Touchstone Exploration Inc.

Interim Condensed Consolidated Financial Statements (unaudited)

As at and for the three months ended March 31, 2025 and 2024

Touchstone Exploration Inc.
Interim Condensed Consolidated Balance Sheets
Unaudited, Stated in thousands of United States dollars

As at	Note	March 31, 2025	December 31, 2024
Assets			
Current assets			
Cash		**5,718**	6,744
Accounts receivable	3	**10,711**	13,805
Value added tax bonds	4	**2,960**	-
Inventory		**98**	85
Prepaid expenses		**1,120**	1,517
		20,607	22,151
Exploration and evaluation assets	5	**4,175**	3,743
Property, plant and equipment	6	**126,419**	122,382
Restricted cash	9	**857**	924
Other assets		**35**	108
Abandonment fund	10	**3,147**	2,965
Total assets		**155,240**	152,273
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7	**20,389**	16,254
Income taxes payable	16	**48**	6
Current portion of bank debt	9	**7,875**	7,250
		28,312	23,510
Lease liabilities	8	**4,129**	4,368
Bank debt	9	**25,431**	27,541
Decommissioning liabilities	10	**10,137**	9,985
Share-based compensation liabilities	15	**160**	117
Deferred income taxes	16	**17,921**	17,924
Total liabilities		**86,090**	83,445
Shareholders' equity			
Shareholders' capital	11	**115,610**	115,610
Contributed surplus		**7,204**	7,069
Other comprehensive loss		**(13,736)**	(13,882)
Deficit		**(39,928)**	(39,969)
Total shareholders' equity		**69,150**	68,828
Total liabilities and shareholders' equity		**155,240**	152,273

Commitments (Note 19)
Subsequent events (Note 20)

See accompanying notes to these unaudited interim condensed consolidated financial statements.

Touchstone Exploration Inc.
Interim Condensed Consolidated Statements of Earnings and Comprehensive Income
For the three months ended March 31
Unaudited, stated in thousands of United States dollars (except per share amounts)

	Note	**2025**	2024
Revenue			
Petroleum and natural gas sales	12	**11,113**	16,584
Less: royalties		**(2,818)**	(3,677)
Petroleum and natural gas revenue, net of royalties		**8,295**	12,907
Other revenue		**13**	18
Total revenue		**8,308**	12,925
Expenses			
Operating		**2,144**	2,444
General and administration		**2,490**	2,366
Net finance	13	**819**	679
Transaction	14	**136**	380
Exploration		**11**	94
Foreign exchange (gain) loss	17	**(51)**	53
Share-based compensation	15	**164**	401
Depletion and depreciation	6	**2,426**	2,252
Impairment	5,6	**-**	524
Total expenses		**8,139**	9,193
Earnings before income taxes		**169**	3,732
Provision for income taxes			
Current expense	16	**167**	844
Deferred recovery	16	**(39)**	(740)
Total income tax expense		**128**	104
Net earnings		**41**	3,628
Currency translation adjustments		**146**	(297)
Comprehensive income		**187**	3,331
Net earnings per common share			
Basic and diluted	11	**0.00**	0.02

See accompanying notes to these unaudited interim condensed consolidated financial statements.

Touchstone Exploration Inc.
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
For the three months ended March 31
Unaudited, stated in thousands of United States dollars

	Note	**2025**	2024
Shareholders' capital			
Balance, beginning of period		**115,610**	114,965
Issued under share-based compensation plans	11	**-**	-
Balance, end of period		**115,610**	114,965
Contributed surplus			
Balance, beginning of period		**7,069**	6,166
Recognized under share-based compensation plans	15	**-**	-
Share-based compensation expense	15	**128**	401
Share-based compensation capitalized	6	**7**	14
Balance, end of period		**7,204**	6,581
Other comprehensive loss			
Balance, beginning of period		**(13,882)**	(13,124)
Other comprehensive income (loss)		**146**	(297)
Balance, end of period		**(13,736)**	(13,421)
Deficit			
Balance, beginning of period		**(39,969)**	(48,241)
Net earnings		**41**	3,628
Balance, end of period		**(39,928)**	(44,613)

See accompanying notes to these unaudited interim condensed consolidated financial statements.

Touchstone Exploration Inc.
Interim Condensed Consolidated Statements of Cash Flows
For the three months ended March 31
Unaudited, stated in thousands of United States dollars

	Note	2025	2024
Operating activities			
Net earnings		**41**	3,628
Items not involving cash from operations:			
Unrealized foreign exchange (gain) loss	17	**(60)**	20
Share-based compensation expense	15	**164**	401
Depletion and depreciation expense	6	**2,426**	2,252
Impairment expense	5,6	**-**	524
Non-cash finance expense	13	**48**	57
Deferred income tax recovery	16	**(39)**	(740)
Funds flow from operations		**2,580**	6,142
Net change in non-cash operating working capital		**3,031**	(773)
Cash from operating activities		**5,611**	5,369
Investing activities			
Exploration and evaluation expenditures	5	**(423)**	(108)
Property, plant and equipment expenditures	6	**(6,250)**	(11,854)
Abandonment fund expenditures	10	**(175)**	(301)
Net change in non-cash investing working capital		**2,092**	10,248
Cash used in investing activities		**(4,756)**	(2,015)
Financing activities			
Changes in restricted cash	9	**67**	59
Repayment of bank debt	9	**(1,500)**	(1,500)
Net finance lease payments	8	**(507)**	(629)
Net change in non-cash financing working capital		**61**	(10)
Cash used in financing activities		**(1,879)**	(2,080)
(Decrease) increase in cash		**(1,024)**	1,274
Cash, beginning of period		**6,744**	8,186
Impact of foreign exchange on foreign denominated cash balances		**(2)**	77
Cash, end of period		**5,718**	9,537
Supplementary information for cash from operating activities:			
Interest paid in cash	9	**663**	540
Income taxes paid in cash	16	**120**	358

See accompanying notes to these unaudited interim condensed consolidated financial statements.

1. Nature of Business

Touchstone Exploration Inc. and its subsidiaries (collectively, "Touchstone" or the "Company") are engaged in the business of petroleum and natural gas exploration, development, acquisition and production. The Company is currently active in the Republic of Trinidad and Tobago ("Trinidad").

Touchstone Exploration Inc. is incorporated under the laws of Alberta, Canada with its head and principal office located at 4100, 350 7th Avenue SW, Calgary, Alberta, Canada T2P 3N9. Touchstone's common shares are listed on the Toronto Stock Exchange ("TSX") and on the AIM market of the London Stock Exchange ("AIM") under the symbol "TXP".

2. Basis of Preparation

Statement of compliance

These unaudited interim condensed consolidated financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" using accounting policies consistent with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS"). These financial statements are condensed as they do not include all the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2024 (the "2024 audited financial statements").

Unless otherwise stated, amounts presented in these financial statements are denominated in United States dollars ("$" or "US$"). Canadian dollars ("C$") and Trinidad and Tobago dollars ("TT$") may also be referenced herein.

These financial statements have been prepared on a historical cost basis. All accounting policies and methods of computation followed in the preparation of these financial statements are consistent with those of the 2024 audited financial statements.

These financial statements were approved and authorized for issuance by Touchstone's Board of Directors (the "Board") on May 13, 2025.

Use of estimates, judgements and assumptions

The timely preparation of financial statements requires Management to use judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingencies at the date of the financial statements, and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimated.

In preparing these financial statements, the judgments made by Management in applying the Company's accounting policies and the key sources of significant estimation uncertainty were the same as those applied to the 2024 audited financial statements.

3. Financial Assets and Credit Risk

As at March 31, 2025, Touchstone was exposed to credit risk with respect to its accounts receivable balance. Credit risk is considered to be low for the Company's accounts receivable, as Touchstone's credit exposure typically pertains to monthly commodity sales and joint interest billings due from Trinidad government owned petroleum and natural gas entities, and value added taxes ("VAT") due from the Trinidad government.

Petroleum and natural gas billings are typically collected within one month of production, with approximately 29 percent of the Company's credit exposure as at March 31, 2025 attributed to accrued revenue for March 2025 production volumes. Joint interest billings are typically collected within one to two months following invoicing

The following tables disclose the composition and aging of Touchstone's accounts receivable balance for the periods indicated.

($000's)	**March 31, 2025**	December 31, 2024
Composition		
Petroleum and natural gas sales	**3,105**	4,334
Joint interest billings	**1,744**	806
VAT	**4,872**	7,678
Other	**990**	987
Accounts receivable balance	**10,711**	13,805
Aging		
Current (less than 30 days)	**4,757**	6,045
31-60 days	**2,193**	539
61-90 days	**-**	556
Past due (greater than 90 days)	**3,761**	6,665
Accounts receivable balance	**10,711**	13,805

As at March 31, 2025, Touchstone determined that the average expected credit loss on its accounts receivables was $nil. The Company believes that the accounts receivable balances that are past due are collectible, as they solely represent VAT amounts due from the Trinidad government. Although the timing of settlement is uncertain, Touchstone has not historically experienced any collection issues. During the three months ended March 31, 2025, $724,000 in past due VAT receivable was collected and the Trinidad government issued the Company an aggregate $2,960,000 in bonds in lieu of VAT payments (refer to Note 4).

4. Value Added Tax Bonds

On January 31, 2025, the Government of Trinidad issued fixed-rate bonds totaling $2,960,000 to the Company in settlement of outstanding VAT receivables. The 4.01 percent fixed-rate bonds have a maturity term of three years. The bonds are subject to a six-month non-transferability restriction from the date of issuance.

5. Exploration and Evaluation Assets

($000's)	**Three months ended March 31, 2025**	Year ended December 31, 2024
Balance, beginning of period	**3,743**	5,030
Additions	**423**	1,046
Impairment expense	**-**	(2,311)
Effect of change in foreign exchange rates	**9**	(22)
Balance, end of period	**4,175**	3,743

During the three months ended March 31, 2025, the Company recognized E&E asset impairment expenses of $nil (2024 - $59,000 related to the Ortoire operating area).

6. Property, Plant and Equipment

($000's)	Petroleum and natural gas development assets	Right-of-use assets	Corporate assets	Total
Cost				
Balance, January 1, 2024	**186,846**	**5,492**	**2,697**	**195,035**
Additions	21,256	2,930	1,449	25,635
Transfers within PP&E	1,283	(1,283)	-	-
Change in decommissioning assets (Note 10)	97	-	-	97
Acquisitions	356	-	-	356
Dispositions	(1,085)	-	-	(1,085)
Foreign exchange translation	(1,272)	(40)	(187)	(1,499)
Balance, December 31, 2024	**207,481**	**7,099**	**3,959**	**218,539**
Additions	**6,240**	**-**	**23**	**6,263**
Transfers within PP&E	**374**	**(374)**	**-**	**-**
Change in decommissioning assets (Note 10)	**67**	**-**	**-**	**67**
Lease modification (Note 8)	**-**	**(110)**	**-**	**(110)**
Foreign exchange translation	**459**	**(40)**	**23**	**442**
Balance, March 31, 2025	**214,621**	**6,575**	**4,005**	**225,201**
Accumulated depletion, depreciation and impairment				
Balance, January 1, 2024	**84,029**	**726**	**2,132**	**86,887**
Depletion and depreciation	8,245	1,020	236	9,501
Impairment expense	337	-	-	337
Foreign exchange translation	(392)	(18)	(158)	(568)
Balance, December 31, 2024	**92,219**	**1,728**	**2,210**	**96,157**
Depletion and depreciation	**2,197**	**151**	**78**	**2,426**
Foreign exchange translation	**195**	**3**	**1**	**199**
Balance, March 31, 2025	**94,611**	**1,882**	**2,289**	**98,782**
Carrying amounts				
Balance, December 31, 2024	115,262	5,371	1,749	122,382
Balance, March 31, 2025	**120,010**	**4,693**	**1,716**	**126,419**

During the three months ended March 31, 2025, $110,000 of direct and attributable overhead charges were capitalized to property, plant and equipment ("PP&E") (2024 - $82,000).

On March 31, 2025, the Company evaluated its petroleum and natural gas development assets included in PP&E for indicators of any potential impairment or reversal. As a result of this assessment, no indicators were identified.

7. Financial Liabilities and Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Touchstone actively manages its liquidity risk through cash and debt management strategies such as continuously monitoring actual and forecasted cash and working capital balances and cash flows from operating, investing and financing activities, ensuing compliance with bank debt covenants, and seeking opportunities to expand its existing bank debt or to issue additional equity (refer to Note 20).

The Company's principle near-term development plan is focused on increasing cash flow generation via development activities. The Company will take a measured approach to future developmental and exploration capital expenditures to manage financial liquidity while proceeding with this plan. Touchstone will continue to actively monitor its liquidity to ensure that cash flows, bank debt capacity and working capital are adequate to support current and future financial liabilities, as well as the Company's near-term capital programs and future work commitments.

At March 31, 2025, the Company had a working capital deficiency, primarily based on increased accounts payable and accrued liabilities from drilling activities conducted during the three months ended March 31, 2025. Subsequent to March 31, 2025, the Company entered into an agreement to complete a private placement to raise proceeds to finance development drilling (refer to Note 20).

The following table sets forth estimated undiscounted cash outflows and financial maturities of Touchstone's financial liabilities as at March 31, 2025.

($000's)	Undiscounted cash outflows[1]	Financial maturity by period		
		Less than 1 year	1 to 3 years	Thereafter
Accounts payable and accrued liabilities[2]	**18,925**	18,925	-	-
Income taxes payable (Note 16)	**48**	48	-	-
Lease liabilities[3] (Note 8)	**6,416**	1,532	3,572	1,312
Bank debt[3][4] (Note 9)	**37,157**	10,152	23,744	3,261
Share-based compensation liabilities[5] (Note 15)	**542**	382	160	-
Total financial liabilities	**63,088**	**31,039**	**27,476**	**4,573**

Notes:
(1) The undiscounted cash outflows equal their carrying values, with the exception of lease liabilities and bank debt.
(2) Excludes the current portion of lease liabilities and share-based compensation liabilities.
(3) Includes the notional interest and principal payments.
(4) Future interest payments are based on interest rates in effect as of March 31, 2025. Two of the Company's three loan facility interest rates are reset on an annual basis (refer to Note 9).
(5) Represent accrued obligations associated with share-based compensation that are expected to be settled in cash.

Refer to Note 9 "Bank Debt", Note 18 "Capital Management" and Note 19 "Commitments" for further details regarding the Company's debt structure and capital management objectives and policies.

8. Lease Liabilities

Touchstone is a party to lease arrangements for a drilling rig, office facilities, vehicles and equipment. The following table provides a continuity of the Company's lease liabilities for the periods indicated.

($000's)	Three months ended March 31, 2025	Year ended December 31, 2024
Balance, beginning of period	**5,866**	4,328
Additions	**-**	2,930
Interest expense	**140**	415
Repayments	**(656)**	(1,775)
Modifications	**(143)**	-
Effect of change in foreign exchange rates	**4**	(32)
Balance, end of period	**5,211**	5,866
Current (included in accounts payable and accrued liabilities)	**1,082**	1,498
Non-current	**4,129**	4,368
Lease liabilities balance	**5,211**	5,866

9. Bank Debt

As at December 31, 2024 and March 31, 2025, the Company had a $30 million non-revolving term loan facility ("term loan facility 1"), a $10 million non-revolving term loan facility ("term loan facility 2") and a $10 million revolving loan facility pursuant to a Third Amended and Restated Loan Agreement (the "Loan Agreement") with its Trinidad based lender.

Term loan facility 1 matures on June 15, 2027 and bears a fixed interest rate of 7.85 percent per annum, compounded and payable quarterly. As at March 31, 2025, the principal balance was $13,500,000, with nine equal and consecutive quarterly principal payments of $1,500,000 outstanding.

Term loan facility 2 matures on April 30, 2029, and bears an interest rate of 7.49 percent through April 30, 2025 which is reset on an annual basis. As at March 31, 2025, the principal balance of the term loan facility was $10,000,000, with sixteen equal and consecutive quarterly principal payments of $625,000 payable from July 31, 2025 through to maturity. On May 1, 2025, the interest rate was reset to 6.08 percent through April 30, 2026.

The revolving loan facility matures on May 31, 2026 and may be renewed by additional two-year periods by agreement between the parties. The revolving loan bears interest at a rate of 7.23 percent through May 31, 2025 and is reset annually. Outstanding principal may be repaid at any time, on or before the maturity date without penalty and any amounts repaid may be redrawn at any time.

The following table details the movements of the Company's bank debt balance for the periods indicated.

($000's)	**Term loan facility 1**	**Term loan facility 2**	**Revolving loan facility**	**Bank debt**
Balance, January 1, 2024	**20,977**	**-**	**7,000**	**27,977**
Advances, net of fees	-	9,747	6,000	15,747
Repayments	(6,000)	-	(3,000)	(9,000)
Accretion	16	51	-	67
Balance, December 31, 2024	**14,993**	**9,798**	**10,000**	**34,791**
Repayments	**(1,500)**	**-**	**-**	**(1,500)**
Accretion	**(1)**	**16**	**-**	**15**
Balance, March 31, 2025	**13,492**	**9,814**	**10,000**	**33,306**
Current	**6,000**	**1,875**	**-**	**7,875**
Non-current	**7,492**	**7,939**	**10,000**	**25,431**
Bank debt balance	**13,492**	**9,814**	**10,000**	**33,306**

Touchstone's bank debt is principally secured by a pledge of equity interests and fixed and floating security interests over all present and after acquired assets of its two Trinidad exploration and production subsidiaries. The Loan Agreement contains industry standard representations and warranties, undertakings, events of default, and financial covenants, which are applicable on a consolidated basis and evaluated on an annual basis. As at March 31, 2025, the Company was compliant with all covenants provided for in the Loan Agreement.

Pursuant to the Loan Agreement, Touchstone must at all times maintain a cash reserves balance of not less than the equivalent of two subsequent quarterly interest payments related to the two term loan facilities. Accordingly, the Company classified $857,000 of cash as long-term restricted cash as at March 31, 2025 (December 31, 2024 - $924,000).

Subsequent to March 31, 2025, the Company entered into a Fourth Amended and Restated Loan Agreement (the "Amended Loan Agreement") with its lender, which provided for an additional $30 million six-year term loan facility to finance a proposed acquisition (see Note 20).

10. Decommissioning Liabilities and Abandonment Fund

Touchstone's decommissioning liabilities were calculated by Management based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities, and the estimated timing of the costs to be incurred in future periods.

The Company has estimated the net present value of the cash flows required to settle its decommissioning liabilities to be $10,137,000 as at March 31, 2025 based on an inflation adjusted undiscounted future liability of $15,321,000 (December 31, 2024 - $9,985,000 and $15,197,000, respectively). Decommissioning liabilities were estimated as at December 31, 2024 and March 31, 2025 using a weighted average long-term risk-free rate of 5.5 percent and a long-term inflation rate of 1.9 percent.

The following table summarizes the movements of Touchstone's estimated decommissioning liability provision for the periods indicated.

($000's)	**Three months ended March 31, 2025**	Year ended December 31, 2024
Balance, beginning of period	**9,985**	9,733
Liabilities incurred from development activities	**63**	407
Liabilities acquired	**-**	130
Liabilities settled	**-**	(19)
Accretion expense	**65**	226
Revisions to estimates	**3**	(282)
Dispositions	**-**	(166)
Effect of change in foreign exchange rates	**21**	(44)
Balance, end of period	**10,137**	9,985

Pursuant to the Company's production and exploration licences and agreements, the Company is obligated to remit payments into various abandonment funds based on production, and the funds shall be used for the future abandonment of wells in the related licenced area. As at March 31, 2025, the Company classified $3,147,000 of accrued or paid fund contributions as non-current abandonment fund assets (December 31, 2024 - $2,965,000).

11. Shareholders' Capital

Issued and outstanding common shares

The Company is authorized to issue an unlimited number of voting common shares without nominal or par value. The holders of the common shares are entitled to one vote in respect of each common share held at all meetings of shareholders and the rights to any dividends declared.

The following table summarizes changes in common shares outstanding and shareholders' capital for the periods specified.

	Number of shares outstanding	**Shareholders' capital** *($000's)*
Balance, January 1, 2024	**234,212,726**	**114,965**
Issued under share-based compensation plans	2,247,935	645
Balance, December 31, 2024 and March 31, 2025	**236,460,661**	**115,610**

Subsequent to March 31, 2025, the Company entered into an agreement to complete a private placement to raise proceeds to finance development drilling (refer to Note 20).

Weighted average common shares

The following table sets forth the details of weighted average common shares used in calculating net earnings per common share for the periods indicated.

	Three months ended March 31,	
	2025	2024
Weighted average common shares outstanding - basic	**236,460,661**	234,212,726
Dilutive impact of share-based compensation plans	**-**	2,335,450
Weighted average common shares outstanding - diluted	**236,460,661**	236,548,176

For the three months ended March 31, 2025, approximately 11.6 million share-based compensation awards were excluded from the diluted weighted average shares calculation, as they were anti-dilutive (2024 – 10 million).

12. Petroleum and Natural Gas Sales

Touchstone derives its primary revenue from contracts with Trinidad government-owned entities through the transfer of commodities invoiced at the end of each month. The following table sets forth petroleum and natural gas sales by product type for the periods indicated.

($000's)	Three months ended March 31,	
	2025	2024
Crude oil	**6,679**	7,424
Natural gas liquids	**222**	1,657
Natural gas	**4,212**	7,503
Petroleum and natural gas sales	**11,113**	16,584

At March 31, 2025, accounts receivable from petroleum and natural gas sales were $3,105,000 related to March 2025 production (December 31, 2024 - $4,334,000 related to December 2024 production).

13. Net Finance Expense

($000's)	Three months March 31,	
	2025	2024
Interest income	**(20)**	(5)
Finance lease interest income	**(6)**	(8)
Lease liability interest expense (Note 8)	**140**	100
Bank debt interest expense (Note 9)	**657**	535
Accretion on decommissioning liabilities (Note 10)	**65**	54
Other	**(17)**	3
Net finance expense	**819**	679

14. Transaction expense

For the three months ended March 31, 2025, Touchstone incurred $136,000 in transaction costs pursuant to the Company's proposed acquisition (refer to Note 20). The Company recognized $380,000 in transaction expenses relating to a terminated acquisition during the three months ended March 31, 2024.

15. Share-based Compensation Plans

Touchstone has a stock option plan (the "Legacy Stock Option Plan") pursuant to which options to purchase common shares of the Company were granted by the Board to directors, officers and employees of Touchstone. Touchstone adopted an omnibus incentive compensation plan in June

2023 (the "Omnibus Plan") which replaced the Legacy Stock Option Plan and was adopted to allow the Company to grant stock options, RSUs and PSUs to directors, officers, employees and consultants. The aggregate number of common shares reserved for issuance under the Legacy Stock Option Plan and the Omnibus Plan at any time is limited to 10 percent of the Company's issued and outstanding common shares.

Stock option plans

No additional stock options will be granted under the Legacy Stock Option Plan, and all outstanding stock options previously issued will continue to be governed by such plan and will continue to vest in accordance with their existing vesting schedules.

Unless otherwise determined by the Board, stock option vesting occurs one third on each of the next three anniversaries of the grant date as recipients render continuous service to the Company, and stock options expire five years from the grant date. The option holder has the right to exercise the options and purchase one common share per option at the original grant price. Equity-settled share-based compensation expense is recognized as the stock options vest.

The following table summarizes changes in outstanding stock options and the related weighted average exercise prices for the periods specified.

	Number of stock options outstanding	Weighted average exercise price *(C$)*
Issued and outstanding, January 1, 2024	14,327,935	1.10
Exercised	(2,247,935)	0.25
Forfeited	(349,000)	1.52
Issued and outstanding, December 31, 2024	**11,731,000**	**1.25**
Forfeited	**(157,000)**	**1.28**
Issued and outstanding, March 31, 2025	**11,574,000**	**1.25**
Exercisable, March 31, 2025	**8,217,000**	**1.26**

Long-term incentive plans

Share awards plan

On July 12, 2024, the Company issued share awards in the form of RSUs and PSUs under its Omnibus Plan to executive officers and key employees. The RSUs vest one third on each of the next three anniversaries of the grant date and the number of share awards are fixed. The PSUs cliff vest on the third anniversary of the grant date and the number of share awards are variable. Each award may, in the Board's sole discretion, entitle the holder to be issued the number of Company common shares designated in the award, receive a payment in cash, or a combination thereof. If paid in cash, the plan participant will receive a cash payment based on the fair value of the underlying common shares on the applicable vesting date. PSUs are subject to a performance multiplier. This multiplier, ranging from zero to 1.75, will be applied to the original PSU awards granted on vesting and is dependent on the performance of the Company relative to predefined corporate performance measures set by the Board over the three-year vesting period.

All RSUs and PSUs are currently accounted for as cash settled. The fair value of the share-based compensation liability is determined based on the Company's closing common share price on the financial reporting date and is recognized as the share awards vest in the consolidated statements of income. PSUs are also adjusted by an estimated payout multiplier. The amount of cash-settled share-based compensation expense is reduced by an estimated forfeiture rate on the grant date, which has been estimated at five percent of outstanding share awards. The forfeiture rate is adjusted to reflect the actual number of shares that vest.

Deferred share unit plan

The Company offers a DSU plan to non-employee directors. DSUs fully vest on the grant date but are only available for redemption when the director ceases to be a member of the Board. DSUs are settled in cash as determined by the value of the underlying common shares on the payment date. The fair value of the liability is determined based on the Company's closing common price on the financial reporting date in the consolidated statements of income.

The following table summarizes outstanding RSU, PSU and DSU awards for the periods specified.

(number of awards outstanding)	**RSUs**	**PSUs**[(1)]	**DSUs**
Issued and outstanding, January 1, 2024	**-**	**-**	**-**
Granted	1,447,780	1,397,780	977,332
Issued and outstanding, December 31, 2024	**1,447,780**	**1,397,780**	**977,332**
Forfeited	(39,063)	(39,063)	-
Issued and outstanding, March 31, 2025	**1,408,717**	**1,358,717**	**977,332**

Note:
(1) Based on the underlying awards before any effect of the performance multiplier.

Share-based compensation expense

The following table sets forth share-based compensation expense recorded in relation to issued awards pursuant to the Company's share-based compensation plans for the periods specified.

($000's)	**Three months ended March 31,**	
	2025	2024
Equity-settled compensation (stock options)	**135**	415
Cash-settled compensation (RSUs, PSUs and DSUs)	**42**	-
Capitalized expense	**(13)**	(14)
Share-based compensation expense	**164**	401

Share-based compensation liabilities

The following table sets forth share-based compensation liabilities pursuant to Touchstone's share awards and DSU compensation plans for the specified periods.

($000's)	**Three months ended March 31, 2025**	Year ended December 31, 2024
Balance, beginning of period	**500**	-
Liability incurred from grant of DSUs	**-**	429
Increase in liability related to RSUs and PSUs	**94**	253
Fair value adjustments	**(51)**	(154)
Effect of change in foreign exchange rates	**(1)**	(28)
Balance, end of period	**542**	500
Current (included in accounts payable and accrued liabilities)	**382**	383
Non-current	**160**	117
Share-based compensation liabilities balance	**542**	500

16. Income Taxes

The following table is a reconciliation of income tax expense calculated by applying the applicable aggregate Trinidad statutory petroleum tax and unemployment levy rates to net earnings before income tax expense.

($000's unless otherwise stated)	Three months ended March 31, 2025	2024
Net earnings before income tax expense	**169**	3,732
Trinidad statutory combined petroleum income tax rate	**55.0%**	55.0%
Expected income tax expense at statutory income tax rate	**93**	2,053
Effect on income tax resulting from:		
Change in income tax assets not recognized	**(676)**	(2,687)
Income tax rate differential	**29**	(504)
Effect of change in foreign exchange rates and other	**682**	1,242
Income tax expense	**128**	104

The tax regulations, legislation and interpretations thereof in the various jurisdictions in which the Company operates are continually changing. As a result, there are generally various income tax matters under review, and Touchstone believes that the provision for income taxes is adequate.

17. Financial Instruments and Market Risk Management

Financial instruments

Fair value measurement

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants in its principal or most advantageous market at the measurement date. All assets and liabilities for which fair value is measured or disclosed in these financial statements are further categorized using the following three-level hierarchy that reflects the significance of the lowest level of inputs used in determining fair value.

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Pricing inputs are other than quoted prices in active markets used in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs which can be substantially observed or corroborated in the marketplace, including quoted forward price for commodities, time value and volatility factors.
- Level 3 - Valuations in this level are those with inputs that are not based on observable market data.

At each reporting date, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing the level of classification for each financial asset and financial liability measured or disclosed at fair value in the financial statements based on the lowest level input that is significant to the fair value measurement as a whole. Assessments of the significance of a particular input to the fair value measurement require judgement and may affect the placement within the fair value hierarchy.

Classification and measurement of financial instruments

The classification of financial assets is determined by the characteristics of the contractual cash flows. Financial assets and financial liabilities are measured at fair value on initial recognition, which is typically the transaction price net of directly attributable transaction costs, unless a financial instrument contains a significant financing component.

The Company's financial assets and liabilities subsequently measured at amortized cost as at March 31, 2025 include accounts receivable, restricted cash, accounts payable and accrued liabilities and income taxes payable. The carrying values of these financial instruments approximate their fair values due to the short-term nature of these instruments.

VAT bonds were classified as fair value through profit and loss, which were classified as Level 2 on the fair value hierarchy. The estimated fair value of the bonds was based on comparable bonds and remained unchanged from the bond issuance date.

Market risk management

The Company is exposed to certain financial and market risks inherent in the international oil and natural gas industry including, but not limited to, commodity price risk, foreign exchange rate risk, interest rate risk, equity price risk, credit risk (refer to Note 3) and liquidity risk (refer to Note 7). Touchstone proactively reviews the risk exposures, and Management seeks to mitigate these risks through various business processes and controls. Management of cash flow variability is an integral component of the Company's business strategy. Changing business conditions are monitored regularly and, where material, reviewed with the Board to establish risk management guidelines to be used by Touchstone.

Commodity price risk

Touchstone's operational and financial results are largely dependent on the commodity prices received from crude oil, natural gas liquids and natural gas production. Movements in crude oil and liquids pricing could have a significant positive or negative effect on the Company's comprehensive income and cash flows. Touchstone does not currently hedge this risk given that over 70 percent of its forecasted petroleum and natural gas sales is expected to be derived from natural gas production governed by a fixed price contract through October 2027. The Company will continue to monitor forward commodity prices and may enter future commodity-based risk management contracts to reduce the volatility of crude oil and liquids sales and protect future development and exploration capital programs.

Foreign currency risk

Foreign currency exchange risk arises from changes in foreign exchange rates that may affect the fair value or future cash flows of the Company's financial assets or liabilities. Touchstone's foreign currency policy is to monitor foreign currency risk exposure in its areas of operations and mitigate that risk where possible by matching foreign currency denominated expenses with petroleum and natural gas sales paid in foreign currencies. Touchstone does not hedge its foreign exchange risk.

As the Company operates in Trinidad, fluctuations in the exchange rate between the TT$ and the US$ could have a significant effect on financial results. Although the sales prices of crude oil production are determined by reference to US$ denominated benchmark prices, the majority of the invoices for such sales are paid in TT$, exposing Touchstone to foreign exchange risk. In addition, Touchstone has US$ denominated debt and related interest payments. These risks are currently mitigated by the fact that the TT$ is informally pegged to the US$ and all natural gas and natural gas liquids sales are denominated and payable in US$.

The Company has further foreign exchange exposure on cash balances denominated in C$ and pounds sterling, head office costs denominated and payable in C$, and costs denominated and payable in pounds sterling required to maintain its AIM listing. Any material movements in the C$ to US$ and the pound sterling to US$ exchange rates may result in unanticipated fluctuations or have a material effect on Touchstone's reporting results.

Interest rate risk

Interest rate risk arises from changes in market interest rates that may affect comprehensive income and cash flows. The Company's term loan facility 2 and revolving loan facility are subject to interest rate risk given the applicable interest rates are reset on an annual basis based on the one-year term secured overnight financing rate. As of the date hereof, the interest rates for the term loan facility 2 and the revolving facility are 6.08 percent and 7.23 percent, respectively.

Equity price risk

The Company is exposed to equity price risk on its own share price in relation to awards issued under its Omnibus Plan and DSU plan, which affects comprehensive income through the revaluation of awards that are accounted for as cash-settled transactions at each period-end. Changes in the Company's share price will result in an increase or decrease in the amount that Touchstone recognizes as share-based compensation expense and the amount Touchstone ultimately pays to settle the awards.

18. Capital Management

Touchstone actively manages its capital structure and adjusts it in response to changes in economic conditions and the risk characteristics of its underlying assets. Touchstone considers its capital structure to include shareholders' equity, working capital and bank debt. Touchstone uses share equity and bank debt as its primary sources of capital.

Touchstone considers funds flow from operations to be a key measure of capital management and 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.

Management monitors working capital, net debt and managed capital as part of the Company's capital structure to evaluate its true debt and liquidity position and to manage capital and liquidity risk. Working capital is calculated by subtracting current liabilities from current assets as they appear on the consolidated balance sheet. Net debt is calculated by summing the Company's working capital and the principal (undiscounted) non-current amount of senior secured debt and is most directly comparable to total liabilities disclosed in the Company's consolidated balance sheet. Management defines managed capital as the sum of net debt and shareholders' equity.

When evaluating the Company's capital structure, Management's long-term strategy is to maintain net debt to trailing twelve-month funds flow from operations at or below a ratio of 2.0 times in a normalized commodity price environment. This ratio may increase at certain times as a result of increased capital expenditures or low commodity prices. Touchstone also monitors its capital management through the net debt to managed capital ratio. The Company's strategy is to utilize more equity than debt, thereby targeting net debt to managed capital at a ratio of less than 0.4 to 1.

Touchstone's internal capital management calculations for the periods indicated are set forth in the following table.

($000's)	**Target measure**	**March 31, 2025**	December 31, 2024
Current assets		**(20,607)**	(22,151)
Current liabilities		**28,312**	23,510
Working capital deficit(1)		**7,705**	1,359
Principal balance of non-current bank debt		**25,625**	27,750
Net debt(1)		**33,330**	29,109
Shareholders' equity		**69,150**	68,828
Managed capital(1)		**102,480**	97,937
Trailing twelve-month funds flow from operations(2)		**13,186**	16,748
Net debt to funds flow from operations ratio(1)	At or < 2.0 times	**2.53**	1.74
Net debt to managed capital ratio(1)	< 0.4 times	**0.33**	0.30

Notes:
(1) Working capital, net debt, managed capital, net debt to funds flow from operations ratio and net debt to managed capital ratio are considered non-IFRS capital management measures and ratios and therefore may not be comparable to calculations of similar measures presented by other entities.
(2) Trailing twelve-month funds flow from operations as at March 31, 2025 includes the sum of funds flow from operations for the three months ended March 31, 2025 and funds flow from operations for the April 1, 2024 through December 31, 2024 interim period.

Subsequent to March 31, 2025, the Company entered into an agreement to complete a private placement to raise proceeds to finance development drilling (refer to Note 20).

19. Commitments

Touchstone has contractual obligations in the normal course of business which include minimum work obligations under various operating agreements with Heritage Petroleum Company Limited ("Heritage"), exploration commitments pursuant to its exploration and production licences with the Government of the Republic of Trinidad and Tobago Ministry of Energy and Energy Industries, and various lease commitments (refer to Note 8). The following table sets forth the Company's estimated minimum contractual payments as at March 31, 2025.

($000's)		**Estimated payments due by year**			
	Total	**2025**	**2026**	**2027**	**Thereafter**
Operating agreements	**18,762**	8,526	1,731	4,649	3,856
Exploration agreements	**61,242**	1,762	11,726	11,930	35,824
Other commitments	**471**	193	187	73	18
Minimum payments	**80,475**	**10,481**	**13,644**	**16,652**	**39,698**

Pursuant to operating agreements with Heritage, the Company is obligated to fulfill minimum work commitments on an annual basis over each licence term. With respect to these obligations, Touchstone is required to drill six development wells prior to December 31, 2025.

As of March 31, 2025, Touchstone is obligated to drill an aggregate ten exploration wells on its exploration properties through 2029.

20. Subsequent Events

Proposed acquisition and financing

On December 12, 2024, the Company's wholly owned Trinidadian subsidiary entered into a Share Purchase Agreement to acquire 100 percent of the share capital of a Trinidad-based company from a third party (the "Proposed Acquisition"). The target entity holds a 65 percent participating interest in the onshore Central block exploration and production licence in Trinidad, along with four producing natural gas wells and a gas processing facility. The remaining 35 percent participating interest is held by Heritage.

Upon completion of the transaction, Touchstone will pay $23 million in cash, in addition to the acquired entity's December 31, 2024 cash and abandonment fund balances, subject to customary purchase price adjustments. The total estimated consideration is approximately $28.5 million, subject to final closing adjustments. Completion of the Proposed Acquisition remains subject to the satisfaction or waiver of certain remaining conditions precedent.

On May 12, 2025, Touchstone entered into the Amended Loan Agreement with its existing lender, which includes the following key terms:

- a new $30 million six-year non-revolving term loan facility, with no principal payments due during the first eleven months, followed by twenty-one equal quarterly repayments;
- a waiver of the debt service coverage financial covenant for the 2025 financial year; and
- a two-year extension of the maturity date of the existing revolving loan facility, with optional two-year renewal periods subject to mutual agreement.

Touchstone intends to fully draw the $30 million new term loan facility to finance the Proposed Acquisition and to satisfy obligations under the amended lending arrangements.

Private placement

On May 8, 2025, the Company entered into an agreement to complete a private placement targeting investors in the United Kingdom. Gross proceeds of approximately $20.5 million are expected to be raised through the issuance of 75,000,000 new common shares at a price of 20.5 pence sterling per share (approximately C$0.38 per share). The private placement is expected to close on May 15, 2025.

Corporate Information

Directors
Kenneth R. McKinnon
Chair of the Board

Jenny Alfandary
Paul R. Baay
Priya Marajh
Peter Nicol
Beverley Smith
Stanley T. Smith
Harrie Vredenburg

Corporate Secretary
Thomas E. Valentine

Officers and Senior Executives
Paul R. Baay
President and Chief Executive Officer

Scott Budau
Chief Financial Officer

Brian Hollingshead
Executive Vice President Engineering and Business Development

James Shipka
Executive Vice President Asset Development and HSE

Alex Sanchez
Vice President Production and Environment

Cayle Sorge
Vice President Finance

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Stock Exchange Listings
Toronto Stock Exchange
London Stock Exchange AIM
Symbol: TXP

Banker
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Port of Spain, Trinidad, W.I.

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Reserves Evaluator
GLJ Ltd.
Calgary, Alberta, Canada

Legal Counsel
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Calgary, Alberta, Canada
London, United Kingdom

Transfer Agent and Registrar
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Shore Capital
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