Touchstone Exploration Inc.

Management's Discussion and Analysis

March 31, 2022

Management's Discussion and Analysis
As at and for the three months ended March 31, 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 months ended March 31, 2022 with comparisons to the three months ended March 31, 2021 is dated May 11, 2022 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements as at and for the three months ended March 31, 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 three months and 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 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 the Company's operations and financial results are included with reports on file with the Canadian securities regulatory authorities, including the Company's 2021 Annual Information Form dated March 25, 2022, which can be accessed online on the Company's SEDAR profile at www.sedar.com or from the Company's website at www.touchstoneexploration.com.

Financial and Operating Results Summary

	Three months ended March 31, 2022	2021	% change
Operational			
Average daily crude oil production[1] *(bbls/d)*	**1,396**	1,297	8
Brent benchmark price *($/bbl)*	**100.87**	61.04	65
Operating netback *($/bbl)*			
Realized sales price[2]	**83.55**	52.43	59
Royalties[2]	**(28.55)**	(15.79)	81
Operating expenses[2]	**(17.17)**	(14.66)	17
Operating netback[2]	**37.83**	21.98	72
Financial *($000's except per share amounts)*			
Petroleum sales	**10,496**	6,120	72
Cash from (used in) operating activities	**333**	(1,234)	n/a
Funds flow from operations	**1,426**	538	100
Per share – basic and diluted[2]	**0.01**	0.00	n/a
Net loss	**(236)**	(460)	(49)
Per share – basic and diluted	**(0.00)**	(0.00)	-
Exploration capital expenditures	**1,874**	2,954	(37)
Development capital expenditures	**680**	127	100
Capital expenditures	**2,554**	3,081	(17)
Working capital surplus[2]	**(4,259)**	(10,552)	(60)
Principal long-term balance of term loan	**25,500**	7,500	100
Net debt (surplus)[2] – end of period	**21,241**	(3,052)	n/a
Share Information *(000's)*			
Weighted average shares outstanding – basic and diluted	**210,823**	209,400	1
Outstanding shares – end of period	**211,164**	209,400	1

Notes:
(1) References to crude oil 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.
(2) Non-GAAP financial measure. See the "*Non-GAAP Financial Measures*" advisory section of this MD&A for further information.

First quarter 2022 highlights

- Achieved quarterly average production volumes of 1,396 bbls/d, representing a 4 percent increase relative to the preceding quarter and an 8 percent increase from the 1,297 bbls/d produced in the first quarter of 2021.
- Realized petroleum sales of $10,496,000 from an average crude oil price of $83.55 per barrel compared to petroleum sales of $8,212,000 from average realized pricing of $66.81 per barrel in the fourth quarter of 2021.
- Generated an operating netback of $37.83 per barrel, a 26 percent increase from the fourth quarter of 2021 and a 72 percent increase from the $21.98 per barrel reported in the first quarter of 2021.
- Our funds flow from operations improved to $1,426,000 in the quarter compared to $1,291,000 recognized in the fourth quarter of 2021 and $538,000 reported in the first quarter of 2021.
- Recognized a net loss of $236,000 and comprehensive income of $164,000, compared to a net loss of $460,000 and comprehensive loss of $415,000 reported in the same period of 2021.

- Capital investments of $2,554,000 focused on continuing production testing operations on the Royston-1 well, expenditures related to the Coho-1 facility and pipeline and lease preparation costs for two Coora development well locations.
- Exited the quarter with cash of $10,148,000, a working capital surplus of $4,259,000 and $30,000,000 drawn on our term credit facility, resulting in a net debt position of $21,241,000.
- In March 2022, our field development plan for the Cascadura area was approved, which extends the exploration and production period for the defined 2,378-acre area through October 31, 2039.

Principal Properties and Licences

A schedule of our core Trinidad property interests as of March 31, 2022 is set forth below.

Property	Working interest (%)	Licence type	Gross acres[1]	Net acres[2]
Developed				
Coora-1	100	Lease Operatorship	1,230	1,230
Coora-2	100	Lease Operatorship	469	469
WD-4	100	Lease Operatorship	700	700
WD-8	100	Lease Operatorship	650	650
Barrackpore	100	Private	211	211
Fyzabad	100	Crown and Private	564	564
Ortoire - Coho	80	Crown	1,317	1,054
Ortoire - Cascadura	80	Crown	2,378	1,902
San Francique	100	Private	1,277	1,277
	92		**8,796**	**8,057**
Exploratory				
Ortoire	**80**	Crown	**41,036**	**32,829**
Total	**82**		**49,832**	**40,886**

Notes:
(1) "Gross" means acres in which the Company has an interest.
(2) "Net" means the Company's interest in the gross acres.

Touchstone operates 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 executed 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. Our core focus is the Ortoire exploration block (refer to "*Ortoire Operations*" for further information).

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 from 2021 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

Touchstone 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. The Company is operating under a number of Trinidad private lease agreements which have expired and are currently being renewed. 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 three months ended March 31, 2022, production volumes produced under expired private lease agreements represented 3.2 percent of our total production (2021 - 1.6 percent).

Ortoire Operations

Licence

Effective October 31, 2014, our wholly-owned Trinidad subsidiary Primera Oil and Gas Limited ("POGL") entered into an 80 percent operating working interest in the Ortoire exploration and production licence (the "Ortoire Licence") with the MEEI and Heritage, with Heritage holding the remaining 20 percent working interest. The Ortoire Licence was originally effective for an initial term of six years, under which any approved commercial discovery can be extended for a further 19 years. The parties amended the Ortoire Licence to extend the initial exploration period an additional nine months through July 31, 2021 during which we completed all required exploration minimum work commitments.

In March 2022 we were notified by the MEEI that the Trinidad government approved an extension of the exploration period of the Ortoire Licence to July 31, 2026. As part of the extension, we are required to drill three additional exploration wells to minimum depths of 6,000 true vertical feet prior to the end of the amended Ortoire Licence term. Similar to the initial minimum work program, we will be responsible for 100 percent of the drilling, completion and testing costs for the three additional wells. Each party to the Ortoire Licence remains responsible for its working interest costs associated with the development of commercial fields, including expenditures relating to facilities construction and development well drilling.

The Ortoire Licence extension will allow us to continue exploration operations on acreage that have not yet been approved as commercial, and no acreage was surrendered pursuant to the extension. The Ortoire Licence amendment agreement is currently required to be approved by the Office of the Attorney General and Ministry of Legal Affairs prior to execution by all parties.

The following table summarizes our future estimated Ortoire Licence minimum contractual capital commitments as at March 31, 2022, which includes the additional three exploration well obligations pursuant to the Ortoire Licence amendment.

($000's)		Estimated payments due by year			
	Total	**2022**	**2023**	**2024**	**Thereafter**
Lease expenses	**5,116**	463	647	686	3,320
Drilling commitments	**19,460**	-	6,276	6,514	6,670
Minimum investment	**24,576**	**463**	**6,923**	**7,200**	**9,990**

Coho

Our pipeline and facilities project at Coho is entering the final stages with the majority of welding complete and trenching operations progressing. Upon completion, the system will be pressure tested and configured for production.

Cascadura

In March 2022, the MEEI approved our field development plan for the Cascadura area, which extends the exploration and production period for the defined 2,378-acre area through October 31, 2039.

In parallel with ongoing facilities procurement and construction of the Cascadura natural gas facility and liquids pipeline, we are diligently working on the required regulatory environmental approvals. Upon receipt, we expect to immediately proceed with construction of the surface facility, access roads and future development drilling locations.

Royston

In the first quarter of 2022 we continued with the long-term production test of our Royston-1 exploration well. Approximately 2,856 net barrels of crude oil was sold at our Barrackpore sales facility, averaging 32 bbls/d.

Our proposed future Royston-1 drilling operations include re-entering the existing wellbore to abandon the lowest section of the well and sidetrack the well to evaluate the intermediate sheet and potentially the subthrust sheets in the Herrera Formation.

Results of Operations

Financial highlights

($000's except for per share amounts)	**Three months ended March 31,**		%
	2022	2021	change
Net loss	**(236)**	(460)	(49)
Per share – basic and diluted	**(0.00)**	(0.00)	-
Cash from (used in) operating activities	**333**	(1,234)	n/a
Funds flow from operations	**1,426**	538	100
Per share – basic and diluted[1]	**0.01**	0.00	n/a

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 $236,000 ($0.00 per basic share) in the first quarter of 2022 compared to a net loss of $460,000 ($0.00 per basic share) in the prior year equivalent quarter. Compared to the first quarter of 2021, the variance reflected an increase of $2,187,000 in operating netbacks, partially offset by increases in general and administration ("G&A"), finance and income tax expenses.

The following table sets forth details of the change in net loss from the three months ended March 31, 2021 to the three months ended March 31, 2022.

($000's)	**Three months ended March 31,**
Net loss – 2021	(460)
Realized price variance	**3,910**
Sales volume variance	**466**
Royalties	**(1,743)**
Other revenue	**(14)**
Expenses	
Operating	**(446)**
G&A	**(438)**
Cash finance	**(502)**
Current income tax	**(287)**
Realized foreign exchange	**(58)**
Cash variances	**888**
Gain on asset dispositions	**10**
Unrealized foreign exchange	**214**
Equity-based compensation	**(134)**
Depletion and depreciation	**(127)**
Impairment	**(107)**
Non-cash finance expenses	**(292)**
Deferred income tax	**(228)**
Non-cash variances	**(664)**
Net loss – 2022	**(236)**

Cash from operating activities

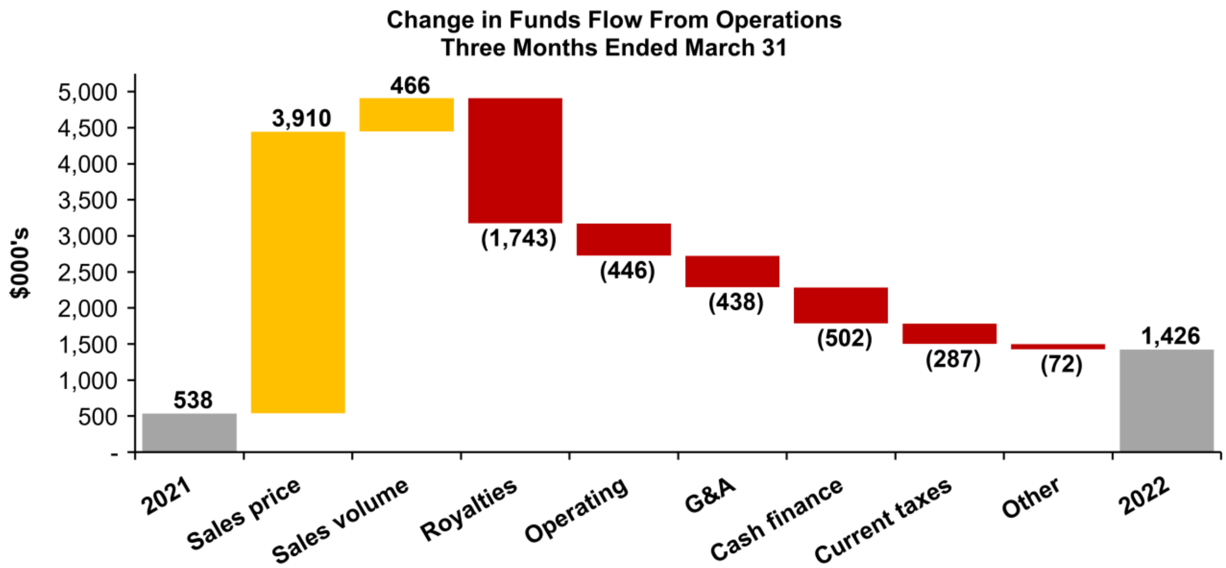
Details of the change in cash (used in) from operating activities from the three months ended March 31, 2021 to the three months ended March 31, 2022 are included in the table below.

($000's)	**Three months ended March 31,**
Cash used in operating activities – 2021	(1,234)
Increase in funds flow from operations	**888**
Net change in non-cash working capital	**679**
Cash from operating activities – 2022	**333**

Funds flow from operations

We generated funds flow from operations of $1,426,000 in the first quarter of 2022 compared to $538,000 reported in the prior year comparative quarter. The increase from the prior year period primarily reflected elevated crude oil realized pricing, which increased first quarter 2022 operating netbacks by $2,187,000 from 2021, partially offset by increased G&A and current income tax expenses recorded in 2022.

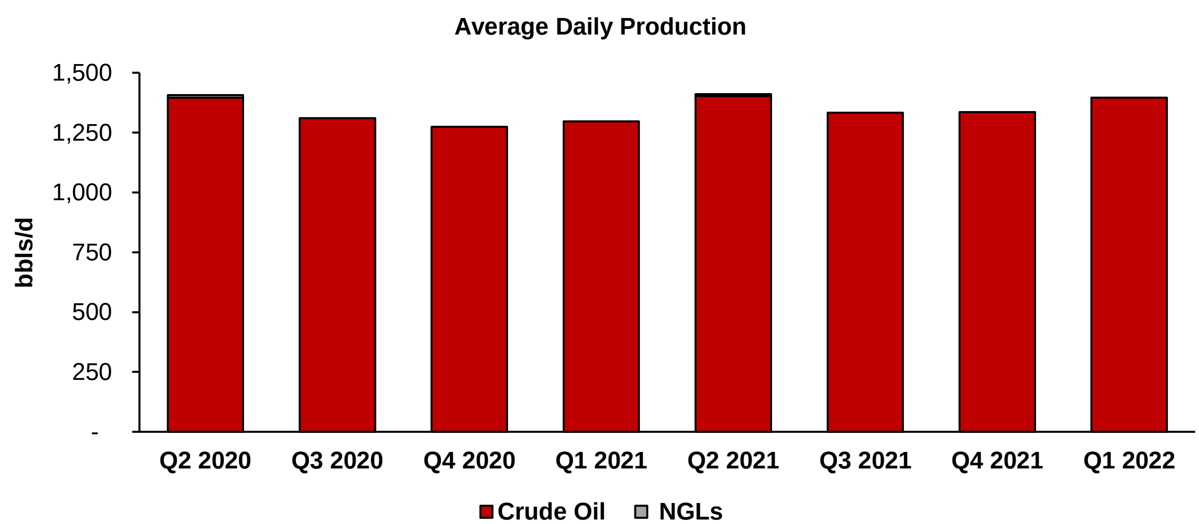
The following graph summarizes the change in funds flow from operations from the three months ended March 31, 2021 to the three months ended March 31, 2022.



Production volumes

	Three months ended March 31, 2022	2021	% change
Production *(bbls)*			
Crude oil	**125,625**	116,730	8
Total	**125,625**	116,730	8
Average daily production *(bbls/d)*			
Crude oil	**1,396**	1,297	8
Total	**1,396**	1,297	8

Average production volumes increased 8 percent to 1,396 bbls/d in the first quarter of 2022 from 1,297 bbls/d in the prior year equivalent quarter. The increase from the first quarter 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 149 bbls/d in the quarter. In addition, we sold 2,856 net barrels of crude oil from our Royston-1 production test in the first quarter of 2022, representing an average of 32 bbls/d. These increases in current year production were partially offset by natural declines from the first quarter of 2021.

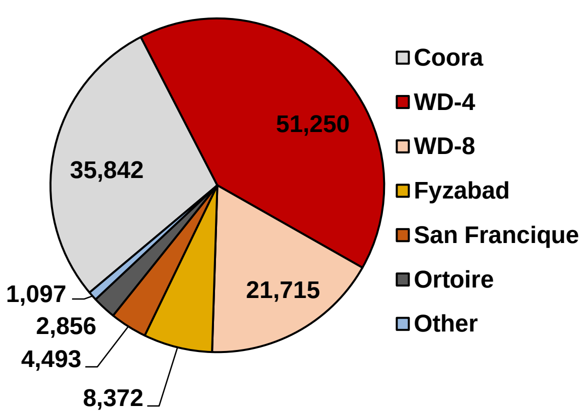


The following table and graphs summarize crude oil production by property during the three months ended March 31, 2022 and 2021.

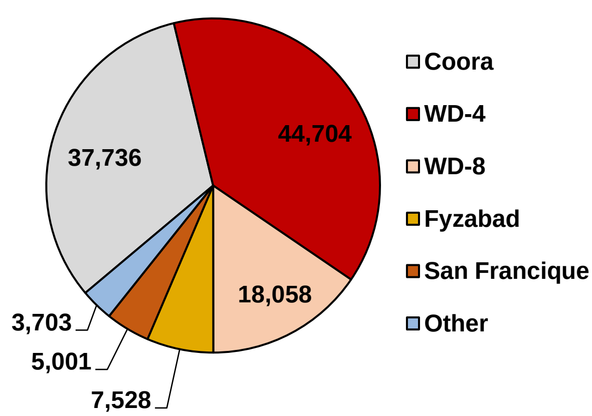
(bbls)	Three months ended March 31, **2022**	2021	% change
Coora-1	**33,020**	34,507	(4)
Coora-2	**2,822**	3,229	(13)
WD-4	**51,250**	44,704	15
WD-8	**21,715**	18,058	20
New Dome(1)	**-**	1,831	(100)
Barrackpore	**1,097**	1,184	(7)
Fyzabad	**8,372**	7,528	11
Palo Seco(1)	**-**	688	(100)
San Francique	**4,493**	5,001	(10)
Ortoire	**2,856**	-	n/a
Crude oil production	**125,625**	116,730	8

Note:
(1) The assets associated with the properties were classified as held for sale with an effective date of December 31, 2021. Refer to "*Capital Expenditures and Dispositions - PP&E dispositions*" for further information.

Three Months Ended March 31, 2022 *(bbls)*



Three Months Ended March 31, 2021 *(bbls)*



Benchmark and realized prices

	Three months ended March 31, **2022**	2021	% change
Brent average *($/bbl)*	**100.87**	61.04	65
WTI average *($/bbl)*	**94.29**	57.84	63
Average realized price *($/bbl)* (1)	**83.55**	52.43	59
Realized price discount as a % of Brent	**(17.2)**	(14.1)	
Realized price discount as a % of WTI	**(11.4)**	(9.4)	

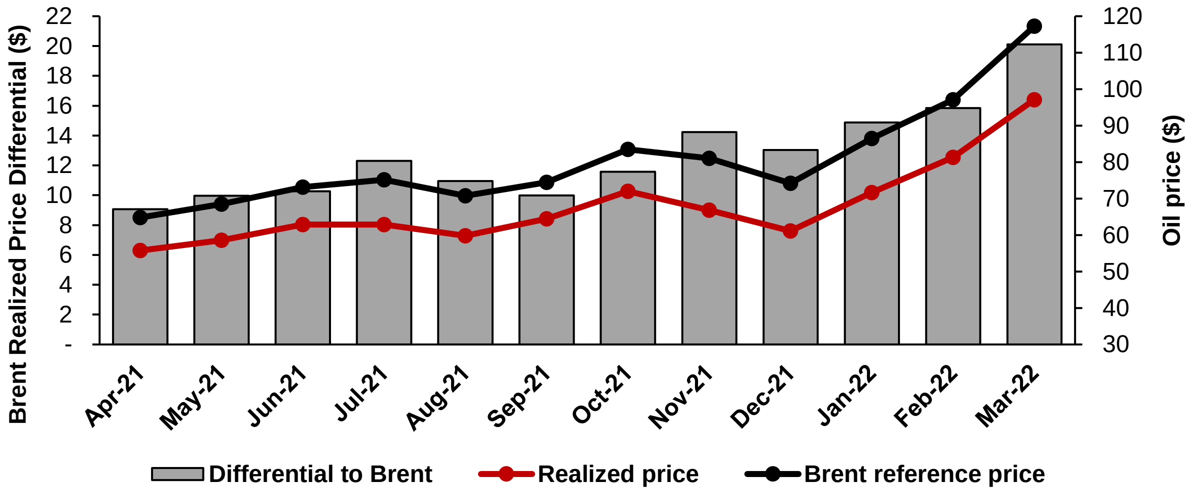
Note:
(1) Non-GAAP financial measure. See the "*Non-GAAP Financial Measures*" advisory section of this MD&A for further information.

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.

In the first quarter of 2022 crude oil benchmark pricing increased significantly compared with both the first and fourth quarters of 2021. Brent benchmark pricing was volatile in the first quarter of 2022, ranging from a low of $78.25 per barrel and reaching a high of $133.18 per barrel following the Russia invasion of Ukraine. The tight global supply and demand balance was exacerbated by concern over potential disruptions in Russia exports related to international sanctions levied against the country.

We realized an average price of $83.55 per barrel in the first quarter of 2022 compared to an average of $52.43 per barrel in the equivalent quarter of 2021. Relative to the first quarter of 2021, the 59 percent increase in 2022 was driven by a 65 percent increase in Brent reference pricing, partially offset by a widening of the realized pricing differential in relation to Brent benchmark pricing from 14.1 percent to 17.2 percent.

Realized Price and Differential to Brent



Petroleum sales

($000's)	Three months ended March 31, 2022	2021	% change
Petroleum sales	**10,496**	6,120	72

We sell all produced crude oil volumes to Heritage, with title transferring at our various sales batteries. As at March 31, 2022, we held 4,917 barrels of crude oil inventory in comparison to 7,015 barrels as of December 31, 2021. Petroleum sales in the first quarter of 2022 increased 72 percent to $10,496,000 from $6,120,000 in the first quarter of 2021. The increase of $4,376,000 was a result of $3,910,000 from higher realized pricing and $466,000 attributed to higher sales volumes.

Royalties

($000's unless otherwise stated)	Three months ended March 31, 2022	2021	% change
Crown royalties	**1,201**	702	
Private royalties	**106**	68	
Overriding royalties	**2,279**	1,073	
Royalties	**3,586**	1,843	95
On a per barrel basis(1)	**28.55**	15.79	81
As a percentage of petroleum sales(1)	**34.2%**	30.1%	13

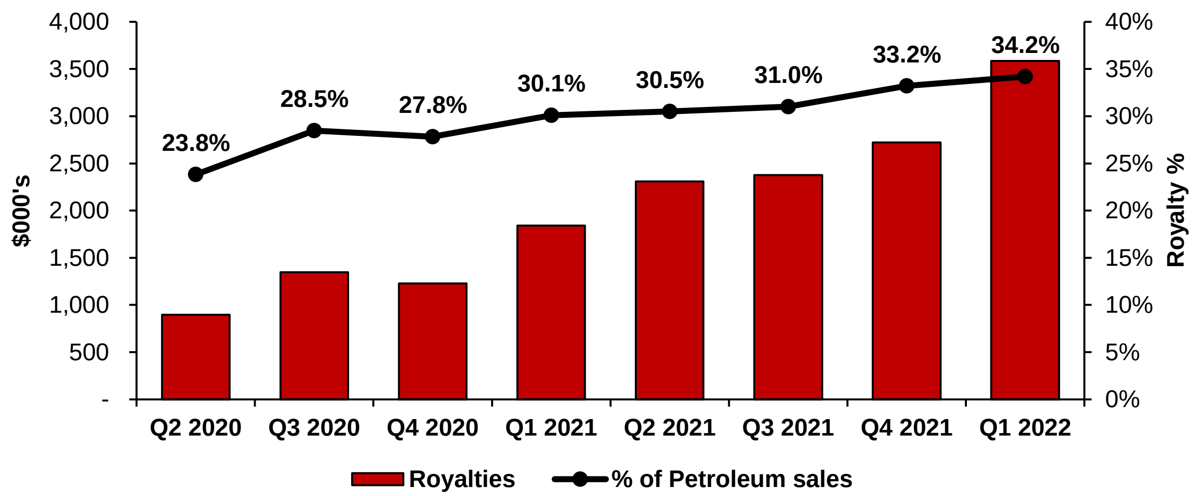
Note:
(1) Non-GAAP financial measure. See the "*Non-GAAP Financial Measures*" advisory section of this MD&A for further information.

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
≤ 10.00	10.00	6.00	3.00
10.01 - 20.00	13.00	6.50	3.25
20.01 - 30.00	15.00	7.00	3.50
30.01 - 40.00	20.00	7.50	3.75
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 34.2 percent in the first quarter of 2022 compared to 30.1 percent in the prior year comparative quarter. The year-over-year variance reflected an increase in realized crude oil pricing received in the first quarter of 2022 compared to the same period of 2021.



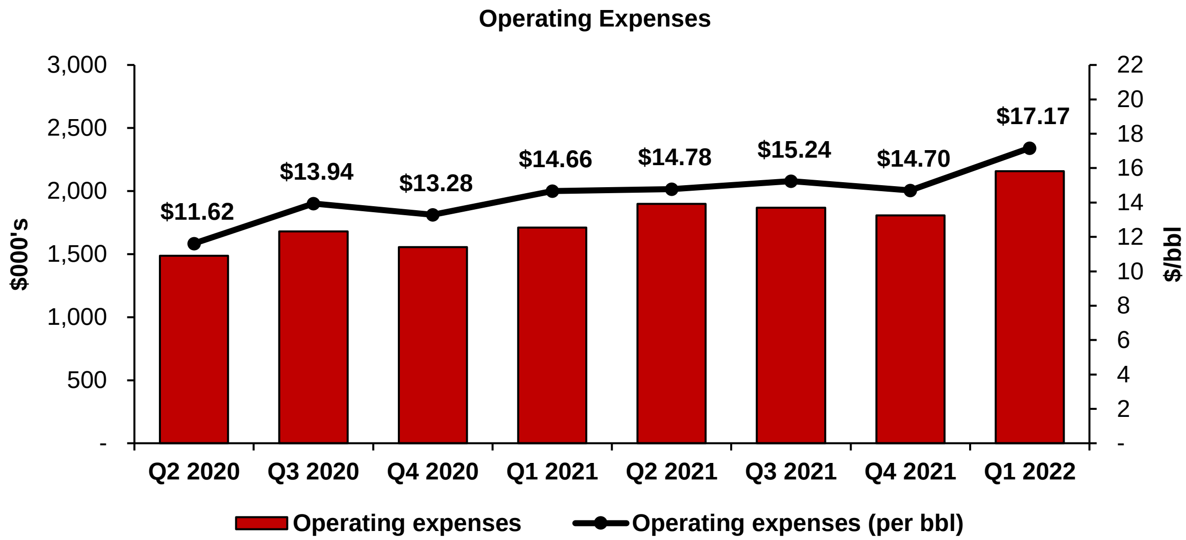
Operating expenses

($000's except per bbl amounts)	Three months ended March 31, 2022	2021	% change
Operating expenses	**2,157**	1,711	26
On a per barrel basis[(1)]	**17.17**	14.66	17

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 include directly attributable employee salaries and benefits. First quarter 2022 operating expenses increased by 26 percent from the first quarter of 2021. Relative to the prior year comparative period, first quarter 2022 operating expense increases were predominantly from increased field and well servicing costs, as well as increased salary expenses and variable costs from an 8 percent increase in production.

First quarter 2022 operating expenses per barrel increased 17 percent from the prior year comparative quarter, primarily attributed to increased field activity given we initiated our 2021 field optimization strategy in March 2021.

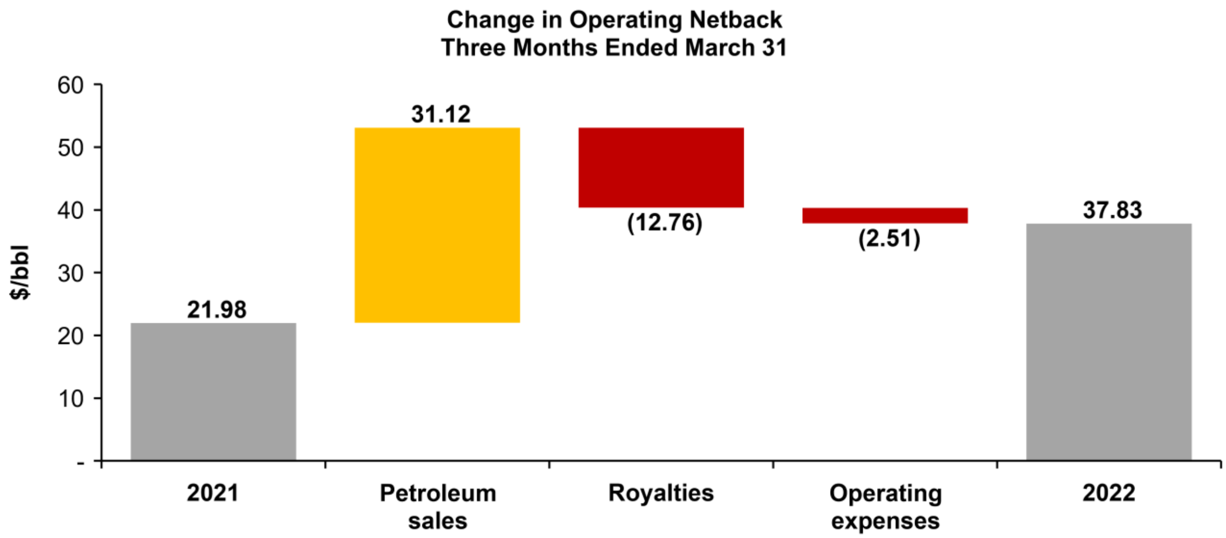


Operating netback

The components of operating netback are set forth below.

	Three months ended March 31, 2022	2021	% change
($000's)			
Petroleum sales	**10,496**	6,120	72
Royalties	**(3,586)**	(1,843)	95
Operating expenses	**(2,157)**	(1,711)	26
Operating netback(1)	**4,753**	2,566	85
($/bbl)			
Brent benchmark price	**100.87**	61.04	65
Discount	**(17.32)**	(8.61)	
Realized sales price(1)	**83.55**	52.43	59
Royalties(1)	**(28.55)**	(15.79)	81
Operating expenses(1)	**(17.17)**	(14.66)	17
Operating netback(1)	**37.83**	21.98	72

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



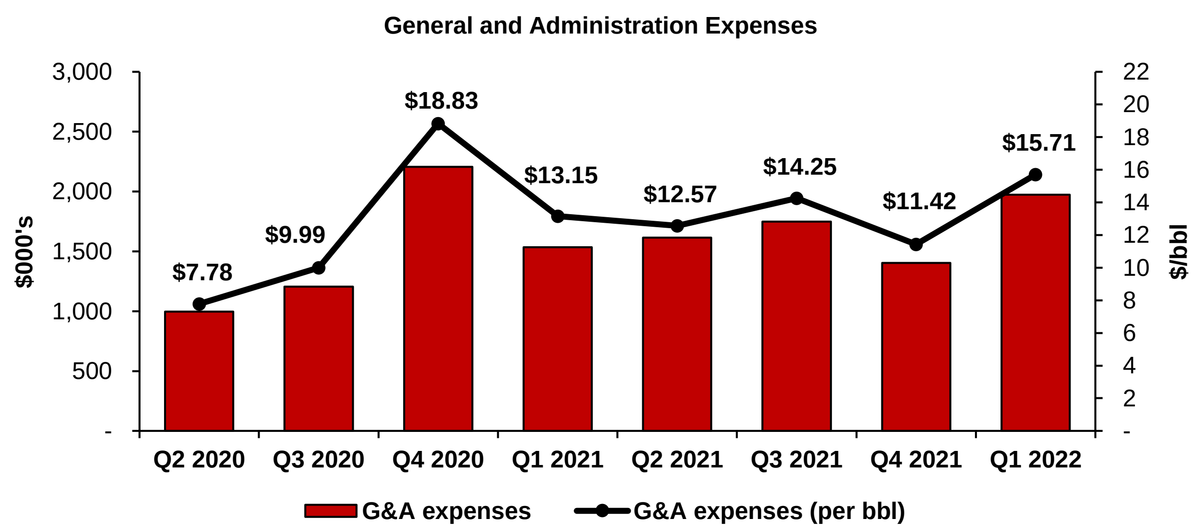
General and administrative expenses

($000's except per bbl amounts)	Three months ended March 31, 2022	2021	% change
Gross G&A expenses	**2,205**	1,770	25
Capitalized G&A expenses	**(232)**	(235)	(1)
G&A expenses	**1,973**	1,535	29
On a per barrel basis(1)	**15.71**	13.15	19

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 first quarter compared to the same period in 2021 was due 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, $186,000 of the current year increase was from security costs related to the third-party rig that was idle in the first quarter of 2022.

First quarter 2022 G&A expenses were $15.71 per barrel, representing a 19 percent increase from the $13.15 per barrel reported in the first quarter of 2021 based on higher net G&A costs, partially offset by increased production volumes in the first quarter of 2022 compared to the same period of 2021.



Net finance expenses

($000's)	Three months ended March 31, **2022**	2021	% change
Lease liability interest expense	**63**	5	100
Term loan interest expense	**589**	146	100
Accretion on term loan	**44**	15	100
Production liability revaluation loss (gain)	**199**	(71)	n/a
Accretion on decommissioning liabilities	**66**	63	5
Other	**(18)**	(9)	100
Net finance expenses	**943**	149	100
Cash net finance expenses	**651**	149	100
Non-cash net finance expenses	**292**	-	n/a
Net finance expenses	**943**	149	100

Net finance expenses in the first quarter of 2022 were $943,000 compared to $149,000 recognized in the same period of 2021, with cash finance expenses increasing by $502,000 from 2021.

Relative to the first quarter of 2021, the increase in cash finance costs in the first quarter of 2022 was primarily attributed to a $443,000 increase in term loan interest expense. The increase reflected an increased principal balance outstanding in the current year, with $30 million currently drawn compared to $7.5 million drawn throughout the first quarter of 2021. Refer to "*Capital Management and Liquidity - Term loan*" for further details.

Production liability revaluation amounts are recognized as a result of a change of production liabilities estimated by the Company at each reporting period. In the first quarter of 2022, we recognized a non-cash loss of $199,000 predominately from the strengthening of strip crude oil pricing throughout the first quarter of 2022 (2021 - gain of $71,000). Refer to "*Capital Management and Liquidity - 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	Three months ended March 31, **2022**	2021	% change
US$:C$ average FX rate(1)	**1.267**	1.266	-
US$:TT$ average FX rate(2)	**6.758**	6.758	-
	March 31, 2022	December 31, 2021	
US$:C$ closing FX rate(1)	**1.250**	1.264	(1)
US$:TT$ closing FX rate(2)	**6.755**	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 first quarter of 2022, the C$ and TT$ remained consistent relative to the US$ in comparison to the corresponding average rates observed in the 2021 first quarter. In aggregate, Touchstone recorded a foreign exchange gain of $56,000 in the first quarter of 2022 compared to a loss of $100,000 in the prior year equivalent quarter. 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 1 percent stronger on March 31, 2022 versus December 31, 2021, while the TT$ remained consistent over the same periods. We recognized a foreign currency translation gain of $400,000 in the first quarter of 2022 compared to a gain of $45,000 recorded in the comparative 2021 quarter.

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. 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**
Exercised	(431,800)	0.22
Forfeited	(261,800)	1.47
Issued and outstanding, March 31, 2022	**10,539,734**	**0.72**
Exercisable, March 31, 2022	**4,986,537**	**0.27**

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 March 31, 2022, our outstanding share options represented 5.0 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 March 31,**		%
	2022	2021	change
Gross equity-based compensation	**311**	140	100
Capitalized equity-based compensation	**(67)**	(30)	100
Equity-based compensation	**244**	110	100

In the first quarter of 2022, the Company recorded gross equity-based compensation of $311,000 compared to $140,000 in the prior year equivalent quarter. The increase in equity-based compensation and capitalized equity-based compensation in the first quarter of 2022, compared to the same period in 2021, was primarily attributable to an increase in the fair value of equity-based awards granted in May 2021 based on our higher common share price versus previously granted awards.

On April 8, 2022, we granted 2,946,000 share options to officers, directors and employees at an exercise price of C$1.43 per option. The share options have a five-year term and vest one third on each of the next three anniversaries of the grant date.

Further information regarding our equity-compensation plan is included in Note 11 "*Shareholders' Capital*" of our interim financial statements.

Depletion and depreciation expense

($000's except per bbl amounts)	Three months ended March 31,		%
	2022	2021	change
Depletion expense	**872**	731	19
Depreciation expense	**58**	72	(19)
Depletion and depreciation expense	**930**	803	16
Depletion expense on a per barrel basis(1)	**6.94**	6.26	11

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 11 percent to $6.94 per barrel in the first quarter of 2022 compared to $6.26 per barrel in the first quarter of 2021. The 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. The 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 decrease in depreciation expense reported in the first quarter of 2022 in comparison the 2021 period was predominately a result of our oilfield service assets being leased to third parties effective March 1, 2021 and thus were no longer subject to depreciation (see "*Finance Leases*").

Impairment

E&E asset impairment

In the first quarter of 2022 we recognized an E&E asset impairment of $136,000 related to non-core exploration properties (2021 - $29,000). 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 March 31, 2022, we identified no indicators of impairment relating to our Ortoire CGU, which had a carrying value of $52,978,000 representing the full E&E asset balance on the interim statement of financial position (December 31, 2021 - $50,760,000).

PP&E impairment

On March 31, 2022 and March 31, 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.

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.

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.

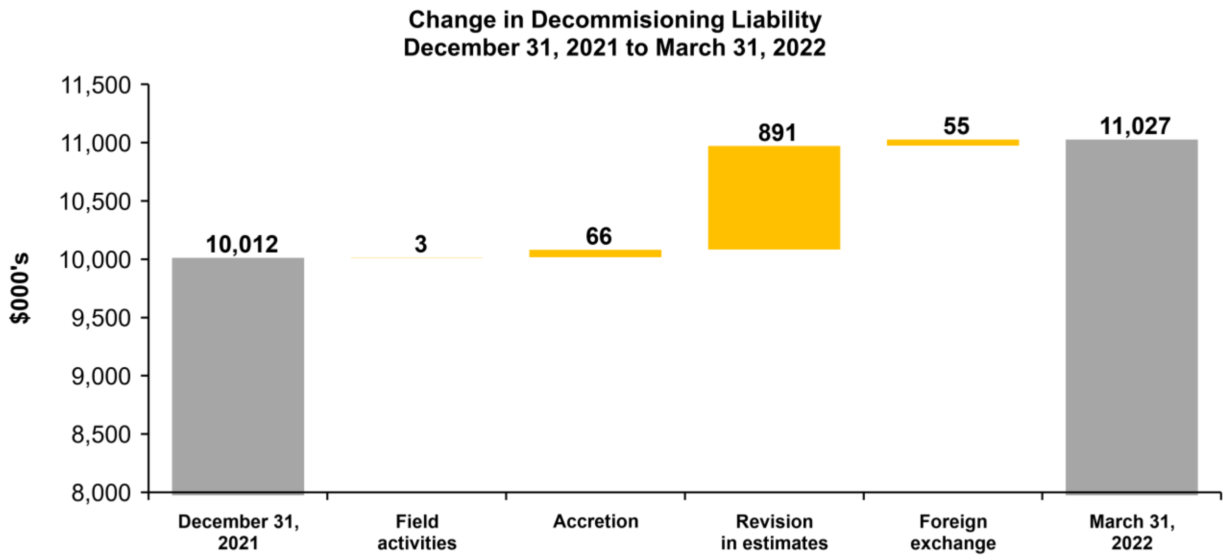
As of March 31, 2022, we reported $1,313,000 of accrued or paid contributions into MEEI and Heritage abandonment funds as long-term abandonment fund assets (December 31, 2021 - $1,278,000). $54,000 of the abandonment fund asset balance was classified as assets held for sale as at March 31, 2022 (refer to "*Capital Expenditures and Dispositions - PP&E dispositions*" for further information).

At March 31, 2022, our estimated decommissioning liability balance was $11,027,000 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 2.4 percent at March 31, 2022. Further, $66,000 of accretion expenses were recognized in the first quarter of 2022 to reflect the increase in decommissioning liabilities associated with the passage of time (2021 - $63,000). The estimates 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.

$1,705,000 of the decommissioning liability was classified as liabilities associated with assets held for sale as at March 31, 2022 (refer to "*Capital Expenditures and Dispositions - PP&E dispositions*" for further information).

Decommissioning liability details as of March 31, 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)*
735.6	3.0	13,870	17,344	11,027



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 9 "*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 financial 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 corporation 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 March 31, 2022	2021	% change
SPT	**227**	-	
PPT	**261**	229	
UL	**104**	91	
Business levy	**5**	3	
GFL	**31**	18	
Current income tax expense	**628**	341	84

In the first quarter of 2022 we recognized $628,000 of current income tax expenses compared to $341,000 in the first quarter of 2021. The increase was primarily attributed to $227,000 of SPT recognized in the current quarter, as first quarter 2022 crude oil realized pricing averaged $83.55 per barrel, which was above the $75.00 per barrel SPT threshold. The $227,000 represented SPT for one operating entity, as our other upstream oil and gas entity used investment tax credits from our fourth quarter 2021 drilling program which fully offset the $1,039,000 SPT obligation.

During the three months ended March 31, 2022, we recognized deferred income tax expense of $235,000 compared to $7,000 recorded in the prior year comparative quarter. Our $14,764,000 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 March 31, 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 10 "*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 March 31, 2022	2021	% change
Licence financial obligations	**170**	209	
Geological and seismic	**-**	361	
Drilling, completions and well testing	**929**	1,900	
Equipment and facilities	**449**	241	
Capitalized G&A	**151**	175	
Other	**175**	68	
E&E expenditures	**1,874**	2,954	(37)

We invested $1,874,000 in our E&E assets in the first quarter 2022, primarily focused on continuing production testing operations on the Royston-1 well and expenditures related to the Coho-1 facility and pipeline installation. In the first quarter of 2021, we conducted production testing operations on our Chinook-1 and Cascadura Deep-1 wells, with further expenditures related to Royston-1 lease and seismic program preparation.

PP&E expenditures

($000's)	Three months ended March 31, 2022	2021	% change
Drilling and completions	**468**	56	
Capitalized G&A	**81**	60	
Corporate / other	**131**	11	
PP&E expenditures	**680**	127	100

Aggregate first quarter 2022 PP&E expenditures of $680,00 included completion costs for our three wells drilled in the fourth quarter of 2021 as well as lease preparation costs for two Coora-1 well locations. We conducted minimal field development activity in the first quarter 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. The Palo Seco disposition remains subject to standard regulatory approvals.

We considered the properties to be non-core due to the associated decommissioning obligations, operating expenses that were substantially higher than our corporate average and limited scalability. The properties generated nominal operating netbacks and contributed an average of 28 bbls/d of crude oil sales during the three months ended March 31, 2021.

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 March 31, 2022, our aggregate finance lease receivable balance was $701,000, of which $571,000 was included in long-term other assets on the consolidated statement of financial position (December 31, 2021 - $738,000 and $647,000, respectively).

Capital Management and Liquidity

Capital management

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 bank 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 March 31, 2022, we had a cash balance of $10,148,000, a working capital surplus of $4,259,000 and $30,000,000 drawn on our term credit facility. Our credit facility does not require the commencement of principal payments until September 15, 2022, and financial covenants are not evaluated until December 31, 2022.

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 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.

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**	**March 31, 2022**	December 31, 2021
Current assets		**(22,393)**	(27,856)
Current liabilities		**18,134**	20,931
Working capital surplus(1)		**(4,259)**	(6,925)
Principal long-term balance of term loan		**25,500**	27,000
Net debt(1)		**21,241**	20,075
Shareholders' equity		**68,108**	67,558
Total managed capital(1)		**89,349**	87,633
Trailing twelve-month funds flow from operations(2)		**4,995**	4,107
Net debt to funds flow from operations ratio(1)	**at or < 2.0 times**	**4.25**	4.89
Net debt to total managed capital ratio(1)	**< 0.4 times**	**0.24**	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 March 31, 2022 includes the sum of funds flow from operations for the three months ended March 31, 2022 and funds flow from operations for the April 1 through December 31, 2021 interim period.

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 Touchstone's outstanding common shares and share options as at the date of this MD&A, March 31, 2022 and December 31, 2021.

	May 11, 2022	**March 31, 2022**	December 31, 2021
Common shares outstanding	**212,275,327**	**211,163,527**	210,731,727
Share options outstanding	**12,373,934**	**10,539,734**	11,233,334
Fully diluted common shares	**224,649,261**	**221,703,261**	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 11 "*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 currently 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 was 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 March 31, 2022, the term loan balance was $29,940,000 of which $4,500,000 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 $1,173,000 of cash as long-term restricted as at March 31, 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 March 31, 2022, we recognized $2,700,000 in aggregate lease liabilities on our consolidated statement of financial position, of which $2,308,000 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. Further information regarding our lease obligations is included in Note 7 "*Lease Liabilities* " of our interim financial statements.

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. In the first quarter of 2022 we recognized a loss on revaluation of $199,000 predominately from the strengthening of strip crude oil pricing from December 31, 2021 (2021 - gain of $71,000). At March 31, 2022, our estimated production liability balance was $1,291,000, of which $844,000 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 March 31, 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	**11,100**	11,100	-	-
Income taxes payable	Yes – liability	**829**	829	-	-
Lease liabilities	Yes – liability	**3,238**	618	2,170	450
Term loan principal	Yes – liability	**30,000**	4,500	12,000	13,500
Term loan interest	No – recognized as incurred	**6,673**	2,252	3,140	1,281
Estimated production liability	Yes – liability	**1,960**	635	1,325	-
Financial liabilities		**53,800**	**19,934**	**18,635**	**15,231**

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 March 31, 2022.

($000's)		Estimated payments due by year			
	Total	**2022**	**2023**	**2024**	**Thereafter**
Operating agreement commitments					
Coora blocks	**14,833**	5,286	92	2,919	6,536
WD-4 block	**5,096**	39	41	1,494	3,522
WD-8 block	**5,135**	71	75	1,491	3,498
Fyzabad block	**807**	-	76	78	653
Cory Moruga exploration block	**1,270**	71	99	105	995
Ortoire exploration block	**24,576**	463	6,923	7,200	9,990
Office and equipment leases	**770**	320	104	104	242
Minimum payments	**52,487**	**6,250**	**7,410**	**13,391**	**25,436**

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 Licence. In March 2022, we were notified that the Trinidad government approved an extension to the exploration period of our Ortoire 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. See "*Ortoire Operations - Licence*" for further details.

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 largely 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, 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 months ended March 31, 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 currently 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 months ended March 31, 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 $891,000 as a result of increased overdue VAT balances based on capital and operational spending. We collected approximately $1,246,000 of these past due VAT balances in April 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)	**March 31, 2022**	December 31, 2021
Not past due	**4,265**	3,181
Past due (greater than 90 days)	**5,256**	4,365
Accounts receivable	**9,521**	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 a director is a senior partner of our Canadian legal counsel, Norton Rose Fulbright Canada LLP. For the three months ended March 31, 2022, $49,000 in legal fees and disbursements charged by Norton Rose Fulbright Canada LLP were incurred, of which $25,000 was included in accounts payable and accrued liabilities as at March 31, 2022 (2021 - $21,000 and $21,000, respectively).

Changes in Accounting Policies Including Initial Adoption

There were no changes in accounting policies during the three months ended March 31, 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 March 31, 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.

Internal Controls

Touchstone is required to comply with National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings*. There were no changes in the Company's internal control over financial reporting during the period beginning on January 1, 2022 and ended March 31, 2022 that had materially affected, or were reasonably likely to materially affect, internal control over financial reporting.

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 "*Capital Management and Liquidity*" 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

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

Three months ended	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Operational				
Average daily production *(bbls/d)*	**1,396**	1,336	1,333	1,402
Net wells drilled	**-**	3.0	0.8	-
Brent benchmark price[(1)] *($/bbl)*	**100.87**	79.61	73.51	68.98
Operating netback[(2)] *($/bbl)*	**37.83**	29.96	27.77	26.30
Financial *($000's except per share amounts)*				
Petroleum sales	**10,496**	8,212	7,650	7,586
Cash from operating activities	**333**	1,388	384	1,008
Funds flow from operations	**1,426**	1,291	1,073	1,205
Per share – basic and diluted[(2)]	**0.01**	0.01	0.01	0.01
Net (loss) earnings	**(236)**	6,514	(51)	(284)
Per share – basic and diluted	**(0.00)**	0.03	(0.00)	(0.00)
Exploration capital expenditures	**1,874**	2,946	7,542	6,664
Development capital expenditures	**680**	5,190	2,315	125
Capital expenditures	**2,554**	8,136	9,857	6,789
Working capital (surplus) deficit[(2)]	**(4,259)**	(6,925)	4,657	(4,671)
Principal long-term balance of term loan	**25,500**	27,000	7,125	7,500
Net debt[(2)] – end of period	**21,241**	20,075	11,782	2,829
Share Information *(000's)*				
Weighted average – basic	**210,823**	210,732	210,732	209,757
Weighted average – diluted	**210,823**	218,102	210,732	209,757
Outstanding shares – end of period	**211,164**	210,732	210,732	210,732

Notes:
(1) Dated Brent average for the quarterly periods indicated. 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.

Three months ended	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Operational				
Average daily production *(bbls/d)*	1,297	1,274	1,310	1,396
Net wells drilled	-	1.6	-	-
Brent benchmark price(1) *($/bbl)*	61.04	44.32	42.91	29.70
Operating netback(2) *($/bbl)*	21.98	13.90	14.09	10.73
Financial *($000's except per share amounts)*				
Petroleum sales	6,120	4,414	4,725	3,755
Cash (used in) from operating activities	(1,234)	167	4,126	(1,921)
Funds flow from (used in) operations	538	(736)	192	(450)
Per share – basic and diluted(2)	0.00	(0.00)	0.00	(0.00)
Net (loss) earnings	(460)	1,655	(703)	(2,742)
Per share – basic and diluted	(0.00)	0.01	(0.00)	(0.01)
Exploration capital expenditures	2,954	9,031	5,758	1,249
Development capital expenditures	127	186	211	92
Capital expenditures	3,081	9,217	5,969	1,341
Working capital surplus(2)	(10,552)	(12,933)	(869)	(6,534)
Principal long-term balance of term loan	7,500	7,500	15,000	15,000
Net (surplus) debt(2) – end of period	(3,052)	(5,433)	14,131	8,466
Share Information *(000's)*				
Weighted average – basic	209,400	197,686	184,277	183,640
Weighted average – diluted	209,400	206,072	184,277	183,640
Outstanding shares – end of period	209,400	209,400	184,408	184,161

Notes:
(1) Dated Brent average for the quarterly periods indicated. 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.

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 $1.4 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. Capital expenditures of $2.6 million led to an increase in net debt of $1.2 million from the preceding quarter.
- Touchstone 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.
- Based on crude oil demand declines caused by COVID-19, second quarter 2020 realized crude oil pricing decreased by 36 percent from the prior quarter. In response our reduced expenditures on field operations reduced crude oil production by 12 percent from the first quarter of 2020. These combined effects decreased second quarter operating netbacks, resulting in $0.5 million in funds flow used in operations.

Advisory

Non-GAAP Financial Measures

This MD&A or documents referred to in this MD&A make reference to 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

The Company 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.

($000's unless otherwise stated)	**Three months ended March 31,**	
	2022	2021
Petroleum sales	**10,496**	6,120
Royalties	**(3,586)**	(1,843)
Operating expenses	**(2,157)**	(1,711)
Operating netback	**4,753**	2,566
Production *(bbls)*	**125,625**	116,730
Operating netback *($/bbl)*	**37.83**	21.98

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

($000's)	**Three months ended March 31,**	
	2022	2021
Funds flow from operations	**1,426**	538
Other revenue	**(9)**	(23)
Expenses		
G&A	**1,973**	1,535
Net finance	**943**	149
Current income tax	**628**	341
Realized foreign exchange	**84**	26
Change in non-cash other	**(292)**	-
Operating netback	**4,753**	2,566

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. These are capital management measures used by Management to steward the Company's overall debt position and as measures of 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 (surplus) 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 (surplus) for the periods indicated.

($000's)	**March 31, 2022**	December 31, 2021	March 31, 2021
Current assets	**(22,393)**	(27,856)	(22,417)
Current liabilities	**18,134**	20,931	11,865
Working capital surplus	**(4,259)**	(6,925)	(10,552)
Principal non-current balance of term loan	**25,500**	27,000	7,500
Net debt (surplus)	**21,241**	20,075	(3,052)

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

($000's)	**March 31, 2022**	December 31, 2021	March 31, 2021
Total liabilities	**72,517**	75,462	39,470
Lease liabilities	**(2,308)**	(2,265)	(329)
Other liabilities	**(844)**	(908)	(1,174)
Decommissioning liabilities	**(11,027)**	(10,012)	(11,912)
Deferred income tax liability	**(14,764)**	(14,450)	(6,999)
Variance of carrying value and principal value of term loan	**60**	104	309
Current assets	**(22,393)**	(27,856)	(22,417)
Net debt (surplus)	**21,241**	20,075	(3,052)

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 (surplus) 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 and ultimate production 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;

- the Company's risk management strategy and the future use of commodity derivatives to manage commodity price risk;
- treatment under current and future governmental regulatory regimes, environmental legislation, royalty regimes and tax laws enacted in the Company's areas of operations;
- foreign currency risk and the ability to reverse unrealized foreign exchange gains and losses in the future;
- 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.

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 gas measurement		**Other**	
bbl(s)	barrel(s)	AIM	AIM market of the London Stock Exchange plc
bbls/d	barrels per day	API	American Petroleum Institute gravity
Mbbls	thousand barrels	Brent	Dated Brent
Mcf	thousand cubic feet	C$	Canadian dollar
Mcf/d	thousand cubic feet per day	NGL(s)	Natural gas liquid(s)
MMcf	million cubic feet	psi	Pounds per square inch
MMcf/d	million cubic feet per day	TSX	Toronto Stock Exchange
MMBtu	million British Thermal Units	TT$	Trinidad and Tobago dollar
boe	barrels of oil equivalent	WTI	Western Texas Intermediate
boe/d	barrels of oil equivalent per day	$ or US$	United States dollar
Mboe	thousand barrels of oil equivalent	£	Pounds sterling

Corporate Information

Directors
John D. Wright
Chair of the Board

Paul R. Baay
Kenneth R. McKinnon
Peter Nicol
Beverley Smith
Stanley T. Smith
Thomas E. Valentine
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
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Registered Office
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Operating Offices
Touchstone Exploration (Trinidad) Ltd.
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Fyzabad, Trinidad, W.I.

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