



Touchstone Exploration Inc.

Management's Discussion and Analysis

June 30, 2022

Management's Discussion and Analysis

As at and for the three and six months ended June 30, 2022 and 2021

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Touchstone Exploration Inc. ("Touchstone", "we", "our", "us" or the "Company") for the three and six months ended June 30, 2022 with comparisons to the three and six months ended June 30, 2021 is dated August 10, 2022 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements as at and for the three and six months ended June 30, 2022 (the "interim financial statements"), as well as with the Company's audited consolidated financial statements as at and for the year ended December 31, 2021 (the "audited 2021 financial statements"). The interim financial statements have been prepared by Management in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" using accounting policies consistent with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board. Accounting policies adopted by the Company are set out in the notes to the audited 2021 financial statements. This MD&A should also be read in conjunction with Touchstone's MD&A for the year ended December 31, 2021, as disclosure which is unchanged from December 31, 2021 may not be duplicated herein.

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

The Company may also reference Canadian dollars ("C\$") and Trinidad and Tobago dollars ("TT\$") herein, which are the functional and operational currencies of the Company's parent company and operating subsidiaries, respectively. All production volumes disclosed herein are sales volumes and are based on Company working interest before royalty burdens.

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

About Touchstone Exploration Inc.

Touchstone is incorporated under the laws of Alberta, Canada with its head office located in Calgary, Alberta. The Company is an oil and natural gas exploration and production company active in the Republic of Trinidad and Tobago ("Trinidad"). Touchstone is currently one of the largest independent onshore oil producers in Trinidad, with assets in several large, high-quality reservoirs that have significant internally estimated total petroleum initially-in-place and an extensive inventory of oil and natural gas development and exploration opportunities. The Company's common shares are traded on the Toronto Stock Exchange and the AIM market of the London Stock Exchange under the symbol "TXP".

Touchstone's strategy is to leverage Canadian experience and capability to international onshore properties to create shareholder value. Outside of its core Trinidad portfolio, the Company will continue to examine opportunities in jurisdictions that have stable political and fiscal regimes coupled with large defined petroleum initially-in-place.

Additional Information

Additional information related to Touchstone and factors that could affect our operations and financial results are included with reports on file with the Canadian securities regulatory authorities, including the interim financial statements, the audited 2021 financial statements and our 2021 Annual Information Form, which can be accessed online under our SEDAR profile at www.sedar.com or from our website at www.touchstoneexploration.com.

Financial and Operating Results Summary

	Three months ended			Six months ended		
	2022	June 30, 2021	% change	2022	June 30, 2021	% change
Operational						
Average daily oil production ⁽¹⁾ (bbls/d)	1,420	1,402	1	1,408	1,350	4
Brent benchmark price ⁽²⁾ (\$/bbl)	113.84	68.98	65	107.20	64.95	65
Operating netback (\$/bbl)						
Realized sales price ⁽³⁾	97.48	59.06	65	90.61	55.90	62
Royalties ⁽³⁾	(34.97)	(17.98)	94	(31.80)	(16.94)	88
Operating expenses ⁽³⁾	(17.52)	(14.78)	19	(17.35)	(14.72)	18
Operating netback ⁽³⁾	44.99	26.30	71	41.46	24.24	71
Financial						
<i>(\$000's except per share amounts)</i>						
Petroleum sales	12,596	7,586	66	23,092	13,706	68
Cash from (used in) operating activities	3,516	1,008	100	3,849	(226)	n/a
Funds flow from operations	1,133	1,205	(6)	2,559	1,743	47
Per share – basic and diluted ⁽³⁾	0.01	0.01	-	0.01	0.01	-
Net loss	(262)	(284)	(8)	(498)	(744)	(33)
Per share – basic and diluted	(0.00)	(0.00)	-	(0.00)	(0.00)	-
Exploration capital expenditures	2,932	6,664	(56)	4,806	9,618	(50)
Development capital expenditures	436	125	100	1,116	252	100
Capital expenditures	3,368	6,789	(50)	5,922	9,870	(40)
Working capital surplus ⁽³⁾				(346)	(4,671)	(93)
Principal long-term balance of term loan				24,000	7,500	100
Net debt ⁽³⁾ – end of period				23,654	2,829	100
Share Information (000's)						
Weighted average shares outstanding – basic and diluted	212,204	209,757	1	211,517	209,579	1
Outstanding shares – end of period				212,275	210,732	1

Notes:

- References to crude oil production volumes in the above table and elsewhere in this MD&A refer to light, medium and heavy crude oil product types as defined in National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*. Our reported crude oil production is a mix of light and medium crude oil and heavy crude oil for which there is not a precise breakdown given our oil sales volumes typically represent blends of more than one type of crude oil.
- References to Brent benchmark pricing in the above table and elsewhere in this MD&A refer to the average daily closing spot prices of Dated Brent over the specified time period. Source: US Energy Information Administration.
- Non-GAAP financial measure. See the "Non-GAAP Financial Measures" advisory section of this MD&A for further information.

Second quarter 2022 highlights

- Achieved quarterly average crude oil production volumes of 1,420 bbls/d, representing a 2 percent increase relative to the preceding quarter and a 1 percent increase from the 1,402 bbls/d produced in the second quarter of 2021.
- Realized petroleum sales of \$12,596,000 from an average crude oil price of \$97.48 per barrel compared to petroleum sales of \$7,586,000 from an average realized price of \$59.06 per barrel in the comparative quarter of 2021.

- Generated an operating netback of \$44.99 per barrel, a 19 percent increase from the first quarter of 2022 and a 71 percent increase from the \$26.30 per barrel reported in the second quarter of 2021.
- Recognized current income tax expenses of \$1,547,000 in the quarter compared to \$432,000 in the second quarter of 2021, driven by \$1,043,000 in supplemental petroleum tax expenses based on our average realized oil price exceeding the \$75.00 per barrel threshold in 2022.
- Our funds flow from operations was \$1,133,000 in the quarter, which was net of \$540,000 accrued for reclamation costs related to an oil spill which occurred as a result of vandalism in June 2022.
- Recognized a net loss of \$262,000 in the quarter compared to a net loss of \$284,000 reported in the same period of 2021, reflecting the \$540,000 provision for oil spill reclamation costs.
- Capital investments of \$3,368,000 primarily focused on facility and pipeline expenditures related to the Coho-1 facility and investments directed to the Cascadura natural gas facility.
- Exited the quarter with cash of \$9,425,000, a working capital surplus of \$346,000 and \$30,000,000 drawn on our term credit facility, resulting in a net debt position of \$23,654,000.

Our near-term development plan is strategically balanced between increasing base crude oil production levels and bringing our Ortoire natural gas discoveries onstream. Throughout 2022 we have been diligently investing funds in our Coho and Cascadura facilities, with our priority to bring the natural gas discoveries onstream as soon as possible. As a result, cash and working capital balances have declined, and net debt has increased from year-end 2021 as we proceed with this strategy.

Operational Update

Coho facility and pipeline

Our pipeline and facilities project at Coho has entered the pre-commissioning stage, which consists of purging air from the system using inert nitrogen gas and testing all components and safety systems. Subsequent to these operations, system commissioning operations will commence, which entails the introduction of natural gas from the Coho-1 well into the facility and pipeline in a step rate manner, officially bringing the system onstream to the Central block natural gas facility.

Our Coho-1 well will commence production following completion of the commissioning and pipeline handover process, with the expectation that production will increase over time to 10 MMcf/d (1,667 boe/d) gross, 8 MMcf/d (1,333 boe/d) net.

Cascadura regulatory approval

We received confirmation from the Trinidad and Tobago Environmental Management Authority that determination of our Certificate of Environmental Clearance ("CEC") application for development operations in the Cascadura area will be made by September 15, 2022.

Upon the expected receipt of the CEC and following any required notice period to the residents in the community, we expect to immediately commence the construction of the surface facility and access roads to bring on production from the two existing Cascadura wells as soon as possible.

Principal Properties and Licences

We operate Trinidad-based upstream oil and natural gas activities under state exploration and production licences with the Trinidad and Tobago Ministry of Energy and Energy Industries ("MEEI"), Lease Operatorship Agreements ("LOAs") with Heritage Petroleum Company Limited ("Heritage") and private subsurface and surface leases with individual landowners. The LOAs contain marketing arrangements, whereas any oil sold from MEEI licences and private agreements are marketed under a separate Heritage crude oil sales agreement. In addition, we entered into a long-term natural gas sales agreement with the

National Gas Company of Trinidad and Tobago ("NGC") related to all future natural gas sales from our Ortoire property in December 2020.

MEEI exploration and production licences

The Company is party to exploration and production licences with the MEEI for our Fyzabad producing property and our Cory Moruga and Ortoire exploration fields. The licences typically are for an initial six-year term, with the option to extend certain acreage a further 19 years upon an approved commercial discovery. Our Fyzabad exploration and production licence contains no minimum work obligations and expires in August 2032. We hold a non-operating 16.2 percent interest in the Cory Moruga exploration block which we consider non-core and our core focus is the Ortoire exploration block.

Lease operatorship agreements

Under our four LOAs (Coora-1, Coora-2, WD-4 and WD-8), we are subject to annual minimum production levels and minimum work commitments through 2030 specified under each LOA. Failing to reach either the annual minimum production levels or complete the annual minimum work obligations does not constitute a breach provided the minimal production levels have been attained or the minimum work obligations have been completed, as the case may be. The LOAs contain an aggregate minimum of 20 new infill wells and 40 well recompletions to be completed over the ten-year licence periods (refer to "*Contractual Obligations and Commitments*" for further information).

Private lease agreements

We may also negotiate private surface and subsurface lease arrangements with individual landowners. Lease terms are typically 35 years in duration and contain no minimum work obligations. We are operating under a number of Trinidad private lease agreements which have expired and are currently being renegotiated. Based on legal opinions received, Touchstone is continuing to recognize petroleum sales on the producing properties because the Company is the operator, is paying all associated royalties and taxes, and no title to the producing properties has 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 six months ended June 30, 2022, production volumes produced under expired private lease agreements represented 3.2 percent of our total production (2021 - 1.9 percent).

Results of Operations

Financial highlights

<i>(\$000's except for per share amounts)</i>	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% change	2022	2021	% change
Net loss	(262)	(284)	(8)	(498)	(744)	(33)
Per share – basic and diluted	(0.00)	(0.00)	-	(0.00)	(0.00)	-
Cash from (used in) operating activities	3,516	1,008	100	3,849	(226)	n/a
Funds flow from operations	1,133	1,205	(6)	2,559	1,743	47
Per share – basic and diluted ⁽¹⁾	0.01	0.01	-	0.01	0.01	-

Note:

(1) Non-GAAP financial measure. See the "*Non-GAAP Financial Measures*" advisory section of this MD&A for further information.

Net loss

We recorded a net loss of \$262,000 (\$0.00 per basic share) in the second quarter of 2022 compared to a net loss of \$284,000 (\$0.00 per basic share) in the prior year equivalent quarter. Compared to the second quarter of 2021, the year-over-year variance reflected an increase of \$2,436,000 in operating netbacks, partially offset by increases in general and administration ("G&A"), finance, income tax expenses and a \$540,000 provision for oil spill cleanup costs due to vandalism.

Net loss for the six months ended June 30, 2022 was \$498,000 (\$0.00 per basic share), representing a slight decrease from the \$744,000 (\$0.00 per basic share) net loss recognized in the corresponding 2021 period. Increases in realized pricing primarily led to a \$4,623,000 increase in operating netbacks in comparison to the 2021 period, which was partially offset by increased G&A, term loan interest, current income tax and the aforementioned provision for oil spill reclamation costs.

The following table sets forth details of the change in net loss from the three and six months ended June 30, 2021 to the three and six months ended June 30, 2022.

(\$000's)	Three months ended June 30,	Six months ended June 30,
Net loss – 2021	(284)	(744)
Realized price variance	4,965	8,846
Sales volume variance	45	540
Royalties	(2,209)	(3,952)
Other revenue	3	(11)
Expenses		
Operating	(365)	(811)
G&A	(283)	(721)
Cash finance	(507)	(1,009)
Other	(540)	(540)
Current income tax	(1,115)	(1,402)
Realized foreign exchange	(16)	(74)
Cash variances	(22)	866
Gain on asset dispositions	89	99
Unrealized foreign exchange	252	466
Equity-based compensation	(243)	(377)
Depletion and depreciation	(156)	(283)
Impairment	(54)	(161)
Non-cash finance expenses	315	23
Deferred income tax	(159)	(387)
Non-cash variances	44	(620)
Net loss – 2022	(262)	(498)

Cash from operating activities

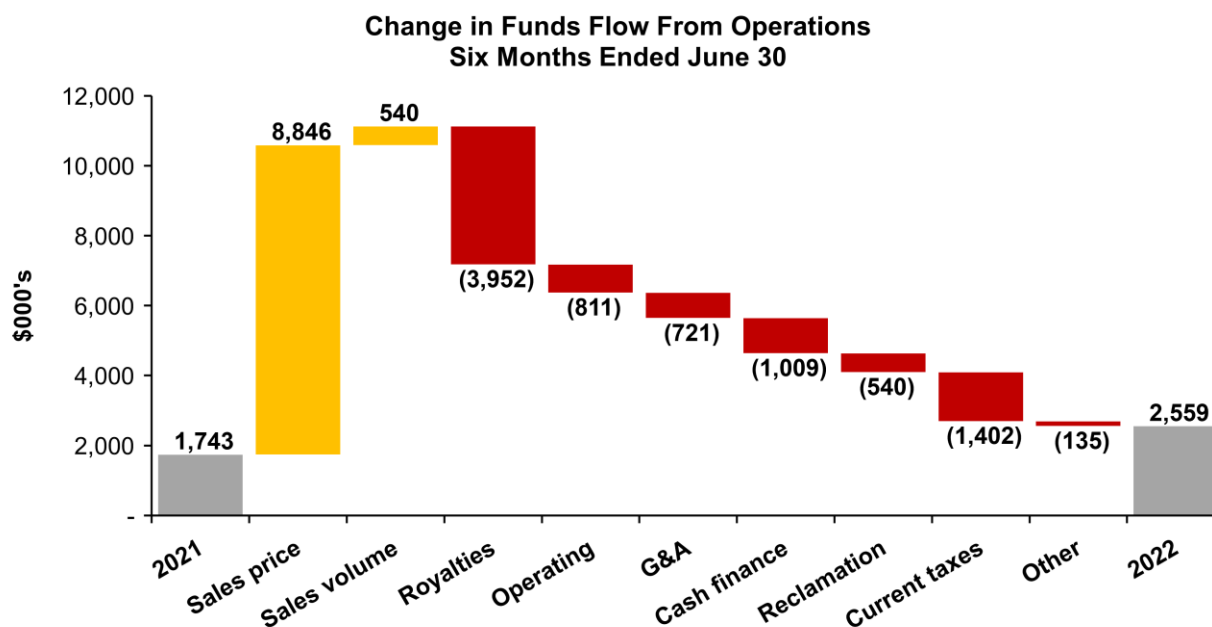
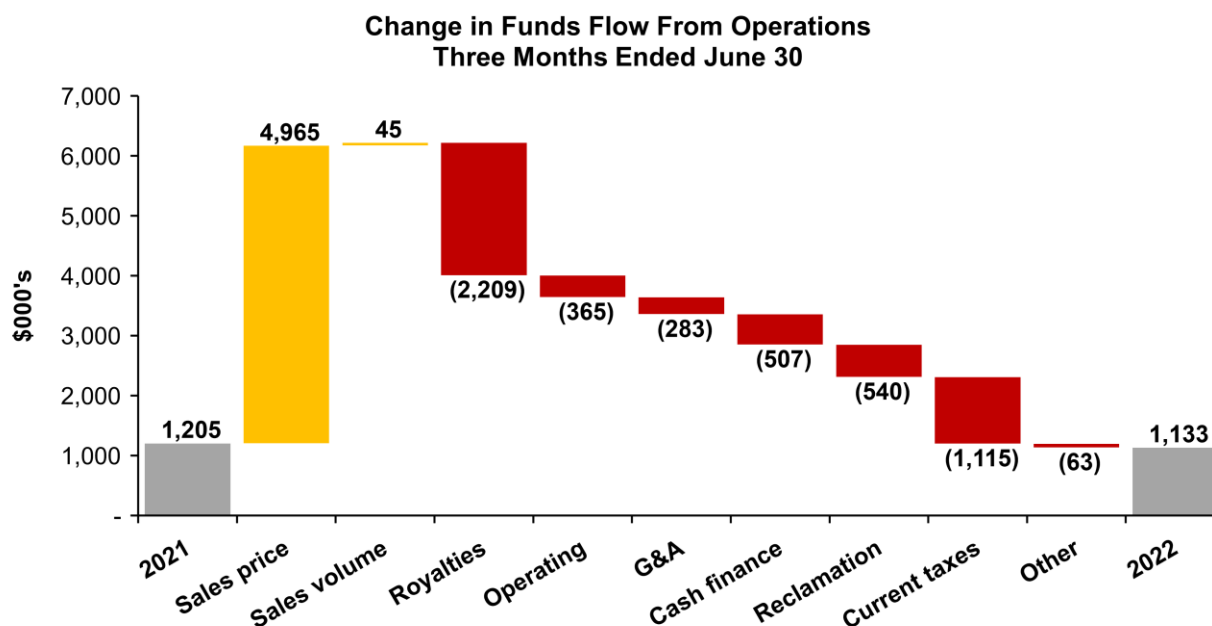
Details of the change in cash from (used in) operating activities from the three and six months ended June 30, 2021 to the three and six months ended June 30, 2022 are included in the table below.

(\$000's)	Three months ended June 30,	Six months ended June 30,
Cash from (used in) operating activities – 2021	1,008	(226)
Change in funds flow from operations	(72)	816
Net change in non-cash working capital	2,580	3,259
Cash from operating activities – 2022	3,516	3,849

Funds flow from operations

We generated funds flow from operations of \$1,133,000 in the second quarter of 2022 compared to \$1,205,000 recognized in the prior year comparative quarter. On a year to date basis, we reported funds flow from operations of \$2,559,000 in 2022 versus \$1,743,000 in the prior year equivalent period. Relative to the corresponding periods of 2021, the variances in 2022 primarily reflected elevated crude oil realized pricing which increased 2022 operating netbacks, offset by increased G&A, term loan interest, current income tax and oil spill reclamation expenses.

The following graphs summarizes the change in funds flow from operations from the three and six months ended June 30, 2021 to the three and six months ended June 30, 2022.

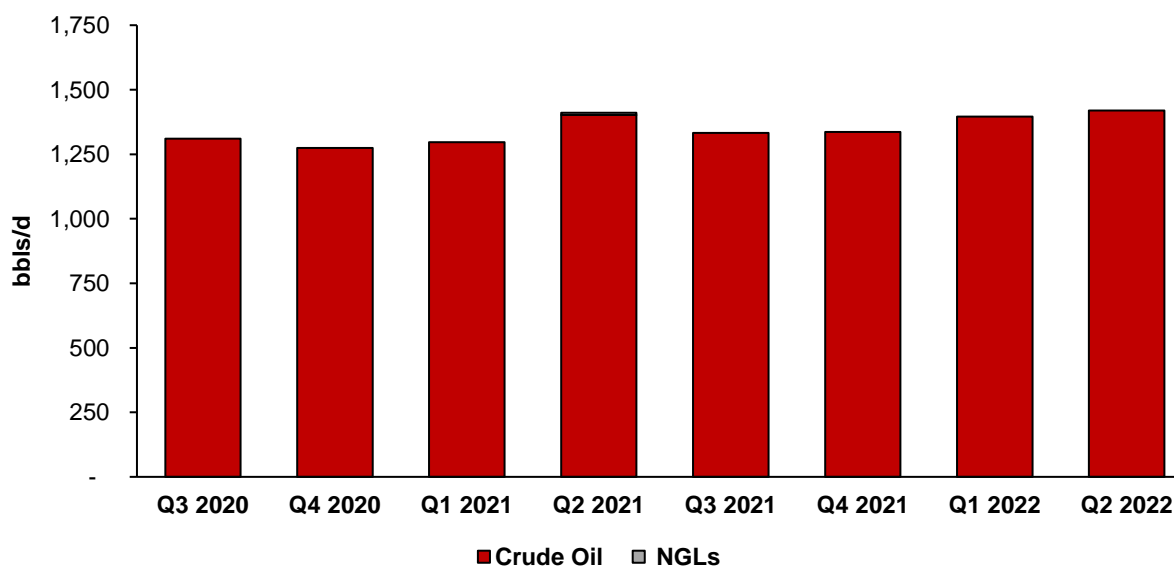


Production volumes

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% change	2022	2021	% change
Production (bbls)						
Crude oil	129,212	127,603	1	254,837	244,333	4
Natural gas liquids	-	842	(100)	-	842	(100)
Total	129,212	128,445	1	254,837	245,175	4
Average daily production (bbls/d)						
Crude oil	1,420	1,402	1	1,408	1,350	4
Natural gas liquids	-	9	(100)	-	5	(100)
Total	1,420	1,411	1	1,408	1,355	4

Average production volumes of 1,420 bbls/d in the second quarter of 2022 was consistent with the 1,411 bbls/d in the prior year equivalent quarter, while year to date 2022 production volumes increased 4 percent from the prior year equivalent period. Our year to date 2022 production increase from the comparative period of 2021 was mainly attributed to additional production volumes from our three development wells drilled in the fourth quarter of 2021, which contributed aggregate field estimated crude oil production of 137 bbls/d in the six month period. In addition, we sold 4,126 net barrels of crude oil from our Royston-1 production test during the six months ended June 30, 2022, representing an average of 23 bbls/d. The increases in current year production were partially offset by natural declines and reduced production from two properties that were disposed effective December 31, 2021, which contributed approximately 27 bbls/d of production in the 2021 year to date period.

Average Daily Production



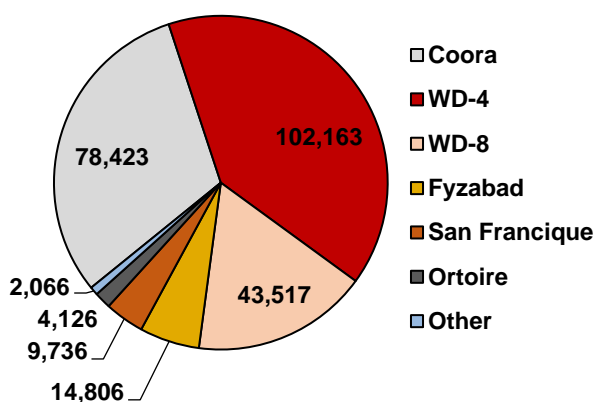
The following table and graphs summarize crude oil production by property during the three and six months ended June 30, 2022 and 2021.

(bbls)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% change	2022	2021	% change
Coora-1	40,173	39,305	2	73,193	73,812	(1)
Coora-2	2,408	3,496	(31)	5,230	6,725	(22)
WD-4	50,913	46,080	10	102,163	90,784	13
WD-8	21,802	18,709	17	43,517	36,767	18
New Dome ⁽¹⁾	-	1,582	(100)	-	3,413	(100)
Barrackpore	969	1,450	(33)	2,066	2,634	(22)
Fyzabad	6,434	9,744	(34)	14,806	17,272	(14)
Palo Seco ⁽²⁾	-	790	(100)	-	1,478	(100)
San Francique	5,243	6,447	(19)	9,736	11,448	(15)
Ortoire	1,270	-	n/a	4,126	-	n/a
Crude oil production	129,212	127,603	1	254,837	244,333	4

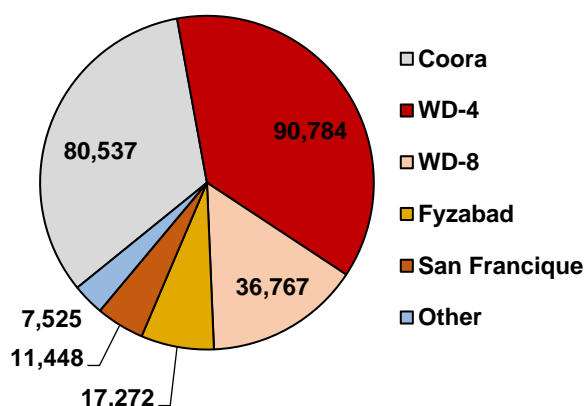
Notes:

- (1) The assets associated with the New Dome property were disposed on April 30, 2022 with an effective date of December 31, 2021. Refer to "Capital Expenditures and Dispositions - PP&E dispositions" for further information.
- (2) The assets associated with the Palo Seco were classified as held for sale on June 30, 2022 with an effective date of December 31, 2021. Refer to "Capital Expenditures and Dispositions - PP&E dispositions" for further information.

Six Months Ended June 30, 2022 (bbls)



Six Months Ended June 30, 2021 (bbls)



Benchmark and realized prices

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% change	2022	2021	% change
Brent average ⁽¹⁾ (\$/bbl)	113.84	68.98	65	107.20	64.95	65
WTI average ⁽¹⁾ (\$/bbl)	108.57	66.07	64	101.43	61.95	64
Average realized price ⁽²⁾ (\$/bbl)	97.48	59.06	65	90.61	55.90	62
Realized price discount as a % of Brent	(14.4)	(14.4)		(15.5)	(13.9)	
Realized price discount as a % of WTI	(10.2)	(10.6)		(10.7)	(9.8)	

Notes:

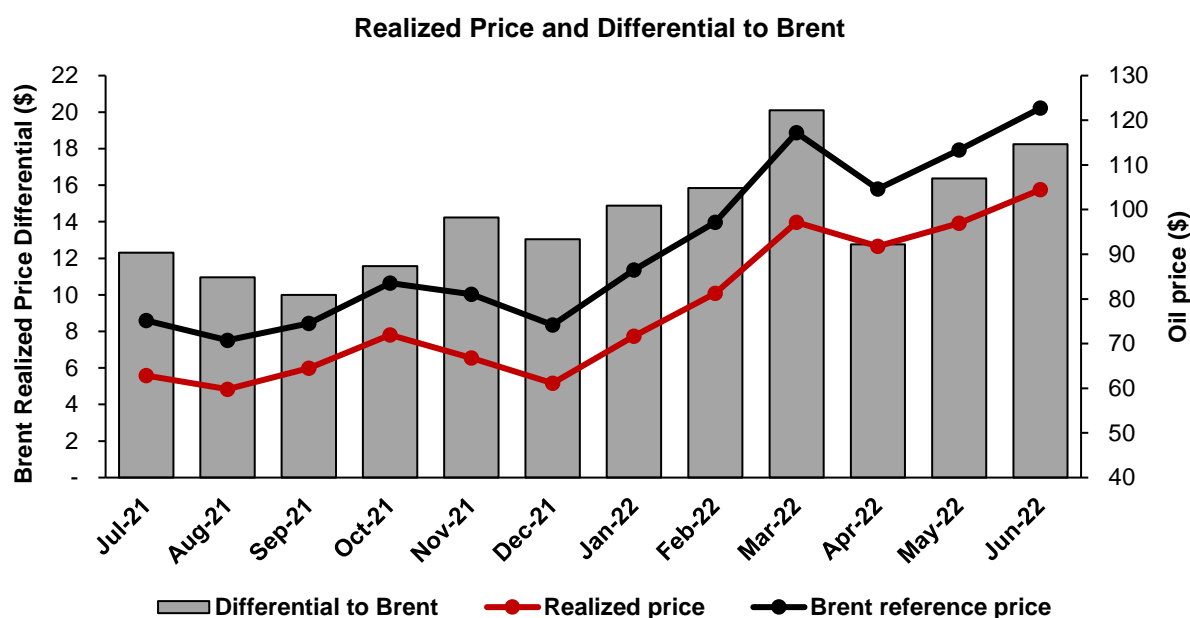
- (1) Average of the daily closing spot prices for a given product over the specified time period. Source: US Energy Information Administration.
- (2) Non-GAAP financial measure. See the "Non-GAAP Financial Measures" advisory section of this MD&A for further information.

Our crude oil price received is based on quality differentials and international marketing arrangements and therefore are attributed to factors that are beyond our control. Touchstone's crude oil realized price is primarily driven by the Brent benchmark price, as Trinidad crude oil is exported for refining and classified as waterborne crude.

Second quarter 2022 crude oil benchmark pricing increased significantly compared with both the first quarter of 2022 and the second quarter of 2021 resulting from a tight global crude oil supply and demand balance. Second quarter and year to date 2022 average Dated Brent benchmark pricing increased 65 percent in comparison to both prior year periods due to many countries opening their economies by lifting their pandemic restrictions, the Russia invasion of Ukraine and the resulting sanctions applicable to Russia's businesses and commodities, and limited global incremental sources of oil supply.

We realized an average price of \$97.48 per barrel in the second quarter of 2022 compared to an average of \$59.06 per barrel in the equivalent quarter of 2021. Relative to the second quarter of 2021, the 65 percent increase in 2022 was driven by the aforementioned increase in Brent reference pricing.

On a year to date basis, we realized an average crude oil price of \$90.61 per barrel in 2022, a 62 percent increase relative to the \$55.90 per barrel price received during the six months ended June 30, 2021. The increase from the 2021 period was attributed to a 65 percent increase in the average Brent reference price, partially offset by a widening of the realized price differential in relation to Brent benchmark pricing from 13.9 percent to 15.5 percent.



Petroleum sales

(\$000's)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% change	2022	2021	% change
Petroleum sales	12,596	7,586	66	23,092	13,706	68

We sell all produced crude oil volumes to Heritage, with title transferring at our various sales batteries. As at June 30, 2022, we held 4,488 barrels of crude oil inventory in comparison to 7,015 barrels as of December 31, 2021.

Petroleum sales in the second quarter of 2022 increased 66 percent to \$12,596,000 from \$7,586,000 in the second quarter of 2021. The \$5,010,000 increase was a result of \$4,965,000 from higher realized pricing and \$45,000 attributed to slightly higher sales volumes.

For the six months ended June 30, 2022, petroleum sales were \$23,092,000, representing a \$9,386,000 or 68 percent increase from the \$13,706,000 recognized in the equivalent 2021 period. The increase consisted of \$8,846,000 from higher realized pricing in 2022 and \$540,000 attributed to elevated sales volumes.

Royalties

(\$000's unless otherwise stated)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% change	2022	2021	% change
Crown royalties	1,461	848		2,662	1,550	
Private royalties	122	89		228	157	
Overriding royalties	2,936	1,373		5,215	2,446	
Royalties	4,519	2,310	96	8,105	4,153	95
On a per barrel basis ⁽¹⁾	34.97	17.98	94	31.80	16.94	88
As a percentage of petroleum sales ⁽¹⁾	35.9%	30.5%	18	35.1%	30.3%	16

Note:

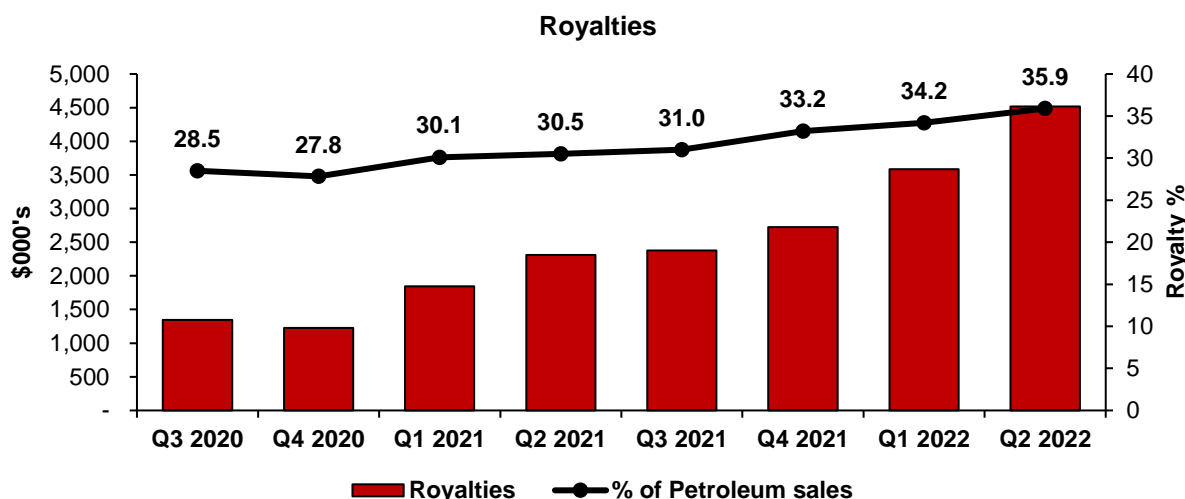
(1) Non-GAAP financial measure. See the "Non-GAAP Financial Measures" advisory section of this MD&A for further information.

Touchstone is obligated to pay a crown royalty rate of 12.5 percent on all petroleum and natural gas production under MEEI and Heritage licences. For private leases, the Company incurs private royalties between 10 and 12.5 percent of petroleum sales.

We operate under LOAs with Heritage on our Coora-1, Coora-2, WD-4 and WD-8 blocks, which in addition to crown royalties apply a sliding scale overriding royalty ("ORR") structure indexed to the average price of oil realized in a production month. Base ORR rates are applicable to pre-defined monthly base production levels which decline by 2 percent per annum over the specific licence. For any monthly volumes sold in excess of base production levels, the Company incurs reduced enhanced ORR rates. For any production in excess of defined enhanced production levels, we incur super enhanced ORR rates which represent 50 percent of enhanced ORR rates. The following table summarizes royalty rates attributable to our LOAs based on monthly realized crude oil pricing received.

Monthly realized oil price (\$)	LOA Royalty Rates (%)		
	Base ORR	Enhanced ORR	Super Enhanced ORR
40.01 - 50.00	25.00	8.00	4.00
50.01 - 70.00	28.00	15.50	7.75
70.01 - 90.00	33.00	17.00	8.50
90.01 - 200.00	35.00	20.00	10.00

Royalties as a percentage of petroleum sales were 35.9 percent in the second quarter of 2022 compared to 30.5 percent in the prior year second quarter. For the six months ended June 30, 2022, royalties represented 35.1 percent of petroleum sales compared to 30.3 percent in the prior year equivalent period. The year-over-year variances reflected an increase in realized crude oil pricing received in each period of 2022 compared to 2021.



Operating expenses

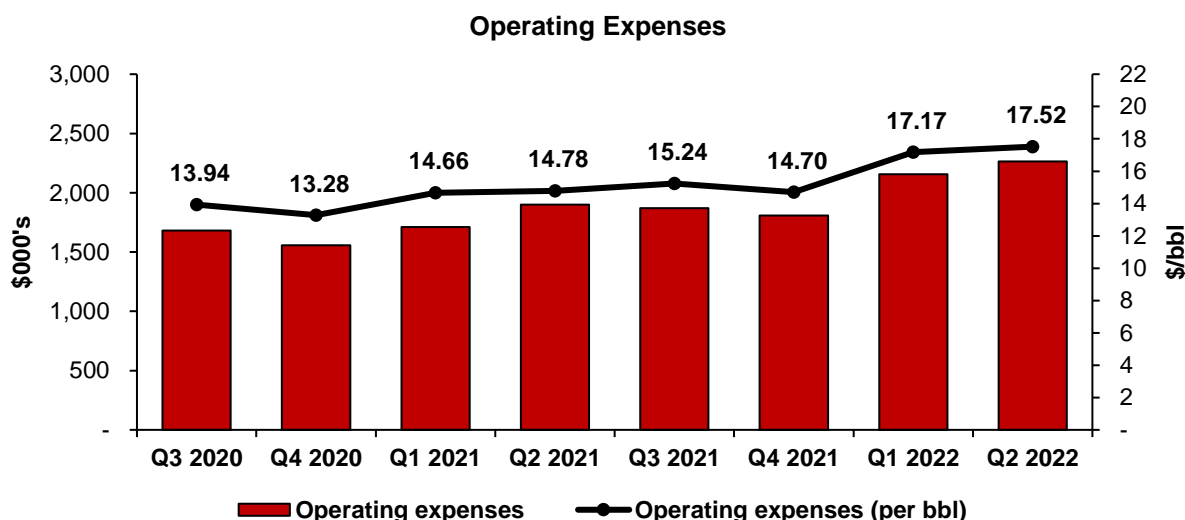
(\$000's except per bbl amounts)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% change	2022	2021	% change
Operating expenses	2,264	1,899	19	4,421	3,610	22
On a per barrel basis ⁽¹⁾	17.52	14.78	19	17.35	14.72	18

Note:

(1) Non-GAAP financial measure. See the "Non-GAAP Financial Measures" advisory section of this MD&A for further information.

Operating expenses include all periodic lease and field-level expenses and directly attributable employee salaries and benefits. Second quarter and year to date 2022 operating costs increased 19 percent and 22 percent from the corresponding 2021 periods, respectively. Relative to the prior year comparative periods, 2022 operating expense increases reflected increased salaries, well servicing and produced water transportation costs.

2022 second quarter operating expenses were \$17.52 per barrel, representing a 19 percent increase from the \$14.78 per barrel reported in the second quarter of 2021 based on elevated operating expenses. Year to date 2022 operating expenses per barrel increased 18 percent from the equivalent 2021 period, attributed to a 22 percent increase in operating expenditures, partially offset by increased production volumes achieved in 2022.



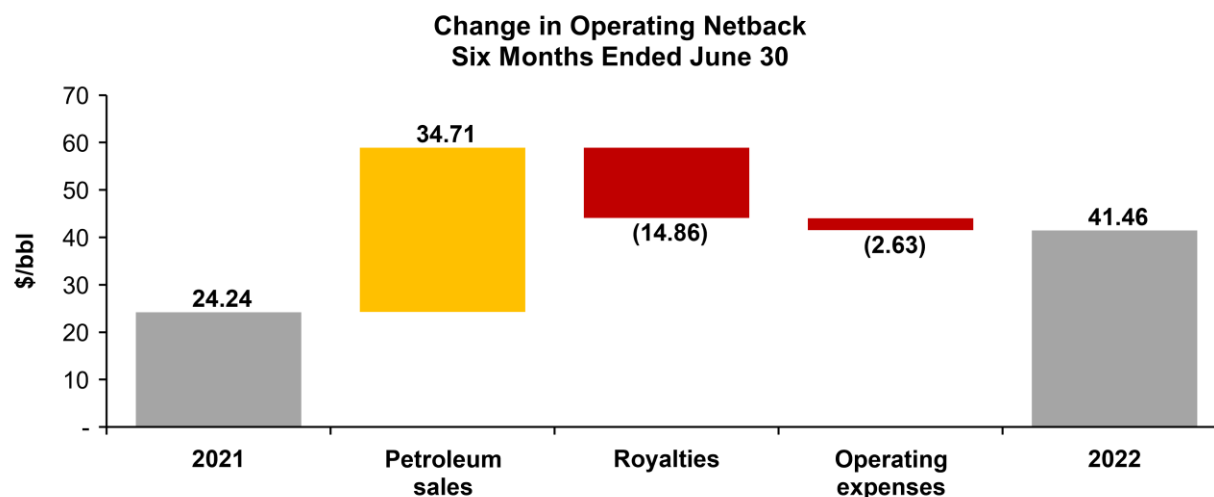
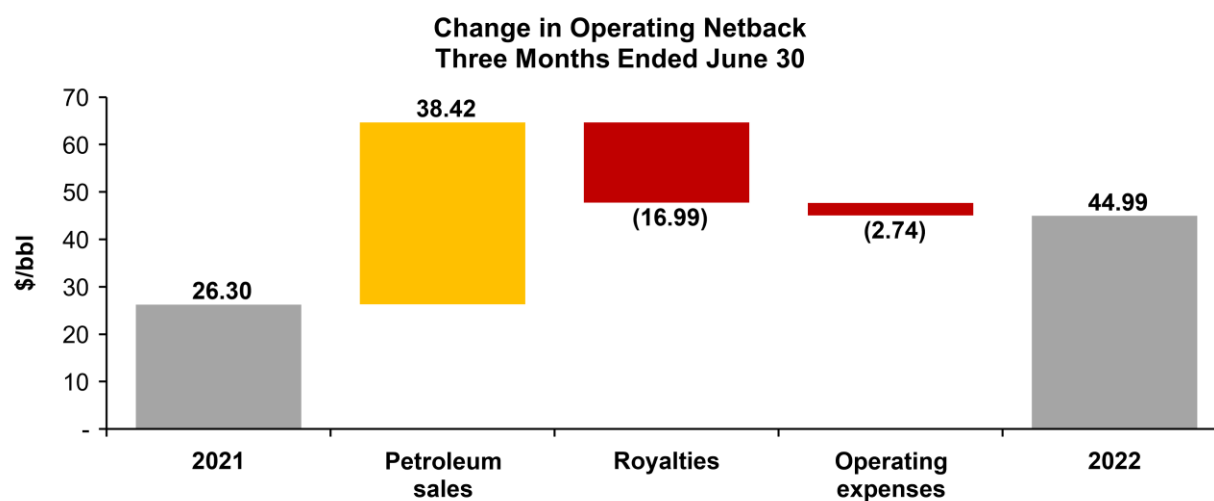
Operating netback

The components of operating netback are set forth below.

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% change	2022	2021	% change
<i>(\$000's)</i>						
Petroleum sales	12,596	7,586	66	23,092	13,706	68
Royalties	(4,519)	(2,310)	96	(8,105)	(4,153)	95
Operating expenses	(2,264)	(1,899)	19	(4,421)	(3,610)	22
Operating netback⁽¹⁾	5,813	3,377	72	10,566	5,943	78
<i>(\$/bbl)</i>						
Brent benchmark price	113.84	68.98	65	107.20	64.95	65
Discount	(16.36)	(9.92)	65	(16.59)	(9.05)	83
Realized sales price ⁽¹⁾	97.48	59.06	65	90.61	55.90	62
Royalties ⁽¹⁾	(34.97)	(17.98)	94	(31.80)	(16.94)	88
Operating expenses ⁽¹⁾	(17.52)	(14.78)	19	(17.35)	(14.72)	18
Operating netback⁽¹⁾	44.99	26.30	71	41.46	24.24	71

Note:

(1) Non-GAAP financial measure. See the "Non-GAAP Financial Measures" advisory section of this MD&A for further information.



General and administration expenses

(\$000's except per bbl amounts)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% change	2022	2021	% change
Gross G&A expenses	2,142	1,910	12	4,347	3,680	18
Capitalized G&A expenses	(245)	(296)	(17)	(477)	(531)	(10)
G&A expenses	1,897	1,614	18	3,870	3,149	23
On a per barrel basis ⁽¹⁾	14.68	12.57	17	15.19	12.84	18

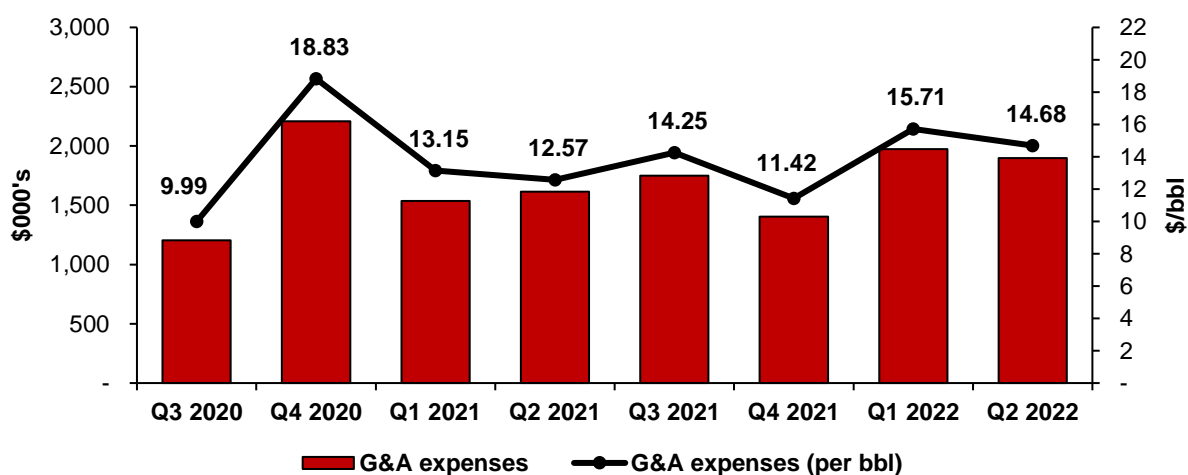
Note:

(1) Non-GAAP financial measure. See the "Non-GAAP Financial Measures" advisory section of this MD&A for further information.

The increase in gross G&A expenses in the second quarter and year to date 2022 compared to the same periods in 2021 was primarily attributed to increases in employee headcount and salaries, insurance, information technology and travel expenses to Trinidad based on the easing of health restrictions in 2022. Further, \$91,000 and \$277,000 was recognized during the three and six months ended June 30, 2022, respectively, relating to security costs for the third-party drilling rig that was idle throughout 2022.

Second quarter 2022 G&A expenses were \$14.68 per barrel, representing a 17 percent increase from the \$12.57 per barrel reported in the second quarter of 2021 based on higher net G&A costs. Year to date 2022 G&A expenses per barrel increased 18 percent from the equivalent 2021 period, attributed to increased net G&A expenditures, partially offset by increased production volumes achieved in 2022.

General and Administration Expenses



Net finance expenses

(\$000's)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% change	2022	2021	% change
Lease liability interest expense	63	4	100	126	9	100
Term loan interest expense	589	148	100	1,178	294	100
Accretion on term loan	3	17	(82)	47	32	47
Production liability revaluation (gain) loss	(80)	201	n/a	119	130	(8)
Accretion on decom. liabilities	54	77	(30)	120	140	(14)
Other	(12)	(22)	(45)	(30)	(31)	(3)
Net finance expenses	617	425	45	1,560	574	100

(\$000's)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% change	2022	2021	% change
Cash net finance expenses	658	151	100	1,309	300	100
Non-cash net finance expenses	(41)	274	n/a	251	274	(8)
Net finance expenses	617	425	45	1,560	574	100

Net finance expenses in the second quarter of 2022 were \$617,000 compared to \$425,000 recognized in the same period of 2021. For the six months ended June 30, 2022, net finance expenses were \$1,560,000, representing a \$986,000 increase from the \$574,000 recognized in the prior year comparative period, with cash finance expenses increasing by \$1,009,000 from the comparative 2021 period.

Compared to 2021, lease liability interest expenses increased in the second quarter and year to date June 30, 2022, reflecting increased lease liability carrying values. Refer to "*Liquidity and Capital Resources - Other liabilities*" for further details.

Relative to the equivalent periods of 2021, the increase in cash finance costs in 2022 were primarily attributed to increases in term loan interest expense. The increases reflected an increased principal balance outstanding in the current year, with \$30 million drawn in the first half of 2022 compared to \$7.5 million drawn throughout the 2021 equivalent period. Refer to "*Liquidity and Capital Resources - Term loan*" for further details.

Production liability revaluation gains and losses are recognized as a result of a change in the production royalty obligation estimated by the Company at each reporting period in connection with its former term loan. Refer to "*Liquidity and Capital Resources - Other liabilities*" for further information.

Foreign exchange and foreign currency translation

Touchstone's presentation currency is the United States dollar. Our parent company has a Canadian dollar functional currency while our Trinidadian subsidiaries have a Trinidad and Tobago dollar functional currency. In each reporting period, the change in values of the C\$ and TT\$ relative to the US\$ reporting currency are recognized. The applicable foreign exchange ("FX") rates used to translate our TT\$ and C\$ denominated items are set forth below.

FX rates ⁽¹⁾	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% change	2022	2021	% change
US\$:C\$ avg. FX rate ⁽¹⁾	1.277	1.228	4	1.272	1.247	2
US\$:TT\$ avg. FX rate ⁽¹⁾	6.754	6.756	-	6.756	6.757	-
	June 30, 2022	March 31, 2022		June 30, 2022	December 31, 2021	
US\$:C\$ closing FX rate ⁽²⁾	1.288	1.250	3	1.288	1.264	2
US\$:TT\$ closing FX rate ⁽²⁾	6.753	6.755	-	6.753	6.763	-

Notes:

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

The revenues and expenses of our Canadian head office and Trinidad operations are translated to US\$ at the average monthly exchange rates relative to the date of the transactions. Fluctuations in the exchange rate between the TT\$ and the US\$ and the C\$ to US\$ could have a material effect on our reported results (refer to "*Market Risk Management - Foreign currency risk*").

During the three and six months ended June 30, 2022, the C\$ depreciated 4 percent and 2 percent relative to the US\$ in comparison to the corresponding average rates observed in the 2021 equivalent periods,

respectively. Relative to the US\$, the TT\$ remained range bound during the three and six months ended June 30, 2022 and 2021. In aggregate, we recorded foreign exchange gains of \$140,000 and \$196,000 during the three and six months ended June 30, 2022, respectively (2021 - losses of \$96,000 and \$196,000). Foreign exchange gains and losses include amounts that are unrealized in nature and may be reversed in the future as a result of fluctuations in prevailing exchange rates.

The assets and liabilities of our parent company and subsidiaries are translated to US\$ dollars at the exchange rate on the reporting period date for presentation purposes, with all foreign currency differences recorded in other comprehensive loss. Relative to the US\$, the C\$ closed 3 percent weaker on June 30, 2022 versus March 31, 2022 and 2 percent weaker in comparison to December 31, 2021. In comparison to the US\$, the TT\$ remained consistent over the corresponding periods. We recognized a foreign currency translation gain of \$267,000 and an aggregate loss of \$133,000 during the three and six months ended June 30, 2022, respectively (2021 - gains of \$225,000 and \$270,000).

Equity-based awards

We have a share option plan pursuant to which options to purchase common shares of the Company may be granted by the Board of Directors ("Board") to our directors, officers, employees and consultants. The exercise price of each share option may not be less than the volume weighted average trading price per common share on the TSX for the five consecutive trading days ending on the last trading day preceding the grant date. Equity-based compensation expense is recognized as the options vest. Unless otherwise determined by the Board, vesting typically occurs one third on each of the next three anniversaries of the grant date as recipients render continuous service to the Company, and the share options typically expire five years from the date of the grant.

Share options	Number of share options	Weighted average exercise price (C\$)
Outstanding, January 1, 2021	9,552,434	0.34
Granted	3,013,000	1.70
Exercised	(1,332,100)	0.22
Issued and outstanding, December 31, 2021	11,233,334	0.72
Granted	3,022,000	1.43
Exercised	(1,543,600)	0.18
Forfeited	(261,800)	1.47
Issued and outstanding, June 30, 2022	12,449,934	0.94
Exercisable, June 30, 2022	6,430,605	0.52

The maximum number of common shares issuable on the exercise of outstanding share options at any time is limited to 10 percent of our issued and outstanding common shares. As of June 30, 2022, our outstanding share options represented 5.9 percent of our outstanding common shares (December 31, 2021 - 5.3 percent).

The following table sets forth equity compensation expenses recorded in relation to our equity compensation plan for the periods indicated.

(\$000's)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	%	2022	2021	%
Gross equity-based compensation	491	207	100	802	347	100
Capitalized equity-based compensation	(92)	(51)	80	(159)	(81)	96
Equity-based compensation	399	156	100	643	266	100

For the three and six months ended June 30, 2022, Touchstone recorded equity-based compensation of \$399,000 and \$643,000, respectively (2021 - \$156,000 and \$266,000). The increases in 2022 equity-based compensation and capitalized equity-based compensation compared to the same periods of 2021 were primarily attributable to increases in the fair value of equity-based awards granted in May 2021 and April 2022 based on our higher common share price versus previously granted awards.

Further information regarding our equity compensation plan is included in Note 10 "Shareholders' Capital" of our interim financial statements.

Depletion and depreciation expense

(\$000's except per bbl amounts)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% change	2022	2021	% change
Depletion expense	912	796	15	1,784	1,527	17
Depreciation expense	63	23	100	121	95	27
Depletion and depreciation expense	975	819	19	1,905	1,622	17
Depletion expense on a per barrel basis ⁽¹⁾	7.06	6.24	13	7.00	6.25	12

Note:

(1) Non-GAAP financial measure. See the "Non-GAAP Financial Measures" advisory section of this MD&A for further information.

Depletion expense associated with our producing petroleum assets included in property, plant and equipment ("PP&E") increased on an absolute and a per barrel basis in the second quarter and year to date period of 2022 compared to the 2021 comparative periods. The year-over-year increase in depletion predominately reflected increased carrying values from petroleum asset PP&E impairment reversals recognized at the end of the fourth quarter of 2021. Depletion expenses will fluctuate based on the amount and type of capital spending, the recognition or reversal of PP&E impairments, the quantity of reserves added and production volumes. Depletion rates are calculated on proved plus probable crude oil reserves, considering the future development costs to produce the reserves.

Assets in the exploration and evaluation ("E&E") phase are not amortized. Depreciation expense is recorded on corporate assets on a declining balance basis, and right-of-use ("ROU") assets are depreciated over their estimated useful lives on a straight-line basis.

The increases in depreciation expense reported during the three and six months ended June 30, 2022 relative to the equivalent 2021 periods was reflective of higher net asset carrying values associated with corporate PP&E expenditures and increased ROU assets as a result of increased lease liability carrying values. Refer to "Liquidity and Capital Resources - Other liabilities" for further details.

Impairment

E&E asset impairment

During the three and six months ended June 30, 2022, we recognized E&E asset impairments of \$35,000 and \$171,000 related to non-core exploration properties, respectively (2021 - reversal of \$19,000 and impairment of \$10,000). The impairments were predominately related to writing down well decommissioning assets based on changes in estimates that increased the corresponding decommissioning liabilities.

Our 16.2 percent non-operated working interest in the Cory Moruga licence continues to have an estimated recoverable value of \$nil, and the operator of the licence is currently discussing investment alternatives with the MEEI, which may include licence relinquishment.

As of June 30, 2022, we identified no indicators of impairment relating to our Ortoire cash-generating unit, which had a carrying value of \$56,090,000 representing the full E&E asset balance on the interim statement of financial position (December 31, 2021 - \$50,760,000).

PP&E impairment

On June 30, 2022 and 2021, we evaluated our petroleum assets included in PP&E for indicators of any potential impairment or reversal. As a result of these assessments, no indicators were identified.

Other expenses

For the three and six months ended June 30, 2022, the Company accrued \$540,000 in estimated costs related to an oil spill that occurred as a result of vandalism in June 2022. The Company may submit an insurance claim through our general and pollution liability policy and has a \$250,000 deductible for all pollution claims.

Decommissioning liabilities and abandonment fund

Our decommissioning and reclamation liabilities relate to future site restoration and well abandonment costs including the costs of production equipment removal and land reclamation based on current Trinidad environmental regulations. The estimates are reviewed at least quarterly and adjusted as new information regarding the liability is determined and include assumptions in respect of actual costs to abandon wells or reclaim a property, the time frame in which such costs will be incurred, historical well production and annual inflation factors.

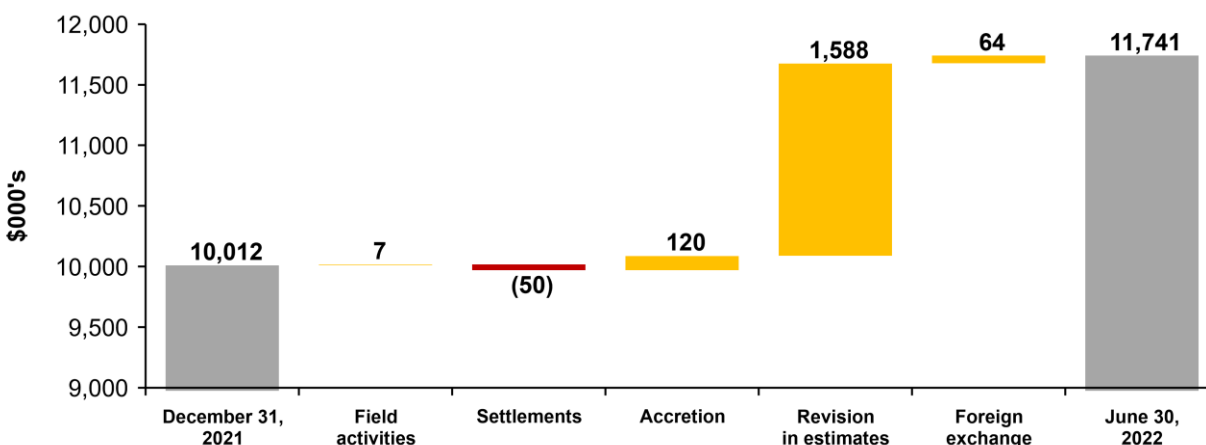
Pursuant to production and exploration licences with the MEEI, we are obligated to remit \$0.25 per barrel sold into an escrow account in the name of the MEEI. The payments are used as a contingency fund for remediation of pollution arising from petroleum operations conducted under the relevant licence and the eventual abandonment of wells and decommissioning of facilities used for operations conducted under the relevant licence. The MEEI shall return the funds in the escrow account once all obligations in respect of environmental remediation are fulfilled to the satisfaction of the MEEI. Contributions to the fund are reflected on the consolidated statements of financial position as long-term abandonment fund assets.

With respect to decommissioning liabilities associated with our LOAs with Heritage, we are obligated for our proportional cost of all abandonments defined as our percentage of crude oil sold in a well in comparison to the well's cumulative historical production. Touchstone is not responsible for the decommissioning of existing infrastructure and sales facilities. We are required to remit \$0.25 per barrel sold to Heritage into a joint well abandonment fund. These funds are used solely for well decommissioning. Any costs of wells that are abandoned during the relevant licence term are credited against any future contributions of the well abandonment fund. Upon expiration of the relevant agreement, Heritage shall calculate our total abandonment liability. If our liability exceeds the well abandonment fund, we are obligated to pay the difference. Conversely, if the proceeds of the fund exceed the liability, the surplus shall be returned to Touchstone. These amounts are also recognized as long-term abandonment fund assets on the consolidated statements of financial position.

As of June 30, 2022, we reported \$1,344,000 of accrued or paid contributions into MEEI and Heritage abandonment funds as long-term abandonment fund assets (December 31, 2021 - \$1,278,000). At June 30, 2022, our estimated decommissioning liability balance was \$11,741,000 compared to \$10,012,000 at December 31, 2021. The increase in the decommissioning liability was primarily attributed to an increase in the estimated long-term inflation rate from 1.6 percent as of December 31, 2021 to 3.0 percent at June 30, 2022. Further, \$54,000 and \$120,000 of accretion expenses were recognized during the three and six months ended June 30, 2022 to reflect the increase in decommissioning liabilities associated with the passage of time, respectively (2021 - \$77,000 and \$140,000). Decommissioning liability details as of June 30, 2022, excluding those classified as held for sale, are summarized in the table and graph below.

Number of well locations (net)	Number of facility locations (net)	Undiscounted balance (\$000's)	Inflation adjusted balance (\$000's)	Discounted balance (\$000's)
736.6	3.0	14,016	18,481	11,741

**Change in Decommissioning Liability
December 31, 2021 to June 30, 2022**



Environmental stewardship is a core value at Touchstone, and abandonment and reclamation activities are made in a prudent, responsible manner with the oversight of the Board and in accordance with local regulations. Decommissioning liabilities are considered critical accounting estimates. There are significant uncertainties related to future decommissioning expenditures, and the impact on our consolidated financial statements could be material. The eventual timing of and costs for these expenditures could differ from current estimates. Further information regarding decommissioning liabilities is included in Note 8 "Decommissioning Liabilities" of our interim financial statements.

Income taxes

The Company's two Trinidad exploration and production subsidiaries are subject to the following Trinidad petroleum taxes:

- Supplemental Petroleum Tax ("SPT") 18 percent of gross liquids revenue less related royalties
- Petroleum Profits Tax ("PPT") 50 percent of net taxable profits
- Unemployment Levy ("UL") 5 percent of net taxable profits
- Green Fund Levy ("GFL") 0.3 percent of gross revenue

SPT is computed and remitted on a quarterly basis and is applicable to produced petroleum liquids. Actual rates vary based on the average realized selling prices of petroleum liquids in the applicable quarter. The SPT rate is zero when the weighted average realized price of petroleum liquids for a given quarter is below \$50.00 per barrel and 18 percent when weighted average realized prices fall between \$50.00 and \$90.00. For quarterly average petroleum prices greater than \$90.00, the SPT rate is 18 percent plus 0.2 percent per \$1.00 above \$90.00. For the 2021 and 2022 calendar years, the threshold for SPT increased from \$50.00 to \$75.00. The revenue base for the calculation of SPT is petroleum sales from liquids products less related royalties paid, less 25 percent investment tax credits on mature oilfields for allowable tangible and intangible capital expenditures incurred in the applicable fiscal quarter. Our Ortoire property is not considered a mature oilfield, and thus no capital spending investment tax credits are applicable.

Annual PPT and UL taxes are calculated based on net taxable profits. Net taxable profits are determined by calculating gross revenue less: royalty expenses, SPT paid during the year, capital allowances, operating expenses, G&A expenses, and certain finance expenses. PPT losses may be carried forward indefinitely to reduce PPT in future years but can only be used to shelter a maximum of 75 percent of income subject to PPT per annum. UL losses cannot be carried forward to reduce future year UL. Developmental and exploratory capital expenditure allowances (tangible and intangible) are amortized on a five-year straight-line basis.

Our Trinidad oilfield service subsidiary, which primarily leases oilfield service equipment to third-party contractors for use in our exploration and production subsidiaries, is subject to the greater of a 30 percent corporate income tax calculated on net taxable profits or a 0.6 percent business levy calculated on gross revenue. The service company is also subject to the GFL noted above. All corporate income tax losses can be carried forward indefinitely, and allowances vary from 10 percent to 33.3 percent for various capital expenditures incurred in the year.

The following table sets forth current income tax expense for the periods indicated.

(\$000's)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% change	2022	2021	% change
SPT	1,043	-	n/a	1,270	-	n/a
PPT	319	282	13	580	511	14
UL	129	113	14	233	204	14
Business levy	10	8	25	15	11	36
GFL	46	29	59	77	47	64
Current income tax expenses	1,547	432	100	2,175	773	100

In the second quarter of 2022 we recognized \$1,547,000 of current income tax expenses compared to \$432,000 in the second quarter of 2021. On a year to date basis, we reported an aggregate \$2,175,000 in current income tax expenses in 2022 versus \$773,000 in the prior year comparative period. The 2022 increases relative to 2021 were primarily attributed to SPT, as 2022 crude oil realized pricing averaged above the \$75.00 per barrel SPT threshold. Further 2022 increases in PPT, UL, business levy and GFL expenses relative to 2021 was attributed to increased operating entity estimated taxable profits.

During the three and six months ended June 30, 2022, we recognized deferred income tax expenses of \$301,000 and \$536,000, respectively (2021 - \$142,000 and \$149,000). Our \$15,074,000 net deferred income tax liability balance represented the estimated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases as at June 30, 2022 (December 31, 2021 - \$14,450,000). The deferred income tax balance remained in a liability position mainly from the discrepancy between the carrying values and the tax values of the Company's petroleum assets included in PP&E.

Further information regarding our current and deferred income taxes is included in Note 9 "Income Taxes" of our interim financial statements.

Capital Expenditures and Dispositions

E&E asset expenditures

E&E asset expenditures include asset additions in areas that have been determined to be in the exploration phase. Touchstone's core exploration property is the Ortoire exploration block. The Company's E&E asset expenditures during the respective periods are summarized in the following table.

(\$000's)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% change	2022	2021	% change
Licence financial obligations	173	391	(56)	343	600	(43)
Geological and seismic	-	1,302	(100)	-	1,663	(100)
Drilling, completions and well testing	93	4,386	(98)	1,022	6,286	(84)
Equipment and facilities	2,212	222	100	2,661	463	100
Capitalized G&A	167	211	(21)	318	386	(18)
Other	287	152	89	462	220	100
E&E expenditures	2,932	6,664	(56)	4,806	9,618	(50)

During the three and six months ended June 30, 2022, we invested \$2,932,000 and \$4,806,000 in E&E assets, respectively. The investments primarily focused on facility and pipeline expenditures related to the Coho-1 facility, investments for the Cascadura natural gas facility and Royston-1 production testing operations incurred in the first quarter of 2022.

Second quarter and year to date 2021 exploration expenditures were \$6,664,000 and \$9,618,000, respectively. Touchstone invested in production tests for the Cascadura Deep-1 and Chinook-1 wells and incurred Royston-1 lease preparation, road construction costs and pre-drilling expenditures. Further capital investments were directed toward the Coho-1 production facility and the Royston area seismic program.

PP&E expenditures

(\$000's)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% change	2022	2021	% change
Drilling and completions	321	40	100	789	96	100
Capitalized G&A	78	85	(8)	159	145	10
Corporate / other	37	-	n/a	168	11	100
PP&E expenditures	436	125	100	1,116	252	100

Second quarter and year to date 2022 PP&E expenditures were \$436,000 and \$1,116,000, respectively. Expenditures were related to completion costs for our three wells drilled in the fourth quarter of 2021 as well as lease preparation costs for two Coora-1 drilling locations.

We conducted minimal field development activity in the second quarter and year to date periods of 2021, with only well recompletions performed.

PP&E dispositions

In 2021 we executed sale and purchase agreements with a third party to dispose of our non-core New Dome, Palo Seco and South Palo Seco properties for aggregate consideration of \$350,000, subject to customary closing adjustments. The transactions were effective December 31, 2021, and we closed the New Dome and South Palo Seco dispositions on April 30, 2022 with a gain of \$85,000 recorded during the three and six months ended June 30, 2022. The Palo Seco disposition remains subject to standard regulatory approvals.

Finance Leases

Effective March 1, 2021, we entered into separate three-year arrangements to lease our oilfield service rigs and swabbing units to two third-party contractors for aggregate proceeds of approximately \$1,120,000. Principal payments commenced in March 2021, and we continue to hold title to the assets until all principal payments have been collected. The lease arrangements were classified as finance leases, as substantially all of the risks and rewards incidental to ownership of the underlying assets are held by the lessees. On March 1, 2021, the \$856,000 carrying value of the leased assets were reclassified from PP&E to other assets on the consolidated statement of financial position. As of June 30, 2022, our aggregate finance lease receivable balance was \$660,000, of which \$544,000 was included in long-term other assets on the consolidated statement of financial position (December 31, 2021 - \$738,000 and \$647,000, respectively).

Liquidity and Capital Resources

Our policy is to maintain a strong capital base to preserve investor, creditor, and market confidence and to sustain the future development of our business. We consider our capital structure to include shareholders' equity, working capital and long-term debt. Touchstone's capital management objective is to fund current period decommissioning and capital expenditures necessary for the replacement of production declines using only funds flow from operations. Exploration activities and profitable growth activities will be financed with a combination of funds flow from operations and other sources of capital. We use share equity and term debt as our primary sources of capital.

As at June 30, 2022, we had a cash balance of \$9,425,000, a working capital surplus of \$346,000 and \$30,000,000 drawn on our term credit facility. The following table summarized our changes in cash for the periods specified.

(\$000's)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% change	2022	2021	% change
Net cash from (used in):						
Operating activities	3,516	1,008	100	3,849	(226)	n/a
Investing activities	(4,484)	(5,325)	(16)	(12,652)	(12,815)	(1)
Financing activities	125	193	(35)	194	132	47
Change in cash	(843)	(4,124)	(80)	(8,609)	(12,909)	(33)
Cash, beginning of period	10,148	15,451		17,936	24,281	
Impact of foreign exchange on cash	120	(113)	n/a	98	(158)	n/a
Cash, end of period	9,425	11,214	(16)	9,425	11,214	(16)

Our change in cash balances in the second quarter and year to date June 30, 2022 has decreased in comparison to the corresponding prior year periods, primarily based on increases in cash generated from operating activities and a slight reduction of cash used in investing activities. Current year cash and working capital balances have declined, and net debt has increased from 2021 as we proceed to invest in our Coho and Cascadura natural gas facilities in anticipation of future production.

Our near-term development plan is strategically balanced between increasing base crude oil production levels, bringing Ortoire natural gas discoveries onstream and proceeding with our Ortoire exploratory and development activities. We will continue to take a measured approach to future developmental and exploration drilling in an effort to manage financial liquidity while proceeding with this plan.

Capital management

When evaluating our 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 two 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. We also monitor our capital management through the net debt to total managed capital ratio. Our strategy is to utilize more equity than debt, thereby targeting net debt to total managed capital at a ratio of less than 0.4 to 1. The following table details our internal capital management calculations for periods specified.

(\$000's)	Target measure	June 30, 2022	December 31, 2021
Current assets		(20,717)	(27,856)
Current liabilities		20,371	20,931
Working capital surplus ⁽¹⁾		(346)	(6,925)
Principal long-term balance of term loan		24,000	27,000
Net debt ⁽¹⁾		23,654	20,075
Shareholders' equity		68,212	67,558
Total managed capital ⁽¹⁾		91,866	87,633
Trailing twelve-month funds flow from operations ⁽²⁾		4,923	4,107
Net debt to funds flow from operations ratio⁽¹⁾	at or < 2.0 times	4.80	4.89
Net debt to total managed capital ratio⁽¹⁾	< 0.4 times	0.26	0.23

Notes:

- (1) Non-GAAP financial measure. See the "Non-GAAP Financial Measures" advisory section of this MD&A for further information.
- (2) Trailing twelve-month funds flow from operations as at June 30, 2022 includes the sum of funds flow from operations for the six months ended June 30, 2022 and funds flow from operations for the July 1 through December 31, 2021 interim period.

Our net debt to funds flow from operations ratio has exceeded our target based on continuing facility capital expenditures required to bring our natural gas discoveries onstream. We expect to achieve and maintain our target when both our Coho and Cascadura discoveries are onstream at optimized production rates.

Shareholders' equity

The Company is authorized to issue an unlimited number of voting common shares without nominal or par value. From time to time, we may access capital markets to meet our additional financing needs and to maintain flexibility in funding our capital programs. The following table summarizes our outstanding common shares and share options as at the date of this MD&A, June 30, 2022 and December 31, 2021.

	August 10, 2022	June 30, 2022	December 31, 2021
Common shares outstanding	212,275,327	212,275,327	210,731,727
Share options outstanding	12,449,934	12,449,934	11,233,334
Fully diluted common shares	224,725,261	224,725,261	221,965,061

Further information regarding our shareholders' capital and equity-based compensation plan is included in "Results of Operations - Equity-based awards" herein and in Note 10 "Shareholders' Capital" of our interim financial statements.

Term loan

Touchstone Exploration (Trinidad) Ltd., the Company's indirectly wholly owned Trinidadian subsidiary, entered into a \$20 million, seven-year term credit facility arrangement effective June 15, 2020 with Republic Bank Limited, a chartered bank owned by Republic Financial Holdings Limited. Republic Financial Holdings Limited is headquartered in Trinidad and the registered owner of twelve banks in the Caribbean region, as well as other financial services subsidiaries. The term credit facility arrangement is a senior secured syndicated loan, with Republic Bank Limited acting as initial lender, arranger and administrative agent.

On closing, we withdrew \$15 million to satisfy our obligations relating to prepaying our former C\$20 million Canadian-based term loan (the "Retired Term Loan"). On December 21, 2021, the parties entered into an amended and restated loan agreement providing for a \$10 million increase in the principal balance to \$30 million. The amendment did not amend any other terms of the prior term loan agreement. Effective December 30, 2021, we withdrew an additional \$15 million on the credit facility, resulting in the full principal balance of \$30 million outstanding.

The term loan agreement bears a fixed interest rate of 7.85 percent per annum, compounded and payable quarterly. Twenty equal and consecutive quarterly principal payments of \$1.5 million commence on September 15, 2022. Prepayments are permitted with a one percent penalty and a 30-day notice period, and no penalty shall apply on principal repayments after three years. The term loan agreement is principally secured by a pledge of equity interests and fixed and floating security interests over all present and after acquired assets of Touchstone Exploration (Trinidad) Ltd. and its wholly owned Trinidadian subsidiary, POGL. The agreement contains industry standard representations and warranties, undertakings, events of default, and financial covenants, which will be tested on an annual basis commencing with the year ended December 31, 2022.

For financial reporting purposes, the term loan and its modification were initially measured at fair value and subsequently measured at amortised cost, with the aggregate associated financing fees unwound using the effective interest rate method to the face value at maturity. As of June 30, 2022, the term loan balance was \$29,943,000 of which \$6,000,000 was classified as current on the consolidated statement of financial position (December 31, 2021 - \$29,896,000 and \$3,000,000 respectively).

At all times, we must maintain a cash reserves balance of not less than the equivalent of two subsequent quarterly interest payments. Touchstone classified \$1,138,000 of cash as long-term restricted as at June 30, 2022 (December 31, 2021 - \$1,178,000).

Pursuant to the term loan arrangement, a failure of any covenant constitutes an event of default. Upon an event of default, the lender can declare the principal balance and any accrued interest immediately due and payable. We routinely review all operational and financial covenants based on actual and forecasted results and can amend development and exploration plans to comply with the covenants. We are committed to having an adaptable capital expenditure program that can be adjusted to a tightening of liquidity sources if necessary.

Other liabilities

Lease liabilities

The Company is a party to lease arrangements for a drilling rig, office space and office equipment. As of June 30, 2022, we recognized \$2,724,000 in aggregate lease liabilities on our consolidated statement of financial position, of which \$2,085,000 was classified as long-term (December 31, 2021 - \$2,648,000 and \$2,265,000, respectively).

In March 2021, we entered into a minimum three-year drilling services contract with a third party to supply a North American based drilling rig to Trinidad in 2021. Pursuant to the arrangement, we are required to utilize the rig for a minimum of 120 days per annum over the initial three-year term. The drilling rig commenced operations in October 2021, with the Company recognizing a \$2,479,000 lease liability and associated ROU asset.

Production liability

In connection with the Retired Term Loan, we granted our former lender a production payment equal to 1.33 percent of crude oil and natural gas sales from Trinidad land holdings, payable quarterly through October 31, 2023. Upon repayment of the Retired Term Loan, the parties entered into an amended production payment agreement to continue the obligation under its previous terms and conditions.

The production liability is revalued at each reporting period based on changes to internally forecasted crude oil and natural gas production and forward crude oil and natural gas pricing and is thus subject to variability in each reporting period. During the three and six months ended June 30, 2022, we recognized an \$80,000 gain and an aggregate \$119,000 loss on revaluation predominately from the strengthening of strip crude oil pricing from December 31, 2021, respectively (2021 – losses of \$201,000 and \$130,000). At June 30, 2022, our estimated production liability balance was \$1,007,000, of which \$546,000 was classified as long-term and included in other liabilities on the consolidated statement of financial position (December 31, 2021 - \$1,211,000 and \$908,000, respectively).

Liquidity risk

Liquidity risk is the risk that we will not be able to meet our obligations associated with our financial liabilities. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. We believe that future cash flows will be adequate to meet financial obligations as they come due.

Our approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due, under both normal and unusual conditions without incurring unacceptable losses or jeopardizing our business objectives. Stewardship of our capital structure and potential liquidity risk is managed through our financial and operating forecast process. The forecast of our future cash flows is based on estimates of crude oil and natural gas production, crude oil forward prices, capital expenditures, royalty expenses, operating expenses, G&A expenses, income tax expenses and other investing and financing activities. The forecast is regularly updated based on changes in commodity prices, capital expenditures, production expectations and other factors that in our view would impact cash flow.

To manage our capital structure, we may reduce our fixed cost structure, adjust capital and exploration spending, issue new equity or seek additional sources of debt financing. We will continue to manage our capital expenditures to reflect current financial resources in the interest of sustaining long-term viability.

The following table sets forth estimated undiscounted cash outflows and financial maturities of our financial liabilities as at June 30, 2022.

(\$000's)	Recognized in financial statements	Undiscounted cash outflows	Financial maturity by period		
			Less than 1 year	1 to 3 years	Thereafter
Accounts payable and accrued liabilities	Yes – liability	10,844	10,844	-	-
Income taxes payable	Yes – liability	1,858	1,858	-	-
Lease liabilities	Yes – liability	3,171	859	1,904	408
Term loan principal	Yes – liability	30,000	6,000	12,000	12,000
Term loan interest	No – recognized as incurred	6,084	2,159	2,905	1,020
Estimated production liability	Yes – liability	1,498	657	841	-
Financial liabilities		53,455	22,377	17,650	13,428

We actively monitor our liquidity to ensure that cash flows, potential credit facility capacity and working capital are adequate to support these financial liabilities, as well as the Company's capital programs.

Contractual Obligations and Commitments

We have minimum work obligations under various operating agreements with Heritage, exploration commitments under our Cory Moruga and Ortoire block exploration and production licences with the MEEI, and various lease commitments for office space and motor vehicles. The following table outlines our estimated minimum contractual payments as at June 30, 2022.

(\$000's)	Total	Estimated payments due by year			
		2022	2023	2024	Thereafter
Operating agreement commitments					
Coora blocks	13,751	4,878	92	2,701	6,080
WD-4 block	4,740	20	41	1,385	3,294
WD-8 block	4,745	18	75	1,382	3,270
Fyzabad block	824	17	76	78	653
Cory Moruga exploration block	1,247	48	99	105	995
Ortoire exploration block	24,302	189	6,923	7,200	9,990
Office and equipment leases	626	189	101	101	235
Minimum payments	50,235	5,359	7,407	12,952	24,517

Under the terms of our Heritage operating agreements, we are required to fulfill minimum work obligations on an annual basis over the specific licence term. With respect to these obligations, we have four development wells and three heavy workover commitments to perform in 2022.

As of December 31, 2021, we completed all of our minimum work commitment obligations pursuant to our Ortoire block exploration and production licence. In March 2022, we were notified that the Trinidad government approved an extension to the exploration period of the licence to July 31, 2026. Upon execution, we will be required to drill three exploration wells prior to the end of the amended term which are included in the table above.

Market Risk Management

We are exposed to normal financial risks inherent in the international oil and natural gas industry including, but not limited to, commodity price risk, foreign exchange rate risk, credit risk and liquidity risk. The risk exposures are proactively reviewed, and Management seeks to mitigate these risks through various business processes and internal controls.

Management has overall responsibility for the establishment of risk management strategies and objectives. Our risk management policies are designed to identify the risks faced by the Company, to set appropriate risk limits, and to monitor adherence to risk limits. Risk management policies are reviewed and revised regularly to reflect changes in market conditions and our operating activities. Management of cash flow variability is an integral component of our business strategy. Changing business conditions are monitored regularly and, where material, reviewed with the Board to establish risk management guidelines to be used by Management.

Commodity price risk

Our operational results and financial condition are dependent on the commodity prices received for our crude oil production. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, the novel coronavirus ("COVID-19") pandemic, the Russia-Ukraine conflict, inventory levels, weather, economic and geopolitical factors. Further, our realized crude oil price is based on quality differentials and international marketing arrangements and therefore are attributed to factors that are beyond our control. Consequently, any changes in crude oil pricing could affect our cash flow from operations, the value of our properties, the level of capital expenditures and our ability to meet financial obligations as they come due.

In addition, we entered into a long-term fixed price natural gas sales agreement in 2020 with NGC, which contains options for price negotiations on each fifth anniversary of the initial production date. The price of natural gas in Trinidad is predominantly based on domestic supply and demand, with demand largely from domestic power generation and petrochemical facilities. There can be no guarantee that we may be able to negotiate future price increases for natural gas, and a material decline in future natural gas sales prices will result in a reduction of the Company's cash flow from operations and financial position.

We maintain a risk management strategy to protect our cash from operations from the volatility of commodity prices. Our strategy focuses on the periodic use of puts, costless collars, swaps or fixed price contracts to limit exposure to fluctuations in commodity prices while allowing for participation in commodity price increases.

We had no commodity financial contracts in place as of the date hereof or during the three and six months ended June 30, 2022 and 2021. We will continue to monitor forward commodity prices and may enter future commodity-based risk management contracts to reduce the volatility of petroleum sales and protect future development and exploration capital programs. Additionally, we continually review our capital program and implement initiatives to adapt to such price changes.

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 our financial assets or liabilities. As we primarily operate 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 are determined by reference to US\$ denominated benchmark prices, the majority of the invoices for such sales are paid in TT\$, exposing the Company to foreign exchange risk. To mitigate this risk, we attempt to match revenues received in TT\$ by entering into contracts denominated and payable in TT\$ when possible. We also attempt to limit our exposure to foreign currency risk through collecting and paying foreign currency denominated balances in a timely fashion. In addition, we have US\$ denominated debt and related interest payments. These risks are mitigated by the fact that the TT\$ is informally pegged to the US\$.

Touchstone has further foreign exchange exposure on cash balances denominated in Canadian dollars and pounds sterling, on head office costs and a production liability denominated in Canadian dollars, and costs denominated and payable in pounds sterling required to maintain our AIM listing. Any material movements in the C\$ to US\$ and the pounds sterling to US\$ exchange rates may also have a material effect on our reporting results (refer to "*Results of Operations - Foreign exchange and foreign currency translation*").

Touchstone has no contracts in place to manage foreign currency risk as at the date hereof or during the three and six months ended June 30, 2022 and 2021.

Credit risk

Credit risk is the risk of a counterparty failing to meet its obligations in accordance with the agreed upon terms. We may be exposed to third-party credit risk through our contractual arrangements with current or future joint operation partners, marketers of our commodities and other parties. Touchstone has established credit policies and controls designed to mitigate the risk of default or non-payment with respect to oil and natural gas sales and financial derivative transactions. However, we are exposed to sole purchaser risk in Trinidad as Heritage is the sole purchaser of crude oil and NGC is the sole purchaser of future natural gas production.

In addition, the Company historically has aged accounts receivables owing for Trinidad-based value added taxes ("VAT"). In comparison to December 31, 2021, our past due accounts receivable balance increased by \$437,000 as a result of increased overdue VAT balances based on capital and operational spending. We collected past due VAT balances of approximately \$1,246,000 in April 2022 and \$1,214,000 in August 2022.

Although ultimate collection is erratic and therefore the timing thereof cannot be estimated with any certainty, Management believes that all of the balances are ultimately collectable as we have not experienced any past collection issues. The aging of our accounts receivable is disclosed in the following table for the specified periods.

(\$000's)	June 30, 2022	December 31, 2021
Not past due	4,390	3,181
Past due (greater than 90 days)	4,802	4,365
Accounts receivable	9,192	7,546

We have further credit risk associated with our long-term finance lease receivable balances. We have determined that the associated credit risk is negligible, as the assets are secured by the underlying equipment, with ownership transferring to the counterparties subsequent to receipt of the final lease payments (refer to "*Finance Leases*").

Further details relating to our financial assets and credit risk can be found in Note 3 "*Financial Assets and Credit Risk*" of our interim financial statements.

Off-balance Sheet Arrangements

The Company does not believe it has any guarantees or off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on the Company's financial condition, results of operations, liquidity or capital expenditures, other than the commitments disclosed in "*Contractual Obligations and Commitments*" herein.

Related Party Transactions

Our Corporate Secretary and former director is a senior partner of our Canadian legal counsel, Norton Rose Fulbright Canada LLP. For the three and six months ended June 30, 2022, \$15,000 and \$64,000 in legal fees and disbursements charged by Norton Rose Fulbright Canada LLP were incurred, respectively (2021 - \$22,000 and \$43,000). \$15,000 was included in accounts payable and accrued liabilities as at June 30, 2022 (2021 - \$22,000).

Changes in Accounting Policies Including Initial Adoption

There were no changes in accounting policies during the three and six months ended June 30, 2022 that had a material effect on the reported comprehensive income (loss) or net assets of the Company.

Standards Issued but Not Yet Effective

There are no standards or interpretations issued, but not yet adopted, that are anticipated to have a material effect on the comprehensive income (loss) or net assets of the Company.

Significant Accounting Estimates, Judgements and Assumptions

The preparation of financial statements in conformity with IFRS requires Management to make estimates, judgements, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from estimates, and those differences may be material. The estimates, judgements and assumptions used are subject to updates based on experience and the application of new information. Estimates and underlying assumptions are reviewed on an ongoing basis, and any revisions to accounting estimates are recognized in the period in which the estimates are revised.

The COVID-19 pandemic and subsequent measures intended to limit the outbreak contributed to significant declines and volatility in global financial markets. Although health measures have eased which positively impacted both demand for oil and benchmark commodity pricing, the timing of a full economic recovery remains uncertain, partially as a result of a possible rise in variants of the virus. In addition, the Russia-Ukraine conflict has raised global concerns over oil and natural gas supply and significantly increased benchmark commodity prices and inflationary pressures on global markets. Crude oil demand and improved benchmark pricing have remained strong in 2022, but the potential for volatility remains. Management has incorporated the anticipated impacts of COVID-19 and the resulting economic recovery as well as the impacts from the Russia-Ukraine conflict in its estimates and assumptions as of June 30, 2022.

A full list of the significant estimates and judgements made by Management in the preparation of our interim financial statements and our audited 2021 financial statements is included in Note 4 "*Use of Estimates, Judgements and Assumptions*" of our audited 2021 financial statements.

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

Control Environment

Touchstone is required to comply with National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings*. The certification of interim filings for the interim period ended June 30, 2022 requires that Touchstone discloses in the interim MD&A any changes in the Company's internal controls over financial reporting that occurred during the period that have materially affected, or were reasonably likely to materially affect, Touchstone's internal controls over financial reporting. Touchstone confirms that no such changes were identified in the Company's internal controls over financial reporting during the period beginning on April 1, 2022 and ending on June 30, 2022.

Business Risks

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

Please refer to our 2021 Annual Information Form dated March 25, 2022 for a full understanding of risks that affect Touchstone, which can be found on our SEDAR profile (www.sedar.com) and website (www.touchstoneexploration.com). Refer to the "Forward-Looking Statements" advisory section in this MD&A for additional information regarding the risks to which Touchstone and our business operations are subject to.

Selected Quarterly Information and Trends

The following is a summary of our unaudited quarterly results for the eight most recently completed fiscal quarters.

Three months ended	June 30, 2022	March 31, 2022	Dec. 31, 2021	Sept. 30, 2021	June 30, 2021	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020
Operational								
Average daily oil production (bbls/d)	1,420	1,396	1,336	1,333	1,402	1,297	1,274	1,310
Net wells drilled	-	-	3.0	0.8	-	-	1.6	-
Brent benchmark price (\$/bbl)	113.84	100.87	79.61	73.51	68.98	61.04	44.32	42.91
Operating netback ⁽¹⁾ (\$/bbl)	44.99	37.83	29.96	27.77	26.30	21.98	13.90	14.09
Financial (\$000's except per share amounts)								
Petroleum sales	12,596	10,496	8,212	7,650	7,586	6,120	4,414	4,725
Cash from (used in) operating activities	3,516	333	1,388	384	1,008	(1,234)	167	4,126
Funds flow from (used in) operations	1,133	1,426	1,291	1,073	1,205	538	(736)	192
Per share – basic and diluted ⁽¹⁾	0.01	0.01	0.01	0.01	0.01	0.00	(0.00)	0.00
Net (loss) earnings	(262)	(236)	6,514	(51)	(284)	(460)	1,655	(703)
Per share – basic and diluted	(0.00)	(0.00)	0.03	(0.00)	(0.00)	(0.00)	0.01	(0.00)
Exploration capital expenditures	2,932	1,874	2,946	7,542	6,664	2,954	9,031	5,758
Development capital expenditures	436	680	5,190	2,315	125	127	186	211
Capital expenditures	3,368	2,554	8,136	9,857	6,789	3,081	9,217	5,969
Working capital (surplus) deficit ⁽¹⁾	(346)	(4,259)	(6,925)	4,657	(4,671)	(10,552)	(12,933)	(869)
Principal long-term term loan	24,000	25,500	27,000	7,125	7,500	7,500	7,500	15,000
Net debt (surplus) ⁽¹⁾ – end of period	23,654	21,241	20,075	11,782	2,829	(3,052)	(5,433)	14,131
Share Information (000's)								
Weighted average – basic	212,204	210,823	210,732	210,732	209,757	209,400	197,686	184,277
Weighted average – diluted	212,204	210,823	218,102	210,732	209,757	209,400	206,072	184,277
Outstanding shares – end of period	212,275	211,164	210,732	210,732	210,732	209,400	209,400	184,408

Note:

(1) Non-GAAP financial measure. See the "Non-GAAP Financial Measures" advisory section of this MD&A for further information.

The oil and natural gas exploration and production industry is cyclical. Our financial position, results of operations and cash flows are principally impacted by production levels and commodity prices, particularly crude oil prices. Commodity price fluctuations can indirectly impact expected production by changing the amount of funds available to reinvest in exploration, development and acquisition activities in the future. Changes in commodity prices impact revenue and cash flow available for exploration and development and also the economics of potential capital projects as low commodity prices can potentially reduce the quantities of reserves that are commercially recoverable. Our capital program is dependent on cash flow generated from operations and access to capital markets.

The following significant items impacted our unaudited financial and operating results over the past eight fiscal quarters:

- We generated \$1.1 million in funds flow from operations in the second quarter of 2022, which reflected a \$0.5 million provision for oil spill reclamation costs due to vandalism. We continued with development costs relating to our Coho and Cascadura facilities, investing an aggregate \$3.4

million in capital expenditures. As a result, net debt increased by \$2.4 million or 11 percent from the prior quarter.

- Touchstone generated \$1.4 million in funds flow from operations in the first quarter of 2022, as production and realized pricing increased by 4 percent and 25 percent from the fourth quarter of 2021, respectively. Capital expenditures of \$2.6 million led to an increase in net debt of \$1.2 million from the preceding quarter.
- We recorded \$1.3 million in funds flow from operations in the fourth quarter of 2021, as production was consistent and realized crude oil pricing increased by 7 percent from the prior quarter. We increased our net debt by \$8.3 million from the third quarter of 2021, as \$8.1 million was invested in exploration and development drilling activities. Further, we increased our term loan balance from \$20 million to \$30 million and withdrew the remaining \$15 million available balance on December 30, 2021. Net impairment reversals of \$13.7 million and the associated deferred income tax expense of \$7.2 million led to net earnings of \$6.5 million reported in the quarter.
- In the third quarter of 2021, we maintained base crude oil production levels and generated \$1.1 million in funds flow from operations. Capital expenditures increased from the prior quarter, as we drilled an exploration well and incurred rig mobilization and inventory costs for our fourth quarter 2021 development drilling program. The increased capital activity in the quarter led to a \$9 million increase in net debt from the second quarter of 2021.
- We generated \$1.2 million in funds flow from operations in the second quarter of 2021, reflecting 13 percent and 8 percent increases in realized crude oil pricing and production from the first quarter of 2021, respectively. Ortoire E&E investment was \$6.7 million, resulting in a net debt balance of \$2.8 million.
- In the first quarter of 2021, Touchstone reported \$0.5 million in funds flow from operations predominantly from increased production and realized pricing from the fourth quarter of 2020. We proceeded with our Ortoire exploration activities, incurring a total of \$3.1 million in capital expenditures. As a result, net surplus decreased by \$2.4 million from the fourth quarter of 2020.
- Touchstone completed a private placement that resulted in net proceeds of \$28.4 million in the fourth quarter of 2020. As a result, we prepaid \$7.5 million of our term loan balance and increased E&E capital expenditures in the quarter, ending the quarter with a net surplus of \$5.4 million. Predominately based on increased crude oil future pricing, net impairment reversals of \$7.8 million were recorded. The impairment reversals, which were partially offset by related \$3.9 million deferred income tax expenses, contributed to the Company recognizing net earnings of \$1.7 million in the quarter.
- In the third quarter of 2020, net debt increased by \$5.7 million or 67 percent from the second quarter of 2020, reflective of \$5.8 million in E&E investments in the quarter. Average crude oil pricing increased by 34 percent from the prior quarter, which contributed to a \$0.6 million increase in funds flow from operations to \$0.2 million.

Advisory

Non-GAAP Financial Measures

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

ability to generate funds to finance its operations. Below is a description of the non-GAAP financial measures, non-GAAP ratios, capital management measures and supplementary financial measures disclosed in this MD&A.

Funds flow from operations and funds flow from operations per share

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

Funds flow from operations per share is a non-GAAP ratio calculated by dividing funds flow from operations by the weighted average number of common shares outstanding during the applicable period on a basic and dilutive basis.

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 royalties and operating expenses from petroleum sales. Operating netback per barrel is a non-GAAP ratio calculated by dividing the operating netback by total crude oil and NGL sales volumes for the period. If applicable, the Company also discloses operating netback both prior to realized gains or losses on derivatives and after the impacts of derivatives are included. Realized gains or losses represent the portion of risk management contracts that have settled in cash during the period, and disclosing this impact provides Management and investors with transparent measures that reflect how the Company's risk management program can affect netback metrics.

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

(\$000's unless otherwise stated)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Petroleum sales	12,596	7,586	23,092	13,706
Royalties	(4,519)	(2,310)	(8,105)	(4,153)
Operating expenses	(2,264)	(1,899)	(4,421)	(3,610)
Operating netback	5,813	3,377	10,566	5,943
Production (bbls)	129,212	128,445	254,837	245,175
Operating netback (\$/bbl)	44.99	26.30	41.46	24.24

The following table reconciles funds flow from operations to operating netback for the periods indicated.

(\$000's)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Funds flow from operations	1,133	1,205	2,559	1,743
Other revenue	(11)	(8)	(20)	(31)
Expenses				
G&A	1,897	1,614	3,870	3,149
Net finance	617	425	1,560	574
Other	540	-	540	-
Current income tax	1,547	432	2,175	773
Realized foreign exchange	(1)	(17)	83	9
Change in non-cash other	41	(274)	(251)	(274)
Decommissioning expenditures	50	-	50	-
Operating netback	5,813	3,377	10,566	5,943

Working capital, net debt, total managed capital, net debt to funds flow from operations ratio and net debt to total managed capital ratio

Touchstone closely monitors its capital structure with a goal of maintaining a strong financial position to fund current operations and future growth. The above measures are capital management measures used by Management to steward the Company's overall debt position and assess overall financial strength.

Management monitors working capital and net debt as part of the Company's capital structure to assess its true debt and liquidity position and to manage capital and liquidity risk. Working capital is calculated as current assets minus current liabilities as they appear on the consolidated statements of financial position. Net debt is calculated by summing the Company's working capital and the principal (undiscounted) long-term amount of senior secured debt. The following table summarizes working capital and net debt for the periods indicated.

(\$000's)	June 30, 2022	December 31, 2021	June 30, 2021
Current assets	(20,717)	(27,856)	(19,678)
Current liabilities	20,371	20,931	15,007
Working capital surplus	(346)	(6,925)	(4,671)
Principal non-current balance of term loan	24,000	27,000	7,500
Net debt	23,654	20,075	2,829

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

(\$000's)	June 30, 2022	December 31, 2021	June 30, 2021
Total liabilities	73,760	75,462	41,036
Lease liabilities	(2,085)	(2,265)	(318)
Other liabilities	(546)	(908)	(1,250)
Decommissioning liabilities	(11,741)	(10,012)	(10,112)
Deferred income tax liability	(15,074)	(14,450)	(7,141)
Variance of carrying value and principal value of term loan	57	104	292
Current assets	(20,717)	(27,856)	(19,678)
Net debt	23,654	20,075	2,829

The Company's forward net debt to funds flow from operations ratio is the desired target Touchstone strives to achieve and maintain in a normalized commodity price environment. This ratio may increase at certain times as a result of increased capital expenditures or low commodity prices.

Management defines total managed capital as the sum of net debt and shareholders' equity. The Company's forward net debt to total managed capital ratio is the desired target that the Company strives to maintain, as Management's strategy is to utilize more equity than debt.

Supplementary Financial Measures

The following supplementary financial measures are disclosed herein.

Realized sales price per barrel - is comprised of petroleum sales as determined in accordance with IFRS, divided by the Company's total crude oil and NGL sales volumes for the period.

Royalties per barrel - is comprised of royalties as determined in accordance with IFRS, divided by the Company's total crude oil and NGL sales volumes for the period.

Royalties as a percentage of petroleum sales - is comprised of royalties as determined in accordance with IFRS, divided by petroleum sales as determined in accordance with IFRS.

Operating expenses per barrel - is comprised of operating expenses as determined in accordance with IFRS, divided by the Company's total crude oil and NGL sales volumes for the period.

G&A expenses per barrel - is comprised of G&A expenses as determined in accordance with IFRS, divided by the Company's total crude oil and NGL sales volumes for the period.

Depletion expense per barrel - is comprised of depletion expenses as determined in accordance with IFRS, divided by the Company's total crude oil and NGL sales volumes for the period.

Forward-Looking Statements

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

Such forward-looking statements include, without limitation, forecasts, estimates, expectations and objectives for future operations that are subject to assumptions, risks and uncertainties, many of which are beyond the control of the Company. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or are events or conditions that "will", "would", "may", "could" or "should" occur or be achieved. Readers are cautioned that the assumptions used in the preparation of such forward-looking statements, although considered reasonable at the time of preparation, may prove to be imprecise, and as such, undue reliance should not be placed on forward-looking statements.

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

- the Company's business and operational strategies, including targeted jurisdictions and technologies used to execute its strategies;
- financial condition and outlook and results of operations, including expectations of future growth;
- future demand for the Company's petroleum and natural gas products and economic activity in general;
- the Company's future capital expenditure programs, including the anticipated timing of completion, allocation and costs thereof and the method of funding;
- the Company's estimated timing of development, ultimate production and production rates from its Ortoire wells;
- current and future crude oil, natural gas and NGL production levels and estimated field production levels;
- the performance characteristics of the Company's oil and natural gas properties;
- expectations regarding the ability of the Company to raise capital and to continually add to reserves through exploration, acquisitions and development;
- future development and exploration activities to be undertaken in various areas and timing thereof, including future cash flows to be derived therefrom and the fulfillment of minimum work obligations and exploration commitments;
- terms and estimated future expenditures of the Company's contractual commitments and their timing of settlement;
- terms and title of exploration and production licences and the expected renewal or formal execution

of certain contracts;

- the Company's expectations regarding its ability to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties;
- receipt of anticipated and future regulatory approvals or exploration and production licence amendments;
- access to third-party facilities and infrastructure;
- expected levels of operating expenses, G&A expenses, finance expenses and other costs associated with the Company's business;
- treatment under current and future governmental regulatory regimes, environmental legislation, royalty regimes and tax laws enacted in the Company's areas of operations;
- the Company's risk management strategy and the future use of commodity derivatives to manage commodity price risk;
- the Company's foreign currency risk strategy and the ability to reverse unrealized foreign exchange gains and losses in the future;
- the Company's credit risk assumptions and the Company's expectation to receive past due VAT amounts from the Trinidad government;
- the Company's future liquidity and future sources of liquidity;
- the Company's future compliance with its term loan covenants and its ability to make future scheduled interest and principal payments;
- estimated amounts of the Company's future obligations in connection with its production liability and its ability to make such future scheduled payments;
- the potential of future acquisitions or dispositions, including receiving regulatory approvals related thereto;
- general economic and political developments in Trinidad;
- estimated amounts, timing and the anticipated sources of funding for the Company's decommissioning liabilities;
- effect of business and environmental risks on the Company; and
- the statements under "*Significant Accounting Estimates, Judgements and Assumptions*".

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, operational, competitive, political and social uncertainties and contingencies, many of which are beyond the Company's control.

The Company is exposed to numerous operational, technical, financial and regulatory risks and uncertainties, many of which are beyond its control and may significantly affect anticipated future results. The Company is exposed to risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities. Operations may be unsuccessful or delayed as a result of competition for services, supplies and equipment, mechanical and technical difficulties, ability to attract and retain qualified employees on a cost-effective basis, extreme weather-related events, and commodity and marketing risk. The Company is subject to significant drilling risks and uncertainties including the ability to find crude oil and natural gas reserves on an economic basis and the potential for technical problems that could lead to well blow-outs and environmental damage. The Company is exposed to risks relating to the inability to obtain timely regulatory approvals, surface access, access to third-party gathering and processing facilities, transportation and other third-party operation risks. The Company is subject to industry conditions including changes in laws and regulations, the adoption of new environmental

laws and regulations and changes in how they are interpreted and enforced. There are uncertainties in estimating the Company's reserve base due to the complexities in estimated future production, costs and timing of expenses and future capital. The Company is subject to the risk that it will not be able to fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its properties. The financial risks the Company is exposed to include, but are not limited to, the impact of general economic conditions in Canada, the United Kingdom and Trinidad, the impact of significant volatility in market prices for crude oil, the ability to access sufficient capital from internal and external sources, changes in income tax laws, royalties and incentive programs relating to the Trinidad oil and natural gas industry, fluctuations in interest rates, and fluctuations in foreign exchange rates. The Company is subject to local regulatory legislation, the compliance with which may require significant expenditures and non-compliance with which may result in fines, penalties or production restrictions or the termination of licence, exploration, lease operating or joint operating rights related to the Company's petroleum interests in Trinidad. Readers are cautioned that the foregoing list of risk factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed under the Company's profile on SEDAR (www.sedar.com).

Management has included the above summary of assumptions and risks related to forward-looking statements and other information provided in this MD&A in order to provide shareholders and investors with a more complete perspective on the Company's current and future operations, and such information may not be appropriate for other purposes. Actual results, performance or achievement could differ materially from that expressed in or implied by any forward-looking statements in this MD&A, and accordingly, investors should not place undue reliance on any such forward-looking statements. Statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future.

Any forward-looking statement is made only as of the date of this MD&A, and Touchstone undertakes no obligation to update or revise any forward-looking statement or statements to reflect information, events, results, circumstances or otherwise after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by law, including applicable securities laws. New factors emerge from time to time, and it is not possible for Touchstone to predict all of such factors or to assess in advance the impact of each such factor on Touchstone's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

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

Readers are further cautioned that the preparation of consolidated financial statements in accordance with IFRS requires Management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates may change, having either a positive or negative effect on net earnings (loss), as further information becomes available and as the economic environment changes.

Oil and Natural Gas Measures

Where applicable, natural gas has been converted to barrels of oil equivalent based on six thousand cubic feet to one barrel of oil. The barrel of oil equivalent rate is based on an energy equivalent conversion method primarily applicable at the burner tip, and given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different than the energy equivalency of the 6:1 conversion ratio, utilizing the 6:1 conversion ratio may be misleading as an indication of value.

References to Touchstone

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

Abbreviations

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

Oil and natural gas measurement

bbbl(s)	barrel(s)
bbls/d	barrels per day
Mbbls	thousand barrels
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
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
Mboe	thousand barrels of oil equivalent

Other

AIM	AIM market of the London Stock Exchange plc
Brent	Dated Brent
C\$	Canadian dollar
NGL(s)	Natural gas liquid(s)
TSX	Toronto Stock Exchange
TT\$	Trinidad and Tobago dollar
WTI	Western Texas Intermediate
\$ or US\$	United States dollar
£	Pounds sterling



Corporate Information

Directors

John D. Wright
Chair of the Board

Jenny Alfandary
Paul R. Baay
Priya Marajh
Kenneth R. McKinnon
Peter Nicol
Beverley Smith
Stanley T. Smith
Harrie Vredenburg

Officers and Senior Executives

Paul R. Baay
President and Chief Executive Officer

Scott Budau
Chief Financial Officer

James Shipka
Chief Operating Officer

Brian Hollingshead
Vice President Engineering and Business Development

Alex Sanchez
Vice President Production and Environment

Cayle Sorge
Vice President Finance

Head Office

Touchstone Exploration Inc.
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T2P 3N9

Registered Office

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Primera Oil and Gas Limited
#14 Sydney Street
Rio Claro, Trinidad, W.I.

Stock Exchange Listing

Toronto Stock Exchange
London Stock Exchange AIM
Symbol: TXP

Auditor

KPMG LLP
Calgary, Alberta

Reserves Evaluator

GLJ Ltd.
Calgary, Alberta

Legal Counsel

Norton Rose Fulbright LLP
Calgary, Alberta
London, United Kingdom

Nunez and Co.

Port of Spain, Trinidad

Transfer Agent and Registrar

Odyssey Trust Company
Calgary, Alberta

Link Group

London, United Kingdom

UK Nominated Advisor and Joint Broker

Shore Capital
London, United Kingdom

UK Joint Broker

Canaccord Genuity
London, United Kingdom

UK Public Relations

Camarco
London, United Kingdom