



## TOUCHSTONE ANNOUNCES 2015 FIRST QUARTER RESULTS SHOWING STRONG TRINIDAD NETBACKS

Calgary, Alberta – May 14, 2015 – Touchstone Exploration Inc. (“Touchstone” or the “Company”) (TSX: TXP) announces its financial and operating results for the three months ended March 31, 2015. Selected financial and operational information is outlined below and should be read in conjunction with Touchstone’s March 31, 2015 unaudited interim consolidated financial statements and the related management discussion and analysis. These filings will be available at [www.sedar.com](http://www.sedar.com) and the Company’s website at [www.touchstoneexploration.com](http://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.

### First Quarter 2015 Highlights

- Achieved average oil sales of 2,036 barrels per day (“bbls/d”), 1,742 bbls/d produced in Trinidad and 294 bbls/d produced in Canada. Quarterly production represented an increase of 422% over the comparative 2014 quarter and a decrease of 11% from the prior quarter.
- Generated Trinidad funds flow from operations of \$3,101,000, which offset Canadian funds flow losses of \$2,676,000. First quarter funds flow from operations was \$425,000 (\$0.01 per basic share) compared to a loss of \$2,114,000 (0.04 per basic share) in the comparative 2014 quarter and positive funds flow from operations of \$2,182,000 (\$0.03 per basic share) in the prior quarter. Funds flow decreased from the prior quarter due to lower oil production and realized prices, which were slightly offset by realized gains on derivatives.
- Reduced quarterly operating expenses by 18% or \$5.19 per barrel compared to the fourth quarter of 2014.
- During the quarter the Company disposed of its non-core Luseland property which included one producing well (42 bbls/d) and approximately 4,000 acres of undeveloped land for net proceeds of \$2,200,000.

### Quarterly Financial and Operating Results

	Three months ended		
	March 31, 2015	December 31, 2014	March 31, 2014
<b>Operating</b>			
Average daily oil production (bbls/day)			
Trinidad	1,742	1,896	-
Canada	294	387 <sup>3</sup>	390 <sup>3</sup>
Company total	<b>2,036</b>	2,283 <sup>3</sup>	390 <sup>3</sup>
Average oil prices before derivatives (\$/bbl)	<b>55.25</b>	75.50 <sup>3</sup>	75.54 <sup>3</sup>
Trinidad operating netback <sup>1</sup> (\$/bbl)			
Reference price – Brent	<b>67.09</b>	86.64	-
Petroleum revenue	<b>58.74</b>	78.30	-
Royalties	<b>(18.53)</b>	(25.40)	-
Net sales	<b>40.21</b>	52.90	-
Realized gain on derivatives	<b>8.80</b>	1.28	-
Operating costs	<b>(20.07)</b>	(24.84)	-
Trinidad operating netback	<b>28.94</b>	29.34	-

	Three months ended		
	March 31, 2015	December 31, 2014	March 31, 2014
Canada operating netback <sup>1</sup> (\$/bbl)			
Reference price – WTI	60.20	82.98	-
Petroleum revenue	34.51	61.29	-
Royalties	(3.86)	(6.92)	-
Net sales	30.65	54.37	-
Operating costs	(43.37)	(47.79)	-
Canada operating netback	(12.72)	6.58	-
<b>Financial</b> (\$000's except share and per share amounts)			
Funds flow from operations <sup>1</sup>			
Trinidad	3,101	3,434	-
Canada	(2,676)	(1,252)	(2,114)
Company total	425	2,182	(2,114)
Per share – basic and diluted <sup>1,2</sup>	0.01	0.03	(0.04)
Net loss	1,128	48,879	3,967
Per share – basic and diluted <sup>2</sup>	0.01	0.59	0.08
Capital expenditures			
Exploration assets	188	504	5,811
Property and equipment	1,171	9,960	19
Company total	1,359	10,464	5,830
Total assets - end of period	141,486	140,333	92,952
Net debt (surplus) <sup>1</sup> - end of period	5,695	6,450	(41,478)
Weighted average shares outstanding <sup>2</sup>			
Basic and diluted	83,073,865	83,059,643	48,748,337
Outstanding shares <sup>2</sup> - end of period	83,079,643	83,059,643	48,787,412

<sup>1</sup> See "Non-GAAP Measures."

<sup>2</sup> All current and comparative share amounts have been adjusted to reflect the two for one common share consolidation completed on May 13, 2014.

<sup>3</sup> Average daily production and average realized prices include exploration property results.

In the first quarter of 2015, Touchstone focused on operational initiatives to ensure the sustainability and future profitability of the Company in a low commodity price environment. The Company focused on operating cost reductions and improved project economics. As a result, production volumes in Canada and Trinidad declined based on reduced operating and capital investment. The Company recompleted seven wells in the first quarter of 2015 and continues to optimize production achieved from the 2014 drilling program. Despite the decrease in realized oil prices, the Company maintained balance sheet strength with first quarter net debt of \$5,695,000. This decrease in net debt from the fourth quarter of 2014 was aided by the Luseland asset disposition which contributed net proceeds of \$2,200,000 and led to a gain of \$130,000 recorded in the quarter.

Production volumes averaged 2,036 bbls/d during the three months ended March 31, 2015 (100% oil). Trinidad and Canadian petroleum sales averaged 1,742 bbls/d and 294 bbls/d, respectively, representing a combined increase of 422% from the comparative 2014 quarter and a decrease of 11% from the 2014 fourth quarter.

In Canada, the Company continued its focus on evolving to a conventional production model and aggressively reduced operating costs in Saskatchewan. Kerrobert operations incurred negative operating netbacks of \$391,000 in the quarter versus a gain of \$55,000 recognized in the previous quarter. Operating cost reductions of 23% from the previous quarter were offset by price reductions in excess of 40% (\$34.64 realized price versus \$57.87 in Q4 2014). Luseland operations contributed \$55,000 in operating income prior to the February 28, 2015 disposition.

In Trinidad, Touchstone likewise focused on reducing operating costs. Service rig utilization was deliberately limited to Company owned equipment with a focus on projects with immediate value. Excluding derivatives, Trinidad operating netbacks were \$20.14 per barrel compared to \$28.06 in the previous quarter. Quarterly average realized prices declined 25% from \$78.30 per barrel to \$58.74 per barrel, while royalty expenses reduced commensurate with the decrease in realized oil prices. Cost reducing initiatives led to first quarter Trinidad operating cost decreases of \$4.77 per barrel or 19% from the previous quarter. In addition, the Company realized a gain on derivatives of \$1,379,000 or \$8.80 per barrel during the first quarter of 2015.

Quarterly gross general and administrative costs increased \$340,000 from the fourth quarter of 2014, as \$691,000 in severance costs were recognized in the quarter due to staffing reductions. Canada general and administrative costs are expected to reduce by 20% from 2014 levels going forward.

Funds flow from operations for the three months ended March 31, 2015 was \$425,000 (\$0.01 per basic share) versus a loss of \$2,114,000 (\$0.04 per basic share) in the prior year comparative quarter and positive funds flow from operations of \$2,182,000 (\$0.03 per basic share) in the fourth quarter of 2014. Trinidad operations generated funds flow from operations of \$3,101,000, offsetting Canadian funds flow losses of \$2,676,000.

Touchstone's capital program for 2015 remains flexible as the Company has minimal commitments or financial obligations in Canada and Trinidad. The Company continues to conserve capital and apply a prudent approach to capital expenditures. Building on overall cost reductions achieved in the quarter, the Company is continuing to streamline operations and actively pursue cost savings. Furthermore, the Company remains focused on improving the balance sheet through non-core asset dispositions in 2015. The Company will continue its measured approach to maintaining and growing production in Canada and Trinidad and will review capital programs on a quarterly basis. In the interim, Touchstone has received regulatory approvals for the drilling of seven wells in Trinidad.

## **AGM Information**

The Company invites stakeholders to attend its Annual General Meeting on Wednesday May 20, 2015 at 9:00 am MT at Centrium Tower Conference Centre, 2<sup>nd</sup> floor, 332 6 Avenue S.W., Calgary, Alberta, T2P 0B2.

*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 and western Canada. The Company's common shares are traded on the Toronto Stock Exchange under the symbol "TXP".*

## **Further Information**

Mr. Paul Baay, President and Chief Executive Officer;  
Mr. James Shipka, Chief Operating Officer; or  
Mr. Scott Budau, Chief Financial Officer  
Telephone: (403) 750-4400

## **Advisories**

**Non-GAAP Measures:** This press 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 IFRS 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 and operating expenses from petroleum sales. Funds flow netbacks are presented on a per barrel basis and are calculated by deducting royalties, operating expenses, general and administrative expenses, transaction costs, finance costs and current income tax expenses from petroleum sales. Net debt is calculated by summing the Company's working capital and non-current interest bearing instruments. 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 with those of its peers.

**Forward-Looking Statements:** Certain information provided in this press release constitutes forward-looking statements. Specifically, this press release contains forward-looking statements regarding the Company's production levels, projected capital expenditures, projected general and administrative costs, sufficiency of resources to fund operations and plans related to and the timing of certain projects. Forward-looking statements are necessarily based on a number of assumptions and judgments, including but not limited to, assumptions relating to the outlook for commodity and capital markets, the success of future resource evaluation and development activities, the performance of producing wells and reservoirs, well development and operating performance, general economic conditions, weather, and the regulatory and legal environment. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. You can find a discussion of those risks and uncertainties in the Company's Canadian securities filings. Such factors include, but are not limited to: general economic, market and business conditions; weather conditions and access to properties; fluctuations in oil prices; the results of exploration and development drilling, recompletions and related activities; timing and rig availability; outcome of exploration contract negotiations; fluctuation in foreign currency exchange rates; the uncertainty of reserve estimates; changes in environmental and other regulations; uncertainties associated with the regulatory review and approval process in respect to projects; risks associated with the application of early stage technology; risks associated with oil and gas operations and other factors, many of which are beyond the control of Touchstone. There is no representation by Touchstone that actual results achieved during the forecast period will be the same in whole or in part as those forecasted. Except as may be required by applicable securities laws, Touchstone 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.