

Touchstone Announces First Quarter 2023 Financial and Operating Results

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CALGARY, May 12, 2023 - [Touchstone Exploration Inc.](#) ("Touchstone", "we", "our", "us" or the "Company") (TSX:TXP)(LSE:TXP) reports its operating and financial results for the three months ended March 31, 2023. Selected information is outlined below and should be read in conjunction with our March 31, 2023 unaudited interim condensed consolidated financial statements and related Management's discussion and analysis, both of which will be available under our profile on SEDAR (www.sedar.com) and on our website (www.touchstoneexploration.com). Unless otherwise stated, all financial amounts herein are rounded to thousands of United States dollars.

First Quarter 2023 Financial and Operational Highlights

- Produced quarterly average volumes of 2,139 boe/d, representing a 53 percent increase relative to the 1,396 boe/d produced in the prior year equivalent quarter and a 4 percent decrease compared to the fourth quarter of 2022.
- Natural gas production from our Coho-1 well averaged net volumes of 5.1 MMcf/d (854 boe/d) in the quarter and contributed \$976,000 of net natural gas sales at an average realized price of \$2.12/Mcf.
- Realized petroleum and natural gas sales of \$8,476,000 compared to \$10,496,000 in the 2022 comparative quarter, as the incremental \$976,000 in net natural gas sales were offset by decreased crude oil sales of \$2,996,000, reflecting a 22 percent decline in realized crude oil pricing and an 8 percent decrease in crude oil production.
- Generated an operating netback of \$3,652,000, representing a 23 percent decrease from the 2022 equivalent quarter primarily attributed to a 19 percent decline in petroleum and natural gas sales.
- Reported funds flow from operations of \$803,000 in the quarter compared to \$691,000 in the preceding quarter and \$1,443,000 in the prior year equivalent quarter.
- Recognized a net loss of \$279,000 (\$0.00 per basic share) in the quarter compared to a net loss of \$236,000 (\$0.00 per basic share) reported in the same period of 2022.
- \$9,019,000 in quarterly capital investments primarily focused on expenditures directed to the drilling of the Royston-1X sidetrack well and progressing construction of the Cascadura natural gas and liquids facility.
- Exited the quarter with a cash balance of \$10,859,000, a working capital deficit of \$4,383,000 and a principal balance of \$25,500,000 remaining on our term credit facility, resulting in a net debt position of \$23,883,000.
- Natural gas and liquids facility construction operations on the Cascadura A surface location have progressed and we continue to target completion and commissioning for first production at Cascadura on or about June 30, 2023.
- Construction of the Cascadura C surface location is complete, which will be the location of our first Cascadura development well.
- The second production test of the Royston-1X well is expected to commence in late May 2023 once the service rig has moved onto the lease following the drilling rig being moved to the Cascadura C location.

Financial and Operating Results Summary

	Three months ended		
	March 31, 2023	December 31, 2022	March 31, 2022
Operational			
Average daily production			

● Crude oil ⁽¹⁾ (bbls/d)	1,285	1,274	1,396
● Natural gas ⁽¹⁾ (Mcf/d)	5,124	5,729	-
Average daily production (boe/d) ⁽²⁾	2,139	2,229	1,396
Average realized prices ⁽³⁾			
● Crude oil ⁽¹⁾ (\$/bbl)	64.86	75.10	83.55
● Natural gas ⁽¹⁾ (\$/Mcf)	2.12	2.11	-
Realized commodity price (\$/boe) ⁽²⁾	44.03	48.36	83.55
Production mix (% of production)			
● Crude oil ⁽¹⁾	60	57	100
● Natural gas ⁽¹⁾	40	43	-
Operating netback (\$/boe) ⁽²⁾			
● Realized commodity price ⁽³⁾	44.03	48.36	83.55
● Royalties ⁽³⁾	(13.01)	(15.24)	(28.55)
● Operating expenses ⁽³⁾	(12.05)	(12.07)	(17.17)
Operating netback ⁽³⁾	18.97	21.05	37.83
Financial (\$000's except per share amounts)			

Petroleum and natural gas sales	8,476	9,919	10,496
Cash from (used in) operating activities	913	(1,189)	350
Funds flow from operations ⁽³⁾	803	691	1,443
Net loss	(279)	(1,921)	(236)
● Per share - basic and diluted	(0.00)	(0.01)	(0.00)
Exploration capital expenditures	8,750	2,290	1,874
Development capital expenditures	269	219	680
Capital expenditures ⁽³⁾	9,019	2,509	2,554
Working capital deficit (surplus) ⁽³⁾	4,383	(4,992)	(4,259)
Principal long-term balance of term loan	19,500	21,000	25,500
Net debt ⁽³⁾ - end of period	23,883	16,008	21,241
Share Information(000's)			

Weighted average shares
outstanding - basic and diluted

233,037	217,106	210,823
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Outstanding shares - end of
period

233,037	233,037	211,164
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Notes:

1. In the table above and elsewhere in this news release, references to "crude oil" refer to light and medium crude oil and heavy crude oil product types combined and references to "natural gas" refer to conventional natural gas, all as defined in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). Refer to "Advisories - Product Type Disclosures" for further information.
2. In the table above and elsewhere in this news release, references to "boe" mean barrels of oil equivalent that are calculated using the energy equivalent conversion method. Refer to "Advisories - Oil and Natural Gas Measures" for further information.
3. Non-GAAP financial measure. See "Advisories - Non-GAAP Financial Measures" for further information.

Annual and Special Meeting of Shareholders

Touchstone's virtual-only Annual and Special Meeting of Shareholders (the "Meeting") will be held on Thursday, June 29, 2023 at 10:30 a.m. (Mountain time).

The Meeting materials are expected to be mailed to shareholders on or around May 30, 2023, after which they will also be available on our website (www.touchstoneexploration.com/investors/shareholder-meetings) and under our profile on SEDAR (www.sedar.com).

[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
Mr. Scott Budau, Chief Financial Officer
Mr. James Shipka, Chief Operating Officer
Telephone: 403.750.4487

Advisories

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. The forward-looking statements contained in this news release speak only as of the date thereof and are expressly qualified by this cautionary statement.

Specifically, this news release includes, but is not limited to, forward-looking statements relating to the Company's development and exploration plans and strategies; Cascadura facility construction operations and the expected timing of completion and initial production therefrom; anticipated future drilling operations and locations; the timing of anticipated Royston-1X well completion and testing operations; and Touchstone's current and future financial position including the sufficiency of resources 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 2022 Annual Information Form dated March 23, 2023 which will be available under the Company's profile on SEDAR (www.sedar.com) and on the Company's website (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 or intent to update publicly or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures

This news release may reference various non-GAAP financial measures, non-GAAP ratios, capital management measures and supplementary financial measures as such terms are defined in National Instrument 52-112 - Non-GAAP and Other Financial Measures Disclosure. Such measures are not recognized measures under GAAP and do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS" or "GAAP") and therefore may not be comparable to similar financial measures disclosed by other issuers. Readers are cautioned that the non-GAAP financial measures referred to herein should not be construed as alternatives to, or more meaningful than, measures prescribed by IFRS, and they are not meant to enhance the Company's reported financial performance or position. These are complementary measures that are commonly used in the oil and natural gas industry and by the Company to provide shareholders and potential investors with additional information regarding the Company's performance. Below is a description of the non-GAAP financial measures, non-GAAP ratios, capital management measures and supplementary financial measures disclosed in this news release.

Funds flow from operations

Funds flow from operations is included in the Company's consolidated statements of cash flows. Touchstone considers funds flow from operations to be a key measure of operating performance as it demonstrates the Company's ability to generate the funds necessary to finance capital expenditures and repay debt. Management believes that by excluding the temporary impact of changes in non-cash operating working capital, funds flow from operations provides a useful measure of the Company's ability to generate cash that is not subject to short-term movements in non-cash operating working capital.

Operating netback

Touchstone uses operating netback as a key performance indicator of field results. The Company considers operating netback to be a key measure as it demonstrates Touchstone's profitability relative to current commodity prices and assists Management and investors with evaluating operating results on a historical basis. Operating netback is a non-GAAP financial measure calculated by deducting royalties and operating

expenses from petroleum and natural gas sales. The most directly comparable financial measure to operating netback disclosed in the Company's consolidated financial statements is petroleum and natural gas revenue net of royalties. Operating netback per boe is a non-GAAP ratio calculated by dividing the operating netback by total production volumes for the period. Presenting operating netback on a per boe basis allows Management to better analyze performance against prior periods on a comparable basis.

Capital expenditures

Capital expenditures is a non-GAAP financial measure that is calculated as the sum of exploration and evaluation asset expenditures and property, plant and equipment expenditures included in the Company's consolidated statements of cash flows and is most directly comparable to cash used in investing activities. Touchstone considers capital expenditures to be a useful measure of its investment in its existing asset base.

Working capital and net debt

Touchstone closely monitors its capital structure with a goal of maintaining a strong financial position to fund current operations and future growth. Working capital and net debt are capital management measures used by Management to steward the Company's overall debt position and assess overall financial strength. Working capital is calculated as current assets minus current liabilities as they appear on the consolidated balance sheets. Net debt is calculated by summing the Company's working capital and the principal (undiscounted) long-term amount of senior secured debt.

Supplementary Financial Measures

Realized commodity price per boe - is comprised of petroleum and natural gas sales as determined in accordance with IFRS, divided by the Company's total production volumes for the period.

Royalties per boe - is comprised of royalties as determined in accordance with IFRS, divided by the Company's total production volumes for the period.

Operating expenses per boe - is comprised of operating expenses as determined in accordance with IFRS, divided by the Company's total production volumes for the period.

For information regarding such measures, including reconciliations to the nearest GAAP measures, please refer to the "Advisories - Non-GAAP Financial Measures" section in the Company's Management's discussion and analysis for the three months ended March 31, 2023 accompanying our March 31, 2023 unaudited interim condensed consolidated financial statements which will be available on our website (www.touchstoneexploration.com) and under our SEDAR profile (www.sedar.com).

Oil and Natural 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.

Product Type Disclosures

For information regarding specific product disclosures in accordance with NI 51-101, please refer to the "Advisories - Product Type Disclosures" section in the Company's Management's discussion and analysis for the three months ended March 31, 2023 accompanying our March 31, 2023 unaudited interim condensed consolidated financial statements which will be available on our website (www.touchstoneexploration.com) and under our SEDAR profile (www.sedar.com).

Abbreviations

bbls/d barrels per day

boe barrels of oil equivalent

boe/d barrels of oil equivalent per day

Mcf thousand cubic feet

Mcf/d thousand cubic feet per day

MMcf/d million cubic feet per day

SOURCE: [Touchstone Exploration Inc.](#)

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