

# Alvopetro Announces Second Quarter 2021 Results

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CALGARY, Aug. 11, 2021 - [Alvopetro Energy Ltd.](#) (TSXV: ALV) (OTCQX: ALVOF) announces our second quarter 2021 results, an operational update and details of our upcoming annual general meeting.

All references herein to \$ refer to United States dollars, unless otherwise stated and all tabular amounts are in thousands of United States dollars, except as otherwise noted.

### Operational Update

Our natural gas price under our long-term gas sales agreement was reset to BRL1.31/m<sup>3</sup>, a 24% increase from our February 2021 contracted price of BRL1.06/m<sup>3</sup>. Based on our average heat content to date and assuming the July 30, 2021 US\$/BRL exchange rate of 5.12, this equates to \$7.72/mcf as of August 1, 2021.

In July we commenced construction on our Gomo/Murucututu pipeline which will connect our 183(1) well to our Caburé pipeline. All pipe has been received in the field, welding commenced, and ditches are now being opened to start installation. We anticipate construction will be completed and the 183(1) well to be tied-in and on production by the end of the year.

We plan to commence drilling our 182-C1 and 183-B1 natural gas exploration wells later in the third quarter of this year following rig maintenance and acceptance of the contracted drilling rig.

### Financial and Operating Highlights - Second Quarter of 2021

- We averaged daily natural gas sales in the quarter of 13.5 mmcfpd with associated natural gas liquids sales from 105 bopd and oil sales of 5 bopd, bringing our overall average daily sales volumes to 2,361 boepd, a 9% increase from the first quarter.
- We generated natural gas and condensate revenues of \$8.2 million, with an operating netback of \$31.58/boe, a 7% increase from the first quarter of \$3.06 per boe from the first quarter. Our natural gas sales price averaged \$6.06/mcf, a 7% increase from the first quarter of \$5.68/mcf. Overall, our averaged realized price per boe increased \$2.63 per boe.
- Our funds flow from operations improved to \$5.5 million (\$0.05 per basic share and per diluted share) compared to \$4.0 million in the first quarter. Cash flows from operating activities improved \$1.4 million to \$5.7 million (\$0.06 per basic share and \$0.05 per diluted share).
- We reported net income of \$3.6 million, an increase of \$4.7 million from the prior quarter due mainly to the recognition of an unrealized foreign exchange gain of \$2.8 million compared to an unrealized loss of \$2.1 million in the first quarter, partially offset by increased deferred tax expense of \$0.4 million and current tax expense of \$0.3 million.
- Capital expenditures of \$0.9 million included \$0.5 million for the Gomo/Murucututu pipeline extension, \$0.2 million for the upcoming 183(B1) and 182(C1) exploration wells to be drilled later this year and \$0.2 million in capitalized G&A.
- We completed an amendment to our credit facility (the "Credit Facility"), extending the maturity date by one year to June 30, 2023, and eliminating the 3% per annum interest payable in kind ("PIK") as of April 15, 2021.
- As at June 30, 2021, we had a net working capital surplus of \$4.5 million, including \$4.2 million in cash and cash equivalents. During the quarter we repaid \$5.5 million of our Credit Facility reducing the balance outstanding to \$7.5 million as at June 30, 2021, and the Company's net debt to \$3.0 million, an improvement of \$4.2 million from March 31, 2021.

The following table provides a summary of Alvopetro's financial and operating results for the three and six months ended June 30, 2021 and June 30, 2020. As Alvopetro had not yet commenced commercial operations in the three months ended June 30, 2020, supplemental financial information has been presented for the first quarter of 2021. The consolidated financial statements and Management's Discussion and Analysis ("MD&A") are available on our website at [www.alvopetro.com](http://www.alvopetro.com) and will be available on the System for Electronic Document Analysis and Retrieval (SEDAR) website at [www.sedar.com](http://www.sedar.com).

	As at and Three Months Ended			As at and Six Months Ended June 30	
	Q2 2021	Q1 2021	Q2 2020	2021	2020

### Financial

(\$000s, except where noted)

Natural gas, oil and condensate sales

8,182

6,939



15,121





Net income (loss)	3,637	(1,088)	(1,168)	2,549	(3,531)
Per share - basic (\$)	0.04	(0.01)	(0.01)	0.03	(0.04)
Per share - diluted (\$) <sup>(1)</sup>	0.03	(0.01)	(0.01)	0.02	(0.04)
Cash flows from operating activities	5,665	4,304	(1,094)	9,969	(2,034)
Per share - basic (\$)	0.06	0.04	(0.01)	0.10	(0.02)
Per share - diluted (\$) <sup>(1)</sup>	0.05	0.04	(0.01)	0.10	(0.02)
Funds flow from operations <sup>(2)</sup>	5,471	4,756	(973)	10,227	(1,646)
Per share - basic (\$)	0.05	0.05	(0.01)	0.10	(0.02)
Per share - diluted (\$) <sup>(1)</sup>	0.05	0.05	(0.01)	0.10	(0.02)
Capital expenditures <sup>(3)</sup>	918	864	1,645	1,782	3,255
Total assets	79,322	76,022	71,466	79,322	71,466
Cash and cash equivalents	4,249	4,983	3,150	4,249	3,150
Net working capital surplus (deficit) <sup>(2)</sup>	4,499	5,775	(286)	4,499	(286)
Net debt <sup>(2)</sup>	3,046	7,254	15,478	3,046	15,478
Weighted average shares outstanding (000s)					
Basic	99,794	99,705	98,437	99,750	98,372
Diluted <sup>(1)</sup>	104,701	99,705	98,437	103,919	98,372
Operations					
Natural gas, crude oil and natural gas liquids sales:					
Natural gas (mcfpd)	13,512	12,464	-	12,991	-
NGLs - condensate (bopd)	105	98	2	101	4
Oil (bopd)	5	-	12	2	9
Total (boepd)	2,361	2,175	14	2,269	13
Average realized prices:					
Natural gas (\$/mcf)	6.06	5.68	-	5.88	-
NGL - condensate (\$/bbl)	74.47	64.41	37.27	69.65	62.21
Oil (\$/bbl)	59.63	-	30.25	59.63	36.81
Company total (\$/boe)	38.08	35.45	31.13	36.82	43.91
Operating netback (\$/boe) <sup>(2)</sup>					
Realized sales price	38.08	35.45	31.13	36.82	43.91
Royalties					

(2.82)

(3.30)

(3.89)

(3.05)

(5.65)



Production expenses	(3.68)	(3.63)	(28.02)	(3.66)	(34.78)
Operating netback	31.58	28.52	(0.78)	30.11	3.48

Notes:

- (1) The weighted average number of diluted common shares outstanding in the computation of funds flow from operations and cash flows from operating activities per share is the same as for net income per share.
  - (2) Non-GAAP measure - see "Non-GAAP Measures" section within this news release.
  - (3) Includes non-cash capital expenditures of \$0.35 million and \$0.40 million for the three and six months ended June 30, 2020.
- Annual General and Special Meeting

As announced by the Company on July 21, 2021, we will be holding our Annual General and Special Meeting (the "Meeting") on Thursday August 12, 2021, beginning at 2:00 pm. We invite all shareholders and any interested parties to attend. We will commence with the formal business of the meeting where shareholders will be asked to vote on all matters set forth in the Management Information Circular (the "Circular"). Only registered shareholders who held shares in their name as of July 2, 2021, the record date of the Meeting, or their validly appointed proxyholders who have signed into the online webcast, are entitled to vote on the resolutions during the Meeting. The Circular and all related meeting materials are available on our website at <https://alvopetro.com/Shareholder-Documents>.

Webcast Details:

Date: Thursday August 12, 2021

Time: 2:00 p.m. MDT (4:00 p.m. EDT)

Webcast: <https://virtual-meetings.tsxtrust.com/1106>

If you are a registered shareholder and have not yet voted your shares and wish to do so at the meeting, please select "I have a control number" when signing in and use the control number found on the form of proxy from our transfer agent, TSX Trust company along with the password: alvopetro2021 (case sensitive).

If you are a beneficial shareholder, you will not be entitled to vote your shares at the meeting but we still encourage you to attend. Please select "I am a guest" and fill in the required information.

Following the formal portion of the Meeting, we will deliver a corporation presentation to provide an overview of our operations and discuss our Q2 2021 results. Following the presentation there will be a question and answer period.

Corporate Presentation

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

Social Media

Follow Alvopetro on our social media channels at the following links:

Twitter - <https://twitter.com/AlvopetroEnergy>

Instagram - <https://www.instagram.com/alvopetro/>

LinkedIn - <https://www.linkedin.com/company/alvopetro-energy-ltd>

[Alvopetro Energy Ltd.](#)'s vision is to become a leading independent upstream and midstream operator in Brazil. Our strategy is to unlock the on-shore natural gas potential in the state of Bahia in Brazil, building off the development of our Caburé natural gas field and our strategic midstream infrastructure.

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.

All amounts contained in this new release are in United States dollars, unless otherwise stated and all

tabular amounts are in thousands of United States dollars, except as otherwise noted.

Abbreviations:

boepd = barrels of oil equivalent ("boe") per day

bopd = barrels of oil and/or natural gas liquids (condensate) per day

BRL = Brazilian Real

m<sup>3</sup> = cubic metre

mcf = thousand cubic feet

mmcf = million cubic feet

mmcfpd = million cubic feet per day

Q2 2020 = three months ended June 30, 2020

Q1 2021 = three months ended March 31, 2021

Q2 2021 = three months ended June 30, 2021

**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, net debt, 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 excluding 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 consists of current assets less current liabilities and is used to evaluate the Company's financial resources. Net debt is computed as the carrying amount of the Company's credit facility decreased by net working capital surplus or increased by net working capital deficit and is used by management to assess the Company's overall debt position and borrowing capacity. Operating netback is determined by dividing natural gas, oil and condensate sales (after sales taxes) less royalties, transportation and production expenses by sales volumes. Management considers operating netback important as it is a measure of profitability per barrel of oil equivalent sold and reflects the economic quality of production. Funds flow from operations, funds flow per share, net working capital, net debt 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. For more information with respect to financial measures which have not been defined by GAAP, including reconciliations to the closest comparable GAAP measure, see the "Non-GAAP Measures" section of the Company's MD&A which may be accessed through the SEDAR website at [www.sedar.com](http://www.sedar.com).

**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", "plan", "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 the plans relating to the Company's operational activities and the forecasted natural gas price under the Company's long-term gas sales agreement. The forward-looking statements are based on certain key expectations and assumptions made by Alvo Petro, including but not limited to the extent of future gas sales under the Company's long-term gas sales agreement, future foreign exchange rates, the timing of regulatory licenses and approvals, the success of future drilling, completion, testing, recompletion and development activities, the outlook for commodity markets and ability to access capital markets, the impact of the COVID-19 pandemic, the performance of producing wells and reservoirs, well development and operating performance, general economic and business conditions, weather and access to drilling locations, the availability and cost of labour and services, environmental regulation, including regulation relating to hydraulic fracturing and stimulation, the ability to monetize hydrocarbons discovered, the regulatory and legal environment and other risks associated with oil and gas operations. 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 Alvopetro 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 Alvopetro are included in our annual information form which may be accessed through the SEDAR website at [www.sedar.com](http://www.sedar.com). The forward-looking information contained in this news release is made as of the date hereof and Alvopetro 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.

SOURCE [Alvopetro Energy Ltd.](#)

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