

Touchstone Announces Third Quarter 2017 Financial Results

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CALGARY, Alberta, Nov. 14, 2017 (GLOBE NEWSWIRE) -- [Touchstone Exploration Inc.](#) ("Touchstone" or the "Company") (TSX:TXP) (LSE:TXP) announces its financial and operating results for the three months ended September 30, 2017 (the "third quarter"). Selected financial and operational information is outlined below and should be read in conjunction with Touchstone's September 30, 2017 unaudited interim consolidated financial statements and related management's discussion and analysis, both of which will be available under the Company's profile on SEDAR ([www.sedar.com](#)) and the Company's website ([www.touchstoneexploration.com](#)). Unless otherwise stated, tabular amounts herein are in thousands of Canadian dollars, and amounts in text are rounded to thousands of Canadian dollars.

2017 Third Quarter Highlights

- Generated quarterly funds flow from operations of \$1,387,000 (\$0.01 per basic share) compared to \$438,000 (\$0.01 per basic share) in the second quarter of 2017 and \$1,567,000 (\$0.02 per basic share) in the prior year comparative period.
- Realized an operating netback of \$24.46 per barrel, representing increases of 25% from the second quarter of 2017 and 29% from the third quarter of 2016.
- Achieved quarterly average crude oil sales of 1,437 barrels per day ("bbls/d"), representing increases of 8% from the second quarter of 2017 and 13% from the prior year comparative period.
- Successfully drilled one well and recompleted three wells.
- Subsequent to quarter-end, the Company secured bonding to support its cash collateralized US\$2,150,000 letter of credit relating to East Brighton exploration work commitments.
- The Company's Board of Directors approved the drilling of four additional wells on its Coora 2 and WD-8 properties; Touchstone expects to commence operations in December 2017.

2017 Third Quarter and Year-to-Date Financial and Operating Results Summary

	Three months ended September 30, 2017		Nine months ended September 30, 2017	
	2017	2016	2017	2016
Operating				
Average daily oil production (bbls/d)	1,437	1,276	1,351	1,319
Operating netback ¹ (\$/bbl)				
Brent benchmark price	65.28	59.75	67.61	55.07
Discount	(5.64	) (7.19	) (6.03	) (8.18
Realized sales price	59.64	52.56	61.58	46.89
Royalties	(16.41	) (13.89	) (18.93	) (12.98
Operating expenses	(18.77	) (19.65	) (19.95	) (21.48
Operating netback prior to derivatives	24.46	19.02	22.70	12.43
Realized gain on derivatives	-	-	-	17.87
Operating netback after derivatives	24.46	19.02	22.70	30.30
<i>Financial (\$'000's except share and per share amounts)</i>				
Funds flow from operations	1,387	1,567	2,218	5,764
Per share – basic and diluted ¹	0.01	0.02	0.02	0.07
Net loss	(1,203	) (702	) (4,600	) (5,699

Per share – basic and diluted	(0.01	) (0.01	) (0.05	) (0.07)
Capital expenditures					
Exploration	202	847	910	1,476	
Property and equipment	1,889	327	7,375	1,033	
Total	2,091	1,174	8,285	2,509	
Total assets – end of period			80,137	72,550	
Net debt ¹ – end of period			14,598	4,135	
Weighted average shares outstanding					
Basic and diluted	103,137,143	83,137,143	90,243,370	83,116,705	
Outstanding shares – end of period			103,137,143	83,137,143	

¹ Refer to advisory regarding non-GAAP measures.

Touchstone drilled and completed the fourth and final well of its initial 2017 drilling program in the third quarter of 2017. Two of the wells were on production for the duration of the quarter, while the remaining two wells commenced production during the quarter. The four wells contributed a combined field estimated 273 bbls/d of incremental production. Touchstone’s workover program continued in the quarter with three well recompletions; the Company performed 13 well recompletions in the calendar year of 2017. The Company invested \$2,091,000 in the third quarter of 2017 on exploration and development expenditures, of which \$1,576,000 related to drilling and well recompletions. As a result, third quarter 2017 production increased to 1,437 bbls/d, representing an increase of 8% from the second quarter of 2017 and 13% from the third quarter of 2016. The Company experienced weather delays in the third quarter due to unseasonable heavy rains that affected both swabbing operations and the ability to sell all produced volumes at quarter-end.

Realized third quarter 2017 pricing for crude oil was \$59.64 (US\$47.53) per barrel versus \$52.56 (US\$40.24) per barrel received in the equivalent quarter of 2016. Petroleum revenues increased 28% from the prior year comparative quarter based on a 13% year-over-year increase in realized crude oil prices and a 13% increase in production. Third quarter 2017 royalty expenses represented 27.5% of petroleum revenues compared to 26.4% in the third quarter of 2016. The increase reflected the sliding scale effect of increased commodity prices on royalty rates, slightly offset by increased new drilling production which qualified for reduced royalties. Third quarter 2017 per barrel operating expenses decreased 4% from the prior year comparable quarter. General and administrative costs increased 45% from the prior year third quarter, primarily based on additional fees associated with the Company’s AIM listing, a \$179,000 onerous lease reversal recorded in 2016, and less capitalized costs in 2017. Third quarter 2017 net finance expenses remained consistent with the prior quarter. In the third quarter of 2016, the Company reversed a \$1,169,000 interest expense balance that was waived in relation to a tax amnesty.

Funds flow from operations for the three months ended September 30, 2017 was \$1,387,000 (\$0.01 per basic share) versus funds flow from operations of \$1,567,000 (\$0.02 per basic share) recognized in the third quarter of 2016. Funds flow from operations decreased in comparison to the prior year comparative quarter largely due to the material income tax reversal recorded in 2016. The Company recorded a net loss of \$1,203,000 (\$0.01 per basic share) during the three months ended September 30, 2017, versus a net loss of \$702,000 (\$0.01 per basic share) recognized in the prior year comparative period.

Touchstone exited the quarter with a working capital surplus of \$402,000 and a \$15,000,000 principal term loan balance. In addition, the Company classified \$3,069,000 in cash used to collateralize letters of credit that secured future work obligations on production and development contracts as long-term restricted cash.

The Company must continue to maintain a minimum cash reserves balance of \$5,000,000 on a quarterly basis in accordance with its term loan arrangement.

In the third quarter, Touchstone traded a total of 22,797,299 common shares, 76% of which were traded on the AIM exchange.

Subsequent to September 30, 2017, Export Development Canada provided the Company’s bank with a performance security guarantee to support the Company’s US\$2,150,000 letter of credit related to the exploration work commitments on its East Brighton property. Prior to the guarantee, the letter of credit

was collateralized with cash and classified as long-term restricted cash.

Paul Baay, President and Chief Executive Officer, commented:

“I am very pleased with the results of the 2017 drilling program, with the four wells drilled thus far exceeding our expectations. We are excited to take the proven geological concept to our Coora 2 and WD-8 properties. These wells will also satisfy our 2016 and 2017 work commitments. With the further increase in operating netback achieved during this quarter, we are in position to continue to strengthen and grow our business.”

About Touchstone

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

Advisories

Non-GAAP Measures: This press release contains terms commonly used in the oil and natural gas industry, such as funds flow from operations per share, operating netback and net debt. These terms do not have a standardized meaning under International Financial Reporting Standards and may not be comparable to similar measures presented by other companies. 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. Operating netback is presented on a per barrel basis and is calculated by deducting royalties and operating expenses from petroleum revenue. The Company 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 uses operating netback as a key performance indicator of field results, and considers it to be a key measure as it demonstrates Touchstone's profitability relative to current commodity prices. Net debt is calculated by summing the Company's working capital and non-current undiscounted interest bearing liabilities. Working capital is defined as current assets less current liabilities as they appear on the statements of financial position. The Company uses this information to assess its true debt and liquidity position and to manage capital and liquidity risk. 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.

Forward-Looking Statements: Certain information provided in this press release may constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking information in this press release may include, but is not limited to, statements regarding the Company's future recompletion and drilling plans, including the anticipated timing thereof. 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 Annual Information Form dated March 21, 2017 which has been filed on SEDAR and can be accessed at www.sedar.com. The forward-looking statements contained in this press 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.

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