



## **TOUCHSTONE ANNOUNCES FOURTH QUARTER AND YEAR-END 2016 RESULTS**

Calgary, Alberta – March 22, 2017 – Touchstone Exploration Inc. (“Touchstone” or the “Company”) (TSX: TXP) announces its financial and operating results for the three months and year ended December 31, 2016. Selected financial and operational information are outlined below and should be read in conjunction with Touchstone’s December 31, 2016 audited consolidated financial statements and 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)). Tabular amounts herein are in thousands of Canadian dollars, and amounts in text are rounded to thousands of Canadian dollars unless otherwise stated.

### **2016 Annual Highlights**

- Generated funds flow from operations of \$6,117,000 (\$0.07 per basic share) compared to \$2,908,000 (\$0.04 per basic share) in 2015.
- Achieved Trinidad average oil sales of 1,301 barrels per day, representing a decrease of 19% from 2015 Trinidad annual average production.
- Reduced annual per barrel operating expenses by 19% or \$4.83 per barrel from 2015.
- Reduced gross annual general and administrative costs by \$4,183,000 or 35% from 2015.
- Realized Trinidad operating netback after realized derivatives of \$28.65 per barrel, representing an increase of 3% from the \$27.88 delivered in 2015.
- Recorded a net loss of \$12,853,000 (\$0.15 per basic share) for the year ended December 31, 2016 compared to a net loss of \$22,147,000 (\$0.27 per basic share) in 2015. The net loss was primarily driven from net unrealized losses on derivative contracts and impairments related to exploration assets.
- The Company’s annual exploration and development expenditures were \$3,881,000, with nine well recompletions and two fracture stimulations completed in the year.
- On February 1, 2016, disposed of the Kerrobert property and various undeveloped land rights for cash proceeds of \$650,000. Through the disposition, the Company reduced the production by 73 barrels per day and immediately eliminated operating losses associated with the property.
- Achieved proved plus probable reserves of 15,698 Mbbl, replacing 2016 production by 149% despite minimal development capital activity based on an independently evaluated reserves assessment prepared by GLJ Petroleum Consultants Ltd.
- Achieved 2016 annual finding and development costs of \$7.35 per barrel for proved reserves and \$6.00 per barrel for proved plus probable reserves including future development capital.

### **2016 Fourth Quarter Highlights**

- The Company completed a balance sheet restructuring that improved financial flexibility, allowing for a December 2016 recompletion program. Touchstone closed a \$15 million, five-year term loan with no mandatory repayments of principal until January 2019.
- Subsequent to December 31, 2016, the Company’s cash collateralized US\$6,000,000 letter of credit related to the East Brighton exploration property was reduced to US\$2,150,000, which will result in an increase of US\$3,850,000 in available cash.
- Achieved Trinidad quarterly average crude oil sales of 1,245 barrels per day, representing a decrease of 2% from the third quarter of 2016 and a decrease of 17% from the fourth quarter of 2016.

- Realized Trinidad operating netback before realized derivatives of \$23.40 per barrel, representing an increase of 20% from the third quarter of 2016 and an increase of 78% from the prior year comparative quarter.
- Generated funds flow from operations of \$353,000 (\$0.01 per basic share) compared to \$1,567,000 (\$0.02 per basic share) recognized in the prior quarter and \$1,408,000 (\$0.02 per basic share) recognized in the fourth quarter of 2015.
- The Company's exploration and development expenditures for the quarter were \$1,372,000. A total of eight well recompletions were performed in the fourth quarter.

## Financial and Operating Results Summary

	Three months ended December 31,		Year ended December 31,	
	2016 <sup>2</sup>	2015	2016 <sup>2</sup>	2015
<b>Operating</b>				
Average daily oil production ( <i>barrels per day</i> )				
Trinidad	1,245	1,498	1,301	1,600
Canada	-	73	-	156
Company total	1,245	1,571	1,301	1,756
Average realized oil prices before derivatives ( <i>\$ per barrel</i> )				
Trinidad	61.85	50.64	50.49	58.45
Canada	-	27.15	-	38.80
Company total	61.85	49.54	50.49	56.70
Operating netback <sup>1</sup> ( <i>\$ per barrel</i> )				
Brent benchmark price	65.53	58.02	57.68	66.62
Discount	(3.68)	(8.48)	(7.19)	(9.92)
Realized sales price	61.85	49.54	50.49	56.70
Royalties	(18.56)	(15.60)	(14.32)	(17.33)
Operating expenses	(19.89)	(26.81)	(21.09)	(25.92)
Operating netback prior to derivatives	23.40	7.13	15.08	13.45
Realized gain on derivatives	-	16.25	13.57	9.64
Operating netback after derivatives	23.40	23.38	28.65	23.09
<b>Financial</b> ( <i>\$000's except share and per share amounts</i> )				
Funds flow from operations	353	1,408	6,117	2,908
Per share – basic and diluted <sup>1</sup>	0.01	0.02	0.07	0.04
Net loss	(7,154)	152	(12,853)	(22,147)
Per share – basic and diluted	(0.09)	0.01	(0.15)	(0.27)
Capital expenditures				
Exploration assets	553	612	2,029	1,245
Property and equipment	819	578	1,852	3,572
Company total	1,372	1,190	3,881	4,817
Total assets – end of period			89,285	100,619
Net debt (surplus) <sup>1</sup> – end of period			14,154	(987)
Weighted average shares outstanding				
Basic	83,137,143	83,087,143	83,121,842	83,080,417
Diluted	83,137,143	83,294,151	83,121,842	83,080,417
Outstanding shares - end of period			83,137,143	83,087,143

<sup>1</sup>Refer to "Advisories: Non-GAAP Measures".

<sup>2</sup>Effective December 31, 2015 and closing on February 20, 2016, the Company disposed of its remaining Canadian segment producing oil and gas assets.

Throughout 2016 Touchstone continued to follow a strategy of deploying exploration and development capital with financial discipline and focused on operations directly related to maintaining production from the Company's core Trinidad developmental properties. The Company completed a balance sheet restructuring in November 2016, replacing the former reserve-based bank loan with a \$15,000,000 five-year term loan that includes no mandatory repayments of principal until January 2019. With this improved financial flexibility, the Company immediately undertook an eight well recompletion program in December 2016 which increased production in excess of 100 barrels per day in January 2017.

Touchstone remained sensitive to the low commodity price environment, recompleting a total of nine wells, stimulating two wells, and deploying no drilling capital during the fiscal year. This prudent approach led to a 19% decrease in capital spending from 2015, with \$3,881,000 invested in 2016 versus \$4,817,000 in the prior year. Notwithstanding the Company's minimal capital and operational spending in 2016, annual crude oil production was 476,057 barrels, an average of 1,301 barrels per day. This represented a decrease of 19% from Trinidad average daily volumes delivered in 2015.

Trinidad realized 2016 pricing for crude oil was \$50.49 (US\$38.10) per barrel versus \$58.45 (US\$45.98) per barrel received in 2015. Total Trinidad based petroleum revenue decreased 30% based on decreases in production and realized prices. The Company generated \$6,462,000 in realized derivative gains in 2016 versus \$6,181,000 in 2015.

The Company executed on implementing various costs savings initiatives to reduce both operating costs and general administrative expenses. Touchstone undertook various operating cost efficiency projects in Trinidad which, combined with the Company's disposition of the cash flow negative Kerrobert property, resulted in annual operating expenses decreasing 40% from 2015. Through the reduction of staff and office space, as well as other cost-savings initiatives, general and administrative expenses decreased by 39% from 2015.

Funds flow from operations for the year ended December 31, 2016 was \$6,117,000 (\$0.07 per basic share) versus funds flow from operations of \$2,908,000 (\$0.04 per basic share) recognized in the prior year. Funds flow from operations increased from 2015 primarily from the cessation of Canadian based operating losses and a \$4,118,000 reduction in annual general and administrative expenses. Primarily due to a net loss on derivative contracts of \$1,970,000 and \$5,337,000 in exploration asset impairment charges, the Company recorded a net loss of \$12,853,000 (\$0.15 per basic share) during the year ended December 31, 2016.

## **Outlook**

The Company is currently planning the commencement of its 2017 drilling program which will focus on development drilling on the Coora, WD-4 and WD-8 properties. These wells will be targeting the Forest and Cruse formations at depths ranging from 3,200 feet to 7,000 feet. In addition, the Company is continuing to execute two recompletions per month on existing wells located throughout its portfolio of onshore Trinidad properties. Any potential expansion of the capital program will primarily be determined on the future stability of commodity prices. The initial program will be funded by existing cash on hand and cash proceeds from the East Brighton letter of credit reduction.

The Company continues to focus on various operating cost reduction projects, including utilizing new pumping technology. The Company is also currently seeking approval for effluent disposal at certain facilities to minimize the environmental impact of its operations.

## **AIM Listing**

Touchstone is in the preliminary stages of considering a listing on the AIM Market of the London Stock Exchange ("AIM"). The Company's objective would be to enhance liquidity for the Company's shareholders and provide more direct access to the London capital markets. No decision has been made at this time as to whether or not the Company will apply for an AIM listing.

## **Appointment of Audit Committee Chair**

The Company is pleased to announce that Mr. Corey C. Ruttan, a current member of the Company's Board of Directors, has accepted the position of Chair of the Board of Director's Audit Committee. Mr. Ruttan is currently President, Chief Executive Officer and a Director of Alvopetro Energy Ltd. and is a Chartered Professional Accountant.

## **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 under the symbol "TXP".

## **Advisories**

**Non-GAAP Measures:** This press release contains terms commonly used in the oil and natural gas industry, such as funds flow from operations per share, operating netback and net debt. These terms do not have a standardized meaning under International Financial Reporting Standards and may not be comparable to similar measures presented by other companies. 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 per barrel basis and is calculated by deducting royalties and operating expenses from petroleum revenue. The Company 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. Net debt (surplus) is calculated by summing the Company's working capital and non-current undiscounted interest bearing liabilities. Working capital is defined as current assets less current liabilities. The Company uses this information to assess its true debt and liquidity position and to manage capital and liquidity risk. 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.

**Forward-Looking Statements:** Certain information provided in this press release may constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking information in this press release may include, but is not limited to, statements about the release of letter of credit cash collateral, plans related to and the timing of certain capital expenditures, sufficiency of resources to fund operations, the potential undertaking of an additional capital program, and consideration of a listing on the AIM Market of the London Stock Exchange. 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 Annual Information Form dated March 24, 2016 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 press 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.

**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  
[www.touchstoneexploration.com](http://www.touchstoneexploration.com)