TOUCHSTONE EXPLORATION INC.

2014

SECOND QUARTER INTERIM REPORT

TOUCHSTONE ANNOUNCES 2014 SECOND QUARTER RESULTS

Calgary, Alberta – August 14, 2014 – Touchstone Exploration Inc. ("Touchstone" or the "Company") (TSX: TXP) is pleased to announce our financial and operating results for the three and six months ended June 30, 2014 ("second quarter" or "Q2 2014"). Tabular amounts herein are in thousands of Canadian dollars and amounts in text are rounded to thousands of Canadian dollars unless otherwise stated.

As a result of the business combination discussed below, second quarter 2014 results includes the Trinidad based operations of Old Touchstone as of May 14, 2014. Petrobank Energy and Resources Ltd. was the acquirer, and as such, all comparative information represents historical Petrobank Energy and Resources Ltd. results. Our Canadian properties are in the exploration and development phase and accordingly, all directly attributable expenses, net of revenues, are capitalized. Therefore, it is important to note that throughout this press release, operational results such as revenue, royalties, and production expenses related to Canadian properties may be referenced but are capitalized for financial reporting purposes and thus do not appear in the consolidated statements of operations.

Financial and Operational Highlights

- Closed the business combination of Petrobank Energy and Resources Ltd. and Touchstone Exploration Inc. on May 13, 2014;
- Achieved average second quarter oil production of 1,220 barrels per day as Trinidad production averaged 1,574 barrels per day over the 48 day post acquisition period within the quarter;
- Generated second quarter net income of $2,751,000 ($0.05 per basic and diluted share) versus a loss of $3,967,000 recorded in the first quarter of 2014 and a loss of $4,151,000 in the comparative 2013 period;
- Commenced the 2014 Trinidad drilling program and participated in drilling four (3.16 net) wells;
- Realized positive Q2 2014 operating netbacks at our Kerrobert, Saskatchewan operations for the first time in Company history;
- Repaid a combined $23,863,000 in convertible debenture and long-term debt amounts acquired in the business combination;
- Generated Trinidad adjusted funds flow from operations of $1,744,000 or $23.08 per barrel in the quarter as adjusted for non-recurring operating costs of $1,276,000 (unadjusted - $468,000 or $6.19 per barrel); and
- Achieved July production of 2,340 average barrels per day of which 1,795 barrels per day was Trinidad based and 545 barrels per day was from Canadian operations.

Corporate Acquisition

On May 13, 2014, Petrobank Energy and Resources Ltd. completed a court-approved statutory plan of arrangement (the "Arrangement") of the acquisition of Touchstone Exploration Inc. ("Old Touchstone"). Pursuant to the Arrangement, the Company acquired all of the outstanding common shares of Old Touchstone in exchange for the issuance of 65,519,212 pre-consolidation (32,759,606 post consolidation) Company common shares. Following the arrangement, the Company consolidated its shares on a two for one basis, Petrobank Energy and Resources Ltd. changed its name to Touchtone Exploration Inc. and Old Touchstone changed its name to Touchstone Energy Inc.

Old Touchstone was engaged in the exploration, development and production of oil in Trinidad. At the acquisition date, the acquired assets included approximately 1,600 barrels per day of existing oil production from 10,205 working interest acres of developed land and approximately 50,000 working interest acres of undeveloped land in Trinidad. The producing assets are characterized by large oil in place, low declines and an extensive inventory of low risk drilling, workover and reactivation opportunities. The integration of the operations allows the Company to execute an expanded capital program in Trinidad and positions the Company to increase shareholder value through improved netbacks, increased cash

flow, and superior capital efficiencies. The Company will leverage the application of proven Western Canadian production technologies to the large defined Trinidad resource base.

Second Quarter Financial Summary

	Three months ended June 30		Six months ended June 30	
	2014	**2013**	**2014**	**2013**
Operational				
Corporate average daily oil production (bbls/day)	**1,220**	191	**807**	217
Trinidad operating netback[1] ($/bbl)				
Reference price – Brent	**119.55**	105.63	**119.27**	109.48
Petroleum sales	**104.02**	-	**104.02**	-
Royalties	**(36.53)**	-	**(36.53)**	-
Net sales	**67.49**	-	**67.49**	-
Adjusted operating expenses[3]	**(26.98)**	-	**(26.98)**	-
Adjusted operating netback	**40.51**	-	**40.51**	-
Financial *($000's except per share amounts)*				
Trinidad petroleum sales	**7,861**	-	**7,861**	-
Corporate net income (loss)	**2,751**	(4,151)	**(1,216)**	(7,159)
Per share – basic and diluted[2]	**0.05**	(0.09)	**(0.02)**	(0.15)
Corporate funds flow from operations[1]	**(4,007)**	(1,777)	**(6,121)**	(4,469)
Per share – basic and diluted[1,2]	**(0.07)**	(0.04)	**(0.11)**	(0.09)
Exploration asset expenditures	**3,189**	3,050	**9,000**	11,472
Property and equipment expenditures	**7,797**	73	**7,816**	124
Total assets (end of period)	**182,984**	147,249	**182,984**	147,249
Working capital (end of period)	**9,728**	71,020	**9,728**	71,020
Total debt[1] (end of period)	**1,338**	2,004	**1,338**	2,004
Weighted average shares outstanding[2]				
Basic	**60,773,547**	48,795,069	**54,794,161**	48,796,682
Diluted	**61,029,289**	48,795,069	**54,970,733**	48,796,682
Outstanding shares (end of period)[2]	**81,738,643**	48,718,912	**81,738,643**	48,718,912

[1]See "*Non-GAAP Measures*"
[2]All current and comparative share amounts have been adjusted to reflect the two for one common share consolidation completed on May 13, 2014.
[3]Adjusted for a $1,276 one-time non-cash operating expense to reflect the value of crude oil inventory that was accounted for at its fair value in the business combination.

Production for the three months ended June 30, 2014 was 1,220 barrels per day (100 percent oil). Trinidad production contributed 830 barrels per day, as the operations averaged 1,574 barrels per day over the 48 day post acquisition period within the quarter. Canadian production remained consistent on a quarter-over-quarter basis and increased 104 percent from the comparative 2013 period.

Negative funds flow from operations in the second quarter of 2014 was $4,007,000 ($0.07 per share basic and diluted) compared to $2,114,000 ($0.04 per share basic and diluted) in the previous quarter and $1,777,000 ($0.04 per share basic and diluted) in the comparative 2013 quarter. Transaction costs of $2,295,000 related to the acquisition were recorded in the quarter and included in operating expenses was a $1,276,000 non-cash charge to reflect the value of crude oil inventory that was accounted for at its fair value at the acquisition date. Net of these non-recurring expenses, second quarter negative funds flow from operations was $436,000.

Canadian exploration asset expenditures were $2,425,000 in the quarter versus $5,811,000 in the previous quarter. Capitalized losses decreased from $3,338,000 recognized in the first quarter to $387,000 in the second quarter. Combined Kerrobert and Luseland operating earnings of $673,000 were offset by Dawson operating losses of $1,060,000 recognized in the quarter. Dawson losses were incurred due to operating costs from the cyclical steam simulation project. The steam injection cycle was completed and the two wells were placed on production at the end of June. Trinidad exploration expenditures were $764,000, which represented the Company's 16.2 percent working interest share of the drilling of a well on the Cory Moruga property.

Trinidad property and equipment expenditures were $7,793,000 in the quarter. This included $5,203,000 in drilling and completion costs, mainly for the three wells drilled throughout the quarter. The Company also purchased a new service rig for $2,103,000. As at June 30, 2014, the Trinidad equipment fleet included four service rigs and one coil tubing unit.

Working capital surplus at period end was $9,728,000 compared to $41,984,000 in the previous quarter. Working capital decreased as the Company paid $24,276,000 in long-term debt and related interest acquired from the Old Touchstone acquisition. The Company also recorded a combined $10,986,000 in capital expenditures throughout the quarter. As at June 30, 2014, 1.5 million Lightstream Resources Ltd. common shares are included in working capital as investments in marketable securities. The Company continues working toward a new operating credit facility to facilitate its expanded capital program in Trinidad.

Operations Update

Of the three Trinidad operated wells drilled in the second quarter, two were placed on production in July. PS-579 was completed in the Upper Cruse formation with 14 of the estimated 585 feet of total net pay perforated. The well has produced a field estimated average of 230 barrels of flowing oil per day over its initial 24 days of production. FR-1747 was completed in the Lower Cruse interval and has produced a field estimated 30 barrels of flowing oil per day during its first 41 days on stream. Completed in two stages, 50 of the estimated 302 feet of total net pay has been perforated to date and optimization of the flow rate is expected to occur with the addition of artificial lift equipment. FR-1748 is currently being completed in the Lower Cruse formation and is expected to be on production in August.

Mechanical inefficiencies were experienced with the two third party drilling rigs in July and as a result, both rigs were taken out of service for mechanical upgrades. The first rig came back in service on August 11, 2014 with the spudding of a well on our Fyzabad property. The second rig is scheduled to return by the middle of August at which time drilling operations will continue on the WD-4 block. Touchstone expects to have a minimum of two non-operated drilling rigs in service for the remainder of the year.

Management Change

Touchstone announces that Mr. Todd Brown has resigned as Chief Operating Officer effective Monday August 8, 2014. We would like to thank Mr. Brown for his support over the short period of time he was in the role and wish him all the best with his new opportunity. Mr. James Shipka, Vice President Geosciences and Business Development, will serve as Interim Chief Operating Officer until a suitable replacement has been found. In addition, Mr. Dwight Mervold, Vice President Operations will assume additional duties throughout the transition period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of Touchstone Exploration Inc. (formerly Petrobank Energy and Resources Ltd.) (the "Company" or "Touchstone") for the three and six months ended June 30, 2014, with comparisons to the three and six months ended June 30, 2013. The MD&A has been prepared by management and should be read in conjunction with the unaudited interim consolidated financial statements as at and for the three and six months ended June 30, 2014 and 2013, and the audited consolidated financial statements for the year ended December 31, 2013. This MD&A should also be read in conjunction with the Company's MD&A for the year ended December 31, 2013, as disclosure which is unchanged from December 31, 2013 may not be duplicated herein.

Additional information related to Touchstone and factors that could affect the Company's operations and financial results are included with reports on file with Canadian securities regulatory authorities, including the Company's Annual Information Form dated March 26, 2014, and may be accessed through the Internet on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") website (www.sedar.com).

Tabular amounts herein are in thousands of Canadian dollars and amounts in text are rounded to thousands of Canadian dollars unless otherwise stated. All production volumes disclosed herein are sales volumes.

As a result of the business combination discussed below, second quarter 2014 results includes the Trinidad based operations of Old Touchstone as of May 14, 2014. Petrobank Energy and Resources Ltd. was the acquirer, and as such, all comparative information represents historical Petrobank Energy and Resources Ltd. results. All current and comparative share capital and per share amounts have been adjusted to reflect the two for one common share consolidation completed on May 13, 2014.

Our Canadian properties are in the exploration and development phase and accordingly, all directly attributable expenses, net of revenues, are capitalized. Therefore, it is important to note that throughout this press release, operational results such as revenue, royalties, and production expenses related to Canadian properties may be referenced but are capitalized for financial reporting purposes and thus do not appear in the consolidated statements of operations.

This MD&A is based on information available as of, and is dated, August 13, 2014.

Refer to the end of this MD&A for commonly used abbreviations in the document. Refer to page 22 for the Advisory on Forward-looking Statements and page 23 for Non-GAAP terms used in this MD&A.

Company Profile

The Company is incorporated under the laws of Alberta, Canada with its head office located in Calgary, Alberta. The Company is an oil and gas exploration and production company active in western Canada and the Republic of Trinidad and Tobago ("Trinidad"). The Company's common shares are traded on the Toronto Stock Exchange ("TSX") under the symbol "TXP".

Strategy

The Company's strategy is to leverage Western Canadian enhanced oil recovery experience and capability to international onshore properties to create shareholder value. Jurisdictions will be targeted that have stable political and fiscal regimes coupled with large defined oil in place.

Corporate Acquisition

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Old Touchstone was engaged in the exploration, development and production of oil in Trinidad. At the acquisition date, the acquired assets included approximately 1,600 barrels per day of existing oil production from 10,205 working interest acres of developed land and approximately 50,000 working interest acres of undeveloped land in Trinidad. The producing assets are characterized by large oil in place, low declines and an extensive inventory of low risk drilling, workover and reactivation opportunities. The integration of the operations allows the Company to execute an expanded capital program in Trinidad and positions the Company to increase shareholder value through improved netbacks, increased cash flow, and superior capital efficiencies. The Company will leverage the application of proven Western Canadian production technologies to the large defined Trinidad resource base.

All current and comparative share capital and per share amounts have been adjusted to reflect the two for one common share consolidation completed on May 13, 2014. The consolidated statement of operations and comprehensive income (loss) includes results of operations of Old Touchstone as of May 14, 2014 and includes transaction costs of $2,295,000. Please refer to note 4 of the Company's unaudited interim consolidated financial statements as at and for the three and six months ended June 30, 2014 and 2013 for further details including the net assets acquired and consideration transferred.

Principal Properties

As at June 30, 2014, the Company's principal land holdings were as follows:

Property	Working interest	Lease type	Working interest acres
Canada			
Producing[1]			
Dawson	100%	Crown	20,160
Kerrobert	99%	Crown & Freehold	6,739
Luseland	100%	Crown & Freehold	11,035
Exploratory			
Druid	100%	Crown	8,641
Edam	100%	Crown	10,881
Beadle	50%	Freehold	5,120
Unity/Winter	100%	Crown	11,563
Turtle Lake	100%	Crown	5,760
			79,899
Trinidad			
Producing			
WD-8	100%	Lease Operatorship Agreement	650
Coora 1	100%	Lease Operatorship Agreement	1,230
Coora 2	100%	Lease Operatorship Agreement	469
WD-4	100%	Lease Operatorship Agreement	700
South Palo Seco	100%	Farmout Agreement	2,019
New Dome	100%	Farmout Agreement	69
Barrackpore	100%	Freehold	478
Fyzabad	100%	Crown & Freehold	804
Icacos	50%	Freehold	980
Palo Seco	100%	Crown	500
San Francique	100%	Freehold	2,306
Exploratory			
Siparia	50%	Freehold	80
East Brighton A[2]	35%	Crown	1,068
East Brighton B[2]	24.5%	Crown	4,242
Moruga	100%	Freehold	3,300
Bovallius	100%	Freehold	976
Otaheite	100%	Freehold	935
St. John	100%	Freehold	408
Rousillac	100%	Freehold	570
Piparo	100%	Freehold	72
New Grant	100%	Freehold	687
Cory Moruga	16.2%	Freehold	1,939
Ortoire[2]	80%	Crown	35,784
			60,266
Corporate total			**140,165**

[1]The Canadian producing properties are classified as exploration assets.
[2]Lands subject to executed exploration and production licenses with the Trinidad and Tobago Ministry of Energy and Energy Affairs.

All properties are located onshore with the exception of East Brighton blocks A and B. The Company currently has no oil production or recognized oil and gas reserves for the exploratory properties listed above. The Company is operating under a number of freehold lease agreements which have expired and are currently being renegotiated. Based on legal opinions received, the Company is continuing to recognize revenue on the producing blocks as the Company is the operator, no title to the revenue has been disputed and the Company is paying all associated royalties and taxes.

Financial and Operational Results

The Company's operations are conducted in Canada and Trinidad, which are the Company's reportable segments. The Company's Canadian properties are in the exploration phase and accordingly, all directly attributable expenses, net of revenues, are capitalized as exploration assets.

Production

	Three months ended June 30 2014	2013	% change	Six months ended June 30 2014	2013	% change
Canada						
Total production						
Oil (bbls)	**35,483**	17,375	104	**70,559**	39,281	80
Average daily production						
Oil (bbls/day)	**390**	191	104	**390**	217	80
Trinidad						
Total production						
Oil (bbls)	**75,573**	-	100	**75,573**	-	100
Average daily production						
Oil (bbls/day)	**830**	-	100	**418**	-	100
Corporate						
Total production						
Oil (bbls)	**111,056**	17,375	539	**146,132**	39,281	272
Average daily production						
Oil (bbls/day)	**1,220**	191	539	**807**	217	272

Production by property

(bbls)	Three months ended June 30 2014	2013	% change	Six months ended June 30 2014	2013	% change
Canada						
Kerrobert	**29,067**	12,895	125	**59,562**	31,063	92
Luseland	**6,416**	3,354	91	**10,997**	5,166	113
Dawson	**-**	1,126	(100)	**-**	3,052	(100)
	35,483	17,375	104	**70,559**	39,281	80
Trinidad						
WD-8	**19,893**	-	100	**19,893**	-	100
Coora 1	**10,024**	-	100	**10,024**	-	100
Coora 2	**6,751**	-	100	**6,751**	-	100
New Dome	**887**	-	100	**887**	-	100
South Palo Seco	**290**	-	100	**290**	-	100
Fyzabad	**8,310**	-	100	**8,310**	-	100
Icacos	**693**	-	100	**693**	-	100
Palo Seco	**1,868**	-	100	**1,868**	-	100
Barrackpore	**1,055**	-	100	**1,055**	-	100
San Francique	**3,773**	-	100	**3,773**	-	100
WD-4	**22,029**	-	100	**22,029**	-	100
	75,573	-	100	**75,573**	-	100
Corporate total	**111,056**	17,375	539	**146,132**	39,281	272

The Company acquired Trinidad operations effective May 14, 2014. Accordingly, total production increased 539 percent as the Trinidad operations averaged 1,574 barrels per day over the 48 day post acquisition period within the second quarter.

Kerrobert production was 319 barrels a day compared to 339 barrels per day in the first quarter of 2014 and 142 barrels per day in the comparative 2013 second quarter. Production has slightly decreased as the Company has decreased air injection into the reservoir throughout the quarter.

The Company operates two conventional heavy oil wells in the Luseland area in Saskatchewan, which produced 71 barrels per day throughout the quarter. This represented a 42 percent increase from the 2014 first quarter and a 91 percent increase from the comparative 2013 quarter based on increased run time.

The Dawson wells were continuing with their steam cycle throughout the quarter and were placed on production at the end of June; no sales were realized prior to June 30, 2014.

Average reference and realized prices

	Three months ended June 30		%	Six months ended June 30		%
	2014	**2013**	**change**	**2014**	**2013**	**change**
Reference prices						
Brent average (CAD/bbl)	**119.55**	105.63	13	**119.27**	109.48	9
WTI average (CAD/bbl)	**112.20**	96.25	17	**110.46**	95.72	15
Average realized selling prices						
Canada ($/bbl)	**81.98**	70.16	17	**77.81**	59.39	31
Trinidad ($/bbl)	**104.02**	-	100	**104.02**	-	100
Canada						
Realized price discount as a % of WTI	**27**	27	-	**30**	38	21
Trinidad						
Realized price discount as a % of Brent	**13**	-		**13**	-	
Realized price discount as a % of WTI	**7**	-		**6**	-	

Petroleum sales

	Three months ended June 30		%	Six months ended June 30		%
($000's)	**2014**	**2013**	**change**	**2014**	**2013**	**change**
Trinidad						
Crude oil	**7,861**	-	100	**7,861**	-	100

Canadian operations continue to be capitalized to exploration assets as the properties remain in the exploration stage. Actual Canadian petroleum sales were $2,909,000 and $5,490,000 for the three and six months ended June 30, 2014, respectively (2013 - $1,219,000 and $2,333,000).

Trinidad sales were $7,861,000 in the quarter, representing an average realized price of $104.02 per barrel. The average realized price represented a 13 percent discount to average Brent prices and a 7 percent discount to average WTI prices.

Royalties

($000's)	Three months ended June 30 2014	2013	% change	Six months ended June 30 2014	2013	% change
Trinidad						
Crown royalties	**850**	-	100	**850**	-	100
Private royalties	**145**	-	100	**145**	-	100
Overriding royalties	**1,641**	-	100	**1,641**	-	100
User fees	**125**	-	100	**125**	-	100
	2,761	-	100	**2,761**	-	100

Capitalized Canadian royalties were $324,000 and $638,000 for the three and six months ended June 30, 2014, respectively (2013 - $79,000 and $262,000). The increase was based on the 104 percent increase in production and 17 percent increase in realized prices during the three months ended June 30, 2014.

Trinidad charges a crown royalty rate of 12.5 percent on gross production under crown leases. For freehold or private leases, the Company incurs private royalties of 10 percent of gross production.

On the WD-8, Coora and WD-4 blocks, the Company operates under Lease Operatorship Agreements ("LOA"), which in addition to crown royalties apply a sliding scale notional overriding royalty ("NORR") that ranges from 33 to 35 percent on predefined base production levels. For any production volumes sold in excess of the base production levels, the Company incurs an enhanced NORR ("enhanced NORR") of 17.5 to 22.5 percent. The NORR and enhanced NORR rates are indexed to the price of oil realized in the production month. The LOA's allow for NORR and enhanced NORR incentives for the drilling or sidetracking of a replacement well as follows:

- Year 1 of production from the replacement well: Zero percent NORR and enhanced NORR rates; and
- Year 2 of production from the replacement well: 10 percent NORR and enhanced NORR rates.

In addition to crown royalties, the South Palo Seco and New Dome blocks are subject to Farmout agreements that stipulate NORR rates ranging from 23 percent to 25 percent and enhanced NORR rates ranging from 15 percent to 17 percent.

Production from the WD-8, Coora and WD-4 blocks incur a per barrel charge for user fees that serve to offset expenses for electricity, maintenance, labour and other miscellaneous costs incurred by the Petroleum Company of Trinidad and Tobago ("Petrotrin") associated with the management of the applicable lease operatorship programs.

Trinidad royalties were $36.53 per barrel during the three and six months ended June 30, 2014. Approximately 79 percent of the Trinidad quarterly production was from the higher royalty LOA and Farmout agreement properties. Of the 19 historically drilled wells under these arrangements, only three wells qualified for zero percent NORR and six wells qualified for the 10 percent NORR during the quarter ended June 30, 2014.

Operating expenses

($000's)	Three months ended June 30 2014	2013	% change	Six months ended June 30 2014	2013	% change
Trinidad						
Operating expenses	**3,315**	-	100	**3,315**	-	100

Capitalized Canadian operating expenses were $2,972,000 and $8,577,000 for the three and six months ended June 30, 2014, respectively (2013 - $2,587,000 and $8,313,000).

During the quarter ended June 30, 2014, Trinidad operating cost were $43.87 per barrel. The Company experienced a high number of well servicing and minor workover expenses throughout the period. The Company had three of its four service rigs and two third party service rigs operating throughout June 2014 to catch up on minor workovers. One Company rig was stacked and incurred repair expenses throughout June 2014. Finally, the Company values its crude oil inventory on hand using weighted average operating costs for the inventoried barrels. Included in operating expenses is a $1,276,000 non-cash charge to reflect the value of crude oil inventory that was accounted for at its fair value at the acquisition date. Net of this, operating costs per barrel were $26.98.

Operating netbacks[1]

($/Barrel)	Three months ended June 30 2014	2013	% change	Six months ended June 30 2014	2013	% change
Trinidad						
Petroleum revenue	**104.02**	-	100	**104.02**	-	100
Royalties	**(36.53)**	-	100	**(36.53)**	-	100
Operating expenses	**(43.87)**	-	100	**(43.87)**	-	100
Operating netbacks	**23.62**	-	100	**23.62**	-	100

[1]See "*Non-GAAP Measures*"

As a result of the above, Trinidad operating netbacks were $23.62 per barrel for the May 14, 2014 to June 30, 2014 period. Normalizing the one-time operating expense charge discussed above, Trinidad operating netbacks were $40.51 during the May 14, 2014 to June 30, 2014 period.

Negative Canadian operating netbacks for the three and six month periods ended June 30, 2014 were $387,000 ($10.91 per barrel) and $3,725,000 ($52.79 per barrel), respectively. Capitalized losses decreased as combined Kerrobert and Luseland operating earnings of $673,000 were offset by Dawson capitalized losses of $1,060,000 recognized in the quarter. Dawson losses were based on operating costs for the cyclical steam simulation project throughout the quarter. The steam injection cycle was completed and the two wells were placed on production at the end of June.

General and administrative ("G&A") expenses

($000's)	Three months ended June 30 2014	2013	% change	Six months ended June 30 2014	2013	% change
Canada						
Gross G&A	**1,926**	2,418	(20)	**3,764**	5,477	(31)
Capitalized G&A	**(117)**	(121)	(3)	**(246)**	(283)	(13)
Net G&A	**1,809**	2,297	(21)	**3,518**	5,194	(32)
Trinidad						
Gross G&A	**981**	-	100	**981**	-	100
Capitalized G&A	**(230)**	-	(100)	**(230)**	-	(100)
Net G&A	**751**	-	100	**751**	-	100
Corporate total	**2,560**	2,297	11	**4,269**	5,194	(18)

G&A expenses primarily consist of management and administrative salaries and benefits, legal and professional fees, office rent, insurance, travel and other administrative expenses. For the three and six months ended June 30, 2014, general and administrative costs were $2,560,000 and $4,269,000 compared to $2,297,000 and $5,194,000 in the comparative 2013 periods, respectively. Canadian general and administrative expenditures have decreased in 2014 primarily due to lower personnel costs as a result of a decrease in the number of employees and one-time legal charges recorded in 2013. Trinidad G&A expenses were $9.94 per barrel during the three months ended June 30, 2014.

Transaction costs

($000's)	Three months ended June 30 2014	2013	% change	Six months ended June 30 2014	2013	% change
Transaction costs	**2,492**	-	100	**3,172**	-	100

The Company incurred $2,295,000 and $2,975,000 in legal, advisory, and severance charges related to the Old Touchstone acquisition during the three and six months ended June 30, 2014, respectively. The Company also incurred $197,000 in transaction costs related to prepayment fees for the long-term debt payment in the second quarter.

Gain/loss on marketable securities

($000's)	Three months ended June 30 2014	2013	% change	Six months ended June 30 2014	2013	% change
(Gain) loss on marketable securities	**(8,105)**	2,581	(414)	**(7,606)**	3,094	(346)

The Company's investment in marketable securities during the three and six months ended June 30, 2014 consisted of Lightstream Resources Ltd. ("Lightstream") common shares. The fair value of the investment in marketable securities is recorded on the consolidated statement of financial position at the end of each period, with the change in the fair value included in the determination of net income on the consolidated statement of operations.

The majority of the gain on marketable securities for the three and six months ended June 30, 2014 is due to the increase in Lightstream's share price at June 30, 2014 ($8.16) from March 31, 2014 ($5.62) and December 31, 2013 ($5.88).

The Company disposed of 2,000,000 shares for net proceeds of $7.60 per share in May 2014. The Company owned 1.5 million shares as at June 30, 2014 (December 31, 2014 – 3.5 million shares).

Finance and other

Interest expense of $283,000 was recorded in the quarter relating to the convertible debentures and long-term debt held by Touchstone Energy Inc. The Company purchased and discharged the remaining $2,000,000 principle amount of the convertible debentures on May 22, 2014. On June 30, 2014, the Company repaid the remaining $21,600,000 principal plus accrued interest on the 9.25% senior secured long-term debt facility.

Interest expenses were slightly offset by interest income earned on cash and cash equivalent balances during the three and six months ended June 30, 2014.

Foreign exchange gain/loss and foreign currency translation

The Company's presentation currency is the Canadian dollar. The parent company and Touchstone Energy Inc. have a Canadian dollar functional currency while the Trinidad operations have a Trinidad and Tobago dollar ("TTD") functional currency. The Company's Barbados holding company, which has minimal transactions, has a United States dollar ("USD") functional currency.

Prior to the Old Touchstone acquisition, the majority of the Company's transactions were denominated in Canadian dollars. Under the new corporate structure, the Company's main exposure to foreign currency risk relates to its working capital denominated in TTD and cash balances denominated in USD. The Company had realized foreign exchange losses of $110 and $102 for the three and six months ended June 30, 2014, respectively (2013 - $33,000 gain and $51,000 loss). Foreign exchange losses were incurred as USD funds were transferred to Trinidad during the quarter.

The Company currently has no contracts in place that hedge against any fluctuations in exchange rates, but reviews its exposure to foreign currency variations on an ongoing basis.

In each reporting period, the change in values of the USD and TTD relative to the Canadian dollar reporting currency are recognized. The June 30, 2014 rate and the May 13, 2014 Old Touchstone acquisition date rates used to translate the Company's TTD and USD denominated financial statement items are as follows:

	June 30, 2014	May 13, 2014	% change
Foreign exchange rates at end of period			
CAD / USD	0.9367	0.9181	2
CAD / TTD	0.1659	0.1686	(2)

The assets and liabilities of the Company's Barbados and Trinidad subsidiaries are translated to Canadian dollars at the exchange rate on the reporting period date. The income and expenses of the Company's Trinidad operations are translated to Canadian dollars at the exchange rates on the date of the relevant transactions. All resulting foreign currency differences are recorded in other comprehensive income in the Company's consolidated statement of operations and comprehensive income (loss). The Trinidad and Tobago dollar depreciated relative to the Canadian dollar from the May 13, 2014 business combination date to June 30, 2014 resulting in a loss of $846,000 recognized in other comprehensive loss for the three and six months ended June 30, 2014.

Share-based compensation

The Company has a rolling share option plan pursuant to which options to purchase common shares of the Company may be granted by the Board of Directors to directors, officers, employees and consultants of the Company. The exercise price of each option may not be less than the five day weighted average trading price of the Company's common shares prior to the date of the grant. Share-based compensation expense is recognized as the options vest. Stock option terms are determined by the Company's Board of Directors but typically vesting occurs over three years of the date of the grant as directors, officers, employees or consultants render continuous service to the Company. The options typically expire five years from the date of the grant. The maximum number of common shares issuable on exercise of options outstanding at any time is limited to 10 percent of the issued and outstanding common shares.

The Company also has an incentive share plan for directors, officers, employees and consultants. The plan allows the holder to receive one common share upon the vesting and payment of $0.05 per share exercise price. A maximum of two million incentive shares have been approved for issuance under this plan. The terms of the incentive shares granted are determined by the Company's Board of Directors.

($000's)	Three months ended June 30 2014	2013	% change	Six months ended June 30 2014	2013	% change
Share-based compensation	**(160)**	219	(173)	**(26)**	624	(104)

Share-based compensation expense was in a credit position for both the three and six months ended June 30, 2014 as unvested share options were forfeited based on employee departures.

During the three and six months ended June 30, 2014, the Board of Directors approved and granted 4,130,090 share options (year ended December 31, 2013 – 1,864,960) and 250,000 incentive share options (year ended December 31, 2013 – 484,875) to directors, officers and employees. At June 30, 2014, share options and incentive share options outstanding represented 6.5 percent of the common shares outstanding (December 31, 2013 – 3.5 percent).

Depletion and depreciation

($000's)	Three months ended June 30 2014	2013	% change	Six months ended June 30 2014	2013	% change
Canada						
Depreciation	**104**	116	(10)	**214**	234	(9)
Trinidad						
Depletion and depreciation	**1,167**	-	100	**1,167**	-	100
Corporate total	**1,271**	116	996	**1,381**	234	490

Depreciation is recorded relating to equipment and corporate assets in Canada and motor vehicles and rig equipment in Trinidad. Depletion is associated with the Company's producing assets in Trinidad. The net carrying value of producing assets is depleted using the unit of production method by reference to the ratio of production in the year over the related proven and probable reserves while also taking into account the estimated future development costs necessary to bring those reserves into production. Equipment and corporate assets are depleted on a declining balance basis.

Depletion was recognized in the quarter relating to the Trinidad assets acquired in the Old Touchstone business combination. As at June 30, 2014, $47,456,000 in future development costs have been added into the Trinidad cost bases for depletion calculation purposes.

Impairment

During the quarter the Company shut down its research lab located in Calgary. As a result, $164,000 in impairment charges related to property and equipment carrying values were recorded as the majority of the assets were sold subsequent to June 30, 2014. In addition, impairment charges of $295,000 were recorded to write down the carrying value of the patents and other intangible assets to $nil.

During the three months ended March 31, 2014, the Company recorded an impairment charge of $898,000 relating to exploration assets. The impairment was recorded at the Kerrobert property, resulting primarily from first quarter operating costs exceeding generated revenues. The recoverable amount was assessed at $3,159,000 based on the estimated fair value of the facilities equipment. There were no further impairment charges recorded during the three months ended June 30, 2014.

Accretion and decommissioning obligations

During the three and six months ended June 30, 2014, the Company recorded $111,000 and $149,000 (2013 - $29,000 and $57,000) in accretion related to its decommissioning obligations, respectively. The increase is mainly a result of the decommissioning obligations acquired in the Old Touchstone acquisition.

The Company's decommissioning obligations relate to future site restoration and abandonment costs including the costs of production equipment removal based on current regulations and economic circumstances. The total decommissioning obligation is estimated by management based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities, and the estimated timing of the costs to be incurred in future periods.

Decommissioning obligation details as at June 30, 2014 are as follows:

($000's)	**# of well/facility locations**	**Undiscounted balance**	**Inflation adjusted balance**	**Discounted balance**
Canada	88	6,894	9,478	5,916
Trinidad	472	12,550	25,834	7,055
Corporate total	**560**	**19,444**	**35,312**	**12,971**

Decommissioning liabilities have been discounted using a weighted average risk-free rate of 3 percent and 7.5 percent for Canadian and Trinidadian based liabilities, respectively (December 31, 2013 – 3 percent). The liabilities have been calculated using an inflation rate of 2 percent and 4 percent per annum for Canadian and Trinidadian based liabilities, respectively (December 31, 2013 – 3 percent).

Income taxes and income taxes payable

The Company pays the following taxes and levies to the Government of Trinidad and Tobago:

Supplemental Petroleum Tax ("SPT")	Minimum 18 percent of gross revenue less royalties
Petroleum Profits Tax ("PPT")	50 percent of net chargeable profits
Unemployment Levy ("UL")	5 percent of net chargeable profits
Business Levy	0.2 percent of gross petroleum revenue less royalties
Green Fund Levy	0.1 percent of gross petroleum revenue

SPT taxes are calculated and remitted on a quarterly basis. Actual rates vary based on the realized selling prices of oil in the applicable quarter. The revenue base for the calculation of SPT is gross revenue less royalties, less investment tax credits for certain allowable capital expenditures incurred in the applicable quarter. Annual PPT and UL taxes are calculated based on net chargeable profits. Net

chargeable profits are determined by calculating gross revenue less royalties, SPT paid during the year, capital allowances, operating, administration and certain finance expenses.

($000's)	Three months ended June 30 2014	2013	% change	Six months ended June 30 2014	2013	% change
Canada						
Current income tax	**-**	-	-	**-**	-	-
Trinidad						
SPT	**319**	-	100	**319**	-	100
PPT	**171**	-	100	**171**	-	100
UL	**17**	-	100	**17**	-	100
Business levy	**20**	-	100	**20**	-	100
Green fund levy	**9**	-	100	**9**	-	100
Withholding taxes	**30**	-	100	**30**	-	100
	566	-	100	**566**	-	100
Corporate total	**566**	-	100	**566**	-	100

Trinidad income taxes for the second quarter were $7.49 per barrel. The Company incurred $5,203,000 in drilling and completions expenditures, of which 50 percent is deductible in the current tax year.

Old Touchstone previously acquired a Trinidad subsidiary that has overdue tax balances owing to the Trinidad and Tobago Board of Inland Revenue ("BIR") which include both principal and interest components. The August 19, 2011 purchase and sales agreement of the acquired entity specifies that upon confirmation from the BIR, the entity is responsible for the principal tax balances and the seller is responsible for the tax interest balances. At the time of the acquisition, both parties intended to seek a waiver from the BIR for the tax interest and the seller indemnified the entity with respect to the interest amounts. Subsequent to the acquisition date, the acquired entity was responsible for interest on the principal balance until repaid. As of June 30, 2014, $2,552,000 in related interest has been accrued in income taxes payable.

On October 9, 2012, the BIR accepted the acquired entity's proposed settlement of the outstanding principal balances upon which the last payment was made in February 2013. The entity has subsequently received BIR tax statements showing approximately $1,724,000 in principal amounts and $18,226,000 in interest balances outstanding. The Company believes that the principal balance has been fully paid and the full interest balance is the responsibility of the seller. The Company continues to work with the seller and the BIR to resolve this matter and does not believe that it will be required to make any further principal payments nor any payments for the seller's portion of any interest should a waiver not be granted.

The June 30, 2014 income tax payable balance is comprised of the following:

($000's)	Principal	Interest	Total
Prior year taxes (2013 and prior)	(98)	4,224	4,126
Current year tax accruals (2014)	2,465	-	2,465
Income taxes payable	**2,367**	**4,224**	**6,591**

The deferred income tax liability balance represents the estimated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases. The Company currently does not recognize any benefit for its Canadian tax losses. The deferred tax liability balance relates to the discrepancy of the fair values over the carrying values of the assets acquired in the Old Touchstone business combination. During the three and six months ended June 30, 2014, the Company recorded deferred tax recoveries of $514,000 and $514,000 respectively (2013 – recoveries of $946,000 and $1,823,000).

Funds flow netback[1]

($/Barrel)	Three months ended June 30 2014	2013	% change	Six months ended June 30 2014	2013	% change
Trinidad						
Petroleum revenue	**104.02**	-	100	**104.02**	-	100
Royalties	**(36.53)**	-	(100)	**(36.53)**	-	(100)
Operating expenses	**(43.87)**	-	(100)	**(43.87)**	-	(100)
G&A	**(9.94)**	-	(100)	**(9.94)**	-	(100)
Current income taxes	**(7.49)**	-	(100)	**(7.49)**	-	(100)
Funds flow netback	**6.19**	-	100	**6.19**	-	100

[1]See "*Non-GAAP Measures*"

As a result of the above, Trinidad funds flow netbacks were $6.19 per barrel for the May 14, 2014 to June 30, 2014 period. Normalizing the one-time operating expense charge discussed above, Trinidad funds flow netbacks were $1,744,000, or $23.08 per barrel.

Exploration Asset Expenditures

($000's)	Three months ended June 30 2014	2013	% change	Six months ended June 30 2014	2013	% change
Canada						
Land acquisitions	**-**	-	-	**-**	2,168	(100)
Geological and geophysical	**74**	196	(62)	**162**	315	(49)
Drilling and completions	**70**	186	(62)	**820**	344	138
Production equipment and facilities	**1,784**	991	80	**3,368**	1,983	70
Capitalized G&A	**117**	121	(3)	**246**	283	(13)
Other[1]	**380**	1,556	(76)	**3,640**	6,379	(43)
	2,425	3,050	(21)	**8,236**	11,472	(28)
Trinidad						
Drilling and completions	**764**	-	100	**764**	-	100
Other	**-**	-	-	**-**	-	-
	764	-	100	**764**	-	100
Corporate total	**3,189**	3,050	5	**9,000**	11,472	(22)

[1]Includes the capitalization of royalties and operating costs, net of petroleum sales.

During the second quarter and year to date 2014, the majority of the Canadian exploration asset expenditures related to capitalized operating costs incurred at Dawson and facility upgrades for the cyclical steam stimulation project at Dawson.

The Trinidad exploration additions relate to working interest costs associated with the drilling of the Jacobin-1 well on Cory Moruga. Touchstone is currently a 16.2 percent non-operating partner in the property.

Property and Equipment Additions

($000's)	Three months ended June 30 2014	2013	% change	Six months ended June 30 2014	2013	% change
Canada						
Other	**4**	73	(95)	**23**	124	(81)
	4	73	(95)	**23**	124	(81)
Trinidad						
Drilling and completions	**5,203**	-	100	**5,203**	-	100
Production equipment and facilities	**29**	-	100	**29**	-	100
Capitalized G&A	**230**	-	100	**230**	-	100
Other	**2,331**	-	100	**2,331**	-	100
	7,793	-	100	**7,793**	-	100
Corporate total	**7,797**	73	10,581	**7,816**	124	6,203

During the three months ended June 30, 2014, the Company incurred $7,797,000 of capital expenditures compared to $73,000 in the same period of 2013. During the second quarter of 2014 the company drilled three (three net) development wells in Trinidad. The Company also purchased a service drilling rig for approximately $2,103,000 in the quarter, which brings its Trinidad based fleet to four service rigs and one coil tubing unit. All capital expenditures were funded from existing cash balances.

Liquidity and Capital Resources

($000's)	June 30, 2014	December 31, 2013
Working capital surplus[1]	**9,728**	50,761
Total debt[2]	**1,338**	1,682
Shareholders' equity	**114,817**	83,392

[1]Working capital is calculated as current assets less current liabilities.
[2]See "*Non-GAAP Measures*"

As at June 30, 2014 the Company had a working capital surplus of $9,728,000, including $7,563,000 in cash and $12,532,000 in investment in marketable securities (consisting of approximately 1.5 million Lightstream shares).

Working capital has decreased from December 31, 2013 based on the combined exploration asset and property and equipment expenditures discussed above and the acquisition of Old Touchstone, which carried a working capital deficit of $836,000 and a total debt balance of $23,863,000 at the May 13, 2014 acquisition date. The Company paid the debt balances plus $413,000 in associated interest during the three months ended June 30, 2014.

The Company's primary capital management objective is to maintain a strong statement of financial position affording the Company financial flexibility to achieve goals of continued growth and access to capital. The basis for the Company's capital structure is dependent on the Company's expected business growth and any changes in the business environment. To manage its capital structure, the Company may issue new equity or debt and make adjustments to its capital expenditure program. The Company will continue to assess new sources of financing available and to manage its expenditures to reflect current financial resources in the interest of sustaining long term viability.
The Company also has an uncertain tax position as disclosed in the "*Income taxes*" section above that could impact future liquidity. At this time, management does not believe that the Company will be required to make any further principal or interest payments relating to the issue.

Financial Instruments

The Company has not entered into any derivative financial instruments as at and for the six months ending June 30, 2014. The Company's non-derivative financial instruments recognized in the statement of financial position include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The fair values of the current financial instruments approximate their carrying value due to their short-term to maturity.

Contractual Obligations, Commitments and Guarantees

In the normal course of operations, the Company executes agreements that provide for indemnification and guarantees to counterparties in transactions such as the sale of assets and lease operating agreements. The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their services to the Company to the extent permitted by law. The Company maintains liability insurance for its officers and directors. The Company is party to various legal claims associated with the ordinary conduct of business and does not expect that these claims will have a material impact on its financial position.

The Company has minimum work obligations under various lease operating agreements with Petrotrin and has various lease commitments for office space, field equipment and light-duty vehicles. The minimum obligations on a fiscal year basis are as follows:

($000's)	**2014**	**2015**	**2016**	**2017**	**2018**	**Thereafter**
Minimum work obligations	1,571	2,213	-	-	-	-
Office leases	412	752	935	687	192	143
Equipment leases	373	424	36	-	-	-
Total minimum payments	**2,356**	**3,389**	**971**	**687**	**192**	**143**

The Company has provided a $1,400,000 letter of credit in favour of Petrotrin related to LOA minimum work obligations partially included above. The Company has also provided a $2,100 letter of credit in favour of the Trinidad and Tobago Minister of Energy and Energy Affairs related to future East Brighton block work commitments.

Subsequent Event

On July 15, 2014, the company secured 16 (net 8) sections of land in the Dodsland/Kerrobert, Saskatchewan area for total consideration of $1,400,000. The Company issued 1.3 million common shares and nominal cash consideration for the mineral rights.

Share Information

The Company is authorized to issue an unlimited number of voting common shares without nominal or par value. The following table summarizes the outstanding common shares, share options and incentive shares as at June 30 and the weighted average outstanding common shares for the three and six months ended June 30:

	Three months ended June 30		Six months ended June 30	
	2014	**2013**	**2014**	**2013**
Common shares outstanding (end of period)			**81,738,643**	48,718,912
Share options outstanding (end of period)			**4,943,915**	1,445,560
Incentive share options outstanding (end of period)			**357,750**	395,125
Warrants outstanding (end of period)			**2,260,800**	-
Weighted average common shares outstanding:				
Basic	**60,773,547**	48,795,069	**54,794,161**	48,796,682
Diluted	**61,029,289**	48,795,069	**54,970,733**	48,796,682

Share and option amounts have been restated to reflect the impact of the two for one common share consolidation completed on May 13, 2014 as part of the Old Touchstone business combination.

As at the date of this MD&A, there were 83.1 million common shares outstanding, 5.2 million options and incentive shares outstanding and 2.3 million warrants outstanding.

Business Risks

For a full understanding of risks that affect the Company, the following should be read in conjunction with the Company's Annual Information Form dated March 26, 2014.

The Company is exposed to a variety of risks including, but not limited to, operational, financial, political and environmental risks. As a participant in the oil and gas industry, the Company is exposed to a high level of exploration and production risk, upon which there is no assurance that hydrocarbon reserves will be discovered and economically produced. Operational risks include competition, reservoir performance uncertainties, environmental factors, and regulatory, environment and safety concerns. Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rates, currency exchange rates and the cost of goods and services.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. By their nature, these estimates are subject to measurement uncertainty and actual results may differ from those estimated.

The most significant estimates made by management include the following:

- the assessment of the Company's functional currencies;
- income taxes;
- amounts recorded for the valuation of property and equipment in business combinations;
- depletion and depreciation of property and equipment;
- the provision for decommissioning obligations and related accretion expense; and
- the calculation of share-based payment expense.

Changes in Accounting Policies

On January 1, 2014, the Company adopted new accounting standards with respect to the presentation of financial instruments (IAS 32), the disclosure of recoverable amounts of an impaired cash generating unit (IAS 36), and the recognition of liabilities on government levies (IFRIC 21). The adoption of these amendment had no impact on the amounts recorded in the consolidated financial statements as at January 1, 2014 or on the comparative periods.

Future Changes in Accounting Policies

The Company continues to assess the impact of adopting the pronouncements from the IASB as described below:

IFRS 9 *Financial Instruments* ("IFRS 9"): IFRS 9 sets out requirements for the classification and measurement of financial assets in November 2009, and was updated in October 2010 to incorporate financial liabilities. In November 2013, the IASB issued amendments to include the new general hedge accounting model. IFRS 9 (2013) does not yet have a mandatory effective date, but early adoption is allowed.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"): This standard was issued in May 2014 and provides a single, principles based five-step model that will apply to all contracts with customers with limited exceptions. IFRS 15 is required for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

Internal Controls over Financial Reporting

Except as noted below concerning the Company's corporate acquisition, there was no change in the Company's internal controls over financial reporting ("ICFR") that occurred during the most recently completed quarter that has materially affected, or is reasonable likely to materially effect, the Company's ICFR.

Limitation on Scope of Design – Corporate acquisition

In accordance section 3.3 (1)(b) of National Instrument 52-109, which allows an issuer to limit its design of disclosure controls and procedures ("DC&P") and ICFR to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days prior to the end of the fiscal period, the controls, policies and procedures of Old Touchstone, acquired by the Company on May 13, 2014, have been excluded from the control design assessments discussed above. The scope limitation is based on the time required to document and assess the DC&P and ICFR of Old Touchstone in a manner consistent with the Company's other operations. The Company's management is currently in the process of integrating Old Touchstone into the existing internal controls and procedures of the Company.

Summary of Quarterly Results

The following is a summary of the unaudited quarterly results of the Company for the eight most recently completed fiscal quarters:

Three months ended	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
Operational				
Corporate average daily production (bbls/day)	**1,220**	387	254	191
Trinidad operating netback[1] ($/bbl)				
Reference price - Brent	**119.55**	118.99	114.27	113.47
Petroleum sales	**104.02**	-	-	-
Royalties	**(36.53)**	-	-	-
Net sales	**67.49**	-	-	-
Operating expenses	**(43.87)**	-	-	-
Operating netback ($/bbl)	**23.62**	-	-	-
Financial *($000's except per share amounts)*				
Trinidad petroleum sales	**7,861**	-	-	-
Corporate net income (loss)	**2,751**	(3,967)	(44,255)	(1,460)
Per share – basic and diluted[2]	**0.05**	(0.08)	(0.91)	(0.03)
Corporate funds flow from operations[1]	**(4,007)**	(2,114)	(645)	(1,012)
Per share – basic and diluted[1,2]	**(0.07)**	(0.04)	(0.01)	(0.02)
Exploration asset expenditures	**3,189**	5,811	4,266	9,394
Property and equipment expenditures	**7,797**	19	22	26
Total assets (end of period)	**182,984**	92,952	96,839	147,883
Working capital (end of period)	**9,728**	41,984	50,761	59,879
Total debt[1] (end of period)	**1,338**	1,511	1,460	1,844
Weighted average shares outstanding[2]				
Basic	**60,773,547**	48,748,312	48,757,459	48,718,887
Diluted	**61,029,289**	48,748,312	48,757,459	48,718,887
Outstanding shares (end of period)[2]	**81,738,643**	48,787,387	48,721,387	48,718,887

[1]See "Non-GAAP" Measures"
[2]All current and comparative share amounts have been adjusted to reflect the two for one common share consolidation completed on May 13, 2014.

Three months ended	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
Operational				
Corporate average daily production (bbls/day)	191	243	325	318
Financial *($000's unless otherwise stated)*				
Corporate net loss	4,151	3,008	155,830	6,025
Per share – basic and diluted[2]	0.09	0.06	3.19	0.12
Corporate funds flow from operations[1]	(1,777)	(2,692)	2,100	(2,468)
Per share – basic and diluted[1,2]	(0.04)	(0.06)	(0.04)	(0.05)
Exploration asset expenditures	3,050	8,422	9,746	9,581
Property and equipment expenditures	73	51	15	40
Total assets (end of period)	147,249	155,183	165,803	339,750
Working capital (end of period)	71,020	79,185	91,224	84,865
Total debt[1] (end of period)	2,004	2,165	2,324	1,627
Weighted average shares outstanding[2]				
Basic	48,795,069	48,798,287	48,798,287	48,798,287
Diluted	48,795,069	48,798,287	48,798,287	48,798,287
Outstanding shares (end of period)[2]	48,718,912	48,798,287	48,798,287	49,370,511

[1]See "*Non-GAAP Measures*"
[2]All current and comparative share amounts have been adjusted to reflect the two for one common share consolidation completed on May 13, 2014.

Advisory on Forward-looking Statements

The information herein contains forward-looking statements and assumptions. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and other similar expressions. Statements relating to "reserves" and "resources" are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated, and can be profitably produced in the future. Such statements represent the Company's internal projections, estimates or beliefs concerning future growth, results of operations based on information currently available to the Company based on assumptions that are subject to change and are beyond the Company's control, such as: production rates and production decline rates, the magnitude of and ability to recover oil and gas reserves, plans for and results of drilling activity, well abandonment costs and salvage value, the ability to secure necessary personnel, equipment and services, environmental matters, future commodity prices, changes to prevailing regulatory, royalty, tax and environmental laws and regulations, the impact of competition, future capital and other expenditures (including the amount, nature and sources of funding thereof), future financing sources, business prospects and opportunities, among other things. By their nature, forward-looking statements are subject to numerous known and unknown risks and uncertainties that could significantly affect anticipated results in the future and accordingly, actual results may differ materially from those predicted. Although the Company's management believes that the expectations and assumptions reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations and assumptions are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies.

The Company is exposed to numerous operational, technical, financial and regulatory risks and uncertainties, many of which are beyond its control and may significantly affect anticipated future results. Operations may be unsuccessful or delayed as a result of competition for services, supplies and equipment, mechanical and technical difficulties, ability to attract and retain qualified employees on a cost-effective basis, commodity and marketing risk and seasonality. The Company is subject to

significant drilling risks and uncertainties including the ability to find oil reserves on an economic basis and the potential for technical problems that could lead to well blowouts and environmental damage. The Company is exposed to risks relating to the inability to obtain timely regulatory approvals, surface access, access to third party gathering and processing facilities, transportation and other third party related operation risks. The Company is exposed to risks related to recent acquisitions including unforeseen difficulties in integrating acquired companies, properties, personnel and infrastructure into the Company's operations; the outcome of litigation brought against the Company or acquired companies or other disputes involving the Company or any acquired companies; or the failure generally to realize the anticipated benefits of such acquisitions. The Company is subject to industry conditions including changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced. There are uncertainties in estimating the Company's reserve base due to the complexities in estimated future production, costs and timing of expenses and future capital. The financial risks the Company is exposed to include, but are not limited to, the impact of general economic conditions in Canada and the Republic of Trinidad and Tobago, the ability to access sufficient capital from internal and external sources, changes in income tax laws or changes in tax laws, royalties and incentive programs relating to the oil and gas industry, fluctuations in natural gas and crude oil prices, interest rates, the United States dollar to Canadian dollar exchange rate and the Canadian dollar to Trinidad and Tobago dollar exchange rate. The Company is subject to regulatory legislation, the compliance with which may require significant expenditures and non-compliance with which may result in fines, penalties or production restrictions or the termination of licence, lease operating or farm-in rights related to the Company's oil and gas interests in Trinidad.

Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and as such, undue reliance should not be placed on forward-looking statements. Readers are also cautioned that the foregoing list of factors and assumptions is not exhaustive. The Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. Additional information on these and other factors that could affect the Company's operations and financial results are included elsewhere herein and in reports, documents and disclosures on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

Non-GAAP Measures

The MD&A contains terms commonly used in the oil and gas industry, such as funds flow from operations, funds flow from operations per share, operating netback, funds flow netback and total debt. These terms do not have a standardized meaning under IFRS and may not be comparable to similar measures presented by other companies.

The following table reconciles funds flow from operations to cash flows from operating activities, which is the most direct comparable measure calculated in accordance with IFRS:

	Three months ended June 30		**Six months ended June 30**	
($000's)	**2014**	**2013**	**2014**	**2013**
Cash flows from operating activities	**(3,921)**	(1,731)	**(6,294)**	(7,403)
Changes in non-cash working capital	**(86)**	(46)	**173**	2,934
Funds flow from operations	**(4,007)**	(1,777)	**(6,121)**	(4,469)

Management believes that in addition to net earnings and cash flows from operating activities, funds flow from operations is a useful financial measurement which assists in demonstrating the Company's ability to fund capital expenditures necessary for future growth or to repay debt. The Company's determination of funds flow from operations may not be comparable to that reported by other companies. All references to funds flow from operations throughout this report are based on cash flow from operating activities 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.

The Company uses funds flow netbacks as a key performance indicator of results. Funds flow netbacks do not have a standardized meaning under IFRS and therefore may not be comparable with the calculation of similar measures by other companies. 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 and other expenses and current income tax expenses from petroleum sales. Funds flow netbacks are a useful measure to compare the Company's operations with those of its peers.

The Company also uses operating netbacks as a key performance indicator of field results. Operating netbacks do not have a standardized meaning under IFRS and therefore may not be comparable with the calculation of similar measures by other companies. Operating netbacks are presented on a per barrel basis and are calculated by deducting royalties and operating expenses from petroleum sales. Operating netbacks are a useful measure to compare the Company's operations with those of its peers.

The following table summarizes total debt:

($000's)	**June 30, 2014**	**December 31, 2013**
Current portion of finance lease obligations	**289**	477
Finance lease obligations	**1,049**	1,205
Total debt	**1,338**	1,682

Total debt is calculated by summing the Company's current and long-term portions of interest bearing instruments. The Company uses this information to assess its true debt position and manage capital risk. This measure does not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures reported by other companies.

Additional Information

Additional information regarding Touchstone Exploration Inc. is available on SEDAR at www.sedar.com or on the Company's website at www.touchstoneexploration.com.

Touchstone Exploration Inc. (formerly Petrobank Energy and Resources Ltd.)
Interim Consolidated Statements of Financial Position
(Unaudited, thousands of Canadian dollars)

	Note	June 30, 2014	December 31, 2013
Assets			
Current			
Cash and cash equivalents		**7,563**	35,120
Investment in marketable securities	5	**12,532**	20,591
Accounts receivable	13	**10,777**	1,345
Inventory		**220**	-
Prepaid expenses		**1,504**	734
		32,596	57,790
Exploration assets	6	**46,258**	37,518
Property and equipment	7	**104,130**	1,276
Patents and other intangible assets	8	**-**	255
		182,984	96,839
Liabilities			
Current			
Accounts payable and accrued liabilities		**15,988**	6,552
Income taxes payable		**6,591**	-
Current portion of finance lease obligations		**289**	477
		22,868	7,029
Finance lease obligations and other		**1,049**	1,205
Decommissioning obligations	9	**12,326**	5,213
Deferred income taxes		**31,924**	-
		68,167	13,447
Shareholders' equity			
Share capital	10	**168,666**	134,709
Warrants	10	**33**	-
Contributed surplus		**1,054**	1,557
Accumulated other comprehensive income		**(846)**	-
Accumulated deficit		**(54,090)**	(52,874)
		114,817	83,392
		182,984	96,839

Commitments (note 14)
Subsequent event (note 15)

See accompanying notes to the interim consolidated financial statements.

Touchstone Exploration Inc. (formerly Petrobank Energy and Resources Ltd.)
Interim Consolidated Statements of Operations and Comprehensive Income (Loss)
(Unaudited, thousands of Canadian dollars, except share and per share amounts)

	Note	Three months ended June 30 2014	Three months ended June 30 2013	Six months ended June 30 2014	Six months ended June 30 2013
Revenue					
Petroleum sales		**7,861**	-	**7,861**	-
Royalties		**(2,761)**	-	**(2,761)**	-
		5,100	-	**5,100**	-
Expenses					
Operating		**3,315**	-	**3,315**	-
General and administrative		**2,560**	2,297	**4,269**	5,194
Transaction costs	4	**2,492**	-	**3,172**	-
(Gain) loss on marketable securities	5	**(8,105)**	2,581	**(7,606)**	3,094
Finance and other		**244**	(112)	**151**	(272)
Foreign exchange loss (gain)		**110**	(33)	**102**	51
Share-based compensation		**(160)**	219	**(26)**	624
Depletion and depreciation		**1,271**	116	**1,381**	234
Impairment		**459**	-	**1,357**	-
Accretion	9	**111**	29	**149**	57
		2,297	5,097	**6,264**	8,982
Income (loss) before income taxes		**2,803**	(5,097)	**(1,164)**	(8,982)
Income taxes					
Current		**566**	-	**566**	-
Deferred		**(514)**	(946)	**(514)**	(1,823)
		52	(946)	**52**	(1,823)
Net income (loss)		**2,751**	(4,151)	**(1,216)**	(7,159)
Foreign currency translation adjustment		**(846)**	-	**(846)**	-
Comprehensive income (loss)		**1,905**	(4,151)	**(2,062)**	(7,159)
Net income (loss) per share					
Basic	11	**0.05**	(0.09)	**(0.02)**	(0.15)
Diluted	11	**0.05**	(0.09)	**(0.02)**	(0.15)

See accompanying notes to the interim consolidated financial statements.

Touchstone Exploration Inc. (formerly Petrobank Energy and Resources Ltd.)
Interim Consolidated Statements of Changes in Shareholders' Equity
(Unaudited, thousands of Canadian dollars)

	Note	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income	Accumulated deficit	Total
Balance as at January 1, 2014		**134,709**	**-**	**1,557**	**-**	**(52,874)**	**83,392**
Net loss		-	-	-	-	(1,216)	(1,216)
Other comprehensive loss		-	-	-	(846)	-	(846)
Issued on acquisition	4	33,415	33	-	-	-	33,448
Share-based compensation expense		-	-	(26)	-	-	(26)
Share-based compensation capitalized		-	-	39	-	-	39
Share-based settlements	10	542	-	(516)	-	-	26
Balance as at June 30, 2014		**168,666**	**33**	**1,054**	**(846)**	**(54,090)**	**114,817**
Balance as at January 1, 2013		**134,924**	**-**	**-**	**-**	**-**	**134,924**
Net comprehensive loss		-	-	-	-	(7,159)	(7,159)
Share-based compensation expense		-	-	624	-	-	624
Share-based compensation capitalized		-	-	80	-	-	80
Normal course issuer bid	10	(220)	-	150		-	(70)
Balance as at June 30, 2013		**134,704**	**-**	**854**	**-**	**(7,159)**	**128,399**
Net comprehensive loss		**-**	**-**	**-**	-	(45,715)	(45,715)
Share-based compensation expense		-	-	566	-	-	566
Share-based compensation capitalized		-	-	143	-	-	143
Share-based settlements	10	5	-	(6)	-	-	(1)
Balance as at December 31, 2013		**134,709**	**-**	**1,557**	**-**	**(52,874)**	**83,392**

See accompanying notes to the interim consolidated financial statements.

Touchstone Exploration Inc. (formerly Petrobank Energy and Resources Ltd.)
Interim Consolidated Statements of Cash Flows
(Unaudited, thousands of Canadian dollars)

	Note	Three months ended June 30 2014	Three months ended June 30 2013	Six months ended June 30 2014	Six months ended June 30 2013
Operating activities					
Net income (loss)		**2,751**	(4,151)	**(1,216)**	(7,159)
Items not involving cash from operations:					
Non-cash (gain) loss on marketable securities	5	**(7,861)**	2,999	**(7,141)**	3,684
Share-based compensation	10	**(160)**	219	**(26)**	624
Depletion and depreciation		**1,271**	116	**1,381**	234
Impairment		**459**	-	**1,357**	-
Accretion	9	**111**	29	**149**	57
Non-cash other		**(64)**	(43)	**(111)**	(86)
Deferred income tax recovery		**(514)**	(946)	**(514)**	(1,823)
		(4,007)	(1,777)	**(6,121)**	(4,469)
Change in non-cash working capital		**86**	46	**(173)**	(2,934)
		(3,921)	(1,731)	**(6,294)**	(7,403)
Investing activities					
Disposition (purchase) of marketable securities	5	**15,200**	-	**15,200**	(39,487)
Exploration asset expenditures		**(3,189)**	(3,050)	**(9,000)**	(11,472)
Property and equipment expenditures		**(7,797)**	(73)	**(7,816)**	(124)
Intangible asset expenditures		**(2)**	(77)	**(68)**	(152)
Cash acquired on corporate acquisition	4	**2,723**	**-**	**2,723**	-
Change in non-cash working capital		**2,567**	(2,817)	**1,843**	(4,446)
		9,502	(6,017)	**2,882**	(55,681)
Financing activities					
Repayment of long-term debt	4	**(21,863)**	-	**(21,863)**	-
Repayment of convertible debentures	4	**(2,000)**	-	**(2,000)**	-
Finance lease obligations		**(127)**	(121)	**(251)**	(234)
Issuance (repurchase) of common shares	10	**19**	(70)	**26**	(70)
		(23,971)	(191)	**(24,088)**	(304)
Change in cash and cash equivalents		**(18,390)**	(7,939)	**(27,500)**	(63,388)
Cash and cash equivalents, beginning of period		**26,010**	38,547	**35,120**	93,996
Impact of foreign exchange in foreign denominated cash balances		**(57)**	-	**(57)**	-
Cash and cash equivalents, end of period		**7,563**	30,608	**7,563**	30,608
Other cash flow information:					
Cash interest paid		**413**	-	**413**	-
Cash income taxes paid		**4,287**	-	**4,287**	-

See accompanying notes to the interim consolidated financial statements.

Unless otherwise stated, amounts presented in these notes are rounded to thousands of Canadian dollars and tabular amounts are in thousands of Canadian dollars. Certain reclassification adjustments have been made to the financial statements to conform to the current presentation.

1. Corporate Information

Touchstone Exploration Inc. (the "Company"), formerly Petrobank Energy and Resources Ltd., is incorporated under the laws of Alberta, Canada with its head office located in Calgary, Alberta. The Company is an oil and gas exploration and production company active in western Canada and the Republic of Trinidad and Tobago ("Trinidad"). The Company's common shares are traded on the Toronto Stock Exchange ("TSX") under the symbol "TXP".

The principal address of the Company is located at 1100, 332 6th Avenue SW, Calgary, Alberta, T2P 0B2.

2. Basis of Presentation

(a) Statement of compliance

These unaudited interim consolidated financial statements have been prepared in accordance with International Financial Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*. The unaudited interim consolidated financial statements do not include all of the information required for full annual financial statements. Accordingly the unaudited interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2013.

The unaudited interim consolidated financial statements follow the same accounting policies as the audited annual consolidated financial statements for the year ended December 31, 2013, except for the new accounting policies adopted as disclosed in note 3.

The unaudited interim consolidated financial statements were authorized for issue by the Board of Directors on August 13, 2014.

(b) Basis of measurement

The interim consolidated financial statements have been prepared on the historical cost basis except for investments in marketable securities which are measured at fair value.

(c) Functional and presentation currency

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Canadian dollars, which is the functional currency of the parent company. The functional currency of the Company's Barbados companies is the United States dollar and the functional currency of the Company's Trinidad subsidiaries is the Trinidad and Tobago dollar.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the

reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(e) Share consolidation

All current and comparative share capital and per share amounts have been adjusted to reflect the two for one common share consolidation completed on May 13, 2014.

3. Changes in Accounting Policies

(a) New accounting standards

The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the 2013 annual consolidated financial statements with the exception of the following new standards and interpretations adopted on January 1, 2014.

IAS 32 *Financial Instruments: Presentation* ("IAS 32"): IAS 32 addresses inconsistencies when applying the offsetting criteria outlined in this standard. These amendments clarify certain of the criteria required to be met in order to permit the offsetting of financial assets and financial liabilities. The adoption of this amendment had no impact on the amounts recorded in the consolidated financial statements as at January 1, 2014 or on the comparative periods.

IAS 36 *Impairment of Assets* – this amendment requires additional disclosure on the recoverable amount of an impaired cash generating unit. The adoption of this amendment had no impact on the amounts recorded in the consolidated financial statements as at January 1, 2014 or on the comparative periods.

IFRIC 21 *Levies*: This standard clarifies the requirements for recognizing a liability for a levy imposed by a government. The adoption of this standard had no impact on the amounts recorded in the consolidated financial statements as at January 1, 2014 or on the comparative periods.

(b) Standards issued but not effective

The Company continues to assess the impact of adopting the pronouncements from the IASB as described below:

IFRS 9 *Financial Instruments* ("IFRS 9"): IFRS 9 sets out requirements for the classification and measurement of financial assets in November 2009, and was updated in October 2010 to incorporate financial liabilities. In November 2013, the IASB issued amendments to include the new general hedge accounting model. IFRS 9 (2013) does not yet have a mandatory effective date, but early adoption is allowed.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"): This standard was issued in May 2014 and provides a single, principles based five-step model that will apply to all contracts with customers with limited exceptions. IFRS 15 is required for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

4. Business Combination

On May 13, 2014, Petrobank Energy and Resources Ltd. completed a court-approved statutory plan of arrangement (the "Arrangement") of the acquisition of Touchstone Exploration Inc. ("Old Touchstone"). Pursuant to the Arrangement, the Company acquired all of the outstanding common shares of Old Touchstone in exchange for the issuance of 65,519,212 (pre-consolidation) Company common shares. Following the arrangement, the Company consolidated its shares on a two to one basis, Petrobank Energy and Resources Ltd. changed its name to Touchstone Exploration Inc. and Old Touchstone changed its name to Touchstone Energy Inc.

Old Touchstone was engaged in the exploration, development and production of oil in Trinidad. The transaction reflects the Company's strategy to acquire proven on-shore oil reserves with positive cash flows.

This acquisition was accounted for using the acquisition method as at the May 13, 2014 date of closing. Preliminary fair values of the identifiable assets acquired and liabilities assumed by the Company are as follows:

Identifiable assets acquired and liabilities assumed:		
Cash	$	2,723
Other working capital items		(3,559)
Property and equipment (note 7)		98,171
Convertible debentures		(2,000)
Long-term debt		(21,863)
Decommissioning obligations (note 9)		(7,066)
Deferred income tax liability		(32,958)
Net identifiable assets acquired	**$**	**33,448**
Consideration for the acquisition:		
Share consideration		33,415
Warrants acquired (note 10)		33
Total consideration paid	**$**	**33,448**

The Company's common shares issued were valued using the $0.51 closing price (pre-consolidation) on May 13, 2013. The unaudited interim consolidated financial statements incorporate the operations of Old Touchstone commencing May 14, 2014. During the period May 14, 2014 to June 30, 2014, the Company recorded petroleum revenue of $7,861,000 and net loss of $1,794,000 with respect to this acquisition. Had the acquisition closed on January 1, 2014, the incremental petroleum revenue and net income (loss) reported by the Company are estimated to have been $30 million and $nil, respectively. Transaction costs of $2,975,000 related to the acquisition are included as a separate expense line item in the interim consolidated statement of operations and comprehensive income (loss).

As at May 13, 2014, Touchstone had $2,000,000 aggregate principle amount of 9.5% convertible senior unsecured debentures due June 30, 2016 (the "convertible debentures") and a 9.25% senior secured long-term debt facility of $21,863,000. The Company purchased and discharged the remaining principle amount of the convertible debentures on May 22, 2014 and repaid the remaining long-term debt principal plus accrued interest on June 30, 2014.

5. Investment in Marketable Securities

	LTS common shares	LTS notes	Total
Balance, January 1, 2013	**$ 8,915**	**$ -**	**$ 8,915**
Additions	22,723	19,487	42,210
Fair value adjustment	(11,047)	(553)	(11,600)
Dispositions	-	(19,974)	(19,974)
Foreign exchange gain	-	1,040	1,040
Balance, December 31, 2013	**$ 20,591**	**$ -**	**$ 20,591**
Additions [(1)]	203	-	203
Fair value adjustment	6,938	-	6,938
Dispositions	(15,200)	-	(15,200)
Balance, June 30, 2014	**$ 12,532**	**$ -**	**$ 12,532**

[(1)] Consists of dividends received in shares.

At June 30, 2014, the Company owned 1.5 million Lightstream Resources Ltd. ("LTS") common shares (December 31, 2013 – 3.5 million). The Company also held and sold LTS United States dollar denominated 8.625 percent notes during 2013.

The gain (loss) on marketable securities included in the interim consolidated statements of operations and comprehensive income (loss) is comprised of the following:

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Gain (loss) in fair value of LTS shares	$ 7,861	$ (3,139)	$ 6,938	$ (4,510)
Loss in fair value of LTS notes	-	(1,311)	-	(1,547)
Foreign exchange gain	-	678	-	995
Dividend income received in shares	-	773	203	1,378
Non cash gain (loss)	**$ 7,861**	**$ (2,999)**	**$ 7,141**	**$ (3,684)**
Interest income on LTS notes	-	418	-	590
Dividend income received i cash	244	-	465	-
Total gain (loss)	**$ 8,105**	**$ (2,581)**	**$ 7,606**	**$ (3,094)**

6. Exploration Assets

Exploration assets consist of the Company's projects in the exploration and evaluation stage which are pending determination of technical and commercial feasibility. The following is a continuity schedule of the Company's exploration assets for the six months ended June 30, 2014 and the year ended December 31, 2013:

		Canada		Trinidad		Total
Balance, January 1, 2013	**$**	**56,754**	**$**	**-**	**$**	**56,754**
Additions		25,793		-		25,793
Impairment		(45,029)		-		(45,029)
Balance, December 31, 2013	**$**	**37,518**	**$**	**-**	**$**	**37,518**
Additions		8,874		764		9,638
Impairment		(898)		-		(898)
Balance, June 30, 2014	**$**	**45,494**	**$**	**764**	**$**	**46,258**

(a) Impairment

During the three months ended March 31, 2014, the Company recorded an impairment charge of $898,000 relating to exploration assets. The impairment was recorded at the Kerrobert property, resulting primarily from first quarter operating costs exceeding generated revenues. The recoverable amount was assessed at $3,159,000 based on the estimated fair value of the facilities equipment. There were no further impairment charges recorded during the three months ended June 30, 2014.

7. Property and Equipment

		Canada		Trinidad		Total
Cost:						
Balance, January 1, 2013	**$**	**2,738**	**$**	**-**	**$**	**2,738**
Additions		172		-		172
Balance, December 31, 2013	**$**	**2,910**	**$**	**-**	**$**	**2,910**
Additions from business acquisition (note 4)		-		98,171		98,171
Additions		23		7,851		7,874
Effect of change in foreign exchange rates		-		(1,691)		(1,691)
Balance, June 30, 2014	**$**	**2,933**	**$**	**104,331**	**$**	**107,264**

		Canada		Trinidad		Total
Accumulated depletion, depreciation and impairment:						
Balance, January 1, 2013	**$**	**1,195**	**$**	**-**	**$**	**1,195**
Depletion and depreciation		439		-		439
Balance, December 31, 2013	**$**	**1,634**	**$**	**-**	**$**	**1,634**
Depletion and depreciation		186		1,167		1,353
Impairment		164		-		164
Effect of change in foreign exchange rates		-		(17)		(17)
Balance, June 30, 2014	**$**	**1,984**	**$**	**1,150**	**$**	**3,134**
Net book values:						
Balance, December 31, 2013	**$**	1,276	**$**	-	**$**	1,276
Balance, June 30, 2014		**949**		**103,181**		**104,130**

(a) Depletion and depreciation

As at June 30, 2014, $47,456,000 in future development costs have been added into the Trinidad cost bases for depletion calculation purposes. For the three and six months ended June 30, 2014, $347,000 and $476,000 (2013 - $121,000 and $283,000 of general and administrative salaries and $25,000 and $39,000 (2013 - $80,000 and $80,000) of share based compensation expenses have been capitalized, respectively.

(b) Impairment

Impairment of $164,000 was recorded at June 30, 2014 to write the value of equipment held at the Company's research lab to the lesser of carrying value and the estimated recoverable amount, based on fair values less costs to sell. All equipment related to the lab was sold following quarter-end with no gain or loss recorded on the transaction.

(c) Lease agreements

The Company is operating under a number of Trinidad freehold lease agreements which have expired and are currently being renegotiated. Based on legal opinions received, the Company is continuing to recognize revenue as the Company is the operator, no title to the impacted lands has been disputed and the Company is paying all associated royalties and taxes. In determining its reserve quantities which are used in the impairment, depletion and decommissioning liability calculations, the Company has assumed that the expired leases will be renewed until the end of the economic life of the reserves.

8. Patents and Other Intangible Assets

During the quarter the Company performed an impairment assessment on the value of the patents and other intangible assets. It was determined that the value in use was $nil as at June 30, 2014. As a result, $295,000 was recorded as an impairment expense for the three and six months ended June 30, 2014 (2013 - $nil).

9. Decommissioning Obligations

The Company's decommissioning obligations relate to future site restoration and abandonment costs including the costs of production equipment removal based on current regulations and economic circumstances. The total decommissioning obligation is estimated by management based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities, and the estimated timing of the costs to be incurred in future periods. The accounts payable balance of the decommissioning obligation represents accrued amounts relating to the Trinidadian state oil company (Petrotrin Company of Trinidad and Tobago Limited ("Petrotrin")) abandonment fund that is short-term in nature.

		Canada		Trinidad		Total
Balance, December 31, 2013	**$**	**5,213**	**$**	**-**	**$**	**5,213**
Additions from business acquisition (note 4)		-		7,066		7,066
Liabilities incurred		621		37		658
Accretion expense		82		67		149
Effect of change in foreign exchange rates		-		(115)		(115)
Balance, June 30, 2014	**$**	**5,916**	**$**	**7,055**	**$**	**12,971**
Non-current		5,916		6,410		12,326
Current (included in accounts payable)		-		645		645
Total	**$**	**5,916**	**$**	**7,055**	**$**	**12,971**

The Company estimates the total undiscounted cash flows required to settle its decommissioning obligations is approximately $35,312,000 as at June 30, 2014 (December 31, 2013 – $6,098,000) with the majority of these costs anticipated to occur in 2025 or later. Decommissioning liabilities have been discounted using a weighted average risk-free rate of 3 percent and 7.5 percent for Canadian and Trinidadian based liabilities, respectively (December 31, 2013 – 3 percent). The liabilities have been calculated using an inflation rate of 2 percent and 4 percent per annum for Canadian and Trinidadian based liabilities, respectively (December 31, 2013 – 3 percent).

10. Share Capital

(a) Authorized

Unlimited number of common voting shares, no par value

(b) Issued and outstanding

	Number of shares		Amount
Balance, January 1, 2013	**48,798,312**	**$**	**134,924**
Normal course issuer bid repurchase	(79,400)		(220)
Exercise of incentive shares	2,500		5
Balance, December 31, 2013	**48,721,412**	**$**	**134,709**
Issued pursuant to business combination (note 4)	32,759,606		33,415
Exercise of incentive shares	257,625		26
Share-based settlements	-		516
Balance, June 30, 2014	**81,738,643**	**$**	**168,666**

Share amounts for all periods have been restated to reflect the impact of the two for one common share consolidation completed on May 13, 2014 as part of the Old Touchstone business combination (see note 4).

(c) Normal Course Issuer Bid ("NCIB")

In September 2013, the Company renewed its NCIB which authorizes the purchase of up to 7,548,205 common shares (pre-consolidation), representing approximately 10 percent of the public float, during the period from September 30, 2013 to September 29, 2014 or until such earlier time as the NCIB is completed or terminated at the option of the Company. On any trading day, the Company may not purchase more than 55,023 shares (pre-consolidation). No shares have been purchased by the Company to date under this plan.

Under the Company's 2012 NCIB plan, 79,400 post consolidation common shares were repurchased at an average price of $0.44 (pre-consolidation) per share during the six months ended June 30, 2013.

(d) Share options

	Number of options		Weighted average exercise price
Outstanding, January 1, 2013	**-**	**$**	**-**
Granted	1,864,960		2.10
Forfeited	(504,335)		(2.10)
Outstanding, December 31, 2013	**1,360,625**	**$**	**2.10**
Granted	4,130,090		0.89
Forfeited	(546,800)		2.10
Outstanding, June 30, 2014	**4,943,915**	**$**	**1.09**
Exercisable, June 30, 2014	**369,737**	**$**	**2.10**

Share option amounts have been restated to reflect the impact of the two for one common share consolidation completed on May 13, 2014 as part of the Old Touchstone business combination (see note 4).

During the three and six months ended June 30, 2014, the Board of Directors approved and granted 4,130,090 share options (year ended December 31, 2013 – 1,864,960) to directors, officers and employees. The weighted average fair values of options granted during the period were $0.34 per option (year ended December 31, 2013 - $0.52 per option) as estimated on the date of the grant using the Black-Scholes option-pricing model.

The following weighted average assumptions used in the Black-Scholes model to determine the fair value of the share options granted are as follows:

	Six months ended June 30, 2014	Year ended December 31, 2013
Risk-free interest rate	1.2%	1.3%
Expected life (years)	2.7	3.1
Expected volatility	59.4%	75.0%
Expected annual dividend yield	0.0%	0.0%
Forfeiture rate	5.0%	5.0%

(e) Incentive share options

	Number of incentive shares		Weighted average exercise price
Outstanding, January 1, 2013	**-**	**$**	**-**
Granted	484,875		0.10
Exercised	(2,500)		(0.10)
Forfeited	(117,000)		(0.10)
Outstanding, December 31, 2013	**365,375**	**$**	**0.10**
Granted	250,000		0.05
Exercised	(257,625)		0.10
Outstanding, June 30, 2014	**357,750**	**$**	**0.07**
Exercisable, June 30, 2014	**107,750**	**$**	**0.10**

Incentive share option amounts have been restated to reflect the impact of the two for one common share consolidation completed on May 13, 2014 as part of the Old Touchstone business combination (see note 4).

During the three and six months ended June 30, 2014, the Board of Directors approved and granted 250,000 incentive share options (year ended December 31, 2013 – 484,875). The weighted average fair values of incentive share options granted during the period were $0.84 per

option (year ended December 31, 2013 - $1.00 per option) as estimated on the date of the grant using the Black-Scholes option-pricing model.

The following weighted average assumptions used in the Black-Scholes model to determine the fair value of the incentive share options granted are as follows:

	Six months ended June 30, 2014	Year ended December 31, 2013
Risk-free interest rate	1.1%	1.2%
Expected life (years)	2.4	1.4
Expected volatility	59.4%	75.0%
Expected annual dividend yield	0.0%	0.0%
Forfeiture rate	0.0%	5.0%

(f) Warrants

Pursuant to the Old Touchstone acquisition, the Company assumed all of the rights and obligations of Old Touchstone relating to the 1,000,000 share purchase warrants entitling the holders thereof to acquire one Old Touchstone common share per warrant held at an exercise price of $0.75 expiring June 29, 2014 (the “convertible debenture warrants”) and the 9,600,000 share purchase warrants associated with Old Touchstone’s long-term debt entitling the holders thereof to acquire one Old Touchstone common share per warrant held at an exercise price of $0.55 expiring June 29, 2016 (the “long-term debt warrants”).

Based on the plan of arrangement and the subsequent common share consolidation, the number and the exercise price of the convertible debenture warrants were adjusted to 235,500 and $3.18, respectively. The convertible debenture warrants expired unexercised on June 29, 2014. Given the expiry date and exercise price, the convertible debenture warrants were valued at $nil as at the May 13, 2014 acquisition date.

The long-term debt warrants were adjusted based on the arrangement and expiry date and as at June 30, 2014, 2,260,800 long-term debt warrants entitling the holders thereof to acquire one Company common share at an exercise price of $2.34 remain outstanding. The warrants were valued as estimated on the date of the acquisition using the Black-Scholes option-pricing model and classified as equity on the consolidated statement of financial position.

	Number of warrants	Weighted average exercise price	Amount
Outstanding, January 1, 2014	**-**	**$ -**	**$ -**
Additions from business acquisition (note 4)	2,496,300	2.42	33
Expired	(235,500)	(3.18)	-
Outstanding and exercisable, June 30, 2014	**2,260,800**	**$ 2.34**	**$ 33**

11. Income (Loss) per Share

	Three months ended June 30		Six months ended June 30	
	2014	**2013**	**2014**	**2013**
Net income (loss)	$ 2,751	$ (4,151)	$ (1,216)	$ (7,159)
Weighted number of average common shares outstanding:				
Basic	60,773,547	48,795,069	54,794,161	48,796,682
Diluted	61,029,289	48,795,069	54,970,733	48,796,682
Basic income (loss) per share	**$ 0.05**	**$ (0.09)**	**$ (0.02)**	**$ (0.15)**
Diluted income (loss) per share	**0.05**	**(0.09)**	**(0.02)**	**(0.15)**

Share amounts for all periods have been restated to reflect the impact of the two for one common share consolidation completed on May 13, 2014 as part of the Old Touchstone business combination (see note 4).

12. Segmented Information

For the period ended June 30, 2014, the Company comprised of Canada and Trinidad operating segments. As the Canadian operations are in the exploration and evaluation phase, all operating costs and royalties, net of any revenues received, are charged to exploration assets as opposed to being recognized in net income (loss). The Trinidad segment incorporates the operations of Old Touchstone commencing May 14, 2014.

	Canada	**Trinidad**	**Combined**
As at June 30, 2014			
Exploration assets	$ 45,494	$ 764	$ 46,258
Property and equipment, net	949	103,181	104,130
Total assets	75,194	107,790	182,984
Three months ended June 30, 2014			
Petroleum sales	-	7,861	7,861
Income (loss) before income taxes	3,436	(633)	2,803
Net capital expenditures	2,429	8,557	10,986
Six months ended June 30, 2014			
Petroleum sales	-	7,861	7,861
Income (loss) before income taxes	(531)	(633)	(1,164)
Net capital expenditures	8,259	8,557	16,816

	Canada	Trinidad	Combined
As at December 31, 2013			
Exploration assets	$ 37,518	$ -	$ 37,518
Property and equipment, net	1,276	-	1,276
Total assets	96,839	-	96,839
Three months ended June 30, 2013			
Petroleum sales	-	-	-
Income (loss) before income taxes	(5,097)	-	(5,097)
Net capital expenditures	3,123	-	3,123
Six months ended June 30, 2013			
Petroleum sales	-	-	-
Income (loss) before income taxes	(8,982)	-	(8,982)
Net capital expenditures	11,596	-	11,596

13. Risk and Capital Management

The Company is exposed to various risks that arise from its business environment and the financial instruments it holds. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework, policies and procedures. The following outlines the Company's risk exposures and explains how these risks and its capital structure are managed.

(a) Financial risks

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

(i) Credit risk:

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. A substantial portion of the Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. All of the Company's Trinidad crude oil production is sold, as determined by market based prices adjusted for quality differentials, to Petrotrin. Canadian crude oil production is sold to several oil and natural gas marketers. The Company's maximum credit exposure is revenue from one month's sales and the Company has historically not experienced any collection issues. The Company's accounts receivable balance represents the Company's maximum credit exposure. The aging of accounts receivable as at June 30, 2014 is as follows:

	June 30, 2014	December 31, 2013
Not past due	$ 6,445	$ 798
Past due greater than 90 days	4,332	547
Total accounts receivable	**$ 10,777**	**$ 1,345**

No provision has been made for past due receivables as the Company has assessed that there are no impaired receivables. The Company believes that the accounts receivable

balances that are past due are still collectible, as they are due from government agencies.

(ii) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due, under both normal and unusual conditions without incurring unacceptable losses or jeopardizing the Company's business objectives. The Company manages this risk by preparing cash flow forecasts to assess whether additional funds are required. The Company endeavours to maintain its financial liability balances to ensure financial flexibility to deal with unforeseen or rapidly changing circumstances.

(iii) Market risk:

Market risk is the risk of loss that may arise from changes in market factors, such as interest rates, foreign exchange rates and commodity and equity prices. These fluctuations may be significant. The objective of market risk management is to mitigate market risk exposures where considered appropriate and maximize returns.

i. Foreign currency risk:

The Company is exposed to currency risk on working capital that is denominated in Trinidad and Tobago dollars. The Company's foreign currency policy is to monitor foreign currency risk exposure in its areas of operations and mitigate that risk where possible by matching foreign currency denominated expenses with revenues denominated in foreign currencies. The Company attempts to limit its exposure to foreign currency through collecting and paying foreign currency denominated balances in a timely fashion. The Company has no contracts in place to manage foreign currency risk as at or for the six months ended June 30, 2014.

ii. Commodity price risk:

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil are impacted by the world and continental/regional economy and other events that dictate the levels of supply and demand. The Company's policy is to only enter into commodity contracts considered appropriate to a maximum of 50 percent of forecasted volumes. The Company has not attempted to mitigate commodity price risk through the use of financial derivative contracts as at or for the six months ended June 30, 2014.

(b) Capital management

The Company defines capital as working capital, total debt and shareholders' equity. The Company's primary capital management objective is to maintain a strong statement of financial position affording the Company financial flexibility to achieve goals of continued growth and access to capital. The basis for the Company's capital structure is dependent on the Company's expected business growth and any changes in the business environment. To manage its capital structure, the Company may issue new equity or debt and make adjustments to its capital expenditure program. The Company will continue to assess new sources of financing available

and to manage its expenditures to reflect current financial resources in the interest of sustaining long term viability.

The table below outlines the composition of the Company's capital structure:

	June 30, 2014	December 31, 2013
Working capital surplus[1]	$ 9,728	$ 50,761
Total debt[2]	1,338	1,682
Shareholders' equity	114,817	83,392

[1]Working capital is calculated as current assets less current liabilities.
[2]Total debt is a non-IFRS measure calculated as current and long-term portions of all interest bearing financial liabilities.

14. Commitments

In the normal course of operations, the Company executes agreements that provide for indemnification and guarantees to counterparties in transactions such as the sale of assets and lease operating agreements. The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their services to the Company to the extent permitted by law. The Company maintains liability insurance for its officers and directors. The Company is party to various legal claims associated with the ordinary conduct of business; the Company does not expect that these claims will have a material impact on its financial position.

The Company has minimum work obligations under various lease operating agreements with Petrotrin and has various lease commitments for office space, field equipment and light-duty vehicles.

The minimum obligations on a fiscal year basis are as follows:

	2014	2015	2016	2017	2018	Thereafter
Minimum work obligations	$ 1,571	$ 2,213	$ -	$ -	$ -	$ -
Office leases	412	752	935	687	192	143
Equipment leases	373	424	36	-	-	-
Total minimum payments	**$ 2,356**	**$ 3,389**	**$ 971**	**$ 687**	**$ 192**	**$ 143**

The Company has provided a $1,400,000 letter of credit in favour of Petrotrin related to minimum work obligations included above. The Company has also provided a $2,100,000 letter of credit in favour of the Trinidad and Tobago Minister of Energy and Energy Affairs related to East Brighton block work commitments.

Old Touchstone previously acquired a Trinidad subsidiary that has overdue tax balances owing to the Trinidad and Tobago Board of Inland Revenue ("BIR") which include both principal and interest components. The August 19, 2011 purchase and sales agreement of the acquired entity specifies that upon confirmation from the BIR, the entity is responsible for the principal tax balances and the seller is responsible for the tax interest balances. At the time of the acquisition,

both parties intended to seek a waiver from the BIR for the tax interest and the seller indemnified the entity with respect to the interest amounts. Subsequent to the acquisition date, the acquired entity was responsible for interest on the principal balance until repaid. As of June 30, 2014, $2,552,000 in related interest has been accrued in income taxes payable.

On October 9, 2012, the BIR accepted the acquired entity's proposed settlement of the outstanding principal balances upon which the last payment was made in February 2013. The entity has subsequently received BIR tax statements showing approximately $1,724,000 in principal amounts and $18,226,000 in interest balances outstanding. The Company believes that the principal balance has been fully paid and the full interest balance is the responsibility of the seller. The Company continues to work with the seller and the BIR to resolve this matter and does not believe that it will be required to make any further principal payments nor any payments for the seller's portion of any interest should a waiver not be granted.

15. Subsequent Event

On July 15, 2014, the company secured 16 (net 8) sections of land in the Dodsland/Kerrobert, Saskatchewan area for total consideration of $1,400,000. The Company issued 1.3 million common shares and nominal cash consideration for the mineral rights.

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Vice President, Geoscience and Business Development

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ABBREVIATIONS

bbls	barrels
mbbls	thousand barrels
bbls/d	barrels per day
CAD	Canadian dollar
Brent	The reference price paid crude oil fob North Sea
USD	United States dollar
WTI	Western Texas Intermediate, the reference price paid for crude oil and standard grade in U.S. dollars at Cushing Oklahoma
TTD	Trinidad & Tobago dollar

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