



TOUCHSTONE ANNOUNCES YEAR-END 2020 RESULTS

CALGARY, ALBERTA (March 26, 2021) - Touchstone Exploration Inc. ("Touchstone", "we", "our", "us" or the "Company") (TSX, LSE: TXP) reports its operating and financial results for the three months and year ended December 31, 2020. Selected information is outlined below and should be read in conjunction with Touchstone's December 31, 2020 audited consolidated financial statements, the related Management's discussion and analysis and Annual Information Form, all of which will be available under the Company's profile on SEDAR (www.sedar.com) and the Company's website (www.touchstoneexploration.com). Unless otherwise stated, all financial amounts herein are rounded to thousands of United States dollars.

2020 Highlights

- Achieved annual crude oil sales of 1,392 barrels per day ("bbls/d"), a 24 percent decrease relative to the 1,825 bbls/d produced in 2019. As expected and consistent with 2019, 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 development capital investment.
- Executed a high impact, incident free \$17,861,000 exploration program, primarily focused on drilling two gross (1.6 net) wells.
- Despite limited capital and operational development asset investment and considerably lower crude oil pricing, generated funds flow from operations of \$263,000 (2019 - \$6,840,000) and an operating netback of \$14.49 per barrel (2019 - \$26.61).
- Continued to focus on discretionary cost reductions, with operating costs on a per barrel basis decreasing by 12 percent and general and administration expenses declining by 6 percent relative to 2019.
- Recognized a net loss of \$11,030,000 (\$0.06 per share) compared to a net loss of \$5,620,000 (\$0.04 per share) in 2019, driven by \$11,418,000 in net impairment losses recorded in the year predominantly based on lower forecasted crude oil pricing.
- Established a \$20 million term loan with a Trinidad based financial institution and successfully accessed capital markets to continue our Ortoire exploration program, raising total net proceeds of \$39.2 million from two oversubscribed equity financings.
- Maintained financial flexibility, exiting the year with cash of \$24,281,000, a working capital balance of \$12,933,000 and \$7,500,000 drawn on our \$20 million term credit facility, resulting in a net surplus of \$5,433,000.
- Business continuity plans remain effective across our locations in response to COVID-19 with minimal health and safety impacts or disruptions to production.

Paul Baay, President and Chief Executive Officer, commented:

"2020 presented significant challenges to the wider oil and gas industry due to the impact of COVID-19 on working operations and the volatile nature of global oil prices. It is against that backdrop that I am delighted to report another year of significant progress at Touchstone in which we have enhanced our financial position significantly, encountered major natural gas discoveries as well as signed a historic long-term natural gas sales agreement with the National Gas Company of Trinidad and Tobago.

I would like to thank the entire team at Touchstone for their dedication, perseverance and flexibility during this difficult period which has enabled us to achieve such success. As a result of their hard work, the Company is very well positioned for another year of growth as we move forward with our exploration, development and production program at Ortoire and across the wider portfolio."

2020 Annual Summary and Outlook

The resilience and quality of our employees and asset base were demonstrated throughout an extremely challenging operational and financial period in 2020. The impacts on our business due to COVID-19 and the associated volatility in crude oil prices forced prompt decisions to preserve financial flexibility and protect the health of our employees and stakeholders. We remain focused on protecting the health of our employees and communities while ensuring a decisive response for our investors. We will continue to follow the advice of public health officials in supporting our employees, their families, and our business partners.

Despite these challenges, Touchstone continued with its focus on improving financial liquidity, capturing cost savings, and increasing the long-term value of our core assets. We managed our business prudently during the year, progressing with our Ortoire exploration program and maintaining our base production while continuing safe and reliable operations.

The enhanced liquidity provided from our debt refinancing and our 2020 equity financings are expected to allow us to fund our exploration program in 2021, with a core focus on drilling our final work commitment exploration well (Royston-1), completing our 2D seismic program, testing our two exploration wells drilled in 2020, and bringing our Coho-1 and Cascadura-1ST1 discoveries onto production in 2021.

Our primary objective remains to bring our two natural gas exploration discoveries at Ortoire onto production in 2021. Additionally, production testing operations are ongoing at our Chinook-1 and Cascadura Deep-1 prospects, and we anticipate drilling our Royston-1 location in the second quarter of 2021. As the current economic and health related challenges persist, we will continue to adapt our business operations and capital programs to ensure health and safety and enhance long-term shareholder value.

Financial and Operating Results Summary

	Three months ended			Year ended		
	2020	December 31, 2019	% change	2020	December 31, 2019	% change
Operating Highlights						
Average daily oil production ⁽¹⁾ (bbls/d)	1,274	1,690	(25)	1,392	1,825	(24)
Net wells drilled	1.6	0.8	100	1.6	1.6	-
Brent benchmark price (\$/bbl)	44.32	63.17	(30)	41.96	64.28	(35)
Operating netback ⁽²⁾ (\$/bbl)						
Realized sales price	37.66	57.38	(34)	38.34	58.01	(34)
Royalties	(10.48)	(17.05)	(39)	(10.74)	(16.49)	(35)
Operating expenses	(13.28)	(15.21)	(13)	(13.11)	(14.91)	(12)
	13.90	25.12	(45)	14.49	26.61	(46)

Notes:

- (1) The Company's reported crude oil production is a mix of light and medium crude oil and heavy crude oil for which there is not a precise breakdown since the Company's oil sales volumes typically represent blends of more than one type of crude oil.
- (2) Non-GAAP financial measure that does not have a standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures presented by other companies. See "Non-GAAP Measures" for further information.

	Three months ended			Year ended		
	2020	December 31, 2019	% change	2020	December 31, 2019	% change
Financial Highlights <i>(\$000's except as indicated)</i>						
Petroleum sales	4,414	8,920	(51)	19,592	38,654	(49)
Cash from operating activities	167	2,090	(92)	2,296	5,454	(58)
Funds flow (used in) from operations ⁽²⁾	(736)	2,018	n/a	263	6,840	(96)
Per share – basic and diluted ⁽¹⁾⁽²⁾	(0.00)	0.01	n/a	0.00	0.04	(100)
Net earnings (loss)	1,655	(3,549)	n/a	(11,030)	(5,620)	96
Per share – basic and diluted	0.01	(0.02)	n/a	(0.06)	(0.04)	50
Exploration capital expenditures	9,031	5,838	55	17,861	10,113	77
Development capital expenditures	186	157	18	709	1,388	(49)
Total capital expenditures	9,217	5,995	54	18,570	11,501	61
Working capital (surplus) deficit ⁽¹⁾				(12,933)	1,139	n/a
Principal non-current balance of term loan				7,500	15,364	(51)
Net (surplus) debt ⁽¹⁾ – end of period				(5,433)	16,503	n/a
Share Information (000's)						
Weighted avg. shares outstanding						
Basic	197,686	160,691	23	183,781	155,830	18
Diluted	206,072	160,691	28	183,781	155,830	18
Outstanding shares – end of period				209,400	160,703	30

Notes:

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

Annual operating results

Throughout 2020, we conducted minimal capital development activity and continued to allocate capital to exploration activities on our Ortoire property. As a result, crude oil production during the fourth quarter averaged 1,274 bbls/d, a 25 percent decrease relative to the 1,690 bbls/d produced in the fourth quarter of 2019 based on the ongoing impact of natural declines. Further, commencing in March 2020, we deliberately reduced discretionary operating expenditures in response to lower crude oil pricing, focusing on performing well interventions on those deemed high priority. Accordingly, annual 2020 crude oil production averaged 1,392 bbls/d, representing a decrease of 24 percent from crude oil production delivered in 2019. We invested \$709,000 in development activities in 2020, which mainly consisted of recompletion activities on legacy wellbores and upgrades to our oilfield service equipment to maintain base production levels.

We remained heavily focused on our Ortoire exploration activities in 2020, investing \$17,861,000 in exploration assets during the year. In 2020, we drilled two gross exploration wells (1.6 net) and incurred production testing costs on the Cascadura-1ST1 well drilled in December 2019. The Chinook-1 exploration well reached its total depth on October 13, 2020, and we concluded drilling operations on Cascadura Deep-1 on December 19, 2020.

Annual financial results

We reported funds flow from operations of \$263,000 in 2020 versus \$6,840,000 generated in the prior year. Petroleum sales recognized in 2020 decreased by 49 percent or \$19,062,000 from 2019, reflecting a 34

percent reduction in our realized sales pricing as a result of the COVID-19 pandemic and a 24 percent decline in crude oil production volumes from limited capital and operational investment. The reduction in 2020 petroleum sales resulted in a 50 percent decline in royalty expenses compared to 2019. In response to the drastic decrease in realized crude oil pricing, we instituted cost-saving initiatives, decreasing annual operating expenses by 33 percent and 12 percent on an absolute and per barrel basis from 2019, respectively. As a result, our annual 2020 operating netback was \$14.49 per barrel versus \$26.61 per barrel reported in 2019. In addition, we reduced annual 2020 general and administration expenses by 6 percent in comparison to 2019. Finance expenses increased by \$3,419,000 from 2019, as non-cash finance expenses increased by \$1,734,000 predominately as a result of the Company's term loan refinancing. Further, Touchstone recognized a one-time \$1,286,000 income tax interest reversal recorded in net finance expenses in the prior year. Relative to 2019, current income tax expense decreased by \$5,094,000 or 95 percent, reflective of \$4,914,000 in supplemental petroleum taxes incurred in the prior year from higher realized crude oil pricing.

We recorded a net loss of \$11,030,000 (\$0.06 per share) in 2020 compared to a net loss of \$5,620,000 (\$0.04 per share) in 2019. Touchstone recognized net impairment losses of \$11,418,000 in 2020 compared to impairment losses of \$7,960,000 recorded in 2019. 2020 impairments were a result of \$795,000 of licence costs on non-core exploration assets and \$10,623,000 in net property and equipment impairments. \$19,215,000 in impairment losses were recognized in the first quarter of 2020 based on the precipitous decline in forward crude oil pricing, while net property and equipment impairment recoveries of \$8,592,000 were recorded in the fourth quarter of 2020 based on our updated reserve report and a recovery of forward oil prices as at December 31, 2020. The net impairment losses were minimized by their corresponding effect on deferred taxes, as a recovery of \$6,273,000 was recognized during the year ended December 31, 2020 (2019 – \$1,813,000).

On the basis of the successful results from the first three Ortoire exploration wells, we undertook a private placement that closed on November 12, 2020 in order to support the completion of the initial phase of exploration work on the Ortoire block, raising net proceeds of \$28,386,000. Touchstone exited the year with a cash balance of \$24,281,000, a working capital surplus of \$12,933,000 and \$7,500,000 drawn on our term credit facility resulting in a net surplus position of \$5,433,000. Our near-term liquidity is augmented by \$12.5 million of undrawn credit capacity.

Touchstone Exploration Inc.

Touchstone Exploration Inc. is a Calgary, Alberta 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; or
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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, working capital and net debt. These terms do not have a standardized meaning prescribed under Generally Accepted Accounting Principles ("GAAP") or IFRS and may not be comparable to similar measures presented by other companies. Shareholders and investors are cautioned that these measures should not be construed as

alternatives to cash flow from operating activities, net earnings, net earnings per share, total assets, 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. 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 (surplus) 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 (surplus) debt is calculated by summing the Company's working capital and the principal (undiscounted) non-current amount of senior secured debt.

Please refer to the Company's December 31, 2020 Management's Discussion and Analysis for reconciliations of Non-GAAP Measures contained herein to applicable GAAP measures.

Forward-Looking Statements

Certain information provided in this news release may constitute forward-looking statements and information (collectively, "forward-looking statements") within the meaning of applicable securities laws. Such forward-looking statements include, without limitation, forecasts, estimates, expectations and objectives for future operations that are subject to assumptions, risks and uncertainties, many of which are beyond the control of the Company. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or are events or conditions that "will", "would", "may", "could" or "should" occur or be achieved.

Forward-looking statements 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, production testing, 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, global financial markets and the Company's operations; 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 2020 Annual Information Form dated March 25, 2021 which will be 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.