



## NEWS RELEASE

### TOUCHSTONE UPDATES TRINIDAD ACQUISITION AND ANNOUNCES CREDIT FACILITY COVENANT REVIEW

Calgary, Alberta – December 9, 2015 – Touchstone Exploration Inc. (“Touchstone” or the “Company”) (TSX: TXP) announces an update to its Trinidad acquisition and reports on discussions with its lender on a review of certain credit facility covenants.

#### Trinidad Asset Acquisition

The Company is pleased to announce that the shareholders of Trinity Exploration & Production Plc (“Trinity”) have approved the sale of the onshore Trinidad assets outlined in the previously announced transaction with Touchstone. At the General Meeting held on December 3, 2015, Trinity shareholders voted 99.9% in favour of a resolution approving the sale of the WD-2, WD-5/6, WD-13, WD-14, and Fyzabad-2 blocks to Touchstone for cash consideration of US\$20.8 million (the “Acquisition”). The Acquisition is further subject to the receipt of all necessary Trinidad regulatory approvals and the satisfaction of closing conditions customary in transactions of this nature. The Acquisition is expected to close in the first quarter of 2016 and will be effective as at the completion date.

#### Credit Facility Covenants

Under its credit facility, the Company is subject to the following covenants:

- *Total debt to EBITDAX ratio*: The Company will not permit the ratio of total debt to EBITDAX for the trailing four fiscal quarters to be greater than 3.00 to 1.00. "EBITDAX" means, for any period, the sum of consolidated net income for such period plus the following expenses or charges to the extent deducted from consolidated net income in such period: interest, income taxes, depreciation, depletion, amortization, exploration expenses and all non-cash charges, minus all non-cash income added to consolidated net income.
- *Interest coverage ratio*: the Company will not, as of the last day of any fiscal quarter, permit its ratio of EBITDAX for the period of four fiscal quarters then ending to interest expense for such period to be less than 2.50 to 1.00.
- *Monthly production*: the Company shall not permit the amount equal to the net production volume of oil and gas from its Trinidad properties for each calendar month divided by the total number of days in such calendar month to be less than 1,600 barrels per day.

The Company’s monthly average Trinidad oil production and minimum oil production requirements under its credit facility agreement were as follows:

2015 Period	Trinidad production (bbls/d)	Minimum production requirements (bbls/d)
May	1,497	1,600
June	1,616	1,600
July	1,550	1,600
August	1,571	1,600
September	1,533	1,600
October	1,474	1,500
November	1,495	1,500

As disclosed in Touchstone’s September 30, 2015 interim filings, the Company was in breach of the September monthly production volume covenant and executed a waiver with its lender on November 3,

2015. The Company also executed a waiver on September 23, 2015 relating to May, July and August production covenant breaches. In respect of each of these covenant breaches, at all times the Company had an understanding with its lender that waivers would be granted for each period. Under the terms of the credit facility, the Company is required to pay a 2% increase in interest during any covenant breach period and such an interest increase was paid in respect of the periods in connection with the waivers. There were no specific terms included in the waivers that were required to be addressed by the Company and the covenant compliance issue had no material impact to the Company's expenses or cash flows. At September 30, 2015 the Company was in compliance with all other covenants, obligations and conditions of the credit facility.

In connection with the November 3, 2015 waiver, the credit facility has been amended whereby the monthly minimum production covenant was reduced to 1,500 barrels per day for the months of October, November and December 2015. The Company has communicated the October and November production covenant breaches with its lender and the parties are expected to execute a waiver in December 2015. The Company is currently performing Trinidad well recompletions to ensure future compliance with the production covenant. In addition, the Company is in current discussions with the lender with a view to further revise the credit facility in a manner which manages the issues associated with the monthly production covenant in a more efficient manner. Neither the Company nor its lender view the non-compliance with the production covenant to constitute a material adverse change to the financial condition or prospects of the Company.

Each breach of the covenant does give rise to the lender's ability to demand repayment of the loan prior to the end of the original loan term or to negotiate revisions to covenants. However, the practice to date of dealing with these breaches through waivers indicates that the implications of this covenant compliance issue to the Company's liquidity risk is not material. That said, both the Company and the lender intend to find a more efficient tool for managing the production-based monitoring of the Company's performance under the credit facility. No assurance can be given that future ongoing breaches of the production covenant will not result in a material adverse impact to the Company's liquidity position or cash flows. The Company will provide a further update as any material developments occur in respect of these ongoing discussions with the lender.

#### **Advisory Regarding Forward-Looking Statements**

*Certain information provided in this news release may constitute forward-looking statements within the meaning of applicable securities laws. This information includes, but is not limited to, information regarding the Acquisition, expectations and assumptions concerning completion of the Acquisition and the outcome of ongoing discussions with the Company's lender respecting review of production covenant adjustments. 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. For the purposes of this news release, the Company has assumed that the information received from Trinity and other sources is accurate. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties, including unexpected declines in production, expenses or costs associated with the Acquisition beyond what is anticipated, unforeseen geophysical or geological structures, failing to complete the Acquisition on terms that are acceptable to the Company or at all. 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 Annual Information Form dated March 30, 2015 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 publicly update or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.*

## **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 and western Canada. The Company's common shares are traded on the Toronto Stock Exchange under the symbol "TXP".

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