

North Peace Energy Corp. Updates Pro Forma Financial Statements

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[North Peace Energy Corp.](#) ("North Peace") (TSX VENTURE:NPE) has received amended pro-forma financial information concerning Southern Pacific Resource Corp. ("Southern Pacific") after giving effect to the arrangement with North Peace. A disclosure issue was identified with the previously issued pro forma financial statements which were contained in North Peace's information circular and proxy statement dated October 21, 2010 ("Information Circular") and mailed to North Peace's shareholders on November 2, 2010.

Revised Pro Forma Financial Statements

Southern Pacific has revised the pro forma financial statements to reflect the inclusion of four months of operations on its Senlac property. The net effect of the revision is an additional \$26.2 million of net revenue (\$0.04 per share) is now included in the revised Pro-Forma financial statements compared to the Pro-Forma financial statements which were contained in the Information Circular. The full text of the revised pro formas are set forth below.

SOUTHERN PACIFIC RESOURCE CORP.

Unaudited Pro Forma Consolidated Balance Sheet

As at June 30, 2010

Southern

Pacific

Resource

Corp. North

Peace

Energy Pro

Forma

Adjustments Note Pro

Forma

Consolidated

(in thousands of dollars) \$ \$ \$ \$

ASSETS

Current

Cash and equivalents 63,504 2,987 — 66,491

Accounts receivable 7,377 395 — 7,772

Prepaid expenses 233 37 — 270

Risk management contracts 273 — — 273

71,387 3,419 — 74,806

Property, plant and equipment 277,810 69,617 (60,572) 2(a) 286,855

349,197 73,036 (60,572) 361,661

LIABILITIES AND SHAREHOLDERS' EQUITY

Current

Accounts payable and accrued liabilities 11,361 889 2,150 2(b) 14,400

Provincial taxes payable 97 — — 97

11,458 889 2,150 14,497

Asset retirement obligation 6,449 645 2 2(a) 7,096

Future income tax 39,770 — (7,218) 2(a) 32,552

57,677 1,534 (5,066) 54,145

Share capital 281,579 73,645 (73,645) 2(c)

15,996 2(d) 297,575

Contributed surplus 23,221 7,563 (7,563) 2(c) 23,221

Deficit (13,280) (9,706) 9,706 2(c) (13,280)

291,520 71,502 (55,506) 307,516

349,197 73,036 (60,572) 361,661

See accompanying notes to the unaudited pro forma consolidated financial statements

SOUTHERN PACIFIC RESOURCE CORP.

Unaudited Pro Forma Consolidated Statement of Operations

For the year ended June 30, 2010

Southern
Pacific
Resource
Corp. North
Peace
Energy Senlac
(4 months) Pro
Forma
Adjustments Note Pro
Forma
Consolidated

(in thousands of dollars) \$ \$ \$ \$

(note 3) (note 4)

Revenue

Petroleum and natural gas 62,043 195 48,436 — 110,674

Royalties (9,642) (10) (5,439) — (15,091)

Gain on risk management contracts 198 — — — 198

Interest and other income 15 21 — — 36

52,614 206 42,997 95,817

Expenses

Operating 10,656 116 16,788 27,560

General and administrative 4,064 2,327 — — 6,391

Interest and financing 947 — — — 947

Depletion, depreciation and accretion 28,597 1,056 — 13,584 2(e) 43,237

Stock based compensation 3,203 1,039 — — 4,242

47,467 4,538 16,788 13,584 82,377

Income (loss) before income taxes 5,147 (4,332) 26,209 (13,584) 13,440

Income taxes

Provincial income tax 901 — — 823 2(f) 1,724

Future (recovery) expense (3,952) (575) — 3,186 2(g) (1,341)

(3,051) (575) — 4,009 383

Net income (loss) and comprehensive income (loss) 8,198 (3,757) 26,209 (17,593) 13,057

Net income (loss) per share [note 5]

Basic 0.04 (0.05) 0.06

Diluted 0.04 (0.05) 0.06

Amendment (note 6)

See accompanying notes to the unaudited pro forma consolidated financial statements

SOUTHERN PACIFIC RESOURCE CORP.

Amended - Notes to the Unaudited Pro Forma Consolidated Financial Statements

For the year ended June 30, 2010 (in thousands of dollars)

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated balance sheet as at June 30, 2010 and unaudited pro forma consolidated statement of operations for the year ended June 30, 2010 (collectively the "unaudited pro forma consolidated financial statements") of [Southern Pacific Resource Corp.](#) (the "Company") have been prepared by management of the Company.

The unaudited pro forma consolidated financial statements give effect to the transactions described in the notes below.

The unaudited pro forma consolidated financial statements may not be indicative of the financial position or results of operations that would have occurred if the events reflected therein had been in effect on the dates indicated or of the results that may be obtained in the future.

The unaudited pro forma consolidated financial statements have been prepared by management based upon, and should be read in conjunction with, the audited consolidated financial statements of the Company as at and for the year ended June 30, 2010, the unaudited interim balance sheet of North Peace Energy Corp. ("North Peace") as at June 30, 2010 and the constructed statement of operations for the twelve months ended June 30, 2010 and the unaudited schedule of revenues, royalties and expenses of the Senlac property ("Senlac") for the nine months ended September 30, 2009 and the constructed statement of operations for the four months ended November 3, 2009.

The accounting policies used in the preparation of the unaudited pro forma consolidated financial statements are in accordance with those disclosed in the Company's audited consolidated financial statements as at and for the year ended June 30, 2010.

In the opinion of the management of the Company, the unaudited pro forma consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include all adjustments necessary for fair presentation of the transactions described herein. The unaudited pro forma consolidated balance sheet gives effect to the transactions described in notes 2 through 3 with respect to North Peace, as if they had occurred on June 30, 2010 and the unaudited pro forma consolidated statement of operations give effect to all of these transactions (including Senlac's operations) as if they had occurred on July 1, 2009.

2. PRO FORMA ADJUSTMENTS – ACQUISITION OF NORTH PEACE ENERGY CORP.

a) On September 27, 2010 the Company announced it had reached an agreement to purchase all of the outstanding shares of North Peace, whereby each North Peace shareholder will receive approximately 0.185 of a common share of the Company for a total of 14,093,263 shares. This transaction is expected to close late November 2010. Estimated transaction costs of the acquisition are approximately \$200.

The unaudited pro forma consolidated financial statements reflect the transaction using the purchase method of accounting, under Canadian Institute of Chartered Accountants Handbook section 1581, Business Combinations. The purchase price allocations are based on preliminary valuation estimates of North Peace assets acquired and liabilities assumed. The final valuations and any interim updated preliminary valuation estimates may differ materially from these preliminary valuation estimates and as a result the final allocation of the purchase price may result in reclassifications of the allocated amounts that are materially different from the purchase price allocations reflected below.

\$

Allocation of purchase price:

Petroleum and natural gas assets 9,045

Working capital assumed (1) 580

Asset retirement obligation (647)

Future income tax asset 7,218

16,196

Calculation of purchase price:

Fair value of shares issued 15,996

Transaction costs 200

16,196

(1) Working capital includes cash of \$2,987 and North Peace transaction costs of \$1,950

b) An adjustment has been made to accounts payable to accrue for the transaction costs of approximately \$200 plus \$1,950 of transaction costs of North Peace which were not reflected in the June 30, 2010 North Peace financial statements.

c) Share Capital of \$73,645, Contributed surplus of \$7,563 and Deficit of \$9,706 related to North Peace were all eliminated as a result of the purchase as described in note 2(a).

d) The Share Capital was also adjusted on the pro forma consolidated financial statements to reflect the value of the common shares issued as consideration for the transaction, at a price of \$1.135 per share being the share price on the days surrounding the announcement date of the transaction.

e) Depletion, depreciation and accretion has been increased by \$13,584 reflecting the combined reserves and production of Southern Pacific, Senlac and North Peace.

f) The provincial income taxes were adjusted to reflect the impact of the additional resource sales generated from the Senlac acquisition as calculated in note 4.

g) Future income tax recovery has been reduced by \$3,186 for the year ended June 30, 2010 reflecting the increase in net income arising as a result of the acquisitions and the adjustments noted above using an estimated future tax rate of 27%.

3. CONSTRUCTED STATEMENT OF OPERATIONS – NORTH PEACE

The unaudited constructed statement of operations of North Peace for the twelve months ended June 30,

2010 has been constructed from the audited statement of operations of North Peace for the year ended December 31, 2009, deducting the unaudited statement of operations of North Peace for the six months ended June 30, 2009 and adding the unaudited statement of operations of North Peace for the six months ended June 30, 2010. The unaudited statement of operations of North Peace for the twelve months ended June 30, 2010 used to prepare the Company's unaudited pro forma statement of operations for the twelve months ended June 30, 2010 was prepared solely for the purpose of such pro forma statements and do not conform with the financial statements of North Peace incorporated by reference in the information circular and proxy statement.

North Peace Energy Corp. Twelve

Months

Ended

Dec 30, 2009 Six Months

Ended

Jun 30, 2009 Six Months

Ended

Jun 30, 2010 Pro

Forma

Constructed

(in thousands of dollars) \$ \$ \$ \$

(audited)

Revenue

Petroleum and natural gas — — 195 195

Royalties — — (10) (10)

Other income 47 31 5 21

47 31 190 206

Expenses

Operating — — 116 116

General and administrative 2,135 943 1,135 2,327

Depletion, depreciation and amortization 71 36 1,021 1,056

Stock based compensation 1,133 599 505 1,039

3,339 1,578 2,777 4,538

Loss before income taxes (3,292) (1,547) (2,587) (4,332)

Income taxes

Future expense (recovery) (532) (193) (236) (575)

Net loss and comprehensive loss (2,760) (1,354) (2,351) (3,757)

4. CONSTRUCTED STATEMENT OF OPERATIONS - SENLAC

The unaudited constructed statement of operations of Senlac for the four months ended November 3, 2009 has been constructed from the business acquisition report of Senlac, the schedule of revenues, royalties and expenses of the Senlac Property for the nine months ended September 30, 2009, deducting the unaudited schedule of revenues, royalties and expenses for the six months ended June 20, 2009 and adding the one month estimate ended November 3, 2009. The unaudited statement of operations of Senlac for the four months ended November 3, 2009 used to prepare the Company's unaudited pro forma statement of operations for the twelve months ended June 30, 2010 was prepared solely for the purpose of such pro forma statements.

Senlac Property Nine Months

Ended

Sept 30, 2009 Six Months

Ended

Jun 30, 2009 One Month

Ended

Nov 3, 2009 Pro Forma

Constructed

July 1 to

Nov 3, 2009

(in thousands of dollars) \$ \$ \$ \$

Revenue

Petroleum and natural gas 66,951 30,624 12,109 48,436

Royalties (7,229) (3,150) (1,360) (5,439)

59,722 27,474 10,749 42,997

Expenses

Operating 30,043 17,452 4,197 16,788

Operating income 29,679 10,022 6,552 26,209

5. PER SHARE AMOUNTS

After reflecting all transactions contemplated herein the estimated basic and diluted weighted-average number of common shares outstanding for the year ended June 30, 2010 were calculated as follows:

Net Income after Tax Shares Outstanding
(weighted average)

Pre acquisition balances – Southern Pacific \$ 8,198 200,385

Pro forma adjustments 4,859 14,093

Total basic \$ 13,057 214,478

Dilution - 2,367

Total diluted \$ 13,057 216,845

Per share amount:

Basic and diluted \$ 0.06

6. AMENDMENT

The pro forma consolidated statement of operations for the twelve months ended June 30, 2010 was amended to reflect an adjustment related to the Senlac Acquisition completed by Southern Pacific Resource Corp. on November 3rd, 2009. The previous pro forma consolidated statement of operations included in the North Peace Energy Corp. information circular and proxy statement dated October 21, 2010 reflected eight months of Senlac operations from November 3rd to June 30, 2010. This pro forma consolidated statement of operations has been amended to reflect twelve months of operations as if the Senlac Acquisition had occurred on July 1, 2009.

Readers' Advisory

This news release contains certain "forward-looking information" within the meaning of applicable securities law including, but not limited to, estimates as to: completion of the Transaction, anticipated benefits of the Transaction, commerciality of the Red Earth CSS Pilot Project.

For a description of the risks and uncertainties facing Southern Pacific and its business and affairs, readers should refer to Southern Pacific's most recent Annual Information Form. Southern Pacific undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, unless required by law.

For a description of the risks and uncertainties facing North Peace and its business and affairs, readers should refer to North Peace's most recent Annual Information Form. North Peace undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, unless required by law.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as the term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release. The TSX has neither approved nor disapproved the contents of this press release.

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