

Alvopetro Announces Record First Quarter 2022 Results, an Operational Update, Additional Debt Repayment, and Details of our Annual and Special Meeting

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CALGARY, AB , May 12, 2022 /CNW/ - [Alvopetro Energy Ltd.](#) (TSXV: ALV) (OTCQX: ALVOF) announces record first quarter operating and financial results, an operational update, an additional debt repayment and details of our upcoming annual and special 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.

President and CEO, Corey Ruttan commented:

"Our first quarter results highlight the strength and profitability of our operations. This quarter sets a new record for us for cash flow from operations with our highest quarterly production to-date and two months at our higher contracted natural gas prices. These results allowed us to increase our quarterly dividends to shareholders by 33% to US\$0.08/share and we are also focused on our next phase of growth with our recent 182-C1 exploration success and the development of our Murucututu project."

Operational Update

In April, we completed drilling our 182-C1 well on Block 182 and, based on open-hole wireline logs, the well discovered potential net natural gas pay at an average 34% water saturation and average porosity of 8.2%, using a 6% porosity Vshale cut-off and 50% water saturation cut-off. We plan to undertake a testing program to assess the productive capacity of the well and define a field development plan. We expect testing to be completed later in the second quarter and we also plan to drill a follow-up well on the block in the second half of 2022. The drilling rig has now been mobilized to our next exploration location, the 183-B1 well which we expect to spud later this month.

On our Murucututu project, we have completed construction of the pipeline to connect the 183(1) well to our Caburé pipeline. We are in the final stages of construction of our field production facilities. We expect our 183(1) well to be tied-in and on production later this quarter.

Debt Repayment

With our strong production levels and results to-date in 2022, we have notified our lender that we will proceed with an additional \$2.5 million repayment of our outstanding credit facility on May 16, 2022. This repayment will bring the outstanding balance of our credit facility down to \$2.5 million.

Financial and Operating Highlights - First Quarter of 2022

- Our daily sales averaged 2,501 boepd in Q1 2022, a 15% increase from the Q1 2021 average of 2,175 boepd and a 10% increase from the Q4 2021 average of 2,432 boepd. In Q1 2022, 96% of our sales volumes were from natural gas.
- On February 1, 2022, our contracted natural gas price under our long-term gas sales agreement increased 48% to US\$1.94/Mcf (real ("BRL")1.94/m³). With two months in the quarter at this higher price, the current ceiling price in our contract, an appreciation of the BRL relative to the USD compared to Q4 2021 and Q1 2021, our average realized natural gas price increased to \$10.03/Mcf compared to the Q4 2021 average price of \$7.07/Mcf and the Q1 2021 average price of \$7.07/Mcf.
- Higher commodity prices and higher daily sales volumes resulted in a 101% increase in our natural gas, condensate and liquids revenue compared to Q1 2021.

- With higher realized sales prices, our operating netback increased to \$53.94 per boe in Q1 2022, an improvement from Q1 2021 and 48% from Q4 2021.
- We reported net income of \$11.1 million compared to a loss of \$1.1 million in Q1 2021 and net income of \$2.6 million in Q1 2021.
- We generated funds flow from operations of \$10.9 million (\$0.32 per basic share and \$0.30 per diluted share) and from operating activities of \$8.3 million (\$0.25 per basic share and \$0.23 per diluted share).
- Capital expenditures totaled \$3.8 million, focused on drilling costs for our 182-C1 well, field production facility installation for our Murucututu project and final Murucututu pipeline extension costs.
- We increased our quarterly dividend 33% to \$0.08 per share, with total dividends of \$2.7 million declared in the quarter ended March 31, 2022.
- We repaid an additional \$1.5 million of our credit facility, bringing the balance outstanding to \$5.0 million. As at March 31, 2022, we had a net working capital surplus of \$12.3 million, including \$12.7 million in cash and cash equivalents. Company's working capital net of our credit facility balance improved to \$7.3 million, compared to \$2.6 million as at March 31, 2021.

The following table provides a summary of Alvo Petro's financial and operating results for three months ended March 31, 2022, compared to the same period ended March 31, 2021. The consolidated financial statements with the Management's Discussion and Analysis ("MD&A") are available on our website at www.alvo petro.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 March 31,		
	2022	2021	Change (%)
Financial			
(\$000s, except where noted)			
Natural gas, oil and condensate sales	13,972	6,939	101
Net income (loss)	11,115	(1,088)	-
Per share - basic (\$) ⁽¹⁾	0.33	(0.03)	-
Per share - diluted (\$) ⁽¹⁾	0.30	(0.03)	-
Cash flow from operating activities	8,333	4,304	94
Per share - basic (\$) ⁽¹⁾	0.25	0.13	92
Per share - diluted (\$) ⁽¹⁾	0.23	0.13	77
Funds flow from operations ⁽²⁾	10,904	4,756	129
Per share - basic (\$) ⁽¹⁾	0.32	0.14	129
Per share - diluted (\$) ⁽¹⁾	0.30	0.14	114
Dividends declared	2,715	-	-
Per share ⁽¹⁾	0.08	-	-
Capital expenditures	3,800	864	340
Total assets	93,816	76,022	23
Cash and cash equivalents	12,740	4,983	156
Net working capital surplus ⁽²⁾	12,302	5,775	113
Working capital, net of debt (net debt) ⁽²⁾	7,257	(7,254)	-
Weighted average shares outstanding (000s)			

Basic ⁽¹⁾	33,907	33,242	2
Diluted ⁽¹⁾	36,628	33,938	7
Operations			
Natural gas, NGLs and crude oil sales:			
Natural gas (Mcfpd)	14,339	12,464	15
NGLs - condensate (bopd)	99	98	1
Oil (bopd)	12	-	-
Total (boepd)	2,501	2,175	15
Average realized prices ⁽²⁾ :			
Natural gas (\$/Mcf)	10.03	5.68	77
NGL - condensate (\$/bbl)	106.42	64.41	65
Oil (\$/bbl)	79.50	-	-
Company total (\$/boe)	62.08	35.45	75

Operating netback (\$/boe)⁽²⁾

Realized sales price	62.08	35.45	75
Royalties	(4.35)	(3.30)	32

Production expenses	(3.79)	(3.63)	4
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(1) Per share amounts are based on weighted average shares outstanding other than dividends per share, which is based on the number of common shares outstanding at each dividend record date. 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.

Operating netback margin ⁽²⁾	87%	80%	9
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(2) See "Non-GAAP and Other Financial Measures" section within this news release.

First Quarter 2022 Results Webcast

Alvopetro will host a live webcast to discuss Q1 2022 financial results at 8:00 am Mountain time on May 13, 2022. Details for joining the event are as follows:

Date: May 13, 2022
 Time: 8:00 AM Mountain/10:00 AM Eastern
 Link: <https://us06web.zoom.us/j/84318417369>
 Dial-in Numbers: <https://us06web.zoom.us/j/84318417369>
 Webinar ID: 843 1841 7369

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

Annual and Special Meeting

We will be holding our Annual and Special Meeting (the "Meeting") on Wednesday June 22, 2022 beginning at 9:30 am (Mountain time). The Meeting will once again be held virtually at URL: <https://virtual-meetings.tsxtrust.com/1364>, Meeting ID: 1364 and Password: alvopetro2022 (case sensitive).

At the Meeting, shareholders will be asked to vote on the usual annual general meeting matters, including the election of directors (each of which is a current director of the Company) and the appointment of auditors. In addition, shareholders will be asked to vote on a new share-based compensation plan to replace Alvopetro's existing Stock Option Plan and Incentive Share Plan. Management Information Circular and all related meeting materials, including a Letter to Shareholders, are available on our website (<https://alvopetro.com/Shareholder-Documents>) and on SEDAR (www.sedar.com).

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 news 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 ³	= cubic metre
Mcf	= thousand cubic feet
Mcfpd	= thousand cubic feet per day
MMcf	= million cubic feet
MMcfpd	= million cubic feet per day
NGLs	= natural gas liquids
Q1 2021	= three months ended March 31, 2021
Q4 2021	= three months ended December 31, 2021
Q1 2022	= three months ended March 31, 2022

Test Results

Data obtained from the 182-C1 well identified in this press release, including hydrocarbon shows, open-hole logging, net pay and porosities, should be considered to be preliminary until testing, detailed analysis and interpretation has been completed. Hydrocarbon shows can be seen during the drilling of a well in numerous circumstances and do not necessarily indicate a commercial discovery or the presence of commercial hydrocarbons in a well. There is no representation by Alvopetro that the data relating to the 182-C1 well contained in this press release is necessarily indicative of long-term performance or ultimate recovery. The reader is cautioned not to unduly rely on such data as such data may not be indicative of future performance of the well or of expected production or operational results for Alvopetro in the future.

Non-GAAP and Other Financial Measures

This news release contains references to various non-GAAP financial measures, non-GAAP ratios, capital management measures and supplementary financial measures as such terms are defined in National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure. Such measures are not recognized measures under GAAP and do not have a standardized meaning prescribed by IFRS and might not be comparable to similar financial measures disclosed by other issuers. While these measures may be common in the oil and gas industry, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. The non-GAAP and other financial measures referred to in this report should not be considered an alternative to, or more meaningful than measures prescribed by IFRS and they are not meant to enhance the Company's reported financial performance or position. These are complementary measures that are used by management in assessing the Company's financial performance, efficiency and liquidity and they may be used by investors or other users of this document for the same purpose. Below is a description of the non-GAAP financial measures, non-GAAP ratios, capital management measures and supplementary financial measures used in this news release. 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 and Other Financial Measures" section of the Company's MD&A which may be accessed through the SEDAR website at www.sedar.com.

Non-GAAP Financial Measures

Operating netback

Operating netback is calculated as natural gas, oil and condensate revenues less royalties and production expenses. This calculation is provided in the "Operating Netback" section of the Company's MD&A using our IFRS measures. The Company's MD&A may be accessed through the SEDAR website at www.sedar.com. Operating netback is a common metric used in the oil and gas industry used to demonstrate profitability from operations.

Non-GAAP Financial Ratios

Operating netback per boe

Operating netback is calculated on a per unit basis, which is per barrel of oil equivalent ("boe"). It is a common non-GAAP measure used in the oil and gas industry and management believes this measurement assists in evaluating the operating performance of the Company. It is a measure of the economic quality of the Company's producing assets and is useful for evaluating variable costs as it provides a reliable measure regardless of fluctuations in production. Alvo Petro calculated operating netback per boe as operating netback divided by total sales volumes (barrels of oil equivalent). This calculation is provided in the "Operating Netback" section of the Company's MD&A using our IFRS measures. The Company's MD&A may be accessed through the SEDAR website at www.sedar.com. Operating netback is a common metric used in the oil and gas industry used to demonstrate profitability from operations on a per unit basis (boe).

Operating netback margin

Operating netback margin is calculated as operating netback per boe divided by the realized sales price per boe. Operating netback margin is a measure of the profitability per boe relative to natural gas, oil and condensate sales revenues per boe and is calculated as follows:

	Three Months Ended	
	March 31,	
	2022	2021
Operating netback - \$ per boe	53.94	28.52
Average realized price - \$ per boe	62.08	35.45
Operating netback margin - %	87	80

Funds Flow from Operations Per Share

Funds flow from operations per share is a non-GAAP ratio that includes all cash generated from operating activities and is calculated before changes in non-cash working capital, divided by the weighted average shares outstanding for the respective period. For the periods reported in this news release the cash flows from operating activities per share and funds flow from operations per share is as follows:

	Three Months Ended	
	March 31,	
\$ per share	2022	2021
Per basic share:		
Cash flows from operating activities	0.25	0.13
Funds flow from operations	0.32	0.14
Per diluted share:		
Cash flows from operating activities	0.23	0.13
Funds flow from operations	0.30	0.14

Capital Management Measures

Funds Flow from Operations

Funds flow from operations is a non-GAAP capital management measure that includes all cash generated from operating activities and is calculated before changes in non-cash working capital. The most comparable GAAP measure to funds flow from operations is cash flows from operating activities. Management considers funds flow from operations important as it helps evaluate financial performance and demonstrates the Company's ability to generate sufficient cash to fund future growth opportunities. Funds flow from operations should not be considered an alternative to, or more meaningful than, cash flows from operating activities however management finds that the impact of working capital items on the cash flows reduces the comparability of the metric from period to period. A reconciliation of funds flow from operations to cash flows from operating activities is as follows:

	Three Months Ended	
	March 31	
	2022	2021
Cash flows from operating activities	8,333	4,304
Add back changes in non-cash working capital	2,571	452
Funds flow from operations	10,904	4,756

Net Working Capital

Net working capital is computed as current assets less current liabilities. Net working capital is a measure of liquidity, is used to evaluate financial resources, and is calculated as follows:

	As at March 31,	
	2022	2021
Total current assets	21,930	8,905
Total current liabilities	(9,628)	(3,130)
Net working capital surplus	12,302	5,775

Working Capital Net of Debt (Net Debt)

Working capital net of debt is computed as net working capital surplus decreased by the carrying amount of the Credit Facility. Working capital net of debt is used by management to assess the Company's overall financial position. As of March 31, 2022, Alvo Petro's net working capital surplus exceeds the balance outstanding on the Credit Facility.

	As at March 31,	
	2022	2021
Net working capital surplus	12,302	5,775
Credit Facility, balance outstanding	(5,045)	(13,029)
Working capital, net of debt (net debt)	7,257	(7,254)

Supplementary Financial Measures

"Average realized natural gas price - \$/Mcf" is comprised of natural gas sales as determined in accordance with IFRS, divided by the Company's natural gas sales volumes.

"Average realized NGL - condensate price - \$/bbl" is comprised of condensate sales as determined in accordance with IFRS, divided by the Company's NGL sales volumes from condensate.

"Average realized oil price - \$/bbl" is comprised of oil sales as determined in accordance with IFRS, divided by the Company's oil sales volumes.

"Average realized price - \$/boe" is comprised of natural gas, condensate and oil sales as determined in accordance with IFRS, divided by the Company's total natural gas, condensate and oil sales volumes (barrels of oil equivalent).

"Royalties per boe" is comprised of royalties, as determined in accordance with IFRS, divided by the total natural gas, condensate and oil sales volumes (barrels of oil equivalent).

"Production expenses per boe" is comprised of production expenses, as determined in accordance with IFRS, divided by the total natural gas, condensate and oil sales volumes (barrels of oil equivalent).

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, Alvo Petro 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, potential natural gas pay in the 182-C1 well, the expected natural gas price, gas sales and gas deliveries under Alvo Petro's long-term gas sales agreement, exploration and development prospects of Alvo Petro, the expected timing of certain of Alvo Petro's testing and operational activities, future results from operations, and the Company's plans for dividends in the future. The forward-looking statements are based on certain key expectations and assumptions made by Alvo Petro, including but not limited to equipment availability, the timing of testing of the 182-C1 well and the results from such testing, 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 and other significant worldwide events, the performance of producing wells and reservoirs, well development and operating performance, foreign exchange rates, 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. In addition, the declaration, timing, amount and payment of future dividends remain at the discretion of the Board of Directors. 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 Alvo Petro 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 Alvo Petro are included in our annual information form which may be accessed on Alvo Petro's SEDAR profile at www.sedar.com. The forward-looking information contained in this news release is made as of the date hereof and Alvo Petro 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.

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