Touchstone Exploration Inc.
(formerly Petrobank Energy and Resources Ltd.)

Management's Discussion and Analysis

March 31, 2015

Management's Discussion and Analysis
For the three months ended March 31, 2015

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Touchstone Exploration Inc. (formerly Petrobank Energy and Resources Ltd.) (the "Company" or "Touchstone") for the three months ended March 31, 2015 is dated May 13, 2015 and should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2015, as well as the Company's audited consolidated financial statements for the year ended December 31, 2014. The unaudited interim consolidated financial statements and the audited consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board. This MD&A should also be read in conjunction with the Company's MD&A for the year ended December 31, 2014, as disclosure which is unchanged from December 31, 2014 may not be duplicated herein.

Additional information related to Touchstone and factors that could affect the Company's operations and financial results are included with reports on file with Canadian securities regulatory authorities, including the Company's Annual Information Form dated March 30, 2015, and may be accessed through the SEDAR website at www.sedar.com.

Tabular amounts herein are in thousands of Canadian dollars and amounts in text are rounded to thousands of Canadian dollars unless otherwise stated. All production volumes disclosed herein are sales volumes. Certain prior year amounts have been reclassified to conform to current year presentation. Refer to the end of this MD&A for commonly used abbreviations in the document. Refer to page 24 for the Advisory on Forward-looking Statements and page 25 for Non-GAAP terms used in this MD&A.

On May 13, 2014, the Company completed a plan of arrangement with Touchstone Exploration Inc. (now Touchstone Energy Inc., a wholly-owned subsidiary of Touchstone) ("Old Touchstone"). Petrobank Energy and Resources Ltd. was the acquirer, and as such, comparative results prior to May 14, 2014 do not include the results of operations from Old Touchstone. All current and comparative share capital and per share amounts have been adjusted to reflect the two for one common share consolidation completed on May 13, 2014.

On July 1, 2014, the Company determined that the Kerrobert and Luseland producing properties met the criteria for technical feasibility and commercial viability. As of July 1, 2014 all associated revenues, royalties and operating expenses of the two Canadian properties have been recognized in the consolidated statement of earnings (prior to July 1, 2014, all revenues and costs were capitalized to exploration assets). Dawson operating results continue to be capitalized to exploration assets as the property remains in the exploration stage. Therefore, it is important to note that throughout this MD&A, operational results such as revenue, royalties, and production expenses related to the Dawson property and Kerrobert and Luseland properties prior to July 1, 2014 may be referenced but are capitalized for financial reporting purposes and thus do not appear in the consolidated statements of earnings.

Due to the prior year Trinidad acquisition and transfer of Canadian assets to property and equipment described above, selected operational and financial results from the three months ended December 31, 2014 ("Q4 2014") have also been provided for comparative purposes.

Company Profile

The Company is incorporated under the laws of Alberta, Canada with its head office located in Calgary, Alberta. The Company is an oil and gas exploration and production company active in western Canada and the Republic of Trinidad and Tobago ("Trinidad"). The Company's common shares are traded on the Toronto Stock Exchange under the symbol "TXP". The Company's strategy is to leverage western Canadian enhanced oil recovery experience and capability to international onshore properties to create shareholder value. Jurisdictions will be targeted that have stable political and fiscal regimes coupled with large defined original oil in place.

Three Months Ended March 31, 2015 ("First quarter" or "Q1") Highlights

- Achieved average oil sales of 2,036 Bbls/d, 1,742 Bbls/d produced in Trinidad and 294 Bbls/d produced in Canada. Quarterly production represented an increase of 422% over the comparative 2014 quarter and a decrease of 11% from the prior quarter.
- Generated Trinidad funds flow from operations of $3,101,000, which offset Canadian funds flow losses of $2,676,000. First quarter funds flow from operations was $425,000 ($0.01 per basic share) compared to a loss of $2,114,000 (0.04 per basic share) in the comparative 2014 quarter and positive funds flow from operations of $2,182,000 ($0.03 per basic share) in the prior quarter. Funds flow decreased from the prior quarter due to lower oil production and realized prices, which were slightly offset by realized gains on derivatives.
- Reduced quarterly operating expenses by 18% or $5.19 per barrel compared to the fourth quarter of 2014.
- During the quarter the Company disposed of its non-core Luseland property which included one producing well (42 Bbls/d) and approximately 4,000 acres of undeveloped land for net proceeds of $2,200,000.

Quarterly Financial and Operating Results

	Three months ended		
	March 31, 2015	December 31, 2014	March 31, 2014
Operating			
Average daily oil production (Bbls/day)			
Trinidad	**1,742**	1,896	-
Canada	**294**	387[2]	390[2]
Company total	**2,036**	2,283[2]	390[2]
Average oil prices before derivatives ($/Bbl)	**55.25**	75.50[2]	75.54[2]
Trinidad operating netback[1] ($/Bbl)			
Reference price – Brent	**67.09**	86.64	-
Petroleum revenue	**58.74**	78.30	-
Royalties	**(18.53)**	(25.40)	-
Net sales	**40.21**	52.90	-
Realized gain on derivatives	**8.80**	1.28	-
Operating costs	**(20.07)**	(24.84)	-
Trinidad operating netback	**28.94**	29.34	-
Canada operating netback[1] ($/Bbl)			
Reference price – WTI	**60.20**	82.98	-
Petroleum revenue	**34.51**	61.29	-
Royalties	**(3.86)**	(6.92)	-
Net sales	**30.65**	54.37	-
Operating costs	**(43.37)**	(47.79)	-
Canada operating netback	**(12.72)**	6.58	-

[1]See "*Non-GAAP Measures.*"
[2]Average daily production and average realized prices include exploration property results.

	Three months ended		
	March 31, 2015	December 31, 2014	March 31, 2014
Financial *($000's except share and per share amounts)*			
Funds flow from operations[1]			
Trinidad	**3,101**	3,434	-
Canada	**(2,676)**	(1,252)	(2,114)
Company total	**425**	2,182	(2,114)
Per share – basic and diluted[1,2]	**0.01**	0.03	(0.04)
Net loss	**1,128**	48,879	3,967
Per share – basic and diluted[2]	**0.01**	0.59	0.08
Capital expenditures			
Exploration assets	**188**	504	5,811
Property and equipment	**1,171**	9,960	19
Company total	**1,359**	10,464	5,830
Total assets - end of period	**141,486**	140,333	92,952
Net debt (surplus)[1] - end of period	**5,695**	6,450	(41,478)
Weighted average shares outstanding[2]			
Basic and diluted	**83,073,865**	83,059,643	48,748,337
Outstanding shares[2] - end of period	**83,079,643**	83,059,643	48,787,412

[1] See "*Non-GAAP Measures.*"
[2] All current and comparative share amounts have been adjusted to reflect the two for one common share consolidation completed on May 13, 2014.

In the first quarter of 2015, Touchstone focused on operational initiatives to ensure the sustainability and future profitability of the Company in a low commodity price environment. The Company focused on operating cost reductions and improved project economics. As a result, production volumes in Canada and Trinidad declined based on reduced operating and capital investment. The Company recompleted seven wells in the first quarter of 2015 and continues to optimize production achieved from the 2014 drilling program. Despite the decrease in realized oil prices, the Company maintained balance sheet strength with first quarter net debt of $5,695,000. This decrease in net debt from the fourth quarter of 2014 was aided by the Luseland asset disposition which contributed net proceeds of $2,200,000 and led to a gain of $130,000 recorded in the quarter.

Production volumes averaged 2,036 Bbls/d during the three months ended March 31, 2015 (100% oil). Trinidad and Canadian petroleum sales averaged 1,742 Bbls/d and 294 Bbls/d, respectively, representing a combined increase of 422% from the comparative 2014 quarter and a decrease of 11% from the 2014 fourth quarter.

In Canada, the Company continued its focus on evolving to a conventional production model and aggressively reduced operating costs in Saskatchewan. Kerrobert operations incurred negative operating netbacks of $391,000 in the quarter versus a gain of $55,000 recognized in the previous quarter. Operating cost reductions of 23% from the previous quarter were offset by price reductions in excess of 40% ($34.64 realized price versus $57.87 in Q4 2014). Luseland operations contributed $55,000 in operating income prior to the February 28, 2015 disposition.

In Trinidad, Touchstone likewise focused on reducing operating costs. Service rig utilization was deliberately limited to Company owned equipment with a focus on projects with immediate value. Excluding derivatives, Trinidad operating netbacks were $20.14 per barrel compared to $28.06 in the previous quarter. Quarterly average realized prices declined 25% from $78.30 per barrel to $58.74 per barrel, while royalty expenses reduced commensurate with the decrease in realized oil prices. Cost reducing initiatives led to first quarter Trinidad operating cost decreases of $4.77 per barrel or 19% from the previous quarter. In addition, the Company realized a gain on derivatives of $1,379,000 or $8.80 per barrel during the first quarter of 2015.

Quarterly gross general and administrative costs increased $340,000 from the fourth quarter of 2014, as $691,000 in severance costs were recognized in the quarter due to staffing reductions. Canada general and administrative costs are expected to reduce by 20% from 2014 levels going forward.

Funds flow from operations for the three months ended March 31, 2015 was $425,000 ($0.01 per basic share) versus a loss of $2,114,000 ($0.04 per basic share) in the prior year comparative quarter and positive funds flow from operations of $2,182,000 ($0.03 per basic share) in the fourth quarter of 2014. Trinidad operations generated funds flow from operations of $3,101,000, offsetting Canadian funds flow losses of $2,676,000.

Touchstone's capital program for 2015 remains flexible as the Company has minimal commitments or financial obligations in Canada and Trinidad. The Company continues to conserve capital and apply a prudent approach to capital expenditures. Building on overall cost reductions achieved in the quarter, the Company is continuing to streamline operations and actively pursue cost savings. Furthermore, the Company remains focused on improving the balance sheet through non-core asset dispositions in 2015. The Company will continue its measured approach to maintaining and growing production in Canada and Trinidad and will review capital programs on a quarterly basis. In the interim, Touchstone has received regulatory approvals for the drilling of seven wells in Trinidad.

Principal Properties

As at March 31, 2015, the Company's principal land holdings were as follows:

Property	Working interest	Lease type	Gross acres	Working interest acres
Canada				
Producing				
Kerrobert	100%	Crown & Freehold	801	801
Exploratory				
Kerrobert	96%	Crown & Freehold	6,158	5,938
Luseland	100%	Crown & Freehold	7.726	7,726
Dawson	100%	Crown	20,160	20,160
Beadle	100%	Freehold	7,903	7,903
Edam	100%	Crown	10,881	10,881
Druid	100%	Crown	8,641	8,641
Winter	100%	Crown	11,323	11,323
Unity	100%	Crown	240	240
	100%		**73,833**	**73,613**
Trinidad				
Producing				
WD-8	100%	Lease Operatorship	650	650
Coora 1	100%	Lease Operatorship	1,230	1,230
Coora 2	100%	Lease Operatorship	469	469
WD-4	100%	Lease Operatorship	700	700
South Palo Seco	100%	Farmout Agreement	2,019	2,019
New Dome	100%	Farmout Agreement	69	69
Barrackpore	100%	Freehold	478	478
Fyzabad	100%	Crown & Freehold	804	804
Icacos	50%	Freehold	1,960	980
Palo Seco	100%	Crown	500	500
San Francique	100%	Freehold	2,306	2,306
Exploratory				
Siparia	50%	Freehold	160	80
East Brighton	26%	Crown	20,365	5,310
Moruga	100%	Freehold	3,300	3,300
Bovallius	100%	Freehold	976	976
Otaheite	100%	Freehold	935	935
St. John	100%	Freehold	408	408
Rousillac	100%	Freehold	570	570
Piparo	100%	Freehold	72	72
New Grant	100%	Freehold	687	687
Cory Moruga	16%	Freehold	11,969	1,939
Ortoire	80%	Crown	44,731	35,785
	63%		**95,358**	**60,267**
Company total	**79%**		**169,191**	**133,880**

All properties are located onshore with the exception of East Brighton. The Company is operating under a number of Trinidad freehold lease agreements which have expired and are currently being renegotiated. Based on legal opinions received, the Company is continuing to recognize revenue on the producing blocks as the Company is the operator, no title to the revenue has been disputed and the Company is paying all associated royalties and taxes.

Financial and Operating Results

The Company's operations are conducted in Canada and Trinidad, which are the Company's reportable segments. The Company's Dawson property is in the exploration phase and accordingly, all directly attributable expenses, net of revenues, are capitalized as exploration assets. Prior to July 1, 2014, the Company's Kerrobert and Luseland properties were also in the exploration phase.

Production

	Three months ended		
	March 31, 2015	December 31, 2014	March 31, 2014
Canada			
Total oil production (Bbls)	**26,425**	35,591	35,083
Average daily oil production (Bbls/d)	**294**	387	390
Trinidad			
Total oil production (Bbls)	**156,780**	174,403	-
Average daily oil production (Bbls/day)	**1,742**	1,896	-
Company			
Total oil production (Bbls)	**183,205**	209,994	35,083
Average daily oil production (Bbls/day)	**2,036**	2,283	390

Production by property

	Three months ended		
(Bbls)	**March 31, 2015**	December 31, 2014	March 31, 2014
Canada			
Kerrobert	**23,386**	29,326	32,452
Luseland	**3,039**	5,050	2,631
Dawson		1,215	
	26,425	35,591	35,083
Trinidad			
WD-8	**34,150**	40,524	-
Coora 1	**22,923**	26,095	-
Coora 2	**13,758**	11,493	-
WD-4	**49,850**	51,312	-
New Dome	**1,434**	1,679	-
South Palo Seco	**662**	789	-
Fyzabad	**18,945**	22,519	-
Icacos	**916**	1,055	-
Palo Seco	**1,968**	2,506	-
Barrackpore	**6,271**	9,832	-
San Francique	**5,903**	6,600	-
	156,780	174,403	-
Company total	**183,205**	209,994	35,083

Total Q1 2015 production increased 422% from Q1 2014 production, as the Company acquired its Trinidad operations effective May 13, 2014. First quarter production decreased 11% from the prior quarter production.

Kerrobert quarterly production decreased 28% from the prior year period production and 20% from Q4 2014 production. With depressed commodity prices the Company focused on decreasing operating costs and maximizing project economics and, as such, production volumes at Kerrobert were deliberately allowed to decline in response to reduced operating and capital investment.

Luseland quarterly production increased by 16% over the comparative prior year quarter. Production decreased by 40% from the prior quarter as the Luseland producing well was disposed of on February 28, 2015.

Trinidad production averaged 1,742 Bbls/d during the three months ended March 31, 2014. This represented a decrease of 8% compared to the 1,896 Bbls/d produced during the three months ended December 31, 2014. Production in Trinidad decreased in response to the Company's concerted effort to reducing operating costs and ensure that all capital programs were sustainable in the current commodity environment. As a result, approximately 100 Bbl/d of oil that is uneconomical to produce or maintain at current prices was shut in and approximately 100 Bbl/d remains behind pipe awaiting workovers. Limited capital was invested the quarter, with seven recompletions performed in Trinidad.

Average reference and realized prices

	Three months ended		
	March 31, 2015	December 31, 2014	March 31, 2014
Reference prices (C$/Bbl)			
WTI average	**60.20**	82.98	108.82
WCS average	**42.12**	66.75	83.40
Brent average	**67.09**	86.64	119.31
Average realized selling prices, excluding derivatives ($/Bbl)			
Canada	**34.51**	59.20	75.54[1]
Trinidad	**58.74**	78.30	-
Canada			
Realized price discount as a % of WTI	**43**	29	31
Realized price discount as a % of WCS	**18**	11	9
Trinidad			
Realized price discount as a % of Brent	**12**	10	-
Realized price discount as a % of WTI	**2**	6	-

[1]Average realized prices include exploration property petroleum sales.

Petroleum sales

	Three months ended		
($000's)	**March 31, 2015**	December 31, 2014	March 31, 2014[1]
Canada			
Crude oil	**912**	2,107	-
Trinidad			
Crude oil	**9,210**	13,655	-
Company total	**10,122**	15,762	-

[1]In Q1 2014, Canadian petroleum revenues were netted against exploration assets as all properties were in the exploration stage.

Canadian petroleum sales for the quarter ended March 31, 2015 were $912,000 representing an average realized price of $34.51 per barrel. During the prior year comparative quarter, realized prices were $75.54 per barrel, resulting in $2,650,000 in revenue capitalized to exploration assets.

Trinidad sales were $9,210,000 for the first quarter of 2015 representing an average realized price of $58.74 per barrel. The average realized price represented a 12% discount to average Brent prices and a 2% discount to average WTI prices.

The Company enters into Trinidad based financial derivative contracts for the purposes of protecting funds flow from operations from the volatility of commodity prices. During the three months ended March 31, 2015, the Company's realized gain on financial derivatives was $1,379,000 or $8.80 per Trinidad barrel.

Royalties

	Three months ended		
($000's)	**March 31, 2015**	December 31, 2014	March 31, 2014[1]
Canada			
Crown royalties	**26**	28	-
Overriding royalties	**76**	210	-
	102	238	-
Trinidad			
Crown royalties	**1,198**	1,794	-
Private royalties	**198**	327	-
Overriding royalties	**1,209**	1,981	-
User fees	**300**	328	-
	2,905	4,430	-
Company total	**3,007**	4,668	-

[1]In Q1 2014, Canadian royalties were netted against exploration assets as all properties were in the exploration stage.

Canadian royalties were $102,000 or 11% of petroleum sales during the first quarter of 2015. As a percentage of revenue, Kerrobert and Luseland, royalties were 12% and 2% respectively.

Trinidad charges a crown royalty rate of 12.5% on gross production under crown leases. For freehold or private leases, the Company incurs private royalties of 10% of gross revenue.

On the WD-8, Coora and WD-4 blocks, the Company operates under Lease Operatorship Agreements ("LOA"), which in addition to crown royalties apply a sliding scale notional overriding royalty ("NORR") that ranges from 33% to 35% on predefined base production levels. For any production volumes sold in excess of the base production levels, the Company incurs an enhanced NORR ("enhanced NORR") of 17.5% to 22.5%. The NORR and enhanced NORR rates are indexed to the price of oil realized in the production month. The LOA's allow for NORR and enhanced NORR incentives for the drilling or sidetracking of a replacement well as follows:

- Year 1 of production from the replacement well: 0% NORR or enhanced NORR rate; and
- Year 2 of production from the replacement well: 10% NORR or enhanced NORR rate.

In addition to crown royalties, the South Palo Seco and New Dome blocks are subject to Farmout Agreements that stipulate NORR rates ranging from 23% to 25% and enhanced NORR rates ranging from 15% to 17%.

Production from the WD-8, Coora and WD-4 blocks incur a TT$12.60 per barrel charge for user fees that serve to offset expenses for electricity, maintenance, labour and other miscellaneous costs incurred by the Petroleum Company of Trinidad and Tobago ("Petrotrin") associated with the management of the applicable lease operatorship programs.

Trinidad royalties were $2,905,000 for the three month period ended March 31, 2015, representing 32% of petroleum revenue. Approximately 78% of the Trinidad production was from the higher royalty LOA and Farmout agreement properties.

Operating expenses

($000's)	**Three months ended** **March 31, 2015**	December 31, 2014	March 31, 2014[1]
Canada			
Operating expenses	**1,146**	1,643	-
Trinidad			
Operating expenses	**3,147**	4,332	-
Company total	**4,293**	5,975	-

[1]In Q1 2014, Canadian operating expenses were netted against exploration assets as all properties were in the exploration stage.

Canadian operating expenses for the three months ended March 31, 2015 was $1,146,000 or $43.37 per barrel. These costs were mainly driven from the Kerrobert property. Main cost drivers include electricity costs and gas costs for the facility incinerators. Operating costs decreased $4.42 per barrel versus Q4 2014 as the Company focused on cost reductions.

Trinidad operating costs for the three months ended March 31, 2015 were $3,147,000, representing $20.07 per barrel. The Company focused on various cost reductions strategies, including only utilizing Company owned service rigs during the quarter to carry out well servicing and minor workovers. Compared to Q4 2014, Trinidad operating costs were reduced by $4.77 per barrel or 19% within the quarter.

Operating netbacks[1]

($/Bbl)	**Three months ended** **March 31, 2015**	December 31, 2014	March 31, 2014[2]
Canada			
Reference price - WTI	**60.20**	82.98	-
Petroleum revenue	**34.51**	61.29	-
Royalties	**(3.86)**	(6.92)	-
	30.65	54.37	-
Operating expenses	**(43.37)**	(47.79)	-
Operating netback	**(12.72)**	6.58	-
Trinidad			
Reference price - Brent	**67.09**	86.64	-
Petroleum revenue	**58.74**	78.30	-
Royalties	**(18.53)**	(25.40)	-
	40.21	52.90	-
Realized gain on derivatives	**8.80**	1.28	-
Operating expenses	**(20.07)**	(24.84)	-
Operating netback	**28.94**	29.34	-
Company operating netback	**22.94**	25.59	-

[1]See "*Non-GAAP Measures.*"
[2]In Q1 2014, all Canadian properties were in the exploration phase and all revenues and expenses were capitalized to exploration assets.

Canadian operations incurred negative operating netbacks of $336,000 during the three months ended March 31, 2015. Kerrobert operations incurred operating losses of $391,000 in the quarter, as operating cost reductions of 23% from the previous quarter were offset by realized price reductions in excess of 40%. Luseland operations contributed $55,000 in operating income prior to the disposition.

Excluding derivatives, Trinidad operating netbacks were $20.14 per barrel compared to $28.06 realized in Q4 2014. Despite quarterly realized oil prices declining 25%, operating costs were reduced by $4.77 per barrel or 19%. The Company also realized a gain on derivatives of $1,379,000 or $8.80 per barrel during Q1 2015 versus a gain of $223,000 or $1.28 per barrel in the fourth quarter of 2014.

General and administrative ("G&A") expenses

($000's)	**Three months ended March 31, 2015**	December 31, 2014	March 31, 2014
Canada			
Gross G&A	**2,524**	1,995	2,518
Capitalized G&A	**(202)**	(308)	(129)
Net G&A	**2,322**	1,687	2,389
Trinidad			
Gross G&A	**1,168**	1,357	-
Capitalized G&A	**(128)**	(204)	-
Net G&A	**1,040**	1,153	-
Company total	**3,362**	2,840	2,389

G&A expenses primarily consist of management and administrative salaries and benefits, legal and professional fees, office rent, insurance, travel and other administrative expenses. For the quarter ended March 31, 2015, G&A costs were $3,362,000 (March 31, 2014 - $2,389,000). Quarterly gross G&A costs increased $340,000 from the prior quarter, as $691,000 in severance costs were recognized in the quarter due to staffing reductions. Trinidad G&A expenses for the three months ended March 31, 2015 were $1,040,000, representing $6.63 per barrel versus $1,153,000 or $6.61 per barrel recognized in the fourth quarter of 2014.

Loss on marketable securities

The Company's investment in marketable securities during the three months ended March 31, 2015 and 2014 consisted of common shares in the capital of Lightstream Resources Ltd. ("Lightstream"). The fair value of the investment in marketable securities is recorded on the consolidated statement of financial position at the end of each period, with the change in the fair value included in the determination of net earnings.

During the first quarter, the Company disposed of its remaining 243,613 Lightstream common shares. As a result, the loss on marketable securities for the three months ended March 31, 2015 was $51,000 compared to a loss of $499,000 recognized in the comparative 2014 quarter. Since the May 13, 2014 Old Touchstone acquisition, the Company has sold all of its Lightstream common shares for net proceeds of $21,728,000 or $6.15 per share.

Net finance costs

($000's)	**Three months ended March 31, 2015**	December 31, 2014	March 31, 2014
Interest expense	**98**	222	2
Interest income	**(3)**	(12)	(95)
Finance fees and other	**183**	141	-
Net finance costs	**278**	351	(93)

Interest expenses increased to $98,000 (March 31, 2014 - $2,000) during the first quarter of 2015 as a result of interest accrued on the Company's bank loan.

Financing fees and other of $183,000 (2014 – $nil) for the three months ended March 31, 2015 are comprised primarily of the amortization of fees associated with the Company's bank loan, which are amortized over the three year term of the facility.

Foreign exchange gains and foreign currency translation

The Company's presentation currency is the Canadian dollar. The Company and its Canadian subsidiaries have a Canadian dollar functional currency while the Trinidad subsidiaries have a Trinidad and Tobago dollar ("TT$") functional currency. Touchstone Exploration (Barbados) Ltd., a wholly-owned subsidiary of the Company, has a United States dollar ("US$") functional currency.

The Company's main exposure to foreign currency risk relates to its working capital denominated in TT$ and debt balances denominated in US$. The Company recognized a foreign exchange gain of $1,088,000 for the three months ended March 31, 2015 (March 31, 2014 - $8,000).

The Company currently has no contracts in place that hedge against any fluctuations in exchange rates, but reviews its exposure to foreign currency variations on an ongoing basis.

In each reporting period, the change in values of the US$ and TT$ relative to the Canadian dollar reporting currency are recognized. The March 31, 2015 rate and the December 31, 2014 rates used to translate the Company's TT$ and US$ denominated financial statement items were as follows:

	March 31, 2015	December 31, 2014	% change
Closing foreign exchange rates			
C$ / US$	**0.7885**	0.8620	(9)
C$ / TT$	**5.0251**	5.4945	(9)

The assets and liabilities of the Company's subsidiaries are translated to Canadian dollars at the exchange rate on the reporting period date. The income and expenses of the Company's Trinidad operations are translated to Canadian dollars at the average monthly exchange rates relative to the date of the transactions. All resulting foreign currency differences are recorded in other comprehensive income in the Company's consolidated statement of earnings. The Trinidad and Tobago dollar appreciated relative to the Canadian dollar throughout the first quarter of 2015 resulting in a gain of $4,390,000 recognized in other comprehensive income for the three months ended March 31, 2015 (March 31, 2014 - $nil).

Share-based compensation

The Company has a share option plan pursuant to which options to purchase common shares of the Company may be granted by the Board of Directors to directors, officers, employees and consultants of the Company. The exercise price of each option may not be less than the five day weighted average trading price of the common shares prior to the date of grant. Compensation expense is recognized as the options vest. Unless otherwise determined by the Board of Directors, vesting typically occurs one third on each of the next three anniversaries of the date of the grant as recipients render continuous service to the Company. The options expire five years from the date of the grant. The maximum number of common shares issuable on the exercise of outstanding options at any time is limited to 10% of the issued and outstanding common shares. Share option amounts have been restated to reflect the impact of the two for one common share consolidation completed on May 13, 2014 as part of the Old Touchstone business combination.

The Company has an incentive share option plan which provides for the grant of incentive share options to purchase common shares of the Company at a $0.05 exercise price. A maximum of two million incentive shares have been approved for issuance under this plan. Unless otherwise determined by the Board of Directors, vesting typically occurs one third on each of the next three anniversaries of the date of the grant. The incentive share options expire five years from the date of the grant. Incentive share option amounts have also been restated to reflect the impact of the two for one common share consolidation completed on May 13, 2014 as part of the Old Touchstone business combination.

During the three months ended March 31, 2013, a $12,000 credit to share-based compensation expense was recorded compared to a $134,000 charge in Q1 2014. Share-based compensation expense decreased from the prior year comparative quarter as unvested share options were forfeited based on employee departures during the quarter, which resulted in a recovery of the related unvested share-based compensation expense initially recorded.

During the three months ended March 31, 2015, the Board of Directors approved and granted 10,200 share options (March 31, 2014 - nil). The weighted average fair values of options granted during the periods were $0.16 per share option (March 31, 2014 – $nil) as estimated on the date of each grant using the Black-Scholes option-pricing model. At March 31, 2015, share options and incentive share options outstanding represented 5% of the common shares outstanding (March 31, 2014 – 3.3%).

Subsequent to March 31, 2015, the Company granted 1,816,600 share options to directors, officers and employees at an exercise price of $0.33 per option.

Depletion and depreciation

	Three months ended		
($000's)	**March 31, 2015**	December 31, 2014	March 31, 2014
Canada			
Depletion and depreciation	**253**	418	110
Trinidad			
Depletion and depreciation	**1,558**	(340)	-
Company total	**1,811**	78	110

Depreciation is recorded relating to corporate assets in Canada and motor vehicles and rig equipment in Trinidad. Effective July 1, 2014, the Company transferred the carrying values of the Kerrobert and Luseland properties to property and equipment and began to recognize associated depletion expenses. The Company's producing assets in Trinidad are also subject to depletion. The net carrying value of producing assets is depleted using the unit of production method by reference to the ratio of production in the year over the related proven and probable reserves while also taking into account the estimated future development costs necessary to bring those reserves into production. Equipment and corporate assets are depreciated on a declining balance basis.

On a per barrel basis, first quarter 2015 Canadian depletion and depreciation charges were $9.57 per barrel, while Trinidad depletion and depreciation charges were $9.94 per barrel. As at March 31, 2015, $1,019,000 and $73,207,000 in future development costs have been added into the Canada and Trinidad cost bases for depletion calculation purposes, respectively. During the three months ended March 31, 2015, $330,000 and $36,000 in general and administrative expenses and share-based compensation was capitalized, respectively (March 31, 2014 – $129,000 and $14,000, respectively).

Impairment

On March 31, 2014, the Company recorded an impairment charge of $898,000 relating to the Kerrobert property. The impairment resulted primarily from first quarter 2014 operating costs exceeding generated revenues.

Accretion and decommissioning obligations

During the three months ended March 31, 2015, the Company recorded $159,000 (March 31, 2014 - $38,000) in accretion related to its decommissioning obligations, respectively. The increase is mainly a result of the decommissioning obligations acquired in the Old Touchstone acquisition.

The Company's decommissioning obligations relate to future site restoration and abandonment costs including the costs of production equipment removal based on current regulations and economic circumstances. The total decommissioning obligation is estimated by management based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities, and the estimated timing of the costs to be incurred in future periods. The accounts payable balance of the decommissioning obligation represents accrued amounts relating to a Trinidad abandonment fund that is short-term in nature.

Decommissioning obligation details as at March 31, 2015 were as follows:

($000's)	**# of well/facility locations**	**Undiscounted balance**	**Inflation adjusted balance**	**Discounted balance**
Canada	63	4,868	6,375	5,294
Trinidad	764	32,718	58,494	14,884
Company total	**827**	**37,586**	**64,869**	**20,178**

Decommissioning liabilities have been discounted using a weighted average risk-free rate of 1.4% and 7.5% for Canadian and Trinidadian based liabilities, respectively (December 31, 2014 – 1.8% and 7.5%, respectively). The liabilities have been calculated using an inflation rate of 2% and 3% per annum for Canadian and Trinidadian based liabilities, respectively (December 31, 2014 – 2% and 3%, respectively).

Income tax expense and income taxes payable

The Company pays the following taxes and levies to the Government of Trinidad and Tobago:

- Supplemental Petroleum Tax ("SPT") 18% of gross revenue less royalties
- Petroleum Profits Tax ("PPT") 50% of net chargeable profits
- Unemployment Levy ("UL") 5% of net chargeable profits
- Business Levy 0.2% of gross petroleum revenue less royalties
- Green Fund Levy 0.1% of gross petroleum revenue

SPT taxes are calculated and remitted on a quarterly basis. Actual rates vary based on the realized selling prices of oil in the applicable quarter. The SPT tax is 0% when the weighted average realized price of oil for a given quarter is below $50 per barrel. The revenue base for the calculation of SPT is gross revenue less royalties, less 20% investment tax credits for certain allowable capital expenditures incurred in the applicable fiscal quarter. Annual PPT and UL taxes are calculated based on net chargeable profits. Net chargeable profits are determined by calculating gross revenue less royalties, SPT paid during the year, capital allowances, operating, administration and certain finance expenses.

($000's)	Three months ended **March 31, 2015**	December 31, 2014	March 31, 2014
Canada			
Current income tax	**-**	-	-
Trinidad			
SPT	**131**	416	-
PPT	**-**	(220)	-
UL	**-**	(23)	-
Green fund levy	**9**	21	-
	140	194	-
Company total	**140**	194	-

Trinidad income taxes for the quarter ended March 31, 2015 were $0.89 per barrel. Taxes payable declined from the previous quarter as SPT was only payable for one entity (representing taxes on approximately 22% of quarterly production). PPT and UL balances were $nil for the quarter as the Company had loss carryforwards and tax credits from the 2014 drilling program to offset against income taxes payable.

Old Touchstone previously acquired a Trinidad subsidiary that has overdue tax balances owing to the Trinidad and Tobago Board of Inland Revenue ("BIR") which include both principal and interest components. The August 19, 2011 purchase and sales agreement of the acquired entity specifies that upon confirmation from the BIR, the entity is responsible for the principal tax balances and the seller is responsible for the tax interest balances. At the time of the acquisition, both parties intended to seek a waiver from the BIR for the tax interest and the seller indemnified the entity with respect to the interest amounts. Subsequent to the acquisition date, the acquired entity was responsible for interest on the principal balance until repaid. As of March 31, 2015, $3,061,000 in related interest has been accrued in income taxes payable.

On October 9, 2012, the BIR accepted the acquired entity's proposed settlement of the outstanding principal balances upon which the last payment was made in February 2013. The entity has subsequently received BIR tax statements showing approximately $3.5 million in principal amounts and $24.5 million in interest balances outstanding. The Company believes that the principal balance has been fully paid and the full interest balance is the responsibility of the seller. The Company continues to work with the seller and the BIR to resolve this matter and does not believe that it will be required to make any further principal payments nor any payments for the seller's portion of any interest should a waiver not be granted.

The March 31, 2015 income tax payable balance was comprised of the following:

($000's)	**Principal**	**Interest**	**Total**
Prior year taxes (2014 and prior)	1,787	4,354	6,141
Current year tax accruals less instalments	156	-	156
Income taxes payable	**1,943**	**4,354**	**6,297**

The deferred income tax liability balance represents the estimated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases. The Company currently does not recognize any benefit for its Canadian tax losses. The deferred tax liability balance relates to the discrepancy of the fair values over the carrying values of the assets acquired in the Old Touchstone business combination. During the three months ended March 31, 2015, the Company recorded deferred tax expense of $577,000.

Funds flow netback[1]

($/Bbl)	Three months ended March 31, 2015	December 31, 2014	March 31, 2014[2]
Canada			
Operating netback[1]	**(12.72)**	6.58	-
G&A	**(87.87)**	(49.07)	-
Acquisition related costs	-	5.73	-
Finance costs	**(0.68)**	0.35	-
Current income taxes	-	-	-
Funds flow netback[1]	**(101.27)**	(36.41)	-
Trinidad			
Operating netback[1]	**28.94**	29.34	-
G&A	**(6.63)**	(6.61)	-
Finance costs	**(1.66)**	(2.08)	-
Current income taxes	**(0.89)**	(1.11)	-
Funds flow netback[1]	**19.76**	19.54	-
Company funds flow netback	**2.69**	12.35	-

[1]See "*Non-GAAP Measures.*"
[2]In Q1 2014, all Canadian properties were in the exploration phase and all revenues and expenses were capitalized to exploration assets.

Canadian operations had negative funds flow from operations of $2,676,000 or $101.27 per barrel during the first quarter of 2015 versus negative $1,252,000 or $36.41 per barrel in the prior quarter. Funds flow decreased based on operating losses and severance charges recognized in the quarter. Furthermore, the prior quarter had one time acquisition-related and finance expense recoveries.

Trinidad funds flow netbacks were $3,101,000 or $19.76 per barrel for quarter ended March 31, 2015 versus $3,434,000 or $19.54 per barrel. Trinidad netbacks remained positive during the first quarter of 2015 despite the decline in oil prices largely due to an increase in realized gains on financial derivatives. Furthermore, decreases in operating costs and lower taxes offset the decline in realized commodity prices.

Capital Expenditures

Exploration asset cash expenditures

($000's)	Three months ended March 31, 2015	December 31, 2014	March 31, 2014
Canada			
Land acquisitions	**52**	221	88
Drilling and completions	**-**	10	750
Production equipment and facilities	**(5)**	(143)	1,584
Capitalized G&A	**-**	(324)	129
Capitalized losses	**121**	190	3,338
Other	**-**	16	(78)
	168	(30)	5,811
Trinidad			
Land acquisitions	**20**	7	-
Geological and geophysical	**-**	411	-
Other	**-**	116	-
	20	534	-
Company total	**188**	504	5,811

First quarter 2015 Canadian exploration asset additions of $168,000 relate primarily to Dawson capitalized losses. Trinidad exploration additions during the three months ended March 31, 2015 were minor administrative costs related to the Ortoire and East Brighton properties.

Property and equipment cash expenditures

	Three months ended		
($000's)	**March 31, 2015**	December 31, 2014	March 31, 2014
Canada			
Production equipment and facilities	**1**	26	-
Capitalized G&A	**202**	632	-
Other	**6**	70	19
	209	728	19
Trinidad			
Drilling and completions	**536**	7,749	-
Production equipment and facilities	**349**	800	-
Capitalized G&A	**128**	204	-
Rig equipment and other	**(51)**	479	-
	962	9,232	-
Company total	**1,171**	9,960	19

Trinidad operations incurred $834,000 of drilling and well equipping capital expenditures during the three months ended March 31, 2015, as one well drilled in 2014 was completed and seven recompletions were performed.

Liquidity and Capital Resources

($000's)	**March 31, 2015**	December 31, 2014
Net debt[1]	**5,695**	6,450
Shareholders' equity	**69,522**	66,235

[1]See "*Non-GAAP Measures.*"

As at March 31, 2015 the Company had a working capital surplus of $1,786,000, including $4,332,000 in cash and $3,244,000 in financial derivatives. Working capital has increased from December 31, 2014 as the Company drew an additional US$1,000,000 on its bank loan and received $2,200,000 in proceeds from its Luseland asset divestiture during the quarter. The Company has funded its combined $1,359,000 of year to date capital expenditures from existing cash balances and the bank loan.

The Company's primary capital management objective is to maintain a strong statement of financial position affording the Company financial flexibility to achieve goals of continued growth and access to capital. The basis for the Company's capital structure is dependent on the Company's expected business growth and any changes in the business environment. To manage its capital structure, the Company may adjust capital spending, issue new equity or debt or repay existing debt. The Company will continue to assess new sources of financing available and to manage its expenditures to reflect current financial resources in the interest of sustaining long-term viability.

Bank loan

On December 4, 2014, the Company entered into a US$50 million secured term facility with a major Canadian bank maturing on December 4, 2017. Total borrowings permitted under the facility cannot exceed the borrowing base, which is currently US$15 million. The borrowing base is determined by the lender semi-annually on April 1 and October 1 and is determined based on, among other things, the Company's Trinidad proved oil and gas reserves and the lenders view of the current and forecasted commodity prices. The lender is currently conducting the April 1, 2015 borrowing base determination. The facility is principally secured by a pledge of the Company's equity interest in its material subsidiaries, together with their respective assets. At March 31, 2015, $7,610,000 (US$6,000,000) was drawn against the bank loan (December 31, 2014 - $5,800,000 or US$5,000,000).

Advances on the facility bear interest at the LIBOR rate plus an applicable margin. The margin ranges from 4.05% to 4.80% per annum, depending on utilization. Undrawn amounts under the facility bear a commitment fee of 0.85%. For the three months ended March 31, 2015, the effective interest rate, including the commitment fee, was 5.96% (Three months ended December 31, 2014 – 5.92%).

Repayments of principal are not required provided that the borrowings under the loan do not exceed the authorized borrowing amount and that the Company is in compliance with all covenants, representations and warranties. As at March 31, 2015 the Company was in compliance with all covenants, obligations and conditions of the facility, which include covenants related to debt to earnings before interest, taxes and all non-cash items, a minimum interest coverage ratio and minimum monthly production levels.

Uncertain tax position

The Company also has an uncertain tax position as disclosed in the *"Income taxes"* section above that could impact future liquidity. At this time, management does not believe that the Company will be required to make any further principal or interest payments relating to the issue.

Share Information

The Company is authorized to issue an unlimited number of voting common shares without nominal or par value. The following table summarizes the outstanding common shares, share options, incentive share options and share purchase warrants as at March 31, 2015 and December 31, 2014 and the weighted average outstanding common shares for the three months ended March 31, 2015 and the year ended December 31, 2014:

	March 31, 2015	December 31, 2014
Common shares outstanding - end of period	**83,079,643**	83,059,643
Share options outstanding - end of period	**3,833,785**	4,814,085
Incentive share options outstanding - end of period	**307,500**	336,750
Warrants outstanding - end of period	**2,260,800**	2,260,800
Weighted average common shares outstanding:		
Basic and diluted	**83,073,865**	70,245,489

Share and option amounts have been restated to reflect the impact of the two for one common share consolidation completed on May 13, 2014 as part of the Old Touchstone business combination.

As at the date of this MD&A, there were 83.1 million common shares outstanding, 5.8 million share options and incentive share options outstanding and 2.3 million share purchase warrants outstanding.

Risk Management

Management of cash flow variability is an integral component of Touchstone's business policy. Changing business conditions are monitored regularly and, where material, reviewed with the Board of Directors to establish risk management guidelines used by management to carry out the Company's strategic risk management program. The risk exposure inherent in the movements of the price of crude oil, fluctuations in the C$/US$ and C$/TT$ exchange rates and fluctuations in LIBOR interest rates are all proactively reviewed by Touchstone and may be managed through the use of derivative contracts as considered appropriate.

The Company has not elected to use hedge accounting. Accordingly, the fair value of financial derivative contracts is recorded at each period end. The fair value may change substantially from period to period depending on market conditions. As a result, earnings may fluctuate considerably based on the period ending commodity forward strip prices compared to the prices in any derivative contracts.

Commodity price risk

The Company is exposed to commodity price movements as part of its operations, particularly in relation to prices received for its oil production. Commodity prices for oil are impacted by the world and continental/regional economy and other events that dictate the levels of supply and demand. Consequently, these changes could also affect the value of the Company's properties, the level of spending for exploration and development and the ability to meet obligations as they come due. The Company had the following commodity financial contracts in place as at March 31, 2015:

Contract	Volume	Pricing
ICE Brent crude oil swap		
January 1, 2015 – November 30, 2015	800 barrels per day	US$70.60 per barrel
December 1, 2015 – February 29, 2016	800 barrels per day	US$66.50 per barrel
ICE Brent crude oil call		
April 1, 2015 – February 29, 2016	800 barrels per day	US$90.00 per barrel

As at March 31, 2015, the Company recorded a financial derivative asset of $3,244,000 (December 31, 2014 - $3,133,000) related to commodity management contracts. During the three months ended March 31, 2015, the Company recorded realized gains of $1,379,000 and unrealized losses of $181,000 related to these contracts.

Subsequent to March 31, 2015, the Company entered into the following derivative contracts:

Contract	Volume	Pricing
ICE Brent crude oil swap		
March 1, 2016 – April 30, 2016	800 barrels per day	US$66.50 per barrel
ICE Brent crude oil call		
March 1, 2016 – April 30, 2016	800 barrels per day	US$90.00 per barrel

Foreign currency risk

The Company is exposed to currency risk on both of its working capital and bank loan which are denominated in Trinidad and Tobago dollars and United States dollars. The Company's foreign currency policy is to monitor foreign currency risk exposure in its areas of operations and mitigate that risk where possible by matching foreign currency denominated expenses with revenues denominated in foreign currencies. The Company attempts to limit its exposure to foreign currency through collecting and paying foreign currency denominated balances in a timely fashion. The Company had no contracts in place to manage foreign currency risk as at or during the three months ended March 31, 2015.

Interest rate risk

The Company is exposed to interest rate risk in relation to interest expense on its bank loan. Currently the Company has not entered into any agreements to manage this risk.

Contractual Obligations, Commitments and Guarantees

In the normal course of operations, the Company executes agreements that provide for indemnification and guarantees to counterparties in transactions such as the sale of assets and lease operating agreements. The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their services to the Company to the extent permitted by law. The Company maintains liability insurance for its officers and directors. The Company is party to various legal claims associated with the ordinary conduct of business; the Company does not expect that these claims will have a material impact on its financial position.

The Company has minimum work obligations under various operating agreements with Petrotrin, exploration commitments under various license agreements with the Trinidad and Tobago Ministry of Energy and Energy Affairs ("MEEA") and has various lease commitments for office space, field equipment and light-duty vehicles as follows:

($000's)	**2015**	**2016**	**2017**	**2018**	**2019**	**Thereafter**
Minimum work obligations	3,107	-	-	-	-	-
Exploration commitments	495	1,262	2,378	4,038	2,280	2,297
Office leases	556	937	689	194	148	-
Equipment leases	458	38	-	-	-	-
Total minimum payments	**4,616**	**2,237**	**3,067**	**4,232**	**2,428**	**2,297**

The Company has provided a US$1,400,000 letter of credit in favour of Petrotrin related to minimum work obligations included above. The Company has also provided a US$6,000,000 letter of credit in favour of the MEEA related to East Brighton block exploration commitments included above.

Summary of Quarterly Results

The following is a summary of the unaudited quarterly results of the Company for the eight most recently completed fiscal quarters:

Three months ended	**March 31, 2015**	**December 31, 2014**	**September 30, 2014**	**June 30, 2014**
Operating				
Average daily production (Bbls/day)	2,036	2,283	2,269[3]	1,220[3]
Average oil prices before derivatives ($/Bbl)	55.25	75.50	92.82[3]	96.98[3]
Operating netback[1] ($/Bbl)				
Petroleum revenue	55.25	75.50	91.36	104.02
Royalties	(16.41)	(22.36)	(25.31)	(36.53)
Net sales	38.84	53.14	66.05	67.49
Realized gain on derivatives	7.53	1.07	-	-
Operating costs	(23.43)	(28.62)	(26.80)	(43.87)
Operating netback	22.94	25.59	39.25	23.62
Operating netback[1] ($000's)				
Petroleum revenue	10,122	15,762	18,947	7,861
Royalties	(3,007)	(4,668)	(5,166)	(2,761)
Realized gain on derivatives	(1,379)	(223)	-	-
Operating costs	(4,293)	(5,975)	(5,768)	(3,315)
Operating netback	4,201	5,342	8,013	1,785
Financial *($000's except share and per share amounts)*				
Funds flow from operations[1]	425	2,182	4,329	(4,007)
Per share – basic and diluted[1,2]	0.01	0.03	0.05	(0.07)
Net (loss) earnings	(1,128)	(48,879)	(6,690)	2,751
Per share – basic and diluted[2]	(0.01)	(0.59)	(0.08)	0.05
Capital expenditures				
Exploration assets	188	504	1,826	3,189
Property and equipment	1,171	9,960	5,859	7,797
Acquisitions	-	-	-	33,448
Company total	1,359	10,464	7,685	44,434
Total assets - end of period	141,486	140,333	192,160	182,984
Net debt (surplus)[1] - end of period	5,695	6,450	(2,047)	(9,231)
Weighted average shares outstanding[2]				
Basic	83,073,865	83,059,643	82,844,988	60,773,547
Diluted	83,073,865	83,059,643	82,844,988	61,029,289
Outstanding shares[2] - end of period	83,079,643	83,059,643	83,059,643	81,738,643

[1]See "Non-GAAP" Measures."
[2]All current and comparative share amounts have been adjusted to reflect the two for one common share consolidation completed on May 13, 2014.
[3]Average daily production and average realized prices include exploration property results.

The Company's funds flow from operations is significantly impacted by changes in production volumes and fluctuations in commodity prices. In addition, net earnings are impacted by impairments.

Effective May 13, 2014, the Company completed the acquisition of Old Touchstone. As a result, the Company focused its capital expenditures on the development of the acquired Trinidad onshore oil assets. In addition, working capital diminished as the Company repaid debt acquired with the transaction.

On July 1, 2014, the Company determined that the Kerrobert and Luseland producing properties met the criteria for technical feasibility and commercial viability. As of July 1, 2014 all associated revenues, royalties and operating expenses of the two Canadian properties were recognized in the consolidated financial statements. The results of operations relating to these assets were formerly capitalized to exploration assets.

Impairment charges were recognized in the fourth quarters of 2013 and 2014 due to uneconomic Canadian operating results and Trinidad based impairments related to a decrease in forward commodity prices.

Three months ended	**March 31, 2014**	**December 31, 2013**	**September 30, 2013**	**June 30, 2013**
Operating				
Average daily production (Bbls/day)	390[3]	254[3]	191[3]	191[3]
Average oil prices before derivatives ($/Bbl)	75.54[3]	61.82[3]	80.90[3]	70.16[3]
Financial *($000's except share and per share amounts)*				
Funds flow loss from operations[1]	2,114	645	1,012	1,777
Per share – basic and diluted[1,2]	0.04	0.01	0.02	0.04
Net loss	3,967	44,255	1,460	4,151
Per share – basic and diluted[2]	0.08	0.91	0.03	0.09
Capital expenditures				
Exploration assets	5,811	4,266	9,394	3,050
Property and equipment	19	22	26	73
Company total	5,830	4,288	9,420	3,123
Total assets - end of period	92,952	96,839	147,883	147,249
Net surplus[1] - end of period	41,478	50,201	59,267	70,310
Weighted average shares outstanding[2]				
Basic and diluted[2]	48,748,337	48,718,939	48,718,912	48,795,069
Outstanding shares[2] - end of period	48,787,412	48,721,412	48,718,912	48,718,912

[1]See "*Non-GAAP Measures.*"
[2]All current and comparative share amounts have been adjusted to reflect the two for one common share consolidation completed on May 13, 2014.
[3]Average daily production and average realized prices include exploration property results.

Business Risks

For a full understanding of risks that affect the Company, the following should be read in conjunction with the Company's Annual Information Form dated March 30, 2015.

The Company is exposed to a variety of risks including, but not limited to, operational, financial, political and environmental risks. As a participant in the oil and gas industry, the Company is exposed to a high level of exploration and production risk, upon which there is no assurance that hydrocarbon reserves will be discovered and economically produced. Operational risks include competition, reservoir performance uncertainties, well blow-outs and other operating hazards, lack of infrastructure or transportation to access markets and monetize reserves, and regulatory, environment and safety concerns. The Company works to mitigate these risks by employing highly skilled personnel and utilizing available technology. The Company also maintains a corporate insurance program consistent with industry practices to protect against insurable losses.

The Company is exposed to normal financial risks inherent in the oil and natural gas industry including commodity price risk, exchange rate risk, interest rate risk and credit risk. The Company continuously monitors opportunities to use financial instruments to manage exposure to fluctuations in commodity prices.

The Company operates the majority of its properties and, therefore, has significant control over the timing, direction and costs related to exploration commitments and development opportunities.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Revisions to these accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and judgements made by management in the preparation of these consolidated financial statements include the following:

- the assessment of the Company's functional currencies;
- income taxes;
- amounts recorded for the valuation of property and equipment in business combinations;
- depletion and depreciation of property and equipment;
- the provision for decommissioning obligations and related accretion expense;
- amounts recorded for the valuation of exploration assets upon transfer to property and equipment;
- the fair value of financial derivatives; and
- the calculation of share-based payment expense.

Adoption of new accounting policies

There were no new or amended accounting standards or interpretations adopted during the three months ended March 31, 2015.

Future changes in accounting policies

The Company will be required to adopt IFRS 9 *Financial Instruments* on January 1, 2018, IFRS 11, *Joint Arrangements* on January 1, 2016 and IFRS 15, *Revenue from Contracts with Customers* on January 1, 2017. The Company continues to assess the impact of adopting theses pronouncements.

Control Environment

There was no change in the Company's internal controls over financial reporting ("ICFR") that occurred during the most recently completed quarter that has materially affected, or is reasonable likely to materially effect, the Company's ICFR.

Limitation on Scope of Design – Corporate acquisition

In accordance section 3.3 (1)(b) of National Instrument 52-109, which allows an issuer to limit its design of disclosure controls and procedures ("DC&P") and ICFR to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days prior to the end of the fiscal period, the controls, policies and procedures of Old Touchstone, acquired by the Company on May 13, 2014, have been excluded from the control design assessments discussed above. The scope limitation is based on the time required to document and assess the DC&P and ICFR of Old Touchstone in a manner consistent with the Company's other operations. The Company's management is currently in the process of integrating Old Touchstone into the existing internal controls and procedures of the Company.

Advisory on Forward-looking Statements

The information herein contains forward-looking statements and assumptions. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and other similar expressions. Statements relating to “reserves” and “resources” are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated, and can be profitably produced in the future. Such statements represent the Company’s internal projections, estimates or beliefs concerning future growth, results of operations based on information currently available to the Company based on assumptions that are subject to change and are beyond the Company’s control, such as: production rates and production decline rates, the magnitude of and ability to recover oil and gas reserves, plans for and results of drilling activity, well abandonment costs and salvage value, the ability to secure necessary personnel, equipment and services, environmental matters, future commodity prices, changes to prevailing regulatory, royalty, tax and environmental laws and regulations, the impact of competition, future capital and other expenditures (including the amount, nature and sources of funding thereof), future financing sources, business prospects and opportunities, among other things. By their nature, forward-looking statements are subject to numerous known and unknown risks and uncertainties that could significantly affect anticipated results in the future and accordingly, actual results may differ materially from those predicted. Although the Company’s management believes that the expectations and assumptions reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations and assumptions are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies.

The Company is exposed to numerous operational, technical, financial and regulatory risks and uncertainties, many of which are beyond its control and may significantly affect anticipated future results. Operations may be unsuccessful or delayed as a result of competition for services, supplies and equipment, mechanical and technical difficulties, ability to attract and retain qualified employees on a cost-effective basis, commodity and marketing risk and seasonality. The Company is subject to significant drilling risks and uncertainties including the ability to find oil reserves on an economic basis and the potential for technical problems that could lead to well blowouts and environmental damage. The Company is exposed to risks relating to the inability to obtain timely regulatory approvals, surface access, access to third party gathering and processing facilities, transportation and other third party related operation risks. The Company is exposed to risks related to recent acquisitions including unforeseen difficulties in integrating acquired companies, properties, personnel and infrastructure into the Company’s operations; the outcome of litigation brought against the Company or acquired companies or other disputes involving the Company or any acquired companies; or the failure generally to realize the anticipated benefits of such acquisitions. The Company is subject to industry conditions including changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced. There are uncertainties in estimating the Company’s reserve base due to the complexities in estimated future production, costs and timing of expenses and future capital. The financial risks the Company is exposed to include, but are not limited to, the impact of general economic conditions in Canada and the Republic of Trinidad and Tobago, the ability to access sufficient capital from internal and external sources, changes in income tax laws or changes in tax laws, royalties and incentive programs relating to the oil and gas industry, fluctuations in natural gas and crude oil prices, interest rates, the United States dollar to Canadian dollar exchange rate and the Canadian dollar to Trinidad and Tobago dollar exchange rate. The Company is subject to regulatory legislation, the compliance with which may require significant expenditures and non-compliance with which may result in fines, penalties or production restrictions or the termination of licence, lease operating or farm-in rights related to the Company’s oil and gas interests in Trinidad.

Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and as such, undue reliance should not be placed on forward-looking statements. Readers are also cautioned that the foregoing list of factors and assumptions is not exhaustive. The Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. Additional information on these and other factors that could affect the Company's operations and financial results are included elsewhere herein and in reports, documents and disclosures on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

Non-GAAP Measures

The MD&A contains terms commonly used in the oil and natural gas industry, such as funds flow from operations, funds flow from operations per share, operating netback, funds flow 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.

The following table reconciles funds flow from operations to cash flows from operating activities, which is the most direct comparable measure calculated in accordance with IFRS:

	Three months ended		
($000's)	**March 31, 2015**	December 31, 2014	March 31, 2014
Cash flows from operating activities	**(2,521)**	5,783	(2,373)
Less changes in non-cash working capital	**2,946**	(3,601)	259
Funds flow from operations	**425**	2,182	(2,114)

Management believes that in addition to net earnings and cash flows from operating activities, funds flow from operations is a useful financial measurement which assists in demonstrating the Company's ability to fund capital expenditures necessary for future growth or to repay debt. The Company's determination of funds flow from operations may not be comparable to that reported by other companies. All references to funds flow from operations throughout this report are based on cash flow from operating activities before changes in non-cash working capital. 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 funds flow netbacks as a key performance indicator of results. Funds flow netbacks do not have a standardized meaning under IFRS and therefore may not be comparable with the calculation of similar measures by other companies. Funds flow netbacks are presented on a per barrel basis and are calculated by deducting royalties, operating expenses, general and administrative expenses, transaction costs, finance costs and current income tax expenses from petroleum sales. Funds flow netbacks are a useful measure to compare the Company's operations with those of its peers.

The Company also uses operating netbacks as a key performance indicator of field results. Operating netbacks do not have a standardized meaning under IFRS and therefore may not be comparable with the calculation of similar measures by other companies. Operating netbacks are presented on a per barrel basis and are calculated by deducting royalties and operating expenses from petroleum sales. Operating netbacks are a useful measure to compare the Company's operations with those of its peers.

The following table summarizes net debt:

($000's)	**March 31, 2015**	December 31, 2014
Working capital (surplus) deficiency	**(1,786)**	544
Finance lease obligations and other	**301**	571
Bank loan	**7,610**	5,800
Less other non-interest bearing items	**(430)**	(465)
Net debt	**5,695**	6,450

Net debt is calculated by summing the Company's working capital and non-current interest bearing instruments. Working capital is defined as current assets less current liabilities. The Company uses this information to assess its true debt position and manage capital risk. This measure does not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures reported by other companies.

Oil and Natural Gas Information

Oil and natural gas reserves are converted to common units of measure on a basis of six thousand cubic feet of natural gas to one barrel of oil. Boes may be misleading, particularly if used in isolation. The forgoing conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current market price of oil as compared to natural gas is significantly different than the energy equivalency of six to one, utilizing a conversion on a six to one basis may be misleading as an indication of value.

Additional Information

Additional information regarding Touchstone Exploration Inc., including Touchstone's Annual Information Form, can be accessed on-line on SEDAR at www.sedar.com or from the Company's website at www.touchstoneexploration.com.

CORPORATE INFORMATION

DIRECTORS

John Wright
Chairman of the Board

Corey Ruttan[1,3]

Harrie Vredenburg[2,3]

Kenneth McKinnon[1,2]

Paul R. Baay

R. Gregg Smith[2,3]

Trevor Mitzel[1]

Member of:
[1] Audit Committee
[2] Compensation Committee
[3] Reserve Committee

OFFICERS AND KEY PERSONNEL

Paul R. Baay
President and Chief Executive Officer

Scott Budau
Chief Financial Officer

James Shipka
Chief Operating Officer

Michael Loewen
Trinidad Country Manager

Thomas Valentine
Corporate Secretary

Andrea Hatzinikolas
Assistant Corporate Secretary

HEAD OFFICE

Touchstone Exploration Inc.
1100, 332 6th Ave. SW
Calgary, Alberta, Canada
T2P 0B8

OPERATING OFFICE

Touchstone Exploration (Trinidad) Ltd.
#30 Forest Reserve Road
Fyzabad, Trinidad, W.I.

BANKERS

The Bank of Nova Scotia
Houston, USA
Port of Spain, Trinidad

AUDITORS

Ernst and Young LLP
Calgary, Alberta
Port of Spain, Trinidad

RESERVE EVALUATORS

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

LEGAL COUNSEL

Norton Rose Fulbright Canada LLP
Calgary, Alberta

LEX Caribbean
Port of Spain, Trinidad

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada
Calgary, Alberta

ABBREVIATIONS

Oil

Bbls	barrels
Mbbls	thousand barrels
Bbls/d	barrels per day
Boe	barrels of oil equivalent
Mboe	thousand barrels of oil equivalent
Boe/d	barrels of oil equivalent per day
Brent	The reference price paid crude oil fob North Sea
WCS	Western Canada Select heavy oil
WTI	Western Texas Intermediate, the reference price paid for crude oil and standard grade in U.S. dollars at Cushing Oklahoma

Natural Gas

MMcf	million cubic feet

Other

C$	Canadian dollar
US$	United States dollar
TT$	Trinidad and Tobago dollar
TSX	Toronto Stock Exchange

Touchstone Exploration Inc.
(formerly Petrobank Energy and Resources Ltd.)

Unaudited Interim Consolidated Financial Statements

March 31, 2015

Interim Consolidated Statements of Financial Position
(Unaudited, thousands of Canadian dollars)

	Note	**March 31, 2015**	December 31, 2014
Assets	8		
Current			
Cash and cash equivalents		**4,322**	7,441
Investment in marketable securities	5	**-**	290
Accounts receivable	14	**13,669**	14,947
Crude oil inventory		**432**	415
Prepaid expenses		**1,878**	1,822
Financial derivatives	14	**3,244**	3,133
		23,545	28,048
Exploration assets	6	**9,225**	9,489
Property and equipment	7	**107,625**	101,586
Other assets		**1,091**	1,210
		141,486	140,333
Liabilities			
Current			
Accounts payable and accrued liabilities		**15,048**	21,773
Income taxes payable		**6,297**	6,577
Current portion of finance lease obligations and other		**414**	242
		21,759	28,592
Finance lease obligations and other		**301**	571
Bank loan	8	**7,610**	5,800
Decommissioning obligations	9	**19,783**	19,075
Deferred income taxes		**22,511**	20,060
		71,964	74,098
Shareholders' equity			
Shareholders’ capital	10	**169,934**	169,893
Warrants		**33**	33
Contributed surplus		**1,497**	1,513
Accumulated other comprehensive income		**8,845**	4,455
Deficit		**(110,787)**	(109,659)
		69,522	66,235
		141,486	140,333

Subsequent events (note 16)

See accompanying notes to these interim consolidated financial statements.

Interim Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)
(Unaudited, thousands of Canadian dollars, except per share amounts)

	Note	Three months ended March 31 2015	2014
Revenues			
Petroleum revenue		**10,122**	-
Royalties		**(3,007)**	-
		7,115	-
Realized gain on financial derivatives	14	**1,379**	-
Unrealized loss on financial derivatives	14	**(181)**	-
		8,313	-
Expenses			
Operating		**4,293**	-
General and administrative		**3,362**	2,389
Gain on asset disposition	7	**(130)**	-
Loss on marketable securities	5	**51**	499
Net finance costs (income)	11	**278**	(93)
Foreign exchange gain		**(1,088)**	(8)
Share-based compensation	10	**(12)**	134
Depletion and depreciation		**1,811**	110
Impairment		**-**	898
Accretion		**159**	38
		8,724	3,967
Loss before income taxes		**(411)**	(3,967)
Income taxes			
Current tax expense		**140**	-
Deferred tax recovery		**577**	-
		717	-
Net loss		**(1,128)**	(3,967)
Foreign currency translation adjustment		**4,390**	-
Net income (loss) and comprehensive income (loss)		**3,262**	(3,967)
Net loss per common share			
Basic and diluted	12	**(0.01)**	(0.08)

See accompanying notes to these interim consolidated financial statements.

Interim Consolidated Statements of Changes in Shareholders' Equity
(Unaudited, thousands of Canadian dollars)

	Note	Shareholders' capital	Warrants	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance as at January 1, 2014		**134,709**	**-**	**1,557**	**-**	**(52,874)**	**83,392**
Net loss		-	-	-	-	(56,785)	(56,785)
Other comprehensive income		-	-	-	4,455	-	4,455
Issued on acquisition	4	33,415	33	-	-	-	33,448
Share-based compensation expense		-	-	385	-	-	385
Share-based compensation capitalized		-	-	129	-	-	129
Share-based settlements		586	-	(558)	-	-	28
Issued pursuant to land acquisition		1,183	-	-	-	-	1,183
Balance as at December 31, 2014		**169,893**	**33**	**1,513**	**4,455**	**(109,659)**	**66,235**
Net loss		-	-	-	-	(1,128)	(1,128)
Other comprehensive income		-	-	-	4,390	-	4,390
Share-based compensation expense	10	-	-	(12)	-	-	(12)
Share-based compensation capitalized	7	-	-	36	-	-	36
Share-based settlements	10	41	-	(40)	-	-	1
Balance as at March 31, 2015		**169,934**	**33**	**1,497**	**8,845**	**(110,787)**	**69,522**

See accompanying notes to these interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows
(Unaudited, thousands of Canadian dollars)

	Note	**Three months ended March 31** **2015**	2014
Cash provided by (used in):			
Operating activities			
Net loss		**(1,128)**	(3,967)
Items not involving cash from operations:			
Gain on asset disposition	7	**(130)**	-
Unrealized loss on financial derivatives	14	**181**	-
Non-cash loss on marketable securities	5	**41**	720
Share-based compensation	10	**(12)**	134
Depletion and depreciation		**1,811**	110
Impairment		**-**	898
Accretion		**159**	38
Non-cash other		**(25)**	(47)
Unrealized foreign exchange gain		**(1,049)**	-
Deferred income tax expense		**577**	-
		425	(2,114)
Change in non-cash working capital		**(2,946)**	(259)
		(2,521)	(2,373)
Investing activities			
Disposition of marketable securities	5	**249**	-
Exploration asset expenditures		**(188)**	(5,811)
Property and equipment expenditures		**(1,171)**	(19)
Other asset expenditures		**-**	(66)
Proceeds from dispositions	7	**2,200**	-
Change in non-cash working capital		**(2,847)**	(724)
		(1,757)	(6,620)
Financing activities			
Advances of bank loan	8	**1,251**	-
Finance lease obligations		**(63)**	7
Issuance (repurchase) of common shares	10	**1**	(124)
		1,189	(117)
Change in cash and cash equivalents		**(3,089)**	(9,110)
Cash and cash equivalents, beginning of period		**7,441**	35,120
Impact of foreign exchange in foreign denominated cash balances		**(30)**	-
Cash and cash equivalents, end of period		**4,322**	26,010
Supplemental information:			
Cash interest paid		**68**	18
Cash income taxes paid		**1,032**	-

See accompanying notes to these interim consolidated financial statements.

Unless otherwise stated, amounts presented in these notes are rounded to thousands of Canadian dollars and tabular amounts are in thousands of Canadian dollars. Certain reclassification adjustments have been made to the interim consolidated financial statements to conform to the current presentation.

1. Reporting Entity

Touchstone Exploration Inc. (the "Company"), formerly Petrobank Energy and Resources Ltd., is incorporated under the laws of Alberta, Canada with its head office located in Calgary, Alberta. The Company is an oil and gas exploration and production company active in western Canada and the Republic of Trinidad and Tobago ("Trinidad").

The principal address of the Company is located at 1100, 332 6th Avenue S.W., Calgary, Alberta, T2P 0B2. The Company's common shares are traded on the Toronto Stock Exchange under the symbol "TXP".

2. Basis of Presentation

(a) Statement of compliance

These unaudited interim consolidated financial statements have been prepared in accordance with International Financial Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*. The unaudited interim consolidated financial statements do not include all of the information required for full annual financial statements. Accordingly, the unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2014.

The unaudited interim consolidated financial statements follow the same accounting policies as the audited consolidated financial statements for the year ended December 31, 2014.

The unaudited interim consolidated financial statements were authorized for issue by the Board of Directors on May 13, 2015.

(b) Basis of measurement

The interim consolidated financial statements have been prepared on the historical cost basis except for investments of marketable securities and financial derivatives, which are measured at fair value.

(c) Functional and presentation currency

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the parent company. The functional currency of the Company's Barbados subsidiaries is the United States dollar ("US$") and the functional currency of the Company's Trinidad subsidiaries is the Trinidad and Tobago dollar.

(d) Use of estimates, judgements and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Revisions to these accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. Changes in Accounting Policies

(a) Accounting standards adopted

There were no new or amended accounting standards or interpretations adopted during the three months ended March 31, 2015.

(b) Standards issued but not yet adopted

There were no new or amended accounting standards or interpretations issued during the three months ended March 31, 2015 that are applicable to the Company in future periods. A description of accounting standards and interpretations that will be adopted by the Company in future periods can be found in the notes to the annual consolidated financial statements for the year ended December 31, 2014.

4. Business Combination

On May 13, 2014, Petrobank Energy and Resources Ltd. completed a court-approved statutory plan of arrangement (the "Arrangement") of the acquisition of Touchstone Exploration Inc. ("Old Touchstone"). Pursuant to the Arrangement, the Company acquired all of the outstanding common shares of Old Touchstone in exchange for the issuance of 65,519,212 (pre-consolidation) Company common shares. Following the arrangement, the Company consolidated its shares on a two for one basis, Petrobank Energy and Resources Ltd. changed its name to Touchstone Exploration Inc. and Old Touchstone changed its name to Touchstone Energy Inc.

Old Touchstone was engaged in the exploration, development and production of crude oil in Trinidad. The transaction reflects the Company's strategy to acquire proven on-shore oil reserves with positive cash flows.

This acquisition was accounted for using the acquisition method as at the May 13, 2014 date of closing. Preliminary fair values of the identifiable assets acquired and liabilities assumed by the Company are as follows:

Identifiable assets acquired and liabilities assumed:		
Cash	$	2,780
Other working capital items		(3,655)
Property and equipment (note 7)		105,344
Convertible debentures		(2,000)
Long-term debt		(21,863)
Decommissioning obligations (note 9)		(13,994)
Deferred income tax liability		(33,164)
Net identifiable assets acquired	**$**	**33,448**
Consideration for the acquisition:		
Share consideration (note 10)		33,415
Warrants acquired		33
Total consideration paid	**$**	**33,448**

The Company's common shares issued were valued using the $0.51 closing price (pre-consolidation) on May 13, 2014. The consolidated financial statements incorporate the operations of Old Touchstone commencing May 14, 2014.

As at May 13, 2014, Touchstone had $2,000,000 aggregate principle amount of 9.5% convertible senior unsecured debentures due June 30, 2016 and a 9.25% senior secured long-term debt facility of $21,863,000. The Company purchased and discharged the remaining principle amount of the convertible debentures on May 22, 2014 and repaid the remaining long-term debt principal plus accrued interest on June 30, 2014.

5. Investment in Marketable Securities

The Company's investment in marketable securities consists of common shares in the capital of Lightstream Resources Ltd. ("Lightstream"). This investment is recorded at fair value as follows:

		Total
Balance, January 1, 2014	**$**	**20,591**
Additions[1]		203
Fair value adjustment and gain on disposal		1,134
Dispositions		(21,638)
Balance, December 31, 2014	**$**	**290**
Fair value adjustment		(41)
Dispositions		(249)
Balance, March 31, 2015	**$**	**-**

[1]Consists of dividends received in common shares.

At March 31, 2015, the Company held nil Lightstream common shares (December 31, 2014 – 243,613).

The loss on marketable securities included in the consolidated statements of earnings is comprised of the following:

	Three months ended March 31			
		2015		2014
Loss in fair value of Lightstream shares	**$**	**(41)**	$	(923)
Dividend income received in shares		**-**		203
Non-cash loss on marketable securities	**$**	**(41)**	$	(720)
Dividend income received in cash		**-**		221
Sales commissions		**(10)**		-
Total loss on marketable securities	**$**	**(51)**	$	(499)

6. Exploration Assets

Exploration assets consist of the Company's projects in the exploration and evaluation stage which are pending determination of technical and commercial feasibility. The following is a continuity schedule of the Company's exploration assets for the three months ended March 31, 2015 and year ended December 31, 2014:

		Canada		Trinidad		Total
Balance, January 1, 2014	**$**	**37,518**	**$**	**-**	**$**	**37,518**
Additions		11,056		1,728		12,784
Transfer to property and equipment		(3,695)		-		(3,695)
Impairment		(36,696)		(429)		(37,125)
Effect of change in foreign exchange rates		-		7		7
Balance, December 31, 2014	**$**	**8,183**	**$**	**1,306**	**$**	**9,489**
Additions		228		20		248
Dispositions (note 7)		(552)		-		(552)
Effect of change in foreign exchange rates		-		40		40
Balance, March 31, 2015	**$**	**7,859**	**$**	**1,366**	**$**	**9,225**

7. Property and Equipment

		Canada		Trinidad		Total
Cost:						
Balance, January 1, 2013	**$**	**2,910**	**$**	**-**	**$**	**2,910**
Additions from business acquisition (note 4)		-		105,344		105,344
Additions		1,497		23,208		24,705
Transfer from exploration assets		3,695		-		3,695
Effect of change in foreign exchange rates		-		9,515		9,515
Balance, December 31, 2014	**$**	**8,102**	**$**	**138,067**	**$**	**146,169**
Additions		477		1,056		1,533
Dispositions		(413)		-		(413)
Effect of change in foreign exchange rates		-		12,906		12,906
Balance, March 31, 2015	**$**	**8,166**	**$**	**152,029**	**$**	**160,195**
Accumulated depletion, depreciation and impairments:						
Balance, January 1, 2014	**$**	**1,634**	**$**	**-**	**$**	**1,634**
Depletion and depreciation		1,686		6,098		7,784
Impairment		(1,501)		35,764		34,263
Effect of change in foreign exchange rates		-		902		902
Balance, December 31, 2014	**$**	**1,819**	**$**	**42,764**	**$**	**44,583**
Depletion and depreciation		253		2,193		2,446
Dispositions		1,539		-		1,539
Effect of change in foreign exchange rates		-		4,002		4,002
Balance, March 31, 2015	**$**	**3,611**	**$**	**48,959**	**$**	**52,570**
Net book values:						
Balance, December 31, 2014	$	6,283	$	95,303	$	101,586
Balance, March 31, 2015		**4,555**		**103,070**		**107,625**

As at March 31, 2015, $1,019,000 and $73,207,000 in future development costs have been added into the Canada and Trinidad cost bases for depletion calculation purposes, respectively (December 31, 2014 - $3,060,000 and $67,857,000). During the three months ended March 31, 2015, $330,000 and $36,000 in general and administrative expenses and share-based compensation was capitalized, respectively (2014 – $129,000 and $14,000, respectively).

Effective March 1, 2014, the Company disposed of its non-core Luseland cash generating unit for net proceeds of $2,200,000. The cash generating unit consisted of one producing well and various decommissioning obligations. Approximately 4,000 acres of undeveloped land and ancillary production equipment were also included in the sale. A gain of $130,000 was recognized in the statement of earnings as a result of the transaction.

The Company is operating under a number of Trinidad freehold lease agreements which have expired and are currently being renegotiated. Based on legal opinions received, the Company is continuing to recognize revenue as the Company is the operator, no title to the impacted lands has been disputed and the Company is paying all associated royalties and taxes. In determining its reserve quantities which are used in the impairment, depletion and decommissioning liability calculations, the Company has assumed that the expired leases will be renewed until the end of the economic life of the reserves.

8. Bank Loan

On December 4, 2014, the Company entered into a US$50 million secured term facility with a major Canadian bank maturing on December 4, 2017. Total borrowings permitted under the facility cannot exceed the borrowing base, which is currently US$15 million. The borrowing base is determined by the lender semi-annually on April 1 and October 1 and is determined based on, among other things, the Company's Trinidad proved oil and gas reserves and the lenders view of the current and forecasted commodity prices. The lender is currently conducting the April 1, 2015 borrowing base determination. The facility is principally secured by a pledge of the Company's equity interest in its material subsidiaries, together with their respective assets. At March 31, 2015, $7,610,000 (US$6,000,000) was drawn against the bank loan (December 31, 2014 - $5,800,000 or US$5,000,000).

Advances on the facility bear interest at the LIBOR rate plus an applicable margin. The margin ranges from 4.05% to 4.80% per annum, depending on utilization. Undrawn amounts under the facility bear a commitment fee of 0.85%. For the three months ended March 31, 2015, the effective interest rate, including the commitment fee, was 5.96% (December 31, 2014 – 5.92%).

Repayments of principal are not required provided that the borrowings under the loan do not exceed the authorized borrowing amount and that the Company is in compliance with all covenants, representations and warranties. As at March 31, 2015 the Company was in compliance with all covenants, obligations and conditions of the facility, which include covenants related to debt to earnings before interest, taxes and all non-cash items, a minimum interest coverage ratio and minimum monthly production levels.

9. Decommissioning Obligations

The Company's decommissioning obligations relate to future site restoration and abandonment costs including the costs of production equipment removal based on current regulations and economic circumstances. The total decommissioning obligation is estimated by management based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities, and the estimated timing of the costs to be incurred in future periods. The accounts payable balance of the decommissioning obligation represents accrued amounts relating to a Trinidad based abandonment fund that is short-term in nature.

	Canada	Trinidad	Total
Balance, January 1, 2014	**$ 5,213**	**$ -**	**$ 5,213**
Additions from business acquisition (note 4)	-	13,994	13,994
Liabilities incurred	-	823	823
Accretion expense	139	313	452
Change in estimates	89	(2,280)	(2,191)
Effect of change in foreign exchange rates	-	1,129	1,129
Balance, December 31, 2014	**$ 5,441**	**$ 13,979**	**$ 19,420**
Dispositions (note 7)	(434)	-	(434)
Accretion (recovery) expense	(3)	162	159
Change in estimates	290	(559)	(269)
Effect of change in foreign exchange rates	-	1,302	1,302
Balance, March 31, 2015	**$ 5,294**	**$ 14,884**	**$ 20,178**
Non-current	5,294	14,489	19,783
Current (included in accounts payable)	-	395	395
Total	**$ 5,294**	**$ 14,884**	**$ 20,178**

As at March 31, 2015, the Company estimates the total undiscounted cash flows required to settle its decommissioning obligations is approximately $4,868,000 and $32,718,000 for Canada and Trinidad, respectively (December 31, 2014 - $5,357,000 and $29,757,000). The majority of these obligations are anticipated to be incurred in 2025 and expected to be funded from the Company's internal resources available at the time of settlement. Decommissioning liabilities have been discounted using a weighted average risk-free rate of 1.4% and 7.5% for Canadian and Trinidadian based liabilities, respectively (December 31, 2014 – 1.8% and 7.5%, respectively). The liabilities have been calculated using an inflation rate of 2% and 3% per annum for Canadian and Trinidadian based liabilities, respectively (December 31, 2014 – 2% and 3%, respectively).

10. Shareholders' Capital

(a) Issued and outstanding common shares

	Number of shares		Amount
Balance, January 1, 2013	**48,721,412**	**$**	**134,709**
Issued pursuant to business combination (note 4)	32,759,606		33,415
Exercise of incentive shares	278,625		28
Issued pursuant to land acquisition	1,300,000		1,183
Share-based settlements	-		558
Balance, December 31, 2014	**83,059,643**	**$**	**169,893**
Exercise of incentive shares	20,000		41
Balance, March 31, 2015	**83,079,643**	**$**	**169,934**

The Company has authorized an unlimited number of voting common shares without nominal or par value. Share amounts for all periods have been restated to reflect the impact of the two for one common share consolidation completed on May 13, 2014 as part of the Old Touchstone business combination (see note 4).

(b) Share options

The Company has a share option plan pursuant to which options to purchase common shares of the Company may be granted by the Board of Directors to directors, officers, employees and consultants of the Company. The exercise price of each option may not be less than the five day weighted average trading price of the common shares prior to the date of grant. Compensation expense is recognized as the options vest. Unless otherwise determined by the Board of Directors, vesting typically occurs one third on each of the next three anniversaries of the date of the grant as recipients render continuous service to the Company. The options expire five years from the date of the grant. The maximum number of common shares issuable on the exercise of outstanding options at any time is limited to 10% of the issued and outstanding Company common shares. Share option amounts have been restated to reflect the impact of the two for one common share consolidation completed on May 13, 2014 as part of the Old Touchstone business combination (see note 4).

	Number of options		Weighted average exercise price
Outstanding, January 1, 2014	**1,360,625**	**$**	**2.10**
Granted	4,685,090		0.88
Forfeited	(1,231,630)		1.59
Outstanding, December 31, 2014	**4,814,085**	**$**	**1.04**
Granted	10,200		0.33
Forfeited	(990,500)		1.30
Outstanding, March 31, 2015	**3,833,785**	**$**	**0.98**
Exercisable, March 31, 2015	**125,355**		**2.10**

During the three months ended March 31, 2015, the Board of Directors approved and granted 10,200 share options (2014 - nil). The weighted average fair values of options granted during the periods were $0.16 per share option (2014 – $nil) as estimated on the date of each grant using the Black-Scholes option-pricing model.

The following weighted average assumptions used in the Black-Scholes model to determine the fair value of the share options granted were as follows:

	Three months ended March 31 2015
Risk-free interest rate	**1.0%**
Expected life (years)	**2.6**
Expected volatility	**80.2%**
Expected annual dividend yield	**0.0%**
Forfeiture rate	**5.0%**

(c) Incentive share options

The Company has an incentive share option plan which provides for the grant of incentive share options to purchase common shares of the Company at a $0.05 exercise price. A maximum of two million incentive shares have been approved for issuance under this plan. Unless otherwise determined by the Board of Directors, vesting typically occurs one third on each of the next three anniversaries of the date of the grant. The incentive share options expire five years from the date of the grant. Incentive share option amounts have been restated to reflect the impact of the two for one common share consolidation completed on May 13, 2014 as part of the Old Touchstone business combination (see note 4).

	Number of incentive shares		Weighted average exercise price
Outstanding, January 1, 2014	**365,375**	**$**	**0.10**
Granted	250,000		0.05
Exercised	(278,625)		0.10
Outstanding, December 31, 2014	**336,750**	**$**	**0.06**
Exercised	(20,000)		0.10
Forfeited	(9,250)		0.10
Outstanding, March 31, 2015	**307,500**	**$**	**0.06**
Exercisable, March 31, 2015	**57,500**		**0.10**

11. Net Finance Costs

	Three months ended March 31			
		2015		2014
Interest expense on bank loan and other	**$**	**98**	$	2
Interest income		**(3)**		(95)
Finance fees and other		**183**		-
Finance costs (income)	**$**	**278**	$	(93)

12. Loss per Common Share

	Three months ended March 31 2015	2014
Net loss	**$ (1,128)**	$ (3,967)
Weighted number of average common shares outstanding: Basic and diluted	**83,073,865**	48,748,337
Basic and diluted loss per share	**(0.01)**	(0.08)

Share amounts for all periods have been restated to reflect the impact of the two for one common share consolidation completed on May 13, 2014 as part of the Old Touchstone business combination (see note 4). For the three month period ended March 31, 2015, 255,956 incentive share options (2014 – 292,689) were not included in the diluted share calculation because they were anti-dilutive.

13. Capital Management

The Company's primary capital management objective is to maintain a strong statement of financial position affording the Company financial flexibility to achieve goals of continued growth and access to capital. The basis for the Company's capital structure is dependent on the Company's expected business growth and any changes in the business environment. To manage its capital structure, the Company may adjust capital spending, issue new equity or debt or repay existing debt. The Company will continue to assess new sources of financing available and manage its expenditures to reflect current financial resources in the interest of sustaining long-term viability.

The Company monitors its capital management through the net debt to net debt plus equity ratio. Net debt is a non-IFRS measure calculated as working capital less long-term portions of interest bearing financial liabilities. Working capital is calculated as current assets less current liabilities. The Company's strategy is to utilize more equity than debt, thereby targeting net debt to net debt plus shareholders' equity at a ratio of less than 0.4 to 1.

	Target measure	**March 31, 2015**	December 31, 2014
Net debt			
Working capital (surplus) deficiency		**$ (1,786)**	$ 544
Finance lease obligations and other		**301**	571
Bank loan		**7,610**	5,800
Less other non-interest bearing items		**(430)**	(465)
		$ 5,695	$ 6,450
Net debt plus equity			
Net debt		**$ 5,695**	$ 6,450
Shareholders' equity		**69,522**	66,235
		$ 75,217	$ 72,685
Net debt to net debt plus equity	< 0.4 times	**0.08**	0.09

The Company has a secured bank loan (note 8) which at March 31, 2015 had a borrowing base of US$15 million. The facility is intended to serve as means to increase liquidity and fund short-term cash flow needs as they arise. As at March 31, 2015, $7,610,000 was drawn on the facility (December 31, 2014 - $5,800,000). Other interest bearing items include capital leases which expire in May 2015.

The Company has a security agreement with Export Development Canada in connection with the performance security guarantees that support letters of credit provided to The Petroleum Company of Trinidad and Tobago Limited ("Petrotrin") and the Trinidad and Tobago Minister of Energy and Energy Affairs related to work commitments on its Trinidad concessions.

14. Risk Management

(a) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. A substantial portion of the Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. All of the Company's Trinidad crude oil production is sold, as determined by market based prices adjusted for quality differentials, to Petrotrin. Canadian crude oil production is sold to several oil and natural gas marketers. The Company's maximum credit exposure is revenue from one month's sales and the Company has historically not experienced any collection issues. The Company's accounts receivable balance represents the Company's maximum credit exposure.

The aging of accounts receivable as at March 31, 2015 and December 31, 2014 is as follows:

		March 31, 2015		December 31, 2014
Not past due	**$**	**7,494**	$	9,923
Past due greater than 90 days		**6,175**		5,024
Total accounts receivable	**$**	**13,669**	$	14,947

No provision has been made for past due receivables as the Company has assessed that there are no impaired receivables. The Company believes that the accounts receivable balances that are past due are still collectible as they are due from government agencies. The counterparty to the Company's financial derivative contracts is a major Canadian bank that has an investment grade credit rating.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due, under both normal and unusual conditions without incurring unacceptable losses or jeopardizing the Company's business objectives. The Company manages this risk by preparing cash flow forecasts to assess whether additional funds are required. The Company believes that it has access to sufficient capital through internally generated cash flows, undrawn committed credit facilities and external equity sources to meet current spending forecasts. At March 31, 2015, US$9,000,000 of borrowing capacity was available on the Company's bank loan.

(c) Commodity price risk

The Company is exposed to commodity price movements as part of its operations, particularly in relation to prices received for its oil production. Commodity prices for oil are impacted by the world and continental/regional economy and other events that dictate the levels of supply and demand. Consequently, these changes could also affect the value of the Company's properties, the level of spending for exploration and development and the ability to meet obligations as they come due.

The Company had the following commodity financial contracts in place as at March 31, 2015:

Contract	Volume	Pricing
ICE Brent crude oil swap		
January 1, 2015 – November 30, 2015	800 barrels per day	US$70.60 per barrel
December 1, 2015 – February 29, 2016	800 barrels per day	US$66.50 per barrel
ICE Brent crude oil call		
April 1, 2015 – February 29, 2016	800 barrels per day	US$90.00 per barrel

As at March 31, 2015, the Company recorded a financial derivative asset of $3,244,000 (December 31, 2014 - $3,133,000) related to commodity management contracts. During the three months ended March 31, 2015, the Company recorded realized gains of $1,379,000 (2014 - $nil) and an unrealized loss of $181,000 (2014 - $nil) related to these contracts.

(d) Foreign currency risk

The Company is exposed to currency risk on both its working capital and debt which are denominated in Trinidad and Tobago dollars and United States dollars. The Company's foreign currency policy is to monitor foreign currency risk exposure in its areas of operations and mitigate that risk where possible by matching foreign currency denominated expenses with revenues denominated in foreign currencies. The Company attempts to limit its exposure to foreign currency through collecting and paying foreign currency denominated balances in a timely fashion. The Company had no contracts in place to manage foreign currency risk as at or during the three months ended March 31, 2015.

(e) Interest rate risk

The Company is exposed to interest rate risk in relation to interest expense on its bank loan. Currently the Company has not entered into any agreements to manage this risk.

15. Segmented Information

The Company is comprised of Canada and Trinidad operating segments. The Trinidad segment incorporates the operations of Old Touchstone commencing May 14, 2014.

	Canada	Trinidad	Total
As at March 31, 2015			
Exploration assets	$ 7,859	$ 1,366	$ 9,225
Property and equipment, net	4,555	103,070	107,625
Total assets	26,290	115,196	141,486
Decommissioning obligations	5,294	14,489	19,783
Deferred tax liabilities	-	22,511	22,511
Total liabilities	9,086	62,878	71,964
Three months ended March 31, 2015			
Petroleum sales	912	9,210	10,122
Total expenses	2,540	6,184	8,724
(Loss) earnings before income taxes	(1,730)	1,319	(411)
Income tax expense	-	717	717
Net (loss) earnings	(1,730)	602	(1,128)
Exploration asset expenditures	168	20	188
Property and equipment expenditures	209	962	1,171

	Canada	Trinidad	Total
As at March 31, 2014			
Exploration assets	$ 43,066	$ -	$ 43,066
Property and equipment, net	1,199	-	1,199
Total assets	92,952	-	92,952
Decommissioning obligations	5,872	-	5,872
Deferred tax liabilities	-	-	-
Total liabilities	13,372	-	13,372
Three months ended March 31, 2014			
Petroleum sales	-	-	-
Total expenses	3,967	-	3,967
Loss before income taxes	(3,967)	-	(3,967)
Income tax expense	-	-	-
Net loss	(3,967)	-	(3,967)
Exploration asset expenditures	5,811	-	5,811
Property and equipment expenditures	19	-	19

16. Subsequent Events

(a) Derivative contracts

Subsequent to March 31, 2015, the Company entered into the following derivative contracts:

Contract	Volume	Pricing
ICE Brent crude oil swap March 1, 2016 – April 30, 2016	800 barrels per day	US$66.50 per barrel
ICE Brent crude oil call March 1, 2016 – April 30, 2016	800 barrels per day	US$90.00 per barrel

(b) Share option grant

On April 20, 2015, the Company granted 1,816,600 share options to directors, officers and employees at an exercise price of $0.33 per option.