

# Touchstone Announces Significant Cascadura Independent Reserves Evaluation

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CALGARY, July 20, 2020 - [Touchstone Exploration Inc.](#) ("Touchstone", "we", "our", "us" or the "Company") (TSX: TXP) announces highlights of our independent reserves evaluation of the Cascadura Assessment Area prepared by GLJ ("GLJ") with an effective date of June 30, 2020 (the "Cascadura Reserves Report"). Highlights of our total proved ("1P"), proved plus probable ("2P") and total proved plus probable plus possible ("3P") reserves from the Cascadura Reserves provided below. Unless otherwise stated, all financial amounts herein are rounded to thousands of United States dollars.

The Cascadura Assessment Area is located in the Company's Ortoire exploration block, onshore in the Republic of Trinidad and Tobago (Touchstone 80% working interest operator, Heritage Petroleum Company Limited 20% working interest). The Assessment Area represents the geologically and geophysically defined reservoirs which were evaluated by the Company. The Cascadura-1ST1 exploration well drilled in the fourth quarter of 2019 and tested in the first half of 2020.

The Cascadura Reserves Report evaluates the Cascadura Assessment Area on a stand-alone basis and provides a re-estimate of natural gas and natural gas liquids, as well as a before income tax estimate of net present values of future net revenues as of June 30, 2020. The Cascadura Reserves Report should be considered as supplementary to, and reconciling, the volumes and future net revenues disclosed 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](http://www.sedar.com).

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

"We are delighted to report that the independent reserves report verifies the material size of the reserves yet to be produced from the Cascadura structure and provides the groundwork for a multi-year future onshore development program in Trinidad. Through the excellent work of the Touchstone team in the drilling of our first two exploration wells, we have successfully proven up the hydrocarbon bearing turbidite model in Ortoire. This model will be further evaluated by our next two exploration targets, Ortoire and Cascadura deep, with drilling at Chinook on track to commence within the next few weeks.

We could not have envisioned a better start from the first two wells of the Ortoire exploration program, and we look forward to updating the market and our Trinidad stakeholders as we progress with our Ortoire exploration and development activities in the coming months."

#### Cascadura Reserves Report Highlights

- Gross Discovered Petroleum Initially-in-Place ("DPIIP") is estimated to be between 571.5 Bcf of natural gas in the High Estimate and 241.2 Bcf in the Low Estimate, with a Best Estimate of 398.5 Bcf.
- Company working interest 3P reserves of 73,190 Mboe (85% recovery of High Estimate DPIIP), 2P reserves of 47,326 Mboe (75% recovery of Best Estimate DPIIP), and 1P reserves of 23,622 Mboe (65% recovery of the Low Estimate DPIIP).
- Net peak production is estimated to be 22,600 boe/d in the 3P forecast, 15,108 boe/d in the 2P forecast, and 10,200 boe/d in the 1P forecast.
- Estimated before tax 3P 10% discounted net present value of future net revenues ("NPV10") of \$802.9 million, 2P NPV10 of \$519.2 million, and 1P NPV10 of \$287.7 million.
- Net future development costs associated with the development of the Cascadura Assessment Area is estimated at \$15.8 million for 1P reserves and \$15.8 million for both 2P and 3P reserves.

James Shipka, Chief Operating Officer, commented:

"GLJ's independent evaluation of the Cascadura-1ST1 production test results and the subsequent reserves evaluation of the Cascadura Assessment Area confirms the tremendous potential of the Ortoire exploration block. The Cascadura Reserves Report combines both the pressure and flow testing of the Cascadura-1ST1 well with the 3D seismic data which covers the entire Cascadura structure as we now understand it. The team is currently working hard to design the facilities and infrastructure to bring the Cascadura gas and liquids to market as quickly as possible, and with GLJ estimating there is in excess of 500 Bcf of discovered natural gas in place in the Cascadura area, it is evident that we have a clear pathway to a multi-year development program."

#### Cascadura Reserves Report Summary

Touchstone's petroleum reserves for the Cascadura Assessment Block were evaluated by independent qualified reserves evaluator, GLJ, in accordance with definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation ("COGE") Handbook and National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101").

reserve estimates set forth below are based upon GLJ's Cascadura Reserves Report dated July 17, 2020 with an effect June 30, 2020. All values in this news release are based on GLJ's July 1, 2020 forecast prices and estimates of future and capital development costs as at June 30, 2020. In certain tables set forth below, the columns may not add due to rounding.

#### Summary of Cascadura Assessment Area Company Gross Reserves as of June 30, 2020 by Product Type<sup>(1),(2)</sup>

Reserves Category	Conventional Natural Gas (MMcf)	Natural Gas Liquids (Mbbl)	Total Oil Equivalent (Mboe)
Proved			
Developed Producing	-	-	-
Developed Non-Producing	41,602	1,061	7,995
Undeveloped	81,313	2,074	15,627
Total Proved	122,916	3,136	23,622
Probable	111,402	2,841	21,408
Total Proved plus Probable	234,318	5,977	45,030
Possible	146,530	3,738	28,160
Total Proved plus Probable plus Possible	380,848	9,715	73,190

#### Notes:

(1) Gross Reserves are the Company's working interest share of the remaining reserves before deduction of any royalties.

(2) See "Advisories: Reserve Advisory, Oil and Gas Measures and Definitions of Petroleum Reserves".

Summary of Cascadura Assessment Area Company Net Present Values of Future Net Revenues as of June 30, 2020

Reserves Category	Net Present Values of Future Net Revenues Before Income Taxes Discounted at (% per year) (\$000's)				
	0%	5%	10%	15%	20%
Proved					
Developed Producing	-	-	-	-	-
Developed Non-Producing	161,557	128,781	105,583	88,572	75,714
Undeveloped	330,677	241,377	182,167	141,328	112,193
Total Proved	492,234	370,158	287,749	229,901	187,908
Probable	477,556	324,397	231,458	171,836	131,760
Total Proved plus Probable	969,790	694,555	519,207	401,737	319,668
Possible	653,133	416,464	283,674	203,110	151,106
Total Proved plus Probable plus Possible	1,622,923	1,111,019	802,881	604,847	470,774

Notes:

(1) Based on GLJ's July 1, 2020 escalated price forecast. See "Summary of Pricing and Inflation Assumptions".

(2) See "Advisories: Reserve Advisory and Definitions of Petroleum Reserves".

(3) GLJ did not forecast after tax net present values of future net revenues in the Cascadura Reserves Report given the Cascadura Assessment Area is an asset owned by a Trinidad corporate entity. Calculating income taxes on cash flows derived from a stand-alone asset would not be indicative of business entity level income taxes.

Summary of Pricing and Inflation Assumptions

The following table sets forth GLJ's forecasted benchmark reference pricing and inflation rates reflected in the Cascadura Reserves Report effective June 30, 2020.

Forecast Year	Brent Spot Crude Oil (\$/bbl) <sup>(1)</sup>	Conway Condensate (\$/bbl) <sup>(1)</sup>	Henry Hub Natural Gas (\$/MMBtu) <sup>(1)</sup>	Inflation Rates (%/year) <sup>(2)</sup>
2020 Q3-Q4	43.50	36.90	2.08	0.0
2021	48.00	39.60	2.55	0.0
2022	51.50	42.75	2.65	1.0
2023	56.50	47.25	2.75	2.0
2024	60.00	50.40	2.85	2.0
2025	62.95	53.06	2.95	2.0
2026	64.13	54.12	3.01	2.0
2027	65.33	55.20	3.07	2.0
2028	66.56	56.30	3.13	2.0
2029	67.81	57.43	3.19	2.0
Thereafter	+2.0% / year	+2.0% / year	+2.0% / year	2.0

Notes:

<sup>(1)</sup> This summary table identifies benchmark reference pricing schedules that might apply to a reporting issuer. Product sales prices will reflect these reference prices with further adjustments for quality differentials and transportation to point of sale. See "Advisories: Reserve Advisory".

<sup>(2)</sup> Inflation rates for forecasting pricing and costs.

Cascadura Assessment Area Company Future Development Costs<sup>(1)</sup>

The following table provides information regarding the development costs deducted in the estimation of the Company's working interest future net revenue using forecast prices and costs included in the Cascadura Reserves Report.

Year	Proved Reserves (\$000's)	Proved plus Probable Reserves (\$000's)	Proved plus Probable plus Possible Reserves (\$000's)
2020	-	-	-
2021	1,000	1,000	1,000
2022	6,464	6,464	6,464
2023	4,121	4,121	4,121
2024	-	4,203	4,203
Total undiscounted	11,585	15,788	15,788
Total discounted at 10% per year	9,347	12,218	12,218

Note:

(1) See "Advisories: Reserve Advisory".

#### [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

##### Reserve Advisory

The reserves estimates prepared herein have been evaluated by an independent qualified reserves evaluator in accordance with NI 51-101 and the COGE Handbook. The disclosure in this news release summarizes certain information contained in the Cascadura Reserves Report but represents only a portion of the disclosure required under NI 51-101. In accordance with Canadian practice, production volumes and revenues are reported on a Company gross basis, before deduction of crown and other royalties. Unless otherwise specified, all reserves volumes in this news release (and all information derived therefrom) are based on Company gross reserves using forecast prices and costs.

The recovery and reserve estimates provided herein are estimates only, and there is no guarantee that the estimated reserves will be recovered. Actual reserves may eventually prove to be greater than or less than the estimates provided herein. This news release (i) summarizes the reserves of the Company's Cascadura Assessment Area only and the net present values of future net revenue for such reserves using forecast prices and costs as at June 30, 2020 prior to provision for income taxes, interest, general and administrative expenses, the impact of any financial derivatives or liabilities associated with the abandonment and reclamation of certain facilities and wells, and (ii) should be considered as supplementary to, and reconciled with, the volumes and net present values of future net revenues disclosed 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](http://www.sedar.com). The estimates of reserves and future net revenue have been made assuming that the development will occur. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation. It should not be assumed that the present worth of estimated before tax future net revenues presented in the table above represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained, and variances could be material.

The term "future development costs" does not have a standardized meaning and should not be used to make comparisons.

The DPIIP set forth in this news release has been provided for the sole purpose of highlighting the recovery factors used by GLJ in attributing reserves to the Cascadura Assessment Area effective as of June 30, 2020. As disclosed below, DPIIP is defined by COGE as that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of DPIIP includes production, reserves and contingent resources; the remainder is unrecoverable. It should not be assumed that any portion of the DPIIP set forth in this news release is recoverable other than the portion which has been attributed reserves by GLJ. There is uncertainty that it will be commercially viable to produce any portion of the DPIIP other than the portion that is attributed reserves.

In the Cascadura Reserves Report, GLJ estimated conventional natural gas revenues referencing Henry Hub natural gas forecasted pricing and natural gas liquids revenues based on forecasted Conway Condensate reference pricing. The Company is currently negotiating a marketing agreement for all petroleum products produced on the Ortoire property, and accordingly, such revenue estimates in the Cascadura Reserves Report may not be attained, and variances could be material. In addition, GLJ forecasted reserve volumes and future cash flows based upon volumetric interpretations and extrapolations based upon well testing. Notwithstanding contractual options for the extension of the Company's Ortoire block production and exploration agreement (the "Licence") upon a commercial discovery, the forecasted economic limit of individual wells and the net present values of future net revenue therefrom is currently beyond the initial exploration term of the Licence.

#### Definitions of Petroleum Reserves

The reserves have been categorized accordance with the reserves definitions as set out in the COGE Handbook, which are set out below.

"Reserves" are estimated remaining quantities of petroleum anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are further classified according to the level of certainty associated with the estimates as follows:

"Proved Developed Producing Reserves" are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing, or if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

"Proved Developed Non-Producing Reserves" are those reserves that either have not been on production or have previously been on production but are shut-in, and the date of resumption of production is unknown.

"Proved Undeveloped Reserves" are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g. when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves category (proved, probable, possible) to which they are assigned.

"Proved Reserves" are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

"Probable Reserves" are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

"Possible Reserves" are those additional reserves that are less certain to be recovered than probable reserves. There is a 10 percent probability that the quantities actually recovered will equal or exceed the sum

of proved plus probable plus possible reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

"Discovered Petroleum Initially-in-Place ("DPIIP") is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of DPIIP includes production, reserves, and contingent resources; the remainder is categorized as unrecoverable.

"Uncertainty Ranges" are described in the COGE Handbook as low, best, and high estimates for reserves and resources as follows:

The "Low Estimate" is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually recovered will equal or exceed the low estimate.

The "Best Estimate" is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.

The "High Estimate" is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10 percent probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

#### 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. The boe rate is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalent at the wellhead. Use of boe in isolation may be misleading.

#### 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 estimated DPIIP, reserves and the before tax net present values of future net revenue therefrom, future development costs and production rates associated with reserves, the potential undertaking, timing, locations and costs of future well drilling and related facilities, and the sufficiency of resources and available financing to fund future development and exploration operations. 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 factors and 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](http://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.

In addition, statements relating to reserves are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future. The recovery and reserve



estimates of Touchstone's reserves provided herein are estimates only, and there is no guarantee that the estimated reserves will be recovered. Consequently, actual results may differ materially from those anticipated in the forward-looking statements.

#### Abbreviations

bbl     barrel

Mbbl   thousand barrels

MMcf   million cubic feet

Bcf     billion cubic feet

MMBtu million British Thermal Units

boe     barrels of oil equivalent

boe/d   barrels of oil equivalent per day

Mboe   thousand barrels of oil equivalent

SOURCE [Touchstone Exploration Inc.](#)

#### Contact

about Touchstone, please visit our website at [www.touchstoneexploration.com](http://www.touchstoneexploration.com) or contact: Mr. Paul Baay, President and Chief Executive Officer, Mr. James Shipka, Chief Operating Officer, Telephone: 403.750.4487

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