



TOUCHSTONE EXPLORATION INC. REPORTS SECOND QUARTER 2020 RESULTS AND PROVIDES AN OPERATIONAL UPDATE

CALGARY, ALBERTA (August 14, 2020) - Touchstone Exploration Inc. ("Touchstone", "we", "our", "us" or the "Company") (TSX, LSE: TXP) provides an operational update and reports its unaudited financial and operating results for the three months ended June 30, 2020. Selected information is outlined below and should be read in conjunction with Touchstone's June 30, 2020 unaudited consolidated interim financial statements and related Management's Discussion and Analysis, both of which will be available on the Company's website (www.touchstoneexploration.com) and under the Company's profile on SEDAR (www.sedar.com). Unless otherwise stated, all financial amounts herein are rounded to thousands of United States dollars.

Operational and Second Quarter Highlights

- Progressed with the tie-in of our Coho-1 natural gas well, with facilities construction and pipeline preparation underway.
- Delivered average daily crude oil production of 1,396 barrels per day ("bbls/d"), compared to 1,589 bbls/d in the first quarter of 2020 and 1,768 bbls/d in the second quarter of 2019. As expected, our crude oil production has reduced due to the ongoing impact of natural declines, reflecting a strategic focus on our Ortoire exploration program which has limited capital investment and reduced discretionary field maintenance expenditures.
- Invested \$1,249,000 in Ortoire exploration activities, primarily focused on Chinook-1 lease preparations and Coho-1 tie-in operations.
- Generated an operating netback of \$10.73 per barrel despite realized price reductions of 36 percent and 51 percent from the prior quarter and the second quarter of 2019, respectively.
- Achieved meaningful cost reductions, with operating costs on a per barrel basis decreasing by 28 percent and general and administrative expenses declining by 33 percent relative to the second quarter of 2019.
- Recognized net loss of \$2,742,000 (\$0.01 per share) compared to a net loss of \$9,240,000 (\$0.05 per share) in the previous quarter ended March 31, 2020 and a net loss of \$833,000 (\$0.01 per share) in the second quarter of 2019.
- Enhanced our financial flexibility and reduced our overall cost of borrowing by refinancing our long-term debt, withdrawing \$15 million of the available \$20 million balance of our new term loan to repay our former \$20 million Canadian dollar ("C\$") term loan.
- Maintained financial flexibility amid a weak commodity price backdrop, exiting the quarter with cash of \$6,891,000 and net debt of \$8,466,000.
- Received approximately \$2.8 million in bonds from the Trinidad government for past due value added tax balances. Subsequent to quarter-end, we sold the bonds to a financial institution at face value plus accrued interest.
- Spudded the Chinook-1 exploration well on August 13, 2020.

Paul R. Baay, President and Chief Executive Officer, commented:

"The spudding of the Chinook well marks the next phase of our Ortoire block exploration program that has already delivered two successful natural gas wells in just over a year. The Chinook well is being drilled in proximity to the original 1959 well and will further evaluate the turbidite concept eastward from the original Coho discovery. With the assistance of a 3D seismic survey, we are now expecting to move up structure to target the Herrera sands.

In addition to the initial work undertaken at Chinook, we have made progress across the Ortoire block, commissioning the previously announced Cascadura area independent reserves evaluation as well as commencing the Coho-1 tie-in project. In conjunction, we have been diligently working with the relevant government agencies to fulfill our regulatory and environmental obligations.

I am happy to report that the Company finished the period with a healthy cash position with increased financial flexibility through the new term loan, a position that has been further buoyed by monetizing our Trinidad government issued bonds in July. Finally, I would like to thank all members of our staff for their tireless work and dedication that have enabled us to keep the drilling program and facilities projects moving forward during these challenging times."

Second Quarter Summary and Outlook

The second quarter of 2020 was an extremely challenging period for the oil and gas sector, as declines in demand caused by the COVID-19 outbreak resulted in global oversupply and volatile crude oil prices. Despite these challenges we managed our business effectively during the quarter, mitigating operational losses and progressing with the tie-in of our Coho-1 natural gas well and the drilling of our Chinook-1 exploration well. We took decisive action to protect our cash flows in the quarter, implementing cost saving initiatives that significantly lowered our operating and general and administrative expenses. We successfully adapted our work procedures to ensure operational safety and business continuity, with only minor unavoidable delays related to the pandemic.

Going forward, we remain focused on protecting the health of our employees and communities and ensuring a decisive response for our investors. Our objective remains to bring our two natural gas exploration discoveries onto production as soon as possible, which are expected to not only increase cash flow but insulate us from further crude oil price volatility from the continued effects of COVID-19. Drilling operations are ongoing at our Chinook prospect, and we anticipate drilling the Cascadura Deep location subject to maintaining ongoing liquidity targets.

The rapid decline in oil prices had a negative impact on our cash flows during the second quarter of 2020 and our projections for the balance of the year. Ongoing weakness in commodity prices resulting from COVID-19 impacts on demand and market volatility may adversely impact our future financial and operational results. With market conditions changing rapidly, there continues to be significant uncertainty around the potential effect this could have on Touchstone's operations and results, which could be material. We continue to monitor the situation and economic environment, and we will adapt our business operations and drilling program to ensure that we preserve and grow long-term shareholder value.

Operational Update

Touchstone spudded the Chinook-1 exploration well on our Ortoire exploration block on August 13, 2020 using Well Services rig #80. The Chinook-1 well is targeting hydrocarbon prospects in the Herrera formation at depths between 8,000 and 9,200 feet, the same geologic horizon that was targeted in the Company's successful Coho and Cascadura discoveries. The Chinook-1 well offsets the BW-7 and 7X wells drilled by Shell Trinidad Limited in 1959 and is targeting the same zones in which hydrocarbons were previously observed in the wells in an updip and seismically optimized location. The exploration well is expected to be drilled to a total measured depth of 9,880 feet, with drilling operations anticipated to take approximately 40 days. The Chinook-1 well is the third of four earning exploration wells under Touchstone's Ortoire Exploration and Production Licence. The Company has an 80% working interest in the well but is responsible for 100% of the drilling, completion and testing costs associated with the well. Heritage Petroleum Company Limited holds the remaining 20% working interest. There were no crude oil or natural gas reserves associated with the Chinook-1 well included in the Company's December 31, 2019 independent reserves evaluation.

We continue to work with various government organizations to finalize the facilities and tie-in of the Coho natural gas discovery. We have received initial comments for the required Certificate of Environmental Compliance ("CEC") from the Trinidad Environmental Management Authority and are currently preparing

our responses. In parallel with the CEC, the contractor has commenced construction of the surface equipment along with the preparation of the materials required for the pipeline. We have also received approval to begin transportation of the coated pipe to the well location where it will be stored while awaiting final approval to commence construction.

We are also working with the National Gas Company of Trinidad and Tobago ("NGC") to identify the optimal tie-in point for petroleum volumes from the Cascadura discovery. Earlier this month a field visit was conducted with NGC to review possible pipeline routes to existing NGC facilities. Final project design is contingent upon the drilling results from Chinook-1 and Cascadura Deep, as it is anticipated that any potential additional petroleum volumes would be aggregated to one gathering system.

Financial and Operating Results Summary

	Three months ended			Six months ended		
	2020	June 30, 2019	% change	2020	June 30, 2019	% change
Operating Highlights						
Average daily oil production (<i>bbls/d</i>)	1,396	1,768	(21)	1,493	1,944	(23)
Brent benchmark price (<i>\$/bbl</i>)	29.70	69.04	(57)	40.23	66.07	(39)
Operating netback ⁽¹⁾ (<i>\$/bbl</i>)						
Realized sales price	29.34	60.33	(51)	38.25	58.91	(35)
Royalties	(6.99)	(17.25)	(59)	(10.66)	(16.19)	(34)
Operating expenses	(11.62)	(16.23)	(28)	(12.67)	(14.52)	(13)
	10.73	26.85	(60)	14.92	28.20	(47)
Financial Highlights						
<i>(\$000's except as indicated)</i>						
Petroleum sales	3,755	9,708	(61)	10,453	20,723	(50)
Cash flow (used in) from operating activities	(1,921)	1,832	n/a	(1,997)	4,569	n/a
Funds flow (used in) from operations ⁽²⁾	(450)	1,310	n/a	807	3,740	(78)
Per share – basic and diluted ⁽¹⁾⁽²⁾	(0.00)	0.01	n/a	0.00	0.02	n/a
Net loss	(2,742)	(833)	100	(11,982)	(1,018)	100
Per share – basic and diluted	(0.01)	(0.01)	-	(0.07)	(0.01)	100
Exploration capital expenditures	1,249	681	83	3,072	1,041	100
Development capital expenditures	92	315	(71)	312	714	(56)
Total capital expenditures	1,341	996	35	3,384	1,755	93
Working capital surplus				(6,534)	(2,062)	100
Principal non-current balance of term loan				15,000	11,459	31
Net debt ⁽¹⁾ – end of period				8,466	9,397	(10)
Share Information (000's)						
Weighted average shares outstanding – basic and diluted	183,640	160,688	14	176,500	150,891	17
Outstanding shares – end of period				184,161	160,688	15

Notes:

- (1) Non-GAAP financial measure that does not have a standardized meaning prescribed by International Financial Reporting Standards and therefore may not be comparable with the calculation of similar measures presented by other companies. See "Advisories: Non-GAAP Measures".
- (2) Additional GAAP term included in the Company's consolidated statements of cash flows. Funds flow (used in) from operations represents net loss excluding non-cash items. See "Advisories: Non-GAAP Measures".

Operating results

In the second quarter of 2020, we invested \$1,249,000 in exploration activities, as we continued with lease preparations on the Chinook-1 drill location and commenced Coho-1 well tie-in operations.

We conducted minimal developmental activity in the quarter, with average crude oil sales declining to 1,396 bbls/d, a 12 percent decrease relative to the 1,589 bbls/d produced in the first quarter of 2020 and a 21 percent reduction from 1,768 bbls/d produced in the second quarter of 2019. Our crude oil sales volumes have decreased due to the ongoing impact of natural declines associated with limited capital investment since the final two wells of the 2018 drilling program were brought onstream in January 2019. In addition, we deliberately reduced discretionary operating expenditures in the quarter in response to lower crude oil pricing, only focusing on working on high priority wells. Development capital activity for the balance of the year is expected to be minimal as we focus predominantly on our exploration program.

Financial results

We reported negative funds flow from operations of \$450,000 in the second quarter of 2020 versus funds flow from operations of \$1,310,000 generated in the 2019 second quarter. The decrease reflected significantly lower commodity prices as a result of the impact of the COVID-19 pandemic and a 21 percent decline in crude oil production. For the six months ended June 30, 2020, we generated funds flow from operations of \$807,000 (2019 - \$3,740,000).

We recorded a net loss of \$2,742,000 (\$0.01 per share) in the second quarter of 2020 versus a net loss of \$833,000 (\$0.01 per share) in the prior year equivalent quarter. The decrease was primarily attributed to a reduction of \$2,947,000 in operating netbacks, driven by reduced production and realized pricing, partially offset by savings in royalties and operating costs. During the quarter, we focused on various cost-saving initiatives, as quarterly operating costs decreased 43 percent and 28 percent on an absolute and per barrel basis from the second quarter of 2019, respectively. We also reduced second quarter 2020 general and administrative expenses by 15 percent from the previous quarter and 33 percent relative to the second quarter of 2019.

We refinanced our debt in the quarter by entering into a \$20 million term loan facility with a Trinidad based financial institution. \$15 million was initially withdrawn to satisfy obligations related to prepaying our former C\$20 million Canadian based term loan. The new credit facility does not require the commencement of principal payments until June 15, 2022, and financial covenants are not tested until the year ended December 31, 2022. By transferring our senior debt to Trinidad, the refinancing is expected to reduce our future after tax cost of borrowing from 8 percent to approximately 3.5 percent.

We exited the quarter with a working capital surplus of \$6,534,000, \$15 million withdrawn on our term credit facility and net debt of \$8,466,000. Our liquidity is augmented by \$5 million of undrawn credit capacity, with principal payments not due until the second quarter of 2022.

Touchstone Exploration Inc.

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". For further information about Touchstone, please visit our website at www.touchstoneexploration.com or contact:

Mr. Paul Baay, President and Chief Executive Officer
Mr. Scott Budau, Chief Financial Officer
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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 prescribed under Generally Accepted Accounting Principles ("GAAP") 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 earnings, net earnings per share, 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 (used in) operations is an additional GAAP measure included in the Company's consolidated statements of cash flows. Funds flow from operations represents net earnings (loss) excluding non-cash items. Touchstone considers funds flow from operations to be an important measure of the Company's ability to generate the funds necessary to finance capital expenditures and repay debt. 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) non-current amount of senior secured debt.

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 Company's exploration plans and strategies, including anticipated drilling, timing, development, tie-in, facilities construction, and ultimate production from exploration wells; the Company's expectation regarding future demand for the Company's petroleum products and economic activity in general; the impacts of COVID-19 on the Company's business and measures taken in response thereto; uncertainty regarding COVID-19 and the impact it will have on future petroleum pricing and global financial markets; the Company's expected after tax cost of debt; and the sufficiency of resources and available financing to fund future capital expenditures and maintain financial liquidity. 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 2019 Annual Information Form dated

March 25, 2020 which has been filed on SEDAR and can be accessed at www.sedar.com. The forward-looking statements contained in this news release are made as of the date hereof, and except as may be required by applicable securities laws, the Company assumes no obligation to update publicly or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.