

# PetroTal Announces Q2 2021 Financial and Operating Results

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PetroTal completes 8th producing well, increases water disposal capacity, and outperforms Q2 2021 production guidance under restricted flow conditions

Calgary, August 26, 2021 - [PetroTal Corp.](#) (TSXV: TAL) (AIM: PTAL) ("PetroTal" or the "Company") is pleased to announce its financial and operating results for the six ("H1") and three months ("Q2") ended June 30, 2021.

Selected financial and operational information is outlined below and should be read in conjunction with the Company's unaudited consolidated financial statements ("Financial Statements"), and management's discussion and analysis ("MD&A") for Q2 2021, which are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.PetroTal&#8208;Corp.com](http://www.PetroTal&#8208;Corp.com). All amounts herein are in United States dollars ("USD") unless otherwise stated.

## Highlights:

- Outperformed Q2 2021 production guidance by 2% and Q1 2021 production by 21%, delivering 8,839 bopd under constrained production conditions, as previously described in the Company's July 20, 2021 RNS;
- Generated a significant increase in revenue of \$42.8 million (\$53.20/bbl) in Q2 2021 versus \$32.4 million (\$41.91/bbl) in Q1 2021;
- Achieved record netback and net operating income in Q2 2021 of \$36.88/bbl and \$29.7 million, respectively;
- Operating and direct transportation costs in Q2 2021 were \$10.8 million (\$13.45/bbl) as compared to \$10.6 million (\$13.78/bbl) in Q1 2021;
- Generated free cash flow<sup>(1)</sup>, before leverage and working capital adjustments, in Q2 2021 of \$2.4 million and in H1 2021 of \$11.5 million, a record for the Company;
- Strong liquidity position, building total cash quarter over quarter to over \$79.5 million as at June 30, 2021 up 5% from March 31, 2021. \$25.4 million of total cash is restricted;
- Net income of \$11.4 million for the quarter, demonstrating an efficient operating cost structure, attractive capital base, and supportive fiscal terms;
- All Q2 2021 bond covenants met with substantial headroom. The Company exited Q2 2021 with a 0.41x leverage ratio which included \$40.6 million of net debt calculated per the bond indenture;
- Continued to de-risk commodity price exposure that brings the total corporate hedge percentage to 44% for the remaining four months of 2021 forecast production, protecting prices of \$60/bbl Brent;
- Necessary modifications to the water disposal system are ongoing. The field can now actively dispose of approximately 80,000 barrels of water per day ("bwpd") and 100,000 bwpd when the modifications are completed in September;
- Achieved payback on well 7D, approximately 2.5 months post completion;
- Current constrained production is 8,513 bopd (last seven-day average to August 20, 2021). Unrestrained production is expected to be restored in September;
- Revised H2 2021 production guidance as a result of a rescheduled and deferred drilling program stemming initially from the COVID-19 protocol's impact and from the water disposal well drilling delays. The 2021 average production range is now guided at 10,000 to 11,000 bopd (from 11,000 - 12,000 bopd). Exit December 2021 production has been slightly revised down to 17,000 - 18,000 bopd (from 18,000 - 19,000 bopd), as the impact of the BN-10H well won't be incorporated until early next year;
- Updated 2021 EBITDA<sup>(1)</sup> guidance is between \$140 - \$145 million for 2021, up materially from the original 2021 \$90 million budget;
- Successfully drilled BN-8H subsequent to the quarter end which is now being completed, and expected to be on time and under budget;
- Demonstrated importance of an expanded oil marketing strategy with two scheduled Brazilian cargos contracted subsequent to the quarter end;
- Enhanced the Company's long-term sustainability vision by establishing distinct objectives and performance measurements; and,

- Advanced government and community relations, ratifying the process of social profit share in nearby communities around PetroTal's oil operations.

(1) For a description of EBITDA and free cash flow, see Reader Advisories - Non-GAAP Measures below.

## Q2 2021 Webcast conference call

The Company will be hosting a conference call on August 26, 2021 at 9:00am Houston time. The link for the live webcast is below:

<https://webcasting.brrmedia.co.uk/broadcast/6113a8920ddc2b060ef52b06>

## Selected Financial Highlights

(in thousands USD)	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Financial				
Crude oil revenues	\$42,809	\$7,413	\$75,165	\$39,658
Royalties	(2,306)	(123)	(4,054)	(1,929)
Net operating income	29,678	2,756	49,647	20,565
Commodity price derivative (income)/loss	4,147	(18,264)	(18,365)	22,156
Net income (loss)	11,374	16,029	42,159	(15,423)
Basic and diluted net income (loss)(US\$/share)	0.01	0.02	0.05	(0.02)
Capital expenditures	22,363	8,756	29,476	\$32,628
Operating				
Average production (bopd)	8,839	4,185	8,089	6,936
Average sales (bopd)	8,842	4,729	8,711	7,521
Average Brent price (\$/bbl)	68.83	29.19	64.28	39.67
Contracted sales price, gross (\$/bbl)	66.55	27.30	62.79	42.40
Netback (US\$/barrel)	36.88	6.40	31.49	15.02
Funds flow provided by (used in) operations	19,627	15,337	24,094	14,611
Balance sheet				
Cash and restricted cash			79,491	20,379
Working Capital			62,634	(31,845)
Total assets			359,788	216,899
Current liabilities			72,639	76,932
Equity			180,291	122,789

### Note:

(1) Funds flow provided by (used in) operations and netback do not have any standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures for other entities. See "Non-GAAP Measures".

## Q2 2021 Selected Operational Highlights

Completed the 7D well on April 30, 2021. The well was drilled and completed at a revised final cost of \$7.6 million, or 17% below budget. Shortly after completion the well achieved rates in excess of 4,500 bopd, is performing well above type curve expectations, and has achieved payback in 2.5 months.

Commenced drilling and coring of the 3WD (water disposal) well. PetroTal commenced drilling and coring of the 3WD well on May 3, 2021, which was completed subsequent to the quarter end on July 9, 2021. The

overall operation and coring program on 3WD were a success, with two cores cut allowing for a more thorough oil in place estimate for the 2021 year-end reserves assessment. The completion of the 3WD well also increased water disposal capacity to 80,000 bwpd which provides enough capacity to achieve near term production targets.

Outperformed Q2 2021 production guidance under restricted flow conditions. Production averaged 8,839 bopd for Q2 2021 compared to guidance of 8,655 bopd. This was 2% above guidance, 21% above Q1 2021, and 111% above Q1 2020 levels which were impacted by the COVID-19 pandemic. Current field production is now 8,513 bopd. Production was largely constrained during the quarter and during the period subsequent due to operational delays on one of the water disposal booster pumps, thereby reducing water disposal rates. The water disposal modifications are still being completed and water disposal capacity has returned to an estimated 80,000 bwpd with water now being injected into both the 2WD and 3WD wells. A new 10" pipeline connection to the facility water tanks was also installed to increase water injection rates. When completed, total available water disposal capacity will be 100,000 bwpd.

Revised H2 2021 guidance. Due to the recent drilling delay, that pushes the impact of the BN-10H well to early next year, PetroTal has rescheduled its H2 2021 development drilling plan. As a result, PetroTal is now scheduled to bring two additional wells onstream in 2021 instead of the previously planned three. The third well is now expected onstream in January 2022. Accrued drilling costs on the deferred well will still materially be captured in Q4 2021, with January 2022 now receiving the flush production benefit instead of December 2021. Capital expenditures are still materially on budget at approximately \$100 million for 2021.

2021 Guidance Summary	New	Original	Variance
Average 2021 Brent Price (\$/bbl)	\$67.30/bbl	\$50.00/bbl	\$17.30/bbl
2021 Production Range (bopd)	10,000 - 11,000	11,000 - 12,000 (0-1,000)	
Q3 2021 Production (bopd)	9,500 - 10,000	11,500 - 12,500 (1,500-3,000)	
Q4 2021 Production (bopd)	16,000 - 16,500	16,000 - 17,000 (0-500)	
2021 Exit Production (bopd)	17,000 - 18,000	18,000 - 19,000 (1,000)	
Oil Wells Commenced	4	5	(1)
Oil Wells Completed	3	4	(1)
EBITDA	\$140 - \$145 million	\$90 million	\$50-\$55 million
EBITDA Netback (\$/bbl)	\$35.50/bbl	\$21.40/bbl	\$14.10/bbl

Completed drilling of BN-8H on August 18, 2021. The well was successfully drilled to a final depth of 4,200 meters as expected on August 18, 2021. A total of 1,137 meters of 6-1/8" horizontal section was drilled in very well-developed oil reservoir sands of the Vivian formation. Completion operations are currently ongoing on the BN-8H well and is on track for completion in early September. Post completion of BN-8H, the rig will commence drilling the next horizontal development well ("BN-9H") using a synthetic mud system with a larger diameter drill pipe.

CPF-2 commissioning rescheduled. Due to COVID-19 quarantine protocols, contractor personnel were removed from the field which delayed CPF-2 commissioning work. Startup is now rescheduled for late November and early December for the oil and water treatment infrastructure. The rescheduling is not expected to impact the ability for the field to handle new flush production rates.

Sales and Marketing update. The long-term Brazil export contract PetroTal signed in Q1 2021 is playing a key role in ensuring our ability to maintain oil production from any pipeline disruptions. Two ongoing back-to-back exports via Brazil have allowed us to maintain production during a recent social dispute that shut down Petroperu's ONP pump station one near Saramurillo, in late July 2021. The disruption is expected to be resolved shortly with pipeline operations restored thereafter. As part of PetroTal's new diversified marketing strategy, the Company was able to secure two back-to-back ~240,000 bbl cargo shipments to Brazil in Q3 2021 and sold FOB Bretana. Netbacks from these sales are competitive with the ONP, and PetroTal anticipates no sales disruptions due to the ONP closure. We are working diligently with Petroperu and the Peruvian Government, as well as Saramurillo's leaders, to provide assistance, as needed.

## Q2 2021 Selected Financial and Corporate Highlights

Significant liquidity and working capital in hand. PetroTal continues to strengthen its liquidity position. Q2 2021 ending cash totaled \$79.5 million, up \$3.6 million from March 31, 2021 and up \$59.1 million from June

30, 2020 due to proceeds from the Q1 2021 bond issuance. Current net working capital (defined as current assets less current liabilities) continues to show a strong position, ending Q2 2021 in a \$62.6 million surplus position vs a \$68.2 million surplus ending in Q1 2021. At June 30, 2021, accounts payable and accrued liabilities were approximately \$38.6 million.

**Record Net Operating Income ("NOI").** PetroTal generated a record \$29.7 million (\$36.88/bbl) of NOI in the quarter, an increase of \$26.9 million over Q2 2020 and \$9.7 million over Q1 2021, due to higher realized Brent prices and increased oil production.

**Lower per barrel operating costs.** Operating costs were flat quarter over quarter at \$10.8 million for Q2 2021 versus \$10.6 million for Q1 2021 despite the price of diluent increasing significantly in conjunction with the Brent oil price. On a per barrel basis, total operational costs were down 2% at \$13.45/bbl in Q2 2021 versus \$13.78/bbl in Q1 2021.

**Strong royalty profile.** Royalties for the quarter were \$2.3 million or \$2.87/bbl versus \$1.7 million or \$2.26/bbl in Q1 2021. The increase was due to higher realized Brent prices and higher production for Q2 2021.

**Capital expenditures ("CAPEX").** Capital expenditures for Q2 2021 totaled \$22.4 million, up 215% from Q1 2021 due to active drilling activity for the majority of the quarter versus little activity in Q1 2021. In total, year to date expenditures were \$29.5 million which is \$16.5 million below guidance due to the rescheduling of various facility and infrastructure projects into H2 2021. The CPF-2 completion and commissioning dates are now expected late in 2021.

**Positive free cash flow generation in H1 2021.** PetroTal is pleased to announce it generated record free cash flow in H1 2021 (before changes in working capital), with Q2 2021 contributing another \$2.4 million to free cash flow in a drilling heavy quarter. H1 2021 funds flow from operations (before working capital adjustments) totaled \$40.9 million, and after total capital expenditures of \$29.5 million, resulted in a total of \$11.5 million of free cash flow in H1 2021. This was due to robust H1 2021 Brent prices, deferred infrastructure projects into H2 2021 and favorable operating costs. PetroTal estimates that it will continue to generate free cash flow in H2 2021.

**Continued positive Net Income.** Net income for Q2 2021 was \$11.4 million versus \$16.0 million in Q2 2020 and \$30.8 million in Q1 2021. Based on low cumulative capital of approximately \$184 million invested in the asset since 2018, favorable commodity prices and a strong operating cost structure, continued positive earnings are anticipated. For Q2 2021, a \$4.1 million derivative loss was realized versus \$22.5 and \$18.3 million derivative gains in Q1 2021 and Q2 2020, respectively.

**Derivative Asset.** PetroTal continues to recognize a material derivative asset on its balance sheet. At June 30, 2021, the Company recorded a \$31.2 million derivative asset and a \$1.4 million derivative liability versus a \$39.7 million derivative asset at March 31, 2021 and a \$22.5 million liability at June 30, 2020. When the Q1 2021 bond proceeds were received the derivative liability was extinguished and hedges were put in place on oil moving through the ONP. The difference between the Brent prices creating the extinguished liability and the prices at hedged strip created the derivative asset that the Company will continue to realize throughout H2 2021 and early 2022, as physical sales at the port of Bayovar occur by Petroperu. To date, the Company has realized a cash gain of \$7.1 million in true up revenue with the remainder of production in the ONP secured by hedges to be received over the next 12 months.

**Hedging Update.** At June 30, 2021 the Company has outstanding corporate hedges on approximately 677,481 bbls in both put and synthetic put structures expiring from July to Dec 2021. On August 23, 2021 the Company layered in additional hedges totaling 304,626 bbls using a put structure with \$60/bbl strike prices, bringing the percentage of hedged forecast volumes to 44% for September to December 2021. In partnership with Petroperu, the Company also has approximately 2.24 million barrels hedged in the ONP, with approximately 80% of barrels locked in between \$60 and \$62/bbl Brent and more recent hedges, totaling approximately 20% of barrels in the ONP, hedged at approximately \$70/bbl Brent.

**Strong Balance Sheet.** PetroTal reported net debt of approximately \$22.7 million as at June 30, 2021 as calculated for valuation purposes, which includes balance sheet derivatives and \$40.6 million as calculated for bond covenants. For bond covenant purposes, the Q2 2021 net debt to adjusted EBITDA covenant was 0.41x against a maximum ratio of 3.0x leaving substantial buffer room to withstand potential commodity price

volatility and / or accretive M&A transactions.

## 2020 Sustainability Report Long Term Vision

As previously announced, PetroTal's 2020 sustainability report is available on the Company's website. In addition, PetroTal is in the process of finalizing its long term sustainability objectives and targets for 2023, 2025, and 2030. Below, are the key components that summarize the long term vision:

Environmental Commitment - emissions, use of technology, climate impact, waste management, biodiversity, accident prevention.

Shared Values and Alignment - community alignment and commitment, supplier process, talent and community training and development.

Governance - Ethics management, risk management, human rights, inclusion, macroeconomic values.

Health and Safety - safety of employees, suppliers and contractors.

Detailed objectives have been drafted and set by management with measurement and outcomes currently being finalized and approved by the board of directors. Details will be available to investors on the PetroTal website in the coming quarters.

Recent Project Nomination. PetroTal is pleased to announce that it has been recognized as one of three companies in the oil and gas sector for its citizen socio environmental monitoring program (PROMOSAC). The formal document from the Ministry of Energy is now available here:

[https://cdn.www.gob.pe/uploads/document/file/2069295/Programa%20de%20Reconocimiento%20CER%20\\_Julio2021](https://cdn.www.gob.pe/uploads/document/file/2069295/Programa%20de%20Reconocimiento%20CER%20_Julio2021)

Community Relations Update. On August 10<sup>th</sup>, 2021, the Minister of Energy and Mines, Ivan Merino Aguirre, met with a delegation of PetroTal management that included Manolo Zuniga, CEO of PetroTal. Management presented various proposals that will promote continued investment in the energy sector and encourage collaboration between the Ministry and Company. The Company renewed its commitment to work directly with local communities in the Puinahua District of Bretana, to promote investment and training to further harmonize relations between operators. In turn, the Ministry offered assurances that social profitability and peace will be applied directly with community leaders from PetroTal's resource operations to avoid intermediaries and thereby reducing potential social conflict. The news article can be found here: <https://bit.ly/2VziOgx>

In addition, Manolo Zuniga, attended recent anniversary meetings with families and associates impacted by the violent social demonstration that occurred outside Bretana just over a year ago. The Company delegation offered families condolences, support, and assistance for remembrance and respect for the lives that were lost.

Updated Corporate Presentation. Please see PetroTal's website for an updated version.

Manuel Pablo Zuniga-Pflucker, President and Chief Executive Officer, commented

"We are pleased to share our strong second quarter results which demonstrate continued operational success and resilience in the face of challenges. Our Q2 2021 results were strong, contributing to record net operating income, netbacks, and free cash flow in Q2 2021 and H1 2021 which we anticipate will continue in H2 2021. Despite the water disposal bottlenecks and drilling delays we slightly outperformed production guidance in Q2 2021. With the booster pump issue now fixed and new pipeline infrastructure being put in place we will be able to utilize full water disposal capacity. Wells BN-8H and 9H, on production in H2 2021, are anticipated to lift PetroTal's production to record levels. We are also again reminded that our battle with COVID-19 is not to be underestimated, as we experienced some CFP-2 installation delays which, fortunately

should not impact the Company's ability to bring on new oil production in H2 2021. The Company continues to allocate appropriate capital to fighting the COVID-19 pandemic and make health and safety a top priority for all our employees and contractors."

## ABOUT PETROTAL

PetroTal is a publicly traded, dual-listed (TSXV: TAL) (AIM: PTAL) oil and gas development and production Company domiciled in Calgary, Alberta, focused on the development of oil assets in Peru. PetroTal's flagship asset is its 100% working interest in Bretana oil field in Peru's Block 95 where oil production was initiated in June 2018, and in early 2020 became the second largest crude oil producer in Peru. Additionally, the Company has large exploration prospects and is engaged in finding a partner to drill the Osheki prospect in Block 107. The Company's management team has significant experience in developing and exploring for oil in Peru and is led by a Board of Directors that is focused on safely and cost effectively developing the Bretana oil field.

For further information, please see the Company's website at [www.petrotal-corp.com](http://www.petrotal-corp.com), the Company's filed documents at [www.sedar.com](http://www.sedar.com), or below:

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**FORWARD-LOOKING STATEMENTS:** This press release contains certain statements that may be deemed to be forward-looking statements. Such statements relate to possible future events, including, but not limited to: PetroTal's business strategy, objectives, strength and focus; drilling, completions, workovers and other activities and the anticipated costs and results of such activities; the ability of the Company to achieve drilling success consistent with management's expectations; the ability of the Company to achieve near term

production targets; anticipated future production and revenue; drilling plans including the timing of drilling, commissioning, and startup; startup plans for oil and water treatment infrastructure, including the timing of startup plans and the impact of delays thereon; oil production levels, including average production and exit production in 2021; the 2021 capital program and budget, including drilling plans; expectations regarding accrued drilling costs on deferred wells and allocation of flush production benefits; the timing of river embankment erosion work; COVID-19 surveillance and control process; hedging program, the terms thereof, and the Company's expectations regarding its hedged positions; cargo loading and shipments, including the timing of loading and shipping and expectations regarding sales from cargo shipments; the Company's expectations regarding net operating income, netbacks, liquid net working capital and free cash flow; the Company's long-term sustainability objectives and targets, and the timing thereof; the Company's proposals for continuous investment in the energy sector and collaboration with local communities; and future development and growth prospects. All statements other than statements of historical fact may be forward-looking statements. In addition, statements relating to expected production, reserves, recovery, costs and valuation are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believe", "expect", "plan", "estimate", "potential", "will", "should", "continue", "may", "objective" and similar expressions. The forward-looking statements are based on certain key expectations and assumptions made by the Company, including, but not limited to, expectations and assumptions concerning the ability of existing infrastructure to deliver production and the anticipated capital expenditures associated therewith, the ability of the Ministry of Energy to effectively achieve its objectives in respect of reducing social conflict and collaborating towards continued investment in the energy sector, reservoir characteristics, recovery factor, exploration upside, prevailing commodity prices and the actual prices received for PetroTal's products, including pursuant to hedging arrangements, the availability and performance of drilling rigs, facilities, pipelines, other oilfield services and skilled labour, royalty regimes and exchange rates, the application of regulatory and licensing requirements, the accuracy of PetroTal's geological interpretation of its drilling and land opportunities, current legislation, receipt of required regulatory approval, the success of future drilling and development activities, the performance of new wells, the Company's growth strategy, general economic conditions and availability of required equipment and services. Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., 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 reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses; and health, safety and environmental risks), commodity price volatility, price differentials and the actual prices received for products, exchange rate fluctuations, legal, political and economic instability in Peru, access to transportation routes and markets for the Company's production, changes in legislation affecting the oil and gas industry and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. In addition, the Company cautions that current global uncertainty with respect to the spread of the COVID-19 virus and its effect on the broader global economy may have a significant negative effect on the Company. While the precise impact of the COVID-19 virus on the Company remains unknown, rapid spread of the COVID-19 virus may continue to have a material adverse effect on global economic activity, and may continue to result in volatility and disruption to global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to the Company. Please refer to the risk factors identified in the MD&A and the most recent annual information form which are available on SEDAR at [www.sedar.com](http://www.sedar.com). The forward-looking statements contained in this press release are made as of the date hereof and 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.

**OIL AND GAS INFORMATION:** References in this press release to short-term production rates are useful in confirming the presence of hydrocarbons, however such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long term performance or of ultimate recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for PetroTal. The Company cautions that the such results should be considered to be preliminary.

**OIL REFERENCES:** All references to "oil" or "crude oil" production, revenue or sales in this press release mean "heavy crude oil" as defined in NI 51-101. All references to Brent indicate Intercontinental Exchange

("ICE") Brent.

**NON-GAAP MEASURES:** This press release contains financial terms that are not considered measures under generally accepted accounting principles ("GAAP") such as EBITDA, EBITDA netback, operating netback, funds flow provided by operations, liquid net working capital and free cash flow that do not have any standardized meaning under GAAP and may not be comparable to similar measures presented by other companies. Management uses these non-GAAP measures for its own performance measurement and to provide shareholders and investors with additional measurements of the Company's efficiency and its ability to fund a portion of its future capital expenditures. EBITDA is calculated as consolidated net income (loss) before interest and financing expenses, income taxes, depletion, depreciation and amortization adjusted for certain non-cash, extraordinary and non-recurring items primarily relating to unrealized gains and losses on financial instruments and impairment losses. PetroTal utilizes EBITDA as a measure of operational performance and cash flow generating capability. EBITDA impacts the level and extent of funding for capital projects investments. EBITDA netback is calculated as EBITDA divided by the number of barrels sold in the period. The Company considers operating and EBITDA netbacks to be a key measure as they demonstrate Company's profitability relative to current commodity prices. Netback is calculated by dividing net operating income by barrels sold in the corresponding period. Funds flow provided by operations, is a non-GAAP measure that includes all cash generated from operating activities and is calculated before changes in non-cash working capital. A reconciliation from cash provided by operating activities to funds flow provided by operations is included in the MD&A. Liquid net working capital is a measure that includes cash, receivables, payables and short-term obligations. Free cash flow is operating cash flow before hedging minus maintenance capital expenditures.

**FOFI DISCLOSURE:** This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about PetroTal's prospective results of operations, production and production capacity, 2021 capital program and budget, cash flow profile, free cash flow, liquidity and components thereof, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. FOFI contained in this press release was approved by management as of the date of this press release and was included for the purpose of providing further information about PetroTal's anticipated future business operations. PetroTal disclaims any intention or obligation to update or revise any FOFI contained in this press release, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this press release should not be used for purposes other than for which it is disclosed herein. All FOFI contained in this press release complies with the requirements of Canadian securities legislation, including National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities.

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