



**ANNUAL INFORMATION FORM**

**For the year ended December 31, 2017**

**March 26, 2018**

## TABLE OF CONTENTS

	Page
TECHNICAL ABBREVIATIONS AND CONVENTIONS .....	2
CURRENCY AND EXCHANGE RATES .....	2
NON-GAAP TERMS .....	3
CERTAIN DEFINITIONS .....	4
FORWARD-LOOKING STATEMENTS .....	9
CORPORATE STRUCTURE .....	11
GENERAL DEVELOPMENT OF THE BUSINESS .....	13
DESCRIPTION OF THE BUSINESS AND OPERATIONS .....	18
INDUSTRY CONDITIONS .....	28
STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION.....	31
Date of Statement .....	31
Disclosure of Reserves Data .....	31
Pricing Assumptions .....	35
Reconciliation of Changes in Reserves.....	35
Additional Information Relating to Reserves Data .....	36
Other Oil and Gas Information.....	39
DIVIDEND POLICY.....	43
DESCRIPTION OF CAPITAL STRUCTURE.....	43
MARKET FOR SECURITIES.....	46
ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS OR TRANSFER.....	46
DIRECTORS AND OFFICERS .....	47
AUDIT COMMITTEE.....	49
AUDITORS, TRANSFER AGENTS AND REGISTRAR .....	51
LEGAL PROCEEDINGS AND REGULATORY ACTIONS.....	51
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS .....	51
MATERIAL CONTRACTS .....	52
INTERESTS OF EXPERTS .....	52
RISK FACTORS .....	52
ADDITIONAL INFORMATION.....	73
 SCHEDULE A - REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR	
 SCHEDULE B - REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE	
 SCHEDULE C - AUDIT COMMITTEE MANDATE	

## TECHNICAL ABBREVIATIONS AND CONVENTIONS

In this Annual Information Form ("**AIF**"), the abbreviations set forth below have the following meanings:

<b>Crude Oil</b>		<b>Natural Gas</b>	
bbl(s)	barrel(s)	Mcf	one thousand cubic feet
bbls/d	barrels per day	MMcf	one million cubic feet
Mbbl	one thousand barrels		
Mbbl/d	one thousand barrels per day		
<b>Other</b>			
boe	barrel of oil equivalent, using the conversion factor of 6 Mcf:1 bbl		
boe/d	barrels of oil equivalent per day		
Mboe	one thousand barrels of oil equivalent		

"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/or CSA 51-324 (as defined herein) and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101 and/or CSA 51-324.

This AIF contains certain oil and gas metrics, including operating netbacks, which do not have standardized meanings or standard methods of calculation under NI 51-101 and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Operating netback per barrel is calculated as petroleum revenue less royalties and operating expenses, divided by total crude oil sales volumes. Such metrics have been included herein to provide readers with additional measures to evaluate the Company's performance; however, such measures are not reliable indicators of the future performance of the Company, and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon.

Unless otherwise specified, information in this AIF is at the end of the Company's most recently completed year, being December 31, 2017.

## CURRENCY AND EXCHANGE RATES

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

For reference in this AIF, the following table shows the applicable foreign exchange rates to the Company for each of the periods indicated.

	March 26, 2018	Year ended December 31, 2017	
		2017	2016
<b>Closing foreign exchange rates<sup>(1)</sup></b>			
Cdn\$:US\$	0.78	0.80	0.74
Cdn\$:TT\$	5.26	5.39	5.01
<b>Average foreign exchange rates<sup>(2)</sup></b>			
Cdn\$:US\$		0.77	0.76
Cdn\$:TT\$		5.20	5.01
US\$:TT\$		6.74	6.63

Notes:

(1) Source: Oanda Corporation daily exchange rates for the specified date.

(2) Source: Average of Oanda Corporation daily exchange rates for the specified periods.

### 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. 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. Management uses these non-GAAP measures for its own performance measurement and to provide stakeholders with measures to compare the Company's operations over time.

The Company calculates funds flow from operations per share by dividing funds flow from operations by the weighted average number of common shares outstanding during the applicable period.

The Company uses operating netback as a key performance indicator of field results. Operating netback is presented on a per barrel basis and is calculated by deducting royalties and operating expenses from petroleum revenue. The Company discloses operating netback both prior to realized gains or losses on derivatives and after the impacts of derivatives are included. Realized gains or losses represent the portion of risk management contracts that have settled in cash during the period, and disclosing this impact provides Management and investors with transparent measures that reflect how the Company's risk management program can impact netback metrics. The Company considers operating netback to be a key measure as it demonstrates Touchstone's profitability relative to current commodity prices. This measurement assists Management and investors in evaluating operating results on a per barrel basis to analyze performance on a historical basis.

Net debt is calculated by summing the Company's working capital and undiscounted non-current interest-bearing liabilities. Working capital is defined as current assets less current liabilities as they appear on the statements of financial position. The Company uses this information to assess its true debt and liquidity position and to manage capital and liquidity risk.

## 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;

"**AIM**" means the market of that name operated by the London Stock Exchange PLC;

"**Archon**" means Archon Technologies Ltd., a former 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;

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

"**Common Shares**" means the common shares in the capital of the Company of no par value 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;

"**EDC**" means Export Development Canada;

"**GAAP**" means Generally Accepted Accounting Principles for publicly accountable entities in Canada which are 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**" include 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**" means 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);

"**Scotia Loan**" 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;

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

"**Shareholder(s)**" means the holder(s) 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;

"**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;

"**Trinidad**" means the Republic of Trinidad and Tobago; and

"**TSX**" means the Toronto Stock Exchange.

### **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;

"**Brent**" means the Intercontinental Exchange Brent crude oil benchmark price;

"**COGE Handbook**" means the "Canadian Oil and Gas Evaluation Handbook" maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter), 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"** or **"Competent Person"** 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;

**"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;

**"Reserves Report"** means the report of GLJ dated March 7, 2018 evaluating the oil and natural gas reserves of the Company as at December 31, 2017; and

**"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 December 31, 2017 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.

## 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 the Company 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.

Such statements represent the Company's internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, 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, 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 properties and risks related to lawsuits. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, operational, competitive, political and social uncertainties and contingencies. 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, Touchstone.

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

- the Company's business and operational strategies, including targeted jurisdictions and technologies used to execute its strategies;
- financial and business prospects and financial outlook;
- the Company's future capital expenditure programs, including the anticipated timing, allocation and costs thereof and the method of funding;
- crude oil production levels, including estimated field production levels;
- the performance characteristics of the Company's oil and natural gas properties;
- the quantity, and estimated future net revenue from, oil and natural gas reserves and the projections of market prices and costs;
- timing of and the Company's ability to develop unproved reserves;
- expectations regarding the ability of the Company to raise capital and to continually add to reserves through acquisitions and development;
- future development and exploration activities to be undertaken in various areas and timing thereof, including the fulfillment of minimum work obligations and exploration commitments;
- terms and estimated future expenditures of the Company's contractual commitments and their timing of settlement;

- terms and title 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;
- receipt of anticipated or future regulatory approvals;
- expected levels of operating costs, general and administrative costs and other costs associated with the Company's business;
- the Company's risk management strategy and the future use of commodity derivatives to manage movements in the price of crude oil;
- treatment under governmental regulatory regimes and tax laws;
- tax horizon, royalty rates and future tax and royalty rates enacted in the Company's areas of operations;
- the Company's position related to its uncertain tax positions;
- foreign currency risk and the ability to reverse unrealized foreign exchange gains and losses in the future;
- the Company's future sources of liquidity;
- the Company's future compliance with its Term Loan covenants;
- the potential of future acquisitions or dispositions;
- general economic and political developments in Trinidad;
- 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 by their nature 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. The recovery and reserve estimates of Touchstone's reserves provided herein are estimates only, and there is no guarantee that the estimated reserves will be recovered. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements.

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 forward-looking statements are subject to numerous risks and uncertainties discussed herein under "*Risk Factors*", and other factors, many of which are beyond the control of the Company. Readers are cautioned that the 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](http://www.sedar.com)).

Although the forward-looking statements contained in this AIF are based upon assumptions which Management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this AIF, 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 crude 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 funds flow from operations, 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.

Management has included the above summary of assumptions and risks related to forward-looking statements and other information provided in this AIF in order to provide shareholders and investors with a more complete perspective on the Company's current and future operations and such information may not be appropriate for other purposes. 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.

## CORPORATE STRUCTURE

### **Name, Address and Incorporation**

1708589 Alberta Ltd. 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 Alberta Ltd. 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 Alberta Ltd. to the shareholders on a one for one basis for each common share of Old Petrobank held by them, following the amalgamation of Old Petrobank and PetroBakken to form "PetroBakken Energy Ltd.", and changing the name of 1708589 Alberta Ltd. 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. Shareholders of Touchstone Energy received 0.471 of a Petrobank Energy and Resources Ltd. common share for each Touchstone Energy common share held. 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's registered office is located at Suite 3700, 400 - 3<sup>rd</sup> Avenue S.W., Calgary, Alberta, T2P 4H2, and its head office is located at Suite 4100, 350 - 7<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 3N9.

### **Business of the Corporation**

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's Common Shares are traded on the Toronto Stock Exchange and the AIM market of the London Stock Exchange 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. Outside of its core Trinidad portfolio, the Company will continue to examine opportunities in jurisdictions 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 or indirect 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.

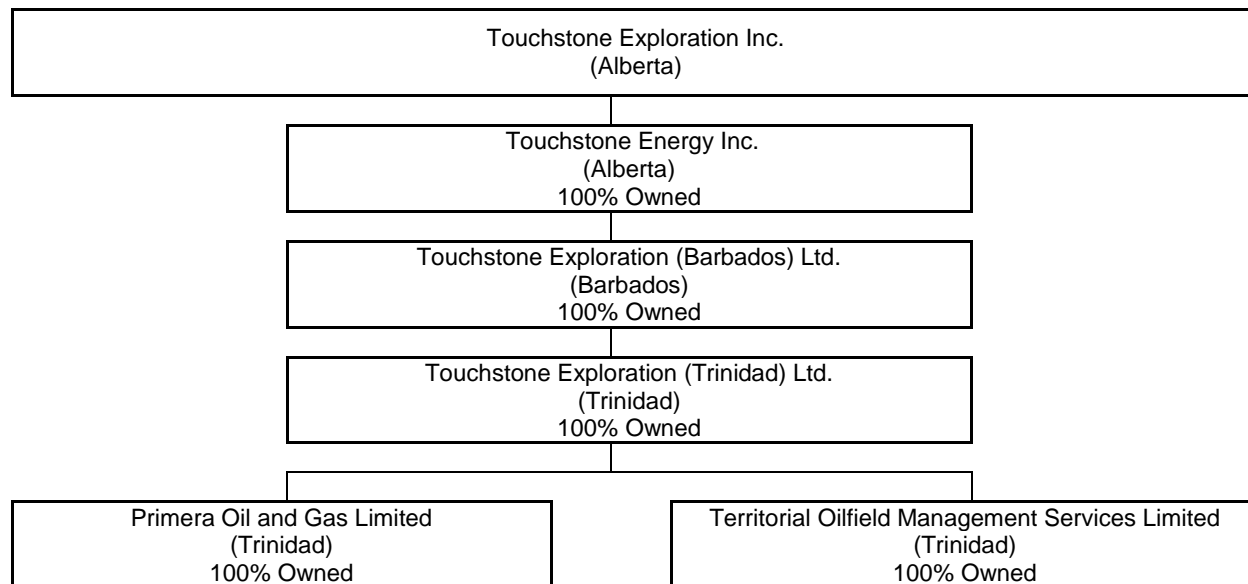
The following table sets forth, as of the date hereof, the name of each subsidiary, the jurisdiction of incorporation, the percentage of voting shares held and business conducted by each subsidiary:

<b>Entity</b>	<b>Country of incorporation</b>	<b>Ownership %</b>	<b>Business conducted</b>
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%	Operating 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, 2015, 2016 and 2017. For a more detailed description of the business and operations of Touchstone, see "*Description of the Business and Operations*" in this AIF.

### Significant Acquisitions

Touchstone did not complete any significant acquisitions during its most recently completed financial year.

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 Touchtone Exploration Inc., and Touchstone Exploration Inc. changed its name to Touchstone Energy Inc.

At the time of the Touchstone Arrangement, Touchstone had producing assets in Canada, and Touchstone Energy was engaged in the exploration, development and production of oil in Trinidad. The acquired assets included approximately 1,550 barrels per day of existing oil production from approximately 9,000 working interest acres of developed land and approximately 50,000 working interest acres of undeveloped land in Trinidad. The Company's stated strategy was to focus on accelerating the development of its oil resource base in Trinidad. In line with this strategic focus, the Company has executed a staged withdrawal from its licence and production interests in Canada.

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 ([www.sedar.com](http://www.sedar.com)).

### **Touchstone's Activities in Canada**

Subsequent to the Touchstone Arrangement, the Company focused on transitioning the Company's Canadian operations from a research program using in-situ combustion technology to a true exploration and production operation capable of yielding positive economic returns. In line with this strategy, the Company disposed of the majority of its Canadian producing properties in 2015. On February 1, 2016, the Company closed the disposal of its Kerrobert facility and various undeveloped land effective December 31, 2015. As a consequence, Touchstone ceased oil and gas operations in Canada.

### **Touchstone's Activities in Trinidad**

Subsequent to the Touchstone Arrangement, the Company has been actively engaged in the development and exploration of its onshore oil and gas properties located in Trinidad.

### **Admission to AIM and Private Placements**

On June 26, 2017, the Company completed an admission and listing on the AIM market of the London Stock Exchange. In conjunction with the AIM admission, the Company placed an additional 20,000,000 common shares at a price of 7.25 pence (\$0.12) for gross proceeds of £1.5 million (\$2.4 million). Fees incurred from the private placement were \$1.7 million, which included brokerage commissions and legal, accounting and corporate finance advisory fees. Net proceeds of the private placement were \$0.7 million.

On December 22, 2017, the Company completed an additional private placement, whereby gross proceeds of £3.0 million (\$5.1 million) were raised by way of a placing of 25,784,285 new common shares at a price of 11.5 pence (\$0.20) per common share. Fees incurred from the private placement were \$0.5 million, resulting in net proceeds of \$4.6 million.

All common shares issued by the Company pursuant to the December 22, 2017 offering are freely transferable outside of Canada; however, these common shares are subject to a four-month restricted period in Canada which will prevent such common shares from being resold in Canada, through a Canadian exchange or otherwise, during the restricted period without an exemption from the Canadian prospectus requirement. The restriction period expires on April 23, 2018.

## 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, 2015***

In 2015, production volumes 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 and financial highlights for the year ended December 31, 2015 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 decreased 9% 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. Company operating netback was \$23.09 per barrel, which represented a decrease of 2% from the prior year.
- Generated positive corporate funds flow from operations of \$2.9 million (\$0.04 per basic share) compared to \$0.4 million (\$0.01 per basic share) in 2014. Trinidad operations generated funds flow from operations of \$7.2 million, offsetting Canadian funds flow losses of \$4.3 million.
- Recorded a net loss of \$22.1 million (\$0.27 per basic share), which was primarily driven by property and equipment impairment charges mainly associated with the substantial decrease in forward commodity prices.
- Reduced net debt by \$7.9 million from the prior year; the Company exited 2015 with a net surplus of \$1.0 million which included a long-term debt balance of US\$2.0 million.
- Entered into various Brent referenced financial swaps for 800 bbls/d at an average price of US\$63.25 for the 2016 year.

In addition to focusing on developing its Trinidad assets, the Company also strived to reduce Canadian asset operating losses. Accordingly, 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 property for nominal cash consideration, which increased the Company's working interest in the block to 70%.

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. 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 various waivers with its lender to remediate the breaches throughout 2015.



### ***Financial year ending December 31, 2016***

Throughout 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 Trinidad assets. The Company remained sensitive to the low commodity price environment, recompleting nine wells, stimulating two wells, and deploying no drilling capital during the fiscal year. Operational and financial highlights for the year ended December 31, 2016 were as follows:

- Achieved average oil sales of 1,301 barrels per day, representing a decrease of 19% from 2015 annual average production.
- Realized operating netback of \$28.65 per barrel, an increase of 24% from the \$23.09 per barrel generated in 2015.
- Generated funds flow from operations of \$6.1 million (\$0.07 per basic share) compared to \$2.9 million (\$0.04 per basic share) in 2015.
- Recorded a net loss of \$12.9 million (\$0.15 per basic share) for the year ended December 31, 2016 compared to a net loss of \$22.1 million (\$0.27 per basic share) in 2015. The net loss was primarily driven from unrealized losses on derivative contracts and impairments of exploration assets.
- The Company's annual exploration and development expenditures were \$3.9 million, 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 \$0.7 million. Through the disposition, the Company ceased Canadian based operating losses and transferred its entire Canadian segment decommissioning liability balance of \$4 million to the purchaser.

Throughout 2016, the Scotia Loan borrowing base was reduced from US\$12 million to US\$6 million. The Company also continued to breach the monthly production volume covenant; waivers to cure the breaches were executed with the lender. On June 2, 2016, the Company liquidated its outstanding commodity financial contracts for cash proceeds of US\$2.0 million, which were used to repay the entirety of the Company's then outstanding Scotia Loan principal balance.

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 and discharged the Scotia Loan. With improved financial flexibility, the Company immediately undertook an eight well recompletion program in December 2016 which increased production in excess of 100 barrels per day in January 2017.

### ***Financial year ending December 31, 2017***

Subsequent to a balance sheet restructuring in November 2016, the Company's focused on resuming a growth strategy through an organic drilling and recompletion program. In 2017 the Company successfully drilled four development wells and performed 20 well recompletions. Operational and financial highlights for the year ended December 31, 2017 were as follows:

- Achieved average crude oil production of 1,375 bbls/d, representing a 6% increase from 2016 annual average production of 1,301 bbls/d.
- Realized operating netback prior to derivatives of \$22.56 per barrel, an increase of 50% from the \$15.08 per barrel generated in 2016.
- Generated funds flow from operations of \$3.1 million (\$0.03 per basic share) compared to \$6.1 million (\$0.07 per basic share) realized in 2016.
- Recorded a net loss of \$0.9 million (\$0.01 per basic share) versus a net loss of \$12.9 million (\$0.15 per basic share) in 2016.

- Executed a \$9.4 million exploration and development program to drill four successful wells and perform 20 recompletions.
- Exited 2017 with cash of \$13.9 million and reduced net debt by 42% from 2016 to \$8.2 million.

In June 2017 the Company completed an admission and listing on the AIM market of the London Stock Exchange. In conjunction with the AIM admission, the Company placed an additional 20,000,000 new common shares at a price of \$0.12, resulting in gross and net proceeds of \$2.4 million and \$0.7 million, respectively. Touchstone completed an additional private placement with United Kingdom investors in December 2017. The Company placed an additional 25,784,285 new common shares at a price of \$0.20, resulting in gross and net proceeds of \$5.1 million and \$4.6 million, respectively.

In March 2017, Touchstone reduced the Company's cash collateralized US\$6.0 million letter of credit related to its East Brighton exploration property to US\$2.15 million. In November 2017, the Company secured a performance security guarantee for the letter of credit with EDC, resulting in an increase of available cash.

Effective October 1, 2017, the Company entered into a five-year, US\$1.9 million contractual agreement to lease its four service rigs and ancillary equipment to a third party. The lease arrangement also included the Company's coil tubing unit that was previously leased to the same party on May 1, 2015. The lease bears a fixed interest rate of 8% per annum, compounded and payable monthly. Principal payments commence in January 2018, and the Company continues to hold title to the assets until all principal and associated interest payments have been collected. The arrangement allows for Management to focus on the Company's core upstream activities.

The Company exited 2017 with a cash balance of \$13.9 million, a working capital surplus of \$6.8 million, and a term loan balance of \$15.0 million. Primarily based on the proceeds received from the two private placements and the reduction in the cash collateralized letter of credit, Touchstone's December 31, 2017 net debt was \$8.2 million, which represented a decrease of 42% from year-end 2016. In response, the Company commenced a 10 well drilling and 24 well recompletion program in February 2018.

The Company expects no changes to its current business in the 2018 financial year.

## 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.

### Principal Properties

The Company holds interests in producing and exploration properties in southern Trinidad and undeveloped acreage in Saskatchewan. All properties are operated by Touchstone apart from the Cory Moruga exploration block. A full schedule of the Company's property interests as of December 31, 2017 is set out in the table below:

Property	Licence holder	Working interest	Lease type	Gross acres <sup>(1)</sup>	Net acres <sup>(2)</sup>
<b>Trinidad</b>					
<i>Producing</i>					
Coora 1	Touchstone Trinidad	100%	Lease Operatorship	1,230	1,230
Coora 2	Touchstone Trinidad	100%	Lease Operatorship	469	469
WD-4	Touchstone Trinidad	100%	Lease Operatorship	700	700
WD-8	Touchstone Trinidad	100%	Lease Operatorship	650	650
New Dome	Touchstone Trinidad	100%	Farmout Agreement	69	69
South Palo Seco	Touchstone Trinidad	100%	Farmout Agreement	2,019	2,019
Barrackpore	Primera Oil and Gas	100%	Private	211	211
Fyzabad	Primera Oil and Gas	100%	Crown	94	94
Fyzabad	Primera Oil and Gas	100%	Private	470	470
Icacos	Primera Oil and Gas	50%	Private	1,947	974
Palo Seco	Primera Oil and Gas	100%	Crown	499	499
San Francique	Primera Oil and Gas	100%	Private	1,351	1,351
		<b>90%</b>		<b>9,709</b>	<b>8,736</b>
<i>Exploratory</i>					
Bovallius	Primera Oil and Gas	100%	Private	827	827
Cory Moruga	Primera Oil and Gas	16%	Crown	11,969	1,939
East Brighton	Primera Oil and Gas	70%	Crown	20,589	14,412
Moruga	Primera Oil and Gas	100%	Private	1,416	1,416
New Grant	Primera Oil and Gas	100%	Private	193	193
Ortoire	Primera Oil and Gas	80%	Crown	44,731	35,785
Rousillac	Primera Oil and Gas	100%	Private	235	235
Siparia	Primera Oil and Gas	50%	Private	111	56
St. John	Primera Oil and Gas	100%	Private	179	179
		<b>69%</b>		<b>80,250</b>	<b>55,042</b>
		<b>71%</b>		<b>89,959</b>	<b>63,778</b>
<b>Canada</b>					
<i>Exploratory<sup>(3)</sup></i>					
Beadle	Touchstone Exploration Inc.	100%	Freehold	2,241	2,241
Druid	Touchstone Exploration Inc.	100%	Crown	8,641	8,641
Luseland	Touchstone Exploration Inc.	100%	Crown & Freehold	6,849	6,849
Winter	Touchstone Exploration Inc.	100%	Crown	11,323	11,323
		<b>100%</b>		<b>29,054</b>	<b>29,054</b>
<b>Total</b>		<b>78%</b>		<b>119,013</b>	<b>92,832</b>

Notes:

(1) "Gross" means acres in which the Company has an interest.

(2) "Net" means the Company's interest in the gross acres.

(3) Approximately 74% of the Company's Canadian exploration acreage will expire in 2018. See "Statement of Reserves Data and Other Oil and Gas Information - Other Oil and Gas Information - Properties with No Attributed Reserves" for details.

## Canadian Operations

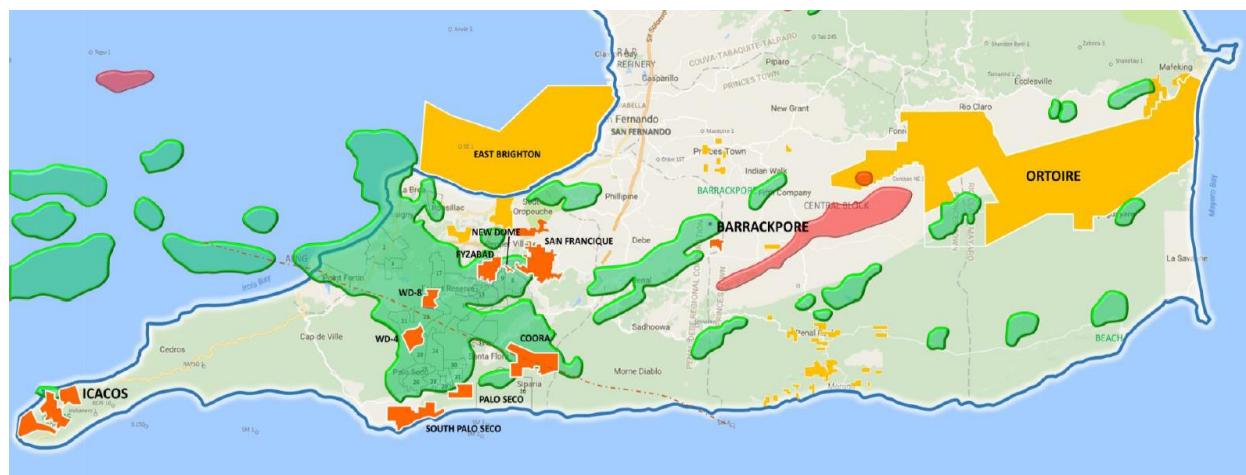
All Canadian operations are conducted through the parent company, Touchstone Exploration Inc. Subsequent to the Touchstone Arrangement, the Company focused on transitioning the Company's Canadian operations from a research program using in-situ combustion technology to a true exploration and production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

Touchstone has no proved, probable or possible reserves associated with the Company's remaining Canadian assets, which represent 29,054 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 years ended December 31, 2017 and 2016.

## Trinidad Operations

Through its indirect wholly-owned subsidiary Touchstone Trinidad, the Company is actively engaged in the development and exploration of its onshore oil and gas properties located in Trinidad. With interests in approximately 90,000 gross acres (approximately 64,000 net working interest acres) of exploration and development rights, Touchstone is one of the largest independent onshore oil producers in Trinidad.

### Map of Trinidad properties



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

### Core producing properties

The Company's core focus is on developing production on its four onshore lease operatorship licences and its Fyzabad onshore property. Details with respect to the key producing properties are noted below.

#### Coora

The Coora blocks are administered by two Petrotrin LOAs (Coora 1 and Coora 2) which consist a total of 1,699 developed acres. On a combined basis, the property currently has 142 producing and 75 non-producing wells (net). Both blocks produce oil out of the Forest and Cruse formations at an average well depth of 4,500 feet. The property was acquired by Touchstone Energy in January 2011, and eight wells have been drilled by the Company as of December 31, 2017.

#### WD-4

The WD-4 property is governed by a Petrotrin LOA that was acquired in November 2012. The block is located in the Grand Ravine area and has 39 producing wells and 17 non-producing wells (net). The wells produce from both the Forest and Cruse formations at an average well depth of 6,500 feet. The Company has drilled six wells since acquiring the property through December 31, 2017.

#### WD-8

The WD-8 field is a mature property that covers approximately 650 net acres and is administered by a Petrotrin LOA. The field is currently producing from 85 of 114 wells (net) from both the Forest and Cruse formations at an average well depth of 3,450 feet. Since the block was acquired by Touchstone in July 2010, 18 wells have been drilled by the Company as of December 31, 2017.

#### Fyzabad

The Fyzabad field was acquired as part of the Primera Group acquisition in August 2011. The property is subject to an exploration and production license with the MEEI and various private leases. The property covers 564 acres, and 92 wells (net) are currently producing. The field produces from the Forest and Upper and Middle Cruse formations with average well depths of 1,750 feet. Touchstone has drilled six wells on the property since its acquisition.

#### ***Exploration properties***

The Company also has interests in a number of small undeveloped exploration properties and two larger exploration blocks. Details of the two larger exploration blocks, which the Company operates, are summarized below.

#### East Brighton

In December 2014 Touchstone entered into an exploration and production license with the MEEI for a 35% non-operated working interest in the East Brighton offshore block (the "**East Brighton License**"). The East Brighton License has an initial six-year term, with the option to extend for a further nineteen 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 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.

In March 2015, the Company acquired an additional 35% operated working interest in the East Brighton License, increasing its working interest to 70%. Throughout 2016, the Company sought to dispose of its interest in the East Brighton License. In March 2017, the MEEI agreed to reduce the East Brighton License letter of credit from US\$6 million to US\$2.15 million.

#### Ortoire

In November 2014, the Company signed an exploration and production license with the MEEI for an 80% operated working interest in the Ortoire block (the "**Ortoire License**"). 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 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-kilometre 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, and approximately eight kilometres of 2D seismic was acquired on the block in 2016.

77 wells have been historically drilled on the Ortoire License area. There are four established pools in the Ortoire block boasting diverse production opportunities: Balata West housing conventional oil in the Herrera formation, Mayaro housing conventional gas in the Gros Morne formation, Maloney boasting conventional oil in the Lower Cruse formation, and Lizard Springs housing fractured shale oil in the Lengua/Karamat formation. The Company has identified the Ortoire License as a property that could be subject to a farm down to enable the Company to minimise its capital commitments under the Company's minimum work obligations.

## **Operating Agreements**

In Trinidad, the Company operates under LOAs and farmout agreements with Petrotrin, state exploration and production licences with the MEEI, and private exploration and production agreements with individual landowners.

### ***Lease operatorship agreements***

The Company's LOAs in respect of its four core properties (Coora 1, Coora 2, WD-4 and WD-8) with Petrotrin expire on December 31, 2020, with the Company holding a five-year renewal option upon reaching agreement regarding the proposed work program and financial obligations. The practice in Trinidad is for extensions to be issued in most cases on terms substantially similar to those in effect at the time. Presently, the Company is subject to annual minimum production levels and five-year minimum work commitments from 2016 through 2020 (see "*Summary of Commitments*" for further details). Under the LOAs, failing to reach minimum production levels does not constitute a breach provided the minimum work obligations have been completed.

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. The Company fulfilled its 2016 and 2017 work commitments on its Coora 1 and WD-4 properties by drilling four approved wells in 2017.

In 2017, the Company did not meet the annual minimum production levels and the minimum work obligations specified in the Coora 2 and WD-8 LOAs. Subsequent to December 31, 2017, the Company received all necessary approvals to drill two well locations on Coora 2 and two well locations on WD-8. Drilling commenced on March 16, 2018. Upon completion of the four wells, all 2016 through 2017 associated work commitments will be satisfied on the two properties.

The minimum work obligations are set out on a "period basis" rather than on an annual basis. The period is defined as five years. The way in which the term "Work Obligation" is defined in the LOAs is ambiguous, and it is not clear whether the obligations must be satisfied each year (i.e. on an annual basis) or whether the obligations only need to be completed within the period (i.e. whether the obligations may be deferred from one year into the next year, provided that the obligations are ultimately completed prior to the last year in the period). The practice of Petrotrin has been to audit the work obligations and, in the event that they have not been satisfied, request that the operator submit a plan for the completion of the obligations. Although the LOAs provide that the minimum production levels and work obligations 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.

### ***Farmout agreements***

The Company's farmout agreements with Petrotrin expire on December 31, 2021. The Company holds a five-year renewal option, and the agreements are subject to five-year minimum work commitments from 2017 through 2021 (see "*Summary of Commitments*" for further details).

### ***MEEI exploration and production licences***

The Company has exploration and production licences with the MEEI for its Fyzabad and Palo Seco producing properties. The Company also has entered into similar licences for its Cory Moruga, East Brighton and Ortoire exploration properties. The licences typically are for an initial six-year term, with the option to extend a further 19 years upon a commercial discovery. Under its East Brighton and Ortoire licences, the Company is subject to work commitments through 2020 (see "*Description of the Business and Operations - Summary of Commitments*" for further details).

The Company's Fyzabad and Palo Seco agreements with the MEEI contain no major work obligations or covenants but both expired on August 19, 2013. The Company is currently negotiating licence renewals and has permission from the MEEI to operate in the interim period. The Company has no indication that the two licences will not be renewed.

During the year ended December 31, 2017, production volumes produced under expired MEEI production licences represented 4.5% of total production (2016 – 5.4%).

### ***Private lease agreements***

Touchstone also negotiates private lease agreements with individual land owners. Lease terms are typically 35 years in duration and contain no minimum work obligations.

The Company is operating under a number of Trinidad private lease agreements which have expired and are currently being renewed. Based on legal opinions received, Touchstone is continuing to recognize revenue on the producing properties because the Company is the operator, is paying all associated royalties and taxes, and no title to the revenue has been disputed. The Company currently has no indication that any of the producing expired leases will not be renewed. The continuation of production from expired private leases during the renegotiation process is common in Trinidad.

During the year ended December 31, 2017, production volumes produced under expired private lease agreements represented 3.0% of total production (2016 – 2.8%).

### ***Crude oil marketing agreement***

On January 14, 1974, Premier Consolidated Oilfields Limited, Primera Group's predecessor in interest, and Trinidad and Tobago Oil Company Limited, Petrotrin's predecessor, entered into a Crude Oil Agreement whereby Petrotrin committed to purchase all petroleum crude oil produced by Primera Group from producing Trinidad properties. The agreement has an indefinite term and may be terminated by either party on three months' notice. The price was historically based upon a Venezuelan posted price; however, the index has been discontinued. The price currently paid is a premium to the Petrotrin indexed price, paid in US\$.

## Summary of Commitments

The Company has minimum work obligations under various operating agreements with Petrotrin, exploration commitments under exploration licence and production agreements with the MEEI and various lease commitments for office space and equipment. As at December 31, 2017, the Company's estimated contractual capital requirements over the next three years and thereafter were as follows:

(\$000's)	Total	2018	2019	2020	Thereafter
Operating agreement commitments					
Coora block	2,082	2,031	25	26	-
WD-4 block	1,372	1,292	39	41	-
WD-8 block	3,153	3,056	47	50	-
New Dome block	88	10	10	56	12
South Palo Seco block	1,255	461	467	160	167
Exploration agreement commitments					
Ortoire block	10,528	2,178	4,890	3,460	-
East Brighton block	3,872	434	2,964	474	-
Office leases	1,348	440	320	306	282
Equipment leases	637	238	214	182	3
<b>Minimum payments</b>	<b>24,335</b>	<b>10,140</b>	<b>8,976</b>	<b>4,755</b>	<b>464</b>

Under the terms of its operating agreements, the Company must fulfill the minimum work obligations on an annual basis over the specific licence term. In aggregate, the Company is obligated to drill 12 wells and perform 18 workovers prior to the end of 2021. As of December 31, 2017, four wells and 13 workovers have been completed with respect to these obligations (see "*Description of the Business and Operations - Operating Agreements*"). The Company has provided US\$0.3 million in cash collateralized guarantees to Petrotrin to support its operating agreement work commitments.

The Company's December 31, 2017 estimated costs and timing of its future Ortoire exploration commitments, which included acquiring and processing 85 line kilometres of 2D seismic and the drilling of four vertical wells, were as follows:

(\$000's)	Total	2018	2019	2020	Thereafter
Lease payments	926	295	309	322	-
2D seismic	3,013	-	3,013	-	-
Drilling commitments	6,589	1,883	1,568	3,138	-
<b>Minimum payments</b>	<b>10,528</b>	<b>2,178</b>	<b>4,890</b>	<b>3,460</b>	<b>-</b>

The Company's December 31, 2017 estimated costs and timing of its future East Brighton exploration commitments, which included the drilling of one well to a total depth of 5,000 true vertical feet, were as follows:

(\$000's)	Total	2018	2019	2020	Thereafter
Lease payments	1,362	434	454	474	-
Drilling commitments	2,510	-	2,510	-	-
<b>Minimum payments</b>	<b>3,872</b>	<b>434</b>	<b>2,964</b>	<b>474</b>	<b>-</b>

The Company has provided a US\$2.15 million letter of credit to the MEEI to support exploration work commitments on its East Brighton offshore concession. This letter of credit has been secured by a facility with the EDC.



## **Decommissioning Obligations and Abandonment Fund**

The Company's decommissioning obligation liabilities relate to future site restoration and well abandonment costs including the costs of production equipment removal and land reclamation based on current environmental regulations.

Pursuant to production and exploration licences with the MEEI, the Company is obligated to remit US\$0.25 per barrel sold into an escrow account in the name of the MEEI. The payments are used as a contingency fund for remediation of pollution arising from petroleum operations carried out under the licence and the eventual abandonment of wells and decommissioning of facilities used for operations conducted under the licence. The MEEI shall return the funds in the escrow account once all obligations in respect of environmental remediation are fulfilled to the satisfaction of the MEEI. Contributions to the fund are reflected on the statement of financial position as long-term abandonment fund assets.

With respect to decommissioning obligations associated with the Company's leases with Petrotrin, the Company is obligated for its proportional cost of all abandonments defined as its percentage of crude oil sold in a particular well in comparison to the well's cumulative historical production. The Company is not responsible for the decommissioning of existing infrastructure and sales facilities. The Company is obligated to remit US\$0.25 per barrel sold to Petrotrin into a joint well abandonment fund. These funds are used solely for well decommissioning. Any costs of wells that are abandoned during the relevant agreement term are credited against any future contributions of the well abandonment fund. Upon expiration of the relevant agreement, Petrotrin shall calculate the Company's total abandonment liability. If Touchstone's liability exceeds the well abandonment fund, the Company is obligated to pay the difference. Conversely, if the proceeds of the fund exceed the liability, the surplus shall be returned to Touchstone. These amounts are reflected on the statement of financial position as long-term abandonment fund assets.

Pursuant to its Petrotrin operating agreements, the Company funds Petrotrin's US\$0.25 per barrel obligation with respect to Petrotrin's head licence with the MEEI. As the Company cannot access the contributions for its future well abandonments and all contributions are non-refundable, the payments are expensed as incurred. Additionally, the Company is obligated to remit US\$0.03 per barrel to Petrotrin into a general abandonment fund. The proceeds are used as a contingency fund for the decommissioning and removal of infrastructure and facilities within a property, are non-refundable, and are expensed as incurred.

The Company is responsible for all site restoration, well abandonment costs and removal of infrastructure and facilities used in petroleum operations conducted on its private production and exploration agreements.

Based on December 31, 2017 estimates and excluding salvage value, the total anticipated Trinidad undiscounted future cost of abandonment and reclamation to be incurred over the life of the reserves was estimated at approximately \$19.4 million (\$39.2 million on an inflation adjusted basis). For consolidated financial statement purposes, as of December 31, 2017 the Company estimated the inflation adjusted discounted Trinidad decommissioning obligations to be \$11.9 million. The 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. Further information regarding decommissioning liabilities for the years ended December 31, 2017 and 2016 are included in Note 12 "*Decommissioning Obligations and Abandonment Fund*" to the consolidated financial statements of the Company for the year ended December 31, 2017, which can be found on the Company's SEDAR profile ([www.sedar.com](http://www.sedar.com)).

## **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 and Canada 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*" in this AIF for further information.

## **Cyclical Nature of Business**

The Company's operational results and financial condition are dependent on the prices received for crude 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 licences and agreements entitle the Company's subsidiaries to retain cash flows from the operation of the assets but do not entitle the Company or its subsidiaries to ownership of any reserves. These licences 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 the MEEI or Petrotrin, as applicable. In certain circumstances, these licences 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*" in this AIF for further information.

## **Environmental Protection**

The Company operates under the jurisdiction of a number of regulatory bodies and agencies in Trinidad that set forth numerous prohibitions and requirements with respect to planning and approval processes related to land use, sustainable resource management, waste management, responsibility for the release of presumed hazardous materials, protection of wildlife, and the environment and the health and safety of workers. Legislation provides for restrictions and prohibitions on the transport of dangerous goods and the release or emission of various substances, including substances used and produced in association with certain oil and gas industry operations. The legislation addresses various permits, including for drilling, well completion, installation of surface equipment, air monitoring, surface and ground water monitoring in connection with these activities, waste management and access to remote or environmentally sensitive areas. 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 2018. 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 petroleum 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*" in this AIF for further information.

### **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*" in this AIF for further information.

### **Employees**

In Trinidad, 98 full-time-equivalents were working for Touchstone as at December 31, 2017 compared to 120 as at December 31, 2016. Touchstone employs one contract ex-patriot consultant working in Trinidad. At Touchstone's Canadian head office, 12 full-time-equivalents were employed as at December 31, 2017 and 2016. 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*" in this AIF for further information.

### **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 proceedings 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**

There have been no material reorganizations of the Company or any of its subsidiaries within the three most recently completed financial years or during or proposed for the current financial year. See "*General Development of the Business - Significant Acquisitions*" for further details on the 2014 Touchstone Arrangement.

## **Social or Environmental Policies**

Environmental stewardship is a core value at Touchstone, and the Company is focused on reducing the environmental impact of its exploration and production operations by continuously monitoring environmental impact, developing corporate strategies, and investing in new technologies to address any risks. Touchstone Trinidad has a health, safety and environment ("**HSE**") department with oversight of workers' health and safety, and environmental stewardship.

### ***Health, safety and environmental policies and procedures***

The Company's main environmental strategies include the preparation of comprehensive environmental impact assessments and creating all encompassing environmental management plans. Touchstone is committed to meeting its responsibilities to protect the environment wherever it operates and will take such steps as required to ensure compliance with environmental legislation. Monitoring and reporting programs for 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 wells, surface piping, facilities and storage tanks. Contingency plans are in place for a timely response to an environmental event, and abandonment, remediation and reclamation programs are in place and utilized to restore the environment.

The Company expects to incur abandonment and site reclamation costs as existing oil and gas properties are abandoned and reclaimed (refer to "*Description of the Business and Operations - Decommissioning Obligations*" herein). Expenditures in 2017 for normal compliance with environmental regulations as well as expenditures beyond normal compliance were not material. The Company expects to remit \$1.1 million in 2018 to Petrotrin based on historical well and general abandonment fund contributions that have yet to be paid.

Management is responsible for reviewing the Company's internal control systems in the areas of HSE and strategies and policies regarding HSE, 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 HSE; (ii) on emerging trends, issues and regulations related to HSE 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 HSE; (iv) any necessary corrective measures taken to address issues and risks with regards to the Company's performance in the areas of HSE 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, decommissioning of facilities or ongoing drilling and development operations; and (vi) all incidents and near misses with respect to the Company's operations, including corrective actions taken as a result thereof.

### ***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 it is 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.

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 11 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 with cumulative production since 1908 totalling approximately three billion barrels of oil. According to the June 2017 BP Statistical Review of World Energy, Trinidad had proved crude oil reserves of 0.2 billion barrels as of December 31, 2016 and produced an average of 96,000 barrels of crude oil per day in 2016. The country has developed significant infrastructure in support of the energy industry and currently is the world's eight largest liquid natural gas exporter and the largest liquid natural gas exporter to the United States (2016). 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). In addition to Pointe-a-Pierre providing an export terminal for oil, Trinidad and Tobago also boasts a methanol export facility at Point Lisas and a liquefied natural gas and natural gas liquids export facility at Point Fortin. The petroleum and petrochemical industries accounted for approximately 34% of Trinidad's gross domestic product ("GDP") in 2016.

The International Monetary Fund reported Trinidad and Tobago as one of the top five countries in Latin America and the Caribbean for financial stability (2016). 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, and after a weak recovery in 2012 and 2013, the economy contracted from 2014 through 2016 due to the sharp fall in oil and gas prices. The country 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 tax revenues. Per the Central bank of Trinidad and Tobago, available data showed that there was slow activity in both the energy and non-energy sectors in the first half of 2017, and 2017 GDP was forecasted to contract by 2.3% (from 6.0% in 2016).

## Royalties

The following is a discussion of the royalty regime affecting the Company's producing properties as at December 31, 2017.

Touchstone incurs a crown royalty rate of 12.5% on gross production under MEEI and Petrotrin leases. For 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.

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. Production from the farmout properties incur a TT\$3.20 per barrel charge for transportation and handling fees.

## Income Taxes

The following is a discussion of the income tax regime affecting the Company's operations as at December 31, 2017.

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 computed 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 taxable profits. Net taxable profits are determined by calculating gross revenue less: royalties, SPT paid during the year, capital allowances, operating, administration and certain finance expenses. PPT losses may be carried forward indefinitely to reduce PPT in future years. UL losses cannot be carried forward to reduce future year UL. Developmental and exploratory capital expenditure allowances (tangible and intangible) are amortized 50% in year one, 30%

in year two and 20% in year three. All unsuccessful development expenditures and abandonment costs can be written off in the year incurred.

The Company has a Trinidad oilfield service subsidiary that is subject to the greater of a 30% corporation income tax calculated on net taxable 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 income tax losses can be carried forward indefinitely. Allowances vary from 10% to 33.3% for various capital expenditures incurred in the year.

### **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 all 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 Act 2000 of Trinidad and Tobago. The Environmental Management 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 26, 2018. The effective date of the information being provided in this Statement is December 31, 2017 unless otherwise indicated. The information contained in this Statement was prepared between January 16, 2018 and March 6, 2018. 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 7, 2018 with an effective date of December 31, 2017. 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 "*Certain Definitions*" section of this AIF. GLJ was engaged to provide evaluations of proved reserves, proved plus probable reserves and proved plus probable plus possible 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 Health, Safety, Environment and 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 AIF are estimates only. The recovery and reserves estimates of the reserves provided herein are estimates only, and there is no guarantee that the estimated reserves will be recovered. Actual reserves 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, 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 estimates of reserves and future development capital for individual properties may not reflect the same confidence level as estimates of reserves and future development capital for all properties, due to the effects of aggregation.

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10 percent probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

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, 2017, and accordingly, certain of such information might not be representative of current conditions.

### ***Reserves Data - Forecast Prices and Costs***

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, 2017 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. All dollar amounts are reported in thousands of Canadian dollars unless otherwise indicated. Assumptions and qualifications relating to costs and prices for future production and other matters are summarized in the notes to the following tables.

**"Summary of Oil and Gas Reserves as of December 31, 2017"** discloses, in aggregate, the Company's gross and net proved reserves, proved plus probable reserves and proved plus probable plus possible 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 Income Tax as of December 31, 2017"** 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, 2017", 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 Income Tax as of December 31, 2017"** 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, 2017", 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, 2017"** discloses, in aggregate, certain elements of the Company's future net revenue attributable to its proved reserves, its proved plus probable reserves and its proved plus probable plus possible reserves, estimated using forecast prices and costs, and calculated without discount.

**"Net Present Value of Future Net Revenue by Product Type as of December 31, 2017"** discloses, by product type and on a \$/boe basis, the net present value of the Company's future net revenue attributable to its proved reserves, its proved plus probable reserves and its proved plus probable plus possible reserves, before deducting future income tax expenses, estimated using forecast prices and costs, and calculated using a 10% discount rate.

**SUMMARY OF OIL AND GAS RESERVES AS OF DECEMBER 31, 2017**

Reserves Category	Light and Medium Crude Oil		Heavy Crude Oil		Natural Gas		Natural Gas Liquids		Total Oil Equivalent	
	Gross <sup>(1)</sup> (Mbbbl)	Net <sup>(2)</sup> (Mbbbl)	Gross <sup>(1)</sup> (Mbbbl)	Net <sup>(2)</sup> (Mbbbl)	Gross <sup>(1)</sup> (MMcf)	Net <sup>(2)</sup> (MMcf)	Gross <sup>(1)</sup> (Mbbbl)	Net <sup>(2)</sup> (Mbbbl)	Gross <sup>(1)</sup> (Mboe)	Net <sup>(2)</sup> (Mboe)
<b>Proved</b>										
Developed Producing	4,017	2,347	571	486	-	-	-	-	4,588	2,834
Developed Non-Producing	781	670	213	191	-	-	-	-	994	861
Undeveloped	4,594	3,158	558	496	-	-	-	-	5,152	3,654
<b>Total Proved</b>	<b>9,391</b>	<b>6,176</b>	<b>1,342</b>	<b>1,173</b>	-	-	-	-	<b>10,733</b>	<b>7,349</b>
Probable	7,058	5,186	744	658	-	-	-	-	7,802	5,844
<b>Total Proved plus Probable</b>	<b>16,450</b>	<b>11,362</b>	<b>2,086</b>	<b>1,831</b>	-	-	-	-	<b>18,535</b>	<b>13,193</b>
Possible	5,297	3,575	624	547	-	-	-	-	5,921	4,123
<b>Total Proved plus Probable plus Possible</b>	<b>21,747</b>	<b>14,937</b>	<b>2,710</b>	<b>2,378</b>	-	-	-	-	<b>24,456</b>	<b>17,316</b>

Notes:

- (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, private, overriding royalties and interests owned by others.

**SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE BEFORE INCOME TAX AS OF DECEMBER 31, 2017**

Reserves Category	Net Present Values of Future Net Revenue Before Income Taxes Discounted at (% per year)					Unit Value Before Income Tax Discounted at 10% per year <sup>(1)</sup>	
	0% (\$000's)	5% (\$000's)	10% (\$000's)	15% (\$000's)	20% (\$000's)	\$/boe	\$/Mcf
<b>Proved</b>							
Developed Producing	114,771	79,682	62,994	53,032	46,294	22.23	3.71
Developed Non-Producing	53,820	44,682	37,912	32,742	28,692	44.02	7.34
Undeveloped	195,543	140,798	109,612	88,523	73,281	30.00	5.00
<b>Total Proved</b>	<b>364,134</b>	<b>265,163</b>	<b>210,518</b>	<b>174,297</b>	<b>148,268</b>	<b>28.65</b>	<b>4.77</b>
Probable	393,087	265,708	197,411	154,840	125,856	33.78	5.63
<b>Total Proved plus Probable</b>	<b>757,221</b>	<b>530,871</b>	<b>407,929</b>	<b>329,136</b>	<b>274,124</b>	<b>30.92</b>	<b>5.15</b>
Possible	323,132	188,257	132,408	102,272	83,287	32.11	5.35
<b>Total Proved plus Probable plus Possible</b>	<b>1,080,353</b>	<b>719,128</b>	<b>540,337</b>	<b>431,408</b>	<b>357,411</b>	<b>31.20</b>	<b>5.20</b>

Note:

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

**SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE AFTER INCOME TAX<sup>(1)</sup>  
AS OF DECEMBER 31, 2017**

Reserves Category	Net Present Values of Future Net Revenue After Income Taxes Discounted at (% per year)				
	0% (\$000's)	5% (\$000's)	10% (\$000's)	15% (\$000's)	20% (\$000's)
Proved					
Developed Producing	48,259	37,339	31,670	28,047	25,452
Developed Non-Producing	19,282	16,114	13,779	12,002	10,614
Undeveloped	69,483	49,554	38,035	30,218	24,574
<b>Total Proved</b>	<b>137,024</b>	<b>103,007</b>	<b>83,484</b>	<b>70,267</b>	<b>60,640</b>
Probable	141,383	97,435	73,214	57,881	47,356
<b>Total Proved plus Probable</b>	<b>278,406</b>	<b>200,442</b>	<b>156,698</b>	<b>128,148</b>	<b>107,996</b>
Possible	113,175	69,477	50,329	39,691	32,888
<b>Total Proved plus Probable plus Possible</b>	<b>391,581</b>	<b>269,919</b>	<b>207,027</b>	<b>167,839</b>	<b>140,884</b>

Note:

- (1) Income taxes include all resource income, appropriate income tax calculations, current Trinidad tax regulations and estimated December 31, 2017 tax pools and non-capital losses.

**TOTAL FUTURE NET REVENUE (UNDISCOUNTED) AS OF DECEMBER 31, 2017 (\$000's)**

	Proved Reserves	Proved plus Probable Reserves	Proved plus Probable plus Possible Reserves
Revenue	885,941	1,558,440	2,129,297
Royalties	292,156	473,027	657,308
Operating costs	164,478	234,054	296,770
Capital development costs	57,842	85,287	85,287
Abandonment costs <sup>(1)</sup>	7,330	8,852	9,579
<b>Future net revenue before income taxes</b>	<b>364,134</b>	<b>757,221</b>	<b>1,080,353</b>
Future income tax <sup>(2)</sup>	227,110	478,814	688,771
<b>Future net revenue after income taxes</b>	<b>137,024</b>	<b>278,406</b>	<b>391,581</b>

Notes:

- (1) See "Significant Factors or Uncertainties Affecting Reserves Data – Abandonment and Reclamation Costs".  
(2) Values are calculated by utilizing estimated December 31, 2017 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, 2017.

**NET PRESENT VALUE OF FUTURE NET REVENUE BY PRODUCT TYPE AS OF DECEMBER 31, 2017**

Reserves Category	Future Net Revenue Before Income Taxes Discounted at 10% per year <sup>(1)</sup>	
	\$000's	\$/bbl
Light and medium oil <sup>(2)</sup>	174,989	28.33
Heavy oil	35,529	30.28
<b>Total Proved</b>	<b>210,518</b>	<b>28.65</b>
Light and medium oil <sup>(2)</sup>	347,458	30.58
Heavy oil	60,471	33.03
<b>Total Proved plus Probable</b>	<b>407,929</b>	<b>30.92</b>
Light and medium oil <sup>(2)</sup>	461,690	30.91
Heavy oil	78,647	33.07
<b>Total Proved plus Probable plus Possible</b>	<b>540,337</b>	<b>31.20</b>

Notes:

- (1) Unit values are based on Company Net Reserves.  
(2) Including solution gas and other by-products.

## 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, 2018.

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS AS OF JANUARY 1, 2018 <sup>(1)</sup>				
Forecast Year	NYMEX WTI at Cushing, Oklahoma (US\$/bbl)	Brent Blend FOB North Sea (US\$/bbl)	Inflation Rate (%/year) <sup>(2)</sup>	US\$/C\$ Exchange Rate <sup>(3)</sup>
2018	59.00	65.50	2.0	0.79
2019	59.00	63.50	2.0	0.79
2020	60.00	63.00	2.0	0.80
2021	63.00	66.00	2.0	0.81
2022	66.00	69.00	2.0	0.82
2023	69.00	72.00	2.0	0.83
2024	72.00	75.00	2.0	0.83
2025	75.00	78.00	2.0	0.83
2026	77.33	80.33	2.0	0.83
2027	78.88	81.88	2.0	0.83
Thereafter % change per year	2.0%	2.0%	Nil	Nil

Notes:

- (1) This summary table identifies benchmark reference pricing schedules that might apply to a reporting issuer. Product sales prices will reflect these reference prices with further adjustments for quality differentials and transportation to point of sale.
- (2) Inflation rates for forecasting pricing and costs.
- (3) Exchange rates used to generate the benchmark reference prices in this table.

During the year ended December 31, 2017, the Company realized an average price of US\$54.83 per barrel for crude oil, which represented a 9% discount in comparison to average Brent reference prices and a 3% 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, 2017 against such reserves as at December 31, 2016 based on forecast prices and cost assumptions. All of the Company's evaluated reserves are located in Trinidad.

RECONCILIATION OF COMPANY GROSS RESERVES BY PRODUCT TYPE									
Factors	Light and Medium Crude Oil			Heavy Crude Oil			Total Oil Equivalent		
	Proved (Mbbbl)	Probable (Mbbbl)	Proved plus Probable (Mbbbl)	Proved (Mbbbl)	Probable (Mbbbl)	Proved plus Probable (Mbbbl)	Proved (Mbbbl)	Probable (Mbbbl)	Proved plus Probable (Mbbbl)
December 31, 2016	7,580	5,914	13,494	1,397	808	2,205	8,977	6,722	15,698
Extensions and improved recovery	1,880	1,376	3,256	-	-	-	1,880	1,376	3,256
Technical revisions	368	(212)	156	18	(64)	(46)	386	(276)	110
Economic factors	(5)	(19)	(23)	(3)	-	(3)	(8)	(19)	(26)
Production	(432)	-	(432)	(70)	-	(70)	(502)	-	(502)
<b>December 31, 2017</b>	<b>9,391</b>	<b>7,058</b>	<b>16,450</b>	<b>1,342</b>	<b>744</b>	<b>2,086</b>	<b>10,733</b>	<b>7,802</b>	<b>18,535</b>

## 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 proved undeveloped reserves will be developed over the next four years with over 78% 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" herein.

### Proved and Probable Undeveloped Reserves

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, 2015, 2016 and 2017 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.

#### Proved Undeveloped Reserves

SUMMARY OF PROVED UNDEVELOPED RESERVES						
Year	Light and Medium Crude Oil (Mbbbl)		Heavy Crude Oil (Mbbbl)		Total Oil Equivalent (Mbbbl)	
	First Attributed	Cumulative at Year-end	First Attributed	Cumulative at Year-end	First Attributed	Cumulative at Year-end
2015	-	2,889	-	533	-	3,422
2016	-	2,890	-	533	-	3,423
2017	1,587	4,594	-	558	1,587	5,152

The Reserves Report discloses Company gross proved undeveloped reserves of 5,152 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 \$53.7 million 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 78% 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 crude oil. The Company has significant development opportunities in several properties, and the pace of development is controlled to meet Company capital expenditure targets.

## Probable Undeveloped Reserves

SUMMARY OF PROBABLE UNDEVELOPED RESERVES						
Year	Light and Medium Crude Oil (Mbbbl)		Heavy Crude Oil (Mbbbl)		Total Oil Equivalent (Mbbbl)	
	First Attributed	Cumulative at Year-end	First Attributed	Cumulative at Year-end	First Attributed	Cumulative at Year-end
2015	-	3,558	-	245	-	3,803
2016	-	3,525	-	245	-	3,770
2017	1,411	4,693	-	220	1,411	4,913

The Reserves Report discloses Company gross probable undeveloped reserves of 4,913 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 58% 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. The Company has significant development opportunities in several properties, and the pace of development is controlled to meet Company capital expenditure targets.

### **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 crude oil 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 is 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 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 prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions, and other factors and assumptions that may affect the reserve estimates and the present value of the future net revenue therefrom. These factors and assumptions include, among others: (i) historical production in the area compared with production rates from analogous producing areas; (ii) initial production rates; (iii) production decline rates; (iv) ultimate recovery of reserves; (v) success of future development activities; (vi) marketability of production; (vii) effects of government regulations; and (viii) other government levies imposed over the life of the reserves. Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, subjective decisions, new geological or production information and a changing environment may impact these estimates.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates 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 government restrictions. Revisions to reserve estimates can arise from changes in year-end prices, reservoir performance and geologic conditions or production. These 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 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*" herein for further information.

### **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.

<b>ABANDONMENT AND RECLAMATION COSTS (\$000's)</b>						
<b>Year</b>	<b>Proved Reserves</b>		<b>Proved plus Probable Reserves</b>		<b>Proved plus Probable plus Possible Reserves</b>	
	<b>Undiscounted</b>	<b>Discounted at 10%/year</b>	<b>Undiscounted</b>	<b>Discounted at 10%/year</b>	<b>Undiscounted</b>	<b>Discounted at 10%/year</b>
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
Thereafter	7,330	1,323	8,852	1,261	9,579	1,093
<b>Total</b>	<b>7,330</b>	<b>1,323</b>	<b>8,852</b>	<b>1,261</b>	<b>9,579</b>	<b>1,093</b>

As at December 31, 2017, the Company had 857.5 net wells in Trinidad for which it expected to incur reclamation and abandonment costs for total undiscounted costs of \$19.4 million. The Reserves Report deducted \$7.3 million (undiscounted), \$8.9 million (undiscounted) and \$9.6 million (undiscounted) for abandonment and reclamation costs of wells with proved, proved plus probable and proved plus probable plus possible reserves in estimating future net revenues in the Reserves Data, 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 estimated there is an additional \$9.8 million (undiscounted) for abandonment and reclamation costs for wells without reserves as at December 31, 2017. These obligations are expected to be settled over the useful lives of the underlying assets, which currently extend up to 25 years. The Company expects to remit approximately \$1.1 million in 2018 to Petrotrin based on historical well and general abandonment fund contributions that have yet to be paid. For further information, refer to "*Description of the Business and Operations - Decommissioning Obligations*" section herein.

### **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.

<b>FUTURE DEVELOPMENT COSTS (\$000's)</b>			
<b>Year</b>	<b>Proved Reserves</b>	<b>Proved plus Probable Reserves</b>	<b>Proved plus Probable plus Possible Reserves</b>
2018	10,400	13,170	13,170
2019	18,039	23,633	23,633
2020	18,020	25,703	25,703
2021	11,384	22,780	22,780
Thereafter	-	-	-
<b>Total undiscounted</b>	<b>57,842</b>	<b>85,287</b>	<b>85,287</b>
<b>Total discounted at 10% per year</b>	<b>47,906</b>	<b>69,615</b>	<b>69,615</b>

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 could have a negative impact on the Company's future cash flow. 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 expenses and other costs of external funding are not included in the future development costs set forth above of the reserves or in the future revenue estimates and would reduce future net revenue to some degree depending upon the funding sources utilized. The Company does not anticipate that interest expense or other funding costs would make further development of any of the Company's properties uneconomic.

### Other Oil and Gas Information

Unless otherwise stated, the following information is presented as of December 31, 2017. The Company does not believe that there have been any material changes to such information since such date.

### Oil and Gas Properties and Wells

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 Petrotrin, state exploration and production licences with the MEEI, and private exploration and production agreements with individual landholders as per below.

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

Notes:

(1) Excluding the Company's option for a five-year renewal.

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



The following table sets forth information regarding the Company's wells and land holdings as at December 31, 2017.

<b>WELLS<sup>(1)</sup> AND LAND HOLDINGS</b>								
<b>INCLUDING PROPERTIES WITH NO ATTRIBUTABLE RESERVES</b>								
<b>Property</b>	<b>Producing<sup>(2)</sup></b>		<b>Non-Producing</b>		<b>Developed Land</b>		<b>Undeveloped Land</b>	
	<b>Gross<sup>(3)</sup></b>	<b>Net<sup>(4)</sup></b>	<b>Gross<sup>(3)</sup></b>	<b>Net<sup>(4)</sup></b>	<b>Gross<sup>(3)</sup></b>	<b>Net<sup>(4)</sup></b>	<b>Gross<sup>(3)</sup></b>	<b>Net<sup>(4)</sup></b>
	<b>Wells</b>	<b>Wells</b>	<b>Wells</b>	<b>Wells</b>	<b>Acres</b>	<b>Acres</b>	<b>Acres</b>	<b>Acres</b>
<b>Trinidad</b>								
Coora 1	91.0	91.0	163.0	55.0	1,230	1,230	-	-
Coora 2	51.0	51.0	67.0	20.0	469	469	-	-
WD-4	39.0	39.0	38.0	17.0	700	700	-	-
WD-8	85.0	85.0	37.0	29.0	650	650	-	-
New Dome	5.0	5.0	11.0	1.0	69	69	-	-
South Palo Seco	3.0	3.0	3.0	2.0	2,019	2,019	-	-
Barrackpore	8.0	8.0	4.0	4.0	211	211	-	-
Fyzabad	92.0	92.0	159.0	159.0	564	564	-	-
Icacos	3.0	1.5	4.0	2.0	1,947	974	-	-
Palo Seco	20.0	20.0	54.0	54.0	499	499	-	-
San Francique	43.0	43.0	74.0	74.0	1,351	1,351	-	-
Bovallius	-	-	-	-	-	-	827	827
Cory Moruga	-	-	5.0	0.6	-	-	11,969	1,939
East Brighton	-	-	2.0	1.4	-	-	20,589	14,412
Moruga	-	-	-	-	-	-	1,416	1,416
New Grant	-	-	-	-	-	-	193	193
Ortoire	-	-	77.0	-	-	-	44,731	35,785
Rousillac	-	-	-	-	-	-	235	235
Siparia	-	-	-	-	-	-	111	56
St. John	-	-	-	-	-	-	179	179
	<b>440.0</b>	<b>438.5</b>	<b>698.0</b>	<b>419.0</b>	<b>9,709</b>	<b>8,736</b>	<b>80,250</b>	<b>55,042</b>
<b>Canada</b>								
Beadle	-	-	-	-	-	-	2,241	2,241
Druid	-	-	-	-	-	-	8,641	8,641
Luseland	-	-	-	-	-	-	6,849	6,849
Winter	-	-	-	-	-	-	11,323	11,323
	-	-	-	-	-	-	<b>29,054</b>	<b>29,054</b>
<b>Total</b>	<b>440.0</b>	<b>438.5</b>	<b>698.0</b>	<b>419.0</b>	<b>9,709</b>	<b>8,736</b>	<b>109,304</b>	<b>84,096</b>

Notes:

- (1) All of the Company's wells are crude oil wells.
- (2) Wells that produced during the 2017 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.

In addition to the wells noted above, the Company operates eight sales batteries in Trinidad. Each sales battery is directly tied into Petrotrin sales pipelines.

### **Properties with No Attributed Reserves**

The following tables set forth information respecting the Company's unproved properties as at December 31, 2017.

<b>PROPERTIES WITH NO ATTRIBUTABLE RESERVES<sup>(1)(2)</sup></b>				
<b>Property</b>	<b>Unproved Properties</b>		<b>2018 Expiring</b>	
	<b>Gross<sup>(3)</sup> Acres</b>	<b>Net<sup>(4)</sup> Acres</b>	<b>Gross<sup>(3)</sup> Acres</b>	<b>Net<sup>(4)</sup> Acres</b>
<b>Trinidad</b>				
Bovallius	827	827	-	-
Cory Moruga	11,969	1,939	-	-
East Brighton	20,589	14,412	-	-
Moruga	1,416	1,416	-	-
New Grant	193	193	-	-
Ortoire	44,731	35,785	-	-
Rousillac	235	235	-	-
Siparia	111	56	-	-
St. John	179	179	-	-
	<b>80,250</b>	<b>55,042</b>	-	-
<b>Canada</b>				
Beadle	2,241	2,241	-	-
Druid	8,641	8,641	8,641	8,641
Luseland	6,849	6,849	1,678	1,678
Winter	11,323	11,323	11,323	11,323
	<b>29,054</b>	<b>29,054</b>	<b>21,642</b>	<b>21,642</b>
<b>Total</b>	<b>109,304</b>	<b>84,096</b>	<b>21,642</b>	<b>21,642</b>

Notes:

- (1) Unproved properties have no attributable reserves as of December 31, 2017.
- (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. See "Risk Factors".

For further information, see Note 6, "Exploration Assets" to the consolidated financial statements of the Company for the year ended December 31, 2017, which can be found on the Company's SEDAR profile ([www.sedar.com](http://www.sedar.com)).

### **Forward Contracts**

The nature of crude oil operations exposes the Company to risks associated with commodity prices and foreign exchange rates. In the past, the Company entered into Brent reference based crude oil financial derivative contracts to protect funds flow from operations from the volatility of commodity prices. The Company had no commodity risk management contracts or contracts in place to manage foreign exchange risk contracts in place as at or during the year ended December 31, 2017.

On January 23, 2018, the Company entered into the following financial derivative contracts to mitigate its exposure to fluctuations in commodity prices:

Oil contracts	Volume	Pricing point	Strike price	Term
Put options	500 barrels per day	Brent ICE	US\$55.00 per barrel	March 1, 2018 to Dec. 31, 2018

To further manage commodity price risk, the Company has reduced its fixed operating and administrative cost structure. The Company may also reduce capital expenditures, issue new equity or seek additional sources of debt should forward commodity pricing materially decrease. The Company will continue to monitor forward commodity prices and may enter future commodity based risk management contracts to reduce the volatility of petroleum revenues and protect future development capital programs.

### **Tax Horizon**

The Reserves Report forecasts cash taxes in Trinidad to be incurred in 2018, and the Company incurred cash taxes in prior years.

### **Costs Incurred**

The following table summarizes certain expenditures for the Company incurred during the year ended December 31, 2017.

PROPERTY ACQUISITION COSTS AND CAPITAL EXPENDITURES <sup>(1)</sup>	
	Amount (\$000's)
Development costs	7,981
Exploration costs	1,240
Service equipment	45
Property acquisition costs	-
<b>Total</b>	<b>9,266</b>

Note:

(1) Capital expenditures in this table exclude corporate asset additions (\$112,000) and various non-cash additions.

### **Exploration and Development Activities**

The Company drilled four gross and net oil development wells in Trinidad and did not drill any exploration wells during the fiscal year ended December 31, 2017.

### **Production Estimates**

The following table summarizes the average volumes of net production estimated in the Reserves Report for the year ended December 31, 2018 by reserves category.

SUMMARY OF FIRST YEAR PRODUCTION ESTIMATES			
Reserve Category	Light and Medium Crude Oil (bbls/d)	Heavy Crude Oil (bbls/d)	Total Oil Equivalent (bbls/d)
Proved	1,817	260	2,076
Probable	399	41	439
<b>Total Proved plus Probable</b>	<b>2,215</b>	<b>301</b>	<b>2,516</b>

For the year ended December 31, 2018, the Reserves Report estimated Coora block and WD-4 block annual average production of 715 bbls/d and 645 bbls/d under the proved reserves category, respectively. For the year ended December 31, 2018, the Reserves Report estimated Coora block and WD-4 block annual average production of 179 bbls/d and 109 bbls/d under the probable reserves category, respectively.

## Production History

The following table sets forth certain information in respect of the Company's average gross daily 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, 2017.

PRODUCTION HISTORY - YEAR ENDED DECEMBER 31, 2017					
Fiscal Quarter	Average Gross		Average \$/bbl		
	Daily Sales Volumes <sup>(1)</sup>	Price Received	Royalties	Operating Costs	Operating Netback <sup>(2)</sup>
Q1 2017	1,292	64.16	21.04	19.46	23.66
Q2 2017	1,344	61.26	16.01	25.36	19.89
Q3 2017	1,447	59.64	14.59	20.59	24.46
Q4 2017	1,459	69.88	20.16	27.58	22.14
<b>2017</b>	<b>1,386</b>	<b>63.79</b>	<b>17.89</b>	<b>23.34</b>	<b>22.56</b>

Notes:

- (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, 2017 for each product type by field.

GROSS PRODUCTION (SALES) HISTORY BY FIELD - YEAR ENDED DECEMBER 31, 2017 <sup>(1)</sup>			
Property	Light and Medium Crude Oil (bbls)	Heavy Crude Oil (bbls)	Total Crude Oil (bbls)
Coora	115,210	-	115,210
WD-4	175,001	-	175,001
WD-8	97,322	-	97,322
New Dome	-	8,871	8,871
South Palo Seco	-	2,180	2,180
Barrackpore	13,573	-	13,573
Fyzabad	-	50,062	50,062
Icacos	-	8,052	8,052
Palo Seco	-	5,130	5,130
San Francique	30,610	-	30,610
<b>Total</b>	<b>431,716</b>	<b>74,295</b>	<b>506,011</b>

Note:

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

## DIVIDEND POLICY

Touchstone has never declared or paid any dividends on its outstanding Common Shares. The Company may declare dividends in the future if the Company has sufficient capital 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 129,021,428 Common Shares are issued and outstanding as fully paid and non-assessable as at 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.

The Company has a share option plan and an incentive share compensation plan pursuant to which options to purchase common shares of the Company may be granted by the Board of Directors to directors, officers, employees and consultants of the Company. The maximum number of Common Shares issuable on the exercise of outstanding share options and incentive share options at any time is limited to 10% of the issued and outstanding Common Shares. Furthermore, a maximum of two million Common Shares have been reserved for issuance under the Company's incentive share compensation plan.

The following table summarizes the outstanding Common Shares, share options and incentive share options as at the date of this AIF, December 31, 2017 and 2016:

	March 26, 2018	December 31, 2017	December 31, 2016
Common Shares outstanding	129,021,428	129,021,428	83,137,143
Share options outstanding	6,845,840	6,870,840	5,642,040
Incentive share options outstanding	15,000	15,000	127,500
<b>Fully diluted Common Shares</b>	<b>135,882,268</b>	<b>135,907,268</b>	<b>88,906,683</b>

### Shareholder Rights Plan

Effective January 1, 2013, Touchstone adopted a 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 ([www.sedar.com](http://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, which was discharged.

The Term Loan matures on November 23, 2021 with no mandatory repayment of principal until January 1, 2019. The Company is required to repay \$0.8 million 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.

Touchstone may prepay any principal portion of the Term Loan after May 23, 2018 and if it does so will incur the following prepayment fees:

- from May 23, 2018 to November 23, 2018, a fee of 3% of the amount prepaid;
- from November 24, 2018 to November 23, 2019, a fee of 2% of the amount prepaid; and

- from November 24, 2019 to November 22, 2021, a fee of 1% of the amount prepaid.

In connection with the Term Loan, the Company granted the lender a production payment equal to 1% of total petroleum sales from then current Company land holdings in Trinidad. The production payments are payable until October 31, 2021 regardless of any repayment or prepayment of the Term Loan. The Term Loan and the Company's obligations in respect of the production payment 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:

- as at the date of each quarterly balance sheet date, have a cash reserves balance of not less than \$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 gross 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; and
- maintain a maximum net funded debt to EBITDA ratio of 2.50:1.00.

The production payment obligation is governed by a separate agreement between the parties. The payment is defined as 1% of total sale proceeds, which is defined as the gross proceeds from the sale of the aggregate gross production attributable to the Company's participating interest in all then current Trinidad blocks. The 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 production payment obligation. The buyout shall be negotiated by both parties and calculated by the Company as prepared by reference to internal forecasts discounted at 8% per annum.

The Company and lender executed a First Amending Agreement to the Credit Agreement on May 15, 2017. The amendment further clarified certain of the Company's positive financial covenants included in the term loan agreement to provide greater compliance flexibility to the Company.

As at December 31, 2017 the Company was in compliance with all covenants, obligations and conditions of the Term Loan.

## **Guarantees**

As at December 31, 2017, the Company had cash collateralized bonds totaling US\$0.3 million related to its work commitments on its Petrotrin concessions.

The Company has provided the MEEI with a US\$2.2 million guarantee in the form of a letter of credit to support exploration work commitments under the East Brighton block. EDC has provided a performance security guarantee to support the full value of the letter of credit issued by Touchstone. The letter of credit may be reduced from time to time to reflect any work performed on the block.

In January 2018, the Company has provided the MEEI with a US\$7.7 million parental company guarantee to support exploration work commitments on its Ortoire block. The parental company guarantee may also be reduced from time to time to reflect any work performed on the block.

## MARKET FOR SECURITIES

### Trading Price and Volume

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

Calendar Period	Price Range (\$ per Common Share)		Volume
	High	Low	
<b>2018</b>			
January	0.28	0.22	5,939,997
February	0.25	0.185	1,266,639
March (1 to 26)	0.235	0.195	526,655
<b>2017</b>			
January	0.165	0.14	2,809,697
February	0.16	0.135	1,756,555
March	0.15	0.13	1,980,876
April	0.185	0.15	3,250,947
May	0.18	0.13	4,604,677
June	0.175	0.14	1,395,392
July	0.165	0.135	3,668,565
August	0.165	0.14	1,232,779
September	0.16	0.14	532,951
October	0.29	0.145	5,413,583
November	0.28	0.205	3,853,838
December	0.235	0.175	3,720,795

### Prior Sales

The following table sets forth the securities of the Company outstanding but not listed or quoted on a marketplace which were issued during the year ended December 31, 2017:

Grant Date	Securities	Number of Securities	Exercise price (\$)
March 30, 2017	Share options	1,018,800	0.14
June 28, 2017	Share options	447,500	0.15
December 19, 2017	Share options	92,500	0.21

### ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS OR TRANSFER

Except as otherwise disclosed herein, as of the date hereof, none of the Company's securities are subject to escrow or subject to contractual restriction on transfer.

25,784,285 Common Shares issued by the Company pursuant to a December 22, 2017 United Kingdom offering are freely transferable outside of Canada; however, these Common Shares are subject to a four-month restricted hold period in Canada which will prevent such Common Shares from being resold in Canada, through a Canadian exchange or otherwise, during the restricted period without an exemption from the Canadian prospectus requirement. The restricted Common Shares represented 19.99% of the Company's issued and outstanding Common Shares as at December 31, 2017, and the restriction period expires on April 23, 2018.

## DIRECTORS AND OFFICERS

### Name, Occupation and Security Holding

The names, provinces and countries of residence, positions held with the Company, and principal occupation of the directors and officers of the Company are set out below.

Name and Place of Residence	Office Held	Position Since	Principal Occupation (during the preceding 5 years)
<b>Paul Baay</b> 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.
<b>Scott Budau</b> Alberta, Canada	Chief Financial Officer	May 13, 2014	Former Chief Financial Officer of Touchstone Energy Inc. from October 2012 to May 2014.
<b>Kenneth R. McKinnon</b> <sup>(2)(3)</sup> 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.
<b>Peter Nicol</b> <sup>(2)(4)</sup> London, UK	Director	June 26, 2017	Founder and Chief Executive Officer of Locin Energy (energy consultant company) since March 2012.
<b>James Shipka</b> Alberta, Canada	Chief Operating Officer	August 11, 2014	Former Vice President, Geoscience and Business Development of Touchstone Energy Inc. from May 2011 to August 2014.
<b>Stanley T. Smith</b> <sup>(2)(3)</sup> Alberta, Canada	Director	October 4, 2017	Independent Businessman since September 2016. Former Senior Audit Partner at KPMG LLP.
<b>Thomas E. Valentine</b> 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.
<b>Dr. Harrie Vredenburg</b> <sup>(3)(4)</sup> 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.
<b>John D. Wright</b> <sup>(1)(4)</sup> Alberta, Canada	Director	March 14, 2000	President, Analogy Capital Advisors Inc. since March 2017. Former President, Chief Executive Officer and a Director of Ridgeback Resources Inc. (energy company) from January 2017 to June 2017. President, Chief Executive Officer and a Director of 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.

Notes:

- (1) Chairman of the Board.
- (2) Member of the Audit Committee.
- (3) Member of the Compensation and Governance Committee.
- (4) Member of the Health, Safety, Environment and 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 6,468,708 Common Shares or approximately 5.0% of the issued and outstanding Common Shares. 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.

### **Cease Trade Orders**

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.

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.

### **Bankruptcies**

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, and Mr. Kenneth R. McKinnon was a director of Lightstream Resources Ltd. ("**Lightstream**") when the company 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. ("**Ridgeback**"), a new company owned by former holders of Lightstream's secured notes. Mr. McKinnon resigned as a director 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 upon closing of the sale transaction. Mr. Wright retired his Ridgeback officer and director positions effective June 30, 2017.

Except as otherwise disclosed herein, 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**

To the knowledge of the Company, 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**

The directors or officers of the Company may also be directors or officers of other oil and natural gas companies or otherwise involved in natural resource exploration and development, and situations may arise where they are in a conflict of interest with the Company. Conflicts of interest, if any, which arise will be subject to and governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with the Company discloses his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA. See "*Risk Factors*".

## **AUDIT COMMITTEE**

### **Audit Committee Charter**

The primary function of the Audit Committee is to assist the Board in fulfilling its responsibilities by reviewing: the financial reports and other financial information provided by Touchstone to any regulatory body or the public; Touchstone's systems of internal controls regarding preparation of those financial statements and related disclosures that management and the Board have established; and Touchstone's auditing, accounting and financial reporting processes generally.

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 information in 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 Stanley T. Smith (Chairman), Kenneth R. McKinnon and Peter Nicol. The members of the Audit Committee are independent (in accordance with National Instrument 52-110 – *Audit Committees*) and financially literate. The following is a description of the education and experience of each member of the Audit Committee.

#### ***Stanley T. Smith, Chairman***

Mr. Smith is a designated accountant with over 39 years of public accountant experience. Mr. Smith's focus of practice was public company auditing and advising, primarily in the oil and gas exploration, production and service industry. After retirement from KPMG LLP on September 30, 2016, Mr. Smith has been acting as an independent businessman. Mr. Smith is a director of Razor Energy Corp and was a director of Savanna Energy Services Corp. ("Savanna"), a drilling and oilfield services company, from April 2017 until Savanna was acquired by Total Energy Services Inc. in June 2017. Mr. Smith is a member of the Chartered Professional Accountants of Alberta and Institute of Corporate Directors.

#### ***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 director 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 is a member of the Institute of Corporate Directors.

#### ***Peter Nicol***

Mr. Nicol has over 30 years of experience in the oil and gas sector. Mr. Nicol was formerly a partner in GMP Securities Europe as the Head of Oil and Gas Research, responsible for initiating coverage of over 36 international oil and gas exploration and production companies and raising capital for over 20 companies. Mr. Nicol also previously held positions with Tristone Capital as Executive Managing Director for International Oil and Gas Research, ABN AMRO as Global Sector Director of Oil and Gas Research, and as Executive Director, Head of European Oil and Gas Research at Goldman Sachs Group Inc. Mr. Nicol holds a Bachelor of Science in Mathematics and Economics from Strathclyde University in Glasgow.

### **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 and

such pre-approval and the member comply with other such procedures as may be established by the Audit Committee from time to time.

### External Auditor Service Fees

The Audit Committee has reviewed the nature and amount of non-audit services provided by Ernst & Young LLP to the Company to ensure audit independence. The following table sets out the aggregate fees billed by Ernst and Young LLP for the years ended December 31, 2017 and 2016. Payments made in foreign currencies have been translated to Canadian dollars at average exchange rates for the year.

Nature of Services	2017 Fees (\$)	2016 Fees (\$)
Audit fees <sup>(1)</sup>	175,000	256,320
Audit-related fees <sup>(2)</sup>	64,388	64,471
Tax fees <sup>(3)</sup>	39,007	68,434
All other fees <sup>(4)</sup>	346,103	-
<b>Fees</b>	<b>624,497</b>	<b>389,225</b>

Notes:

- (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. 2017 fees include services related to the Company's admission to AIM.

### AUDITORS, TRANSFER AGENTS AND REGISTRAR

The auditors of the Company are Ernst & Young LLP, Chartered Professional Accountants, Suite 2200, 215 – 2<sup>nd</sup> 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 – 8<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 3S8. The Company's depository and custodian in respect of its United Kingdom depository interests is Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol, BS99 7NH.

### LEGAL PROCEEDINGS AND REGULATORY ACTIONS

#### Legal Proceedings

To the knowledge of the Company, as at December 31, 2017, 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 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 and exploration and production licence 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 Company's SEDAR profile ([www.sedar.com](http://www.sedar.com)).

Please see "*Description of the Business and Operations - Operating Agreements*" for details regarding the Company's oil and gas development and exploration agreements.

### **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.

### **General Risks Relating to the Company and to the Hydrocarbon Exploration Industry**

The exploration for, and production of, hydrocarbons is a highly speculative activity which involves a high degree of risk. The Company may be unable to continue to discover reserves of sufficient size or complete wells with flow rates sufficient enough to be commercially viable. Accordingly, the Common Shares should be regarded as a highly speculative investment, and an investment in the Company should only be made by those investors with the necessary expertise to evaluate the investment fully and who can sustain the total loss of their investment.

### **Foreign Location of Assets and Foreign Economic and Political Risk**

Touchstone is subject to additional risks associated with international operations in Trinidad. 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; 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; royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which Touchstone's operations will be conducted. 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 are 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, licences, licence 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.

Although Management considers political conditions in Trinidad as generally stable, changes may occur in its political, fiscal and legal systems, which might affect the ownership or operation of the Company's interests including, *inter alia*, changes in exchange rates, exchange control regulations, expropriation of oil and gas rights, changes in government and in legislative, fiscal and regulatory regimes. The Company's current business strategy, including its risk management strategies, have been formulated in the light of the current political and regulatory environment and likely future changes. The political and regulatory environment may change in the future, and such changes may have a material adverse effect on the Company.

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.

### **Commodity Prices**

Numerous factors beyond the Company's control do and will continue to affect the marketability and price of oil and natural gas acquired, produced or discovered by the Company. Accordingly, commodity prices are the Company's most significant financial risk. 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. 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 will 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.

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.

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.

## **Substantial Capital Requirements and Additional Funding**

The Company anticipates making substantial capital expenditures for the acquisition, exploration, development and production of crude 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 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 from operations, 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.

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. Previous conditions in the oil and gas industry negatively impacted the ability of international oil and gas companies to access additional financing. Continued volatile or depressed oil and natural gas prices 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.

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 internationally focused companies, restricting access to some institutional investors.

The costs associated with Touchstone's future capital programs and site restoration and abandonment costs could be materially higher than expected and Touchstone may experience adverse variances to budget with respect to capital expenditures. The Company could therefore require additional funding in the future to fulfill its stated objectives, and there can be no assurance that such funding will be available to Touchstone on favourable terms, or at all.

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. 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.

## **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 wells or pipelines resulting from extreme weather



conditions, insufficient storage or transportation capacity and 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: expiration or termination of the leases, licences, permits, lease operating agreements, farmout agreements, joint operation or venture agreements and marketing agreements, as applicable, or sales price redeterminations or suspension of deliveries; future litigation; the timing and amount of insurance recoveries; work stoppages or other labour difficulties; (v) changes in the market and general economic conditions; and 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 to 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 significant 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. To manage this risk, to the extent possible, Touchstone employs highly experienced geologists and geophysicists, uses technology such as 3D seismic as a primary exploration tool and focuses exploration efforts in known hydrocarbon-producing basins. In additions, the Company takes a portfolio approach to exploration by dispersing drilling locations among different exploration blocks and geological basins and by targeting multiple play-types. The Company may also choose to mitigate exploration risk through acquisitions that may require raising funds.

Oil and natural gas exploration involves a high degree of risk, and there is no assurance that expenditures made on future exploration or development activities by Touchstone will result in discoveries of oil or natural gas that are commercially or economically feasible. It is difficult to project the costs of implementing any exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

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 maintains insurance coverage but will likely 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**

Recent market events and conditions, including global excess oil and natural gas supply, recent actions taken by OPEC and its allies, slowing growth in emerging economies, sovereign debt levels and political upheavals in various countries, have caused significant weakness and volatility in commodity prices. Near term crude oil prices will be driven by forecasted demand, as well as continued discipline from OPEC and its allies in their efforts to rebalance global crude inventories. 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 rendering certain reserves uneconomic. In addition, lower commodity prices restrict the Company's cash flow from operations resulting in less funds from operations being available to fund the Company's 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. In addition to possibly resulting in a decrease in the value of the Company's economically recoverable reserves, lower commodity prices may also result in a decrease in the value of the Company's oil and gas assets, which could also have the effect of requiring a write down of the carrying value of the Company's oil and gas assets on its statement of financial position and the recognition of an impairment charge in its statement of earnings. 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 Regulations**

The Company is subject to environmental laws and regulations that affect aspects of the Company's past, present and future operations. Extensive 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 exploration and production licences 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, licences, 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 well equipment and 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.

The Company's decommissioning obligations relate to future site restoration and abandonment costs including the costs of production equipment removal and land reclamation based on current regulations and economic circumstances. Obligations are estimated by Management based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities, and the estimated timing of the costs to be incurred in future periods. These costs may arise as a result of applicable law or regulation, the terms of the Company's licences, the Company's internal health and safety policies or industry best practice. Costs of abandonment and restoration could be significantly higher than anticipated.

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

The Company's Term Loan and related production payment agreement 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 immediately 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 and related production payment agreement, 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 and related production payments or may not generate enough cash from operations to meet these obligations. The Company's ability to make payments of principal, interest and production payments 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 commodity price 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, interest and related production payments on its indebtedness. No assurance can be given that the Company will be able to repay the Term Loan.

### **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.

### **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 may be 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 is beyond the current term of the relevant operating agreements. There is no certainty as to any renewal of the Company's existing operating arrangements.

### **Reserves Replacement**

Touchstone's crude oils 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 crude oil 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 licences, 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 MEEI'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 licences. See "*Description of the Business and Operations - Operating Agreements*" for a discussion of these risks.

### **Title Issues**

Touchstone holds its interests in Trinidad through government licences, private leases and Petrotrin issued lease operating and farmout agreements. Although title and legal reviews may be conducted prior to the acquisition of lease or licence 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 private lease agreements and two government licences 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.

In addition, the decision to proceed to further exploitation may require the participation of other companies whose interest and objectives may not be the same as those of the Company. Such further work may also require the Company to meet, or commit to, financing obligations, which it may not have anticipated or may not be able to commit to, due to lack of funds, or inability to raise funds. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral tenure and development, could result in loss, reduction or expropriation of entitlements.

### **Relinquishment Obligations**

The Company is subject to relinquishment obligations under its exploration agreements which oblige the Company to relinquish certain proportions of its licence areas and thereby reduce the Company's acreage. Additionally, the Company may be unable to drill all of its prospects or satisfy its minimum work commitments prior to relinquishment and may be unable to meet its obligations under the title documents. Failure to meet such obligations could result in licences being suspended, revoked or terminated which could have a material adverse effect on the business.

### **Uncertain Tax Liabilities**

As a part of the acquisition of the Primera Group, one of the acquired legal entities had overdue income 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. During 2017, the seller was placed into joint liquidation. Management has received confirmation from external counsel that financial position of the seller and the Company's ability to recover funds under the indemnity are both unchanged from the prior year. The Company continues to work with 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 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, 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.

### **Permits, Licences and Leases**

Significant parts of the Company's operations require permits, licences 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, licences and leases that may be required to carry out exploration and development activities. If the present permits, licences and leases are terminated or withdrawn, such event could have an adverse negative effect on the Company's operations.

### **Reputational Risk Associated with the Company's Operations**

Any environmental damage, loss of life, injury or damage to property caused by the Company's operations could damage the Company's reputation in the areas in which the Company operates. Negative sentiment towards the Company could result in a lack of willingness of local authorities being willing to grant the necessary licenses or permits for the Company to operate its business and in residents in the areas where the Company is doing business opposing further operations in the area by the Company. If the Company develops a reputation of having an unsafe work site it may impact the ability of the Company to attract and retain the necessary skilled employees and consultant to operate its business. Further, the Company's reputation could be affected by actions and activities of other corporations operating in the oil and gas industry, over which the Company has no control. In addition, environmental damage, loss of life, injury or damage to property caused by the Company's operations could result in negative investor sentiment towards the Company, which may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Common Shares.

### **Sole Purchaser and the Ability to Market**

The Company is exposed to sole purchaser risk in Trinidad as Petrotrin is the sole purchaser of crude oil. Touchstone's ability to market its crude oil depends upon numerous factors beyond its control. These factors include:

- the availability of economic processing capacity in the Petrotrin refinery;
- the availability of pipeline capacity;
- the supply of and demand for crude oil and natural gas;
- the availability of alternative fuel sources;
- Petrotrin's future financial viability and ability to remain a going concern; and

- the effects of weather conditions.

Deliverability uncertainties related to the distance the Company's reserves are to the refinery, processing and storage facilities, operational problems affecting pipelines and facilities as well as government regulation relating to prices, taxes, royalties, land tenure, allowable production, and the export of crude oil.

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 from operations.

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 refinery shut downs or curtailment of capacity for pipelines for maintenance or integrity work or because of actions taken by regulators could also affect the Company's production, operations and financial results.

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 crude oil it produces.

### **Risks Associated with Geographically Concentrated Operations**

All of the Company's production is derived from onshore properties located in Trinidad. As a result of this concentration, the Company may be disproportionately exposed to the impact of, among other things, regional supply and demand factors including limitations on its ability to most profitably sell or market its oil and gas to a smaller pool of potential buyers, delays or interruptions of production from wells in these areas caused by governmental regulation, community protests, union activities, processing or transportation capacity constraints, continued authorization by the government to explore and drill in these areas, severe weather events and the availability of drilling rigs and related equipment, facilities, personnel or services. Due to the concentrated nature of the Company's portfolio of properties, a number of the Company's properties could experience any of the same conditions at the same time, resulting in a relatively greater impact on its results of operations than it might have on other companies that have a more diversified portfolio of properties.

The Company relies on local infrastructure and the availability of transportation for storage and shipment of its products. This infrastructure, including storage and transportation facilities, is less developed than that in North America and may be insufficient for the Company's needs at commercially acceptable terms in the localities in which it operates. Further, the Company operates in remote areas and solely relies on trucking for transportation. This sole transportation method may result in increased levels of risk and could lead to operational delays which could affect the Company's ability to add to its reserve base or produce oil, or serious injury or loss of life and could have a significant impact on the Company's reputation or cash flows.

### **Labour Relations**

The Company operates in Trinidad that has a large state sponsored or owned oil and natural 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 affect the operations of the Company and for which the Company has no control over.



The Company believes that all of the Company's operations have, in general, good relations with their employees and contractors. However, employment is an area which has the capacity to give rise to significant legal risk, particularly because of the significant degree of legislation and other regulation. Touchstone also employs a number of third party contractors. Industrial action affecting Touchstone projects may result in project delays or an increase in costs. Industrial action or threatened industrial action from Touchstone's employees or contractors may have a material adverse impact on the development of Touchstone's projects and the financial position and prospects of the Company.

The Company cannot provide assurances that social instability or labour disruption will not be experienced in the future. The potential impact of future social instability, labour disruptions and any lack of public order may have on the oil and gas industry in Trinidad, and on the Company's operations in particular, are not known at this time. This uncertainty may affect operations in unpredictable ways, including disruptions of fuel supplies and markets, ability to move equipment such as drilling and workover rigs from site to site, or disruption of infrastructure facilities, including pipelines, production facilities and public roads which could be targets or experience collateral damage as a result of social instability, labour disputes or protests. Touchstone may suffer loss of production, or be required to incur significant costs in the future to safeguard its assets against such activities, incur standby charges on stranded or idled equipment or to remediate potential damage to its facilities. There can be no assurance that the Company will be successful in protecting itself against these risks and the related financial consequences. Further, these risks may not in any part be insurable in the event the Company does suffer damage.

### **Political Uncertainty**

The citizens of the United Kingdom voted to withdraw from the European Union, and the Government of the United Kingdom has begun taking steps to implement such withdrawal. Some European countries have also experienced the rise of anti-establishment political parties and public protests held against open-door immigration policies, trade and globalization. To the extent that certain political actions taken in North America, Europe and elsewhere in the world result in a marked decrease in free trade and access to personnel and freedom of movement, they could have an adverse effect on Trinidad's ability to market its products internationally and increase costs for goods and services required for the Company's operations, thereby reducing access to skilled labour and negatively impacting the Company's business, operations, financial conditions and the market value of its Common Shares.

### **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: 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; a higher degree of discretion on the part of governmental authorities; the lack of judicial or administrative guidance on interpreting applicable rules and regulations; inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or 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, licences, 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, licences, 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.

## 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 from operations 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; the introduction of foreign exchange and/or currency controls, repatriation restrictions or the availability of hard currency to be repatriated; and contractual restrictions with third parties.

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.

## 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 and access 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. Even if the Company prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of Management and key personnel from business operations, which could have an adverse effect on the Company's financial condition.

## Income Taxes

The Company and its subsidiaries file all required income tax returns on a timely basis, and the Company believes that it is in full compliance with applicable Canadian, Trinidad and Tobago, and Barbadian tax laws in all material respects; 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.

Any change to the tax rates in Trinidad or other jurisdictions where the Company may initiate operations may have a material adverse effect on the ability of Touchstone to commercially produce and sell oil and natural gas.

## 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.

## **Corruption**

The Company's operations are governed by the laws of 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.

## **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.

## **Changing Investor Sentiment**

A number of factors, including the concerns of the effects of the use of fossil fuels on climate change, concerns of the impact of oil and gas operations on the environment, concerns of environmental damage relating to spills of petroleum products during transportation and concerns of indigenous rights, have affected certain investors' sentiments towards investing in the oil and gas industry. As a result of these concerns, some institutional, retail and public investors have announced that they no longer are willing to fund or invest in oil and gas properties or companies or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board of Directors, management and employees of the Company. Failing to implement the policies and practices as requested by institutional investors may result in such investors reducing their investment in the Company or not investing in the Company at all. Any reduction in the investor base interested or willing to invest in the oil and gas industry and more specifically, the Company, may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Common Shares.

## **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 and AIM 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.

The Company's Common Shares are traded on the TSX in Canadian dollars and traded on AIM in GBP. Fluctuations in the exchange rate between Canadian dollars and other currencies, including the GBP, will affect the value of the Common Shares and any dividends the Company may declare in the future, denominated in the local currency of investors outside of Canada. Further, any future fundraising may be undertaken in Canadian dollars or GBP, and there is therefore a potential foreign currency risk on transferring any proceeds into the functional currency required for the Company's activities which is predominantly the Trinidad and Tobago dollar.

There can be no guarantee that the Common Shares will trade at the same price on both TSX and AIM due to different investor sentiments, liquidity levels, transaction costs, taxation rates, regulations or foreign exchange rates, particularly between Canada and the United Kingdom, the countries which host TSX and AIM, respectively. Additionally, TSX and AIM operate in different time zones, and for instance, news flow from external sources such as regulatory regime changes which affect the Company may be acted upon earlier by an investor on one market ahead of the other.

The Directors have engaged brokers in both Canada and the United Kingdom to manage the migration of shares between the registers kept in Canada and the United Kingdom, but there can be no guarantee that this arrangement will eliminate all arbitrage opportunities between the shares traded on TSX and AIM or that such procedures will be effective.

## **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.

If the Company offers to shareholders rights to subscribe for additional Common Shares or any right of any other nature, the Company will have discretion as to the procedure to be followed in making the rights available to shareholders. The Company may choose not to offer the rights to shareholders in certain jurisdictions, in particular where it is not legal to do so. The Company may also not extend any future rights offerings or equity issues to jurisdictions where it would be difficult or unduly onerous to comply with the applicable securities laws.

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 and AIM. Most of these Common Shares are freely tradable after a four-month and one-day 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.

## **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.

The ability to pay dividends will depend on the Company's financial performance, which, in turn, depends on the success of its production efforts, on the implementation of its growth strategy, on general economic conditions and on competitive, regulatory, technical, environmental and other factors, many of which are beyond the Company's control. Additionally, because the Company is a holding company, its ability to pay dividends on the Common Shares is limited by restrictions on the ability of its subsidiaries to pay dividends or make distributions to the Company.

## **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 business interruption 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.

## **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 dollar and in the Canadian dollar against the United States dollar could result in unanticipated fluctuations in the Company's financial results.

## **Cyber Security**

The Company is subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Company's information technology systems by third parties or insiders. Although the Company has security measures and controls in place that are designed to mitigate these risks, a breach of its security measures and/or a loss of information could occur and result in a loss of material and confidential information and reputation, breach of privacy laws and a disruption to its business activities. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on the Company's business, financial condition and results of operations. The Company relies on information technology, such as computer

hardware and software systems, in order to operate properly its business. In the event the Company is unable to deploy regularly software and hardware, upgrade effectively systems and network infrastructure, and take other steps to maintain or improve the efficiency of systems, the operation of such systems could be interrupted or result in the loss, corruption, or release of data. In addition, information systems could be interrupted by natural disasters, force majeure events, telecommunications failures, power loss, acts of war or terrorism, computer viruses, malicious code, physical or electronic security breaches, intentional or inadvertent user misuse or error, or similar events or disruptions. Any of these or other events could cause interruptions, delays, loss of critical or sensitive data or similar effects, which could have a material adverse impact on the protection of intellectual property, confidential and proprietary information, and on Touchstone's business, financial condition, results of operations and cash flow from operations.

### **Alternatives to and Changing Demand for Petroleum Products**

Full conversion measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for oil and liquid hydrocarbons. The Company cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Company's business, financial condition, results of operations and funds flow from operations.

### **Pending Regulations Related to Emissions**

Governments around the world have become increasingly focused on regulating greenhouse gas ("GHG") emissions and addressing the impacts of climate change in some manner. Trinidad currently has national policies (national environmental policy and national climate change policy) that address, inter alia, the issue of mitigation or reduction of GHG emissions. The national climate change policy aims to provide policy guidance for the development of an appropriate administrative and legislative framework for the pursuance of low-carbon development through suitable and relevant strategies and actions to address climate change, including sectoral and cross-sectoral adaptation and mitigation measures. The policy is guided by the objective of reducing or avoiding GHG emissions from all emitting sectors. Notwithstanding this, the EMA, which is the existing statute for environmental matters, does not specifically address GHG emissions but does have express provisions for carbon dioxide.

GHG emissions legislation is emerging and is subject to change. On an international level, in December 2015, almost 200 nations, including the Republic of Trinidad and Tobago, agreed to an international climate change agreement in Paris, France, that calls for countries to set their own GHG emission targets and be transparent about the measures each country will use to achieve its GHG emission targets.

Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions would impact the Company's business, any such future laws and regulations that limit emissions of GHGs could adversely affect demand for the oil and natural gas that the Company produces. It is not possible at this time to predict whether proposed legislation or regulations will be adopted, and any such future laws and regulations could result in additional compliance costs or additional operating restrictions. If the Company is unable to recover a significant amount of its costs related to complying with climate change regulatory requirements imposed on the Company, it could have a material adverse impact on the Company's business, financial condition and results of operations. In addition, significant restrictions on GHG emissions could result in decreased demand for the crude oil that the Company produces, with a resulting decrease in the value of the Company's reserves. Further, to the extent financial markets view climate change and GHG emissions as a financial risk, this could negatively impact the Company's cost of or access to capital. Finally, although the Company strives to operate its business operations to accommodate expected climatic conditions, to the extent there are significant changes in the Earth's climate, such as more severe or frequent weather conditions in the markets the Company serves or the areas where its assets reside, the Company could incur increased expenses, its operations could be materially impacted, and demand for its products could fall.

## **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 and/or modification of 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 licences 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 licences and permits that may be required to carry out exploration and development at any of the Company's projects.

## **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's Management 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.

## **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 from operations, 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.

## **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 as well as skilled and trained personnel in the particular areas where such activities will be conducted. Demand for such limited equipment and skilled personnel or access restrictions may affect the availability of such equipment and skilled personnel 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. If the Company does implement such technologies, there is no assurance that the Company will do so successfully. One or more of the technologies currently utilized by Touchstone or implemented in the future may become obsolete. If Touchstone is unable to utilize the most advanced commercially available technology, the Company's business, financial condition and results of operations could be adversely affected in a material manner.

### **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 from operations, net income, results of operations and financial condition.

### **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 as 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 may realize less on disposition than its carrying value on the financial statements of the Company.



## **Natural Disasters and Weather-Related Risks**

The Company will be subject to weather related hazards in Trinidad, including earthquakes, hurricanes and tropical storms. The occurrence of any such 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.

## **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 would likely impact the Company more acutely than if the Company's business was more diversified. 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.

## **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 from operations, the charge to earnings could be viewed unfavourably in the market.

### **Forward-Looking Statements and Information May Prove Inaccurate**

Investors are cautioned not to place undue reliance on forward-looking statements and other future looking financial information. By their nature, forward-looking statements and information 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 information 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 information, 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 and information. Additional information on the risks, assumptions and uncertainties are found in this AIF under the heading "*Forward-Looking Statements*".

### **ADDITIONAL INFORMATION**

Additional information regarding Touchstone may be found on SEDAR at [www.sedar.com](http://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, 2017. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2017, 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, 2017, 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 - M\$)			
			Audited	Evaluated	Reviewed	Total
GLJ Petroleum Consultants	December 31, 2017	Trinidad	-	407,929	-	<b>407,929</b>

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 7, 2018

Original 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.

An independent qualified reserves evaluator has evaluated the Company's reserves data. The report of the independent qualified reserves evaluator is presented below.

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 evaluator 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.

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

/s/ James Shipka  
Chief Operating Officer

/s/ Peter Nicol  
Chairman of the Health, Safety, Environment  
and Reserves Committee

/s/ John D. Wright  
Chairman and Member of the Health,  
Safety, Environment and Reserves Committee

March 7, 2018

## SCHEDULE C

Adopted by the Board of Directors on June 3, 2014 and reapproved on March 26, 2018

### 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.