

# Corridor Resources Inc. Announces Second Quarter Results, 2019

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HALIFAX, Aug. 12, 2019 - [Corridor Resources Inc.](#) ("Corridor") (TSX - CDH) announced today its second quarter financial results.

The following table provides a summary of Corridor's financial and operating results for the three and six months ended June 30, 2019, with comparisons to the three and six months ended June 30, 2018. Corridor's unaudited financial statements and management's discussion and analysis for the second quarter have been filed on SEDAR at [www.sedar.com](http://www.sedar.com) and are available on Corridor's website at [www.corridor.ca](http://www.corridor.ca).

All amounts referred to in this press release are in Canadian dollars unless otherwise stated.

## Selected Financial Information

Three months ended June 30 Six months ended June 30

2019	2018	2018
Thousands of dollars except per share amounts		
Sales	\$ 7,623	\$ 13,419
Realized financial derivatives gains (losses)	\$ (1,398)	\$ (1,398)
Net income (loss)	\$ (2,087)	\$ (4,558)
Net income (loss) per share & common basic and diluted	\$ (0.051)	\$ (0.051)
Cash flow from operations <sup>(1)</sup>	\$ 9,832	\$ 9,832
Working capital	\$ 56,219	\$ 56,219
Total assets	\$ 117,773	\$ 117,773

Cash flow from operations is a non-IFRS measure. Cash flow from operations represents net earnings adjusted for non-cash items including depletion, depreciation and amortization, deferred income taxes, share-based compensation and other non-cash expenses. See "Non-IFRS Financial Measures" in Corridor's MD&A for the six months ended June 30, 2019.

## Q2 2019 Netback Analysis

	Three months ended June 30	Six months ended June 30	
thousands of dollars	2019	2018	2018
Natural gas production per day (mmscfpd)	2.4	2.7	6.3
Barrels of oil equivalent per day (boepd) <sup>(2)</sup>	398	966	1,056
Average natural gas price (\$/mscf)	\$ 4.16	\$ 6.60	\$ 11.28
Natural gas sales	\$ 904	\$ 6,572	\$12,938
Realized financial derivatives gains (losses)	53	(229)	(1,398)
Other revenues	110	459	481
Royalties	(19)	(23)	(410)
Transportation expense	-	(22)	(100)
Production expense	(608)	(735)	(1,403)
Field operating netback	\$ 440	\$ 8,139	\$ 10,108

*Natural gas has been converted to barrels of oil equivalent ("boe") on the basis of six thousand cubic feet ("mscf") of natural gas being equal to one barrel of oil. Boe may be misleading, (2) particularly if used in isolation. A boe conversion ratio of six mscf to one barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*

Unlike prior financial periods, Corridor has determined not to make any disclosure of its financial performance on a per boe basis for the three and six months ended June 30, 2019 and 2018. Such disclosure would not be a meaningful indicator of the performance of Corridor given its nominal production in each of Q2 2019 and Q2 2018 as a result of management's decision to shut-in its production for a portion of these periods as part of its production optimization strategy.

### 2019 Second Quarter Highlights

- Corridor shut-in all of its natural gas production starting in each of May 2019 and May 2018 in accordance with its production optimization strategy. Natural gas sales for Q2 2019 decreased to \$904 thousand from \$1,432 thousand for Q2 2018 due to the decrease in the average natural gas sales price to \$4.16/mscf in Q2 2019 from \$5.63/mscf in Q2 2018 and the decrease in the average daily natural gas production to 2.4 mmscfd in Q2 2019 from 2.8 mmscfd in Q2 2018.
- The decrease in the average natural gas sales price in Q2 2019 was mitigated by the Company's financial hedges which resulted in realized financial derivatives gains of \$53 thousand in Q2 2019. In contrast, the Company's financial hedges in Q2 2018 resulted in realized financial derivatives losses of \$320 thousand. As a result, the average realized natural gas sales price including financial derivatives gains (losses) was \$4.41/mscf in Q2 2019 as compared to \$4.36/mscf in Q2 2018.
- Corridor's cash flow from operations in Q2 2019 of \$167 thousand was consistent with Q2 2018 as lower natural gas sales were largely offset by higher realized financial derivatives gains in Q2 2019 as compared to Q2 2018.
- At June 30, 2019, Corridor had cash and cash equivalents of \$61,629 thousand, working capital of \$63,744 thousand and no outstanding debt.
- During the quarter, Corridor purchased and cancelled 623,394 of its common shares at an average price of \$0.715/share and in July 2019, Corridor purchased and cancelled an additional 154,066 common shares at an average price of \$0.673/share, all under its normal course issuer bid.

### Update on Guidance to March 31, 2020

Corridor has revised its guidance for the period from April 1, 2019 to March 31, 2020 from the guidance previously disclosed in the press release dated May 13, 2019 to reflect a decrease in expected natural gas prices during this period, as follows:

	May 13, 2019 guidance	Revised guidance
AGT average natural gas price	\$US 4.59/mmbtu	\$US 3.93/mmbtu
Average sales price realized (including financial hedges)	\$ 9.88/mscf	\$ 9.00/mscf
Field operating netback	\$ 9.7 million	\$ 8.7 million
Cash flow from operations <sup>(1)</sup>	\$ 8.1 million	\$ 7.1 million
Field operating netback per mscf	\$ 7.76/mscf	\$ 6.92/mscf
Cash flow from operations <sup>(1)</sup> per mscf	\$ 6.47/mscf	\$ 5.63/mscf
Working capital estimate (as at March 31, 2020)	\$ 69.7 million	\$ 68.1 million

*Cash flow from operations is a non-IFRS measure. Cash flow from operations represents net earnings adjusted for non-cash items including depletion, depreciation and amortization, deferred income taxes, (1) share-based compensation and other non-cash expenses. See "Non-IFRS Financial Measures" in Corridor's MD&A for the six months ended June 30, 2019.*

### Update on NB and other activities

As reported in our June 5, 2019 press release, the New Brunswick Government has undertaken an initial step towards permitting exemptions to the moratorium on hydraulic fracturing on a regional basis. The

Government has advised Corridor that it is unable to consider applications for an exemption to the moratorium as they undertake a consultation process with the New Brunswick First Nations. Predicting the timeline as to when the consultation process will be completed is difficult. Due to the regulatory uncertainty in New Brunswick, in particular when or if Corridor's lands will become exempt from the moratorium, Corridor is and has been limited in its ability to market the Frederick Brook Shale prospect to potential joint venture partners. Accordingly, Corridor is deferring the marketing of the Frederick Brook Shale prospect until such time that the moratorium is lifted in respect of our licenses and the New Brunswick regulatory process becomes clear and is consistent with other oil and gas producing jurisdictions.

Corridor's application to the Canada-Newfoundland and Labrador Offshore Petroleum Board to extend the tenure of its Exploration Licence 1153 (EL 1153) on the Newfoundland side of the Old Harry prospect has been denied. Corridor has determined there is not enough tenure remaining on EL-1153 to drill an exploration well on the Old Harry structure, and as such, expects this exploration licence to expire on January 15, 2021 without Corridor undertaking further exploration activities.

Corridor continues to identify and evaluate new investment opportunities outside of New Brunswick. "With working capital of approximately \$64 million, Corridor enjoys considerable optionality to pursue opportunities for deployment of our capital. We will continue to exercise patience and be selective in any opportunities we may decide to pursue," said Steve Moran, President and Chief Executive Officer.

*Corridor is a Canadian junior resource company engaged in the exploration for and development and production of petroleum and natural gas onshore in New Brunswick and offshore in the Gulf of St. Lawrence. Corridor currently has natural gas production and reserves in the McCully Field near Sussex, New Brunswick. In addition, Corridor has a shale gas prospect in New Brunswick and an offshore conventional hydrocarbon prospect in the Gulf of St. Lawrence.*

*For further information:*

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## Forward Looking Statements

This press release contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. Forward-looking information typically contains statements with words such as "anticipate", "believe", "plan", "continuous", "estimate", "expect", "may", "will", "project", "should", or similar words suggesting future outcomes. In particular, this press release contains forward-looking statements pertaining to: the characteristics of Corridor's properties; business plans and strategies (including plans to market the Frederick Brook shale prospect, plans to resume production from its shut-in wells and Corridor's optimization strategy, including entering into hedging); exploration and development plans; expectations regarding Corridor's positioning for 2020 and plans to pursue opportunities; expectations regarding natural gas prices and expectations regarding an exemption to the New Brunswick Government's moratorium on hydraulic fracturing.

Statements relating to "reserves" are forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described exist in the quantities predicted or estimated and can profitably be produced in the future.

Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based, will in fact be realized, including obtaining an exemption to the current moratorium on hydraulic fracturing. Actual results will differ, and the difference may be material and adverse to the Corporation and its shareholders. Forward-looking statements are based

on the Corporation's current beliefs as well as assumptions made by, and information currently available to, the Corporation concerning anticipated financial performance, business prospects, strategies, regulatory developments, future natural gas and oil commodity prices, exchange rates, future natural gas production levels, the ability to obtain equipment in a timely manner to carry out development activities, the ability to market natural gas successfully to current and new customers, the impact of increasing competition, the ability to obtain financing on acceptable terms, the ability to add production and reserves through development and exploration activities, and the terms of agreements with third parties such as the Corporation's hedging contracts. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. These factors include, but are not limited to, risks associated with oil and gas exploration, development and production, operational risks, development and operating costs, substantial capital requirements and financing, volatility of natural gas and oil prices, government regulation, environmental, hydraulic fracturing, third party risk, dependence on key personnel, co-existence with mining operations, availability of drilling equipment and access, variations in exchange rates, expiration of licenses and leases, reserves and resources estimates, trading of common shares, seasonality, disclosure controls and procedures and internal controls over financial reporting, competition, conflicts of interest, issuance of debt, title to properties, hedging, information systems, litigation and aboriginal land and rights claims. Further information regarding these factors may be found under the heading "*Risk Factors*" in the Corporation's Annual Information Form for the year ended December 31, 2018. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive.

The forward-looking statements contained in this press release are made as of the date hereof and Corridor does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, except as required by applicable law. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

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