

Touchstone Announces Results for the Three and Six Months Ended June 30, 2019

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

Highlights

- Achieved crude oil sales of 1,768 bbls/d and 1,944 bbls/d for the three and six months ended June 30, 2019, respectively, representing increases of 3% and 19% relative to the prior year comparative periods.
- Generated an operating netback of \$26.85 per barrel in the second quarter of 2019 and \$28.20 year to date 2019.
- Delivered funds flow from operations of \$1,310,000 (\$0.01 per share) and \$3,740,000 (\$0.02 per share) during the quarter and year to date June 30, 2019, respectively.
- Exited the quarter with cash of \$7,250,000 and net debt of \$10,010,000, representing 1.3 times net debt to trailing twelve-month funds flow from operations.
- Subsequent to June 30, 2019, spudded the Company's first exploration well on our Ortoire property.

Financial and Operating Results Summary

			Three months ended		Six months ended	
			June 30,	%	June 30,	
	2019	2018		change 2019	2018	
Operating Highlights						
Average daily oil production (bbls/d)	1,768	1,717	3	1,944	1,631	
Net wells drilled	-	3	(100)	-	5	
Brent benchmark price (\$/bbl)	69.01	74.53	(7)	66.03	70.67	
Operating netback⁽¹⁾ (\$/bbl)						
Realized sales price	60.33	61.97	(3)	58.91	60.63	
Royalties	(17.25)	(17.49)	(1)	(16.19)	(17.18)	
Operating expenses	(16.23)	(14.90)	9	(14.52)	(15.31)	
	26.85	29.58	(9)	28.20	28.14	
Financial Highlights						
(\$000's except as indicated)						
Petroleum sales	9,708	9,685	-	20,723	17,897	
Cash flow from operating activities	1,832	4,711	(61)	4,569	3,690	
Funds flow from operations ⁽²⁾	1,310	2,507	(48)	3,740	4,569	
Per share – basic and diluted ⁽¹⁾⁽²⁾	0.01	0.02	(50)	0.02	0.04	
Net loss	(833)	(523)	59	(1,018)	(393)	
Per share – basic and diluted	(0.01)	(0.00)		n/a (0.01)	(0.00)	
Exploration capital expenditures	681	334	104	1,041	511	
Development capital expenditures	315	3,506	(91)	714	6,358	
Net debt ⁽¹⁾ – end of period				10,010	8,576	
Share Information (000's)						
Weighted average shares outstanding – basic and diluted						

160,688

129,021

Outstanding shares – end of period

160,688 129,02

Notes:

- (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 with 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".

Operating results

In the first half of 2019, Touchstone conducted minimal capital development activities and continued to focus on prudently managing working capital, maintaining net debt levels and preparing for the initial Ortoire exploration well that spudded on August 7, 2019. Second quarter development capital expenditures totaled \$315,000 which included continuing recompletion activities.

Second quarter 2019 crude oil production averaged 1,768 bbls/d, a 3% increase relative to the 1,717 bbls/d produced in the second quarter of 2018. Second quarter average daily production decreased by 17% from the first quarter of 2019. First quarter 2019 volumes were buoyed by flush production from wells drilled in the fourth quarter of 2018. As this flush production declined, the Company focused on converting the wells to pump as well as recompleting initial low rate producing wells. As a result of these initiatives, various wells and associated production were off-line during the second quarter. Production from the 2018 development drilling campaign contributed an average of approximately 413 bbls/d of incremental production in the second quarter of 2019 versus 692 incremental bbls/d in the first quarter of 2019.

Financial results

Our second quarter operating netback was \$26.85 per barrel compared to \$29.58 per barrel in the second quarter of 2018. Realized second quarter 2019 crude oil pricing was \$60.33 per barrel, 3% less than the \$61.97 per barrel received in the equivalent quarter of 2018. Second quarter 2019 royalty expenses were consistent with the second quarter of 2018, both on a per barrel basis and as a percentage of petroleum sales. In comparison to the second quarter of 2018, operating expenses on a per barrel basis increased 9%, predominately due to extensive well servicing activities conducted during the three months ended June 30, 2019.

Touchstone generated second quarter 2019 funds flow from operations of \$1,310,000 (\$0.01 per share), representing a decrease of \$1,197,000 or 48% from the prior year comparative period. The variance was mainly a result of increased current income taxes recorded in the 2019 second quarter, as increased supplemental petroleum tax was incurred based on minimal developmental capital activity in the second quarter of 2019. As a result, we recognized a net loss of \$833,000 (\$0.01 per share) in the second quarter of 2019 versus a net loss of \$523,000 (\$0.00 per share) in the equivalent prior year quarter.

Touchstone exited the second quarter with a cash balance of \$7,250,000, a working capital surplus of \$2,062,000 and a C\$15 million principal term loan balance. Our June 30, 2019 net debt position of \$10,010,000 represented net debt to trailing twelve-month funds flow from operations of 1.3 times. As a result of an extension executed in the first quarter of 2019, our credit facility does not require the commencement of principal payments until January 1, 2021, and we continued to be comfortably within the financial covenants as at June 30, 2019.

Paul R. Baay, President and Chief Executive Officer, commented:

"Touchstone continues to operate from a comfortable financial position, with stable operating netbacks and positive cash flows. Following the spudding of our Coho-1 well last week, we are fully focused on progressing our Ortoire block exploration drilling programme. Last week's announcement represents the start

of a potentially transformational period in the Company's history, and we look forward to updating the market on the Coho-1 well results over the course of the next two months."

About Touchstone

[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 announcement 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 announcement may constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking information in this announcement may include, but is not limited to, statements relating to the potential undertaking, timing, locations, production rates and costs of future exploration well drilling, and the sufficiency of resources and available financing to fund future exploration, drilling and completion 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 December 31, 2018 Annual Information Form dated March 26, 2019 which has been filed on SEDAR and can be accessed at www.sedar.com. The forward-looking statements contained in this announcement 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.](#)

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