



Touchstone Exploration Inc.

Consolidated Financial Statements

As at and for the three months ended March 31, 2026 and 2025

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

As at	Note	March 31, 2026	December 31, 2025
Assets			
Current assets			
Cash		3,958	10,370
Accounts receivable	4	30,247	28,169
Inventory		70	82
Prepaid expenses		1,298	904
		35,573	39,525
Exploration and evaluation assets			
Property, plant and equipment	6	5,944	5,571
Restricted cash	7	182,848	181,677
Other assets	11	4,521	3,602
Abandonment fund	12	1,259	2,224
		9,645	9,478
Total assets		239,790	242,077
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	34,048	32,891
Acquisition consideration payable	5	8,560	8,525
Income taxes payable	17	912	749
Convertible debenture	9	10,844	9,979
Current portion of bank debt	11	14,214	12,786
		68,578	64,930
Lease liabilities			
Bank debt	10	2,856	2,982
Decommissioning liabilities	11	41,175	44,685
Share-based compensation liabilities	12	12,180	12,081
Deferred income taxes	16	235	126
	17	22,962	23,605
Total liabilities		147,986	148,409
Shareholders' equity			
Shareholders' capital	13	129,205	129,205
Warrants		269	269
Contributed surplus		7,356	7,315
Other comprehensive loss		(13,569)	(14,040)
Deficit		(31,457)	(29,081)
Total shareholders' equity		91,804	93,668
Total liabilities and shareholders' equity		239,790	242,077

Going concern (Note 1)
Commitments (Note 20)

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

Touchstone Exploration Inc.**Interim Condensed Consolidated Statements of Comprehensive (Loss) Income**

For the three months ended March 31

Unaudited, stated in thousands of United States dollars (except per share amounts)

	Note	2026	2025
Revenue			
Petroleum and natural gas sales	14	12,543	11,113
Less: royalties		(3,064)	(2,818)
Petroleum and natural gas sales, net of royalties		9,479	8,295
Other revenue		6	13
Total revenue		9,485	8,308
Expenses			
Operating		3,722	2,144
General and administration		2,262	2,490
Net finance	15	2,819	819
Transaction		-	136
Exploration		54	11
Foreign exchange gain	18	(31)	(51)
Share-based compensation	16	280	164
Depletion and depreciation	7	3,284	2,426
Total expenses		12,390	8,139
(Loss) income before income taxes		(2,905)	169
Provision for income taxes			
Current expense	17	210	167
Deferred recovery	17	(739)	(39)
Total income tax (recovery) expense		(529)	128
Net (loss) income		(2,376)	41
Currency translation adjustments		471	146
Comprehensive (loss) income		(1,905)	187
Net (loss) income per common share			
Basic and diluted	13	(0.01)	0.00

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

Touchstone Exploration Inc.
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

For the three months ended March 31

Unaudited, stated in thousands of United States dollars

	Note	2026	2025
Shareholders' capital			
Balance, beginning of period	13	129,205	115,610
Balance, end of period		129,205	115,610
Warrants			
Balance, beginning of period	9	269	-
Balance, end of period		269	-
Contributed surplus			
Balance, beginning of period		7,315	7,069
Share-based compensation expense	16	39	128
Share-based compensation capitalized	16	2	7
Balance, end of period		7,356	7,204
Other comprehensive loss			
Balance, beginning of period		(14,040)	(13,882)
Currency translation adjustments		471	146
Balance, end of period		(13,569)	(13,736)
Deficit			
Balance, beginning of period		(29,081)	(39,969)
Net (loss) income		(2,376)	41
Balance, end of period		(31,457)	(39,928)

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

Touchstone Exploration Inc.
Interim Condensed Consolidated Statements of Cash Flows

For the three months ended March 31

Unaudited, stated in thousands of United States dollars

	Note	2026	2025
Operating activities			
Net (loss) income		(2,376)	41
Items not involving cash from operations:			
Unrealized foreign exchange gain	18	(94)	(60)
Share-based compensation expense	16	280	164
Depletion and depreciation expense	7	3,284	2,426
Non-cash finance expense	15	1,493	48
Deferred income tax recovery	17	(739)	(39)
Funds flow from operations		1,848	2,580
Net change in non-cash operating working capital		2,939	3,031
Cash from operating activities		4,787	5,611
Investing activities			
Exploration and evaluation expenditures	6	(351)	(423)
Property, plant and equipment expenditures	7	(2,873)	(6,250)
Abandonment fund expenditures	12	(129)	(175)
Net change in non-cash investing working capital		(4,689)	2,092
Cash used in investing activities		(8,042)	(4,756)
Financing activities			
Changes in restricted cash	11	(919)	67
Repayments of bank debt	11	(2,125)	(1,500)
Net finance lease receipts (payments)	10	35	(507)
Net change in non-cash financing working capital		(149)	61
Cash used in financing activities		(3,158)	(1,879)
Change in cash during the period		(6,413)	(1,024)
Cash, beginning of period		10,370	6,744
Impact of foreign exchange on foreign denominated cash balances		1	(2)
Cash, end of period		3,958	5,718
Supplementary information for cash from operating activities:			
Interest paid in cash	11	1,070	663
Income taxes paid in cash	17	50	120

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

1. Nature of Business

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

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

Going Concern

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

As at March 31, 2026, the Company had a working capital deficit of \$22.2 million (excluding the convertible debenture, which is convertible into common shares at any time prior to maturity in August 2028). Although the Company continues to actively pursue the collection of outstanding value added tax receivables, current cash balances may be insufficient to fund projected operating and development expenditures and required bank debt repayments of \$14.2 million 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. Such a breach could provide the lender the right to declare the outstanding bank debt balance immediately due and payable 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, or restructuring existing debt obligations and financial covenants. Management is actively executing a strategic recapitalization plan to address near-term capital requirements, which includes ongoing discussions regarding debt restructuring and potential equity initiatives.

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 unaudited interim condensed consolidated financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* using accounting policies consistent with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS"). These financial statements are condensed as they do not include all the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2025 (the "2025 audited financial statements").

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

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2026 and 2025

These financial statements have been prepared on a historical cost basis, except those items presented at fair value as detailed in the accounting policies disclosed in Note 3 "Summary of Material Accounting Policies" of the 2025 audited financial statements. All accounting policies and methods of computation followed in the preparation of these financial statements are consistent with those of the previous year, except as disclosed in Note 3.

These financial statements were approved and authorized for issuance by Touchstone's Board of Directors (the "Board") on May 13, 2026.

3. Changes to Accounting Policies

New Accounting Policies

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

On January 1, 2026, Touchstone adopted the amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* regarding the classification and measurement of financial instruments. These amendments include clarifications on the timing of recognition and derecognition of financial assets and liabilities and updated requirements for assessing the contractual cash flow characteristics of financial assets. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

Standards Issued but Not Yet Effective

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.

4. Financial Assets and Credit Risk

As at March 31, 2026, 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 liquefied natural gas marketing company, joint interest billings from Heritage Petroleum Company Limited ("Heritage"), and value added tax ("VAT") receivables from the GOTT.

Petroleum and natural gas ("P&NG") sales are generally collected within one to three months following production. As at March 31, 2026, approximately 23 percent of the Company's credit exposure was attributed to accrued revenue predominately from March 2026 production volumes. Joint interest billings are typically settled within one to three months following invoicing.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2026 and 2025

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

(\$000's)	March 31, 2026	December 31, 2025
Composition		
Petroleum and natural gas sales	6,921	3,531
Joint interest billings	3,823	5,669
VAT	10,055	9,420
Other	888	1,024
Amount to be remitted pursuant to business combination (Note 5)	8,560	8,525
Accounts receivable balance	30,247	28,169
Aging		
Current (less than 30 days)	4,504	8,895
31-60 days	9,298	1,432
61-90 days	-	1,438
Past due (greater than 90 days)	7,885	7,879
	21,687	19,644
Amount to be remitted pursuant to business combination (Note 5)	8,560	8,525
Accounts receivable balance	30,247	28,169

In connection with the business combination (refer to Note 5), the Company recognized \$8,560,000 in accounts receivables relating to VAT and income tax receivable from the GOTT as at March 31, 2026. 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.

As at March 31, 2026, 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.

5. 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 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 11).

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

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2026 and 2025

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 4)	8,548
Total consideration	36,948
Net assets acquired	
Accounts receivable (Note 4)	5,082
Accounts receivable to be remitted to seller (Note 4)	8,548
Inventory	60
Petroleum and natural gas development assets (Note 7)	43,828
Abandonment fund (Note 12)	6,009
Accounts payable and accrued liabilities (Note 8)	(5,035)
Decommissioning liabilities (Note 12)	(3,184)
Deferred income tax liability (Note 17)	(18,360)
Total identifiable net assets acquired	36,948

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.

Contractual Obligations

The following table summarizes the estimated undiscounted minimum contractual payments acquired as at March 31, 2026, 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	2,957	337	472	498	526	554	570

6. Exploration and Evaluation Assets

(\$000's)	Three months ended March 31, 2026	Year ended December 31, 2025
Balance, beginning of period	5,571	3,743
Additions	351	1,848
Effect of change in foreign exchange rates	22	(20)
Balance, end of period	5,944	5,571

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2026 and 2025

7. Property, Plant and Equipment

(\$000's)	P&NG development assets	ROU assets	Corporate assets	Total
Cost				
Balance, January 1, 2025	207,481	7,099	3,959	218,539
Acquired on close of Acquisition (Note 5)	43,828	-	-	43,828
Additions	26,511	43	49	26,603
Transfers within PP&E	1,307	(1,307)	-	-
Change in decommissioning assets (Note 12)	3,124	-	-	3,124
Lease modification (Note 10)	-	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
Additions	3,864	-	-	3,864
Transfers within PP&E	21	(21)	-	-
Change in decommissioning assets (Note 12)	(32)	-	-	(32)
Foreign exchange translation	1,031	29	(39)	1,021
Balance, March 31, 2026	284,704	6,146	4,070	294,920
Accumulated depletion, depreciation and impairment				
Balance, January 1, 2025	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
Depletion and depreciation	3,054	156	74	3,284
Foreign exchange translation	420	4	(26)	398
Balance, March 31, 2026	106,915	2,505	2,652	112,072
Carrying amounts				
Balance, December 31, 2025	176,379	3,793	1,505	181,677
Balance, March 31, 2026	177,789	3,641	1,418	182,848

During the three months ended March 31, 2026, the Company capitalized \$90,000 of direct and attributable overhead charges to property, plant and equipment ("PP&E") (2025 - \$110,000).

On March 31, 2026, the Company evaluated its P&NG development assets included in PP&E for indicators of any potential impairment or reversal. As a result of this assessment, no indicators were identified.

8. 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 annual 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 March 31, 2026, the Company had a \$33,005,000 working capital deficit, with no remaining borrowing capacity under its revolving loan facility (refer to Note 11). The working capital deficit was primarily driven by significant capital expenditures deployed throughout 2025, \$14,214,000 in current bank debt, and the inclusion of the \$10,844,000 convertible debenture carrying value within current liabilities. Although the debenture has an August 2028 maturity date, it is classified as a current liability because it is convertible at the holder's option at any time.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2026 and 2025

To address this deficiency and enhance financial flexibility, the Company has initiated a strategic recapitalization plan targeting between \$10 million and \$20 million in additional liquidity. This initiative is designed to normalize the Company's working capital position and provide the necessary growth capital for the 2026 development program (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 March 31, 2026.

(\$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⁾	32,366	32,366	-	-
Income taxes payable (Note 17)	912	912	-	-
Convertible debenture ⁽³⁾ (Note 9)	14,024	625	13,399	-
Lease liabilities ⁽³⁾ (Note 10)	4,931	1,595	2,026	1,310
Bank debt ⁽³⁾⁽⁴⁾ (Note 11)	64,031	17,867	37,100	9,064
Share-based compensation liabilities ⁽⁵⁾ (Note 16)	655	420	235	-
Total financial liabilities	116,919	53,785	52,760	10,374

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 of May 13, 2026. Interest rates on three of the Company's loan facilities are reset annually (refer to Note 11).
- (5) Represents accrued obligations for share-based compensation awards expected to be settled in cash.

Refer to Note 9 "Convertible Debenture", Note 11 "Bank Debt", Note 19 "Capital Management" and Note 20 "Commitments" for further details regarding the Company's debt structure, capital management objectives and contractual obligations.

9. 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.

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.

The Company elected to designate the entire hybrid contract as fair value through profit and loss. The carrying value is remeasured to fair value at each reporting date, with changes recognized in the statements of income. As at March 31, 2026, the fair value of the Debenture was estimated at

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2026 and 2025

\$10,844,000, resulting in an \$865,000 loss recognized within net finance expense. The Debenture is classified as a current liability because the holder has the option to convert the instrument into common shares at any time.

The following table summarizes the change in the carrying value of the Debenture for the periods indicated.

(\$000's)	Three months ended March 31, 2026	Year ended December 31, 2025
Balance, beginning of period	9,979	-
Issuance	-	11,606
Change in fair value	865	(1,627)
Balance, end of period	10,844	9,979
Current	10,844	9,979
Non-current	-	-
Convertible debenture balance	10,844	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.

10. Lease Liabilities

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

(\$000's)	Three months ended March 31, 2026	Year ended December 31, 2025
Balance, beginning of period	4,241	5,866
Additions	-	43
Interest expense	99	499
Repayments	(223)	(2,402)
Modifications	-	237
Effect of change in foreign exchange rates	1	(2)
Balance, end of period	4,118	4,241
Current (included in accounts payable and accrued liabilities)	1,262	1,259
Non-current	2,856	2,982
Lease liabilities balance	4,118	4,241

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2026 and 2025

11. Bank Debt

The Company has four credit facilities pursuant to a Fourth Amended and Restated Loan Agreement (the "Loan Agreement") with its Trinidad-based lender. The following table summarizes the Company's credit facilities under the Loan Agreement as at March 31, 2026.

Facility	Amount (\$000's)	Maturity date	Current interest rate per annum	Principal balance (\$000's)
Term loan facility 1	30,000	June 15, 2027	7.85% (fixed)	7,500
Term loan facility 2	10,000	April 30, 2029	5.96% (annually reset)	8,125
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				55,625

As at March 31, 2026, outstanding principal balances totalled \$55,625,000, 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 periods indicated.

(\$000's)	Term loan facility 1	Term loan facility 2	Term loan facility 3	Revolving loan facility	Bank debt
Balance, January 1, 2025	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
Repayments	(1,500)	(625)	-	-	(2,125)
Accretion	-	15	28	-	43
Balance, March 31, 2026	7,500	8,014	29,875	10,000	55,389
Current	6,000	2,500	5,714	-	14,214
Non-current	1,500	5,514	24,161	10,000	41,175
Bank debt balance	7,500	8,014	29,875	10,000	55,389

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, events of default, and financial covenants, which are applicable on a consolidated basis and evaluated on an annual basis. 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. As at March 31, 2026, the Company was compliant with all covenants provided for in the Loan Agreement.

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 March 31, 2026, \$4,521,000 (December 31, 2025 - \$3,602,000) was held in restricted accounts and classified as non-current restricted cash based on the maturity profile of the related debt.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2026 and 2025

12. 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.

As at March 31, 2026, the estimated net present value of the decommissioning liabilities was \$12,180,000, based on an inflation-adjusted undiscounted liability of \$18,242,000 (December 31, 2025 - \$12,081,000 and \$18,181,000, respectively). The liabilities were calculated using a weighted average risk-free discount rate of 5.8 percent and a long-term inflation rate of 2.1 percent (December 31, 2025 - 5.7 percent and 2.1 percent, respectively).

The following table summarizes the changes in the Company's decommissioning liability provision for the periods indicated.

(\$000's)	Three months ended March 31, 2026	Year ended December 31, 2025
Balance, beginning of period	12,081	9,985
Liabilities incurred from development activities	39	417
Liabilities acquired on close of Acquisition (Note 5)	-	3,184
Accretion expense	82	345
Revisions to estimates	(71)	2,710
Dispositions	-	(4,528)
Effect of change in foreign exchange rates	49	(32)
Balance, end of period	12,180	12,081

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 March 31, 2026, the Company recognized \$9,645,000 as non-current abandonment fund assets (December 31, 2025 - \$9,478,000).

13. 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 periods indicated.

	Number of shares outstanding	Shareholders' capital (\$000's)
Balance, January 1, 2025	236,460,661	115,610
Issued pursuant to private placements, net of fees	88,272,948	13,595
Balance, December 31, 2025 and March 31, 2026	324,733,609	129,205

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Weighted Average Common Shares

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

	Three months ended March 31,	
	2026	2025
Weighted average common shares outstanding - basic	324,733,609	236,460,661
Dilutive impact of share-based compensation plans and Debenture	-	-
Weighted average common shares outstanding - diluted	324,733,609	236,460,661

For the three months ended March 31, 2026, approximately 7.3 million stock options (2025 - 11.6 million) and the common shares potentially issuable under the Debenture and related warrants (refer to Note 9) were excluded from the diluted weighted average calculation as they were anti-dilutive.

14. 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. The following table presents P&NG sales by major product type for the periods indicated.

(\$000's)	Three months ended March 31,	
	2026	2025
Crude oil	5,681	6,679
Natural gas liquids	1,497	222
Natural gas	5,365	4,212
Petroleum and natural gas sales	12,543	11,113

Revenue is typically collected in the month following production. As at March 31, 2026, accounts receivable related to P&NG sales totaled \$6,921,000 (2025 - \$3,105,000).

15. Net Finance Expense

(\$000's)	Three months ended March 31,	
	2026	2025
Interest income	(4)	(26)
Debenture interest expense (Note 9)	154	-
Debenture revaluation loss (Note 9)	865	-
Lease liability interest expense (Note 10)	99	140
Bank debt interest expense (Note 11)	1,066	657
Accretion on bank debt (Note 11)	43	15
Accretion on decommissioning liabilities (Note 12)	82	65
Other	514	(32)
Net finance expense	2,819	819

16. Share-based Compensation Plans

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

- 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.

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- 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 periods specified.

	Number of stock options outstanding	Weighted average exercise price (C\$)
Issued and outstanding, January 1, 2025	11,731,000	1.25
Exercised	(1,379,666)	1.37
Forfeited	(3,032,334)	0.83
Issued and outstanding, December 31, 2025 and March 31, 2026	7,319,000	1.40
Exercisable, March 31, 2026	6,402,338	1.44

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 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.

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

<i>(number of share awards outstanding)</i>	RSUs	PSUs⁽¹⁾	DSUs
Issued and outstanding, January 1, 2025	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
Settled in cash	-	-	(141,667)
Issued and outstanding, March 31, 2026	3,845,109	4,083,309	2,312,089

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 periods indicated.

<i>(\$000's)</i>	Three months ended March 31,	
	2026	2025
Equity-settled compensation	41	135
Cash-settled compensation	256	42
Capitalized expense	(17)	(13)
Share-based compensation expense	280	164

Share-based Compensation Liabilities

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

<i>(\$000's)</i>	Three months	Year ended
	ended March	December 31,
	31, 2026	2025
Balance, beginning of period	429	500
Liability incurred from grant of DSUs	-	283
Settled in cash	(21)	(90)
Increase in liability related to RSUs and PSUs	83	411
Fair value adjustments	173	(703)
Effect of changes in foreign exchange rates	(9)	28
Balance, end of period	655	429
Current (included in accounts payable and accrued liabilities)	420	303
Non-current	235	126
Share-based compensation liabilities balance	655	429

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17. 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 (expense) at the combined Trinidad statutory rate to the income tax (recovery) expense recognized during the three months ended March 31, 2026 and 2025.

(\$000's unless otherwise stated)	Three months ended March 31,	
	2026	2025
Net (loss) income before income taxes	(2,905)	169
Statutory combined PPT and UL rate	55.0%	55.0%
Expected income tax (recovery) expense	(1,598)	93
Effect on income tax resulting from:		
Change in income tax assets not recognized	(71)	(676)
Income tax rate differential	(46)	29
Effect of changes in foreign exchange rates and other	1,186	682
Income tax (recovery) expense	(529)	128

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 periods specified.

(\$000's)	March 31, 2026	December 31, 2025
Deferred income tax liabilities:		
PP&E in excess of income tax basis	70,651	69,589
Other	-	48
Deferred income tax assets:		
Decommissioning liabilities	(6,699)	(6,645)
Lease liabilities	(1,831)	(1,858)
Bank debt	(274)	(379)
Non-capital losses	(28,849)	(28,027)
Intercompany interest	(10,036)	(9,123)
Net deferred income tax liability	22,962	23,605

As at March 31, 2026, the Company's net deferred income tax liability decreased by \$643,000 compared to December 31, 2025. This reduction was primarily due to a \$739,000 deferred tax recovery recognized in comprehensive loss, partially offset by \$96,000 in deferred tax expense recorded in equity.

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 March 31, 2026 is adequate.

18. Financial Instruments and Market Risk Management

Financial Instruments and Fair Value

As at March 31, 2026, 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 March 31, 2026 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 three months ended March 31, 2026.

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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 4), and liquidity risk (refer to Note 8). Touchstone continuously monitors these risks and implements strategies to mitigate them through internal controls and prudent financial management. Cash flow management is central to the Company's risk strategy, and material changes in business conditions are reviewed with the Board of Directors to establish appropriate risk mitigation measures.

Commodity price risk

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

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 Pounds sterling to US\$ exchange rates could impact reported results.

Interest rate risk

Interest rate risk arises from the potential for changes in market interest rates to affect the Company's financial results and cash flows. Touchstone is exposed to interest rate fluctuations on its term loan facilities 2 and 3, and its revolving loan facility, as the applicable interest rates are reset annually based on the one-year Secured Overnight Financing Rate (refer to Note 11).

19. 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

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flexibility while managing the increased leverage introduced by the Acquisition and the Debenture issued in August 2025.

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

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 investments, 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 the periods indicated are set forth in the following table.

(\$000's)	Target measure	March 31, 2026	December 31, 2025
Current assets		(35,573)	(39,525)
Current liabilities		68,578	64,930
Working capital deficit per consolidated balance sheet		33,005	25,405
Less: current portion of Debenture		(10,844)	(9,979)
Working capital deficit⁽¹⁾		22,161	15,426
Principal balance of non-current bank debt		41,411	44,964
Principal balance of Debenture		12,500	12,500
Net debt⁽¹⁾		76,072	72,890
Shareholders' equity		91,804	93,668
Managed capital⁽¹⁾		167,876	166,558
Trailing twelve-month funds flow from operations ⁽²⁾		4,639	5,371
Net debt to funds flow from operations ratio⁽¹⁾	At or < 2.0 times	16.40	13.57
Net debt to managed capital ratio⁽¹⁾	< 0.4 times	0.45	0.44

Notes:

- (1) Working capital, net debt, managed capital, net debt to funds flow from operations ratio and net debt to managed capital ratio are considered non-IFRS capital management measures and ratios and therefore may not be comparable to calculations of similar measures presented by other entities.
- (2) Trailing twelve-month funds flow from operations as at March 31, 2026 includes the sum of funds flow from operations for the three months ended March 31, 2026 and funds flow from operations for the April 1, 2025 through December 31, 2025 interim period.

As at March 31, 2026, the Company's net debt to trailing twelve-month funds flow from operations ratio was 16.4 times. This temporary elevation above the long-term target was primarily attributable to the issuance of the Debenture and increased bank debt to fund the Acquisition, and the lag between investment and the commencement of production from the 2025 drilling program. In

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addition, trailing twelve-month funds flow from operations declined to \$4,639,000, driven by natural production declines and a weaker realized commodity price environment in the second half of 2025.

The net debt to managed capital ratio also rose to 0.45, above the 0.40 target, reflecting the increased reliance on debt for the Acquisition and 2025 capital program. Management expects to progress these ratios toward long-term targets through the execution of its strategic recapitalization plan.

20. Commitments

Touchstone has contractual obligations incurred in the normal course of business. These include minimum work commitments under operating agreements with Heritage, licence payments and exploration commitments pursuant to its exploration and production licences with the GOTT Ministry of Energy and Energy Industries ("MEEI"), and various lease obligations (refer to Note 10).

The following table summarizes the Company's estimated undiscounted minimum contractual payments as at March 31, 2026, which includes the commitments acquired in the Acquisition (Note 5).

(\$000's)	Total	Estimated payments due by year			
		2026	2027	2028	Thereafter
Operating agreements	16,137	6,519	4,481	2,080	3,057
Exploration agreements	58,698	11,141	11,810	22,621	13,126
Other commitments	1,106	229	251	181	445
Minimum payments	75,941	17,889	16,542	24,882	16,628

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. As of the reporting date, two wells have been drilled and two additional wells are budgeted for the remainder of the year. The Company is actively collaborating with Heritage to optimize the 2026 work program, including evaluating alternative satisfaction methods for the remaining development well commitments.

As of March 31, 2026, 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 is scheduled to expire in July 2026. Touchstone and Heritage are in constructive discussions with the MEEI to extend the licence for an additional three years.



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
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Cayle Sorge
Vice President Finance

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Stock Exchange Listings

Toronto Stock Exchange
London Stock Exchange AIM
Symbol: TXP

Banker

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Auditor

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Reserves Evaluator

GLJ Ltd.
Calgary, Alberta, Canada

Legal Counsel

Norton Rose Fulbright LLP
Calgary, Alberta, Canada
Fasken Martineau DuMoulin LLP
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Transfer Agent and Registrar

Odyssey Trust Company
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MUFG Corporate Markets
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Canaccord Genuity
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