

# Alvopetro Announces Q3 2023 Financial Results and an Operational Update

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CALGARY, Nov. 8, 2023 - [Alvopetro Energy Ltd.](#) (TSXV: ALV) (OTCQX: ALVOF) is pleased to announce financial results for three and nine months ended September 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:

"While sales volumes were lower in Q3 2023 due to temporary reductions in demand, we were still able to generate record operating netbacks of \$70.34/boe and \$9.6 million of funds flow from operations. Our production rates in October increased up to 1,839 boepd. Capital expenditures in Q3 were focused on drilling our 183-A3 well, the first fit-for-purpose development on our Murucututu natural gas field. The initial results from drilling are promising and we look forward to completing the well bringing it on production later in the year."

### Operational Update

We completed drilling the 183-A3 well on our 100% owned Murucututu natural gas field in October. The well was drilled to a measured depth of 3,540 metres and, based on open-hole logs, the well encountered potential net natural gas pay in both the Caruaçu Member of the Maracangalha Formation and the Gomo Member of the Candeias Formation, with an aggregated potential vertical depth of potential natural gas pay, using a 6% porosity cut-off, 50% Vshale cut-off and 50% water saturation cut-off. Subject to equipment availability and regulatory approvals, we expect to commence completion operations on the well this month. The well will then be put on production directly into the adjacent field production facility.

October sales volumes increased to 1,839 boepd, an 8% increase from Q3 2023. October sales included natural gas sales of 1.1 MMcfpd, associated natural gas liquids sales from condensate of 67 bopd and oil sales of 8 bopd, based on field estimates.

In October we completed the BL-06 well on our Bom Lugar field and brought the well on production. October production from the well are expected to be sold in November. Based on field production data, the well is currently producing at an average of 1,839 boepd.

### Financial and Operating Highlights - Third Quarter of 2023

- With reduced offtake from Bahiagás during the quarter following reductions in end user consumption, our average realized natural gas price decreased to \$13.06/Mcf (-14% from Q2 2023 and -36% from Q3 2022).
- Our average realized natural gas price increased to \$13.06/Mcf, a 17% increase from Q3 2022 with the 3% increase in the contracted natural gas price, enhanced sales tax credits available in 2023 and a 7% appreciation in the average realized natural gas price in Q3 2023 compared to Q3 2022. With the higher natural gas price, our overall realized price per boe increased to \$70.34 (+15% from Q3 2022 and +2% from Q2 2023).
- Our natural gas, condensate and oil revenue was \$12.3 million in Q3 2023, a decrease of \$4.4 million (-26%) compared to Q3 2022 and a decrease of \$1.6 million (-12%) compared to Q2 2023.
- Our operating netback improved to \$70.34 per boe (+\$10.51 per boe from Q3 2022 and +\$0.73 per boe from Q2 2023) due to higher realized sales prices, partially offset by the impact of fixed operating costs with lower sales volumes.
- We generated funds flows from operations of \$9.6 million (\$0.26 per basic and \$0.25 per diluted share), a decrease of \$1.4 million compared to Q3 2022 and \$1.4 million compared to Q2 2023.
- We reported net income of \$5.8 million in Q3 2023, a decrease of \$3.0 million (-34%) compared to Q3 2022 and \$2.8 million (-41%) compared to Q2 2023.
- Capital expenditures totaled \$10.7 million, including drilling costs for the 183-A3 well on our Murucututu natural gas field, drilling and completion costs for the BL-06 well on our Bom Lugar field, and long-lead purchases for future capital expenditures.
- Our working capital surplus was \$11.4 million as of September 30, 2023, decreasing \$6.7 million from June 30, 2023 and \$11.4 million from December 31, 2022.

The following table provides a summary of Alvopetro's financial and operating results for three and nine months ended September 30, 2023 and September 30, 2022. The consolidated financial statements with the Management's Discussion and Analysis ("MD&A") are available on our website at [www.alvopetro.com](http://www.alvopetro.com) and will be available on the SEDAR+ website at [www.sedar.com](http://www.sedar.com).

	As at and Three Months Ended			As at and Nine Months Ended		
	September 30,			September 30,		
	2023	2022	Change (%)	2023	2022	Change (%)
<b>Financial</b>						
(\$000s, except where noted)						
Natural gas, oil and condensate sales	12,313	16,672	(26)	44,387	46,431	(4)
Net income	5,819	8,795	(34)	27,873	26,541	5
Per share - basic (\$) <sup>(1)</sup>	0.16	0.26	(38)	0.75	0.78	(4)
Per share - diluted (\$) <sup>(1)</sup>	0.15	0.24	(38)	0.74	0.72	3
Cash flows from operating activities	12,469	13,838	(10)	39,798	35,168	13
Per share - basic (\$) <sup>(1)</sup>	0.34	0.40	(15)	1.07	1.03	4
Per share - diluted (\$) <sup>(1)</sup>	0.33	0.37	(11)	1.05	0.96	9
Funds flow from operations <sup>(2)</sup>	9,618	13,348	(28)	35,637	36,686	(3)
Per share - basic (\$) <sup>(1)</sup>	0.26	0.39	(33)	0.96	1.08	(11)
Per share - diluted (\$) <sup>(1)</sup>	0.25	0.36	(31)	0.94	1.00	(6)
Dividends declared	5,122	2,896	77	15,335	8,340	84
Per share <sup>(1)</sup>	0.14	0.08	75	0.42	0.24	75
Capital expenditures	10,703	8,713	23	22,515	18,851	19
Cash and cash equivalents	22,779	17,380	31	22,779	17,380	31
Net working capital surplus <sup>(2)</sup>	11,392	12,225	(7)	11,392	12,225	(7)
Weighted average shares outstanding						
Basic (000s) <sup>(1)</sup>	37,138	34,434	8	37,086	34,107	9
Diluted (000s) <sup>(1)</sup>	37,868	36,939	3	37,748	36,693	3
<b>Operations</b>						
Natural gas, NGLs and crude oil sales:						
Natural gas (Mcfpd), by field:						
Caburé (Mcfpd)	8,949	15,139	(41)	11,757	14,344	(18)
Murucututu (Mcfpd)	726	-	-	467	-	-
Total natural gas (Mcfpd)	9,675	15,139	(36)	12,224	14,344	(15)
NGLs - condensate (bopd)	81	117	(31)	101	104	(3)
Oil (bopd)						















Total (boepd)	1,696	2,642	(36)	2,142	2,501	(14)
Average realized prices <sup>(2)</sup> :						
Natural gas (\$/Mcf)	13.06	11.18	17	12.57	11.03	14
NGLs - condensate (\$/bbl)	89.43	101.57	(12)	85.31	109.38	(22)
Oil (\$/bbl)	73.08	80.92	(10)	69.18	83.59	(17)
Total (\$/boe)	78.90	68.59	15	75.90	68.00	12

Operating netback (\$/boe)<sup>(2)</sup>

Realized sales price	78.90	68.59	15	75.90	68.00	12
Royalties	(2.04)	(5.42)	(62)	(2.14)	(5.05)	(58)
Notes:						
Production expenses	(6.52)	(3.34)	95	(5.22)	(3.77)	38

(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 operating netback margin<sup>(2)</sup> is the same as for net income per share.

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

## Q3 2023 Results Webcast

Alvopetro will host a live webcast to discuss our Q3 2023 financial results at 9:00 am Mountain time on Thursday November 9, 2023. Details for joining the event are as follows:

Date: November 9, 2023  
Time: 9:00 AM Mountain/11:00 AM Eastern  
Link: <https://us06web.zoom.us/j/85946332872>  
Dial-in numbers: <https://us06web.zoom.us/j/85946332872>  
Webinar ID: 859 4633 2872

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](mailto:socialmedia@alvopetro.com).

## Long-term Incentive Compensation Grants

In connection with our long-term incentive compensation program, Alvopetro's Board of Directors (the "Board") has approved the annual rolling grants to officers, directors and certain employees under Alvopetro's Omnibus Incentive Plan. A total of 638,000 stock options, 107,000 restricted share units ("RSUs") and 31,000 deferred share units ("DSUs") were approved by the Board and are expected to be granted on November 17, 2023. Of the total grants, 271,000 stock options, 70,000 RSUs and 31,000 DSUs will be 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 17, 2023. All stock options granted expire five (5) years from the date of the grant. All RSUs and DSUs granted expire ten (10) 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 Alvopectro on our social media channels at the following links:

Twitter - <https://twitter.com/AlvopectroEnergy>

Instagram - <https://www.instagram.com/alvopectro/>

LinkedIn - <https://www.linkedin.com/company/alvopectro-energy-ltd>

[Alvopectro 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 Murucututu 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

Mcf = thousand cubic feet

Mcfpd = thousand cubic feet per day

MMcf = million cubic feet

MMcfpd = million cubic feet per day

NGLs = natural gas liquids

Q2 2023 = three months ended June 30, 2023

Q3 2022 = three months ended September 30, 2022

Q3 2023 = three months ended September 30, 2023

USD = United States dollars

## 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](http://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](http://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](http://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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating netback - \$ per boe	70.34	59.83	68.54	59.18
Average realized price - \$ per boe	78.90	68.59	75.90	68.00
Operating netback margin	89 %	87 %	90 %	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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
\$ per share				
Per basic share:				
Cash flows from operating activities	0.34	0.40	1.07	1.03
Funds flow from operations	0.26	0.39	0.96	1.08
Per diluted share:				
Cash flows from operating activities	0.33	0.37	1.05	0.96
Funds flow from operations	0.25	0.36	0.94	1.00
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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cash flows from operating activities	12,469	13,838	39,798	35,168
(Deduct) add back changes in non-cash working capital	(2,851)	(490)	(4,161)	1,518
Funds flow from operations	9,618	13,348	35,637	36,686
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 September 30,

	2023	2022
Total current assets	27,354	24,545
Total current liabilities (15,962)	(12,320)	
Net working capital	11,392	12,225

#### 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, NGL 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, NGL 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, NGL 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.

#### Testing and Well Results

Data obtained from the 183-A3 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 183-A3 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.

#### 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 potential net natural gas pay in the 183-A3 well, the timing of completion of the 183-A3 well, anticipated timing of commencing production from the 183-A3 well, expectations regarding future development plans for the Murucututu natural gas field, 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, production allocations from the Caburé natural gas field, the expected natural gas price, gas sales and gas deliveries under Alvo Petro's long-term gas sales agreement, anticipated timing for upcoming drilling and testing of other wells, projected financial results, the expected timing and outcomes of certain of Alvo Petro'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 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 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 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.sedarplus.ca](http://www.sedarplus.ca). 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.

SOURCE [Alvo Petro Energy Ltd.](#)

## Contact

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