

Touchstone Announces Year-End 2019 Results

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CALGARY, March 26, 2020 - [Touchstone Exploration Inc.](#) ("Touchstone", "we", "our", "us" or the "Company") (TSX, LSE: TSE) reports its operating and financial results for the three months and year ended December 31, 2019. Selected information outlined below and should be read in conjunction with Touchstone's December 31, 2019 audited consolidated financial statements, the related Management's discussion and analysis and Annual Information Form, all of which will be available on 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.????

Subsequent Events and Outlook

- Subsequent to year-end, we issued 22,500,000 common shares raising net proceeds of approximately \$10.8 million primarily fund the Chinook prospect on our Ortoire block.
- Our emphasis remains on bringing Coho-1 and Cascadura-1ST1 onto production as soon as possible.
- We are preparing to drill an earning exploration well at the Chinook prospect and anticipate continuing with the planned exploration program unless it becomes absolutely necessary to suspend it.
- Touchstone has immediately responded to the significant global economic uncertainty created by the novel coronavirus ("COVID-19") pandemic combined with the unprecedented decline in crude oil prices. Discretionary costs have been minimized with field operations limited to emergency workovers.
- Management's main concern is the safety and wellbeing of its employees and stakeholders. International travel has been restricted, and remote working and physical distancing measures have been implemented where possible to allow operations to continue as smoothly as possible in the circumstances.
- Aside from voluntarily restricting certain field operations, the Company has had no operational impacts from COVID-19 to date, and we will monitor the situation and adapt our operations accordingly.
- Our low base production decline rate, strong operating netbacks, top-tier capital efficiencies, lack of development commitments and solely operated exploration capital program provide flexibility in this volatile market. Bolstered by a recent private placement, the Company had approximately \$13.5 million of cash as at February 29, 2020, and no repayments were required on the Company's debt until January 2021. We remain focused on managing our operations to ensure that we operate within our credit facility financial covenants.

2019 Highlights

- Achieved annual crude oil sales of 1,825 barrels per day ("bbls/d"), a 6% increase relative to the 1,718 bbls/d produced in 2018.
- Executed a \$10,113,000 exploration program to drill two gross (1.6 net) successful wells.
- Increased petroleum sales by 2% from the prior year, generating \$38,654,000 versus \$37,729,000 in 2018.
- Despite an annual 10% decrease in Brent reference pricing, we realized an operating netback of \$26.61 per barrel, which is consistent with the \$26.68 per barrel generated in the prior year.
- Reduced operating costs by 8% and 14% on an absolute and per barrel basis from the prior year, respectively.
- Despite a 90% annual decrease in discretionary development capital investment, we delivered funds flow from operations of \$6,840,000 (\$0.04 per share) compared to \$8,548,000 (\$0.07 per share) realized in 2018.
- Exited the year with cash of \$6,182,000 and net debt of \$16,503,000, representing 2.4 times net debt to annual funds flow from operations.

2019 Financial and Operating Results Summary

	Three months ended December 31,			Year ended December 31,			% change
	2019	2018	change	2019	2018	change	
Operating Highlights							
Average daily oil production (bbls/d)	1,690	1,851	(9)	1,825	1,718	6	
Net wells drilled	0.8	3.0	(73)	1.6	11.0	(85)	
Brent benchmark price?(\$/bbl)	63.17	68.76	(8)	64.28	71.31	(10)	
	(\$/bbl)						
Realized sales price	57.38	58.54	(2)	58.01	60.15	(4)	
Royalties	(17.05)	(14.81)	15	(16.49)	(16.16)	2	
Operating expenses	(15.21)	(21.18)	(28)	(14.91)	(17.31)	(14)	
Operating netback ⁽¹⁾	25.12	22.55	11	26.61	26.68	-	
Financial Highlights							
(\$000's except as indicated)							
Petroleum sales	8,920	9,970	(11)	38,654	37,729	2	
Cash flow from operating activities	2,090	1,810	15	5,454	6,331	(14)	
Funds flow from operations ⁽²⁾	2,018	1,482	36	6,840	8,548	(20)	
Per share ? basic and diluted ⁽¹⁾⁽²⁾	0.01	0.01	-	0.04	0.07	(43)	
Net (loss) earnings	(3,549)	552	???????	n/a(5,620)	358	n/a	
Per share ? basic and diluted	(0.02)	0.00	???????	n/a(0.04)	0.00	n/a	
Exploration capital expenditures	5,838	1,603	264	10,113	2,557	296	
Development capital expenditures	157	4,773	(97)	1,388	14,606	(90)	
Total capital expenditures	5,995	6,376	(6)	11,501	17,163	(33)	
Working capital deficit				1,139	3,318	(66)	
Principal balance of term loan				15,364	11,004	40	
Net debt ⁽¹⁾ ? end of period							

16,503

14,322

Share Information (000's)

Weighted average shares? 160,691 129,021 25 155,830 129,021 21
outstanding ? basic

Weighted average shares? 160,691 130,532 23 155,830 130,220 20
outstanding ? diluted

(1) Non-GAAP financial measure that does not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS") 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 from operations represents net earnings (loss) excluding non-cash items. See "Advisories: Non-GAAP Measures".

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Operating Results

Throughout 2019, Touchstone 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 1,690 bbls/d, a 9% decrease relative to the 1,851 bbls/d produced in the fourth quarter of 2018, as incremental production achieved from wells drilled in 2018 were offset by natural declines. 2019 crude oil production averaged 1,825 barrels per day, representing an increase of 6% from production delivered in 2018. We invested \$1,388,000 in development activities in 2019, which mainly consisted of recompletion activities on legacy wellbores.

We commenced our onshore exploration program on the Ortoire block (80% working interest) in the second half of 2019, drilling two gross exploration wells (1.6 net). Coho-1, the first natural gas prospect, had an encouraging production test that exceeded the Company's expectations. Touchstone completed drilling its second Ortoire exploration prospect, Cascadura-1ST1, in December 2019, with production testing in February and March 2020 confirming a substantial liquids-rich gas discovery. In aggregate, we invested \$10,113,000 in exploration activities, including \$8,901,000 in drilling, completion and lease building activities (2018 - \$2,557,000 and \$nil, respectively).

Financial Results

Despite an 8% decrease in average Brent reference pricing, our fourth quarter operating netback was \$25.12 per barrel, representing an 11% increase from the \$22.55 per barrel operating netback achieved in the equivalent prior year period. Realized fourth quarter 2019 crude oil pricing was \$57.38 per barrel, 2% less than the \$58.54 per barrel received in the fourth quarter of 2018 as the Company's realized pricing differential to Brent reference pricing narrowed significantly. 2019 fourth quarter royalties represented 29.7% of petroleum sales compared to 25.3% in the prior year comparative period. This reflected an increase in overriding royalties, as production from development wells drilled in 2017 and 2018 qualified for reduced royalty rates throughout 2018. In comparison to the fourth quarter of 2018, operating expenses on a per barrel basis decreased 28% to \$15.21 per barrel, predominately due to decreased well servicing expenditures and licence fees. On an annual basis, our 2019 operating netback of \$26.61 per barrel was consistent with the \$26.68 recorded in the prior year. Despite a 10% decrease in average Brent reference pricing, the Company realized \$58.01 per barrel, a 4% decrease from the \$60.15 per barrel recognized in 2018. In comparison to 2018, 2019 royalties per barrel increased by 2% while operating costs per barrel decreased by 14%, reflecting the Company's 2019 cost control efforts.

For the three months and year ended December 31, 2019, Touchstone delivered funds flow from operations of \$2,018,000 (\$0.01 per share) and \$6,840,000 (\$0.04 per share), respectively. Fourth quarter 2019 funds flow from operations increased by \$536,000 from the \$1,482,000 recorded in the corresponding 2018 period, reflecting savings in cash finance expenses from the reversal of previously accrued income tax interest expenses, slightly offset by increased income tax expenses recorded in 2019. 2019 funds flow from operations were \$1,708,000 less than the \$8,548,000 recognized in 2018. Annual savings in operating costs

and cash finance expenses were offset by an increase of \$3,513,000 in current income taxes. Fourth quarter and annual 2019 income taxes increased based on minimal capital development activity, which decreased credits used to offset supplemental petroleum taxes.?

We recorded net losses of \$3,549,000 (\$0.02 per share) and \$5,620,000 (\$0.04 per share) during the three months and year ended December 31, 2019, respectively, in comparison to net earnings of \$552,000 (\$0.00 per share) and \$358,000 (\$0.00 per share) in the comparative 2018 periods, respectively. The annual variances were driven by property and equipment impairments, as \$7,594,000 in impairments were recorded in the fourth quarter of 2019 versus impairment reversals of \$3,719,000 recognized in the fourth quarter of 2018. The impairment expenses were minimized by their corresponding effect on deferred taxes, as recoveries of \$3,945,000 and \$1,813,000 were recognized during the three months and year ended December 31, 2019 (2018 ? expenses of \$3,228,000 and \$6,897,000).

Touchstone exited the year with a cash balance of \$6,182,000, a working capital deficit of \$1,139,000 and a C\$20 million principal term loan balance. Net debt as at December 31, 2019 was \$16,503,000, which represented net debt to annual 2019 funds flow from operations of 2.4 times. In the fourth quarter of 2019, we increased the principal balance of our credit facility from C\$15 million to C\$20 million in order to fund the Cascadura-1ST1 exploration well. The credit facility does not require the commencement of principal payments until January 1, 2021, and we were within the financial covenants as at December 31, 2019.

Subsequent Events Outlook

On the basis of the successful results from the first two Ortoire exploration wells, the Company undertook a private placement in February 2020 in order to support the drilling of a further Ortoire exploration well at the Chinook prospect, which is targeting a separate structure along the same geological trend. The private placement raised net proceeds of approximately \$10.8 million by way of a placing of 22,500,000 common shares at a price of 40 pence (approximately C\$0.69). The net proceeds of the equity issuance are also expected to be used to complete the second stage of the Cascadura-1ST1 production test and provide additional working capital while we progress the Ortoire exploration program.

With the significant drop and volatility in financial markets and world crude oil prices as a result of the COVID-19 pandemic and concurrent oil market share war, consistent with past practices the Company will manage its development and operational spending and will only adjust the 2020 exploration capital program if absolutely necessary.

The Company's response to these events will be to continue its approach of maintaining prudence and financial flexibility with a focus on preserving value and financial liquidity. All operations will be thoroughly vetted to optimize corporate cash flows which may include shutting in any wells that will not generate positive cash flow under current forward crude oil prices. Further operating and corporate cost efficiencies will also be pursued in consideration of the current pricing environment. To date, the Company has not been subject to supply chain disruptions nor the unavailability of personnel.

We continue to monitor the situation and economic environment, and we will adapt our business operations to ensure that we preserve and grow long-term shareholder value. We thank our shareholders and stakeholders for their continuing support and look forward to coming out of this unprecedented challenge with a stronger and sustainable Company.

[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".

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 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 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) amount of senior secured debt.

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