Driving growth, profitability and responsibility in the Trinidad oil and gas industry

TSX / LSE: TXP
Forward-looking Information

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.

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: production rates and production decline rates; the success of exploration opportunities; the magnitude of and ability to recover oil and gas reserves and resources; plans for and results of drilling activity; well abandonment costs; the ability to secure necessary personnel, equipment, production licences 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 “Advisories: 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: exploration, development and associated operational plans (including drilling and recompletion programs) and the anticipated costs and timing thereof; type well characteristics and forecast rates of return; projected production volumes; estimated reserves and resources (including the quantity, commerciality and net present value thereof); and general business strategies and objectives.

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.
Why invest in Trinidad?

➢ Proven oil reserves of approximately 200 million barrels as at year-end 2018<sup>(1)</sup>

➢ Largest oil and gas producer in the Caribbean, generating 87,000 bbls of crude oil per day and 3.3 Bcf of natural gas per day in 2018<sup>(1)</sup>

➢ The 8<sup>th</sup> largest exporter of liquified natural gas in the world<sup>(2)</sup>

➢ Mature infrastructure as a result of exposure to major oil companies including Shell, BP and ENI

➢ 11 kilometres from Venezuela, the largest oil reserves in the world<sup>(1)</sup>
Why invest in Touchstone?

➢ Proven and experienced management team
➢ Focused strategy onshore Trinidad oil and gas
➢ Positive operating cash flows from current producing properties
➢ Significant exploration opportunities providing upside potential
Our Five Pillar Corporate Vision

- Exploration Upside
- Scalable Economic Growth
- Value Creation
- Environmental Stewardship
- Community Leadership
Land Holdings

**Developed Acreage**
7,836 net working interest acres
Proved reserves of 11,222 Mbbls\(^{(3)}\)
Proved+Probable reserves of 19,275 Mbbls\(^{(3)}\)

**Undeveloped/Exploration Acreage**
54,297 net working interest acres
BECR of 3,002 Mboe (unrisked) and 2,852 Mboe (risked)\(^{(4)}\)
BEPR of 18,801 Mboe (unrisked) and 6,385 Mboe (risked)\(^{(4)}\)
Exploration Upside

- Scalable Economic Growth
- Value Creation
- Environmental Stewardship
- Community Leadership
Ortoire Block
80% working interest and 35,785 net working interest acres
Exploration Upside – Ortoire Block

- Coho-1 Gas Discovery: 11.6 MMcf/d
- Cascadura-1ST1 Gas Discovery: 5,180 boe/d
- Chinook Oil Prospect: Constructing
- Royston Gas Prospect: Constructing
Coho-1
Significant Natural Gas Discovery

Flowback testing exceeded expectations\(^{(5)}\)

- 46.0 MMcf/d AOF
- 11.6 MMcf/d Average
- 19.8 MMcf/d Peak
- 9% Sandface drawdown

Estimated future production rates of

- 10 – 12 MMcf/d
- (1,333 – 1,600 boe/d net)

Natural Gas Fiscal Advantage

- Trinidad domestic price
- 12.5\% crown royalty
- Not subject to SPT
Liquids Rich Gas Test

Average 5,180 boe/d
26.9 MMcf/d Natural gas
694 bbls/d of Natural gas liquids
54° API free liquids @ 26 bbls/MMcf
3,319 psi, c.20% drawdown

Peak 5,736 boe/d
30.2 MMcf/d Natural gas
710 bbls/d of Natural gas liquids

Cascadura-1ST1
Significant Liquids Rich Natural Gas Discovery

Liquids Rich Gas Fiscal Advantage

12.5% crown royalty
Natural gas not subject to SPT (c.87% of production test rate)
SPT payable only on NGL (c.13% of production test rate)
Chinook-1 Crude Oil Prospect

The original well was drilled in 1959, and encountered oil on core and oil while drilling.

Shell Trinidad Limited
Balata West 7 (BW-7)
Spud: May 20, 1959

- 1,172' Gross Herrera thickness
- Oil observed on core
- Interpreted to be uneconomic at time and sidetracked
- Not tested

Shell Trinidad Limited
BW-7X Sidetrack
TD: August 18, 1959

- 1,552' Gross Herrera thickness
- Free oil while drilling
- Severe tectonics (bed angles)
- Not tested
Royston-1 Natural Gas Prospect

Original well was drilled in 1965 - logs indicated 700 feet of gas effect, but the well was never tested.
Based on independent December 31, 2018 resource evaluation.

### Company Working Interest 80%

<table>
<thead>
<tr>
<th>Recoverable Volumes</th>
<th>Contingent Resources (Development Pending)</th>
<th>Unrisked</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low Estimate</td>
<td>Best Estimate</td>
</tr>
<tr>
<td>Residue (Natural) Gas (MMcf)</td>
<td>6,552</td>
<td>10,584</td>
</tr>
<tr>
<td>Oil (Mbbls)</td>
<td>396</td>
<td>944</td>
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<tr>
<td>Oil Equivalent (Mboe)</td>
<td>1,575</td>
<td>3,002</td>
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<table>
<thead>
<tr>
<th>Recoverable Volumes</th>
<th>Prospective Resources (Prospect)</th>
<th>Unrisked</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Low Estimate</td>
<td>Best Estimate</td>
</tr>
<tr>
<td>Residue (Natural) Gas (MMcf)</td>
<td>14,789</td>
<td>64,267</td>
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<tr>
<td>Oil (Mbbls)</td>
<td>1,584</td>
<td>6,240</td>
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<tr>
<td>Oil Equivalent (Mboe)</td>
<td>4,394</td>
<td>18,801</td>
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<table>
<thead>
<tr>
<th>10% Net Present Value (C$000's)</th>
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<tbody>
<tr>
<td>Contingent Resources</td>
</tr>
<tr>
<td>Prospective Resources</td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>Future Development Capital (Undiscounted)(C$000's)</th>
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</thead>
<tbody>
<tr>
<td>Contingent Resources</td>
</tr>
<tr>
<td>Prospective Resources</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Peak Daily Oil Production (boe/d)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contingent Resources</td>
</tr>
<tr>
<td>Prospective Resources</td>
</tr>
</tbody>
</table>
Scalable Economic Growth

- Exploration Upside
- Value Creation
- Environmental Stewardship
- Community Leadership
Scalable Economic Growth

19 Onshore blocks

10 Producing fields

208 Drilling locations
Well Type Curves

2017 & 2018 drilling economics

100,000 bbl Crude Oil Type Curve Economics

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Rate of Return</td>
<td>35%</td>
</tr>
<tr>
<td>Payout</td>
<td>2.1 years</td>
</tr>
<tr>
<td>Operating netback</td>
<td>~$28.50/bbl</td>
</tr>
<tr>
<td>Recycle ratio</td>
<td>2.6x</td>
</tr>
<tr>
<td>Cost per well</td>
<td>$1.1MM</td>
</tr>
</tbody>
</table>

Cumulative Oil (bbls)

- 100,000 bbl Curve
- Average 2017 Well (4)
- Average 2018 Well (11)
Corporate Production
January 2017 to October 2019

15 new development wells drilled since admission to AIM - achieving production growth of 30%[9]

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Crude Oil Production (bbls/d)

- **Recompletions**
- **Base production**
- **Swab production**

- **2017 – 4 New Wells**
- **2018 – 11 New Wells**
Value Creation

- Exploration Upside
- Scalable Economic Growth
- Environmental Stewardship
- Community Leadership
<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum Sales</td>
<td>$29,734,000</td>
</tr>
<tr>
<td>Operating Netback</td>
<td>$(8)(10) $27.07/bbl</td>
</tr>
<tr>
<td>Average Crude Oil Production</td>
<td>1,871 bbls/d</td>
</tr>
<tr>
<td>Funds Flow From Operations</td>
<td>$(8) $4,822,000</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>$(8) $5,506,000</td>
</tr>
<tr>
<td>Working Capital Deficit</td>
<td>$(8)(11) $805,000</td>
</tr>
<tr>
<td>Cash</td>
<td>$(8) $3,423,000</td>
</tr>
<tr>
<td>Common Shares Outstanding</td>
<td>160,703,095</td>
</tr>
<tr>
<td>Market Capitalization</td>
<td>$(12) C$77,137,486</td>
</tr>
<tr>
<td>Term Credit Facility</td>
<td>$(12) C$20,000,000</td>
</tr>
</tbody>
</table>
Equity Return Comparison

Touchstone (TXP) vs. TSX Capped Energy Index ETF (XEG) vs. TSX60 Index ETF (XIU)

February 7, 2019 to February 7, 2020

Source: TMX Money
Environmental Stewardship

- Exploration Upside
- Scalable Economic Growth
- Value Creation
- Community Leadership
Environmental Stewardship

Taking care of the environment is not a requirement; it is a privilege.

“Touchstone is committed to working with our partners at both national and local levels to ensure we set the benchmark for high environmental standards in Trinidad.”
Water Disposal Projects

Implemented the first water disposal well in Trinidad

Current water disposal well reduces surface effluent release by 100 bbls/d.

Progressing towards becoming the first company in Trinidad to have no surface released water
Community Leadership

- Strong culture and history of engagement with local communities
- Touchstone is dedicated to enhancing the livelihood of its employees and improving our local communities through a series of investments in physical activities and infrastructure projects.
Case Study – Restoration of Special Needs Centre

- 11 employees, including our CEO, assisted in restoring a derelict building in the Rio Claro community into a development centre for special needs children.

- The centre will cater to children with intellectual, physical and developmental challenges and provide assistance in literacy, social exposure, vocal skills, expression in art and drama, sign language and many other life skills.
# Investment Summary

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Significant exploration opportunities</td>
</tr>
<tr>
<td>2</td>
<td>Pipeline of healthy organic growth from a multi-year production programme</td>
</tr>
<tr>
<td>3</td>
<td>Strong capital discipline combined with positive cashflow</td>
</tr>
<tr>
<td>4</td>
<td>Management has a proven record of transforming small E&amp;Ps</td>
</tr>
<tr>
<td>5</td>
<td>Achieve a sustainable level of social and environmental responsibility</td>
</tr>
</tbody>
</table>
Corporate Information

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Suite 4100, 350 7th Ave SW
Calgary, AB T2P 3N9
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Website: www.touchstoneexploration.com
Fax: (403) 266-5794
info@touchstoneexploration.com

Trinidad Office
Touchstone Exploration (Trinidad) Ltd.
#30 Forest Reserve Road
Fyzabad, Trinidad
Office: (868) 677-7411

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President and Chief Executive Officer
pbaay@touchstoneexploration.com
(403) 750-4488

Scott Budau
Chief Financial Officer
sbudau@touchstoneexploration.com
(403) 750-4445

James Shipka
Chief Operating Officer
jshipka@touchstoneexploration.com
(403) 750-4455

Year End: December 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

bb(s) barrel(s)
Mbbls thousand barrels
MMbbls million barrels
bbls/d barrels per day
boe(s) barrel(s) of oil equivalent
Mboe thousand barrels of oil equivalent
MMboe million barrels of oil equivalent
boe/d barrels of oil equivalent per day
MMcf million cubic feet
MMcf/d million cubic feet per day
Bcf billion cubic feet
NGL Natural gas liquids
API API gravity
AOF Absolute open flow rate
BECR Best estimate contingent resources
BEPR Best estimate prospective resources
psi pounds per square inch
C$ Canadian dollar
$ or US$ United States dollar
$MM million dollars
Brent The reference price paid for crude oil FOB North Sea
LOA Lease Operator Agreement
SPT Supplemental Petroleum Tax
AIM AIM market of the London Stock Exchange plc
TSX Toronto Stock Exchange
3) Based on December 31, 2018 GLJ Petroleum Consultants Ltd. independent reserves evaluation. See “Advisories: Oil and Gas Reserves”.
4) 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 Prospective Resources”.
5) See “Advisories: Oil and Gas Test Results”. Please refer to the Company’s press releases dated September 9, 2019 and November 18, 2019 for full disclosure regarding Coho-1 test results, including applicable advisories related thereto. Furthermore, please refer to the Company’s press release dated February 6, 2020 for full disclosure regarding initial Cacadaura-1ST1 test results, including applicable advisories related thereto.
6) Drilling locations are based on December 31, 2018 GLJ Petroleum Consultants Ltd. independent reserves evaluation and internal estimates. See “Advisories: Drilling Locations”.
7) See “Advisories: Type Well Information” and “Advisories: Oil and Gas Metrics”. Actual 2017 and 2018 well results are based on production volumes from inception through October 31, 2019.
8) Non-GAAP measure. Refer to “Advisories: Non-GAAP Measures”.
9) Q2 2017 average crude oil sales 1,334 bbls/d  
   Q3 2019 average crude oil sales 1,729 bbls/d  
   Increase in average daily crude oil sales 395 bbls/d  
   Percentage increase in average daily sales 30%
### Endnotes

10) **Operating Netback**

<table>
<thead>
<tr>
<th>Description</th>
<th>Nine months ended September 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum revenue</td>
<td>29,734</td>
</tr>
<tr>
<td>Royalties</td>
<td>(8,336)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(7,572)</td>
</tr>
<tr>
<td><strong>Operating netback</strong></td>
<td><strong>13,826</strong></td>
</tr>
</tbody>
</table>

| Crude oil production (bbls)  | 510,823                               |
| Operating netback ($/bbl)    | 27.07                                 |

11) ($000’s)

<table>
<thead>
<tr>
<th>Description</th>
<th>September 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>(12,858)</td>
</tr>
<tr>
<td>Less: current liabilities</td>
<td>13,663</td>
</tr>
<tr>
<td><strong>Working capital deficit</strong></td>
<td><strong>805</strong></td>
</tr>
</tbody>
</table>

12) Calculated as the product of the Company’s TSX common share closing price on January 31, 2020 (C$0.48/share) and 160,703,095 common shares outstanding.
Advisories

This presentation is for information purposes only and is not under any circumstances 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 and gas 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 and resource 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 and gas, the impact of significant declines in market prices for oil and gas, the ability to access sufficient capital from internal and external sources, changes in income tax laws, royalties and incentive programs relating to the oil and gas industry, fluctuations in interest rates, the C$ to US$ exchange rate and the US$ 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 licence, LOA 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 2018 Annual Information Form dated March 26, 2019 which has been filed on SEDAR and can be accessed at www.sedar.com.
Advisories

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 is included in the Company’s 2018 Annual Information Form dated March 26, 2019.

Oil and Gas Measures

Where applicable, natural gas has been converted to barrels of oil equivalent based on six thousand cubic feet to one barrel of oil. The barrel of oil equivalent rate is based on an energy equivalent conversion method primarily applicable at the burner tip, and given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different than the energy equivalency of the 6:1 conversion ratio, utilizing the 6:1 conversion ratio may be misleading as an indication of value.

Contingent and Prospective Resources

The contingent and prospective resources information contained in this presentation is from an independent review of the Company's Ortoire exploration block prepared by GLJ effective December 31, 2018 and 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 were calculated as at December 31, 2018 using GLJ’s pricing forecasts dated January 1, 2019 and are 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 into 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.
**Advisories**

**Contingent and Prospective Resources (Continued)**

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. 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 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. Additional resource disclosure is included in the Company’s 2018 Annual Information Form dated March 26, 2019.
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 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 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.

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.

Oil and Gas Test Results

References in this presentation to production test rates and initial flow rates are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long-term performance or of ultimate recovery. Additionally, such rates may also include recovered “load oil” fluids used in well completion stimulation. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Company. With a pressure transient analysis or well-test interpretation has not been carried out in respect of the Cacadura-1ST1. Accordingly, the Company cautions that the Cacadura-1ST1 test results should be considered preliminary.
Advisories

Type Well Information

The full-cycle type well information contained in this presentation has been prepared effective January 1, 2020 by Management. The type well information has been prepared assuming a 100,000-barrel crude oil well producing over a 30-year life span under the Company’s LOA fields, using the following assumptions over the forecast period: flat Brent price of $60.00/barrel, a realized differential to Brent reference pricing of 10% and operating costs of $11.89 per barrel. The financial forecast includes supplemental petroleum tax but excludes petroleum profits tax. The type well information contains no adjustments or assumptions respecting future workovers, wellbore optimization or future sales facility constraints or outages. The 30-year well life is in excess of the Company’s current LOAs which ultimately expire on December 31, 2025. Notwithstanding established precedence and contractual options for the continuation and renewal of the Company’s existing operating agreements, there is no certainty as to any renewal of the Company’s existing operating arrangements.

The metrics and terms “internal rate of return”, “payout”, and “recycle ratio” are used in presenting type well information. The internal rate of return is the discount rate that makes the net present value of the cash flows of the well over the 30-year forecast period equal to zero. Payout is the estimated number of years required to pay back the initial well drilling and completion costs. Refer to “Oil and Gas Metrics” for information regarding recycle ratios.

The type well information contained in this presentation has been included for the purposes of informing readers in comparing actual well production results to the type curve and to the certain assumptions and estimates relied on by Management as of the date of preparation for capital budgeting and forecasting purposes. Type well information should not be relied on as an estimate or evaluation of reserves or resources associated with the Company’s properties and readers are referred to the Company’s 2018 Annual Information Form dated March 26, 2019 for reserves information respecting the Company. The type well information presented herein does not have any standardized meaning and may not be comparable to similar measures presented by other companies. Actual results will vary from the type well information and such variations may be significant.

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.
Drilling locations (Continued)

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, working capital, and operating netback. 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, 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 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. Working capital is calculated as current assets minus current liabilities as they appear on the consolidated statements of financial position.

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