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

Unaudited Interim Consolidated Financial Statements

September 30, 2015

Interim Consolidated Statements of Financial Position

(Unaudited, thousands of Canadian dollars)

	Note	**September 30, 2015**	December 31, 2014
			(note 4)
Assets	9		
Current			
Cash and cash equivalents		**6,449**	7,441
Investment in marketable securities	5	**-**	290
Accounts receivable	15	**5,189**	14,947
Crude oil inventory		**325**	415
Prepaid expenses		**1,570**	1,822
Financial derivatives	15	**5,157**	3,133
		18,690	28,048
Exploration assets	6,8	**1,987**	9,489
Property and equipment	7,8	**79,206**	101,586
Other assets		**1,681**	1,210
		101,564	140,333
Liabilities			
Current			
Accounts payable and accrued liabilities	10	**6,645**	22,250
Income taxes payable		**5,386**	6,577
Bank loan	9	**6,698**	-
Current portion of finance lease obligations and other		**-**	242
		18,729	29,069
Finance lease obligations and other		**363**	571
Bank loan	9	**-**	5,800
Decommissioning obligations	10	**23,463**	19,075
Deferred income taxes		**7,321**	20,060
		49,876	74,575
Shareholders' equity			
Shareholders’ capital	11	**169,950**	169,893
Warrants		**33**	33
Contributed surplus		**1,805**	1,513
Accumulated other comprehensive income		**12,335**	4,455
Deficit		**(132,435)**	(110,136)
		51,688	65,758
		101,564	140,333

Subsequent events (note 17)

See accompanying notes to these interim consolidated financial statements.

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

	Note	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Revenues					
Petroleum revenue		**8,476**	18,947	**29,181**	26,808
Royalties		**(2,722)**	(5,166)	**(8,856)**	(7,927)
		5,754	13,781	**20,325**	18,881
Realized gain on financial derivatives	15	**1,826**	-	**3,833**	-
Unrealized gain on financial derivatives	15	**3,305**	-	**918**	-
		10,885	13,781	**25,076**	18,881
Expenses					
Operating		**4,032**	5,768	**12,740**	9,083
General and administrative		**2,591**	2,846	**8,229**	7,312
Acquisition-related expenses	4	**-**	-	**-**	2,975
Gain on asset dispositions	6,7	**(3,351)**	-	**(3,475)**	-
Loss (gain) on marketable securities	5	**-**	3,379	**51**	(4,227)
Net finance expense (income)	12	**311**	(33)	**872**	118
Foreign exchange gain		**(798)**	(679)	**(1,656)**	(577)
Share-based compensation	11	**102**	161	**249**	135
Depletion and depreciation		**2,110**	3,743	**6,045**	5,124
Impairments	8	**31,036**	3,112	**37,774**	4,469
Accretion		**159**	160	**471**	309
		36,192	18,457	**61,300**	24,721
Loss before income taxes		**(25,307)**	(4,676)	**(36,224)**	(5,840)
Income taxes					
Current tax expense		**460**	1,304	**1,051**	1,870
Deferred tax (recovery) expense		**(13,101)**	710	**(14,976)**	196
		(12,641)	2,014	**(13,925)**	2,066
Net loss		**(12,666)**	(6,690)	**(22,299)**	(7,906)
Foreign currency translation adjustment		**4,551**	3,410	**7,880**	2,564
Comprehensive loss		**(8,115)**	(3,280)	**(14,419)**	(5,342)
Net loss per common share					
Basic and diluted	13	**(0.15)**	(0.08)	**(0.27)**	(0.12)

See accompanying notes to these interim consolidated financial statements.

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

	Note	Shareholders' capital	Warrants	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance as at January 1, 2014		**134,709**	**-**	**1,557**	**-**	**(52,874)**	**83,392**
Net loss		-	-	-	-	(57,262)	(57,262)
Other comprehensive income		-	-	-	4,455	-	4,455
Issued on acquisition	4	33,415	33	-	-	-	33,448
Share-based compensation expense		-	-	385	-	-	385
Share-based compensation capitalized		-	-	129	-	-	129
Share-based settlements		586	-	(558)	-	-	28
Issued pursuant to land acquisition		1,183	-	-	-	-	1,183
Balance as at December 31, 2014		**169,893**	**33**	**1,513**	**4,455**	**(110,136)**	**65,758**
Net loss		-	-	-	-	(22,299)	(22,299)
Other comprehensive income		-	-	-	7,880	-	7,880
Share-based compensation expense	11	-	-	249	-	-	249
Share-based compensation capitalized	7	-	-	98	-	-	98
Share-based settlements	11	57	-	(55)	-	-	2
Balance as at September 30, 2015		**169,950**	**33**	**1,805**	**12,335**	**(132,435)**	**51,688**

See accompanying notes to these interim consolidated financial statements.

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

	Note	Three months ended September 30, **2015**	2014	Nine months ended September 30, **2015**	2014
Cash provided by (used in):					
Operating activities					
Net loss		**(12,666)**	(6,690)	**(22,299)**	(7,906)
Items not involving cash from operations:					
Gain on asset dispositions	6,7	**(3,351)**	-	**(3,475)**	-
Unrealized gain on financial derivatives	15	**(3,305)**	-	**(918)**	-
Non-cash loss (gain) on marketable securities	5	**-**	3,491	**41**	(3,650)
Share-based compensation	11	**102**	161	**249**	135
Depletion and depreciation		**2,110**	3,743	**6,045**	5,124
Impairments	8	**31,036**	3,112	**37,774**	4,469
Accretion		**159**	160	**471**	309
Non-cash other		**180**	(106)	**423**	(217)
Unrealized foreign exchange gain		**(851)**	(317)	**(1,835)**	(317)
Deferred income tax (recovery) expense		**(13,101)**	710	**(14,976)**	196
		313	4,264	**1,500**	(1,857)
Change in non-cash working capital		**(1,436)**	343	**(2,582)**	113
		(1,123)	4,607	**(1,082)**	(1,744)
Investing activities					
Disposition of marketable securities	5	**-**	3,911	**249**	19,111
Exploration asset expenditures		**(154)**	(1,826)	**(633)**	(10,826)
Property and equipment expenditures		**(679)**	(5,859)	**(2,994)**	(13,675)
Other asset expenditures		**-**	-	**-**	(68)
Proceeds from dispositions	6,7	**6,300**	-	**8,500**	-
Cash acquired on acquisition	4	**-**	-	**-**	2,780
Change in non-cash working capital		**(975)**	(1,642)	**(4,671)**	201
		4,492	(5,416)	**451**	(2,477)
Financing activities					
Net repayments of bank loan	9	**(1,325)**	-	**(74)**	-
Repayment of acquired debt	4	**-**	-	**-**	(23,863)
Finance lease receipts (payments)		**64**	(113)	**(233)**	(364)
Issuance of common shares	11	**1**	2	**2**	28
		(1,260)	(111)	**(305)**	(24,199)
Change in cash		**2,109**	(920)	**(936)**	(28,420)
Cash, beginning of period		**4,363**	7,563	**7,441**	35,120
Impact of foreign exchange in foreign denominated cash balances		**(23)**	10	**(56)**	(47)
Cash, end of period		**6,449**	6,653	**6,449**	6,653
Supplemental information:					
Cash interest paid		**99**	-	**257**	413
Cash income taxes paid		**1,102**	4,287	**3,199**	5,508

See accompanying notes to these interim consolidated financial statements.

Unless otherwise stated, amounts presented in these notes are rounded to thousands of Canadian dollars and tabular amounts are in thousands of Canadian dollars.

1. Reporting Entity

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

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

2. Basis of Presentation

(a) Statement of compliance

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

The unaudited interim consolidated financial statements follow the same accounting policies as the audited consolidated financial statements for the year ended December 31, 2014 and were authorized for issue by the Board of Directors on November 12, 2015.

Certain reclassification adjustments have been made to the unaudited interim consolidated financial statements to conform to the current presentation.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates, judgements and assumptions

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

3. Changes in Accounting Policies

(a) Accounting standards adopted

There were no new or amended accounting standards or interpretations adopted during the nine months ended September 30, 2015.

(b) Standards issued but not yet adopted

On July 22, 2015, the International Accounting Standards Board announced an amendment to IFRS 15 *Revenue from Contracts with Customers*, deferring the effective date of the standard by one year to annual periods beginning on or after January 1, 2018. Early adoption is still permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 15 on the consolidated financial statements.

A description of additional accounting standards and interpretations that will be adopted by the Company in future periods can be found in the notes to the annual consolidated financial statements for the year ended December 31, 2014.

4. Business Combination

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

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

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

Identifiable assets acquired and liabilities assumed:		
Cash	$	2,780
Other working capital items		(4,132)
Property and equipment (note 7)		105,821
Convertible debentures		(2,000)
Long-term debt		(21,863)
Decommissioning obligations (note 10)		(13,994)
Deferred income tax liability		(33,164)
Net identifiable assets acquired	**$**	**33,448**
Consideration for the acquisition:		
Share consideration (note 11)	$	33,415
Warrants acquired		33
Total consideration paid	**$**	**33,448**

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

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

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 ("CGU") 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.

5. Investment in Marketable Securities

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

		Total
Balance, January 1, 2014	**$**	**20,591**
Additions[1]		203
Fair value adjustment and gain on disposal		1,134
Dispositions		(21,638)
Balance, December 31, 2014	**$**	**290**
Fair value adjustment		(41)
Dispositions		(249)
Balance, September 30, 2015	**$**	**-**

[1]Consists of dividends received in common shares.

At September 30, 2015, the Company held nil Lightstream common shares (December 31, 2014 – 243,613). The loss on marketable securities included in the consolidated statements of earnings is comprised of the following:

	Three months ended September 30,				Nine months ended September 30,			
		2015		2014		**2015**		2014
(Loss) gain in fair value of Lightstream shares	**$**	**-**	$	(3,491)	**$**	**(41)**	$	3,447
Dividend income received in shares		**-**		-		**-**		203
Non-cash (loss) gain on marketable securities	**$**	**-**	$	(3,491)	**$**	**(41)**	$	3,650
Dividend income received in cash		**-**		129		**-**		694
Sales commissions		**-**		(17)		**(10)**		(117)
Total (loss) gain on marketable securities	**$**	**-**	$	(3,379)	**$**	**(51)**	$	4,227

6. Exploration Assets

Exploration assets consist of the Company's projects in the exploration and evaluation stage which are pending determination of technical and commercial feasibility. The following is a continuity schedule of the Company's exploration assets for the nine months ended September 30, 2015 and year ended December 31, 2014:

	Trinidad	Canada	Total
Balance, January 1, 2014	**$ -**	**$ 37,518**	**$ 37,518**
Additions	1,728	11,056	12,784
Transfer to property and equipment	-	(3,695)	(3,695)
Impairment	(429)	(36,696)	(37,125)
Effect of change in foreign exchange rates	7	-	7
Balance, December 31, 2014	**$ 1,306**	**$ 8,183**	**$ 9,489**
Additions	432	233	665
Impairments (note 8)	(1,002)	(2,562)	(3,564)
Dispositions	-	(4,692)	(4,692)
Effect of change in foreign exchange rates	89	-	89
Balance, September 30, 2015	**$ 825**	**$ 1,162**	**$ 1,987**

On July 14, 2015, the Company disposed of its non-core Dawson exploration asset 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.

7. Property and Equipment

	Trinidad	Canada	Total
Cost:			
Balance, January 1, 2014	**$ -**	**$ 2,910**	**$ 2,910**
Additions from business acquisition (note 4)	105,821	-	105,821
Additions	23,208	1,497	24,705
Transfer from exploration assets	-	3,695	3,695
Effect of change in foreign exchange rates	9,515	-	9,515
Balance, December 31, 2014	**$ 138,544**	**$ 8,102**	**$ 146,646**
Additions	2,785	856	3,641
Dispositions	(1,492)	(413)	(1,905)
Effect of change in foreign exchange rates	22,035	-	22,035
Balance, September 30, 2015	**$ 161,872**	**$ 8,545**	**$ 170,417**
Accumulated depletion, depreciation and impairments:			
Balance, January 1, 2014	**$ -**	**$ 1,634**	**$ 1,634**
Depletion and depreciation	6,098	1,686	7,784
Impairments	36,241	(1,501)	34,740
Effect of change in foreign exchange rates	902	-	902
Balance, December 31, 2014	**$ 43,241**	**$ 1,819**	**$ 45,060**
Depletion and depreciation	6,163	518	6,681
Impairments (note 8)	30,921	-	30,921
Dispositions	(370)	1,539	1,169
Effect of change in foreign exchange rates	7,380	-	7,380
Balance, September 30, 2015	**$ 87,335**	**$ 3,876**	**$ 91,211**

		Trinidad		Canada		Total
Net book values:						
Balance, December 31, 2014	$	95,303	$	6,283	$	101,586
Balance, September 30, 2015		**74,537**		**4,669**		**79,206**

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). During the three and nine months ended September 30, 2015, $318,000 and $951,000 (2014 - $511,000 and $987,000) of general and administrative expenses and $25,000 and $98,000 (2014 - $57,000 and $96,000) of share-based compensation were capitalized, respectively.

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.

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

8. Impairment

Impairment consisted of the following non-cash charges:

		Three months ended September 30,				Nine months ended September 30,		
		2015		2014		**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
Property and equipment – other		**-**		-		**-**		164
Other assets		**-**		-		**-**		295
	$	**-**	$	3,112	**$**	**2,562**	$	4,469
Company total	**$**	**31,036**	$	3,112	**$**	**37,774**	$	4,469

(a) Exploration asset impairments

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 (note 17).

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 (see note 6).

(b) Property and equipment impairments

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 as outlined below:

Year	ICE Brent US$/bbl	US$/CAD Exchange rate
2015 (3 month estimate)	48.00	0.75
2016	55.00	0.75
2017	60.00	0.78
2018	65.00	0.80
2019	70.00	0.83
2020	75.00	0.85
2021	80.00	0.85
2022	85.00	0.85
2023	90.00	0.85
2024	95.61	0.85
Thereafter % change per year	2.0%	Nil

A 1% change to the assumed discount rate and a $1 change to forward price estimates over the life of the reserves would have an impact of $2,455,000 and $1,984,000 on the total impairment charge, respectively.

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.

9. 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 US$15,000,000 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. Subsequent to September 30, 2015 the borrowing base was reduced to US$12,000,000 (note 17). 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). The Company has issued a US$6,000,000 letter of credit relating to work commitments on the East Brighton block. Subsequent to September 30, the Company has signed an agreement to dispose of the property (note 17).

Repayments of principal are not required provided that the borrowings under the loan do not exceed the authorized borrowing amount and that the Company is in compliance with all covenants, representations and warranties. As at September 30, 2015 the Company was in breach of the September monthly production covenant. Accordingly, the bank loan has been classified as a current liability on the statement of financial position. The Company obtained a waiver from the lender subsequent to September 30, 2015. At September 30, 2015 the Company was in compliance with all other covenants, obligations and conditions of the facility, which include covenants related to debt to earnings before interest, taxes and all non-cash items and a minimum interest coverage ratio.

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%).

10. Decommissioning Obligations

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

	Trinidad	Canada	Total
Balance, January 1, 2014	**$ -**	**$ 5,213**	**$ 5,213**
Additions from business acquisition (note 4)	13,994	-	13,994
Liabilities incurred	823	-	823
Accretion expense	313	139	452
Change in estimates	(2,280)	89	(2,191)
Effect of change in foreign exchange rates	1,129	-	1,129
Balance, December 31, 2014	**$ 13,979**	**$ 5,441**	**$ 19,420**
Dispositions (notes 6 and 7)	-	(1,625)	(1,625)
Liabilities incurred	508	-	508
Accretion expense (recovery)	486	(15)	471
Change in estimates	2,448	204	2,652
Effect of change in foreign exchange rates	2,516	-	2,516
Balance, September 30, 2015	**$ 19,937**	**$ 4,005**	**$ 23,942**
Non-current	19,458	4,005	23,463
Current (included in accounts payable)	479	-	479
Total	**$ 19,937**	**$ 4,005**	**$ 23,942**

As at September 30, 2015, the Company estimates the total undiscounted cash flows required to settle its decommissioning obligations is approximately $36,793,000 for Trinidad and $3,708,000 for Canada (December 31, 2014 - $29,757,000 and $5,357,000). The majority of these obligations are anticipated to be incurred in 2026 and expected to be funded from the Company's internal resources available at the time of settlement. Decommissioning liabilities have been discounted using a weighted average risk-free rate of 7.5% and 1.5% 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%).

11. Shareholders' Capital

(a) Issued and outstanding common shares

	Number of shares		Amount
Balance, January 1, 2014	**48,721,412**	**$**	**134,709**
Issued pursuant to business combination (note 4)	32,759,606		33,415
Exercise of incentive shares	278,625		28
Issued pursuant to land acquisition	1,300,000		1,183
Share-based settlements	-		558
Balance, December 31, 2014	**83,059,643**	**$**	**169,893**
Exercise of incentive shares	27,500		57
Balance, September 30, 2015	**83,087,143**	**$**	**169,950**

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

(b) Share options

The Company has a share option plan pursuant to which options to purchase common shares of the Company may be granted by the Board of Directors to directors, officers, employees and consultants of the Company. The exercise price of each option may not be less than the 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 Company common shares. Share option amounts have been restated to reflect the impact of the two for one common share consolidation completed on May 13, 2014 as part of the Old Touchstone business combination (see note 4).

	Number of options		Weighted avg. exercise price
Outstanding, January 1, 2014	**1,360,625**	**$**	**2.10**
Granted	4,685,090		0.88
Forfeited	(1,231,630)		1.59
Outstanding, December 31, 2014	**4,814,085**	**$**	**1.04**
Granted	1,826,800		0.33
Forfeited	(1,397,440)		1.21
Outstanding, September 30, 2015	**5,243,445**	**$**	**0.75**
Exercisable, September 30, 2015	**1,598,724**		**1.04**

(c) Incentive share options

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

	Number of incentive shares	Weighted avg. exercise price
Outstanding, January 1, 2014	**365,375**	**$ 0.10**
Granted	250,000	0.05
Exercised	(278,625)	0.10
Outstanding, December 31, 2014	**336,750**	**$ 0.06**
Exercised	(27,500)	0.10
Forfeited	(11,125)	0.10
Outstanding, September 30, 2015	**298,125**	**$ 0.06**
Exercisable, September 30, 2015	**148,125**	**0.07**

12. Net Finance Expenses

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 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)	**$ 872**	$ 118

13. Loss per Common Share

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Net loss	**$ (12,666)**	$ (6,690)	**$ (22,299)**	$ (7,906)
Weighted number of average common shares outstanding:				
Basic and diluted	**83,080,866**	82,844,988	**83,078,150**	65,927,167
Basic and diluted loss per share	**(0.15)**	(0.08)	**(0.27)**	(0.12)

Share amounts for all periods have been restated to reflect the impact of the two for one common share consolidation completed on May 13, 2014 as part of the Old Touchstone business combination (see note 4). For the three and nine month periods ended September 30, 2015, 219,497 and 244,160 incentive share options (2014 – 319,043 and 329,375) were not included in the diluted share calculation because they were anti-dilutive.

14. Capital Management

The Company's primary capital management objective is to maintain a strong statement of financial position affording the Company financial flexibility to achieve goals of continued growth and access to capital. The basis for the Company's capital structure is dependent on the Company's expected business growth and any changes in the business environment. 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.

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

	Target measure	**September 30, 2015**	December 31, 2014
Net debt			
Working capital deficiency		**$ 39**	$ 1,021
Finance lease obligations and other		**363**	571
Long-term bank loan		**-**	5,800
Less other non-interest bearing items		**(363)**	(465)
		$ 39	$ 6,927
Net debt plus equity			
Net debt		**$ 39**	$ 6,927
Shareholders' equity		**51,688**	65,758
		$ 51,727	$ 72,685
Net debt to net debt plus equity	< 0.4 times	**0.00**	0.09

The Company has a secured bank loan (note 9) which at September 30, 2015 had a borrowing base of US$15,000,000 (note 17). The facility is intended to serve as means to increase liquidity and fund short-term cash flow needs as they arise. The Company has a performance security guarantee with Export Development Canada that support a letter of credit provided to the Trinidad and Tobago Ministry of Energy and Energy Industries related to work commitments on its Trinidad concessions.

15. Risk Management

(a) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. A substantial portion of the Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. All of the Company's Trinidad crude oil production is sold, as determined by market based prices adjusted for quality differentials, to the Petroleum Company of Trinidad and Tobago Limited. Canadian crude oil production is sold to several oil and natural gas marketers. The Company's maximum credit exposure is revenue from one month's sales and the Company has historically not experienced any collection issues. The Company's accounts receivable and financial derivatives balances represent the Company's maximum credit exposure. The aging of accounts receivable as at September 30, 2015 and December 31, 2014 was as follows:

	September 30, 2015	December 31, 2014
Not past due	**$ 4,202**	$ 9,923
Past due greater than 90 days	**987**	5,024
Total accounts receivable	**$ 5,189**	$ 14,947

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

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due, under both normal and unusual conditions without incurring unacceptable losses or jeopardizing the Company's business objectives. The Company manages this risk by preparing cash flow forecasts to assess whether additional funds are required. The Company's liquidity is dependent on the Company's expected business growth and changes in the business environment. To manage its capital structure, the Company may sell assets, 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.

(c) Commodity price risk

The Company is exposed to commodity price movements as part of its operations, particularly in relation to prices received for its oil production. Commodity prices for oil are impacted by the world and continental/regional economy and other events that dictate the levels of supply and demand. Consequently, these changes could also affect the value of the Company's properties, the level of spending for exploration and development and the ability to meet obligations as they come due. The Company had the following commodity financial contracts in place as at September 30, 2015:

Contract	**Volume**	**Pricing**
ICE Brent crude oil swap		
October 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 – July 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 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).

(d) Foreign currency risk

The Company is exposed to currency risk on both its working capital and debt which are denominated in Trinidad and Tobago dollars and United States dollars. The Company's foreign currency policy is to monitor foreign currency risk exposure in its areas of operations and mitigate that risk where possible by matching foreign currency denominated expenses with revenues denominated in foreign currencies. The Company attempts to limit its exposure to foreign currency through collecting and paying foreign currency denominated balances in a timely fashion. The Company had no contracts in place to manage foreign currency risk as at or during the nine months ended September 30, 2015.

(e) Interest rate risk

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

16. Segmented Information

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

	Trinidad	Canada	Total
As at September 30, 2015			
Exploration assets	$ 825	$ 1,162	$ 1,987
Property and equipment, net	74,537	4,669	79,206
Total assets	80,685	20,879	101,564
Decommissioning obligations	19,458	4,005	23,463
Deferred tax liabilities	7,321	-	7,321
Total liabilities	43,908	5,968	49,876
Nine months ended September 30, 2015			
Petroleum sales	27,152	2,029	29,181
Total expenses	54,342	6,958	61,300
Loss before income taxes	(30,957)	(5,267)	(36,224)
Income tax recovery	(13,878)	(47)	(13,925)
Net loss	(17,079)	(5,220)	(22,299)
Exploration asset expenditures	365	268	633
Property and equipment expenditures	2,415	579	2,994
As at September 30, 2014			
Exploration assets	764	41,489	42,253
Property and equipment, net	119,998	3,972	123,970
Total assets	136,852	55,785	192,637
Decommissioning obligations	14,472	5,508	19,980
Deferred tax liabilities	34,842	-	34,842
Total liabilities	65,804	13,893	79,697
Nine months ended September 30, 2014			
Petroleum sales	23,969	2,839	26,808
Total expenses	13,043	11,678	24,721
Earnings (loss) before income taxes	3,159	(8,999)	(5,840)
Income tax expense	2,066	-	2,066
Net earnings (loss)	1,093	(8,999)	(7,906)
Exploration asset expenditures	764	10,062	10,826
Property and equipment expenditures	13,104	571	13,675

17. Subsequent Events

(a) Derivative contracts

Subsequent to September 30, 2015, the Company unwound its October 2015 oil swap for proceeds of $59,000 and entered into the following derivative contracts:

Contract	Volume	Pricing
ICE Brent crude oil swap August 1, 2016 – September 30, 2016	800 barrels per day	US$65.00 per barrel

(b) Asset disposal

The Company entered into an agreement subsequent to September 30, 2015 to dispose of its 70% working interest in the offshore East Brighton offshore block for a 3.5%, non-convertible, no deductions gross overriding royalty on future production. At September 30, 2015 the CGU had a carrying value of $nil and associated decommissioning obligations of $1,384,000. The Company's US$6,000,000 letter of credit related to the block will be cancelled upon closing of the disposition. The remaining condition of closing relates to MEEI approval of the assignment of the license.

(c) Bank loan

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 revised US$12,000,000 borrowing base will continue until the next scheduled borrowing base redetermination on April 1, 2016.

(d) Acquisition

On October 16, 2015, the Company entered into an agreement to purchase certain Trinidad onshore producing assets 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 conditional upon the approval of the vendor's shareholders and is further 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 January 2016 and is effective on the completion date.