



# TOUCHSTONE

EXPLORATION INC.

***“Our goal is to be the largest and most profitable onshore producer in Trinidad”***

May 2019

LSE / TSX: TXP

Follow us:



Unless otherwise stated, all financial amounts herein are presented in United States dollars ("\$"). The Company may also reference Canadian dollars ("C\$"), Trinidad and Tobago dollars ("TT\$") and Pounds Sterling ("£") herein.

## Forward-looking Information

Certain information regarding Touchstone Exploration Inc. ("Touchstone" or the "Company") set forth in this presentation, including assessments by the Company's Management of the Company's plans and future operations contains forward-looking statements that involve substantial known and unknown risks and uncertainties. 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. The Company has a reasonable basis for disclosing such statements, which represent the Company's internal projections, estimates or beliefs concerning future growth, and results of operations. With respect to forward looking information contained in this presentation, the Company has made assumptions regarding, among other things: production rates and production decline rates; the success of exploration opportunities; the magnitude of and ability to recover oil and gas reserves; plans for and results of drilling activity; well abandonment costs; the ability to secure necessary personnel, equipment, production licenses 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; and business prospects and opportunities, among other things.

Many of the foregoing assumptions are subject to change and are beyond the Company's control. Some of the risks that could affect the Company's future results and could cause results to differ materially from those expressed in the forward looking information are described under the heading "Business Risks" in this presentation. New factors emerge from time to time, and it is not possible for Management to predict all of such factors and to assess in advance the impact of each such factor on Touchstone's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

In particular, forward-looking statements contained in this presentation may include, but are not limited to statements with respect to: the Company's operational strategy, including targeted jurisdictions and technologies used to execute its strategy; the success of any new exploration opportunities; production levels; the quantity and estimated commerciality of the Company's reserves; drilling and recompletion plans and the anticipated timing thereof; and activities to be undertaken in various areas.

Investors should not place undue reliance on any such forward-looking statements or information. Further, any forward-looking statement or information speaks only as of the date on which such statement is made, and Touchstone undertakes no obligation to update any forward-looking statements or information except as required by law, including securities laws. All forward-looking statements and information contained in this presentation are qualified by such cautionary statements.

## Growth



### Scalable Economic Growth

19 onshore blocks, 10  
producing blocks and over  
200 defined drilling  
locations<sub>(1)</sub>



### Exploration Upside

Exploring new opportunities  
that if successful could  
represent step changes for the  
Company



### Value Creation

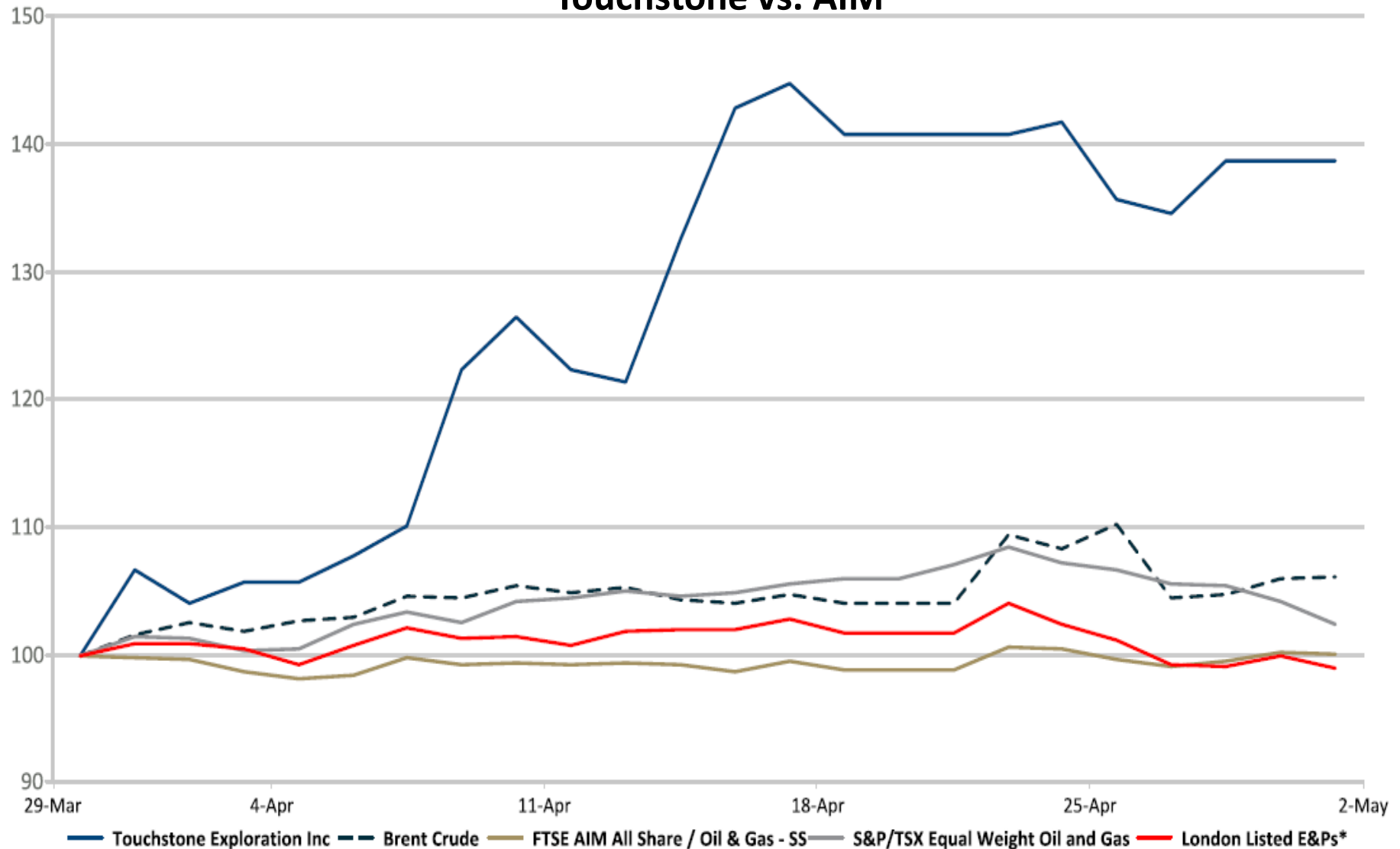
Cash flow positive with a  
balance sheet to  
support our current  
exploration program

# Q1 2019 Financial Position

	Three months ended March 31,	
	2019	2018
Petroleum sales (\$000's)	11,015	8,212
Average crude oil production (bbls/day)	2,121	1,543
Operating netback (\$/bbl) <sub>(3)(5)</sub>	29.35	26.52
Funds flow from operations (\$000's)	2,430	2,062
Net (loss) earnings (\$000's)	(185)	130
Capital expenditures (\$000's)	759	3,029

Capital Structure	March 31, 2019	Dec. 31, 2018
Common shares outstanding	160,688,095	129,021,428
Market capitalization (C\$000's) <sub>(1)</sub>	36,155	25,804
Cash (\$000's)	7,586	3,554
Working capital surplus (deficit)(\$000's) <sub>(2)(3)</sub>	1,963	(3,318)
Credit facility principal balance (C\$000's)	15,000	15,000
Net debt (\$000's) <sub>(3)(4)</sub>	10,016	14,322

## Touchstone vs. AIM



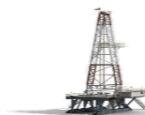
## Balanced Approach to Value Creation



### Scalable Economic Growth

#### Ten developed and producing blocks

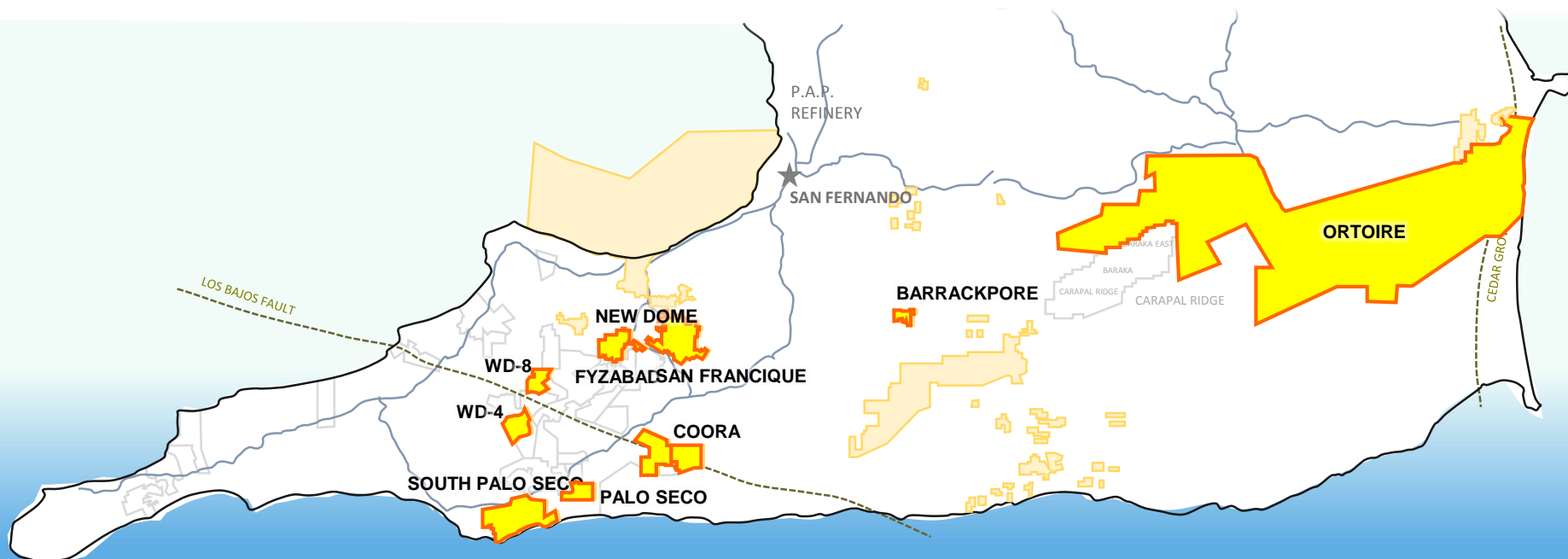
- 7,910 net working interest acres
- Total Proved Reserves of 11,222 Mbbls<sub>(1)</sub>
- Total Proved + Probable Reserves of 19,275 Mbbls<sub>(1)</sub>



### Exploration Upside

#### Nine undeveloped or exploration blocks

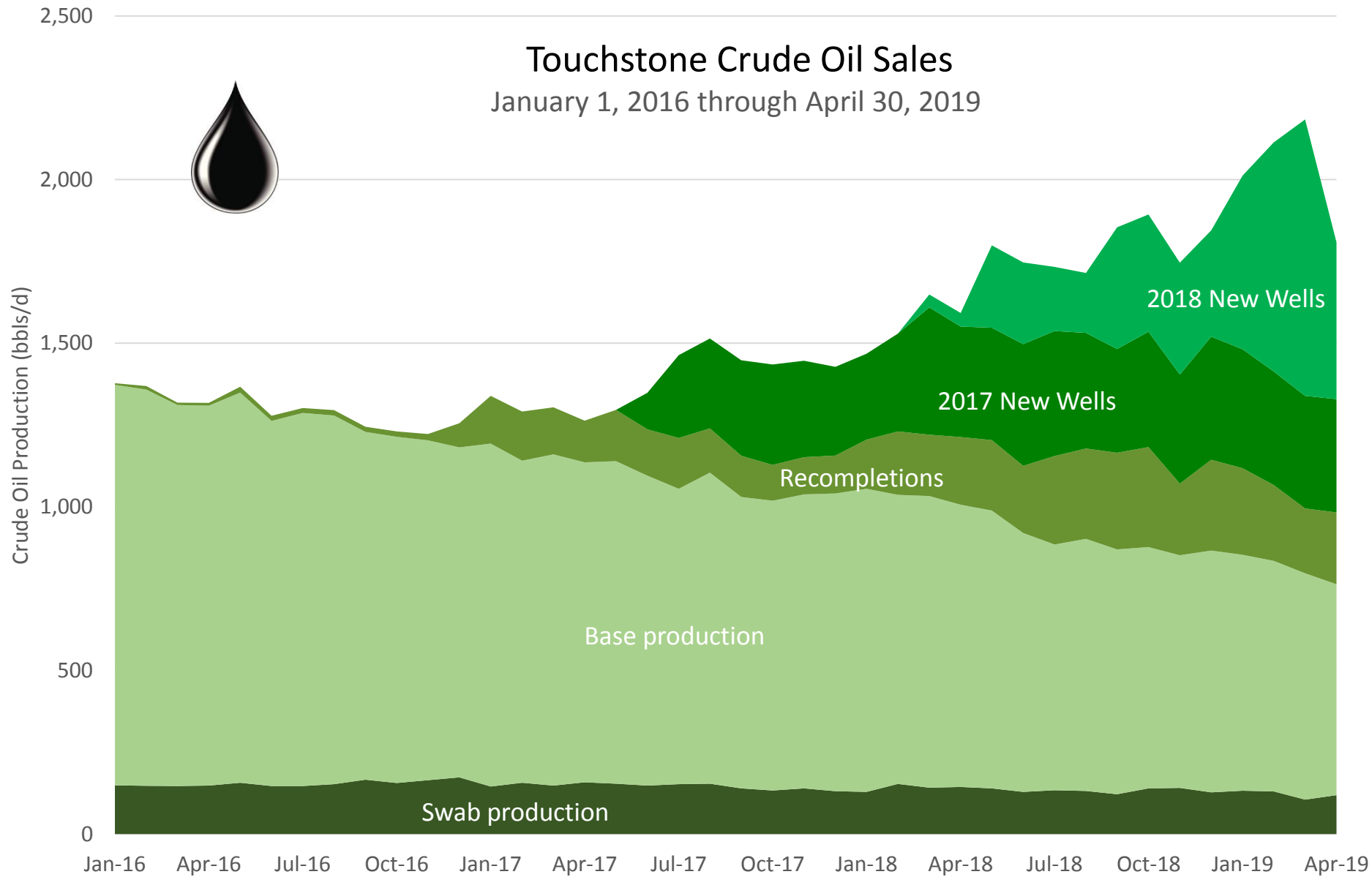
- 54,297 net working interest acres
- BECR of 3,002 Mboe (unrisked) and 2,852 Mboe (risked)<sub>(2)</sub>
- BECR of 18,801 Mboe (unrisked) and 6,385 Mboe (risked)<sub>(2)</sub>



\*BECR = Best Estimate Contingent Resources



## Touchstone Crude Oil Sales January 1, 2016 through April 30, 2019

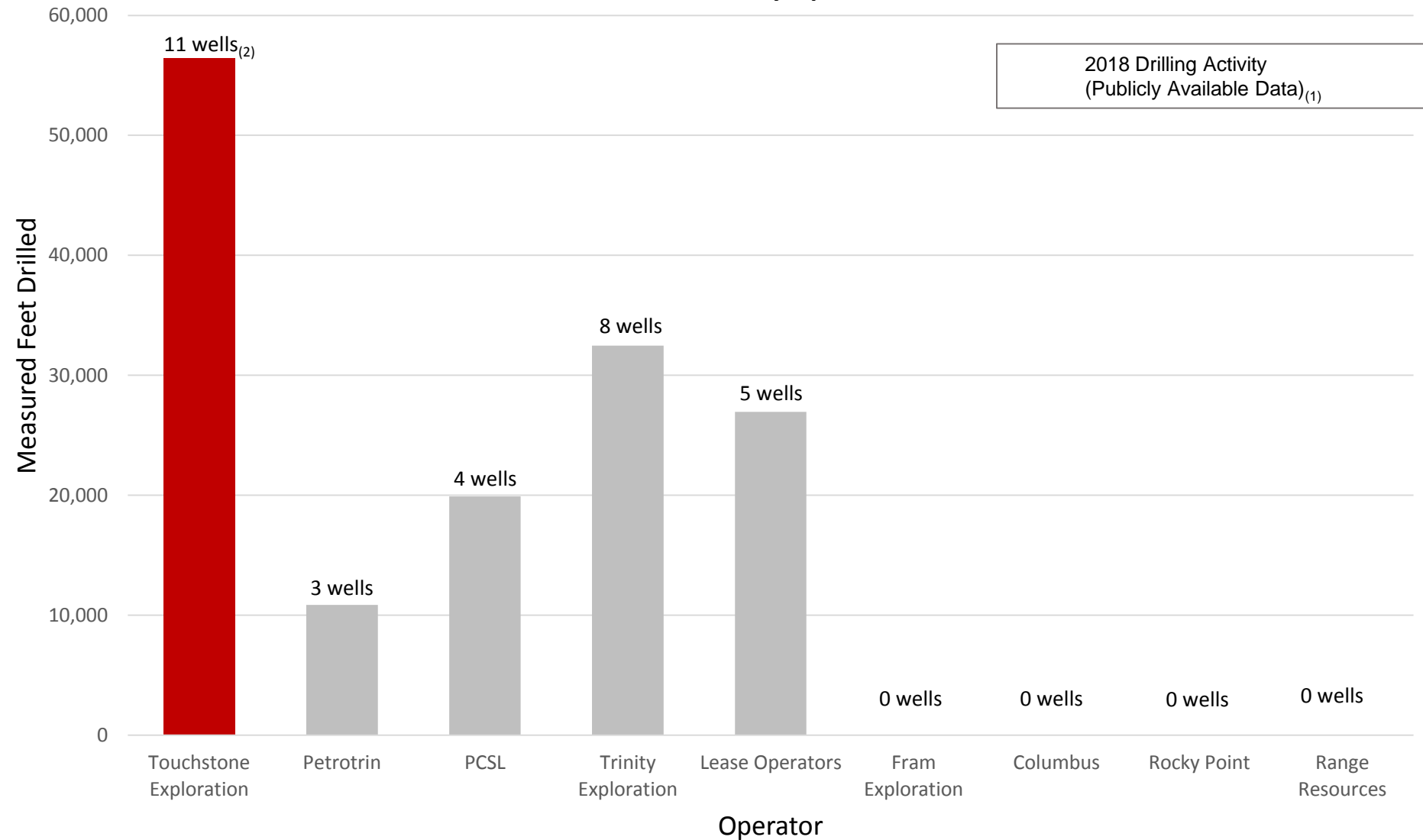


## Payout Period for New Wells (months)

		Oil Production Rate (bbls/d) – No decline							
		30	50	70	90	110	130	150	170
Brent Oil Price (flat)	\$50	72	41	28	21	17	14	12	11
	\$55	60	34	23	18	14	12	10	9
	\$60	68	35	23	17	14	11	10	9
	\$65	56	29	20	15	12	10	9	8
	\$70	47	25	17	13	11	9	8	7
	\$75	41	22	15	12	10	8	7	6
	\$80	36	20	13	10	9	7	7	6

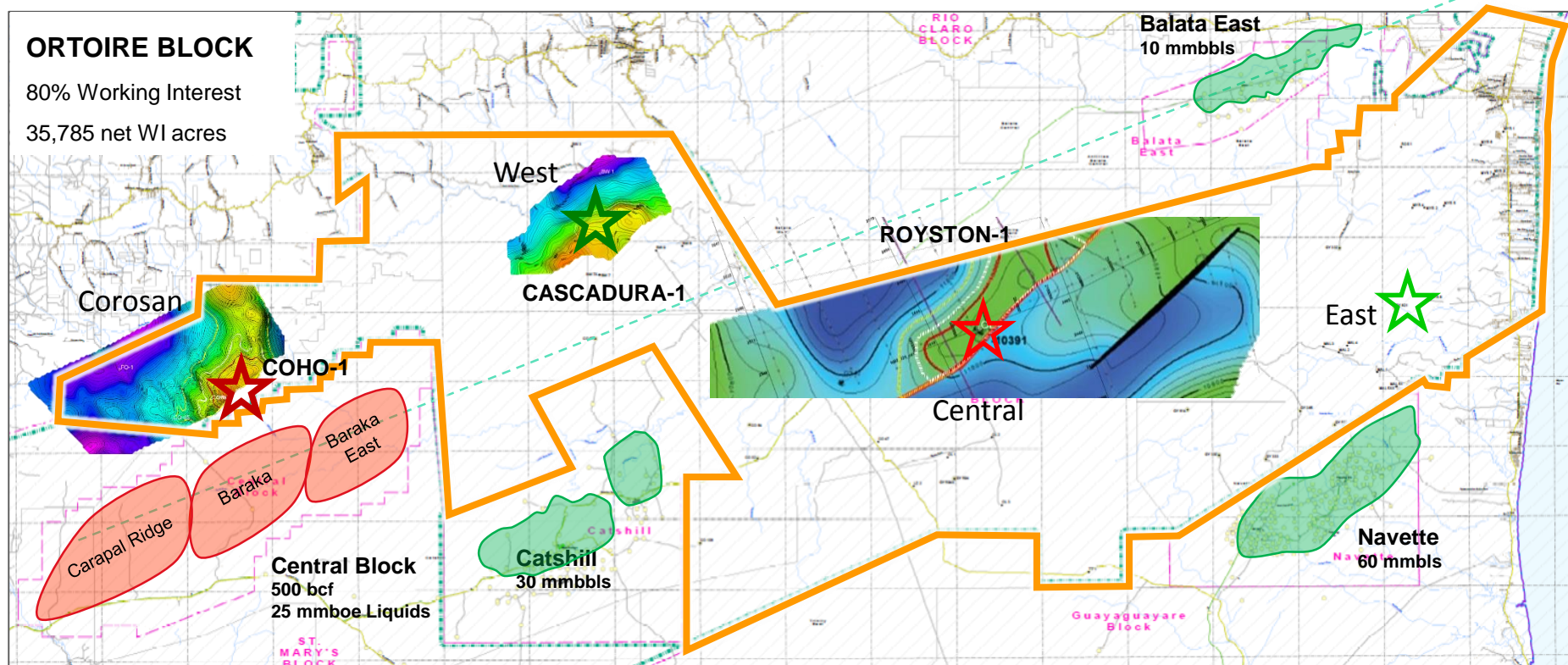


## 2018 Onshore Drilling Total Feet Drilled by Operator

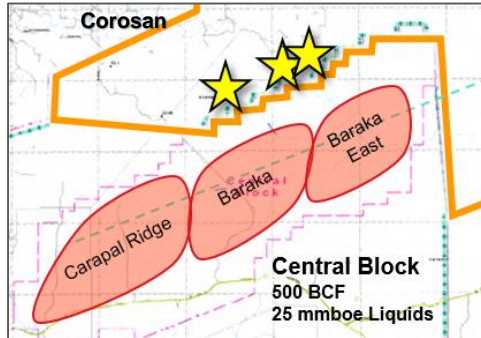


Eleven internally identified exploration locations defined by four general prospects:

★	Corosan Gas Prospect	First Well <b>COHO-1</b> (estimated June 2019 spud date)	est. TD 8,500'
★	Ortoire West Oil Prospect	First Well <b>CASCADURA-1</b>	est. TD 8,160'
★	Ortoire Central Gas Prospect	First Well <b>ROYSTON-1</b>	est. TD 11,500'
★	Ortoire East Oil Prospect	Four potential locations	est. TD 6,000'



# COHO-1 Prospect – First Well Corosan Area

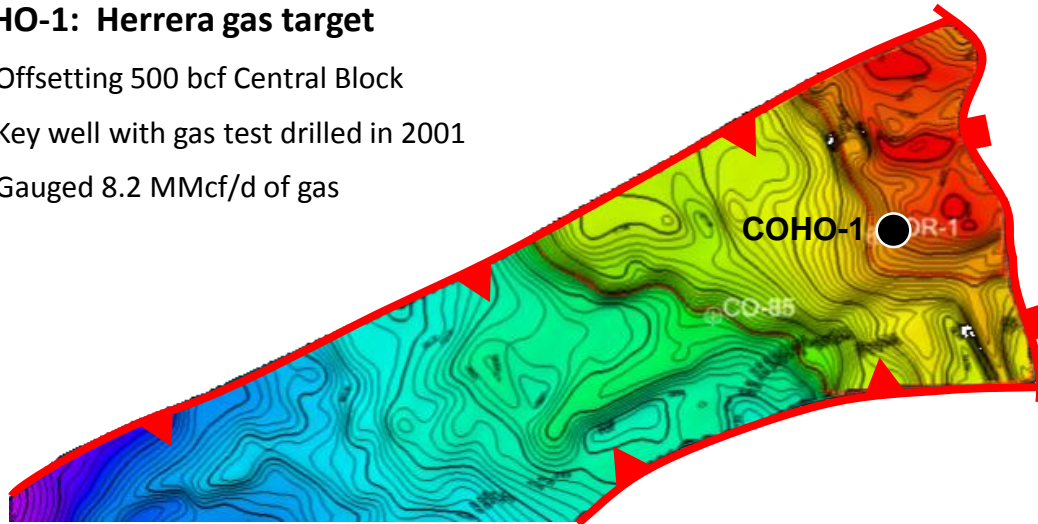


## Corosan Gas Opportunities

- Three unique locations identified (individual anomalies/fault blocks)
- Gas processing facility at Carapal Ridge (Shell operated)
- Approximate 3.5 km. tie-in provides access to NGC and LNG sales streams

## COHO-1: Herrera gas target

- Offsetting 500 bcf Central Block
- Key well with gas test drilled in 2001
- Gauged 8.2 MMcf/d of gas



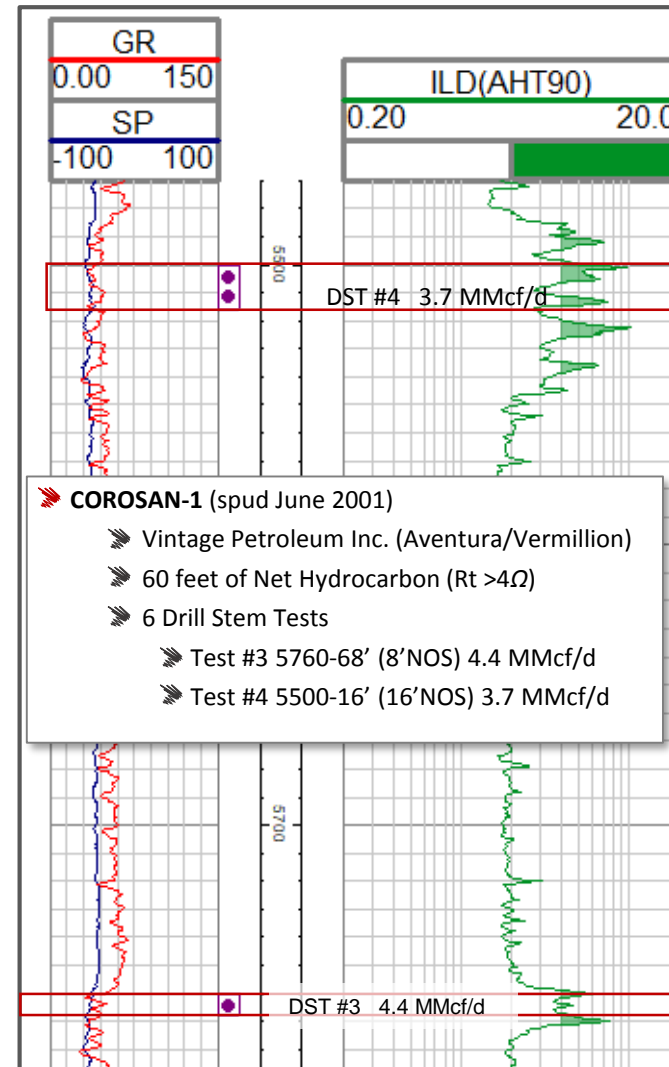
COHO-1 Surface Location – March 2019



## Vintage Petroleum Inc.

### Corosan (COR-1)

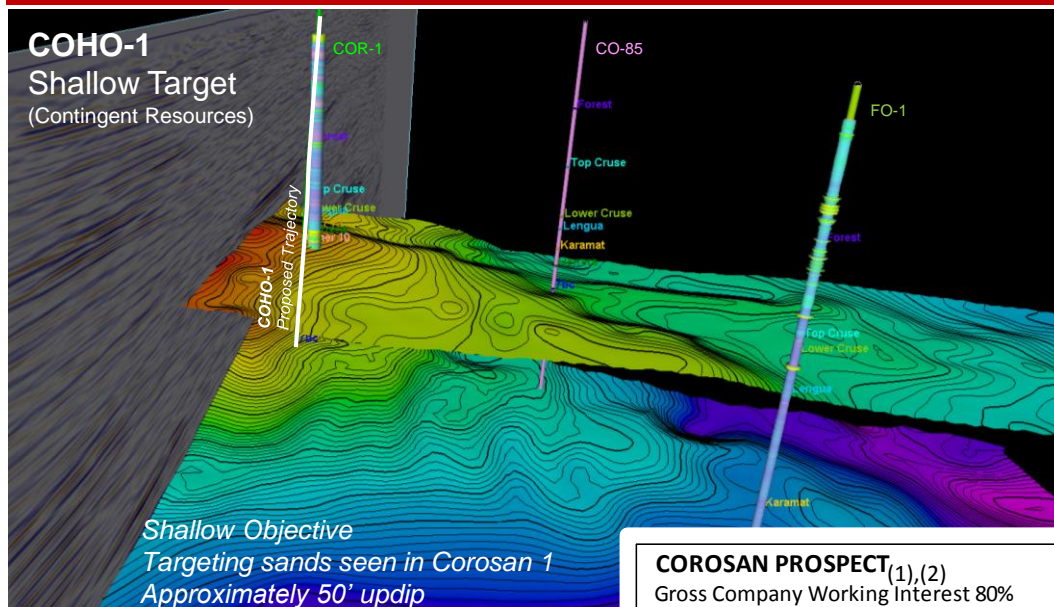
Spud: June 15, 2001



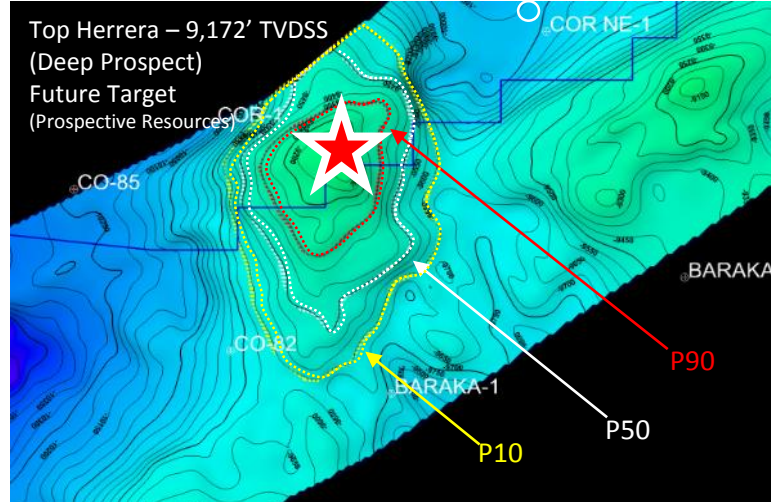
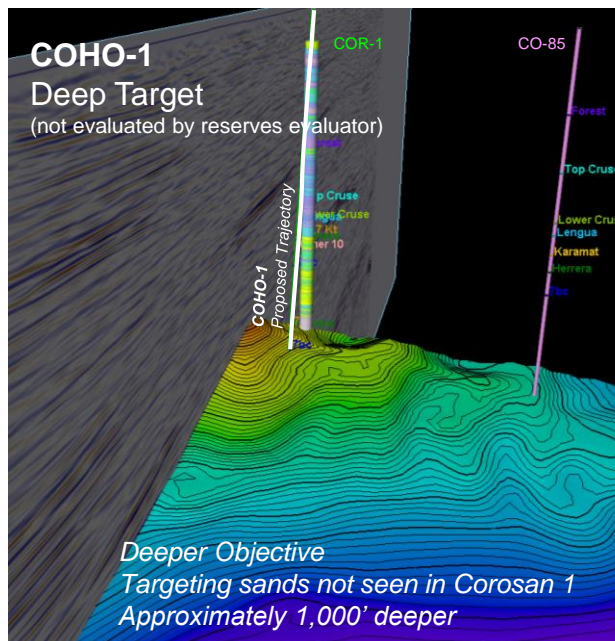


# COHO Prospects – Independent Resource Estimate

## COHO-1 Shallow Target (Contingent Resources)



## COHO-1 Deep Target (not evaluated by reserves evaluator)

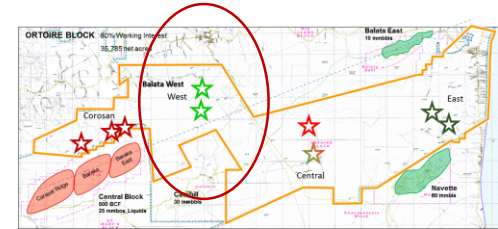


## COROSAN PROSPECT<sup>(1),(2)</sup> Gross Company Working Interest 80%

	Unrisked			Chance of Commerciality	Risked
	Low Estimate	Best Estimate	High Estimate		Best Estimate
Recoverable Volumes					
Contingent Resources (Development Pending)					
Residue (Natural) Gas (MMcf)	6,552	10,584	16,128	95%	10,055
Oil Equivalent (Mboe)	1,179	2,058	3,387	95%	1,955
Prospective Resources (Prospect)					
Residue (Natural) Gas (MMcf)	1,512	6,120	19,656	30%	1,860
Oil Equivalent (Mboe)	272	1,190	4,128	30%	362
Net Present Values (C\$000's)					
(Contingent + Prospective Resources)					
5% Discount (NPV5)	\$ 11,079	\$ 43,446	\$ 126,747	73% (x)	\$ 31,700
10% Discount (NPV10)	\$ 9,030	\$ 36,381	\$ 102,869	73% (x)	\$ 26,579
Future Development Capital (Unrisked) (Contingent + Prospective Resources)					
Estimated FDC (C\$000's)	\$ 8,816	\$ 8,816	\$ 8,816		
Total Wells	2	2	2		
Production Potential (Unrisked) (Contingent + Prospective Resources)					
Years	8	9	14		
Peak (boepd)	1,084	1,965	3,336		

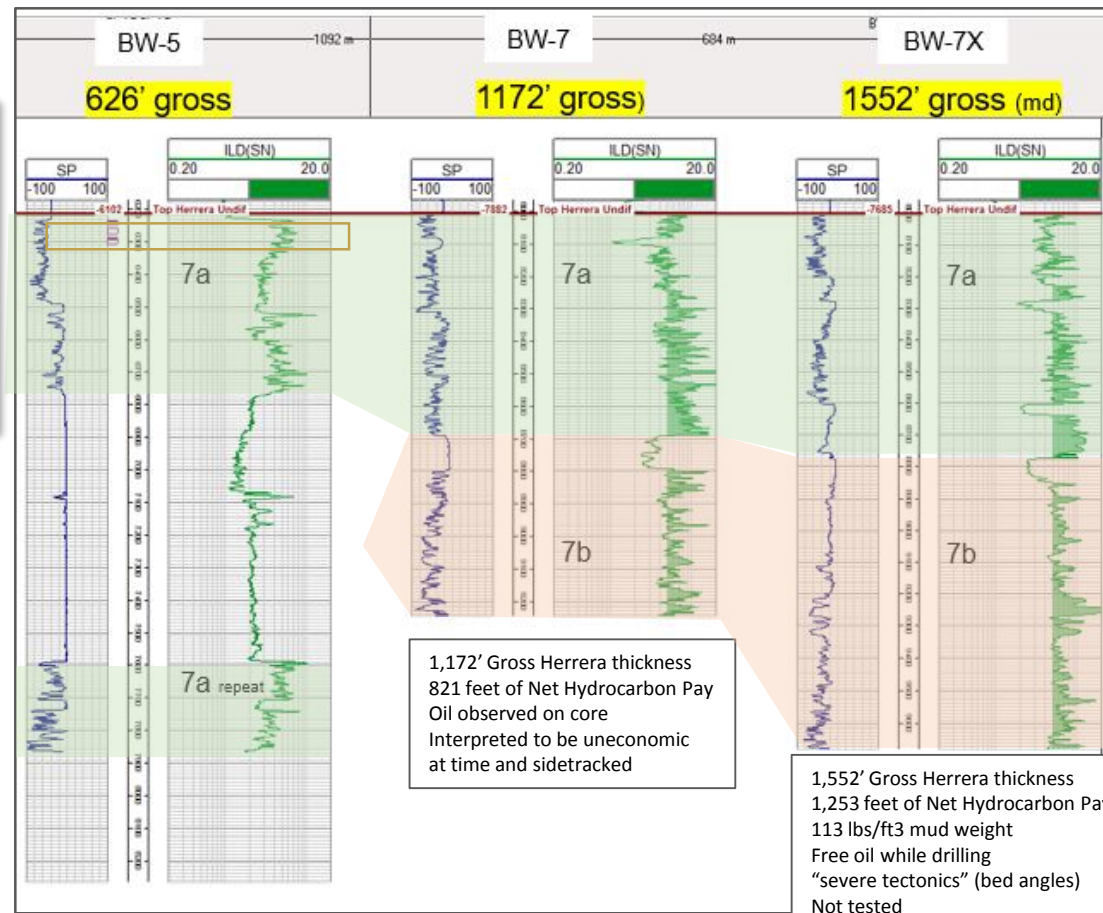
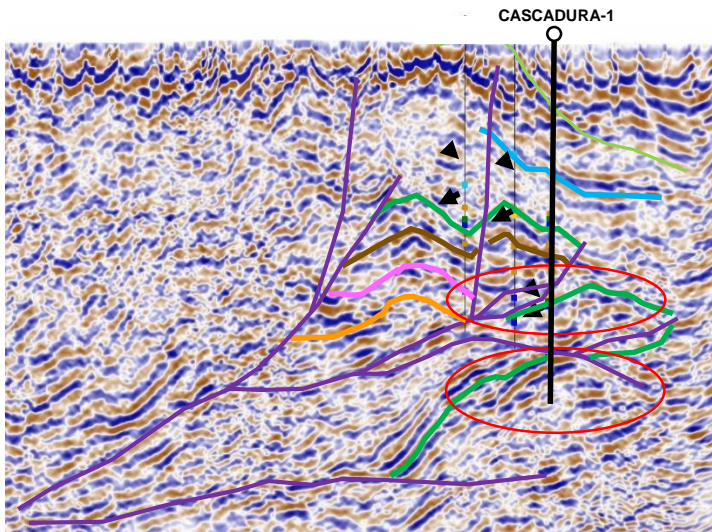
# CASCADURA Prospects

- On trend with known production at Central Block and Catshill field
- Reinterpretation of 1950 vintage logs and correlation to Corosan-1 Log c. 2001
- BW-5 well had oil production (>27,000 bbls) but did not reach primary target
- BW-7 and BW-7X wells were not tested due to interpretive and technical issues
- CEC pending for six (6) locations



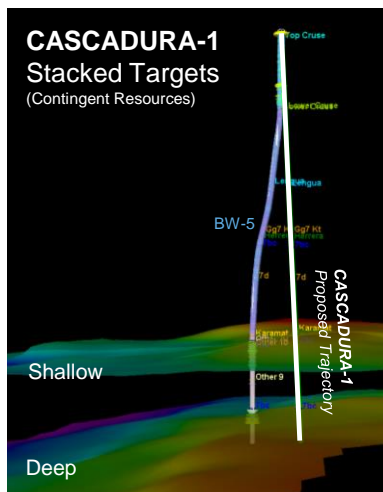
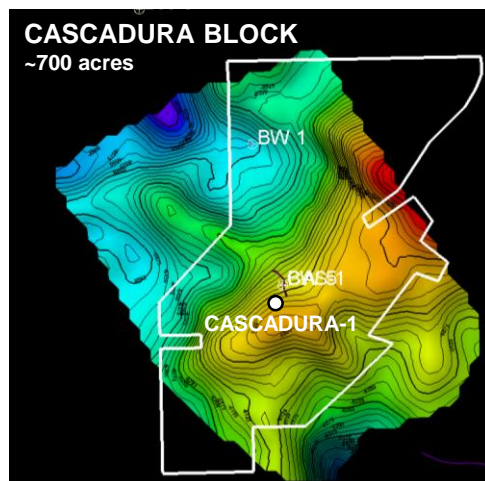
## Balata West BW-5 (c. 1958)

- Free oil observed while drilling Herrera FM
- 125 lbs/ft<sup>3</sup> mud weight
- 187 feet of net hydrocarbon (Rt >5Ω)
- 44 feet of reservoir completed
- Repeat section not tested due to stuck pipe

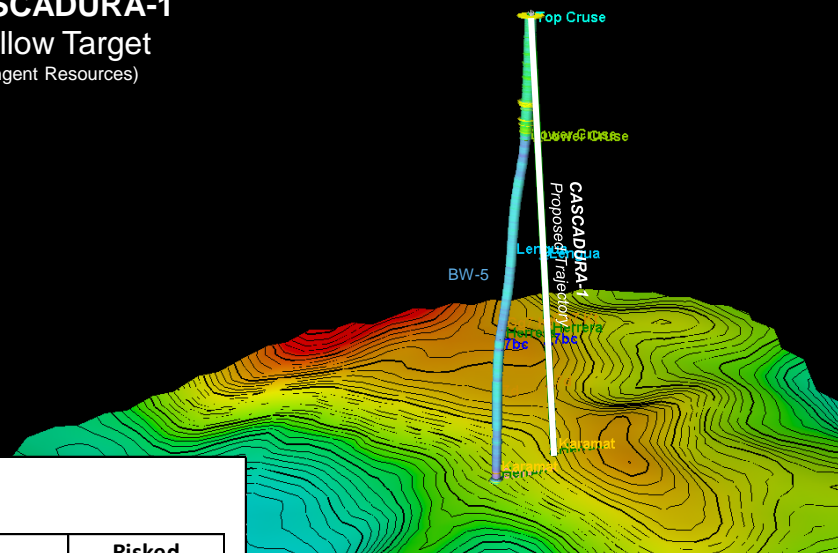




# CASCADURA-1 Prospect – First Well Ortoire West Area



## CASCADURA-1 Shallow Target (Contingent Resources)



## ORTOIRE WEST PROSPECT(1),(2)

Gross Company Working Interest 80%

	Unrisked			Chance of Commerciality	Risked
	Low Estimate	Best Estimate	High Estimate		Best Estimate

### Recoverable Volumes

#### Contingent Resources (Development Pending)

Oil (Mbbbls)	396	944	2,190	95%	897
Oil Equivalent (Mboe)	396	944	2,190	95%	897

#### Prospective Resources (Prospect)

Oil (Mbbbls)	1,584	6,240	18,768	34%	2,134
Oil Equivalent (Mboe)	1,584	6,240	18,768	34%	2,134

### Net Present Values (C\$000's)

(Contingent + Prospective Resources)

5% Discount (NPV5)	\$ 24,814	\$ 165,662	\$ 558,064	41% (x)	\$ 67,160
10% Discount (NPV10)	\$ 14,738	\$ 108,909	\$ 343,604	41% (x)	\$ 44,184

### Future Development Capital (Unrisked) (Contingent + Prospective Resources)

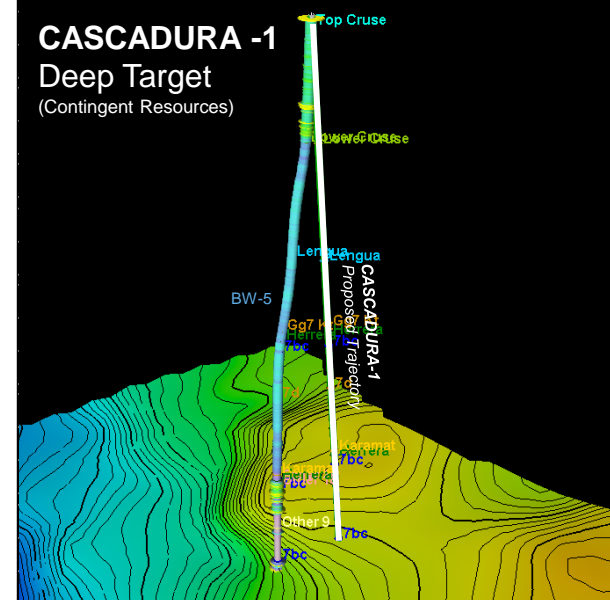
Estimated FDC (C\$000's)	\$ 54,030	\$ 111,333	\$ 202,117
Total Wells	15	38	65

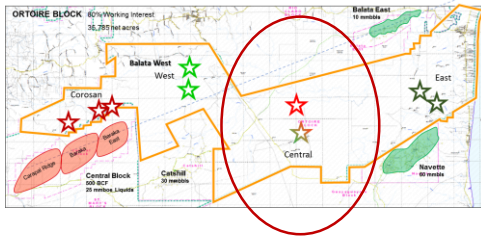
### Production Potential (Unrisked)

(Contingent + Prospective Resources)

Years	17	25	36
Peak (boepd)	996	2,413	5,599

## CASCADURA -1 Deep Target (Contingent Resources)





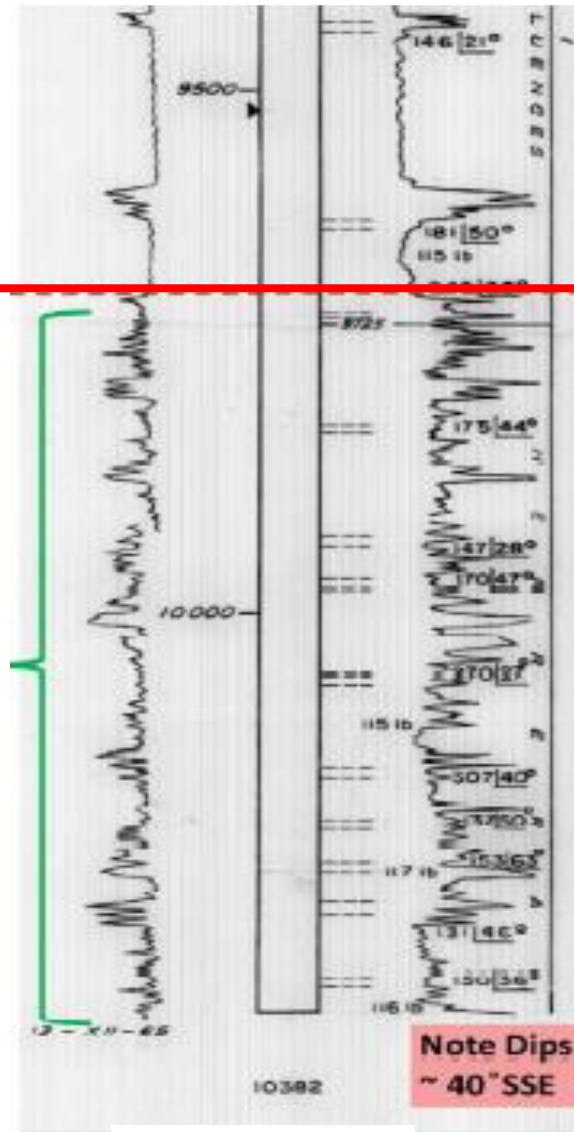
**SHELL TRINIDAD LIMITED LIZARD SPRINGS WELL OL-4**  
ABANDONED DECEMBER 1965

Very limited data in the well files:

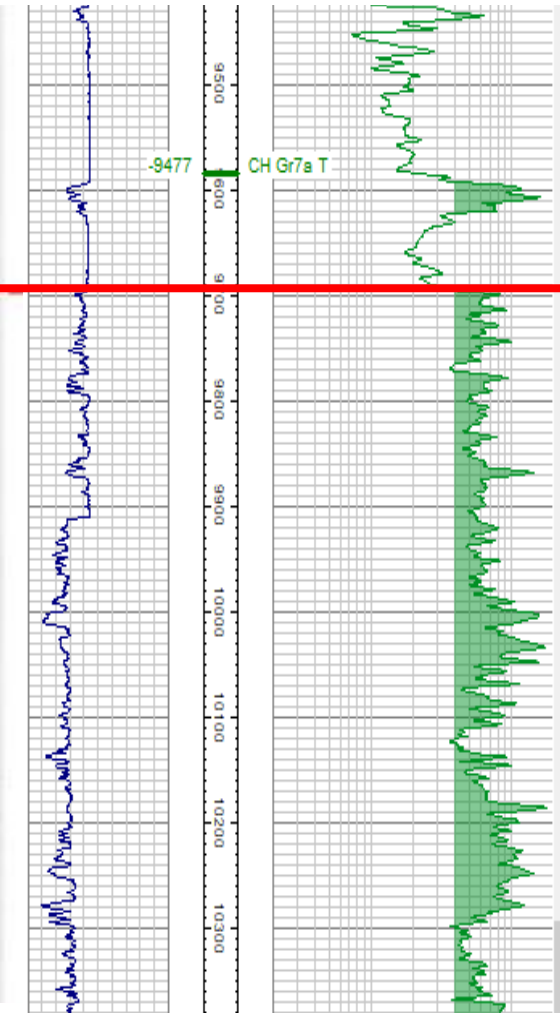
- Weekly drilling reports
- SP and resistivity log
- Directional log

[illegible]

Herrera 7A  
750' thick interval



Not Deep Enough to encounter  
the Hr 7bc sections  
10,382' TD

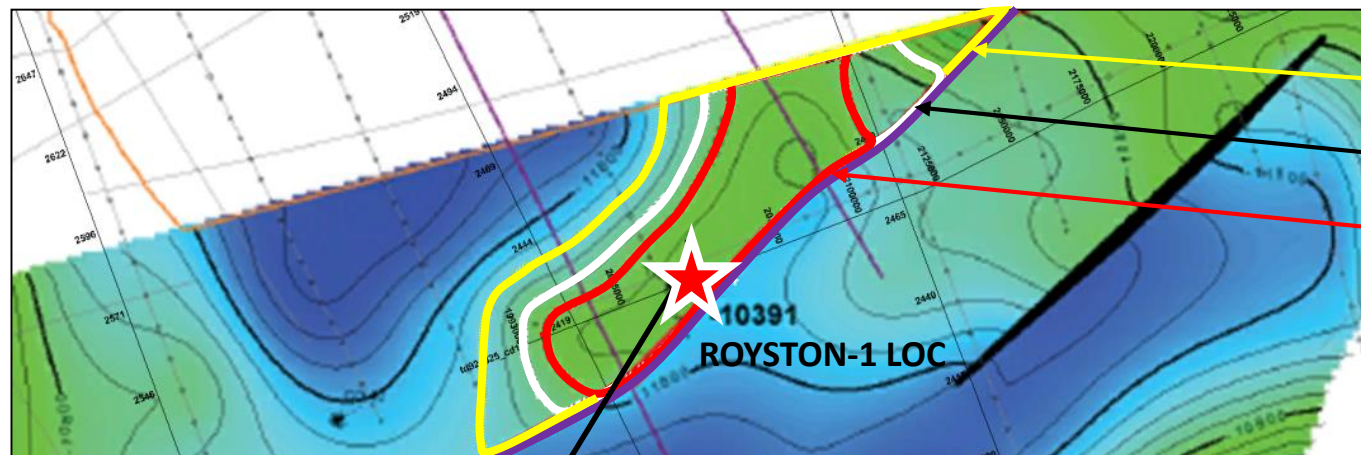


**DIGITIZED OL-4 LOG**

### Key data point

Gas cut mud @ 9,136' (above Herrera 7A Section)  
Mud weight increased to 116 lbs/ft3 (~15.5 ppg)

# ROYSTON-1 – First Location - Ortoire Central Prospect



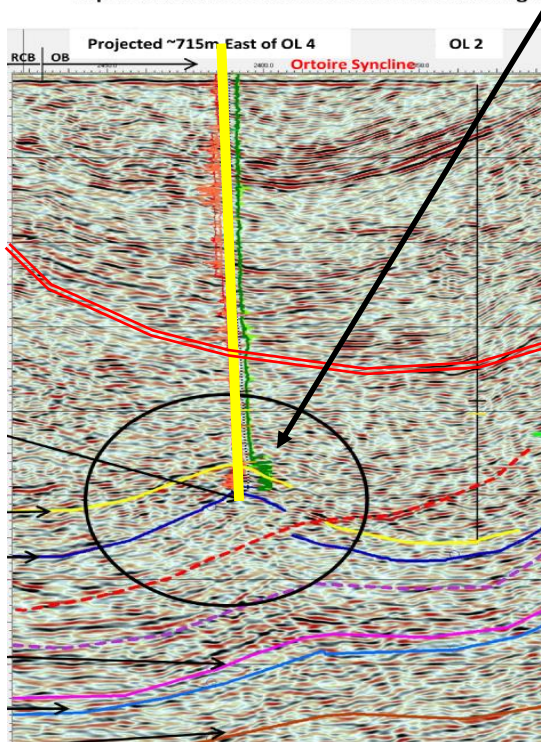
P10 Case

P50 Case

P90 Case

CEC approval for four (4) drilling locations

Reprocessed SBC 2D Seismic Line 91125 showing C



## ORTOIRE CENTRAL PROSPECT<sup>(1), (2)</sup>

Gross Company Working Interest 80%

### Recoverable Volumes

#### Contingent Resources (Development Pending)

Residue (Natural) Gas (MMcf)

Oil Equivalent (Mboe)

#### Prospective Resources (Prospect)

Residue (Natural) Gas (MMcf)

Oil Equivalent (Mboe)

### Net Present Values (C\$000's)

5% Discount (NPV5)

10% Discount (NPV10)

### Future Development Capital (Unrisked) (Contingent + Prospective Resources)

Estimated FDC (C\$000's)

Total Wells

### Production Potential (Unrisked) (Contingent + Prospective Resources)

Years

Peak (boepd)

Unrisked			Chance of Commerciality	Risked
Low Estimate	Best Estimate	High Estimate		Best Estimate
Contingent Pending)				
-	-	-	-	-
-	-	-	-	-
)				
13,277	58,147	150,703	34%	19,886
2,537	11,371	30,308	34%	3,889
(Contingent + Prospective Resources)				
\$ 26,479	\$ 156,644	\$ 438,824	34%	\$ 53,572
\$ 18,228	\$ 109,810	\$ 290,076	34%	\$ 37,555
risky) (Contingent + Prospective Resources)				
\$ 12,005	\$ 18,522	\$ 25,019		
2	4	6		
(Contingent + Prospective Resources)				
23	35	46		
1,457	6,374	11,969		





## Scalable Economic Growth

- Drilled 11 oil development wells in 2018
- Total 2P reserves of 19,275,000 bbls<sub>(1)</sub>
- First quarter 2019 average daily production of 2,121 bbls/d



## Exploration Upside

- Four world class exploration prospects
- Mix of oil and gas opportunities
- 2019 and beyond



## Value Creation

- Realized \$11.0 million in petroleum sales in Q1 2019
- Q1 2019 funds flow from operations of \$2.4 million
- Q1 2019 average operating netback of \$29.35 per barrel<sub>(2)</sub>

## Corporate Information

### Head Office

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Calgary, AB T2P 3N9  
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[info@touchstoneexploration.com](mailto:info@touchstoneexploration.com)

### Trinidad Office

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(403) 750-4455

Year End: Dec 31  
Engineers: GLJ Petroleum Consultants Ltd.  
Auditors: Ernst & Young LLP  
Legal: Norton Rose Fulbright LLP  
Nunez & Co.  
Transfer Agent: Computershare Trust Company of Canada

## Abbreviations

bbl(s)	barrel(s)
Mbbl(s)	thousand barrel(s)
MMbbls(s)	million barrel(s)
bbls/d	barrels per day
boe	barrels of oil equivalent
Mboe	thousand barrels of oil equivalent
MMboe	million barrels of oil equivalent
boe/p	barrels of oil equivalent per day
MMcf	million cubic feet
MMcf/d	million cubic feet per day
bcf	billion cubic feet
BECR	Best estimate contingent resources
C\$	Canadian dollar
\$ or US\$	United States dollar
TT\$	Trinidad & Tobago dollar
\$M	thousand dollars
\$MM	million dollars
Brent	The reference price paid for crude oil FOB North Sea
1P	Proved reserves
2P	Proved plus probable reserves
Ha	Hectare
LOA	Lease Operator Agreement
FOA	Farmout Agreement
IP30	Average initial production in the first 30 days of well production
AIM	AIM market of the London Stock Exchange plc
TSX	Toronto Stock Exchange

# ENDNOTES & ADVISORIES

## Slide 3 – Business Strategy

- (1) Drilling locations are based on December 31, 2018 GLJ Petroleum Consultants Ltd. independent reserves evaluation and internal estimates. See “*Advisories: Drilling Locations*”.

## Slide 4 – Q1 2019 Financial Position

- (1) The TSX closing price on December 31, 2018 (C\$0.20/share) and March 29, 2019 (C\$0.225/share) multiplied by our basic common shares outstanding.

	March 31, 2019	Dec. 31, 2018
(2) Current assets	18,648,000	15,854,000
Less: current liabilities	(16,685,000)	(19,172,000)
<b>Working capital</b>	<b>1,963,000</b>	<b>(3,318,000)</b>

- (3) Non-GAAP measure. Refer to “*Advisories: Non-GAAP Measures*”.

(4) (\$000's)	March 31, 2019	Dec. 31, 2018
Current assets	(18,648)	(15,854)
Current liabilities	16,685	19,172
Principal long-term portion of term loan	11,235	11,004
Long-term lease liabilities	744	-
<b>Net Debt</b>	<b>10,016</b>	<b>14,322</b>

(5) (\$000's unless otherwise indicated)	Three months ended March 31, 2019	Three months ended March 31, 2018
Petroleum revenue	11,015	8,212
Royalties	(2,919)	(2,337)
Operating expenses	(2,495)	(2,191)
<b>Operating netback</b>	<b>5,601</b>	<b>3,684</b>
Production (bbls)	190,880	138,898
<b>Operating netback (\$/bbl)</b>	<b>29.35</b>	<b>26.52</b>

## Slide 6 – Land Position

- (1) Based on December 31, 2018 GLJ Petroleum Consultants Ltd. independent reserves evaluation. See *“Advisories: Oil and Gas Reserves”*.
- (2) Based on the independent prospect evaluation review prepared by GLJ Petroleum Consultants Ltd. effective December 31, 2018, dated January 16, 2019. See *“Advisories: Contingent and Prospect Resources”*.

## Slide 8 – Development Well Economics

- (1) Realized price is equal to Brent less a 15% discount.
- (2) Based on \$1,050,000 new well capital cost and \$13.00 operating costs per barrel.
- (3) Constant oil rate (0% decline).

## Slide 9 – Onshore Drilling Activity in Trinidad

- (1) Source: Government of the Republic of Trinidad and Tobago, Ministry of Energy and Energy Industries, Consolidated Monthly Bulletins, January – December 31, 2018, Volume 55 No. 12.
- (2) Excludes two water disposal wells.

## Slide 12 – COHO Prospects – Independent Resource Estimate

- (1) Based on the independent prospect evaluation review prepared by GLJ Petroleum Consultants Ltd. effective December 31, 2018, dated January 16, 2019. See *“Advisories: Contingent and Prospect Resources”*.
- (2) Boes include technical conversions to standardize recoverable volumes of oil, natural (residue) gas, and natural gas liquids.

## Slide 14 – CASCADURA-1 Prospect – First Well Ortoire West Area

- (1) Based on the independent prospect evaluation review prepared by GLJ Petroleum Consultants Ltd. effective December 31, 2018, dated January 16, 2019. See *“Advisories: Contingent and Prospect Resources”*.
- (2) Boes include technical conversions to standardize recoverable volumes of oil, natural (residue) gas, and natural gas liquids.

## Slide 16 – ROYSTON-1 – First Location - Ortoire Central Prospect

- (1) Based on the independent prospect evaluation review prepared by GLJ Petroleum Consultants Ltd. effective December 31, 2018, dated January 16, 2019. See *“Advisories: Contingent and Prospect Resources”*.
- (2) Boes include technical conversions to standardize recoverable volumes of oil, natural (residue) gas, and natural gas liquids.

## Slide 17 – Why Touchstone?

- (1) Based on December 31, 2018 GLJ Petroleum Consultants Ltd. independent reserves evaluation. See *“Advisories: Oil and Gas Reserves”*.
- (2) See endnotes from Slide 5 – “Q1 2019 Financial Position”.

## Advisories

This presentation is for information purposes only and is not, and under no circumstances is to be construed as a prospectus or an advertisement for a public offering of such securities. No securities commission or similar authority in Canada or elsewhere or the Toronto Stock Exchange has in any way passed upon this presentation, or the merits of any securities of Touchstone Exploration Inc. and any representation to the contrary is an offence. An investment in Touchstone Exploration Inc.'s securities should be considered highly speculative due to the nature of the proposed involvement in the exploration for and production of oil and natural gas.

This presentation and the information contained herein does not constitute an offer to sell or a solicitation of an offer to buy any securities in the United States. The securities of Touchstone Exploration Inc. have not been registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

## Business Risks

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. The Company is exposed to risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities. 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. 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 blow-outs 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 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 Company is subject to the risk that it will not be able to fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its properties. The financial risks the Company is exposed to include, but are not limited to, the impact of general economic conditions in Canada and Trinidad, continued volatility in market prices for oil, the impact of significant declines in market prices for oil, 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 interest rates, the Canadian dollar to United States dollar exchange rate and the Canadian dollar to Trinidad and Tobago dollar exchange rate. The Company is subject to local 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 license, lease operating or farm-in rights related to the Company's oil and gas interests in Trinidad. 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).

## Oil and Gas Reserves

The reserves information summarized in this presentation are from the Company's December 31, 2018 independent reserve report prepared by Touchstone's independent reserves evaluator, GLJ Petroleum Consultants Ltd. ("GLJ"), dated March 6, 2019. This report was prepared in accordance with definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook ("COGEH") and National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). All December 31, 2018 reserves presented are based on GLJ's forecast pricing dated January 1, 2019 and estimated costs effective December 31, 2018. Additional reserves information as required under NI 51-101 are included in the Company's Annual Information Form dated March 26, 2019.

## Contingent and Prospect Resources

The contingent and prospective resources information contained in this presentation are from an independent review of the Company's Ortoire exploration block prepared by GLJ dated January 16, 2019. The independent prospect evaluation was prepared in accordance with definitions, standards and procedures contained in COGEH and NI 51-101. Both contingent resources and prospective resources have risks associated with chance of commerciality, which is defined as the product of chance of development and chance of discovery. Contingent resources are defined as discovered resources, due to historical production or testing, thereby carrying no discovery risk. Contingent resources will have risks associated with chance of development only. Prospective resources are defined as undiscovered resources, with risks associated with both chance of development and chance of discovery.

In all instances, net present values contained herein was calculated as at December 31, 2018 using GLJ's pricing forecasts dated January 1, 2019 and is net of estimated future royalties, development and operating costs required to fully develop each prospect and recover all recoverable volumes, and abandonment and reclamation costs. Operating costs are based on the Company's current structure and take in to account premiums related to bringing new volumes on stream over time.

**An estimate of risked net present values of future net revenue of contingent resources and prospective resources is preliminary in nature and is provided to assist the reader in reaching an opinion on the merit and likelihood of the Company proceeding with the required investment. It includes contingent resources and prospective resources that are considered too uncertain with respect to the chance of development and chance of discovery to be classified as reserves. There is uncertainty that the risked net present value of future net revenue will be realized.**

The prospect evaluation was performed to provide the Company with an independent assessment of the Ortoire exploration block opportunities and to assist in quantifying individual prospects. At this time, GLJ and the Company have not included the contingent resources and prospective resources identified in the prospect evaluation in Touchstone's Reserves Report as the exploration license governing the Ortoire block requires the Company to first declare commerciality of any discovery prior to economic production.

The estimation of resources quantities for a prospect is subject to both technical and commercial uncertainties and, in general, may be quoted as a range. The range of uncertainty reflects a reasonable range of estimated potentially recoverable quantities. Estimates of petroleum resources herein are expressed using the terms low estimate, best estimate, and high estimate to reflect the range of uncertainty. The low estimate in the report is the P90 quantity. P90 means there is a 90% chance that the estimated quantity will be equaled or exceeded. The best estimate is the P50 quantity, which means there is a 50% chance that the estimated quantity will be equaled or exceeded. The high estimate is the P10 quantity, which means there is a 10 % chance that the estimated quantity will be equaled or exceeded.



## Contingent and Prospect Resources (Continued)

Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent resources are further classified in accordance with the level of certainty associated with the estimates and may be subclassified based on project maturity and/or characterized by their economic status. There is uncertainty that it will be commercially viable to produce any portion of the contingent resources.

Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be subclassified based on project maturity.

Prospective resources have both an associated chance of discovery and a chance of development. There is no certainty that any portion of the prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated. Estimates of the prospective resources should be regarded only as estimates that may change as additional information becomes available. Not only are such prospective resources estimates based on that information which is currently available, but such estimates are also subject to uncertainties inherent in the application of judgmental factors in interpreting such information. Prospective resources should not be confused with those quantities that are associated with contingent resources or reserves due to the additional risks involved. Because of the uncertainty of commerciality and the lack of sufficient exploration drilling, the prospective resources estimated herein cannot be classified as contingent resources or reserves. The quantities that might actually be recovered, should they be discovered and developed, may differ significantly from the estimates herein.

## Oil and Gas Metrics

This presentation may contain certain oil and gas metrics that are commonly used in the oil and gas industry such as finding and development costs, reserves additions, reserve replacement ratio, reserve life index and recycle ratio. These metrics do not have standardized meanings or standardized methods of calculation and therefore such measures may not be comparable to similar measures presented by other companies. Such metrics have been included herein to provide readers with additional metrics to evaluate the Company's performance; however, such measures are not reliable indicators of the future performance of the Company, and future performance may not compare to the performance in prior periods and therefore such metrics should not be unduly relied upon. The Company uses these oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare the Company's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this presentation, should not be relied upon for investment purposes.

Finding and development costs are the sum of capital expenditures excluding capitalized general and administrative costs and corporate capital expenditures incurred in the period and the change in future development costs required to develop those reserves. Finding and development costs per barrel is determined by dividing current period net reserve additions to the corresponding period's finding and development cost. The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.

## Oil and Gas Metrics (Continued)

Net reserve additions are calculated as the change in reserves from the beginning to the end of the applicable period excluding period production.

Reserves replacement ratio is calculated as period net reserve additions divided by period production.

Reserve life index is calculated as total Company gross reserves divided by annual production.

Recycle ratios are calculated by dividing the current period finding and development costs per barrel to operating netbacks before hedging in the corresponding period (see "Non-GAAP Measures"). The recycle ratio compares netbacks from existing reserves to the cost of finding new reserves and may not accurately indicate the investment success unless the replacement of reserves are of equivalent quality as the produced reserves.

## Drilling Locations

This presentation discloses total drilling locations. Drilling locations are classified into three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from the Company's reserves evaluation of GLJ Petroleum Consultants Ltd. effective December 31, 2018 and account for locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on the prospective acreage associated with the Company's assets and an assumption as to the number of wells that can be drilled based on industry practice and internal review. Unbooked locations do not have attributed reserves. Of the approximately 208 (net) drilling locations identified herein, 61 are proved locations, 29 are probable locations and the remaining are unbooked locations. Unbooked locations have been identified by Management as an estimation of potential multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Company will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves or production. The locations on which the Company will drill wells will ultimately depend upon the availability of capital, regulatory approvals, crude oil prices, costs, actual drilling results, additional reservoir information that can be obtained and other factors. While certain of the unbooked drilling locations have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, other unbooked drilling locations are farther away from existing wells where Management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves or production.

## Non-GAAP Measures

This presentation may contain terms commonly used in the oil and natural gas industry, such as funds flow from operations, funds flow from operations per share, operating netback and net debt. These terms do not have a standardized meaning under International Financial Reporting Standards ("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 provided by operating activities, net income, total liabilities, or other measures of financial performance as determined in accordance with GAAP. Management uses these non-GAAP measures for its own performance measurement and to provide stakeholders with measures to compare the Company's operations over time.

Funds flow from operations is an additional GAAP measure included in the Company's consolidated statements of cash flows. 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.

## Non-GAAP Measures (Continued)

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.