



ANNUAL INFORMATION FORM

For the year ended December 31, 2016

March 21, 2017

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TECHNICAL ABBREVIATIONS AND CONVENTIONS

In this Annual Information Form ("AIF"), the oil and natural gas abbreviations set forth below have the following meanings:

Oil	Natural Gas		
bbl	barrel	Mcfe	thousand cubic feet
bbls	barrels	MMcf	million cubic feet
Mbbl	thousand barrels		
bbls/d	barrels per day		
Other			
boe	barrel of oil equivalent, using the conversion factor of 6 Mcf: 1 bbl		
Mboe	thousand barrels of oil equivalent		
boe/d	barrel of oil equivalent per day		

"Boes" may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1. Utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Certain other terms used herein but not defined herein are defined in NI 51-101 (as defined herein) and, unless the context otherwise requires, shall have the same meanings herein as NI 51-101.

Unless otherwise specified, information in this AIF is at the end of the Company's most recently completed year, being December 31, 2016.

In this AIF, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars and rounded to the nearest thousands. References to "dollars" or "\$" or "Cdn\$" are to Canadian dollars, references to "US\$" are to United States dollars, and references to "TT\$" are to Trinidad and Tobago dollars.

CURRENCY AND EXCHANGE RATES

For reference in this AIF, the following table shows the value of one Canadian dollar against the United States dollar and the Trinidad and Tobago dollar for each of the periods indicated. Such rates are derived from the noon spot rates as available on the Bank of Canada website.

	March 21, 2017	Year ended December 31, 2016 2015	
Noon spot rate at the end of the period⁽¹⁾			
Cdn\$ / US\$	0.7508	0.7448	0.7225
Cdn\$ / TT\$	5.0556	5.0125	4.6404
Average noon spot rate for the period⁽²⁾			
Cdn\$ / US\$		0.7555	0.7833
Cdn\$ / TT\$		5.0122	4.9791

⁽¹⁾ Source: Bank of Canada nominal noon exchange rates.

⁽²⁾ Source: Average of daily Bank of Canada nominal noon exchange rates.

NON-GAAP TERMS

Terms commonly used in the oil and natural gas industry, such as funds flow from operations per share, operating netback, and net debt may from time to time be used by the Company. These terms do not have a standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. The Company calculates funds flow from operations per share by dividing funds flow from operations by the weighted average number of common shares outstanding during the applicable period. Operating netback is presented on a per barrel basis and is calculated by deducting royalties, operating expenses and realized gains or losses on derivative contracts from petroleum revenue. The Company discloses operating netback both prior to realized gains or losses on derivatives and after the impacts of derivatives are included. Net debt is calculated by summing the Company's working capital and non-current undiscounted interest bearing liabilities. Working capital is defined as current assets less current liabilities. Management uses these non-GAAP terms for its own performance measurement and to provide stakeholders with additional measurements of the Company's efficiency and its ability to fund a portion of its future capital expenditures. Shareholders and investors are cautioned that these measures should not be construed as alternatives to net income, comprehensive income and cash provided by operating activities or other measures of financial performance as determined in accordance with GAAP.

CERTAIN DEFINITIONS

The following is a glossary of certain terms used in this AIF. Words importing the singular, where the context requires, include the plural and vice versa, and words importing any gender include all genders.

Selected Defined Terms

"**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, together with all regulations promulgated thereunder;

"**Archon**" means Archon Technologies Ltd., a wholly-owned subsidiary of Touchstone, formerly incorporated under the laws of the Province of Alberta. Effective January 1, 2017, Archon Technologies Ltd. amalgamated with Touchstone Exploration Inc. pursuant to Section 184(1) of the ABCA;

"**BAR**" means the Business Acquisition Report dated June 24, 2014 in respect of the Touchstone Arrangement;

"**Board**" or "**Board of Directors**" means the board of directors of Touchstone;

"**Common Shares**" means the common shares in the capital of the Company as constituted on the date hereof;

"**Company**" or "**Touchstone**" means Touchstone Exploration Inc., a company incorporated under the laws of the Province of Alberta, and includes its direct and indirect subsidiaries where the context requires or permits;

"**Exchange**" or "**TSX**" means the Toronto Stock Exchange;

"**GAAP**" means Generally Accepted Accounting Principles for publicly accountable entities in Canada which is currently in accordance with IFRS;

"**Heavy Oil Business Unit**" means all of the operations, properties, assets and liabilities of Touchstone prior to the PetroBakken Reorganization, other than its interest in PetroBakken Energy Ltd. and the majority of the corporate tax pools, which were transferred to Touchstone pursuant to the PetroBakken Reorganization;

"**IFRS**" means International Financial Reporting Standards as issued by the International Accounting Standards Board;

"**LIBOR**" means London Interbank Offered Rate;

"**MEEI**" means the Ministry of Energy and Energy Industries of Trinidad and Tobago (formerly the Ministry of Energy and Energy Affairs);

"**NI 51-102**" means National Instrument 51-102 – *Continuous Disclosure Obligations* adopted by the Canadian Securities Administrators;

"**person**" or "**persons**" includes an individual, body corporate, partnership, syndicate or other form of unincorporated entity;

"**PetroBakken**" or "**Lightstream**" means PetroBakken Energy Ltd. (renamed Lightstream Resources Ltd. on May 22, 2013);

"**PetroBakken Reorganization**" means the series of transactions completed on December 31, 2012 under a plan of arrangement between PetroBakken, Petrobank Energy and Resources Ltd. and 1708589 Alberta Ltd. pursuant to which, among other things, Petrobank Energy and Resources Ltd. effectively distributed its 56% ownership of PetroBakken directly to its Shareholders, as more particularly described under the heading "*Corporate Structure*";

"**Petrotrin**" mean the Petroleum Company of Trinidad and Tobago Limited, the state-owned oil and gas company of Trinidad and Tobago;

"**Primera Group**" means, collectively, Primera Oil and Gas Limited, Territorial Oilfield Management Services Limited (formerly Primera Oilfield Management Services Limited) and Primera East Brighton Limited (which amalgamated with Primera Oil and Gas Limited on August 31, 2015);

"**Rolling Plan**" means "rolling" stock option plan reserving a maximum of 10% of the issued Common Shares at the time of the stock option grant;

"**Scotia Credit Agreement**" means the US\$50 million credit agreement dated December 4, 2014 among Primera Oil and Gas Limited and Touchstone Exploration (Trinidad) Ltd., as borrowers, the Bank of Nova Scotia, as Administrative Agent and collateral agent, and Scotiabank Trinidad and Tobago Limited, as lender;

"**Scotia Loan**" means the US\$50 million aggregate principal amount credit facility extended to Touchstone pursuant to the Scotia Credit Agreement;

"**SEDAR**" means the Canadian System for Electronic Document Analysis and Retrieval available through <http://www.sedar.com>;

"**Shareholders**" means the holders of Common Shares;

"**subsidiary**" has the meaning given to such term in the *Securities Act* (Alberta);

"**Term Loan**" means the \$15 million term loan agreement dated November 23, 2016 among Touchstone Exploration Inc. and Crown Capital Fund IV, LP;

"**THAI**" means Touchstone's patented Toe-to-Heel-Air-Injection in-situ heavy oil recovery technology, which combines a vertical air injection well with a horizontal production well, indirectly owned by Touchstone through Archon;

"Touchstone Arrangement" means the arrangement completed May 13, 2014 pursuant to section 193 of the ABCA between Touchstone (formerly Petrobank Energy and Resources Ltd.) and Touchstone Energy (formerly Touchstone Exploration Inc.);

"Touchstone Energy" means Touchstone Energy Inc., a wholly-owned Alberta subsidiary of the Company;

"Touchstone Trinidad" means Touchstone Exploration (Trinidad) Ltd. (formerly Territorial Services Limited), an indirect wholly-owned Trinidad subsidiary of the Company; and

"Trinidad" means the Republic of Trinidad and Tobago.

Selected Oil and Gas Terms

"abandonment and reclamation costs" means all costs associated with the process of restoring a property that has been disturbed by oil and gas activities to a standard imposed by applicable government and regulatory authorities;

"API" means the American Petroleum Institute;

"API gravity" means the American Petroleum Institute gravity, which is a measure of how heavy or light a petroleum liquid is compared to water. If a petroleum liquid's API gravity is greater than 10, it is lighter and floats on water; if less than 10, it is heavier than water and sinks. API gravity is thus a measure of the relative density of a petroleum liquid and the density of water, but it is used to compare the relative densities of petroleum liquids;

"COGE Handbook" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time to time;

"conventional natural gas" means natural gas that has been generated elsewhere and has migrated as a result of hydrodynamic forces and is trapped in discrete accumulations by seals that may be formed by localized structural, depositional or erosional geological features;

"crude oil" or **"oil"** means a mixture consisting mainly of pentanes and heavier hydrocarbons that exists in the liquid phase in reservoirs and remains liquid at atmospheric pressure and temperature. Crude oil may contain small amounts of sulphur and other non-hydrocarbons but does not contain liquids obtained from the process of natural gas;

"CSA 51-324" means Staff Notice 51-324 – *Revised Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators;

"developed non-producing reserves" are those reserves that either have not been on production or have previously been on production but are shut-in, and the date of resumption of production is unknown;

"developed producing reserves" are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty;

"developed reserves" are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing;

"development costs" means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from reserves. More specifically, development

costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

- (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;
- (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly;
- (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
- (d) provide improved recovery systems;

"exploration costs" means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to as "prospecting costs") and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

- (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies (collectively sometimes referred to as "geological and geophysical costs");
- (b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;
- (c) dry hole contributions and bottom hole contributions;
- (d) costs of drilling and equipping exploratory wells; and
- (e) costs of drilling exploratory type stratigraphic test wells;

"forecast prices and costs" means future prices and costs that are:

- (a) generally accepted as being a reasonable outlook of the future; or
- (b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the Company is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in subparagraph (a);

"future net revenue" means a forecast of revenue, estimated using forecast prices and costs, arising from the anticipated development and production of resources, net of the associated royalties, operating costs, development costs, and abandonment and reclamation costs;

"GLJ" means GLJ Petroleum Consultants Ltd., independent petroleum engineers of Calgary, Alberta;

"gross" means:

- (a) in relation to a reporting issuer's interest in production or reserves, its "company gross reserves", which are the reporting issuer's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the reporting issuer;
- (b) in relation to wells, the total number of wells in which a reporting issuer has an interest; and
- (c) in relation to properties, the total area of properties in which a reporting issuer has an interest;

"heavy crude oil" or **"heavy oil"** means crude oil with a relative density greater than 10 degrees API gravity and less than or equal to 22.3 degrees API gravity;

"hydrocarbon" means a compound consisting of hydrogen and carbon, which, when naturally occurring, may also contain other elements such as sulphur;

"ICE Brent" means Intercontinental Exchange Brent;

"light crude oil" or **"light oil"** means crude oil with a relative density greater than 31.1 degrees API gravity;

"medium crude oil" or **"medium oil"** means crude oil with a relative density greater than 22.3 degrees API gravity and less than or equal to 31.1 degrees API gravity;

"natural gas" means a naturally occurring mixture of hydrocarbon gases and other gases;

"natural gas liquids" means those hydrocarbon components that can be recovered from natural gas as a liquid including, but not limited to, ethane, propane, butanes, pentanes plus and condensates;

"net" means:

- (a) in relation to a reporting issuer's interest in production or reserves, the reporting issuer's working interest (operating or non-operating) share after deduction of royalty obligations, plus the reporting issuer's royalty interests in production or reserves;
- (b) in relation to a reporting issuer's interest in wells, the number of wells obtained by aggregating the reporting issuer's working interest in each of its gross wells; and
- (c) in relation to a reporting issuer's interest in a property, the total area in which the reporting issuer has an interest multiplied by the working interest owned by the reporting issuer;

"NI 51-101" means National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* adopted by the Canadian Securities Administrators;

"possible reserves" are those additional reserves that are less certain to be recovered than probable resources. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves;

"probable reserves" are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves;

"property" includes: (a) fee ownership or a lease, concession, agreement, permit, licence or other interest representing the right to extract oil or gas subject to such terms as may be imposed by the conveyance of that interest; (b) royalty interests, production payments payable in oil or gas, and other non-operating interests in properties operated by others; and (c) an agreement with a foreign government or authority

under which a reporting issuer participates in the operation of properties or otherwise serves as "producer" of the underlying reserves (in contrast to being an independent purchaser, broker, dealer or importer). A property does not include supply agreements, or contracts that represent a right to purchase, rather than extract, oil or gas;

"**proved reserves**" are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves;

"**reserves**" are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: (a) analysis of drilling, geological, geophysical and engineering data; (b) the use of established technology; and (c) specified economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates; and

"**Reserves Report**" means the report of GLJ dated March 17, 2017 evaluating the oil and natural gas reserves of the Company as at December 31, 2016;

"**undeveloped reserves**" are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

Terms and abbreviations used in the consolidated financial statements of the Company and in the appendices to this AIF are defined separately, and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Otherwise, capitalized terms used in this AIF which have not been defined above shall have the meanings given to them in this AIF.

CORPORATE STRUCTURE

Name, Address and Incorporation

1708589 Alberta Ltd. ("**1708589**") was incorporated on October 24, 2012 under the ABCA for the purposes of participating in the PetroBakken Reorganization under which, among other things, the business of Petrobank Energy and Resources Ltd. ("**Old Petrobank**") was transitioned to the Company. Prior to the PetroBakken Reorganization, Old Petrobank's business consisted of the Heavy Oil Business Unit and its ownership of 56% of PetroBakken. Effective December 31, 2012, the PetroBakken Reorganization was completed, which, pursuant to a series of steps, had the effect of distributing Old Petrobank's interest in PetroBakken directly to its Shareholders, 1708589 acquiring the Heavy Oil Business Unit including all of the shares of Archon and Archon Technologies International Inc., distributing ownership of the common shares of 1708589 to the Shareholders on a one for one basis for each common share of Old Petrobank held by them, and following the amalgamation of Old Petrobank and PetroBakken to form "PetroBakken Energy Ltd.", and changing the name of 1708589 to "Petrobank Energy and Resources Ltd.".

On May 13, 2014, Touchstone (formerly Petrobank Energy and Resources Ltd.) and Touchstone Energy Inc. (formerly Touchstone Exploration Inc.) completed an arrangement pursuant to section 193 of the ABCA. Pursuant to the Touchstone Arrangement, Touchstone acquired all of the issued and outstanding common shares of Touchstone Energy (the "**Touchstone Energy Shares**"). Holders of Touchstone Energy Shares received 0.471 of a Petrobank Share for each Touchstone Energy Share held. Following the Touchstone Arrangement, the Company consolidated its shares on a two for one basis ("**Share Consolidation**"), Petrobank Energy and Resources Ltd. changed its name to Touchstone Exploration Inc., and Touchstone Exploration Inc. changed its name to Touchstone Energy Inc.

Touchstone's registered office is located at Suite 3700, 400 3rd Avenue S.W., Calgary, Alberta, T2P 4H2, and its head office is located at Suite 4100, 350 - 7th Avenue S.W., Calgary, Alberta, T2P 3N9.

General

The Company, through its subsidiaries, is an oil and gas exploration and production company active in the Republic of Trinidad and Tobago. Touchstone is one of the largest independent onshore oil producers in Trinidad, with assets in several large, high-quality reservoirs that have significant internally estimated total petroleum initially-in-place and an extensive inventory of low-risk development opportunities.

The Company is a reporting issuer in each of the Provinces of Canada and the Common Shares trade on the TSX under the symbol "**TXP**".

Touchstone'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.

Intercorporate Relationships

As of the date hereof, the Company has five directly wholly-owned subsidiaries. Unless the context otherwise requires, references herein to "Touchstone" or the "Company" mean Touchstone Exploration Inc. or Touchstone Exploration Inc. and its direct and indirect subsidiaries on a consolidated basis, where the context requires.

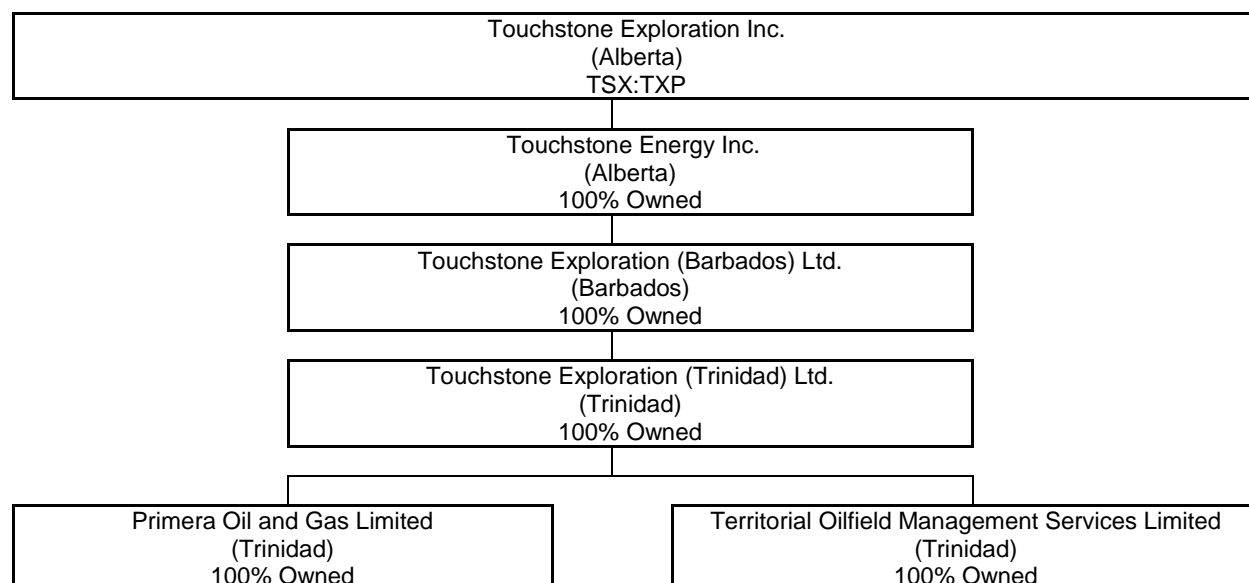
The following table sets forth, as of the date hereof, the name of each subsidiary, the jurisdiction of incorporation, the percentage of voting shares held and business conducted by each subsidiary:

Entity	Country of incorporation	Ownership %	Business conducted
Touchstone Energy Inc.	Canada	100%	Holding company
Touchstone Exploration (Barbados) Ltd.	Barbados	100%	Holding company
Touchstone Exploration (Trinidad) Ltd.	Trinidad	100%	Operating oil and gas company
Primera Oil and Gas Limited	Trinidad	100%	Operating oil and gas company
Territorial Oilfield Management Services Limited	Trinidad	100%	Operation oil and gas services company

Touchstone provides certain administrative, management and technical support services from Canada to its Trinidad subsidiaries pursuant to a service agreement with Touchstone Trinidad.

Corporate Structure

The following chart illustrates the organizational structure of the Company and its subsidiaries as at the date of this AIF:



The Company's organizational structure facilitates its business as a multijurisdictional company whose operations are mainly located outside of Canada. Touchstone has three subsidiaries active in Trinidad. All of the Company's subsidiaries are domiciled in countries where the legal system is based on the British common law system. Barbados also has a banking system and advisory services (legal and accounting) that are comparable to North America. Barbados and Trinidad each has a double taxation treaty with Canada. Trinidad and Barbados are members of the Caribbean Community and Common Market.

To help manage the risks of a multi-jurisdictional organizational structure, the Company employs knowledgeable people and engages advisors in each country in which the Company operates to review and comment on the organizational and income tax structure as appropriate.

GENERAL DEVELOPMENT OF THE BUSINESS

The following is a description of the events that have influenced the general development of the business of Touchstone and its subsidiaries during the years ended December 31, 2014, 2015 and 2016. For a more detailed description of the business and operations of Touchstone, see "*Description of the Business and Operations*" in this AIF.

Significant Acquisitions

On March 6, 2014, Touchstone (formerly Petrobank Energy and Resources Ltd.) entered into an arrangement agreement with Touchstone Energy (formerly Touchstone Exploration Inc.) that provided for the combination of Touchstone and Touchstone Energy (formerly Touchstone Exploration Inc.) (the "**Arrangement Agreement**"). On May 13, 2014, Touchstone completed a court-approved statutory plan of arrangement under the ACBA providing for the acquisition of Touchstone Energy. Pursuant to the Touchstone Arrangement, Touchstone acquired all of the outstanding common shares of Touchstone Energy in exchange for the issuance of 65,519,212 pre-consolidation (32,759,606 post consolidation) Common Shares. Following the Touchstone 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 Touchstone Exploration Inc. changed its name to Touchstone Energy Inc.

Touchstone Energy was engaged in the exploration, development and production of oil in Trinidad. At the acquisition date, the acquired assets included approximately 1,550 barrels per day of existing oil production from 10,205 working interest acres of developed land and approximately 50,000 working interest acres of undeveloped land in Trinidad. The acquired producing assets are characterized by large oil in place, low declines and an extensive inventory of low risk drilling, workover and reactivation opportunities.

For additional information on the Touchstone Arrangement and the Arrangement Agreement, please refer to the full Arrangement Agreement and the related Form 51-102F4, copies of which have been filed by Touchstone on SEDAR and are available to viewing under its profile on www.sedar.com.

Three Year History

The following is a summary of significant events in the general development of the business of Touchstone during the last three financial years.

Financial Year Ending December 31, 2014

The May 2014 corporate acquisition transformed the Company's operations from a research program using in situ combustion technology to an Trinidad based exploration and production operation capable of yielding positive economic returns. The Company's strategy changed from research focused to the development of its Trinidad core properties. Touchstone ceased using THAI horizontal wells at any of its Canadian properties and reverted back to conventional methods of production. Effective July 1, 2014, Touchstone's Kerrobert and Luseland properties were deemed commercially viable and thus all related production, revenues, royalties and operating expenses were subsequently recorded in the consolidated financial statements.

Operational activities for the year ended December 31, 2014 were as follows:

- Achieved average corporate oil sales of 1,550 bbls/d, 1,146 Bbls/d produced in Trinidad and 404 bbls/d produced in Canada. From the May 2014 Trinidad asset acquisition date, pro forma average corporate production increased 25% from 1,900 Bbls/d to 2,376 Bbls/d in December 2014.
- Executed a focused Trinidad development program, drilling 11.16 net wells. Net capital expenditures were \$34,965,000 of which \$23,650,000 were concentrated in the Company's Trinidad core area. \$17,462,000 of the Trinidad capital spending was directed at development drilling and recompletion activities.

- Generated positive corporate funds flow from operations of \$390,000 (\$0.01 per basic share) compared to a loss of \$6,126,000 (0.13 per basic share) recognized in 2013. Trinidad operations generated funds flow from operations of \$9,587,000, offsetting Canadian funds flow losses of \$9,197,000 recorded in 2014.
- Realized comprehensive income of \$2,428,000 excluding impairments of \$72,183,000 and related deferred tax recoveries of \$17,425,000. The 2014 net comprehensive loss of \$52,330,000 resulted primarily from non-cash property impairments. Canadian property impairments were recorded due to poor property operating results. Despite 2014 reserve increases in Trinidad, impairment charges were recorded as the acquired assets were recognized at their fair values prior to the decline in forward commodity prices.
- Acquired 19.5 (12 net) sections of Viking land in Beadle, Saskatchewan.
- Entered into a one year Brent referenced financial swap for 800 Bbls/d at a price of US\$70.60 in December 2014.

On May 23, 2014, Touchstone announced that it purchased and discharged the remaining \$2 million convertible debenture aggregate principal amount. As a result of this purchase, the Company had no remaining convertible debenture units outstanding.

On June 30, 2014, Touchstone made a \$21.6 million principal prepayment of its existing June 29, 2012 9.25% senior secured long-term debt facility arranged with NORREP Credit Opportunities Fund, LP, a fund managed by Crown Capital Partners Inc. With the payment, Touchstone fully repaid the \$24.0 million long-term loan and terminated the loan two years ahead of its June 29, 2016 maturity date. As a result of this payment, the Company had no outstanding secured debt. The funds for the \$21.6 million repayment were available internally from the Touchstone Arrangement. The early retirement of the loan resulted in Touchstone saving approximately \$2.6 million in total interest expense compared to repayment in accordance with the agreement through to maturity.

On November 3, 2014, Touchstone announced the signing of an exploration and production license (the "**Ortoire License**") with the MEEI for the Ortoire block in Southern Trinidad. Under the terms of the Ortoire License, Touchstone is the operator with an 80 percent working interest. Petrotrin holds the remaining 20 percent partner interest and will be carried for the Ortoire License minimum work obligations. The Ortoire License is effective for an initial term of six years and can be extended a further 25 years in the event of a commercial discovery. The Ortoire property covers approximately 44,731 gross acres (35,785 net to Touchstone). The Ortoire License includes a commitment for a six-year minimum work program which includes technical reviews, an 85 kilometre 2D seismic program and a four well drilling program.

On December 4, 2014, Touchstone Trinidad and Primera Oil and Gas Limited (the "**Borrowers**") entered into an agreement with The Bank of Nova Scotia, as administrative agent, collateral agent and initial lender, for a credit facility maturing on December 2, 2017. US\$15 million was available immediately, with the remaining balance available following the periodic redetermination of the borrowing base calculated by the value assigned to the net proved reserves attributable to Touchstone's onshore properties located in Trinidad. The proceeds borrowed under the Scotia Loan would be used by the Borrowers for the exploration, development, production and sale of petroleum of those properties and for general corporate purposes. The Scotia Loan bore interest at a rate equal to an adjusted LIBOR or the lender's base rate, as defined, plus an applicable margin. Touchstone and its material subsidiaries (other than the Borrowers) guaranteed the obligations of the Borrowers related to the credit facility. The Scotia Loan was principally secured by a pledge of the Touchstone's equity interests in its material subsidiaries, together with their respective assets.

On December 22, 2014, Touchstone announced the signing of an exploration and production license for the East Brighton block (the "**East Brighton License**") in Trinidad. The East Brighton License is for an initial six-year term, with the option to extend a further twenty-five years upon commercial discovery. The licensed area is a contiguous block directly adjacent to the Brighton Marine field which has produced approximately 60 million barrels of oil to date. The Company holds a 35% non-operated working interest in

the East Brighton block. The East Brighton License includes a commitment for a six-year minimum work program which includes technical reviews and the drilling of one well to a total depth of 5,000 true vertical feet.

Financial Year Ending December 31, 2015

Throughout 2015, Touchstone focused on operational initiatives to ensure the sustainability and future profitability of the Company through all commodity cycles. As a result, production volumes in Trinidad declined based on reduced operating and capital investment. Touchstone remained focused on developing its core Trinidad resources, as 28 wells were completed or recompleted throughout the year. Operational activities for the year ended December 31, 2014 were as follows:

- Achieved average oil sales of 1,756 bbls/d, 1,600 bbls/d produced in Trinidad and 156 bbls/d produced in Canada. Trinidad production increased 40% from the prior year while Canadian production decreased 61% from 2014.
- Realized Trinidad operating netback of \$27.88 per barrel, which offset Canadian operating netback losses of \$25.88 per barrel. Total Company operating netback was \$23.09 per barrel, which represented a decrease of 2% from the prior year.
- Reduced annual per barrel operating expenses by 16% or \$4.85 per barrel from 2014. Trinidad operating costs reduced by approximately US\$4.97 per barrel or 22% from the previous year.
- Generated positive corporate funds flow from operations of \$2,908,000 (\$0.04 per basic share) compared to \$390,000 (\$0.01 per basic share) in 2014. Trinidad operations generated funds flow from operations of \$7,157,000, offsetting Canadian funds flow losses of \$4,249,000 recognized in 2015.
- Recorded a net loss of \$22,147,000 (\$0.27 per basic share), which was primarily driven by non-cash property and equipment impairment charges mainly associated with the decrease in forward commodity prices.
- Entered into various ICE Brent referenced financial swaps for 800 bbls/d at an average price of US\$63.25 for the 2016 year.

Throughout 2015 the Company focused on developing its Trinidad assets and reducing Canadian operating losses. The Company disposed of the following Canadian assets in 2015:

- Effective March 1, 2015, the Company disposed of its Luseland assets for net proceeds of \$2.2 million. The assets 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.
- On July 14, 2015, the Company disposed of its Dawson exploration property for net proceeds of \$2.1 million.
- On July 30, 2015, the Company disposed of undeveloped Beadle acreage for net proceeds of \$4.2 million.

On March 19, 2015, the Company acquired an additional operating 35% working interest in the offshore East Brighton License for nominal cash consideration, which increased the Company's working interest in the block to 70%. On October 1, 2015, the Company entered into an agreement to dispose of its working interest in the East Brighton License for a 3.5%, non-convertible, no deductions gross overriding royalty on future production. The disposition is awaiting MEEI approval prior to closing.

On August 10, 2015, the Company issued a US\$3.3 million letter of credit in favour of the MEEI related to its Ortoire License. Export Development Canada provided a performance security guarantee to support this additional letter of credit.

The Company received notice from its lender that per its October 1, 2015 scheduled redetermination, the borrowing base of the Scotia Loan was reduced from US\$15 million to US\$13 million effective October 28, 2015, with a further reduction to US\$12 million effective November 30, 2015. As at December 31, 2015 the Company was in compliance with all covenants, obligations and conditions of the Scotia Loan. In 2015, the Company breached the Trinidad segment production volume covenant for the months of May, July, August, September, October and November. The Company executed a waiver with its lender on September 23, 2015 relating to the May, July and August production covenant breaches. The Company obtained a waiver from its lender on November 3, 2015 to cure the September production covenant breach. Finally, the Company and its lender executed a waiver to cure the October and November monthly covenant breaches on December 31, 2015.

On October 16, 2015, The Company entered into an agreement to purchase certain onshore producing assets for cash consideration of US\$20.8 million prior to adjustments. The asset acquisition was consistent with Touchstone's strategy of acquiring operated low decline oil production with large volumes of original oil in place. In conjunction with the signing of the agreement, Touchstone paid a US\$2.08 million deposit to the seller. On March 14, 2016, Touchstone and the seller terminated the agreement as the seller was unable to satisfy the required conditions precedent prior to the backstop date. Accordingly, the deposit was refunded to the Company in March 2016 and immediately applied to the Scotia Loan balance.

Financial Year Ending December 31, 2016

In 2016 Touchstone continued to follow a strategy of conservatively deploying exploration and development capital and focused on operations directly related to maintaining production from the Company's core assets. Touchstone remained sensitive to the low commodity price environment, recompleting a total of nine wells, stimulating two wells, and deploying no drilling capital during the fiscal year.

- Achieved average oil sales of 1,301 barrels per day, representing a decrease of 19% from 2015 annual average production.
- Generated funds flow from operations of \$6,117,000 (\$0.07 per basic share) compared to \$2,908,000 (\$0.04 per basic share) in 2015.
- Reduced annual Trinidad per barrel operating expenses by 19% or \$4.83 per barrel from 2015.
- Reduced gross annual general and administrative costs by \$4,183,000 or 35% from 2015.
- Recorded a net loss of \$12,853,000 (\$0.15 per basic share) for the year ended December 31, 2016 compared to a net loss of \$22,417,000 (\$0.27 per basic share) in 2015. The net loss was primarily driven from unrealized losses on derivative contracts and non-cash impairments of exploration assets.
- The Company's annual exploration and development expenditures were \$3,881,000, with nine well recompletions and two fracture stimulations completed in the year.

On February 1, 2016, the Company closed a transaction to dispose of its Kerrobert property and undeveloped land in Luseland, Edam and Winter for proceeds of \$650,000. Through the disposition, the Company ceased Canadian based operating losses and transferred its total Canadian segment decommissioning liability balance of \$4.03 million to the purchaser.

On November 23, 2016, the Company completed an arrangement for a \$15,000,000, five-year term loan agreement from a Canadian investment fund. The term loan replaced and discharged the Scotia Loan as the borrowing base was reduced to US\$6,000,000, and the Company had a number of production breaches that required waivers throughout 2016 (see "*Capital Structure*").

On March 14, 2017, the MEEI agreed to reduce the East Brighton License letter of credit to US\$2,150,000, significantly increasing the near-term liquidity of the Company.

DESCRIPTION OF THE BUSINESS AND OPERATIONS

As of the date of this AIF, Touchstone is primarily engaged in the exploration for, and the acquisition, development and production of hydrocarbons in onshore reservoirs in Trinidad. Operations are conducted in Trinidad and Canada, which are the Company's reportable segments.

Principal Properties

Effective December 31, 2016, the Company's principal land holdings were as follows:

Property	Working interest	Lease type	Gross acres	Working interest acres
Trinidad				
<i>Producing</i>				
Coora 1	100%	Lease Operatorship	1,230	1,230
Coora 2	100%	Lease Operatorship	469	469
WD-4	100%	Lease Operatorship	700	700
WD-8	100%	Lease Operatorship	650	650
New Dome	100%	Farmout Agreement	69	69
South Palo Seco	100%	Farmout Agreement	2,019	2,019
Barrackpore	100%	Freehold	478	478
Fyzabad	100%	Crown & Freehold	804	804
Icacos	50%	Freehold	1,960	980
Palo Seco	100%	Crown	499	499
San Francique	100%	Freehold	2,306	2,306
	91%		11,184	10,204
<i>Exploratory</i>				
Bovallius	100%	Freehold	976	976
Cory Moruga	16%	Freehold	11,969	1,939
East Brighton	70%	Crown	20,589	14,412
Moruga	100%	Freehold	3,300	3,300
New Grant	100%	Freehold	687	687
Ortoire	80%	Crown	44,731	35,785
Otaheite	100%	Freehold	935	935
Piparo	100%	Freehold	72	72
Rousillac	100%	Freehold	570	570
Siparia	50%	Freehold	160	80
St. John	100%	Freehold	408	408
	70%		84,397	59,164
	73%		95,581	69,368
Canada				
<i>Exploratory</i>				
Beadle	100%	Freehold	4,795	4,795
Druid	100%	Crown	8,641	8,641
Luseland	100%	Crown & Freehold	6,849	6,849
Winter	100%	Crown	11,323	11,323
	100%		31,608	31,608
Company total	79%		127,189	100,976

The Company's core producing properties are located onshore within Trinidad. All properties are operated by Touchstone with the exception of the Cory Moruga exploration block.

Canadian Operations

All Canadian operations are conducted through the parent company, Touchstone Exploration Inc. Subsequent to the Touchstone Arrangement, the Company has focused on transitioning the Company's operations from a research program using in-situ combustion technology to a true exploration and production operation capable of yielding positive economic returns.

As disclosed in "*General Development of the Business - Financial Year Ending December 31, 2015*", the Company disposed of the majority of its Canadian producing properties in 2015. On February 20, 2016, the Company closed the disposal of its Kerrobert facility and various undeveloped land effective December 31, 2015. At the effective date of the Company's December 31, 2015 reserves evaluation, Touchstone divested all non-core Canadian developed and undeveloped assets with associated reserves as reported in the December 31, 2014 reserves evaluation.

Touchstone currently has no proved or probable reserves associated with the Company's remaining Canadian assets, which represented 31,608 acres of undeveloped land in Saskatchewan focusing mainly on the Viking formation. Furthermore, the Company did not recognize any crude oil production or related petroleum revenue during the year ended December 31, 2016.

Trinidad Operations

Touchstone, through its wholly-owned Subsidiary Touchstone Trinidad, is actively engaged in the development and exploration of its oil and gas properties located in Trinidad. With interests in approximately 96,000 gross acres of exploration and development rights, Touchstone is one of the largest independent onshore oil producers in Trinidad.

In Trinidad, the Company has a combination of lease operatorship agreements ("**LOAs**") and farmout agreements with Petrotrin, production and exploration agreements with the MEEI and private leases with individual landowners.

Coora

The Coora blocks are administered by two Petrotrin LOAs (Coora 1 and Coora 2) which consists a total of 1,699 developed acres. Currently the property has 145 producing and 68 non-producing wells (net). Both blocks produce oil out of the Forest and Cruse formations at an average depth of 4,500 feet. The property was acquired by Touchstone Energy in January 2011, and a total of six wells have been drilled by the Company to date.

WD-4

The WD-4 property is governed by a Petrotrin LOA and was acquired in November 2012. The block is located in the Grand Ravine area and has a total of 38 producing wells and 14 non-producing wells. The wells produce from both the Forest and Cruse formations at an average total depth of 6,500 feet (net). The Company has drilled a total of four wells since acquiring the property.

WD-8

The WD-8 field is a mature property that has a total of approximately 650 net acres and is administered by a Petrotrin LOA. The field is currently producing from 84 of 108 wells (net) from both the Forest and Cruse formations at an average total depth of 3,450 feet. Since the block was acquired by Touchstone in July 2010, a total of 18 wells have been drilled by the Company.

Fyzabad

The Fyzabad field was acquired as part of the Primera Group acquisition in August of 2011. The property is subject to an exploration and production license with the MEEI and various freehold leases. The property

covers 804 acres and 98 wells are currently producing. The field produces from the Forest and Upper and Middle Cruse formations with an average well depth of 1,750 feet. A total of six wells have been drilled on the property since being acquired.

Barrackpore

The Barrackpore field was also acquired as part of the Primera Group acquisition. Mineral rights are acquired through individual freehold leases. The field covers 478 acres of developed land and currently produces from 12 wells. The average total depth in this area is 2,900 feet. The Company has drilled two wells since acquiring this field in 2011.

Ortoire

In November 2014, the Company signed an exploration and production license with the MEEI for the Ortoire block. The property is located approximately ten kilometres east of Touchstone's Trinidad office in Fyzabad and covers approximately 44,731 gross acres (35,785 net). The Ortoire License includes a commitment for a six-year minimum work program which includes technical reviews, an 85 kilometer 2D seismic program and a four-well drilling program. To date, the Company has completed the required technical reviews and geological studies on the property; approximately eight km of 2D seismic was acquired on the block in 2016.

East Brighton

In December 2014, the Company signed an offshore exploration and production license with the MEEI for the East Brighton block. The East Brighton License is for an initial six-year term, with the option to extend a further twenty-five years upon commercial discovery. The licensed area is a contiguous block directly adjacent to the Brighton Marine field which has produced approximately 60 million barrels of oil to date. The Company holds a 70% operated working interest in the block. The East Brighton License includes a commitment for a six-year minimum work program which includes technical reviews, and the drilling of one well.

Trinidad Operating Agreements

In Trinidad, the Company operates under LOAs and farmout agreements with Petrotrin, state exploration and production licenses with the 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 annual minimum production levels and five-year minimum work commitments from 2016 through 2020 (see "*Summary of Trinidad Commitments*"). In 2016 the Company did not meet the annual minimum production levels and the minimum work obligations specified in the Coora 1, Coora 2 and WD-8 LOAs or the minimum work obligations specified in the WD-4 LOA. Although the LOAs provide that the minimum production levels are to be achieved on a best endeavors basis, the LOAs also describe the failure to achieve the minimum production levels or the failure to complete the work obligations as potentially constituting a material breach of the LOAs. As a result of this inconsistency, the Company sought legal advice regarding the effect of not meeting the production levels and not completing the work obligations.

On March 20, 2017, the Company received additional correspondence from Petrotrin requesting that, prior to April 20, 2017, the Company provide a proposal regarding the completion of the work obligations for both calendar years 2016 and 2017. The Petrotrin letters did not take the position that there was any breach of the LOAs. It is not anticipated that a default notice will be issued; however, in any event, the Company is only required to begin to rectify the breach within seven days from the date of receipt of such notice and the Company began that process in February 2017.

The Company was advised by its legal counsel that any risk to the Company's operations under the LOAs is extremely remote. As such, no adjustments were made to the Company's December 31, 2016

consolidated financial statements or Reserves Report. No assurance can be given that, if future breaches of these obligations occur, they will not result in a material adverse impact to the Company's cash flows. As at December 31, 2016, the Company was in compliance with all other obligations under the LOAs.

The Company's farmout agreements with Petrotrin initially expire on December 31, 2021. The Company holds a five-year renewal option, and the agreements are subject to five-year minimum work commitments. As at December 31, 2016 and as of the date of this AIF, the Company is in compliance with all obligations associated with its farmout agreements.

The Company's Fyzabad and Palo Seco agreements with the MEEI contain no major obligations 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 year ended December 31, 2016, the production volumes produced under expired MEEI production licenses represented 5.4% of total Trinidad segment production (2015 – 5.9%).

Touchstone 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 year ended December 31, 2016, the production volumes produced under expired Trinidad freehold lease agreements represented 2.8% of total Trinidad segment production (2015 – 2.2%).

Summary of Trinidad Commitments

The Company has minimum work obligations under various operating agreements with Petrotrin, exploration commitments under license and production agreements with the MEEI and various lease commitments for office space and equipment. As at December 31, 2016, the Company's estimated contractual capital requirements over the next five years were as follows:

(\$000's)	2017	2018	2019	2020	2021	Total
Minimum work obligations and lease payments						
Coora block	4,318	70	71	119	-	4,578
WD-4 block	2,719	1,379	85	87	-	4,270
WD-8 block	2,189	1,117	46	49	-	3,401
New Dome block	4	51	4	52	5	116
South Palo Seco block	56	442	445	113	117	1,173
Ortoire exploration commitments	1,644	4,344	5,701	345	-	12,034
East Brighton exploration commitments	2,190	325	340	355	-	3,210
Office leases	227	401	279	261	243	1,411
Equipment leases	325	325	325	217	-	1,192
Total minimum payments	13,672	8,454	7,296	1,598	365	31,385

Under the terms of its Trinidad concessions, the Company must fulfill minimum work obligations on an annual basis over the specific license term. In total, the Company is obligated to drill 12 wells and perform 18 heavy workovers prior to the end of 2021. As of December 31, 2016, six workovers have been completed with respect to these obligations. The company failed to drill four wells that were required in 2016 (see "*Trinidad Operating Agreements*"). The Company has various letters of credit totaling US\$299,000 related to its work commitments on its Petrotrin concessions.

The Company has provided a US\$3,313,000 letter of credit in favour of the MEEI related to its Ortoire License exploration commitments. The Company's December 31, 2016 estimated costs and 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, were as follows:

(\$000's)	2017	2018	2019	2020	2021	Total
Lease payments	301	316	330	345	-	1,292
2D seismic	-	1,343	4,028	-	-	5,371
Drilling commitments	1,343	2,685	1,343	-	-	5,371
Total minimum payments	1,644	4,344	5,701	345	-	12,034

The Company currently has a US\$6,000,000 letter of credit relating to work commitments on its East Brighton offshore concession. Approval has been obtained to reduce the letter of credit to US\$2,150,000 as disclosed herein. The Company's December 31, 2016 estimated costs and timing of its future East Brighton exploration commitments, which includes the drilling of one well to a total depth of 5,000 true vertical feet, were as follows:

(\$000's)	2017	2018	2019	2020	2021	Total
Lease payments	310	325	340	355	-	1,330
Drilling commitments	1,880	-	-	-	-	1,880
Total minimum payments	2,190	325	340	355	-	3,210

Specialized Skill and Knowledge

Operations in the oil and natural gas industry mean that Touchstone requires professionals with skills and knowledge in diverse fields of expertise. In the course of its exploration, development and production of hydrocarbons, the Company utilizes the expertise of geophysicists, geologists, petroleum engineers and other local and international advisors.

Competitive Conditions

There is considerable competition in the worldwide oil and natural gas industry, including in Trinidad where the Company's assets, activities, and employees are primarily located. Operators that are more established than the Company, with access to broader technical skills, larger amounts of capital and other resources are active where the Company has operations. This represents a significant risk for the Company, which must rely on modest resources as compared to some of its competitors. See "Risk Factors".

Cyclical Nature of Business

The Company's operational results and financial condition are dependent on the prices received for oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are determined by worldwide supply and demand factors, including weather and general economic conditions, as well as conditions in other oil and natural gas regions. Any decline in oil and natural gas prices could have an adverse effect on the Company's financial condition.

Another trend is the volatility in the external capital markets that the industry is currently experiencing, which impacts publicly traded entities in the event that they seek to raise additional equity. In Management's view, this can be partly attributed to uncertainty regarding the future growth prospects for world economies and the future supply and demand for oil and gas.

Trinidad Economic Dependence

The Company holds the majority of its oil and gas interests indirectly through government issued exploration and production licences with the MEEI and production sharing contracts such as LOA or farmout agreements with Petrotrin. These licenses and agreements entitle the Company's subsidiaries to retain cash flows from the operation of the assets but does not entitle the Company or its subsidiaries to ownership of any reserves. These licenses and agreements contain significant obligations on the part of the Company's subsidiaries which, upon a continuing default, may give rise to the termination of the Company's indirect interest therein. There are no assurances that all of these commitments will be fulfilled within the time frames allowed. As such, Touchstone may lose certain exploration and production rights on the blocks affected and may be subject to certain financial penalties that would be levied by Petrotrin or the MEEI, as applicable. In certain circumstances these licenses or agreements may be terminated at the MEEI's or Petrotrin's discretion and are subject to a defined term with no certainty as to any renewal.

The Company's subsidiaries sell all of the oil and natural gas produced from operating blocks to Petrotrin and are paid the market value thereof net of crown royalties, notional over-riding royalties, enhanced notional over-riding royalties, abandonment fund payments, reimbursements and charges as well as defined contributions under the applicable head license. There is only one refinery currently operating in Trinidad that is owned and operated by the state owned Petrotrin. All liquid production is required to be sold to Petrotrin based on global prices for similar crudes adjusted for quality differentials in accordance with regularly established practices. See "*Risk Factors*".

Environmental Protection

The Company's operations are, and its future operations will be, subject to environmental regulations promulgated from time to time by the government of Trinidad and other governments in the regions where the Company may carry on business. Current environmental legislation in Trinidad provides restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil, condensate and natural gas operations. In addition, certain types of operations may require the submission and approval of environmental impact assessments. Environmental legislation and policy are periodically amended. Such amendments may result in stricter standards and enforcement and more stringent fines and penalties for non-compliance.

Historically, environmental protection requirements have not had a significant financial or operational effect on the Company's capital expenditures, earnings or competitive position. Subject to any changes in current environmental protection legislation, or in the way the legislation is interpreted in the jurisdictions in which it operates, the Company does not presently anticipate environmental protection requirements will have a significant effect of such matters in 2017. The Company is exposed to potential environmental liability in connection with its business of oil and natural gas exploration and production.

The Company believes that it is in compliance with applicable existing environmental laws and regulations and is not aware of any proposed environmental legislation or regulations with which it would not be in material compliance. However, the natural resources industry may in the future become subject to more stringent environmental protection rules. This could increase the cost of doing business and may have a negative impact on earnings in the future. See "*Risk Factors*".

Trends in Environmental Regulation

The Company is of the opinion that it is reasonably likely that in its areas of operation the trend towards stricter standards in environmental legislation and regulation will continue. The Company anticipates increased capital and operating expenditures as a result of increasingly stringent laws relating to the protection of the environment. No assurance can be given that environmental laws will not result in a curtailment of production or material increase in the costs of production, development or explorations activities, or otherwise adversely affect the Company's financial condition, capital expenditures, results of operations, competitive position or prospects. See "*Risk Factors*".

Employees

In Trinidad, a total of 120 full-time-equivalents were working for Touchstone as at December 31, 2016 compared to 135 as at December 31, 2015. Touchstone employs one contract ex-patriot consultant working in Trinidad. At Touchstone's Canadian head office, a total of 12 full-time-equivalents were employed as at December 31, 2016 versus 21 as at December 31, 2015. Additional engineering, geological, and drilling consultants are engaged on an as-needed, contract basis to provide technical services. The level of staffing will vary based on future operational and administrative demands.

Foreign Operations

To date Touchstone has concentrated a substantial number of its activities to Trinidad, and the Company expects its short-term property acquisition strategy to be confined to acquisition and consolidation opportunities within Trinidad. However, the Board is constantly reviewing opportunities in surrounding jurisdictions and may, in its discretion, approve asset or corporate acquisitions or investments outside of Trinidad that are deemed in the Company's best interest. All of the Company's oil and natural gas operations are therefore subject to political and regulatory risk in those foreign jurisdictions. In addition, the Company has implemented an Anti-Corruption Policy. See "*Risk Factors*".

Bankruptcy and Similar Procedures

There have been no bankruptcy, receivership or similar proceedings against the Company or any of its subsidiaries, or any voluntary bankruptcy, receivership or similar proceeding by the Company or any of its subsidiaries within the three most recently completed financial years or during or proposed for the current financial year.

Reorganizations

On May 13, 2014, Touchstone (formerly Petrobank Energy and Resources Ltd.) completed a court-approved statutory plan of arrangement providing for the acquisition of Touchstone Energy (formerly Touchstone Exploration Inc.). Pursuant to the Touchstone Arrangement, Touchstone acquired all of the outstanding common shares of Touchstone Energy in exchange for the issuance of 65,519,212 pre-consolidation (32,759,606 post consolidation) Common Shares. Following the Touchstone 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 Touchstone Exploration Inc. changed its name to Touchstone Energy Inc. See "*General Development of the Business - Significant Acquisitions and Three Year History*".

Social or Environmental Policies

Environmental assessments of existing and proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The Company is focused on reducing the environmental impact of its exploration and production operations by continuously monitoring environmental impact and developing corporate strategies and investing in new technologies to address any risks. The Company budgets a portion of capital program expenditures exclusively to environmental assessment (including energy audits) and reclamation. Touchstone and Touchstone Trinidad have a Health, Safety & Environment department with oversight of worker health and safety and environmental stewardship.

Environment and Community Values and Commitment

Touchstone maintains a vision and values statement that sets out its corporate responsibility commitments on environmental sustainability, health, safety and public engagement in those areas where it operates, all within the context of business integrity. Touchstone uses best environmental practices in the planning, design, and implementation of exploration programs and oil production. The objective is to minimize the environmental footprint of its operations and at the same time pursue new technologies which also

contribute to this objective. Touchstone is committed to providing a healthy and safe working environment for employees, contractors and the general public. This is supported by dedicated staff and contractors who provide on-site health and safety support as well as ongoing hazard assessments, interim and annual audits and training programs. Emergency response planning is integrated into all projects.

Touchstone is proactive in its communications with the local communities in which they are actively exploring or developing projects. The goal is to establish open and fair consultation processes with all stakeholders, provide information on local business and employment opportunities, identify areas of interest or concern and develop mutually beneficial working relationships.

Health, Safety and Environmental Policies and Procedures

Monitoring and reporting programs for health, safety and environmental ("HSE") performance in day-to-day operations, as well as inspections and assessments, are designed to provide assurance that environmental and regulatory standards are met in Trinidad. The Company maintains an active comprehensive integrity monitoring and management program for its surface piping, facilities and storage tanks. Contingency plans are in place for a timely response to an environmental event. Abandonment, remediation and reclamation programs are in place and utilized to restore the environment. A detailed due diligence review is undertaken as part of the acquisition process to determine whether the acquired assets are in regulatory and environmental compliance and to assess any liabilities with respect thereto.

The Company expects to incur abandonment and site reclamation costs as existing oil and gas properties are abandoned and reclaimed. Expenditures in 2016 for normal compliance with environmental regulations as well as expenditures beyond normal compliance are not material. Such expenditures are not expected to be material in 2017. Based on current estimates and excluding salvage value, the total anticipated Trinidad undiscounted future cost of abandonment and reclamation costs to be incurred over the life of the reserves is estimated at approximately \$20.6 million. For consolidated financial statement purposes, as of December 31, 2016 the Company estimated the total inflation adjusted discounted Trinidad decommissioning obligations to be \$16.8 million. The total decommissioning obligation was estimated based on the Company's net ownership in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities, the estimated rate of inflation, and the estimated timing of the costs to be incurred in future periods.

Management and the of the Company is responsible for reviewing the Company's internal control systems in the areas of health, safety and environment and strategies and policies regarding health, safety and the environment, including the Company's emergency response plan. Management reports to the Board on a quarterly basis with respect to HSE matters, including: (i) compliance with all applicable laws, regulations policies with respect to health, safety and the environment; (ii) on emerging trends, issues and regulations related to health, safety and the environment that are relevant to the Company; (iii) the findings of any significant report by regulatory agencies, external health, safety and environmental consultants or auditors concerning performance in health, safety and the environment; (iv) any necessary corrective measures taken to address issues and risks with regards to our performance in the areas of health, safety and the environment that have been identified by Management, external auditors or by regulatory agencies; (v) the results of any review with Management, outside accountants, external consultants and legal advisors of the implications of major corporate undertakings such as the acquisition or expansion of facilities or decommissioning of facilities; and (vi) all incidents and near misses with respect to the Company's operations, including corrective actions taken as a result thereof.

Community Relations

The Company has developed policies and practices that complement its basic responsibilities as a development tool for the local communities in the jurisdictions in which it operates. The Company's social responsibility strategy aims at creating local employment opportunities and providing industry education and health training programs.

INDUSTRY CONDITIONS

The following is a brief summary of the economic and energy market conditions encountered in conducting onshore oil and natural gas operations in Trinidad. The industry related information in this section has been sourced from public information.

Economic and Market Conditions

The islands of Trinidad and Tobago are the southernmost islands in the Caribbean and are located between the Atlantic Ocean and the Caribbean Sea, northeast of Venezuela. The southern tip of the island lies eleven kilometres from the Venezuelan mainland, while the island of Tobago lies approximately 30 kilometres northeast of Trinidad.

Trinidad is the Caribbean's largest producer of oil and natural gas and has been involved in the petroleum sector for over one hundred years. According to the June 2016 BP Statistical Energy Survey, Trinidad has proved oil reserves of 0.7 billion barrels as of December 31, 2015 and produced an average of 110 thousand barrels of crude oil per day in 2014. The country has developed a tremendous infrastructure in support of the energy industry and currently is the world's sixth largest liquid natural gas exporter and the largest liquid natural gas exporter to the United States. In addition to the state-owned Pointe-a-Pierre oil refinery which has over 165,000 barrels per day of distillation capacity, the country boasts one of the largest natural gas processing facilities in the Western Hemisphere (with a processing capacity of almost two billion cubic feet per day and an output capacity of 70,000 barrels per day of natural gas liquids).

The petroleum and petrochemical industries accounted for approximately 37% of gross domestic product ("**GDP**") in 2015. Economic growth averaged slightly over 8% per year between 2000 and 2007, significantly above the average of 3.7% for the Caribbean region during the same period. However, GDP growth slowed down; and after a weak recovery in 2012 and 2013, the economy contracted in 2014 and 2015 due to the sharp fall in oil and gas prices. GDP growth for 2016 was forecasted at -1.1%. The country has faced significant challenges in adjusting to a low energy prices environment. The collapse of energy prices resulted in job losses and had negative effects on GDP and revenues.

Per the Central bank of Trinidad and Tobago, 2016 available data shows that energy production declined markedly in 2016, due to a combination of factors including maturation of oil and gas fields and maintenance work which reduced gas feedstock to the downstream industries. The prospects for 2017 appear brighter as both oil and gas output are expected to recover slightly as new fields are placed into operation, and there are fewer expected stoppages for maintenance.

The government has been trying to reduce the country's reliance on the energy sector and diversify the economy, minimizing its risk to potentially volatile energy prices resulting from global economic conditions. Trinidad and Tobago has a low level of public indebtedness, adequate financial buffers, solid human capital, and overall political stability, which are expected to facilitate an economic rebound over the medium-term, as GDP is expected to grow nominally in 2017 and 2018.

Royalties

The following is a discussion of the royalty regime affecting the Company's producing properties as at December 31, 2016.

Touchstone incurs a crown royalty rate of 12.5% on gross production under MEEI and Petrotrin 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 10% to 35% on predefined monthly base production levels. For any production volumes sold in excess of base production levels, the Company incurs an enhanced NORR ("enhanced NORR") of 8% to 22.5%. The NORR and

enhanced NORR rates are indexed to the price of oil realized in the production month. The LOAs 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.

Production from the Coora, WD-4 and WD-8 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 properties.

In addition to crown royalties, the South Palo Seco and New Dome blocks are subject to farmout agreements that stipulate NORR rates ranging from 7% to 27% and enhanced NORR rates ranging from 4% to 17%. Similar to the LOA structure, the NORR and enhanced NORR rates are indexed to the price of oil realized in the production month. However, there are no incentives for drilling under the farmout agreements.

Income Taxes

The following is a discussion of the income tax regime affecting the Company's operations as at December 31, 2016.

Trinidad has a value-added tax rate of 12.5% on standard goods and services. Crude oil and natural gas are zero-rated goods.

The Company's two Trinidad exploration and production subsidiaries are subject to the following Trinidad petroleum taxes:

- 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 0.3% of gross revenue

SPT is calculated and remitted on a quarterly basis. Actual rates vary based on the realized selling prices of crude oil in the applicable quarter. The SPT rate is 0% when the weighted average realized price of oil for a given quarter is below US\$50.00 per barrel and 18% when weighted average realized oil prices fall between US\$50.00 and US\$90.00. The revenue base for the calculation of SPT is gross revenue less royalties, less 20% investment tax credits for allowable tangible and intangible capital expenditures incurred in the applicable fiscal quarter.

Annual PPT and UL taxes are calculated based on net chargeable profits. Net chargeable profits are determined by calculating gross revenue less royalties, SPT paid during the year, capital allowances, operating, administration and certain finance expenses. PPT losses can be carried forward indefinitely, but UL can only be sheltered by current period losses. As of January 1, 2014, developmental capital expenditure allowances (tangible and intangible) are amortized 50% in year one, 30% in year two and 20% in year three. All exploration expenses and unsuccessful development costs can be written off in the current year.

The Company also has a Trinidad oilfield service subsidiary that is subject to the greater of a 25% corporation tax calculated on net chargeable profits or a 0.6% business levy calculated on gross revenue. The service company is also subject to the green fund levy noted above. All corporate tax losses can be carried forward indefinitely. Allowances vary from 10% to 33.3% for various capital expenditures.

In the future, the Company's exploration and production entities may be subject to a Petroleum Production Levy, which is calculated as 4% of income for producers of more than 3,500 boe/d.

At December 31, 2016, the Company had approximately \$27,663,000 and \$1,772,000 (2015 - \$23,929,000 and \$1,068,000) in Trinidadian PPT and corporate tax losses respectively which may be carried forward indefinitely to reduce PPT and corporate tax in future years.

Regulatory Regime

Touchstone works with the MEEI and Petrotrin as required on regulatory matters relating to day to day operations as well as all exploration and development projects. Oil and gas exploration and development activities, and the petroleum industry overall are governed by the Petroleum Act (1969), the Petroleum Regulations (1970) made thereunder, and the Petroleum Tax Act (1974). Activities conducted on LOA and farmout properties are further governed by operating agreements with Petrotrin which give Petrotrin measured oversight of activities occurring on the properties.

Touchstone strives to meet or exceed the regulatory standards outlined by all governing agreements and regulations, and the Company is compliant with all requirements outlined under the various governmental regulations.

Environmental Regulation

From an environmental perspective, Touchstone's operations in Trinidad are regulated by the Environmental Management Authority (the "**EMA**") with additional oversight from Petrotrin on LOA and farmout properties. The EMA was established from and oversees regulation of the Environmental Management (EM) Act 2000 of Trinidad and Tobago. The EM Act governs the protection, conservation, enhancement, and wise use of the environment of Trinidad and Tobago. Further environmental regulation may, under certain circumstances, fall under the regulation of the Water and Sewerage Authority of Trinidad and Tobago.

Touchstone is sensitive to the environmental impact of its operations and, under the supervision of the Company's HSE department, works closely with regulatory agencies and industry partners to be compliant with all environmental regulations in Trinidad and to meet international best practices wherever possible.

FORM 51-101F1
STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION
OF TOUCHSTONE EXPLORATION INC.

Date of Statement

This Statement of Reserves Data and Other Oil and Gas Information (the "**Statement**") of Touchstone Exploration Inc. is dated March 21, 2017. The effective date of the information being provided in this Statement is December 31, 2016 unless otherwise indicated. The information contained in this Statement was prepared between January 10, 2017 and March 17, 2017. For a glossary of terminology and definitions relating to the information included in this report, readers are referred to NI 51-101. All of the Company's reserves are located in Trinidad.

Disclosure of Reserves Data

The reserves data of the Company as set forth below (the "**Reserves Data**") are based upon an evaluation by GLJ set out in the Reserves Report dated March 17, 2017 with an effective date of December 31, 2016. GLJ is an independent qualified reserves evaluator appointed by the Company pursuant to NI 51-101. GLJ independently evaluated all of the Company's oil properties in the Republic of Trinidad and Tobago. The Company does not have any natural gas, natural gas liquids, coal bed methane, synthetic crude oil, bitumen, gas hydrates, shale gas, synthetic gas, or tight oil production or reserves.

The reserve estimates presented in the Reserves Report are based on the guidelines contained in the COGE Handbook and the reserve definitions contained in NI 51-101 and the COGE Handbook. A summary of those definitions is set forth in the "*Technical Abbreviations and Conventions*" section of this Annual Information Form. GLJ was engaged to provide evaluations of proved reserves and proved plus probable reserves. Additional information not required by NI 51-101 has been presented to provide continuity and clarity which the Company believes is important to the readers of this information.

The Reserves Committee of the Board of Directors and the Board of Directors have reviewed and approved the Reserves Report. The Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor and the Report of Management and Directors on Oil and Gas Disclosure are attached as Schedules "A" and "B" hereto, respectively.

All evaluations of future revenue contained in the Reserves Report are after the deduction of royalties, development costs, production costs and well abandonment costs but before consideration of indirect costs such as administrative, overhead and finance expenses. It should not be assumed that the estimated future net revenue figures contained in the following tables represent the fair market value of the Company's reserves. There are numerous uncertainties inherent in estimating quantities of crude oil, reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth in this Annual Information Form are estimates only. The recovery and reserves estimates attributed to the Company's properties described herein are estimates only, and there is no guarantee that the estimated reserves will be recovered. The actual reserves attributable to the Company's properties may be greater than or less than the estimated provided herein. See "*Risk Factors*".

In general, estimates of economically recoverable crude oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of crude oil and natural gas, royalty rates, tax rates, the assumed effects of regulation by governmental agencies, and future operating costs, all of which may vary materially from actual results. For those reasons, among others, estimates of the economically recoverable crude oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves may vary and such variations may be material. The actual production, revenues, taxes and development, and operating expenditures with respect to the reserves associated with the Company's properties may vary from the information presented herein, and such variations could be material. In addition, there is no assurance that

the forecast price and cost assumptions contained in the Reserves Report will be attained, and variances could be material. See "*Risk Factors*" and "*Forward-Looking Statements*".

The tables below are a summary of the Company's crude oil reserves and the net present value of the future net revenue attributable to such reserves, as evaluated in the Reserves Report based on GLJ's December 31, 2016 forecast price and cost assumptions. The tables contained in the Reserves Report are a summary of the Reserves Data, and as a result, may contain slightly different numbers and columns may not add exactly. The Reserves Report also presents the net present value of future net revenue of the Company's properties before and after taxes at various discount rates. Assumptions and qualifications relating to costs and prices for future production and other matters are summarized in the notes to the following tables.

The extent and nature of all information supplied by the Company, which may have included ownership data, well information, geological information, reservoir studies, timing and future production, current product prices, operating cost data, capital budget forecasts and future operating plans, have been relied upon by GLJ in preparing the Reserves Report and were accepted as represented without independent verification. All information provided to GLJ was current as at December 31, 2016, and accordingly, certain of such information might not be representative of current conditions.

Reserves Data - Forecast Prices and Costs

The tables below disclose the following in relation to the Company's development properties, which as of December 31, 2016 are all located onshore within Trinidad. In certain tables set forth below, the columns may not add due to rounding. All dollar amounts are reported in thousands of Canadian dollars unless otherwise indicated.

"Summary of Reserves as of December 31, 2016" discloses, in aggregate, the Company's gross and net proved reserves and proved plus probable reserves, estimated using forecast prices and costs, by product type. **"Forecast prices and costs"** means future prices and costs used by GLJ in the Reserves Report that are generally accepted as being a reasonable outlook of the future, fixed or currently determinable future prices or costs to which the Company is bound.

"Summary of Net Present Values of Future Net Revenue Before Tax as of December 31, 2016" discloses, in aggregate, the net present value of the Company's future net revenue attributed to the reserve categories in the table entitled "Summary of Reserves as of December 31, 2016", estimated using forecast prices and costs, before deducting future income tax expenses, calculated without discount and using discount rates of 5%, 10%, 15% and 20% as well as on a \$/boe and \$/Mcf basis.

"Summary of Net Present Values of Future Net Revenue After Tax as of December 31, 2016" discloses, in aggregate, the net present value of the Company's future net revenue attributed to the reserve categories in the table entitled "Summary of Reserves as of December 31, 2016", estimated using forecast prices and costs, after deducting future income tax expenses, calculated without discount and using discount rates of 5%, 10%, 15% and 20%.

"Total Future Net Revenue (Undiscounted) as of December 31, 2016" discloses, in aggregate, certain elements of the Company's future net revenue attributable to its proved reserves and its proved plus probable reserves, estimated using forecast prices and costs, and calculated without discount.

"Net Present Value of Future Net Revenue by Production Group as of December 31, 2016" discloses, by production group and on a \$/boe and \$/Mcf basis, the net present value of the Company's future net revenue attributable to its proved reserves and its proved plus probable reserves, before deducting future income tax expenses, estimated using forecast prices and costs, and calculated using a 10% discount rate.

SUMMARY OF RESERVES AS OF DECEMBER 31, 2016

Reserves Category	Light and Medium Crude Oil		Heavy Crude Oil		Natural Gas		Natural Gas Liquids		Oil Equivalent	
	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾
	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	MMcf	Mbbl	Mbbl	Mboe	Mboe
Proved										
Producing	3,955	2,297	651	555	-	-	-	-	4,606	2,852
Developed Nonproducing	735	618	213	191	-	-	-	-	948	809
Undeveloped	2,890	1,960	533	474	-	-	-	-	3,423	2,434
Total Proved	7,580	4,874	1,397	1,220	-	-	-	-	8,977	6,094
Total Probable	5,914	4,207	808	714	-	-	-	-	6,722	4,922
Total Proved Plus Probable	13,494	9,082	2,205	1,934	-	-	-	-	15,698	11,016

⁽¹⁾ "Gross Reserves" are the Company's working interest share of the remaining reserves before deduction of any royalties.

⁽²⁾ "Net Reserves" are the Company's working interest share of the remaining reserves less all crown, freehold, overriding royalties and interests owned by others.

SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE BEFORE TAX AS OF DECEMBER 31, 2016

Reserves Category	Net Present Values of Future Net Revenue Before Income Taxes Discounted at (%/year)					Unit Value Before Income Tax Discounted at 10%/year ⁽¹⁾	
	0%	5%	10%	15%	20%	\$/boe	\$/Mcfe
	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)		
Proved							
Producing	135,098	83,260	62,240	50,732	43,305	21.83	3.64
Developed Nonproducing	49,825	41,109	34,654	29,732	25,887	42.85	7.14
Undeveloped	112,953	83,755	64,199	50,503	40,562	26.38	4.40
Total Proved	297,876	208,125	161,093	130,967	109,753	26.43	4.41
Total Probable	327,003	220,427	163,770	128,052	103,516	33.27	5.55
Total Proved Plus Probable	624,878	428,551	324,863	259,018	213,269	29.49	4.91

⁽¹⁾ Unit values are based on Company Net Reserves.

**SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE AFTER TAX⁽¹⁾
AS OF DECEMBER 31, 2016**

Reserves Category	Net Present Values of Future Net Revenue After Income Taxes Discounted at (%/year)				
	0% (\$000's)	5% (\$000's)	10% (\$000's)	15% (\$000's)	20% (\$000's)
Proved					
Producing	65,425	46,613	38,095	32,990	29,449
Developed Nonproducing	18,099	15,447	13,486	11,982	10,795
Undeveloped	39,408	28,407	21,088	15,985	12,301
Total Proved	122,931	90,466	72,668	60,958	52,546
Total Probable	114,765	77,910	58,072	45,426	36,686
Total Proved Plus Probable	237,696	168,376	130,740	106,383	89,233

⁽¹⁾ Income taxes include all resource income, appropriate income tax calculations, current Trinidad tax regulations and estimated December 31, 2016 tax pools and non-capital losses.

TOTAL FUTURE NET REVENUE (UNDISCOUNTED) AS OF DECEMBER 31, 2016

Reserves Category	Revenue (\$000's)	Royalties (\$000's)	Operating Costs (\$000's)	Capital Development Costs (\$000's)	Aband. Costs ⁽¹⁾ (\$000's)	Future Net Revenue BT ⁽²⁾ (\$000's)	Future Income Taxes (\$000's)	Future Net Revenue AT ⁽³⁾⁽⁴⁾ (\$000's)
Total Proved	741,172	249,354	137,864	48,700	7,378	297,876	174,944	122,931
Total Proved Plus Probable	1,320,809	415,127	199,666	72,301	8,836	624,878	387,182	237,696

⁽¹⁾ See "Significant Factors or Uncertainties Affecting Reserves Data – Abandonment and Reclamation Costs".

⁽²⁾ "BT" = Before future income taxes.

⁽³⁾ "AT" = After future income taxes.

⁽⁴⁾ Values are calculated by utilizing estimated December 31, 2016 tax pools and non-capital losses and taking into account current and expected future Trinidad tax regulations. Values do not represent an estimate of the value at the business entity level, which may be significantly different. For information at the business entity level, please see the Company's Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2016.

NET PRESENT VALUE OF FUTURE NET REVENUE BY PRODUCTION GROUP AS OF DECEMBER 31, 2016

Reserves Category	Production Group	Future Net Revenue Before Income Taxes Discounted at 10%/year ⁽²⁾		
		\$000's	\$/boe	\$/Mcfe
Total Proved				
	Light and Medium Oil ⁽¹⁾	126,815	26.02	4.34
	Heavy Oil	34,278	28.10	4.68
Total Proved Plus Probable				
	Light and Medium Oil ⁽¹⁾	265,026	29.18	4.86
	Heavy Oil	59,837	30.93	5.16

⁽¹⁾ Including solution gas and other by-products.

⁽²⁾ Unit values are based on Company Net Reserves.

Pricing Assumptions

The following table sets forth the benchmark reference prices reflected in the Reserves Data. This price forecast was GLJ's standard price forecast effective January 1, 2017.

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS AS OF JANUARY 1, 2017 ⁽¹⁾⁽²⁾					
Forecast Year	Inflation Rate (%/year) ⁽³⁾	US\$/Cdn\$ Exchange Rate ⁽⁴⁾	WTI Cushing Oklahoma (US\$/bbl)	Brent Blend Crude Oil FOB North Sea (US\$/bbl)	Edmonton Par Price 40 API Light Sweet Crude Oil (Cdn\$/bbl)
2017	2.0	0.750	55.00	57.00	69.33
2018	2.0	0.775	59.00	61.00	72.26
2019	2.0	0.800	64.00	66.00	75.00
2020	2.0	0.825	67.00	70.00	76.36
2021	2.0	0.850	71.00	74.00	78.82
2022	2.0	0.850	74.00	77.00	82.35
2023	2.0	0.850	77.00	80.00	85.88
2024	2.0	0.850	80.00	83.00	89.41
2025	2.0	0.850	83.00	86.00	92.94
2026	2.0	0.850	86.05	89.64	95.61
Thereafter	2.0	0.850	+2.0%/year	+2.0%/year	+2.0%/year

⁽¹⁾ This summary table identifies benchmark reference pricing schedules that might apply to a reporting issuer.

⁽²⁾ Product sales prices will reflect these reference prices with further adjustments for quality differentials and transportation to point of sale.

⁽³⁾ Inflation rates for forecasting pricing and costs.

⁽⁴⁾ Exchange rates used to generate the benchmark reference prices in this table.

During the year ended December 31, 2016, the Company realized an average price of US\$38.10 per barrel for Trinidad crude oil, which represented a 13% discount in comparison to average Brent reference prices and a 12% discount in comparison to average West Texas Intermediate reference prices over the corresponding annual period, respectively.

Reconciliation of Changes in Reserves

The following table sets forth a reconciliation of the Company's total gross proved, gross probable and total gross proved plus probable oil reserves as at December 31, 2016 against such reserves as at December 31, 2015 based on forecast prices and cost assumptions. All of the Company's reserves are located in Trinidad.

RECONCILIATION OF COMPANY GROSS RESERVES BY PRINCIPAL PRODUCT TYPE									
Factors	Light and Medium Crude Oil			Heavy Crude Oil			Total Crude Oil		
	Proved (Mbbbl)	Probable (Mbbbl)	Proved + Probable (Mbbbl)	Proved (Mbbbl)	Probable (Mbbbl)	Proved + Probable (Mbbbl)	Proved (Mbbbl)	Probable (Mbbbl)	Proved + Probable (Mbbbl)
December 31, 2015 ⁽¹⁾	7,490	5,705	13,195	1,325	946	2,271	8,815	6,650	15,465
Extensions and improved recovery	315	105	420	166	(120)	46	481	(15)	466
Technical revisions	182	99	281	7	(13)	(6)	190	86	276
Economic factors	(13)	5	(8)	(20)	(5)	(25)	(33)	-	(33)
Production	(394)	-	(394)	(81)	-	(81)	(476)	-	(476)
December 31, 2016⁽¹⁾	7,580	5,914	13,494	1,397	808	2,205	8,977	6,722	15,698

⁽¹⁾ All of the Company's reserves are located in Trinidad.

Additional Information Relating to Reserves Data

Undeveloped Reserves

Undeveloped reserves are attributed by GLJ in accordance with standards and procedures contained in the COGE Handbook. Proved undeveloped reserves are those reserves that can be estimated with a high degree of certainty and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. Probable undeveloped reserves are those reserves that are less certain to be recovered than proved reserves and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. Proved and probable undeveloped reserves have been assigned in accordance with engineering and geological practices as defined under NI 51-101.

The Reserves Report assumes that the proven undeveloped reserves will be developed over the next four years with over 80% of the capital spending in the next three years. There are a number of factors that could result in delayed or cancelled development, including the following: (i) changing economic conditions (due to commodity pricing, operating and capital expenditure fluctuations); (ii) changing technical conditions (including production anomalies, such as water breakthrough or accelerated depletion); (iii) multi-zone developments (for instance, a prospective formation completion may be delayed until the initial completion formation is no longer economic); (iv) a larger development program may need to be spread out over several years to optimize capital allocation; and (v) surface access issues (including those relating to weather conditions and regulatory approvals). For more information, see "Risk Factors".

The following tables disclose the gross proved and probable undeveloped reserves, each by product type, attributable to the Company's properties for the years ended December 31, 2016, 2015 and 2014 based on forecast prices and costs. All of the Company's reserves are located in Trinidad. All proved and probable undeveloped reserves are attributable to acreage that offsets existing production and are determined as per NI 51-101 guidelines.

SUMMARY OF PROVED UNDEVELOPED RESERVES								
Year	Light and Medium Crude Oil (Mbbbl)		Heavy Crude Oil (Mbbbl)		Conventional Natural Gas (MMcf)		Oil Equivalent (Mbbbl)	
	Attributed This Year ⁽¹⁾	Current Total	Attributed This Year	Current Total	Attributed This Year	Current Total	Attributed This Year	Current Total
2014	1,621	3,903	560	560	222	222	2,217	4,499
2015	-	2,889	-	533	-	-	-	3,422
2016	-	2,890	-	533	-	-	-	3,423

⁽¹⁾ Refers to reserves first attributed in this fiscal year ending on the effective date.

The Reserves Report discloses Company gross proved undeveloped reserves of 3,423 Mbbbl before royalties. These are reserves which can be estimated with a high degree of certainty to be recoverable, provided a significant expenditure is made to render them capable of production. The undeveloped reserves in the Reserves Report estimates future capital spending of approximately \$44,615,000 to fully develop the undeveloped reserves, and it is expected that these undeveloped reserves would be reclassified as proved developed reserves. Development of the undeveloped reserves is expected to occur over the next four years with over 80% of the investment expected over the next three years. Timing of the investment and the desired pace of development will depend to a large extent on economic conditions, in particular, the world price of oil.

SUMMARY OF PROBABLE UNDEVELOPED RESERVES								
Year	Light and Medium Crude Oil (Mbbbl)		Heavy Crude Oil (Mbbbl)		Conventional Natural Gas (MMcf)		Oil Equivalent (Mbbbl)	
	Attributed This Year ⁽¹⁾	Current Total	Attributed This Year	Current Total	Attributed This Year	Current Total	Attributed This Year	Current Total
2014	1,480	4,315	650	650	265	265	2,174	5,009
2015	-	3,558	-	245	-	-	-	3,803
2016	-	3,525	-	245	-	-	-	3,770

⁽¹⁾ Refers to reserves first attributed in this fiscal year ending on the effective date.

The Reserves Report discloses Company gross probable undeveloped reserves of 3,770 Mbbbl before royalties. Probable reserves are less certain to be recovered than proved reserves. Development of the undeveloped reserves is expected to occur over the next four years with over 80% of the investment expected over the next three years. Timing of the investment and the desired pace of development will depend to a large extent on economic conditions, in particular, the world price of oil.

Significant Factors or Uncertainties Affecting Reserves Data

Estimates of economically recoverable oil and natural gas reserves and the associated future net cash flows are based upon a number of variable factors and assumptions. The main area of uncertainty is commodity prices, as the Company currently sells all production at spot market pricing. The evaluated oil and gas properties of the Company have no material extraordinary risks or uncertainties beyond those which are inherent of an oil and gas producing entity.

GLJ forecasts reserve volumes and future cash flows based upon current and historical well performance through to the economic production limit of individual wells. Notwithstanding established precedence and contractual options for the continuation and renewal of the Company's existing operating agreements, in many cases the forecast economic limit of individual wells are beyond the current term of the relevant operating agreements. There is no certainty as to any renewal of the Company's existing operating arrangements.

The process of estimating oil and gas reserves is inherently complex, requiring significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas processing and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions and have been evaluated by an independent engineering firm. As circumstances change and additional data becomes available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although reasonable efforts are made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in period-end oil and gas prices and reservoir performance. Such revisions can be either positive or negative. The estimates of the Company's crude oil reserves produced in this document are estimates only. There is no assurance or guarantee that the estimated reserves will be recovered. Actual reserves may be greater or less than the estimates provided herein.

At this time, the Company does not anticipate any unusually high development costs or operating costs, the need to build a major pipeline or other major facility before production of reserves can begin, or contractual obligations to produce and sell a significant portion of production at prices substantially below those which could be realized but for those contractual obligations. The Company does not anticipate any significant economic factors or significant uncertainties will affect any particular components of the Reserves Data. However, reserves can be affected significantly by fluctuations in product pricing, capital

expenditures, operating costs, royalty regimes and well performance, and subsequent drilling results that are beyond the Company's control. See "Risk Factors".

Abandonment and Reclamation Costs

The following table sets forth the abandonment and reclamation costs deducted in the estimation of the Company's future net revenue using forecast prices and costs as included in the Reserves Report.

ABANDONMENT AND RECLAMATION COSTS (\$000's)				
Year	Total Proved		Total Proved Plus Probable	
	Undiscounted	Discounted at 10% / year	Undiscounted	Discounted at 10% / year
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
Thereafter	7,378	1,417	8,836	1,350
Total	7,378	1,417	8,836	1,350

As at December 31, 2016, the Company had 843.5 net wells in Trinidad for which it expected to incur reclamation and abandonment costs for total undiscounted costs of \$20.7 million. The Reserves Report deducted \$7.4 million (undiscounted) and \$8.9 million (undiscounted) for abandonment and reclamation costs of wells with proved and proved plus probable reserves in estimating future net revenues disclosed in this AIF, respectively.

The future net revenues disclosed in this AIF based on the Reserves Report do not contain an allowance for abandonment and reclamation costs for wells without reserves. Management has estimated there is an additional \$14.8 million (undiscounted) for abandonment and reclamation costs for wells without reserves. For further information, see Note 11, "Decommissioning Obligations" to the consolidated financial statements of the Company for the year ended December 31, 2016, which can be found on the Company's website (www.touchstoneexploration.com) and on the Company's SEDAR profile (www.sedar.com).

Future Development Costs

The following table provides information regarding the development costs deducted in the estimation of the Company's future net revenue using forecast prices and costs as included in the Reserves Report.

FUTURE DEVELOPMENT COSTS (\$000's)		
Year	For Proved Reserves	For Proved Plus Probable Reserves
2017	5,980	5,980
2018	13,617	19,181
2019	21,897	33,742
2020	7,206	13,398
2021	-	-
Thereafter	-	-
Total Undiscounted	48,700	72,301
Total Discounted at 10%/year	39,921	58,513

The Company expects that the funds required for future development costs will be derived from a combination of internally-generated cash from operations, working capital, and the issuance of new debt or equity where and when it believes appropriate to fund future development costs set out in the Reserves Report. There can be no guarantee that funds will be available or that the Board of Directors of the Company will allocate funding to develop all of the reserves attributable in the Reserves Report. Failure to develop those reserves would have a negative impact on the Company's future cash flows. Further, the Company may choose to delay development depending upon a number of circumstances including the existence of higher priority expenditures and available cash flow.

Interest and other costs of external funding are not included in the future development costs of the reserves or in the future revenue estimates and would reduce reserves and future net revenue to some degree depending upon the funding sources utilized. The Company does not anticipate that the costs of funding will materially affect the Company's disclosed reserves and future net revenues or will make the development of any of the Company's properties uneconomic.

Other Oil and Gas Information

Oil and Gas Properties and Wells

Unless otherwise stated, the following information is presented as at December 31, 2016. The Company does not believe that there have been any material changes to such information since such date.

The Company's principal properties in production or under development are located onshore within Trinidad. The Company operates under LOAs and farmout agreements with the Petroleum Company of Trinidad and Tobago, state exploration and production licenses with the MEEI, and private exploration and production agreements with individual landholders as per below.

SUMMARY OF PRODUCING PROPERTIES AND LEASES			
Property	Working interest	Lease type	Expiry
Coora 1	100%	Lease Operatorship Agreement	December 31, 2020 ⁽¹⁾
Coora 2	100%	Lease Operatorship Agreement	December 31, 2020 ⁽¹⁾
WD-4	100%	Lease Operatorship Agreement	December 31, 2020 ⁽¹⁾
WD-8	100%	Lease Operatorship Agreement	December 31, 2020 ⁽¹⁾
New Dome	100%	Farmout Agreement	December 31, 2021 ⁽¹⁾
South Palo Seco	100%	Farmout Agreement	December 31, 2021 ⁽¹⁾
Barrackpore	100%	Freehold	Various
Fyzabad	100%	Crown & Freehold	TBD ⁽²⁾ & Various
Icacos	50%	Freehold	Various
Palo Seco	100%	Crown	TBD ⁽²⁾
San Francique	100%	Freehold	Various

⁽¹⁾ Not including the Company's option for a five-year renewal.

⁽²⁾ The State licenses expired on August 19, 2013. The Company is currently negotiating licence renewals and has permission from the MEEI to operate until both licenses are renewed.

The following table sets forth information regarding the Company's wells and land holdings as at December 31, 2016.

WELLS⁽¹⁾ AND LAND HOLDINGS								
INCLUDING PROPERTIES WITH NO ATTRIBUTABLE RESERVES								
Property	Producing⁽²⁾		Non-Producing		Developed Land		Undeveloped Land	
	Gross⁽³⁾	Net⁽⁴⁾	Gross⁽³⁾	Net⁽⁴⁾	Gross⁽³⁾	Net⁽⁴⁾	Gross⁽³⁾	Net⁽⁴⁾
	Wells	Wells	Wells	Wells	Acres	Acres	Acres	Acres
Trinidad								
Coora 1	93.0	93.0	158.0	50.0	1,230	1,230	-	-
Coora 2	52.0	52.0	66.0	18.0	469	469	-	-
WD-4	38.0	38.0	37.0	14.0	700	700	-	-
WD-8	84.0	84.0	38.0	24.0	650	650	-	-
New Dome	6.0	6.0	10.0	-	69	69	-	-
South Palo Seco	5.0	5.0	1.0	-	2,019	2,019	-	-
Barrackpore	12.0	12.0	-	-	478	478	-	-
Fyzabad	98.0	98.0	153.0	153.0	804	804	-	-
Icacos	5.0	2.5	2.0	1.0	1,960	980	-	-
Palo Seco	19.0	19.0	55.0	55.0	499	499	-	-
San Francique	68.0	68.0	49.0	49.0	2,306	2,306	-	-
Bovallius	-	-	-	-	-	-	976	976
Cory Moruga	-	-	5.0	0.6	-	-	11,969	1,939
East Brighton	-	-	2.0	1.4	-	-	20,589	14,412
Moruga	-	-	-	-	-	-	3,300	3,300
New Grant	-	-	-	-	-	-	687	687
Ortoire	-	-	77.0	-	-	-	44,731	35,785
Otaheite	-	-	-	-	-	-	935	935
Piparo	-	-	-	-	-	-	72	72
Rousillac	-	-	-	-	-	-	570	570
Siparia	-	-	-	-	-	-	160	80
St. John	-	-	-	-	-	-	408	408
	480.0	477.5	653.0	366.0	11,184	10,204	84,397	59,164
Canada								
Beadle	-	-	-	-	-	-	4,795	4,795
Druid	-	-	-	-	-	-	8,641	8,641
Luseland	-	-	-	-	-	-	6,849	6,849
Winter	-	-	-	-	-	-	11,323	11,323
	-	-	-	-	-	-	31,608	31,608
Total Company	480.0	477.5	653.0	366.0	11,184	10,204	116,005	90,772

⁽¹⁾ All of the Company's wells are oil wells.

⁽²⁾ Wells that produced during the 2016 fiscal year.

⁽³⁾ "Gross" means the total number of wells/acres in which the Company has an interest.

⁽⁴⁾ "Net" means the number of wells/acres obtained by aggregating the Company's interest in each of its gross wells/acres.

Properties with No Attributed Reserves

The following tables set forth information respecting the Company's unproved properties as at December 31, 2016.

PROPERTIES WITH NO ATTRIBUTABLE RESERVES ⁽¹⁾⁽²⁾						
Property	Unproved Properties		2017 Expiring			
	Gross ⁽³⁾ Acres	Net Acres ⁽⁴⁾	Gross ⁽³⁾ Acres	Net ⁽⁴⁾ Acres		
Trinidad						
Bovallius	976	976	-	-		
Cory Moruga	11,969	1,939	-	-		
East Brighton	20,589	14,412				
Moruga	3,300	3,300	-	-		
New Grant	687	687	-	-		
Ortoire	44,731	35,785	-	-		
Otaheite	935	935	-	-		
Piparo	72	72	-	-		
Rousillac	570	570	-	-		
Siparia	160	80	-	-		
St. John	408	408	-	-		
	84,397	59,164	-	-		
Canada						
Beadle	4,795	4,795	2,554	2,554		
Druid	8,641	8,641	-	-		
Luseland	6,849	6,849	-	-		
Winter	11,323	11,323	-	-		
	31,608	31,608	2,554	2,554		
Total Company	116,005	90,772	2,554	2,554		

⁽¹⁾ Unproved properties have no attributable reserves as of December 31, 2016.

⁽²⁾ All Company properties are located onshore except for East Brighton.

⁽³⁾ "Gross" means the total number of acres in which the Company has an interest.

⁽⁴⁾ "Net" means the number of acres obtained by aggregating the Company's interest in each of its gross acres.

The East Brighton License and the Ortoire License have defined minimum work obligations. See "Description of the Business and Operations" for further details.

Significant Factors or Uncertainties Relevant to Properties with No Attributed Reserves

The presence of economic quantities of hydrocarbons on lands with no attributed reserves is uncertain until the lands are drilled and tested. Beyond the need to drill and test exploration areas, additional factors may influence the Company's ability to develop these lands, including escalation of capital costs and operating costs, the potential requirement to expand existing infrastructure and a material change in commodity prices. For further information, see Note 6, "Exploration Assets" to the consolidated financial statements of the Company for the year ended December 31, 2016, which can be found on the Company's website (www.touchstoneexploration.com) and on the Company's SEDAR profile (www.sedar.com).

Forward Contracts

In the past, the Company entered into Brent reference based crude oil financial derivative contracts to protecting funds flow from operations from the volatility of commodity prices. The Company had no commodity risk management contracts outstanding as at December 31, 2016 or at the date of this AIF. For further information, see Note 16, "Risk Management" to the consolidated financial statements of the Company for the year ended December 31, 2016 which can be found on the Company's website (www.touchstoneexploration.com) and on the Company's SEDAR profile (www.sedar.com). The nature of crude oil operations exposes the Company to risks associated with commodity prices. Periodically, the Company may manage these risks through the use of derivative instruments. The Board of the Company periodically reviews the results of all risk management activities.

Tax Horizon

The Reserves Report forecasts cash taxes in Trinidad to be incurred in 2018 and the Company incurred cash taxes in prior years. The Reserves Report using forecast prices and costs estimates \$nil income taxes payable in 2017 based on estimated Company loss carry-forwards as at December 31, 2016. See "Description of Business and Operations" for further details.

Costs Incurred

The following table summarizes certain expenditures for the Company for the year ended December 31, 2016.

PROPERTY ACQUISITION COSTS AND CAPITAL EXPENDITURES⁽¹⁾	
	Amount (\$000's)
Development costs	1,714
Exploration costs	2,029
Property acquisition costs	-
Total	3,743

⁽¹⁾ Capital expenditures in this table exclude capitalized share-based compensation (\$57,000) and Canada corporate asset additions (\$138,000).

Exploration and Development Activities

The Company did not drill any development or exploration wells during the fiscal year ended December 31, 2016.

Production Estimates

The following table summarizes the average volumes of net production estimated in the Reserves Report for the year ended December 31, 2017 by reserves category.

SUMMARY OF FIRST YEAR PRODUCTION ESTIMATES			
Reserve Category	Light and Medium Crude Oil (bbl/d)	Heavy Crude Oil (bbl/d)	Oil Equivalent (boe/d)
Proved	1,388	240	1,628
Probable	133	29	162
Total Proved Plus Probable	1,521	269	1,790

For the year ended December 31, 2017, the Reserves Report estimated WD-4 block and WD-8 block annual average production of 555 bbls/d and 414 bbls/d under the proved reserves category, respectively. For the year ended December 31, 2017, the Reserves Report estimated WD-4 block and WD-8 block annual average production of 68 bbls/d and 33 bbls/d under the probable reserves category, respectively.

Production History

The following table sets forth certain information in respect of the gross Company crude oil sales volumes, crude oil prices received, royalties paid, production costs and the operating netback received by the Company for each quarter of the fiscal year ended December 31, 2016.

PRODUCTION HISTORY - YEAR ENDED DECEMBER 31, 2016					
Fiscal Quarter	Average Gross	Price Received	Average \$/bbl		
	Daily Sales Volumes ⁽¹⁾		Royalties	Operating Costs	Operating Netback ⁽²⁾
Q1 2016	1,372	38.66	11.59	24.53	2.54
Q2 2016	1,334	49.83	13.52	20.10	16.21
Q3 2016	1,289	52.56	13.89	19.65	19.02
Q4 2016	1,255	61.85	18.56	19.89	23.40
2016	1,313	50.49	14.32	21.09	15.08

⁽¹⁾ Sales volumes may not agree to the Reserves Report which uses Company production volumes.

⁽²⁾ Operating netbacks are calculated by subtracting royalties and operating expenses from petroleum revenues and is reported before any realized commodity price derivative gain or loss (See "Non-GAAP Terms").

The following table summarizes the Company's gross sales volumes during the year ended December 31, 2016 for each product type by field.

GROSS PRODUCTION HISTORY BY FIELD - YEAR ENDED DECEMBER 31, 2016 ⁽¹⁾			
Property	Light and Medium Crude Oil (bbls)	Heavy Crude Oil (bbls)	Oil Equivalent (boe)
Coora	77,177	-	77,177
WD-4	181,254	-	181,254
WD-8	98,934	-	98,934
New Dome	-	7,408	7,408
South Palo Seco	-	2,194	2,194
Barrackpore	16,729	-	16,729
Fyzabad	-	59,284	59,284
Icacos	-	8,686	8,686
Palo Seco	-	5,508	5,508
San Francique	23,326	-	23,326
Total Production	397,320	83,080	480,400

⁽¹⁾ Sales volumes may not agree to the Reserves Report which uses Company production volumes.

DIVIDEND POLICY

Touchstone has not declared or paid any dividends on its outstanding Common Shares. The Company does not intend to pay dividends in the near future, as futures earnings will be retained to finance further expansion of business and operations. Any decision to pay dividends on any class of shares will be made by the Board on the basis of earnings, financial requirements, the satisfaction of the liquidity and solvency tests imposed by the ABCA for the declaration and other conditions existing at such future time.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

Touchstone is authorized to issue an unlimited number of Common Shares without nominal or par value of which 83,187,143 Common Shares are issued and outstanding as fully paid and non-assessable as at the date of this AIF. Up to a maximum of 10% of the issued shares of the Company are reserved for issuance pursuant to currently outstanding stock options under the Rolling Plan, of which 5,642,040 are issued as of the date of this AIF. In addition, a maximum of two million Common Shares have been approved for issuance under the Company's incentive share option plan, of which 127,500 are outstanding as of the date of this AIF. Holders of Common Shares are entitled to dividends if, as and when declared by the directors, to one vote per Common Share at meetings of shareholders and, upon liquidation, to receive such assets of the Company as are distributable to holders of Common Shares. The Common Shares are not subject to call or assessment rights, redemption rights, rights regarding purchase for cancellation or surrender, or any pre-emptive or conversion rights.

Shareholder Rights Plan

Effective January 1, 2013, Touchstone adopted the shareholder rights plan ("**SRP**"), which was approved by the shareholders concurrently with their approval of the PetroBakken Reorganization on December 17, 2012 and confirmed by the shareholders on May 20, 2015.

The SRP, under which Computershare Trust Company of Canada acts as rights agent, generally provides that, following the acquisition by any person or entity of 20% or more of the issued and outstanding common shares (except pursuant to certain permitted or excepted transactions) and upon the occurrence of certain other events, each holder of common shares, other than such acquiring person or entity, shall be entitled to acquire additional common shares at a discounted price. The SRP is similar to other shareholder rights plans adopted in the energy sector.

A copy of the SRP was filed on November 26, 2012 as a "Security Holder Document" on the Company's SEDAR profile at www.sedar.com.

Term Loan

On November 23, 2016, the Company completed an arrangement for a \$15 million, five-year term loan agreement from a Canadian investment fund. The Term Loan replaced the Company's Scotia Loan.

The Term Loan matures on November 23, 2021 with no mandatory repayment of principal required until January 1, 2019. The Company is required to repay \$810,000 per quarter commencing on January 1, 2019 through October 1, 2021, and the then outstanding balance of the Term Loan is repayable on the maturity date. The Term Loan bears a fixed interest rate of 8% per annum, compounded and payable quarterly in arrears from January 1, 2017. In connection with the Term Loan, the Company has also granted the lender a 1% gross overriding royalty on petroleum sales from current Company land holdings in Trinidad, which is payable until November 23, 2021 regardless of any repayment or prepayment of the Term Loan.

Touchstone has the ability to prepay any principal portion of the Term Loan after 18 months following the effective date and will incur the following prepayment fees:

- from 18 months following the effective date to 24 months following the effective date, a fee of 3% of the amount prepaid;
- from 24 months and one day following the effective date to 36 months following the effective date, a fee of 2% of the amount prepaid; and
- from 36 months and one day following the effective date to the day immediately prior to the maturity date, a fee of 1% of the amount prepaid.

The Term Loan and the Company's obligations in respect of the royalty are principally secured by fixed and floating security interests over all present and after acquired assets of the Company and its subsidiaries.

The Term Loan contains industry standard representations and warranties, positive and negative covenants and events of default. Among the positive covenants, the Term Loan contains the following financial covenants, which are tested on a quarterly basis:

- maintain a cash reserves balance of \$5 million, the balance which can be reduced to \$2.5 million if the Company's earnings before interest, taxes and non-cash items ("EBITDA") for any 12-month period ending at any time after the closing date exceeds \$8 million, or the Company raises a minimum of \$8 million in net proceeds from the issuance of equity securities;
- maintain a maximum net funded debt (defined as interest-bearing debt less cash reserves) to equity (defined as shareholders' equity less accumulated other comprehensive income (loss)) ratio of 0.50:1.00;
- maintain minimum EBITDA of:
 - \$625,000 for the fiscal quarter ending on December 31, 2016;
 - \$1,250,000 for the combined two fiscal quarters ending on March 31, 2017;
 - \$1,875,000 for the combined three fiscal quarters ending on June 30, 2017; and
 - \$2,500,000 for the combined four fiscal quarters ending on September 30, 2017; and
- maintain a maximum net funded debt to EBITDA ratio of 2.50:1.00 provided that testing of this financial covenant shall not commence until the fiscal quarter ending December 31, 2017.

The royalty obligation is governed by a separate Production Payment Agreement between the parties. The royalty is defined as 1% of the sale proceeds, which are defined as the gross proceeds from the sale of the aggregate gross production attributable to the Company's participating interest in all current Trinidad blocks. The royalty payment is calculated quarterly and payable 35 days subsequent to the end of each fiscal quarter. Touchstone has the option, concurrent with repayment of the Term Loan in full, to buyout the Royalty. The buyout shall be negotiated by both parties and calculated by the Company as prepared in internal forecasts discounted at 8% per annum.

As at December 31, 2016 the Company was in compliance with all covenants, obligations and conditions of the Term Loan.

MARKET FOR SECURITIES

Common Shares

The outstanding Common Shares are listed and posted for trading on the TSX under the symbol "TXP". The following table sets forth the price range and trading volume of the Common Shares as reported by the TSX for the periods indicated:

	Price Range (\$ per Common Share)		Volume
	High	Low	
2017			
January	0.165	0.14	2,809,697
February	0.16	0.135	1,756,555
March (1 to 21)	0.14	0.13	747,466
2016			
January	0.185	0.10	348,886
February	0.18	0.14	733,435
March	0.25	0.17	2,141,513
April	0.25	0.185	852,164
May	0.265	0.18	248,101
June	0.275	0.21	407,366
July	0.25	0.21	266,216
August	0.27	0.20	427,251
September	0.23	0.16	1,913,467
October	0.17	0.145	795,750
November	0.195	0.145	942,933
December	0.215	0.125	10,693,570

Prior Sales

During the year ended December 31, 2016, the Company granted an aggregate of 1,578,800 stock options to acquire an aggregate of 1,578,800 Common Shares at a weighted average exercise price of \$0.13.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS OR TRANSFER

As of the date hereof, none of the Company's securities are subject to escrow or subject to contractual restriction on transfer.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The name, province and country of residence, positions with the Company and principal occupation of the directors and officers of the Company are set out below and in the case of directors, the period that each has served as director of the Company.

Name and Place of Residence	Office Held	Position Since	Principal Occupation (during the preceding 5 years)
Paul Baay Alberta, Canada	President, Chief Executive Officer and Director	May 13, 2014	Former Chairman of the Board and Chief Executive Officer of Touchstone Energy Inc. from July 2010 to May 2014.
Scott Budau Alberta, Canada	Chief Financial Officer	May 13, 2014	Former Chief Financial Officer of Touchstone Energy Inc. from October 2012 to May 2014. Manager of Financial reporting of Touchstone Energy Inc. from December 2011 to September 2012.
Kenneth R. McKinnon ⁽²⁾⁽³⁾ Alberta, Canada	Director	March 14, 2000	Partner at Citrus Capital Partners Ltd. (investment firm) since January 2014. Vice President Legal and General Counsel of Critical Mass Inc. (website design company) from March 2000 to December 2014.
Corey C. Ruttan ⁽²⁾⁽⁴⁾ Alberta, Canada	Director	April 23, 2010	President, Chief Executive Officer and a Director of Alvopetro Energy Ltd. (energy company) since November 2013. Former President and Chief Executive Officer of Petrominerales Ltd. from May 2010 to November 2013.
James Shipka Alberta, Canada	Chief Operating Officer	May 13, 2014	Former Vice President, Geoscience and Business Development of Touchstone Energy Inc. from May 2011 to May 2014.
Tom Valentine Alberta, Canada	Director and Corporate Secretary	May 20, 2015	Senior Partner of Norton Rose Fulbright Canada LLP, a national law firm in Canada and a member of the global Norton Rose Fulbright Group.
Dr. Harrie Vredenburg ⁽²⁾⁽³⁾⁽⁴⁾ Alberta, Canada	Director	May 2, 2006	Professor of Strategy and Suncor Energy Chair in Strategy and Sustainability at the Haskayne School of Business at the University of Calgary.
John D. Wright ⁽¹⁾⁽³⁾⁽⁴⁾ Alberta, Canada	Director	March 14, 2000	President, Chief Executive Officer and a Director of Ridgeback Resources Inc. (energy company) since January 2017. President, Chief Executive Officer and a Director Lightstream Resources Ltd. (energy company) from May 2011 to December 2016. Formerly the Chairman, Director, President and Chief Executive Officer of the Company from 2000 until the Touchstone Arrangement in 2014.

⁽¹⁾ Chairman of the Board.

⁽²⁾ Member of the Audit Committee

⁽³⁾ Member of the Compensation Committee

⁽⁴⁾ Member of the Reserves Committee

Each director will hold office until the next annual general meeting of shareholders or until his successor is elected or appointed. As of the date of this AIF, the directors and the executive officers of Touchstone, as

a group, beneficially own, control or direct, directly or indirectly, an aggregate of 5,698,494 Common Shares, representing approximately 6.9% of the issued and outstanding Common Shares on a non-diluted basis. The information as to Common Shares beneficially owned, or controlled or directed, directly or indirectly not being within the knowledge of the Company, has been furnished by the respective individuals.

Corporate Cease Trade Orders & Bankruptcies

Mr. John D. Wright was a director of Canadian Energy Exploration Inc. ("**CEE**") (formerly TALON International Energy Ltd.), a reporting issuer listed on the TSX Venture Exchange, until September 15, 2011. A cease trade order (the "**ASC Order**") was issued on May 7, 2008 against CEE by the Alberta Securities Commission ("**ASC**") for the delayed filing of CEE's audited annual financial statements and management's discussion and analysis for the year ended December 31, 2007 ("**2007 Annual Filings**"). The 2007 Annual Filings were filed by CEE on SEDAR on May 8, 2008. As a result of the ASC Order, the TSX Venture Exchange suspended trading in CEE's shares on May 7, 2008. In addition, on June 4, 2009 the British Columbia Securities Commission ("**BCSC**") issued a cease trade order (the "**BCSC Order**") against CEE for the failure of CEE to file its audited annual financial statements and management's discussion and analysis for the year ended December 31, 2008 (the "**2008 Annual Filings**") and its unaudited interim financial statements and management's discussion and analysis for the three months ended March 31, 2009 (the "**2009 Interim Filings**"). The 2008 Annual Filings and the 2009 Interim Filings were filed by CEE on SEDAR on October 9, 2009. CEE made application to the ASC and BCSC for revocation of the ASC Order and BCSC Order. The ASC and BCSC issued revocation orders dated October 14, 2009 and November 30, 2009, respectively, granting full revocation of compliance-related cease trade orders issued by the ASC and the BCSC in respect of CEE.

Mr. John D. Wright was a director of Spyglass Resources Corp. ("**Spyglass**"), a reporting issuer listed on the Toronto Stock Exchange, until his resignation on November 26, 2015 when Spyglass was placed into receivership by the Court of Queen's Bench of Alberta following an application by its creditors.

Mr. John D. Wright was the President and Chief Executive Officer and a director of Lightstream Resources Ltd. ("**Lightstream**"), Mr. Corey C. Ruttan and Mr. Kenneth R. McKinnon were directors of Lightstream, when it obtained creditor protection under the Companies' Creditors Arrangement Act (Canada) ("**CCAA**") on September 26, 2016. On December 29, 2016, as a result of the CCAA sales process, substantially all of the assets and business of Lightstream were sold to Ridgeback Resources Inc., a new company owned by former holders of Lightstream's secured notes. Mr. Ruttan and Mr. McKinnon resigned as directors of Lightstream upon formation of the new company. Mr. Wright resigned as an officer and director of Lightstream and was concurrently appointed President and Chief Executive Officer and a director of Ridgeback Resources Inc. upon closing of the sale transaction.

Except as otherwise disclosed herein, to the knowledge of the Company no director or executive officer of the Company is, or has been, within ten years before the date of this AIF has been, a director, chief executive officer or chief financial officer of any company (including Touchstone and any personal holding company of the proposed director) that, while that person was acting in that capacity:

- (a) was subject to a cease trade order (including any management cease trade order which applied to directors or executive officers of a company, whether or not the person was named in the order) or an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an "**Order**"); or
- (b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Personal Bankruptcies

To the knowledge of the Company, no director or officer of the Company:

- (a) is, at the date of this AIF or has been within the ten years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

Penalties or Sanctions

Mr. Corey C. Ruttan entered into a settlement agreement with the ASC on May 3, 2002 in respect of an insider trading violation relating to trade made on May 17, 2000. Mr. Ruttan cooperated completely in resolving the matter with the regulators. The settlement resulted in Mr. Ruttan paying an administrative penalty of \$10,000, representing a return of profits, and the costs of the proceeding in the amount of \$3,925. For a period of one year, Mr. Ruttan agreed to cease trading in securities and not to act as a director or officer of a public company. These restrictions expired on May 3, 2003. Mr. Ruttan is a Chartered Professional Accountant in good standing.

Except as otherwise disclosed herein, in the last ten years, none of the directors or officers and promoters of the Company have been subject to any penalties or sanctions imposed by a Court or securities regulatory authority relating to trading in securities, promotion or management of a publicly traded Company, or theft or fraud. No proposed director of the Company has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or has a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Conflicts of Interest

There are potential conflicts of interest to which Touchstone's directors and officers may be subject in connection with the proposed operations of the Company. Many of the directors and officers of the Company are also directors of other oil and gas companies, which may from time to time be in competition with the Company for working interest partners, property acquisitions, or other limited resources. Where required by law, the applicable directors will make appropriate disclosure of such conflicts. In particular, the Company will follow the provisions of the ABCA. These provisions state that in the event that a director has an interest in a contract or proposed contract or agreement, such director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise permitted by the ABCA.

AUDIT COMMITTEE

Audit Committee Charter

The Audit Committee reviews with Management and the external auditors and recommends to the Board for approval the annual and interim financial statements of the Company, the reports of the external auditors thereon and related financial reporting, including Management's discussion and analysis and financial press releases. The Audit Committee assists the Board, in conjunction with the external auditors and Management, with its review and oversight of audit plans and procedures and meets with the auditors independent of Management at each quarterly meeting at a minimum. The Audit Committee is responsible for reviewing and overseeing auditor independence, approving all non-audit services, reviewing and making recommendations to the Board on internal control procedures and management information systems. In addition, the Audit Committee is responsible for assessing and reporting to the Board on financial risk management positions and monitoring (a) the processes and compliance with respect to National Instrument 52-109 *Certification of Disclosure in Company's Annual and Interim Filings* requirements, (b) other accounting and finance based legal and regulatory compliance requirements, and (c) transactions or circumstances which could materially affect the financial profile of the Company. The complete text of the mandate of the Audit Committee is attached to this AIF as Schedule C.

Composition of the Audit Committee and Qualifications

The members of the Audit Committee are Corey C. Ruttan (Chairman) Kenneth R. McKinnon and Dr. Harrie Vredenburg. The members of the Audit Committee are financially literate and independent (in accordance with National Instrument 52-110 – *Audit Committees*). The following is a description of the education and experience of each member of the Audit Committee.

Corey C. Ruttan, Chair

Mr. Corey C. Ruttan is the President, Chief Executive Officer and a Director of Alvo Petro Energy Ltd., a publicly traded oil and gas company with operations in Brazil. Previously, Mr. Ruttan was the President and Chief Executive Officer of Petrominerales Ltd. from May 2010 until Petrominerales was acquired by Pacific Rubiales Energy Corp. in November 2013. Prior thereto, he was the Vice President Finance and Chief Financial Officer of Petrominerales since May 2006. Mr. Ruttan served as Executive Vice President and Chief Financial Officer of Lightstream Resources Ltd. from October 2009 to May 2010. From March 2000 to May 2010, Mr. Ruttan held increasingly senior positions with Petrobank Energy and Resources Ltd. (now Touchstone Exploration Inc.) since its inception in 2000 and was the Senior Vice President and Chief Financial Officer from November 2008 to May 2010. Mr. Ruttan previously served as Vice President of Caribou Capital Corp. from June 1999 to March 2000; Manager Financial Reporting of Pacalta Resources Ltd. from May 1997 to June 1999; and began his career at KPMG from September 1994 to May 1997. Mr. Ruttan obtained his Bachelor of Commerce degree majoring in Accounting from the University of Calgary in 1994 and obtained his Chartered Accountant designation in 1997.

Kenneth R. McKinnon

Mr. McKinnon has been a Director of Touchstone Exploration Inc. (formerly Petrobank Energy and Resources Ltd.) since March 14, 2000. Mr. McKinnon is currently a member of the Board and Chairman of the Compensation Committee of Alvo Petro Energy Ltd. since November 2013. Previously, Mr. McKinnon was a Director of Lightstream Resources Ltd. from October 2009 to December 2016 and held the position of Chairman from May 2011 through December 2016. Mr. McKinnon was a Director of Petrominerales Ltd. from May 2006 until the company was acquired in November 2013. Mr. McKinnon held the position of Vice President Legal and General Counsel of Critical Mass Inc., a website design company, from March 2000 to December 2014. Mr. McKinnon served on the Board of Governors of the University of Calgary from September 2008 to August 2014, as Vice-Chair of its Governance and Human Resources Committee from June 2010 through August 2012, Vice-Chair of its Finance and Property Committee from August 2013 to August 2014 and Chair of its Budget Committee from August 2012 to August 2014. In addition, Mr. McKinnon served as a Director and Chairman of the Governance and Compensation Committee of Alberta

Innovates – Technology Futures from January 2010 to March 2015. Mr. McKinnon holds an ICD.D designation as a certified corporate director.

Dr. Harrie Vredenburg

Dr. Vredenburg is Professor of Strategy and Suncor Chair in Strategy and Sustainability at the Haskayne School of Business at the University of Calgary, where he has been on faculty since 1989 prior to which he taught at McGill University. In 2010 Dr. Vredenburg added the role of Academic Director of the Global Energy Executive MBA, a degree offered by the University of Calgary. Dr. Vredenburg holds an appointment as an International Research Fellow at Oxford University's Said Business School (UK) and is a Director of Kainji Resources Ltd. and Teric Power Ltd., both private companies.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy to review and pre-approve any non-audit services to be provided to the Company by the external auditors and consider the impact on the independence of such auditors. The Audit Committee may delegate to one or more independent members the authority to pre-approve non-audit services, provided that the member report to the Audit Committee at the next scheduled meeting.

External Auditor Service Fees

The Audit Committee has reviewed the nature and amount of non-audit services provided by Ernst & Young LLP ("EY") to the Company to ensure audit independence. The following table sets out the aggregate fees billed by EY for the years ended December 31, 2016 and 2015. Payments made in foreign currencies have been translated to Canadian dollars at average exchange rates for the year.

Nature of Services	2016 Fees (\$)	2015 Fees (\$)
Audit fees ⁽¹⁾	232,000	297,220
Audit-related fees ⁽²⁾	64,471	83,830
Tax fees ⁽³⁾	63,922	100,172
All other fees ⁽⁴⁾	-	-
Total	360,393	481,222

⁽¹⁾ Audit fees for professional services rendered for the audit of the Company's annual consolidated financial statements.

⁽²⁾ Audit-related and review fees for professional services rendered with respect to services provided in connection with interim financial statement reviews and statutory and regulatory filings.

⁽³⁾ Tax fees for compliance, tax advice and tax planning.

⁽⁴⁾ All other fees include all other non-audit and tax product and services.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditors of the Company are Ernst & Young LLP, Chartered Professional Accountants, Suite 2200, 215 – 2nd Street S.W., Calgary, Alberta, T2P 1M4.

The Company's transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada, located at Suite 600, 530 – 8th Avenue S.W., Calgary, Alberta, T2P 3S8.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

To the knowledge of the Company, as at December 31, 2016, there were no material legal proceedings to which the Company was a party or which any of its respective properties was the subject matter of, or were there any such proceedings known to the Company to be contemplated as at such date.

Regulatory Actions

To the knowledge of Management of the Company, there have not been any penalties or sanctions imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company, and the Company has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There are no material interests, direct or indirect, of any director or executive officer of the Company, of any shareholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of outstanding voting securities of the Company, or any other Informed Person (as defined in NI 51-102) or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year of the Company which has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, including purchase and sale agreements, Touchstone has not entered into any material contracts during its most recently completed financial year, or before its most recently completed financial year that are still in effect, other than the SRP and Term Loan (see "*Description of Capital Structure*"). These documents as well as additional information relating to the Company contained in documents filed by the Company with the Canadian securities regulatory authorities may also be accessed through the internet on SEDAR.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 by the Company other than GLJ, Touchstone's independent reserves evaluators, or Ernst & Young LLP, Chartered Professional Accountants, Touchstone's auditors. None of the principals of GLJ has any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or its subsidiaries, either at the time they prepared the statement, report or valuation prepared by it, at any time thereafter, or to be received by them. Ernst & Young LLP is independent in accordance with the Chartered Professional Accountants of Alberta Rules of Professional Conduct.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or any of its subsidiaries.

RISK FACTORS

The following is a summary of certain risk factors relating to the business of Touchstone. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF. Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Company's other public filings before making an investment decision.

In assessing the risks of an investment in the Common Shares, potential investors should realize that they are relying on the experience, judgment, discretion, integrity and good faith of the Management of Touchstone. Touchstone's securities involve a high degree of risk. Potential investors should carefully consider the following information about these risks, together with the information contained in

Touchstone's continuous disclosure record available through the internet on SEDAR before any purchase or sale of such securities. An investment in Common Shares is suitable for only those investors who are willing to risk a loss of their entire investment and who can afford to lose their entire investment. Subscribers should consult their own professional advisors to assess the income tax, legal and other aspects of an investment in the Common Shares. If any of the following risks actually occurs, the business, financial condition and prospects of the Company could be adversely affected in a material way. In that case, the value of any securities of the Company could also decline, and investors could lose all or part of their investment.

The risks and uncertainties described below are those that the Company's Management believes are material, but these risks and uncertainties may not be the only ones that the Company may face. Additional risks and uncertainties, including those that the Company's Management currently are not aware of or deem immaterial, may also result in decreased operating revenues, increased operating or capital expenses or other events that could result in a decline in the value of any securities of Touchstone.

Trinidad

Touchstone's indirect Trinidadian entities have various working interests with various parties in numerous properties. Many of the contracts have exploration and development commitments and in some cases a portion of the commitments are guaranteed by the parent company and by issued letters of credit. Therefore, Touchstone is subject to additional risks associated with international operations in Trinidad.

Foreign Location of Assets

Most of Touchstone's assets are located in countries other than Canada (whose laws may differ materially from those in Canada), which may impede or adversely affect the ability of Touchstone and its directors and Management to manage its operations and protect its assets.

Substantial Capital Requirements and Credit Facilities

The Company anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil reserves in the future. If the Company's revenues or reserves decline, it may have limited ability to expend the capital necessary to undertake or complete future drilling programs and may require additional financing to do so. Touchstone's inability to raise funding to support ongoing operations and to fund capital expenditures or acquisitions may limit the Company's growth or may have a material adverse effect upon the Company's financial condition, results of operations or prospects. The ability of Touchstone to arrange financing in the future will depend in part upon the prevailing capital market conditions, risk associated with the international operations, as well as the business performance of the Company. Fluctuations in commodity prices may affect lending policies for potential future lenders. This in turn could limit growth prospects in the short-term or may even require Touchstone to dedicate existing cash balances or cash flows, dispose of properties or raise new equity to continue operations under circumstances of declining energy prices, disappointing drilling results, or economic or political dislocation in foreign countries.

There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. This may be further complicated by the limited market liquidity for shares of smaller companies, restricting access to some institutional investors. If additional financing is raised by the issuance of shares from treasury of Touchstone, control of the Company may change and shareholders may suffer additional dilution. The Company cannot predict the size of future issuances of equity or the issuance of debt or the effect, if any, that future issuances and sales of the Company's securities will have on the market price of the Company's outstanding common shares.

Term Loan Indebtedness and Observance of Certain Restrictive Covenants under the Terms of Indebtedness

The Company's Term Loan may impose operating and financial restrictions on the Company that could include restrictions on the payment of dividends, repurchase or making of other distributions with respect to the Company's securities, incurring of additional indebtedness, the provision of guarantees, the assumption of loans, making of capital expenditures, acquiring of further assets, entering into amalgamations, mergers, take-over bids or disposition of assets, among others. The need to meet such thresholds or observe such restrictions could hinder Touchstone's ability to carry out its business strategy. In addition, a breach of the terms of Touchstone's indebtedness could cause a default under the terms of its indebtedness, causing some or all of its indebtedness to become due and payable. Such action could adversely affect the Company's operating results and financial condition. It is uncertain whether the Company's and/or its subsidiaries' assets would be sufficient to generate the funds necessary to repay such indebtedness in the event of its acceleration. Events beyond the Company's control may contribute to the failure of the Company to comply with such covenants.

Pursuant to the terms of the Term Loan, the lender has been provided with security over all of the current and future assets of the Company. A failure to comply with the obligations set out in the Term Loan and related agreements could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness and adversely affect the Company's operations and/or financial condition.

Repayment of Existing Indebtedness

The Company may not be able to refinance the principal amount outstanding pursuant to the Term Loan in order to repay the principal outstanding or may not have generated enough cash from operations to meet these obligations. The Company's ability to make payments of principal and interest on, or to refinance, indebtedness related to the Term Loan will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control. The Company's cash flow from operations will be in part dedicated to the payment of the principal of and interest on its indebtedness. There is no guarantee that the Company will be able to repay the outstanding principal payments of the Scotia Credit Agreement.

Issuance of Debt

From time to time, the Company may enter into transactions to acquire assets or shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase the Company's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, the Company may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Company's articles nor its bylaws limit the amount of indebtedness that the Company may incur. The level of the Company's indebtedness from time to time could impair the Company's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Access to Capital and Additional Funding

Depending on future exploration, development, acquisition and divestiture plans, the Company may require additional financing. The ability of the Company to arrange any such financing in the future will depend in part upon the prevailing capital market conditions, risk associated with the international operations, as well as the business performance of the Company. Periodic fluctuations in commodity prices may affect lending policies for potential future lenders. This in turn could limit growth prospects in the short run or may even require the Company to dedicate existing cash balances or cash flow, dispose of properties or raise new equity to continue operations under circumstances of declining energy prices, disappointing drilling results, or economic or political dislocation in foreign countries. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. Due to the

conditions in the oil and gas industry and/or global economic volatility, the Company may from time to time have restricted access to capital and increased borrowing costs. The current conditions in the oil and gas industry have negatively impacted the ability of international oil and gas companies to access additional financing. If additional financing is raised by the issuance of shares from treasury of the Company, control of the Company may change, and shareholders may suffer additional dilution.

Continued depressed oil and natural gas prices have caused decreases, and may cause further decreases, in the Company's revenues from its reserves, which may affect the Company's ability to expend the necessary capital to replace its reserves or to maintain its production. To the extent that external sources of capital become limited, unavailable or available on onerous terms, the Company's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future development of the Company's petroleum properties may require additional financing, and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Alternatively, any available financing may be highly dilutive to existing shareholders. Failure to obtain any financing necessary for the Company's capital expenditure plans may result in a delay in development or production on the Company's properties.

Commodity Prices, Markets and Marketing

Numerous factors beyond the Company's control do and will continue to affect the marketability and price of oil and natural gas acquired or discovered by the Company. Accordingly, commodity prices are the Company's most significant financial risk. The Company's ability to market its oil and natural gas may depend upon its ability to transport hydrocarbons or acquire space on pipelines that deliver oil and natural gas to commercial markets. Deliverability uncertainties are present related to the distance the Company's reserves are to pipelines, processing and storage facilities, operational problems affecting pipelines and facilities as well as government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil, and natural gas. Many other aspects of the oil and natural gas business may also affect the Company. At present, crude oil sales in Trinidad are generally benchmarked against Brent reference prices.

Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty, and a variety of additional factors beyond the control of the Company. These factors include economic conditions in the United States, Canada, Europe and China, the actions of Organization of Petroleum Exporting Countries ("**OPEC**"), governmental regulation, political stability in the Middle East, Northern Africa and elsewhere, the foreign supply and demand of oil and natural gas, risks of supply disruption, the price of foreign imports, and the availability of alternative fuel sources. Prices for oil and natural gas are also subject to the availability of foreign markets. Oil prices are expected to remain volatile and may decline in the near future as a result of global excess supply due to the increased growth of shale oil production in the United States, the decline in global demand for exported crude oil commodities, and OPEC's decisions pertaining to oil production management of OPEC member countries, among other factors. A material decline in prices could result in a reduction of the Company's net production revenue and cash flows from operations. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil or natural gas and a reduction in the volumes of the Company's reserves. The Company may also elect not to produce from certain wells at lower prices.

All these factors could result in a material decrease in the Company's expected net production revenue and a reduction in its oil and natural gas acquisition, development and exploration activities. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the carrying value of the Company's reserves, borrowing capacity, revenues, profitability and cash flows from operations, and may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers

and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects. The Company monitors market conditions and may selectively utilize derivative instruments to reduce exposure to crude oil price movements. However, the Company is of the view that it is neither appropriate nor possible to eliminate 100 percent of its exposure to commodity price volatility.

General Conditions Relating to Oil Exploration, Development and Production

The Company's operations are subject to all the risks normally incident to the exploration for and production of oil including geological risks, operating risks, political risks, development risks, marketing risks, decommissioning risk and logistical risks of operating in Trinidad. Future oil exploration may involve unprofitable efforts, not only from dry wells but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include: delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration and development activities are dependent on the availability of seismic, drilling, completions and other specialized equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities.

Other factors affecting the exploration, development, production and sale of oil and natural gas that could result in decreases in profitability include: (i) expiration or termination of the leases, licenses, permits, lease operating agreements, farmout agreements, joint operation or venture agreements and marketing agreements, as applicable, or sales price redeterminations or suspension of deliveries; (ii) future litigation; (iii) the timing and amount of insurance recoveries; (iv) work stoppages or other labour difficulties; (v) changes in the market and general economic conditions; and (vi) hazards typically associated with oil and gas operations, including fire, explosion, blow-outs, cratering, and spills, or adverse geological conditions, each of which could result in substantial damage to oil wells, production facilities, other property and the environment or in personal injury.

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, the Company's existing reserves, and the production from them, will decline over time as the Company produces from such reserves. A future increase in the Company's reserves will depend on both the ability of the Company to explore and develop its existing properties and its ability to select and acquire suitable producing properties or prospects. There is no assurance that the Company will be able continue to find satisfactory properties to acquire or participate in. Moreover, Management of the Company may determine that current markets, terms of acquisition, participation or pricing conditions make potential acquisitions or participations uneconomic. There is also no assurance that the Company will discover or acquire further commercial quantities of oil and natural gas.

The Company is exposed to a high level of exploration risk. The Company's current and future (to the extent discovered or acquired) proved reserves will decline as reserves are produced from its properties unless the Company is able to acquire or develop new reserves. The business of exploring for, developing or acquiring reserves is capital-intensive and is subject to numerous estimates and interpretations of geological and geophysical data. There can be no assurance the Company's future exploration, development and acquisition activities will result in material additions of proved reserves. The Company may also choose to mitigate exploration risk through acquisitions that may require raising funds.

The impact on the oil and natural gas industry from commodity price volatility is significant. During periods of high prices, producers may generate sufficient cash flows to conduct active exploration programs without external capital. Increased commodity prices frequently translate into very busy periods for service suppliers triggering premium costs for their services. The cost of purchasing land or properties and work commitments associated with new exploration blocks similarly can increase in price during these periods. During low commodity price periods, acquisition costs drop, as do internally generated funds to spend on exploration and development activities. With decreased demand, the prices charged by the various service suppliers may also decline.

Touchstone's operations will be subject to all the risks normally associated with the exploration, development and operation of oil and natural gas properties and the drilling of oil and natural gas wells, including encountering unexpected formations or pressures, premature declines of reservoirs and the invasion of water into producing formations, potential environmental damage, blow-outs, cratering, fires and spills, all of which could result in personal injuries, loss of life and damage to property of the Company and others. In accordance with customary industry practice, Touchstone will maintain insurance coverage but will not be fully insured against all risks nor are all such risks insurable. In either event, the Company could incur significant costs.

Weakness in the Oil and Gas Industry

Current market events and conditions, including global excess oil and natural gas supply, recent actions taken by OPEC, slowing growth in China and other emerging economies, market volatility and disruptions in Asia, and sovereign debt levels in various countries, have caused significant weakness and volatility in commodity prices. These events and conditions have caused a significant decrease in the valuation of oil and gas companies and a decrease in confidence in the oil and gas industry. Lower commodity prices may also affect the volume and value of the Company's reserves especially as certain reserves become uneconomic. In addition, lower commodity prices have restricted, and are anticipated to continue to restrict, the Company's cash flow resulting in a reduced capital expenditure budget. As a result, the Company may not be able to replace its production with additional reserves, and both the Company's production and reserves could be reduced on a year over year basis. Given the current market conditions and the lack of confidence in the oil and gas industry, the Company may have difficulty raising additional funds, or if it is able to do so it may be on unfavourable and highly dilutive terms.

Environmental Regulation

The Company is subject to environmental laws and regulations that affect aspects of the Company's past, present and future operations. Extensive national and provincial environmental laws and regulations in Trinidad will and do affect nearly all of the operations of the Company. These laws and regulations set various standards regulating certain aspects of health and environmental quality, including air emissions, water quality, wastewater discharges and the generation, transport and disposal of waste and hazardous substances; provide for penalties and other liabilities for the violation of such standards; and establish, in certain circumstances, obligations to remediate current and former facilities and locations where operations are or have been conducted. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation and unconventional blocks.

There is uncertainty around the impact of environmental laws and regulations, including those currently in force and proposed laws and regulations, and the Company cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered, interpreted from time to time, or enforced. It is not possible to predict the outcome and nature of certain of these requirements on the Company and its business at the current time; however, failure to comply with current and proposed regulations can have a material adverse impact on the Company's business and results of operations by substantially increasing its capital expenditures and compliance costs and its ability to meet its financial obligations, including debt payments. It may also lead to the modification or cancellation of operating licenses and permits, penalties and other corrective actions which may have an impact on production operations. Further, compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory authority, could in the future require material expenditures by

Touchstone for the installation and operation of systems and equipment for remedial measures, any or all of which may have a material adverse effect on the Company.

Environmental regulation is becoming increasingly stringent, and the costs and expenses of regulatory compliance are increasing. The Company's activities have the potential to impair natural habitat, damage plant and wildlife, or cause contamination to land or water that may require remediation under applicable laws and regulations. These laws and regulations require the Company to obtain and comply with a variety of environmental registrations, licenses, permits and other approvals. In Trinidad, licensing and permitting processes relating to the exploring and drilling for and development of oil and natural gas take significant time, and they are outside the control of the Company. Environmental regulations place restrictions and prohibitions on emissions of various substances produced concurrently with oil and natural gas and can impact on the selection of drilling sites and facility locations, potentially resulting in increased capital expenditures. Both public officials and private individuals may seek to enforce environmental laws and regulations against the Company.

Significant liability could be imposed on the Company for costs resulting from potential unknown and unforeseeable environmental impacts arising from the Company's operations, including damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of properties purchased by Touchstone or non-compliance with environmental laws or regulations. While these costs have not been material to the Company in the past, there is no guarantee that this will continue to be the case in the future.

Given the nature of the Company's business, there are inherent risks of oil spills occurring at the Company's drilling and operations sites. Large spills of oil and oil products can result in significant clean-up costs. Oil spills can occur from operational issues, such as operational failure, accidents and deterioration and malfunctioning of equipment. In Trinidad, oil spills can also occur as a result of sabotage and damage to the pipelines. Further, the Company sells oil at various delivery stations, and the oil is primarily truck transported. There is an inherent risk of oil spills caused by road accidents which the Company may still be deemed to be responsible for as the owner of the crude oil. All of these may lead to significant potential environmental liabilities, such as clean-up and litigation costs, which may have a material adverse effect on the Company's financial condition, cash flows and results of operations. Depending on the cause and severity of the oil spill, the Company's reputation may also be adversely affected, which could limit the Company's ability to obtain permits and affect its future operations.

To prevent and/or mitigate potential environmental liabilities from occurring, the Company has policies and procedures designed to prevent and contain oil spills. The Company works to minimize spills through facilities that are safely operated, through effective operations integrity management, through continuous employee training, through regular upgrades to facilities and equipment, and implementation of a comprehensive inspection system. Also, the Company's facilities and operations are subject to routine inspection by various federal authorities in Trinidad to evaluate the Company's compliance with various laws and regulations.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil and natural gas reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth in this document are estimates only. Generally, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties; production rates; ultimate reserve recovery; timing and amount of capital expenditures; marketability of oil and natural gas; royalty rates; tax rates; and the assumed effects of regulation by governmental agencies and future operating costs (all of which may vary materially from actual results).

For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers

at different times may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

The estimation of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas are estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves. Such variations could be material.

In accordance with applicable securities laws, the Company's independent reserves evaluator has used forecast prices and costs in estimating the reserves and future net cash flows as summarized herein. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation and foreign exchange rates on costs. Reserves data is based on judgments regarding future events; therefore, actual results will vary, and variations may be material.

GLJ forecasts reserve volumes and future cash flows based upon current and historical well performance through to the economic production limit of individual wells. Notwithstanding established precedence and contractual options for the continuation and renewal of the Company's existing operating agreements, in many cases the forecast economic limit of individual wells are beyond the current term of the relevant operating agreements. There is no certainty as to any renewal of the Company's existing operating arrangements.

Reserve Replacement

Touchstone's oil and natural gas reserves and production, and its cash flows and earnings derived therefrom are highly dependent upon the Company developing and increasing its current reserve base and discovering or acquiring additional reserves. Without the addition of reserves through exploration, acquisition or development activities, Touchstone's reserves and production will decline over time as reserves are depleted. To the extent that cash flow or net revenue from operations is insufficient and external sources of capital become limited or unavailable, Touchstone's ability to make the necessary capital investments to maintain and expand its oil and natural gas reserves will be impaired. There can be no assurance that Touchstone will be able to find and develop or acquire additional reserves to replace production at commercially feasible costs.

The Trinidad Exploration and Production Agreements

The current exploration and production licenses, lease operatorship agreements, joint operating agreements and/or farmout agreements with respect to Touchstone's properties contain significant obligations on the part of the Company or its subsidiaries including minimum work commitments on blocks held in Trinidad which, upon a continuing default, may give rise to the termination of the Company's operatorship interest therein. There are no assurances that all of these commitments will be fulfilled within the time frames allowed. As such, Touchstone may lose certain exploration and production rights on the blocks affected and may be subject to certain financial penalties that would be levied by Petrotrin, the MEEI, or the other parties thereto, as applicable. The current forms of lease operating agreements and farmout agreements, as applicable, may, in certain circumstances, be terminated at Petrotrin's or the government of Trinidad's discretion and are subject to a defined term, and there is no certainty as to any renewal.

The Company has identified breaches under its lease operating agreements and is operating under a number of expired licenses. See "*Trinidad Operating Agreements*" for a discussion of these risks.

Title Issues

Touchstone holds its interests in Trinidad through government licenses, private leases and lease operating and farmout agreements issued from Petrotrin. Although title and legal reviews may be conducted prior to the acquisition of lease or license interests or operating and other contractual rights, or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title or entitlement will not arise to defeat Touchstone's claim which could result in a reduction of any revenue to be received by the Company. No assurance can be given that applicable governments will not revoke, or significantly alter the conditions of, the applicable exploration and development authorizations and that such exploration and development authorizations will not be challenged or impugned by third parties. There is no certainty that such rights or additional rights applied for will be granted or renewed on terms satisfactory to the Company. There can be no assurance that claims by third parties against Touchstone or any of its subsidiaries will not be asserted at a future date. Further, the Company is operating under a number of freehold lease agreements and two government licenses which have expired and are currently being renegotiated. Based on legal opinions obtained from Trinidad legal counsel, the Company is continuing to recognize revenue as operator, is paying all associated royalties and taxes, and no title to its lands in Trinidad has been disputed. However, there is no certainty that such expired lease agreements will be renewed, on terms satisfactory to the Company or at all, or that the Company's rights as operator will not be challenged or impugned.

The assignment of working interests under the exploration and production contracts in the jurisdictions in which the Company operates is a detailed and time-consuming process. The Company's properties may be subject to unforeseen title claims. The Company will diligently investigate title to all property and will follow usual industry practice in obtaining satisfactory title opinions. Title to the properties may be affected by undisclosed and undetected defects. The Company does not warrant title to the oil properties.

Foreign Economic and Political Risk

The Company's operations may be adversely affected by changes in foreign government policies and legislation or social instability and other factors which are not within the control of Touchstone, including, but not limited to: nationalization, expropriation of property without fair compensation or marketable compensation, or renegotiation or nullification of existing concessions and contracts; the imposition of specific drilling obligations and the development and abandonment of fields; changes in energy and environmental policies or the personnel administering them; changes in oil and natural gas pricing policies; the actions of national labour unions; currency fluctuations and devaluations; currency exchange controls; economic sanctions; and royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which Touchstone's operations will be conducted, as well as risks of loss due to civil strife, acts of war, terrorism, guerrilla activities and insurrections. The Company's operations may also be adversely affected by laws and policies of Trinidad affecting foreign trade, taxation and investment. If the Company's operations are disrupted and/or the economic integrity of its projects is threatened for unexpected reasons, its business may be harmed. Prolonged problems may threaten the commercial viability of its operations.

Certain areas present a significant political and economic risk in terms of stability, political and economic uncertainty. Touchstone's operations are subject to various risks unique to Trinidad that could have a material adverse effect on its business, consolidated results of operations, and consolidated financial condition. At any time, Touchstone may be subject to governmental actions that may result in expropriation and nationalization of Touchstone's assets, result in confiscatory taxation or other adverse tax policies, or limit or disrupt markets, restrict payments, or limit the movement of funds. In addition, there can be no assurance that contracts, licenses, license applications or other legal arrangements will not be adversely affected by changes in governments in foreign jurisdictions, the actions of government authorities or others, or the effectiveness and enforcement of such arrangements.

In the event of a dispute arising in connection with Touchstone's operations in Trinidad, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgements in such other

jurisdictions. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, Touchstone's exploration, development and production activities in Trinidad could be substantially affected by factors beyond the Company's control, any of which could have a material adverse effect.

Acquiring interests and conducting exploration and development operations in foreign jurisdictions often require compliance with numerous and extensive procedures and formalities. These procedures and formalities may result in unexpected or lengthy delays in commencing important business activities. In some cases, failure to follow such formalities or obtain relevant evidence may call into question the validity of the entity or the actions taken. Management is unable to predict the effect of additional corporate and regulatory formalities which may be adopted in the future including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

Touchstone may in the future acquire oil and natural gas properties and operations outside of Trinidad, which expansion may present challenges and risks that the Company has not faced in the past, any of which could adversely affect the results of operations and/or financial condition of Touchstone.

Labour Relations

The Company operates in countries that have large state sponsored or owned oil and gas companies that have traditionally employed unionized personnel. From time to time the unions attempt or threaten to disrupt field operations and crude oil transportation activities of their employers which may directly or indirectly effect the operations of the Company and for which the Company has no control over.

Legal Systems

Barbados and Trinidad are part of the Commonwealth and thus have similar legal systems to Canada. However, Trinidad may have less developed legal systems than jurisdictions with more established economies, which may result in risks such as: (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation or in an ownership dispute, being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience of the judiciary and courts in such matters. In certain jurisdictions, the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to the leases, licenses, permits, lease operating agreements, farmout agreements, joint operation or venture agreements and marketing agreements, as applicable, for business. These may be susceptible to revision or cancellation, and legal redress may be uncertain or delayed. There can be no assurance that the leases, licenses, permits, lease operating agreements, farmout agreements, joint operation or venture agreements and marketing agreements, as applicable, the applications to government or other governing bodies with respect thereto or other legal arrangements will not be adversely affected by the actions of government authorities or others, and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

Permits, Licenses and Leases

Significant parts of the Company's operations require permits, licenses and leases from various governmental authorities and landowners in Trinidad. There can be no assurance that the Company will be able to obtain all necessary permits, licenses and leases that may be required to carry out exploration and development at our projects. If the present permits, licenses and leases are terminated or withdrawn, such event could have an adverse negative effect of the Company's operations.

Ability to Market

Touchstone's ability to market its oil and natural gas depends upon numerous factors beyond its control. These factors include:

- the availability of economic processing capacity;
- the availability and proximity of economic pipeline capacity;
- the supply of and demand for oil and natural gas;
- the availability of alternative fuel sources;
- the effects of weather conditions; and
- regulation of oil and natural gas marketing.

Because of these factors, Touchstone could be unable to market all of the oil or natural gas it produces. In addition, Touchstone may be unable to obtain competitive prices for the oil and natural gas it produces.

Gathering and Processing Facilities and Pipeline Systems

The Company delivers its products through gathering, processing and pipeline systems, some of which it does not own. The amount of oil and natural gas that the Company can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering, processing and pipeline systems. The lack of availability of capacity in any of the gathering, processing and pipeline systems could result in the Company's inability to realize the full economic potential of its production or in a reduction of the price offered for the Company's production. Any significant change in market factors or other conditions affecting these infrastructure systems and facilities, as well as any delays in constructing new infrastructure systems and facilities could harm the Company's business and, in turn, the Company's financial condition, results of operations and cash flows.

All of the Company's production is delivered for shipment on facilities owned by third parties and over which the Company does not have control. From time to time, these facilities may discontinue or decrease operations, either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could materially adversely affect the Company's ability to process its production and to deliver the same for sale. Unexpected shut downs or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators could also affect the Company's production, operations and financial results.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures in order to help ensure the reliability of its financial reports, including those imposed on it under Canadian securities laws, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and harm the trading price of the Common Shares.

Dilution

In order to finance future operations or acquisition opportunities, the Company may issue Common Shares or raise funds through the issuance of Common Shares or the issuance of debt instruments or securities convertible into Common Shares, which will be dilutive to shareholders. The Company cannot predict the size of future issuances of Common Shares or the issuance of debt instruments or the securities convertible

into Common Shares or the effect, if any, that future issuances and sales of the Company's securities will have on the market price of the Common Shares.

Additionally, future sales of Common Shares into the public market may lower the market price which may result in losses to Touchstone's shareholders. Touchstone may, from time to time, issue stock options and incentive share options to purchase additional Common Shares in accordance with the policies of the TSX. Most of these Common Shares are freely tradable after a four-month restriction period. Sales of substantial amounts of Common Shares into the public market, or even the perception by the market that such sales may occur, may lower the market price of its Common Shares.

Income Taxes

The Company and its subsidiaries file all required income tax returns, and the Company believes that it is in full compliance with applicable Canadian, Trinidad and Tobago, and Barbadian tax laws; however, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Company, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable. Income tax laws relating to the oil and gas industry, such as the treatment of resource taxation or dividends, may in the future be changed or interpreted in a manner that adversely affects the Company. Furthermore, tax authorities having jurisdiction over the Company may disagree with how the Company calculates income for tax purposes or could change administrative practices to the Company's detriment.

Uncertain Tax Liabilities

As a part of the acquisition of the Primera Group, one of the acquired legal entities of the Primera Group had overdue tax balances owing to the Trinidad and Tobago Board of Inland Revenue ("**BIR**") which included both principal and interest components. The August 19, 2011 purchase and sales agreement related to the acquired subsidiary specified that upon confirmation from the BIR, the acquired subsidiary was responsible for the principal tax balances, and the seller was 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 acquired subsidiary with respect to the interest amounts. Subsequent to the acquisition date, the acquired subsidiary was responsible for interest on the principal balance until repaid. On October 9, 2012, the BIR accepted the acquired subsidiary's proposed settlement of the outstanding principal balances upon which the last payment was made in February 2013.

The acquired subsidiary has subsequently received BIR tax statements showing principal amounts and 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 income tax payments nor any payments for the seller's portion of any interest. While the seller has subsequently acknowledged the liabilities, and agreed, as part of the acquisition of the Primera Group by Touchstone, to indemnify the Company with respect to accrued interest and penalties to the date of completion of the acquisition of the Primera Group by Touchstone, there can be no assurance that any indemnity shall be enforceable or otherwise sufficient to save Touchstone or the Primera Group harmless from a claim for such accrued interest and penalties. The disposition of these claims against either Touchstone, the Primera Group or any one of them could adversely affect operating results and the financial condition of Touchstone and such member of the Primera Group and could have a material adverse effect on Touchstone and the value of its securities.

Hedging

From time to time, the Company may enter into agreements to receive fixed prices on its oil production to offset the risk of revenue losses if commodity prices decline. However, to the extent that the Company engages in price risk management activities to protect itself from commodity price declines, it may also be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk. In addition, the Company's hedging arrangements may expose it to the risk of

financial loss in certain circumstances, including instances in which: production falls short of the hedged volumes or prices fall significantly lower than projected; there is a widening of price-basis differentials between delivery points for production and the delivery point assumed in the hedge arrangement; the counterparties to the hedging arrangements or other price risk management contracts fail to perform under those arrangements; or a sudden unexpected event materially impacts oil prices. The Company may also enter into agreements to receive currencies at a fixed price. Therefore, and as above with commodity hedging, there are risks associated with any currency swap or derivative agreement.

Litigation

In the normal course of the Company's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to, but not limited to, personal injuries, property damage, property tax, land rights, the environment and contractual disputes. The outcome of outstanding, pending or future proceedings, cannot be predicted with certainty and may be determined adversely to the Company and, as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations.

Foreign Currency Rate Risk

A significant amount of the Company's activities will be transacted in or referenced to United States and Trinidad dollars. The Company's capital costs, operating costs, general and administrative expenses and payments in order to maintain property interests are generally in the local currency of the jurisdiction where the applicable property is located. As a result, fluctuations in the Trinidad dollar against the United States and Canadian dollar could result in unanticipated fluctuations in the Company's financial results.

Foreign Subsidiaries

Touchstone conducts all of its operations in Trinidad through foreign subsidiaries and foreign branches. Therefore, to the extent of these holdings, the Company will be dependent on the cash flows of these subsidiaries to meet its obligations excluding any additional equity or debt Touchstone may issue from time to time. The ability of its subsidiaries to make payments and transfer cash to Touchstone may be constrained by, among other things: the level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which it operates; and the introduction of foreign exchange and/or currency controls or repatriation restrictions, or the availability of hard currency to be repatriated.

Currently there are no restrictions on the repatriation of earnings from Trinidad to foreign entities. However, there can be no assurance that restrictions on repatriation of earnings from Trinidad will not be imposed in the future.

Corruption

The Company's operations are governed by the laws of many jurisdictions, which generally prohibit bribery and other forms of corruption. The Company has policies in place to prevent any form of corruption or bribery, which includes enforcement of policies against giving or accepting money or gifts in certain circumstances and an annual certification from each employee confirming that each employee has received and understood the Company's anticorruption policies. It is possible that the Company, some of its subsidiaries, or some of the Company or its subsidiaries' employees or contractors, could be charged with bribery or corruption as a result of the unauthorized actions of employees or contractors. If the Company is found guilty of such a violation, which could include a failure to take effective steps to prevent or address corruption by its employees or contractors, the Company could be subject to onerous penalties and reputational damage. A mere investigation itself could lead to significant corporate disruption, high legal costs and forced settlements (such as the imposition of an internal monitor). In addition, bribery allegations or bribery or corruption convictions could impair the Company's ability to work with governments or non-governmental organizations. Such convictions or allegations could result in the formal exclusion of the Company from a country or area, national or international lawsuits, government sanctions or fines, project

suspension or delays, reduced market capitalization and increased investor concern. Further, from time to time the Company may acquire a company that subsequently is subject to a bribery or corruption charge, whereby the Company could assume onerous penalties and/or suffer reputational damage as a result of activities in which the Company has no part.

Insurance

Touchstone's involvement in the exploration for and development of oil properties may result in the Company becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. In accordance with industry practice, the Company may not be fully insured against all of these risks, nor are all such risks insurable. Although the Company anticipates maintaining liability insurance in an amount that the Company considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a material adverse effect upon the Company's financial condition. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's financial position, results of operations or prospects.

Price and Volume Volatility

The market price of publicly-traded securities is affected by many variables not directly related to the corporate performance of Touchstone, including the market in which it is traded, the strength of the economy generally, the global economic situation and outlook, the availability and attractiveness of alternative investments, and the breadth of the public market for the securities. The effect of these and other factors on the market price of the common shares of Touchstone on the TSX in the future cannot be predicted with certainty. It is expected that such fluctuations in volume and price will continue to occur which may make it difficult for a shareholder to sell Touchstone's Common Shares at a price equal to or above the price at which the shares are purchased.

Trading volume in Touchstone's Common Shares has historically been limited with daily trading volumes varying significantly. Touchstone's Common Shares may experience extreme price and volume volatility which may result in losses to shareholders. Accordingly, the trading price of Touchstone's Common Shares could be subject to wide fluctuations in response to a variety of factors including announcement of material events such as changes relating to the management or interests in oil and gas properties, drilling and exploration results, political, legal and regulatory developments, changes in oil and gas prices and general and industry-specific economic conditions.

Competition

The petroleum industry is competitive in all its phases. The Company will compete with numerous other participants in the search for, and the acquisition of, oil properties and in the marketing of oil, within Trinidad. Many of the Company's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than the Company and its subsidiaries. Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices will reduce the demand for crude oil and other liquid hydrocarbons. Touchstone cannot predict the impact of changing demand for oil and natural gas products, and any major changes would have a material adverse effect on Touchstone's business, financial condition, results of operations and cash flow.

Availability of Drilling Equipment and Reliance on Third Party Operators

Oil exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities. To the extent that the Company's indirectly owned subsidiaries are not the operator of any oil properties, the Company will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

Cost of New Technologies

The petroleum industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before Touchstone. There can be no assurance that Touchstone will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by Touchstone or implemented in the future may become obsolete. In such case, Touchstone's business, financial condition and results of operations could be adversely affected in a material manner. If Touchstone is unable to utilize the most advanced commercially available technology, Touchstone's business, financial condition and results of operations could be adversely affected in a material manner.

Nature of Acquisitions and Failure to Realize Benefits of Acquisitions and Dispositions

Acquisitions of oil and gas properties or companies are based in large part on engineering, environmental and economic assessments made by the acquirer, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and natural gas and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of the Company. All such assessments involve a measure of geologic, engineering, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated. Although select title and environmental reviews are conducted prior to any purchase of resource assets, such reviews cannot guarantee that any unforeseen defects in the chain of title will not arise to defeat the Company's title to certain assets or that environmental defects, liabilities or deficiencies do not exist or are greater than anticipated. Such deficiencies or defects could adversely affect the value of the Company's indirect interest in any such oil and gas properties and the Company's securities.

The Company considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner and the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Company. The integration of acquired businesses may require substantial Management effort, time and resources diverting Management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets may be periodically disposed of, so the Company can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Company, if disposed of, may realize less than their carrying value on the financial statements of the Company.

Natural Disasters and Weather-Related Risks

The Company will be subject to operating hazards normally associated with the exploration and production of oil and natural gas, including blow-outs, explosions, oil spills, cratering, pollution, earthquakes, hurricanes and fires. The occurrence of any such operating hazards could result in substantial losses to the Company due to injury or loss of life and damage to or destruction of oil and natural gas wells, formations, production facilities or other properties.

Stage of Development

There are additional risks associated with an investment in the Company related to the early stage of the Company's development. These risks include, but are not limited to, availability of subsequent financing, complications and delays in establishment of operations in new jurisdictions, obtaining the exploitation license in due time, control of expenses, the ability to establish profitable operations, and other difficulties.

Security

Rising violent crime, partly as a result of gang crime related to drug trafficking, continues to remain a top priority for the Trinidad government to address. The Company and its personnel are subject to these risks, but through effective security and social programs, Touchstone believes these risks can be effectively managed. The Company maintains insurance in an amount that it considers adequate and consistent with industry practice and its operations; however, it is difficult to obtain insurance coverage to protect against crime. Consequently, incidents in the future could have a material adverse impact on the Company's operations.

Corporate and Regulatory Formalities

Acquiring interests and conducting petroleum operations in Trinidad requires compliance with numerous procedures and formalities. In some cases, failure to follow such formalities or obtain relevant evidence may call into question the validity of the entity or the actions taken. Management of the Company is unable to predict the effect of additional corporate and regulatory formalities that may be adopted in the future including whether any such laws or regulations would materially increase Management's cost of doing business or affect its operations in any area. Oil operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government in Trinidad, which may be amended from time to time. The operations of the Company's subsidiaries may require licenses or permits from various governmental authorities. There can be no assurance that the Company or any of its subsidiaries will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at any of the Company's projects.

Dependence on Management

The Chief Executive Officer and senior officers of the Company are critical to its success. In the event of the departure of the Chief Executive Officer or a senior officer, the Company believes that it will be successful in attracting and retaining qualified successors, but there can be no assurance of such success. If the Company is not successful in attracting and retaining qualified personnel, the efficiency of its operations could be affected, which could have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition. The Company strongly depends on the business and technical expertise of its Management team, and there is little possibility that this dependence will decrease in the near term.

Ability to Attract and Retain Qualified Personnel

Recruiting and retaining qualified personnel are critical to the Company's success. The number of persons skilled in the acquisition, exploration, development and operation of oil and gas properties in the jurisdictions in which the Company operates are limited, and competition for such persons is intense. As the Company's business activity grows, it will require additional key financial, administrative, technical and operations staff.

If the Company is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have a material adverse impact on the Company's future cash flows, net income, results of operations and financial condition.

Potential Conflicts of Interest

There are potential conflicts of interest to which the directors, officers and principal shareholders of the Company will be subject to in connection with the operations of the Company. Some of the directors, officers and principal shareholders are or may become engaged in other oil and gas interests on their own behalf and on behalf of other companies, and situations may arise where the directors and officers will be in direct competition with the Company. Conflicts of interest, if any, will be subject to the procedures and remedies under the ABCA. The directors and officers of the Company may not devote their time on a full-time basis to the affairs of the Company. See "*Interest of Management and Others in Material Transactions*" for further information about recent transactions with related parties.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, the Company may disclose confidential information relating to the business, operations or affairs of the Company. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put the Company at competitive risk and may cause significant damage to its business. The harm to the Company's business from a breach of confidentiality cannot presently be quantified but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Company will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Diversification and Expansion

The Company's business focuses on the petroleum industry in Trinidad. Other companies have the ability to manage their risk by diversification; however, the Company lacks diversification, in terms of the geographic scope of its business. As a result, factors affecting the industry or the regions in which it operates will likely impact the Company more acutely than if the Company's business was more diversified.

The operations and expertise of the Company's Management are currently focused primarily on oil and gas production, exploration and development in Trinidad. In the future, the Company may acquire or move into new industry related activities or new geographical areas, may acquire different energy related assets, and, as a result, may face unexpected risks or, alternatively, significantly increase the Company's exposure to one or more existing risk factors, which may in turn result in the Company's future operational and financial conditions being adversely affected.

Dividends

To date, the Company has not paid any dividends on the outstanding Common Shares. Any decision to pay dividends on its Common Shares will be made by the Board on the basis of Touchstone's earnings, financial requirements and other conditions existing at such time.

Accounting Adjustments

The presentation of financial information in accordance with IFRS requires that Management apply certain accounting policies and make certain estimates and assumptions which affect reported amounts in the Company's consolidated financial statements. The accounting policies may result in non-cash charges to net earnings and write-downs of net assets in the consolidated financial statements. Such non-cash charges and write-downs may be viewed unfavourably by the market and may result in an inability to borrow funds and/or may result in a decline in the Common Share price.

Lower oil and gas prices may increase the risk of write-downs of the Company's oil and gas property investments. Under IFRS, exploration and property and equipment costs are aggregated into groups known as cash-generation units ("**CGUs**") for impairment testing. CGUs are reviewed for indicators that the carrying value of the CGU may exceed its recoverable amount. If an indication of impairment exists, the CGU's recoverable amount is then estimated. A CGU's recoverable amount is defined as the higher of the fair value less costs to sell and its value in use. If the carrying amount exceeds its recoverable amount an impairment loss is recorded to earnings in the period to reduce the carrying value of the CGU to its recoverable amount. While these impairment losses would not affect cash flow, the charge to earnings could be viewed unfavourably in the market.

Forward-Looking Statements May Prove Inaccurate

Investors are cautioned not to place undue reliance on forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Actual results, performance or achievement could differ materially from that expressed in, or implied by, any forward-looking statements, and accordingly, investors should not place undue reliance on any such forward-looking statements or information. Further, any forward-looking statement or information speaks only as of the date on which such statement is made, and Touchstone undertakes no obligation to update any forward-looking statements or information to reflect information, events, results, circumstances or otherwise after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by law, including securities laws. All forward-looking statements and information contained herein and other documents of Touchstone are qualified by such cautionary statements. New factors emerge from time to time, and it is not possible for Management to predict all of such factors and to assess in advance the impact of each such factor on Touchstone's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Additional information on the risks, assumptions and uncertainties are found in this AIF under the heading "*Forward-Looking Statements*".

FORWARD-LOOKING STATEMENTS

The information provided in this AIF may contain forward-looking statements and forward-looking information about the Company within the meaning of applicable securities laws. In addition, Touchstone may make or approve certain statements or information in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentation by representatives of Touchstone that are not statements of historical fact and may also constitute forward-looking statements or forward-looking information. All statements and information, other than statements of historical fact, made by Touchstone that address activities, events, or developments that Touchstone expects or anticipates will or may occur in the future are forward-looking statements and information, including, but not limited to statements and information preceded by, followed by, or that include words such as "may", "would", "could", "will", "likely", "except", "anticipate", "believe", "intends", "plan", "forecast", "project", "estimate", "outlook", or the negative of those words or other similar or comparable words.

Forward-looking statements and information involve significant risks, assumptions, uncertainties and other factors that may cause actual future results or anticipated events to differ materially from those expressed or implied in any forward-looking statements or information and, accordingly, should not be read as guarantees of future performance or results. These risks and factors include, but are not limited to, risks relating to Touchstone's ability to execute its exploration and development program, drilling and operating risks, dependence on key personnel, compliance with environmental regulations and competition.

In particular, forward-looking statements contained in this AIF include, but are not limited to, statements with respect to:

- the Company's operational strategy, including targeted jurisdictions and technologies used to execute its strategy;
- financial and business prospects and financial outlook;
- results of operations;
- crude oil production levels;
- the size of, and future net revenue from, oil and natural gas reserves;
- the quantity of the Company's reserves;
- projections of market prices and costs;
- supply and demand for oil and natural gas;
- the performance characteristics of the Company's oil and natural gas properties;
- drilling and recompletion plans, and the anticipated timing thereof;
- timing of development of undeveloped reserves;
- future capital expenditures, the timing thereof and the method of funding;
- activities to be undertaken in various areas including the fulfillment of minimum work obligations and exploration commitments;
- terms of the Company's contractual commitments and their timing of settlement;
- terms of exploration and production contracts and the expected renewal of certain contracts;
- the Company's expectations regarding its ability to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties;
- expectations regarding the ability of the Company to add continually to reserves through acquisitions and development;
- the potential of future acquisitions or dispositions;
- the Company's risk management strategy and the use of commodity derivatives to manage movements in the price of crude oil;
- treatment under governmental regulatory regimes and tax laws;
- the Company's position related to its Trinidad uncertain tax positions;
- tax horizon, royalty rates and future tax and royalty rates enacted in the Company's areas of operations;
- foreign currency risk and the ability to reverse unrealized foreign exchange gains and losses in the future;
- access to facilities and infrastructure;
- the issuance of securities of Touchstone;
- receipt of anticipated regulatory approvals;
- the Company's future sources of liquidity;
- the Company's future compliance with its Term Loan covenants;

- estimated amounts, timing and the anticipated sources of funding for the Company's decommissioning obligations; and
- effect of business and environmental risks on the Company.

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, risk that the Company will not be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties and risks related to lawsuits, among other things. The risks discussed herein under "*Risk Factors*", and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company.

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. The Company is exposed to risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities. 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. 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 blow-outs 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 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 Company is subject to the risk that it will not be able to fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its properties. The financial risks the Company is exposed to include, but are not limited to, the impact of general economic conditions in Canada and Trinidad, continued volatility in market prices for oil, the impact of significant declines in market prices for oil, 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 interest rates, the Canadian dollar to United States dollar exchange rate and the Canadian dollar to Trinidad and Tobago dollar exchange rate. The Company is subject to local 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.

The Company has made assumptions regarding, but not limited to: current commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; uninterrupted access to infrastructure; future exchange rates; the price of oil; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation

by governmental agencies; recoverability of reserves; royalty rates; future operating costs; receipt of regulatory approvals; that the Company will have sufficient cash flows, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Company's conduct and results of operations will be consistent with its expectations; that the Company will have the ability to develop the Company's oil and natural gas properties in the manner currently contemplated; the current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the estimates of the Company's reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; that the Company will be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; and other matters.

Forward-looking statements and other information contained herein concerning the oil and natural gas industry in the countries in which the Company operates and the Company's general expectations concerning this industry are based on estimates prepared by Management using data from publicly available industry sources as well as from resource reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any material misstatements regarding any industry data presented herein, the oil and natural gas industry involves numerous risks and uncertainties and is subject to change based on various factors.

Actual results, performance or achievement could differ materially from that expressed in, or implied by any forward-looking statements or information in this AIF, and accordingly, investors should not place undue reliance on any such forward-looking statements or information. Further, any forward-looking statement or information speaks only as of the date on which such statement is made, and Touchstone undertakes no obligation to update any forward-looking statements or information to reflect information, events, results, circumstances or otherwise after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by law, including securities laws. All forward-looking statements and information contained in this AIF and other documents of Touchstone are qualified by such cautionary statements. New factors emerge from time to time, and it is not possible for Management to predict all of such factors and to assess in advance the impact of each such factor on Touchstone's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

ADDITIONAL INFORMATION

Additional information regarding Touchstone may be found on SEDAR at www.sedar.com. Additional information, including director's and officer's remuneration, principal holders of the Company's securities and securities authorized for issuance under the Company's equity compensation plans are provided in the Company's information circular for the Company's most recent annual meeting of security holders that involved the election of the Board of Directors. Additional financial information is provided in the Company's annual audited consolidated financial statements and the related management's discussion and analysis for the Company's most recently completed financial year.

SCHEDULE A
FORM 51-101F2
REPORT ON RESERVES DATA BY
INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

Terms to which a meaning is ascribed in National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities have the same meaning herein.

To the board of directors of Touchstone Exploration Inc. (the "**Company**"):

1. We have evaluated the Company's reserves data as at December 31, 2016. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2016, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "**COGE Handbook**") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2016, and identifies the respective portions thereof that we have evaluated and reported on to the Company's Board of Directors:

Independent Qualified Reserves Evaluator or Auditor	Effective Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate - \$000's)			
			Audited	Evaluated	Reviewed	Total
GLJ Petroleum Consultants	Dec. 31, 2016	Trinidad	-	324,863	-	324,863

6. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after the effective date of our reports.

8. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

GLJ Petroleum Consultants Ltd., Calgary, Alberta, Canada, March 17, 2017

Originally signed by Trisha S. MacDonald, P. Eng.

Trisha S. MacDonald, P. Eng.

Manager, Engineering

SCHEDULE B
FORM 51-101F3
REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

Terms to which a meaning is ascribed in National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities have the same meaning herein.

Management of Touchstone Exploration Inc. (the "**Company**") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved and probable reserves and related future net revenue as at December 31, 2016, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated and reviewed the Company's reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The Reserves Committee of the Board of Directors of the Company has:

- (a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the Board of Directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has, on recommendation of the Reserves Committee, approved:

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluators on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Dated as of this 21st day of March, 2017

/s/ Paul R. Baay
President and Chief Executive Officer

/s/ James Shipka
Chief Operating Officer

/s/ John D. Wright
Chairman and Chair of the Reserves Committee

/s/ Corey C. Ruttan
Director and Member of the Reserves Committee

SCHEDULE C

Adopted by the Board of Directors on June 3, 2014 and reapproved on March 21, 2017

TOUCHSTONE EXPLORATION INC. AUDIT COMMITTEE MANDATE

Role and Objective

The Audit Committee is a committee of the Board of Directors of Touchstone Exploration Inc. (the "Corporation") to which the Board has delegated its responsibility for oversight of the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for Board approval, the audited consolidated financial statements and other mandatory disclosure releases containing financial information of the Corporation.

The objectives of the Audit Committee are as follows:

1. to assist directors in fulfilling their legal and fiduciary obligations (especially for accountability) in respect of the preparation and disclosure of the financial statements of the Corporation and related matters;
2. to oversee the audit efforts of the external auditors of the Corporation;
3. to maintain free and open means of communication among the directors, the external auditors, the financial and senior management of the Corporation;
4. to satisfy itself that the external auditors are independent of the Corporation; and
5. to strengthen the role of the outside directors by facilitating in depth discussions between directors on the Committee, management and external auditors.

The function of the Committee is one of oversight of management and the external auditors in the execution of their responsibilities. Management is responsible for the preparation, presentation and integrity of the financial statements of the Corporation, maintaining appropriate accounting and financial reporting principles and policies and implementing appropriate internal controls and procedures. The external auditors are responsible for planning and carrying out a proper audit of the annual financial statements of the Corporation and reviewing the financial statements of the Corporation prior to their filing with securities regulatory authorities and other procedures.

Composition of the Committee

1. The Audit Committee shall consist of at least three directors. The Board shall appoint one member of the Audit Committee to be the Chair of the Audit Committee.
2. Each director appointed to the Audit Committee by the Board must be independent. A director is independent if the director has no direct or indirect material relationship with the Corporation. A material relationship means a relationship which could, in the view of the Board, reasonably interfere with the exercise of the director's independent judgment. In determining whether a director is independent of management, the Board shall make reference to National Instrument 52-110 – *Audit Committees* or the then current legislation, rules, policies and instruments of applicable regulatory authorities.
3. Each member of the Audit Committee shall be "financially literate". In order to be financially literate, a director must be, at a minimum, able to read and understand financial statements that present a breadth and complexity of accounting issues generally comparable to the breadth and complexity of issues expected to be raised by the Corporation's financial statements.

4. A director appointed by the Board to the Audit Committee shall be a member of the Audit Committee until replaced by the Board or until his or her resignation.

Meetings of the Committee

1. The Audit Committee shall convene a minimum of four times each year at such times and places as may be designated by the Chair of the Audit Committee and whenever a meeting is requested by the Board, a member of the Audit Committee, the auditors, or a senior officer of the Corporation. Meetings of the Audit Committee shall correspond with the review of the quarterly financial statements and management discussion and analysis of the Corporation.
2. Notice of each meeting of the Audit Committee shall be given to each member of the Audit Committee. The auditors shall be given notice of each meeting of the Audit Committee at which financial statements of the Corporation are to be considered and such other meetings as determined by the Chair and shall be entitled to attend each such meeting of the Audit Committee.
3. Notice of a meeting of the Audit Committee shall:
 - (a) be given orally, or in writing, including by e-mail;
 - (b) state the nature of the business to be transacted at the meeting in reasonable detail;
 - (c) to the extent practicable, be accompanied by copies of documentation to be considered at the meeting; and
 - (d) be given at least two days prior to the time stipulated for the meeting.
4. A member may in any manner waive notice of the meeting. Attendance of a member at a meeting shall constitute waiver of notice of the meeting.
5. A quorum for the transaction of business at a meeting of the Audit Committee shall consist of a majority of the members of the Audit Committee.
6. A member or members of the Audit Committee may participate in a meeting of the Audit Committee by means of such telephonic, electronic or other communication facilities, as permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.
7. In the absence of the Chair of the Audit Committee, the members of the Audit Committee shall choose one of the members present to be Chair of the meeting. In addition, the members of the Audit Committee shall choose one of the persons present to be the Secretary of the meeting.
8. The Chairman of the Board, senior management of the Corporation and other parties may attend meetings of the Audit Committee; however, the Audit Committee (i) shall meet *in camera* with the external auditors independent of management as necessary, in the sole discretion of the Committee, but in any event, not less than quarterly; and (ii) may meet separately with management.
9. Minutes shall be kept of all meetings of the Audit Committee and shall be signed by the Chair and the Secretary of the meeting.

Duties and Responsibilities of the Committee

1. It is the responsibility of the Audit Committee to oversee the work of the external auditors, including resolution of disagreements between management and the external auditors regarding financial reporting. The external auditors shall report directly to the Audit Committee.

2. The Audit Committee shall, in the exercise of its powers, authorities and discretion so authorized, conform to any regulations or restrictions that may from time to time be made or imposed upon it by the Board or the legislation, policies or regulations governing the Corporation and its business.
3. It is the responsibility of the Audit Committee to satisfy itself on behalf of the Board that the Corporation's system of internal controls over financial reporting and disclosure controls and procedures are satisfactory for the purpose of:
 - (a) identifying, monitoring and mitigating the principal risks intended to be addressed by such controls and procedures;
 - (b) complying with the legal and regulatory requirements related to such controls and procedures; and
 - (c) to review with the external auditors their assessment of the internal controls over financial reporting and the disclosure controls of the Corporation, their written reports containing recommendations for improvement, and management's response and any follow-up to any identified weaknesses.
4. It is the responsibility of the Audit Committee to review the annual financial statements of the Corporation and, if deemed appropriate, recommend the financial statements to the Board for approval. This process should include but not be limited to:
 - (a) reviewing and accepting/approving, if appropriate, the annual audit plan of the external auditors of the Corporation, including the scope of audit activities, and monitor such plan's progress and results during the year;
 - (b) reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years' financial statements;
 - (c) reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;
 - (d) reviewing the methods used to account for significant unusual or non-recurring transactions;
 - (e) reviewing compliance with covenants under loan agreements;
 - (f) reviewing disclosure requirements for commitments and contingencies;
 - (g) reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
 - (h) reviewing unresolved differences between management and the external auditors;
 - (i) obtaining explanations of significant variances with comparative reporting periods;
 - (j) reviewing of business systems changes and implications;
 - (k) reviewing of authority and approval limits;
 - (l) reviewing the adequacy and effectiveness of the accounting and internal control policies of the Corporation and procedures through inquiry and discussions with the external auditors and management;
 - (m) confirming through private discussion with the external auditors and the management that no management restrictions are being placed on the scope of the external auditors' work;
 - (n) reviewing of tax policy issues; and
 - (o) reviewing of emerging accounting issues that could have an impact on the Corporation.

5. It is the responsibility of the Audit Committee to review the interim financial statements of the Corporation and, if deemed appropriate, to recommend the financial statements to the Board for approval and to review all prospectuses, management discussion and analysis, and all other public disclosure containing significant audited or unaudited financial information, prior to Board approval. The Audit Committee must be satisfied that adequate procedures are in place for the review of the Corporation's disclosure of all other financial information and shall periodically assess the accuracy of those procedures.
6. The Audit Committee shall have the authority to:
 - (a) inspect any and all of the books and records of the Corporation, its subsidiaries and affiliates;
 - (b) discuss with the management and senior staff of the Corporation, its subsidiaries and affiliates, any affected party and the external auditors, such accounts, records and other matters as any member of the Audit Committee considers necessary and appropriate;
 - (c) engage independent counsel and other advisors as it determines necessary to carry out its duties; and
 - (d) to set and pay the compensation for any advisors employed by the Audit Committee.
7. With respect to the appointment of external auditors by the Board, the Audit Committee shall:
 - (a) recommend to the Board the appointment of the external auditors;
 - (b) review the performance of the external auditors and make recommendations to the Board regarding the replacement or termination of the external auditors when circumstances warrant;
 - (c) oversee the independence of the external auditors by, among other things, if determined necessary, requiring the external auditors to deliver to the Audit Committee, on a periodic basis, a formal written statement delineating all relationships between the external auditors and the Corporation and its subsidiaries;
 - (d) recommend to the Board the terms of engagement of the external auditor, including the compensation of the auditors and that the external auditors shall report directly to the Committee; and
 - (e) when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change.
8. The Audit Committee shall review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of the Corporation and its subsidiaries.
9. The Audit Committee must pre-approve all non-audit services to be provided to the Corporation or its subsidiaries by external auditors. The Audit Committee may delegate, to one or more members, the authority to pre-approve non-audit services, provided that the member report to the Audit Committee at the next scheduled meeting and such pre-approval and that the member complies with such other procedures as may be established by the Audit Committee from time to time.
10. The Audit Committee shall review adherence to the risk management policies and procedures of the Corporation such as hedging, litigation and insurance, including an annual review of insurance coverage, and make appropriate recommendations to the Board with respect thereto.

11. The Audit Committee shall establish and maintain procedures for:
 - (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
12. The Audit Committee shall review and approve the Corporation's hiring policies regarding employees and former employees of the present and former external auditors or auditing matters.
13. The Audit Committee shall periodically report the results of reviews undertaken and any associated recommendations to the Board.
14. The Audit Committee shall review and assess, on an annual basis, the adequacy of this Mandate.