



TOUCHSTONE ANNOUNCES YEAR-END 2018 RESULTS

Calgary, Alberta – March 27, 2019 – Touchstone Exploration Inc. (“Touchstone” or the “Company”) (TSX / LSE: TXP) announces its financial and operating results for the three months and year ended December 31, 2018. Selected financial and operational information is outlined below and should be read in conjunction with Touchstone’s December 31, 2018 audited consolidated financial statements, the related Management’s discussion and analysis and the Annual Information Form, all 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.

Paul Baay, President and Chief Executive Officer, commented:

“I am pleased to announce that we have delivered a substantial increase in all key performance indicators in 2018, which was a direct result of the hard work and determination demonstrated by our team during a busy operational period. Touchstone became the most active onshore upstream company in Trinidad, as we expanded our original drilling program and hit our initial production milestone of 2,000 bbls/d. We also displayed financial and operational discipline during 2018, allowing us to achieve a 53% annual increase in operating netback.”

“Following the £3.8 million private placement post year-end, Touchstone is funded to commence drilling the first exploration well on our Ortoire block where there is a significant opportunity to achieve a step-change in future reserves and production. We will take a measured approach to our 2019 capital drilling program as we focus on our exploration opportunities.”

Highlights

- Achieved annual average crude oil production of 1,718 barrels per day (“bbls/d”), a 25% increase relative to the average 1,375 bbls/d produced in 2017.
- Executed a \$19,064,000 development program to drill 11 successful wells, complete nine wells, and perform 28 well recompletions.
- Increased petroleum sales 53% from the prior year, generating \$48,933,000 versus \$32,020,000 in 2017.
- Realized an operating netback of \$34.58 per barrel, an increase of 53% from the \$22.56 per barrel generated in 2017.
- Reduced per barrel operating costs by 4% and general and administrative expenses by 3% from the prior year.
- Generated funds flow from operations of \$10,797,000 (\$0.08 per share) compared to \$3,110,000 (\$0.03 per share) realized in 2017.
- Recognized net earnings of \$480,000 (\$0.00 per share) compared to a net loss of \$947,000 (\$0.01 per share) reported in 2017.
- Exited the year with cash of \$4,845,000 (which excluded 2018 crude oil sales of \$6,014,000 collected subsequent to year-end) and net debt of \$19,527,000, representing 1.8 times net debt to annual 2018 funds flow from operations.
- Subsequent to year-end, we issued 31,666,667 common shares raising gross proceeds of \$6,615,000 to primarily fund an exploration well on our Ortoire block, which is expected to spud in June 2019.

Financial and Operating Results Summary

	Three months ended			Year ended		
	December 31, 2018	December 31, 2017	% change	December 31, 2018	December 31, 2017	% change
Operating highlights						
Average daily oil production (<i>bbls/d</i>)	1,851	1,448	28	1,718	1,375	25
Net wells drilled	3	-	-	11	4	175
Net wells recompleted	7	7	-	28	20	40
Brent benchmark price (<i>US\$/bbl</i>)	68.76	61.45	12	71.31	54.17	32
Operating netback ⁽¹⁾ (<i>\$/bbl</i>)						
Realized sales price	77.21	69.88	10	78.02	63.79	22
Royalties	(19.49)	(20.16)	(3)	(20.92)	(17.89)	17
Operating expenses	(28.02)	(27.58)	2	(22.52)	(23.34)	(4)
	29.70	22.14	34	34.58	22.56	53
Financial highlights						
<i>(\$000's except share and per share amounts)</i>						
Petroleum sales	13,151	9,308	41	48,933	32,020	53
Cash provided by operating activities	2,228	2,310	(4)	8,367	704	1,088
Funds flow from operations	1,678	892	88	10,797	3,110	247
Per share – basic and diluted ⁽¹⁾	0.01	0.01	-	0.08	0.03	167
Net earnings (loss)	780	3,653	(79)	480	(947)	n/a
Per share – basic and diluted	0.01	0.03	(67)	0.00	(0.01)	n/a
Capital expenditures						
Exploration	2,147	330	551	3,387	1,240	173
Development	6,380	763	736	19,064	8,138	134
	8,527	1,093	680	22,451	9,378	139
Net debt ⁽¹⁾ – end of period						
Working capital deficit (surplus)				4,527	(6,808)	
Principal long-term balance of loan				15,000	15,000	
				19,527	8,192	138
Weighted average shares outstanding (<i>000's</i>)						
Basic	129,021	105,955	22	129,021	94,204	37
Diluted	130,532	106,542	23	130,220	94,204	38
Outstanding shares – end of period (<i>000's</i>)				129,021	129,021	-

Note:

(1) Non-GAAP financial measure that does not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and therefore may not be comparable with the calculation of similar measures presented by other companies. See "Advisories: Non-GAAP Measures" for further information.

Operating Results

Touchstone was the most active onshore upstream company in Trinidad in 2018, drilling a total of 11 developmental oil wells, nine of which were completed and on production prior to the end of the year. 2018 development capital expenditures totaled \$19,064,000, which included drilling and completion activities and the recompletion of 28 wells. Fourth quarter 2018 development field activity included drilling three crude oil development wells, completing one of these wells and recompleting seven legacy wells with a total capital spend of \$6,380,000. The remaining two wells of the 2018 drilling program were completed subsequent to year-end.

Fourth quarter 2018 crude oil production averaged 1,851 bbls/d, a 28% increase relative to the 1,448 bbls/d produced in the fourth quarter of 2017. Fourth quarter average daily production increased 5% from the third

quarter of 2018, with growth slowed by multiple wells requiring lengthy workovers. Annual 2018 production averaged 1,718 bbls/d, representing a 25% increase from the 1,375 bbls/d average produced in the prior year. The nine wells drilled and completed in 2018 combined to add an average of 342 bbls/d and 198 bbls/d of incremental production in the fourth quarter and the year, respectively. In addition, the four wells drilled in 2017 continued to perform ahead of internal expectations, contributing an average of 354 bbls/d in the fourth quarter of 2018 and 343 bbls/d throughout 2018.

Exploration expenditures were mainly focused on our Ortoire property, as we invested \$2,147,000 and \$3,387,000 during the three months and year ended December 31, 2018, respectively (2017 - \$330,000 and \$1,240,000). We continue to focus on advancing our internally identified exploration prospects on the property in order to complete our four well drilling obligations in 2019 and 2020. The Company has submitted four Certificate of Environmental Compliance (“CEC”) applications which are required prior to the preparation of drilling locations. Two CECs covering seven drilling locations have been approved by regulatory authorities to date.

Financial Results

Our fourth quarter operating netback was \$5,059,000 (\$29.70 per barrel), an improvement of 71% compared to \$2,950,000 (\$22.14 per barrel) recorded in the fourth quarter of 2017. A 10% increase in realized prices and a 28% increase in crude oil production resulted in a \$3,843,000 increase in petroleum sales relative to the fourth quarter of 2017. This was offset by higher royalties of \$634,000 from increased production and the sliding scale effect of increased commodity pricing to royalty rates, slightly offset by new well production that qualified for royalty incentives. 2018 fourth quarter operating costs increased by \$1,100,000 from the prior year comparative quarter based on non-recurring lease expense adjustments of \$528,000, elevated variable costs from increased production and increased well servicing costs.

Operating netback was \$34.58 per barrel in 2018, a 53% increase from \$22.56 per barrel recognized in 2017. Realized pricing for crude oil averaged \$78.02 (US\$60.01) per barrel in 2018 versus \$63.79 (US\$49.18) per barrel received in 2017. Relative to 2017, Petroleum sales increased 53% to \$48,933,000 based on a 22% annual increase in realized crude oil prices and a 25% increase in production volumes. Royalty expenses represented 26.8% of petroleum sales during the year ended December 31, 2018 versus 28.1% in the prior year. The decrease was a result of incremental production achieved from our 2018 drilling program which qualified for royalty incentives. Despite the aforementioned \$528,000 one-time charge, annual operating costs decreased 4% on a per barrel basis, which was primarily attributable to increased production.

During the three months and year ended December 31, 2018, Touchstone generated funds flow from operations of \$1,678,000 and \$10,797,000, representing increases of \$786,000 and \$7,687,000 from the prior year comparative periods, respectively. The variances were mainly a result of elevated operating netbacks based on increases in both production and realized pricing. In addition to the \$528,000 operating cost adjustment, the Company incurred a non-recurring \$620,000 general and administrative charge related to the restoration of legacy office leases that expire on March 31, 2019.

Earnings before income taxes for the year were \$11,866,000, representing an increase of 113% from the \$5,579,000 recorded in 2017. The increased operational financial performance achieved in 2018 was slightly offset by decreased property and equipment impairment recoveries reported in the year, as \$4,335,000 and \$7,851,000 in net impairment recoveries were recorded during the 2018 and 2017 fiscal years respectively. \$2,437,000 in current taxes were reported throughout 2018 versus \$440,000 in 2017, mainly due to increased supplemental petroleum taxes based on increased realized prices received in 2018. 2018 deferred taxes increased \$2,863,000 from the \$6,086,000 recorded in 2017 based on increased capital activity performed in the year. After current and deferred taxes, we recorded net earnings of \$480,000 during the year ended December 31, 2018 compared to a net loss of \$947,000 in 2017.

Touchstone exited the year with a cash balance of \$4,845,000, a working capital deficit of \$4,527,000 and a \$15 million principal term loan balance. Our cash and working capital balances decreased from December 31, 2017 based on the capital-intensive nature of the Company’s development activities. The investments

increased both production and funds flow from operations from the prior year, as net debt to trailing twelve-month funds flow from operations was 1.8 times as of December 31, 2018 versus 2.6 times as at December 31, 2017. Touchstone's \$15 million credit facility does not require the commencement of principal payments until January 1, 2020, and the Company was well within the financial covenants as at December 31, 2018.

Subsequent to year-end, we raised gross proceeds of \$6,615,000 (£3,800,000) by way of a placing of 31,666,667 new common shares at a price of \$0.21 (12 pence) per common share. We intend to use the net proceeds from the private placement to fund the first exploration well on our Ortoire property. Touchstone will carefully monitor commodity pricing volatility and will continue to take a measured approach to our 2019 capital drilling program in an effort to manage working capital and reduce net debt levels.

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 and the AIM market of the London Stock Exchange under the symbol "TXP".

Advisories

Non-GAAP Measures

This news release contains terms commonly used in the oil and natural gas industry, including funds flow from operations per share, operating netback and net debt. 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 cash provided by operating activities, net income, total liabilities, or other measures of financial performance as determined in accordance with Generally Accepted Accounting Principles. 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. Funds flow from operations is an additional subtotal found on the Company's consolidated statements of cash flows.

The Company uses operating netback as a key performance indicator of field results. Operating netback is presented on a total and per barrel basis and is calculated by deducting royalties and operating expenses from petroleum sales. If applicable, the Company also 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 with evaluating operating results on a historical basis.

The Company closely monitors its capital structure with a goal of maintaining a strong financial position in order to fund current operations and the future growth of the Company. The Company monitors working capital and net debt as part of its capital structure to assess its true debt and liquidity position and to manage capital and liquidity risk. Working capital is calculated as current assets minus current liabilities as they appear on the Company's consolidated statements of financial position. Net debt is calculated by summing the Company's working capital and the principal (undiscounted) amount of long-term debt.

Forward-Looking Statements

Certain information provided in this news release may constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking information in this news release may include, but is not limited to, statements relating the potential undertaking, timing, locations, production rates and costs of future well drilling, completion and exploration activities, and the sufficiency of resources and available financing to fund future exploration, drilling and completion operations. 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 December 31, 2018 Annual Information Form dated March 26, 2019 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 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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