

# Touchstone Announces Second Quarter 2021 Results and Operational Update

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CALGARY, Aug. 13, 2021 - [Touchstone Exploration Inc.](#) ("Touchstone", "we", "our", "us" or the "Company") (TSX: TXP) reports its operating and financial results for the three months ended June 30, 2021. Selected information is outlined and should be read in conjunction with Touchstone's June 30, 2021 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, all financial information herein are stated in United States dollars.

## Operational and Financial Highlights

- Achieved quarterly crude oil sales of 1,402 barrels per day ("bbls/d"), an 8 percent increase relative to the preceding quarter and consistent relative to the 1,396 bbls/d produced in the same period of 2020.
- Despite COVID-19 challenges in Trinidad, executed an incident free \$6,664,000 exploration program, primarily focused on Cascadura Deep-1 and Chinook-1 well production testing, Royston-1 lease and drilling expenditures, and the Royne seismic program.
- Realized crude oil prices averaged \$59.06 per barrel, representing a 13 percent increase from the first quarter of 2020 and a 101 percent increase from the second quarter of 2020.
- Generated an operating netback of \$26.30 per barrel from an average Brent price of \$68.98 per barrel.
- Despite limited petroleum asset capital investment of \$125,000, generated funds flow from operations of \$1,205,000 compared to a \$450,000 use of funds flow in the second quarter of 2020.
- Recognized a reduced net loss of \$284,000 (\$0.00 per share) compared to a net loss of \$2,742,000 (\$0.01 per share) in the 2020 equivalent quarter.
- Liquidity remained strong as we ended the second quarter with cash of \$11,214,000, a working capital balance of \$1,205,000 and \$7,500,000 drawn on our term credit facility, resulting in a net debt position of \$2,829,000.
- Entered into revised ten-year lease operating agreements for our Coora-1, Coora-2, WD-4 and WD-8 blocks through December 31, 2030.
- Executed an amendment to our \$20 million term loan facility agreement, extending the principal availability period from August 15, 2021 to December 31, 2021, thereby allowing us to access the outstanding \$12.5 million available balance prior to the end of the year.
- Spudded our final Ortoire minimum exploration commitment well, Royston-1, on August 12, 2021.

Paul Baay, President and Chief Executive Officer, commented:

"Our second quarter results continue to demonstrate the progress we are making in all areas of our operations in Trinidad and Tobago. The results are a testament to the great work done by our dedicated staff amidst a challenging COVID environment. The positive cashflow generation from our base assets and our strong liquidity position have allowed us to advance our exploration operations while we work towards initial natural gas production at our Coho and Cascadura discoveries. The team has been active in increasing crude oil production through a series of low-cost workovers and well optimization while preparing for the four development well drilling program planned for the fourth quarter of 2021. On the Ortoire block, we are progressing on all fronts including road construction, bridge repairs, well testing, seismic shooting, facilities design, pipeline installation and drilling our highly anticipated Royston-1 prospect. We remain confident that our available credit facility capacity combined with anticipated funds flow from operations will be sufficient to complete our budgeted four well development program as well as drilling Royston-1, one of a number of wells that we forecast to achieve in the second half of 2021 as we conclude the first phase of our Ortoire exploration program."

## Financial and Operating Results Summary

	Three months ended June 30,		% change	Six months ended June 30,		% change
	2021	2020		2021	2020	
<b>Operational</b>						
Average daily oil production <sup>(1)</sup> (bbls/d)	1,402	1,396	-	1,350	1,493	(10)
Brent benchmark price (\$/bbl)	68.98	29.70	132	64.95	40.23	61
<b>Operating netback<sup>(2)</sup> (\$/bbl)</b>						
Realized sales price	59.06	29.34	101	55.90	38.25	46
Royalties	(17.98)	(6.99)	157	(16.94)	(10.66)	59
Operating expenses	(14.78)	(11.62)	27	(14.72)	(12.67)	16
Operating netback	26.30	10.73	145	24.24	14.92	62
<b>Financial</b>						
(\$000's except per share amounts)						
Petroleum sales	7,586	3,755	102	13,706	10,453	31
Cash from (used in) operating activities	1,008	(1,921)	n/a	(226)	(1,997)	(89)
Funds flow from (used in) operations <sup>(3)</sup>	1,205	(450)	n/a	1,743	807	116
Per share - basic and diluted <sup>(2)(3)</sup>	0.01	(0.00)	n/a	0.01	0.00	n/a
Net loss	(284)	(2,742)	(90)	(744)	(11,982)	(94)
Per share - basic and diluted	(0.00)	(0.01)	(100)	(0.00)	(0.07)	(100)
Exploration capital expenditures	6,664	1,249	434	9,618	3,072	213
Development capital expenditures	125	92	36	252	312	(19)
Total capital expenditures	6,789	1,341	406	9,870	3,384	192
Working capital surplus <sup>(2)</sup>				(4,671)	(6,543)	(29)

Principal non-current balance of	7,500	15,000	(50)
term loan			
Net debt <sup>(2)</sup> - end of period	2,829	8,466	(67)

#### Share Information (000's)

##### Notes:

(1) Weighted avg. shares outstanding:

(1) References to crude oil in the above table and elsewhere in this news release 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 Basic and diluted 209,757 182,640 74 209,579 176,500 19 volumes typically represent blends of more than one type of crude oil.

(2) Outstanding shares - end of period

(2) Non-GAAP financial measure that does not have a standardized meaning prescribed by International

Financial Reporting Standards ("IFRS" or "GAAP") and therefore may not be comparable with the calculation of similar measures presented by other companies. See "Advisories: Non-GAAP Measures" for further information.

(3) Additional GAAP term included in the Company's consolidated statements of cash flows. Funds flow from (used in) operations represents net loss excluding non-cash items. See "Advisories: Non-GAAP Measures" Operating results information.

Despite numerous challenges surrounding the COVID-19 pandemic in Trinidad during the second quarter of 2021, we continued to progress with our Ortoire exploration program and increased our base crude oil production from the first quarter of 2021 while maintaining safe and reliable operations.

Our crude oil sales averaged 1,402 bbls/d in the second quarter of 2021, representing an 8 percent increase from the first quarter of 2021 and consistent with production realized in the second quarter of 2020. The increase in production was reflective of increased workover operations that mitigated natural declines.

Our focus in the second quarter of 2021 remained on Ortoire exploration operations, as we invested \$6,664,000 and progressed with the following exploration activities.

- Executed production testing operations on the Cascadura Deep-1 well, with results indicating a liquids rich natural gas discovery.
- Continued progress on the Royston area 22-kilometre seismic program, which was completed in late July 2021.
- Completed the Royston-1 well access road and lease, with the well spudding on August 12, 2021.
- Continued Coho-1 natural gas facility construction operations and currently await stakeholder approval to proceed with pipeline installation.
- Perforated and initiated production testing of the Cruse Formation in the Chinook-1 well, with final results expected August 2021.

In June 2021, we executed ten-year Lease Operatorship Agreements ("LOAs") with Heritage Petroleum Company Limited ("Heritage") for our Coora-1, Coora-2, WD-4 and WD-8 blocks effective January 1, 2021. The LOAs governing our core legacy oil producing properties expire on December 31, 2030 and were renewed under substantially similar terms to the previous arrangements. In conjunction with the execution of the LOAs, our Board of Directors approved the drilling of four development wells, which are expected to be drilled in the fourth quarter of 2021 at a budgeted cost of \$1 million per well.

#### Financial results

We reported funds flow from operations of \$1,205,000 in the second quarter of 2021 compared to \$450,000 use of funds flow in the same period of 2020. In comparison to the second quarter of 2020, the increase primarily reflected a 101 percent increase in crude oil realized pricing, which increased 2021 second quarter operating netbacks by \$2,004,000 from 2020. Relative to the second quarter of 2020, further savings in second quarter 2021 term loan interest costs were offset by increased general and administration costs and income tax expenses accrued from increased taxable income.

Touchstone recorded a net loss of \$284,000 (\$0.00 per share) in the second quarter of 2021 compared to a net loss of \$2,742,000 (\$0.01 per share) in the prior year equivalent quarter. The decreased net loss was primarily attributed to an increase in operating netbacks, which were driven by increased realized pricing and slightly offset by increases in associated royalties and operating costs as we resumed pre-pandemic field operation levels.

We exited the second quarter with a cash balance of \$11,214,000, a working capital balance of \$4,671,000 and \$7,500,000 drawn on our term credit facility resulting in a net debt position of \$2,829,000. Our near-term liquidity is augmented by \$12.5 million of current undrawn credit capacity, which we may access any time prior to the end of the year based on an amendment to the \$20 million term credit facility agreement executed in June 2021.

Our primary objective remains to bring our Coho and Cascadura area natural gas exploration discoveries at Ortoire onto production as soon as practicable. 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.

#### Operational Update

##### Coho

The Coho facility construction is nearing completion, with all outstanding equipment in Trinidad or currently in transit. The 3-kilometre pipeline field construction has not commenced and is awaiting stakeholder approval for tie-in to the Central Block Baraka natural gas facility, with operations expected to begin in September 2021.

##### Royston

Our Ortoire exploration and production licence was set to expire on July 31, 2021, and we subsequently received regulatory approval to spud the final commitment well in August 2021. Upon completion of Royston-1 drilling operations, we will have fulfilled all minimum exploration work obligations with respect to the licence.

The Royston-1 well was spud on August 12, 2021 using Well Services Rig 60. The primary target is the Herrera Gr7a and the Gr7bc sands at a depth of approximately 9,600 feet, and the well is planned to terminate in the Gr7bc formation at an estimated total measured depth of 10,700 feet.

In July 2021, we completed the 2D seismic program commitment in the Royston area. Recording commenced on July 3, 2021 and was completed on July 26, 2021. Four northwest to southeast oriented lines were acquired totalling 22 kilometres in length. Processing of the lines are currently being undertaken by a third party, and preliminary analysis indicates that the Royston-1 and Krakken exploration targets have been imaged and the Bass prospect has been further delineated. The final processed volumes are expected to be received by the end of August 2021 for analysis.

##### Chinook-1

In the fourth quarter of 2020 and the first quarter of 2021, we performed a total of three production tests on the Chinook-1 well in three unique Herrera sand reservoirs. All tests encountered minor amounts of oil and were subsequently abandoned.

A fourth zone was completed over a 25-foot interval in the Cruse Formation between 3,004 feet to 3,029 feet on July 3, 2021. The well was initially opened to flow and recovered load fluid and dry natural gas. Downhole pressure recorders and well testing equipment were installed to perform a deliverability flow test on July 13, 2021. The flow test spanned a total of 45 hours, comprised of an initial clean-up flow period, followed by an initial shut-in period and a five-step rate test, including a 24-hour extended flow test. During the extended flow test period, the well achieved a peak production rate of approximately 0.7 million cubic feet per day

("MMcf/d") of dry natural gas and flowed at an average natural gas rate of approximately 0.35 MMcf/d with an average flowing pressure of approximately 200 pounds per square inch. No liquids or water was encountered during testing. The well was shut in on July 15, 2021 for a 30-day pressure buildup, after which the downhole pressure recorders are expected to be recovered in mid-August 2021 for further analysis.

## Cascadura

We have completed the design of the surface facilities required to meet the initial and long-term production capabilities of the Cascadura-1ST1 and Cascadura Deep-1 exploration wells that have been successfully tested. The Company has submitted a comprehensive field development plan to the Trinidad and Tobago Ministry of Energy and Energy Industries in conjunction with a declaration of commerciality.

The Cascadura surface facility Certificate of Environmental Clearance ("CEC") application was submitted to the Trinidad and Tobago Environmental Management Authority ("EMA") in April 2021, and the EMA subsequently informed Touchstone that the application will require a Cascadura area Environmental Impact Assessment ("EIA"). The CEC application and associated EIA relate to the comprehensive development of the Cascadura reservoir, including a proposed main surface facility and an 8.3-kilometre liquids pipeline that is expected to run south from the surface facility to the Heritage Catshill manifold.

A third-party contractor has been engaged to assist with the Cascadura EIA Terms of Reference ("TOR"). Dry season baseline environmental survey work was completed in May 2021, and wet season baseline environmental study work is expected to commence in September 2021. Stakeholder engagement was conducted between June 2021 and early July 2021. No requests were made from the stakeholder engagement process for changes to the draft TOR, and the final TOR was received from the EMA on July 29, 2021. Touchstone expects to submit the final EIA TOR submission to the EMA by the end of 2021.

## 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".

## 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 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. 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.

Please refer to the Company's June 30, 2021 Management's discussion and analysis for reconciliations of non-GAAP measures contained herein to applicable GAAP measures.

## Oil and Gas Matters

References in this news release to production test rates and initial flow rates are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which the well will commence production and decline thereafter and are not indicative of long-term performance or of ultimate recovery. Additionally, such rates may also include recovered "load oil" fluids used in well completion. Readers are cautioned not to place reliance on such rates in calculating the aggregate production of the Company. A final reservoir analysis, completion interpretation, may be presented and may be different from the initial interpretation. Paul Baibar, President and Chief Executive Officer, Wells And Drilling, The Company, or Matt James, Chief Operating Officer, Touchstone Oil & Gas, 750-1487, is preliminary.

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Forward-looking statements in this news release may include, but are not limited to, statements relating to the Company's development and exploration plans and strategies, including anticipated well drilling operations, including timing and locations, production testing operations and initial production testing results, facility construction and tie-in operations and timing thereof, anticipated completion and receipt of regulatory approvals, and ultimate production from development and exploration wells, the Company's current financial position and its expectations of future funds flow 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 is filed under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)) and is available on the Company's website ([www.touchstoneexploration.com](http://www.touchstoneexploration.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.

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