

TOUCHSTONE EXPLORATION ANNOUNCES SECOND QUARTER 2025 RESULTS

CALGARY, ALBERTA (August 14, 2025) - Touchstone Exploration Inc. ("Touchstone", "we", "our" or the "Company") (TSX, LSE: TXP) reports its financial and operating results for the three and six months ended June 30, 2025. Selected financial information is outlined below and should be read in conjunction with Touchstone's June 30, 2025 unaudited interim condensed consolidated financial statements and related Management's discussion and analysis, both of which are available online 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.

Second Quarter 2025 Highlights

- **Strategic Acquisition:** Completed the acquisition of Shell Trinidad Central Block Limited, adding approximately 1,910 boe/d of liquids-rich natural gas production and providing access to global LNG pricing.
- **Production:** Averaged 4,399 boe/d in the second quarter of 2025 (69 percent natural gas), compared to 4,317 boe/d (72 percent natural gas) in the first quarter of 2025 and 5,432 boe/d (77 percent natural gas) in the second quarter of 2024. Second quarter 2025 volumes include approximately 1.5 months of production from the Central block acquisition, which contributed approximately 1,910 boe/d over the post-acquisition period.
- **Petroleum and Natural Gas Sales:** Totaled 11.01 million, a 22 percent decrease from 14.1 million recorded in the comparative prior year quarter.
 - Crude oil sales: 6.08 million from average production of 1,142 bbls/d at an average realized price of 58.52 per barrel.
 - NGL sales: 0.68 million from average production volumes of 210 bbls/d at an average realized price of 35.40 per barrel.
 - Natural gas sales: 4.25 million from average production of 18.3 MMcf/d (3,047 boe/d) at an average realized price of 2.55 per Mcf.
- **Operating Netback:** Generated 5.04 million in operating netback, a 38 percent decrease from the second quarter of 2024, primarily due to decreased petroleum and natural gas sales and related royalties and increased natural gas related operating expenses.
- **Funds Flow from Operations:** Declined to 1.43 million from 3.97 million in the prior year equivalent quarter, largely driven by lower operating netbacks and increased cash finance expenses, partially offset by lower current income tax.
- **Net Loss:** Recorded a net loss of 0.71 million (0.00 per share) compared to net earnings of 3.34 million (0.01 per share) in the second quarter of 2024. The variance was primarily driven by the decrease in year-over-year funds flow from operations and a 1.5 million gain on asset disposition recorded in the prior year.
- **Capital Investments:** Invested 4.66 million, primarily directed toward the drilling of the Cascadura-5 development well.
- **Private Placement:** Raised net proceeds of 5.22 million in the quarter from the issuance of 24,636,585 common shares at 20.5 pence sterling (approximately C 0.38) per share.
- **Financial Position:** Net debt increased to 63.89 million at June 30, 2025, reflecting the close of the Central block acquisition which was funded by an additional 30 million term loan facility.

Post Period-end Highlights

- **Convertible Debenture Offering:** On August 13, 2025, the Company closed a 12.5 million private placement of convertible debentures and common share purchase warrants (the "Offering") with a Canadian private investor. Net proceeds will fund the remaining 2025 Cascadura development drilling program and reduce outstanding accounts payable. The Company has received written confirmation from its lender that

reduce outstanding accounts payable. The Company has received written confirmation from its lender that the Offering proceeds satisfy an equivalent portion of the equity raise requirement under its Fourth Amended and Restated Loan Agreement (the "Loan Agreement").

- **Production Update:** July 2025 field-estimated production averaged 5,281 boe/d, up 3.8 percent from 5,088 boe/d in June. Estimated volumes included 22.3 MMcf/d of net natural gas production (3,717 boe/d) and 1,564 bbls/d of net crude oil and liquids production.

Second Quarter 2025 Financial and Operating Results Overview

	Three months ended June 30, 2024	% change	Six months ended June 30, 2024	% change		
	2025		2025			
Operational						
Average daily production						
Crude oil ⁽¹⁾ (bbls/d)	1,142	1,158	(1)	1,152	1,162	(1)
NGLs ⁽¹⁾ (bbls/d)	210	101	100	125	181	(31)
Crude oil and liquids ⁽¹⁾ (bbls/d)	1,352	1,259	7	1,277	1,343	(5)
Natural gas ⁽¹⁾ (Mcf/d)	18,282	25,036	(27)	18,489	29,279	(37)
Average daily production (boe/d) ⁽²⁾	4,399	5,432	(19)	4,359	6,223	(30)
Production mix (% of production)						
Crude oil and liquids ⁽¹⁾	31	23		29	22	
Natural gas ⁽¹⁾	69	77		71	78	
Average realized prices ⁽³⁾						
Crude oil ⁽¹⁾ (/bbl)	58.52	73.62	(21)	61.20	71.78	(15)
NGLs ⁽¹⁾ (/bbl)	35.40	73.86	(52)	39.80	70.78	(44)
Crude oil and liquids ⁽¹⁾ (/bbl)	54.93	73.64	(25)	59.11	71.64	(17)
Natural gas ⁽¹⁾ (/Mcf)	2.55	2.48	3	2.53	2.47	2
Realized commodity price (/boe) ⁽²⁾	27.50	28.50	(4)	28.04	27.08	4
Operating netback (/boe) ⁽²⁾						
Realized commodity price ⁽³⁾	27.50	28.50	(4)	28.04	27.08	4
Royalty expense ⁽³⁾	(6.63)	(7.25)	(9)	(6.94)	(6.41)	8
Operating expense ⁽³⁾	(8.28)	(4.81)	72	(6.92)	(4.26)	62
Operating netback ⁽³⁾	12.59	16.44	(23)	14.18	16.41	(14)
Financial						
(000's except per share amounts)						
Petroleum and natural gas sales	11,007	14,090	(22)	22,120	30,674	(28)
Cash (used in) from operating activities	(234)	3,383	n/a	5,377	8,752	(39)
Funds flow from operations	1,433	3,968	(64)	4,013	10,110	(60)
Net (loss) earnings	(710)	3,339	n/a	(669)	6,967	n/a
Per share - basic and diluted	(0.00)	0.01	n/a	(0.00)	0.03	n/a
Capital expenditures ⁽³⁾	4,659	5,543	(16)	11,332	17,505	(35)
Acquisition expenditure	28,400	-	n/a	28,400	-	n/a
Working capital deficit ⁽³⁾				11,816	2,674	100
Principal long-term bank debt				52,071	26,000	100
Net debt ⁽³⁾ - end of period				63,887	28,674	100
Share Information (000's)						
Weighted avg. shares outstanding:						
Basic	248,644	234,959	6	242,586	234,586	3
Diluted	248,644	236,364	5	242,586	236,451	3
Outstanding shares - end of period				261,097	236,307	10

Notes:

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

(2) Refer to "Advisories - Oil and Natural Gas Measures" for further information.

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

2025 Outlook and Guidance

On December 9, 2024, the Company released its preliminary 2025 operational and financial guidance (the "Original Guidance"). Following the closing of the Central block acquisition in May 2025, Touchstone has updated its 2025 guidance as summarized in the following table.

Annual Guidance Summary ⁽¹⁾	Updated Guidance	Original Guidance ⁽²⁾	Variance	
			Amount	%
Capital expenditures ⁽³⁾ (000's)	28,000	23,000	5,000	22

Capital expenditures (000's)	Updated Guidance	Original Guidance	Variance	
Annual Guidance Summary ⁽¹⁾	Amount	Amount	Amount	(20%)
Average daily production (boe/d)	5,300	6,000		
% natural gas	74%	77%	(3)	
% crude oil and liquids	26%	23%	3	
Funds flow from operations ⁽⁴⁾ (000's)	11,000	22,000	(11,000)	(50)
Net debt - end of year ⁽³⁾⁽⁴⁾ (000's)	64,000	30,000	34,000	113

Notes:

(1) Forward-looking statement and financial outlook information based on Management's current estimates. Refer to "Advisories - Forward-Looking Statements".

(2) As previously announced on December 9, 2024.

(3) Specified or supplementary Non-GAAP financial measure. Refer to "Advisories - Non-GAAP Financial Measures".

(4) Based on the midpoint of the average production forecast: updated - 5,600 boe/d; original - 7,000 boe/d.

The Company remains focused on capital discipline and maximizing value from its core development and exploration assets. The near-term strategy prioritizes enhancing operating cash flows through disciplined development drilling and the execution of targeted projects.

The Company now plans to fund its 2025 capital program primarily through proceeds from the May private placement and the 12.5 million Offering, supplemented by an additional equity financing of approximately 7.3 million, expected to close before the end of 2025, to satisfy obligations under the Loan Agreement. This approach replaces the original plan to fund the program through expanded credit facilities, which were utilized to finance the Acquisition.

The preliminary 2025 capital program contemplated four Cascadura development wells at Cascadura. The updated program replaces two of these wells with one development well on the Central block and two development wells at the WD-8 property. In addition, approximately 2.6 million in capital expenditures are expected in the second half of 2025 for a Cascadura facility compression project, scheduled for completion in the second quarter of 2026.

As a result of the Acquisition and the deferral of the initial Cascadura wells, the midpoint of the 2025 production forecast has been reduced by approximately 20 percent, and expected funds flow from operations has decreased by 50 percent. Forecast year-end net debt is expected to increase by 113 percent, primarily reflecting the 30 million term loan facility used to finance the Acquisition and proceeds from the Offering to support development activities.

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

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", "believe", "estimate", "potential", "anticipate", "forecast", "pursue", "aim", "intends", 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; field estimated production; the Company's intended use of proceeds of the Offering; the focus of Touchstone's remaining 2025 capital plan, including pursuing developmental drilling activities and optimizing existing natural gas and liquids infrastructure capacity; anticipated 2025 annual average production by commodity; forecasted production decline rates; anticipated developmental drilling activities

average production by commodity, forecasted production decline rates, anticipated development drilling activities, including locations, the timing thereof and related production and cash flows therefrom; anticipated 2025 capital expenditures including estimations of costs and inflation incorporated therein; anticipated timing of drilling and completion activities, well tie-in operations and production coming online; forecasted future commodity prices; forecasted royalty, operating, general and administration, cash finance and income tax expenses; anticipated funds flow from operations and net debt; 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 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 online 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.

This announcement contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Touchstone's prospective results of operations and production included in its updated 2025 guidance, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the paragraphs above. The FOFI contained in this announcement was approved by Management as of the date of this announcement and was provided for the purpose of providing further information about Touchstone's future business operations. This information has been provided for illustration only and, with respect to future periods, is based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate for other purposes. Touchstone and its Management believe that FOFI has been prepared on a reasonable basis, reflecting Management's best estimates and judgments, and represents, to the best of Management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results. Touchstone disclaims any intention or obligation to update or revise any FOFI contained herein, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained herein should not be used for purposes other than for which it is disclosed herein, and the FOFI contained herein is not conclusive and is subject to change. Variations in forecasted commodity prices, differences in the amount and timing of capital expenditures, and variances in average production estimates and decline rates can have a significant impact on the key performance measures included in the guidance disclosed herein. Management does not have firm commitments for all of the costs, expenditures, prices or other financial assumptions used to prepare the financial outlook or assurance that such operating results will be achieved and, accordingly, the complete financial effects of the forecasted costs, expenditures, prices and operating results are not objectively determinable. The actual results of the Company's operations and the resulting financial results will vary from the amounts set forth in this announcement and such variations may be material.

Assumptions for Updated 2025 Guidance

The updated 2025 capital budget and financial guidance is predicated on the Company securing an additional 7.3 million in equity financing as required under the terms of its Fourth Amended and Restated Loan Agreement. There is no assurance that the Company will successfully raise the additional equity, either in the amount or within the timeframe envisioned by Management. Consequently, the updated 2025 budget and guidance disclosed herein are subject to potential revision, and such revisions could be material.

Production estimates contained herein are expressed as anticipated average production over the calendar 2025 year. All production volumes disclosed herein are based on Company working interest before royalty burdens. In determining anticipated 2025 production, Touchstone considered historical drilling, completion, production results and decline rates for prior years and the year-to-date 2025 period and considered the estimated impact on production of the Company's remaining 2025 expected drilling and completion activities.

The key assumptions underpinning the forecast for average daily production, funds flow from operations, and net debt are outlined below. These metrics are based on the midpoint of the updated 2025 average production guidance of 5,600 boe/d (formerly 7,000 boe/d).

Annual Production Guidance ⁽¹⁾	Units	Updated Guidance	Previous Guidance ⁽²⁾	Variance	
				Amount	%
Midpoint average daily production					
Light and medium crude oil	bbls/d	1,097	1,092	5	-
Heavy crude oil	bbls/d	33	8	25	100
Crude oil	bbls/d	1,130	1,100	30	3
Condensate	bbls/d	160	510	(350)	(69)
Other NGLs		160	-	160	n/a
Crude oil and liquids	bbls/d	1,450	1,610	160	(10)

Conventional natural gas	Mcf/d	24,900	22,300	(7,400)	(23)
Unconventional natural gas production	boe/d	5,600	7,000	(1,400)	(20)
Annual Financial Guidance⁽¹⁾					
	Units	Updated Guidance	Previous Guidance⁽²⁾	Variance Amount	%
Realized commodity price ⁽³⁾	/boe	26.80	25.00	1.80	7
Expenses					
Royalties as a % of petroleum and natural gas sales ⁽³⁾	%	22	21	1	5
Operating expenses ⁽³⁾	/boe	6.80	4.30	2.50	58
General and administration expenses ⁽³⁾	/boe	5.20	4.40	0.80	18
Cash finance expenses ⁽³⁾	/boe	2.50	1.20	1.30	100
Current income tax expenses ⁽³⁾	/boe	0.80	1.10	(0.30)	(27)

Notes:

(1) Forward-looking statement representing Management estimates. See "Advisories - Forward-looking Statements".

(2) As previously announced on December 9, 2024.

(3) Non-GAAP financial measure. See the "Advisories - Non-GAAP Financial Measures" section herein for further information.

Variations in the amount of future equity raises, forecasted commodity prices, differences in the amount and timing of capital expenditures, and variances in average production estimates and decline rates can have a significant impact on the key performance measures included in the guidance disclosed herein. The actual results of the Company's operations and the resulting financial results will vary from the amounts set forth in this announcement and such variations may be material.

Using the midpoint of the Company's updated production guidance and holding all other assumptions constant, a 20 percent increase (decrease) in forecasted average commodity prices realized would increase funds flow from operations by approximately 2,500,000 (decrease by 2,100,000). Assuming capital expenditures are unchanged, the impact on funds flow from operations is estimated to result in an equivalent decrease (increase) in forecasted year end 2025 net debt.

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 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.

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.

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

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

General and administration expense per boe - is comprised of general and administration expense as determined in accordance with IFRS, divided by the Company's total production volumes for the period.

Cash finance expense per boe - is comprised of cash finance expense divided by the Company's total production volumes for the period. Cash finance expenses are calculated as net finance expense as determined in accordance with IFRS, less accretion on bank debt, accretion on decommissioning obligations, and lease modifications, all of which are non-cash in nature.

Current income tax expense per boe - is comprised of current income tax expenses 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 and six months ended June 30, 2025 accompanying our June 30, 2025 unaudited interim condensed consolidated financial statements, both of which are available online under the Company's profile on SEDAR+ (www.sedarplus.ca) and on the Company's website (www.touchstoneexploration.com). Touchstone's Management's discussion and analysis is incorporated by reference herein and 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 propane; 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 field estimated production for July 2025 consists 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)	Condensate (bbls/d)	Other Natural Gas Liquids (bbls/d)	Conventional Natural Gas (M cf/d)	Total Oil Equivalent (boe/d)
July 2025 (estimated)	1,073	66	155	269	22,301	5,281

For further information regarding specific product disclosures in accordance with NI 51-101, please refer to the "Advisories - Product Type Disclosures" section of the Company's most recent Management's discussion and analysis for the three and six months ended June 30, 2025 accompanying our June 30, 2025 unaudited interim condensed consolidated financial statements, both of which are available online under the Company's profile on SEDAR+ (www.sedarplus.ca) and on the Company's website (www.touchstoneexploration.com).

Abbreviations

The following abbreviations may be referenced in this announcement:

bbl(s)	barrel(s)
bbls/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
MMcf	million cubic feet
MMcf/d	million cubic feet per day
MMBtu	million British thermal units
NGLs	natural gas liquids
LNG	liquefied natural gas

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

As at	Note	June 30, 2025	December 31, 2024
Assets			
Current assets			
Cash		6,340	6,744
Accounts receivable	3	26,668	13,805
Value added tax bonds	4	2,960	-
Inventory		103	85
Prepaid expenses		977	1,517
		37,048	22,151
Exploration and evaluation assets	6	4,571	3,743
Property, plant and equipment	7	175,276	122,382
Restricted cash	10	2,758	924
Other assets		36	108
Abandonment fund	11	9,319	2,965
Total assets		229,008	152,273
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	30,329	16,254
Acquisition consideration payable	3,5	8,524	-
Income taxes payable	17	82	6
Current portion of bank debt	10	9,929	7,250
		48,864	23,510
Lease liabilities	9	3,733	4,368
Bank debt	10	51,660	27,541
Decommissioning liabilities	11	14,812	9,985
Share-based compensation liabilities	16	162	117
Deferred income taxes	17	35,863	17,924
Total liabilities		155,094	83,445
Shareholders' equity			
Shareholders' capital	12	120,831	115,610
Contributed surplus		7,218	7,069
Other comprehensive loss		(13,497)	(13,882)
Deficit		(40,638)	(39,969)
Total shareholders' equity		73,914	68,828

Total shareholders' equity	18,917	30,020
Total liabilities and shareholders' equity	229,008	152,273

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

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

Touchstone Exploration Inc.

Interim Condensed Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)

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

		Three months ended June 30,		Six months ended June 30,	
	Note	2025	2024	2025	2024
Revenue					
Petroleum and natural gas sales	13	11,007	14,090	22,120	30,674
Less: royalties		(2,653)	(3,585)	(5,471)	(7,262)
Petroleum and natural gas sales, net of royalties		8,354	10,505	16,649	23,412
Other revenue		22	34	35	52
Total revenue		8,376	10,539	16,684	23,464
Expenses					
Operating		3,314	2,378	5,458	4,822
General and administration		2,360	2,608	4,850	4,974
Net finance	14	1,513	761	2,332	1,440
Transaction	15	166	840	302	1,220
Exploration		13	76	24	170
Gain on asset dispositions		-	(1,535)	-	(1,535)
Foreign exchange gain	18	(113)	(122)	(164)	(69)
Share-based compensation	16	(83)	309	81	710
Depletion and depreciation	7	2,650	1,782	5,076	4,034
Impairment (reversal)	6,7	-	(22)	-	502
Total expenses		9,820	7,075	17,959	16,268
(Loss) earnings before income taxes		(1,444)	3,464	(1,275)	7,196
Provision for income taxes					
Current expense	17	170	75	337	919
Deferred (recovery) expense	17	(904)	50	(943)	(690)
Total income tax (recovery) expense		(734)	125	(606)	229
Net (loss) earnings		(710)	3,339	(669)	6,967
Currency translation adjustments		239	142	385	(155)
Comprehensive (loss) income		(471)	3,481	(284)	6,812
Net (loss) earnings per common share					
Basic and diluted	12	(0.00)	0.01	(0.00)	0.03

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

Touchstone Exploration Inc.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

For the six months ended June 30

Unaudited, stated in thousands of United States dollars

	Note	2025	2024
Shareholders' capital			
Balance, beginning of period		115,610	114,965
Issued pursuant to private placement, net of fees	12	5,221	-
Issued under share-based compensation plans	12	-	561
Balance, end of period		120,831	115,526
Contributed surplus			
Balance, beginning of period		7,069	6,166
Recognized under share-based compensation plans	16	-	(200)
Share-based compensation expense	16	137	710
Share-based compensation capitalized	7	12	26
Balance, end of period		7,218	6,702

Other comprehensive loss

Balance, beginning of period	(13,882)	(13,124)
Currency translation adjustments	385	(155)
Balance, end of period	(13,497)	(13,279)
Deficit		
Balance, beginning of period	(39,969)	(48,241)
Net (loss) earnings	(669)	6,967
Balance, end of period	(40,638)	(41,274)

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

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

		Three months ended June 30,		Six months ended June 30,	
	Note	2025	2024	2025	2024
Operating activities					
Net (loss) earnings		(710)	3,339	(669)	6,967
Items not involving cash from operations:					
Gain on asset dispositions		-	(1,535)	-	(1,535)
Unrealized foreign exchange gain	18	(1)	(23)	(61)	(3)
Share-based compensation expense	16	(83)	309	81	710
Depletion and depreciation expense	7	2,650	1,782	5,076	4,034
Impairment (reversal) expense	6,7	-	(22)	-	502
Non-cash finance expense	14	481	68	529	125
Deferred income tax (recovery) expense	17	(904)	50	(943)	(690)
Funds flow from operations		1,433	3,968	4,013	10,110
Net change in non-cash working capital		(1,667)	(585)	1,364	(1,358)
Cash (used in) from operating activities		(234)	3,383	5,377	8,752
Investing activities					
Exploration and evaluation expenditures	6	(395)	(60)	(818)	(168)
Property, plant and equipment expenditures	7	(4,264)	(5,483)	(10,514)	(17,337)
Acquisition expenditures	5	(28,400)	-	(28,400)	-
Abandonment fund expenditures	11	(145)	(226)	(320)	(527)
Net change in non-cash working capital		3,186	(5,297)	5,278	4,951
Cash used in investing activities		(30,018)	(11,066)	(34,774)	(13,081)
Financing activities					
Changes in restricted cash	10	(1,901)	(316)	(1,834)	(257)
Advances of bank debt, net of fees	10	29,423	9,747	29,423	9,747
Repayment of bank debt	10	(1,500)	(4,500)	(3,000)	(6,000)
Net finance lease payments	9	(250)	(125)	(757)	(754)
Issuance of common shares, net of fees	12	5,221	361	5,221	361
Net change in non-cash working capital		(40)	3	21	(7)
Cash from financing activities		30,953	5,170	29,074	3,090
Change in cash during the period		701	(2,513)	(323)	(1,239)
Cash, beginning of period		5,718	9,537	6,744	8,186
Impact of foreign exchange on foreign denominated cash balances		(79)	(34)	(81)	43
Cash, end of period		6,340	6,990	6,340	6,990
Supplementary information for cash from operating activities:					
Interest paid in cash	10	601	615	1,264	1,155
Income taxes paid in cash	17	88	448	208	806

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

1. Nature of Business

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

Touchstone Exploration Inc. is incorporated under the laws of Alberta, Canada with its head and

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 the terms of its Fourth Amended and Restated Loan Agreement (the "Loan Agreement"), the Company is required to comply with three financial covenants assessed annually. Based on current forecasts, the Company anticipates a potential breach of the net senior funded debt to trailing annual EBIDA ratio due to the 12.5 million convertible debenture offering that closed on August 13, 2025 (refer to Note 21). Such a breach could result in the Company's outstanding bank debt balance becoming immediately due and payable. While no waiver has been obtained as at the date of these financial statements, the Company intends to seek a waiver from the lender prior to the December 31, 2025 covenant measurement date.

The Loan Agreement also requires the Company to raise an additional 7.3 million in equity proceeds on or before December 31, 2025 to maintain compliance (refer to Note 10).

There can be no assurance that a covenant waiver will be obtained or that the required equity financing will be completed. Failure to achieve either outcome 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.

2. Basis of Preparation

Statement of compliance

These unaudited interim condensed consolidated financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" using accounting policies consistent with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS"). These financial statements are condensed as they do not include all the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2024 (the "2024 audited financial statements").

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

These financial statements have been prepared on a historical cost basis. All accounting policies and methods of computation followed in the preparation of these financial statements are consistent with those of the 2024 audited financial statements.

These financial statements were approved and authorized for issuance by Touchstone's Board of Directors (the "Board") on August 13, 2025.

Use of estimates, judgements and assumptions

The timely preparation of financial statements requires Management to use judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingencies at the date of the financial statements, and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimated.

In preparing these financial statements, the judgments made by Management in applying the Company's accounting policies and the key sources of significant estimation uncertainty were the same as those applied to the 2024 audited financial statements.

3. Financial Assets and Credit Risk

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

Petroleum and natural gas sales are generally collected within one to two months following

production. As at June 30, 2025, approximately 29 percent of the Company's credit exposure was attributed to accrued revenue for May and June 2025 production volumes. Joint interest billings are typically settled within one to three months following invoicing. The following tables summarize the composition and aging of Touchstone's accounts receivable balance as of the periods indicated, representing the Company's maximum credit risk exposure.

('000's)	June 30, 2025	December 31, 2024
Composition		
Petroleum and natural gas sales	7,819	4,334
Joint interest billings	1,789	806
VAT	6,700	7,678
Other	1,836	987
Amount to be remitted pursuant to business combination (Note 5)	8,524	-
Accounts receivable balance	26,668	13,805
Aging		
Current (less than 30 days)	10,700	6,045
31-60 days	2,005	539
61-90 days	381	556
Past due (greater than 90 days)	5,058	6,665
Subtotal	18,144	13,805
Amount to be remitted pursuant to business combination (Note 5)	8,524	-
Accounts receivable balance	26,668	13,805

As at June 30, 2025, Touchstone determined that the average expected credit loss on its accounts receivable was nil. Management considers past due balances to be fully recoverable, as they primarily represent VAT receivable from the Government of Trinidad and Tobago. While the timing of recovery remains uncertain, the Company has not experienced any historical collection issues. During the six months ended June 30, 2025, the Company collected 724,000 of previously past due VAT receivable and received 2,960,000 in government-issued bonds in lieu of VAT payments (refer to Note 4).

In connection with the business combination (refer Note 5), the Company recognized 8,524,000 in accounts receivables relating to VAT and income tax receivable from the Government of Trinidad and Tobago. In accordance with the share purchase agreement, these funds are only to be remitted to the seller upon collection. A corresponding liability was recorded as an acquisition consideration payable. As a result, the Company does not bear any credit risk in respect of these receivable balances.

4. Value Added Tax Bonds

On January 31, 2025, the Government of Trinidad and Tobago issued fixed-rate bonds totaling 2,960,000 to two of the Company's Trinidadian subsidiaries in settlement of outstanding VAT receivables. The bonds bear interest at a fixed rate of 4.01 percent and have a three-year maturity term. The bonds are subject to a six-month non-transferability restriction from the date of issuance.

5. Business Combination

On May 16, 2025, the Company, through its wholly owned Trinidadian subsidiary, completed the acquisition of 100 percent of the share capital of a Shell Trinidad Central Block Limited, a private Trinidad-based company (the "Acquisition") for preliminary cash consideration of 28,400,000. The Company financed the acquisition with an additional 30 million six-year term loan facility (refer to Note 10).

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

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

The determination of fair value is estimated based on information available at the date of the Acquisition and requires Management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of property, plant and equipment ("PP&E") generally require significant judgment and include forward price estimates of petroleum and natural gas, volume of proved plus probable reserves and associated assumptions, including future production costs, required capital investments, reserve life and discount rate. Assumptions are also required to determine the fair value of the decommissioning liabilities associated with the assets and other deferred liabilities. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the

amounts assigned to assets and liabilities. Future comprehensive income or loss will be affected as the fair value on initial recognition impacts future depletion and depreciation expenses and non-financial asset impairment expenses or reversals.

The Company estimated the fair value of petroleum and natural gas development assets acquired as at the acquisition date using proved plus probable petroleum and natural gas reserves derived from an independent third-party reserve evaluation. The independent qualified reserves evaluator provided estimates of the acquired proved plus probable petroleum and natural gas reserves, which were used to calculate associated future cash flows. These cash flows were discounted at an after-tax rate of 31 percent to reflect acquisition-date market participant assumptions. The fair value of the associated decommissioning liabilities was initially determined using a credit-adjusted risk-free rate of 14 percent.

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

Consideration	(000's)
Cash consideration paid	28,400
Consideration payable (Note 3)	8,524
Total consideration paid	36,924
Net assets acquired	
Accounts receivable	5,278
Accounts receivable to be remitted to seller (Note 3)	8,524
Inventory	60
Petroleum and natural gas development assets (Note 7)	44,683
Abandonment fund (Note 11)	6,009
Accounts payable and accrued liabilities	(6,365)
Decommissioning liabilities (Note 11)	(2,468)
Deferred income tax liability (Note 17)	(18,797)
Total identifiable net assets acquired	36,924

The results of operations from the Acquisition have been included in the financial statements effective May 16, 2025. From the acquisition date to June 30, 2025, the acquired operations contributed petroleum and natural gas sales of 1,702,000 and a net loss of 95,000.

Had the Acquisition closed on January 1, 2025, Management estimates that the acquired operations would have contributed approximately 9,156,000 in petroleum and natural gas sales and an estimated net loss of 348,000 for the six months ended June 30, 2025. These amounts are based on unaudited financial information prepared by the acquiree and do not reflect any potential synergies, integration costs, or other adjustments that could arise from combining the operations.

The following table summarizes the estimated minimum contractual payments acquired from the Acquisition as at June 30, 2025, which include lease payments and fees related to the Central block exploration and production licence and various short-term leases.

(000's)	Total	Estimated payments due by year				
		2025	2026	2027	2028	2029 Thereafter
Licence obligations	4,627	98	657	695	735	777 1,665
Other	9	9	-	-	-	-
Minimum payments	4,636	107	657	695	735	777 1,665

6. Exploration and Evaluation Assets

(000's)	Six months ended June 30, 2025	Year ended December 31, 2024
Balance, beginning of period	3,743	5,030
Additions	818	1,046
Impairment expense	-	(2,311)
Effect of change in foreign exchange rates	10	(22)
Balance, end of period	4,571	3,743

7. Property, Plant and Equipment

(000's)	Petroleum and natural gas development assets	Right-of-use assets	Corporate assets	Total
Cost				
Balance, January 1, 2024	186,846	5,492	2,697	195,035
Additions	21,256	2,930	1,449	25,635

Transfers within PP&E	Petroleum and natural gas development assets	(1,283)	-	-
Change in decommissioning assets (Note 11)		Right-of-use assets	Corporate assets	Total
Acquisitions	356	-	-	356
Dispositions	(1,085)	-	-	(1,085)
Foreign exchange translation	(1,272)	(40)	(187)	(1,499)
Balance, December 31, 2024	207,481	7,099	3,959	218,539
Acquired on close of Acquisition (Note 5)	44,683	-	-	44,683
Additions	10,489	-	42	10,531
Transfers within PP&E	549	(549)	-	-
Change in decommissioning assets (Note 11)	2,176	-	-	2,176
Lease modification (Note 9)	-	(110)	-	(110)
Foreign exchange translation	841	46	124	1,011
Balance, June 30, 2025	266,219	6,486	4,125	276,830
Accumulated depletion, depreciation and impairment				
Balance, January 1, 2024	84,029	726	2,132	86,887
Depletion and depreciation	8,245	1,020	236	9,501
Impairment expense	337	-	-	337
Foreign exchange translation	(392)	(18)	(158)	(568)
Balance, December 31, 2024	92,219	1,728	2,210	96,157
Depletion and depreciation	4,620	302	154	5,076
Foreign exchange translation	197	17	107	321
Balance, June 30, 2025	97,036	2,047	2,471	101,554
Carrying amounts				
Balance, December 31, 2024	115,262	5,371	1,749	122,382
Balance, June 30, 2025	169,183	4,439	1,654	175,276

During the three and six months ended June 30, 2025, 96,000 and 206,000 of direct and attributable overhead charges were capitalized to PP&E, respectively (2024 - 100,000 and 180,000).

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

8. Financial Liabilities and Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. Touchstone manages this risk through prudent cash and debt management practices, which include the ongoing monitoring of actual and forecasted cash flows, working capital levels, and compliance with the financial covenants under its bank debt agreements (refer to Note 1). The Company also regularly assesses its ability to access additional liquidity through debt or equity financing when appropriate.

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

As at June 30, 2025, the Company had a working capital deficiency, primarily due to increased accounts payable and accrued liabilities related to capital expenditures invested during the six months ended June 30, 2025. Following the cancellation of a previously proposed private placement (refer to Note 12), the Company completed a gross 12.5 million convertible debenture and warrant offering with a Canadian private investor on August 13, 2025 (refer to Note 21). Net proceeds from the offering are intended to fund the remainder of the Company's 2025 development drilling program and to settle outstanding accounts payable related to prior capital activities.

The following table summarizes the Company's estimated undiscounted cash outflows and financial maturities of its financial liabilities as at June 30, 2025.

(000's)	Undiscounted cash outflows ⁽¹⁾	Financial maturity by period		
		Less than 1 year	1 to 3 years	Thereafter
Accounts payable and accrued liabilities ⁽²⁾	28,815	28,815	-	-
Income taxes payable (Note 17)	82	82	-	-
Lease liabilities ⁽³⁾ (Note 9)	6,013	1,626	3,140	1,247
Bank debt ⁽³⁾ (Note 10)	73,736	14,262	37,597	21,877
Share-based compensation liabilities ⁽⁴⁾ (Note 16)	480	318	162	-
Total financial liabilities	109,126	45,103	40,899	23,124

Notes:

(1) Undiscounted cash outflows equal the carrying values of the associated liabilities, except for lease liabilities and bank debt.

(2) Excludes the current portion of lease liabilities and share-based compensation liabilities.

(3) Includes both notional interest and principal payments. Future interest payments are based on interest rates in effect as at June

- (3) Interest on the Company's four loan facilities is based on market rates in effect as at June 30, 2025. Interest rates on three of the Company's four loan facilities are reset annually (refer to Note 10).
(4) Represents accrued obligations related to share-based compensation awards expected to be settled in cash.

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

9. Lease Liabilities

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

(000's)	Six months ended June 30, 2025	Year ended December 31, 2024
Balance, beginning of period	5,866	4,328
Additions	-	2,930
Interest expense	267	415
Repayments	(1,073)	(1,775)
Modifications	(143)	-
Effect of change in foreign exchange rates	12	(32)
Balance, end of period	4,929	5,866
Current (included in accounts payable and accrued liabilities)	1,196	1,498
Non-current	3,733	4,368
Lease liabilities balance	4,929	5,866

10. Bank Debt

On May 12, 2025, the Company entered into the Loan Agreement with its Trinidad-based lender, which provided for an additional 30 million six-year term loan facility used to finance the Acquisition (refer to Note 5). As at June 30, 2025, the Company had the following facilities in place under the Loan Agreement:

- a 30 million non-revolving term loan facility ("Term Loan Facility 1");
- a 10 million non-revolving term loan facility ("Term Loan Facility 2");
- a 30 million non-revolving term loan facility ("Term Loan Facility 3"); and
- a 10 million revolving loan facility.

Term Loan Facility 1

Term Loan Facility 1 matures on June 15, 2027 and bears a fixed interest rate of 7.85 percent per annum, compounded and payable quarterly. As at June 30, 2025, the principal balance was 12,000,000, with eight equal quarterly principal payments of 1,500,000 remaining.

Term Loan Facility 2

Term Loan Facility 2 matures on April 30, 2029 and bears an interest rate of 6.08 percent through April 30, 2026, subject to annual reset thereafter. As at June 30, 2025, the outstanding principal balance was 10,000,000, with sixteen equal quarterly principal payments of 625,000 scheduled from July 31, 2025 through to maturity.

Term Loan Facility 3

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

Revolving loan facility

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

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

(000's)	Term Loan Facility 1	Term Loan Facility 2	Term Loan Facility 3	Revolving loan facility	Bank debt
Balance, January 1, 2024	20,977	-	-	7,000	27,977
(Repayments) advances	(6,000)	9,747	-	3,000	6,747
Accretion	16	51	-	-	67
Balance, December 31, 2024	14,993	9,798	-	10,000	34,791
(Repayments) advances	(3,000)	-	29,423	-	26,423
Accretion	-	36	339	-	375
Balance, June 30, 2025	11,993	9,834	29,762	10,000	61,589
Current	6,000	2,500	1,429	-	9,929

Non-current	Term 1,999	Term 1,999	Term 1,999	Revolving	Bank debt
Facility	Facility	Facility	Facility	Facility	Facility
Bank debt balance	1,100	1,100	20,999	10,000	51,660
	1,100	1,100	20,999	10,000	61,589

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

Based on current forecasts, the Company forecasts a potential breach of the net senior funded debt to trailing annual EBIDA ratio as a result of the 12.5 million convertible debenture completed on August 13, 2025 (refer to Notes 1 and 21).

Under the terms of the Loan Agreement, Touchstone is required to raise not less than approximately 7.3 million in equity proceeds on or before December 31, 2025 (refer to Note 21).

In addition, the Loan Agreement requires the Company to maintain a cash reserves balance in respect of the three term loan facilities. Accordingly, 2,758,000 of cash has been classified as long-term restricted cash as at June 30, 2025 (December 31, 2024 - 924,000).

11. Decommissioning Liabilities and Abandonment Fund

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

As at June 30, 2025, the estimated net present value of the future cash flows required to settle the Company's decommissioning liabilities was 14,812,000 based on an inflation-adjusted undiscounted liability of 22,254,000 (December 31, 2024 - 9,985,000 and 15,197,000, respectively). The liabilities were calculated using a weighted average risk-free discount rate of 5.6 percent and a long-term inflation rate of 1.9 percent (December 31, 2024 - 5.5 percent and 1.9 percent, respectively).

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

('000's)	Six months ended June 30, 2025	Year ended December 31, 2024
Balance, beginning of period	9,985	9,733
Liabilities incurred from development activities	179	407
Liabilities acquired on close of Acquisition (Note 5)	2,468	130
Liabilities settled	-	(19)
Accretion expense	151	226
Revisions to estimates	2,000	(282)
Dispositions	-	(166)
Effect of change in foreign exchange rates	29	(44)
Balance, end of period	14,812	9,985

Under the terms of the Company's production and exploration licences and related agreements, Touchstone is required to make payments into designated abandonment funds based on production volumes. These funds are restricted for use in the future abandonment of wells within the respective licenced areas.

As at June 30, 2025, the Company recognized 9,319,000 of accrued or contributed amounts as non-current abandonment fund assets (December 31, 2024 - 2,965,000), which included 6,009,000 of additional contributions acquired through the Acquisition (refer to Note 5).

12. Shareholders' Capital

Issued and outstanding common shares

The Company is authorized to issue an unlimited number of voting common shares without nominal or par value. Holders of common shares are entitled to one vote per share at meetings of shareholders and are entitled to receive any dividends declared by the Company.

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

	Number of shares outstanding	Shareholders' capital ('000's)
Balance, January 1, 2024	234,212,726	114,965
Issued under share-based compensation plans	2,247,935	645
Balance, December 31, 2024	236,460,661	115,610
Issued pursuant to private placement, net of fees	24,636,585	5,221
Balance, June 30, 2025	261,097,246	120,831

On May 8, 2025, the Company announced a United Kingdom-based private placement to raise approximately 6,045,000 shares at a price of 1.00 pence per share, for a total of approximately 6,045,000 shares.

gross proceeds of £15,375,000 through the issuance of 75,000,000 new common shares at a price of 20.5 pence sterling per share (approximately C 0.38 per share). On May 16, 2025, the Company issued 75,000,000 common shares to the broker's settlement agent, to be held in trust pending receipt of proceeds.

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

Weighted average common shares

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

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Weighted average common shares outstanding - basic	248,643,588	234,959,160	242,585,779	234,585,943
Dilutive impact of equity-based compensation	-	1,404,512	-	1,865,241
Weighted average common shares outstanding - diluted	248,643,588	236,363,672	242,585,779	236,451,184

For the three and six months ended June 30, 2025, approximately 8.9 million share-based compensation awards were excluded from the diluted weighted average share calculation, as they were anti-dilutive (2024 - 10 million).

13. Petroleum and Natural Gas Sales

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

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

The following table presents petroleum and natural gas sales by product type for the periods indicated.

('000's)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Crude oil	6,081	7,759	12,760	15,183
Natural gas liquids	676	680	898	2,337
Natural gas	4,250	5,651	8,462	13,154
Petroleum and natural gas sales	11,007	14,090	22,120	30,674

At June 30, 2025, accounts receivable related to petroleum and natural gas sales totalled 7,819,000, representing amounts outstanding for May and June 2025 production (December 31, 2024 - 4,334,000 related to December 2024 production).

14. Net Finance Expense

('000's)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Interest income	(30)	(8)	(50)	(13)
Finance lease interest income	(6)	(7)	(12)	(15)
Lease liability interest expense (Note 8)	127	86	267	186
Bank debt interest expense (Note 10)	924	610	1,581	1,145
Accretion on bank debt (Note 10)	360	12	375	14
Accretion on decommissioning liabilities (Note 11)	86	55	151	109
Other	52	13	20	14
Net finance expense	1,513	761	2,332	1,440

15. Transaction expense

For the three and six months ended June 30, 2025, Touchstone incurred 166,000 and 302,000 in transaction costs pursuant to the Acquisition, respectively (refer to Note 5). The Company recognized 840,000 and 1,220,000 in transaction expenses relating to a terminated acquisition during the three and six months ended June 30, 2024, respectively.

16. Share-based Compensation Plans

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

Stock option plans

The Company previously granted stock options under a Stock Option Plan (the "Legacy Stock Option Plan"), which was replaced by an Omnibus Incentive Compensation Plan (the "Omnibus Plan") in June 2023. The Omnibus Plan allows for the issuance of stock options, restricted share units ("RSUs"), and performance share units ("PSUs") to directors, officers, employees, and consultants. The aggregate number of common shares reserved for issuance under both the Legacy Stock Option Plan and the Omnibus Plan at any time is limited to 10 percent of the Company's issued and outstanding common shares. No additional grants will be made under the Legacy Stock Option Plan; however, existing awards governed by the plan will continue to vest in accordance with their original terms.

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

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

	Number of stock options outstanding	Weighted average exercise price (C)
Issued and outstanding, January 1, 2024	14,327,935	1.10
Exercised	(2,247,935)	0.25
Forfeited	(349,000)	1.52
Issued and outstanding, December 31, 2024	11,731,000	1.25
Forfeited	(748,667)	1.37
Expired	(2,052,000)	0.48
Issued and outstanding, June 30, 2025	8,930,333	1.42
Exercisable, June 30, 2025	6,793,002	1.50

Long-term incentive plans

Share awards plan

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

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

Deferred share unit plan

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

The following table summarizes outstanding awards for the periods presented.

(number of awards outstanding)	RSUs	PSUs ⁽¹⁾	DSUs
Issued and outstanding, January 1, 2024	-	-	-
Granted	1,447,780	1,397,780	977,332
Issued and outstanding, December 31, 2024	1,447,780	1,397,780	977,332
Forfeited	(39,063)	(39,063)	-
Issued and outstanding, June 30, 2025	1,408,717	1,358,717	977,332

Note:

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

Share-based compensation expense

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

(000's)	Three months ended June 30, 2025	2024	Six months ended June 30, 2025	2024
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(000's)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Equity-settled compensation (stock options)	14	323	149	736
Cash-settled compensation (RSUs, PSUs and DSUs)	(92)	-	(50)	-
Capitalized expense	(5)	(14)	(18)	(26)
Share-based compensation expense	(83)	309	81	710

Share-based compensation liabilities

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

(000's)	Six months ended June 30, 2025	Year ended December 31, 2024
Balance, beginning of period	500	-
Liability incurred from grant of DSUs	-	429
Increase in liability related to RSUs and PSUs	192	253
Fair value adjustments	(243)	(154)
Effect of change in foreign exchange rates	31	(28)
Balance, end of period	480	500
Current (included in accounts payable and accrued liabilities)	318	383
Non-current	162	117
Share-based compensation liabilities balance	480	500

17. Income Taxes

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

(000's unless otherwise stated)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Net (loss) earnings before taxes	(1,444)	3,464	(1,275)	7,196
Combined Trinidad statutory petroleum income tax and levy rate	55.0%	55.0%	55.0%	55.0%
Expected income tax (recovery) expense at statutory rate	(794)	1,905	(701)	3,958
Effect on income tax resulting from:				
Change in tax assets not recognized	26	(2,685)	(650)	(5,372)
Income tax rate differential	1,199	(305)	1,228	(809)
Effect of change in foreign exchange rates and other	(1,165)	1,210	(483)	2,452
Income tax (recovery) expense	(734)	125	(606)	229

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

(000's)	Six months ended June 30, 2025	Year ended December 31, 2024
Deferred income tax liabilities		
PP&E in excess of income tax basis	50,413	29,618
Other	(76)	67
Deferred income tax assets		
Decommissioning liabilities	(3,145)	(636)
Lease liabilities	(2,368)	(2,734)
Non-capital losses	(1,834)	(1,575)
Intercompany interest	(7,127)	(6,816)
Net deferred income tax liability	35,863	17,924

The June 30, 2025 net deferred income tax liability increased by 17,939,000 from December 31, 2024. The increase primarily reflected the 18,797,000 deferred income tax liability recognized in connection with the Acquisition (refer to Note 5). In addition, 85,000 and 943,000 of deferred income tax recoveries were recognized through equity and comprehensive loss, respectively, during the six months ended June 30, 2025.

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

18. Financial Instruments and Market Risk Management

Financial instruments

The classification of financial assets is determined based on the characteristics of their contractual

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

As at June 30, 2025, the Company's financial instruments measured at amortized cost included accounts receivable, restricted cash, accounts payable and accrued liabilities, and income taxes payable. Due to the short-term nature of these instruments, their carrying values approximate their fair values.

VAT bonds were classified as fair value through profit and loss and were categorized as Level 2 within the fair value hierarchy. The estimated fair value of these bonds was based on observable market data for comparable instruments and has remained unchanged since the issuance date.

Market risk management

The Company is exposed to various financial and market risks inherent in international oil and natural gas operations. These include commodity price risk, foreign exchange rate risk, interest rate risk, equity price risk, credit risk (refer to Note 3), and liquidity risk (refer to Note 8). Touchstone continuously monitors these risks and implements strategies to mitigate them through internal controls and proactive financial management. Cash flow management is central to the Company's risk strategy, and material changes in business conditions are reviewed with the Board to establish appropriate risk mitigation guidelines.

Commodity price risk

Touchstone's financial performance is dependent on prices received for crude oil, natural gas liquids, and natural gas production. Fluctuations in commodity prices may significantly impact comprehensive income or loss and cash flows. While the Company does not currently hedge this risk - partially due to a fixed-price natural gas contract on a portion of production - Management continuously monitors forward commodity prices and may enter into future commodity price risk management contracts to reduce petroleum and natural gas sales volatility and support capital planning.

Foreign currency risk

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

As operations are based in Trinidad, changes in the TT to the US exchange rate can materially affect financial results. Although crude oil prices are based on US benchmarks, the majority of related invoices are paid in TT, creating exposure to TT /US movements. Further exposure arises from US -denominated debt and associated interest payments. This risk is partially mitigated as the TT has historically been informally pegged to the US. Additionally, sales of natural gas and natural gas liquids are denominated and paid in US.

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

Interest rate risk

Interest rate risk arises from the potential for changes in market interest rates to affect the Company's comprehensive income or loss and cash flows. Touchstone is exposed to interest rate fluctuations on its Term Loan Facilities 2 and 3, and its revolving loan facility, as the applicable interest rates are reset annually based on the one-year Secured Overnight Financing Rate (refer to Note 10).

Equity price risk

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

19. Capital Management

Touchstone actively manages its capital structure and adjusts it in response to changes in economic conditions and the risk characteristics of its underlying assets. The Company defines its capital structure to include shareholders' equity, working capital, and bank debt. Touchstone primarily finances its operations and strategic initiatives through equity issuances and bank debt.

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

As part of its capital management framework, the Company monitors working capital, net debt

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

- Working capital is calculated as current assets minus current liabilities, as presented in the consolidated balance sheet.
- Net debt is calculated as the working capital surplus or deficit plus the principal (undiscounted) balance of non-current senior secured debt. Net debt is most directly comparable to total liabilities on the Company's consolidated balance sheet.
- Managed capital is defined as the sum of net debt and shareholders' equity.

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

('000's)	Target measure	June 30, 2025	December 31, 2024
Current assets		(37,048)	(22,151)
Current liabilities		48,864	23,510
Working capital deficit ⁽¹⁾		11,816	1,359
Principal balance of non-current bank debt		52,071	27,750
Net debt ⁽¹⁾		63,887	29,109
Shareholders' equity		73,914	68,828
Managed capital ⁽¹⁾		137,801	97,937
Trailing twelve-month funds flow from operations ⁽²⁾		10,651	16,748
Net debt to funds flow from operations ratio⁽¹⁾	At or < 2.0 times	6.00	1.74
Net debt to managed capital ratio⁽¹⁾	< 0.4 times	0.46	0.30

Notes:

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

20. Commitments

Touchstone has contractual obligations incurred in the normal course of business. These include minimum work commitments under operating agreements with Heritage, licence payments and exploration commitments pursuant to its exploration and production licences with the Government of Trinidad and Tobago Ministry of Energy and Energy Industries, and various lease obligations (refer to Note 9). The following table summarizes the Company's estimated minimum contractual payments as at June 30, 2025.

('000's)	Total	Estimated payments due by year			
		2025	2026	2027	Thereafter
Operating agreements	22,460	8,207	2,335	5,171	6,747
Exploration agreements	61,242	1,762	11,726	11,930	35,824
Other commitments	558	203	264	73	18
Minimum payments	84,260	10,172	14,325	17,174	42,589

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

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

21. Subsequent Event

Convertible Debenture Offering

The Company closed a private placement of a secured convertible debenture and warrants (the "Offering"), with a Canadian private investor and existing shareholder on August 13, 2025, raising gross proceeds of 12,500,000. Net proceeds from the Offering are intended to fund the remaining 2025 Cascadura development drilling program and to reduce outstanding accounts payable.

The convertible debenture has a three-year term and bears interest at a rate of 5 percent per annum, payable semi-annually. The debenture is convertible into common shares of the Company at any time prior to maturity at a conversion price of approximately US 0.22 per share at the holder's option, representing the US dollar equivalent of C 0.30 per share at the date of issuance. At the holder's option, interest may be paid in cash or in Company common shares, with the number of shares determined based on the market price of the common shares and prevailing exchange rate at the time of payment, subject to TSX approval.

As part of the Offering, the Company issued 6,250,000 common share purchase warrants, each

As part of the Offering, the Company issued 6,200,000 common share purchase warrants, each exercisable to acquire one Company common share at an exercise price of C 0.40 per share for a period of two years from the date of issuance.

The Company received written confirmation from its lender that the proceeds from the Offering satisfy an equivalent portion of the equity raise requirement pursuant to Loan Agreement. As a result, the Company is required to raise an additional 7.3 million in net equity proceeds on or before December 31, 2025 to remain in compliance with the terms of the Loan Agreement.

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