



## TOUCHSTONE ANNOUNCES FIRST QUARTER 2019 RESULTS

Calgary, Alberta – May 14, 2019 – Touchstone Exploration Inc. ("Touchstone" or the "Company") (TSX / LSE: TXP) announces its financial and operating results for the three months ended March 31, 2019. Selected financial and operational information is outlined below and should be read in conjunction with Touchstone's March 31, 2019 unaudited interim consolidated financial statements and related Management's discussion and analysis, both of which will be available under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)) and the Company's website ([www.touchstoneexploration.com](http://www.touchstoneexploration.com)).

The Company changed its presentation currency from Canadian dollars to United States dollars effective January 1, 2019, with retrospective application on comparative figures. The change in accounting policy was made to better reflect the Company's international business activities and to improve comparability of the Company's financial results with other internationally focused junior oil and gas companies. **Unless otherwise stated, all financial amounts herein are rounded to thousands of United States dollars.**

### Highlights

- Achieved quarterly average crude oil production of 2,121 barrels per day ("bbls/d"), representing increases of 37% and 15% from the first quarter of 2018 and the fourth quarter of 2018, respectively.
- Realized \$11,015,000 in petroleum sales, a 34% increase from the prior year first quarter.
- Generated an operating netback of \$29.35 per barrel, an 11% increase relative to the \$26.52 per barrel recorded in the prior year comparative quarter.
- Delivered funds flow from operations of \$2,430,000 (\$0.02 per share) compared to \$2,062,000 (\$0.02 per share) in the first quarter of 2018.
- Recognized a net loss of \$185,000 versus net earnings of \$130,000 in the first quarter of 2018, primarily driven by a \$1,256,000 increase in supplemental petroleum tax expense.
- Completed a private placement raising net proceeds of \$4,496,000 by placing 31,666,667 new common shares at a price of C\$0.21 per share.
- Extended our C\$15 million term loan maturity date and initial principal repayments by one year, with initial quarterly principal payments of C\$810,000 commencing in January 2021.
- Exited the quarter with net debt of \$10,016,000, representing 1.1 times net debt to trailing twelve-month funds flow from operations.

### Financial and Operating Results Summary

	Three months ended March 31,		% change
	2019	2018	
<b>Operating highlights</b>			
Average daily oil production ( <i>bbls/d</i> )	<b>2,121</b>	1,543	37
Net wells drilled	-	2	(100)
Brent benchmark price ( <i>US\$/bbl</i> )	<b>63.10</b>	66.86	(6)
Operating netback <sup>(1)</sup> ( <i>US\$/bbl</i> )			
Realized sales price	<b>57.71</b>	59.12	(2)
Royalties	<b>(15.29)</b>	(16.83)	(9)
Operating expenses	<b>(13.07)</b>	(15.77)	(17)
	<b>29.35</b>	26.52	11

Note:

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

	Three months ended March 31,		% change
	2019	2018	
<b>Financial highlights</b>			
<i>(US\$000's except share and per share amounts)</i>			
Petroleum sales	11,015	8,212	34
Cash flow from (used in) operating activities	2,737	(1,021)	n/a
Funds flow from operations <sup>(2)</sup>	2,430	2,062	18
Per share – basic and diluted <sup>(1)(2)</sup>	0.02	0.02	-
Net (loss) earnings	(185)	130	n/a
Per share – basic and diluted	(0.00)	0.00	n/a
Capital expenditures			
Exploration	360	177	103
Development	399	2,852	(86)
	759	3,029	(75)
Net debt <sup>(1)</sup> – end of period			
Working capital surplus	(1,963)	(3,818)	(49)
Principal long-term balance of loan	11,235	11,630	(3)
Long-term lease liabilities	744	-	n/a
	10,016	7,812	28
Weighted average shares outstanding (000's)			
Basic	140,984	129,021	9
Diluted	140,984	129,692	9
Outstanding shares - end of period (000's)	160,688	129,021	25

Notes:

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

(2) Additional GAAP financial measure included in the Company's consolidated statements of cash flows. See "Advisories: Non-GAAP Measures".

## Operating results

Through the first quarter of 2019, Touchstone did not drill any development wells as we focused on managing working capital, reducing net debt levels and preparing for our initial Ortoire exploration well. First quarter development capital expenditures totaled \$399,000 which included recompletion activities and the completion of two wells drilled in December 2018.

First quarter 2019 crude oil production averaged 2,121 bbls/d, a 37% increase relative to the 1,543 bbls/d produced in the first quarter of 2018. First quarter average daily production increased 15% from average production achieved in the fourth quarter of 2018, as the full impact of the Company's 2018 drilling program was realized. Production from the 2018 development drilling campaign contributed an average of approximately 692 bbls/d of incremental production in the first quarter of 2019.

## Financial results

First quarter 2019 operating netback was \$29.35 per barrel, representing an improvement of 11% from the \$26.52 per barrel recognized in the equivalent quarter of 2018. Operating netback increased despite a 2% decrease in realized crude oil pricing, with the Company realizing an average of \$57.71 per barrel in the first quarter of 2019 versus \$59.12 per barrel received in the 2018 comparative quarter. Although the first quarter 2019 average Brent reference price weakened by 6% compared to the first quarter 2018 average, Touchstone's realized differential to Brent narrowed from 11.7% to 8.5%. Relative to the equivalent quarter of 2018, first quarter 2019 petroleum sales increased 34% to \$11,015,000 based on a 37% increase in production volumes, offset by the slight decrease in realized pricing. Royalty expenses represented 26.5% of petroleum sales during the three months ended March 31, 2019 versus 28.5% in the prior year equivalent period. The decrease was a result of incremental production achieved from our 2018 drilling program which qualified for royalty incentives. First quarter 2019 operating costs decreased 17% on a per barrel basis

versus the first quarter of 2018, which was primarily attributable to increased production and minimal increases to the fixed component of operating expenses.

Touchstone generated first quarter 2019 funds flow from operations of \$2,430,000 (\$0.02 per share), representing an increase of \$368,000 or 18% from the prior year comparative period. The variance was mainly a result of elevated operating netbacks achieved in the first quarter of 2019, partially offset by increased current income taxes. First quarter 2019 current income taxes increased \$1,327,000 from the prior year equivalent period, as increased supplemental petroleum tax was incurred based on increased production and minimal capital activity completed in 2019.

We recognized a net loss of \$185,000 (\$0.00 per share) in the first quarter of 2019 versus net earnings of \$130,000 (\$0.00 per share) in the first quarter of 2018. The increase in funds flow from operations was mainly offset by increased depreciation and depletion recorded in the 2019 period. Relative to the equivalent quarter of 2018, increased depletion was recognized based on increased production achieved in the first quarter of 2019.

In February, Touchstone raised gross proceeds of \$5,013,000 (£3,800,000) by way of a placing of 31,666,667 new common shares at a price of C\$0.21 (12 pence) per common share. Fees incurred from the private placement were \$517,000, resulting in net proceeds of \$4,496,000. We intend to use the net proceeds from the private placement to fund the first exploration well on our Ortoire property.

Touchstone exited the first quarter with a cash balance of \$7,586,000, a working capital surplus of \$1,963,000 and a C\$15 million principal term loan balance. Attributable to limited capital expenditures and the net funds received from the private placement, Touchstone's net debt was \$10,016,000, representing a 30% decrease from \$14,322,000 as of December 31, 2018. Our 2018 developmental capital investments increased both production and funds flow from operations from the prior year, as net debt to trailing twelve-month funds flow from operations was 1.1 times as of March 31, 2019 versus 1.7 times as at December 31, 2018. As a result of an extension executed in the first quarter of 2019, our credit facility does not require the commencement of principal payments until January 1, 2021, and we continued to be comfortably within the financial covenants as at March 31, 2019.

The Company's near-term development plan is strategically balanced between maintaining base production levels and proceeding with exploratory activities on our Ortoire property. The Company intends to remain focused on financial discipline and cost control. Touchstone will continue to take a measured approach to 2019 developmental drilling in an effort to manage financial liquidity while focusing on our Ortoire exploration opportunity.

### ***Ortoire exploration program***

Touchstone's Board of Directors approved the drilling of a second well on our Ortoire property. We have commenced construction of the surface location of the initial well and anticipate spudding in late June, subject to drilling rig availability. We expect to drill the second well using the same drilling rig immediately thereafter. Touchstone has an 80% working interest in both wells and is obligated to fund the full cost of the exploration wells on behalf of Heritage Petroleum Company Limited, its 20% working interest partner.

### ***Operations update***

The Company's April 2019 production averaged 1,789 bbls/d. In addition to natural decline, a significant portion of the monthly drop in production was due to downtime on two of the Company's high rate flowing wells. CO-372, which contributed approximately 131 bbls/d in the first quarter of 2019, suffered from a tubing failure resulting in a fish being stuck in the hole. The Company has sourced the required fishing tools to recover the tubing and bottom hole assembly and anticipates moving a service rig to the location within the next two weeks. PS-605 experienced a packer failure which allowed water from a previously suspended horizon to enter the wellbore. The well produced approximately 55 bbls/d in the first quarter of 2019. A new packer will be run to isolate the lower zone of the well, and the Company expects that production will be restored thereafter. Additionally, the Company's key service rig provider currently has two service rigs down

for repairs which have led to short-term backup of rig work. Touchstone currently has 15 lower rate workovers awaiting service and has recently brought two additional rigs into operations to facilitate completion. We anticipate returning to a production rate in excess of 2,000 bbls/d within the next four to six weeks.

### **Annual General Meeting**

Touchstone will be holding its annual general meeting of shareholders on Wednesday, June 12, 2019, at 10:00 a.m. (Calgary time) in the Chambers Room on floor B1 of First Canadian Centre, 350 7th Avenue S.W., Calgary, Alberta. The meeting materials, including the Company's Management Information Circular and Proxy Statement, are available under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)) and the Company's website ([www.touchstoneexploration.com](http://www.touchstoneexploration.com)).

### **For Further Information:**

#### **Touchstone Exploration Inc.**

Mr. Paul Baay, President and Chief Executive Officer

Tel: +1 (403) 750-4487

Mr. Scott Budau, Chief Financial Officer

Mr. James Shipka, Chief Operating Officer

[www.touchstoneexploration.com](http://www.touchstoneexploration.com)

#### **Shore Capital (Nominated Advisor and Joint Broker)**

Nominated Advisor: Edward Mansfield / Mark Percy / Daniel Bush

Tel: +44 (0) 207 408 4090

Corporate Broking: Jerry Keen

#### **GMP FirstEnergy (Joint Broker)**

Jonathan Wright / Hugh Sanderson

Tel: +44 (0) 207 448 0200

#### **Camarco (Financial PR)**

Nick Hennis / Jane Glover / Billy Clegg

Tel: +44 (0) 203 757 4980

### **About Touchstone**

Touchstone Exploration Inc. is a Calgary based company engaged in the business of acquiring interests in petroleum and natural gas rights and the exploration, development, production and sale of petroleum and natural gas. Touchstone is currently active in onshore properties located in the Republic of Trinidad and Tobago. The Company's common shares are traded on the Toronto Stock Exchange and the AIM market of the London Stock Exchange under the symbol "TXP".

### **Advisories**

#### ***Non-GAAP Measures***

This news release contains terms commonly used in the oil and natural gas industry, including funds flow from operations, funds flow from operations per share, operating netback and net debt. These terms do not have a standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. Shareholders and investors are cautioned that these measures should not be construed as alternatives to cash flow from operating activities, net income, total liabilities, or other measures of financial performance as determined in accordance with Generally Accepted Accounting Principles. Management uses these Non-GAAP measures for its own performance measurement and to provide stakeholders with measures to compare the Company's operations over time.

Funds flow from operations is an additional GAAP measure included in the Company's consolidated statements of cash flows. The Company calculates funds flow from operations per share by dividing funds flow from operations by the weighted average number of common shares outstanding during the applicable period.

The Company uses operating netback as a key performance indicator of field results. Operating netback is presented on a total and per barrel basis and is calculated by deducting royalties and operating expenses from petroleum sales. If applicable, the Company also discloses operating netback both prior to realized gains or losses on derivatives and after the impacts of derivatives are included. Realized gains or losses represent the portion of risk management contracts that have settled in cash during the period, and disclosing this impact provides Management and investors with transparent measures that reflect how the Company's risk management program can impact netback metrics. The Company considers operating netback to be a key measure as it demonstrates Touchstone's profitability relative to current commodity prices. This measurement assists Management and investors with evaluating operating results on a historical basis.

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

### ***Forward-Looking Statements***

Certain information provided in this news release may constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking information in this news release may include, but is not limited to, statements relating to the potential undertaking, timing, locations, production rates and costs of future well drilling, completion, exploration and workover activities, and the sufficiency of resources and available financing to fund future exploration, drilling and completion operations. Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. Certain of these risks are set out in more detail in the Company's December 31, 2018 Annual Information Form dated March 26, 2019 which has been filed on SEDAR and can be accessed at [www.sedar.com](http://www.sedar.com). The forward-looking statements contained in this news release are made as of the date hereof, and except as may be required by applicable securities laws, the Company assumes no obligation to update publicly or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.