

# Touchstone Announces Results for the Three and Nine Months Ended September 30, 2019

14.11.2019 | [CNW](#)

CALGARY, Nov. 14, 2019 - [Touchstone Exploration Inc.](#) ("Touchstone", "we", "our", "us" or the "Company") (TSX, LSE) reports its operating and financial results for the three and nine months ended September 30, 2019. Selected information outlined below and should be read in conjunction with Touchstone's September 30, 2019 unaudited interim consolidated statements and related Management's discussion and analysis, both of which will be available under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)) and the Company's website ([www.touchstoneexploration.com](http://www.touchstoneexploration.com)). Unless otherwise stated, all amounts herein are rounded to thousands of United States dollars.

## Highlights

- Achieved crude oil sales of 1,729 barrels per day ("bbls/d") and 1,871 bbls/d for the three and nine months ended September 30, 2019, respectively, representing a decrease of 2% and an increase of 12% relative to the prior year comparison.
- Successfully drilled our first exploration well at Ortoire, which is currently rigged to commence production testing.
- Generated an operating netback of \$24.56 per barrel in the third quarter of 2019 and \$27.07 per barrel during the nine months ended September 30, 2019.
- Delivered funds flow from operations of \$1,082,000 (\$0.01 per share) and \$4,822,000 (\$0.03 per share) during the third quarter and nine months ended September 30, 2019, respectively.
- Exited the quarter with cash of \$3,423,000 and net debt of \$12,286,000, representing 2.0 times net debt to trailing twelve-month funds flow from operations.
- Spudded our second Ortoire exploration well on October 4, 2019, which is currently drilling at 4,600 feet.
- Increased our financial liquidity by enlarging the principal amount of our credit facility from C\$15 million to C\$20 million on October 31, 2019.

## Financial and Operating Results Summary

	Three months ended % September 30,			Nine months ended % September 30,		
	2019	2018	change	2019	2018	change

## Operating Highlights

Average daily oil production (bbls/d)	1,729	1,758	(2)	1,871	1,674	12
Net wells drilled	0.8	3.0	(73)	0.8	8.0	(90)
Brent benchmark price (\$/bbl)	61.95	75.10	(18)	64.62	72.15	(10)

(\$/bbl)

Realized sales price

56.67















Royalties	(16.61)	(15.70)	6	(16.32)	(16.66)	(2)
Operating expenses	(15.50)	(16.89)	(8)	(14.82)	(15.87)	(7)
Operating netback <sup>(1)</sup>	24.56	28.39	(13)	27.07	28.23	(4)

# Financial Highlights

(\$000's except as indicated)

Petroleum sales	9,011	9,862	(9)	29,734	27,759	7
Cash flow (used) from operating activities	(1,205)	831	n/a	3,364	4,521	(26)
Funds flow from operations <sup>(2)</sup>	1,082	2,497	(57)	4,822	7,066	(32)
Per share &ndash; basic and diluted <sup>(1)(2)</sup>	0.01	0.02	(50)	0.03	0.05	(40)
Net (loss) earnings	(1,053)	199	n/a	(2,071)	(194)	968
Per share &ndash; basic and diluted	(0.01)	0.00	n/a	(0.01)	(0.00)	n/a
Exploration capital expenditures	3,234	443	630	4,275	954	348
Development capital expenditures	517	3,475	(85)	1,231	9,833	(87)
Total capital expenditures	3,751	3,918	(4)	5,506	10,787	(49)
Working capital deficit (surplus)				805	(1,568)	n/a
Principal balance of term loan				11,328	11,627	(3)
Long-term lease liabilities				153	-	n/a
Net debt <sup>(1)</sup> &ndash; end of period				12,286	10,059	22

# Share Information (000's)

## Weighted average shares

outstanding &ndash; basic	160,688	129,021	25	154,192	129,021	20
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## Weighted average shares

Note:

outstanding &ndash; diluted	160,688	130,728	23	154,192	129,021	20
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(1) Non-GAAP financial measure that does not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and therefore may not be comparable to the calculation of similar measures presented by other companies. See "Advisories: Non-GAAP Measures".

(2) Additional GAAP financial measure included in the Company's consolidated statements of cash flows. See "Advisories: Non-GAAP Measures".



### Third quarter operating results

In the third quarter of 2019, Touchstone conducted minimal capital development activity and continued to allocate capital to exploration activities on our Ortoire property. As a result, crude oil production during the third quarter averaged 1,729 bbls/d, a decrease relative to the 1,758 bbls/d produced in the third quarter of 2018, as incremental production achieved from wells drilled in the fourth quarter of 2018 were offset by natural declines. Production in the first nine months of 2019 averaged 1,871 bbls/d per day, representing an increase of 12% from production delivered in the prior year equivalent period.

Touchstone drilled its first exploration well on Ortoire for approximately \$2,900,000 and invested \$3,234,000 in total exploration capital during the three months ended September 30, 2019. Third quarter development capital expenditures totaled \$5,000,000 which included recompletion activities.

### Third quarter financial results

Our third quarter operating netback was \$24.56 per barrel compared to \$28.39 per barrel in the third quarter of 2018. This represented a 13% decrease despite an 18% decrease in average Brent benchmark pricing between the respective periods. Realized third quarter 2019 crude oil pricing was \$56.67 per barrel, 7% less than the \$60.98 per barrel received in the third quarter of 2018 as the Company's realized pricing differential to Brent reference pricing narrowed significantly. 2019 third quarter royalties represented 29.3% of petroleum sales compared to 25.7% in the prior year comparative period. This reflected an increase in overriding royalties, as production from wells drilled in 2017 qualified for reduced royalty rates in the 2018 third quarter. In comparison to the third quarter of 2018, operating expenses on a per barrel basis decreased 8% to \$15.50 per barrel, predominately due to decreased well servicing expenditures.

We delivered third quarter 2019 funds flow from operations of \$1,082,000 (\$0.01 per share), representing a 57% decrease from the prior year comparative period. The decrease was predominantly a result of a combined decrease in petroleum sales based on decreased production and realized pricing and increased current income tax expenses. Third quarter 2019 income taxes were based on minimal capital development activity, which decreased credits used to offset supplemental petroleum taxes. As a result, we recognized a net loss of \$1,053,000 (\$0.01 per share) in the third quarter of 2019 versus net earnings of \$199,000 (\$0.002 per share) in the equivalent prior year quarter.

Touchstone exited the third quarter with a cash balance of \$3,423,000, a working capital deficit of \$805,000 and a Canadian ("C\$") 15 million principal term loan balance. Our September 30, 2019 net debt position of \$12,286,000 represented net debt to trailing twelve-month funds flow from operations of 2.0 times. We expect our net debt position to increase as we continue to fund our initial two exploration wells that are anticipated to generate cash flows in the second half of 2020.

On October 31, 2019, the Company and its lender executed an amendment to the credit facility, increasing the principal amount of the credit facility from C\$15 million to C\$20 million. The expanded credit facility will primarily be used to fund the Company's Cascadura-1 exploration well and for general working capital purposes. Our amended credit facility does not require the commencement of principal payments until January 1, 2021, and we continued to be within the financial covenants as at September 30, 2019. Touchstone will maintain a measured approach to future developmental drilling in an effort to maintain financial liquidity while focusing on our Ortoire exploration opportunity.

### Operational Update

Touchstone's October 2019 crude oil sales volumes were 1,781 bbls/d. Our October average realized price of US\$56.10 per barrel represented a 6% discount to average Brent reference October pricing.

The Company has completed the primary target in the Coho-1 exploration well on the Ortoire block and is currently rigging up to commence production testing. Testing operations are expected to be completed next week. Production testing is slightly behind schedule due to delays in obtaining suitable surface testing equipment and required regulatory approvals.

Touchstone is currently drilling the Cascadura ST-1 exploration well on Ortoire. After some initial mechanical issues with the rig, the well was sidetracked beneath surface casing and is now drilling at approximately 4,600 feet. We plan to set intermediate casing at approximately 6,000 feet and anticipate drilling the primary zone to a total depth of 8,150 feet by early December.

## Touchstone Exploration Inc.

[Touchstone Exploration Inc.](#) is a Calgary based company engaged in the business of acquiring interests in petroleum and natural gas rights and the exploration, development, production and sale of petroleum and natural gas. Touchstone is currently active in onshore properties located in the Republic of Trinidad and Tobago. The Company's common shares are traded on the Toronto Stock Exchange and the AIM market of the London Stock Exchange under the symbol "TXP".

## Advisories

### Non-GAAP Measures

This news release contains terms commonly used in the oil and natural gas industry, including funds flow from operations, funds flow from operations per share, operating netback and net debt. These terms do not have a standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. Shareholders and investors are cautioned that these measures should not be construed as alternatives to cash flow from operating activities, net income, total liabilities, or other measures of financial performance as determined in accordance with Generally Accepted Accounting Principles ("GAAP"). Management uses these Non-GAAP measures for its own performance measurement and to provide stakeholders with measures to compare the Company's operations over time.

Funds flow from operations is an additional GAAP measure included in the Company's consolidated statements of cash flows. The Company calculates funds flow from operations per share by dividing funds flow from operations by the weighted average number of common shares outstanding during the applicable period.

The Company uses operating netback as a key performance indicator of field results. Operating netback is presented on a total and per barrel basis and is calculated by deducting royalties and operating expenses from petroleum sales. If applicable, the Company also discloses operating netback both prior to realized gains or losses on derivatives and after the impacts of derivatives are included. Realized gains or losses represent the portion of risk management contracts that have settled in cash during the period, and disclosing this impact provides Management and investors with transparent measures that reflect how the Company's risk management program can impact netback metrics. The Company considers operating netback to be a key measure as it demonstrates Touchstone's profitability relative to current commodity prices. This measurement assists Management and investors with evaluating operating results on a historical basis.

The Company closely monitors its capital structure with a goal of maintaining a strong financial position in order to fund current operations and the future growth of the Company. The Company monitors working capital and net debt as part of its capital structure to assess its true debt and liquidity position and to manage capital and liquidity risk. Working capital is calculated as current assets minus current liabilities as they appear on the consolidated statements of financial position. Net debt is calculated by summing the Company's working capital, long-term lease liabilities and the principal (undiscounted) amount of long-term debt.

### Forward-Looking Statements

Certain information provided in this news release may constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking information in this news release may include, but is not limited to, statements relating to future positive cash flows expected from exploration/appraisal wells, the potential timing, production rates and costs of exploration well drilling and testing operations, and the sufficiency of resources and available financing to fund future exploration drilling operations. Although the Company believes 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 the Company 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. Certain of these risks are set out in more detail in the Company's 2018 Annual Information Form dated March 26, 2019 which

has been filed on SEDAR and can be accessed at [www.sedar.com](http://www.sedar.com). The forward-looking statements contained in this news release are made as of the date hereof, and except as may be required by applicable securities laws, the Company assumes no obligation to update publicly or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.

SOURCE [Touchstone Exploration Inc.](#)

Contact  
about Touchstone, please visit our website at [www.touchstoneexploration.com](http://www.touchstoneexploration.com) or contact: Mr. Paul Baay,

President and Chief Executive Officer; or Mr. Scott Budau, Chief Financial Officer; or Mr. James Shipka, Chief Operating Officer, Telephone: 403.750.4487

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