



Touchstone Exploration Inc.

Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

Management's Report

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the accompanying consolidated financial statements and for the consistency therewith of all other financial and operating data presented in year-end regulatory filings. The consolidated financial statements have been prepared in accordance with the accounting policies detailed in the notes thereto. In Management's opinion, the consolidated financial statements are in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, have been prepared within acceptable limits of materiality, and have utilized supportable, reasonable estimates.

Management is responsible for the integrity and objectivity of the financial information. Management has established and continuously monitors systems of internal control over financial reporting to provide reasonable assurance regarding the reliability of Touchstone Exploration Inc.'s financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS Accounting Standards.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control. The Board of Directors exercises responsibilities primarily through its Audit Committee, which is composed entirely of independent directors. The Audit Committee meets regularly with Management and with the external auditors to discuss the internal controls over financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is discharging its responsibilities, and to review the consolidated financial statements and the external auditors' report thereon. The Audit Committee also considers the independence of the external auditors and reviews their fees. The Audit Committee has reported its findings to the Board of Directors, who have in turn approved the consolidated financial statements for issuance to the shareholders.

The consolidated financial statements have been audited on behalf of the shareholders by KPMG LLP, Chartered Professional Accountants, in accordance with Canadian generally accepted auditing standards.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance that all assets are safeguarded, transactions are appropriately authorized, and to facilitate the preparation of relevant, reliable, and timely information. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management's assessment of internal control over financial reporting was based on the framework in "*Internal Control - Integrated Framework (2013)*" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management concluded that Touchstone Exploration Inc.'s internal control over financial reporting was effective as of December 31, 2025.

(signed) "Paul R. Baay"

Paul R. Baay
President, Chief Executive Officer and Director

Calgary, Alberta
March 30, 2026

(signed) "Scott Budau"

Scott Budau
Chief Financial Officer



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Touchstone Exploration Inc.

Opinion

We have audited the consolidated financial statements of Touchstone Exploration Inc. (the Entity), which comprise:

- the consolidated balance sheets as at December 31, 2025 and December 31, 2024
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Entity had a working capital deficit at December 31, 2025. In the absence of timely collection of value added tax receivables and incremental production from its capital program, the Entity expects that cash balances may not be sufficient to fund projected operating and development expenditures and required bank debt repayments



over the next twelve months. In addition, the Entity projects a breach of certain financial covenants as of December 31, 2026, which could result in the entire bank debt balance becoming due at that time. The Entity's ability to continue as a going concern depends on generating sufficient cash flows from operations, obtaining additional financing through debt or equity, or restructuring existing debt obligations and financial covenants.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "***Material Uncertainty Related to Going Concern***" section of the auditor's report, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of the impact of estimated proved plus probable reserves on the acquisition-date fair value of petroleum and natural gas development assets acquired

Description of the matter

We draw attention to note 3, note 5 and note 7 to the financial statements. On May 16, 2025, the Entity completed the acquisition of all of the share capital of Shell Trinidad Central Block Limited. The Entity estimated the acquisition-date fair value of petroleum and natural gas development assets acquired using proved plus probable reserves discounted at an after-tax rate that reflected market participant assumptions.

The Entity recorded \$43,828 thousand of petroleum and natural gas development assets on the acquisition date.

The estimated acquisition-date fair value of the petroleum and natural gas development assets acquired involves significant estimates, including:

- The future cash flows associated with the estimate of proved plus probable reserves
- The discount rate.

The future cash flows associated with the estimate of proved plus probable reserves includes significant assumptions related to:

- Forecasted oil and natural gas prices
- Forecasted production volumes
- Forecasted operating costs
- Forecasted royalty costs
- Forecasted future development costs.



The Entity engaged an independent qualified reserves evaluator to estimate the cash flows of the proved plus probable reserves at December 31, 2025.

Why the matter is a key audit matter

We identified the assessment of estimated proved plus probable reserves on the acquisition-date fair value of petroleum and natural gas development assets acquired as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures regarding the estimate of the cash flows associated with the proved plus probable reserves and the discount rate.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

With respect to the estimate of the cash flows associated with the proved plus probable reserves at December 31, 2025:

- We evaluated the competence, capabilities and objectivity of the independent qualified reserves evaluator engaged by the Entity
- We compared forecasted oil and natural gas prices to those published by other independent qualified reserves evaluators
- We evaluated the appropriateness of forecasted production volumes, operating costs, royalty costs and future development cost assumptions by comparing to 2025 actual results. We took into account changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments in arriving at the assumptions.

We compared actual production volumes, operating costs, royalty costs and capital expenditures from the acquisition date to December 31, 2025 to those estimates used in the acquisition-date estimate of the future cash flows associated with the proved plus probable reserves to assess the estimate of future cash flows associated with proved plus probable reserves at the acquisition date. We took into account changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments when comparing these assumptions.

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating the appropriateness of the discount rate used in determining the acquisition-date fair value of petroleum and natural gas development assets acquired by comparing the discount rate to market and other external data
- Assessing the reasonableness of the Entity's estimate of the acquisition-date fair value of petroleum and natural gas development assets acquired using the future cash flows associated with the estimate of proved plus probable reserves and the discount rate.

Assessment of the impact of estimated proved plus probable reserves on property, plant and equipment ("PP&E")

Description of the matter

We draw attention to note 3, note 5, note 9 and note 10 to the financial statements. The Entity uses estimated proved plus probable reserves to deplete its petroleum and natural gas development assets included in PP&E, to assess for indicators of impairment on the Entity's cash generating units ("CGU") and if any such indicators exist, to perform an impairment test to estimate the recoverable amount of the CGUs.



The Entity has \$181,677 thousand of PP&E as of December 31, 2025.

The Entity identified indicators of impairment for the Cascadura CGU at December 31, 2025 and performed an impairment test to estimate the recoverable amount of the CGU. No impairment was recorded.

The estimated recoverable amount of the CGU involves significant estimates including:

- The estimate of proved plus probable reserves and the related future cash flows
- The discount rate.

The Entity depletes its petroleum and natural gas development assets using the unit-of-production method by reference to the ratio of production in the period to the related proved plus probable reserves, taking into account forecasted future development costs.

Depletion and depreciation expense on petroleum and natural gas development assets was \$11,573 thousand for the year ended December 31, 2025, a portion of which related to depletion.

The estimate of proved plus probable reserves and the related future cash flows includes significant assumptions related to:

- Forecasted oil and natural gas prices
- Forecasted production volumes
- Forecasted operating costs
- Forecasted royalty costs
- Forecasted future development costs.

The Entity engages an independent qualified reserves evaluator to estimate proved plus probable reserves and the related future cash flows.

Why the matter is a key audit matter

We identified the assessment of the impact of estimated proved plus probable reserves on PP&E as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures regarding the estimate of proved plus probable reserves and the related future cash flows and the discount rate. Additionally, the assessment of the recoverable amount related to the Cascadura CGU requires the use of professionals with specialized skills and knowledge in valuation.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

We assessed the depletion expense calculation for compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

We evaluated the Entity's assessment of internal and external indicators of impairment or impairment reversal for the Entity's CGUs by considering whether quantitative and qualitative information in the analysis was consistent with external market and industry data, and the estimate of proved plus probable reserves of the CGUs.



With respect to the estimate of proved plus probable reserves and the related future cash flows at December 31, 2025:

- We evaluated the competence, capabilities and objectivity of the independent qualified reserves evaluator engaged by the Entity
- We compared forecasted oil and natural gas prices to those published by other independent qualified reserves evaluators
- We compared the 2025 actual production, operating costs, royalty costs and development costs of the Entity to those estimates used in the prior year's estimate of proved reserves and the related future cash flows to assess the Entity's ability to accurately forecast
- We evaluated the appropriateness of forecasted production volumes, actual operating costs, royalty costs and future development costs assumptions by comparing to 2025 historical results. We took into account changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments made by the Entity in arriving at the assumptions.

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating the appropriateness of the discount rate used for the Cascadura CGU by comparing the discount rate to market and other external data
- Assessing the reasonableness of the Entity's estimate of the recoverable amount of the Cascadura CGU using the CGU's future cash flows associated with the estimate of proved plus probable reserves and the discount rate.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor's report is David Yung.

Calgary, Canada

March 30, 2026

Touchstone Exploration Inc.
Consolidated Balance Sheets
Stated in thousands of United States dollars

As at	Note	December 31, 2025	December 31, 2024
Assets			
Current assets			
Cash		10,370	6,744
Accounts receivable	6	28,169	13,805
Inventory		82	85
Prepaid expenses		904	1,517
		39,525	22,151
Exploration and evaluation assets			
Property, plant and equipment	8	5,571	3,743
Restricted cash	9	181,677	122,382
Other assets	13	3,602	924
Abandonment fund	9	2,224	108
	15	9,478	2,965
Total assets		242,077	152,273
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11	32,891	16,254
Acquisition consideration payable	7	8,525	-
Income taxes payable	21	749	6
Current portion of bank debt	13	12,786	7,250
Convertible debenture	14	9,979	-
		64,930	23,510
Lease liabilities	12	2,982	4,368
Bank debt	13	44,685	27,541
Decommissioning liabilities	15	12,081	9,985
Share-based compensation liabilities	20	126	117
Deferred income taxes	21	23,605	17,924
Total liabilities		148,409	83,445
Shareholders' equity			
Shareholders' capital	16	129,205	115,610
Warrants		269	-
Contributed surplus		7,315	7,069
Other comprehensive loss		(14,040)	(13,882)
Deficit		(29,081)	(39,969)
Total shareholders' equity		93,668	68,828
Total liabilities and shareholders' equity		242,077	152,273

Going concern (Note 1)
 Commitments and contingencies (Note 24)

See accompanying notes to these consolidated financial statements.

Approved on behalf of the Board of Directors:

(signed) "Kenneth R. McKinnon"
 Kenneth R. McKinnon
 Chair of the Board of Directors and Director

(signed) "Stanley T. Smith"
 Stanley T. Smith
 Chair of the Audit Committee and Director

Touchstone Exploration Inc.
Consolidated Statements of Comprehensive Income
Stated in thousands of United States dollars (except per share amounts)

	Note	Year ended December 31,	
		2025	2024
Revenue			
Petroleum and natural gas sales	17	45,817	57,470
Less: royalties		(11,516)	(13,876)
Petroleum and natural gas sales, net of royalties		34,301	43,594
Other revenue		454	63
Total revenue		34,755	43,657
Expenses			
Operating	26	13,037	10,704
General and administration	26	9,817	10,154
Net finance	18	3,902	3,018
Transaction	19	471	2,023
Exploration		58	248
Gain on asset dispositions	8,9	(4,981)	(2,213)
Foreign exchange gain	22	(39)	(54)
Share-based compensation	20	207	1,589
Depletion and depreciation	9	12,485	9,501
Impairment	10	-	2,659
Total expenses		34,957	37,629
(Loss) income before income taxes		(202)	6,028
Provision for income taxes			
Current expense	21	1,522	1,161
Deferred recovery	21	(12,612)	(3,405)
Total income tax recovery		(11,090)	(2,244)
Net income		10,888	8,272
Currency translation adjustments		(158)	(758)
Comprehensive income		10,730	7,514
Net income per common share			
Basic	16	0.04	0.04
Diluted	16	0.04	0.03

See accompanying notes to these consolidated financial statements.

Touchstone Exploration Inc.
Consolidated Statements of Changes in Shareholders' Equity
Stated in thousands of United States dollars

	Note	Year ended December 31,	
		2025	2024
Shareholders' capital			
Balance, beginning of year		115,610	114,965
Issued pursuant to private placement, net of fees	16	13,595	-
Issued under share-based compensation plans	16	-	645
Balance, end of year		129,205	115,610
Warrants			
Balance, beginning of year		-	-
Issued pursuant to convertible debenture	14	269	-
Balance, end of year		269	-
Contributed surplus			
Balance, beginning of year		7,069	6,166
Recognized under share-based compensation plans	16	-	(230)
Share-based compensation expense	20	224	1,061
Share-based compensation capitalized	20	22	72
Balance, end of year		7,315	7,069
Other comprehensive loss			
Balance, beginning of year		(13,882)	(13,124)
Currency translation adjustments		(158)	(758)
Balance, end of year		(14,040)	(13,882)
Deficit			
Balance, beginning of year		(39,969)	(48,241)
Net income		10,888	8,272
Balance, end of year		(29,081)	(39,969)

See accompanying notes to these consolidated financial statements.

Touchstone Exploration Inc.
Consolidated Statements of Cash Flows
Stated in thousands of United States dollars

		Year ended December 31,	
	Note	2025	2024
Operating activities			
Net income		10,888	8,272
Items not involving cash from operations:			
Gain on asset dispositions	8,9	(4,981)	(2,213)
Unrealized foreign exchange loss	22	72	121
Share-based compensation expense	20	207	1,589
Depletion and depreciation expense	9	12,485	9,501
Impairment expense	8,9	-	2,659
Non-cash finance (income) expense	26	(688)	243
Deferred income tax recovery	21	(12,612)	(3,405)
Decommissioning expenditures	15	-	(19)
Funds flow from operations		5,371	16,748
Net change in non-cash operating working capital	26	14,759	(3,567)
Cash from operating activities		20,130	13,181
Investing activities			
Exploration and evaluation expenditures	8	(1,848)	(1,046)
Property, plant and equipment expenditures	9	(26,529)	(22,633)
Acquisition expenditures	7	(28,400)	-
Abandonment fund expenditures	15	(591)	(971)
Proceeds from asset dispositions	9	115	1,066
Net change in non-cash investing working capital	26	(2,299)	2,964
Cash used in investing activities		(59,552)	(20,620)
Financing activities			
Changes in restricted cash	13	(2,678)	(139)
Advances of bank debt, net of fees	13	29,423	12,747
Repayments of bank debt	13	(7,250)	(6,000)
Net proceeds from convertible debenture	14	11,706	-
Net finance lease payments	12	(1,833)	(1,194)
Issuance of common shares, net of fees	16	13,595	415
Net change in non-cash financing working capital	26	14	106
Cash from financing activities		42,977	5,935
Change in cash during the year		3,555	(1,504)
Cash, beginning of year		6,744	8,186
Impact of foreign exchange on foreign denominated cash balances		71	62
Cash, end of year		10,370	6,744
Supplementary information for cash from operating activities:			
Interest paid in cash	13,14	3,771	2,407
Income taxes paid in cash	21	301	1,399

See accompanying notes to these 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 December 31, 2025, the Company had a working capital deficit of \$15.4 million, excluding the convertible debenture which is only 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 historically has experienced additional capital costs and operational challenges impacting additional production, the Company expects that cash balances may not be sufficient to fund projected operating and development expenditures and required bank debt repayments of \$12.8 million, included in the working capital deficit, over the next twelve months. In addition, the Company projects a breach of its bank debt net senior funded debt to trailing annual EBIDA and debt service coverage covenants as of December 31, 2026, which could result in the entire bank debt balance becoming due at that time. 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, obtaining additional financing through debt or equity, or restructuring existing debt obligations and financial covenants. Management is actively evaluating alternatives to meet the remaining capital requirements, including potential additional debt or equity financing and adjustments to its operational and development 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

These consolidated financial statements (the "financial statements") have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS"). Unless otherwise stated, all amounts presented in these financial statements are denominated in United States dollars ("\$" or "US\$").

The financial statements have been prepared on a historical cost basis, except for those items presented at fair value as detailed in the significant accounting policies disclosed in Note 3 "Summary of Material Accounting Policies".

The Company's operations are viewed as a single operating segment by the chief operating decision makers of the Company for the purposes of resource allocation and assessing performance.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

The 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. Significant estimates and judgments used in the preparation of the financial statements are detailed in Note 5 "Use of Estimates, Judgements and Assumptions".

These financial statements were approved and authorized for issuance by Touchstone's Board of Directors (the "Board") on March 30, 2026.

3. Summary of Material Accounting Policies

The accounting policies set forth below have been applied consistently to all periods presented in these financial statements by the Company and its subsidiaries.

Basis of Consolidation

The financial statements include the accounts of Touchstone Exploration Inc. and its wholly owned subsidiaries. The following table outlines the Company's subsidiaries as at December 31, 2025.

Entity	Country of incorporation	Ownership (%)
Touchstone Exploration (Barbados) Ltd.	Barbados	100
Touchstone Exploration (Trinidad) Ltd.	Trinidad	100
Primera Oil and Gas Limited	Trinidad	100
Territorial Oilfield Management Services Limited	Trinidad	100
Touchstone Renewables Ltd.	Trinidad	100

Effective December 12, 2025, the Company completed a simplified horizontal amalgamation of its wholly owned subsidiaries, Touchstone Trinidad Central Block Ltd. and Primera Oil and Gas Limited. Primera Oil and Gas Limited continues as the surviving legal entity. Touchstone Trinidad Central Block Ltd. (formerly Shell Trinidad Central Block Limited) was acquired by the Company in May 2025 (refer to Note 7). This internal reorganization was conducted to streamline the Company's Trinidadian legal and reporting structure.

All intercompany balances, transactions, income and expenses have been eliminated on consolidation in these financial statements.

Joint Arrangements

Touchstone conducts a significant portion of its petroleum and natural gas ("P&NG") activities through jointly controlled operations. Joint control exists only when decisions about the relevant activities, such as the approval of annual operating and capital budgets, require the unanimous consent of the parties sharing control. These arrangements are classified as joint operations, and accordingly, the financial statements reflect the Company's specific share of the assets, liabilities, revenue, and expenses.

The Company's arrangements with state owned Heritage Petroleum Company Limited ("Heritage") are considered material jointly controlled arrangements:

- Ortoire block: Touchstone holds an 80 operating working interest, with Heritage holding the remaining 20 percent interest.
- Central block: Following the acquisition in May 2025, the Company holds a 65 percent operating working interest, with Heritage holding the remaining 35 percent interest.

Because both parties must approve the strategic work programs and budgets for these blocks, the Company has determined that joint control exists. Touchstone recognizes its share of production, royalties, and operating expenses based on these respective working interest percentages.

Foreign Currency Translation

The financial statements are presented in US\$, which is the Company's presentation currency.

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Touchstone has determined that the functional currency of the parent company is the Canadian dollar ("C\$"); the functional currency of the Company's Barbadian entity is the US\$; and the functional currency of each of its Trinidadian subsidiaries is the Trinidad and Tobago dollar ("TT\$").

Foreign currency transactions are translated into the respective functional currency of the Company and its subsidiaries using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income ("statements of income").

The results and financial position of the Company and its consolidated subsidiaries that have a functional currency different from the US\$ presentation currency are translated as follows:

- assets and liabilities for each consolidated balance sheet ("balance sheet") presented are translated at the reporting date closing rate;
- revenue and expenses and certain cash flow items for each period are translated at average monthly exchange rates (unless this is not a representative approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case revenue and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive loss, a separate component of shareholders' equity.

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.

Financial Instruments

Classification and measurement of financial instruments

The Company's financial assets and liabilities are classified into two categories: amortized cost and fair value through profit or loss ("FVPTL"). The classification of financial assets is determined based on the characteristics of their contractual cash flows. Touchstone does not classify any of its financial instruments as fair value through other comprehensive income.

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. Subsequent measurement depends on the classification of the financial instrument.

- Amortized cost: Financial instruments measured as amortized cost are initially recognized at fair value and subsequently measured using the effective interest method. Financial instruments classified as amortized cost include accounts receivable, restricted cash, accounts payable and accrued liabilities, acquisition consideration payable, income taxes payable, lease liabilities and bank debt.
- FVPTL: Financial instruments classified as FVPTL are measured at fair value on initial recognition and subsequently at fair value at each reporting date, with changes in fair value recognized in the statements of income. The Company's convertible debenture is classified as FVPTL.

Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost. Expected credit losses exist if one or more loss events occur after initial recognition of the financial asset, which has an impact on the estimated future cash flows of the financial asset and that impact can be reliably measured. Touchstone uses a combination of historical and forward-looking information to determine the appropriate expected credit loss. The carrying amount of the asset is reduced through the use of an allowance account, and the loss is recognized in general and administration expense.

Derecognition of financial liabilities

If an amendment to a contract or agreement comprises a substantial modification, Touchstone will derecognize the existing financial liability and recognize a new financial liability, with the difference recognized as a gain or loss in the statements of income. To determine whether a modification is substantial, the Company performs quantitative and qualitative tests. Quantitatively, if the present value of the cash flows under the new terms is at least 10 percent different than the remaining cash flows of the original liability, the modification is deemed to be substantial. Qualitatively, the change is evaluated based on its impact to the economic risk associated with the liability and would be specific to the contract.

If the modification results in the derecognition of a liability, any associated fees are recognized as part of the gain or loss. If the modification is not deemed to be substantial, any associated fees are adjusted against the liability's carrying amount and are amortized over the remaining term.

Business Combinations

Touchstone accounts for business combinations using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and liabilities assumed are measured and recognized at their fair value at the date of the acquisition, with the exception of income taxes, right-of-use ("ROU") assets, and lease liabilities. Any deferred income tax asset or liability arising from a business combination is recognized at the acquisition date.

Transaction expenses associated with a business combination are expensed as incurred. Results of acquisitions are included in the financial statements from the closing date of the acquisition. If the consideration of the acquisition is less than the fair value of the net assets received, the difference is recognized immediately in the statements of income. If the consideration of the acquisition is greater than the fair value of the net assets received, the difference is recognized as goodwill on the balance sheet. Subsequent measurement of goodwill is stated at cost less any accumulated impairment expenses.

Exploration and Evaluation Assets

Expenditures incurred before the Company has obtained legal rights to explore an area are recognized in the statements of income as exploration expense.

Exploration and evaluation ("E&E") assets reflect expenditures for an area where technical feasibility and commercial viability have not yet been determined. Expenditures, including land acquisition, geological and geophysical, exploration drilling, completion and production testing costs, directly attributable overhead and share-based compensation expenses, and estimates of any decommissioning costs are capitalized and accumulated pending determination of technical feasibility and commercial viability. Technical feasibility and commercial viability of E&E assets are dependent upon the assignment of a sufficient amount of economically recoverable crude oil, natural gas liquids and natural gas reserves ("reserves") relative to the estimated potential resources available, available infrastructure to support commercial development, as well as obtaining the appropriate internal and external approvals.

Assets classified as E&E may have sales of P&NG products associated with production from test wells. Proceeds from the sale of P&NG products during the E&E phase, and the related costs of producing those items, are recognized in the statements of income.

When a project classified as E&E is determined to be technically feasible and commercially viable, the relevant costs are transferred to property, plant and equipment ("PP&E") on the balance sheet. The assets are assessed for impairment prior to any such transfer, by comparing the carrying amount to the greater of the assets' fair value less costs of disposal ("FVLCD") or value in use ("VIU"). If a decision is made by Management not to continue an E&E project, the E&E carrying value is derecognized and all associated costs are expensed as impairment in the statements of income at that time.

Property, Plant and Equipment

Items of PP&E, which include P&NG development assets, ROU assets and corporate assets, are measured at cost less accumulated depletion and depreciation expense and accumulated impairment expense.

P&NG development asset costs include expenditures for areas where technical feasibility and commercial viability have been determined. All costs directly associated with the acquisition and development of P&NG properties are capitalized. These costs include transfers of E&E assets, property acquisitions, facilities, directly attributable overhead and share-based compensation

expenses, as well as decommissioning liabilities, geological and geophysical, and drilling, completion and production testing costs.

The Company depletes its P&NG development assets using the unit-of-production method by reference to the ratio of production in the period to the related proved plus probable reserves. Proved plus probable reserves are estimated annually by independent qualified reserves evaluators in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). Estimated future development costs necessary to bring the reserves to production are included in the depletion calculation. The Company operates under numerous production and exploration leases with varying expiry dates. Under its operating agreements with Heritage, the Company does not have ownership of the reserves but is entitled to all associated cash flows therefrom. For impairment assessment and depletion purposes, the Company assumes that all relevant agreements will be renewed in accordance with any contractual renewal options.

Depreciation of corporate assets are calculated on a declining balance basis at various rates per annum over the estimated useful lives of the related assets. Depreciation methods, useful lives and residual values are reviewed at least annually.

Impairment of Non-financial Assets

Property, plant and equipment

P&NG development assets are accumulated in cost centres at the cash-generating unit ("CGU") level for the purposes of assessing impairment. A CGU is a grouping of assets that generate cash flows independently of other assets held by the Company. CGUs are determined based on the smallest group of assets that generate cash inflows that are largely independent of the cash inflows from other assets, considering shared infrastructure and geography.

CGUs are reviewed at each reporting date for indicators of potential impairment and, in the case of previously impaired CGUs, reversal of impairment. If such indicators exist, an impairment test is performed by comparing the CGU's carrying value to its recoverable amount, defined as the greater of the CGU's FVLCD and its VIU. Any excess of the carrying value over the estimated recoverable amount is recognized in the statements of income as impairment expense.

If there is an indicator that a previously recognized impairment expense may no longer exist or may have decreased, the estimated recoverable amount of the relevant CGU is calculated and compared against the carrying amount. A previous impairment expense is reversed to the extent that the CGU's estimated recoverable amount does not exceed the carrying amount that would have been determined, net of accumulated depletion, if no impairment had been recognized. A reversal of impairment is recognized in the statements of income against impairment expense.

FVLCD is estimated using the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less any costs of disposal. Available fair value indicators, such as recent market information and appropriately discounted cash flow valuation models, are typically used in determining FVLCD. In assessing VIU, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Recoverable amounts are generally computed by reference to the present value of the related future cash flows expected to be derived from estimated proved plus probable reserves.

Exploration and evaluation assets

E&E assets are assessed for impairment at the operating area level and are reviewed at each reporting date for indicators of potential impairment or, in the case of previously impaired E&E assets, reversals of impairment. An impairment expense on E&E assets is recognized if the carrying value of the E&E assets exceeds the recoverable amount. Similarly, a previously recorded

impairment may be reversed if the recoverable amount of the relevant E&E asset is greater than the carrying amount. E&E asset impairment expenses or reversals are recognized in the statements of income as impairment expense or impairment recovery, respectively.

Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing development or use. This condition is met when the sale is highly probable, and the asset is available for immediate sale in its present condition. For the sale to be highly probable, Management must be committed to a plan to sell the asset, and an active program to locate a buyer must have been initiated. The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value, and the sale should be expected to be completed within one year from the date of classification. Certain events or circumstances beyond the Company's control may extend the period to complete the sale beyond one year.

Immediately before E&E and PP&E assets are classified as held for sale, they are measured at the lower of their carrying amount and FVLCD, with any impairment expense recognized in the statements of income. Non-current assets held for sale and their associated liabilities are classified and presented in current assets and liabilities within the balance sheet. Assets held for sale are not depleted or depreciated.

Dispositions

Gains or losses on disposal of assets are determined as the difference between the net proceeds from disposal and the carrying amount of the net assets held for sale and are recognized in the statements of income.

Exchanges of assets are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reasonably measured, in which case the acquired assets are measured at the carrying value of the assets disposed.

Provisions and Contingent Liabilities

Provisions are recognized when Touchstone has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefit will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured using the best estimate of the expenditure required to settle the obligation.

A provision for an onerous contract is recognized when the expected economic benefits to be derived by Touchstone from the contract are lower than the unavoidable cost of meeting the obligations in the contract. The provision is measured at the lower of the expected cost of terminating the contract and the present value of the expected net cost during the remaining term of the contract. Before a provision is established, the Company first recognizes any impairment expense on any assets associated with the onerous contract.

A contingent liability is disclosed when Touchstone has a possible obligation arising from a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly under its control, or when the Company has a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Lease Arrangements

The Company assesses whether an arrangement is a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

When Touchstone is a party to a lease arrangement as the lessee, leases are recognized as a ROU asset and a corresponding lease liability on the balance sheet on the date that the leased asset becomes available for use.

ROU assets and lease liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments which may include fixed payments, variable lease payments based on an index or a rate, amounts expected to be payable under residual value guarantees, and payments to exercise an extension or termination option if the Company is reasonably certain to exercise either option. The interest rate implicit in the lease is used to determine the present value of the liability and ROU asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used. Touchstone uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Lease payments are allocated between the lease liability and finance expense. Finance expenses are recognized in the statements of income over the lease term.

ROU assets are measured at cost, which is composed of the amount of the initial measurement of the lease obligation, less any incentives received, plus any lease payments made at, or before, the commencement date and initial direct costs and asset restoration costs, if any. ROU assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.

Lease liabilities and ROU assets are remeasured when there is a modification to the underlying contract terms, a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee, or if there is a change in the assessment of whether the Company will exercise a purchase extension or termination option.

Leases that have terms of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in the statements of income on a straight-line basis over the lease term.

As lessor

Where Touchstone acts as the lessor in a lease arrangement, the Company determines at inception whether the lease is a finance lease or an operating lease. Leases where the Company transfers substantially all of the risk and rewards incidental to ownership of the underlying asset are classified as finance leases. Under a finance lease, Touchstone records the current portion of the finance lease in accounts receivable and the non-current portion in other assets. Finance interest income related to the lease is recognized using an approach that equals a constant rate of return on the net investment of the lease. The net investment of the lease is the aggregate of the net minimum lease payments and unearned finance income discounted at the interest rate implicit in the lease. Unearned finance income is deferred and recognized in the statements of income over the lease term against net finance expense. The Company records lease payments received under operating leases as other revenue on a straight-line basis over the lease term.

Bank Debt

The Company's bank debt balance includes three term loan facilities and a revolving loan facility that may be renewed on a two-year basis. The term loan facilities were initially measured at fair value, net of all transaction fees, and are subsequently measured at amortized cost using the effective interest rate method. The discount on each term loan facility is unwound using the effective interest rate method to the face value at maturity, and the associated accretion expense is recognized in the statements of income in net finance expense. The revolving loan facility is measured at amortized cost using the effective interest rate method.

Convertible Debenture and Warrants

The Company's convertible debenture issued in August 2025 was designated as a hybrid financial instrument measured at FVPTL in accordance with IFRS 9 *Financial Instruments* ("IFRS 9").

On issuance, the convertible debenture was initially recognized based on the gross proceeds, net of the holder's placement fee, and the fair value allocated to the detachable warrants. The fair value of the convertible debenture is remeasured at each reporting date using a valuation model incorporating assumptions related to the volatility of the Company's share price, the risk-free interest rate, credit risk, forward foreign exchange rates, and the expected timing and probability of conversion. Changes in fair value are recognized as non-cash components of net finance expense. If converted, the carrying amount is reclassified to share capital. Although the debenture matures in 2028, it remains classified as a current liability because it is convertible at the holder's option at any time prior to maturity.

The fair value of the detachable warrants 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 value attributed to the warrants was recorded in equity on issuance, as they are exercisable for a fixed number of common shares at a fixed exercise price. The warrants are not subsequently remeasured, and the recorded balance is reclassified to share capital upon exercise.

Decommissioning Liabilities

Provisions for abandonment and reclamation obligations associated with Touchstone's E&E and PP&E assets are recognized as decommissioning liabilities. Decommissioning liabilities are measured at the present value of Management's best estimate of expenditures required to settle the liability at the end of the related assets' useful life at the balance sheet reporting date.

The discount rate used to determine the present value is a risk-free rate that reflects the currency and the estimated timing of the expenditure. On at least a quarterly basis, Management reviews these estimates, and any changes, if any, are applied prospectively. These changes are recognized as an increase or decrease to the liability, with a corresponding increase or decrease to the carrying amount of the related asset.

The capitalized amount included in PP&E is depleted based on a unit-of-production basis consistent with the underlying assets. The liability is increased in each reporting period with the passage of time, and the associated accretion expense is recognized in the statements of income as finance expenses. Periodic revisions to the liability-specific risk-free discount rate, estimated timing of cash flows, or to the estimated undiscounted cost can also result in an increase or decrease to the decommissioning liability and the related asset. Actual costs incurred upon settlement of the obligations are recognized against the provision to the extent of the liability recognized.

With respect to decommissioning liabilities associated with the Company's operating agreements with Heritage, the Company is obligated to pay its proportional share of well abandonment costs. This share is determined by the ratio of the Company's cumulative crude oil sales from a specific

well compared to the well's total historical production. Touchstone remains responsible for its working interest share of site restoration, well abandonment costs and removal of infrastructure and facilities used in P&NG operations conducted on its properties under production licences with the Government of Trinidad and Tobago Ministry of Energy and Energy Industries ("MEEI") and private landowners.

Revenue Recognition

The Company principally generates revenue from the sale of commodities, including crude oil, natural gas liquids ("NGLs") and natural gas. Revenue is recognized when the Company satisfies its performance obligations by transferring control of the commodity to the buyer. This occurs when the buyer has the ability to direct the use of and obtain substantially all the remaining benefits from the commodity, and the Company has a present right to payment.

Revenue from the sale of crude oil and NGLs separated at the Company's processing facilities is recognized at the point in time when the product is delivered to Heritage at its sales batteries or designated facilities. This delivery represents the transfer of legal title and control. Realized prices are based on contractually agreed-upon pricing mechanisms, typically referencing local and global pricing benchmarks adjusted for quality differentials.

The Company recognizes natural gas sales revenue at the point of delivery based on the following primary arrangements:

- Domestic market: Revenue is recognized upon delivery to the National Gas Company of Trinidad and Tobago ("NGC") at the field gate or inlet to the NGC pipeline system.
- Export-linked sales: For Central block natural gas sales to the Atlantic LNG facility, revenue is recognized upon delivery at the specified inlet point. The transaction price is variable and determined using a contractually defined formula linked to global energy benchmarks. This includes provisional pricing adjustments for heating value and liquids content, with final adjustments recognized when the definitive values are determined.

Touchstone may also generate revenue from third-party product gathering and processing through its infrastructure. This is recognized as other revenue in the statements of income as the services are provided, typically based on throughput volumes and contractually agreed-upon tariffs.

Share-based Compensation Plans

The Company's share-based compensation plans include both cash-settled awards and equity-settled awards.

The Company's restricted share units ("RSUs"), performance share units ("PSUs") and deferred share units ("DSUs") are considered cash-settled awards. Liabilities associated with cash-settled awards are determined based on the fair value of the award at the grant date and are subsequently revalued at each period-end. This valuation incorporates the period-end share price, dividends declared during the period, the number of awards outstanding at each period-end, and certain Management estimates, such as a performance multiplier and estimated forfeitures. Compensation expense is recognized in the statements of income over the relevant service period with a corresponding increase or decrease in accrued liabilities. Classification of the associated current and non-current liabilities is dependent on the expected payout dates of the individual awards.

Compensation expense associated with equity-settled awards for stock options is determined based on the fair value of the stock option at the grant date, as measured using the Black-Scholes option-pricing model and is recognized over the period that the options vest with a corresponding increase to contributed surplus. The estimated forfeiture rate is adjusted to reflect the actual number of stock options that vest. When equity-settled awards are exercised, the consideration

received, and the associated amounts previously recorded as contributed surplus are reclassified to shareholders' capital.

Income Taxes

Income tax expense or recovery comprises current and deferred tax and is recognized in the statements of income, except to the extent that it relates to items recognized directly in equity, in which case the related income tax is also recorded in equity.

Current income tax is the expected income tax payable on taxable income for the period, using enacted or substantively enacted income tax rates at the reporting date and any adjustment to income tax payable in respect of previous years.

Deferred income tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income taxes are not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and loss or for taxable temporary differences arising on the initial recognition of goodwill. Deferred income tax is measured at the income tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax assets and liabilities are presented as non-current. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to set off the recognized amounts, and the intent is to either settle on a net basis or to realize the assets and settle the liabilities simultaneously. A deferred income tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Income Per Share

Basic income per share is calculated by dividing net income attributable to shareholders by the weighted average number of common shares outstanding during the period.

Diluted income per share is calculated by adjusting the weighted average number of common shares outstanding for the dilutive common shares related to the Company's share-based compensation plans, convertible debenture and warrants, which could have a dilutive impact on net income during the year. The number of shares included is computed using the treasury stock method, whereby the common shares are assumed to be purchased at the average market price.

4. Future Accounting Pronouncements

Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*

In May 2024, the International Accounting Standards Board ("IASB") issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* to clarify the date of recognition and derecognition of financial assets and liabilities. The amendments are effective for fiscal years beginning on or after January 1, 2026, and are not expected to have a material impact on the Company's financial statements.

IFRS 18 *Presentation and Disclosure in Financial Statements*

IFRS 18 *Presentation and Disclosure in Financial Statements* ("IFRS 18") was issued in April 2024 by the IASB and replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces a

defined structure to the statements of comprehensive income, including new totals, subtotals, and categories for income and expenses. In addition, management defined performance measures will require note disclosure. IFRS 18 is required to be adopted retrospectively and is effective for fiscal years beginning on or after January 1, 2027, with early adoption permitted. The Company is currently assessing the extent of the impact of IFRS 18 on its consolidated financial statements.

5. Use of Estimates, Judgements and Assumptions

The timely preparation of financial statements in conformity with IFRS requires Management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingent liabilities. These estimates, judgments and assumptions are subject to change, and actual results could differ from those estimated, and those differences could be material. Estimates and underlying assumptions are reviewed on an ongoing basis, and any revisions to accounting estimates are recognized in the period in which the estimates are revised.

Significant estimates and judgements made by Management in the preparation of these financial statements are discussed below.

Financial Instruments

The estimated fair value of financial instruments is reliant upon a number of estimated variables including forward commodity prices, foreign exchange rates and interest rates as well as the risk of non-performance. Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Additionally, estimates must be made with respect to impairment of financial assets and the provision of expected credit losses recognized. In making an assessment as to whether financial assets are credit-impaired, Management considers historically realized bad debts, any applicable public credit ratings, evidence of a debtor's present financial condition and whether a debtor has breached certain contracts, the probability that a debtor will, or has entered bankruptcy or other financial reorganization, changes in economic conditions that correlate to increased levels of default, the number of days a debtor is past due in making a contractual payment, and the term to maturity of the specified receivable.

Hybrid financial instruments

The Company measures the convertible debenture at FVTPL at each reporting date. This requires the use of a valuation model with several unobservable key inputs (Level 3). The fair value of the convertible debenture is determined using valuation techniques that incorporate several key assumptions, including the expected volatility of the Company's share price, risk-free interest rates, the credit risk spread associated with the instrument, forward foreign exchange rates, and the expected timing and probability of conversion.

The valuation relies on significant management judgment in selecting and assessing these inputs, particularly those categorized as Level 3 within the fair value hierarchy. Due to the high degree of estimation uncertainty, changes in these underlying assumptions could significantly affect the reported fair value of the instrument and the resulting revaluation gain or loss recognized in the statements of income.

Business Combinations

Management judgment may be required to identify one of the combining entities as the acquirer for accounting purposes and then to determine the fair value of the acquired entity. The determination of fair value is estimated based on information available at the date of acquisition and requires Management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of PP&E and E&E assets using a FVLCD model generally require significant judgment and include proved plus probable reserves and forecasted production volumes, forecasted oil and natural gas prices, forecasted royalty, operating, general and administration and income tax expenses, forecasted future development costs and inflation rates, and discount rate. Assumptions are also required to determine the fair value of the decommissioning liabilities associated with the assets, the ROU assets and associated lease obligations 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, liabilities, and goodwill (or net assets acquired in excess of purchase consideration). Future comprehensive income will be affected as the fair value on initial recognition impacts future depletion and depreciation expenses, non-financial asset impairment expenses or reversals, or goodwill impairment expenses.

Petroleum and Natural Gas Reserves

There are inherent uncertainties associated with estimating proved plus probable reserves. Reserve estimates are based on a number of significant assumptions, such as engineering and geological data, forecasted oil and natural gas price estimates, forecasted production volumes and decline rates, and the timing and amount of forecasted royalty, operating and future development costs, all of which are subject to many uncertainties, interpretations and judgments. Estimates reflect market and regulatory conditions existing as of December 31, 2025 and 2024, which could differ significantly from future periods. The estimate of reserves and the related cash flows are evaluated by Touchstone's independent qualified reserves evaluator at least annually in accordance with NI 51-101.

Petroleum and Natural Gas Investments

The Company applies judgment when classifying the nature of P&NG investments as E&E or PP&E and when determining whether capitalization of the initial costs of these investments is appropriate. The Company uses historical drilling results, project economics, resource quantities, estimated operating expenses and future development costs to make judgments about future events and circumstances.

Determination of Cash-generating Units

Determination of what constitutes a CGU is subject to Management's judgement. The recoverability of P&NG development asset carrying values included in PP&E are assessed at the CGU level, and the asset composition of a CGU can directly impact the recoverability of the assets included therein. Geological formation, shared infrastructure and marketing arrangements, product type, geographic location, and internal management are key factors considered when grouping Touchstone's P&NG development assets into CGUs.

Recoverability of Asset Carrying Values

Management applies judgement in assessing the existence of indicators of impairment and reversal of impairment based on various internal and external factors.

In estimating the recoverable amount of E&E assets, Management factors in future development plans, licence expiries, and required regulatory approvals into the relevant asset assessment.

Where applicable, the Company uses proved plus probable reserves to assess certain E&E assets for impairment prior to being transferred to PP&E as estimated by the Company's independent qualified reserves evaluator. E&E assets remain capitalized as long as sufficient progress is being made in assessing whether the projects are technically feasible and commercially viable. This assessment requires significant Management judgement, as E&E assets are subject to continuous internal review to confirm the ongoing intent to establish the technical feasibility and commercial viability of a project.

The recoverable amounts of Touchstone's PP&E CGUs are estimated based on VIU calculations using discounted pre-tax cash flows derived from the Company's proved plus probable reserves as estimated by the Company's independent qualified reserves evaluator. The reserve evaluation is based on an estimated reserve life up to a maximum of 50 years. Key input estimates used in the determination of related future cash flows from proved plus probable reserves are set forth below.

- Proved plus probable reserves and forecasted production volumes: Assumptions that are valid at the time of reserves estimation may change significantly when new information becomes available. Changes in forecasted oil and natural gas price estimates, forecasted operating costs, required forecasted future development costs or recovery rates may change the economic status of reserves and may result in revisions to reserves estimates. Discounted future cash flow models consider development plans approved by Management and reasonable assumptions that a market participant would apply in establishing a development plan for the assets.
- Forecasted oil and natural gas prices: Forecasted product pricing estimates are used in the discounted future cash flow models. These prices are adjusted for consideration stipulated in contracts with customers. Commodity prices have experienced increased volatility in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, expected future demand, economic and geopolitical factors.
- Forecasted royalty, operating, general and administration and income tax expenses: Estimates of these inputs are based on historical results and estimates regarding inflation over the forecast periods. Forecasted income tax calculations are based on the laws that have been enacted or substantively enacted for the appropriate cash flow streams.
- Forecasted future development costs and inflation rates: Forecasted future development costs are estimated based on expected future costs of wells and facilities and estimates regarding inflation over the forecast periods. There also exists uncertainty regarding the estimated timing of capital projects, as the Company has significant development opportunities in several properties, and the ultimate pace of development is controlled to meet future capital expenditure and liquidity targets.
- Discount rate: The discount rates used to calculate the net present value of future cash flows are based on estimates of an approximate industry peer group weighted average cost of capital as appropriate for each CGU being tested. Changes in the general economic environment could result in significant changes to this estimate.

Depletion of Petroleum and Natural Gas Development Assets

Depletion of P&NG development assets is determined based on proved plus probable reserves as well as forecasted future development costs estimated by the Company's independent qualified reserves evaluator.

Exploration and Evaluation Assets

E&E assets remain capitalized at the operating level area as long as sufficient progress is being made in assessing whether the recovery of P&NG products is technically feasible and commercially viable. Determining whether sufficient progress has been made is a judgemental area, and it is possible to have E&E assets classified as such for several years while activities are being

conducted, or the Company is seeking regulatory and internal approvals for development plans. E&E assets are subject to ongoing Management review to confirm the intent to establish technical feasibility and commercial viability of a discovery. This assessment includes many changing factors, including reserves, project economics, expected capital expenditures and production expenses, access to infrastructure, obtaining and the timing of receiving required regulatory approvals, and potential infrastructure construction and expansions. Furthermore, the transfer of E&E assets to PP&E is based on Management's judgement of technical feasibility and commercial viability.

Lease Arrangements

Management applies judgment in reviewing each of its contractual arrangements to determine whether they contain a lease. Leases that are recognized are subject to further Management judgment and estimation in various areas specific to the contractual arrangements, including lease terms and discount rates. In determining the lease term to be recognized, Management considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Where the discount rate implicit in a lease cannot be readily determined, the rate is estimated using Touchstone's incremental borrowing rate. This represents the rate that the Company would incur to obtain the funds necessary to purchase an asset of a similar value, with comparable payment terms and security in a similar economic environment.

Provisions and Contingent Liabilities

The determination of provisions and disclosure of contingent liabilities involves Management judgements about the probability of outcomes of future events and estimates on timing and amount of expected future cash flows. Such disclosure could relate to predicted outcomes of ongoing legal matters, ongoing or completed asset dispositions, and current regulatory processes.

Decommissioning Liabilities

The provision for abandonment and reclamation obligations associated with Touchstone's E&E and PP&E assets is based on numerous assumptions and judgements, including ultimate remediation plans, estimated costs to settle the obligations, the Company's proportionate share of obligations under operating agreements with third parties, inflation factors, risk-free discount rates, the expected timing of settlement, and changes in the applicable legal and regulatory environments. Actual costs and timing of cash outflows could differ from estimates because of changes in laws and regulations and market conditions. Additionally, further discovery, analysis of site conditions, and changes in technology could also cause actual amounts to differ from estimated amounts.

Share-based Compensation

Compensation expense recognized for Touchstone's equity-settled stock option plan is measured using the Black-Scholes option pricing model. The measurement inputs to this model, including expected volatility, weighted average expected life of the stock options, expected dividend yield, risk-free interest rate (based on Government of Canada bonds) and expected forfeitures, rely on Management's judgements. Forfeitures are estimated through the vesting period based on past experience and future expectations and are adjusted upon actual vesting and forfeitures.

Compensation expense accrued for PSUs awarded under Touchstone's share-based compensation plan is dependent on an adjustment to the final number of PSU awards that eventually vest based on a performance multiplier that is estimated by Management. Large fluctuations in compensation expense may occur due to changes in the underlying common share price or revised Management estimates of relevant performance factors.

Income Taxes

Accounting for income taxes is a complex process requiring Management to interpret frequently changing laws and regulations and make judgments relating to the application of tax law, the estimated timing of temporary difference reversals, and the estimated realization of income tax assets. Income tax filings are subject to subsequent government audits and reassessments and changes in facts, circumstances, and interpretations of the standards may result in a material change in the Company's provision for income taxes.

6. Financial Assets and Credit Risk

Credit risk is the risk of a financial loss to the Company if a partner or counterparty to a product sales contract, financial instrument, jointly controlled operation, or other financial transaction fails to meet its contractual obligations. As at December 31, 2025, Touchstone's exposure to credit risk related primarily to its accounts receivable balances.

Credit risk is typically considered low for the Company's accounts receivable balances, as exposure primarily relates to monthly commodity sales to Government of Trinidad and Tobago ("GOTT") owned entities and a third-party LNG marketing company, joint interest billings from Heritage, and value added tax ("VAT") receivables from the GOTT.

For the year ended December 31, 2025, the Company's P&NG sales were concentrated among three customers, each representing more than 10 percent of annual sales.

P&NG sales are generally collected within one to two months following production. As at December 31, 2025, approximately 13 percent of the Company's credit exposure was attributed to accrued revenue from December 2025 production volumes. Joint interest billings are typically settled within one to three months following invoicing.

The following table discloses the composition and aging of Touchstone's accounts receivable balances, representing the Company's maximum credit risk exposure.

(\$000's)	December 31, 2025	December 31, 2024
Composition		
Petroleum and natural gas sales	3,531	4,334
Joint interest billings	5,669	806
VAT	9,420	7,678
Other	1,024	464
Amount to be remitted pursuant to business combination (Note 7)	8,525	-
Accounts receivable balance	28,169	13,805
Aging		
Current (less than 30 days)	8,985	6,045
31-60 days	1,432	539
61-90 days	1,438	556
Past due (greater than 90 days)	7,879	6,665
	19,644	13,805
Amount to be remitted pursuant to business combination (Note 7)	8,525	-
Accounts receivable balance	28,169	13,805

In connection with the business combination (refer to Note 7), the Company recognized \$8,525,000 in accounts receivables relating to VAT and income tax receivable from the GOTT as at December 31, 2025. Per the share purchase agreement, these funds are only remitted to the seller upon collection. As a corresponding liability was recorded as an acquisition consideration payable, the Company bears no credit risk regarding these specific balances.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

As at December 31, 2025 and 2024, the Company determined the expected credit loss on its accounts receivables was \$nil. Management considers past due balances fully recoverable as they primarily represent VAT receivable from the GOTT. While the timing of recovery remains uncertain, the Company has no historical record of collection issues.

During the year ended December 31, 2025, the Company collected \$724,000 of past due VAT receivable and received approximately \$2,960,000 in TT\$ denominated government-issued bonds in lieu of VAT payments. These bonds were sold to a Trinidad-based financial institution in September 2025 for net proceeds of \$2,862,000. A loss of \$104,000 was included in net finance expense during the year ended December 31, 2025 related to this transaction.

7. 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 (the "Acquisition") for preliminary cash consideration of \$28,400,000. The Acquisition was financed through an additional \$30 million six-year term loan facility (refer to Note 13).

The acquired entity holds a 65 percent operating participating interest in the onshore Central block exploration and production licence, with Heritage holding the remaining 35 percent interest. Effective December 12, 2025, the acquired entity was amalgamated with an existing Trinidadian subsidiary of the Company.

The Central block asset includes four producing natural gas wells and an associated natural gas processing facility. The Acquisition provides Touchstone with increased low-decline base production, exposure to global liquefied natural gas pricing, and expanded access to the hydrocarbon-rich Herrera fairway, which is contiguous with the Company's Ortoire block.

Purchase Price Allocation

The Company estimated the fair value of P&NG development assets acquired as at the acquisition date using proved plus probable P&NG reserves derived from an evaluation prepared by the Company's independent qualified reserves evaluator. Associated future cash flows were discounted at an after-tax rate of 30 percent to reflect acquisition-date market participant assumptions. The fair value of the associated decommissioning liabilities was determined using a credit-adjusted risk-free rate of 14 percent.

The following purchase price allocation ("PPA") is based on Management's best estimate of the fair values of assets acquired and liabilities assumed and is subject to change based upon finalizing the value of the net assets acquired.

	(\$000's)
Consideration	
Cash consideration paid	28,400
Consideration payable (Note 6)	8,548
Total consideration	36,948
Net assets acquired	
Accounts receivable (Note 6)	5,082
Accounts receivable to be remitted to seller (Note 6)	8,548
Inventory	60
Petroleum and natural gas development assets (Note 9)	43,828
Abandonment fund (Note 15)	6,009
Accounts payable and accrued liabilities (Note 11)	(5,035)
Decommissioning liabilities (Note 15)	(3,184)
Deferred income tax liability (Note 21)	(18,360)
Total identifiable net assets acquired	36,948

Measurement Period Adjustments

The PPA is subject to change as the Company continues to evaluate and obtain further information regarding the facts and circumstances that existed at the acquisition date. The Company may recognize adjustments to the fair value of the net assets acquired and the resulting consideration within the measurement period, which shall not exceed one year from the acquisition date.

During the year ended December 31, 2025, the Company obtained new information related to the acquisition-date fair values, resulting in several retrospective revisions to the preliminary PPA. Specifically, consideration payable and accounts receivable to the seller each increased by \$24,000. Accounts receivable decreased by \$196,000, while accounts payable and accrued liabilities decreased by \$1,330,000. Additionally, the Company recognized an increase of \$716,000 to decommissioning obligations based on updated environmental assessments of the acquired facility. These adjustments led to an \$855,000 decrease in the fair value attributed to P&NG development assets, which was partially offset by a \$437,000 decrease in the related deferred income tax liability.

Pro-forma Results of Operations

The results of operations from the Acquisition have been included in the consolidated financial statements effective May 16, 2025. From the acquisition date to December 31, 2025, the acquired operations contributed P&NG sales of \$9,277,000 and a net loss of \$746,000.

Had the Acquisition closed on January 1, 2025, Management estimates the acquired operations would have contributed approximately \$14,755,000 in P&NG sales and an estimated net loss of \$1,302,000 for the year ended December 31, 2025. These pro-forma 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.

Contractual Obligations

The following table summarizes the estimated minimum contractual payments acquired as at December 31, 2025, consisting of lease payments and fees related to the Central block exploration and production licence.

(\$000's)	Total	Estimated payments due by year					
		2026	2027	2028	2029	2030	Thereafter
Licence obligations	3,071	449	473	499	526	555	569

8. Exploration and Evaluation Assets

The following table summarizes the changes in the Company's E&E assets for the years ended December 31, 2025 and 2024.

(\$000's)	Year ended December 31,	
	2025	2024
Balance, beginning of year	3,743	5,030
Additions	1,848	1,046
Impairment expense (Note 10)	-	(2,311)
Effect of changes in foreign exchange rates	(20)	(22)
Balance, end of year	5,571	3,743

Notes to the Consolidated Financial Statements
For the years ended December 31, 2025 and 2024

Asset Disposition

During the year ended December 31, 2024, the Company disposed of a non-operated interest in the previously impaired Cory Moruga exploration property. In consideration for the interest, the purchaser assumed \$779,000 in decommissioning and accrued liabilities. As the carrying value of the operating area was previously impaired to \$nil, the transaction resulted in a \$779,000 gain on asset disposition recognized during the year ended December 31, 2024.

9. Property, Plant and Equipment

(\$000's)	P&NG development assets	ROU 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 15)	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 7)	43,828	-	-	43,828
Additions	26,511	43	49	26,603
Transfers within PP&E	1,307	(1,307)	-	-
Change in decommissioning assets (Note 15)	3,124	-	-	3,124
Lease modification (Note 12)	-	269	-	269
Dispositions	(1,792)	-	-	(1,792)
Foreign exchange translation	(639)	34	101	(504)
Balance, December 31, 2025	279,820	6,138	4,109	290,067
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 (Note 10)	337	-	-	337
Foreign exchange translation	(392)	(18)	(158)	(568)
Balance, December 31, 2024	92,219	1,728	2,210	96,157
Depletion and depreciation	11,573	610	302	12,485
Foreign exchange translation	(351)	7	92	(252)
Balance, December 31, 2025	103,441	2,345	2,604	108,390
Carrying amounts				
Balance, December 31, 2024	115,262	5,371	1,749	122,382
Balance, December 31, 2025	176,379	3,793	1,505	181,677

As at December 31, 2025, future development costs of \$167.1 million were included in P&NG development asset cost bases for depletion calculation purposes (2024 - \$168.0 million).

During the year ended December 31, 2025, the Company capitalized \$400,000 of direct and attributable overhead charges to PP&E (2024 - \$532,000).

Asset Swaps

On December 1, 2025, the Company completed the sale of its 100 percent working interest in the Fyzabad oil property. The transaction was structured as an asset swap for services, under which the purchaser committed to drilling three turnkey oil wells. The total consideration, valued at \$2,303,000, resulted in a gain on sale of \$4,981,000 recorded during the year ended December 31,

Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

2025. No impairment was recognized upon the initial classification of the assets and liabilities as held for sale. As at December 31, 2025, \$2,188,000 of the consideration related to drilling services was classified as non-current other assets.

During the year ended December 31, 2024, the Company closed an asset swap transaction. Touchstone swapped its 100 percent working interest in a non-core privately leased property for a 100 percent working interest in an operating agreement with Heritage governing the Balata East block. The Company recorded a \$1,434,000 gain on acquisition during the year ended December 31, 2024, representing the excess of the \$237,000 identifiable net assets acquired over the \$1,197,000 net liabilities of the assets disposed.

Disposition

During the year ended December 31, 2024, Touchstone disposed of its interest in the CO-2 lease operating agreement for aggregate consideration of approximately \$1,066,000. The transaction resulted in a pre-tax impairment expense of \$474,000, with no further gain or loss recorded on closing.

10. Impairment

Exploration and Evaluation Assets

The following table summarizes E&E asset impairment expense (reversal) for the years ended December 31, 2025 and 2024 by operating area.

Operating Area (\$000's)	Year ended December 31,	
	2025	2024
Cory Moruga	-	(63)
Ortoire	-	2,385
E&E asset impairment expense	-	2,322

2025 Assessment

As at December 31, 2025, the Company assessed its E&E assets for indicators of impairment and concluded that no such indicators existed.

2024 Assessment

During the year ended December 31, 2024, Touchstone recognized a \$63,000 impairment reversal in the Cory Moruga operating area reflecting changes in decommissioning estimates prior to the disposal of the Company's interest in the licence (refer to Note 8).

Additionally, the Company identified indicators of impairment in the Ortoire operating area as at December 31, 2024, following a realignment of long-term capital priorities. An impairment test determined that the recoverable amount was insufficient to support the carrying value, resulting in a pre-tax impairment expense of \$2,385,000.

Property, Plant and Equipment

The following table summarizes PP&E impairment expense (reversal) by CGU.

CGU (\$000's)	Year ended December 31,	
	2025	2024
CO-2	-	474
Coho	-	(137)
PP&E asset impairment expense	-	337

2025 Assessment

As at December 31, 2025, the Company identified indicators of impairment for the Cascadura CGU due to a material decrease in assigned reserve volumes as reported in the year-end independent reserves evaluation. Consequently, the Company performed an impairment test using a VIU calculation. The results indicated that the \$80,017,000 estimated recoverable amount of the CGU exceeded its \$47,288,000 carrying value (net of associated deferred income tax liabilities), and no impairment was required.

The estimated recoverable amount was determined using a VIU calculation incorporating discounted after-tax cash flows of proved plus probable reserves. The calculation utilized forward commodity prices and cost estimates assessed by the Company's independent qualified reserves evaluator. Cash flows were discounted at an after-tax rate of 25 percent (approximately 55 percent on a pre-tax basis).

The recoverable amount was calculated using the following benchmark prices (adjusted for CGU-specific differentials) effective January 1, 2026. Prices and costs beyond 2035 were adjusted for inflation at an annual rate of 2 percent.

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Brent crude oil (\$/bbl)	63.92	69.13	74.36	76.10	77.62	79.17	80.76	82.37	84.01	85.70
Henry Hub natural gas (\$/MMBtu)	3.74	3.78	3.85	3.93	4.01	4.09	4.17	4.26	4.34	4.43

Sensitivity analysis indicated that a 1 percent change in the discount rate or a 10 percent change in commodity prices would not have resulted in an impairment expense for the Cascadura CGU as at December 31, 2025.

2024 Assessment

During the year ended December 31, 2024, the Company recorded a \$474,000 pre-tax impairment expense for the CO-2 CGU as the FVLCD was lower than the carrying value upon disposition (refer to Note 9).

Indicators of impairment were identified for the Cascadura and Coho CGUs in 2024 due to declines in assigned reserve volumes. Impairment tests using VIU calculations resulted in a \$137,000 reversal for the Coho CGU as noted in the following table.

CGU (\$000's)	Carrying value ⁽¹⁾	Recoverable amount	Impairment reversal
Cascadura	33,464	110,531	-
Coho	2,983	4,322	137

Note:

(1) Net of associated deferred income tax liabilities.

The following table details the forward benchmark prices used in estimating the recoverable amount of each CGU as at December 31, 2024.

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Brent crude oil (\$/bbl)	75.58	78.51	79.89	81.82	83.46	85.13	86.83	88.57	90.31	92.08
Henry Hub natural gas (\$/MMBtu)	3.31	3.73	3.85	3.93	4.01	4.09	4.17	4.26	4.34	4.43

Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

For the 2024 assessment, the Company applied a 20 percent after-tax discount rate (approximately 53 percent pre-tax). An increase or decrease in the discount rate by 1 percent or commodity prices by 10 percent would not have affected the \$137,000 pre-tax impairment reversal recorded as at December 31, 2024.

The VIU calculations were classified as Level 3 fair value measurements, as significant inputs are based on non-observable market data and Management estimates. Changes in key judgments, such as reserves revisions, changes in forecasted commodity prices, inflation rates, operating expenses, future development costs, or the discount rate would impact the estimated recoverable amounts, and any resulting change in impairment would affect comprehensive income.

11. 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, including the continuous monitoring of actual and forecasted cash flows, maintaining appropriate working capital levels, and monitoring compliance with the financial covenants under its loan agreement. The Company also regularly assesses its ability to access additional liquidity through debt or equity financing as required.

As at December 31, 2025, the Company had a \$25,405,000 working capital deficiency, with no remaining borrowing capacity under its revolving loan facility (refer to Note 13). The working capital deficit was primarily driven by significant 2025 capital expenditures deployed throughout 2025, approximately \$12,786,000 in current bank debt, and the inclusion of the \$9,979,000 convertible debenture carrying value within current liabilities, despite its long-term maturity profile.

To address the current working capital deficit and enhance financial flexibility, the Company is actively pursuing a strategic recapitalization plan. This initiative may include renegotiating existing credit facilities to improve amortization terms and financial covenants, or the issuance of additional equity (refer to Note 1).

Touchstone's near-term development strategy is focused on increasing operating cash flows through its continued development activities. The Company intends to maintain a disciplined approach to capital expenditures to preserve financial flexibility and ensure it can meet current and anticipated financial obligations, including planned capital programs and contractual commitments.

The following table summarizes the Company's estimated undiscounted cash outflows and financial maturities of its financial liabilities as at December 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⁾	31,329	31,329	-	-
Income taxes payable (Note 21)	749	749	-	-
Lease liabilities ⁽³⁾ (Note 12)	5,152	1,612	2,144	1,396
Bank debt ⁽³⁾⁽⁴⁾ (Note 13)	67,287	16,700	33,526	17,061
Convertible debenture ⁽³⁾ (Note 14)	14,125	625	13,500	-
Share-based compensation liabilities ⁽⁵⁾ (Note 20)	429	303	126	-
Total financial liabilities	119,071	51,318	49,296	18,457

Notes:

- (1) Undiscounted cash outflows represent total estimated payments and may differ from financial statement carrying values.
- (2) Excludes the current portions of lease liabilities and share-based compensation liabilities.
- (3) Includes both notional interest and principal components.
- (4) Future interest payments are based on interest rates in effect as at December 31, 2025. Interest rates on three of the Company's loan facilities are reset annually (refer to Note 13).
- (5) Represents accrued obligations for share-based compensation awards expected to be settled in cash.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

Refer to Note 13 "Bank Debt", Note 14 "Convertible Debenture", Note 23 "Capital Management" and Note 24 "Commitments and Contingencies" for further details regarding the Company's debt structure, capital management objectives and contractual obligations.

12. Lease Liabilities

Touchstone is a party to lease arrangements for a drilling rig, office facilities, vehicles and equipment. Lease agreements are negotiated on an individual basis and contain a wide range of varying terms and conditions. The Company's lease arrangements have effective terms of one to eight years and may include extension options. Discount rates used to calculate the present value of lease payments during the year ended December 31, 2025, ranged between 5 and 10 percent.

The following table provides a continuity of the Company's lease liabilities for the years ended December 31, 2025 and 2024.

(\$000's)	Year ended December 31,	
	2025	2024
Balance, beginning of year	5,866	4,328
Additions	43	2,930
Interest expense	499	415
Repayments	(2,402)	(1,775)
Modifications	237	-
Effect of changes in foreign exchange rates	(2)	(32)
Balance, end of year	4,241	5,866
Current (included in accounts payable and accrued liabilities)	1,259	1,498
Non-current	2,982	4,368
Lease liabilities balance	4,241	5,866

During the year ended December 31, 2025, the Company recorded an aggregate lease modification of \$237,000, reflecting the termination and an extension of office leases.

In 2024, the Company extended a drilling services contract through October 6, 2026, requiring a minimal utilization of 120 days per annum. This resulted in the recognition of a \$2,930,000 lease liability and associated ROU asset.

The following table details the undiscounted cash flows (principal and interest) related to the Company's lease liabilities as at December 31, 2025 and 2024.

(\$000's)	December 31,	December 31,
	2025	2024
Less than one year	1,612	2,361
1 to 3 years	2,144	3,429
Thereafter	1,396	1,493
Undiscounted cash flows related to lease liabilities	5,152	7,283

Payments for short-term leases and leases of low-value assets for the year ended December 31, 2025 were \$210,000 (2024 - \$67,000). These primarily related to motor vehicles and well service equipment and were recognized within operating expenses. Variable lease payments of \$195,000, which are not included in the measurement of lease liabilities, were recognized within general and administration expense during the year ended December 31, 2025 (2024 - \$181,000).

Notes to the Consolidated Financial Statements
For the years ended December 31, 2025 and 2024

13. 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. The Loan Agreement provided a new \$30 million six-year non-revolving term loan facility (facility 3), the proceeds of which were used to finance the Acquisition (refer to Note 7).

The following table summarizes the Company's credit facilities under the Loan Agreement as at December 31, 2025.

Facility	Amount (\$000's)	Maturity date	Interest rate per annum	Principal balance (\$000's)
Term loan facility 1	30,000	June 15, 2027	7.85% (fixed)	9,000
Term loan facility 2	10,000	April 30, 2029	6.08% (annually reset)	8,750
Term loan facility 3	30,000	May 12, 2031	8.21% (annually reset)	30,000
Revolving loan facility	10,000	May 12, 2027	6.09% (annually reset)	10,000
Total				57,750

As at December 31, 2025, outstanding principal balances totalled \$57,750,000, and there was no remaining available capacity under the revolving loan facility.

The following table summarizes the movements of the Company's bank debt balances for the years ended December 31, 2025 and 2024.

(\$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
Advances, net of fees	-	9,747	-	3,000	12,747
Repayments	(6,000)	-	-	-	(6,000)
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	(6,000)	(1,250)	-	-	(7,250)
Accretion	7	76	424	-	507
Balance, December 31, 2025	9,000	8,624	29,847	10,000	57,471
Current	6,000	2,500	4,286	-	12,786
Non-current	3,000	6,124	25,561	10,000	44,685
Bank debt balance	9,000	8,624	29,847	10,000	57,471

Security and Covenants

The Loan Agreement is principally secured by a first-ranking pledge of equity interests and fixed and floating security interests over all assets of the Company's Trinidad exploration and production subsidiaries. The Loan Agreement contains industry standard representations and warranties, undertakings, affirmative and negative covenants and events of default. A breach of any covenant constitutes an event of default, upon which the lender may declare outstanding principal and accrued interest immediately due and payable.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

The Loan Agreement requires the Company to maintain specific financial covenants, which are applicable on a consolidated basis and evaluated annually. The following table details the status of these covenants as at and for the year ended December 31, 2025.

Financial covenant description	Limit	Year ended December 31, 2025
Net senior funded debt ⁽¹⁾ to trailing annual EBIDA ⁽²⁾	3.00 times	4.88 ⁽⁵⁾
Net senior funded debt to book value of equity ⁽³⁾	0.70 times	0.41
Debt service coverage ⁽⁴⁾	Minimum of 1.5 times	0.69 ⁽⁶⁾

Notes:

- (1) "Net senior funded debt" is defined in the Loan Agreement as all obligations for senior secured and unsecured borrowed money which bear interest less restricted and unrestricted cash balances. Lease liabilities are excluded from the calculation of net senior funded debt.
- (2) "EBIDA" is defined in the Loan Agreement as earnings (loss) before interest expenses, all non-cash items including depreciation and impairments, and gains and losses attributable to extraordinary and non-recurring items.
- (3) "Book value of equity" is defined in the Loan Agreement as shareholders' capital, contributed surplus and retained earnings or deficit excluding increases and decreases in retained earnings from E&E asset and PP&E impairments or reversals and excluding payments of dividends.
- (4) "Debt service coverage" is defined in the Loan Agreement as the ratio of trailing annual EBIDA to the aggregate bank debt interest expense due for the future annual period and scheduled principal payments in respect of outstanding bank debt principal for the future annual period.
- (5) In October 2025, the Company obtained a formal waiver for the net senior funded debt to trailing annual EBIDA covenant for the year ended December 31, 2025.
- (6) Pursuant to the Loan Agreement, the debt service coverage covenant was not required to be tested for the year ended December 31, 2025.

As a result of the waiver and the exclusion of the EBIDA test, the Company was in compliance with all applicable covenants as at December 31, 2025.

As disclosed in Note 1, the Company projects a breach of its net senior funded debt to trailing twelve-month EBIDA and debt service coverage covenants as of December 31, 2026. Such a breach could result in the bank debt balance becoming due and payable at that time. The Company is currently engaged in discussions with its lender to restructure specific terms of the Loan Agreement and address the projected breaches.

Restricted Cash

In accordance with the Loan Agreement, the Company is required to maintain specific cash reserves for the duration of the term loan facilities. As at December 31, 2025, \$3,602,000 (2024 - \$924,000) was held in restricted accounts and classified as non-current restricted cash based on the maturity profile of the related debt.

14. Convertible Debenture

On August 8, 2025, the Company issued a secured convertible debenture (the "Debenture") with a private investor for gross proceeds of \$12.5 million. The Debenture matures on August 8, 2028, and bears interest at 5 percent per annum, payable semi-annually on June 30 and December 31. In connection with the issuance, the Company paid a 5 percent placement fee in cash and issued 6,250,000 detachable warrants to the holder.

The Debenture is convertible into common shares of the Company at the holder's option at any time prior to maturity at a conversion price of approximately US\$0.22 per share, representing (the equivalent of C\$0.30 per share). Interest may be settled in cash or, subject to TSX approval and at the holder's election, through the issuance of common shares based on the prevailing market price and exchange rate at the time of payment.

The Debenture is secured by a first-ranking security interest over all present and after-acquired personal property of the Company and a pledge of the shares of its subsidiary, Touchstone Exploration (Barbados) Ltd.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2025 and 2024

The Company has elected to designate the entire hybrid contract as FVTPL in accordance with IFRS 9.

- Initial recognition: The Debenture was recognized at an initial fair value of \$11,606,000, representing the gross proceeds net of the 5 percent placement fee and the \$269,000 fair value allocated to the detachable warrants.
- Classification: The Debenture is classified as a current liability because the holder has the option to convert the instrument into common shares at any time.
- Subsequent measurement: The carrying value is remeasured to fair value at each reporting date, with changes recognized in the statements of income. As at December 31, 2025, the fair value of the Debenture was estimated at \$9,979,000, resulting in a \$1,627,000 gain recognized within net finance expense.
- Transaction costs: Incremental issuance costs of \$167,000 were expensed to net finance expense during the year ended December 31, 2025 (refer to Note 18).

The fair value of the Debenture is classified within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs within the valuation model, including assumptions regarding the expected volatility of the Company's share price, the risk-free interest rate, the credit risk associated with the instrument, forward foreign exchange rates, and the expected timing and likelihood of conversion.

The following table summarizes the change in the carrying value of the Debenture for the year ended December 31, 2025.

(\$000's)	Year ended December 31, 2025
Balance, beginning of year	-
Issuance of Debenture	11,606
Change in fair value	(1,627)
Balance, end of year	9,979
Current	9,979
Non-current	-
Convertible debenture balance	9,979

Detachable Warrants

In connection with the Debenture issuance, the Company issued 6,250,000 warrants. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of C\$0.40 through August 8, 2027.

The warrants were valued 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 upon issuance and is not subject to subsequent remeasurement.

15. Decommissioning Liabilities and Abandonment Fund

Decommissioning Liabilities

The Company's decommissioning liabilities are based on its net ownership interest in all wells and facilities, estimated future costs to reclaim and abandon these assets, and the estimated timing of such expenditures. Settlements of these obligations is forecasted to occur over the next fourteen years, with the majority of costs estimated to be incurred subsequent to 2032. Liabilities are

Notes to the Consolidated Financial Statements
For the years ended December 31, 2025 and 2024

expected to be financed through the designated abandonment funds and the Company's internal resources available at the time of settlement.

As at December 31, 2025, the estimated net present value of the decommissioning liabilities was \$12,081,000, based on an inflation-adjusted undiscounted liability of \$18,181,000 (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 2.1 percent (2024 - 5.5 percent and 1.9 percent, respectively).

The following table summarizes the changes in the Company's decommissioning liability provision during the years ended December 31, 2025 and 2024.

(\$000's)	Year ended December 31,	
	2025	2024
Balance, beginning of year	9,985	9,733
Liabilities incurred from development activities	417	407
Liabilities acquired on close of Acquisition (Note 7)	3,184	-
Liabilities acquired (Note 9)	-	130
Liabilities settled	-	(19)
Accretion expense	345	226
Revisions to estimates ⁽¹⁾	2,710	(282)
Dispositions (Notes 8 and 9)	(4,528)	(166)
Effect of changes in foreign exchange rates	(32)	(44)
Balance, end of year	12,081	9,985

Note:

(1) Revisions to estimates in 2025 primarily related to the adjustment of the risk-free discount rate used for decommissioning liabilities acquired in the Acquisition (Note 7) to align with the Company's year-end weighted average risk-free rate, as well as updated inflation and cost assumptions.

Abandonment Fund

Under the terms of the Company's production and exploration licences and related agreements, Touchstone is required to contribute to 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 December 31, 2025, the Company recognized \$9,478,000 as non-current abandonment fund assets (2024 - \$2,965,000). This balance included \$6,009,000 in contributions acquired through the Acquisition (refer to Note 7).

16. Shareholders' Capital

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.

Issued and Outstanding Common Shares

The following table summarizes changes in the number of common shares outstanding and the related shareholders' capital for the years ended December 31, 2025 and 2024.

	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 placements, net of fees	88,272,948	13,595
Balance, December 31, 2025	324,733,609	129,205

Share-based compensation

For the year ended December 31, 2024, 2,247,935 stock options were exercised for total cash proceeds of \$415,000. An amount of \$230,000 previously recorded to contributed surplus in respect of these stock options was transferred to shareholder's capital upon exercise.

Private placements

During the year ended December 31, 2025, the Company completed two equity financings in the United Kingdom to strengthen its working capital position and support development activities.

- May 2025 placement: Touchstone issued 24,636,585 common shares at £0.205 per share (approximately C\$0.38 per share) for gross proceeds of \$6,746,000 (£5,051,000). Net proceeds after transaction expenses were \$5,221,000.
- October 2025 placement: The Company issued 63,636,363 common shares at £0.11 per share (approximately C\$0.20 per share) for gross proceeds of \$9,138,000 (£7,000,000). Net proceeds totaled \$8,374,000 after transaction costs.

Weighted Average Common Shares

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

	Year ended December 31,	
	2025	2024
Weighted average common shares outstanding - basic	262,968,895	235,508,553
Dilutive impact of share-based compensation plans	-	983,561
Weighted average common shares outstanding - diluted	262,968,895	236,492,114

For the year ended December 31, 2025, approximately 7.3 million stock options (2024 - 9.7 million) and the common shares potentially issuable under the Debenture and related warrants (Note 14) were excluded from the diluted weighted average calculation as they were anti-dilutive.

17. Petroleum and Natural Gas Sales

The Company's revenue is derived primarily from the sale of crude oil, NGLs, and natural gas to customers in Trinidad. All revenue is recognized at a point in time when control of the product is transferred to the buyer, typically at the delivery point defined in the respective sales contracts.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

The following table presents P&NG sales by major product type for the years ended December 31, 2025 and 2024.

(\$000's)	Year ended December 31,	
	2025	2024
Crude oil	23,591	30,317
Natural gas liquids	3,388	3,331
Natural gas	18,838	23,822
Petroleum and natural gas sales	45,817	57,470

Revenue is typically collected in the month following production. As at December 31, 2025, accounts receivable related to P&NG sales totaled \$3,531,000, representing December 2025 production (2024 - \$4,334,000 from December 2024 production).

18. Net Finance Expense

The following table summarizes the components of net finance expense for the years ended December 31, 2025 and 2024.

(\$000's)	Year ended December 31,	
	2025	2024
Interest income	(107)	(20)
Finance lease interest income	(18)	(26)
Lease liability interest expense (Note 12)	499	415
Bank debt interest expense (Note 13)	3,830	2,387
Debenture interest expense (Note 14)	250	-
Debenture issuance expense (Note 14)	167	-
Debenture revaluation gain (Note 14)	(1,627)	-
Accretion on bank debt (Note 13)	507	67
Accretion on decommissioning liabilities (Note 15)	345	226
Other	56	(31)
Net finance expense	3,902	3,018

19. Transaction Expense

For the year ended December 31, 2025, the Company incurred \$471,000 in legal, advisory, and due diligence costs specifically related to the Acquisition (refer to Note 7).

During the year ended December 31, 2024, the Company recognized \$1,957,000 in transaction expenses related to a major acquisition that was ultimately terminated, in addition to \$66,000 of preliminary costs associated with the 2025 Acquisition.

20. Share-based Compensation Plans

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

- Omnibus Incentive Compensation Plan ("Omnibus Plan"): Adopted in June 2023, providing for the issuance of stock options, restricted share units ("RSUs"), and performance share units ("PSUs"). This plan replaced the Company's former Stock Option Plan, although previously granted stock options under the plan remain outstanding.
- Deferred Share Unit ("DSU") Plan: Adopted in June 2023 for non-employee directors.

The aggregate number of common shares reserved for issuance under all share-based compensation plans is limited to 10 percent of the Company's issued and outstanding common shares.

Equity-settled Awards: Stock Options

Stock options 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. The following table summarizes stock option activity for the years ended December 31, 2025 and 2024.

	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	(1,379,666)	1.37
Expired	(3,032,334)	0.83
Issued and outstanding, December 31, 2025	7,319,000	1.40
Exercisable, December 31, 2025	6,402,338	1.44

The following table sets forth outstanding stock options and their weighted average remaining life as at December 31, 2025.

Range of exercise price per common share (C\$)	Number of stock options outstanding	Weighted average remaining term (years)	Number of stock options exercisable	Weighted average remaining term (years)
1.15	2,750,000	2.7	1,833,338	2.7
1.27 to 1.38	301,000	0.9	301,000	0.9
1.43 to 1.55	2,309,000	1.3	2,309,000	1.3
1.62 to 1.73	1,959,000	0.4	1,959,000	0.4
1.15 to 1.73	7,319,000	1.6	6,402,338	1.4

Cash Settled Awards

RSUs and PSUs

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.

DSUs

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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.

Share award activity

The following table summarizes outstanding share awards for the years ended December 31, 2025 and 2024.

<i>(number of share awards outstanding)</i>	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	(670,236)	(738,445)	-
Issued and outstanding, December 31, 2025	3,845,109	4,083,309	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 for the years ended December 31, 2025 and 2024.

<i>(\$000's)</i>	Year ended December 31,	
	2025	2024
Equity-settled compensation	246	1,133
Cash-settled compensation	(8)	528
Capitalized expense	(31)	(72)
Share-based compensation expense	207	1,589

Share-based Compensation Liabilities

The following table summarizes changes in share-based compensation liabilities for the years ended December 31, 2025 and 2024.

<i>(\$000's)</i>	Year ended	Year ended
	December 31,	December 31,
	2025	2024
Balance, beginning of year	500	-
Liability incurred from grant of DSUs	283	429
Settled in cash	(90)	-
Increase in liability related to RSUs and PSUs	411	253
Fair value adjustments	(703)	(154)
Effect of changes in foreign exchange rates	28	(28)
Balance, end of year	429	500
Current (included in accounts payable and accrued liabilities)	303	383
Non-current	126	117
Share-based compensation liabilities balance	429	500

21. Income Taxes

The Company's operations in Trinidad are subject to a combined statutory Petroleum Profits Tax ("PPT") and Unemployment Levy ("UL") rate of 55 percent.

The following table reconciles the expected income tax recovery at the combined Trinidad statutory rate to the income tax recovery recognized during the years ended December 31, 2025 and 2024.

(\$000's unless otherwise stated)	Year ended December 31,	
	2025	2024
Net (loss) income before income taxes	(202)	6,028
Statutory combined PPT and UL rate	55.0%	55.0%
Expected income tax (recovery) expense	(111)	3,315
Effect on income tax resulting from:		
Change in income tax assets not recognized	(11,260)	(8,006)
Income tax rate differential	425	(1,684)
Effect of changes in foreign exchange rates and other	(144)	4,131
Income tax recovery	(11,090)	(2,244)

Current Income Taxes

The following table presents a continuity of the Company's current income tax payable for the years ended December 31, 2025 and 2024.

(\$000's)	Year ended December 31,	
	2025	2024
Balance, beginning of year	6	240
Current income tax expense:		
PPT and UL	1,067	7
Corporate income tax and other	455	1,154
Income tax payments	(301)	(1,399)
Reclassified to accounts receivable	(470)	-
Effect of changes in foreign exchange rates	(8)	4
Balance, end of year	749	6

Deferred Income Taxes

The Company's net deferred income tax liability relates entirely to its Trinidad-based subsidiaries. The following table outlines the components of the net deferred income tax liabilities for the years ended December 31, 2025 and 2024.

(\$000's)	December 31,	December 31,
	2025	2024
Deferred income tax liabilities:		
PP&E in excess of income tax basis	69,589	29,618
Other	48	70
Deferred income tax assets:		
Decommissioning liabilities	(6,645)	(636)
Lease liabilities	(1,858)	(2,734)
Bank debt	(379)	(3)
Non-capital losses	(28,027)	(1,575)
Intercompany interest	(9,123)	(6,816)
Net deferred income tax liability	23,605	17,924

As at December 31, 2025, the Company's net deferred income tax liability increased by \$5,681,000 from December 31, 2024. This was primarily driven by the \$18,360,000 deferred income tax liability recognized in connection with the Acquisition (refer to Note 7), partially offset by deferred income

Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

tax recoveries of \$67,000 recognized through equity and \$12,612,000 recognized through comprehensive income.

Unrecognized Deductible Temporary Differences

The following table summarizes the Company's unrecognized deductible temporary differences as at December 31, 2025 and 2024.

(\$000's)	December 31, 2025	December 31, 2024
E&E assets	1,201	(2,618)
PP&E	(4,144)	(26,817)
Loss carryforwards	84,588	122,531
Decommissioning liabilities	-	8,828
Other	4,914	2,435
Total unrecognized deductible temporary differences	86,559	104,359

Income Tax Losses

The following table summarizes the Company's estimated income tax losses available for carryforward as at December 31, 2025 and 2024.

(\$000's)	December 31, 2025	December 31, 2024
Trinidad PPT losses	56,054	44,178
Trinidad corporate income tax losses	66	63
Canada non-capital losses	84,522	80,817

Trinidad PPT losses and corporate income tax losses may be carried forward indefinitely to reduce taxable income. PPT losses may only be utilized to shelter up to 75 percent of income subject to PPT in any given year. As at December 31, 2025, the Company did not recognize deferred tax assets for \$66,000 of Trinidadian losses (2024 - \$41,028,000) or any of its Canadian losses, as realization was not yet considered probable.

Tax legislation, regulations, and interpretations continue to evolve in the jurisdictions in which the Company operates. As a result, income tax matters are subject to ongoing review. Management believes that the provision for income taxes recorded as at December 31, 2025 is adequate.

22. Financial Instruments and Market Risk Management

Financial Instruments and Fair Value

As of December 31, 2025, the Company's financial instruments measured at amortized cost included accounts receivable, restricted cash, accounts payable and accrued liabilities, income taxes payable, lease liabilities and bank debt.

The carrying values of Touchstone's accounts receivable, accounts payable and accrued liabilities and income taxes payable as of December 31, 2025 approximate their fair values due to the short-term nature of these instruments. There were no transfers between levels in the fair value hierarchy for the years ended December 31, 2025 and 2024.

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.

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 6), and liquidity risk (refer to Note 11). 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.

The following sensitivity analyses demonstrate the potential impact that a change in these market risk factors could have on comprehensive income. For the purposes of the sensitivity analyses, the effect of a variation in a particular variable is calculated independently of any change in another variable. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities. The assumptions made to derive the changes in the relevant risk variables in each sensitivity analysis are based on Management's assessment of reasonably possible changes that could occur at December 31, 2025. The results of the sensitivity analyses should not be considered to be predictive of future performance.

Commodity price risk

The Company's financial performance is directly influenced by the prices received for crude oil, NGLs, 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.

For the year ended December 31, 2025, with all other variables held constant, a 10 percent increase or decrease in the realized pricing received from P&NG volumes excluding natural gas volumes associated with the Company's fixed price contract would have resulted in an approximate \$1,086,000 increase or \$1,151,000 decrease in comprehensive income (2024 - \$575,000 increase or \$1,418,000 decrease, respectively, based on the effects of supplemental petroleum profit taxes, which trigger higher tax rates as liquids prices rise).

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 NGLs and natural gas 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.

For the year ended December 31, 2025, with all other variables held constant, a 5 percent change in the C\$ to US\$ and TT\$ to US\$ exchange rates would have resulted in an approximate \$282,000 increase or decrease in comprehensive income (2024 - \$100,000). A 5 percent increase or decrease in the foreign exchange rates applicable to TT\$, C\$ and pounds sterling dollar-denominated receivables and payables would have resulted in an approximate \$23,000 increase or decrease in comprehensive income for the year ended December 31, 2025 (2024 - \$78,000).

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 13).

For the year ended December 31, 2025, with all other variables held constant, a 50-basis point increase or decrease in the interest rates applicable to the Company's bank debt facilities with floating interest rates would have resulted in an approximate \$144,000 decrease or \$139,000 increase in comprehensive income (2024 - \$32,000).

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.

For the year ended December 31, 2025, with all other variables held constant, a C\$0.05 increase or decrease in the Company's closing common share price would have resulted in an approximate \$158,000 decrease or increase in comprehensive income (2024 - \$55,000).

23. Capital Management

Touchstone actively manages its capital structure to support operations and strategic initiatives, primarily through equity issuances and bank debt. The Company's objective is to maintain financial flexibility while managing the increased leverage introduced by the Acquisition and the 2025 Debenture.

The Company defines its capital structure to include shareholders' equity, working capital, bank debt and the Debenture. 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.

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 2028 maturity date.
- Net debt: The working capital surplus or deficit plus the principal (undiscounted) balances of non-current bank debt and the Debenture.
- Managed capital: The sum of net debt and shareholders' equity.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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.

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.

Touchstone's internal capital management calculations for years ended December 31, 2025 and 2024 are set forth in the following table.

(\$000's)	Target measure	December 31, 2025	December 31, 2024
Current assets		(39,525)	(22,151)
Current liabilities		64,930	23,510
Working capital deficit per consolidated balance sheet		25,405	1,359
Less: current portion of Debenture		(9,979)	-
Working capital deficit		15,426	1,359
Principal balance of non-current bank debt		44,964	27,750
Principal balance of non-current Debenture		12,500	-
Net debt		72,890	29,109
Shareholders' equity		93,668	68,828
Managed capital		166,558	97,937
Annual funds flow from operations		5,371	16,748
Net debt to funds flow from operations ratio	At or < 2.0 times	13.57	1.74
Net debt to managed capital ratio	< 0.4 times	0.44	0.30

As at December 31, 2025, the Company's net debt to trailing twelve-month funds flow from operations ratio of 13.57 times, significantly exceeded the long-term target. This increase primarily reflected the significant growth in net debt resulting from the issuance of the Debenture and increased bank debt to fund the Acquisition and 2025 capital program. In addition, 2025 funds flow from operations declined to \$5,371,000, driven by natural production declines and a weaker realized commodity price environment.

The net debt to managed capital ratio also rose to 0.44, slightly above the 0.40 target, reflecting the increased reliance on debt for the 2025 Acquisition and capital program.

24. Commitments and Contingencies

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 MEEI, and various lease obligations (refer to Note 12). The following table summarizes the Company's estimated minimum contractual payments as at December 31, 2025.

(\$000's)	Total	Estimated payments due by year			
		2026	2027	2028	Thereafter
Operating agreements	18,864	6,684	6,942	2,106	3,132
Exploration agreements	58,415	11,144	11,750	22,477	13,044
Other commitments	1,161	302	232	177	450
Minimum payments	78,440	18,130	18,924	24,760	16,626

Notes to the Consolidated Financial Statements
For the years ended December 31, 2025 and 2024

Under operating agreements with Heritage, the Company is required to fulfill minimum work commitments on an annual basis over each licence term. With respect to these obligations, Touchstone is required to drill seven development wells in 2026. The Company has committed to drilling four development wells in 2026 and is currently engaged in discussions with Heritage to explore alternative satisfaction methods for the remaining three well commitment.

As of December 31, 2025, Touchstone is committed to drilling an aggregate ten exploration wells across its exploration properties by the end of 2029. Two of these wells are required on the Ortoire block, where the exploration portion of the licence expires in July 2026. Touchstone and Heritage are in discussions with the MEEI to extend the licence for an additional three years.

The Company may be involved in a limited number of legal claims arising in the normal course of operations. Such claims are not expected to have a material impact on Touchstone's results of operations or cash flows.

25. Related Parties

Key Management Personnel Compensation

Touchstone has determined that the key management personnel of the Company consist of its directors and executive officers. The following table summarizes the compensation paid or payable to these individuals during the years ended December 31, 2025 and 2024.

(\$000's)	Year ended December 31,	
	2025	2024
Salaries and benefits included in general and administration expense	1,225	1,516
Executive severance included in general and administration expense	417	-
Director fees included in general and administration expense	316	405
Share-based compensation expense (Note 20)	103	1,244
Capitalized salaries, benefits and share-based compensation	39	47
Key management compensation	2,100	3,212

Other Related Party Transactions

The Company's Chief Executive Officer, Chief Financial Officer and its Trinidad-based director serve as independent board members of a separate Trinidadian charitable entity established by Touchstone. For the year ended December 31, 2025, the Company contributed \$30,000 to this entity (2024 - \$30,000).

26. Supplemental Disclosures

Presentation in the Statements of Income

The Company prepares its statements of income primarily by nature of item. Employee compensation expense is disaggregated between production-level activities (operating expense) and administrative functions (general and administration expense).

The following table details the amount of employee compensation expense included in operating and general and administration expense line items in the statements of income for the years ended December 31, 2025 and 2024.

(\$000's)	Year ended December 31,	
	2025	2024
Operating expense	2,335	1,718
General and administration expense	4,757	4,485
Employee compensation expense	7,092	6,204

Notes to the Consolidated Financial Statements
For the years ended December 31, 2025 and 2024

Presentation in the Statements of Cash Flows

The following tables provide a breakdown of non-cash working capital changes and other non-cash items presented in the consolidated statements of cash flows.

Net change in non-cash working capital (\$000's)	Year ended December 31,	
	2025	2024
Source (use) of cash:		
Accounts receivable	(9,282)	(953)
Inventory	63	6
Prepaid expenses	613	(753)
Accounts payable and accrued liabilities	11,602	1,241
Consideration payable	8,525	-
Income taxes payable	743	(234)
Transfer from non-current other assets	14	106
Transfer to (from) non-current other liabilities	8	(383)
Transfer to (from) non-current lease liabilities	22	(25)
Foreign exchange on working capital balances	166	498
Net change in non-cash working capital	12,474	(497)
Related to:		
Operating activities	14,759	(3,567)
Investing activities	(2,299)	2,964
Financing activities	14	106
Net change in non-cash working capital	12,474	(497)
Other non-cash items (\$000's)	Year ended December 31,	
	2025	2024
Lease modification (Note 12)	(32)	(50)
Debenture issuance expense (Note 14)	167	-
Debenture revaluation (Note 14)	(1,627)	-
Accretion on bank debt (Note 13)	507	67
Accretion on decommissioning liabilities (Note 15)	345	226
Other	(48)	-
Other non-cash items	(688)	243



Corporate Information

Directors

Kenneth R. McKinnon
Chair of the Board

Paul R. Baay
Bhupendra Kansagra
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

Head Office

Touchstone Exploration Inc.
4100, 350 7th Avenue SW
Calgary, Alberta, Canada
T2P 3N9

Registered Office

3700, 400 3rd Avenue SW
Calgary, Alberta, Canada
T2P 4H2

Operating Office

**Touchstone Exploration
(Trinidad) Ltd.**
Unit 416A, South Park Plaza
Tarouba Link Road
San Fernando, Trinidad, W.I.

Stock Exchange Listings

Toronto Stock Exchange
London Stock Exchange AIM
Symbol: TXP

Banker

Republic Bank Limited
Port of Spain, Trinidad, W.I.

Auditor

KPMG LLP
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
London, United Kingdom

UK Public Relations

FTI Consulting
London, United Kingdom