Touchstone Exploration Inc.

Interim Condensed Consolidated Financial Statements (unaudited)

As at and for the three and nine months ended September 30, 2025 and 2024

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

As at	Note	September 30, 2025	December 31, 2024
Assets			
Current assets			
Cash		**12,685**	6,744
Accounts receivable	3	**23,957**	13,805
Inventory		**120**	85
Prepaid expenses		**1,670**	1,517
Assets held for sale	6	**1,848**	-
		40,280	22,151
Exploration and evaluation assets	5	**4,956**	3,743
Property, plant and equipment	6	**179,088**	122,382
Restricted cash	9	**2,680**	924
Other assets		**36**	108
Abandonment fund	11	**9,356**	2,965
Total assets		**236,396**	152,273
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7	**32,167**	16,254
Acquisition consideration payable	3,4	**8,543**	-
Income taxes payable	17	**515**	6
Current portion of bank debt	9	**11,357**	7,250
Convertible debenture	10	**11,606**	-
Liabilities associated with assets held for sale	6	**4,433**	-
		68,621	23,510
Lease liabilities	8	**3,073**	4,368
Bank debt	9	**48,173**	27,541
Decommissioning liabilities	11	**10,400**	9,985
Share-based compensation liabilities	16	**153**	117
Deferred income taxes	17	**34,380**	17,924
Total liabilities		**164,800**	83,445
Shareholders' equity			
Shareholders' capital	12	**120,831**	115,610
Warrants	10	**269**	-
Contributed surplus		**7,313**	7,069
Other comprehensive loss		**(14,115)**	(13,882)
Deficit		**(42,702)**	(39,969)
Total shareholders' equity		**71,596**	68,828
Total liabilities and shareholders' equity		**236,396**	152,273

Going Concern (Note 1)
Commitments (Note 20)
Subsequent event (Note 21)

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

Touchstone Exploration Inc.
Interim Condensed Consolidated Statements of (Loss) Earnings and Comprehensive (Loss) Income
Unaudited, stated in thousands of United States dollars (except per share amounts)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2025	2024	**2025**	2024
Revenue					
Petroleum and natural gas sales	13	**12,696**	13,253	**34,816**	43,927
Less: royalties		**(2,837)**	(3,409)	**(8,308)**	(10,671)
Petroleum and natural gas sales, net of royalties		**9,859**	9,844	**26,508**	33,256
Other revenue		**57**	(2)	**92**	50
Total revenue		**9,916**	9,842	**26,600**	33,306
Expenses					
Operating		**4,002**	2,436	**9,460**	7,258
General and administration		**2,867**	2,742	**7,717**	7,716
Net finance	14	**1,741**	775	**4,073**	2,215
Transaction	15	**169**	722	**471**	1,942
Exploration		**20**	61	**44**	231
Gain on asset dispositions		**-**	(782)	**-**	(2,317)
Foreign exchange (gain) loss	18	**(99)**	120	**(263)**	51
Share-based compensation	16	**361**	751	**442**	1,461
Depletion and depreciation	6	**4,020**	2,516	**9,096**	6,550
Impairment (reversal)	5,6	**-**	(9)	**-**	493
Total expenses		**13,081**	9,332	**31,040**	25,600
(Loss) earnings before income taxes		**(3,165)**	510	**(4,440)**	7,706
Provision for income taxes					
Current expense	17	**1,020**	151	**1,357**	1,070
Deferred recovery	17	**(2,121)**	(1,488)	**(3,064)**	(2,178)
Total income tax recovery		**(1,101)**	(1,337)	**(1,707)**	(1,108)
Net (loss) earnings		**(2,064)**	1,847	**(2,733)**	8,814
Currency translation adjustments		**(618)**	(120)	**(233)**	(275)
Comprehensive (loss) income		**(2,682)**	1,727	**(2,966)**	8,539
Net (loss) earnings per common share					
Basic and diluted	12	**(0.01)**	0.01	**(0.01)**	0.04

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 nine months ended September 30
Unaudited, stated in thousands of United States dollars

	Note	2025	2024
Shareholders' capital			
Balance, beginning of period		**115,610**	114,965
Issued pursuant to private placement, net of fees	12	**5,221**	-
Issued under share-based compensation plans	12	**-**	645
Balance, end of period		**120,831**	115,610
Warrants			
Balance, beginning of period		**-**	-
Issued pursuant to convertible debenture	10	**269**	-
Balance, end of period		**269**	-
Contributed surplus			
Balance, beginning of period		**7,069**	6,166
Recognized under share-based compensation plans	16	**-**	(230)
Share-based compensation expense	16	**228**	912
Share-based compensation capitalized	6	**16**	56
Balance, end of period		**7,313**	6,904
Other comprehensive loss			
Balance, beginning of period		**(13,882)**	(13,124)
Currency translation adjustments		**(233)**	(275)
Balance, end of period		**(14,115)**	(13,399)
Deficit			
Balance, beginning of period		**(39,969)**	(48,241)
Net (loss) earnings		**(2,733)**	8,814
Balance, end of period		**(42,702)**	(39,427)

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

Touchstone Exploration Inc.
Interim Condensed Consolidated Statements of Cash Flows
Unaudited, stated in thousands of United States dollars

	Note	Three months ended September 30, 2025	Three months ended September 30, 2024	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Operating activities					
Net (loss) earnings		**(2,064)**	1,847	**(2,733)**	8,814
Items not involving cash from operations:					
Gain on asset dispositions		**-**	(782)	**-**	(2,317)
Unrealized foreign exchange loss	18	**220**	125	**159**	122
Share-based compensation expense	16	**361**	751	**442**	1,461
Depletion and depreciation expense	6	**4,020**	2,516	**9,096**	6,550
Impairment (reversal) expense	5,6	**-**	(9)	**-**	493
Non-cash finance expense	14	**319**	83	**848**	208
Deferred income tax recovery	17	**(2,121)**	(1,488)	**(3,064)**	(2,178)
Decommissioning expenditures	11	**-**	(19)	**-**	(19)
Funds flow from operations		**735**	3,024	**4,748**	13,134
Net change in non-cash working capital		**4,115**	583	**5,479**	(775)
Cash from operating activities		**4,850**	3,607	**10,227**	12,359
Investing activities					
Exploration and evaluation expenditures	5	**(402)**	(452)	**(1,220)**	(620)
Property, plant and equipment expenditures	6	**(9,200)**	(2,616)	**(19,714)**	(19,953)
Acquisition expenditures	4	**-**	-	**(28,400)**	-
Abandonment fund expenditures	11	**(129)**	(218)	**(449)**	(745)
Proceeds from asset dispositions		**-**	1,066	**-**	1,066
Net change in non-cash working capital		**2,019**	(1,840)	**7,297**	3,111
Cash used in investing activities		**(7,712)**	(4,060)	**(42,486)**	(17,141)
Financing activities					
Changes in restricted cash	9	**78**	59	**(1,756)**	(198)
Advances of bank debt, net of fees	9	**-**	1,853	**29,423**	11,600
Repayments of bank debt	9	**(2,125)**	(1,500)	**(5,125)**	(7,500)
Net proceeds from convertible debenture	10	**11,706**	-	**11,706**	-
Net finance lease payments	8	**(547)**	(436)	**(1,304)**	(1,190)
Issuance of common shares, net of fees	12	**-**	54	**5,221**	415
Net change in non-cash working capital		**(25)**	4	**(4)**	(3)
Cash from financing activities		**9,087**	34	**38,161**	3,124
Change in cash during the period		**6,225**	(419)	**5,902**	(1,658)
Cash, beginning of period		**6,340**	6,990	**6,744**	8,186
Impact of foreign exchange on foreign denominated cash balances		**120**	(22)	**39**	21
Cash, end of period		**12,685**	6,549	**12,685**	6,549
Supplementary information for cash from operating activities:					
Interest paid in cash	9	**1,149**	619	**2,413**	1,774
Income taxes paid in cash	17	**47**	317	**255**	1,123

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".

Going Concern

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue in operational existence for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business.

As at September 30, 2025, the Company had a working capital deficit of $16.7 million, excluding the convertible debenture which is convertible into common shares of the Company at any time prior to maturity in August 2028. In the absence of timely collection of value added tax receivables and incremental production from its 2025 development well program, which has experienced additional capital costs and operational challenges impacting additional production, the Company expects that cash balances may not be sufficient to fund anticipated operating and development expenditures and required bank debt repayments over the next twelve months. These conditions indicate the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon generating sufficient cash flows from operations, obtain additional financing through debt or equity, or restructuring existing debt obligations. Although, subsequent to September 30, 2025, the Company completed a private placement raising gross proceeds of approximately $9.1 million, providing additional liquidity to fund the Company's remaining planned 2025 development program, the Company expects that cash balances may still not be sufficient as previously noted. Management is actively evaluating alternatives to meet remaining capital requirements, including potential additional debt or equity financing and adjustments to its operational plans.

These financial statements do not reflect potential adjustments to the carrying amounts of assets and liabilities, reported amounts of revenue and expenses, or balance sheet classifications that would be required if the going concern assumption were deemed not appropriate. Such adjustments could be material.

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$"), Trinidad and Tobago dollars ("TT$") and UK Pounds Sterling ("£") 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 November 12, 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 September 30, 2025, Touchstone was exposed to credit risk with respect to its accounts receivable. Credit risk is considered low, as the Company's credit exposure primarily relate to monthly commodity sales to Trinidad government-owned entities and a major independent oil and gas company, joint interest billings from State-owned Heritage Petroleum Company Limited ("Heritage"), and value added tax ("VAT") receivables from the Government of Trinidad and Tobago.

Petroleum and natural gas sales are generally collected within one to two months following production. As at September 30, 2025, approximately 17 percent of the Company's credit exposure was attributed to accrued revenue for August and September 2025 production volumes. Joint interest billings are typically settled within one to three months following invoicing. The following tables summarize the composition and aging of Touchstone's accounts receivable balance as of the periods indicated, representing the Company's maximum credit risk exposure.

($000's)	**September 30, 2025**	December 31, 2024
Composition		
Petroleum and natural gas sales	**4,002**	4,334
Joint interest billings	**2,705**	806
VAT	**7,859**	7,678
Other	**848**	987
Amount to be remitted pursuant to business combination (Note 4)	**8,543**	-
Accounts receivable balance	**23,957**	13,805
Aging		
Current (less than 30 days)	**6,987**	6,045
31-60 days	**1,827**	539
61-90 days	**343**	556
Past due (greater than 90 days)	**6,257**	6,665
Subtotal	**15,414**	13,805
Amount to be remitted pursuant to business combination (Note 4)	**8,543**	-
Accounts receivable balance	**23,957**	13,805

As at September 30, 2025, Touchstone determined that the average expected credit loss on its accounts receivable was $nil. Management considers past due balances to be fully recoverable, as they primarily represent VAT receivable from the Government of Trinidad and Tobago. While the timing of recovery remains uncertain, the Company has not experienced any historical collection

issues. During the nine months ended September 30, 2025, the Company collected $724,000 of previously past due VAT receivable and received approximately $2,960,000 in TT$ denominated government-issued bonds in lieu of VAT payments. The bonds were sold to a Trinidad-based financial institution in September 2025 for net proceeds of $2,862,000 plus accrued interest. A loss of $104,000 was included in net finance expense during the three and nine months ended September 30, 2025 as a result of the transaction.

In connection with the business combination (refer to Note 4), the Company recognized $8,543,000 in accounts receivables relating to VAT and income tax receivable from the Government of Trinidad and Tobago. In accordance with the share purchase agreement, these funds are only to be remitted to the seller upon collection. A corresponding liability was recorded as an acquisition consideration payable. As a result, the Company does not bear any credit risk in respect of these receivable balances.

4. Business Combination

On May 16, 2025, the Company, through its wholly owned Trinidadian subsidiary, completed the acquisition of 100 percent of the share capital of a Shell Trinidad Central Block Limited, a private Trinidad-based company (the "Acquisition") for preliminary cash consideration of $28,400,000. The Company financed the acquisition with an additional $30 million six-year term loan facility (refer to Note 9).

The acquired entity, now renamed Touchstone Trinidad Central Block Ltd., holds a 65 percent operating participating interest in the onshore Central block exploration and production licence. The Central block asset includes four producing natural gas wells and a gas processing facility. Heritage holds the remaining 35 percent participating interest. The Acquisition provides Touchstone with increased low decline base production, exposure to global liquefied natural gas ("LNG") pricing, and expanded access to the hydrocarbon-rich Herrera fairway, which is contiguous with the Company's Ortoire block.

The Acquisition has been recognized in accordance with IFRS 3 *Business Combinations* using the acquisition method. The cost of the Acquisition has been measured at the fair value of the consideration transferred at the acquisition date, which consisted of cash paid. Identifiable assets acquired and liabilities assumed were measured and recognized at their estimated fair values as at the acquisition date, except for income tax items. Deferred income tax assets and liabilities arising from the Acquisition were also recognized at the acquisition date. Transaction expenses associated with the Acquisition were expensed as incurred (refer to Note 15).

The determination of fair value is estimated based on information available at the date of the Acquisition and requires Management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of property, plant and equipment ("PP&E") generally require significant judgment and include forward price estimates of petroleum and natural gas, volume of proved plus probable reserves and associated assumptions, including future production costs, required capital investments, reserve life and discount rate. Assumptions are also required to determine the fair value of the decommissioning liabilities associated with the assets and other deferred liabilities. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets and liabilities. Future comprehensive income or loss will be affected as the fair value on initial recognition impacts future depletion and depreciation expense and non-financial asset impairment expense or reversals.

The Company estimated the fair value of petroleum and natural gas development assets acquired as at the acquisition date using proved plus probable petroleum and natural gas reserves derived from an independent third-party reserve evaluation. The independent qualified reserves evaluator provided estimates of the acquired proved plus probable petroleum and natural gas reserves, which were used to calculate associated future cash flows. These cash flows were discounted at an after-

tax rate of 31 percent to reflect acquisition-date market participant assumptions. The fair value of the associated decommissioning liabilities was initially determined using a credit-adjusted risk-free rate of 14 percent.

The following table summarizes the preliminary purchase price allocation based on Management's best estimate of the values of assets acquired and liabilities assumed. The purchase price allocation is subject to change as the Company continues to obtain and evaluate information related to the fair values of the net assets acquired, including but not limited to, petroleum and natural gas development assets, accounts receivable, decommissioning liabilities, accounts payable and accrued liabilities, and deferred income tax liabilities. Adjustments to the purchase price allocation may be required as additional information becomes available within the measurement period, which is up to one year from the acquisition date. Any such adjustments will be applied retrospectively to the acquisition date and may affect the recognized values of assets, liabilities, and any resulting goodwill or gain on acquisition.

	($000's)
Consideration	
Cash consideration paid	**28,400**
Consideration payable (Note 3)	**8,548**
Total consideration paid	**36,948**
Net assets acquired	
Accounts receivable	**4,942**
Accounts receivable to be remitted to seller (Note 3)	**8,548**
Inventory	**60**
Petroleum and natural gas development assets (Note 6)	**45,449**
Abandonment fund (Note 11)	**6,009**
Accounts payable and accrued liabilities	**(6,038)**
Decommissioning liabilities (Note 11)	**(2,468)**
Deferred income tax liability (Note 17)	**(19,554)**
Total identifiable net assets acquired	**36,948**

During the three months ended September 30, 2025, new information led to revisions in the consideration payable and accounts receivable to the seller, each increasing by $24,000. Accounts receivable decreased by $336,000, and accounts payable and accrued liabilities decreased by $327,000. These adjustments increased petroleum and natural gas development assets by $766,000, partially offset by a $757,000 increase in deferred taxes. The preliminary purchase price allocation was updated accordingly.

The results of operations from the Acquisition have been included in the financial statements effective May 16, 2025. From the acquisition date to September 30, 2025, the acquired operations contributed petroleum and natural gas sales of $5,908,000 and a net loss of $424,000.

Had the Acquisition closed on January 1, 2025, Management estimates that the acquired operations would have contributed approximately $12,705,000 in petroleum and natural gas sales and an estimated net loss of $767,000 for the nine months ended September 30, 2025. These amounts are based on unaudited financial information prepared by the acquiree and do not reflect any potential synergies, integration costs, or other adjustments that could arise from combining the operations.

The following table summarizes the estimated minimum contractual payments acquired from the Acquisition as at September 30, 2025, which consist of lease payments and fees related to the Central block exploration and production licence.

($000's)		Estimated payments due by year					
	Total	**2025**	**2026**	**2027**	**2028**	**2029**	**Thereafter**
Licence obligations	**4,853**	**130**	**690**	**727**	**767**	**809**	**1,730**

5. Exploration and Evaluation Assets

($000's)	**Nine months ended September 30, 2025**	Year ended December 31, 2024
Balance, beginning of period	**3,743**	5,030
Additions	**1,220**	1,046
Impairment expense	**-**	(2,311)
Effect of change in foreign exchange rates	**(7)**	(22)
Balance, end of period	**4,956**	3,743

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 11)	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**
Acquired on close of Acquisition (Note 4)	**45,449**	**-**	**-**	**45,449**
Additions	**19,693**	**-**	**46**	**19,739**
Transfers within PP&E	**948**	**(948)**	**-**	**-**
Change in decommissioning assets (Note 11)	**2,152**	**-**	**-**	**2,152**
Lease modification (Note 8)	**-**	**269**	**-**	**269**
Reclassified as assets held for sale	**(1,788)**	**-**	**-**	**(1,788)**
Foreign exchange translation	**(190)**	**46**	**64**	**(80)**
Balance, September 30, 2025	**273,745**	**6,466**	**4,069**	**284,280**
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	**8,411**	**455**	**230**	**9,096**
Foreign exchange translation	**(130)**	**6**	**63**	**(61)**
Balance, September 30, 2025	**100,500**	**2,189**	**2,503**	**105,192**
Carrying amounts				
Balance, December 31, 2024	115,262	5,371	1,749	122,382
Balance, September 30, 2025	**173,245**	**4,277**	**1,566**	**179,088**

During the three and nine months ended September 30, 2025, $99,000 and $306,000 of direct and attributable overhead charges were capitalized to PP&E, respectively (2024 - $178,000 and $358,000).

As at September 30, 2025, the Company assessed its petroleum and natural gas development assets included in PP&E for indicators of impairment or reversal of impairment. Based on this assessment, Management concluded that it was not necessary to estimate the recoverable amount for any of its cash-generating units.

Disposition

In August 2025, the Company entered into a sale and purchase agreement to dispose of its 100 percent working interest in the Fyzabad oil property to a third-party Trinidad-based company. Consideration for the transaction consists of three turnkey drilling wells to be drilled by the purchaser across the Company's WD-8 and WD-4 blocks. Under the terms of the agreement, the purchaser will undertake the drilling operations, while the Company will provide certain ancillary drilling and completion equipment. The transaction remains subject to customary regulatory approvals.

Immediately prior to classifying the assets and associated liabilities as held for sale, the Company conducted a review of the assets' recoverable amounts based on the expected value of the consideration to be received and transferred the net liabilities at their carrying amount, with no impairment recognized. The following table specifies the assets and associated liabilities related to the Fyzabad property that were classified as held for sale as at September 30, 2025.

($000's)	**Carrying value**
PP&E	**1,788**
Abandonment fund (Note 11)	**60**
Assets held for sale	**1,848**
Decommissioning liabilities (Note 11)	**(4,433)**
Liabilities associated with assets held for sale	**(4,433)**
Net liabilities held for sale	**(2,585)**

7. Financial Liabilities and Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. Touchstone manages this risk through prudent cash and debt management practices, which include the ongoing monitoring of actual and forecasted cash flows, working capital levels, and compliance with the financial covenants under its bank debt agreements. The Company also regularly assesses its ability to access additional liquidity through debt or equity financing when appropriate.

Touchstone's near-term development strategy is focused on increasing operating cash flows through continued development activities. The Company intends to maintain a disciplined approach to future development and exploration capital expenditures in order to preserve financial flexibility. Management continued to actively monitor liquidity levels to ensure that the Company can meet current and anticipated financial obligations, including its planned capital programs and contractual commitments.

As at September 30, 2025, the Company had a working capital deficiency, primarily attributable to increased accounts payable and accrued liabilities related to capital expenditures invested during the nine months ended September 30, 2025. On October 30, 2025, the Company completed a private placement, raising gross proceeds of approximately $9.1 million (refer to Note 21). The net proceeds from the private placement are intended to fund the remainder of the Company's 2025 development drilling program.

The following table summarizes the Company's estimated undiscounted cash outflows and financial maturities of its financial liabilities as at September 30, 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]	**30,018**	30,018	-	-
Income taxes payable (Note 17)	**515**	515	-	-
Lease liabilities[3] (Note 8)	**5,738**	2,041	2,225	1,472
Bank debt[3][4] (Note 9)	**70,467**	15,495	35,523	19,449
Convertible debenture[3] (Note 10)	**14,283**	625	13,658	-
Share-based compensation liabilities[5] (Note 16)	**653**	500	153	-
Total financial liabilities	**121,674**	**49,194**	**51,559**	**20,921**

Notes:
(1) Undiscounted cash outflows equal the carrying values of the associated liabilities, except for lease liabilities, bank debt and convertible debenture.
(2) Excludes the current portion of lease liabilities and share-based compensation liabilities.
(3) Includes both notional interest and principal payments.
(4) Future interest payments are based on interest rates in effect as at September 30, 2025. Interest rates on three of the Company's four loan facilities are reset annually (refer to Note 9).
(5) Represents accrued obligations related to share-based compensation awards expected to be settled in cash.

Refer to Note 9 "Bank Debt", Note 10 "Convertible Debenture", Note 19 "Capital Management" and Note 20 "Commitments" for additional information regarding the Company's debt structure, capital management objectives and contractual obligations.

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 presented.

($000's)	**Nine months ended September 30, 2025**	Year ended December 31, 2024
Balance, beginning of period	**5,866**	4,328
Additions	**-**	2,930
Interest expense	**386**	415
Repayments	**(1,764)**	(1,775)
Modifications	**237**	-
Effect of change in foreign exchange rates	**(3)**	(32)
Balance, end of period	**4,722**	5,866
Current (included in accounts payable and accrued liabilities)	**1,649**	1,498
Non-current	**3,073**	4,368
Lease liabilities balance	**4,722**	5,866

9. Bank Debt

On May 12, 2025, the Company entered into a Fourth Amended and Restated Loan Agreement (the "Loan Agreement") with its Trinidad-based lender, which provided for an additional $30 million six-year term loan facility used to finance the Acquisition (refer to Note 4). As at September 30, 2025, the Company had the following facilities in place under the Loan Agreement:

- a $30 million non-revolving term loan facility ("Term Loan Facility 1");
- a $10 million non-revolving term loan facility ("Term Loan Facility 2");

- a $30 million non-revolving term loan facility ("Term Loan Facility 3"); and
- a $10 million revolving loan facility.

Term Loan Facility 1

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 September 30, 2025, the principal balance was $10,500,000, with seven equal quarterly principal payments of $1,500,000 remaining.

Term Loan Facility 2

Term Loan Facility 2 matures on April 30, 2029 and bears an interest rate of 6.08 percent through April 30, 2026, subject to annual reset thereafter. As at September 30, 2025, the outstanding principal balance was $9,375,000, with fifteen equal quarterly principal payments of $625,000 remaining.

Term Loan Facility 3

Term Loan Facility 3 matures on May 12, 2031 and bears an interest rate of 8.21 percent through May 11, 2026, with annual resets thereafter. As at September 30, 2025, the principal balance was $30,000,000, with twenty-one equal quarterly principal payments of $1,429,000 scheduled from May 12, 2026 through to maturity.

Revolving loan facility

The revolving loan facility matures on May 12, 2027 and may be extended by additional two-year increments upon mutual agreement. The facility bears interest at a rate of 6.09 percent through May 31, 2026, subject to annual resets. Outstanding principal may be repaid at any time without penalty and any amounts repaid may be redrawn at the Company's discretion up to the facility limit. As at September 30, 2025, the $10 million balance was fully drawn.

The following table summarizes the movements of the Company's bank debt balances for the periods indicated.

($000's)	**Term Loan Facility 1**	**Term Loan Facility 2**	**Term Loan Facility 3**	**Revolving loan facility**	**Bank debt**
Balance, January 1, 2024	**20,977**	**-**	**-**	**7,000**	**27,977**
(Repayments) advances	(6,000)	9,747	-	3,000	6,747
Accretion	16	51	-	-	67
Balance, December 31, 2024	**14,993**	**9,798**	**-**	**10,000**	**34,791**
Advances, net of fees	**-**	**-**	**29,423**	**-**	**29,423**
Repayments	**(4,500)**	**(625)**	**-**	**-**	**(5,125)**
Accretion	**4**	**56**	**381**	**-**	**441**
Balance, September 30, 2025	**10,497**	**9,229**	**29,804**	**10,000**	**59,530**
Current	**6,000**	**2,500**	**2,857**	**-**	**11,357**
Non-current	**4,497**	**6,729**	**26,947**	**10,000**	**48,173**
Bank debt balance	**10,497**	**9,229**	**29,804**	**10,000**	**59,530**

Touchstone's bank debt is secured by a pledge of equity interests and fixed and floating charges over all present and after acquired assets of its three Trinidad-based exploration and production subsidiaries. The Loan Agreement includes customary representations and warranties, affirmative and negative covenants, events of default, and annual financial covenant requirements, all assessed on a consolidated basis and unchanged from December 31, 2024. As at September 30, 2025, the Company was compliant with all covenants under the Loan Agreement.

Based on current forecasts, the Company forecasts a breach of its net senior funded debt to trailing annual EBIDA financial covenant. Subsequent to September 30, 2025, Touchstone received a waiver from its lender, which waives the testing of the covenant for the year ended December 31, 2025.

Under the terms of the Loan Agreement, Touchstone was required to raise not less than approximately $7.3 million in equity proceeds (net of selling commissions) on or before December 31, 2025. This requirement was fulfilled through a private placement completed on October 30, 2025 (refer to Note 21).

In addition, the Loan Agreement requires the Company to maintain a cash reserves balance in respect of the three term loan facilities. Accordingly, $2,680,000 of cash has been classified as long-term restricted cash as at September 30, 2025 (December 31, 2024 - $924,000).

10. Convertible Debenture

On August 8, 2025, the Company completed a private placement of a secured convertible debenture (the "Debenture") with a private investor for aggregate gross proceeds of $12.5 million. The Debenture has a three-year term, maturing on August 8, 2028, and bears interest at 5 percent per annum, payable semi-annually on June 30 and December 31.

The Debenture is convertible, at the holder's option, into common shares of the Company at any time prior to maturity at a conversion price of approximately US$0.22 per share, representing the US$ equivalent of C$0.30 per share based on the exchange rate immediately prior to issuance. At the holder's election, interest may be paid in cash or in common shares of the Company, with the number of shares determined based on the market price of the common shares and exchange rate at the time of payment, subject to approval by the TSX. The Debenture is not redeemable by the Company prior to maturity.

In connection with the issuance, the Company paid a 5 percent placement fee in cash and issued 6,250,000 warrants to the holder. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of C$0.40 per share for a period of two years from the August 8, 2025 date of issuance.

The Debenture is secured by a first-ranking security interest over all present and after-acquired personal property of Touchstone Exploration Inc., including an Alberta law general security agreement and a Barbados law charge over the shares of the Company's subsidiary, Touchstone Exploration (Barbados) Ltd.

The Company has designated the Debenture as a hybrid financial instrument to be measured at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments*.

Upon issuance, the Debenture was initially recognized at a fair value of $11,606,000, representing the gross proceeds net of the holder's placement fee and the fair value of the detachable warrants. The fair value of the Debenture was determined using a valuation model incorporating assumptions regarding volatility of the Company's share price, the risk-free interest rate, the credit risk associated with the Debenture, forward foreign exchange rates, and the expected timing and likelihood of conversion. The Debenture is classified within Level 3 of the fair value hierarchy. The carrying value of the Debenture is remeasured at fair value at each reporting date, with any future gains or losses arising from changes in fair value recognized as non-cash components of net finance expense. If converted, the carrying amount is reclassified to share capital.

The fair value of the 6,250,000 detachable warrants was estimated at $269,000 using the Black-Scholes option pricing model, based on assumptions regarding the volatility of the underlying share price, the risk-free interest rate, and the expected term. The value assigned to the warrants was

recognized in equity on issuance and is not subsequently remeasured. The balance is reclassified to share capital if the warrants are exercised.

In addition to the placement fee, $167,000 of other issuance fees were expensed to net finance expense during the three and nine months ended September 30, 2025 (refer to Note 14).

As at September 30, 2025, the fair value of the Debenture remained $11,606,000, reflecting an unchanged share price and the short period since issuance. Although the Debenture matures in 2028, it is classified as a current liability as at September 30, 2025, because it is convertible at the holder's option at any time prior to maturity.

The following table provides a continuity of the convertible debenture liability for the periods presented.

	($000's)
Balance, January 1, 2025	**-**
Issuance of Debenture	**11,606**
Change in fair value	**-**
Balance, September 30, 2025	**11,606**
Current	**11,606**
Non-current	**-**
Convertible debenture balance	**11,606**

11. Decommissioning Liabilities and Abandonment Fund

The Company's decommissioning liabilities were determined by Management based on Touchstone's net ownership interest in all wells and facilities, estimated future costs to reclaim and abandon these assets, and the estimated timing of such expenditures.

As at September 30, 2025, the estimated net present value of the future cash flows required to settle the Company's decommissioning liabilities was $10,400,000 based on an inflation-adjusted undiscounted liability of $15,727,000 (December 31, 2024 - $9,985,000 and $15,197,000, respectively). The liabilities were calculated using a weighted average risk-free discount rate of 5.7 percent and a long-term inflation rate of 1.9 percent (December 31, 2024 - 5.5 percent and 1.9 percent, respectively). $4,433,000 was reclassified as liabilities associated with assets held for sale (refer to Note 6).

The following table summarizes the changes in the Company's estimated decommissioning liability for the periods presented.

($000's)	**Nine months ended September 30, 2025**	Year ended December 31, 2024
Balance, beginning of period	**9,985**	9,733
Liabilities incurred from development activities	**182**	407
Liabilities acquired on close of Acquisition (Note 4)	**2,468**	130
Liabilities settled	**-**	(19)
Accretion expense	**246**	226
Revisions to estimates	**1,972**	(282)
Reclassified as liabilities associated with assets held for sale (Note 6)	**(4,433)**	(166)
Effect of change in foreign exchange rates	**(20)**	(44)
Balance, end of period	**10,400**	9,985

Under the terms of the Company's production and exploration licences and related agreements, Touchstone is required to make payments into designated abandonment funds based on

production volumes. These funds are restricted for use in the future abandonment of wells within the respective licenced areas.

As at September 30, 2025, the Company recognized $9,356,000 of accrued or contributed amounts as non-current abandonment fund assets (December 31, 2024 - $2,965,000), which included $6,009,000 of additional contributions acquired through the Acquisition (refer to Note 4).

12. 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. Holders of common shares are entitled to one vote per share at meetings of shareholders and are entitled to receive any dividends declared by the Company.

The following table summarizes changes in the number of common shares outstanding and the related shareholders' capital for the periods presented.

	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	**236,460,661**	**115,610**
Issued pursuant to private placement, net of fees	**24,636,585**	**5,221**
Balance, September 30, 2025	**261,097,246**	**120,831**

On May 8, 2025, the Company announced a United Kingdom-based private placement to raise gross proceeds of £15,375,000 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). On May 16, 2025, the Company issued 75,000,000 common shares to the broker's settlement agent, to be held in trust pending receipt of proceeds.

In May 2025, the Company received gross proceeds of £5,051,000 ($6,746,000) and issued an aggregate of 24,636,585 common shares to investors. Net proceeds from the private placement totalled $5,221,000. As the remaining subscription proceeds were not received, the Company cancelled the balance of the private placement on June 30, 2025. As a result, 50,363,415 common shares were cancelled, reducing the total number of issued and outstanding common shares to 261,097,246.

Subsequent to September 30, 2025, the Company completed a private placement raising gross proceeds of approximately $9.1 million (£7 million) by issuing an aggregate of 63,636,363 new common shares (refer to Note 21).

Weighted average common shares

The following table presents the weighted average number of common shares used in the calculation of basic and diluted net (loss) earnings per share.

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	**2025**	2024
Weighted average common shares outstanding - basic	**261,097,246**	236,381,607	**248,824,075**	235,188,867
Dilutive impact of equity-based compensation	**-**	367,424	**-**	1,388,998
Weighted average common shares outstanding - diluted	**261,097,246**	236,749,031	**248,824,075**	236,577,865

For the three and nine months ended September 30, 2025, approximately 8.5 million share-based compensation awards were excluded from the diluted weighted average share calculation, as they were anti-dilutive (2024 - 9.7 million). Common shares potentially issuable on conversion of the Debenture and related warrants were also excluded in the 2025 periods as they were determined to be anti-dilutive.

13. Petroleum and Natural Gas Sales

The Company generates its primary revenue through the sale of crude oil, natural gas liquids, and natural gas. Revenue from the sale of crude oil, natural gas liquids and natural gas delivered to state-owned Heritage and the National Gas Company of Trinidad and Tobago is recognized at the point of delivery, based on contractually agreed pricing mechanisms.

Revenue from natural gas sales to Atlantic LNG is recognized when legal title transfers at the inlet of the processing facility. At the time of delivery, revenue is estimated based on the applicable marketing arrangement and is subsequently adjusted when the product is lifted and final pricing is determined. The following table presents petroleum and natural gas sales by product type for the periods indicated.

($000's)	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	**2025**	2024
Crude oil	**5,833**	7,603	**18,593**	22,786
Natural gas liquids	**1,340**	306	**2,238**	2,643
Natural gas	**5,523**	5,344	**13,985**	18,498
Petroleum and natural gas sales	**12,696**	13,253	**34,816**	43,927

At September 30, 2025, accounts receivable related to petroleum and natural gas sales totalled $4,002,000, representing amounts outstanding for August and September 2025 production (December 31, 2024 - $4,334,000 related to December 2024 production).

14. Net Finance Expense

($000's)	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	**2025**	2024
Interest income	**(40)**	(7)	**(90)**	(20)
Finance lease interest income	**(2)**	(6)	**(14)**	(21)
Lease liability interest expense (Note 8)	**119**	84	**386**	270
Bank debt interest expense (Note 9)	**1,144**	615	**2,725**	1,760
Debenture interest expense (Note 10)	**92**	-	**92**	-
Debenture issuance expense (Note 10)	**167**	-	**167**	-
Accretion on bank debt (Note 9)	**66**	27	**441**	41
Accretion on decommissioning liabilities (Note 11)	**95**	57	**246**	166
Other	**100**	5	**120**	19
Net finance expense	**1,741**	775	**4,073**	2,215

15. Transaction expense

For the three and nine months ended September 30, 2025, Touchstone incurred $169,000 and $471,000 in transaction costs pursuant to the Acquisition, respectively (refer to Note 4). The Company recognized $722,000 and $1,942,000 in transaction expenses relating to a terminated acquisition during the three and nine months ended September 30, 2024, respectively.

16. Share-based Compensation Plans

The Company maintains share-based compensation plans to align the interests of employees, directors and officers with those of shareholders and to attract and retain key personnel.

Stock option plans

The Company previously granted stock options under a Stock Option Plan (the "Legacy Stock Option Plan"), which was replaced by an Omnibus Incentive Compensation Plan (the "Omnibus Plan") in June 2023. The Omnibus Plan allows for the issuance of stock options, restricted share units ("RSUs"), and performance share units ("PSUs") to directors, officers, employees, and consultants. The aggregate number of common shares reserved for issuance under both 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. No additional grants will be made under the Legacy Stock Option Plan; however, existing awards governed by the plan will continue to vest in accordance with their original terms.

The following table summarizes stock option activity for the periods presented.

	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	**(1,192,000)**	**1.40**
Expired	**(2,052,000)**	**0.48**
Issued and outstanding, September 30, 2025	**8,487,000**	**1.42**
Exercisable, September 30, 2025	**7,424,006**	**1.46**

Unless otherwise determined by the Board, stock option vest in one-third instalments on each of the first three anniversaries of the grant date, subject to continued service. Stock options expire five years from the date of grant and entitle the holder to purchase one common share at the grant exercise price. Equity-settled share-based compensation expense is recognized over the vesting period.

Long-term incentive plans

Share awards plan

Share awards in the form of RSUs and PSUs are granted under the Omnibus Plan to executive officers and key employees. Unless otherwise approved by the Board, RSUs vest in equal one-third tranches on each of the first three anniversaries of the grant date. PSU awards cliff vest on the third anniversary of the grant date and are subject to a performance multiplier ranging from zero times to 1.75 times based on achievement of predefined corporate performance targets set by the Board over the vesting period. RSU awards are fixed while the number of PSUs earned is variable.

Each RSU and PSU award may, at the Board's discretion, be settled in common shares, cash, or a combination thereof. Currently, all share awards are classified as cash settled. Cash-settled awards are measured at fair value based on the Company's closing common share price as at the reporting date and are recognized over the vesting period. PSU liabilities are further adjusted based on the estimated performance multiplier. A forfeiture rate of 5 percent is applied on grant and updated to reflect actual forfeitures.

On August 25, 2025, the Company granted 3,537,139 RSUs and 3,423,974 PSUs to its executive officers and key employees, and an aggregate 469,574 RSUs vested and were settled in cash.

Deferred share unit plan

The Company offers a deferred share unit ("DSU") plan to non-employee directors. DSUs vest immediately upon grant but may only be redeemed after the director ceases to be a member of the Board. DSUs are settled in cash based on the market price of the Company's common shares at the time of redemption. DSU liabilities are measured at fair value based on the Company's closing share price at each reporting date. On August 25, 2025, the Company issued 1,476,424 DSUs to its non-employee directors.

The following table summarizes outstanding share awards for the periods presented.

(number of share 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**
Granted	3,537,139	3,423,974	1,476,424
Settled in cash	(469,574)	-	-
Forfeited	(39,063)	(39,063)	-
Issued and outstanding, September 30, 2025	**4,476,282**	**4,782,691**	**2,453,756**

Note:
(1) PSU figures are presented based on the number of notional units granted, before application of any performance multiplier.

Share-based compensation expense

The following table summarizes share-based compensation expense in the periods indicated.

($000's)	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	**2025**	2024
Equity-settled compensation (stock options)	**95**	232	**244**	968
Cash-settled compensation (RSUs, PSUs and DSUs)	**274**	549	**224**	549
Capitalized expense	**(8)**	(30)	**(26)**	(56)
Share-based compensation expense	**361**	751	**442**	1,461

Share-based compensation liabilities

The following table summarizes changes in share-based compensation liabilities for the periods presented.

($000's)	Nine months ended September 30, 2025	Year ended December 31, 2024
Balance, beginning of period	**500**	-
Liability incurred from grant of DSUs	**283**	429
Settled in cash	**(90)**	-
Increase in liability related to RSUs and PSUs	**295**	253
Fair value adjustments	**(354)**	(154)
Effect of change in foreign exchange rates	**19**	(28)
Balance, end of period	**653**	500
Current (included in accounts payable and accrued liabilities)	**500**	383
Non-current	**153**	117
Share-based compensation liabilities balance	**653**	500

17. Income Taxes

The following provides a reconciliation of the income tax recovery based on applying the combined statutory Trinidad and Tobago petroleum tax and unemployment levy rates to net (loss) earnings before income taxes.

($000's unless otherwise stated)	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	**2025**	2024
Net (loss) earnings before taxes	**(3,165)**	510	**(4,440)**	7,706
Combined Trinidad statutory petroleum income tax and levy rate	**55.0%**	55.0%	**55.0%**	55.0%
Expected income tax (recovery) expense at statutory rate	**(1,741)**	280	**(2,442)**	4,238
Effect on income tax resulting from:				
Change in tax assets not recognized	**83**	(1,722)	**(567)**	(7,094)
Income tax rate differential	**(265)**	566	**963**	(243)
Effect of change in foreign exchange rates and other	**822**	(461)	**339**	1,991
Income tax recovery	**(1,101)**	(1,337)	**(1,707)**	(1,108)

The Company's net deferred income tax liability relates to its Trinidad-based subsidiaries. The following table outlines the components of the net deferred income tax liability for the periods presented.

($000's)	**Nine months ended September 30, 2025**	Year ended December 31, 2024
Deferred income tax liabilities		
PP&E in excess of income tax basis	**49,324**	29,618
Other	**(236)**	67
Deferred income tax assets		
Decommissioning liabilities	**(3,174)**	(636)
Lease liabilities	**(2,081)**	(2,734)
Non-capital losses	**(1,855)**	(1,575)
Intercompany interest	**(7,598)**	(6,816)
Net deferred income tax liability	**34,380**	17,924

As of September 30, 2025, the net deferred income tax liability of $34,380,000 increased by $16,456,000 from December 31, 2024. The increase primarily reflected the $19,554,000 deferred income tax liability recognized in connection with the Acquisition (refer to Note 4). In addition, $34,000 and $3,064,000 of deferred income tax recoveries were recognized though equity and comprehensive loss, respectively, during the nine months ended September 30, 2025.

Tax legislation, regulations, and interpretations continue to evolve in the jurisdictions where the Company operates. As a result, income tax matters are subject to ongoing review. Management believes that the provision for income taxes is adequate.

18. Financial Instruments and Market Risk Management

Financial instruments

Fair value measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date. All assets and liabilities measured or disclosed at fair value in these financial statements are categorized within the following three-level fair value hierarchy, which reflects the significance of the lowest level input that is significant to the measurement as a whole.

- Level 1 - Quoted prices 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 - Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs that can be substantially observed or corroborated in the marketplace, including quoted forward price for commodities, time value, and volatility factors.
- Level 3 - Inputs that are not based on observable market data.

At each reporting date, the Company assesses whether transfers have occurred between levels of the hierarchy by reassessing the classification of each financial asset and liability measured or disclosed at fair value. Judgement is required in evaluating the significance of inputs used in determining fair value, which may affect classification within the hierarchy.

Classification and measurement of financial instruments

The classification of financial assets is determined based on the characteristics of their contractual cash flows. Financial assets and liabilities are initially recognized at fair value, which is generally equal to the transaction price, net of directly attributable transaction costs, unless the instrument contains a significant financing component.

As at September 30, 2025, the Company's financial instruments measured at amortized cost included accounts receivable, restricted cash, accounts payable and accrued liabilities, and income taxes payable. Due to the short-term nature of these instruments, their carrying values approximated their fair values. The Company's bank debt was also carried at amortized cost.

The Debenture is a financial instrument measured at fair value on a recurring basis and classified within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs. Fair value is estimated using a valuation model that incorporates assumptions regarding the expected volatility of the Company's share price, the risk-free interest rate, the credit risk associated with the Debenture, forward foreign exchange rates, and the expected timing and likelihood of conversion.

The detachable warrants issued in connection with the Debenture are classified as equity instruments, as they are exercisable for a fixed number of common shares at a fixed exercise price. The fair value of the warrants at issuance was determined using the Black-Scholes option pricing model, based on assumptions regarding share price volatility, the risk-free rate, and the expected term. The warrant valuation was also classified within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs. As equity instruments, the warrants are not subsequently remeasured.

Market risk management

The Company is exposed to various financial and market risks inherent in international oil and natural gas operations, including commodity price risk, foreign exchange risk, interest rate risk, equity price risk, credit risk (refer to Note 3), and liquidity risk (refer to Note 7). Touchstone continuously monitors these risks and implements strategies to mitigate them through internal controls and prudent financial management. Cash flow management is central to the Company's risk strategy, and material changes in business conditions are reviewed with the Board of Directors to establish appropriate risk mitigation measures.

Commodity price risk

The Company's financial performance is directly influenced by the prices received for crude oil, natural gas liquids, and natural gas production. Fluctuations in commodity prices may have a significant impact on the Company's financial results and cash flows. While the Company does not currently hedge commodity price risk - partly due to a fixed-price natural gas sales contract covering a portion of production - Management continuously monitors forward price curves and may enter into risk management contracts in the future to mitigate price volatility and support capital planning.

Foreign currency risk

The Company is exposed to foreign exchange risk through financial assets and liabilities denominated in foreign currencies. Touchstone's policy is to manage foreign currency exposure by matching revenue and expenditures in the same currency wherever practical. The Company currently does not employ foreign exchange hedging strategies.

As the Company's operations are based in Trinidad, fluctuations in the TT$ relative to the US$ may materially affect financial results. Although crude oil sales are priced in US$ benchmarks, the majority of related sales invoices are paid in TT$, creating exposure to TT$/US$ movements.

Additional exposure arises from US$-denominated bank debt and Debenture balances, including related interest payments. This risk is partially mitigated by the TT$'s informal peg to the US$. Furthermore, sales of natural gas and natural gas liquids are denominated and settled in US$.

The Company is also exposed to foreign exchange fluctuations on C$ and pound sterling denominated balances, as well as on general and administration expenses incurred at its Canadian head office and for maintaining its AIM listing in the United Kingdom. Material movements in C$/US$ or GBP/US$ exchange rates could impact reported results.

Interest rate risk

Interest rate risk arises from the potential for changes in market interest rates to affect the Company's financial results and cash flows. Touchstone is exposed to interest rate fluctuations on its Term Loan Facilities 2 and 3, and its revolving loan facility, as the applicable interest rates are reset annually based on the one-year Secured Overnight Financing Rate (refer to Note 9).

Equity price risk

The Company is exposed to equity price risk related to the valuation of share-based compensation awards issued under its Omnibus Plan and Deferred Share Unit Plan. These awards are classified as cash-settled and are remeasured at each reporting date based on Touchstone's common share price. Accordingly, fluctuations in the share price may increase or decrease share-based compensation expense and ultimately affect the cash settlement obligation.

19. 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. The Company defines its capital structure to include shareholders' equity, working capital, bank debt and the Debenture. Touchstone primarily finances its operations and strategic initiatives through equity issuances and bank debt.

The Debenture forms part of the Company's overall capital structure and was used to support development activities and working capital requirements. While the introduction of the Debenture has increased the Company's financial leverage and future interest obligations, it also provides potential equity funding through conversion.

Management considers funds flow from operations to be a key measure of both capital management and operating performance, as it reflects the Company's ability to fund capital expenditures and service debt obligations. Management believes that excluding the temporary impact of changes in non-cash operating working capital provides a more representative measure of recurring cash generation capacity.

As part of its capital management framework, the Company monitors working capital, net debt, and managed capital to assess liquidity and financial flexibility. These measures are defined as follows:

- Working capital - current assets minus current liabilities as presented in the consolidated balance sheets, excluding the carrying value of the Debenture. The Company excludes the carrying value of the Debenture from working capital given the instrument has a maturity date in 2028.
- Net debt - the working capital surplus or deficit plus the principal (undiscounted) balances of non-current bank debt and the Debenture. Net debt is most directly comparable to total liabilities on the Company's consolidated balance sheets.
- Managed capital - the sum of net debt and shareholders' equity.

Touchstone's long-term strategy is to maintain a net debt to trailing twelve-month funds flow from operations ratio of 2.0 times or less under normalized commodity price conditions. This ratio may temporarily exceed the target due to higher capital investment, acquisitions, or weaker commodity prices. The Company also monitors its net debt to managed capital ratio, with a long-term target of less than 0.4 to 1, reflecting its strategy to prioritize equity over debt financing.

The following table presents Touchstone's internal capital management metrics for the periods indicated.

($000's)	**Target measure**	**September 30, 2025**	December 31, 2024
Current assets		**(40,280)**	(22,151)
Current liabilities		**68,621**	23,510
Working capital deficit per consolidated balance sheet		**28,341**	1,359
Less: current portion of Debenture		**(11,606)**	-
Working capital deficit[(1)]		**16,735**	1,359
Principal balance of non-current bank debt		**48,518**	27,750
Principal balance of non-current Debenture		**12,500**	-
Net debt[(1)]		**77,753**	29,109
Shareholders' equity		**71,596**	68,828
Managed capital[(1)]		**149,349**	97,937
Trailing twelve-month funds flow from operations[(2)]		**8,362**	16,748
Net debt to funds flow from operations ratio[(1)]	At or < 2.0 times	**9.30**	1.74
Net debt to managed capital ratio[(1)]	< 0.4 times	**0.52**	0.30

Notes:
(1) Non-IFRS capital management measures and ratios and therefore may not be comparable to calculations of similar measures disclosed by other entities.
(2) Trailing twelve-month funds flow from operations as at September 30, 2025 comprises the sum of funds flow from operations for the nine months ended September 30, 2025, and the three-month period from October 1, 2024 through December 31, 2024.

The Company's net debt to trailing twelve-month funds flow from operations ratio of 9.3 times as at September 30, 2025 exceeded the Company's long-term target. This temporary increase primarily reflected the significant growth in net debt resulting from the issuance of the Debenture and higher non-current bank debt during the nine months ended September 30, 2025 to fund the Acquisition and capital expenditures. In addition, funds flow from operations for the trailing twelve-month period was lower compared to prior periods due to decreased production volumes from natural declines. The Company continues to monitor its capital structure and expects the ratio to move closer to target levels as production from the wells drilled in 2025 come online and 2025 development plans advance.

20. Commitments

Touchstone has contractual obligations incurred in the normal course of business. These include minimum work commitments under operating agreements with Heritage, licence payments and exploration commitments pursuant to its exploration and production licences with the Government of Trinidad and Tobago Ministry of Energy and Energy Industries, and various lease obligations (refer to Note 8). The following table summarizes the Company's estimated minimum contractual payments as at September 30, 2025.

($000's)		**Estimated payments due by year**			
	Total	**2025**	**2026**	**2027**	**Thereafter**
Operating agreements	**22,804**	403	10,324	5,203	6,874
Exploration agreements	**60,224**	741	11,726	11,930	35,827
Other commitments	**1,174**	105	224	229	616
Minimum payments	**84,202**	**1,249**	**22,274**	**17,362**	**43,317**

Under the terms of its operating agreements with Heritage, the Company is required to satisfy annual work commitments over the term of each licence. As part of these commitments, Touchstone is obligated to drill six development wells prior to December 31, 2025. The Company is currently engaged in discussions with Heritage regarding potential alternatives to satisfy these drilling obligations.

In addition, the Company is committed to drilling a total of ten exploration wells on its various exploration blocks by the end of 2029.

21. Subsequent Event

On October 30, 2025, the Company completed a private placement directed to investors in the United Kingdom, raising gross proceeds of approximately $9.1 million (£7 million) through the issuance of 63,636,363 common shares at a price of £0.11 (approximately C$0.205) per common share.

Corporate Information

Directors
Kenneth R. McKinnon
Chair of the Board

Paul R. Baay
Priya Marajh
Peter Nicol
Beverley Smith
Stanley T. Smith

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

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.

Auditor
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Calgary, Alberta, Canada

Reserves Evaluator
GLJ Ltd.
Calgary, Alberta, Canada

Legal Counsel
Norton Rose Fulbright LLP
Calgary, Alberta, Canada
London, United Kingdom

Transfer Agent and Registrar
Odyssey Trust Company
Calgary, Alberta, Canada

MUFG Corporate Markets
Leeds, United Kingdom

UK Nominated Advisor and Joint Broker
Canaccord Genuity
London, United Kingdom

UK Joint Broker
Cavendish Capital Markets
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UK Public Relations
FTI Consulting
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