Touchstone Exploration Inc.

Management's Discussion and Analysis

For the three months ended
March 31, 2024 and 2023

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Touchstone Exploration Inc. ("Touchstone", "we", "our", "us" or the "Company") for the three months ended March 31, 2024 with comparisons to the three months ended March 31, 2023 is dated May 13, 2024 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, 2024 (the "interim financial statements"), as well as with the Company's audited consolidated financial statements as at and for the year ended December 31, 2023 (the "audited 2023 financial statements"), each of which are available online on our SEDAR+ profile (www.sedarplus.ca) and website (www.touchstoneexploration.com). The interim financial statements have been prepared by Management in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" using accounting policies consistent with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS" or "GAAP"). The interim financial statements were approved by the Company's Board of Directors ("Board"). Accounting policies adopted by the Company are set out in the notes to the audited 2023 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, 2023, as disclosure which is unchanged from December 31, 2023 may not be duplicated herein.

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

The Company may also reference Canadian dollars ("C$") and Trinidad and Tobago dollars ("TT$") herein, which are the functional and operational currencies of the Company's parent company and operating subsidiaries, respectively. All production volumes disclosed herein are sales volumes and are based on Company working interest before royalty burdens. Certain prior year amounts have been reclassified to conform to the current year presentation. In all cases where percentage (%) figures are provided, such percentages have generally been rounded to the nearest whole number and limited to increases or decreases of 100 percent.

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 "*Advisories*" section herein which provides information on non-GAAP financial measures, forward-looking statements, oil and natural gas measures, product type disclosures and references to Touchstone.

About Touchstone Exploration Inc.

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

Financial and Operational Results Overview

	Three months ended		
	March 31, 2024	December 31, 2023	March 31, 2023
Operational			
Average daily production			
Crude oil[1] *(bbls/d)*	**1,166**	1,133	1,285
NGLs[1] *(bbls/d)*	**262**	622	-
Crude oil and liquids[1] *(bbls/d)*	**1,428**	1,755	1,285
Natural gas[1] *(Mcf/d)*	**33,521**	40,491	5,124
Average daily production *(boe/d)*[2]	**7,015**	8,504	2,139
Average realized prices[3]			
Crude oil[1] *($/bbl)*	**69.95**	72.26	64.86
NGLs[1] *($/bbl)*	**69.59**	72.92	-
Crude oil and liquids[1] *($/bbl)*	**69.88**	72.49	64.86
Natural gas[1] *($/Mcf)*	**2.46**	2.43	2.12
Realized commodity price *($/boe)*[2]	**25.98**	26.53	44.03
Production mix *(% of production)*			
Crude oil and liquids[1]	**20**	21	60
Natural gas[1]	**80**	79	40
Operating netback *($/boe)*[2]			
Realized commodity price[3]	**25.98**	26.53	44.03
Royalties[3]	**(5.76)**	(5.53)	(13.01)
Operating expenses[3]	**(3.83)**	(3.46)	(12.05)
Operating netback[3]	**16.39**	17.54	18.97
Financial *($000's except per share amounts)*			
Petroleum and natural gas sales	**16,584**	20,759	8,476
Cash from operating activities	**5,369**	8,512	913
Funds flow from operations	**6,142**	10,489	803
Net earnings (loss)	**3,628**	(21,236)	(279)
Per share – basic and diluted	**0.02**	(0.09)	(0.00)
Exploration capital expenditures	**108**	595	8,750
Development capital expenditures	**11,854**	591	269
Capital expenditures[3]	**11,962**	1,186	9,019
Working capital deficit[3]	**14,121**	7,581	4,383
Principal long-term balance of bank debt	**13,500**	15,000	19,500
Net debt[3] – end of period	**27,621**	22,581	23,883
Share Information *(000's)*			
Weighted average shares outstanding – basic	**234,213**	233,487	233,037
Weighted average shares outstanding – diluted	**236,548**	233,487	233,037
Outstanding shares – end of period	**234,213**	234,213	233,037

Notes:

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

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

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

First quarter 2024 financial and operational highlights

- Achieved average quarterly production of 7,015 boe/d (80 percent natural gas), an 18 percent decrease relative to 8,504 boe/d produced in the fourth quarter of 2023 (79 percent natural gas), mainly reflecting natural declines from our Cascadura field.
- Realized petroleum and natural gas sales of $16,584,000 compared to $20,759,000 in the fourth quarter of 2023, primarily attributed to a decrease in natural gas and NGL sales volumes.
  - Cascadura field production volumes in the quarter contributed $6,961,000 of net natural gas sales at an average realized price of $2.49 per Mcf and $1,657,000 of net NGL sales at an average realized price of $69.59 per barrel.
  - Natural gas production from the Coho-1 well averaged net volumes of 2.8 MMcf/d (460 boe/d) in the quarter and contributed $542,000 of net natural gas sales at an average realized price of $2.16 per Mcf.
  - Crude oil production from our legacy fields contributed $7,424,000 of net sales at an average realized price of $69.95.
- Generated an operating netback of $10,463,000, a 24 percent decrease from the fourth quarter of 2023, primarily due to decreased natural gas and NGL sales volumes.
- Achieved quarterly funds flow from operations of $6,142,000 in the first quarter of 2024 compared to $10,489,000 in the preceding quarter.
- Delivered net earnings of $3,628,000 ($0.02 per basic and diluted share).
- $11,962,000 in quarterly capital investments primarily focused on expenditures directed towards one CO-1 and two Cascadura development wells, and progressing construction on the flowline from the Cascadura C surface location to the Cascadura natural gas processing facility.
- Exited the first quarter of 2024 with a cash balance of $9,537,000 and a net debt position of $27,621,000, resulting in a reduced net debt to annual funds flow from operations ratio of 1.45 times.
- Subsequent to the quarter, we entered into a third amended and restated loan agreement with our existing lender providing for an additional $13 million of bank debt capacity.

Proposed Acquisition

On May 1, 2024, Touchstone announced that it reached an agreement with the Board of Directors of Trinity Exploration and Production Plc ("Trinity") on the terms of a recommended all-share acquisition by which the Company intends to acquire the entire issued and to be issued ordinary share capital of Trinity (the "Proposed Acquisition"). Trinity is a crude oil exploration, development and production company with onshore and offshore assets located solely in Trinidad and is publicly listed on AIM. Under the terms of the Proposed Acquisition, Trinity shareholders will receive 1.5 common shares of Touchstone for each Trinity common share held. Approximately 58.3 million Touchstone common shares, representing 24.91 percent of the Company's currently outstanding common shares are expected to be issued pursuant to the Proposed Acquisition. Completion of the Proposed Acquisition is subject to customary regulatory, stock exchange and Trinity shareholder approvals.

In accordance with Rule 2.7 of the UK City Code on Takeovers and Mergers, a firm offer announcement ("Rule 2.7 Announcement") has been published and is accessible on our website (www.touchstoneexploration.com/trinity-acquisition). The offer is subject to the conditions and certain further terms set out in the Rule 2.7 Announcement and to the full terms and conditions to be set out in the scheme document to be published by Trinity.

Annual 2024 Guidance

Touchstone continues to focus on financial discipline and value creation. Our principal near term strategy is to increase cash flow generation via the development of our Cascadura field in 2024. On December 19, 2023, the Company issued a news release to announce the approval of its preliminary financial and operating guidance for 2024. This guidance is summarized in the table below.

2024 Preliminary Guidance Summary[1]	Year ending December 31, 2024
Capital expenditures[2] *($000's)*	33,000
Average daily production *(boe/d)*	9,100 to 9,700
% natural gas	82%
% crude oil and liquids	18%
Average Brent crude oil price *($/bbl)*	75.00
% realized discount to Brent benchmark price	18%
Funds flow from operations[3] *($000's)*	32,000
Net debt – end of year[2][3] *($000's)*	25,000

Notes:
(1) Forward-looking statement representing Management estimates. See the "*Advisories - Forward-looking Statements*" section of this MD&A for further information.
(2) Non-GAAP financial measure. See the "*Advisories - Non-GAAP Financial Measures*" section of this MD&A for further information.
(3) The financial performance measures provided in the Company's 2024 preliminary guidance are based on the midpoint of the average production forecast, being 9,400 boe/d.

We currently have two producing Cascadura wells where our natural gas processing facility is located on the Cascadura A site. As of the date of this MD&A, we have drilled our two budgeted wells on our Cascadura C site. Further Cascadura development capital expenditures are required to tie-in the wells to the natural gas facility and upgrade the facility from its current throughput of 90 MMcf/d to 140 MMcf/d are proceeding as forecasted. As of the date of this MD&A, our two budgeted CO-1 block infill development wells have been drilled. The initial 2024 capital budget also contemplates drilling one Coho development well and one Coho exploration well in the fourth quarter of 2024.

The preliminary guidance contemplated an increase in the Company's revolving loan facility from $7 million to $20 million. On April 18, 2024, the Company and its lender executed a third amended and restated loan agreement providing for a new $10 million five-year non-revolving term loan facility and increasing our current revolving loan facility from $7 million to $10 million (the "Amended Bank Loan"). The updated bank debt structure did not materially change anticipated net finance expenses incorporated in our preliminary funds flow from operations guidance.

The initial guidance as originally announced did not contemplate the Proposed Acquisition. Management will update its 2024 guidance for the Proposed Acquisition if and when appropriate. Further, the original guidance did not incorporate transaction costs related to the Proposed Acquisition, of which $380,000 were recorded during the three months ended March 31, 2024.

For further information regarding 2024 guidance and the related advisories, refer to the Company's news release dated December 19, 2023 entitled "*Touchstone Announces 2024 Capital Budget, Preliminary 2024 Guidance and an Operational Update*" which is available online on our SEDAR+ profile (www.sedarplus.ca) and website (www.touchstoneexploration.com).

Principal Properties and Licences

Touchstone operates Trinidad-based upstream petroleum and natural gas activities under state exploration and production licences with the Government of the Repulic of Trinidad and Tobago Ministry of Energy and Energy Industries ("MEEI"), Lease Operatorship Agreements ("LOAs") with state owned Heritage

Petroleum Company Limited ("Heritage") and private subsurface and surface leases with individual landowners. A schedule of our Trinidad property interests as of March 31, 2024 is set forth below.

Property	Working interest *(%)*	Licence type	Gross acres[1]	Net acres[2]
Developed				
CO-1	100	Lease Operatorship	1,230	1,230
CO-2[3]	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	State and Private	564	564
Ortoire - Coho	80	State	1,317	1,054
Ortoire - Cascadura	80	State	2,377	1,902
San Francique[3]	100	Private	1,277	1,277
	92		**8,795**	**8,057**
Exploratory				
Cory Moruga	16	State	7,443	1,206
Ortoire	80	State	41,037	32,830
	70		**48,480**	**34,036**
Total	**73**		**57,275**	**42,093**

Notes:
(1) "Gross" means the total area of properties in which we have an interest.
(2) "Net" means the total area of properties in which we have an interest multiplied by the working interest owned by us.
(3) The CO-2 block and San Francique field were classified as held for sale as at March 31, 2024, with effective dates upon closing. The Company is currently awaiting regulatory approvals to close the asset dispositions (refer to the "*Capital Expenditures and Dispositions*" section of this MD&A for further information).

Financial and Operational Results

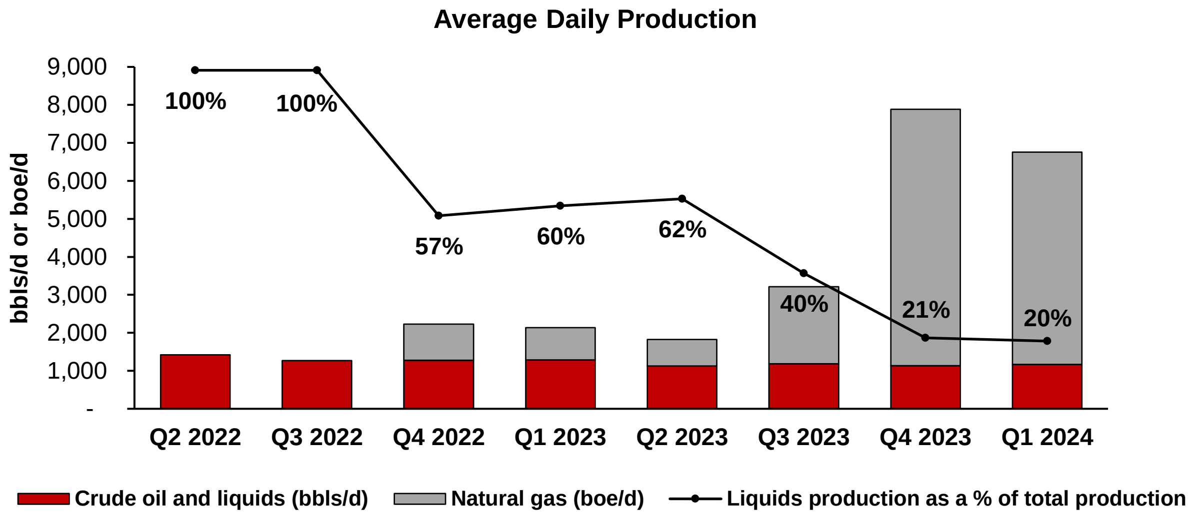
Production volumes

	Three months ended March 31,		%
	2024	2023	change
Production			
Crude oil *(bbls)*	**106,134**	115,640	(8)
NGLs *(bbls)*	**23,811**	-	n/a
Crude oil and liquids *(bbls)*	**129,945**	115,640	12
Natural gas *(Mcf)*	**3,050,412**	461,189	100
Total production *(boe)*	**638,347**	192,505	100
Average daily production			
Crude oil *(bbls/d)*	**1,166**	1,285	(9)
NGLs *(bbls/d)*	**262**	-	n/a
Crude oil and liquids *(bbls/d)*	**1,428**	1,285	11
Natural gas *(Mcf/d)*	**33,521**	5,124	100
Average daily production *(boe/d)*	**7,015**	2,139	100
Production mix			
Crude oil and liquids *(%)*	**20**	60	
Natural gas *(%)*	**80**	40	

Average first quarter 2024 production volumes of 7,015 boe/d increased 228 percent from the 2,139 boe/d produced in the prior year equivalent quarter, reflecting incremental natural gas and liquids production from our Cascadura field which was brought online in September 2023.

First quarter 2024 average crude oil and liquids production volumes increased by 143 bbls/d or 11 percent from the prior year comparative quarter, attributed to incremental Cascadura NGL volumes partially offset from natural crude oil production declines from our mature legacy oilfields.

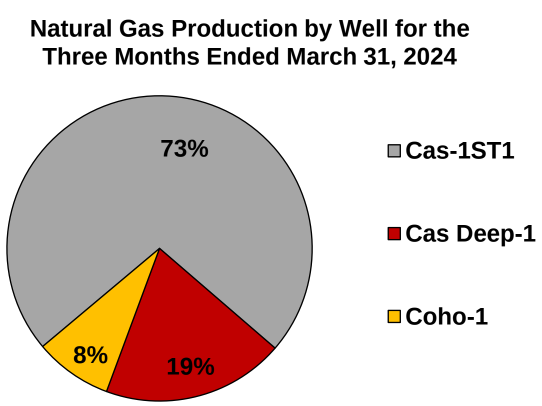
Natural gas averaged net production volumes of 33.5 MMcf/d (5,587 boe/d) in the first quarter of 2024, a 554 percent increase in comparison to the 5.1 MMcf/d (854 boe/d) produced in the prior year equivalent period. The increase was mainly a result of the aforementioned incremental Cascadura field volumes, slightly offset by Coho-1 well natural declines.

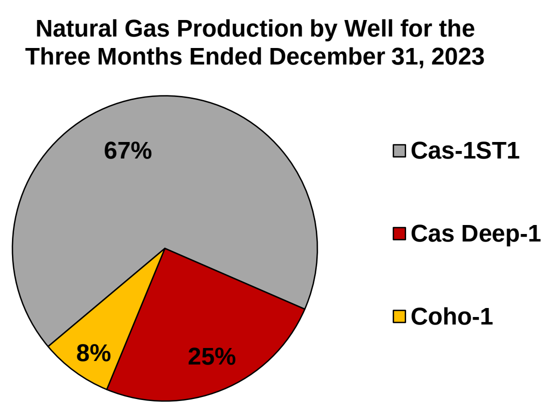


The following table summarizes crude oil and liquids production by property during the three months ended March 31, 2024 and 2023.

(bbls)	Three months ended March 31, 2024	2023	% change
CO-1	**28,893**	35,072	(18)
WD-4	**41,583**	43,737	(5)
WD-8	**21,839**	19,395	13
Fyzabad	**5,535**	6,918	(20)
Other	**8,284**	10,518	(21)
Cascadura	**23,811**	-	n/a
Crude oil and liquids production	**129,945**	115,640	12

The following graphs disclose natural gas production by well during the three months ended March 31, 2024 and three months ended December 31, 2023. Natural gas production reported in the first quarter of 2023 was solely attributed to the Coho-1 well.





Commodity prices

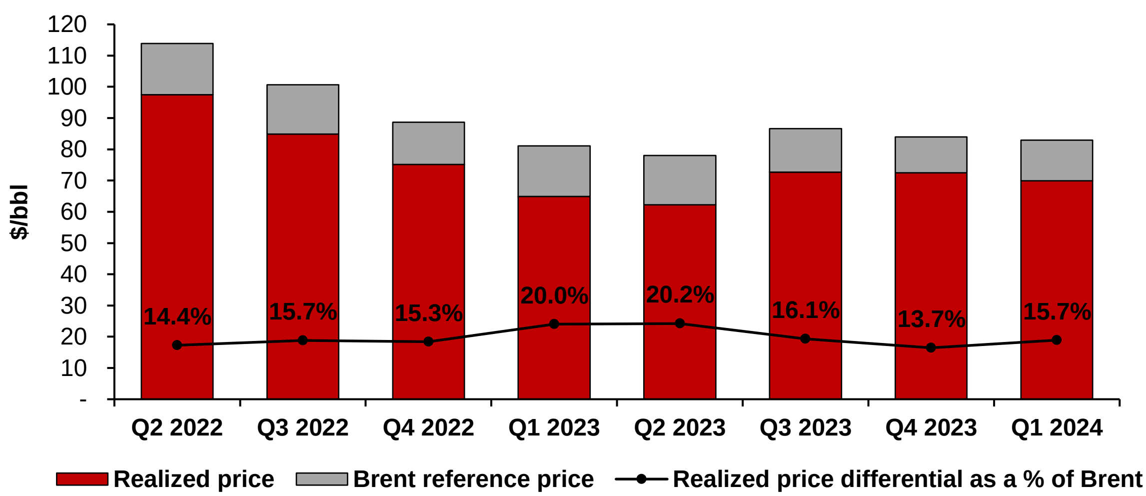
	Three months ended March 31, 2024	2023	% change
Avg. benchmark prices(1)			
Brent *($/bbl)*	**82.92**	81.07	2
WTI *($/bbl)*	**76.96**	76.13	1
Average realized prices(2)			
Crude oil (*$/bbl*)	**69.95**	64.86	8
NGLs (*$/bbl*)	**69.59**	-	n/a
Crude oil and liquids (*$/bbl*)	**69.88**	64.86	8
Natural gas *($/Mcf)*	**2.46**	2.12	16
Realized commodity price *($/boe)*	**25.98**	44.03	(41)

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

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

The Dated Brent benchmark price of $82.92 per barrel remained relatively consistent in the first quarter of 2024, representing an increase of 2 percent from the prior year comparative quarter and a 1 percent decrease relative to the fourth quarter of 2024.

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



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

Touchstone realized an average crude oil and liquids price of $69.88 per barrel in the first quarter of 2024 compared to an average of $64.86 per barrel reported in the equivalent quarter of 2023. Relative to the first quarter of 2023, the 8 percent increase in 2024 was predominately driven by the narrowing of our realized crude oil and liquids price differential in relation to the Brent benchmark pricing from 20.0 percent to 15.7 percent, and the aforementioned 2 percent increase in Brent reference pricing. Touchstone receives the same price for NGLs and crude oil through various marketing arrangements with Heritage.

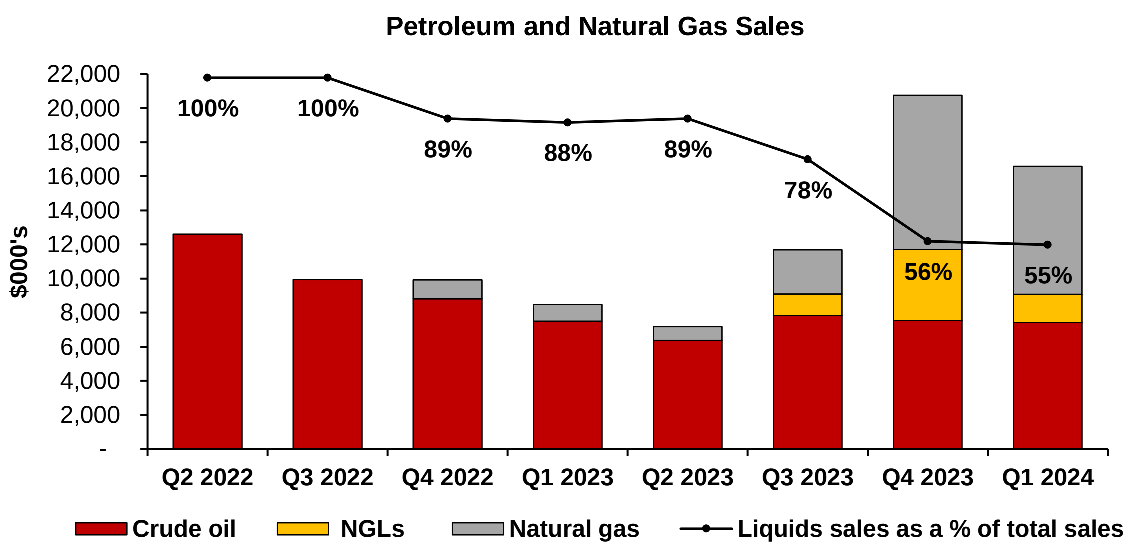
We realized average natural gas prices of $2.46 per Mcf during the three months ended March 31, 2024, consistent with the preceding quarter. In comparison to the prior year equivalent quarter, the 16 percent increase in our average natural gas price was the result of higher heat values associated with natural gas production from our Cascadura field versus our Coho field, and the annual 2 percent inflation escalator in the natural gas marketing contract which came into effect on October 10, 2023. Touchstone is obligated to pay a $0.125 per Mcf processing fee to the third-party natural gas facility operator which is netted against Coho natural gas sales and the realized prices disclosed herein.

Petroleum and natural gas sales

($000's unless otherwise stated)	Three months ended March 31,		%
	2024	2023	change
Crude oil	**7,424**	7,500	(1)
NGLs	**1,657**	-	n/a
Natural gas	**7,503**	976	100
Petroleum and natural gas sales	**16,584**	8,476	96
Sales mix			
Crude oil and liquids *(%)*	**55**	88	
Natural gas *(%)*	**45**	12	

We sell all produced crude oil and NGL volumes to Heritage, with title transferring at our various sales batteries. As of March 31, 2024, we held 4,504 barrels of crude oil and liquids inventory in comparison to 4,566 barrels as of December 31, 2023. We sell our Coho and Cascadura natural gas volumes to the National Gas Company of Trinidad and Tobago ("NGC"), with title transferring at each facility.

Petroleum and natural gas sales in the first quarter of 2024 increased 96 percent to $16,584,000 from $8,476,000 in the comparative quarter of 2023. Compared to the first quarter of 2023, crude oil sales declined by $76,000, reflecting a $616,000 decrease attributed to a reduction in sales volumes, offset by a $540,000 increase from realized pricing. In the first quarter of 2024, we recorded $1,657,000 in NGL sales associated with Cascadura natural gas volumes. Further, 2024 first quarter natural gas sales increased by $6,527,000 from the prior quarter equivalent period, with $1,037,000 of the variance attributed to an increase in average realized prices and $5,490,000 mainly reflecting increased sales volumes from our Cascadura field.



Royalties

Touchstone is obligated to pay a state 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 crude oil sales.

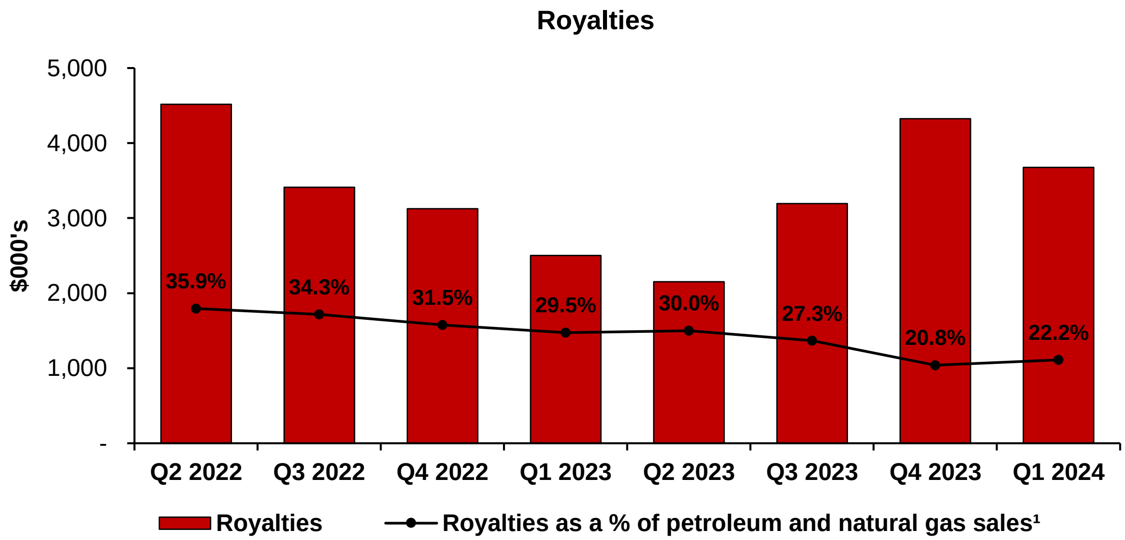
In addition to state royalties, our LOAs with Heritage governing our CO-1, CO-2, WD-4 and WD-8 blocks apply a sliding scale overriding royalty ("ORR") structure indexed to the average price of crude oil realized in a production month. Base ORR rates are applicable to pre-defined monthly base production 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 sets forth royalty expenses for the periods indicated.

($000's unless otherwise stated)	**Three months ended March 31,** **2024**	2023	% change
State royalties	**2,066**	1,000	100
Overriding royalties	**1,549**	1,427	9
Private royalties	**62**	77	(19)
Royalties	**3,677**	2,504	47
$ per boe(1)	**5.76**	13.01	(56)
As a % of petroleum and natural gas sales(1)	**22.2**	29.5	(25)

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

Relative to the first quarter of 2023, royalty expenses increased by 47 percent in the first quarter of 2024, primarily driven by increased natural gas sales and incremental NGL sales from our Ortoire concession which were only subject to the 12.5 percent state royalty. First quarter 2024 royalty expenses on a boe basis and as a percentage of petroleum and natural gas sales declined from the 2023 equivalent quarter based on increased 2024 Ortoire production solely subject to the state royalty.



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

Operating expenses

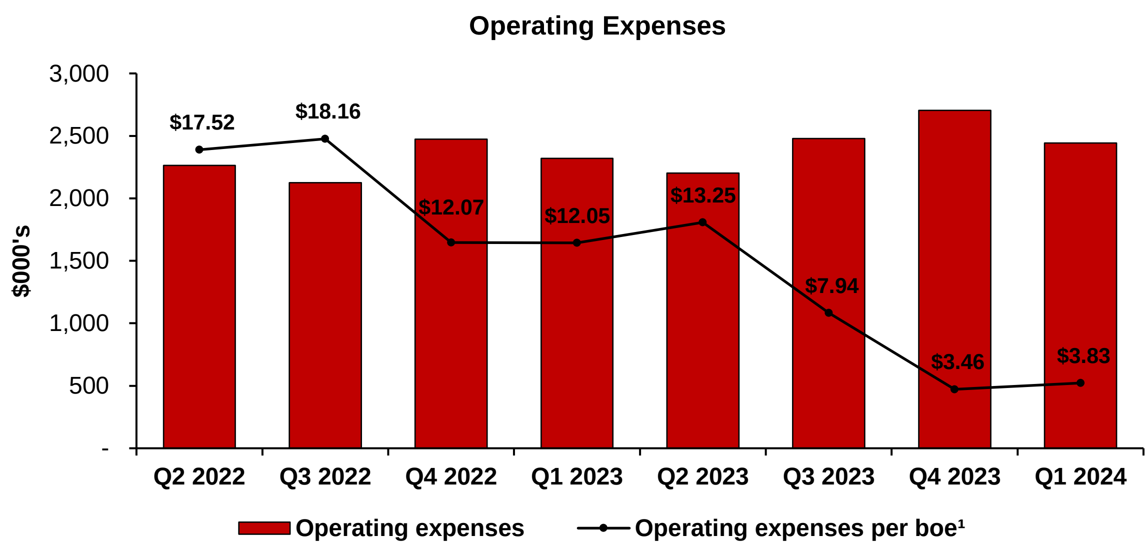
($000's except per boe amounts)	Three months ended March 31, **2024**	2023	% change
Operating expenses	**2,444**	2,320	5
$ per boe(1)	**3.83**	12.05	(68)

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

Operating expenses include all periodic lease, field-level and transportation expenses and directly attributable employee salaries and benefits. The Company's operating expenses by product type and field are approximations prepared by Management, and a number of assumptions are required to allocate these costs.

First quarter operating expenses increased by 5 percent from the prior year comparative period of 2023. Relative to the first quarter of 2023, 2024 first quarter crude oil and liquids related operating expenses decreased by approximately $137,000 attributed to reduced variable costs, slightly offset by the incorporation of Cascadura field NGL transportation costs. Touchstone recognized an estimated $509,000 in natural gas operating expenses during the three months ended March 31, 2024 versus $248,000 in the prior year equivalent period. In comparison to the first quarter of 2023, the $261,000 increase was primarily attributed to incremental Cascadura production, slightly offset by reduced water trucking costs from the Coho field.

In the first quarter of 2024, crude oil and liquids operating expenses were approximately $14.89 per barrel, a 17 percent decrease from the estimated $17.92 per barrel incurred in the first quarter of 2023. Estimated operating expenses associated with natural gas production averaged $1.02 per boe in the first quarter of 2024, a 68 percent reduction compared to an estimated $3.23 per boe incurred in the prior year comparative quarter. The per unit decreases in comparison to the comparative 2023 periods were primarily attributed to incremental Cascadura production.

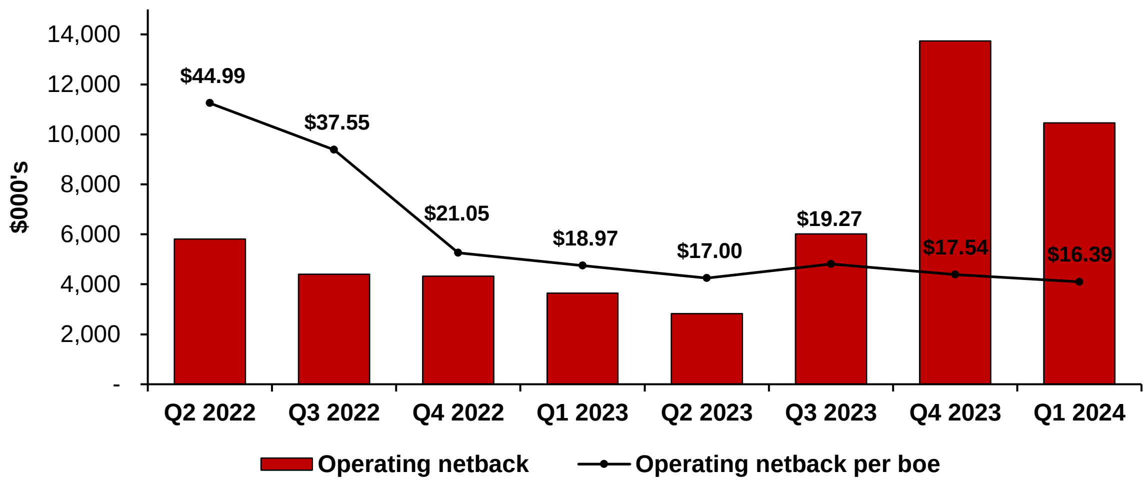


Note:
(1) Non-GAAP financial measure. See the "*Advisories - Non-GAAP Financial Measures*" section of this MD&A for further information.

Operating netback

	Three months ended March 31, 2024	2023	% change
($000's)			
Petroleum and natural gas sales	**16,584**	8,476	96
Royalties	**(3,677)**	(2,504)	47
Operating expenses	**(2,444)**	(2,320)	5
Operating netback[1]	**10,463**	3,652	100
($/boe)			
Realized commodity price[1]	**25.98**	44.03	(41)
Royalties[1]	**(5.76)**	(13.01)	(56)
Operating expenses[1]	**(3.83)**	(12.05)	(68)
Operating netback[1]	**16.39**	18.97	(14)

Operating Netback[1]



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

General and administration ("G&A") expenses

($000's except per boe amounts)	Three months ended March 31, 2024	2023	% change
Gross G&A expenses	**2,434**	2,353	3
Capitalized G&A expenses	**(68)**	(252)	(73)
G&A expenses	**2,366**	2,101	13
$ per boe[1]	**3.71**	10.91	(66)

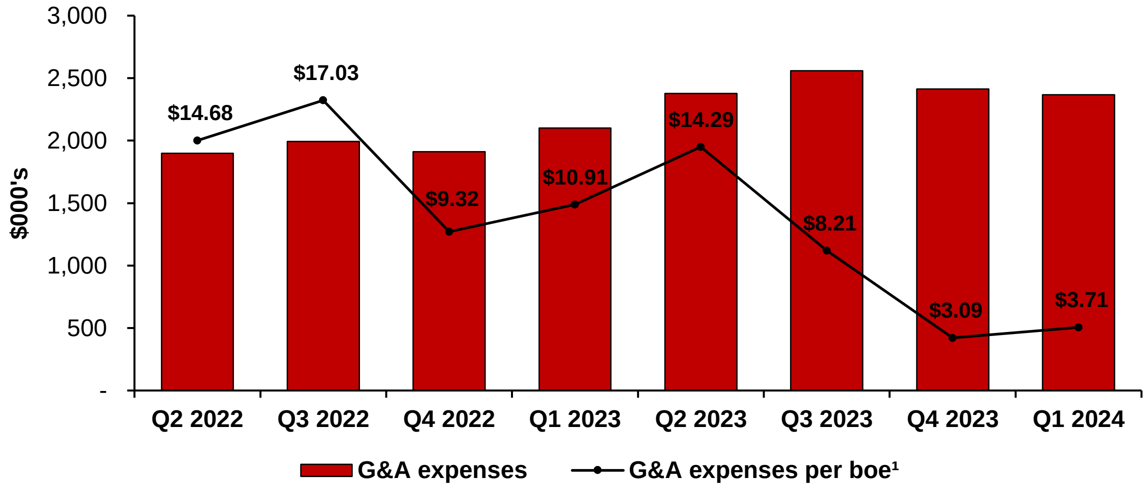
Note:
(1) Non-GAAP financial measure. See the "*Advisories - Non-GAAP Financial Measures*" section of this MD&A for further information.

Gross G&A expenses in the first quarter of 2024 were $2,434,000 compared to $2,353,000 in the same period of 2023. In comparison to the prior year first quarter, the $81,000 increase was primarily attributable to increases in insurance and information technology expenses, slightly offset by decreased legal fees and public company expenses.

Capitalized G&A expenses declined in the three months ended March 31, 2024 compared to the same period of 2023 predominately from decreased employee hours allocated to capital projects.

First quarter 2024 G&A expenses were $3.71 per boe, representing a 66 percent decrease from the $10.91 per boe reported in the first quarter of 2023. A 13 percent increase in first quarter 2024 G&A expenses in relation to the prior year equivalent quarter was fully offset by a 232 percent increase in production volumes on a boe basis.

General and Administration Expenses



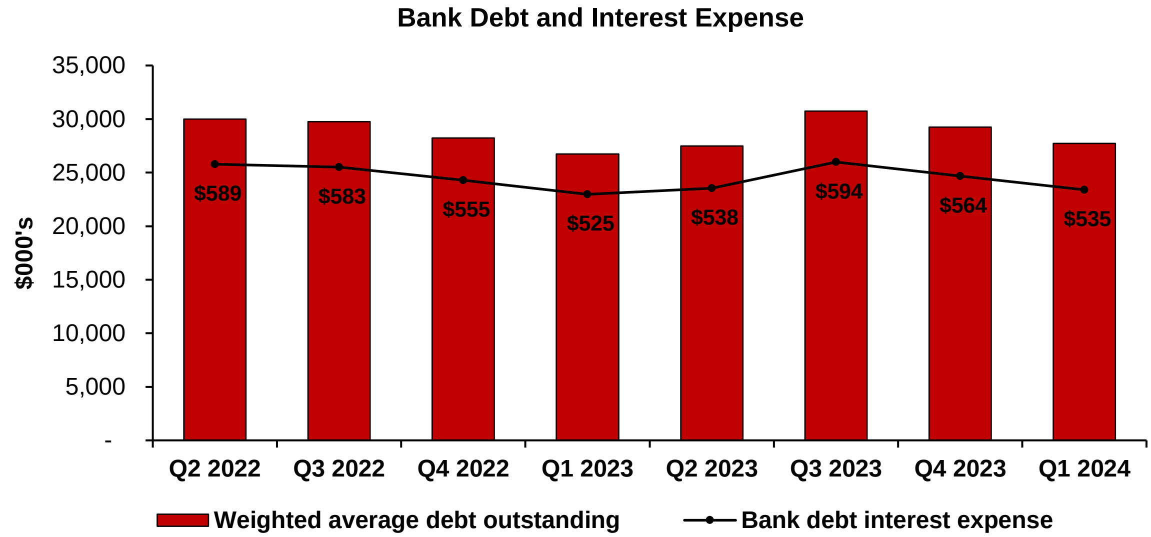
Note:
(1) Non-GAAP financial measure. See the "*Advisories - Non-GAAP Financial Measures*" section of this MD&A for further information.

Net finance expenses

($000's except per boe amounts)	Three months ended March 31, 2024	2023	% change
Interest income	**(5)**	(28)	(82)
Finance lease interest income	**(8)**	(12)	(33)
Lease liability interest expense	**100**	51	96
Bank debt interest expense	**535**	525	2
Other liability revaluation gain	**-**	(162)	(100)
Accretion on decommissioning liabilities	**54**	60	(10)
Other	**3**	(3)	n/a
Net finance expenses	**679**	431	58
Cash net finance expenses(1)	**622**	536	16
Non-cash net finance expenses (income)(1)	**57**	(105)	n/a
Net finance expenses	**679**	431	58
$ per boe(1)	**1.06**	2.24	(53)

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

Net finance expenses in the first quarter of 2024 were $679,000 compared to $431,000 recognized in the same period of 2023, with cash finance expenses increasing by $86,000. Relative to the first quarter of 2023, the nominal increase in bank debt interest expense was primarily attributed to interest associated with the Company's $7 million revolving loan facility drawn on June 1, 2023, offset by a reduction in term loan interest expense due to scheduled quarterly repayments (refer to the "*Liquidity and Capital Resources - Bank Debt*" section herein for further details).



We granted our former lender a production payment equal to 1.33 percent of petroleum and natural gas sales from Trinidad land holdings, payable quarterly through October 31, 2023. The production liability was revalued at each reporting period based on changes to internally forecasted petroleum and natural gas production and forward product pricing. During the 2023 year, the production liability was repaid and extinguished. The Company recognized a $162,000 other liability revaluation gain in connection with the former obligation during the three months ended March 31, 2023.

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 Trinidad and Tobago dollar functional currencies. 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 in the following table.

Applicable FX rates	**Three months ended March 31, 2024**	2023	% change
US$:C$ average FX rate(1)	**1.348**	1.353	-
US$:TT$ average FX rate(2)	**6.750**	6.752	-
	March 31, 2024	December 31, 2023	% change
US$:C$ closing FX rate(1)	**1.352**	1.325	2
US$:TT$ closing FX rate(2)	**6.737**	6.716	-

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

During the three months ended March 31, 2024, the C$ was consistent relative to the US$ in comparison to the corresponding average rate observed in the 2023 first quarter. Relative to the US$, the TT$ remained range bound during the three months ended March 31, 2024 and 2023. In aggregate, we recorded a foreign exchange loss of $53,000 in the first quarter of 2024 in comparison to a $110,000 gain reported in the prior year equivalent period. 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 2 percent weaker on March 31, 2024 versus December 31, 2023 while in comparison to the US$, the TT$ remained consistent over the corresponding period. We recognized a foreign currency translation loss of $297,000 in the first quarter of 2024 versus a $3,000 loss in the comparative 2023 quarter.

Equity-based awards

We have a stock option plan ("Legacy Plan") pursuant to which options to purchase common shares of the Company were granted by our Board to directors, officers, and employees. On May 11, 2023, the Board adopted an omnibus incentive compensation plan (the "Omnibus Plan"), which was approved by our shareholders at our annual general and special meeting on June 29, 2023. The Omnibus Plan replaced the Legacy Plan and was adopted by the Board primarily to allow for a variety of equity-based awards that provide the Company with the ability to grant different types of incentives to our directors, officers, employees and consultants including stock options, restricted share units and performance share units.

No additional stock options will be granted under the Legacy Plan, and all outstanding stock options previously issued pursuant to the Legacy Plan will continue to be governed by such plan and will continue to vest in accordance with their existing vesting schedules. The maximum number of common shares reserved for issuance under the Legacy Plan and the Omnibus Plan at any time is limited to 10 percent of our issued and outstanding common shares, on a non-diluted basis. As of December 31, 2023 and March 31, 2024, we had 14,327,935 stock options outstanding, which represented 6.1 percent of our issued and outstanding common shares. The following table sets forth equity compensation expenses recorded in relation to issued stock options pursuant to our incentive compensation plans for the periods indicated.

($000's)	**Three months ended March 31,**		%
	2024	2023	change
Gross equity-based compensation	**415**	423	(2)
Capitalized equity-based compensation	**(14)**	(62)	(77)
Equity-based compensation expense	**401**	361	11

Equity-based compensation expenses increased by 11 percent in the first quarter of 2024 compared to the prior year equivalent quarter. The $40,000 increase in comparison to the first quarter of 2023 mainly reflected a reduction in capitalized equity-based compensation from decreased employee hours allocated to capital projects. Further information regarding our equity compensation plans is included in Note 11 "*Shareholders' Capital*" of our interim financial statements.

Depletion and depreciation expense

($000's except per boe amounts)	**Three months ended March 31,**		%
	2024	2023	change
Depletion expense	**1,713**	1,082	58
Depreciation expense	**539**	295	83
Depletion and depreciation expense	**2,252**	1,377	64
Depletion expense $ per boe(1)	**2.68**	5.62	(52)

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

For the three months ended March 31, 2024, depletion expense associated with our petroleum and natural gas development assets included in PP&E increased by 58 percent compared to the same quarter of 2023. The increase in first quarter 2024 depletion expenses relative to the same period of 2023 was primarily driven by additional production volumes from our Cascadura field.

On a per boe basis, the Company's depletion rates decreased 52 percent during the three months ended March 31, 2024 in comparison to the equivalent prior year quarter, primarily based on incremental Cascadura production volumes.

During the three months ended March 31, 2024, we recorded depreciation expenses of $539,000, representing an increase of 83 percent from the $295,000 recorded in the prior year equivalent period. Relative to the first quarter of 2023, the increase in depreciation expense reported during the three months ended March 31, 2024 reflected higher net asset carrying values associated with right-of-use assets as a result of increased lease liability carrying values and an increase in the depreciation of drilling rig mobilization expenses based on drilling rig usage.

Impairment of non-financial assets

E&E asset impairment

In the first quarter of 2024, we recorded net E&E asset impairment expenses of $50,000 versus $15,000 recognized in the prior year equivalent quarter. First quarter 2024 E&E asset impairment expenses primarily related to the Ortoire E&E asset.

PP&E impairment

We performed an impairment test on our CO-2 property prior to transferring the assets and related liabilities to held for sale. The impairment test determined that the fair value of the property's associated net assets was not sufficient to support its carrying value, which resulted in a pre-tax impairment expense of $474,000 recorded on March 31, 2024 (refer to the "*Capital Expenditures and Dispositions*" section of this MD&A for further information).

On March 31, 2024 and 2023, we evaluated our petroleum and natural gas development assets included in PP&E for indicators of any potential impairment or reversal. As a result of these assessments, no indicators were identified.

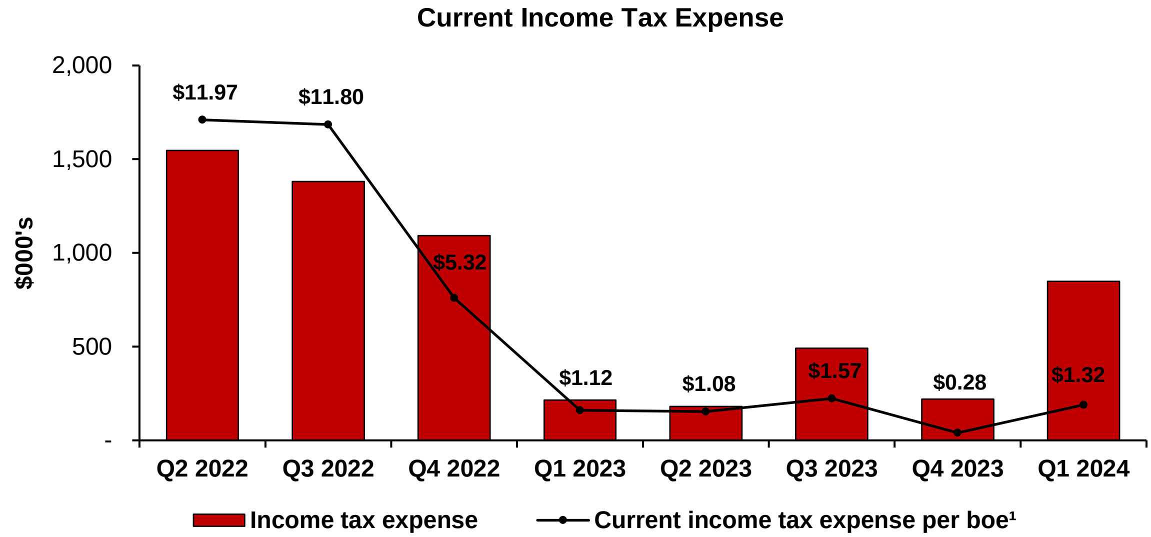
Income taxes

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

($000's except per boe amounts)	**Three months ended March 31,**		%
	2024	2023	change
Supplemental petroleum tax	**-**	4	(100)
Petroleum profits tax	**399**	126	100
Unemployment levy	**158**	50	100
Other taxes	**287**	35	100
Current income tax expenses	**844**	215	100
$ per boe(1)	**1.32**	1.12	18

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

During the three months ended March 31, 2024, we recognized current income taxes expense of $844,000 compared to $215,000 in the same period of 2023. The increase in first quarter 2024 income taxes expenses in comparison to the prior year equivalent period was predominately based on an increase in Trinidad-based net taxable profits and withholding taxes associated with intercompany transactions.



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

Deferred income tax

During the three months ended March 31, 2024, we recognized a deferred income tax recovery of $740,000 due to an increase in the variance between our property plant and equipment carrying amounts and their underlying income tax basis from December 31, 2023 to March 31, 2024, partially offset by the use of non-capital carry forward losses (2023 - recovery of $447,000). Our $20,620,000 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 income tax bases as at March 31, 2024 (December 31, 2023 - $21,433,000). The deferred income tax balance remained in a liability position mainly from the discrepancy between the financial statement carrying values and the income tax values of the Company's petroleum and natural gas development assets included within PP&E.

Further information regarding our current and deferred income taxes is included in Note 10 "*Income Taxes*" of our interim financial statements.

Net earnings (loss)

We recorded net earnings of $3,628,000 ($0.02 per basic and diluted share) in the first quarter of 2024 compared to a net loss of $279,000 ($0.00 per basic share) in the prior year equivalent quarter. Compared to the prior year first quarter, the variance from the same period of 2024 was predominately driven by a $5,339,000 increase in funds flow from operations, partially offset by various non-cash items, including an $875,000 increase in depletion and depreciation expenses.

The following table sets forth details of the change in net (loss) earnings from the three months ended March 31, 2023 to the three months ended March 31, 2024.

($000's)	**Three months ended March 31,**
Net loss – 2023	(279)
Cash items	
Funds flow from operations	**5,339**
Cash variances	**5,339**

($000's)	**Three months ended March 31,**
Non-cash items	
Unrealized foreign exchange	**(139)**
Equity-based compensation expense	**(40)**
Depletion and depreciation expense	**(875)**
Impairment expense	**(509)**
Non-cash finance expenses	**(162)**
Deferred income tax recoveries	**293**
Non-cash variances	**(1,432)**
Net earnings – 2024	**3,628**

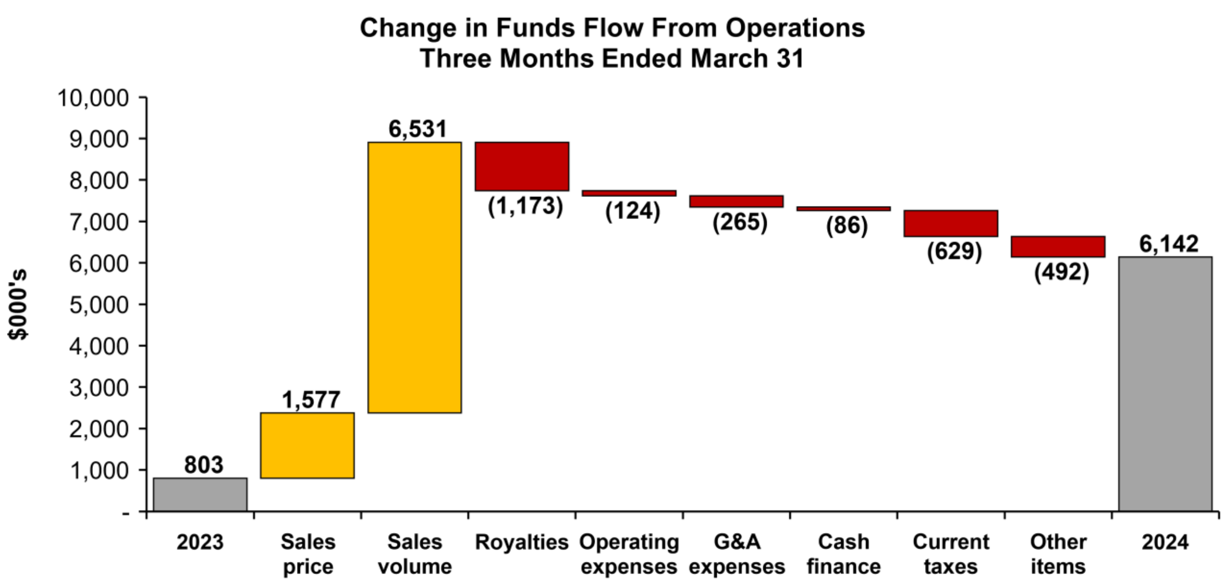
Cash from operating activities

The following table details the change in cash from operating activities from the three months ended March 31, 2023 to the three months ended March 31, 2024.

($000's)	**Three months ended March 31,**
Cash from operating activities – 2023	913
Change in funds flow from operations	**5,339**
Net change in non-cash working capital	**(883)**
Cash from operating activities – 2024	**5,369**

Funds flow from operations

We generated funds flow from operations of $6,142,000 in the first quarter of 2024, a $5,339,000 increase from the $803,000 reported in the prior year comparative quarter. Relative to the first quarter of 2023, the year-over-year increase reflected a $6,811,000 increase in operating netback, predominately from incremental Cascadura natural gas and NGL production volumes, which were partially offset by increased G&A and current income tax expenses. The following graph summarizes the change in funds flow from operations from the three months ended March 31, 2023 to the three months ended March 31, 2024.



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 block. E&E asset expenditures during the respective periods are summarized in the following table.

($000's)	Three months ended March 31, 2024	2023	% change
Licence financial obligations	**49**	74	(34)
Drilling, completions and well testing	**59**	5,367	(99)
Equipment and facilities	**-**	3,006	(100)
Capitalized G&A	**-**	165	(100)
Other	**-**	138	(100)
E&E asset expenditures	**108**	8,750	(99)

First quarter 2024 E&E asset expenditures were $108,000, as we conducted minimal exploration activity.

During the three months ended March 31, 2023, the Company was heavily focused on exploration activities on the Ortoire property, where $8,750,000 in investments primarily focused on drilling the Royston-1X sidetrack well, as well as progressing construction of the Cascadura natural gas processing facility. The Cascadura investments in E&E were transferred to PP&E upon first production from the field in September 2023.

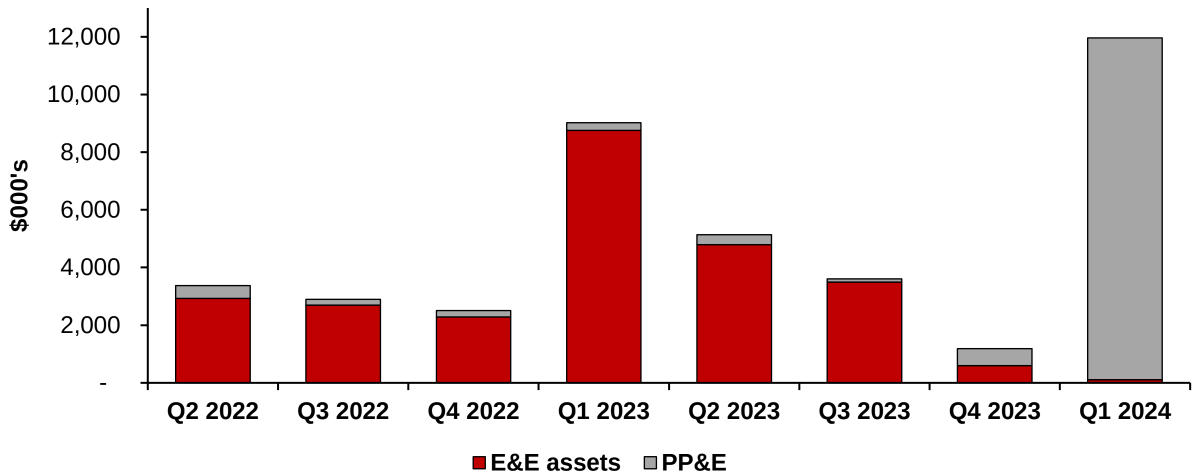
PP&E expenditures

($000's)	Three months ended March 31, 2024	2023	% change
Drilling and completions	**9,166**	54	100
Equipment and facilities	**1,829**	-	n/a
Capitalized G&A	**68**	87	(22)
Corporate and other	**791**	128	100
PP&E expenditures	**11,854**	269	100

First quarter 2024 PP&E expenditures were $11,854,000, as our capital program focused predominately on development activities within our Ortoire property. First quarter investments included drilling two Cascadura development wells, and one CO-1 development well to satisfy related minimum work obligations. The Company also performed two recompletions on the Cascadura Deep-1 well and additional investments were made relating to the construction of the flowline from the Cascadura C surface location to the Cascadura natural gas processing facility.

First quarter 2023 expenditures were $269,000, as we conducted minimal field development activity, with only one well recompletion performed.

Capital Expenditures(1)



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

Dispositions

In January 2023, we entered into an Asset Exchange Agreement for the exchange of certain onshore Trinidad assets with a privately held Trinidadian entity for no cash consideration. Pursuant to the agreement, Touchstone agreed to swap its operated 100 percent working interests in the Fyzabad, San Francique and Barrackpore producing blocks for the counterparty's working interest in the Rio Claro, Balata East and Balata East Deep Horizons blocks for no cash consideration with the asset exchange becoming effective upon closing.

Given regulatory delays, the parties executed a Supplemental Agreement to the Asset Exchange Agreement in October 2023, which amended the asset swap into two asset exchanges. The amended arrangement contemplates an initial exchange of our 100 percent working interest in the privately leased San Francique field to the counterparty's 100 percent working interests in the Balata East and Balata East Deep Horizons blocks. All applications have been submitted and the parties are awaiting final regulatory approvals. Accordingly, the Company classified the carrying values of its San Francique CGU assets and liabilities to held for sale as at December 31, 2023 and March 31, 2024. The parties expect to commence regulatory applications relating to the second asset exchange upon closing of the initial exchange.

In March 2024 we executed a definitive sales and purchase agreement with a third party to dispose our interest in the CO-2 block for aggregate consideration of approximately $1,069,000. Touchstone considers the property to be non-core due to limited economics, operating expenses that were higher than our corporate average and extensive work obligations required throughout the licence term. The property generated estimated operating netbacks of $83,000 and contributed average crude oil sales of 55 bbls/d during the three months ended March 31, 2024 (2023 - $68,000 and 68 bbls/d, respectively). On March 31, 2024, the carrying values of our CO-2 block assets and associated liabilities were reclassified to held for sale. A pre-tax impairment expense of $474,000 was recorded on March 31, 2024 as a result of the required impairment test performed prior to the transfer (refer to the "*Financial and Operational Results - Impairment of non-financial assets*" section herein).

Decommissioning Liabilities and Abandonment Fund

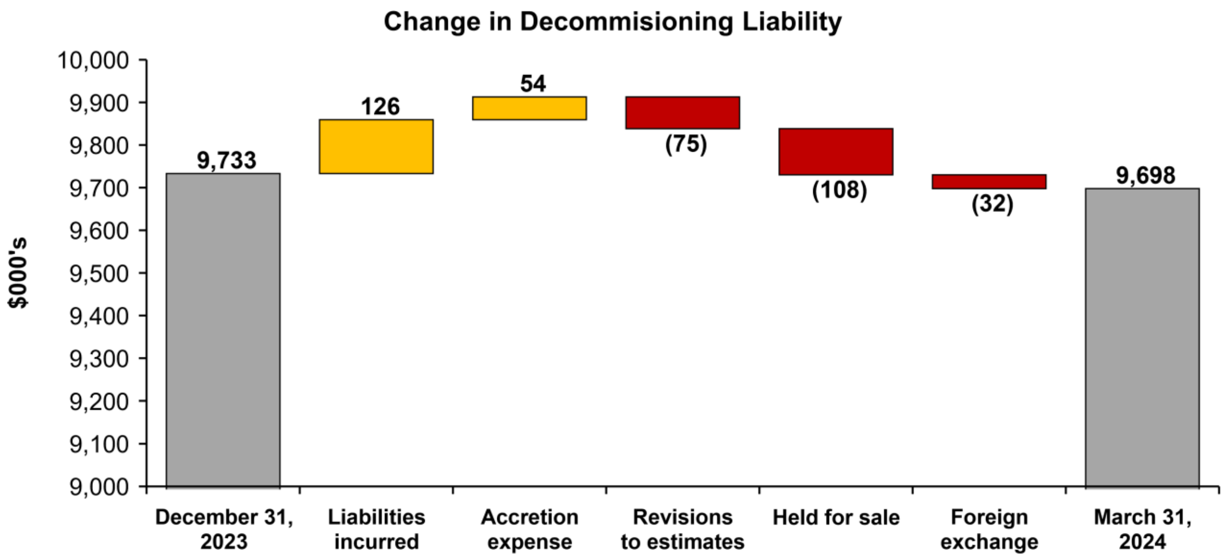
Our decommissioning and reclamation liabilities relate to future site restoration and well abandonment costs including the costs of production equipment removal and land reclamation based on current Trinidad environmental regulations. The estimates are reviewed at least quarterly and adjusted as new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

Pursuant to production and exploration licences with the MEEI, and LOAs with Heritage, we are obligated to remit $0.25 per boe sold into various escrow accounts. As of March 31, 2024 we reported $2,292,000 of accrued or paid contributions into MEEI and Heritage abandonment funds as long-term abandonment fund assets (December 31, 2023 - $2,081,000).

Touchstone estimated the net present value of the cash flows required to settle decommissioning liabilities to be $9,698,000 at March 31, 2024 compared to $9,733,000 as of December 31, 2023. March 31, 2024 decommissioning liabilities were estimated using a weighted average long-term risk-free rate of 5.1 percent and a long-term inflation rate of 2.0 percent (December 31, 2023 - 5.3 percent and 2.1 percent, respectively). $108,000 of decommissioning liabilities associated with the CO-2 block were reclassified to liabilities associated with assets held for sale (refer to the "*Capital Expenditures and Dispositions*" section herein). In addition, $54,000 of accretion expenses were recognized during the three months March 31, 2024 to reflect the increase in decommissioning liabilities associated with the passage of time (2023 - $60,000).

Decommissioning liability details as and during the three months ended March 31, 2024, 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)*
559.2	3.6	12,413	14,714	9,698



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 and Abandonment Fund*" of our interim financial statements.

Liquidity and Capital Resources

Liquidity

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 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 and development activities are anticipated to be financed with a combination of funds flow from operations and other sources of capital. We use shareholders' equity and bank debt as our primary sources of capital.

As at March 31, 2024, we had a cash balance of $9,537,000, a working capital deficit of $14,121,000 and a principal long-term bank debt balance of $13,500,000. Our March 31, 2024 working capital deficit included the full $7 million revolving loan facility principal balance in current liabilities. Our March 31, 2024 working capital deficit increased from December 31, 2023, primarily from first quarter 2024 Cascadura field drilling and infrastructure related capital investments. Subsequent to quarter end, we executed the Amended Bank Loan with our lender that provided an additional $13 million of bank debt capacity, $10 million of which was drawn on May 1, 2024 in the form of a five-year non-revolving term loan facility. In addition, the agreement extended the maturity date of our revolving loan facility through April 18, 2025 (refer to the "*Liquidity and Capital Resources - Bank debt*" section below), which will subsequently classify our $7 million revolving loan facility balance as long-term throughout 2024.

As a result of our capital investments made in the first quarter of 2024, we anticipate an increase in production and cash flows from operations in fourth quarter of 2024 once the wells are tied into our Cascadura natural gas facility. The following table summarizes our changes in cash during the specified periods.

($000's)	**Three months ended** March 31, 2024	December 31, 2023	% change
Net cash from (used in):			
Operating activities	**5,369**	8,512	(37)
Investing activities	**(2,015)**	(2,371)	(15)
Financing activities	**(2,080)**	(1,731)	20
Change in cash	**1,274**	4,410	(71)
Cash, beginning of period	**8,186**	3,794	
Impact of FX on cash balances	**77**	(18)	n/a
Cash, end of period	**9,537**	8,186	17

Our principal near term strategy is to increase cash flow generation via the development of our Cascadura field in 2024. We will continue to take a measured approach to future developmental and exploration capital expenditures to manage financial liquidity while proceeding with this plan (refer to the "*Annual 2024 Guidance*" section of this MD&A for further details).

Bank debt

As at December 31, 2023 and March 31, 2024, the Company had a $30 million non-revolving term loan facility and a $7 million revolving loan facility pursuant to a loan agreement with Trinidad based Republic Bank Limited. Details of the loan agreement are set forth below.

Facility	Term loan	Revolving loan
Amount	$30,000,000	$7,000,000
Maturity date	June 15, 2027	May 30, 2024 - the parties have the option to extend annually by additional periods of up to one year

Facility	Term loan	Revolving loan
Interest rate	7.85 percent per annum	7.29 percent through May 2024 - reset annually
Interest payments	Payable quarterly in arrears	Payable monthly in arrears
Principal payments	Twenty $1.5 million quarterly payments from September 15, 2022 to June 15, 2027; additional principal may be repaid with no penalty	Principal may be repaid at any time, on or before the maturity date without penalty and any amounts repaid may be redrawn at any time

As at March 31, 2024, the Company had $26.5 million in aggregate principal bank debt outstanding, with $13 million classified as short term on the consolidated balance sheet (December 31, 2023 - $28 million and $13 million, respectively). As at March 31, 2024, our $7 million revolving loan facility was fully drawn and the balance of our term loan indebtedness was $19.5 million, with thirteen equal and consecutive quarterly principal payments of $1.5 million outstanding.

The 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 our two Trinidad upstream oil and gas subsidiaries. The loan agreement contains industry standard representations and warranties, undertakings, events of default, and financial covenants assessed on an annual basis. Pursuant to the loan agreement, a failure of any covenant constitutes an event of default, upon where the lender can declare the principal balance and any accrued interest immediately due and payable. As at March 31, 2024, the Company was compliant with all covenants provided for in the loan agreement.

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.

On April 18, 2024, the Company and its lender executed the Amended Bank Loan, providing for an additional $10 million five-year non-revolving term loan facility and an increase to the existing revolving loan facility borrowing capacity from $7 million to $10 million. Effective April 18, 2024, the revolving loan was extended by an additional two-year period and may be renewed by additional two-year periods by agreement between the parties. The Company withdrew the full amount of the $10 million term loan facility on May 1, 2024.

At all times, we must maintain a cash reserves balance of not less than the equivalent of two subsequent quarterly interest payments related to the term loan facility. Accordingly, Touchstone classified $726,000 of cash as long-term restricted on the consolidated balance sheet as at March 31, 2024 (December 31, 2023 - $785,000).

Further information regarding the loan arrangement is included in Note 8 "*Bank Debt*" of our interim financial statements, and copies of the loan agreement and amendments may be accessed online on our SEDAR+ profile (www.sedarplus.ca).

Shareholders' equity

The Company is authorized to issue an unlimited number of voting common shares without nominal or par value. From time to time, we may access capital markets to meet our additional financing needs and to maintain flexibility in funding our capital programs. The following table summarizes our outstanding common shares and stock options as at the date of this MD&A, March 31, 2024 and December 31, 2023.

	May 13, 2024	**March 31, 2024**	December 31, 2023
Common shares outstanding	**234,212,726**	**234,212,726**	234,212,726
Stock options outstanding	**14,327,935**	**14,327,935**	14,327,935
Fully diluted common shares	**248,540,661**	**248,540,661**	248,540,661

Further information regarding our shareholders' capital and equity-based compensation is included in the "*Financial and Operational Results - Equity-based awards*" section herein and in Note 11 "*Shareholders' Capital*" of our interim financial statements.

Capital management

When evaluating our capital structure, Management's long-term strategy is to maintain net debt to trailing twelve-month funds flow from operations at or below a ratio of two times in a normalized commodity price environment. This ratio may increase at certain times as a result of increased capital expenditures or low commodity prices.

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

($000's)	**Target measure**	**March 31, 2024**	December 31, 2023
Net debt[1]		**27,621**	22,581
Shareholders' equity		**63,512**	59,766
Managed capital[1]		**91,133**	82,347
Trailing twelve-months funds flow from operations[2]		**19,069**	13,730
Net debt to funds flow from operations ratio[1]	At or < 2.0 times	**1.45**	1.64
Net debt to managed capital ratio[1]	< 0.4 times	**0.30**	0.27

Note:
(1) Non-GAAP financial measure. See the "*Advisories - Non-GAAP Financial Measures*" section of this MD&A for further information.
(2) Trailing twelve-months funds flow from operations as at March 31, 2024 includes the sum of funds flow from operations for the three months ended March 31, 2024 and funds flow from operations for the April 1, 2023 through December 31, 2023 interim period.

Refer to the "*Market Risk Management - Liquidity risk*" section herein for further details regarding our approach to managing liquidity.

Contractual Obligations and Commitments

We have contractual obligations in the normal course of business which include 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. The following table outlines our estimated minimum contractual payments as at March 31, 2024.

($000's)		**Estimated payments due by year**			
	Total	**2024**	**2025**	**2026**	**Thereafter**
Operating agreement commitments					
CO-1 block	**4,711**	1,448	1,484	54	1,725
WD-4 block	**4,749**	1,431	1,475	47	1,796
WD-8 block	**4,810**	1,429	1,472	43	1,866
Fyzabad block	**671**	77	79	81	434
Coho area of Ortoire block	**50**	6	5	2	37
Cascadura area of Ortoire block	**92**	11	10	4	67
Cory Moruga exploration block	**1,074**	77	110	116	771
Ortoire exploration block	**11,794**	5,194	168	5,284	1,148
Office and equipment leases	**641**	149	206	194	92
Minimum payments	**28,592**	**9,822**	**5,009**	**5,825**	**7,936**

Under the terms of our Heritage operating agreements, we are obligated to fulfill minimum work commitments on an annual basis over the specific licence term. As of the date of this MD&A, three development wells are required to be drilled prior to December 31, 2024.

As at March 31, 2024, we are obligated to drill two exploration wells on our Ortoire field prior to the end of the July 31, 2026 licence term.

The Company is a party to lease arrangements for a drilling rig, office facilities, vehicles and equipment. As of March 31, 2024, we recognized $3,632,000 in aggregate lease liabilities, of which $2,749,000 was classified as long-term on the consolidated balance sheet (December 31, 2023 - $4,328,000 and $2,888,000, respectively).

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, interest rate risk, credit risk and liquidity risk. The risk exposures are proactively reviewed, and Management seeks to mitigate these risks through various business processes and internal controls.

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

Commodity price risk

Our operational results and financial condition are dependent on the commodity prices received for our crude oil, NGL and natural gas production. We are a party to a long-term fixed price natural gas contract for our Ortoire natural gas production. However, movements in crude oil and liquids pricing could affect our cash from operating activities, the value of our development properties, the level of capital expenditures and our ability to meet financial obligations as they come due.

Crude oil prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, ongoing geopolitical factors, inventory levels, weather, and economic factors. Further, our realized crude oil and liquids prices are based on quality differentials and international marketing arrangements and therefore are attributed to factors that are beyond our control. Our long-term fixed price natural gas sales agreement with NGC contains options for price negotiations on each fifth anniversary of our initial October 2022 production date. The price of natural gas in Trinidad is predominately 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 natural gas sales prices will result in a reduction of the Company's cash from operating activities and financial position.

Touchstone does not currently hedge our commodity price given that over 50 percent of our forecasted petroleum and natural gas sales is expected to be derived from natural gas production governed by the fixed price contract through October 2027. The Company will continue to monitor forward commodity prices and may enter future commodity-based risk management contracts to reduce the volatility of crude oil and liquids sales and protect future development and exploration capital programs. 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. Touchstone does not hedge its foreign exchange risk. 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 further foreign exchange risk regarding our US$ denominated debt and related interest payments. These risks are mitigated by the fact that the TT$ is informally pegged to the US$ and all NGL and natural gas sales are denominated and payable in $US.

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

Refer to the "*Financial and Operational Results - Foreign exchange and foreign currency translation*" section of this MD&A for further information.

Interest rate risk

Interest rate risk arises from changes in market interest rates that may affect comprehensive income (loss) and cash flows. The Company's revolving loan facility is subject to interest rate risk given the interest rate is set on an annual basis if extended by both parties. The interest rate from January 1, 2024 through March 31, 2024 was 7.29 percent.

Credit risk

Credit risk arises from the potential that Touchstone may incur a loss if a counterparty to a financial instrument fails to meet its obligation in accordance with the agreed 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. Credit risk is considered to be low for the Company's accounts receivable, as Touchstone's credit exposure typically pertains to monthly commodity sales and joint interest billings due from Trinidad government owned petroleum and natural gas entities, and value added taxes ("VAT") due from the Trinidad government.

However, the Company historically has aged accounts receivables owing for VAT. In comparison to December 31, 2023, our past due VAT accounts receivable balance decreased by $274,000 as of March 31, 2024. $1,504,000 in past due VAT was collected in the first quarter of 2024 which was partially offset by increased additions from capital expenditures. Although ultimate collection is erratic and therefore the timing thereof cannot be estimated with any certainty, Management believes that the VAT accounts receivable balances are ultimately collectable as we have not experienced any past collection issues. The following table details the composition and aging of our accounts receivable as of March 31, 2024.

Composition	Counterparty	Balance due ($000's)	Balance due (%)	Accounts receivable aging	
				Current ($000's)	Over 90 days ($000's)
Crude oil and liquids sales	Heritage	**2,102**	**16**	2,102	-
Natural gas sales	NGC	**2,998**	**24**	2,998	-
Joint interest billings	Heritage and NGC	**2,266**	**18**	2,266	-
VAT	Trinidad government	**4,784**	**38**	1,449	3,335
Finance leases	Third-party lessees	**46**	**-**	46	-
Other	Various	**561**	**4**	499	62
Accounts receivable		**12,757**	**100**	**9,360**	**3,397**

Effective March 1, 2021, we executed separate arrangements to lease our oilfield service rigs and swabbing units to two third-party contractors. We have determined that the credit risk related to the associated receivable balance is negligible, as the assets are secured by the underlying equipment, with ownership transferring to the counterparties upon receipt of the final lease payments. As of March 31, 2024, our finance lease receivable balance was $299,000, of which $253,000 was included in long-term other assets on the consolidated balance sheet (December 31, 2023 - $350,000 and $295,000, respectively).

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.

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. Management believes that future cash flows will be adequate to settle 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 liquidity risk is managed through our financial and operating forecast process. The forecast of our future cash flows is based on estimates of petroleum and natural gas production, crude oil and liquids 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, income tax and royalty regulations, and other factors that in our view would impact cash flows from operating, investing and financing activities. The following table sets forth estimated undiscounted cash outflows and financial maturities of our financial liabilities as at March 31, 2024.

($000's)	**Recognized in financial statements**	**Undiscounted cash outflows**(1)	**Financial maturity by period**		
			Less than 1 year	**1 to 3 years**	**Thereafter**
Accounts payable and accrued liabilities(2)	Yes – liability	**23,047**	23,047	-	-
Income taxes payable	Yes – liability	**725**	725	-	-
Lease liabilities(3)	Yes – liability	**4,803**	1,157	1,619	2,027
Bank debt principal	Yes – liability	**26,500**	13,000	12,000	1,500
Bank debt interest	No – recognized as incurred	**2,700**	1,420	1,256	24
Financial liabilities		**57,775**	**39,349**	**14,875**	**3,551**

Notes:
(1) The undiscounted cash outflows equal their financial statement carrying values, with the exception of lease liabilities and bank debt principal.
(2) Excludes the current portion of lease liabilities.
(3) Includes the notional interest and principal payments.

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

Related Party Transactions

Our Corporate Secretary and former director is a senior partner of our Canadian legal counsel, Norton Rose Fulbright Canada LLP. For the three months ended March 31, 2024, $389,000 in legal fees and disbursements charged by Norton Rose Fulbright Canada LLP were incurred, of which $380,000 was included in accounts payable and accrued liabilities as at March 31, 2024 (2023 - $61,000 and $61,000, respectively).

Our Trinidad-based director is a member of the board of directors of a private Trinidad engineering services company that occasionally provides oilfield supplies to Touchstone. For the three months ended March 31, 2024, $25,000 in products were purchased with $8,000 included in accounts payable and accrued liabilities as at March 31, 2024 (2023 - $4,000 and $4,000, respectively).

Subsequent Events

Subsequent to March 31, 2024, the Company and its lender executed the Amended Bank Loan providing for a $13 million increase in borrowing capacity (refer to the "*Liquidity and Capital Resources - Bank debt*" section herein for further information).

On May 1, 2024, the Company announced that it reached an agreement with the Board of Directors of Trinity on the terms of a recommended all-share acquisition by which the Company intends to acquire the entire issued and to be issued ordinary share capital of Trinity. The transaction remains subject to customary regulatory and shareholder approval conditions. In connection with the Proposed Acquisition, the Company incurred $380,000 in transaction costs during the three months ended March 31, 2024 (refer to the "*Proposed Acquisition*" section of this MD&A for further information).

Changes in Accounting Policies Including Initial Adoption

There were no changes in accounting policies during the three months ended March 31, 2024 that had a material effect on the reported comprehensive 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 reported comprehensive income or net assets of the Company.

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 the "*Contractual Obligations and Commitments*" section herein.

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.

A full list of the significant estimates and judgements made by Management in the preparation of the interim financial statements and the audited 2023 financial statements is included in Note 4 "*Use of Estimates, Judgements and Assumptions*" of our audited 2023 financial statements.

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

Business Risks

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

Please refer to our 2023 Annual Information Form dated March 20, 2024 for a full understanding of risks that affect Touchstone, which can be found on our SEDAR+ profile (www.sedarplus.ca) and website (www.touchstoneexploration.com). Refer to the "*Advisories - Forward-looking Statements*" section in this MD&A for additional information regarding the risks to which Touchstone and our business operations are subject to.

Control Environment

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, 2024 and ended March 31, 2024 that had materially affected, or were reasonably likely to materially affect, internal control over financial reporting.

Summary of Quarterly Results

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

Three months ended	March 31, 2024	Dec. 31, 2023	Sept. 30, 2023	June 30, 2023	March 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022
Operational								
Average daily production *(boe/d)*	**7,015**	8,504	3,391	1,827	2,139	2,229	1,272	1,420
Net wells drilled	**2.6**	-	-	-	0.8	-	-	-
Realized commodity price[1] *($/boe)*	**25.98**	26.53	37.44	43.19	44.03	48.36	84.85	97.48
Operating netback[1] *($/boe)*	**16.39**	17.54	19.27	17.00	18.97	21.05	37.55	44.99
Financial *($000's except per share amounts)*								
Petroleum and natural gas sales	**16,584**	20,759	11,682	7,181	8,476	9,919	9,933	12,596
Cash from (used in) operating activities	**5,369**	8,512	343	2,975	913	(1,189)	3,058	3,533
Funds flow from operations	**6,142**	10,489	2,432	6	803	691	256	1,150
Net earnings (loss)	**3,628**	(21,236)	988	(71)	(279)	(1,921)	(778)	(262)
Per share – basic and diluted	**0.02**	(0.09)	0.00	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)
E&E asset expenditures	**108**	595	3,498	4,795	8,750	2,290	2,692	2,932
PP&E expenditures	**11,854**	591	111	340	269	219	207	436
Capital expenditures[1]	**11,962**	1,186	3,609	5,135	9,019	2,509	2,899	3,368
Working capital deficit (surplus)[1]	**14,121**	7,581	13,419	10,913	4,383	(4,992)	4,537	(346)
Principal long-term bank loan	**13,500**	15,000	16,500	18,000	19,500	21,000	22,500	24,000
Net debt[1] – end of period	**27,621**	22,581	29,919	28,913	23,883	16,008	27,037	23,654
Share Information *(000's)*								
Weighted average – basic	**234,213**	234,213	233,541	233,144	233,037	217,106	212,647	212,204
Weighted average – diluted	**236,548**	234,213	237,138	233,144	233,037	217,106	212,647	212,204
Outstanding shares – end of period	**234,213**	234,213	234,213	233,428	233,037	233,037	213,113	212,275

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

The oil and natural gas industry is cyclical. Our financial position, results of operations and cash flows are principally affected by production levels and commodity prices, particularly crude oil and liquids 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 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 generated from operating activities and access to capital markets. The following significant items impacted our unaudited financial and operating results over the past eight fiscal quarters:

- In the first quarter of 2024, we recorded funds flow from operations of $6.1 million, which decreased by $4.3 million from the previous quarter primarily based on an 18 percent decline in production and a 2 percent decline in realized commodity pricing. We invested $12.0 million in capital expenditures primarily focused on development drilling in our Cascadura field and advancing construction for the flowline from the Cascadura C surface location to the Cascadura natural gas processing facility. As a result, our corporate net debt levels increased by 22 percent from the preceding quarter.

- We achieved record production levels and funds flow from operations in the fourth quarter of 2023, which reflected a full quarter of Cascadura field production volumes. Combined with minimal capital spending of $1.2 million, we decreased corporate net debt levels by 25 percent from the preceding quarter. An aggregate $28.9 million (net of income tax) of net impairment expenses mainly related to our Chinook and Royston exploration assets led to a quarterly net loss of $21.2 million.

- In the third quarter of 2023, we generated $2.4 million of funds flow from operations, as we brought on initial natural gas production from our Cascadura wells, thereby achieving an 86 percent increase in quarterly average production on a boe basis from the preceding quarter. Net debt increased by $1.0 million from the second quarter of 2023, as we invested $3.6 million in quarterly capital investments predominately relating to final construction and commissioning of the Cascadura natural gas facility.

- We recorded negligible funds flow from operations in the second quarter of 2023, as operating netbacks declined by $0.8 million from the prior quarter based on a 13 percent and a 4 percent decline in crude oil production and realized pricing, respectively. Touchstone entered into a $7 million additional revolving facility with its current lender in the quarter which was fully drawn on June 1, 2023. $5.1 million in quarterly capital investments led to a $5 million increase in net debt from the preceding quarter.

- First quarter 2023 funds flow from operations were $0.8 million, relatively consistent with the preceding quarter. In the quarter we drilled the Royston-1X sidetrack well and continued constructing the Cascadura natural gas facility, incurring an aggregate $9.0 million in capital expenditures. These investments decreased our cash and working capital balances, as we exited the quarter with $23.9 million in net debt, a $7.9 million increase from the previous quarter.

- In the fourth quarter of 2022, we generated $0.7 million of funds flow from operations, as we brought on initial natural gas production from our Coho-1 well, thereby achieving a 75 percent increase in quarterly average production on a boe basis from the preceding quarter. In addition, we completed two private placements raising net proceeds of $12.3 million, leading to an $11 million decrease in net debt from the previous quarter.

- In the third quarter of 2022, we recorded $0.3 million in funds flow from operations, which decreased by $0.8 million from the previous quarter based on a 10 percent decline in production and a 13 percent reduction in realized commodity prices, partially offset by reduced royalty and operating expenses. We invested $2.9 million in capital expenditures, resulting in a 14 percent increase in net debt from the second quarter of 2022.

- We generated $1.2 million in funds flow from operations in the second quarter of 2022, which reflected a $0.5 million provision for oil spill reclamation costs due to vandalism. We continued with development costs relating to our Coho and Cascadura production facilities, investing $3.4 million in capital projects. As a result, net debt increased by $2.4 million or 11 percent from the first quarter of 2022.

Advisories

Non-GAAP Financial Measures

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

Funds flow from operations

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.

Operating netback

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

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

($000's unless otherwise stated)	**Three months ended March 31,**	
	2024	2023
Petroleum and natural gas sales	**16,584**	8,476
Less: royalties	**(3,677)**	(2,504)
Petroleum and natural gas revenue, net of royalties	**12,907**	5,972
Less: operating expenses	**(2,444)**	(2,320)
Operating netback	**10,463**	3,652
Total production *(boe)*	**638,347**	192,505
Operating netback *($/boe)*	**16.39**	18.97

Cash and non-cash net finance expenses

Cash and non-cash net finance expenses are non-GAAP financial measures. Cash finance expenses are calculated as net finance expenses as determined in accordance with IFRS, less accretion on bank debt, accretion on decommissioning obligations, and other liability revaluation loss (gain), all of which are non-cash in nature. The Company discloses net finance expenses as cash or non-cash to demonstrate the true cost of finance expenses to assist Management with evaluating results on a historical basis.

Capital expenditures

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

($000's)	**Three months ended March 31,**	
	2024	2023
E&E asset expenditures	**108**	8,750
PP&E expenditures	**11,854**	269
Capital expenditures	**11,962**	9,019
Abandonment fund expenditures	**301**	66
Net change in non-cash working capital	**(10,248)**	(4,424)
Cash used in investing activities	**2,015**	4,661

Working capital, net debt and managed capital

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

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

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

($000's)	**March 31, 2024**	December 31, 2023	March 31, 2023
Current assets	**(25,534)**	(22,570)	(19,656)
Current liabilities	**39,655**	30,151	24,039
Working capital deficit	**14,121**	7,581	4,383
Principal long-term balance of bank debt	**13,500**	15,000	19,500
Net debt	**27,621**	22,581	23,883
Shareholder's equity	**63,512**	59,766	78,521
Managed capital	**91,133**	82,347	102,404

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

($000's)	March 31, 2024	December 31, 2023	March 31, 2023
Total liabilities	**86,201**	79,182	69,927
Lease liabilities	**(2,749)**	(2,888)	(1,374)
Decommissioning liabilities	**(9,698)**	(9,733)	(10,955)
Deferred income tax liability	**(20,620)**	(21,433)	(14,100)
Variance of carrying value and principal value of bank debt	**21**	23	41
Current assets	**(25,534)**	(22,570)	(19,656)
Net debt	**27,621**	22,581	23,883

Net debt to funds flow from operations ratio

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

Net debt to managed capital ratio

The Company further monitors its capital structure using a net debt to managed capital ratio, which is a non-GAAP ratio and capital management measure calculated as the ratio of the Company's net debt to managed capital. The Company's net debt to managed capital ratio is the desired target that the Company strives to maintain, as Management's strategy is to utilize more equity than debt.

Supplementary Financial Measures

The following supplementary financial measures are referenced herein.

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

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

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

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

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

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

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

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

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 "expect", "plan", "anticipate", "believe", "intend", "maintain", "continue to", "pursue", "design", "result in", "sustain" "estimate", "potential", "growth", "near-term", "long-term", "forecast", "contingent" and similar expressions, or are events or conditions that "will", "would", "may", "could" or "should" occur or be achieved. Readers are cautioned that the assumptions used in the preparation of such forward-looking statements, although considered reasonable at the time of preparation, may prove to be imprecise, and as such, undue reliance should not be placed on forward-looking statements.

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

- business plans, operational strategies, priorities and development plans, including the Company's 2024 guidance;
- financial condition and outlook and results of operations, including future liquidity and financial capacity and expectations of future growth, including expectations of future production levels and cash flows to be derived therefrom;
- future demand for the Company's petroleum and natural gas products and economic activity in general;
- general economic and political developments in Trinidad and globally;
- the performance characteristics of the Company's petroleum and natural gas properties including current and future crude oil and liquids and natural gas production levels and estimated field production levels;
- expectations regarding the ability of the Company to raise capital and to continually add to reserves through exploration, acquisitions and development;
- future capital expenditure programs, including the anticipated timing of completion, allocation and costs thereof and the method of funding;
- future development and exploration activities to be undertaken in various areas and timing thereof, including the fulfillment of minimum work obligations and exploration commitments;
- 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 formal extension or execution of certain contracts;
- expectations regarding the Company's ability to fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its properties;
- receipt of anticipated and future regulatory approvals;
- access to third-party facilities and infrastructure;

- expected levels of royalties, operating expenses, G&A expenses, net finance expenses, current income tax expenses and other costs associated with the Company's business;
- treatment under current and future governmental regulatory regimes, environmental legislation, royalty regimes and tax laws enacted in the Company's areas of operations;
- current risk management strategies and the benefits to be derived therefrom, including the future use of commodity derivatives to manage commodity price risk;
- the foreign currency risk strategies of the Company, the benefits to be derived therefrom and the Company's ability to reverse unrealized foreign exchange gains and losses in the future;
- the Company's ability to reverse previously recognized non-financial asset impairment expenses in the future;
- credit risk assumptions and the Company's expectation to receive past due VAT amounts from the Trinidad government;
- future liquidity and future sources of liquidity and the Company's expectation to settle all current and future financial liabilities in a timely manner;
- future compliance with the Company's bank debt covenants and its ability to make future scheduled interest and principal payments;
- the intended use of proceeds from the Amended Bank Loan and expectations that the proceeds from the Amended Bank Loan will fund the Company's initial 2024 budgeted capital program;
- the potential of future acquisitions or dispositions and receiving regulatory approvals and closing currently proposed transactions, including the Proposed Acquisition, including estimated timing thereof;
- estimated amounts, timing and the anticipated sources of funding for the Company's decommissioning liabilities;
- effect of business and environmental risks on the Company; and
- the statements under "*Significant Accounting Estimates, Judgements and Assumptions*".

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

This MD&A includes a summary of the Company's initial 2024 capital budget and preliminary guidance, which includes, but is not limited to, forward looking statements relating to: the focus of Touchstone's 2024 capital plan, including pursuing developmental drilling activities and optimizing existing natural gas and liquids infrastructure capacity; anticipated 2024 annual average production; forecasted production decline rates; anticipated timing of developmental and exploration drilling production; anticipated 2024 capital expenditures including estimations of costs and inflation incorporated therein; expected drilling activities, including locations and the timing thereof; anticipated timing of well tie-in operations; forecasted 2024 average Brent reference price and the Company's budgeted realized price in relation thereto; forecasted royalty, operating, general and administration, cash finance and income tax expenses; anticipated funds flow from operations and net debt; and Touchstone's future financial position, including the sufficiency of resources to fund future capital expenditures and maintain financial liquidity.

This MD&A contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Touchstone's prospective results of operations and production included in its preliminary 2024 guidance, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the paragraphs above. The FOFI contained in this MD&A was approved by Management as of the date hereof and was provided for the purpose of providing further information about Touchstone's future business operations. This information has been provided for illustration only and, with respect to future periods, is based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate for other purposes. Touchstone and its Management believe that FOFI has been prepared on a reasonable basis, reflecting Management's best estimates and judgments, and represents, to the best of Management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results. Touchstone disclaims any intention or obligation to update or revise any FOFI contained herein, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained herein should not be used for purposes other than for which it is disclosed herein, and the financial outlook information contained herein is not conclusive and is subject to change. The actual results of the Company's operations and the resulting financial results will vary from the amounts set forth herein and such variations may be material.

This MD&A includes a summary of the Company's Proposed Acquisition. For further information and the related advisories thereto (all of which are incorporated herein), refer to the Company's news release dated May 1, 2024 entitled "*Touchstone Exploration Announces Acquisition of Trinity Exploration and Production PLC*" and the Rule 2.7 Announcement, both of which are available online on our SEDAR+ profile (www.sedarplus.ca) and website (www.touchstoneexploration.com).

The Company's actual decisions, activities, results, performance, or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits that Touchstone will derive from them. Although the Company believes that the expectations 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 petroleum 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 global economic conditions, the impact of significant volatility in market prices for crude oil and liquids, the impact (and duration thereof) of ongoing geopolitical events and their effect on market prices for crude oil and liquids, 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 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 online on our SEDAR+ profile (www.sedarplus.ca).

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

Any forward-looking statement is made only as of the date of this MD&A, and Touchstone undertakes no obligation or intent 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 FOFI 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 comprehensive income (loss), as further information becomes available and as the economic environment or other factors change.

Oil and Natural Gas Measures

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

Product Type Disclosures

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

The Company's total and average production for the past eight quarters and the references to "crude oil", "NGLs", "crude oil and liquids" and "natural gas" reported in this MD&A consist of the following product types as defined in NI 51-101 using a conversion of 6 Mcf to 1 boe where applicable.

Three months ended	March 31, 2024	Dec. 31, 2023	Sept. 30, 2023	June 30, 2023	March 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022
Production								
Light and medium crude oil *(bbls)*	**100,599**	98,314	103,048	96,050	108,722	111,114	110,467	122,778
Heavy crude oil *(bbls)*	**5,535**	5,966	5,831	6,270	6,918	6,126	6,592	6,434
Crude oil *(bbls)*	**106,134**	104,280	108,879	102,320	115,640	117,240	117,059	129,212
NGLs *(bbls)*	**23,811**	57,183	16,180	-	-	-	-	-
Crude oil and liquids *(bbls)*	**129,945**	161,463	125,059	102,320	115,640	117,240	117,059	129,212
Conventional natural gas *(Mcf)*	**3,050,412**	3,725,201	1,121,585	383,572	461,189	527,105	-	-
Total production *(boe)*	**638,347**	782,330	311,990	166,249	192,505	205,091	117,059	129,212
Average daily production								
Light and medium crude oil *(bbls/d)*	**1,105**	1,068	1,120	1,055	1,208	1,207	1,200	1,349
Heavy crude oil *(bbls/d)*	**61**	65	63	69	77	67	72	71
Crude oil *(bbls/d)*	**1,166**	1,133	1,183	1,124	1,285	1,274	1,272	1,420
NGLs *(bbls/d)*	**262**	622	176	-	-	-	-	-
Crude oil and liquids *(bbls/d)*	**1,428**	1,755	1,359	1,124	1,285	1,274	1,272	1,420
Conventional natural gas *(Mcf/d)*	**33,521**	40,491	12,191	4,215	5,124	5,729	-	-
Average daily production *(boe/d)*	**7,015**	8,504	3,391	1,827	2,139	2,229	1,272	1,420

References to Touchstone

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

Abbreviations

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

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

Additional Information

Additional information related to Touchstone and factors that could affect our operations and financial results are included with reports on file with the Canadian securities regulatory authorities, including the interim financial statements, the audited 2023 financial statements and the related management's discussion and analysis as well as our December 31, 2023 Annual Information Form dated March 20, 2024, all of which can be accessed online on our SEDAR+ profile (www.sedarplus.ca) and on our website (www.touchstoneexploration.com).

Corporate Information

Directors
John D. Wright
Chair of the Board

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

Corporate Secretary
Thomas E. Valentine

Officers and Senior Executives
Paul R. Baay
President and Chief Executive Officer

Scott Budau
Chief Financial Officer

James Shipka
Executive Vice President Asset Development and HSE

Brian Hollingshead
Executive Vice President Engineering and Business Development

Alex Sanchez
Vice President Production and Environment

Cayle Sorge
Vice President Finance

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T2P 4H2

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Fyzabad, Trinidad, W.I.

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

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

Banker
Republic Bank Limited
Port of Spain, Trinidad, W.I.

Auditor
KPMG LLP
Calgary, Alberta, Canada

Reserves Evaluator
GLJ Ltd.
Calgary, Alberta, Canada

Legal Counsel
Norton Rose Fulbright LLP
Calgary, Alberta, Canada
London, United Kingdom

Transfer Agent and Registrar
Odyssey Trust Company
Calgary, Alberta, Canada

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
FTI Consulting
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