



TOUCHSTONE ANNOUNCES SECOND QUARTER 2016 RESULTS

Calgary, Alberta – Aug 12, 2016 – Touchstone Exploration Inc. (“Touchstone” or the “Company”) (TSX:TXP) announces its financial and operating results for the three and six months ended June 30, 2016. Selected financial and operational information is outlined below and should be read in conjunction with Touchstone’s June 30, 2016 unaudited interim consolidated financial statements and management discussion and analysis, both of which 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 Second Quarter Highlights

- Achieved average oil sales of 1,322 barrels per day (“bbls/d”), representing a decrease of 3% from the first quarter of 2016 and a decrease of 19% from the second quarter of 2015.
- Realized Trinidad operating netbacks prior to hedging of \$1,950,000 (\$16.21 per barrel), representing an increase of 521% from the first quarter of 2016 and a decrease of 40% from the prior year comparative quarter.
- Reduced per barrel operating expenses by 18% and 26% from the first quarter of 2016 and the second quarter of 2015, respectively. We continue to focus on reductions in operating expenses and expect to fully realize second quarter cost cutting initiatives in the third quarter of 2016.
- Generated funds flow from operations of \$3,278,000 (\$0.04 per basic share) compared to \$919,000 (\$0.01 per basic share) recognized in the prior quarter and \$762,000 (\$0.01 per basic share) recognized in the second quarter of 2015.
- Recorded a net loss of \$2,553,000 (\$0.03 per basic share) versus a net loss of \$2,444,000 (\$0.03 per basic share) in the first quarter of 2016 and a net loss of \$1,128,000 (\$0.01 per basic share) recognized in the prior year comparative quarter.
- Liquidated the Company’s outstanding commodity hedging contracts and used the proceeds to fully repay the outstanding bank loan balance.

2016 Second Quarter and Year to Date Financial and Operating Results Summary

	Three months ended June 30,		Six months ended June 30,	
	2016 ²	2015	2016 ²	2015
Operating				
Average daily oil production (bbls/day)				
Trinidad	1,322	1,625	1,342	1,683
Canada	-	161	-	227
Company total	1,322	1,786	1,342	1,910
Average realized oil prices before hedging (\$/bbl)				
Trinidad	49.83	66.67	44.16	62.59
Canada	-	49.37	-	39.81
Company total	49.83	65.12	44.16	59.89
Operating netback ¹ (\$000's)				
Petroleum revenue	5,996	10,583	10,783	20,705
Royalties	(1,627)	(3,127)	(3,062)	(6,134)
Operating expenses	(2,419)	(4,415)	(5,457)	(8,708)
Operating netback prior to hedging	1,950	3,041	2,264	5,863
Realized gain on derivatives	3,316	628	6,462	2,007
Operating netback after hedging	5,266	3,669	8,726	7,870

¹Refer to advisory regarding non-GAAP measures.

²Effective December 31, 2015, the Company disposed of its remaining Canadian segment producing oil and gas assets.

	Three months ended June 30,		Six months ended June 30,	
	2016 ²	2015	2016 ²	2015
Operating netback ¹ (\$/bbl)				
Brent benchmark price	58.72	75.74	52.61	71.49
Discount	(8.89)	(10.62)	(8.45)	(11.60)
Realized sales price	49.83	65.12	44.16	59.89
Royalties	(13.52)	(19.24)	(12.54)	(17.74)
Operating expenses	(20.10)	(27.17)	(22.35)	(25.19)
Operating netback prior to hedging	16.21	18.71	9.27	16.96
Realized gain on derivatives	27.56	3.86	26.47	5.81
Operating netback after hedging	43.77	22.57	35.74	22.77
Financial (\$000's except share and per share amounts)				
Funds flow from operations ¹	3,278	762	4,126	1,187
Per share – basic and diluted ¹	0.04	0.01	0.05	0.01
Net loss	(2,553)	(8,505)	(4,347)	(9,633)
Per share – basic and diluted	(0.03)	(0.10)	(0.05)	(0.12)
Capital expenditures				
Exploration assets	476	291	629	479
Property and equipment	(340)	1,144	706	2,315
Company total	136	1,435	1,335	2,794
Total assets – end of period			73,330	125,788
Net debt ¹ – end of period			4,188	5,755
Weighted average shares outstanding				
Basic and diluted	83,125,605	83,079,643	83,106,374	83,076,770
Outstanding shares - end of period			83,137,143	83,079,643

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Touchstone continues to focus on operational initiatives to ensure sustainability and future profitability through all commodity price cycles. During the quarter, Touchstone continued to curtail spending, manage controllable costs and paid off its outstanding principal bank loan balance. We continued to respond to the weakness in oil prices with \$136,000 in capital spending in the second quarter. Production in Trinidad decreased based on natural declines and reduced operational spending, as production volumes averaged 1,322 bbls/d during the second quarter of 2016 which represented a decrease of 3% from Trinidad average daily volumes delivered in the first quarter of 2016.

In June 2016 we liquidated our outstanding commodity hedges which resulted in proceeds of US\$2,019,000. In total, our commodity hedging program contributed \$3,316,000 in realized gains during the quarter. Excluding commodity hedging, Trinidad realized second quarter 2016 pricing for crude oil was \$49.83 (US\$38.60) per barrel versus \$38.66 (US\$28.08) per barrel received in the first quarter of 2016. Second quarter operating expenses and general and administrative spending decreased by 20% and 24% from the first quarter of 2016, respectively. The hedging liquidation and diligent cost control efforts allowed Touchstone to generate funds flow from operations of \$3,278,000 (\$0.04 per basic share) in the quarter versus funds flow from operations of \$919,000 (\$0.01 per basic share) recognized in the prior quarter. We recorded a net loss of \$2,553,000 (\$0.03 per basic share) in the second quarter, which was mainly a result of a \$6,099,000 non-cash loss on unrealized derivative contracts based on second quarter settlements and the hedge book liquidation.

At the end of the second quarter Touchstone's net debt was \$4,188,000. Touchstone's bank loan borrowing base is currently US\$6,000,000, all of which is dedicated as security for a letter of credit. We expect the letter of credit to be cancelled in the near future, upon which our bank loan borrowing base will be reduced to \$nil. Our lender will then assess the credit facility which may include a new borrowing base

redetermination. Touchstone is currently in default of our July 2016 monthly production covenant and we are currently seeking a waiver from our lender.

We are managing our business based on the current commodity strip price, and have structured our near term spending so that fund flows from operations will match or exceed cash outflows for capital expenditures. Touchstone will continue to assess new sources of financing available to manage current capital commitments and create future growth.

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 expected sale of its East Brighton property, cancellation of the associated bank loan secured letter of credit, future discussions with the Company's lender with respect to review of the Company's credit facility and its borrowing base, the Company's projected operating expenses and general and administrative costs, sufficiency of resources to fund operations and plans related to and the timing of certain projects. 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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