

Alvopetro Announces Third Quarter 2021 Results

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CALGARY, Nov. 9, 2021 - [Alvopetro Energy Ltd.](#) (TSXV:ALV) (OTCQX: ALVOF) announces our third quarter 2021 financial results and an operational update.

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.

President and CEO, Corey Ruttan commented:

"I am very pleased with our Q3 2021 performance, which marks a new level of delivery from both an operational and financial perspective. We achieved record quarterly production of 2,459 boepd under the strongest gas prices we have ever reported, resulting in record operating netbacks and cash flow from operations. We have also declared and paid our first quarterly dividend, underscoring our transformation into a business that delivers both organic growth and value through direct shareholder returns."

Operational Update

Production from our Caburé natural gas field continued at consistent rates in October, with average daily natural gas sales of 13.7 mmcfpd, associated natural gas liquids sales from condensate of 99 bopd and oil sales of 5 bopd, for total average daily sales of 2,382 boepd. We are forecasting a further increase in our realized natural gas prices, to the ceiling within our contract, effective February 1, 2022, to BRL 1.90/m³, or \$10.15/mcf. This forecasted pricing is based on commodity prices to date in 2021, GLJ Ltd.'s October 1, 2021 commodity price forecast, US CPI inflation to September 30, 2021, our average heat content to date of 107% and the October 31, 2021 BRL/USD foreign exchange rate of 5.643.

We continue to advance the installation of our Gomo/Murucututu pipeline and expect our 183(1) well to be tied-in and on production in early 2022. We have also notified Enerflex Ltd. to increase the operational capacity of our gas processing facility to 500,000 m³/d (17.7 mmcfpd) under the terms of our existing Gas Treatment Agreement, a 25% increase above our current processing capacity. We expect that the additional firm capacity will be available by June 1, 2022. The additional available capacity will allow us to have flexibility to process additional volumes from our Murucututu field with further capital plans commencing in 2022, including stimulation and tie-in of our 197(1) well and follow-up development wells.

Rig maintenance is ongoing for our contracted drilling rig for our 182-C1 and 183-B1 natural gas exploration wells. We expect to commence drilling the first prospect, the 182-C1 well, in December.

Financial and Operating Highlights - Third Quarter of 2021

- Daily sales averaged 2,459 boepd, a 4% increase from the Q2 2021 average of 2,361 boepd and a 39% increase over the Q3 2020 average of 1,764 boepd.
- Our realized natural gas sales price averaged \$7.07/mcf in the quarter, an increase of \$1.01/mcf (17%) from Q2 2021 following our August 1, 2021 natural gas price reset which increased our contracted price from BRL1.06/m³ to BRL1.31/m³, an increase from \$6.26/mcf to \$7.72/mcf based on the July 30, 2021 BRL/USD exchange rate of 5.12 and average heat content to date of 107%. Overall, our natural gas, oil and condensate revenues increased to \$10.0 million, a 22% increase over Q2 2021 revenue of \$8.2 million.

- With higher overall realized sales prices, our operating netback improved to \$36.38 per boe, compared to \$31.58 per boe in Q2 2021 and \$25.99 in Q3 2020. Our funds flow from operations improved to \$7.9 million (\$0.24 per basic share and \$0.22 per diluted share) and cash flows from operating activities improved to \$7.2 million (\$0.22 per basic share and \$0.20 per diluted share).
- We reported net income of \$1.5 million, a decrease of \$2.1 million from Q2 2021 despite higher funds flow from operations due mainly to the recognition of an unrealized foreign exchange loss of \$1.8 million (compared to a gain of \$2.8 million in Q2 2021).
- Capital expenditures totaled \$1.3 million, focused on our Gomo/Murucututu pipeline extension.
- We completed a share restructuring during the quarter, repurchasing a total of 1,265,306 common shares, and consolidating the remaining shares on an effective 3:1 basis resulting in a reduction in our common shares outstanding from 99.8 million to 32.9 million immediately following the restructuring.
- On September 21, 2021, our Board of Directors declared our first dividend of \$0.06 per share to shareholders of record on September 29, 2021. Total dividends of \$2.0 million were paid on October 15, 2021.
- As at September 30, 2021, we had a net working capital surplus of \$6.8 million, including \$8.1 million in cash and cash equivalents. During the quarter we repaid \$1.0 million of advances outstanding under our Credit Facility reducing the balance outstanding to \$6.5 million as of September 30, 2021. The Company's working capital net of debt improved by \$3.3 million to \$0.3 million in the three months ended September 30, 2021.

The following table provides a summary of Alvopetro's financial and operating results for the three and nine months ended September 30, 2021 and September 30, 2020. The consolidated financial statements with the Management's Discussion and Analysis ("MD&A") are available on our website at www.alvopetro.com and will be available on the System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.

	As at and Three Months Ended September 30,			As at and Nine Months Ended September 30,	
	2021	2020	Change (%)	2021	2020
Financial					
(\$000s, except where noted)					
Natural gas, oil and condensate sales	9,963	5,320	87	25,084	5,421
Net income	1,490	6,483	(77)	4,039	2,952
Per share - basic (\$)	0.05	0.20	(75)	0.12	0.09
Per share - diluted (\$) ⁽¹⁾	0.04	0.19	(79)	0.12	0.08
Cash flow from operating activities	7,234	1,971	267	17,203	(63)
Per share - basic (\$)	0.22	0.06	267	0.52	(0.00)
Per share - diluted (\$) ⁽¹⁾	0.20	0.06	233	0.50	(0.00)
Funds flow from operations ⁽²⁾	7,930	3,610	120	18,157	1,964
Per share - basic (\$)	0.24	0.11	118	0.55	0.06
Per share - diluted (\$) ⁽¹⁾	0.22	0.11	100	0.52	0.06
Capital expenditures ⁽³⁾	1,261	107	1,079	3,043	3,362
Total assets	79,104	75,746	4	79,104	75,746
Cash and cash equivalents	8,084	3,167	155	8,084	3,167
Net working capital surplus ⁽²⁾	6,839	2,233	206	6,839	2,233

	As at and Three Months Ended September 30,			As at and Nine Months Ended September 30,	
	2021	2020	Change (%)	2021	2020
Working capital, net of debt (net debt) ⁽²⁾	294	(13,103)	102	294	(13,103)
Weighted average shares outstanding (000s)					
Basic	32,923	32,818	0	32,860	32,800
Diluted ⁽¹⁾	35,310	33,359	6	34,717	35,204
Operations					
Natural gas, crude oil and natural gas liquids sales:					
Natural gas (mcfpd)	14,102	10,105	40	13,365	3,393
NGLs - condensate (bopd)	107	79	35	103	29
Oil (bopd)	2	-	-	2	6
Total (boepd)	2,459	1,764	39	2,333	601
Average realized prices:					
Natural gas (\$/mcf)	7.07	5.37	32	6.30	5.37
NGL - condensate (\$/bbl)	79.36	44.75	77	73.04	46.16
Oil (\$/bbl)	61.11	-	-	60.06	36.81
Company total (\$/boe)	44.04	32.79	34	39.39	32.94
Operating netback (\$/boe) ⁽²⁾					
Notes:					
Realized sales price	44.04	32.79	34	39.39	32.94
(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.	(4.02)	(2.81)	43	(3.39)	(2.85)
Production expenses - see "Non-GAAP Measures" section within this news release.	(3.64)	(3.99)	(9)	(3.65)	(4.42)
(2) Includes non-cash capital expenditures of \$0.4 million for the nine months ended September 30, 2020.	36.38	25.99	40	32.35	25.67

Q3 2021 Results Webcast

We are hosting a quarterly results webcast to discuss our Q3 2021 results on November 10, 2021. Details for joining the event are as follows:

DATE: November 10, 2021
TIME: 11:00 AM Eastern / 9:00 AM Mountain
LINK: <https://zoom.us/j/97259429873>
DIAL-IN NUMBERS: <https://zoom.us/u/abU4Yuejrl>
WEBINAR ID: 972 5942 9873

The webcast will include a question and answer period. Online participants will be able to ask questions through the Zoom portal. Dial-in participants can email questions directly to socialmedia@alvopetro.com.

Annual Long-term Share Based Compensation Grants

In connection with our long-term share-based compensation programs, Alvopetro's Board of Directors (the "Board") has approved the annual rolling grants to officers, directors and certain employees under Alvopetro's Stock Option Plan and Incentive Share Plan. A total of 318,000 stock options, 66,500 restricted share units ("RSUs") and 30,000 deferred share units ("DSUs") were approved by the Board and will be granted on November 19, 2021. Of the total grants, 290,000 stock options, 58,000 RSUs and 30,000 DSUs were granted to directors and officers. Each stock option, RSU and DSU entitles the holder to purchase one common share. Each stock option granted will have an exercise price based on the volume weighted average trading price of Alvopetro's shares on the TSX Venture Exchange for the five (5) consecutive trading days up to and including November 18, 2021. All stock options, RSUs and DSUs granted expire five (5) years from the date of the grant.

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

m³ = cubic metre

mcf = thousand cubic feet

mmcf = million cubic feet

mmcfpd = million cubic feet per day

Q2 2021 = three months ended June 30, 2021

Q3 2020 = three months ended September 30, 2020

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, working capital net of debt (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. Working capital, net of debt is computed as net working capital decreased by the carrying amount of the Company's credit facility. Where the resulting amount is negative, it is referred to as net debt. This measure 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, working capital net of debt (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.

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", "intend" and other similar words or expressions are intended to identify forward-looking information. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the expectations discussed in the forward-looking statements. These forward-looking statements reflect current assumptions and expectations regarding future events. Accordingly, when relying on forward-looking statements to make decisions, Alvopetro cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties. More particularly and without limitation, this news release contains forward-looking information concerning the plans relating to the Company's operational activities, the expected gas sales and gas deliveries under Alvopetro's long-term gas sales agreement, forecasted earnings, and the Company's plans for dividends in the future. The forward-looking statements are based on certain key expectations and assumptions made by Alvopetro, including but not limited to 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 Alvopetro 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 factors that could affect the operations or financial results of Alvopetro are included in our annual information form which may be accessed on Alvopetro's SEDAR profile at 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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