

Alvopetro Announces Q2 2023 Financial Results and an Operational Update

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CALGARY, Aug. 9, 2023 - [Alvopetro Energy Ltd.](#) (TSXV: ALV) (OTCQX: ALVOF) is pleased to announce financial results for three and six months ended June 30, 2023 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 & CEO, Corey C. Ruttan commented:

"We continue to post strong results, generating an operating netback of \$69.61 per boe and \$11 million in funds flow from operations, highlighting the strong profitability of our operations. Our 2023 capital program is focused on adding 100% production from our Murucututu natural gas project and our Bom Lugar oil field. We have had exciting early results with the stimulation of our 197(1) Murucututu well and drilling our first oil development well at Bom Lugar."

Operational Update

Drilling operations continue on the 183-A3 well on our Murucututu natural gas field. The well was spud on July 11th and shallower exploration potential in the Caruaçu Formation and the Gomo member of the Candeias Formation. We expect completion to be completed later this quarter. We also expect to complete our recently drilled Bom Lugar well (BL-06) and have the well on production in the third quarter.

Our natural gas price under our long-term gas sales agreement with Bahiagás was adjusted effective August 1st to BRL \$13.25/Mcf, based on our average heat content to date, the July 31, 2023 BRL/USD foreign exchange rate of 4.74 and applicable sales tax credits in 2023. This new gas price is effective for all of our natural gas sales from both our Caburé and Murucututu fields as of August 1, 2023.

Financial and Operating Highlights - Second Quarter of 2023

- Average daily sales decreased to 1,975 boepd (-29% from Q1 2023 and -16% from Q2 2022) due mainly to reduced production from our Caburé natural gas field as a result of higher nominated volumes from our partner.
- Our average realized natural gas price increased to \$12.86/Mcf, an 8% increase from Q2 2022 with the 3% increase in our contracted natural gas price and enhanced sales tax credits available in 2023. Compared to Q1 2023, our realized price increased 7% due mainly to the appreciation of the BRL to the USD in Q2. With the higher natural gas price, our realized price per boe increased to \$77.41 (+6% from Q1 2023 and +5% from Q2 2022), despite lower Brent prices and condensate sales.
- Our natural gas, condensate and oil revenue was \$13.9 million in Q2 2023, a decrease of \$1.9 million compared to Q1 2023 (-12%) due to a 16% decrease in production partially offset by the increase in realized sales prices per boe.
- Our operating netback improved to \$69.61 per boe (+\$3.00 per boe from Q1 2023 and +\$5.65 per boe from Q2 2022) due to higher realized sales price and lower royalties, partially offset by the impact of fixed operating costs with lower sales.
- We generated funds flows from operations of \$11.0 million (\$0.30 per basic share and \$0.29 per diluted share), a decrease of \$1.4 million compared to Q2 2022 and \$3.9 million compared to Q1 2023.
- We reported net income of \$9.9 million in Q2 2023, an increase of \$3.2 million (+49%) compared to Q2 2022.
- Capital expenditures totaled \$8.5 million, including drilling cost for our BL-06 well on our Bom Lugar field, stimulation of our 197(1) well on our Murucututu field, and long-lead purchases for future capital projects.
- Our working capital surplus was \$18.1 million as of June 30, 2023, a decrease of \$2.8 million from March 31, 2023 and an improvement of \$3.4 million from December 31, 2022.

The following table provides a summary of Alvopetro's financial and operating results for three and six months ended June 30, 2023 and June 30, 2022. The consolidated financial statements with the Management's Discussion and Analysis ("MD&A") are available on our website.

available on our website at www.alvopetro.com and will be available on the SEDAR+ website at www.sedarplus.ca.

	As at and Three Months Ended			As at and Six Months Ended		
	June 30, 2023	2022	Change	June 30, 2023	2022	Change (%)
Financial						
(\$000s, except where noted)						
Natural gas, oil and condensate sales	13,914	15,787	(12)	32,074	29,759	8
Net income	9,852	6,631	49	22,054	17,746	24
Per share - basic (\$) ⁽¹⁾	0.27	0.20	35	0.60	0.52	15
Per share - diluted (\$) ⁽¹⁾	0.26	0.18	44	0.59	0.49	20
Cash flows from operating activities	13,473	12,997	4	27,329	21,330	28
Per share - basic (\$) ⁽¹⁾	0.37	0.38	(3)	0.75	0.63	19
Per share - diluted (\$) ⁽¹⁾	0.36	0.35	3	0.73	0.59	24
Funds flow from operations ⁽²⁾	11,047	12,434	(11)	26,019	23,338	11
Per share - basic (\$) ⁽¹⁾	0.30	0.37	(19)	0.71	0.69	3
Per share - diluted (\$) ⁽¹⁾	0.29	0.34	(15)	0.69	0.64	8
Dividends declared	5,109	2,728	87	10,213	5,444	88
Per share ⁽¹⁾	0.14	0.08	75	0.28	0.16	75
Capital expenditures	8,521	6,338	34	11,812	10,138	17
Cash and cash equivalents	25,598	13,672	87	25,598	13,672	87
Net working capital surplus ⁽²⁾	18,084	11,641	55	18,084	11,641	55
Working capital, net of debt ⁽²⁾	18,084	9,096	99	18,084	9,096	99
Weighted average shares outstanding						
Basic (000s) ⁽¹⁾	36,697	33,973	8	36,627	33,941	8
Diluted (000s) ⁽¹⁾	37,755	36,637	3	37,657	36,426	3
Operations						
Natural gas, NGLs and crude oil sales:						
Natural gas (Mcfpd)	11,269	13,546	(17)	13,520	13,940	(3)
NGLs - condensate (bopd)	92	97	(5)	111	98	13
Oil (bopd)	5	5	-	5	8	(38)
Total (boepd)	1,975	2,359	(16)	2,369	2,429	(2)

Average realized prices⁽²⁾:

Natural gas (\$/Mcf)	12.86	11.90	8	12.40	10.94	13
NGLs - condensate (\$/bbl)	83.35	121.93	(32)	83.79	114.11	(27)
Oil (\$/bbl)	63.93	94.47	(32)	68.00	83.90	(19)
Total (\$/boe)	77.41	73.54	5	74.80	67.68	11

Operating netback (\$/boe)⁽²⁾

Realized sales price	77.41	73.54	5	74.80	67.68	11
Royalties	(1.97)	(5.35)	(63)	(2.18)	(4.84)	(55)
Production expenses	(5.83)	(4.23)	38	(4.75)	(4.00)	19

(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.

Q2 2023 Results Webcast

Alvopetro will host a live webcast to discuss our Q2 2023 financial results at 9:00 am Mountain time on Thursday August 10, 2023. Details for joining the event are as follows:

Date: August 10, 2023
 Time: 9:00 AM Mountain/11:00 AM Eastern
 Link: <https://us06web.zoom.us/j/83723796296>
 Dial-in numbers: <https://us06web.zoom.us/j/83723796296>
 Webinar ID: 837 2379 6296

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.

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 and natural gas fields 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

m³ = 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 2023 = three months ended March 31, 2023

Q2 2022 = three months ended June 30, 2022

Q2 2023 = three months ended June 30, 2023

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.sedarplus.ca.

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.sedarplus.ca. 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.sedarplus.ca. 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		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Operating netback - \$ per boe	69.61	63.96	67.87	58.84
Average realized price - \$ per boe	77.41	73.54	74.80	67.68
Operating netback margin	90 %	87 %	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		Six Months Ended	
	June 30,		June 30,	
\$ per share	2023	2022	2023	2022
Per basic share:				
Cash flows from operating activities	0.37	0.38	0.75	0.63
Funds flow from operations	0.30	0.37	0.71	0.69
Per diluted share:				
Cash flows from operating activities	0.36	0.35	0.73	0.59
Funds flow from operations	0.29	0.34	0.69	0.64

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		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Cash flows from operating activities	13,473	12,997	27,329	21,330
(Deduct) add back changes in non-cash working capital	(2,426)	(563)	(1,310)	2,008
Funds flow from operations	11,047	12,434	26,019	23,338

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 June 30,	
	2023	2022
Total current assets	32,801	21,461
Total current liabilities	(14,717)	(9,820)
Net working capital surplus	18,084	11,641

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 June 30,	
	2023	2022
Net working capital surplus	18,084	11,641
Credit Facility, balance outstanding -		(2,545)
Working capital, net of debt	18,084	9,096

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, 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 statements concerning plans relating to the Company's operational activities, proposed exploration development activities and the timing for such activities, exploration and development prospects of Alvopetro, capital spending levels, future capital and operating costs, future production and sales volumes, production allocations from the Caburé natural gas field, the expected natural gas price, gas sales and gas deliveries under Alvopetro's long-term gas sales agreement, the expected timing of testing the BL-06 well and production commencement from the BL-06 well, anticipated duration of drilling operations for the 183-A3 well, anticipated timing for upcoming drilling and testing of other wells, projected financial results, the expected timing and outcomes of certain of Alvopetro's testing activities, and sources and availability of capital. 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 Alvopetro'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 global pandemics, 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 www.sedarplus.ca. 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.

TSX-V: ALV, OTCQX: ALVOF

SOURCE [Alvopetro Energy Ltd.](#)

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