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

Amended Management's Discussion and Analysis

For the three and nine months ended September 30, 2015

The following Amended 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 and nine months ended September 30, 2015 is dated January 13, 2016 and should be read in conjunction with the Company's unaudited interim consolidated financial statements for the period ended September 30, 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 this document. Refer to page 29 for the Advisory on Forward-looking Statements and page 30 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. During the three months ended June 30, 2015, the Company received new information which revised the original accrued liabilities estimate in the preliminary purchase price allocation. This resulted in an increase in accounts payable and accrued liabilities of $477,000 and a corresponding increase to property and equipment. The final purchase price allocation was revised to reflect this amount. The related Trinidad cash generating unit property and equipment balances were impaired on December 31, 2014. Accordingly, an impairment charge of $477,000 was recognized in the 2014 statement of earnings. All comparative amounts have been restated accordingly.

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 cash generating units have been recognized in the consolidated statement of earnings (prior to July 1, 2014, all revenues and costs were capitalized to exploration assets). Prior to its July 2015 disposition, Dawson operating results were capitalized to exploration assets as the property was 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.

Highlights

During the three month period ended September 30, 2015 (“third quarter” or “Q3”), Touchstone reported:

- A decrease in net debt of $5,716,000 from $5,755,000 reported in the prior quarter to $39,000.
- Average oil sales of 1,638 bbls/d, 1,538 bbls/d produced in Trinidad and 100 bbls/d produced in Canada. Trinidad and Canada quarterly production decreased 16% and 77% from the comparative 2014 quarter, respectively. Combined quarterly production decreased 8% from the prior quarter.
- Funds flow from operations of $313,000 ($0.01 per basic share) compared to funds flow from operations of $762,000 ($0.01 per basic share) in the prior quarter. The Company generated year to date funds flow from operations of $1,500,000 ($0.02 per basic share) versus a loss of $1,857,000 (($0.03) per basic share) realized in the comparative 2014 period.
- Trinidad operating netbacks of $3,985,000 ($28.16 per barrel) which offset Canadian operating netback losses of $437,000 (($47.41) per barrel). Company third quarter operating netbacks were $3,548,000 or $23.54 per barrel, which represented a decrease of 40% from the prior year comparative quarter and an increase of 4% from the prior quarter.
- The disposition of our Dawson, Alberta exploration property for cash proceeds of $2,100,000 and the disposition of undeveloped land in Beadle, Saskatchewan for cash proceeds of $4,200,000.

Financial and Operating Results

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014[1]	**2015**	2014[1]
Operating				
Average daily oil production (bbls/day)				
Trinidad	**1,538**	1,830	**1,634**	894
Canada	**100**	438[2]	**184**	406[2]
Company total	**1,638**	2,268[2]	**1,818**	1,300[2]
Average realized oil prices before derivatives ($/bbl)				
Trinidad	**57.11**	95.66	**60.86**	98.25
Canada	**42.86**	77.49[2]	**40.37**	78.44[2]
Company total	**56.24**	92.15[2]	**58.78**	92.06[2]
Trinidad operating netback[3] (C$/bbl)				
Reference price – Brent	**65.94**	110.92	**69.56**	116.59
Petroleum revenue	**57.11**	95.66	**60.86**	98.25
Royalties	**(18.26)**	(29.73)	**(19.09)**	(31.84)
Net revenue	**38.85**	65.93	**41.77**	66.41
Realized gain on derivatives	**12.91**	-	**8.59**	-
Operating costs	**(23.60)**	(22.80)	**(22.52)**	(29.33)
Operating netback	**28.16**	43.13	**27.84**	37.08
Canada operating netback[3] (C$/bbl)				
Reference price – WTI	**60.85**	106.52	**64.04**	109.36
Petroleum revenue	**42.86**	79.43	**40.37**	79.43
Royalties	**(15.08)**	(4.48)	**(6.72)**	(4.48)
Net revenue	**27.78**	74.95	**33.65**	74.95
Operating costs	**(75.19)**	(53.94)	**(53.57)**	(53.94)
Operating netback	**(47.41)**	21.01	**(19.92)**	21.01

[1]During the three and six months ended June 30, 2014, Canadian operating netbacks were netted against exploration assets as all properties were in the exploration stage. All Trinidad comparative results are subsequent to the May 13, 2014 acquisition date.
[2]Average daily production and average realized prices include exploration property results.
[3]See “*Non-GAAP Measures.*”

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	**2015**	2014
Financial *($000's except share and per share amounts)*				
Funds flow from operations[1]				
Trinidad	**1,244**	5,244	**5,956**	5,238
Canada	**(931)**	(980)	**(4,456)**	(7,095)
Company total	**313**	4,264	**1,500**	(1,857)
Per share – basic and diluted[1,2]	**0.01**	0.05	**0.02**	(0.03)
Net loss	**(12,666)**	(6,690)	**(22,299)**	(7,906)
Per share – basic and diluted[2]	**(0.15)**	(0.08)	**(0.27)**	(0.12)
Capital expenditures				
Exploration assets	**154**	1,544	**633**	10,631
Property and equipment	**679**	6,141	**2,994**	13,870
Company total	**833**	7,685	**3,627**	24,501
Total assets – end of period			**101,564**	192,637
Net debt (surplus)[1] – end of period			**39**	(1,570)
Weighted average shares outstanding[2]				
Basic and diluted	**83,080,866**	82,844,988	**83,078,150**	65,927,167
Outstanding shares[2] - end of period			**83,087,143**	83,059,643

[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.

Throughout 2015, Touchstone has focused on operational initiatives to ensure the sustainability and future profitability of the Company through all commodity cycles. As a result, production volumes in Canada and Trinidad have declined based on reduced operating and capital investment. We remain focused on developing our core Trinidad resources, as we recompleted seven Trinidad wells in the third quarter and nineteen Trinidad wells through September 30, 2015. Despite a decrease in realized oil prices and production, the Company maintained balance sheet strength with third quarter net debt of $39,000. The decrease in net debt was primarily based on two previously announced dispositions that closed in the third quarter for total cash proceeds of $6,300,000 prior to adjustments.

Production volumes averaged 1,638 bbls/d during the three months ended September 30, 2015 (100% oil). Trinidad and Canadian petroleum sales averaged 1,538 bbls/d and 100 bbls/d, respectively, representing a combined decrease of 28% from the comparative 2014 quarter and a decrease of 8% from the 2015 second quarter. The Company responded to the continued weakness in oil prices with decreased capital spending, as $3,627,000 in capital expenditures were incurred during the nine months ended September 30, 2015. The expenditures were mainly on Trinidad based recompletions and exploration costs and represented a decrease of 85% from the prior year comparative period spending.

Funds flow from operations for the three months ended September 30, 2015 was $313,000 ($0.01 per basic share) versus funds flow from operations of $762,000 ($0.01 per basic share) in the prior quarter. Funds flow decreased from the prior quarter due to $499,000 in third quarter non-recurring severance charges. Trinidad operations generated funds flow from operations of $1,244,000, offsetting decreased Canadian funds flow losses of $931,000. On a year to date basis, funds flow from operations was $1,500,000 ($0.02 per basic share) versus a loss of $1,857,000 (($0.03) per basic share) realized in the comparative 2014 period. Due to $31,036,000 in non-cash impairments, the Company recorded a net loss of $12,666,000 during the three months ended September 30, 2015. The impairment charge, attributed to all Trinidad producing properties, was the result of sustained declines in forecasted short and long-term crude oil pricing.

Trinidad Asset Acquisition

On October 16, 2015, the Company entered into an agreement to purchase five Trinidad onshore producing properties from a third party vendor for cash consideration of US$20,800,000 prior to adjustments (the "Acquisition"). In conjunction with the signing of the agreement, the Company paid a US$2,080,000 deposit which is not refundable if the Acquisition fails to close due to a breach of the agreement by the Company. The Company is expecting to fund the Acquisition partially through cash on hand and its existing bank facility. The Company is negotiating terms of the expansion of its bank facility and, depending on the outcome of those discussions, the Company expects to complete the funding of the Acquisition with additional debt and/or equity. The Acquisition is subject to the receipt of all necessary regulatory approvals and the satisfaction of closing conditions customary in transactions of this nature. The Acquisition is expected to close by March 2016 and will be effective on the closing date.

Pursuant to the Acquisition, the Company intends to acquire a 100% working interest in five blocks located in the Southern Basin of the Republic of Trinidad and Tobago with a current estimated average field production of approximately 1,490 barrels of oil per day. The properties are governed by Lease Operating Agreements with the Petroleum Company of Trinidad and Tobago, a structure under which Touchstone currently operates four producing blocks in Trinidad. The Company will have certain obligations to maintain minimum production volumes on the properties and is committed to a capital program that will be incorporated into the long-term budget.

The Acquisition is consistent with Touchstone's strategy of acquiring operated low decline oil production with large volumes of original oil in place. The Company believes that purchasing the assets at historically low acquisition costs will provide additional synergies and opportunities during the next five years. The increased production base and physical synergies of the combined assets are expected to yield material and immediate improvements to Touchstone's existing operating cost and general and administrative cost structure, as the Company expects to incorporate the assets with no material increase in overhead costs. The Company also expects to increase production immediately, as the assets have not been developed over the past two years. Immediate impacts will likely be in the form of increased swabbing production and low cost recompletions on existing well bores. The asset package includes approximately 600 additional well bores with similar geological characteristics as those located on the Company's existing properties.

Guidance

The Company's original guidance provided in the news release issued December 17, 2014 and its updated 2015 fiscal year guidance as of January 13, 2015 was as follows:

	Original guidance	**Current guidance**
Forecasted Brent US$ price per barrel	70.00	52.30
Forecasted annual average production *(bbls/d)*	2,700 – 2,900	1,755
Forecasted annual funds flow *($000's)*	13,000 – 14,000	3,000

The Company's original guidance was disclosed prior to the decrease in commodity prices experienced in 2015. As a result, the Company decreased operational and capital spending throughout 2015 to ensure sustainability in the low commodity price environment. Accordingly, the significant reduction to the original 2015 capital program resulted in decreases to the forecasted average production and funds flow from the guidance originally provided.

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.

Principal Properties

As at September 30, 2015, the Company's principal land holdings were as follows:

Property	Working interest	Lease type	Gross acres	Working interest acres
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	70%	Crown	20,589	14,412
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
	73%		**95,582**	**69,369**
Canada				
Producing				
Kerrobert	100%	Crown & Freehold	801	801
Exploratory				
Kerrobert	96%	Crown & Freehold	6,159	5,938
Luseland	100%	Crown & Freehold	7,724	7,724
Beadle	100%	Freehold	4,795	4,795
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%		**50,564**	**50,343**
Company total	**82%**		**146,146**	**119,712**

The Company's core producing properties are located onshore within Trinidad. All properties are operated by Touchstone with the exception of Cory Moruga. East Brighton is the only offshore property in which the Company holds an interest.

In Trinidad the Company operates under lease operatorship agreements ("LOAs") and farmout agreements with the Petroleum Company of Trinidad and Tobago ("Petrotrin"), state exploration and production licenses with the Trinidad and Tobago Minister of Energy and Energy Industries ("MEEI"), and private exploration and production agreements with individual landowners.

The Company's LOAs initially expire on December 31, 2020, with Touchstone holding a five year renewal option. Under these agreements, the Company is subject to five year minimum work commitments (see the "*Contractual Obligations, Commitments and Guarantees*" section for further details) and annual minimum production covenants. The Company did not achieve its 2015 minimum production level covenant specified in the WD-8 LOA. However, a breach of the minimum production level covenant does not constitute a default provided the minimum work obligations have been completed. There were no additional repercussions, restrictions or other financial or operating impacts resulting from the WD-8 production covenant breach as all work commitments were met for the 2011 to 2015 period. As at September 30, 2015 and as of the date of this MD&A, the Company was in compliance with all other covenants associated with its LOAs.

The Company's farmout agreements initially expire on December 31, 2015. The Company holds a five year renewal option and the agreements are subject to five year minimum work commitments. As at September 30, 2015 and as of the date of this MD&A, the Company was in compliance with all covenants associated with its farmout agreements.

The Company's Fyzabad and Palo Seco agreements with the MEEI contain no major covenants but expired on August 19, 2013. The Company is currently negotiating license renewals and has permission from the MEEI to operate in the interim period. The Company has no indication that the two licenses will not be renewed. During the three and nine months ended September 30, 2015, the production volumes produced under expired MEEI production licenses represented 5.7% and 6.0% of total Trinidad segment production, respectively (2014 – 6.2% and 6.3%).

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. The Company currently has no indication that any of the producing expired leases will not be renewed. During the three and nine months ended September 30, 2015, the production volumes produced under expired Trinidad freehold lease agreements represented 3.0% and 3.2% of total Trinidad segment production, respectively (2014 – 4.9% and 5.3%).

Summary of Financial and Operating Results

The Company's operations are conducted in Trinidad and Canada, which are the Company's reportable segments. Prior to its July 2015 disposition, the Company's Dawson property was in the exploration phase and accordingly, all directly attributable expenses, net of revenues, were capitalized as exploration assets. Prior to July 1, 2014, the Company's Kerrobert and Luseland properties were also in the exploration phase.

Production volumes

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	**2015**	2014[1]
Trinidad				
Total oil production (bbls)	**141,491**	168,392	**446,171**	243,965
Average daily oil production (bbls/d)	**1,538**	1,830	**1,634**	894
Canada				
Total oil production (bbls)	**9,217**	40,317	**50,266**	110,985
Average daily oil production (bbls/day)	**100**	438	**184**	406
Company total				
Total oil production (bbls)	**150,708**	208,709	**496,437**	354,950
Average daily oil production (bbls/day)	**1,638**	2,268	**1,818**	1,300

[1]Trinidad nine months ended September 30, 2014 production results are subsequent to the May 13, 2014 acquisition date.

Production volumes by property

	Three months ended September 30,		Nine months ended September 30,	
(bbls)	**2015**	2014	**2015**	2014[1]
Trinidad				
WD-8	**31,213**	46,004	**98,015**	65,897
Coora 1	**15,525**	23,614	**56,795**	33,638
Coora 2	**9,253**	11,336	**34,526**	18,087
WD-4	**53,039**	50,995	**152,463**	73,024
New Dome	**1,387**	1,581	**3,863**	2,468
South Palo Seco	**774**	669	**2,040**	959
Fyzabad	**17,072**	20,643	**55,767**	28,953
Icacos	**1,218**	1,257	**3,266**	1,950
Palo Seco	**1,505**	3,259	**5,186**	5,127
Barrackpore	**5,066**	1,896	**17,834**	2,951
San Francique	**5,439**	7,138	**16,416**	10,911
	141,491	168,392	**446,171**	243,965
Canada				
Kerrobert	**9,217**	29,844	**47,227**	89,513
Luseland	**-**	5,898	**3,039**	16,897
Dawson	**-**	4,575	**-**	4,575
	9,217	40,317	**50,266**	110,985
Company total	**150,708**	208,709	**496,437**	354,950

[1]Trinidad nine months ended September 30, 2014 production results are subsequent to the May 13, 2014 acquisition date.

Production for the three months ended September 30, 2015 was 150,708 barrels, representing a decrease of 28% from the comparative 2014 quarter and a decrease of 7% from the second quarter of 2015. Trinidad quarterly production decreased 4% from the prior quarter in response to the Company's concerted effort to ensure that all capital programs are sustainable in the current commodity environment. Limited capital was invested in the quarter, with seven recompletions performed in Trinidad. Kerrobert production decreased 69% from the comparative 2014 quarter and 37% from the 2015 second quarter as the Company continued to focus on decreasing Kerrobert operating costs with nominal capital spent during the quarter and year to date. Furthermore, Luseland and Dawson operations were disposed of in 2015.

Production for the nine months ended September 30, 2015 increased 40% from the prior year comparative period. Trinidad production increased 83% as the Company acquired its Trinidad operations effective May 14, 2014. Canada production decreased 55% from the prior year as Kerrobert production declined based on current year operating cost and capital reductions and Luseland operations were sold effective March 1, 2015.

Average reference and realized prices

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Reference prices (C$/bbl)				
Brent average	**65.94**	110.92	**69.56**	116.59
WTI average	**60.85**	106.52	**64.04**	109.36
WCS average	**43.28**	83.81	**47.46**	85.89
Average realized selling prices, excluding derivatives ($/bbl)				
Trinidad	**57.11**	95.66	**60.86**	98.25
Canada	**42.86**	77.49[1]	**40.37**	78.44[1]
Company total	**56.24**	92.15[1]	**58.78**	92.06[1]
Trinidad				
Realized price discount as a % of Brent	**13**	14	**13**	16
Realized price discount as a % of WTI	**6**	10	**5**	10
Canada				
Realized price discount as a % of WTI	**30**	27	**37**	28
Realized price discount as a % of WCS	**1**	8	**15**	9

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

Petroleum revenue

($000's)	Three months ended September 30, 2015	Three months ended September 30, 2014	% change	Nine months ended September 30, 2015	Nine months ended September 30, 2014[1]	% change
Trinidad						
Crude oil	**8,081**	16,108	(50)	**27,152**	23,969	13
Canada						
Crude oil	**395**	2,839	(86)	**2,029**	2,839	(29)
Company total	**8,476**	18,947	(55)	**29,181**	26,808	9

[1]Canadian year to date results only include results for the three months ended September 30, 2014 as all properties were in the exploration stage prior to July 1, 2014. Trinidad comparative results are subsequent to the May 13, 2014 acquisition date.

Trinidad petroleum revenue was $8,081,000 during the third quarter of 2015 representing an average realized price of $57.11 or US$43.88 per barrel. The quarterly average realized price represented a 13% discount to average Brent prices and a 6% discount to average WTI prices. Trinidad petroleum sales decreased 50% from the comparative 2014 quarter as a result of a 40% decline in average realized prices combined with a 16% decrease in production. For the nine months ended September 30, 2015, Trinidad revenue increased by 13% compared to the same period in 2014.

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 and nine months ended September 30, 2015, the Company's realized gains on financial derivatives were $1,826,000 and $3,833,000, respectively (2014 - $nil and $nil). For further information, refer to the *"Risk Management"* section of this MD&A.

Canadian petroleum revenue for the quarter ended September 30, 2015 was $395,000 representing an average realized price of $42.86 per barrel. The decrease in Canadian petroleum revenues from the prior year comparative quarter is a result of a 45% decline in average realized prices combined with a 77% fall in production as the Company has decreased Kerrobert capital expenditures and disposed of its Luseland and Dawson properties in 2015. For the nine months ended September 30, 2015, Canada revenue decreased by 29% compared to the same period in 2014.

Royalties

($000's)	**Three months ended September 30,**		% change	**Nine months ended September 30,**		% change
	2015	2014		**2015**	2014[1]	
Trinidad						
Crown royalties	**768**	1,638		**2,977**	2,488	
Private royalties	**363**	165		**620**	310	
Overriding royalties	**1,166**	2,921		**4,058**	4,562	
User fees	**286**	282		**863**	407	
	2,583	5,006	(48)	**8,518**	7,767	10
Canada						
Crown royalties	**84**	(7)		**138**	(7)	
Overriding royalties	**55**	167		**200**	167	
	139	160	(13)	**338**	160	100
Company total	**2,722**	5,166	(47)	**8,856**	7,927	12

[1]Canadian year to date results only include results for the three months ended September 30, 2014 as all properties were in the exploration stage prior to July 1, 2014. Trinidad comparative results are subsequent to the May 13, 2014 acquisition date.

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 between 10% and 12.5% of gross revenue. On the WD-8, Coora and WD-4 blocks, the Company operates under LOAs, 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%. There are no incentives for drilling under the Farmout Agreements. 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 Petrotrin associated with the management of the applicable lease operatorship programs.

Trinidad royalties represented 32.0% and 31.4% of petroleum revenue for the three and nine month periods ended September 30, 2015, respectively. These royalty rates are in line with past results, as approximately 78% of the Trinidad production in both periods was from the higher royalty LOA and Farmout agreement properties.

Canadian royalties represented 35.2% and 16.7% of petroleum revenue for the three and nine months ended September 30, 2015, respectively. Prior year comparative royalty rates were 5.6% and 5.6%, respectively. Royalty expenses increased as a result of a one-time Saskatchewan resource charge incurred in the current quarter.

Operating expenses

($000's)	Three months ended September 30, **2015**	2014	% change	Nine months ended September 30, **2015**	2014[1]	% change
Trinidad						
Operating expenses	**3,339**	3,840	(13)	**10,047**	7,155	40
Canada						
Operating expenses	**693**	1,928	(64)	**2,693**	1,928	40
Company total	**4,032**	5,768	(30)	**12,740**	9,083	40

[1]Canadian year to date results only include results for the three months ended September 30, 2014 as all properties were in the exploration stage prior to July 1, 2014. Trinidad comparative results are subsequent to the May 13, 2014 acquisition date.

Trinidad operating costs for the three months ended September 30, 2015 were $3,339,000, representing $23.60 per barrel or US$17.84 per barrel. Operating costs decreased by $501,000 from the prior year comparative quarter and increased $0.80 on a per barrel basis. The per barrel increase related to a 16% decline in production and thus less fixed cost absorption on a per unit basis. On a year to date basis, Trinidad operating expenses were $22.52 per barrel or US$18.54 per barrel.

Canadian operating expenses for the three months ended September 30, 2015 were $693,000 or $75.19 per barrel. The Company has focused on decreasing Kerrobert operating expenses and saw September 2015 operating expenses decrease 53% from January 2015 expenses.

Operating netbacks[1]

($/bbl)	Three months ended September 30, **2015**	2014	% change	Nine months ended September 30, **2015**	2014[2]	% change
Trinidad						
Reference price - Brent	**65.94**	110.92	(41)	**69.56**	116.59	(40)
Petroleum revenue	**57.11**	95.66	(40)	**60.86**	98.25	(38)
Royalties	**(18.26)**	(29.73)	(39)	**(19.09)**	(31.84)	(40)
Net revenue	**38.85**	65.93	(41)	**41.77**	66.41	(37)
Realized gain on derivatives	**12.91**	-	100	**8.59**	-	100
Operating expenses	**(23.60)**	(22.80)	4	**(22.52)**	(29.33)	(23)
Operating netback	**28.16**	43.13	(35)	**27.84**	37.08	(25)
Canada						
Reference price - WTI	**60.85**	106.52	(43)	**64.04**	109.36	(41)
Petroleum revenue	**42.86**	79.43	(46)	**40.37**	79.43	(49)
Royalties	**(15.08)**	(4.48)	100	**(6.72)**	(4.48)	50
Net revenue	**27.78**	74.95	(63)	**33.65**	74.95	(55)
Operating expenses	**(75.19)**	(53.94)	39	**(53.57)**	(53.94)	(1)
Operating netback	**(47.41)**	21.01	(100)	**(19.92)**	21.01	(100)
Company operating netback	**23.55**	39.25	(40)	**23.00**	35.03	(34)

[1]See "*Non-GAAP Measures.*"
[2]Canadian year to date results only include results for the three months ended September 30, 2014 as all properties were in the exploration stage prior to July 1, 2014. Trinidad comparative results are subsequent to the May 13, 2014 acquisition date.

Excluding derivatives, Trinidad operating netbacks were $15.25 per barrel compared to $22.10 recognized in the second quarter of 2015. Quarterly average realized oil prices decreased 14%, with royalty expenses decreasing on a commensurate basis. Operating expenses per barrel decreased 2% from the prior quarter despite a 5% decrease in average daily production. The Company realized a gain on derivatives of $1,826,000 or $12.91 per barrel during the quarter versus a gain of $628,000 or $4.25 per barrel in the second quarter of 2015. For the three months ended September 30, 2015, Trinidad operating netbacks were $3,985,000, which represented an increase of $87,000 from the prior quarter.

In Canada, the Company continued its focus on economics versus production growth. Kerrobert operations incurred negative operating netbacks of $437,000 in the quarter versus negative netbacks of $229,000 recognized in the previous quarter. The increased loss was mainly a result of a 37% decrease in production and a 13% decrease in realized pricing. The Company continued to focus on operating cost savings, as facility operating costs decreased by $161,000 or 19% from the previous quarter.

General and administrative ("G&A") expenses

($000's)	**Three months ended September 30,**		% change	**Nine months ended September 30,**		% change
	2015	2014		**2015**	2014[1]	
Trinidad						
Gross G&A	**1,416**	812		**3,573**	1,793	
Capitalized G&A	**(143)**	(71)		**(398)**	(301)	
Net G&A	**1,273**	741	72	**3,175**	1,492	113
Canada						
Gross G&A	**1,493**	2,545		**5,607**	6,506	
Capitalized G&A	**(175)**	(440)		**(553)**	(686)	
Net G&A	**1,318**	2,105	(37)	**5,054**	5,820	(13)
Company total	**2,591**	2,846	(9)	**8,229**	7,312	13

[1]Trinidad comparative results are subsequent to the May 13, 2014 acquisition date.

G&A expenses primarily consist of management and administrative salaries and benefits, legal and professional fees, office rent, insurance, travel and other administrative expenses. During the three and nine months ended September 30, 2015, the Company recognized non-recurring severance charges of $499,000 and $1,206,000, respectively. After deducting these charges, normalized general and administrative expenses were $2,092,000 and $7,023,000 during the three and nine months ended September 30, 2015, respectively. The Company continues to decrease G&A expenses, as normalized quarterly expenses decreased 26% from the prior year comparative quarter.

Acquisition-related costs

The Company incurred $2,975,000 in legal, advisory, and severance charges related to the Old Touchstone acquisition during the nine months ended September 30, 2014.

Gain on asset dispositions

On July 14, 2015, the Company disposed of its non-core Dawson exploration asset cash generating unit ("CGU") for net proceeds of $2,100,000 before customary closing adjustments. On July 30, 2015, the Company disposed of undeveloped land in its Beadle exploration asset CGU for net proceeds of $4,200,000 prior to closing adjustments. A gain of $3,351,000 was recognized in the statement of earnings as a result of the Beadle transaction.

The Company disposed of its non-core Luseland CGU unit for net proceeds of $2,200,000 effective March 1, 2015. The CGU 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.

Effective May 1, 2015, the Company leased rig equipment to a third party. The capital lease receivable is included in other assets on the statement of financial position and a loss of $6,000 was recognized on the transaction.

Loss on marketable securities

The Company's investment in marketable securities consisted of common shares in the capital of Lightstream Resources Ltd. ("Lightstream"). The fair value of the investment in marketable securities was 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 three months ended March 31, 2015, the Company disposed of its remaining 243,613 Lightstream common shares. As a result, the loss on marketable securities for the three and nine months ended September 30, 2015 was $nil and $51,000, respectively (2014 – loss of $3,379,000 and gain of $4,227,000). Since the Old Touchstone acquisition, the Company sold all of its Lightstream common share holdings for net proceeds of $21,728,000 or $6.15 per share.

Net finance expenses

($000's)	**Three months ended September 30,**		% change	**Nine months ended September 30,**		% change
	2015	2014		**2015**	2014	
Interest income	**(58)**	(22)		**(68)**	(157)	
Interest expense	**171**	-		**384**	285	
Finance fees and other	**198**	(11)		**556**	(10)	
Net finance expense (income)	**311**	(33)	100	**872**	118	100
Less: amortized credit facility expense	**(185)**	-		**(526)**	-	
Cash finance expense (income)	**126**	(33)	100	**346**	118	100

Interest income includes interest earned from funds on deposit and interest generated from a Trinidad capital equipment lease. Interest income has decreased from the prior year as the Company formerly had higher cash balances that were held in short-term interest bearing securities.

Interest expense is primarily credit facility interest and commitment fees. During the nine months ended September 30, 2014, interest was incurred on acquired Old Touchstone debt prior to its June 30, 2014 repayment.

Financing fees are comprised primarily of the amortization of fees associated with the Company's bank loan established in December 2014. These expenses are amortized over the three year term of the facility.

Foreign exchange and foreign currency translation

The Company's presentation currency is the Canadian dollar ("C$"). The Company and its Canadian subsidiaries have a Canadian dollar functional currency while the Trinidad subsidiaries have a Trinidad and Tobago dollar ("TT$") functional currency. Touchstone Exploration (Barbados) Ltd., a wholly-owned subsidiary of the Company, has a United States dollar ("US$") functional currency. In each reporting period, the change in values of the US$ and TT$ relative to the Canadian dollar reporting currency are recognized.

The applicable rates used to translate the Company's TT$ and US$ denominated financial statement items were as follows:

	September 30, 2015	December 31, 2014	% change	**September 30, 2015**	September 30, 2014	% change
Closing foreign exchange rates						
C$ / US$	**0.7466**	0.8620	(13)	**0.7466**	0.8922	(16)
C$ / TT$	**4.7393**	5.4945	(14)	**4.7393**	5.6754	(16)

The Company's main exposure to foreign currency risk relates to its working capital denominated in TT$ and debt balances denominated in US$. The TT$ appreciated relative to the Canadian dollar throughout the three and nine months ended September 30, 2015. This resulted in the Company recognizing total foreign exchange gains of $798,000 during the three months ended September 30, 2015 and total foreign exchange gains of $1,656,000 during the nine months ended September 30, 2015 (2014 – gains of $679,000 and $577,000). Unrealized foreign exchange gains and losses may be reversed in the future as a result of fluctuations in exchange rates.

In addition, 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. As a result of the quarterly and year to date appreciation of the TT$ vis a vis the Canadian dollar, foreign currency translation adjustment gains of $4,551,000 and $7,880,000 were recorded during the three and nine months ended September 30, 2015, respectively (2014 – gains of $3,410,000 and $2,564,000).

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 closing 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 also 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 and nine months ended September 30, 2015, $102,000 and $249,000 in share-based compensation expense was recorded compared $161,000 and $135,000 recognized in the comparative 2014 periods, respectively. Share-based compensation expense decreased from the prior year comparative periods as unvested share options were forfeited based on employee departures, which resulted in a recovery of the related unvested share-based compensation expense initially recorded.

During the nine months ended September 30, 2015, the Board of Directors approved and granted 1,826,800 share options and nil incentive share options, respectively (2014 – 4,576,290 and 250,000). At

September 30, 2015, share options and incentive share options outstanding represented 6.7% of the common shares outstanding (December 31, 2014 – 6.2%).

Depletion and depreciation

($000's)	**Three months ended September 30, 2015**	2014	% change	**Nine months ended September 30, 2015**	2014[1]	% change
Trinidad						
Depletion and depreciation	**1,995**	2,689	(26)	**5,527**	3,856	43
Canada						
Depletion and depreciation	**115**	1,054	(89)	**518**	1,268	(59)
Company total	**2,110**	3,743	(44)	**6,045**	5,124	18

[1]Trinidad comparative results are subsequent to the May 13, 2014 acquisition date.

Depreciation is recorded relating to corporate assets in Canada and motor vehicles and rig equipment in Trinidad. Equipment and corporate assets are depreciated on a declining balance basis. The Company's producing assets in Trinidad are subject to depletion. 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 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.

On a per barrel basis, third quarter 2015 Trinidad depletion and depreciation charges were $14.10 per barrel, while Canada depletion and depreciation charges were $12.48 per barrel. During the nine months ended September 30, 2015, Trinidad and Canadian per barrel depletion and depreciation charges were $12.39 and $10.31, respectively. On a per unit basis, Trinidad depletion charges have decreased based on an increase in the Company's year-over-year crude oil reserves. As at September 30, 2015, $76,143,000 and $1,019,000 in future development costs have been added to the respective Trinidad and Canada cost bases for depletion calculation purposes (December 31, 2014 - $67,857,000 and $3,060,000).

Impairment

The Company assesses exploration asset and property and equipment indicators of impairment on a quarterly basis. Impairment consisted of the following non-cash charges:

($000's)	**Three months ended September 30, 2015**	2014	**Nine months ended September 30, 2015**	2014
Trinidad				
Exploration assets – Cory Moruga CGU	**61**	-	**948**	-
Exploration assets – East Brighton CGU	**54**	-	**840**	-
Property and equipment – Various CGUs	**30,921**	-	**33,424**	-
	31,036	-	**35,212**	-
Canada				
Exploration assets - Dawson CGU	**-**	-	**2,562**	-
Exploration assets - Kerrobert CGU	**-**	-	**-**	898
Exploration assets - Luseland CGU	**-**	3,112	**-**	3,112
Other	**-**	-	**-**	459
	-	3,112	**2,562**	4,469
Company total	**31,036**	3,112	**37,774**	4,469

During the nine months ended September 30, 2015, impairment charges of $948,000 were recorded with respect to the Company's interest in the Trinidad Cory Moruga block based on uneconomic well performance. In April 2015 the Company acquired an additional 35% working interest in the offshore Trinidad East Brighton block for nominal cash consideration. As a result of this transaction, an additional $786,000 in decommissioning obligations were recorded. The corresponding decommissioning assets were charged to impairment. Further impairment charges of $54,000 were recognized during the three months ended September 30, 2015 as the fair value of the property was estimated at $nil based on a sales agreement executed subsequent to September 30, 2015.

An impairment charge of $30,921,000 was recorded during the three months ended September 30, 2015 on crude oil assets located in the Trinidad operating segment. The impairment charge, attributed to all Trinidad CGUs, was the result of sustained declines in forecasted short and long-term crude oil pricing. The recoverable amount of the impaired CGUs was determined to be $69,753,000 as at September 30, 2015 and was estimated based on fair value less costs to sell using estimated discounted cash flows based on internally estimated proved plus probable reserves and a discount rate of 18% (December 31, 2014 - 18%). The recoverable amount is sensitive to commodity prices, foreign exchange, production volumes, operating costs and future capital expenditures which are based on management's best estimate using currently available information. Crude oil prices and foreign exchange rates used in the analysis were based on forecasts by the Company's independent reserve evaluator as at September 30, 2015.

At June 30, 2015, the Company's Trinidad decommissioning obligations were revalued using the adjusted long-term Trinidad inflation rate of 4%, which represented a 1% increase from the previous estimate. The corresponding $2,503,000 increase to the decommissioning obligation asset balance was valued at $nil and charged to impairment, as the restated CGUs were initially impaired on December 31, 2014 and no headroom remained.

An impairment charge of $2,562,000 was recorded during the nine months ended September 30, 2015 to write down the Dawson CGU to the lesser of carrying value and the estimated recoverable amount based on transaction proceeds received in July 2015.

Accretion and decommissioning obligations

During the three and nine months ended September 30, 2015, the Company recorded $159,000 and $471,000 in accretion related to its decommissioning obligations, respectively (2014 - $160,000 and $309,000). 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 September 30, 2015 were as follows:

	# of well/facility locations	**Undiscounted balance** *($000's)*	**Inflation adjusted balance** *($000's)*	**Discounted balance** *($000's)*
Trinidad	776	36,793	80,381	19,937
Canada	47	3,708	4,950	4,005
Company total	**823**	**40,501**	**85,331**	**23,942**

Decommissioning liabilities have been discounted using a weighted average risk-free rate of 7.5% and 1.45% for Trinidad and Canada based liabilities, respectively (December 31, 2014 – 7.5% and 1.8%). The liabilities have been calculated using an inflation rate of 4% and 2% per annum for Trinidad and Canada based liabilities, respectively (December 31, 2014 – 3% and 2%).

Decommissioning liabilities are considered critical accounting estimates. There are significant uncertainties related to decommissioning expenditures and the impact on the financial statements could be material. The eventual timing of and costs for these expenditures could differ from current estimates.

Income tax expense and income taxes payable

The Company is subject to the following petroleum 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
- Green Fund Levy 0.1% of gross petroleum revenue

The Company also has a Trinidad based service company that must pay the greater of a 25% corporate tax or a 0.2% business levy, which is calculated based on gross sales. The service company is also subject to the green fund levy noted above. Trinidad also charges withholding taxes of 10% of interest paid to Canadian sources.

SPT is 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 US$50.00 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, UL taxes and corporate 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. Withholding taxes are payable when Trinidad entities pay interest on head office intercompany loans. Interest charges are deductible for PPT and UL purposes when paid.

($000's)	**Three months ended September 30,**		% change	**Nine months ended September 30,**		% change
	2015	2014		**2015**	2014[1]	
Trinidad						
SPT	**18**	958		**551**	1,277	
PPT	**257**	284		**257**	455	
UL	**26**	29		**26**	46	
Business levy	**193**	1		**221**	21	
Green fund levy	**13**	32		**43**	41	
Withholding taxes	**-**	-		**-**	30	
Total	**507**	1,304	(61)	**1,098**	1,870	(41)

[1]Trinidad comparative results are subsequent to the May 13, 2014 acquisition date.

Trinidad income taxes for the three and nine months ended September 30, 2015 were $3.58 and $2.46 per barrel, respectively. The decrease in current tax expense from the prior period is a result of decreased Trinidad cash flows as a result of decreases in realized oil prices and production. During the quarter the Company filed its 2014 Trinidad tax returns resulting in an additional $283,000 owing in PPT and UL taxes. Business levy expenses for the three and nine months ended September 30, 2015 increased by $192,000 and $200,000 respectively from the prior year comparative periods as the Company's service entity is now in a taxable position.

The Company's Canadian operations continue to remain in a loss position and are thus not taxable. The Company received a 2013 Canadian tax refund of $47,000 during the three and nine months ended September 30, 2015.

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 September 30, 2015, $4,616,000 in related interest has been accrued in income taxes payable. The September 30, 2015 income tax payable balance was comprised of the following:

($000's)	**Principal**	**Interest**	**Total**
Prior year taxes (2014 and prior)	546	4,616	5,162
Current year tax accruals less instalments	224	-	224
Income taxes payable	**770**	**4,616**	**5,386**

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 $3.8 million in principal amounts and $26.6 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 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 and nine months ended September 30, 2015, the Company recorded deferred tax recoveries of $13,101,000 and $14,976,000 (2014 – expenses of $710,000 and $196,000). The current year recoveries were mainly based on the September 30, 2015 Trinidad property and equipment impairment charges.

Funds flow netbacks[1]

($/bbl)	Three months ended September 30, 2015	2014	% change	Nine months ended September 30, 2015	2014[2]	% change
Trinidad						
Operating netback[1]	**28.16**	43.13	(35)	**27.84**	37.08	(25)
G&A	**(9.00)**	(4.40)	100	**(7.12)**	(6.12)	16
Cash finance expense	**(0.98)**	-	(100)	**(0.77)**	-	(100)
Current income taxes	**(3.58)**	(7.74)	(54)	**(2.46)**	(7.67)	(68)
Funds flow netback	**14.60**	30.99	(53)	**17.49**	23.29	(25)
Canada						
Operating netback[1]	**(47.71)**	21.01	(100)	**(19.92)**	21.01	(100)
G&A	**(143.00)**	(52.21)	100	**(100.54)**	(52.44)	92
Cash finance expense	**1.30**	0.82	59	**(0.06)**	(1.07)	(94)
Current income taxes	**5.10**	-	100	**0.94**	-	100
Funds flow netback	**(184.01)**	(30.38)	(100)	**(119.58)**	(32.50)	100
Company funds flow netback	**2.47**	18.67	(87)	**3.60**	1.40	100

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

[2]Canadian year to date results only include results for the three months ended September 30, 2014 as all properties were in the exploration stage prior to July 1, 2014. Trinidad comparative results are subsequent to the May 13, 2014 acquisition date.

For the three and nine month periods ended September 30, 2015, Trinidad funds flow netbacks were $2,067,000 and $7,804,000, respectively. Current year funds flow per barrel represented a decrease compared to the same periods in 2014 as a result of significantly lower commodity prices partially offset by realized hedging gains and lower taxes. Canadian operations had negative funds flow from operations of $1,696,000 and $6,012,000 during the three and nine months ended September 30, 2015, respectively.

Capital Expenditures

Exploration asset cash expenditures

($000's)	Three months ended September 30, 2015	2014	% change	Nine months ended September 30, 2015	2014	% change
Trinidad						
Land acquisitions	**-**	-		**20**	-	
Geological	**142**	-		**345**	-	
Drilling and completions	**-**	-		**-**	764	
	142	-	100	**365**	764	(52)
Canada						
Land acquisitions	**-**	126		**20**	288	
Drilling and completions	**-**	(67)		**-**	753	
Production equipment and facilities	**-**	585		**(16)**	3,953	
Capitalized G&A	**-**	42		**-**	375	
Capitalized losses	**-**	849		**202**	4,574	
Other	**12**	9		**62**	(76)	
	12	1,544	(99)	**268**	9,867	(97)
Company total	**154**	1,544	(90)	**633**	10,631	(94)

During the three and nine months ended September 30, 2015, the Company incurred initial seismic costs relating to the Ortoire exploration block in Trinidad. The seismic program is anticipated to commence in late 2016. Prior year costs of $764,000 were incurred in the Cory Moruga block, as the Company participated in drilling a well. Based on poor testing results, these costs were impaired during the nine months ended September 30, 2015.

Year to date 2015 Canadian exploration additions primarily relate to Dawson capitalized losses. Prior year costs were incurred for the Dawson cyclical steam project that was ultimately terminated in October 2014. The Company disposed of the Dawson property in July 2015.

Property and equipment cash expenditures

($000's)	**Three months ended September 30,**		% change	**Nine months ended September 30,**		% change
	2015	2014		**2015**	2014	
Trinidad						
Drilling and completions	**374**	4,510		**1,604**	9,713	
Production equipment and facilities	**68**	523		**466**	552	
Capitalized G&A	**318**	353		**925**	496	
Rig equipment and other	**(91)**	207		**(53)**	2,538	
	669	5,593	(88)	**2,942**	13,299	(78)
Canada						
Land acquisitions	**-**	76		**-**	76	
Production equipment and facilities	**-**	369		**-**	369	
Capitalized G&A	**-**	116		**26**	116	
Other	**10**	(13)		**26**	10	
	10	548	(98)	**52**	571	(91)
Company total	**679**	6,141	(89)	**2,994**	13,870	(78)

Trinidad operations incurred $374,000 of drilling and completions capital expenditures during the three months ended September 30, 2015, as seven recompletions were performed in the quarter. Year to date 2015 capital expenditures primarily include well equipping costs for a late 2014 well drilled and a total of 19 recompletions performed as of September 30, 2015. The Company has reduced its capital expenditures in 2015 based on the fall in commodity prices.

Liquidity and Capital Resources

($000's)	**September 30, 2015**	June 30, 2015	March 31, 2015	December 31, 2014
Net debt[1]	**39**	5,755	6,172	6,927
Shareholders' equity	**52,014**	59,675	69,999	65,758

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

As at September 30, 2015 the Company was in a net debt position of $39,000, including $6,449,000 in cash. The Company's bank loan balance was US$5,000,000, which remained unchanged from December 31, 2014. Net debt has decreased based on $8,500,000 in proceeds from dispositions that closed during the nine months ended September 30, 2015. The Company has funded its combined $3,627,000 of year to date capital expenditures partly from $1,500,000 in operating cash flow and the remainder using the aforementioned proceeds from dispositions.

The Company had a working capital deficiency of $39,000 at September 30, 2015 mainly due to the bank loan being classified as a short-term liability. As discussed below, the Company cured the covenant breach subsequent to September 30, 2015 thereby removing the $6,698,000 obligation from current liabilities. As the bank loan is long-term in nature, the Company did not have to remedy a working capital deficiency subsequent to September 30, 2015.

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.

Stewardship of the Company's capital structure is managed through its financial and operating forecast process. The forecast of the Company's future cash flows is based on estimates of production, crude oil prices, royalty expenses, operating expenses, general and administrative expenses and other investing and financing activities. The forecast is regularly updated based on changes in commodity prices, production expectations and other factors that in the Company's view would impact cash flow.

Bank loan

On December 4, 2014, the Company entered into a US$50,000,000 secured term facility with a major Canadian bank maturing on December 4, 2017. Total borrowings permitted under the facility cannot exceed the established borrowing base. 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 lender's view of the current and forecasted commodity prices. The facility is principally secured by a pledge of the Company's equity interest in its material subsidiaries, together with their respective assets. At September 30, 2015, $6,698,000 (US$5,000,000) was drawn against the bank loan (December 31, 2014 - $5,800,000 or US$5,000,000). In December 2014 the Company issued a US$6,000,000 letter of credit relating to work commitments on the East Brighton block which restricts the amount available on the credit facility. As at September 30, 2015, US$4,000,000 was available to be drawn on the credit facility.

Subsequent to September 30, 2015, the Company received notice from its lender that per its October 1, 2015 scheduled redetermination, the borrowing base of the Company's bank loan was reduced from US$15,000,000 to US$13,000,000 effective October 28, 2015, with a further reduction to US$12,000,000 effective November 30, 2015. The redetermination resulted in no deficiency and the revised US$12,000,000 borrowing base will continue until the next scheduled borrowing base redetermination (April 1, 2016).

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% and outstanding amounts bear an additional interest rate of 2% during any default periods. For the three and nine months ended September 30, 2015, the effective interest rate, including the commitment fee and default interest, was 8% and 7%, respectively (month ended December 31, 2014 - 6%).

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. The Company is subject to the following bank loan covenants:

- *Total debt to EBITDAX ratio*: The Company will not permit the ratio of total debt to EBITDAX for the trailing four fiscal quarters to be greater than 3.00 to 1.00. "EBITDAX" means, for any period, the sum of consolidated net income for such period plus the following expenses or charges to the extent deducted from consolidated net income in such period: interest, income taxes, depreciation, depletion, amortization, exploration expenses and all non-cash charges, minus all non-cash income added to consolidated net income.

- *Interest coverage ratio*: the Company will not, as of the last day of any fiscal quarter, permit its ratio of EBITDAX for the period of four fiscal quarters then ending to interest expense for such period to be less than 2.50 to 1.00.
- *Monthly production*: the Company shall not permit the amount equal to the net production volume of oil and gas from its Trinidad properties for each calendar month divided by the total number of days in such calendar month to be less than 1,600 barrels per day.

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

2015 Period	**Trinidad production *(bbls/d)***	**Minimum production requirements *(bbls/d)***
May	1,497	1,600
June	1,616	1,600
July	1,550	1,600
August	1,571	1,600
September	1,533	1,600
October	1,472	1,500
November	1,484	1,500
December	1,510	1,500

As at September 30, 2015 the Company was in breach of the September monthly Trinidad production covenant. Accordingly, the bank loan was classified as a current liability on the statement of financial position. The Company obtained a waiver from the lender on November 3, 2015 to cure the covenant breach. The Company also executed a waiver on September 23, 2015 relating to May, July and August production covenant breaches. In respect of each of these covenant breaches, at all times the Company had an understanding with its lender that waivers would be granted for each period. Under the terms of the credit facility, the Company is required to pay a 2% increase in interest during any covenant breach period and such an interest increase was paid in respect of the periods in connection with the waivers. There were no specific terms included in the waivers that were required to be addressed by the Company and the covenant compliance issue had no material impact to the Company's expenses or cash flows. At September 30, 2015 the Company was in compliance with all other covenants, obligations and conditions of the credit facility.

In connection with the November 3, 2015 waiver, the credit facility was amended whereby the monthly minimum production covenant was reduced to 1,500 barrels per day for the months of October, November and December 2015. The Company and its lender executed a waiver for the October and November production covenant breaches on December 31, 2015. There were no specific terms required to be addressed by the Company nor were there revisions to any covenants in the credit facility included in the waiver. The Company was not assessed the additional default interest for the aforementioned default periods cured by the waiver. The Company was not in breach of the December 2015 monthly production covenant.

The Company is currently performing Trinidad well recompletions to ensure future compliance with the production covenant. In addition, the Company is in current discussions with the lender with a view to further revise the credit facility in a manner which manages the issues associated with the monthly production covenant in a more efficient manner. Neither the Company nor its lender view the non-compliance with the production covenant to constitute a material adverse change to the financial condition or prospects of the Company. Each breach of the covenant does give rise to the lender's ability to demand repayment of the loan prior to the end of the original loan term or to negotiate revisions to covenants. However, the practice to date of dealing with these breaches through waivers indicates that the implications of this covenant compliance issue to the Company's liquidity risk is not material. That said, both the Company and the lender intend to find a more efficient tool for managing the production-based monitoring of the Company's performance under the credit facility. No assurance can be given that future ongoing breaches of the production covenant will not result in a material adverse impact to the

Company's liquidity position or cash flows. The Company will provide a further update as any material developments occur in respect of these ongoing discussions with the lender.

Uncertain tax position

The Company 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 future principal payments or interest payments that are otherwise accrued relating to the issue.

Risk Management

Management of cash flow variability is an integral component of Touchstone's business strategy. 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 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 elected not 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 has the following commodity financial contracts in place as at the date of this MD&A:

Contract	Volume	Pricing
ICE Brent crude oil swap		
November 1, 2015 – November 30, 2015	800 barrels per day	US$70.60 per barrel
December 1, 2015 – April 30, 2016	800 barrels per day	US$66.50 per barrel
May 1, 2016 – May 31, 2016	800 barrels per day	US$68.00 per barrel
June 1, 2016 – October 31, 2016	800 barrels per day	US$65.00 per barrel
ICE Brent crude oil call		
October 1, 2015 – May 31, 2016	800 barrels per day	US$90.00 per barrel

As at September 30, 2015, the Company recorded a financial derivative asset of $5,157,000 related to commodity management contracts (December 31, 2014 - $3,133,000). During the three and nine months ended September 30, 2015, the Company recorded realized gains of $1,826,000 and $3,833,000 related to these contracts, respectively (2014 - $nil and $nil). As a result of the increase in the fair value of the commodity contracts at September 30, 2015, the Company recorded unrealized gains on financial derivatives of $3,305,000 and $918,000 during the three and nine months ended September 30, 2015, respectively (2014 - $nil and $nil). Subsequent to September 30, 2015, the Company unwound its October 2015 oil swap for proceeds of $59,000 and entered into US$65.00 oil swaps for the August 1, 2016 to October 31, 2016 periods.

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 nine months ended September 30, 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 the Ortoire license and production agreement with the MEEI and various lease commitments for office space, field equipment and light-duty vehicles. Under the terms of its Trinidad concessions, the Company must fulfill the minimum work obligations over the specific license term and thus has restricted discretion over the timing of when capital commitments are satisfied within a license period. The Company's current estimated timing of its future contractual obligations is as follows:

($000's)	**Q4 2015**	**2016**	**2017**	**2018**	**2019**	**Thereafter**
Minimum work obligations						
Coora block	-	2,768	2,768	138	69	138
WD-4 block	-	2,007	1,938	2,007	69	69
WD-8 block	-	1,384	1,384	1,453	-	69
New Dome block	-	48	-	-	-	-
South Palo Seco block	-	1,730	-	-	-	-
Ortoire exploration commitments	-	3,187	6,538	4,477	2,416	355
Office leases	218	827	615	193	149	-
Equipment leases	35	46	-	-	-	-
Total minimum payments	**253**	**11,997**	**13,243**	**8,268**	**2,703**	**631**

In January 2016, the Company and Petrotrin finalized the 2016 through 2020 LOA minimum work commitments. In total, the Company is obligated to drill one well in 2016 and drill ten wells and perform thirteen heavy workovers prior to the end of 2020. The Company expects to satisfy these future minimum work obligations through operating cash flows and its credit facility.

The Company has provided a US$3,313,000 letter of credit in favour of the MEEI related to Ortoire block exploration commitments. Export Development Canada has provided a performance security guarantee to support this letter of credit. It is the Company's intention to find a strategic partner to farmout a portion of these exploration commitments. The Company's current estimated timing of its future Ortoire exploration commitments, which includes acquiring and processing 85 line kilometers of 2D seismic and the drilling of four vertical wells, is as follows:

($000's)	**Q4 2015**	**2016**	**2017**	**2018**	**2019**	**Thereafter**
Lease payments	-	610	310	325	340	355
Geological studies	-	363	-	-	-	-
2D seismic	-	2,214	4,152	-	-	-
Drilling commitments	-	-	2,076	4,152	2,076	-
Total minimum payments	**-**	**3,187**	**6,538**	**4,477**	**2,416**	**355**

The Company entered into an agreement subsequent to September 30, 2015 to dispose of its 70% working interest in the East Brighton offshore block for a 3.5%, non-convertible, no deductions gross overriding royalty on future production. The Company's US$6,000,000 letter of credit related to the block will also be cancelled upon closing of the disposition. The remaining condition of closing relates to MEEI approval of the assignment of the license. The Company has excluded its estimated US$4,200,000 in future East Brighton work obligations in its commitments disclosure above.

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 September 30, 2015 and December 31, 2014.

	September 30, 2015	December 31, 2014
Common shares outstanding – end of period	**83,087,143**	83,059,643
Share options outstanding – end of period	**5,243,445**	4,814,085
Incentive share options outstanding – end of period	**298,125**	336,750
Warrants outstanding – end of period	**2,260,800**	2,260,800

Common share, share options and warrant balances 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, 5.6 million share options and incentive share options outstanding and 2.3 million share purchase warrants outstanding.

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	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
Operating				
Average daily production (bbls/day)	1,638	1,786	2,036	2,283[3]
Average oil prices before derivatives ($/bbl)	56.24	65.12	55.25	75.50[3]
Operating netback[1] ($/bbl)				
Petroleum revenue	56.24	65.12	55.25	75.50
Royalties	(18.06)	(19.24)	(16.41)	(22.36)
Net revenue	38.18	45.88	38.84	53.14
Realized gain on derivatives	12.12	3.86	7.53	1.07
Operating costs	(26.75)	(27.17)	(23.43)	(28.62)
Operating netback	23.55	22.57	22.94	25.59
Operating netback[1] ($000's)				
Petroleum revenue	8,476	10,583	10,122	15,762
Royalties	(2,722)	(3,127)	(3,007)	(4,668)
Net revenue	5,754	7,456	7,115	11,094
Realized gain on derivatives	1,826	628	1,379	223
Operating costs	(4,032)	(4,415)	(4,293)	(5,975)
Operating netback	3,548	3,669	4,201	5,342
Financial *($000's except share and per share amounts)*				
Funds flow from operations[1]	313	762	425	2,247
Per share – basic and diluted[1,2]	0.01	0.01	0.01	0.03
Net loss	12,666	8,505	1,128	49,356[4]
Per share – basic and diluted[2]	0.15	0.10	0.01	0.59
Capital expenditures				
Exploration assets	154	291	188	504
Property and equipment	679	1,144	1,171	9,960
Company total	833	1,435	1,359	10,464
Total assets - end of period	101,564	125,788	141,486[4]	140,333[4]
Net debt[1] - end of period	39	5,755	6,172[4]	6,927[4]
Weighted average shares outstanding[2]				
Basic and diluted	83,080,866	83,079,643	83,073,865	83,059,643
Outstanding shares[2] - end of period	83,087,143	83,079,643	83,079,643	83,059,643

[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.
[4]Adjusted based on final Old Touchstone purchase price allocation.

Three months ended	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
Operating				
Average daily production (bbls/day)[1]	2,269	1,220	390	254
Average oil prices before derivatives ($/bbl)[1]	92.82	97.09	75.54	61.82
Financial *($000's except share and per share amounts)*				
Funds flow from operations[2]	4,264	(4,007)	(2,114)	(645)
Per share – basic and diluted[2,3]	0.05	(0.06)	(0.04)	(0.01)
Net (loss) earnings	(6,690)	2,751	(3,967)	(44,255)
Per share – basic and diluted[3]	(0.08)	0.04	(0.08)	(0.91)
Capital expenditures				
Exploration assets	1,544	3,276	5,811	4,266
Property and equipment	6,141	7,710	19	22
Acquisitions	-	33,448	-	-
Company total	7,685	44,434	5,830	4,288
Total assets - end of period	192,637[4]	183,461[4]	92,952	96,839
Net surplus[2] - end of period	1,570[4]	8,754[4]	41,478	50,201
Weighted average shares outstanding[3]				
Basic	82,844,988	65,813,486	48,748,337	48,718,939
Diluted	82,844,988	66,069,228	48,748,337	48,718,939
Outstanding shares[3] - end of period	83,059,643	81,738,643	48,787,412	48,721,412

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

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 asset 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.

Material impairment charges were recognized in the fourth quarters of 2014 and 2013 due to uneconomic Canadian operating results. Material Trinidad based impairment charges were recognized in the third quarter of 2015 and the fourth quarter of 2014 related to a decrease in forward commodity prices.

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, foreign 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.

The Company's production volumes for the Trinidad operating segment were below the per day minimum production level threshold established by the Company's credit facility for the calendar months of May, July, August, September, October and November. Currently, the Company maintains a good relationship with its lender and historically the Company has asked for and received a waiver from its lender regarding these production breaches. Notwithstanding the foregoing, if the Company does not reach its minimum production in the future, there is no guarantee that future waivers will be granted by the lender which would result in the Company being in default of its credit facility and could result in the credit facility being immediately payable.

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 nine months ended September 30, 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, 2018. 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 that occurred during the most recently completed quarter that has materially affected, or is reasonably likely to materially effect, the Company's internal controls over financial reporting.

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.

Forward-looking information in this MD&A includes, but is not limited to, information regarding the Acquisition, expectations and assumptions concerning completion of the Acquisition and financing therefor, and the benefits to be acquired therefrom including drilling, exploration and production potential, operating costs and other economics. Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. For the purposes of this MD&A, the Company has assumed that the information received from the seller and other sources regarding production on the blocks is accurate, and that the Company's estimates of prospective drilling locations, synergistic savings and potential production results are reasonable. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties, including unexpected declines in production, expenses or costs associated with the Acquisition beyond what is anticipated, unforeseen geophysical or geological structures, failing to complete the Acquisition on terms that are acceptable to the Company or at all.

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 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:

($000's)	**Three months ended September 30,**		**Nine months ended September 30,**	
	2015	2014	**2015**	2014
Cash flows from operating activities	**(1,123)**	4,607	**(1,082)**	(1,744)
Add (deduct):				
Changes in non-cash working capital	**1,436**	(343)	**2,582**	(113)
Funds flow from operations	**313**	4,264	**1,500**	1,857

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 MD&A 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, net cash finance expenses and current income tax expenses from petroleum revenue and realized gains/losses on derivative contracts. 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 revenue and realized gains/losses on derivative contracts. 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)	**September 30, 2015**	December 31, 2014	September 30, 2014
Working capital (surplus) deficiency	**39**	1,021	(1,938)
Finance lease obligations and other	**363**	571	876
Bank loan	**-**	5,800	-
Less other non-interest bearing items	**(363)**	(465)	(508)
Net debt	**39**	6,927	(1,570)

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.

Currency and References to Touchstone

All information included in this MD&A are shown on a Canadian dollar basis unless otherwise stated. Tabular amounts herein are in thousands of Canadian dollars and amounts in text are rounded to thousands of Canadian dollars.

For convenience, references in this document to the "Company", "we", "us", "our", and "its" may, where applicable, refer only to Touchstone.

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[3]
Chairman of the Board

Paul R. Baay

Kenneth McKinnon[1,2]

Trevor Mitzel[1,2]

Corey Ruttan[1,3]

Thomas Valentine[4]

Harrie Vredenburg[2,3]

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

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

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 for crude oil fob North Sea
LIBOR	London Interbank Offered Rate
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