

Alvopetro Announces Record Q1 2023 Financial Results, an Operational Update and Details for our Upcoming AGM

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CALGARY, May 10, 2023 - [Alvopetro Energy Ltd.](#) (TSXV: ALV) (OTCQX: ALVOF) is pleased to announce record financial results for the three months ended March 31, 2023, an operational update and details of our upcoming annual general and special meeting on June 21, 2023.

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 & CEO, Corey C. Ruttan commented:

"Once again, we achieved record results this quarter, generating an operating netback of \$66.61 per boe and \$15 million in funds flow from operations, highlighting the strong profitability of our operations. Our production allocations from the Caburé unit in April and May and our capital program in 2023 is focused on adding additional production from both our Murucututu natural gas field and our Bom Lugar oil field. We are looking forward to completing the stimulation on our 197(1) well and bringing that well into production later this month."

Operational Update

We are now stimulating the final stage of our 197(1) well at our Murucututu natural gas field. The well has already been on production from our 183(1) facility and we are now finalizing installation of necessary equipment and expect the well to be on production later this month. Additional development on this field in 2023 includes drilling two fit-for-purpose development wells, the first of which we expect to commence drilling in the third quarter.

On our Bom Lugar field, we spud our first development well (BL-06) on April 30th and have drilled to 1,150 meters measured depth of the expected 3,400 meters. The BL-06 well is targeting the Caruaçu Formation with additional potential in the deeper Agua Grande Formations. We expect drilling to be completed late in the second quarter.

Financial and Operating Highlights - First Quarter of 2023

- For the third consecutive quarter, our average daily sales reached a new quarterly record, with Q1 2023 sales of \$1.1 billion (+2% from Q4 2022 and 11% from Q1 2022).
- Effective February 1, 2023, our natural gas price under our long-term gas sales agreement with Bahiagás increased to BRL2.00/m³. This price is effective for all natural gas sales from February 1 to July 31, 2023. With the increased price effective for two months in the quarter and including enhanced sales tax credits available as of January 1, 2023, our averaged realized natural gas price increased to \$12.06/Mcf (+8% from Q4 2022 and +20% from Q1 2022). With the increased natural gas price applicable, our overall realized price per boe increased to \$72.92 (+7% from Q4 2022 and +17% from Q1 2022), despite lower Brent pricing on condensate sales. Higher realized prices and daily sales volumes resulted in a 12% increase in our natural gas, condensate and oil revenue compared to Q1 2022.
- With higher realized sales prices and lower effective royalties, our operating netback increased \$12.67 per boe from Q4 2022 to \$66.61 per boe in Q1 2023 (+23%) and increased \$6.53 per boe from Q4 2022.
- We generated record funds flows from operations of \$15.0 million (\$0.41 per basic share and \$0.40 per diluted share) in Q1 2023, an increase of \$4.1 million compared to Q1 2022 and \$1.8 million compared to Q4 2022.
- We reported net income of \$12.2 million in Q1 2023, an increase of \$1.1 million (+10%) compared to Q1 2022.
- Capital expenditures totaled \$3.3 million, including stimulation costs for our 197(1) well on our Murucututu field, testing of our 182-C2 well, testing of the Unit-C well and facilities expansion at the Caburé unit, and long-lead purchases for our 182-C2 well, testing of the Unit-C well and facilities expansion at the Caburé unit, and long-lead purchases for our 182-C2 well.

- In January we received approval from the TSX Venture Exchange ("TSXV") for a normal course issuer bid (the "NCIB") which permits Alvo Petro to repurchase up to 2,876,414 common shares from January 6, 2023 to the earlier of January 5, 2024 when the NCIB is completed or terminated by Alvo Petro. In addition, in March we received approval from the TSXV to convert the NCIB into an automatic share purchase plan ("ASPP") which allows for repurchases under the NCIB at times when we would otherwise be permitted to repurchase shares due to regulatory restrictions and customary self-imposed blackout periods. No repurchases have been made under the NCIB.
- Our Q1 2023 dividend increased 17% to \$0.14 per share. The Q1 2023 dividend was paid on April 14, 2023 to shareholders of record on March 31, 2023.
- Our cash and working capital increased to \$20.9 million, an improvement of \$6.2 million compared to December 31, 2022, and an increase of \$8.6 million compared to March 31, 2022.

The following table provides a summary of Alvo Petro's financial and operating results for three months ended March 31, 2023, compared to the same period ended March 31, 2022. 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		
	March 31,		
	2023	2022	Change (%)
Financial			
(\$000s, except where noted)			
Natural gas, oil and condensate sales	18,160	13,972	30
Net income	12,202	11,115	10
Per share - basic (\$) ⁽¹⁾	0.34	0.33	3
Per share - diluted (\$) ⁽¹⁾	0.33	0.30	10
Cash flows from operating activities	13,856	8,333	66
Per share - basic (\$) ⁽¹⁾	0.38	0.25	52
Per share - diluted (\$) ⁽¹⁾	0.37	0.23	61
Funds flow from operations ⁽²⁾	14,972	10,904	37
Per share - basic (\$) ⁽¹⁾	0.41	0.32	28
Per share - diluted (\$) ⁽¹⁾	0.40	0.30	33
Dividends declared	5,104	2,716	88
Per share ⁽¹⁾	0.14	0.08	75
Capital expenditures	3,291	3,800	(13)
Cash and cash equivalents	24,623	12,740	93
Net working capital surplus ⁽²⁾	20,915	12,302	70
Working capital, net of debt ⁽²⁾	20,915	7,257	188
Weighted average shares outstanding			
Basic (000s) ⁽¹⁾	36,323	33,907	7

Diluted (000s) ⁽¹⁾	37,470	36,628	2
Operations			
Natural gas, NGLs and crude oil sales:			
Natural gas (Mcfpd)	15,795	14,339	10
NGLs - condensate (bopd)	130	99	31
Oil (bopd)	5	12	(58)
Total (boepd)	2,767	2,501	11
Average realized prices ⁽²⁾ :			
Natural gas (\$/Mcf)	12.06	10.03	20
NGLs - condensate (\$/bbl)	84.10	106.42	(21)
Oil (\$/bbl)	72.29	79.50	(9)
Company total (\$/boe)	72.92	62.08	17

Operating netback (\$/boe)⁽²⁾

Realized sales price	72.92	62.08	17
Notes: Royalties	(2.34)	(4.35)	(46)

(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.

(2) See "Non-GAAP and Other Financial Measures" section within this news release.

Q1 2023 Results Webcast

Alvopetro will host a live webcast to discuss our Q1 2023 financial results at 8:00 am Mountain time on Thursday May 11, 2023. Details for joining the event are as follows:

Date: May 11, 2023
 Time: 8:00 AM Mountain/10:00 AM Eastern
 Link: <https://us06web.zoom.us/j/89193926478>
 Dial-in numbers: <https://us06web.zoom.us/j/89193926478>
 Webinar ID: 891 9392 6478

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 General Meeting

Alvopetro's annual general and special meeting (the "Meeting") will be held on Wednesday June 21, 2023 at the Penn Conference Centre (Suite 211, 207 9th Avenue SW, Calgary, Alberta) beginning at 9:30 a.m. Mountain time. The management information circular and all related materials will be available on our website and www.sedar.com later this month.

All interested parties are invited to attend the Meeting. We will also be broadcasting the meeting via live webcast for the interest of all shareholders. Please be advised that shareholders will not be able to vote any shares through this webcast format. Details for joining the event are as follows:

Date: June 21, 2023

Time: 9:30 a.m. Mountain time/11:30 a.m. Eastern Time

Link: <https://us06web.zoom.us/j/83161687257>

Dial-in numbers: <https://us06web.zoom.us/j/83161687257>

Webinar ID: 831 6168 7257

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.

Abbreviations:

\$000s = thousands of U.S. dollars

bbls = barrels

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

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

BRL = Brazilian Real

CAD = Canadian dollars

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 2022 = three months ended March 31, 2022

Q1 2023 = three months ended March 31, 2023

Q4 2022 = three months ended December 31, 2022

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,	
	2023	2022
Operating netback - \$ per boe	66.61	53.94
Average realized price - \$ per boe	72.92	62.08
Operating netback margin	91 %	87 %

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	2023	2022
Per basic share:		
Cash flows from operating activities	0.38	0.25
Funds flow from operations	0.41	0.32
Per diluted share:		
Cash flows from operating activities	0.37	0.23
Funds flow from operations	0.40	0.30

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,	
	2023	2022
Cash flows from operating activities	13,856	8,333
Add back changes in non-cash working capital	1,116	2,571
Funds flow from operations	14,972	10,904

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,	
	2023	2022
Total current assets	33,264	21,930
Total current liabilities	(12,349)	(9,628)
Net working capital surplus	20,915	12,302

Working Capital Net of 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 at March 31,	
	2023	2022
Net working capital surplus	20,915	12,302
Credit Facility, balance outstanding -		(5,045)
Working capital, net of debt	20,915	7,257

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).

"Dividends per share" is comprised of dividends declared, as determined in accordance with IFRS, divided by the number of shares outstanding at the dividend record date.

"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).

BOE Disclosure

The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet per barrel (6 Mcf/bbl) of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in this news release are derived from converting gas to oil in the ratio mix of six thousand cubic feet of gas to one barrel of oil.

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 statements concerning the expected timing of production commencement from the 197(1) well, expected timing of completion of drilling operations at the BL-06 well, plans relating to the Company's operational activities, proposed exploration development activities and the timing for such activities, exploration and development prospects of Alvo Petro, capital spending levels, future capital and operating costs, future production and sales volumes, the expected natural gas price, gas sales and gas deliveries under Alvo Petro's long-term gas sales agreement, and projected financial results. Forward-looking statements are necessarily based upon assumptions and judgments with respect to the future including, but not limited to, expectations and assumptions concerning the timing of regulatory licenses and approvals, equipment availability, the success of future drilling, completion, testing, recompletion and development activities and the timing of such activities, the performance of producing wells and reservoirs, well development and operating performance, expectations regarding Alvo Petro's working interest and the outcome of any redeterminations, environmental regulation, including regulation relating to hydraulic fracturing and stimulation, the ability to monetize hydrocarbons discovered, the outlook for commodity markets and ability to access capital markets, foreign exchange rates,

general economic and business conditions, forecasted demand for oil and natural gas, the impact of the COVID-19 pandemic, weather and access to drilling locations, the availability and cost of labour and services, 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 we believe 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 we 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, reliance on industry partners, availability of equipment and personnel, uncertainty surrounding timing for drilling and completion activities resulting from weather and other factors, changes in applicable regulatory regimes and health, safety and environmental risks), commodity price and foreign exchange rate fluctuations, market uncertainty associated with financial institution instability, and general economic conditions. 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. 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 <https://www.rohstoff-welt.de/news/443132-Alvopetro-Announces-Record-Q1-2023-Financial-Results-an-Operational-Update-and-Details-for-our-Upcoming-AGB> and 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.

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