TOUCHSTONE ANNOUNCES FIRST QUARTER 2016 RESULTS

Calgary, Alberta – May 12, 2016 – Touchstone Exploration Inc. ("Touchstone" or the "Company") (TSX:TXP) announces its financial and operating results for the first quarter ended March 31, 2016. Selected financial and operational information is outlined below and should be read in conjunction with Touchstone's March 31, 2016 unaudited interim consolidated financial statements and the related management discussion and analysis. These filings will be available at www.sedar.com and the Company's website at www.touchstoneexploration.com. Tabular amounts herein are in thousands of Canadian dollars and amounts in text are rounded to thousands of Canadian dollars unless otherwise stated.

2016 First Quarter Highlights

- Generated funds flow from operations of $919,000 ($0.01 per basic share) compared to $425,000 ($0.01 per basic share) in the comparative 2015 quarter.
- Recorded a net loss of $2,444,000 ($0.03 per basic share) versus a loss of $1,128,000 ($0.01 per basic share) recognized in the first quarter of 2015.
- Repaid US$4,000,000 in bank loan principal and exited the first quarter of 2016 with a net debt balance of $1,164,000.
- Achieved average oil sales of 1,361 barrels per day ("bbls/d"), representing a decrease of 13% from the fourth quarter of 2015 and a decrease of 33% from the 2015 first quarter.
- Realized Trinidad operating netbacks of $3,460,000 ($27.94 per barrel), which represented a decrease of 24% from the prior year despite a 30% reduction in realized prices over the same period.
- Exited the quarter with 800 bbls/d hedged via Brent reference financial swaps at an average price of US$62.00 for the remainder of 2016.
- Closed the disposition of the Kerrobert facility and various undeveloped land rights for cash proceeds of $650,000. Through the disposition, Touchstone reduced production by 73 bbls/d, eliminated operating losses and transferred its estimated Canadian discounted decommissioning liability balance of $4,028,000 to the purchaser effective December 31, 2015.
- Granted an average 5% reduction in overriding royalty rates on approximately 32% of production effective February 1, 2016.

2016 First Quarter Financial and Operating Results Summary

	Three months ended March 31,	
	2016[1]	2015
Operating		
Average daily oil production *(bbls/day)*		
Trinidad	**1,361**	1,742
Canada	**-**	294
Company total	**1,361**	2,036
Average realized oil prices before hedging *($/bbl)*		
Trinidad	**38.66**	58.74
Canada	**-**	34.51
Company total	**38.66**	55.25

[1]Effective December 31, 2015, the Company disposed of its remaining Canadian segment producing oil and gas assets.

	Three months ended March 31, 2016[2]	2015
Operating netback[1] *($000's)*		
Petroleum revenue	**4,787**	10,122
Royalties	**(1,435)**	(3,007)
Operating expenses	**(3,038)**	(4,293)
Operating netback prior to hedging	**314**	2,822
Realized gain on derivatives	**3,146**	1,379
Operating netback after hedging	**3,460**	4,201
Operating netback[1] *($/bbl)*		
Brent benchmark price	**46.32**	67.09
Discount	**(7.66)**	(11.84)
Realized sales price	**38.66**	55.25
Royalties	**(11.59)**	(16.41)
Operating expenses	**(24.53)**	(23.43)
Operating netback prior to hedging	**2.54**	15.41
Realized gain on derivatives	**25.40**	7.53
Operating netback after hedging	**27.94**	22.94
Financial *($000's except share and per share amounts)*		
Funds flow from operations[1]	**919**	425
Per share – basic and diluted[1]	**0.01**	0.01
Net loss	**(2,444)**	(1,128)
Per share – basic and diluted	**(0.03)**	(0.01)
Capital expenditures		
Exploration assets	**153**	188
Property and equipment	**1,046**	1,171
Company total	**1,199**	1,359
Total assets – end of period	**81,209**	141,486
Net debt[1] – end of period	**1,164**	6,172
Weighted average shares outstanding		
Basic and diluted	**83,087,143**	83,073,865
Outstanding shares - end of period	**83,087,143**	83,079,643

[1]See "*Non-GAAP Measures.*"
[2]Effective December 31, 2015, the Company disposed of its remaining Canadian segment producing oil and gas assets.

Touchstone continues to focus on operational initiatives to ensure sustainability and future profitability through all commodity cycles. During the quarter, Touchstone continued to curtail spending, manage costs and reduced its outstanding bank loan balance by US$4,000,000. Production in Trinidad decreased based on natural declines and reduced operational spending, as production volumes averaged 1,361 bbls/d during the first quarter of 2016 which represented a decrease of 9% from Trinidad average daily volumes delivered in the fourth quarter of 2015.

We continued to respond to the weakness in oil prices with minimal developmental capital spending in the first quarter. In the quarter, Touchstone took advantage of significantly reduced service costs and performed two fracture stimulations. The first well was located on our Barrackpore property and was completed on February 29, 2016. The operation successfully placed 8.5 tonnes of proppant into the reservoir, following which the well was opened to flow on March 2, 2016 and over a seven-day period flowed at an average of 40 bbls/d. This represented a five times increase in the production rate prior to the operation. The well stopped flowing on March 25, 2016 and was placed on pump. The well is currently pumping at a set rate of 15 bbls/d of oil with approximately 1,300 feet of submergence above the pump. The pump speed will be gradually increased over the next few months to further optimize production. Although this was a relatively small fracture stimulation operation, it provided encouraging verification that removing the near well bore damage in similar wells will provide additional production and reserves. The second operation was completed on a well located on our Fyzabad property on March 7, 2016 with 20 tonnes of proppant being placed in the reservoir. Due to mechanical issues the well was not placed on production until last week and is currently recovering load fluid used in the operation.

Building on operating and general and administrative cost reductions achieved in 2015, we are continuing to actively pursue cost reductions to our fixed cost base. We closed the sale of our Kerrobert facility during the first quarter of 2016, which eliminated Canadian operating losses in the quarter and will allow for further general and administrative cost reductions.

We continue to benefit from our robust commodity hedging program, which contributed $3,146,000 in realized gains during the quarter. Realized first quarter pricing for crude oil was $38.66 per barrel (US$28.08) excluding commodity hedging. After the impacts of hedging, realized pricing was $64.06 per barrel (US$46.50). The hedging program allowed Touchstone to generate funds flow from operations of $919,000 ($0.01 per basic share) in the quarter versus funds flow from operations of $425,000 ($0.01 per basic share) recognized in the prior year comparative quarter. Touchstone remains well hedged throughout 2016, with 800 barrels of production per day hedged via Brent referenced crude oil swaps at an average of US$62.00 per barrel. We recorded a net loss of $2,444,000 ($0.03 per basic share) during the first quarter. The net loss was mainly a result of a $2,333,000 loss on unrealized derivative contracts based on first quarter settlements.

At the end of the first quarter, Touchstone's net debt was $1,164,000. Touchstone's bank loan borrowing base is currently US$8,000,000, of which US$6,000,000 is dedicated to a letter of credit and US$2,000,000 is drawn. We expect the letter of credit to be cancelled in the second quarter, upon which our bank loan borrowing base will be reduced to US$3,000,000. Touchstone will continue to ensure financial flexibility and assess new sources of financing available to manage current capital commitments and create future growth.

Royalty Rate Reductions

Effective February 1, 2016, the Petroleum Company of Trinidad and Tobago Limited ("Petrotrin") reduced overriding royalty rates ("ORR") applicable to onshore lease operators for realized oil prices less than US$50.00 per barrel. Touchstone operates under two forms of agreements with Petrotrin. Lease Operator Agreements govern the Company's Coora 1, Coora 2, WD-4 and WD-8 blocks and Farmout Agreements govern Touchstone's New Dome and South Palo Seco properties. In the first quarter, we produced 77% of our oil volumes under these agreements.

Touchstone incurs a base ORR (on a pre-established base production volume per block) and an enhanced ORR (on incremental volumes produced in excess of the base production volume) on production from the properties governed by these arrangements. The following sets forth the royalty rate changes that were formally approved by Petrotrin on March 16, 2016:

Overriding Royalty Rates on Lease Operator Agreements

Realized Oil Price US$ per barrel	**Previous ORR**		**New ORR**	
	Base %	Enhanced %	Base %	Enhanced %
≤10.00	To be negotiated	To be negotiated	**10.0**	**8.0**
10.01 - 20.00	To be negotiated	To be negotiated	**13.0**	**9.0**
20.01 - 30.00	To be negotiated	To be negotiated	**15.0**	**10.0**
30.01 - 40.00	20.0	17.5	20.0	**12.0**
40.01 - 50.00	25.0	17.5	25.0	**13.0**
50.01 - 90.00	33.0	17.5	33.0	17.5
90.01 - 200.00	35.0	22.5	35.0	22.5

Overriding Royalty Rates on Farmout Agreements

Realized Oil Price US$ per barrel	Previous ORR		New ORR	
	Base %	Enhanced %	Base %	Enhanced %
≤10.00	To be negotiated	To be negotiated	**7.0**	**4.0**
10.01 - 20.00	To be negotiated	To be negotiated	**10.0**	**5.0**
20.01 - 30.00	To be negotiated	To be negotiated	**12.0**	**6.0**
30.01 - 40.00	15.0	15.0	15.0	**9.0**
40.01 - 50.00	18.0	15.0	18.0	**10.0**
50.01 - 90.00	23.0	15.0	23.0	15.0
90.01 - 130.00	25.0	16.0	25.0	16.0
130.01 - 200.00	27.0	17.0	27.0	17.0

Approximately 32% of our total current production benefits from the reduction in the enhanced ORR. Along with existing production, any new production from drilling, workovers or well optimization would also benefit from the reduced enhanced ORR at current or higher production levels. New drilling under the Lease Operating Agreements also benefit from a further reduction of the ORR during the first two years of production (0% in the first year and 10% in the second year).

Covenant Breach

Touchstone was in breach of the April 2016 monthly production volume covenant as average oil production was 1,318 barrels per day versus the covenant of 1,400 barrels per day. Touchstone expect to execute a waiver with its lender regarding this breach. Each breach of the covenant does give rise to the lender's ability to demand repayment of the loan prior to the end of the original loan term or to negotiate revisions to covenants. The practice to date of curing these breaches through waivers indicates that the implications of this covenant compliance issue to the Company's liquidity risk is currently not material. However, no assurance can be given that future ongoing breaches of the production covenant will not result in a material adverse impact to the Company's liquidity position or cash flows.

2016 Annual General Meeting

The Company invites stakeholders to attend its 2016 Annual General Meeting on Wednesday May 18, 2016 at 2:00 pm MT at Centrium Tower Conference Centre, 2nd floor, 332 6th Avenue S.W., Calgary, Alberta, T2P 0B2.

Advisories

Non-GAAP Measures: This news release contains terms commonly used in the oil and natural gas industry, such as funds flow from operations, funds flow from operations per share, operating netback, funds flow netback and net debt. These terms do not have a standardized meaning under International Financial Reporting Standards and may not be comparable to similar measures presented by other companies. Funds flow from operations includes all cash generated from operating activities and is calculated before changes in non-cash working capital. The Company calculates funds flow from operations per share by dividing funds flow from operations by the weighted average number of common shares outstanding during the applicable period. Operating netbacks are presented on a per barrel basis and are calculated by deducting royalties, operating expenses and realized gains/losses on derivative contracts from petroleum revenue. Funds flow netbacks are presented on a per barrel basis and are calculated by deducting royalties, operating expenses, realized gains/losses on derivative contracts, general and administrative expenses, net cash finance expenses and current income tax expenses from petroleum revenue. Net cash finance expenses include all cash finance expenses incurred during a period and exclude the amortization of prepaid bank loan fees. Net surplus/debt is calculated by summing the Company's working capital and non-current interest bearing liabilities. Working capital is defined as current assets less current liabilities. 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.

Forward-looking Statements: Certain information provided in this news release may constitute forward-looking statements within the meaning of applicable securities laws. Specifically, this news release contains forward-looking statements regarding the Company's projected production levels and related royalty rates, projected capital expenditures, projected operating expenses and general and administrative costs, sufficiency of resources to fund operations, plans related to and the timing of certain projects and the Company's expected cancellation of its bank loan secured letter of credit. Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. Certain of these risks are set out in more detail in the Company's Annual Information Form dated March 24, 2016 which has been filed on SEDAR and can be accessed at www.sedar.com. The forward-looking statements contained in this news release are made as of the date hereof and except as may be required by applicable securities laws, the Company assumes no obligation to publicly update or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.

About Touchstone

Touchstone Exploration Inc. is a Calgary based company engaged in the business of acquiring interests in petroleum and natural gas rights, and the exploration, development, production and sale of petroleum and natural gas. Touchstone is currently active in onshore properties located in the Republic of Trinidad and Tobago. The Company's common shares are traded on the Toronto Stock Exchange under the symbol "TXP".

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