



TOUCHSTONE ANNOUNCES FIRST QUARTER 2021 RESULTS

CALGARY, ALBERTA (May 13, 2021) - Touchstone Exploration Inc. ("Touchstone", "we", "our", "us" or the "Company") (TSX, LSE: TXP) reports its operating and financial results for the three months ended March 31, 2021. Selected information is outlined below and should be read in conjunction with Touchstone's March 31, 2021 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, all financial amounts herein are stated in United States dollars.

First Quarter 2021 Highlights

- Achieved quarterly crude oil sales of 1,297 barrels per day ("bbls/d"), a 2 percent increase relative to the preceding quarter and an 18 percent decrease relative to the 1,589 bbls/d produced in the same period of 2020.
- Executed an incident free \$2,954,000 exploration program, primarily focused on production testing the Chinook-1 and Cascadura Deep-1 exploration wells drilled in the fourth quarter of 2020.
- Realized crude oil prices averaged \$52.43 per barrel, representing a 39 percent increase from the fourth quarter of 2020 and a 14 percent increase from the first quarter of 2020.
- Generated an operating netback of \$21.98 per barrel from an average Brent price of \$61.04 per barrel, our highest operating netback reported since the fourth quarter of 2019.
- Despite limited petroleum asset capital investment of \$127,000, generated funds flow from operations of \$538,000 compared to \$1,257,000 in the first quarter of 2020.
- Recognized a net loss of \$460,000 (\$0.00 per share) compared to a net loss of \$9,240,000 (\$0.05 per share) in the 2020 equivalent quarter.
- Maintained financial flexibility, exiting the first quarter with cash of \$15,451,000, a working capital balance of \$10,552,000 and \$7,500,000 drawn on our \$20 million term credit facility, resulting in a net surplus of \$3,052,000.
- Business continuity plans remained effective across our locations in response to COVID-19 with minimal health and safety impacts or disruptions to production and exploration operations.

Paul Baay, President and Chief Executive Officer, commented:

"Our financial and operational results reported in the first quarter of 2021 were in line with our expectations, reflecting our continued focus on the Ortoire exploration program. We proceeded with many aspects of the Ortoire exploration program, highlighted by testing the Chinook-1 and Cascadura Deep-1 prospects. While the results at Chinook showed evidence of light oil rather than natural gas, we were excited to identify a large distinct, separate sheet of natural gas at Cascadura Deep-1 to sit alongside the already significant find made at Cascadura-1ST1.

Our priority is to bring our Coho and two Cascadura wells onto production as soon as possible while also drilling Royston-1, our final Ortoire licence commitment well. We are excited to commence our transition into a natural gas producer while continuing to progress our exploration program in Trinidad. The Company is well positioned financially, and we look forward to updating shareholders in due course."

First Quarter Financial and Operating Results Summary

	Three months ended March 31,		%
	2021	2020	change
Operational			
Average daily crude oil production ⁽¹⁾ (bbls/d)	1,297	1,589	(18)
Brent benchmark price (\$/bbl)	61.04	50.27	21
Operating netback ⁽²⁾ (\$/bbl)			
Realized sales price	52.43	46.10	14
Royalties	(15.79)	(13.90)	14
Operating expenses	(14.66)	(13.59)	8
Operating netback	21.98	18.61	18
Financial (\$000's except as indicated)			
Petroleum sales	6,120	6,698	(9)
Cash used in operating activities	(1,234)	(76)	100
Funds flow from operations ⁽³⁾	538	1,257	(57)
Per share – basic and diluted ⁽²⁾⁽³⁾	0.00	0.01	(100)
Net loss	(460)	(9,240)	(95)
Per share – basic and diluted	(0.00)	(0.05)	(100)
Exploration capital expenditures	2,954	1,823	62
Development capital expenditures	127	220	(42)
Total capital expenditures	3,081	2,043	51
Working capital surplus ⁽²⁾	(10,552)	(8,094)	30
Principal non-current balance of term loan	7,500	13,338	(44)
Net (surplus) debt ⁽²⁾ – end of period	(3,052)	5,244	n/a
Share Information (000's)			
Weighted average shares outstanding			
Basic and diluted	209,400	169,361	24
Outstanding shares – end of period	209,400	183,489	14

Notes:

- (1) The Company's reported crude oil production is a mix of light and medium crude oil and heavy crude oil for which there is not a precise breakdown since the Company's oil sales volumes typically represent blends of more than one type of crude oil.
- (2) Non-GAAP financial measure that does not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS" or "GAAP") and therefore may not be comparable with the calculation of similar measures presented by other companies. See "Advisories: Non-GAAP Measures" for further information.
- (3) Additional GAAP term included in the Company's consolidated statements of cash flows. Funds flow from operations represents net loss excluding non-cash items. See "Advisories: Non-GAAP Measures" for further information.

Operating results

Despite ongoing challenges surrounding the COVID-19 pandemic, during the first quarter of 2021 we continued to progress with our Ortoire exploration program and increased our base crude oil production while continuing safe and reliable operations.

Our crude oil sales averaged 1,297 bbls/d in the first quarter of 2021, representing a 2 percent increase from the fourth quarter of 2020 and an 18 percent decrease from the first quarter of 2020. Despite conducting limited developmental capital activity in the quarter, production increased from the prior quarter based on increased workover operations. In comparison to the prior year equivalent quarter, our first quarter 2021 production decrease was reflective of limited capital development and workover activities performed throughout 2020 and the ongoing impact of natural declines.

Our main focus in the first quarter of 2021 remained on Ortoire exploration operations, as we invested \$2,954,000 in exploration assets activities. In the quarter we conducted production testing operations on

our Chinook-1 and Cascadura Deep-1 wells and continued Coho-1 surface facility operations and our Royston area seismic program. We remain on track to spud Royston-1 and anticipate completing our seismic program obligation by the end of the second quarter of 2021.

Financial results

We reported funds flow from operations of \$538,000 in the first quarter of 2021 compared to \$1,257,000 generated in the same period of 2020. In comparison to the first quarter of 2020, the 57 percent decrease was predominately a result of a \$368,000 increase in general and administration costs, a \$309,000 increase in current income tax expenses and decreased operating netbacks of \$138,000, partially offset by reduced term loan interest expenses of \$153,000. Our first quarter 2021 operating netback decreased 5 percent relative to the 2020 equivalent quarter, reflective of a 19 percent decrease in crude oil production, which was partially offset by the benefit of a 14 percent increase in realized crude oil pricing and decreased royalty and operating expenses.

We recorded a net loss of \$460,000 (\$0.00 per basic share) in the first quarter of 2021 compared to a net loss of \$9,240,000 (\$0.05 per basic share) in the prior year equivalent quarter. The decreased loss was primarily a result of \$19,215,000 in non-cash property and equipment impairment charges recorded in the first quarter of 2020 based on decreases in forecasted commodity prices, partially offset by deferred tax recoveries of \$10,072,000.

Touchstone exited the first quarter with a cash balance of \$15,451,000, a working capital balance of \$10,552,000 and \$7,500,000 drawn on our term credit facility resulting in a net surplus position of \$3,052,000. Our near-term liquidity is augmented by \$12.5 million of current undrawn credit capacity.

We believe that available credit facility capacity combined with anticipated funds flow from operations will be sufficient to satisfy our 2021 minimum exploration work commitments, which include drilling the Royston-1 well and completing and interpreting the Royston area seismic program. Our primary objective remains to bring our Coho and Cascadura area natural gas exploration discoveries at Ortoire onto production as soon as practicable. As the current economic and health related challenges persist, we will continue to adapt our business operations and capital programs to ensure health and safety and enhance long-term shareholder value, and we look forward to updating our shareholders on our progress throughout the year.

Annual Meeting of Shareholders

We will be holding our 2021 Annual Meeting of Shareholders (the "Meeting") on Wednesday, June 9, 2021 at 10:00 a.m. (Mountain time). In light of limits on larger gatherings and our concern for the health and safety of our communities, shareholders, employees and other stakeholders, the Meeting will be held as a virtual-only shareholder Meeting. Every shareholder and duly appointed proxyholder, regardless of geographic location and ownership, will have an equal opportunity to participate in the Meeting online and vote on the matters to be considered at the Meeting. You cannot attend the Meeting in person. Details on how to attend the virtual-only Meeting are as follows:

- Go to <https://web.lumiagm.com/250272848> in your web browser.
- If you have voting rights, select "Login" and enter your username and the password "touchstone2021" (case sensitive).
- If you do not have voting rights, select "Guest" and complete the online form.

Further details on how to attend the Meeting are included on our website. The meeting materials, including our Notice of 2021 Annual Meeting of Shareholders and Management Information Circular dated April 29, 2021, are available on our website (www.touchstoneexploration.com/investors/2021-shareholder-meeting) and under our profile on SEDAR (www.sedar.com). The meeting materials were mailed to shareholders on May 10, 2021.

Touchstone Exploration Inc.

Touchstone Exploration Inc. is a Calgary, Alberta 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".

For further information about Touchstone, please visit our website at www.touchstoneexploration.com or contact:

Mr. Paul Baay, President and Chief Executive Officer; or
Mr. Scott Budau, Chief Financial Officer
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Advisories

Non-GAAP Measures

This news release contains terms commonly used in the oil and natural gas industry, including funds flow from operations, funds flow from operations per share, operating netback, working capital and net debt. These terms do not have a standardized meaning prescribed under GAAP or 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 flow from operating activities, net earnings, net earnings per share, total assets, total liabilities, 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.

Funds flow from operations is an additional GAAP measure included in the Company's consolidated statements of cash flows. Funds flow from operations represents net earnings (loss) excluding non-cash items. Touchstone considers funds flow from operations to be an important measure of the Company's ability to generate the funds necessary to finance capital expenditures and repay debt. 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 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 (surplus) 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 consolidated statements of financial position. Net (surplus) debt is calculated by summing the Company's working capital and the principal (undiscounted) non-current amount of senior secured debt.

Please refer to the Company's March 31, 2021 Management's discussion and analysis for reconciliations of Non-GAAP Measures contained herein to applicable GAAP measures.

Forward-Looking Statements

Certain information provided in this news release may constitute forward-looking statements and information (collectively, "forward-looking statements") within the meaning of applicable securities laws. Such forward-looking statements include, without limitation, forecasts, estimates, expectations and objectives for future operations that are subject to assumptions, risks and uncertainties, many of which are beyond the control of the Company. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or are events or conditions that "will", "would", "may", "could" or "should" occur or be achieved.

Forward-looking statements in this news release may include, but are not limited to, statements relating to the Company's exploration plans and strategies, including anticipated drilling, timing, production testing, development, tie-in, facilities construction, and ultimate natural gas production from exploration wells, the Company's current financial position and its expectations of future funds flow and the sufficiency of resources and available financing to fund future capital expenditures and maintain financial liquidity. 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 2020 Annual Information Form dated March 25, 2021 which is filed under the Company's profile on SEDAR (www.sedar.com) and is available on the Company's website (www.touchstoneexploration.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.