RNS Number : 3866B
Touchstone Exploration Inc.
20 March 2025

ANNUAL 2024 FINANCIAL AND OPERATING RESULTS

CALGARY, ALBERTA (March 20, 2025) - Touchstone Exploration Inc. ("Touchstone", "we", "our" or the "Company") (TSX, LSE: TXP) reports its operating and condensed financial results for the three months and year ended December 31, 2024. Selected financial information is outlined below and should be read in conjunction with our December 31, 2024 audited consolidated financial statements and related Management's discussion and analysis, both of which are available under our profile on SEDAR+ (www.sedarplus.ca) and on our website (www.touchstoneexploration.com). Unless otherwise stated, all financial amounts presented herein are in United States dollars, and all production volumes disclosed herein are sales volumes based on Company working interest before royalty burdens.

Paul Baay, President and Chief Executive Officer, commented:

"*In 2024, Touchstone maintained its growth trajectory, achieving record annual production and delivering net earnings, driven by a full year of Cascadura production. We successfully drilled, completed, and brought online two wells at the Cascadura C pad, alongside the installation of a new natural gas separator. With most infrastructure now in place, we are well-positioned to accelerate the transition from drilling to production for future wells.*

We continued expanding our Trinidad onshore acreage and announced a strategic acquisition, which we are actively working to finalize. The amended loan agreement and related security documents are in progress, with completion expected in the second quarter of 2025. Looking ahead, we will strategically evaluate growth opportunities, factoring in natural gas pricing dynamics while leveraging our extensive land portfolio and infrastructure to enhance efficiency and reduce costs. Above all, safety remains our top priority, ensuring the well-being of our people and the integrity of our operations."

Annual 2024 Financial and Operating Highlights

- **Record Production:** Achieved annual average production volumes of 5,734 boe/d, a 44 percent increase from 3,981 boe/d in 2023. Production consisted of 1,220 bbls/d of crude oil, 132 bbls/d of NGLs, and 26.3 MMcf/d of natural gas.
- **Revenue:** Petroleum and natural gas sales totaled 57.47 million, up 19 percent from 48.10 million in 2023. The increase was driven by a full year of Cascadura production, with natural gas sales rising 77 percent, partially offset by a 3 percent decline in crude oil and NGL sales.
- **Financial Performance:**
  - **Funds flow from operations:** 16.75 million, representing a year-over-year increase of 22 percent from 13.73 million recorded in 2023.
  - **Operating netback:** 32.89 million or 15.68 per boe (2023 - 26.22 million or 18.04 per boe).
  - **Net earnings:** 8.27 million (0.04 per basic share, 0.03 per diluted share), compared to a net loss of 20.60 million (0.09 per basic share) in 2023, which included 21.39 million in net non-financial asset impairment expenses.
- **Capital Program:** Invested 23.68 million in development and infrastructure, including four gross (3.6 net) development wells and key upgrades to the Cascadura natural gas processing facility.
- **Financial Position:** Ended the year with cash of 6.7 million and net debt of 29.11 million, resulting in a net debt-to-funds flow from operations ratio of 1.74 times.
- **Strategic Portfolio Optimization:**
  - Divested three non-core properties and acquired the Balata East block, which supports Cascadura NGL marketing.
  - Expanded onshore Trinidad acreage by approximately 103,000 working interest acres, securing exploration and production licences within the Herra Formation fairway.
- **Safety:** Maintained a strong focus on responsible operations, with one lost-time injury recorded in 2024.
- **Proposed Acquisition:** In December 2024, we signed an agreement to acquire full ownership of a Trinidad-based private entity (the "Proposed Acquisition"), which holds a 65 percent operating working interest in the onshore Central Block exploration and production licence, along with four producing natural gas wells and an

onshore Central Block exploration and production licence, along with four producing natural gas wells and an 80 MMcf/d gas processing plant in Trinidad.

Fourth Quarter 2024 Financial and Operating Highlights

- **Production:** Average quarterly production increased to 5,287 boe/d (73 percent natural gas), compared to 5,211 boe/d (75 percent natural gas) in the third quarter of 2024. The increase reflected incremental output from the Cascadura-2ST1 and Cascadura-3ST1 wells brought online in November 2024, partially offset by natural declines in Cascadura field production.
- **Revenue:** Petroleum and natural gas sales totaled 13.54 million, consistent with the 13.25 million recorded in the previous quarter.
  - Crude oil sales: 7.53 million from average production of 1,310 bbls/d at a realized price of 62.50 per barrel.
  - NGL sales: 0.7 million from average production of 121 bbls/d at a realized price of 62.05 per barrel.
  - Natural gas sales: 5.32 million from average production of 23.1 MMcf/d (3,856 boe/d) at a realized price of 2.50 per Mcf.
- **Operating Netback:** Generated 6.89 million in operating netback, down 7 percent from the third quarter of 2024. Quarterly operating netbacks averaged 14.17 per boe, an 8 percent decline from 15.46 per boe in the prior quarter, primarily due to a 41 percent increase in operating expenses driven by revised crude oil field historical head licence expenses.
- **Funds Flow from Operations:** Increased to 3.61 million from 3.02 million in the previous quarter, as lower operating netbacks were offset by reductions in general and administrative and transaction expenses.
- **Net Loss:** Recorded a net loss of 542,000 (0.00 per basic share), primarily due to 2.31 million in pre-tax Ortoire exploration asset impairment expenses and higher depletion expenses following Cascadura reserves reductions.
- **Capital Investments:** Invested 3.11 million in the quarter, primarily focused on the completion of the flowline from the Cascadura C site to the Cascadura natural gas processing facility and pre-drill expenditures relating to the Cascadura-4 well spudded in January 2025.
- **Land Expansion:** Continued to expand our Trinidad onshore acreage with the execution of an exploration and production licence for the Rio Claro block.

Post Period-end Operating Highlights

- **Drilling Update:** Drilling at the Cascadura-4 development location resumed on March 12, 2025. We are currently preparing to run intermediate casing.
- **Production Update:** In February 2025, we delivered average net sales volumes of 4,274 boe/d, comprising:
  - average net natural gas sales volumes of 18.5 MMcf/d (3,083 boe/d); and
  - average net crude oil and natural gas liquid sales volumes of 1,191 bbls/d.
- **Cascadura-3ST1 Optimization**: Since coming onstream in November 2024, the well has been flowing through 3.5-inch tubing at various wellhead choke sizes. In February 2025, Cascadura-3ST1 produced approximately 90 gross bbls/d of total fluid with a 47 percent oil cut. A workover is planned to install a bottom-hole pump and optimize production in the second quarter of 2025. As of February 2025, the well has produced approximately 11,900 gross barrels of crude oil.
- **Acquisition Debt Financing:** Touchstone and its lender are in advanced negotiations to secure funding to finance the acquisition and development of the Proposed Acquisition through two additional six-year term loan facilities totaling 38.2 million. An amended loan agreement and related security documents are currently being drafted.

2025 Outlook and Guidance

We remain focused on financial discipline and maximizing value from our development and exploration assets. Our near-term strategy is to increase cash flow through the development of the Cascadura field, leveraging the processing capacity established in 2024.

On December 9, 2024, Touchstone issued a news release announcing the approval of our preliminary financial and operating guidance for 2025. Given the material nature of the Proposed Acquisition, we intend to provide updated guidance following its expected closing, which the Company continues to anticipate occurring in the second quarter of 2025.

2024 Financial and Operating Results Overview

	Three months ended December 31,		% change(4)	Year ended December 31,		% change(4)
	2024	2023		**2024**	2023	

Operational	Three months ended December 31, 2024	2023	% change(4)	Year ended December 31, 2024	2023	% change(4)
Average daily production						
Crude oil(1) *(bbls/d)*	**1,310**	1,133	16	**1,220**	1,181	3
NGLs(1) *(bbls/d)*	**121**	622	(81)	**132**	201	(34)
Crude oil and liquids(1) *(bbls/d)*	**1,431**	1,755	(18)	**1,352**	1,382	(2)
Natural gas(1) *(Mcf/d)*	**23,136**	40,491	(43)	**26,290**	15,593	69
Average daily production *(boe/d)*(2)	**5,287**	8,504	(38)	**5,734**	3,981	44
Average realized prices(3)						
Crude oil(1) *(/bbl)*	**62.50**	72.26	(14)	**67.91**	67.80	-
NGLs(1) *(/bbl)*	**62.05**	72.92	(15)	**69.10**	74.07	(7)
Crude oil and liquids(1) *(/bbl)*	**62.47**	72.49	(14)	**68.03**	68.72	(1)
Natural gas(1) *(/Mcf)*	**2.50**	2.43	3	**2.48**	2.36	5
Realized commodity price *(/boe)*(2)	**27.85**	26.53	5	**27.39**	33.10	(17)
Production mix *(% of production)*						
Crude oil and liquids(1)	**27**	21		**24**	35	
Natural gas(1)	**73**	79		**76**	65	
Operating netback *(/boe)*(2)						
Realized commodity price(3)	**27.85**	26.53	5	**27.39**	33.10	(17)
Royalty expense(3)	**(6.59)**	(5.53)	19	**(6.61)**	(8.38)	(21)
Operating expense(3)	**(7.09)**	(3.46)	100	**(5.10)**	(6.68)	(24)
Operating netback(3)	**14.17**	17.54	(19)	**15.68**	18.04	(13)

Notes:

(1) Refer "*Advisories - Product Type Disclosures*" for further information.

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

(3) Specified financial measure. Refer to "*Advisories - Non-GAAP Financial Measures*" for further information.

(4) Percentages have been rounded to the nearest whole number and limited to increases or decreases of 100 percent.

	Three months ended December 31, 2024	2023	% change(2)	Year ended December 31, 2024	2023	% change(2)
Financial *(000's except per share amounts)*						
Petroleum and natural gas sales	**13,543**	20,759	(35)	**57,470**	48,098	19
Cash from operating activities	**822**	8,512	(90)	**13,181**	12,743	3
Funds flow from operations	**3,614**	10,489	(66)	**16,748**	13,730	22
Net (loss) earnings	**(542)**	(21,236)	(97)	**8,272**	(20,598)	n/a
Per share - basic	**(0.00)**	(0.09)	n/a	**0.04**	(0.09)	n/a
Per share - diluted	**(0.00)**	(0.09)	n/a	**0.03**	(0.09)	n/a
Exploration capital expenditures	**426**	595	(28)	**1,046**	17,638	(94)
Development capital expenditures	**2,680**	591	100	**22,633**	1,311	100
Capital expenditures(1)	**3,106**	1,186	100	**23,679**	18,949	25
Working capital deficit(1)				**1,359**	7,581	(82)
Principal long-term bank debt				**27,750**	15,000	85
Net debt(1) - end of period				**29,109**	22,581	29
Share Information *(000's)*						
Weighted avg. shares outstanding:						
Basic	**236,461**	234,213	1	**235,509**	233,487	1
Diluted	**236,461**	234,213	1	**236,492**	233,487	1
Outstanding shares - end of period				**236,461**	234,213	1

Notes:

(1) Specified financial measure. Refer to "*Advisories - Non-GAAP Financial Measures*" for further information.

(2) Percentages have been rounded to the nearest whole number and limited to increases or decreases of 100 percent.

2024 Annual Filings

Touchstone has filed its annual audited financial statements, along with the related Management's discussion and analysis and annual information form ("AIF") for the financial year ended December 31, 2024. The AIF includes reserves data and other oil and gas disclosures in compliance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*. The reserves information presented in the AIF is consistent with the details disclosed in Touchstone's announcement issued March 6, 2025. These documents are available online under our profile on SEDAR+ (www.sedarplus.ca) and on our website (www.touchstoneexploration.com).

Touchstone Exploration Inc.

Touchstone Exploration Inc. is a Calgary, Alberta based company engaged in the business of acquiring interests in petroleum and natural gas rights and the exploration, development, production and sale of petroleum and natural gas. Touchstone is currently active in onshore properties located in the Republic of Trinidad and Tobago. The Company's common shares are traded on the Toronto Stock Exchange and the AIM market of the London Stock Exchange under the symbol "TXP". For further information about Touchstone, please visit our website at www.touchstoneexploration.com or contact:

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Advisories

This announcement contains information that qualified or may have qualified as inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 ("MAR") as it forms part of UK domestic law by virtue of the EUWA ("UK MAR"), encompassing information relating to the Company's updated 2024 guidance. For the purposes of UK MAR and Article 2 of the binding technical standards published by the Financial Conduct Authority in relation to MAR as regards Commission Implementing Regulation (EU) 2016/1055, the person responsible for the release of this announcement is Paul Baay, President and Chief Executive Officer.

Forward-looking Statements

The information provided in this announcement contains certain forward-looking statements and information (collectively, "forward-looking statements") within the meaning of applicable securities laws. 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. The forward-looking statements contained in this announcement speak only as of the date hereof and are expressly qualified by this cautionary statement.

Specifically, this announcement includes, but is not limited to, forward-looking statements relating to: the Company's business plans, strategies, priorities and development plans; the focus of the Company's 2025 operating and capital plans, including driving future growth, pursuing developmental drilling activities, optimizing current production and utilizing existing natural gas and liquids infrastructure capacity; the completion of the Proposed Acquisition, including the expected benefits and synergies therefrom, the timing thereof and the method of funding; the Company's expectation of executing an amended loan agreement to finance the acquisition and development of the Proposed Acquisition; and Touchstone's current and future financial position, including the sufficiency of resources to fund future capital expenditures and maintain financial liquidity. 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 that Touchstone will derive from them.

Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. Certain of these risks are set out in more detail in the Company's 2024 Annual Information Form dated March 19, 2025 which is available under the Company's profile on SEDAR+ (www.sedarplus.ca) and on the Company's website (www.touchstoneexploration.com). The forward-looking statements contained in this announcement are made as of the date hereof, and except as may be required by applicable securities laws, the Company assumes no obligation or intent to update publicly or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures

This announcement references 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 Canadian Generally Accepted Accounting Principles ("GAAP") and do not have a standardized meaning prescribed by IFRS Accounting Standards as Issued by the International Accounting Standards Board ("IFRS") and therefore may not be comparable to similar financial measures disclosed by other issuers. Readers are cautioned that the non-GAAP 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

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. Below is a description of the non-GAAP financial measures, non-GAAP ratios, capital management measures and supplementary financial measures disclosed herein.

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 better analyze performance against prior periods on a comparable basis.

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.

Working capital and net debt

Working capital and net debt are capital management measures used by Management to monitor the Company's capital structure to evaluate its true debt and liquidity position and to manage capital and liquidity risk. Working capital is calculated by subtracting current liabilities from current assets as they appear on the applicable consolidated balance sheet. Net debt is calculated by summing the Company's working capital and the principal (undiscounted) long-term amount of senior secured debt and is most directly comparable to total liabilities disclosed in the Company's consolidated balance sheets.

Net debt to funds flow from operations ratio

The Company monitors its capital structure using a 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.

Supplementary Financial Measures

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, realized NGL sales per barrel and realized natural gas sales per boe - are comprised of sales from the respective product type as determined in accordance with IFRS, divided by the Company's total production volumes of the respective product type for the period. Crude oil sales, NGL sales and natural gas sales are components of petroleum and natural gas sales as disclosed on the consolidated statements of net earnings and comprehensive income.

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.

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.

For further information, please refer to the "*Advisories - Non-GAAP Financial Measures*" section of the Company's most recent Management's discussion and analysis for the three months and year ended December 31, 2024 accompanying our December 31, 2024 audited consolidated financial statements, both of which are available on our website (www.touchstoneexploration.com) and under our SEDAR+ profile (www.sedarplus.ca). Our Management's discussion and analysis includes further discussion of the purpose and composition of the specified non-GAAP financial measures consistently used by the Company and detailed reconciliations to the most directly comparable GAAP measures.

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 might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.

Product Type Disclosures

This announcement includes references to crude oil, NGLs, crude oil and liquids, natural gas, and average daily production volumes. Under National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"), disclosure of production volumes should include segmentation by product type as defined in the instrument. In this announcement, references to "crude oil" refer to "light crude oil and medium crude oil" and "heavy crude oil" combined product types; references to "NGLs" refer to condensate; and references to "natural gas" refer to the "conventional natural gas" product type, all as defined in the instrument. In addition, references to "crude oil and liquids" herein include crude oil and NGLs.

The Company's average production for February 2025 consist of the following product types as defined in NI 51-101 using a conversion of 6 Mcf to 1 boe where applicable.

Period	**Light and Medium Crude Oil** *(bbls/d)*	**Heavy Crude Oil** *(bbls/d)*	**Natural Gas Liquids** *(bbls/d)*	**Conventional Natural Gas** *(Mcf/d)*	**Total Oil Equivalent** *(boe/d)*
February 2025	1,103	55	33	18,499	4,274

For further information regarding specific product disclosures in accordance with NI 51-101, including 2024 and 2023 average production information by product type, please refer to the "*Advisories - Product Type Disclosures*" section in the Company's most recent Management's discussion and analysis for the three months and year ended December 31, 2024 accompanying our December 31, 2024 audited consolidated financial statements, both of which are available on our website (www.touchstoneexploration.com) and under our SEDAR+ profile (www.sedarplus.ca).

Abbreviations

The following abbreviations are referenced in this announcement:

bbls(s)	barrel(s)	Mcf	thousand cubic feet
bbls/d	barrels per day	Mcf/d	thousand cubic feet per day
boe	barrels of oil equivalent	MMcf	million cubic feet
boe/d	barrels of oil equivalent per day	MMcf/d	million cubic feet per day
NGL(s)	natural gas liquid(s)		

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

As at	Note	**December 31, 2024**	December 31, 2023
Assets			
Current assets			
Cash		**6,744**	8,186
Accounts receivable	6	**13,805**	12,852
Inventory		**85**	91
Prepaid expenses		**1,517**	764
Assets held for sale	8	**-**	677
		22,151	22,570
Exploration and evaluation assets	7	**3,743**	5,030
Property, plant and equipment	8	**122,382**	108,148
Restricted cash	13	**924**	785
Other assets	10	**108**	334
Abandonment fund	14	**2,965**	2,081
Total assets		**152,273**	138,948
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11	**16,254**	15,013
Income taxes payable	21	**6**	240
Current portion of bank debt	13	**7,250**	13,000
Liabilities associated with assets held for sale	14	**-**	1,898
		23,510	30,151
Lease liabilities	12	**4,368**	2,888
Bank debt	13	**27,541**	14,977

Decommissioning liabilities	14	**9,985**	9,733
Share-based compensation liabilities	19	**117**	-
Deferred income taxes	21	**17,924**	21,433
Total liabilities		**83,445**	79,182
Shareholders' equity			
Shareholders' capital	15	**115,610**	114,965
Contributed surplus		**7,069**	6,166
Other comprehensive loss		**(13,882)**	(13,124)
Deficit		**(39,969)**	(48,241)
Total shareholders' equity		**68,828**	59,766
Total liabilities and shareholders' equity		**152,273**	138,948

Going Concern (Note 1)
Commitments and contingencies (Note 24)
Subsequent events (Notes 6 and 27)

See accompanying notes to these consolidated financial statements.

Approved on behalf of the Board of Directors:

(signed) *"John D. Wright"*
John D. Wright
Chair of the Board of Directors and Director

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

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

		Year ended December 31,	
	Note	**2024**	2023
Revenue			
Petroleum and natural gas sales	16	**57,470**	48,098
Less: royalties		**(13,876)**	(12,173)
Petroleum and natural gas revenue, net of royalties		**43,594**	35,925
Other revenue		**63**	64
Total revenue		**43,657**	35,989
Expenses			
Operating	26	**10,704**	9,705
General and administration	26	**10,154**	9,451
Net finance	17	**3,018**	2,453
Transaction	18	**2,023**	-
Exploration		**248**	-
Gain on asset dispositions	8	**(2,213)**	(800)
Foreign exchange gain	22	**(54)**	(196)
Share-based compensation	19	**1,589**	1,243
Depletion and depreciation	8	**9,501**	6,009
Impairment	9	**2,659**	21,389
Other	20	**-**	(552)
Total expenses		**37,629**	48,702
Earnings (loss) before income taxes		**6,028**	(12,713)
Provision for income taxes			
Current expense	21	**1,161**	1,106
Deferred (recovery) expense	21	**(3,405)**	6,779
Total income tax (recovery) expense		**(2,244)**	7,885
Net earnings (loss)		**8,272**	(20,598)
Currency translation adjustments		**(758)**	393
Comprehensive income (loss)		**7,514**	(20,205)
Net earnings (loss) per common share			
Basic	15	**0.04**	(0.09)
Diluted	15	**0.03**	(0.09)

See accompanying notes to these consolidated financial statements.

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

	Note	Year ended December 31, 2024	2023
Shareholders' capital			
Balance, beginning of year		**114,965**	114,635
Issued under share-based compensation plans	15	**645**	330
Balance, end of year		**115,610**	114,965
Contributed surplus			
Balance, beginning of year		**6,166**	4,905
Recognized under share-based compensation plans	15	**(230)**	(120)
Share-based compensation expense	19	**1,061**	1,243
Share-based compensation capitalized	19	**72**	138
Balance, end of year		**7,069**	6,166
Other comprehensive loss			
Balance, beginning of year		**(13,124)**	(13,517)
Other comprehensive (loss) income		**(758)**	393
Balance, end of year		**(13,882)**	(13,124)
Deficit			
Balance, beginning of year		**(48,241)**	(27,643)
Net earnings (loss)		**8,272**	(20,598)
Balance, end of year		**(39,969)**	(48,241)

See accompanying notes to these consolidated financial statements

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

	Note	Year ended December 31, 2024	2023
Operating activities			
Net earnings (loss)		**8,272**	(20,598)
Items not involving cash from operations:			
Gain on asset dispositions	8	**(2,213)**	(800)
Unrealized foreign exchange loss (gain)	22	**121**	(194)
Share-based compensation expense	19	**1,589**	1,243
Depletion and depreciation expense	8	**9,501**	6,009
Impairment expense	9	**2,659**	21,389
Non-cash finance expense (income)	26	**243**	(80)
Deferred income tax (recovery) expense	21	**(3,405)**	6,779
Decommissioning expenditures	14	**(19)**	(18)
Funds flow from operations		**16,748**	13,730
Net change in non-cash operating working capital	26	**(3,567)**	(987)
Cash from operating activities		**13,181**	12,743
Investing activities			
Exploration and evaluation expenditures	7	**(1,046)**	(17,638)
Property, plant and equipment expenditures	8	**(22,633)**	(1,311)
Abandonment fund expenditures	14	**(971)**	(626)
Proceeds from asset dispositions	7,8	**1,066**	250
Net change in non-cash investing working capital	26	**2,964**	(1,790)
Cash used in investing activities		**(20,620)**	(21,115)
Financing activities			
Changes in restricted cash	13	**(139)**	236
Advance of bank debt, net of fees	13	**15,747**	7,000
Repayment of bank debt	13	**(9,000)**	(6,000)
Net finance lease payments	10,12	**(1,194)**	(692)
Issuance of common shares	15	**415**	210
Other liability payments		**-**	(469)
Net change in non-cash financing working capital	26	**106**	(155)
Cash from financing activities		**5,935**	130
Decrease in cash		**(1,504)**	(8,242)
Cash, beginning of year		**8,186**	16,335
Impact of foreign exchange on foreign denominated cash balances		**62**	93
Cash, end of year		**6,744**	8,186
Supplementary information for cash from operating activities:			
Interest paid in cash	13	**2,407**	2,241
Income taxes paid in cash	21	**1,399**	1,880

See accompanying notes to these consolidated financial statements.

1. **Nature of Business**

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

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

Going Concern

Under its existing Third Amended and Restated Loan Agreement (the "Loan Agreement"), the Company must comply with three financial covenants assessed annually. As of December 31, 2024, the Company remained in compliance with all covenants (see Note 13).

The Company is currently negotiating with its lender to amend the Loan Agreement to incorporate two additional term loan facilities relating to a proposed acquisition (see Note 27). As of the date hereof, the lender is drafting a Fourth Amended and Restated Loan Agreement along with related security documents.

If the proposed acquisition does not proceed with an amendment to the Loan Agreement, the Company projects a breach of the debt service coverage covenant as of December 31, 2025, which could result in the bank debt balance becoming due. The Company's ability to continue as a going concern depends on successfully amending the Loan Agreement or obtaining a waiver for the forecasted breach. At this time, no waiver has been sought, as the existing Loan Agreement is expected to be replaced by the amended version in conjunction with the proposed acquisition.

These circumstances create material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not reflect potential adjustments to the carrying amounts of assets and liabilities, reported amounts of revenue and expenses, and balance sheet classifications that would be required if the going concern assumption were deemed inappropriate. Such adjustments could be material. The auditor's report to the December 31, 2024 audited consolidated financial statements draws attention to the material uncertainty relating to going concern, but the auditor's opinion is not modified in respect of this matter.

2. **Basis of Preparation**

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

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

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

These financial statements were approved and authorized for issuance by Touchstone's Board of Directors (the "Board") on March 19, 2025.

3. **Summary of Material Accounting Policies**

The timely preparation of financial statements requires Management to use judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingencies at the date of the financial statements, and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimated. Significant estimates and judgments used in the preparation of the financial statements are detailed in Note 5 "Use of Estimates, Judgements and Assumptions".

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

Basis of consolidation

The financial statements include the accounts of Touchstone Exploration Inc. and its following subsidiaries:

Entity	Country of incorporation	Ownership (%)

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

All inter-entity balances and transactions have been eliminated upon consolidation between Touchstone Exploration Inc. and its subsidiaries in these financial statements.

Joint arrangements

Touchstone may conduct its petroleum and natural gas activities through jointly controlled operations, and the financial statements reflect only the Company's proportionate interest in such activities. Joint control exists for contractual arrangements governing the Company's assets whereby Touchstone has less than 100 percent working interest, all of the partners have control of the arrangement collectively, and spending on the project requires unanimous consent of all parties that collectively control the arrangement and share the associated risks.

The Company's joint venture arrangement with Heritage Petroleum Company Limited ("Heritage") on the Ortoire block is considered a material jointly controlled arrangement. Touchstone has an 80 percent working interest in the block with Heritage holding the remaining 20 percent. Given both parties approve the operating and capital budgets, the Company has joint control over the relevant activities of this arrangement.

Foreign currency translation

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

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

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

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

Financial instruments

Classification and measurement of financial instruments

Touchstone's financial assets and liabilities are classified as amortized cost. The classification of financial assets is determined by the characteristics of the contractual cash flows. The Company does not classify any of its financial instruments as fair value through profit or loss or fair value through other comprehensive income.

Financial assets and financial liabilities are measured at fair value on initial recognition, which is typically the transaction price net of directly attributable transaction costs, unless a financial instrument contains a significant financing component. Financial assets and liabilities are subsequently measured at amortized cost using the effective interest method. Financial instruments under this classification include cash, accounts receivable, restricted cash, finance lease receivable, accounts payable and accrued liabilities, income taxes payable, lease liabilities and bank debt.

Impairment of financial assets

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

Derecognition of financial liabilities

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

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

Fair value measurement

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

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

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

Business combinations

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

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

Exploration and evaluation assets

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

Exploration and evaluation ("E&E") assets reflect expenditures for an area where technical feasibility and commercial viability have not yet been determined. Expenditures, including land acquisition, geological and geophysical, exploration drilling, completion and production testing costs, directly attributable overhead and share-based compensation expenses, and estimates of any decommissioning costs are capitalized and accumulated pending determination of technical feasibility and commercial viability. Technical feasibility and commercial viability of E&E assets are dependent upon the assignment of a sufficient amount of economically recoverable crude oil, natural gas and natural gas liquids reserves ("reserves") relative to the estimated potential resources available, available infrastructure to support commercial development, as well as obtaining the appropriate internal and external approvals. Assets classified as E&E may have sales of petroleum and natural gas products associated with production from test wells. These operating results, including attributable royalties and operating expenses, are recognized in the statements of income.
When a project classified as E&E is determined to be technically feasible and commercially viable, the relevant costs are transferred to property, plant and equipment ("PP&E") on the balance sheet. The assets are assessed for impairment prior to any such transfer, by comparing the carrying amount to the greater of the assets' fair value less cost of disposal or value in use. If a decision is made by Management not to continue an E&E project, the E&E carrying value is

decision is made by management not to continue an E&E project, the E&E carrying value is derecognized and all associated costs are expensed as impairment on the statements of income at that time.

Property, plant and equipment

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

Petroleum and natural gas development asset costs include expenditures for areas where technical feasibility and commercial viability have been determined. All costs directly associated with the acquisition and development of petroleum and natural gas properties are capitalized. These costs include transfers of E&E assets, property acquisitions, facilities, directly attributable overhead and share-based compensation expenses, as well as decommissioning liabilities, geological and geophysical, and drilling, completion and production testing costs.

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

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

Impairment of non-financial assets

Property, plant and equipment

Petroleum and natural gas development assets are accumulated in cost centres at the cash-generating unit ("CGU") level for the purposes of assessing impairment. A CGU is a grouping of assets that generate cash flows independently of other assets held by the Company. Geography, product type, and internal management are key factors considered when grouping petroleum and natural gas development assets into CGUs.

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

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

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

Exploration and evaluation assets

E&E assets are assessed for impairment at the operating area level and are reviewed at each reporting date for indicators of potential impairment or, in the case of previously impaired E&E assets, reversals of impairment. An impairment expense on E&E assets is recognized if the carrying value of the E&E assets exceeds the recoverable amount. Similarly, a previously recorded impairment may be reversed if the recoverable amount of the relevant E&E asset is greater than the carrying amount. E&E asset impairment expenses or reversals are recognized in the statements of income as impairment expense or impairment reversal, respectively.

Assets held for sale

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

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

Dispositions

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

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

Lease arrangements

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

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

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

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

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

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

As lessor

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

Bank debt

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

Provisions and contingent liabilities

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

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

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

Decommissioning liabilities

Provisions for abandonment and reclamation obligations associated with Touchstone's E&E and PP&E assets are recognized as decommissioning liabilities. Decommissioning liabilities are measured at the present value of Management's best estimate of expenditures required to settle the liability at the end of the related assets' useful life at the balance sheet reporting date. On at least a quarterly basis, Management reviews these estimates, and any changes, if any, are applied prospectively. These changes are recognized as an increase or decrease to the liability, with a corresponding increase or decrease to the carrying amount of the related asset. The capitalized amount included in PP&E is depleted based on a unit-of-production basis consistent with the underlying assets. The liability is increased in each reporting period with the passage of time, and the associated accretion expense is recognized in the statements of income in net finance expense. Periodic revisions to the liability-specific risk-free discount rate, estimated timing of cash flows, or to the estimated undiscounted cost can also result in an increase or decrease to the decommissioning liability and the related asset. Actual costs incurred upon settlement of the obligations are recognized against the provision to the extent of the liability recognized.

With respect to decommissioning liabilities associated with the Company's operating agreements with Heritage, the Company is obligated to pay its proportional cost of all abandonments defined as its percentage of crude oil sold in a specific well in comparison to the well's cumulative historical production. Touchstone is responsible for its working interest share of site restoration, well abandonment costs and removal of infrastructure and facilities used in petroleum and natural gas operations conducted on its properties under production licences with the Government of Trinidad and Tobago Ministry of Energy and Energy Industries ("MEEI") and private landowners.

Revenue recognition

The Company principally generates revenue from the sale of commodities, which include crude oil, natural gas and natural gas liquids. Revenue associated with the sale of commodities is recognized when control of the commodity is transferred to the buyer, the significant risks and rewards of ownership of the commodity is transferred to the buyer, and Touchstone has the present right to payment.

Touchstone also generates revenue from gathering and selling third-party products through its infrastructure, which is recognized as other revenue in the statements of income.

Share-based compensation plans

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

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

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

Income taxes

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

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

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

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

Per share information

Basic per share information is computed by dividing net earnings (loss) attributable to shareholders by the weighted average number of common shares outstanding during the period.

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

4. Changes to Accounting Policies

New Accounting Policies

Amendments to IAS 1 Presentation of Financial Statements

The Company adopted amendments to IAS 1 *Presentation of Financial Statements* ("IAS 1") on January 1, 2024. IAS 1 was amended to clarify the requirements for the presentation of liabilities as current or non-current and introduced a requirement regarding the classification and disclosure of a liability with covenants. The adoption of the amendments to IAS 1 had no impact on the Company's financial statements.

Future Accounting Pronouncements

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

In May 2024, the International Accounting Standards Board ("IASB") issued amendments to IFRS 9 Financial Instruments and IFRS 7 *Financial Instruments: Disclosures* to clarify the date of recognition and derecognition of financial assets and liabilities. The amendments are effective for fiscal years beginning on or after January 1, 2026, with early adoption permitted. The Company is evaluating the impact that the amendments will have on the financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements ("IFRS 18")

In April 2024, the IASB issued IFRS 18 which will replace IAS 1 and includes requirements for the presentation and disclosure of information in financial statements. IFRS 18 will introduce new totals, subtotals and categories for income and expenses in the statements of income, as well as requiring disclosure about management-defined performance measures and additional requirements regarding the aggregation and disaggregation of certain information. IFRS 18 is required to be adopted retrospectively and is effective for fiscal years beginning on or after January 1, 2027, with early adoption permitted. The Company is evaluating the impact that this standard will have on the financial statements.

5. Use of Estimates, Judgements and Assumptions

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

Climate reporting regulations

Emissions, carbon, and other regulations impacting climate and climate-related matters are constantly evolving. With respect to environmental, social and governance, and climate reporting, the International Sustainability Standards Board ("ISSB") issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable, and reliable. On June 26, 2023, the ISSB released two standards: IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*. The Canadian Sustainability Standards Board ("CSSB") was formed to support the adoption of international sustainability standards in Canada. In December 2024, the CSSB released CSDS 1 - *General Requirements for Disclosure of Sustainability-related Financial Information* and CSDS 2 - *Climate-related Disclosures*, which are largely aligned with the ISSB standards apart from a Canadian-specific effective date and incremental transition relief.

In addition, the Canadian Securities Administrators ("CSA") have issued a proposed National Instrument 51-107 *Disclosure of Climate-related Matters*. Until the CSA mandates the adoption of CSDS 1 and 2, the CSSB standards will be voluntary standards and as such, the Company has not yet adopted these standards. The cost to comply with these standards, and others that may be developed or evolve over time have yet to be quantified by the Company and it is possible that the long-term effects of these new regulations will affect the Company's business, results from operations, access to capital and financial condition.

Financial instruments

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

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

Petroleum and natural gas reserves

There are a number of inherent uncertainties associated with estimating proved plus probable reserves. Reserve estimates are based on a number of significant assumptions, such as engineering and geological data, forecasted oil and natural gas price estimates, forecasted production volumes and decline rates, and the timing and amount of forecasted royalty, operating and future development costs, all of which are subject to many uncertainties, interpretations and judgments. Estimates reflect market and regulatory conditions existing as of December 31, 2024 and 2023, which could differ significantly from future periods. The estimate of reserves and the related cash flows are evaluated by Touchstone's independent qualified reserves evaluator at least annually in accordance with NI 51-101.

Petroleum and natural gas investments

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

Determination of cash-generating units

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

Recoverability of asset carrying values

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

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

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

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

Depletion of petroleum and natural gas development assets

Depletion of petroleum and natural gas development assets is determined based on proved plus probable reserves as well as forecasted future development costs estimated by the Company's independent qualified reserves evaluator.

Business Combinations

Management judgment may be required to identify one of the combining entities as the acquirer for accounting purposes and then to determine the fair value of the acquired entity. The determination of fair value is estimated based on information available at the date of acquisition and requires Management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of PP&E and E&E assets using a fair value less cost of disposal model generally require significant judgment and include forward price estimates of petroleum and natural gas, volume of proved plus probable reserves and associated assumptions, including future production costs, required capital investments, reserve life and discount rate. Assumptions are also required to determine the fair value of the decommissioning liabilities associated with the assets, the ROU assets and associated lease obligations and other deferred liabilities.

Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities, and goodwill (or net assets acquired in excess of purchase consideration). Future comprehensive income will be affected as the fair value on initial recognition impacts future depletion and depreciation expenses, non-financial asset impairment expenses or reversals, or goodwill impairment expenses.

Exploration and evaluation assets

E&E assets remain capitalized as long as sufficient progress is being made in assessing whether the recovery of petroleum and natural gas products is technically feasible and commercially viable. Determining whether sufficient progress has been made is a judgemental area, and it is possible to have E&E assets classified as such for several years while activities are being conducted, or the Company is seeking regulatory and internal approvals for development plans. E&E assets are subject to ongoing Management review to confirm the intent to establish technical feasibility and commercial viability of a discovery. This assessment includes many changing factors, including reserves, project economics, expected capital expenditures and production costs, access to infrastructure, obtaining and the timing of receiving required regulatory approvals, and potential infrastructure construction and expansions. Furthermore, the transfer of E&E assets to PP&E is based on Management's judgement of technical feasibility and commercial viability.

Decommissioning liabilities

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

Lease arrangements

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

Provisions and contingent liabilities

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

Share-based compensation

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

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

Income taxes

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

6. Financial Assets and Credit Risk

Credit risk is the risk of a financial loss to the Company if a partner or counterparty to a product sales contract, financial instrument, jointly controlled operation or other financial transaction fails to meet its contractual obligations. As at December 31, 2024, Touchstone was exposed to credit risk with respect to its finance lease receivable (included in other assets on the balance sheet) and accounts receivable balances.

The credit risk associated with Touchstone's 233,000 aggregate finance lease receivable balance as at December 31, 2024 is considered negligible as the assets are secured by the underlying equipment, with ownership transferring to the counterparty subsequent to receipt of the final lease payment in February 2026 (refer to Note 10).

Credit risk is considered to be low for the Company's accounts receivable, as Touchstone's credit exposure typically pertains to monthly commodity sales and joint interest billings due from Trinidad government owned petroleum and natural gas entities, and value added taxes ("VAT") due from the Trinidad government. Petroleum and natural gas billings are typically collected within one month of production, with approximately 31 percent of the Company's credit exposure as at December 31, 2024 attributed to accrued revenue for December 2024 production volumes. Joint interest billings are typically collected within one to two months following invoicing.

The following tables disclose the composition and aging of Touchstone's accounts receivable balance as at December 31, 2024 and 2023.

(000's)	**December 31, 2024**	December 31, 2023
Composition		
Petroleum and natural gas sales	**4,334**	6,424
Joint interest billings	**806**	702
VAT	**7,678**	5,058
Other	**987**	668
Accounts receivable balance	**13,805**	12,852
Aging		
Current (less than 30 days)	**6,045**	7,880
31-60 days	**539**	302
61-90 days	**556**	308
Past due (greater than 90 days)	**6,665**	4,362
Accounts receivable balance	**13,805**	12,852

As at December 31, 2024 and 2023, Touchstone determined that the average expected credit loss on its accounts receivables was nil. The Company believes that the accounts receivable balances that are past due are collectible, as they solely represent VAT amounts due from the Trinidad government. Although the timing of settlement is uncertain, Touchstone has not historically experienced any collection issues.

Subsequent to December 31, 2024, 666,000 in past due VAT receivable was collected and the Trinidad government issued the Company an aggregate 2,955,000 in bonds in lieu of VAT payments that may be sold after July 31, 2025.

7. Exploration and Evaluation Assets

(000's)	**Year ended December 31,** **2024**	2023
Balance, beginning of year	**5,030**	51,352
Additions	**1,046**	18,199
Net transfers to PP&E (Note 8)	**-**	(31,803)
Impairment expense (Note 9)	**(2,311)**	(32,747)
Effect of change in foreign exchange rates	**(22)**	29
Balance, end of year	**3,743**	5,030

During the year ended December 31, 2024, no direct and attributable overhead charges were capitalized to E&E assets (2023 - 656,000).

Transfer to PP&E

Upon first production in September 2023, the Company transferred 32,204,000 of E&E costs related to its Cascadura CGU to PP&E. Immediately prior to transferring the asset to PP&E, Touchstone performed the required impairment test and determined that the recoverable amount of the asset exceeded its carrying value, resulting in no impairment expense recognized.

Disposition

During the year ended December 31, 2024, the Company disposed of its non-operated interest in a previously impaired non-core property with the third-party operator for the counterparty's assumption of approximately 779,000 in decommissioning and accrued liabilities. The transaction resulted in a 779,000 gain on asset disposition recorded during the year ended December 31, 2024.

8. Property, Plant and Equipment

(000's)	**Petroleum and natural gas development assets**	**Right-of-use assets**	**Corporate assets**	**Total**
Cost				
Balance, January 1, 2023	153,699	2,937	2,355	158,991
Additions	1,079	2,934	273	4,286
Transfer from (to) E&E assets (Note 7)	32,204	(401)	-	31,803
Change in decommissioning asset (Note 14)	(269)	-	-	(269)
Reclassified as assets held for sale	(677)	-	-	(677)
Foreign exchange translation	810	22	69	901
Balance, December 31, 2023	**186,846**	**5,492**	**2,697**	**195,035**
Additions	**21,256**	**2,930**	**1,449**	**25,635**
Transfers within PP&E	**1,283**	**(1,283)**	**-**	**-**
Change in decommissioning asset (Note 14)	**97**	**-**	**-**	**97**
Acquisitions	**356**	**-**	**-**	**356**
Dispositions	**(1,085)**	**-**	**-**	**(1,085)**
Foreign exchange translation	**(1,272)**	**(40)**	**(187)**	**(1,499)**

Foreign exchange translation	(1,272)	(40)	(187)	(1,499)
Balance, December 31, 2024	**207,481**	**7,099**	**3,959**	**218,539**

(000's)	Petroleum and natural gas development assets	Right-of-use assets	Corporate assets	Total
Accumulated depletion, depreciation and impairment				
Balance, January 1, 2023	89,435	480	1,914	91,829
Depletion and depreciation	5,595	241	173	6,009
Impairment reversal (Note 9)	(11,326)	-	-	(11,326)
Foreign exchange translation	325	5	45	375
Balance, December 31, 2023	**84,029**	**726**	**2,132**	**86,887**
Depletion and depreciation	**8,245**	**1,020**	**236**	**9,501**
Impairment expense (Note 9)	**337**	**-**	**-**	**337**
Foreign exchange translation	**(392)**	**(18)**	**(158)**	**(568)**
Balance, December 31, 2024	**92,219**	**1,728**	**2,210**	**96,157**
Carrying amounts				
Balance, December 31, 2023	102,817	4,766	565	108,148
Balance, December 31, 2024	**115,262**	**5,371**	**1,749**	**122,382**

167,989,000 of future development costs were included in petroleum and natural gas development asset cost bases for depletion calculation purposes for the year ended December 31, 2024 (2023 - 105,252,000).

During the year ended December 31, 2024, 532,000 of direct and attributable overhead charges were capitalized to PP&E (2023 - 309,000).

Acquisition

During the year ended December 31, 2024, the Company closed an asset swap transaction with a third party. Touchstone swapped its 100 percent working interest in a non-core privately leased property for the counterparty's 100 percent working interest in an operating agreement with Heritage governing the Balata East block. The acquisition was not considered a business combination under IFRS 3 Business Combinations.

The Company recognized a 1,434,000 gain on acquisition during the year ended December 31, 2024, which represented the excess of the total identifiable net assets acquired over the net liabilities of the assets disposed as set forth in the following table.

(000's)	
Net assets acquired	
Petroleum and natural gas development assets	**356**
Abandonment fund (Note 14)	**11**
Decommissioning liabilities (Note 14)	**(130)**
Total identifiable net assets acquired	**237**
Gain on acquisition	**(1,434)**
	(1,197)
Consideration	
Petroleum and natural gas development assets	**675**
Decommissioning liabilities (Note 14)	**(1,872)**
Total consideration	**(1,197)**

Disposition

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

Private lease agreements

Touchstone is operating under a number of private lease agreements which have expired and are currently being renewed. Based on legal opinions received, the Company is continuing to recognize petroleum and natural gas sales on the producing properties because the Company is the operator, is paying all associated royalties and income taxes, and no title to the producing properties have been disputed. The continuation of production from expired private leases during the renegotiation process is common in Trinidad based on antiquated land title processes. During the year ended December 31, 2024, production volumes produced under expired private lease agreements represented 0.5 percent of annual Company production (2023 - 1.3 percent).

9. Impairment

Exploration and evaluation assets

E&E asset impairment expense for the years ended December 31, 2024 and 2023 by operating area are disclosed in the following table.

Operating Area *(000's)*	Year ended December 31, **2024**	2023
Cory Moruga	**(63)**	66
Ortoire	**2,385**	32,649
E&E asset impairment expense	**2,322**	32,715

Touchstone recognized an impairment reversal of 63,000 primarily related to decommissioning asset changes in the Cory Moruga operating area (2023 - expense of 66,000). The Company's non-operated interest in the Cory Moruga licence was disposed during the year ended December 31, 2024 (refer to Note 7).

The Company concluded that there were indicators of impairment within the Ortoire E&E asset operating area as at December 31, 2024 as a result of aligning future exploration activities with the Company's long-term priorities. The Company performed an impairment test that concluded that the recoverable amount of the asset was not sufficient to support its carrying value, which resulted in a pre-tax impairment expense of 2,385,000 recorded at December 31, 2024.

As a result of allocating future capital spending and the results of production tests which deemed the Royston-1X well uneconomic, indicators of impairment were noted within the Ortoire E&E asset area as at December 31, 2023. The Company performed an impairment test that concluded that the recoverable amount of the asset was not sufficient to support its carrying value, which resulted in an aggregate pre-tax impairment expense of 32,649,000 recorded at December 31, 2023.

Property, plant and equipment

The following table discloses PP&E impairment expense (reversal) recorded during the years ended December 31, 2024 and 2023 by CGU.

CGU *(000's)*	**Year ended December 31,** **2024**	2023
Coho	**(137)**	143
CO-1/CO-2	**474**	(13,865)
Fyzabad	**-**	2,270
PP&E asset impairment expense (reversal)	**337**	(11,452)

During the year ended December 31, 2024, Touchstone disposed of its working interest in the CO-2 operating agreement to a third-party. A pre-tax impairment expense of 474,000 was recorded during the year ended December 31, 2024, as the fair value of the property's associated net assets was not sufficient to support their fair value less cost of disposal.

At December 31, 2024, the Company identified indicators of impairment related to its Cascadura and Coho natural gas development asset CGUs due to material decreases in assigned reserves volumes. Based on the results of impairment tests conducted, the recoverable amounts of each CGU were greater than their corresponding carrying values. The impairment tests conducted at December 31, 2024 for the respective CGUs concluded the following recoverable amounts and resulting pre-tax impairment reversal recorded during the year ended December 31, 2024.

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

Note:
(1) Net of associated deferred income tax liabilities.

Calculating CGU recoverable amounts involves several assumptions and estimates which are subject to estimation uncertainty, as well as a significant degree of judgement. The estimated recoverable amounts as of December 31, 2024 were determined using value in use calculations incorporating discounted after-tax cash flows of proved plus probable reserves using forward natural gas and associated liquids prices and cost estimates as assessed by the Company's independent qualified reserves evaluator. Discounted future cash flows for each CGU were determined by applying a 20 percent after-tax discount rate (approximately 53 percent pre-tax discount rate).

At December 31, 2024, the recoverable amounts of the two CGUs were calculated using the following forward benchmark commodity prices adjusted for commodity differentials specific to the CGU as estimated by the Company's independent qualified reserves evaluator effective January 1, 2024. The prices and costs subsequent to 2025 were adjusted for inflation at an annual rate of 2 percent to the end of the CGUs reserves life.

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

The value in use calculations used to determine the recoverable amounts of Touchstone's CGUs at December 31, 2024 were classified as Level 3 fair value measurements as certain key assumptions were not based on observable market data, but rather, Management's best estimates. Changes in any of the key judgments, such as a revision in reserves, changes in forecasted commodity prices and inflation rates, operating costs, future development costs, or the discount rate would impact the estimated recoverable amounts, and any resulting change in impairment would affect comprehensive income. An increase or decrease in the discount rate by 1 percent or commodity prices by 10 percent would not affect the 137,000 pre-tax impairment reversal recorded as at December 31, 2024.

At December 31, 2023, the Company identified indicators of impairment for three petroleum and natural gas development asset CGUs due to decreases in assigned reserves volumes. Based on the results of impairment tests conducted, the recoverable amounts for the Coho and Fyzabad CGUs were not sufficient to support their carrying values, and the recoverable amount of the CO-1/CO-2 CGU was greater than its carrying value. As a result, Touchstone recognized an aggregate pre-tax impairment expense of 2,413,000 related to the Coho and Fyzabad CGUs and a pre-tax impairment reversal of 13,865,000 associated with the CO-1/CO-2 CGU at December 31, 2023. In addition, the Company recorded an impairment expense of 126,000 related to slow moving oilfield capital inventory not assigned to a specific CGU at December 31, 2023.

The impairment tests conducted at December 31, 2023 for the respective CGUs concluded the following recoverable amounts and resulting pre-tax impairment expenses and reversals recorded during the year ended December 31, 2023.

CGU *(000's)*	**Carrying value(1)**	**Recoverable amount**	**Impairment expense (reversal)**
Coho	3,734	3,669	143
CO-1/CO-2	6,582	12,821	(13,865)
Fyzabad	2,051	1,029	2,270

Note:
(1) Net of associated deferred income tax liabilities.

The estimated recoverable amounts as of December 31, 2023 were determined using value in use calculations incorporating discounted after-tax cash flows of proved plus probable reserves using forward crude oil and natural gas prices and cost estimates as assessed by the Company's independent qualified reserves evaluator. Discounted future cash flows for each CGU were determined by applying a 20 percent after-tax discount rate (approximately 57 percent pre-tax discount rate).

The following table details the forward prices used in estimating the recoverable amount of each CGU as at December 31, 2023.

	2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
Brent crude oil *(/bbl)*	78.00	79.18	80.36	81.79	83.41	85.09	86.79	88.52	90.29	92.10
Henry Hub natural gas *(/MMBtu)*	2.75	3.64	4.02	4.10	4.18	4.27	4.35	4.44	4.53	4.62

The following table demonstrates the sensitivity of the pre-tax impairment amounts by CGU to possible changes in key assumptions inherent in the December 31, 2023 impairment tests.

CGU *(000's)*	**Decrease in discount rate of 1%**	**Increase in discount rate of 1%**	**Increase in commodity price of 10%**	**Decrease in commodity price of 10%**
Coho	(143)	382	(143)	627
CO-1/CO-2	(644)	1,212	(644)	8,289
Fyzabad	(49)	47	(342)	651
(Decrease) increase in impairment expense / reversal	**(836)**	**1,641**	**(1,129)**	**9,567**

10. Other Assets

The following table sets forth the components of other assets as at December 31, 2024 and 2023.

(000's)	**December 31, 2024**	December 31, 2023
Non-current prepaid deposits	**38**	39
Finance lease receivable	**70**	295
Other assets balance	**108**	334

Touchstone is the lessor in an arrangement to lease oilfield service rigs to a third-party service provider through February 2026. The Company continues to hold title to the assets until all principal payments have been collected. The lease arrangements was classified as a finance lease, as substantially all of the risks and rewards incidental to ownership of the underlying assets are held by the lessee.

The following table details the movements of the Company's finance lease receivable during the years ended December 31, 2024 and 2023.

(000's)	**Year ended December 31, 2024**	2023
Balance, beginning of year	**350**	534

Interest income	**26**	43
Payments received	**(192)**	(228)
Lease modification	**50**	-
Effect of change in foreign exchange rates	**(1)**	1
Balance, end of year	**233**	350
Current (included in accounts receivable)	**163**	55
Non-current (included in other assets)	**70**	295
Finance lease receivable balance	**233**	350

11. Financial Liabilities and Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Touchstone actively manages its liquidity risk through cash and debt management strategies such as continuously monitoring actual and forecasted cash and working capital balances and cash flows from operating, investing and financing activities, ensuing compliance with bank debt covenants, and seeking opportunities to expand its existing bank debt or to issue additional equity (refer to Note 1).

At December 31, 2024, the Company had a working capital deficiency based on increased capital investments throughout 2024, primarily relating to expenditures on infrastructure and development wells that were placed on production in November 2024.

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

The following table sets forth estimated undiscounted cash outflows and financial maturities of Touchstone's financial liabilities as at December 31, 2024.

(000's)	**Undiscounted cash outflows(1)**	**Financial maturity by period**		
		Less than 1 year	**1 to 3 years**	**Thereafter**
Accounts payable and accrued liabilities(2)	**14,373**	14,373	-	-
Income taxes payable (Note 21)	**6**	6	-	-
Lease liabilities(3) (Note 12)	**7,283**	2,361	3,429	1,493
Bank debt(3)(4) (Note 13)	**39,314**	9,675	25,690	3,949
Share-based compensation liabilities(5) (Note 19)	**500**	383	117	-
Total financial liabilities	**61,476**	**26,798**	**29,236**	**5,442**

Notes:
(1) The undiscounted cash outflows equal their carrying values, with the exception of lease liabilities and bank debt.
(2) Excludes the current portion of lease liabilities and share-based compensation liabilities.
(3) Includes the notional interest and principal payments.
(4) Future interest payments are based on current interest rates, where two of the Company's three loan facility interest rates are reset on an annual basis (refer to Note 13).
(5) Accrued obligations associated with share-based compensation expected to be settled in cash.

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

12. Lease Liabilities

Touchstone is a party to lease arrangements for a drilling rig, office facilities, vehicles and equipment. Lease agreements are negotiated on an individual basis and contain a wide range of varying terms and conditions. The Company's lease arrangements are effective from periods of two to eight years but may have extension options. Discount rates used in calculating the present values of lease payments during the year ended December 31, 2024 were between 5 and 10 percent.

The following table provides a continuity of the Company's lease liabilities for the years ended December 31, 2024 and 2023.

(000's)	**Year ended December 31,**	
	2024	2023
Balance, beginning of year	**4,328**	2,255
Additions	**2,930**	2,934
Interest expense	**415**	287
Repayments	**(1,775)**	(1,164)
Effect of change in foreign exchange rates	**(32)**	16
Balance, end of year	**5,866**	4,328
Current (included in accounts payable and accrued liabilities)	**1,498**	1,440
Non-current	**4,368**	2,888
Lease liabilities balance	**5,866**	4,328

During the year ended December 31, 2024, the Company extended a drilling services contract

During the year ended December 31, 2024, the Company extended a drilling services contract through October 6, 2026 wherein Touchstone is required to utilize a drilling rig for a minimum of 120 days per annum over the additional two-year term. The Company recognized a 2,930,000 lease liability and associated ROU asset in connection with the lease arrangement.

The following table details the undiscounted cash flows which include both principal and interest components of the Company's lease liabilities as at December 31, 2024 and 2023.

(000's)	**December 31, 2024**	**December 31, 2023**
Less than one year	**2,361**	1,746
1 to 3 years	**3,429**	1,634
Thereafter	**1,493**	2,224
Undiscounted cash flows related to lease liabilities	**7,283**	5,604

Payments recognized in the financial statements relating to short-term leases and leases of low-value assets for the year ended December 31, 2024 were 67,000 (2023 - 441,000). The arrangements primarily consisted of leases for motor vehicles and well service equipment, which were recognized in operating expenses in the statements of income. Variable lease payments of 181,000 not included in the calculation of the Company's lease liabilities during the year ended December 31, 2024 were recognized in general and administration expense in the statements of income (2023 - 126,000).

13. Bank Debt

On April 18, 2024, the Company and its Trinidad based lender executed a Third Amended and Restated Loan Agreement, providing for an additional 10 million five-year non-revolving term loan facility ("term loan facility 2") and an increase to the existing revolving loan facility borrowing capacity from 7 million to 10 million. As at December 31, 2024, the Company had 35,000,000 in aggregate principal bank debt outstanding, with 7,250,000 classified as short term on the consolidated balance sheet (2023 - 28,000,000 and 13,000,000, respectively). As at December 31, 2024, the Company had no available credit capacity.

Term loan facility 1

The Loan Agreement did not change the terms of the Company's original June 15, 2022 term loan facility ("term loan facility 1"). The facility matures on June 15, 2027 and bears a fixed interest rate of 7.85 percent per annum, compounded and payable quarterly. As at December 31, 2024, the principal balance of term loan facility 1 was 15,000,000, with ten equal and consecutive quarterly principal payments of 1,500,000 outstanding.

Term loan facility 2

The Company withdrew the full amount of the 10,000,000 term loan facility 2 on May 1, 2024. The facility was measured at amortised cost, with the associated financing fees of 253,000 unwound using the effective interest rate method to the face value at maturity. The facility matures on April 30, 2029, and bears an interest rate of 7.49 percent through April 2025 which is reset on an annual basis. As at December 31, 2024, the principal balance of the term loan facility was 10,000,000, with sixteen equal and consecutive quarterly principal payments of 625,000 payable from July 31, 2025 through April 30, 2029.

Revolving loan facility

The Loan Agreement extended the revolving loan facility by a two-year period through May 31, 2026. The facility may be renewed by additional two-year periods by agreement between the parties. The revolving loan bears interest at a rate of 7.23 percent through May 2025 and is reset annually. Outstanding principal may be repaid at any time, on or before the maturity date without penalty and any amounts repaid may be redrawn at any time. The full 10,000,000 revolving loan facility was drawn as of December 31, 2024 (2023 - 7,000,000).

The following table details the movements of the Company's bank debt balance for the years ended December 31, 2024 and 2023.

(000's)	**Term loan facility 1**	**Term loan facility 2**	**Revolving loan facility**	**Bank debt**
Balance, January 1, 2023	26,962	-	-	26,962
Advances	-	-	7,000	7,000
Repayments	(6,000)	-	-	(6,000)
Accretion	15	-	-	15
Balance, December 31, 2023	**20,977**	**-**	**7,000**	**27,977**
Advances, net of fees	**-**	**9,747**	**6,000**	**15,747**
Repayments	**(6,000)**	**-**	**(3,000)**	**(9,000)**
Accretion	**16**	**51**	**-**	**67**
Balance, December 31, 2024	**14,993**	**9,798**	**10,000**	**34,791**
Current	**6,000**	**1,250**	**-**	**7,250**
Non-current	**8,993**	**8,548**	**10,000**	**27,541**
Bank debt balance	**14,993**	**9,798**	**10,000**	**34,791**

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

Financial covenant description	Limit	Year ended December 31, 2024
Net senior funded debt(1) to trailing annual EBIDA(2)	3.00 times	**1.27**
Net senior funded debt to book value of equity(3)	0.70 times	**0.24**
Debt service coverage(4)	Minimum of 1.75 times	**2.23**

Notes:

(1) "Net senior funded debt" is defined in the Loan Agreement as all obligations for senior secured and unsecured borrowed money which bear interest less restricted and unrestricted cash balances. Lease liabilities are excluded from the calculation of net senior funded debt.

(2) "EBIDA" is defined in the Loan Agreement as earnings (loss) before interest expenses, all non-cash items including depreciation and impairments, and gains and losses attributable to extraordinary and non-recurring items.

(3) "Book value of equity" is defined in the Loan Agreement as shareholders' capital, contributed surplus and retained earnings or deficit excluding increases and decreases in retained earnings from E&E asset and PP&E impairments or reversals and excluding payments of dividends.

(4) "Debt service coverage" is defined in the Loan Agreement as the ratio of trailing annual EBIDA to the aggregate bank debt interest expense due for the future annual period and scheduled principal payments in respect of outstanding bank debt principal for the future annual period.

As at December 31, 2024, the Company was compliant with all covenants provided for in the Loan Agreement.

Pursuant to the Loan Agreement, Touchstone must at all times maintain a cash reserves balance of not less than the equivalent of two subsequent quarterly interest payments related to the term loan facilities. Accordingly, the Company classified 924,000 of cash as non-current restricted cash as at December 31, 2024 (2023 - 785,000).

14. Decommissioning Liabilities and Abandonment Fund

Touchstone's decommissioning liabilities were calculated by Management based on the Company's net ownership interest in all wells, pipelines and facilities, estimated costs to reclaim and abandon these wells, pipelines and facilities, and the estimated timing of the costs to be incurred in future periods. Payments to settle the obligations occur over the operating lives of the underlying assets forecasted to be from nine to sixteen years, with the majority of the costs estimated to be incurred subsequent to 2031. The liabilities are expected to be financed from the related abandonment funds and the Company's internal resources available at the time of settlement.

Pursuant to Heritage and MEEI production and exploration licences and agreements, the Company is obligated to remit payments into various abandonment funds based on production. Touchstone remits 0.25 per barrel equivalent of products sold, and the funds shall be used for the future abandonment of wells in the related licenced area. As at December 31, 2024, the Company classified 2,965,000 of accrued or paid fund contributions as non-current abandonment fund assets (2023 - 2,081,000).

The Company has estimated the net present value of the cash flows required to settle its decommissioning liabilities to be 9,985,000 at December 31, 2024 based on an inflation adjusted undiscounted future liability of 15,197,000 (2023 - 9,733,000 and 14,910,000, respectively). Decommissioning liabilities were estimated as at December 31, 2024 using a weighted average long-term risk-free rate of 5.5 percent and a long-term inflation rate of 1.9 percent (2023 - 5.3 percent and 2.1 percent, respectively). The following table summarizes the movements of Touchstone's estimated decommissioning liability provision during the years ended December 31, 2024 and 2023.

(000's)	**Year ended December 31,**	
	2024	2023
Balance, beginning of year	**9,733**	11,182
Liabilities incurred from development activities	**407**	480
Liabilities acquired (Note 8)	**130**	-
Liabilities settled	**(19)**	(18)
Accretion expense	**226**	257
Revisions to estimates	**(282)**	(317)
Dispositions (Notes 7 and 8)	**(166)**	(1,898)
Effect of change in foreign exchange rates	**(44)**	47
Balance, end of year	**9,985**	9,733

15. Shareholders' Capital

Issued and outstanding common shares

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

The following table summarizes changes in common shares outstanding and shareholders' capital for the years ended December 31, 2024 and 2023.

	Number of	Shareholders'

	Number of shares outstanding	Shareholders' capital (000's)
Balance, January 1, 2023	233,037,226	114,635
Issued under share-based compensation plans	1,175,500	330
Balance, December 31, 2023	**234,212,726**	**114,965**
Issued under share-based compensation plans	2,247,935	645
Balance, December 31, 2024	**236,460,661**	**115,610**

For the year ended December 31, 2024, a total of 2,247,935 stock options were exercised for total proceeds of 415,000 (2023 - 1,175,500 stock options were exercised for total proceeds of 210,000). 230,000 of contributed surplus related to the stock options exercised was transferred to shareholder's capital during the year ended December 31, 2024 (2023 - 120,000).

Weighted average common shares

The following table sets forth the details of weighted average common shares used in calculating net earnings (loss) per common share during the years ended December 31, 2024 and 2023.

	Year ended December 31, 2024	2023
Weighted average common shares outstanding - basic	**235,508,553**	233,487,066
Dilutive impact of share-based compensation plans	**983,561**	-
Weighted average common shares outstanding - diluted	**236,492,114**	233,487,066

For the year ended December 31, 2024, 9.7 million share-based compensation awards were excluded from the diluted weighted average shares calculation, as they were anti-dilutive (2023 - 10 million).

16. Petroleum and Natural Gas Sales

Touchstone derives its primary revenue from contracts with Trinidad government-owned entities through the transfer of commodities invoiced at the end of each month. The following table sets forth petroleum and natural gas sales by major product type for the years ended December 31, 2024 and 2023.

(000's)	Year ended December 31, 2024	2023
Crude oil	**30,317**	29,232
Natural gas liquids	**3,331**	5,434
Natural gas	**23,822**	13,432
Petroleum and natural gas sales	**57,470**	48,098

At December 31, 2024, accounts receivable from petroleum and natural gas sales were 4,334,000 related to December 2024 production (2023 - 6,424,000).

17. Net Finance Expense

(000's)	Year ended December 31, 2024	2023
Interest income	**(20)**	(58)
Finance lease interest income (Note 10)	**(26)**	(43)
Lease liability interest expense (Note 12)	**415**	287
Bank debt interest expense (Note 13)	**2,387**	2,221
Financing expense	**18**	114
Accretion on decommissioning liabilities (Note 14)	**226**	257
Other	**18**	(325)
Net finance expense	**3,018**	2,453

18. Transaction Expense

In connection with the terminated acquisition of Trinity Exploration and Production Plc, Touchstone incurred 1,957,000 in transaction expenses during the year ended December 31, 2024.

For the year ended December 31, 2024, Touchstone incurred 66,000 in transaction costs pursuant to the Company's proposed acquisition (refer to Note 27).

19. Share-based Compensation Plans

Touchstone has a stock option plan (the "Legacy Stock Option Plan") pursuant to which options to purchase common shares of the Company were granted by the Board to directors, officers and employees of Touchstone. Touchstone adopted an omnibus incentive compensation plan in June 2023 (the "Omnibus Plan") which replaced the Legacy Stock Option Plan and was adopted to allow the Company to grant stock options, RSUs and PSUs to directors, officers, employees and consultants. The aggregate number of common shares reserved for issuance under the Legacy Stock Option Plan and the Omnibus Plan at any time is limited to 10 percent of the Company's issued and outstanding common shares.

Stock option plans

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

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

The following table summarizes changes in outstanding stock options and the related weighted average exercise prices for the years ended December 31, 2024 and 2023.

	Number of stock options outstanding	Weighted average exercise price *(C)*
Issued and outstanding, January 1, 2023	11,928,435	1.00
Granted	3,644,000	1.15
Exercised	(1,175,500)	0.24
Forfeited	(69,000)	1.42
Issued and outstanding, December 31, 2023	**14,327,935**	**1.10**
Exercised	**(2,247,935)**	**0.25**
Forfeited	**(349,000)**	**1.52**
Issued and outstanding, December 31, 2024	**11,731,000**	**1.25**
Exercisable, December 31, 2024	**8,294,666**	**1.26**

The following table sets forth outstanding stock options and their weighted average remaining life as at December 31, 2024.

Range of exercise price per common share *(C)*	Number of stock options outstanding	Weighted average remaining term *(years)*	Number of stock options exercisable	Weighted average remaining term *(years)*
0.48	2,052,000	0.3	2,052,000	0.3
1.15 to 1.27	3,655,000	3.7	1,245,336	3.7
1.38 to 1.43	3,098,000	2.2	2,149,664	2.2
1.55 to 1.73	2,759,000	1.5	2,680,666	1.5
2.07	167,000	1.0	167,000	1.0
0.48 to 2.07	**11,731,000**	**2.2**	**8,294,666**	**1.7**

There were no stock options granted during the year ended December 31, 2024. The weighted average fair value of stock options granted under the Omnibus Plan during the year ended December 31, 2023 was C 0.55 per option as estimated on the date of each grant using the Black-Scholes option pricing model. The weighted average assumptions used in the Black-Scholes model to determine the fair value of the stock options granted for the year ended December 31, 2023 are set forth in the following table.

Assumption	**Year ended December 31, 2023**
Grant date share price *(C)*	1.15
Exercise price *(C)*	1.15
Risk-free interest rate *(percent)*	4.5
Expected life *(years)*	3.0
Volatility *(percent)*	69.0
Expected annual dividends *(C)*	-
Expected forfeiture rate *(percent)*	5.0

Long-term incentive plans

Share awards plan

On July 12, 2024, the Company issued 1,447,780 RSUs and 1,397,780 PSUs under its Omnibus Plan to executive officers and key employees. The RSUs vest one third on each of the next three anniversaries of the grant date and the number of share awards are fixed. The PSUs vest on July 12, 2027 and the number of share awards are variable. Each award may, in the Board's sole discretion, entitle the holder to be issued the number of Company common shares designated in the award or receive a payment in cash. If paid in cash, the plan participant will receive a cash payment based on the fair value of the underlying common shares on the applicable vesting date. PSUs are subject to a performance multiplier. This multiplier, ranging from zero to 1.75, will be applied to the original PSU awards granted on vesting and is dependent on the performance of the Company relative to predefined corporate performance measures set by the Board over the three-year vesting period.

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

Deferred share unit plan

The Company offers a DSU plan to non-employee directors. On July 12, 2024, the Company issued 977,332 DSUs to its non-employee directors. The DSUs fully vest on the grant date but are only available for redemption when the director ceases to be a member of the Board. Awards are settled in cash as determined by the value of the underlying common shares on the payment date and may be adjusted based on dividend equivalents from the grant date at the discretion of the Board. The fair value of the liability is determined based on the Company's closing common price on the financial reporting date in the statements of income.

The following table summarizes outstanding RSU, PSU and DSU awards for the years ended December 31, 2024 and 2023.

(number of awards)	**RSUs**	**PSUs**(1)	**DSUs**
Issued and outstanding, December 31, 2023	-	-	-
Granted	1,447,780	1,397,780	977,332
Issued and outstanding, December 31, 2024	**1,447,780**	**1,397,780**	**977,332**

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

Share-based compensation expense

The following table sets forth share-based compensation expense recorded in relation to issued awards pursuant to our share-based compensation plans for the years ended December 31, 2024 and 2023.

(000's)	**Year ended December 31, 2024**	2023
Equity-settled compensation (stock options)	**1,133**	1,381
Cash-settled compensation (RSUs, PSUs and DSUs)	**528**	-
Capitalized expense	**(72)**	(138)
Share-based compensation expense	**1,589**	1,243

Share-based compensation liabilities

The following table sets forth share-based compensation liabilities pursuant to our share awards and DSU compensation plans for the year ended December 31, 2024.

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

20. Other Expense

The Company filed an insurance claim relating to a crude oil spill that occurred in 2022. For the year ended December 31, 2023, Touchstone received aggregate insurance proceeds of 552,000 relating to the incident.

21. Income Taxes

The Trinidad statutory petroleum profit tax ("PPT") and unemployment levy for 2024 and 2023 were a combined rate of 55 percent of taxable income. The following table is a reconciliation of income tax (recovery) expense calculated by applying the applicable aggregate Trinidad statutory petroleum tax rate to net earnings (loss) before income tax expense.

(000's unless otherwise stated)	**Year ended December 31, 2024**	2023
Earnings (loss) before income tax expense	**6,028**	(12,713)
Trinidad statutory combined petroleum income tax rate	**55.0%**	55.0%
Expected income tax expense (recovery) at statutory income tax rates	**3,315**	(6,992)
Effect on income tax resulting from:		
Change in income tax assets not recognized	**(8,006)**	13,654
Income tax rate differential	**(1,684)**	428
Effect of change in foreign exchange rates and other	**4,131**	795
Income tax (recovery) expense	**(2,244)**	7,885

The Company's net deferred income tax liability relates to its Trinidad operational entities. The following table details the components of the net deferred income tax liability for the years ended December 31, 2024 and 2023.

(000's)	**December 31, 2024**	December 31, 2023
Deferred income tax liabilities		
PP&E in excess of income tax basis	**29,618**	31,273
Other	**67**	241
Deferred income tax assets		
Decommissioning liabilities	**(636)**	(683)
Lease liabilities	**(2,734)**	(1,747)
Non-capital losses	**(1,575)**	(304)
Intercompany interest	**(6,816)**	(7,347)
Net deferred income tax liability	**17,924**	21,433

The December 31, 2024 net deferred income tax liability decreased by 3,509,000 from December 31, 2023, with 104,000 and 3,405,000 of deferred income tax recoveries recognized though equity and comprehensive income, respectively (2023 - 97,000 and 6,779,000 of deferred income tax expense recognized through equity and comprehensive loss, respectively).

The following table sets forth the components of Touchstone's unrecognized deductible temporary differences as at December 31, 2024 and 2023.

(000's)	**December 31, 2024**	December 31, 2023
E&E assets	**(2,618)**	(3,686)
PP&E	**(26,817)**	(14,399)
Loss carry forwards	**122,531**	126,354
Decommissioning liabilities	**8,828**	10,390
Other	**2,435**	9,293
Unrecognized deductible temporary differences	**104,359**	127,952

The following table sets forth the Company's estimated income tax losses as at December 31, 2024 and 2023.

(000's)	**December 31, 2024**	December 31, 2023
Trinidad PPT losses	**44,178**	40,596
Trinidad corporate tax losses	**63**	440
Canada non-capital losses	**80,817**	85,458

Trinidadian PPT losses and corporate tax losses may be carried forward indefinitely to reduce the taxes in future years. PPT losses can only be utilized to shelter a maximum of 75 percent of income subject to PPT per annum. A deferred income tax asset has not been recognized with respect to PPT losses in the amount of 41,028,000 and Trinidad corporate income tax losses of 63,000 as it was not considered probable that the benefit of the respective losses would be realized at December 31, 2024 (2023 - 40,215,000 and 60,000, respectively). Similarly, the benefit of the Canadian non-capital losses was not recognized as at December 31, 2024 and 2023.

The following table is a continuity schedule of the Company's current income tax payable for the years ended December 31, 2024 and 2023.

(000's)	**Year ended December 31, 2024**	2023
Balance, beginning of year	**240**	1,014
Current income tax expense:		
Petroleum profit tax / unemployment levy	**7**	526
Supplemental petroleum tax	**-**	234
Corporate income tax / other	**1,154**	346
Income tax payments	**(1,399)**	(1,880)
Income tax receipts	**-**	-
Effect of change in foreign exchange rates	**4**	-
Balance, end of year	**6**	240

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

22. Financial Instruments and Market Risk Management

Financial instruments

As of December 31, 2024, the Company's financial instruments included cash, accounts receivable, restricted cash, finance lease receivable (included in other assets on the balance sheet), accounts payable and accrued liabilities, income taxes payable, lease liabilities and bank debt.

The carrying values of Touchstone's cash, accounts receivable, accounts payable and accrued liabilities and income taxes payable as of December 31, 2024 approximate their fair values due to the short-term nature of these instruments. There were no transfers between levels in the fair value hierarchy for the years ended December 31, 2024 and 2023.

Market risk management

The Company is exposed to certain financial and market risks inherent in the international oil and natural gas industry including, but not limited to, commodity price risk, foreign exchange rate risk, interest rate risk, equity price risk, credit risk (refer to Note 6) and liquidity risk (refer to Note 11). The risk exposures are proactively reviewed by Touchstone, and Management seeks to mitigate these risks through various business processes and controls. Management of cash flow variability is an integral component of the Company's business strategy. Changing business conditions are monitored regularly and, where material, reviewed with the Board to establish risk management guidelines to be used by Touchstone.

The following sensitivity analyses demonstrate the potential impact that a change in these market risk factors could have on the fair value of Touchstone's risk management contracts and subsequently the impact of comprehensive income. For the purposes of the sensitivity analyses, the effect of a variation in a particular variable is calculated independently of any change in another variable. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities. The assumptions made to derive the changes in the relevant risk variables in each sensitivity analysis are based on Management's assessment of reasonably possible changes that could occur at December 31, 2024. The results of the sensitivity analyses should not be considered to be predictive of future performance.

Commodity price risk

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

For the year ended December 31, 2024, with all other variables held constant, a 10 percent increase or decrease in the realized pricing received from crude oil and liquids production volumes would have resulted in an approximate 575,000 increase or 1,418,000 decrease in comprehensive income, based on the effects of supplemental petroleum profit taxes (2023 - 166,000 decrease and 2,415,000 decrease, respectively).

Foreign currency risk

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

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

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

For the year ended December 31, 2024, with all other variables held constant, a 5 percent change in the C to US and TT to US exchange rates would have resulted in an approximate 100,000 increase or decrease in comprehensive income (2023 - 193,000). A 5 percent increase or decrease in the foreign exchange rates applicable to TT , C and pounds sterling dollar-denominated receivables and payables would have resulted in an approximate 78,000 increase or decrease in comprehensive income for the year ended December 31, 2024 (2023 - 175,000).

Interest rate risk

Interest rate risk arises from changes in market interest rates that may affect comprehensive income and cash flows. The Company's term loan facility 2 and revolving loan facility are subject to interest rate risk given the applicable annual interest rates are reset on an annual basis based on the one-year term secured overnight financing rate. The current interest rates for the term loan facility 2 and the revolving facility are 7.49 percent and 7.23 percent, respectively.

For the year ended December 31, 2024, with all other variables held constant, a 50-basis point increase or decrease in the interest rates applicable to the Company's term loan facility 2 and revolving loan facility would have resulted in an approximate 32,000 decrease or increase in comprehensive income (2023 - 24,000).

Equity price risk

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

For the year ended December 31, 2024, with all other variables held constant, a C 0.05 increase or decrease in the Company's closing common share price would have resulted in an approximate 134,000 decrease or increase in comprehensive income. The Company had no cash-settled awards outstanding as at and during the year ended December 31, 2023.

23. Capital Management

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

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

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

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

Touchstone's internal capital management calculations for years ended December 31, 2024 and 2023 are set forth in the following table.

(000's)	**Target measure**	**December 31, 2024**	December 31, 2023
Current assets		**(22,151)**	(22,570)
Current liabilities		**23,510**	30,151
Working capital deficit		**1,359**	7,581
Principal balance of non-current bank debt		**27,750**	15,000
Net debt		**29,109**	22,581
Shareholders' equity		**68,828**	59,766
Managed capital		**97,937**	82,347
Annual funds flow from operations		**16,748**	13,730
Net debt to funds flow from operations ratio	At or < 2.0 times	**1.74**	1.64
Net debt to managed capital ratio	< 0.4 times	**0.30**	0.27

Working capital, net debt, managed capital, net debt to funds flow from operations ratio and net debt to managed capital ratio are considered non-IFRS capital management measures and ratios and therefore may not be comparable to calculations of similar measures presented by other entities.

24. Commitments and Contingencies

Touchstone has contractual obligations in the normal course of business which include minimum work obligations under various operating agreements with Heritage, exploration commitments pursuant to its exploration and production licences with the MEEI, and various lease commitments (refer to Note 12). The following table sets forth the Company's estimated minimum contractual payments as at December 31, 2024.

(000's)	Total	Estimated payments due by year			
		2025	**2026**	**2027**	**Thereafter**
Operating agreements	**19,506**	8,664	1,838	4,762	4,242
Exploration agreements	**61,186**	1,762	11,716	11,920	35,788
Other commitments	**530**	252	187	73	18
Minimum payments	**81,222**	**10,678**	**13,741**	**16,755**	**40,048**

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

As of December 31, 2024, Touchstone is obligated to drill an aggregate ten exploration wells on its exploration properties through 2029.

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

25. Related Parties

Touchstone has determined that the key management personnel of the Company is comprised of its directors and executive officers. The compensation of directors and executive officers is reviewed annually by the Board's independent Governance and Compensation Committee against industry practice for petroleum and natural gas companies of similar size and scope. The following table sets forth key management personnel compensation paid or payable during the years ended December 31, 2024 and 2023.

(000's)	Year ended December 31,	
	2024	2023
Salaries and benefits included in general and administration expense	**1,517**	1,244
Director fees included in general and administration expense	**405**	381
Share-based compensation expense (Note 19)	**1,177**	886
Capitalized salaries, benefits and share-based compensation	**44**	107
Key management compensation	**3,143**	2,618

The Company's Chief Executive Officer, Chief Financial Officer and its Trinidad-based director serve as independent board members of a separate Trinidad charitable entity established by Touchstone. For the year ended December 31, 2024, the Company donated 30,000 to the charitable entity (2023 - 16,000).

26. Supplemental Disclosures

Presentation in the statements of income

Touchstone's statements of income are prepared primarily by nature of item, with the exception of employee compensation expense which is included in both operating expense and general and administration expense line items. The following table details the amount of employee compensation expense included in operating and general and administration expense line items in the statements of income for the years ended December 31, 2024 and 2023.

(000's)	Year ended December 31,	
	2024	2023
Operating expense	**1,718**	1,282
General and administration expense	**4,484**	4,552
Employee compensation expense	**6,202**	5,834

Presentation in the statements of cash flows

The following tables provide a breakdown of certain line items contained within the consolidated statements of cash flows.

Net change in non-cash working capital *(000's)*	Year ended December 31,	
	2024	2023
Source (use) of cash:		
Accounts receivable	**(953)**	(5,365)
Inventory	**6**	38
Prepaid expenses	**(753)**	578
Accounts payable and accrued liabilities	**1,241**	2,276
Income taxes payable	**(234)**	(774)
Transfer from (to) other assets	**106**	(22)
Transfer (from) to non-current other liabilities	**(383)**	836
Transfer from non-current lease liabilities	**(25)**	(557)
Foreign exchange on working capital balances	**498**	58
Net change in non-cash working capital	**(497)**	(2,932)
Related to:		
Operating activities	**(3,567)**	(987)
Investing activities	**2,964**	(1,790)
Financing activities	**106**	(155)

Net change in non-cash working capital *(000's)*	Year ended December 31, **2024**	2023
Financing activities	**106**	(135)
Net change in non-cash working capital	**(407)**	(2,932)

Other non-cash items *(000's)*	Year ended December 31, **2024**	2023
Lease modification (Note 10)	**(50)**	-
Accretion on bank debt (Note 13)	**67**	15
Accretion on decommissioning liabilities (Note 14)	**226**	257
Other	**-**	(352)
Other non-cash items	**243**	(80)

27. Subsequent Events

Proposed Acquisition

On December 12, 2024, the Company's wholly owned Trinidadian subsidiary signed a share purchase agreement to acquire 100 percent of a Trinidad private entity (the "Proposed Acquisition") from a third party. The entity holds a 65 percent operating working interest in the onshore Central Block exploration and production licence, as well as a gas processing plant in Trinidad, with Heritage holding the remaining 35 percent working interest.

Under the terms of the Proposed Acquisition, Touchstone will pay 23 million consideration in cash prior to adjustments for closing cash and abandonment fund balances. The Proposed Acquisition is contingent on customary regulatory approvals and conditions precedent, including securing the necessary funding. The Proposed Acquisition is effective January 1, 2025, and is expected to close in the second quarter of 2025.

As of the date hereof, the Company does not have sufficient information to disclose a preliminary purchase price allocation.

To finance the Proposed Acquisition, Touchstone and its lender are negotiating a binding term sheet providing for two additional six-year term loan facilities totalling 38.2 million. As of the date hereof, the lender is drafting a Fourth Amended and Restated Loan Agreement along with related security documents. Once finalized, the additional borrowing capacity is expected to take effect upon closing of the Proposed Acquisition.