Touchstone Exploration Inc.

Management's Discussion and Analysis

For the three and six months ended June 30, 2026 and 2025

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Touchstone Exploration Inc. ("Touchstone", "we", "our", "us" or the "Company") for the three and six months ended June 30, 2026 with comparisons to the three and six months ended June 30, 2025 is dated August 13, 2026 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements as at and for the three and six months ended June 30, 2026 (the "interim financial statements"), as well as with the Company's audited consolidated financial statements as at and for the year ended December 31, 2025 (the "audited 2025 financial statements"), which are available on the Company's profile on SEDAR+ (www.sedarplus.ca) and website (www.touchstoneexploration.com).

The interim financial statements have been prepared by the management team ("Management") of Touchstone 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" or "GAAP"). The interim financial statements were approved by the Company's Board of Directors ("Board"). Accounting policies adopted by the Company are set out in the notes to the audited 2025 financial statements. This MD&A should also be read in conjunction with Touchstone's MD&A for the three months and year ended December 31, 2025, as disclosure which is unchanged from December 31, 2025 may not be duplicated herein.

Unless otherwise stated, all financial amounts presented herein are rounded to thousands of United States dollars ("$" or "US$").

The Company may also reference Canadian dollars ("C$") and Trinidad and Tobago dollars ("TT$") herein, which are the functional and operational currencies of the Company's parent company and operating subsidiaries, respectively. All production volumes disclosed herein are sales volumes and are based on Company working interest before royalty burdens. Certain prior year amounts have been reclassified to conform to the current year presentation.

Certain measures in this MD&A do not have any standardized meaning prescribed under IFRS and therefore are considered non-GAAP and other financial measures. Readers are cautioned that this MD&A should be read in conjunction with Touchstone's disclosure under the "*Advisories*" section of this MD&A which provides information on non-GAAP and other financial measures, forward-looking statements, oil and natural gas measures, product type disclosures and references to Touchstone.

About Touchstone Exploration Inc.

Touchstone is incorporated under the laws of Alberta, Canada with its head office located in Calgary, Alberta. The Company, through its subsidiaries, is a petroleum and natural gas exploration and production company active in the Republic of Trinidad and Tobago ("Trinidad"). Touchstone is currently one of the largest independent onshore oil and natural gas producers in Trinidad, with assets in several reservoirs that have an extensive internally estimated inventory of petroleum and natural gas development and exploration opportunities. The Company's common shares are traded on the Toronto Stock Exchange and the AIM market of the London Stock Exchange under the stock symbol "TXP". The Company's strategy is to leverage Canadian operational experience and technical capability across its Trinidad onshore properties to create long-term shareholder value.

Financial and Operational Results Overview

	Three months ended June 30, 2026	2025	% change	Six months ended June 30, 2026	2025	% change
Operational						
Average daily production						
Crude oil[1] *(bbls/d)*	**1,032**	1,142	(10)	**981**	1,152	(15)
NGLs[1] *(bbls/d)*	**469**	210	123	**446**	125	n/m
Crude oil and liquids[1] *(bbls/d)*	**1,501**	1,352	11	**1,427**	1,277	12
Natural gas[1] *(Mcf/d)*	**17,590**	18,282	(4)	**18,708**	18,489	1
Average daily production *(boe/d)*[2]	**4,433**	4,399	1	**4,545**	4,359	4
Production mix *(% of production)*						
Crude oil and liquids[1]	**34**	31		**31**	29	
Natural gas[1]	**66**	69		**69**	71	
Average realized prices[3]						
Crude oil[1] *($/bbl)*	**81.17**	58.52	39	**74.94**	61.20	22
NGLs[1] *($/bbl)*	**45.83**	35.40	29	**42.79**	39.80	8
Crude oil and liquids[1] *($/bbl)*	**70.13**	54.93	28	**64.89**	59.11	10
Natural gas[1] *($/Mcf)*	**4.93**	2.55	93	**3.91**	2.53	55
Realized commodity price *($/boe)*[2]	**43.30**	27.50	57	**36.48**	28.04	30
Operating netback *($/boe)*[2]						
Realized commodity price[3]	**43.30**	27.50	57	**36.48**	28.04	30
Royalty expense[3]	**(10.50)**	(6.63)	58	**(8.87)**	(6.94)	28
Operating expense[3]	**(8.43)**	(8.28)	2	**(8.66)**	(6.92)	25
Operating netback[3]	**24.37**	12.59	94	**18.95**	14.18	34
Financial *($000's except per share amounts)*						
Petroleum and natural gas sales	**17,466**	11,007	59	**30,009**	22,120	36
Cash from (used in) operating activities	**3,239**	(234)	n/a	**8,026**	5,377	49
Funds flow from operations	**7,128**	1,433	n/m	**8,976**	4,013	124
Net income (loss)	**2,340**	(710)	n/a	**(36)**	(669)	(95)
Per share – basic and diluted	**0.01**	(0.00)	n/a	**(0.00)**	(0.00)	-
Capital expenditures[3]	**1,515**	4,659	(67)	**4,739**	11,332	(58)
Acquisition expenditures	**-**	28,400	(100)	**-**	28,400	(100)
Principal balance of bank debt				**52,071**	62,000	(16)
Principal balance of convertible debenture				**12,500**	-	n/a
Net debt[3]				**68,709**	63,887	8
Share Information *(000's)*						
Weighted avg. shares outstanding:						
Basic and diluted	**330,879**	248,914	33	**327,823**	242,722	35
Outstanding shares – end of period				**351,365**	261,097	35

Notes:

(1) In the table above and elsewhere in this MD&A, references to "crude oil" include the combined product types light and medium crude oil and heavy crude oil; references to "NGLs" refer to condensate and propane; and references to "natural gas" refer to conventional natural gas, all as defined in National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). References to "crude oil and liquids" include crude oil and NGLs. Refer to the "*Advisories - Product Type Disclosures*" section of this MD&A for further information.

(2) In the table above and elsewhere in this MD&A, references to "boe" mean barrels of oil equivalent that are calculated using the energy equivalent conversion method. Refer to the "*Advisories - Oil and Natural Gas Measures*" section of this MD&A.

(3) Specified or supplementary financial measure. Refer to the "*Advisories - Non-GAAP and Other Financial Measures*" section of this MD&A.

Second Quarter 2026 Highlights

- **Production:** Achieved 4,433 boe/d, representing a 5% decrease from 4,657 boe/d in the first quarter of 2026, primarily due to planned third-party infrastructure maintenance at Atlantic LNG that temporarily constrained natural gas production.
- **Revenue and realized pricing:** Petroleum and natural gas sales totalled $17.47 million, a 39% increase from the $12.54 million recorded in the previous quarter. This was driven by a 64% increase in realized natural gas prices supplemented by volume diversions to Train 2/3 during Train 4 downtime, and a 19% recovery in crude oil and liquids pricing.
  - **Crude oil sales:** $7.62 million from average production of 1,032 bbls/d at an average realized price of $81.17 per barrel.
  - **NGL sales:** $1.96 million from average production of 469 bbls/d at a realized price of $45.83 per barrel.
  - **Natural gas sales:** $7.89 million from average production of 17.59 MMcf/d (2,932 boe/d) at an average realized price of $4.93 per Mcf.
- **Operating netback:** Generated $24.37 per boe, representing a 77% improvement over the $13.73 per boe recorded in the preceding quarter, driven primarily by higher realized pricing across all commodity streams.
- **Funds flow from operations:** Increased to $7.13 million from $1.85 million in the previous quarter, primarily driven by a $4.07 million increase in operating netback.
- **Net income:** Delivered net income of $2.34 million ($0.01 per basic and diluted share), reversing the $2.38 million net loss in the first quarter of 2026. The $4.72 million variance was primarily driven by a $5.28 million increase in funds flow from operations, partially offset by $0.56 million in non-cash items.
- **Capital investments:** Deployed $1.52 million in capital expenditures focused on high-impact development initiatives, including the FR-1836 crude oil development well and the Cascadura booster compression project.
- **Net debt and deleveraging:** Reduced net debt by 10% from the prior quarter to $68.71 million at quarter-end, supported by $3.55 million in bank debt principal repayments funded through cash flow and financing proceeds.
- **Strategic financing and capital structure:** Completed a multi-jurisdictional integrated financing in the quarter for net proceeds of $10.20 million, initially comprising an issuance of 26,631,330 common shares and an $8.40 million debenture. Subsequent to quarter-end, the $8.4 million debenture was repaid in full, and the repayment proceeds were redirected to the related subscription by Purebond for 89,765,000 common shares, fully converting the financing into equity and eliminating the debt obligation.

Liquidity and Going Concern

The Company's capital strategy is focused on maintaining a flexible financial structure to support its ongoing development programs and satisfy financial obligations. Management continues to monitor the Company's liquidity position to ensure that operating cash flows and working capital remain sufficient to support ongoing financial obligations, planned capital programs, and future work commitments.

As at June 30, 2026, the Company reported a working capital deficit of $28.7 million. This figure includes two financing-related current liabilities:

- $10.3 million carrying value of the convertible debenture maturing in August 2028, which is classified as a current liability solely due to the holder's conversion rights; and

- $8.4 million short-term debenture issued during the second quarter of 2026. Subsequent to June 30, 2026, this $8.4 million Purebond Debenture was repaid in full, and the repayment proceeds were redirected to the related common share subscription, fully eliminating the liability (refer to the "*June 2026 Integrated Financing*" section of this MD&A).

Management continues to proactively execute initiatives to further strengthen Touchstone's financial posture and capital structure. Year-to-date accomplishments include:

- Successfully closing an integrated financing that generated net proceeds of $10.2 million;
- Securing a waiver of the annual debt service coverage ratio covenant under the Company's loan agreement for the year ending December 31, 2026; and
- Expanding operating cash flows supported by stronger realized commodity pricing.

Touchstone has scheduled bank debt principal repayments of approximately $14.2 million over the next 12 months and continues to pursue recovery of approximately $11.1 million in outstanding value added tax ("VAT") receivables. While these initiatives have improved the Company's near-term liquidity position, the Company's forecasted cash flows remain dependent on prevailing commodity prices, field production performance, and the timing of capital programs, including certain discretionary development capital. Adverse movements in commodity prices, operational disruptions, or delays in development activities, VAT recovery, or work commitment restructuring could negatively affect the Company's ability to meet its debt obligations and other contractual commitments as they come due.

Accordingly, these conditions indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. The Company's interim financial statements have been prepared on a going concern basis, which assumes the Company will continue in operational existence for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The interim financial statements do not include any adjustments to the carrying values or classification of assets and liabilities, or to the reported amounts of revenues and expenses, that would be necessary should the going concern assumption prove to be inappropriate, and any such adjustments could be material. Refer to Note 1 "*Nature of Business - Going Concern*" of the interim financial statements for further information.

Touchstone's ability to continue as a going concern remains dependent upon generating sufficient operational cash flows, executing its development work program, receiving timely recovery of outstanding VAT receivables, maintaining strong realized oil and gas pricing, successfully restructuring minimum work commitments, and, if necessary, executing additional financial or operational liquidity measures. Available levers include deferring discretionary capital expenditures, adjusting the timing of operational outlays, and pursuing amendments to, or refinancing of, its existing bank debt. There can be no assurance that these initiatives will be successfully executed on terms acceptable to the Company or within required timeframes.

June 2026 Integrated Financing

On June 10, 2026, the Company completed a multi-jurisdictional integrated financing (the "Integrated Financing") for aggregate gross proceeds of $10,894,000, undertaken as part of a broader recapitalization initiative to support the Company's near-term liquidity and capital program. The Integrated Financing comprised equity issuances of 26,631,330 common shares for gross proceeds of $2,492,000 and the issuance to Purebond Limited ("Purebond"), the Company's largest shareholder, of an $8,402,000 unsecured non-convertible debenture (the "Purebond Debenture").

The structure of the Integrated Financing was as follows:

Component	Investor / market segment	Number of common shares issued	Gross proceeds *($000's)*
Purebond first tranche subscription	Direct subscription	20,235,000	1,894
United Kingdom placing	Accelerated bookbuild	4,285,713	401
Canada offering	Listed issuer financing exemption	1,520,000	142
WRAP retail offer	Retail access platform	590,617	55
Total equity issuance		**26,631,330**	**2,492**
Purebond Debenture	Unsecured 5% debt	-	8,402
Total Integrated Financing		**26,631,330**	**10,894**

Equity Issuances

The 26,631,330 common shares were issued at a price of 7 pence or C$0.13 per share (the "Issue Price") and were comprised of the following:

- a subscription by Purebond for 20,235,000 common shares for gross proceeds of approximately $1,894,000 pursuant to a subscription agreement dated June 4, 2026;
- a non-pre-emptive placing of 4,285,713 common shares to institutional and other investors in the United Kingdom conducted by way of an accelerated bookbuild;
- a non-pre-emptive private placement of 1,520,000 common shares in Canada under the listed issuer financing exemption in Part 5A of National Instrument 45-106 – *Prospectus Exemptions*, as amended by Coordinated Blanket Order 45-935; and
- a non-pre-emptive retail offer of 590,617 common shares through a retail access platform.

Net proceeds after transaction costs of $690,000 totalled $1,802,000 and were recorded in shareholders' capital. Following closing, the Company had 351,364,939 common shares issued and outstanding as at June 30, 2026.

Purebond Debenture

The Purebond Debenture was denominated and payable in United States dollars, bore interest at a rate of 5 percent per annum, and carried a contractual maturity date of June 10, 2028. The instrument was structured to provide certainty of capital pending regulatory and independent shareholder approvals required for a contemplated larger equity resubscription by Purebond.

The $8,402,000 Purebond Debenture was recognized as a current liability as at June 30, 2026 given its expected short-term repayment, and the Company recognized interest expense of $23,000 in the second quarter of 2026.

Repayment of the Purebond Debenture and resubscription

Subsequent to June 30, 2026, and pursuant to a repayment and subscription agreement dated June 10, 2026, the Purebond Debenture was repaid in full, and the repayment proceeds were immediately redirected to the related subscription by Purebond for 89,765,000 common shares at the Issue Price. The common shares were issued on July 24, 2026, following receipt of regulatory approvals and independent shareholder approval at the Company's annual and special meeting of shareholders held on July 23, 2026.

Following completion of the resubscription, the Company had 441,129,939 common shares issued and outstanding, with Purebond holding an aggregate of 160,000,000 common shares, representing approximately 36.3 percent of the issued and outstanding common shares on an undiluted basis. With the repayment of the Purebond Debenture, the Company has no outstanding debt associated with the Integrated Financing, and the full $10,204,000 of net proceeds was converted to equity funding.

Related party considerations

Purebond is a related party of the Company, and its participation in the Integrated Financing constituted a related party transaction within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). A special committee of independent directors reviewed the structure of, and alternatives to, the Integrated Financing and recommended that the Board proceed. Mr. Kansagra, a Purebond nominated director of the Board, recused himself from deliberations and voting on the related party aspects.

The Company relied on the exemptions from the formal valuation and minority approval requirements in sections 5.5(c) and 5.7(a) of MI 61-101 in respect of Purebond's share subscription, and sections 5.5(c) and 5.7(f) in respect of the issuance of the Purebond Debenture. The resubscription was undertaken in reliance on the exemption in section 5.5(c) of MI 61-101 and was approved by independent holders of common shares at the July 23, 2026 meeting.

Use of Proceeds and Liquidity Impact

The Company intends to use the net proceeds of the Integrated Financing to execute high-impact drilling, enhance existing assets and strengthen its balance sheet. The financing, together with the subsequent conversion of the Purebond Debenture proceeds to equity, has strengthened the Company's liquidity position and capital structure.

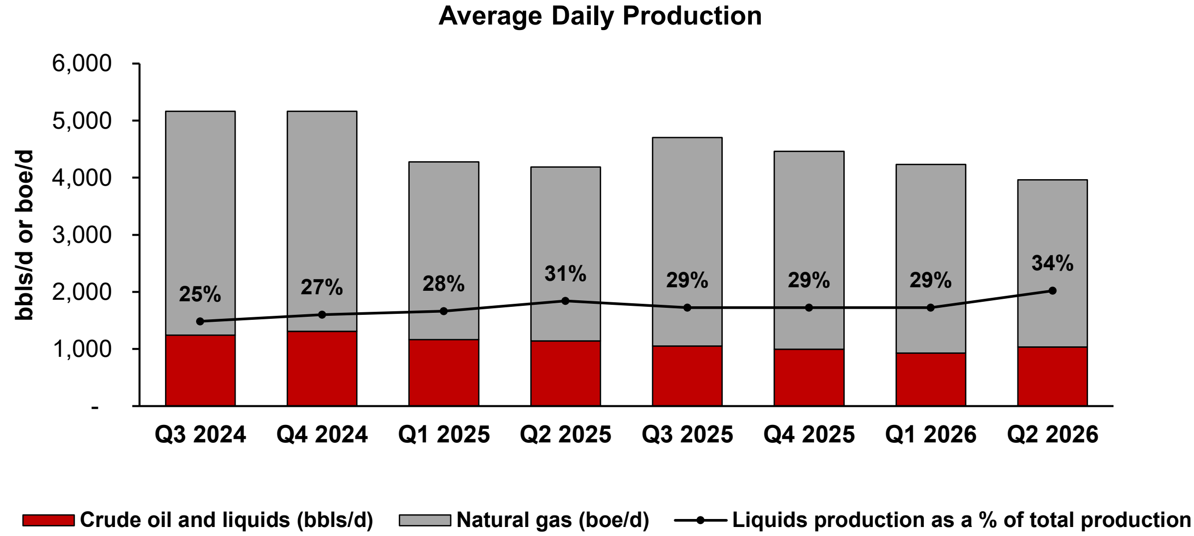
Financial and Operational Results

Production Volumes

	Three months ended June 30,		%	Six months ended June 30,		%
	2026	2025	change	**2026**	2025	change
Production						
Crude oil *(bbls)*	**93,919**	103,909	(10)	**177,531**	208,496	(15)
NGLs *(bbls)*	**42,658**	19,095	123	**80,671**	22,561	n/m
Crude oil and liquids *(bbls)*	**136,577**	123,004	11	**258,202**	231,057	12
Natural gas *(Mcf)*	**1,600,697**	1,663,683	(4)	**3,386,149**	3,346,480	1
Total production *(boe)*	**403,360**	400,284	1	**822,560**	788,804	4
Average daily production						
Crude oil *(bbls/d)*	**1,032**	1,142	(10)	**981**	1,152	(15)
NGLs *(bbls/d)*	**469**	210	123	**446**	125	n/m
Crude oil and liquids *(bbls/d)*	**1,501**	1,352	11	**1,427**	1,277	12
Natural gas *(Mcf/d)*	**17,590**	18,282	(4)	**18,708**	18,489	1
Average daily production *(boe/d)*	**4,433**	4,399	1	**4,545**	4,359	4
Production mix						
Crude oil and liquids *(%)*	**34**	31		**31**	29	
Natural gas *(%)*	**66**	69		**69**	71	

Total production averaged 4,433 boe/d during the second quarter of 2026, a 1 percent increase from 4,399 boe/d in the comparative 2025 period. On a year-to-date basis, production averaged 4,545 boe/d, representing a 4 percent increase from 4,359 boe/d in the first six months of 2025.

The increases were primarily attributable to a full period of production from the Central field following its acquisition in May 2025, which more than offset natural production declines across the Company's mature crude oil properties and the Cascadura field. The Central field also increased the Company's liquids weighting, with crude oil and liquids representing 34 percent and 31 percent of total production during the second quarter and first six months of 2026, respectively, compared to 31 percent and 29 percent in the corresponding periods of 2025.



Crude oil production

Crude oil produced from the Company's properties is stored in tanks at individual well pads prior to being transported by truck to designated sales facilities connected to Heritage pipeline infrastructure.

The following table summarizes crude oil production volumes by property for the three and six months ended June 30, 2026 and 2025.

Property *(bbls)*	**Three months ended June 30,** **2026**	2025	% change	**Six months ended June 30,** **2026**	2025	% change
CO-1	**34,922**	38,132	(8)	**69,472**	74,498	(7)
WD-4	**30,839**	39,456	(22)	**59,647**	75,791	(21)
WD-8	**17,223**	10,691	61	**27,014**	24,420	11
Balata East	**7,366**	7,626	(3)	**14,011**	15,436	(9)
Cascadura	**2,497**	1,309	91	**5,250**	4,390	20
Other minor fields	**1,072**	6,695	(84)	**2,137**	13,961	(85)
Crude oil production	**93,919**	103,909	(10)	**177,531**	208,496	(15)

Crude oil production for the second quarter of 2026 averaged 1,032 bbls/d, representing a 10 percent decrease compared to the 1,142 bbls/d produced in the same period of 2025. On a year-to-date basis, crude oil production averaged 981 bbls/d, compared to 1,152 bbls/d in 2025.

The overall decrease primarily reflected natural production declines across the Company's mature properties, as no crude oil development wells were drilled during 2025. Production volumes were also lower due to the divestment of certain non-core assets in the fourth quarter of 2025, which contributed 56 bbls/d and 59 bbls/d to the three and six-month comparative averages in 2025, respectively.

This decline was partially offset by production from the Company's two new infill wells drilled on the WD-8 block (FR-1835 and FR-1836) in March and April of 2026. Since coming online in May 2026, these wells averaged a field estimated 39 bbls/d and 97 bbls/d, respectively, through June 30, 2026.

NGL production

At the Cascadura facility, separated NGLs are stored on site and subsequently transported by truck to the Company's Balata East sales facility. The Central block facility separates NGLs from produced natural gas and is directly connected to a Heritage-operated sales pipeline. Additional NGLs are extracted from natural gas volumes processed at the Atlantic LNG facility.

The following table summarizes NGL production volumes by property for the three and six months ended June 30, 2026 and 2025.

Property *(bbls)*	Three months ended June 30,		%	Six months ended June 30,		%
	2026	2025	change	**2026**	2025	change
Cascadura	**1,131**	2,302	(51)	**2,685**	5,768	(53)
Central	**41,527**	16,793	147	**77,986**	16,793	n/m
NGL production	**42,658**	19,095	123	**80,671**	22,561	n/m

NGL production averaged 469 bbls/d and 446 bbls/d during the three and six months ended June 30, 2026, respectively, increasing significantly from the corresponding 2025 comparative periods.

This operational growth was driven by a full period of production from the Central block (acquired effective May 16, 2025). The incremental volumes from the Central block successfully offset natural base declines in NGL production at Cascadura, which reflect normal well maturation.

Natural gas production

Natural gas volumes processed at the Cascadura facility are sold into a connected National Gas Company of Trinidad and Tobago ("NGC") sales pipeline. Volumes produced from the Coho field are delivered via an NGC-owned pipeline and processed at the Company's Central block facility. Natural gas processed at the Central block is either transported through the cross-island pipeline to the Atlantic LNG facility or sold domestically to NGC. Net natural gas volumes delivered to the Atlantic LNG facility custody transfer point may differ from the Company's share of NGL liftings in any given period.

The following table summarizes natural gas production volumes by property for the three and six months ended June 30, 2026 and 2025.

Property *(Mcf)*	Three months ended June 30,		%	Six months ended June 30,		%
	2026	2025	change	**2026**	2025	change
Cascadura	**551,597**	1,094,127	(50)	**1,293,421**	2,620,900	(51)
Central	**947,947**	426,389	122	**1,879,980**	426,389	n/m
Coho	**101,153**	143,167	(29)	**212,748**	299,191	(29)
Natural gas production	**1,600,697**	1,663,683	(4)	**3,386,149**	3,346,480	1

Natural gas production averaged 17.6 MMcf/d (2,932 boe/d) during the second quarter of 2026, representing a 4 percent decrease from the 18.3 MMcf/d (3,047 boe/d) produced in the same period of 2025. Year-to-date 2026 production averaged 18.7 MMcf/d (3,118 boe/d), a nominal increase from 18.5 MMcf/d (3,082 boe/d) reported in the first half of 2025.

Production from the Central field (acquired effective May 16, 2025) contributed approximately 10.4 MMcf/d (1,736 boe/d) and 10.4 MMcf/d (1,731 boe/d) during the three and six months ended June 30, 2026, respectively. This asset addition was offset by year-over-year production declines in the Cascadura and Coho fields.

In addition to natural declines, Cascadura production volumes continued to be impacted by higher downstream infrastructure pressure fluctuations. In response to these elevated line pressures, the Company has selectively and periodically shut in wells to manage fluid loading issues. During the second quarter of 2026, the Company advanced a compression project to mitigate these constraints and stabilize delivery rates, which necessitated approximately 86 hours of plant downtime.

Commodity Prices

	Three months ended June 30,		%	Six months ended June 30,		%
	2026	2025	change	**2026**	2025	change
Avg. benchmark prices[1]						
Brent *($/bbl)*	**96.87**	66.76	45	**87.38**	70.84	23
WTI *($/bbl)*	**92.79**	63.74	46	**82.36**	67.58	22
Average realized prices[2]						
Crude oil *($/bbl)*	**81.17**	58.52	39	**74.94**	61.20	22
NGLs *($/bbl)*	**45.83**	35.40	29	**42.79**	39.80	8
Crude oil and liquids *($/bbl)*	**70.13**	54.93	28	**64.89**	59.11	10
Natural gas *($/Mcf)*	**4.93**	2.55	93	**3.91**	2.53	55
Realized commodity price[2] *($/boe)*	**43.30**	27.50	57	**36.48**	28.04	30

Notes:
(1) Average of the daily closing prices. Source: GLJ Ltd.
(2) Supplementary financial measure. Refer to the "*Advisories - Non-GAAP and Other Financial Measures*" section of this MD&A.

Crude oil and liquids realized prices

Touchstone's realized prices for crude oil and NGLs are influenced by product quality differentials and international marketing arrangements, which are largely beyond the Company's control. All crude oil and liquids produced in Trinidad are exported for refining.

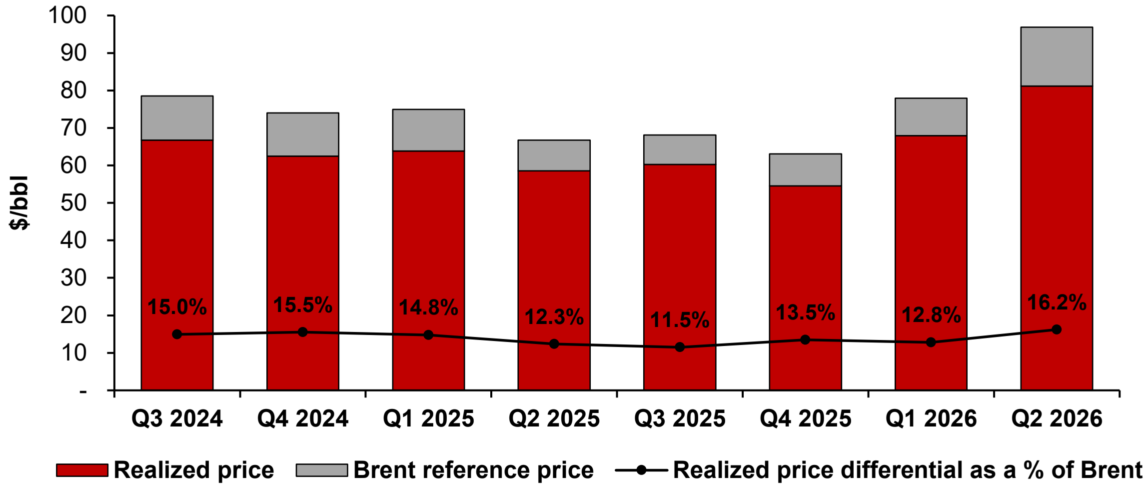
Crude oil produced from the Company's legacy assets and Cascadura NGLs are sold to Heritage at prices linked to the Brent benchmark. Central block NGL volumes separated at the Company's natural gas processing facility are sold to Heritage at prices referenced to the WTI benchmark. Additional NGL volumes separated at the Atlantic LNG facility are sold based on Propane Plus pricing, a composite benchmark reflecting propane and heavier NGL components.

The Brent benchmark price averaged $96.87 per barrel in the second quarter of 2026, representing a 24 percent increase from the first quarter of 2026 and a 45 percent increase relative to the same period in 2025. On a year-to-date basis, the Brent benchmark averaged $87.38 per barrel, up 23 percent from the equivalent 2025 period. Benchmark strength was concentrated from March to June 2026, driven by supply disruptions from the United States - Iran conflict, broader geopolitical instability in the Middle East, and corresponding concerns over global crude oil supply.

Touchstone realized an average crude oil price of $81.17 per barrel in the second quarter of 2026, representing a 39 percent increase compared to $58.52 per barrel in the same period of 2025. This improvement reflected the 45 percent increase in average Brent reference pricing, partially offset by a widening of the Company's realized crude oil price differential from 12.3 percent to 16.2 percent.

On a year-to-date basis, the Company realized an average crude oil price of $74.94 per barrel in 2026, a 22 percent increase compared to $61.20 per barrel in the prior year equivalent period. This increase was consistent with the year-over-year strengthening in Brent benchmark pricing.

Average Realized Crude Oil Price(1) and Differential to Brent



Note:
(1) Supplementary financial measure. Refer to the "*Advisories - Non-GAAP and Other Financial Measures*" section of this MD&A.

Average realized NGL prices increased by 29 percent in the second quarter of 2026 and by 8 percent on a year-to-date basis compared to the corresponding periods of 2025, averaging $45.83 per barrel and $42.79 per barrel, respectively. The higher realized prices reflected stronger benchmark pricing across the Company's Brent, WTI and Propane Plus referenced NGL sales.

Natural gas realized prices

Natural gas production from the Ortoire block is sold under a long-term, fixed-price contract with NGC. The contract price is $2.33 per MMBtu through October 10, 2026, increasing to approximately $2.38 per MMBtu through October 10, 2027. Thereafter, the fixed price is subject to redetermination between the parties every five years.

Natural gas production from the Central block is marketed either domestically to NGC or internationally to Atlantic LNG, contingent upon Atlantic LNG facility availability. Atlantic LNG pricing is variable, linked to a basket of global energy benchmarks including Brent, Henry Hub, JKM and NBP. This exposure allows the Company to capture international market premiums, though it introduces greater price volatility compared to the Ortoire block domestic contract.

Natural gas sales to Atlantic LNG are recognized upon the transfer of legal title at the processing facility inlet. Revenue is initially estimated based on applicable marketing arrangements, net of stripped NGLs and allocated plant gas. Final adjustments are recorded when the LNG is lifted and definitive pricing is confirmed. Sales to Atlantic LNG are recorded net of processing and marketing charges, including transportation, liquefaction, and associated fees.

Average realized natural gas prices increased by 93 percent in the second quarter of 2026 and by 55 percent on a year-to-date basis compared to the corresponding periods of 2025, averaging $4.93 per Mcf and $3.91 per Mcf, respectively.

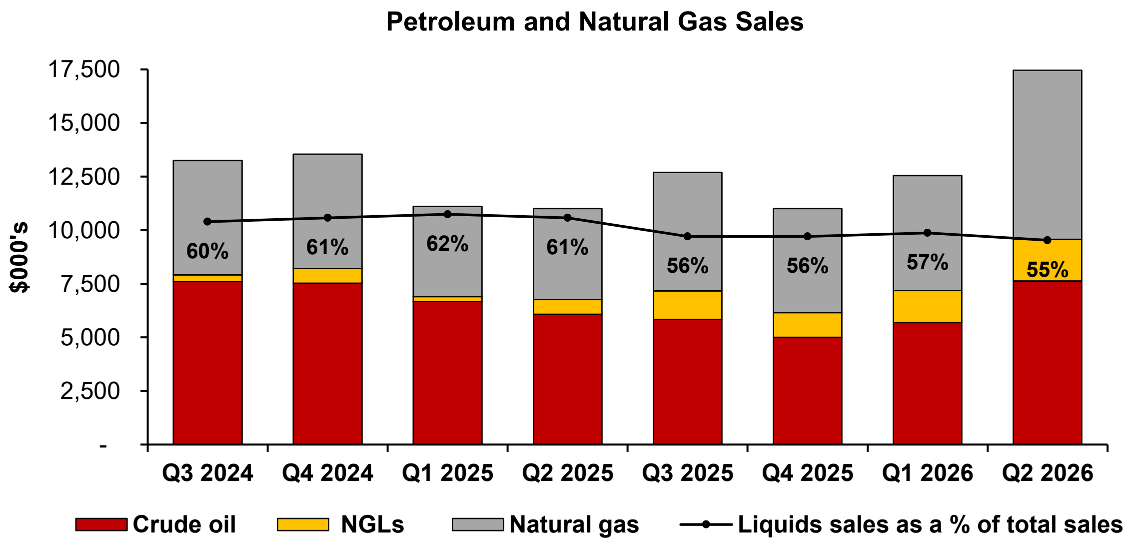
During the second quarter of 2026, 100 percent of Central field natural gas volumes were delivered to Atlantic LNG, including sales under the Train 2/3 gas supply contract for all of June 2026 and a portion of May 2026. Touchstone's June 2026 Train 2/3 LNG lifting achieved an estimated realized LNG sales price of $10.02 per MMBtu net of fees (approximately $9.95 per Mcf). Historically, LNG sales under the Train 2/3 marketing arrangement have realized higher average net prices than Train 4 due to differences in underlying commercial terms and pricing formulas, contributing significantly to the Company's expanded quarterly realized natural gas pricing.

Petroleum and Natural Gas Sales

($000's unless otherwise stated)	**Three months ended June 30,** **2026**	2025	% change	**Six months ended June 30,** **2026**	2025	% change
Crude oil	**7,623**	6,081	25	**13,304**	12,760	4
NGLs	**1,955**	676	n/m	**3,452**	898	n/m
Natural gas	**7,888**	4,250	86	**13,253**	8,462	57
Petroleum and natural gas sales	**17,466**	11,007	59	**30,009**	22,120	36
Sales mix						
Crude oil and liquids *(%)*	**55**	61		**56**	62	
Natural gas *(%)*	**45**	39		**44**	38	

Petroleum and natural gas sales for the second quarter of 2026 totalled $17,466,000, a 59 percent increase from $11,007,000 in the comparative 2025 period. On a year-to-date basis, petroleum and natural gas sales increased 36 percent to $30,009,000 from $22,120,000 in the first six months of 2025. The increases primarily reflected significantly stronger realized commodity pricing across all product streams, together with the contribution of a full period of production from the Central field.

- Crude oil sales increased by $1,542,000 in the second quarter and $544,000 on a year-to-date basis. Higher realized crude oil pricing contributed approximately $2,127,000 and $2,439,000, respectively, partially offset by lower sales volumes resulting from natural production declines across the Company's mature crude oil assets.
- NGL sales increased by $1,279,000 in the second quarter and $2,554,000 on a year-to-date basis. The increases were primarily driven by significantly higher production volumes from the Central field, supplemented by stronger realized NGL pricing.
- Natural gas sales increased by $3,638,000 in the second quarter and $4,791,000 on a year-to-date basis. The increases reflected significantly higher realized natural gas pricing, supported by sales under the Train 2/3 gas supply contract during the second quarter of 2026, together with a full quarter and six months of production from the Central field compared to the partial comparative periods in 2025.



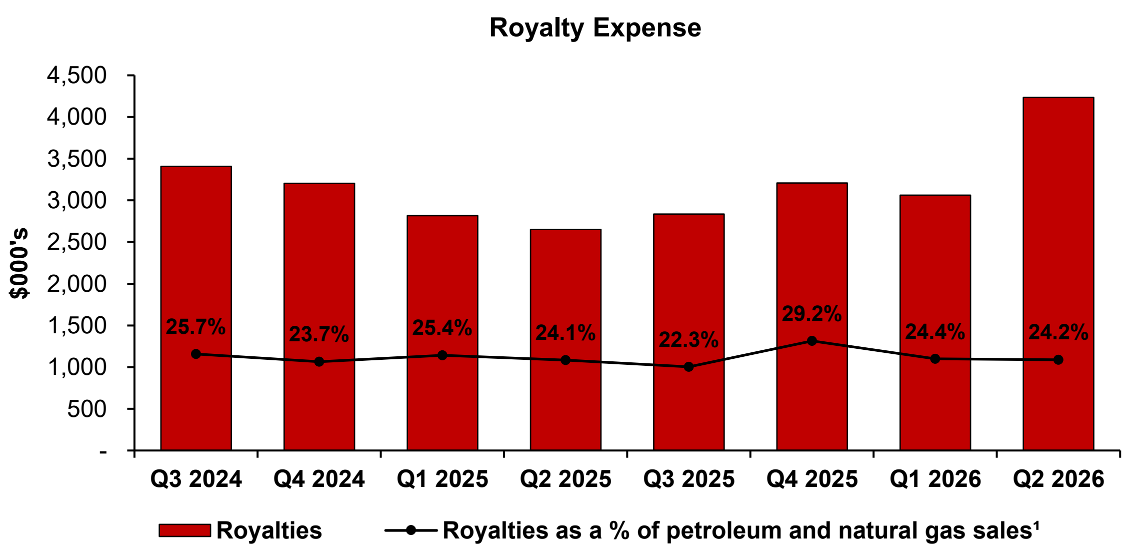
Royalty Expense

($000's unless otherwise stated)	Three months ended June 30, 2026	2025	% change	Six months ended June 30, 2026	2025	% change
State royalties	**2,257**	1,335	69	**3,895**	2,704	44
Overriding royalties	**1,956**	1,280	53	**3,360**	2,687	25
Private royalties	**22**	38	(42)	**44**	80	(45)
Royalty expense	**4,235**	2,653	60	**7,299**	5,471	33
$ per boe(1)	**10.50**	6.63	58	**8.87**	6.94	28
As a % of petroleum and natural gas sales(1)	**24.2**	24.1	1	**24.3**	24.7	(2)

Note:
(1) Supplementary financial measure. Refer to the "*Advisories - Non-GAAP and Other Financial Measures*" section of this MD&A.

Royalty expense for the second quarter and first six months of 2026 increased by 60 percent and 33 percent, respectively, compared to the corresponding periods of 2025, directly driven by higher petroleum and natural gas sales. On a per unit basis, royalty expense averaged $10.50 per boe in the second quarter of 2026 and $8.87 per boe on a year-to-date basis, compared to $6.63 per boe and $6.94 per boe in the corresponding 2025 periods. As a percentage of petroleum and natural gas sales, royalty rates remained stable at 24.2 percent in the second quarter of 2026 and 24.3 percent year-to-date, aligning closely with prior-year comparative levels.

The Company's overall royalty structure continues to benefit from an increasing volume contribution from the Central property, which is subject exclusively to state royalties.



Note:
(1) Supplementary financial measure. Refer to the "*Advisories - Non-GAAP and Other Financial Measures*" section of this MD&A.

Operating Expense

($000's except per boe amounts)	Three months ended June 30, 2026	2025	% change	Six months ended June 30, 2026	2025	% change
Operating expense	**3,402**	3,314	3	**7,124**	5,458	31
$ per boe(1)	**8.43**	8.28	2	**8.66**	6.92	25

Note:
(1) Supplementary financial measure. Refer to the "*Advisories - Non-GAAP and Other Financial Measures*" section of this MD&A.

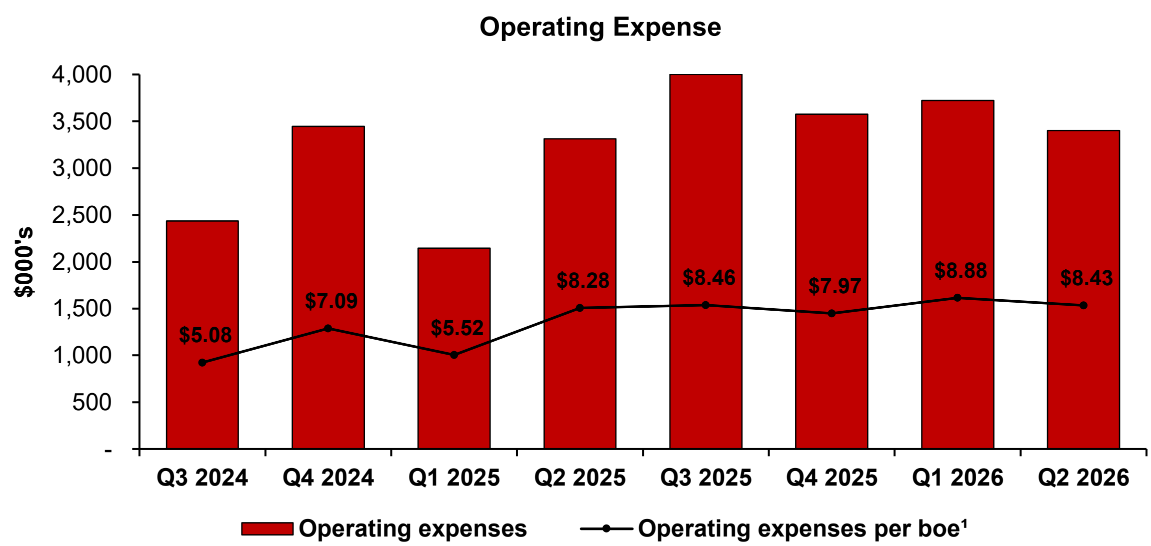
Operating expenses include periodic lease, field-level, and transportation costs, as well as directly attributable employee salaries and benefits. Estimates by property and product type are based on internal allocations prepared by Management and require the use of assumptions and judgement.

Operating expenses for the three months ended June 30, 2026 totalled $3,402,000, representing a modest increase of $88,000 compared to the corresponding period in 2025. This increase was driven by a full period of operational expenditures associated with the Central field, which added an estimated $469,000 in expenses. These costs were largely offset by an estimated $381,000 reduction in operating expenses across the Company's mature crude oil properties and Ortoire natural gas assets. Lower costs were primarily attributable to reduced field maintenance activity and the non-recurrence of one-time Cascadura-3ST1 workover expense incurred in the second quarter of 2025.

For the six months ended June 30, 2026, operating expenses increased by $1,666,000 or 31 percent compared to the corresponding period in 2025, primarily reflecting a full six months of operational expenditures associated with the Central field.

On a per-unit basis, second-quarter 2026 operating expenses rose 2 percent to $8.43 per boe, compared to $8.28 per boe in the same period of 2025. Crude oil and liquids unit operating costs decreased to $18.14 per barrel (from approximately $18.79 per barrel in the prior-year period), benefiting from reduced field maintenance activity. Ortoire natural gas unit operating costs increased from approximately $3.52 per boe to $5.59 per boe, as natural production declines offset absolute cost savings. Conversely, Central block unit operating expenses improved significantly, falling from approximately $7.36 per boe to $5.59 per boe, driven by higher production volumes and a full quarter of operations.

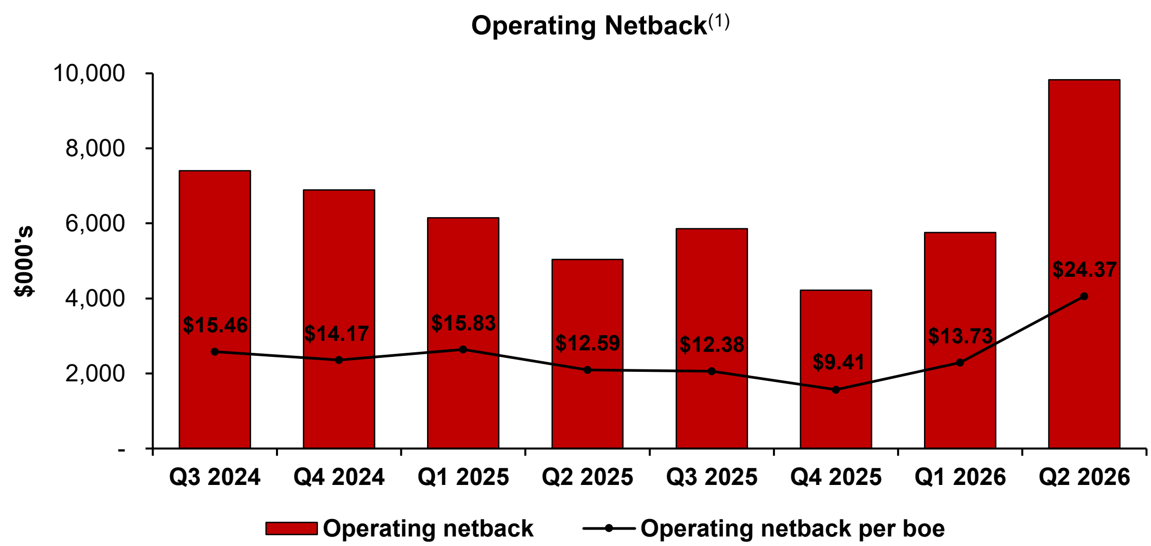
For the first six months of 2026, operating expenses averaged $8.66 per boe, representing a 25 percent increase from $6.92 per boe in the comparative 2025 period. Crude oil and liquids unit operating costs rose to approximately $18.56 per barrel (up from $16.72 per barrel in 2025), while Ortoire natural gas unit costs increased to approximately $4.51 per boe (up from $2.81 per boe). These per-unit cost increases were primarily driven by lower production volumes across both asset areas, which inflated unit metrics due to fixed facility and operational overhead. Conversely, Central block unit operating expenses improved to approximately $7.05 per boe over the six-month period, down from $7.36 per boe year-over-year, as fixed costs were diluted across a full period of baseline production.



Note:
(1) Supplementary financial measure. Refer to the "*Advisories - Non-GAAP and Other Financial Measures*" section of this MD&A.

Operating Netback

	Three months ended June 30, 2026	2025	% change	Six months ended June 30, 2026	2025	% change
($000's)						
Petroleum and natural gas sales	**17,466**	11,007	59	**30,009**	22,120	36
Royalty expense	**(4,235)**	(2,653)	60	**(7,299)**	(5,471)	33
Operating expense	**(3,402)**	(3,314)	3	**(7,124)**	(5,458)	31
Operating netback(1)	**9,829**	5,040	95	**15,586**	11,191	39
($/boe)						
Realized commodity price(1)	**43.30**	27.50	57	**36.48**	28.04	30
Royalty expense(1)	**(10.50)**	(6.63)	58	**(8.87)**	(6.94)	28
Operating expense(1)	**(8.43)**	(8.28)	2	**(8.66)**	(6.92)	25
Operating netback(1)	**24.37**	12.59	94	**18.95**	14.18	34



Note:
(1) Specified financial measure. Refer to the "*Advisories - Non-GAAP and Other Financial Measures*" section of this MD&A.

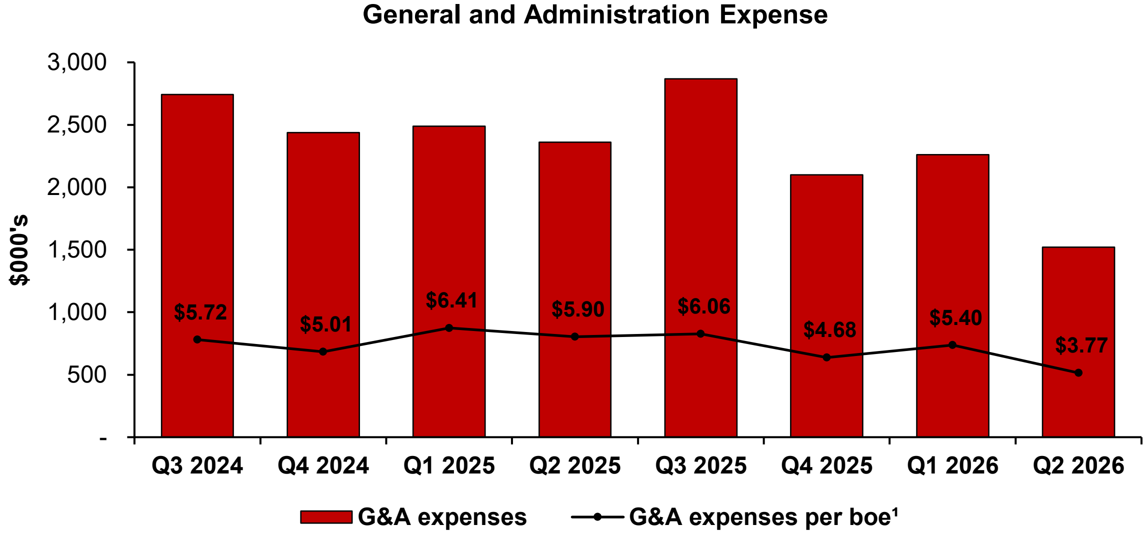
General and Administration ("G&A") Expense

($000's except per boe amounts)	Three months ended June 30, 2026	2025	% change	Six months ended June 30, 2026	2025	% change
Gross G&A expense	**1,623**	2,452	(34)	**3,975**	5,039	(21)
Capitalized G&A expense	**(102)**	(92)	11	**(192)**	(189)	2
G&A expense	**1,521**	2,360	(36)	**3,783**	4,850	(22)
$ per boe(1)	**3.77**	5.90	(36)	**4.60**	6.15	(25)

Note:
(1) Supplementary financial measure. Refer to the "*Advisories - Non-GAAP and Other Financial Measures*" section of this MD&A.

G&A expense (net of capitalized amounts) totalled $1,521,000 for the second quarter and $3,783,000 for the first six months of 2026, representing decreases of 36 percent and 22 percent, respectively, compared to the corresponding periods in 2025. The lower G&A expenditure in both periods was primarily driven by a one-time recovery of management overhead charges associated with the Central field, coupled with structural reductions in personnel-related costs resulting from restructuring initiatives completed in the fourth quarter of 2025, alongside lower professional fees. These cost savings were partially offset by higher corporate insurance and field security expenses.

On a per-unit basis, G&A expenses decreased 36 percent in the second quarter and 25 percent on a year-to-date basis relative to the prior-year comparative periods, reflecting the net reduction in overall overhead expenditures.



Note:
(1) Supplementary financial measure. Refer to the "*Advisories - Non-GAAP and Other Financial Measures*" section of this MD&A.

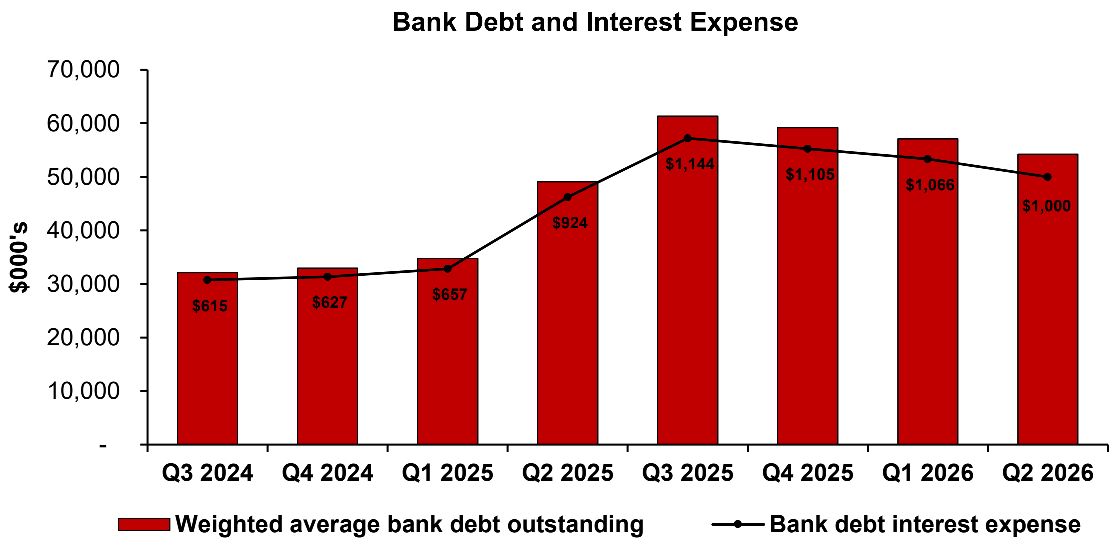
Net Finance Expense

($000's except per boe amounts)	Three months ended June 30, **2026**	2025	% change	Six months ended June 30, **2026**	2025	% change
Interest income	**2**	(36)	n/a	**(2)**	(62)	(97)
Debenture interest expense	**23**	-	n/a	**23**	-	n/a
Convertible debenture interest expense	**156**	-	n/a	**310**	-	n/a
Convertible debenture revaluation (gain) loss	**(536)**	-	n/a	**329**	-	n/a
Lease liability interest expense	**97**	127	(24)	**196**	267	(27)
Bank debt interest expense	**1,000**	924	8	**2,066**	1,581	31
Accretion on bank debt	**26**	360	(93)	**69**	375	(82)
Accretion on decommissioning liabilities	**85**	86	(1)	**167**	151	11
Other cash	**-**	17	(100)	**11**	17	(35)
Other non-cash	**(104)**	35	n/a	**399**	3	n/m
Net finance expense	**749**	1,513	(50)	**3,568**	2,332	53
Cash net finance expense(1)	**1,278**	1,032	24	**2,604**	1,803	44
Non-cash net finance expense(1)	**(529)**	481	n/a	**964**	529	82
Net finance expense	**749**	1,513	(50)	**3,568**	2,332	53
$ per boe(1)	**1.86**	3.78	(51)	**4.34**	2.96	47

Note:
(1) Specified or supplementary financial measure. Refer to the "*Advisories - Non-GAAP and Other Financial Measures*" section of this MD&A.

Net finance expense for the second quarter of 2026 totalled $749,000, representing a 50 percent decrease compared to $1,513,000 in the second quarter of 2025. Cash finance costs increased 24 percent year-over-year to $1,278,000, primarily driven by higher bank interest expenses resulting from a 10.4 percent increase in the quarterly weighted average bank debt balance (rising to $54.2 million from $49.1 million in the second quarter of 2025), along with coupon payments associated with the convertible debenture issued in August 2025. Conversely, non-cash finance costs decreased by $1,010,000 during the period, benefiting from a $536,000 fair value gain on the revaluation of the convertible debenture, lower bank debt accretion, and a one-time lease modification gain recognized in the quarter.

For the six months ended June 30, 2026, net finance expenses totalled $3,568,000, up 53 percent from $2,332,000 in the comparative 2025 period. Cash finance expenses rose 44 percent to $2,604,000 (an increase of $801,000), driven by elevated average bank debt levels and convertible debenture obligations. Non-cash finance expenses increased by $435,000 year-to-date, reflecting an aggregate $793,000 convertible debenture revaluation loss and a revaluation of a liability assumed in the Central block transaction, partially offset by reduced accretion charges on bank debt.



Further details regarding the Company's bank debt and convertible debenture are provided in the "*Liquidity and Capital Resources*" section of this MD&A.

Foreign Exchange and Foreign Currency Translation

Touchstone's presentation currency is the United States dollar. The parent company's functional currency is the Canadian dollar, while its Trinidadian subsidiaries utilize the Trinidad and Tobago dollar as their functional currencies. The following table summarizes the applicable foreign exchange ("FX") rates used to translate the Company's C$ and TT$ denominated items.

Applicable FX rates	**Three months ended June 30,**		%	**Six months ended June 30,**		%
	2026	2025	change	**2026**	2025	change
US$:C$ average FX rate[(1)]	**1.385**	1.384	-	**1.379**	1.410	(2)
US$:TT$ average FX rate[(2)]	**6.749**	6.749	-	**6.746**	6.751	-
Applicable FX rates	**June 30, 2026**	March 31, 2026	% change	**June 30, 2026**	December 31, 2025	% change
US$:C$ closing FX rate[(1)]	**1.421**	1.390	2	**1.421**	1.372	4
US$:TT$ closing FX rate[(2)]	**6.742**	6.741	-	**6.742**	6.771	-

Notes:
(1) Source: TSX InfoSuite average daily exchange rates for the specified periods and daily exchange rates for the specified dates.
(2) Source: Central Bank of Trinidad and Tobago average daily buying and selling exchange rates for the specified periods and average daily buying and selling exchange rates for the specified dates.

Income statement impact

The revenues and expenses of Canadian head office and Trinidadian operations are translated to US$ at the average monthly exchange rates relative to the date of the transactions. Fluctuations in the exchange rate between the C$ to US$ and the TT$ to US$ could have a material effect on the Company's reported results. Refer to the "*Market Risk Management - Foreign currency risk*" section of this MD&A for further information.

During the three months ended June 30, 2026 and 2025, the C$ and TT$ remained within a relatively stable range against the US$. During the six months ended June 30, 2026, the C$ appreciated by 2 percent against the US$ on an average basis compared to the prior-year period, while the TT$ dollar remained stable against the US$. Primarily due to the periodic translation and revaluation of foreign currency-denominated working capital and monetary items, Touchstone recorded foreign exchange losses of $331,000 and $300,000 for the three and six months ended June 30, 2026, respectively (2025 - gains of $113,000 and $164,000). Foreign exchange gains and losses include amounts that are unrealized in nature and may be reversed in the future as a result of fluctuations in prevailing exchange rates.

Balance sheet impact

The assets and liabilities of the parent company and subsidiaries are translated into US$ at the closing exchange rate in effect on the reporting date for presentation purposes, with all foreign currency differences recorded in other comprehensive loss.

For balance sheet presentation purposes, relative to the US$, the C$ closed 2 percent weaker on June 30, 2026 relative to March 31, 2026 and 4 percent weaker relative to December 31, 2025. The TT$ remained stable over the same periods. As a result of translating the functional currency net assets of the Company's subsidiaries into the US$ presentation currency, Touchstone recognized foreign currency translation gains of $161,000 and $632,000 in other comprehensive loss during the three and six months ended June 30, 2026, respectively (2025 - gains of $239,000 and $385,000).

Share-based Compensation

The Company provides share-based incentive compensation to directors, officers and employees to align their interests with those of shareholders. Currently, the Company administers the Omnibus Incentive Compensation Plan (the "Omnibus Plan"), adopted in June 2023, while maintaining a Legacy Stock Option Plan (the "Legacy Plan"). Since the adoption of the Omnibus Plan, no further grants have been or will be made under the Legacy Plan.

Non-employee directors are eligible to participate in a deferred share unit ("DSU") plan. While DSUs vest immediately upon grant, they are redeemable only for cash when the director ceases to be a member of the Board.

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.

The following table summarizes outstanding stock option and share award activity (presented in number of units) for the periods specified.

(number outstanding)	Stock options	RSUs	PSUs[1]	DSUs
Issued and outstanding, January 1, 2025	11,731,000	1,447,780	1,397,780	977,332
Granted	-	3,537,139	3,423,974	1,476,424
Settled in cash	-	(469,574)	-	-
Forfeited	(1,379,666)	(670,236)	(738,445)	-
Expired	(3,032,334)	-	-	-
Issued and outstanding, December 31, 2025	**7,319,000**	**3,845,109**	**4,083,309**	**2,453,756**
Settled in cash	**-**	**-**	**-**	**(141,667)**
Forfeited	**(36,666)**	**(146,498)**	**-**	**-**
Expired	**(1,959,000)**	**-**	**-**	**-**
Issued and outstanding, June 30, 2026	**5,323,334**	**3,698,611**	**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.

The following table summarizes share-based compensation (recovery) expense recognized for the three and six months ended June 30, 2026 and 2025.

($000's)	Three months ended June 30, 2026	2025	% change	Six months ended June 30, 2026	2025	% change
Equity-settled (stock options)	**26**	14	86	**67**	149	(55)
Cash-settled (share awards)	**(86)**	(92)	(7)	**170**	(50)	n/a
Capitalized expense	**(3)**	(5)	(40)	**(20)**	(18)	11
Share-based compensation (recovery) expense	**(63)**	(83)	(24)	**217**	81	168

The Company recognized a share-based compensation recovery of $63,000 in the second quarter of 2026, compared to a recovery of $83,000 in the prior year equivalent quarter. On a year-to-date basis, Touchstone recognized share based compensation expense of $217,000 in 2026 versus $81,000 in the same period of 2025. This variance reflects the structural transition from equity-settled stock options to cash-settled awards under the Omnibus Plan, as well as the impact of share price fluctuations on outstanding liabilities.

Equity-settled compensation declined from the prior year as no new stock options have been granted since 2023. Conversely, during the three and six months ended June 30, 2026, the Company recorded a cash-settled compensation (related to RSUs, PSUs, and DSUs) recovery of $86,000 and a $170,000 expense, respectively, compared to recoveries of $92,000 and $50,000 in the equivalent periods of 2025.

During the three months ended June 30, 2026, the Company recognized additional expenses of $94,000 related to the ongoing vesting of RSUs and PSUs, which were more than offset by a reduction in the underlying liability of $180,000 due to a decline in the Company's share price compared to March 31, 2026.

As at June 30, 2026, the share-based compensation liability was $557,000, with $335,000 classified as current (December 31, 2025 - $429,000 and $303,000, respectively).

Depletion and Depreciation Expense

($000's except per boe amounts)	Three months ended June 30, 2026	2025	% change	Six months ended June 30, 2026	2025	% change
Depletion expense	**3,005**	2,416	24	**6,059**	4,609	31
Depreciation expense	**228**	234	(3)	**458**	467	(2)
Depletion and depreciation expense	**3,233**	2,650	22	**6,517**	5,076	28
Depletion expense per boe(1)	**7.45**	6.04	23	**7.37**	5.84	26

Note:
(1) Supplementary financial measure. Refer to the "*Advisories - Non-GAAP and Other Financial Measures*" section of this MD&A.

Depletion expense

For the three and six months ended June 30, 2026, depletion expense related to petroleum and natural gas development assets included within property, plant and equipment ("PP&E") increased by 24 percent and 31 percent, respectively, compared to the corresponding periods of 2025. These increases were primarily driven by a full period of depletion charges associated with the Central field, as well as lower overall corporate reserve volumes, most notably at the Cascadura field, following the independent reserves evaluation completed as at December 31, 2025.

On a per-unit basis, depletion expense rose 23 percent for the second quarter and 26 percent year-to-date relative to the comparative 2025 periods. The higher per-boe rates were primarily attributable to the higher capital cost base of the Central field and the downward revision of the Cascadura reserves base.

Depreciation expense

Depreciation expense for the three and six months ended June 30, 2026 decreased by 3 percent and 2 percent, respectively. The decrease was primarily due to lower net asset carrying values of lease right-of-use assets as they continue to be depreciated over their respective terms.

Impairment of Non-financial Assets

Exploration and evaluation ("E&E") asset impairment

No impairment charges related to E&E assets were recognized during the three and six months ended June 30, 2026 and 2025.

PP&E impairment

On June 30, 2026 and 2025, the Company evaluated its petroleum and natural gas development assets included in PP&E for indicators of any potential impairment or reversal. As a result of these assessments, no indicators were identified.

Income Taxes

Current income tax expense

($000's except per boe amounts)	Three months ended June 30, **2026**	2025	% change	Six months ended June 30, **2026**	2025	% change
Supplemental petroleum tax	**10**	-	n/a	**10**	-	n/a
Petroleum profits tax	**(353)**	40	n/a	**(284)**	40	n/a
Unemployment levy	**28**	16	75	**55**	16	n/m
Other taxes	**185**	114	62	**299**	281	6
Current income tax (recovery) expense	**(130)**	170	n/a	**80**	337	(76)
$ per boe[1]	**(0.32)**	0.42	n/a	**0.10**	0.43	(77)

Note:
(1) Supplementary financial measure. Refer to the "*Advisories - Non-GAAP and Other Financial Measures*" section of this MD&A.

During the three and six months ended June 30, 2026, Touchstone recognized a current income tax recovery of $130,000 and current income tax expense of $80,000, respectively, compared to current income tax expenses of $170,000 and $337,000 in the equivalent periods of 2025. Petroleum profits tax recoveries recognized in both the second quarter and year-to-date 2026 were primarily driven by adjustments based on filed year-end tax returns. Variance across other current income taxes principally reflected fluctuations in withholding taxes levied on intercompany transactions.

Deferred income tax

As at June 30, 2026, the Company reported a net deferred income tax liability of $24,751,000. During the three and six months ended June 30, 2026, Touchstone recognized deferred income tax expenses of $1,789,000 and $1,050,000, respectively, compared to deferred income tax recoveries of $904,000 and $943,000 in the corresponding periods of 2025. The deferred income tax expenses were primarily attributable to the utilization of non-capital loss carryforwards and temporary differences between the carrying amounts of PP&E and their respective tax bases, partially offset by an increase in deductible interest reserves.

Further information regarding current and deferred income taxes is included in Note 18 "*Income Taxes*" of the interim financial statements.

Net Income (Loss)

The Company reported net income of $2,340,000 ($0.01 per basic and diluted share) in the second quarter of 2026, compared to a net loss of $710,000 ($0.00 per basic share) in the same period of 2025.

Net loss for the six months ended June 30, 2026 improved by $633,000 to $36,000 ($0.00 per share), compared to a net loss of $669,000 ($0.00 per share) in the corresponding period of 2025.

The following table sets forth details of the change in net (loss) income from the three and six months ended June 30, 2025 to the three and six months ended June 30, 2026.

($000's)	Three months ended June 30	Six months ended June 30
Net loss – 2025	(710)	(669)
Cash items		
Funds flow from operations	**5,695**	**4,963**
Decommissioning expenditures	**13**	**13**
Cash variances	**5,708**	**4,976**

($000's)	**Three months ended June 30**	**Six months ended June 30**
Non-cash items		
Non-cash finance expense	**1,010**	**(435)**
Unrealized foreign exchange	**(372)**	**(338)**
Share-based compensation expense	**(20)**	**(136)**
Depletion and depreciation expense	**(583)**	**(1,441)**
Deferred income tax	**(2,693)**	**(1,993)**
Non-cash variances	**(2,658)**	**(4,343)**
Net income (loss) – 2026	**2,340**	**(36)**

Cash From Operating Activities

The following table details the change in cash (used in) from operating activities from the three and six months ended June 30, 2025 to the three and six months ended June 30, 2026.

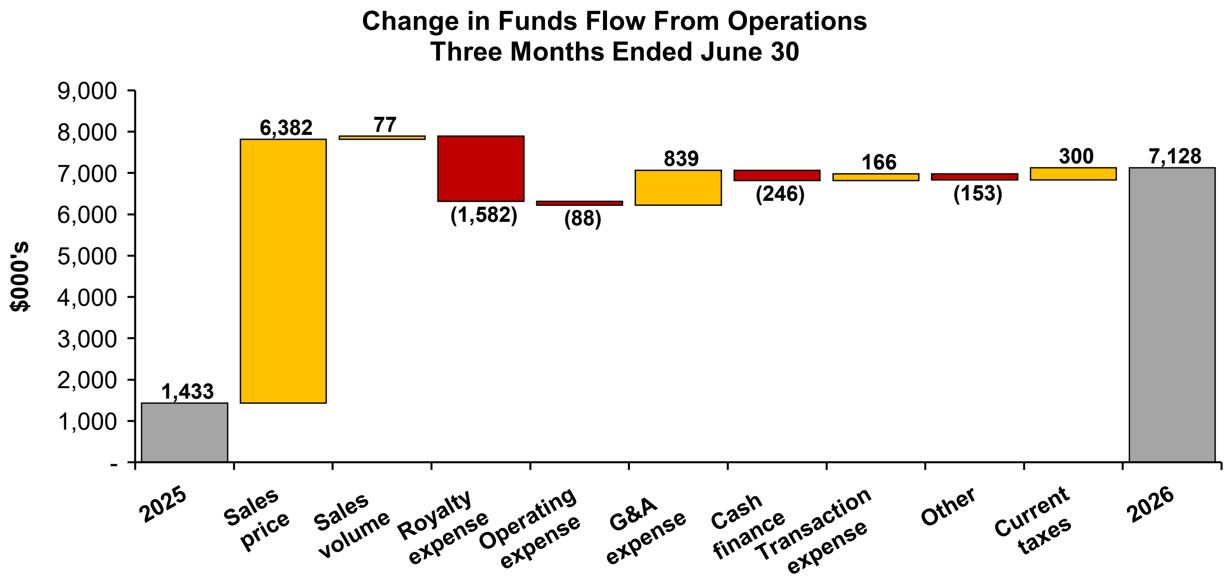
($000's)	**Three months ended June 30**	**Six months ended June 30**
Cash (used in) from operating activities – 2025	(234)	5,377
Increase in funds flow from operations	**5,695**	**4,963**
Net decrease in non-cash working capital	**(2,222)**	**(2,314)**
Cash from operating activities – 2026	**3,239**	**8,026**

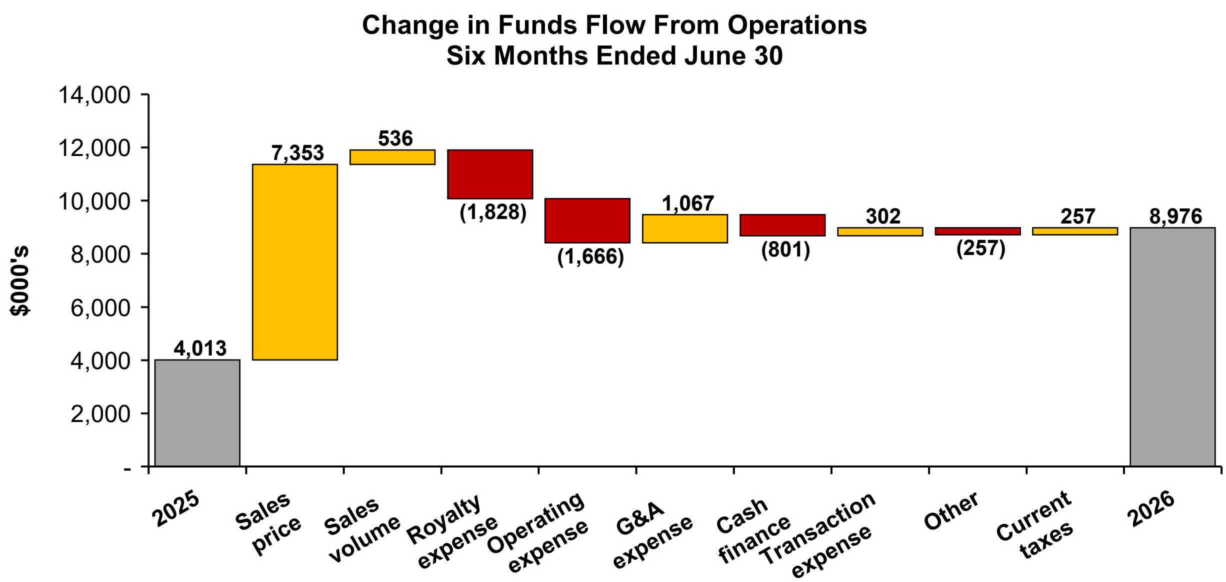
Funds Flow From Operations

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

Funds flow from operations totalled $7,128,000 for the second quarter and $8,976,000 for the first six months of 2026, representing substantial gains compared to $1,433,000 and $4,013,000 in the comparative 2025 periods. The expansion in 2026 funds flow from operations was primarily driven by a 95 percent improvement in second quarter 2026 operating netback and a 39 percent improvement year-to-date, reflecting stronger realized commodity pricing and a full period of baseline production from the Central field. Funds flow from operations performance was further supported by lower G&A expenses, reduced transaction-related costs, and lower current income tax obligations, which were partially offset by higher cash finance costs resulting from elevated average bank debt and coupon obligations on the convertible debenture.

The following graphs summarize the change in funds flow from operations from the three and six months ended June 30, 2025 to the three and six months ended June 30, 2026.





Capital Expenditures

E&E Asset Expenditures

E&E asset expenditures consist of asset additions in areas determined to be in the exploration phase, which include the Company's interests in the Charuma, Cipero, Ortoire and Rio Claro blocks.

($000's)	Three months ended June 30, 2026	2025	% change	Six months ended June 30, 2026	2025	% change
Licence financial obligations	**351**	380	(8)	**702**	758	(7)
Geological and geophysical	**16**	15	7	**16**	60	(73)
E&E asset expenditures	**367**	395	(7)	**718**	818	(12)

During the three and six months ended June 30, 2026, E&E asset expenditures totalled $367,000 and $718,000, respectively, compared to $395,000 and $818,000 in the comparative 2025 periods. These capital outlays primarily reflected minimum financial commitments required to maintain the Company's exploration licences.

PP&E Expenditures

($000's)	Three months ended June 30, 2026	2025	% change	Six months ended June 30, 2026	2025	% change
Drilling and completions	**1,008**	4,155	(76)	**3,265**	10,264	(68)
Equipment and facilities	**38**	(2)	n/a	**564**	19	n/m
Capitalized G&A	**102**	92	11	**192**	189	2
Corporate and other	**-**	19	(100)	**-**	42	(100)
PP&E expenditures	**1,148**	4,264	(73)	**4,021**	10,514	(62)

PP&E capital expenditures totalled $1,148,000 for the second quarter and $4,021,000 for the first six months of 2026, compared to $4,264,000 and $10,514,000 in the comparative 2025 periods.

Second quarter 2026 capital deployment was primarily directed toward drilling and completion operations at the FR-1836 crude oil development well, alongside ongoing development of the Cascadura compression project, which was operational subsequent to quarter-end. Both the FR-1836 well and the FR-1835 crude oil development well (drilled in March 2026) were completed and brought on production in May 2026. In addition to second-quarter activities, year-to-date expenditures reflected first-quarter drilling operations at FR-1835 and final facility tie-in activities at the CR-3 natural gas well.

PP&E expenditures in 2025 focused heavily on primary development within the Cascadura field. Second-quarter 2025 spending was concentrated on drilling the Cascadura-5 development well, while first-quarter 2025 outlays were largely driven by drilling operations and the subsequent sidetrack at the Cascadura-4 development well.

Decommissioning Liabilities and Abandonment Funds

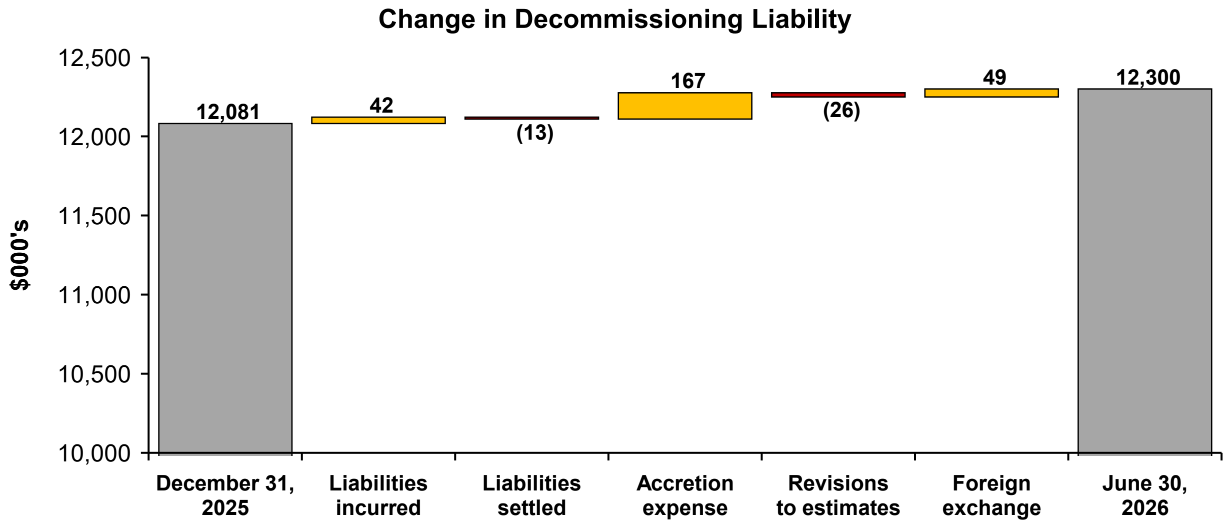
Decommissioning Liabilities

Decommissioning and reclamation liabilities represent the estimated future costs for site restoration, well abandonment, and equipment removal in accordance with Trinidadian environmental regulations. These estimates are reviewed quarterly and incorporate assumptions regarding abandonment expenditures, inflation rates, the timing of settlement, and historical production profiles.

The discounted net present value of Touchstone's decommissioning liability totalled $12,300,000 as at June 30, 2026, compared to $12,081,000 at December 31, 2025. This increase was primarily driven by site restoration obligations recognized from two new development wells brought online during the period, alongside $167,000 in accretion expense.

Decommissioning liability details as at and during the six months ended June 30, 2026 are summarized as follows.

Number of well locations (net)	Number of facility locations (net)	Undiscounted balance *($000's)*	Inflation adjusted balance *($000's)*	Discounted balance *($000's)*
386.45	4.85	15,642	18,168	12,300



Asset Abandonment Funding

Touchstone continues to proactively fund its future reclamation obligations. As at June 30, 2026, the Company held $9,760,000 in long-term abandonment fund assets (December 31, 2025 - $9,478,000). These funds are cash-collateralized and held in escrow with the MEEI and Heritage, supported by per-unit remittances on current production. This systematic funding approach ensures that approximately 79 percent of the Company's discounted decommissioning obligations are currently supported by restricted cash assets.

Environmental stewardship remains a core value, and all abandonment and reclamation activities are made in a prudent, responsible manner with the oversight of the Board and in accordance with local regulations. Due to the long-term nature of these obligations, estimates are subject to significant uncertainties regarding both timing and cost. Further information is available in Note 13 "*Decommissioning Liabilities and Abandonment Fund*" of the interim financial statements.

Liquidity and Capital Resources

Liquidity

The Company's objective is to maintain a robust capital base to preserve investor, creditor, and market confidence while providing financial flexibility to sustain future business development. Touchstone defines its capital structure to include shareholders' equity, working capital, and interest-bearing debt.

The Company has historically financed exploration and development activities through a combination of funds flow from operations, shareholders' equity and bank debt. While the convertible debenture increased financial leverage and future interest obligations, it provides a strategic balance to the capital structure through potential equity conversion. Although the convertible debenture is classified as a current liability for accounting purposes, Management does not consider it a near-term cash liquidity risk, as it does not mature until August 2028.

As at June 30, 2026, the Company reported a cash balance of $9,150,000, a working capital deficit of $28,661,000, and principal long-term bank debt of $37,856,000, with its revolving credit facility fully drawn (refer to the "*Bank Debt*" subheading below). Due to the nature of Touchstone's capital-intensive upstream operations, where operating cash flows are routinely reinvested into development and exploration initiatives, the Company historically and typically operates in a working capital deficit position.

The deficit as at June 30, 2026 was further driven by capital investments throughout 2025, $14,215,000 of bank debt amortizing within one year, and the required accounting classification of the $10,308,000 convertible debenture as a current liability.

In June 2026, the Company executed the Integrated Financing, enhancing liquidity, securing growth capital for the remainder of the 2026 capital program, and addressing near-term working capital pressures. In connection with the transaction, subsequent to June 30, 2026, the $8,402,000 debenture recognized within current liabilities at period-end was repaid in full, and the repayment proceeds were redirected to the related common shares subscription by Purebond (refer to the "*Purebond Debenture*" subheading below).

Notwithstanding these developments, the Company has significant scheduled bank debt repayments over the next twelve months and remains exposed to commodity price volatility, production performance, development execution, and uncertainty surrounding the timing of recovery of outstanding VAT receivables. Adverse changes in these factors could reduce available liquidity and impact the Company's ability to satisfy its financial obligations as they become due. Management can preserve liquidity by deferring discretionary capital expenditures, adjusting the timing of operational outlays, and pursuing amendments to, or refinancing of, its existing bank debt (refer to the "*Liquidity and Going Concern*" section of this MD&A).

The Company remains committed to a measured approach regarding future development and exploration expenditures, prioritizing liquidity management while executing its strategic objectives. The following table summarizes changes in the Company's cash balance during the specified periods.

($000's)	**Three months ended June 30, 2026**	**Six months ended June 30, 2026**
Net cash from (used in):		
Operating activities	**3,239**	**8,026**
Investing activities	**(4,732)**	**(12,774)**
Financing activities	**6,657**	**3,499**
Change in cash	**5,164**	**(1,249)**
Cash, beginning of period	**3,958**	**10,370**
Impact of FX on cash balances	**28**	**29**
Cash, end of period	**9,150**	**9,150**

Purebond Debenture

On June 10, 2026, the Company completed the Integrated Financing consisting of a common share private placement and the issuance of an $8,402,000 unsecured, non-convertible debenture to Purebond, pursuant to a subscription agreement dated June 4, 2026.

In connection with the issuance of the Purebond Debenture, the Company and Purebond entered into a repayment and subscription agreement dated June 10, 2026. For accounting purposes, the Purebond Debenture and the repayment and subscription agreement were evaluated as a combined financial instrument and accounted for as a financial liability. At initial recognition, the total fair value of the combined transaction approximated its principal amount of $8,402,000. The obligation was classified as a current liability on the condensed consolidated interim balance sheet due to its expected short-term settlement.

Subsequent to the reporting period, on July 23, 2026, the Company obtained the required independent shareholder approvals at its annual and special meeting of shareholders. Consequently, on July 24, 2026, pursuant to the repayment and subscription agreement, the Purebond Debenture was repaid in full. The repayment proceeds were concurrently redirected into a subscription by Purebond for 89,765,000 common shares at the Issue Price of 7 pence (approximately C$0.13) per share.

Refer to the "*June 2026 Integrated Financing*" section of this MD&A for further details regarding the Purebond Debenture and the Integrated Financing.

Convertible Debenture

Overview

On August 8, 2025, the Company issued a secured convertible debenture to a private investor for gross proceeds of $12.5 million. The convertible debenture matures on August 8, 2028 and bears interest at 5 percent per annum, payable semi-annually on June 30 and December 31.

The convertible debenture is convertible, at the holder's option, into common shares of the Company at any time prior to maturity at a conversion price of approximately US$0.22 per share (being the US$ equivalent of C$0.30 per share based on the exchange rate immediately prior to issuance). 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 convertible 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 Touchstone Exploration (Barbados) Ltd.

Classification and fair value measurement

The Company designated the convertible debenture at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments*. Accordingly, the convertible debenture is remeasured to fair value at each reporting date, with changes recognized in the consolidated statements of comprehensive income (loss).

As at June 30, 2026, the fair value of the convertible debenture was estimated at $10,308,000, resulting in a $536,000 revaluation gain and an aggregate $329,000 revaluation loss recognized within net finance expense during the three and six months ended June 30, 2026, respectively. While the instrument is classified as a current liability due to the holder's immediate conversion rights, it does not create a near-term cash principal repayment obligation, as the principal is not contractually due until August 2028.

Warrants

In connection with the convertible debenture issuance, the Company issued 6,250,000 warrants, each exercisable into one common share at a price of C$0.40 per share until August 8, 2027. The warrants were assigned a fair value of $269,000 on issuance using the Black-Scholes option pricing model and were recorded in shareholders' equity. The warrants are not subsequently remeasured.

Liquidity and capital resources impact

The convertible debenture and related warrants introduced potential future share dilution and established secured obligations ranking ahead of unsecured creditors. In addition, because the instrument is measured at fair value through profit or loss, fluctuations in the Company's share price, foreign exchange rates, credit spreads, and other valuation inputs may result in increased non-cash comprehensive income volatility.

Further information regarding the convertible debenture and the related accounting treatment is included in Note 10 "*Convertible Debenture*" of the interim financial statements. A copy of the convertible debenture is available on the Company's profile on SEDAR+ (www.sedarplus.ca).

Bank Debt

Overview

The Company has four credit facilities pursuant to a Fourth Amended and Restated Loan Agreement (the "Loan Agreement") with its Trinidad-based lender. As at June 30, 2026, the Company had a $30 million non-revolving term loan ("Term Loan Facility 1"), a $10 million non-revolving term loan ("Term Loan Facility

2"), a $30 million non-revolving term loan ("Term Loan Facility 3"), and a $10 million revolving loan facility pursuant to the Loan Agreement.

As at June 30, 2026, outstanding principal balances totalled $52,071,000, and there was no remaining available credit capacity under the revolving facility. Details of the facilities are summarized as follows.

Facility	Term Loan Facility 1	Term Loan Facility 2	Term Loan Facility 3	Revolving loan
Inception Amount	$30,000,000	$10,000,000	$30,000,000	$10,000,000
Inception date	June 15, 2020	May 1, 2024	May 12, 2025	June 1, 2023
Maturity date	June 15, 2027	April 30, 2029	May 12, 2031	June 1, 2028 – the parties have the option to extend by additional two-year periods
Current interest rate per annum	7.85%	5.96% through April 30, 2027 – reset annually	7.98% through May 11, 2027 – reset annually	5.86% through May 31, 2027 – reset annually
Interest payments	Payable quarterly in arrears	Payable monthly in arrears	Payable quarterly in arrears	Payable monthly in arrears
Principal payments	Twenty $1.5 million quarterly payments from September 15, 2022 to June 15, 2027; additional principal may be repaid with no penalty	Sixteen $625,000 quarterly payments from July 31, 2025 to April 30, 2029; additional principal may be repaid with a 1% penalty during the initial three years	Twenty-one $1.43 million quarterly payments from May 12, 2026 to May 12, 2031; additional principal may be repaid with a 1% penalty during the initial three years	Principal may be repaid at any time, on or before the maturity date without penalty and any amounts repaid may be redrawn at any time
June 30, 2026 principal balance	$6,000,000	$7,500,000	$28,571,000	$10,000,000
June 30, 2026 available credit capacity	$nil	$nil	$nil	$nil

Security and general covenants

The Loan Agreement is principally secured by a first-ranking pledge of equity interests and fixed and floating security interests over all present and after-acquired assets of the Company's Trinidad exploration and production subsidiaries. The Loan Agreement contains customary representations, warranties, affirmative and negative covenants, events of default, and annual financial covenant requirements. 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 June 30, 2026, the Company was compliant with all covenants provided for in the Loan Agreement.

In May 2026, a debt service coverage covenant waiver was proactively secured from the Company's lender applicable for the year ending December 31, 2026.

Management actively monitors covenant compliance using actual and forecasted results. The Company maintains flexibility within its capital expenditure program and may adjust development and exploration activities, if required, to support compliance with lending requirements and preserve liquidity and financial covenant compliance.

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 June 30, 2026, $4,396,000 was held in restricted accounts, of which $196,000 was classified as current restricted cash and $4,200,000 was classified as non-current restricted cash based on the maturity profile of the underlying term debt obligations (December 31, 2025 - $nil and $3,602,000, respectively).

Liquidity considerations

The Company's bank debt represents secured obligations ranking ahead of unsecured creditors and requires ongoing compliance with financial covenants. Future financial covenant compliance will depend on operating performance, commodity prices, capital expenditures, and debt service requirements and may require amendments or waivers in future periods if operating conditions deteriorate.

Further information regarding the Company's bank debt is included in Note 12 "*Bank Debt*" of the interim financial statements. Copies of the Loan Agreement and amendments are available on the Company's profile on SEDAR+ (www.sedarplus.ca).

Shareholders' Equity

Capital structure

The Company is authorized to issue an unlimited number of voting common shares without nominal or par value. The following table summarizes the Company's issued share capital and securities convertible into or exercisable for Company common shares as at the dates indicated.

	August 13, 2026	**June 30, 2026**	December 31, 2025
Common shares outstanding	**441,129,939**	**351,364,939**	324,733,609
Stock options outstanding	**5,180,834**	**5,323,334**	7,319,000
RSUs outstanding(1)	**3,313,913**	**3,698,611**	3,845,109
PSUs outstanding(1)(2)	**4,083,309**	**4,083,309**	4,083,309
Common shares issuable upon conversion of convertible debenture(3)	**57,305,276**	**57,305,276**	57,305,276
Warrants outstanding	**6,250,000**	**6,250,000**	6,250,000
Total potential dilutive common shares	**517,263,271**	**428,025,469**	403,536,303

Notes:
(1) May be settled in cash, the issuance of Company common shares, or a combination of both at the Board's discretion. The share awards are currently accounted for as cash-settled liabilities.
(2) Represents the notional number of common shares prior to the application of performance multipliers.
(3) Represents the maximum number of common shares issuable upon conversion of the convertible debenture prior to its August 8, 2028, maturity date.

Private placement

On June 10, 2026, in connection with the Integrated Financing, the Company issued an aggregate of 26,631,330 common shares at a price of 7 pence (C$0.13) per share for gross proceeds of $2,492,000 ($1,802,000 net of transaction costs). This placement included a "first tranche subscription" of 20,235,000 common shares by Purebond, with the remaining shares allocated to a private placement with United Kingdom and Canadian institutional investors.

Pursuant to the repayment and subscription agreement dated June 10, 2026, the $8,402,000 Purebond Debenture was subsequently repaid in full and the proceeds redirected to an additional subscription by Purebond for 89,765,000 common shares, which closed on July 24, 2026.

Refer to the "*June 2026 Integrated Financing*" section of this MD&A for further details regarding the equity issuance associated with the Integrated Financing.

Capital Management

Management's long-term strategy is to maintain a strong and flexible capital structure that supports both operational stability and strategic growth. In a normalized commodity price environment, the Company's primary objective is to maintain a net debt to trailing twelve-month funds flow from operations ratio at or below 2.0 times. Management recognizes that this ratio may temporarily exceed the target during periods of elevated capital spending, strategic acquisitions, or depressed commodity pricing.

The Company also monitors its capital structure using the net debt to managed capital ratio, with a strategy of maintaining a higher proportion of equity than debt, targeting a ratio below 0.4 to 1.

The following table outlines Touchstone's internal capital management metrics as at the dates indicated.

($000's)	**Target measure**	**June 30, 2026**	December 31, 2025
Net debt(1)		**68,709**	72,890
Shareholders' equity		**96,133**	93,668
Managed capital(1)		**164,842**	166,558
Trailing twelve-month funds flow from operations(2)		**10,334**	5,371
Net debt to funds flow from operations ratio(1)	At or < 2.0 times	**6.65**	13.57
Net debt to managed capital ratio(1)	< 0.4 times	**0.42**	0.44

Notes:
(1) Specified financial measure or ratio. Refer to the "*Advisories - Non-GAAP and Other Financial Measures*" section of this MD&A.
(2) Trailing twelve-month funds flow from operations as at June 30, 2026 represents the sum of funds flow from operations for the six months ended June 30, 2026, and the six months ended December 31, 2025.

As at June 30, 2026, the Company's net debt to trailing twelve-month funds flow from operations ratio was 6.65 times, exceeding the long-term target. This was primarily due to higher net debt following the issuance of the convertible debenture and increased bank debt to fund the Central block acquisition and 2025 capital program. The ratio improved from December 31, 2025 as trailing twelve-month funds flow from operations increased to $10,334,000, reflecting an increased contribution from the Central block and stronger realized commodity pricing in the second quarter of 2026.

The net debt to managed capital ratio was 0.42 at June 30, 2026, modestly above the Company's 0.40 target, reflecting the increased reliance on debt for the Acquisition and the 2025 capital program. Management expects these leverage ratios to move toward the Company's long-term targets following the post-period-end repayment of the $8,402,000 Purebond Debenture and completion of the related common share subscription, together with continued operational cash flow growth.

Contractual Obligations and Commitments

Touchstone has contractual obligations incurred in the normal course of business. These primarily consist of minimum work obligations under Heritage operating agreements, exploration commitments under licences with the MEEI, and lease commitments for equipment and facilities.

The following table summarizes the Company's estimated undiscounted minimum contractual payments as at June 30, 2026.

($000's)		Estimated payments due by year			
	Total	**2026**	**2027**	**2028**	**Thereafter**
Operating agreement commitments					
CO-1 block	**4,085**	2,429	1,332	103	221
WD-4 block	**3,931**	2,429	1,295	65	142
WD-8 block	**1,440**	20	1,276	45	99
Balata East block	**2,461**	1,200	-	1,261	-
Central block	**2,844**	224	472	498	1,650
Cascadura area of Ortoire block	**810**	8	118	125	559
Coho area of Ortoire block	**450**	4	66	70	310
Exploration block commitments					
Charuma block	**8,525**	373	786	826	6,540
Cipero block	**22,462**	173	5,505	10,890	5,894
Ortoire block	**10,149**	10,149	-	-	-
Rio Claro block	**17,295**	179	5,519	10,905	692
Office and equipment leases	**958**	193	228	158	379
Total minimum payments	**75,410**	**17,381**	**16,597**	**24,946**	**16,486**

Heritage Operating Agreement Commitments

Under the terms of its Heritage operating agreements, the Company is required to fulfill annual minimum work commitments. For 2026, the remaining obligations include the drilling of five development wells. The Company has budgeted to drill two additional wells in the remainder of the year. Touchstone is currently engaged in active discussions with Heritage to evaluate alternatives for meeting the remaining obligations or deferring requirements to better align with capital allocation priorities.

MEEI Licence Exploration Commitments

As at June 30, 2026, the Company is committed to drilling an aggregate of ten exploration wells across its various exploration properties through 2029. Two of these wells are required under the Ortoire block licence, where the exploration portion was scheduled to expire in July 2026. Touchstone and Heritage are in active discussions with the MEEI to secure a three-year licence extension and defer the associated two-well drilling obligation.

Lease Liabilities

The Company is party to lease arrangements for a drilling rig, office facilities, vehicles, and equipment. As of June 30, 2026, Touchstone recognized $3,071,000 in aggregate lease liabilities, of which $1,668,000 was classified as non-current on the consolidated balance sheet (December 31, 2025 - $4,241,000 and $2,982,000, respectively). Further information regarding the Company's lease obligations is included in Note 11 "*Lease Liabilities*" of the interim financial statements.

Market Risk Management

Touchstone is exposed to financial risks inherent in the international oil and natural gas industry, including commodity price, foreign exchange, interest rate, credit, and liquidity risks. Management proactively identifies and mitigates these risks through business processes and internal controls, with oversight from the Board. The primary objective is to manage cash flow variability to ensure the Company can meet its financial obligations and fund its capital programs.

Commodity Price Risk

The Company's financial performance is highly sensitive to the prices received for its crude oil, NGL, and natural gas production. Commodity prices are volatile and are influenced by global supply and demand, geopolitical events, and economic conditions. Fluctuations in these prices can impact operating cash flows, the valuation of petroleum and natural gas development properties, the timing and scope of capital expenditures, and the Company's ability to meet its financial obligations.

Management continues to monitor forward commodity curves and may enter into risk management contracts (hedges) in the future to protect the funding of its exploration and development programs. In parallel, Touchstone regularly reviews and adjusts its capital plans to reflect prevailing market conditions.

Crude oil and NGLs

Crude oil and NGL prices are subject to international benchmarks and local quality differentials. While the Company does not currently have active financial hedges in place for these volumes, it maintains operational flexibility by adjusting capital programs to reflect prevailing market conditions.

Natural gas

The Company does not currently utilize natural gas hedging strategies, as its natural gas portfolio features a strategic mix of fixed-price stability and market-linked upside.

A portion of the Company's revenue is derived from a long-term, fixed-price arrangement with NGC for Ortoire block production. This contract, which commenced in October 2022, provides a predictable cash flow stream and mitigates exposure to global natural gas price volatility. The contract provides for price renegotiations on each fifth anniversary; however, there is no guarantee that renegotiations will result in higher prices.

Natural gas volumes from the Central block are primarily linked to global LNG pricing. This provides the Company with exposure to international market dynamics and potential price appreciation.

Domestic natural gas prices in Trinidad are primarily influenced by local supply and demand, with significant demand originating from the power generation and petrochemical sectors. In contrast, LNG export prices are increasingly tied to global market volatility and are currently influenced by a basket of international benchmarks. Global supply chain disruptions can cause sharp fluctuations in the international benchmarks that now dictate a portion of the Company's realized pricing. A sustained decline in realized prices would adversely affect the Company's cash flows and the carrying value of its development properties.

Foreign Currency Risk

The Company is exposed to foreign currency exchange risk, where fluctuations in exchange rates may impact the fair value or future cash flows of financial assets and liabilities. Touchstone's primary exposures relate to the C$, the TT$, and the GBP relative to the US$ presentation currency. The Company does not currently utilize derivative instruments to hedge foreign exchange exposure.

Trinidad operations

The Company's crude oil sales are priced based on US$ benchmarks; however, the majority of settlement invoices are received in TT$. To manage this exposure, the Company utilizes a natural hedge strategy by:

- Expense matching**:** Prioritizing the procurement of goods and services through TT$-denominated contracts to match local currency revenue.
- Currency indexing: Sales of NGLs and natural gas are denominated and payable in US$, providing a direct hedge against US$-denominated obligations.

While the TT$ maintains an informal peg to the US$, any significant devaluation of the TT$ could impact the Company's ability to settle US$-denominated debt and interest payments.

Corporate

Touchstone is further exposed to fluctuations in the C$ and GBP due to:

- Head office costs**:** Administrative and payroll expenses for the Canadian parent company are primarily incurred in C$.
- Listing maintenance: Ongoing costs associated with the Company's AIM listing are denominated in GBP.
- Cash balances**:** The Company maintains varying levels of cash in C$ and GBP to meet these obligations.

Significant movements in the C$/US$ or £/US$ exchange rates can result in unrealized foreign exchange gains or losses recorded in the consolidated statements of comprehensive income (loss).

Interest Rate Risk

Interest rate risk arises from changes in market interest rates that may affect comprehensive income and cash flows. Touchstone's exposure is primarily related to its variable-rate debt obligations, where interest costs fluctuate based on prevailing market benchmarks.

The Company manages its interest rate exposure through a mix of fixed and floating rate instruments:

- Fixed-rate debt: The Company's Term Loan Facility 1, convertible debenture and debenture carry fixed interest rates, providing protection against rising rates.
- Variable-rate debt: Term Loan Facility 2, Term Loan Facility 3, and the revolving loan facility are subject to interest rate risk. The interest rates for these facilities are reset annually based on the one-year term Secured Overnight Financing Rate plus applicable margins.

Management monitors global interest rate trends and central bank policies to assess potential impacts on the Company's cost of borrowing. While the Company does not currently utilize interest rate swaps or other derivative instruments to hedge this risk, it strives to maintain a disciplined approach to leverage.

Equity Price Risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Touchstone is primarily exposed to equity price risk through its cash-settled share-based compensation programs (including RSUs, PSUs, and DSUs), which are revalued at the end of each reporting period based on the Company's closing share price. Fluctuations in the Company's share price drive volatility in share-based compensation expense and dictate the ultimate cash required upon settlement.

Additionally, because the convertible debenture is measured at fair value through profit or loss, fluctuations in the Company's share price and other valuation inputs generate non-cash comprehensive income volatility.

The Company does not currently utilize financial derivative contracts to hedge equity price risk. Instead, Touchstone manages this exposure by monitoring outstanding award levels relative to its capital structure, with the Board retaining discretion to settle RSUs and PSUs in common shares to preserve liquidity.

Credit Risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is primarily exposed to third-party credit risk through its joint interest partners, commodity marketers, and the Government of the Republic of Trinidad and Tobago ("GOTT"). Management considers the Company's overall credit risk to be low, as receivables are predominately due from state-owned energy entities (Heritage and NGC) and an established third-party LNG marketing company with an established payment history.

As at June 30, 2026, the Company's net accounts receivable balance was $19,346,000, excluding $8,560,000 in pass-through receivables to be remitted to the seller of the Central block entity upon collection. The following table details the composition and aging of the Company's accounts receivable as at June 30, 2026.

Composition	Counterparty	Balance due *($000's)*	Balance due *(%)*	Accounts receivable aging	
				Current *($000's)*	Over 90 days *($000's)*
Petroleum and natural gas sales	Heritage, NGC and other	**5,551**	**29**	5,551	-
Joint interest billings	Heritage and NGC	**1,799**	**9**	1,635	164
Value-added tax	GOTT	**11,122**	**57**	1,131	9,991
Other	Various	**874**	**5**	811	63
Net receivable		**19,346**	**100**	**9,128**	**10,218**
Pass-through receivable[1]	Acquisition seller	**8,560**		8,560	-
Accounts receivable		**27,906**		**17,688**	**10,218**

Note:
(1) Represents receivables collected on behalf of the seller of the Central block entity, which are to be remitted upon collection pursuant to the purchase and sale agreement.

Historically, the Company has experienced extended collection timelines for VAT refunds owing from the GOTT. As at June 30, 2026, VAT receivables aged over 90 days totalled $9,991,000, representing an increase of $2,722,000 compared to December 31, 2025. No VAT refunds were collected during the three or six months ended June 30, 2026 or through the date of this MD&A.

Despite these collection delays, Management continues to assess the full VAT balance as recoverable based on historical settlement precedent and the fact that the Company has never recorded a credit loss on GOTT receivables. Further details regarding financial assets and credit risk exposures are provided in Note 4 "*Financial Assets and Credit Risk*" of the interim financial statements.

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. Touchstone's liquidity management strategy is designed to ensure that sufficient resources are available to meet obligations under both normal and stressed operating conditions without compromising operational execution or strategic objectives.

The Company manages its liquidity position and capital structure through a rigorous financial and operational forecasting process. These forecasts incorporate detailed, dynamic assumptions regarding expected production volumes and realized commodity pricing, capital and exploration investment programs, operating costs, G&A expenses, and Trinidadian royalty and income tax obligations. Management updates these forecasts regularly to reflect changes in macroeconomic variables, capital allocation priorities, and corporate production expectations.

The following table outlines the contractual, undiscounted cash outflows and maturity profile of the Company's financial liabilities as at June 30, 2026.

($000's)	**Recognized as a liability in the financial statements**	**Undiscounted cash outflows**(1)	**Financial maturity by period**		
			Less than 1 year	**1 to 3 years**	**Thereafter**
Accounts payable and accrued liabilities(2)	Yes	**23,228**	23,228	-	-
Income taxes payable	Yes	**462**	462	-	-
Principal balance of debenture(3)	Yes	**8,402**	8,402	-	-
Debenture interest(3)	No – recognized as incurred	**28**	28	-	-
Principal balance of convertible debenture	Yes	**12,500**	-	12,500	-
Convertible debenture interest	No – recognized as incurred	**1,315**	625	690	-
Lease liabilities(4)	Yes	**3,678**	1,597	871	1,210
Principal balance of bank debt	Yes	**52,071**	14,215	29,285	8,571
Bank debt interest(5)	No – recognized as incurred	**7,679**	3,274	3,501	904
Share-based compensation liabilities(6)	Yes	**557**	335	222	-
Financial liabilities		**109,920**	**52,166**	**47,069**	**10,685**

Notes:
(1) Undiscounted cash outflows represent total estimated future payments and may differ from financial statement carrying values.
(2) Excludes the current portions of lease liabilities and share-based compensation liabilities, which are presented separately.
(3) On July 24, 2026, the Purebond Debenture was repaid with proceeds redirected toward a common share subscription (see the "*Subsequent Event*" section of this MD&A).
(4) Includes both principal and notional interest components.
(5) Estimated using interest rates in effect as at June 30, 2026.
(6) Represents accrued liabilities for awards expected to be settled in cash.

To maintain adequate liquidity and operational flexibility, Management actively monitors cash flow projections and working capital. Touchstone retains several operational and financial levers to manage its liquidity profile:

- Capital allocation: Adjusting the scale and timing of development and exploration capital outlays to match available operating cash flow.
- Cost optimization: Managing and rationalizing the fixed cost structure across operating and corporate overhead activities.
- Capital market access: Utilizing equity financing or alternative debt facilities when appropriate to fund strategic growth initiatives.

Related Party Transactions

Purebond is a related party of Touchstone by virtue of being the Company's largest shareholder, holding approximately 19.99 percent of the issued and outstanding common shares as at June 30, 2026 (approximately 36.3 percent following the resubscription completed on July 24, 2026).

During the six months ended June 30, 2026, Purebond subscribed for 20,235,000 common shares for gross proceeds of $1,894,000 and was issued the $8,402,000 Purebond Debenture, on which the Company recognized interest expense of $23,000 in the second quarter of 2026. The Purebond Debenture, including accrued interest thereon, was outstanding as at June 30, 2026 and was repaid in full subsequent to the period, with the principal proceeds redirected into a related subscription for 89,765,000 common shares.

These transactions were reviewed by a special committee of independent directors and constituted related party transactions under MI 61-101. Refer to the "*June 2026 Integrated Financing*" section of this MD&A for further details, including the exemptions relied upon and the independent shareholder approval obtained.

Subsequent Event

Purebond Debenture Repayment and Share Subscription

On July 24, 2026, following receipt of regulatory approvals and independent shareholder approval at the Company's annual and special meeting of shareholders held on July 23, 2026, the $8,402,000 Purebond Debenture was repaid in full.

In accordance with the underlying repayment and subscription agreement, the repayment proceeds were immediately redirected into a subscription by Purebond for 89,765,000 common shares at the Issue Price of 7 pence (C$0.13) per share. Accrued interest on the Purebond Debenture totalling $51,000 was settled in cash. Following completion of the subscription, the Company had 441,129,939 common shares issued and outstanding, with Purebond holding 160,000,000 common shares, representing approximately 36.3 percent of the issued and outstanding common shares on an undiluted basis.

Refer to the "*June 2026 Integrated Financing*" section of this MD&A for further details regarding the Purebond Debenture and repayment.

Changes in Accounting Policies Including Initial Adoption

There were no changes in accounting policies during the three and six months ended June 30, 2026 that had a material effect on the reported comprehensive income (loss) or net assets of the Company. Details regarding new accounting policies implemented by the Company are included in Note 3 "*Changes to Accounting Policies*" of the interim financial statements.

Standards Issued but Not Yet Effective

There are no standards or interpretations issued, but not yet adopted, that are anticipated to have a material effect on the reported comprehensive income (loss) or net assets of the Company. Details regarding accounting standards that will affect the Company are included in Note 3 "*Changes to Accounting Policies*" of the interim financial statements.

Off-balance Sheet Arrangements

As at June 30, 2026, and at the date of this MD&A, the Company did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on the Company's financial condition, results of operations, liquidity, or capital expenditures.

Other than the performance-related parent guarantees described below, the Company does not utilize special purpose entities, non-consolidated variable interest entities, or structured finance arrangements.

In the normal course of business, the Company provides parent company guarantees to the MEEI to support work commitments on its exploration and production licences. These guarantees ensure the performance of the Company's operational obligations (such as the drilling of exploration or development wells) as outlined in the "*Contractual Obligations and Commitments*" section of this MD&A. These are performance-based guarantees rather than financial-settlement guarantees and, as such, do not represent off-balance sheet financial liabilities.

Significant Accounting Estimates, Judgements and Assumptions

The preparation of consolidated financial statements in conformity with IFRS requires Management to make estimates, judgements, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from estimates, and those differences may be material. The estimates, judgements and assumptions used are subject to updates based on experience and the application of new information. 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.

A full list of the significant estimates and judgements made by Management in the preparation of the interim and audited 2025 financial statements is included in Note 5 "*Use of Estimates, Judgements and Assumptions*" of the audited 2025 financial statements.

The Company believes it has hired individuals and consultants who have the skills required to make such estimates and ensures that individuals or departments with the most knowledge of the activity are responsible for the estimates. Furthermore, past estimates are reviewed and compared to actual results, and actual results are compared to budgets to make more informed decisions on future estimates.

Business Risks

As a participant in the international oil and natural gas industry, the Company is exposed to a variety of risks including, but not limited to, political, operational, financial, and environmental risks. As discussed in the "*Liquidity and Capital Resources*" and "*Market Risk Management*" sections of this MD&A, Touchstone is exposed to normal financial risks inherent in the international oil and natural gas industry including, among others, commodity price risk, foreign exchange rate risk, interest rate risk, credit risk and liquidity risk.

Please refer to the Company's December 31, 2025 Annual Information Form dated March 30, 2026 for a full understanding of risks that affect Touchstone, which is available on the Company's profile on SEDAR+ (www.sedarplus.ca) and website (www.touchstoneexploration.com). Refer to the "*Advisories - Forward-looking Statements*" section of this MD&A for additional information regarding the risks which Touchstone and its business operations are subject to.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

Disclosure Controls and Procedures ("DC&P")

DC&P have been designed under the supervision of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings, or other reports filed or submitted by it under securities legislation is recorded, processed, summarized, and reported within the time periods specified in securities legislation.

Internal Control Over Financial Reporting ("ICFR")

ICFR has been designed under the supervision of the CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's ICFR during the period beginning on April 1, 2026 and ended June 30, 2026 that had materially affected, or were reasonably likely to materially affect, the Company's ICFR.

Summary of Quarterly Results

The following table summarizes the Company's unaudited quarterly results for the eight most recently completed fiscal quarters.

Three months ended	June 30, 2026	March 31, 2026	Dec. 31, 2025	Sept. 30, 2025	June 30, 2025	March 31, 2025	Dec. 31, 2024	Sept. 30, 2024
Operational								
Average daily production *(boe/d)*	**4,433**	4,657	4,877	5,141	4,399	4,317	5,287	5,211
Net wells drilled	**1.00**	1.00	0.65	0.80	0.80	-	-	-
Realized commodity price(1) *($/boe)*	**43.30**	29.92	24.53	26.84	27.50	28.60	27.85	27.65
Operating netback(1) *($/boe)*	**24.37**	13.73	9.41	12.38	12.59	15.83	14.17	15.46
Financial *($000's except per share amounts)*								
Petroleum and natural gas sales	**17,466**	12,543	11,001	12,696	11,007	11,113	13,543	13,253
Cash from (used in) operating activities	**3,239**	4,787	9,903	4,850	(234)	5,611	822	3,607
Funds flow from operations	**7,128**	1,848	623	735	1,433	2,580	3,614	3,024
Net income (loss)	**2,340**	(2,376)	13,621	(2,064)	(710)	41	(542)	1,847
Per share – basic and diluted	**0.01**	(0.01)	0.04	(0.01)	(0.00)	0.00	(0.00)	0.01
Capital expenditures(1)	**1,515**	3,224	7,443	9,602	4,659	6,673	3,106	3,068
Acquisition expenditures	**-**	-	-	-	28,400	-	-	-
Bank debt principal balance	**52,071**	55,625	57,750	59,875	62,000	33,500	35,000	32,353
Convertible debenture principal balance	**12,500**	12,500	12,500	12,500	-	-	-	-
Net debt(1)	**68,709**	76,072	72,890	77,753	63,887	33,330	29,109	29,593
Share Information *(000's)*								
Weighted average – basic	**330,879**	324,734	304,674	261,097	248,914	236,461	236,461	235,189
Weighted average – diluted	**330,879**	324,734	304,674	261,097	248,914	236,461	236,461	236,578
Outstanding shares – end of period	**351,365**	324,734	324,734	261,097	261,097	236,461	236,461	236,461

Note:
(1) Specified or supplementary financial measure. See the "*Advisories - Non-GAAP and Other Financial Measures*" section of this MD&A.

The oil and natural gas industry is inherently cyclical. Touchstone's financial position, results of operations and cash flows are principally affected by production levels and commodity prices. Fluctuations in commodity pricing indirectly impact production by altering the funds available for reinvestment in exploration, development and acquisition activities. Furthermore, sustained low commodity prices can reduce the quantities of reserves that are commercially recoverable, impacting the economics of future capital projects. The Company's capital program is dependent on cash generated from operating activities and access to capital markets.

Quarterly Highlights and Significant Items

- During the second quarter of 2026, operating netback and funds flow from operations expanded dramatically over the first quarter of 2026, primarily driven by a 45% increase in average realized commodity pricing. Supported by targeted capital expenditures of $1.5 million and the execution of a $10.2 million multi-jurisdictional integrated financing - which subsequently converted the $8.4 million Purebond Debenture into equity post-quarter-end - the Company reduced net debt by 10% during the quarter to $68.7 million while fully funding its near-term development program. Consequently, the Company recognized net income of $2.3 million in the quarter, compared to a net loss of $2.4 million in the preceding quarter.
- In the first quarter of 2026, Touchstone reported funds flow from operations of $1.8 million, an increase from the prior quarter driven by improved operating netbacks primarily reflecting stronger

realized commodity pricing. The Company recorded a net loss of $2.4 million, compared to net income in the prior quarter, which included significant non-cash gains. Capital investments of $3.2 million were directed toward development and infrastructure projects, including the FR-1835 well, CR-3 tie-in and Cascadura compression project, and the Company ended the quarter with net debt of $76.1 million.

- In the fourth quarter of 2025, Touchstone reported net income of $13.6 million, primarily driven by non-cash items including a $9.5 million deferred tax recovery and a $5.0 million gain on asset dispositions. Funds flow from operations was $0.6 million, reflecting lower realized commodity prices and a 5% decrease in production volumes. Capital investments of $7.4 million were primarily directed toward the CR-3 development well on the Central block. Net debt decreased by 6% to $72.9 million, supported by an $8.4 million private placement completed during the quarter.
- In the third quarter of 2025, Touchstone recorded funds flow from operations of $0.7 million. The decline from the preceding quarter was driven by higher current income taxes, G&A, and cash finance expenses, partially offset by higher operating netbacks. Capital investment of $9.6 million was focused on the Cascadura field. The Company completed a $12.5 million convertible debenture offering, ending the quarter with net debt of $77.8 million.
- In the second quarter of 2025, Touchstone completed the Central block acquisition, primarily financed via a new $30.0 million term loan, which increased net debt to $63.9 million. The acquired asset contributed approximately 965 boe/d, though funds flow from operations decreased to $1.4 million due to increased operating costs associated with the acquired assets.
- In the first quarter of 2025, Touchstone recorded funds flow from operations of $2.6 million, a 29% decrease from the previous quarter, following an 18% reduction in production. Capital expenditures of $6.7 million were directed toward Cascadura-4 well drilling and the Company ended the quarter with net debt of $33.3 million.
- In the fourth quarter of 2024, funds flow from operations was $3.6 million, reflecting a production driven decrease. Capital spending of $3.1 million was primarily directed toward the Cascadura field. A net loss of $0.5 million was recorded, impacted by $2.3 million in exploration asset impairment expenses.
- In the third quarter of 2024, funds flow from operations was $3.0 million, down 24% from the prior quarter due to a 4% drop in production and a 3% reduction in realized commodity pricing. Capital spending of $3.1 million focused on Cascadura well completions. As a result, Touchstone exited the quarter with a net debt balance of $29.6 million.

Advisories

Non-GAAP and Other Financial Measures

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

Operating netback

Touchstone uses operating netback as a key performance indicator of field results. The Company considers operating netback to be a key measure as it demonstrates Touchstone's profitability relative to current commodity prices and assists Management and investors with evaluating operating results on a historical basis. Operating netback is a non-GAAP financial measure calculated by deducting royalty and operating expenses from petroleum and natural gas sales. The most directly comparable financial measure to operating netback disclosed in the Company's consolidated financial statements is petroleum and natural gas revenue, net of royalties. Operating netback per boe is a non-GAAP ratio calculated by dividing the operating netback by total production volumes for the period. Presenting operating netback on a per boe basis allows Management to effectively analyze performance against prior periods on a comparable basis.

The following table presents the computation of operating netback for the periods indicated.

($000's unless otherwise stated)	**Three months ended June 30,**		**Six months ended June 30,**	
	2026	2025	**2026**	2025
Petroleum and natural gas sales	**17,466**	11,007	**30,009**	22,120
Less: royalty expense	**(4,235)**	(2,653)	**(7,299)**	(5,471)
Petroleum and natural gas revenue, net of royalties	**13,231**	8,354	**22,710**	16,649
Less: operating expense	**(3,402)**	(3,314)	**(7,124)**	(5,458)
Operating netback	**9,829**	5,040	**15,586**	11,191
Total production *(boe)*	**403,360**	400,284	**822,560**	788,804
Operating netback *($/boe)*	**24.37**	12.59	**18.95**	14.18

Cash and non-cash net finance expense

Cash and non-cash net finance expense are non-GAAP financial measures. The Company discloses net finance expense as cash or non-cash to demonstrate the true cost of finance expense to assist Management with evaluating results on a historical basis. Cash finance expenses are calculated as net finance expense as determined in accordance with IFRS, less convertible debenture revaluations, lease liability modifications, other non-cash liability revaluations, accretion on bank debt, and accretion on decommissioning obligations, all of which are non-cash in nature. The most directly comparable financial measure to cash net finance expense and non-cash net finance expense disclosed in the Company's consolidated financial statements is net finance expense.

The following table reconciles net finance expense to cash net finance expense for the periods indicated.

($000's)	**Three months ended June 30,**		**Six months ended June 30,**	
	2026	2025	**2026**	2025
Net finance expense	**749**	1,513	**3,568**	2,332
Convertible debenture revaluation gain (loss)	**536**	-	**(329)**	-
Lease liability modifications	**103**	-	**103**	32
Other liability revaluation gain (loss)	**1**	(35)	**(502)**	(35)
Accretion on bank debt	**(26)**	(360)	**(69)**	(375)
Accretion on decommissioning liabilities	**(85)**	(86)	**(167)**	(151)
Cash net finance expense	**1,278**	1,032	**2,604**	1,803

Capital expenditures

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

The following table presents the computation of capital expenditures and reconciles capital expenditures to cash used in investing activities for the periods indicated.

($000's)	**Three months ended June 30,**		**Six months ended June 30,**	
	2026	2025	**2026**	2025
E&E asset expenditures	**367**	395	**718**	**818**
PP&E expenditures	**1,148**	4,264	**4,021**	**10,514**
Capital expenditures	**1,515**	4,659	**4,739**	**11,332**
Acquisition expenditures	**-**	28,400	**-**	**28,400**
Abandonment fund expenditures	**115**	145	**244**	**320**
Net change in non-cash working capital	**3,102**	(3,186)	**7,791**	**(5,278)**
Cash used in investing activities	**4,732**	30,018	**12,774**	**34,774**

Working capital, net debt and managed capital

Touchstone closely monitors its capital structure with the goal of maintaining a strong financial position to fund current operations and future growth. Management monitors working capital, net debt and managed capital as part of the Company's capital structure to evaluate its true debt and liquidity position and to manage capital and liquidity risk. These measures are capital management measures used by Management to steward the Company's overall debt position and assess overall financial strength.

Working capital is calculated as current assets minus current liabilities as presented in the applicable consolidated balance sheet, excluding the carrying value of the convertible debenture. Management excludes the carrying value of the convertible debenture from working capital given the instrument has a maturity date in 2028.

Net debt is determined by adding the Company's working capital surplus or deficit to the principal (undiscounted) balance of non-current bank debt and the principal (undiscounted) balance of the convertible debenture. Net debt is most directly comparable to total liabilities as disclosed in the Company's consolidated balance sheets. Management defines managed capital as the sum of net debt and shareholders' equity.

The following table presents working capital, net debt and managed capital computations for the periods indicated.

($000's)	**June 30, 2026**	December 31, 2025	June 30, 2025
Current assets	**(38,252)**	(39,525)	(37,048)
Current liabilities	**66,913**	64,930	48,864
Working capital deficit per consolidated balance sheet	**28,661**	25,405	11,816
Less: current portion of convertible debenture	**(10,308)**	(9,979)	-
Working capital deficit	**18,353**	15,426	11,816
Principal balance of long-term bank debt	**37,856**	44,964	52,071
Principal balance of convertible debenture	**12,500**	12,500	-
Net debt	**68,709**	72,890	63,887
Shareholders' equity	**96,133**	93,668	73,914
Managed capital	**164,842**	166,558	137,801

The following table reconciles total liabilities to net debt for the periods indicated.

($000's)	**June 30, 2026**	December 31, 2025	June 30, 2025
Total liabilities	**143,500**	148,409	155,094
Lease liabilities	**(1,668)**	(2,982)	(3,733)
Share-based compensation liability	**(222)**	(126)	(162)
Decommissioning liability	**(12,300)**	(12,081)	(14,812)
Deferred income tax liability	**(24,751)**	(23,605)	(35,863)
Variance of carrying value and principal value of bank debt	**210**	279	411
Variance of carrying value and principal value of convertible debenture	**2,192**	2,521	-
Current assets	**(38,252)**	(39,525)	(37,048)
Net debt	**68,709**	72,890	63,887

Net debt to funds flow from operations ratio

The Company monitors its capital structure using the net debt to funds flow from operations ratio, which is a non-GAAP ratio and a capital management measure calculated as the ratio of the Company's net debt to trailing twelve months funds flow from operations for any given period. The net debt to funds flow from operations ratio is the desired target Touchstone strives to achieve and maintain. This ratio may increase at certain times as a result of increased capital expenditures, acquisitions and/or low commodity prices.

Net debt to managed capital ratio

The Company further monitors its capital structure using a net debt to managed capital ratio, which is a non-GAAP ratio and capital management measure calculated as the ratio of the Company's net debt to managed capital. The Company's net debt to managed capital ratio is the desired target that the Company strives to maintain, as Management's strategy is to utilize more equity than debt. This ratio may increase at certain times as a result of increased debt to finance capital expenditures and/or acquisitions.

Supplementary financial measures

The following supplementary financial measures are referenced herein.

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

Realized crude oil sales per barrel – is comprised of crude oil product sales as determined in accordance with IFRS, divided by the Company's total crude oil production volumes for the period. Crude oil sales are a component of petroleum and natural gas sales.

Realized NGL sales per barrel – is comprised of NGL product sales as determined in accordance with IFRS, divided by the Company's total NGL production volumes for the period. NGL sales are a component of petroleum and natural gas sales.

Realized crude oil and liquids sales per barrel – is comprised of the sum of crude oil and NGL product sales as determined in accordance with IFRS, divided by the sum of the Company's total crude oil and NGL production volumes for the period. Crude oil and NGL sales are components of petroleum and natural gas sales.

Realized natural gas sales per Mcf – is comprised of natural gas product sales as determined in accordance with IFRS, divided by the Company's total natural gas production volumes for the period. Natural gas sales are a component of petroleum and natural gas sales.

Royalty expense per boe – is comprised of royalty expense as determined in accordance with IFRS, divided by the Company's total production volumes for the period.

Royalty expense as a percentage of petroleum and natural gas sales – is comprised of royalty expense as determined in accordance with IFRS, divided by petroleum and natural gas sales as determined in accordance with IFRS.

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

G&A expense per boe – is comprised of G&A expense as determined in accordance with IFRS, divided by the Company's total production volumes for the period.

Net finance expense per boe – is comprised of net finance expense as determined in accordance with IFRS, divided by the Company's total production volumes for the period.

Depletion expense per boe – is comprised of depletion expense as determined in accordance with IFRS, divided by the Company's total production volumes for the period. Depletion expense is a component of depletion and depreciation expense as disclosed in the Company's consolidated financial statements.

Current income tax expense per boe – is comprised of current income tax expense as determined in accordance with IFRS, divided by the Company's total production volumes for the period.

Forward-looking Statements

Certain information provided in this MD&A, including documents incorporated by reference herein, may constitute forward-looking statements and information (collectively, "forward-looking statements") within the meaning of applicable securities laws. All statements and information, other than statements of historical fact, that address activities, events, or developments that the Company expects or anticipates will or may occur in the future constitute forward-looking statements.

Such forward-looking statements include, without limitation, forecasts, estimates, expectations and objectives for future operations that are subject to assumptions, risks and uncertainties, many of which are beyond the control of the Company. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expect", "plan", "anticipate", "believe", "intend", "maintain", "continue to", "pursue", "design", "result in", "sustain", "estimate", "potential", "growth", "near-term", "long-term", "forecast", "contingent" and similar expressions, or are events or conditions that "will", "would", "may", "could" or "should" occur or be achieved. Readers are cautioned that the forward-looking statements are based on assumptions, and that the assumptions used in the preparation of such forward-looking statements, although considered reasonable at the time of preparation, may prove to be imprecise, and as such, undue reliance should not be placed on forward-looking statements.

In particular, forward-looking statements contained in this MD&A may include, but are not limited to, the Company's internal projections, estimates or expectations with respect to the following:

- business plans, operational strategies, priorities, outlook and development plans;
- financial condition and outlook and results of operations, including future liquidity and financial capacity and expectations of future growth, and expectations of future production levels and cash flows to be derived therefrom, and the Company’s ability to continue as a going concern;
- forecasts regarding crude oil, natural gas and LNG market pricing fundamentals and their impact on 2026 funds flow from operations;
- expectations that liquidity and capital management ratios will improve throughout 2026;
- future demand for the Company's petroleum and natural gas products and economic activity in general;

- general economic and political developments in Trinidad and globally;
- the performance characteristics of the Company's petroleum and natural gas properties, including current and future crude oil and liquids and natural gas production levels, estimated field production levels, estimated future production decline rates and the impact of infrastructure optimization projects, including the Cascadura compression project;
- expectations regarding the ability of the Company to raise capital and to continually add to reserves through exploration, acquisitions and development;
- future capital expenditure programs, including the anticipated timing of completion, allocation and costs thereof and the method of funding;
- future development and exploration activities to be undertaken in various areas and timing thereof, including the fulfillment of minimum work obligations and exploration commitments and the deferral of Heritage work commitments;
- terms and estimated future expenditures of the Company's contractual commitments and their timing of settlement, including ongoing discussions regarding terms of minimum work obligations;
- terms and title of exploration and production licences and the expected formal extension, renewal or execution of certain contracts;
- expectations regarding the timing and successful outcome of negotiations with the MEEI and Heritage regarding the extension of the exploration period for the Ortoire licence;
- expectations regarding the Company's ability to fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its properties;
- receipt of anticipated and future regulatory approvals;
- access to third-party facilities and infrastructure;
- expected levels of royalty expense, operating expense, G&A expense, net finance expense, current income tax expense and other costs associated with the Company's business;
- treatment under current and future government regulatory regimes, environmental legislation, and tax laws enacted in the Company's areas of operations and the resulting impact on the Company's capital and operating expenditures;
- current risk management strategies and the benefits to be derived therefrom, including the potential future use of commodity derivatives to manage commodity price risk;
- the foreign currency risk strategies of the Company, the benefits to be derived therefrom and the Company's ability to reverse unrealized foreign exchange gains and losses in the future;
- the Company's ability to reverse previously recognized non-financial asset impairment expenses in the future;
- credit risk assumptions and the Company's expectation to receive past due VAT amounts from the GOTT;
- future liquidity and future sources of liquidity and the Company's expectation to settle all current and future financial liabilities in a timely manner;
- future compliance with the Company's bank debt covenants, its ability to obtain waivers if the related annual financial covenants are breached and its ability to make future scheduled interest and principal payments;
- future compliance with the terms of the convertible debenture, and the Company's ability to make future interest and principal payments;
- the potential of future acquisitions or dispositions and receiving required regulatory approvals thereto;

- estimated amounts, timing and the anticipated sources of funding for the Company's decommissioning liabilities;
- effect of business and environmental risks on the Company; and
- the statements under "*Significant Accounting Estimates, Judgements and Assumptions*".

In addition, information and statements relating to reserves are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future. The recovery and estimates of reserves disclosed by Touchstone are estimates only, and there is no guarantee that the estimated reserves will be recovered. Consequently, actual results may differ materially from those anticipated in the forward-looking statements.

The Company's actual decisions, activities, results, performance, or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits Touchstone will derive from them. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, operational, competitive, political and social uncertainties and contingencies, many of which are beyond the Company's control.

Material factors and assumptions

In preparing the forward-looking statements contained in this MD&A, Management applied a number of material factors and assumptions, including, without limitation, the following:

- benchmark commodity price assumptions for crude oil (WTI/Brent-referenced), natural gas and LNG consistent with Management's internal forecasts and third-party consensus estimates, applied to the Company's anticipated production mix;
- foreign exchange rates between the TT$, the US$ and the C$ remaining consistent with recent historical levels;
- reservoir and well performance consistent with the Company's independent reserves evaluation and historical decline rates, with no unplanned shut-ins or material equipment failures;
- completion of anticipated infrastructure optimization initiatives on the anticipated timeline and budget, and their expected effect on field production levels;
- continued access to sufficient capital from funds flow from operations, available credit facilities and/or capital markets, on terms acceptable to the Company, to fund its capital expenditure program and satisfy its financial obligations as they become due;
- receipt, in the ordinary course and on anticipated timelines, of required regulatory, governmental and third-party approvals and consents, including in respect of licences, permits, and exploration, production and infrastructure access rights;
- a successful and timely outcome to ongoing discussions with the MEEI and Heritage regarding the extension of the exploration period under the Ortoire licence and the deferral of related work commitments, on terms consistent with the Company's expectations;
- the Company's ability to fulfill, or to obtain relief, deferrals or extensions in respect of, minimum work obligations and exploration commitments under its licences and contracts;
- no material adverse change in the political, economic, fiscal or regulatory environment in Trinidad, or globally, that would affect the Company's operations, tax position or ability to conduct business;

- continued performance by the Company's customers, joint venture partners, service providers and other counterparties, including continued access to third-party gathering, processing, transportation and export facilities on commercially reasonable terms;
- royalty, operating, G&A, and finance costs remaining consistent with the Company's historical experience and current contractual arrangements, adjusted for anticipated inflation;
- the Company's current interpretation of, and continued qualification under, applicable tax laws, royalty regimes and incentive programs in Trinidad, and collection of outstanding VAT receivables from the GOTT within the anticipated timeframe;
- the Company's ability to remain in compliance with the financial covenants under its Loan Agreement and the terms of its convertible debenture, or to obtain waivers or amendments if required;
- market conditions and liquidity sufficient to permit the Company to implement its intended commodity price and foreign currency risk management strategies, where applicable;
- decommissioning cost estimates, inflation assumptions and discount rates remaining consistent with current regulatory requirements and industry practice; and
- the Company's business plans and outlook do not assume the completion of any undisclosed acquisition, disposition or other significant transaction.

The Company is exposed to numerous operational, technical, financial, regulatory and political risks and uncertainties, many of which are beyond its control, that could cause actual results to differ materially from those anticipated in the forward-looking statements. Additional information on these and other factors that could affect the Company's operations and financial results is included in reports on file with Canadian securities regulatory authorities and can be found on the Company's profile on SEDAR+ (www.sedarplus.ca).

Management has included the above summary of assumptions and risks related to forward-looking statements and other information provided in this MD&A in order to provide shareholders and investors with a more complete perspective on the Company's current and future operations, and such information may not be appropriate for other purposes. Actual results, performance or achievement could differ materially from those expressed in or implied by any forward-looking statements in this MD&A, and accordingly, investors should not place undue reliance on any such forward-looking statements.

Any forward-looking statement is made only as of the date of this MD&A, and Touchstone does not undertake any obligation to update or revise any forward-looking statement or statements to reflect information, events, results, circumstances or otherwise after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by law, including applicable securities laws. New factors emerge from time to time, and it is not possible for Touchstone to predict all of such factors or to assess in advance the impact of each such factor on Touchstone's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

All forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Oil and Natural Gas Measures

To provide a single unit of production for analytical purposes, natural gas production has been converted mathematically to barrels of oil equivalent. The Company uses the industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 bbl). The 6:1 boe ratio is based on an energy equivalent conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on either energy content or current prices. While the boe ratio is useful for comparative measures and observing trends, it does not accurately reflect individual product values and may be misleading, particularly if used in isolation, as the value ratio between crude oil and natural gas based on current commodity prices may differ significantly from the 6:1 energy equivalency ratio.

Product Type Disclosures

This MD&A includes references to crude oil, NGLs, crude oil and liquids, and natural gas total and average daily production volumes. In accordance with NI 51-101, disclosure of production volumes must include segmentation by product type as defined in the instrument. In this MD&A, references to "crude oil" refer to light and medium crude oil and heavy crude oil; references to "NGLs" refer to condensate and propane; and references to "natural gas" refer to conventional natural gas, all as defined in the instrument. References to "crude oil and liquids" include crude oil and NGLs.

The Company's total and average production volumes for the past eight quarters, as well as all related references to "crude oil", "NGLs", "crude oil and liquids" and "natural gas" contained in this MD&A, represent the following product types as defined in NI 51-101 and are presented on a boe basis using a conversion ratio of 6 Mcf to 1 boe, where applicable.

Three months ended	June 30, 2026	March 31, 2026	Dec. 31, 2025	Sept. 30, 2025	June 30, 2025	March 31, 2025	Dec. 31, 2024	Sept. 30, 2024
Production								
Light and medium crude oil *(bbls)*	**93,919**	83,612	89,027	92,244	98,772	99,112	114,492	109,771
Heavy crude oil *(bbls)*	**-**	-	2,568	4,485	5,137	5,475	5,995	4,638
Crude oil *(bbls)*	**93,919**	83,612	91,595	96,729	103,909	104,587	120,487	114,409
Condensate *(bbls)*	**14,068**	11,983	11,654	13,532	7,892	3,466	11,087	4,101
Other NGLs *(bbls)*	**28,590**	26,030	26,303	26,573	11,203	-	-	-
Crude oil and liquids *(bbls)*	**136,577**	121,625	129,552	136,834	123,004	108,053	131,574	118,510
Conventional natural gas *(Mcf)*	**1,600,697**	1,785,452	1,914,018	2,017,185	1,663,683	1,682,796	2,128,528	2,164,853
Total production *(boe)*	**403,360**	419,200	448,555	473,031	400,284	388,519	486,329	479,319
Average daily production								
Light and medium crude oil *(bbls/d)*	**1,032**	929	968	1,002	1,086	1,101	1,245	1,194
Heavy crude oil *(bbls/d)*	**-**	-	28	49	56	61	65	50
Crude oil *(bbls/d)*	**1,032**	929	996	1,051	1,142	1,162	1,310	1,244
Condensate *(bbls/d)*	**155**	133	127	147	87	39	121	45
Other NGLs *(bbls/d)*	**314**	289	286	289	123	-	-	-
Crude oil and liquids *(bbls/d)*	**1,501**	1,351	1,409	1,487	1,352	1,201	1,431	1,289
Conventional natural gas *(Mcf/d)*	**17,590**	19,838	20,805	21,926	18,282	18,698	23,136	23,531
Average daily production *(boe/d)*	**4,433**	4,657	4,877	5,141	4,399	4,317	5,287	5,211

The Company's total and average production for the six months ended June 30, 2026 and 2025 and references to "crude oil", "NGLs", "crude oil and liquids" and "natural gas" reported in this MD&A, consist of the following product types as defined in NI 51-101 and are presented on a boe basis using a conversion of 6 Mcf to 1 boe, where applicable.

	Six months ended June 30,	
	2026	2025
Production		
Light and medium crude oil *(bbls)*	**177,531**	197,884
Heavy crude oil *(bbls)*	**-**	10,612
Crude oil *(bbls)*	**177,531**	208,496
Condensate *(bbls)*	**26,051**	11,358
Other NGLs *(bbls)*	**54,620**	11,203
Crude oil and liquids *(bbls)*	**258,202**	231,057
Conventional natural gas *(Mcf)*	**3,386,149**	3,346,480
Total production *(boe)*	**822,560**	788,804

	Six months ended June 30,	
	2026	2025
Average daily production		
Light and medium crude oil *(bbls/d)*	**981**	1,093
Heavy crude oil *(bbls/d)*	**-**	59
Crude oil *(bbls/d)*	**981**	1,152
Condensate *(bbls/d)*	**144**	63
Other NGLs *(bbls/d)*	**302**	62
Crude oil and liquids *(bbls/d)*	**1,427**	1,277
Conventional natural gas *(Mcf/d)*	**18,708**	18,489
Average daily production *(boe/d)*	**4,545**	4,359

References to Touchstone

For convenience, references in this document to the "Company", "we", "us", "our", and "its" may, where applicable, refer only to Touchstone.

Abbreviations

The following is a list of abbreviations that may be used in this MD&A:

Oil and natural gas measurement		**Other**	
bbl(s)	barrel(s)	AIM	AIM, a market operated by the London Stock Exchange
bbls/d	barrels per day	Brent	The Brent oil crude oil benchmark based on futures traded on the Intercontinental Exchange
Mbbls	thousand barrels	C$	Canadian dollar
Mcf	thousand cubic feet	JKM	Japan Korea Marker, the benchmark price assessment for spot LNG cargoes delivered to Northeast Asia
Mcf/d	thousand cubic feet per day	LNG	Liquefied natural gas
MMcf	million cubic feet	NBP	The natural gas price at the National Balancing Point, the virtual natural gas trading hub in the United Kingdom
MMcf/d	million cubic feet per day	NGL(s)	Natural gas liquid(s), which includes condensate, propane, butane and ethane
MMBtu	million British Thermal Units	TSX	Toronto Stock Exchange
boe	barrels of oil equivalent	TT$	Trinidad and Tobago dollar
boe/d	barrels of oil equivalent per day	WTI	Western Texas Intermediate
Mboe	thousand barrels of oil equivalent	$ or US$	United States dollar
		£ or GBP	Pounds sterling

Additional Information

Additional information related to Touchstone and factors that could affect its operations and financial results are included with reports on file with the Canadian securities regulatory authorities, including the Company's audited 2025 financial statements and December 31, 2025 Annual Information Form dated March 30, 2026, which are available on the Company's profile on SEDAR+ (www.sedarplus.ca) and website (www.touchstoneexploration.com).

Corporate Information

Directors
Kenneth R. McKinnon
Chair of the Board

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

Corporate Secretary
Sarah Gingrich

Officers
Paul R. Baay
President and Chief Executive Officer

Scott Budau
Chief Financial Officer

Brian Hollingshead
Executive Vice President, Engineering and Business Development

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

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Legal Counsel
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Transfer Agent and Registrar
Odyssey Trust Company
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Canaccord Genuity
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Cavendish Capital Markets
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