profits will maximize free cash flow which will initially reduce debt and ultimately translate into shareholder value.

Yangarra continues to make strides on its ESG initiatives as the Company executes on various methane reduction measures. Early results suggest the emissions reductions will be higher than initially estimated and as mandated by regulation, all are lower than expected. The Company is mobilizing for a 2021 abandonment program, partially funded by the Government of Alberta Site Rehabilitation Program, that will result in the abandonment of the majority of Yangarra's suspended wells. As well, additions to the leadership structure has resulted in increased diversity at both the board and management level.

Annual General Meeting of Shareholders

The Company's Annual General Meeting of Shareholders is scheduled for 10:00 AM on Thursday April 29, 2021.

As a precaution due to the COVID-19 pandemic, there will not be a corporate presentation at the conclusion of the meeting. The following Zoom conference information will be utilized to allow registered shareholders to listen to the formal portion of the meeting.

Zoom Link:

<https://us02web.zoom.us/j/82111432509?pwd=YTQvRGdkd0RHZ1hvTGlwSzZuQms2dz09>

Zoom Meeting ID: 821 1143 2509

Zoom Passcode: 752122

Participants will also be able to join with audio only, using the following number

1-587-328-1099

First Quarter Highlights

- Average production of 8,736 boe/d (47% liquids) during the quarter, a 28% decrease from the same period in 2020
- Oil and gas sales were \$28.4 million, an increase of 4% from the same period in 2020
- Funds flow from operations of \$17.0 million (\$0.20 per share - basic), a increase of 11% from the same period in 2020
- Adjusted EBITDA was \$19.6 million (\$0.22 per share - basic)
- Net income of \$9.1 million (\$0.11 per share - basic, \$11.9 million before tax), a increase of 222% from the same period in 2020
- Operating costs were \$5.84/boe (including \$1.10/boe of transportation costs)
- Field operating netbacks were \$28.29/boe
- Operating netbacks, which include the impact of commodity contracts, were \$25.95/boe
- Operating margins were 72% and funds flow from operations margins were 60%
- G&A costs of \$0.67/boe
- Royalties were 6% of oil and gas revenue
- All in cash costs were \$12.25/boe
- Capital expenditures were \$18.6 million
- Net debt (which excludes the current derivative financial instruments) was \$199.4 million
- Net Debt to first quarter annualized funds flow from operations was 2.9 : 1
- Retained earnings of \$117.8 million
- Corporate LMR is 6.9 with decommissioning liabilities of \$12.3 million (discounted)

Operations Summary

The Company drilled 7 wells and completed 8 wells during the quarter, with a majority of the wells brought onstream in resulting in higher exit production for the quarter. Drilling operations have commenced on a five-well pad which is targeted to be brought on production before the end of the second quarter. Production during the quarter was negatively impacted by weather and completions activity on adjacent pads. As part of the Company's disciplined approach to costs, Yangarra continues to avoid expensive third-party takeaway options when mid-streamers shut down for maintenance.

Disciplined Approach to Cost structure

Yangarra continues to streamline and improve its field operations which periodically results in short-term delay bringing wells onstream. However, by utilizing its own field personnel and equipment, Yangarra's costs are materially lower than third-party providers. The cost to equip and tie-in wells has been reduced significantly as Company crews are handling all surface and pipeline construction. Surface equipment is rotated through the field to new pads efficiently, as wells on older pads decline. Multi-disciplined field personnel and the addition of a full line of construction and commercial trucking equipment to augment the fluid trucking division allows Yangarra to allocate its field personnel to multiple tasks which results in efficient services with less staff.

ESG Initiatives

The project to reduce vented methane via pneumatic device retrofits or removal is nearing completion and the project to reduce methane venting via incineration has commenced. The Company has begun hook up of pad sites to the electric grid and is converting pump jacks to electric motors which significantly reduces carbon emissions while increasing profit as natural gas instead of being burned for fuel is net cash flow positive. Yangarra is also installing vapour recovery units to conserve steam on new pad sites.

Another abandonment program is set to commence targeting 15-20 standing wells, further reducing the \$12.3 million decommissioning liability.

Financial Summary

	2021	2020	
	Q1	Q4	Q1
Statements of Income and Comprehensive Income			
Petroleum & natural gas sales	\$28,475	\$23,064	\$27,435
Income before tax	\$11,919	\$5,754	\$3,877
Net income	\$9,117	\$4,276	\$2,835
Net income per share - basic	\$0.11	\$0.05	\$0.03
Net income per share - diluted	\$0.10	\$0.05	\$0.03
Statements of Cash Flow			
Funds flow from operations	\$17,091	\$12,460	\$15,293
Funds flow from operations per share - basic	\$0.20	\$0.15	\$0.18
Funds flow from operations per share - diluted	\$0.20	\$0.15	\$0.18
Cash from operating activities	\$12,986	\$19,192	\$15,725
Statements of Financial Position			
Property and equipment	\$575,296	\$563,290	\$558,956
Total assets	\$625,776	\$609,989	\$608,468
Working capital (deficit) surplus	\$(1,656)	\$6	\$(9,278)
Adjusted net debt	\$199,428	\$197,379	\$198,253
Shareholders equity	\$321,784	\$312,260	\$307,265
Weighted average number of shares - basic	85,416	85,380	85,380
Weighted average number of shares - diluted	87,159	85,588	85,524
Company Netbacks (\$/boe)			

	2021	2020	
	Q1	Q4	Q1
Sales price	\$ 36.22	\$ 27.34	\$ 24.87
Royalty expense	(2.08)	(1.52)	(1.49)
Production costs	(4.74)	(5.02)	(5.67)
Transportation costs	(1.10)	(1.03)	(1.00)
Field operating netback	28.30	19.77	16.71
Realized gain (loss) on commodity contract settlement	(2.35)	(0.38)	0.05
Operating netback	25.96	19.39	16.76
G&A	(0.67)	(0.89)	(0.72)
Cash Finance expenses	(3.79)	(3.73)	(2.17)
Depletion and depreciation	(8.04)	(8.04)	(8.36)
Non Cash - Finance expenses	3.42	(0.06)	(2.11)
Stock-based compensation	(0.28)	(0.61)	(0.51)
Unrealized gain (loss) on financial instruments	(1.42)	0.96	0.57
Deferred income tax	(3.56)	(1.75)	(0.94)
Net Income netback	\$ 11.61	\$ 5.06	\$ 2.51

Business Environment

	2021	2020	
	Q1	Q4	Q1
Realized Pricing (Including realized commodity contracts)			
Oil (\$/bbl)	\$ 60.80	\$ 55.13	\$ 52.19
NGL (\$/bbl)	\$ 38.48	\$ 24.32	\$ 16.64
Gas (\$/mcf)	\$ 3.07	\$ 2.64	\$ 2.11
Realized Pricing (Excluding commodity contracts)			
Oil (\$/bbl)	\$ 68.33	\$ 55.13	\$ 52.05
NGL (\$/bbl)	\$ 38.60	\$ 24.43	\$ 16.59
Gas (\$/mcf)	\$ 3.14	\$ 2.75	\$ 2.11
Oil Price Benchmarks			
West Texas Intermediate ("WTI") (US\$/bbl)	\$ 57.91	\$ 42.66	\$ 46.17
Edmonton Par (\$/bbl)	\$ 68.79	\$ 50.24	\$ 51.44
Edmonton Par to WTI differential (US\$/bbl)	\$ (3.57)	\$ (4.01)	\$ (7.85)
Natural Gas Price Benchmarks			
AECO gas (\$/mcf)	\$ 2.99	\$ 2.64	\$ 2.03
Foreign Exchange			
U.S./Canadian Dollar Exchange	0.79	0.77	0.75

Operations Summary

Net petroleum and natural gas production, pricing and revenue are summarized below:

	2021	2020	
	Q1	Q4	Q1
Daily production volumes			
Natural gas (mcf/d)	28,022	30,322	38,712
Oil (bbl/d)	2,414	2,269	3,550
NGL's (bbl/d)	1,652	1,846	2,120
Combined (boe/d 6:1)	8,736	9,169	12,122
Revenue			
Petroleum & natural gas sales - Gross	\$ 28,475	\$ 23,064	\$ 27,435
Realized gain (loss) on commodity contract settlement	(1,845)	(323)	53
Total sales	26,630	22,741	27,488
Royalty expense	(1,633)	(1,283)	(1,640)
Total Revenue - Net of royalties	\$ 24,997	\$ 21,458	\$ 25,848

Working Capital Summary

The following table summarizes the change in adjusted net debt during the three months ended March 31, 2021 and year December 31, 2020:

	Three months ended Year ended	
	March 31, 2020	December 31, 2020
Adjusted net debt - beginning of period	\$ (197,379)	\$ (187,711)
Funds flow from operations	17,091	45,524
Additions to property and equipment	(18,587)	(51,093)
Decommissioning costs incurred	-	(389)
Additions to E&E Assets	-	(426)
Issuance of shares	113	-
Other	(570)	(3,284)
Adjusted net debt - end of period	\$ (199,332)	\$ (197,379)
Credit facility limit	\$ 210,000	\$ 210,000
Capital Spending		

Capital spending is summarized as follows:

	2021		2020
	Q1	Q4	Q1
Cash additions			
Land, acquisitions and lease rentals	\$ (121)	\$ (75)	\$ 104
Drilling and completion	16,527	14,030	22,564
Geological and geophysical	271	134	171
Equipment	1,770	753	1,968
Other asset additions	140	347	201
	\$ 18,587	\$ 15,189	\$ 25,008
Exploration & evaluation assets	\$ -	\$ -	\$ 426

Quarter End Disclosure

The Company's financial statements, notes to the financial statements and management's discussion and analysis will be filed on SEDAR (www.sedar.com) and are available on the Company's website (www.yangarra.ca).

Forward looking information

This press release contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws relating to the Company's plans and other aspects of our anticipated future operations, management focus, strategies, financial, operating and production results and business opportunities. Forward-looking information typically uses words such as "anticipate", "believe", "continue", "sustain", "project", "expect", "forecast", "budget", "goal", "guidance", "plan", "objective", "strategy", "target", "intend" or similar words suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future, including statements about our strategy, plans, objectives, priorities and focus, growth plans; our estimations on future costs; volatility of commodity prices, and currency fluctuations.

The forward-looking information is based on certain key expectations and assumptions made by our management, including expectations and assumptions concerning prevailing commodity prices, exchange rates, interest rates, applicable royalty rates and tax laws; future production rates and estimates of operating costs; performance of existing and future wells; reserve volumes; anticipated timing and results of capital expenditures; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the state of the economy and the exploration and production business; results of operations; performance; business prospects and opportunities; the availability and cost of financing, labour and services; the impact of increasing competition; ability to market oil and natural gas successfully and our ability to access capital.

Although we believe 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 Yangarra can give no assurance that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature they involve inherent risks and uncertainties. Our actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated

by the forward-looking information will transpire or occur, or if any of them do so, what benefits that we will derive therefrom. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide security holders with a more complete perspective on our future operations and such information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect our operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

These forward-looking statements are made as of the date of this press release and we disclaim any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Barrels of Oil Equivalent

Natural gas has been converted to a barrel of oil equivalent (Boe) using 6,000 cubic feet (6 Mcf) of natural gas equal to one barrel of oil (6:1), unless otherwise stated. The Boe conversion ratio of 6 Mcf to 1 Bbl is based on an energy equivalency conversion method and does not represent a value equivalency; therefore Boe's may be misleading if used in isolation. References to natural gas liquids ("NGLs") in this news release include condensate, propane, butane and ethane and one barrel of NGLs is considered to be equivalent to one barrel of crude oil equivalent (Boe). One ("BCF") equals one billion cubic feet of natural gas. One ("Mmcf") equals one million cubic feet of natural gas.

Non-GAAP Financial Measures

This press release contains references to measures used in the oil and natural gas industry such as "funds flow from operations", "operating netback", "adjusted working capital deficit", and "net debt". These measures do not have standardized meanings prescribed by generally accepted accounting principles ("GAAP") and, therefore should not be considered in isolation. These reported amounts and their underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of other companies where similar terminology is used. Where these measures are used they should be given careful consideration by the reader. These measures have been described and presented in this press release in order to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations.

Funds flow from operations should not be considered an alternative to, or more meaningful than, cash provided by operating, investing and financing activities or net income as determined in accordance with GAAP, as an indicator of Yangarra's performance or liquidity. Funds flow from operations is used by Yangarra to evaluate operating results and Yangarra's ability to generate cash flow to fund capital expenditures and repay indebtedness. Funds flow from operations denotes cash flow from operating activities as it appears on the Company's Statement of Cash Flows before decommissioning expenditures and changes in non-cash operating working capital. Funds flow from operations is also derived from net income (loss) plus non-cash items including deferred income tax expense, depletion and depreciation expense, impairment expense, stock-based compensation expense, accretion expense, unrealized gains or losses on financial instruments and gains or losses on asset divestitures. Funds from operations netback is calculated on a per boe basis and funds from operations per share is calculated as funds from operations divided by the weighted average number of basic and diluted common shares outstanding. Operating netback denotes petroleum and natural gas revenue and realized gains or losses on financial instruments less royalty expenses, operating expenses and transportation and marketing expenses calculated on a per boe basis. Adjusted working capital deficit includes current assets less current liabilities excluding the current portion of the amount drawn on the credit facilities, the current portion of the fair value of financial instruments and the deferred premium on financial instruments. Yangarra uses net debt as a measure to assess its financial position. Net debt includes current assets less current liabilities excluding the current portion of the fair value of financial instruments and the deferred premium on financial instruments, plus the long-term financial obligation.

Readers should also note that adjusted earnings before interest, taxes, depletion & depreciation, amortization ("Adjusted EBITDA") is a non-GAAP financial measures and do not have any standardized meaning under GAAP and is therefore unlikely to be comparable to similar measures presented by other

companies. Yangarra believes that Adjusted EBITDA is a useful supplemental measure, which provide an indication of the results generated by the Yangarra's primary business activities prior to consideration of how those activities are financed, amortized or taxed. Readers are cautioned, however, that Adjusted EBITDA should not be construed as an alternative to comprehensive income (loss) determined in accordance with GAAP as an indicator of Yangarra's financial performance.

Please refer to the management discussion and analysis for the three month period ended March 31, 2021 for Non-GAAP financial measure reconciliation tables.

All reference to \$ (funds) are in Canadian dollars.

Neither the TSX nor its Regulation Service Provider (as that term is defined in the Policies of the TSX) accepts responsibility for the adequacy and accuracy of this release.

SOURCE [Yangarra Resources Ltd.](#)

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