



TOUCHSTONE EXPLORATION INC. ANNOUNCES FIRST QUARTER 2017 RESULTS AND COMMENCEMENT OF DRILLING PROGRAM

Calgary, Alberta – May 15, 2017 – Touchstone Exploration Inc. (“Touchstone” or the “Company”) (TSX: TXP) announces its financial and operating results for the three months ended March 31, 2017. Selected financial and operational information is outlined below and should be read in conjunction with Touchstone’s March 31, 2017 unaudited interim consolidated financial statements and related management’s discussion and analysis, both of which will be available under the Company’s profile on SEDAR (www.sedar.com) and the Company’s website (www.touchstoneexploration.com). Unless otherwise stated, tabular amounts herein are in thousands of Canadian dollars, and amounts in text are rounded to thousands of Canadian dollars.

2017 First Quarter Highlights

- Achieved quarterly average crude oil sales of 1,280 barrels per day, representing an increase of 3% from the fourth quarter of 2016 and a decrease of 6% from the prior year comparative quarter.
- Reduced quarterly per barrel operating expenses by 29% or \$7.00 per barrel from the first quarter of 2016.
- Realized Trinidad operating netback before realized derivatives of \$23.66 per barrel, representing an increase of \$21.12 from \$2.54 recorded in the first quarter of 2016.
- Reduced quarterly general and administrative costs by \$634,000 or 31% from the 2016 first quarter.
- Generated quarterly funds flow from operations of \$393,000 (\$0.01 per basic share) compared to \$353,000 (\$0.01 per basic share) in the fourth quarter of 2016 and \$919,000 (\$0.01 per basic share) in the first quarter of 2016.
- Recorded a net loss of \$1,549,000 (\$0.02 per basic share) for the three months ended March 31, 2017 compared to a net loss of \$2,444,000 (\$0.03 per basic share) in the 2016 first quarter.
- The Company’s cash collateralized US\$6,000,000 letter of credit related to its East Brighton exploration property was formally reduced to US\$2,150,000, resulting in an increase of US\$3,850,000 in available cash.
- Exited the quarter with \$13,006,000 in cash; the Company must maintain a minimum balance of \$5,000,000 in accordance with its term loan.

2017 First Quarter Financial and Operating Results Summary

	Three months ended March 31,	
	2017	2016
Operating		
Average daily oil production (<i>barrels per day</i>)	1,280	1,361
Average realized oil prices before derivatives (<i>\$ per barrel</i>)	64.16	38.66
Operating netback ¹ (<i>\$ per barrel</i>)		
Brent benchmark price	70.92	46.32
Discount	(6.76)	(7.66)
Realized sales price	64.16	38.66
Royalties	(22.97)	(11.59)
Operating expenses	(17.53)	(24.53)
Operating netback prior to derivatives	23.66	2.54
Realized gain on derivatives	-	25.40
Operating netback after derivatives	23.66	27.94

¹Refer to advisory regarding non-GAAP measures.

	Three months ended March 31,	
	2017	2016
Financial (<i>\$000's except share and per share amounts</i>)		
Funds flow from operations	393	919
Per share – basic and diluted ¹	0.01	0.01
Net loss	(1,549)	(2,444)
Per share – basic and diluted	(0.02)	(0.03)
Capital expenditures		
Exploration	188	153
Property and equipment	546	1,046
Total capital expenditures	734	1,199
Total assets – end of period	87,239	81,209
Net debt ¹ – end of period	9,416	1,164
Weighted average shares outstanding		
Basic and diluted	83,137,143	83,087,143
Outstanding shares - end of period	83,137,143	83,087,143

¹Refer to advisory regarding non-GAAP measures.

Touchstone's workover program continued into 2017 with a total of five wells recompleted in the first quarter. The recompletions targeted bypassed pay in wellbores that were either non-producing or producing below economic limits. The Company invested \$734,000 in the first quarter of 2017 on exploration and development expenditures, of which \$261,000 related to well recompletions. First quarter 2017 production was 1,280 barrels per day, representing an increase of 3% from the fourth quarter of 2016 and a decrease of 6% from the prior year comparative quarter. The 13 well recompletion program that commenced in November 2016 contributed an estimated 119 barrels of production per day in the first quarter of 2017.

Realized first quarter 2017 pricing for crude oil was \$64.16 (US\$48.40) per barrel versus \$38.66 (US\$28.08) per barrel received in the equivalent quarter of 2016. Total petroleum revenues increased 54% from the prior year comparative quarter primarily based on the significant year over year increase in realized crude oil prices. First quarter 2017 royalty expenses represented 35.8% of petroleum revenues compared to 30.0% in the prior year comparative period. The increase was a result of a one-time \$353,000 adjustment recognized in the first quarter related to prior period impost levies that were invoiced in March 2017. As a result of various costs saving initiatives throughout 2016, first quarter 2017 per barrel operating expenses and general and administrative expenses decreased 29% and 26% from the same period in 2016, respectively. \$493,000 of interest was accrued in relation to outstanding value added tax balances in the first quarter of 2017. The outstanding principal balances will be fully paid in the second quarter of 2017 and will accrue no further interest charges upon settlement.

Funds flow from operations for the three months ended March 31, 2017 was \$393,000 (\$0.01 per basic share) versus funds flow from operations of \$919,000 (\$0.01 per basic share) recognized in the first quarter of 2016. First quarter funds flow from operations decreased 57% from the prior year comparative quarter largely due to \$3,146,000 in realized derivative gains that were recorded in the previous year, offset by the royalty and value added tax interest charges noted above. The Company recorded a net loss of \$1,549,000 (\$0.02 per basic share) during the three months ended March 31, 2017.

Touchstone exited the quarter with a cash balance of \$13,006,000, a working capital surplus of \$5,584,000 and a \$15,000,000 principal term loan balance. \$8,006,000 of the Company's cash balance was available at March 31, 2017 as Touchstone must maintain a minimum cash reserves balance of \$5,000,000 in accordance with its term loan. The covenant can be reduced to \$2,500,000 if the Company meets certain financial thresholds or raises additional equity. In addition, the Company classified \$3,262,000 in cash used to collateralize letters of credit that secured future work obligations on production and development contracts as long-term restricted cash.

2017 Drilling Program

Touchstone is pleased to announce that the first well of its four well drilling program was spud on May 12, 2017. The first two wells will be drilled on the Company's Coora 1 property from a single drilling pad. The Coora wells are targeting the forest and cruse sands and are planned to be drilled to total depths of approximately 5,300 feet. Following operations in Coora, Touchstone will move to the Grand Ravine WD-4 block for the drilling of two additional wells. These wells will be drilled from a single pad to total depths of approximately 7,500 feet and will be targeting the forest and cruse formations. Touchstone anticipates the four wells to be completed within the next 90 days and associated production volumes to be realized in the second half of 2017.

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".

Advisories

Non-GAAP Measures: This press release contains terms commonly used in the oil and natural gas industry, such as funds flow from operations per share, operating 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. 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. Net debt is calculated by summing the Company's working capital and non-current undiscounted interest bearing liabilities. Working capital is defined as current assets less current liabilities. The Company uses this information to assess its true debt and liquidity position and to manage capital and liquidity risk. 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 press release may constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking information in this press release may include, but is not limited to, statements about plans related to and the timing of certain capital expenditures. 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 21, 2017 which has been filed on SEDAR and can be accessed at www.sedar.com. The forward-looking statements contained in this press release are made as of the date hereof, and except as may be required by applicable securities laws, the Company assumes no obligation to update publicly or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.

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