



**Touchstone Exploration Inc.**

**Interim Condensed Consolidated Financial Statements (unaudited)**

**As at and for the three and six months ended June 30, 2024 and 2023**

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

As at	Note	June 30, 2024	December 31, 2023
<b>Assets</b>			
Current assets			
Cash		6,990	8,186
Accounts receivable	3	11,122	12,852
Inventory		91	91
Prepaid expenses		1,071	764
Assets held for sale	5	1,181	677
		<b>20,455</b>	22,570
Exploration and evaluation assets			
Property, plant and equipment	4	5,130	5,030
Restricted cash	5	120,129	108,148
Other assets	8	1,042	785
Abandonment fund	3	251	334
	9	2,544	2,081
<b>Total assets</b>		<b>149,551</b>	138,948
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	6	15,872	15,013
Income taxes payable	10	355	240
Current portion of bank debt	8	6,000	13,000
Liabilities associated with assets held for sale	5	902	1,898
		<b>23,129</b>	30,151
Lease liabilities			
Bank debt	7	2,620	2,888
Decommissioning liabilities	8	25,738	14,977
Deferred income taxes	9	9,650	9,733
	10	20,739	21,433
<b>Total liabilities</b>		<b>81,876</b>	79,182
<b>Shareholders' equity</b>			
Shareholders' capital	11	115,526	114,965
Contributed surplus		6,702	6,166
Other comprehensive loss		(13,279)	(13,124)
Deficit		(41,274)	(48,241)
<b>Total shareholders' equity</b>		<b>67,675</b>	59,766
<b>Total liabilities and shareholders' equity</b>		<b>149,551</b>	138,948

Commitments (Note 17)  
Subsequent events (Note 18)

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

**Touchstone Exploration Inc.**

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

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2024	2023	2024	2023
<b>Revenue</b>					
Petroleum and natural gas sales	12	14,090	7,181	30,674	15,657
Less: royalties		(3,585)	(2,152)	(7,262)	(4,656)
Petroleum and natural gas revenue, net of royalties		10,505	5,029	23,412	11,001
Other revenue		34	22	52	34
<b>Total revenue</b>		<b>10,539</b>	<b>5,051</b>	<b>23,464</b>	<b>11,035</b>
<b>Expenses</b>					
Operating		2,378	2,203	4,822	4,523
General and administration		2,608	2,376	4,974	4,477
Net finance	13	761	631	1,440	1,062
Transaction costs	14	840	-	1,220	-
Exploration		76	-	170	-
Gain on asset dispositions	5	(1,535)	(800)	(1,535)	(800)
Foreign exchange (gain) loss	15	(122)	48	(69)	(62)
Equity-based compensation	11	309	252	710	613
Depletion and depreciation	5	1,782	1,041	4,034	2,418
Impairment (reversal)	4,5	(22)	14	502	29
Other		-	(440)	-	(440)
<b>Total expenses</b>		<b>7,075</b>	<b>5,325</b>	<b>16,268</b>	<b>11,820</b>
<b>Earnings (loss) before income taxes</b>		<b>3,464</b>	<b>(274)</b>	<b>7,196</b>	<b>(785)</b>
<b>Provision for income taxes</b>					
Current expense	10	75	180	919	395
Deferred expense (recovery)	10	50	(383)	(690)	(830)
<b>Total income tax expense (recovery)</b>		<b>125</b>	<b>(203)</b>	<b>229</b>	<b>(435)</b>
<b>Net earnings (loss)</b>		<b>3,339</b>	<b>(71)</b>	<b>6,967</b>	<b>(350)</b>
Currency translation adjustments		142	207	(155)	204
<b>Comprehensive income (loss)</b>		<b>3,481</b>	<b>136</b>	<b>6,812</b>	<b>(146)</b>
<b>Net earnings (loss) per common share</b>					
Basic and diluted	11	0.01	(0.00)	0.03	(0.00)

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

**Touchstone Exploration Inc.**  
**Interim Condensed Consolidated Statements of Changes in Shareholders' Equity**

For the six months ended June 30

Unaudited, stated in thousands of United States dollars

	Note	2024	2023
<b>Shareholders' capital</b>			
Balance, beginning of period		114,965	114,635
Equity-based settlements	11	561	108
<b>Balance, end of period</b>		<b>115,526</b>	<b>114,743</b>
<b>Contributed surplus</b>			
Balance, beginning of period		6,166	4,905
Equity-based settlements	11	(200)	(39)
Equity-based compensation expense	11	710	613
Equity-based compensation capitalized	5	26	104
<b>Balance, end of period</b>		<b>6,702</b>	<b>5,583</b>
<b>Other comprehensive loss</b>			
Balance, beginning of period		(13,124)	(13,517)
Other comprehensive (loss) income		(155)	204
<b>Balance, end of period</b>		<b>(13,279)</b>	<b>(13,313)</b>
<b>Deficit</b>			
Balance, beginning of period		(48,241)	(27,643)
Net earnings (loss)		6,967	(350)
<b>Balance, end of period</b>		<b>(41,274)</b>	<b>(27,993)</b>

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

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

		Three months ended June 30,		Six months ended June 30,	
	Note	2024	2023	2024	2023
<b>Operating activities</b>					
Net earnings (loss)		3,339	(71)	6,967	(350)
Items not involving cash from operations:					
Gain on asset dispositions	5	(1,535)	(800)	(1,535)	(800)
Unrealized foreign exchange (gain) loss	15	(23)	52	(3)	(67)
Equity-based compensation expense	11	309	252	710	613
Depletion and depreciation expense	5	1,782	1,041	4,034	2,418
Impairment (reversal) expense	4,5	(22)	14	502	29
Other	13	68	(81)	125	(186)
Deferred income tax expense (recovery)	10	50	(383)	(690)	(830)
Decommissioning expenditures	9	-	(18)	-	(18)
<b>Funds flow from operations</b>		<b>3,968</b>	<b>6</b>	<b>10,110</b>	<b>809</b>
Change in non-cash working capital		(585)	2,969	(1,358)	3,079
<b>Cash from operating activities</b>		<b>3,383</b>	<b>2,975</b>	<b>8,752</b>	<b>3,888</b>
<b>Investing activities</b>					
Exploration and evaluation expenditures	4	(60)	(4,795)	(168)	(13,545)
Property, plant and equipment expenditures	5	(5,483)	(340)	(17,337)	(609)
Abandonment fund expenditures	9	(226)	(56)	(527)	(122)
Proceeds from asset dispositions		-	250	-	250
Change in non-cash working capital		(5,297)	(4,312)	4,951	112
<b>Cash used in investing activities</b>		<b>(11,066)</b>	<b>(9,253)</b>	<b>(13,081)</b>	<b>(13,914)</b>
<b>Financing activities</b>					
Changes in restricted cash	8	(316)	59	(257)	118
Advance of bank debt, net of fees	8	9,747	7,000	9,747	7,000
Repayment of bank debt	8	(4,500)	(1,500)	(6,000)	(3,000)
Net finance lease (payments) receipts	7	(125)	95	(754)	(200)
Issuance of common shares	11	361	69	361	69
Change in non-cash working capital		3	(122)	(7)	(252)
<b>Cash from financing activities</b>		<b>5,170</b>	<b>5,601</b>	<b>3,090</b>	<b>3,735</b>
Decrease in cash		(2,513)	(677)	(1,239)	(6,291)
Cash, beginning of period		9,537	10,859	8,186	16,335
Impact of foreign exchange on foreign denominated cash balances		(34)	(44)	43	94
<b>Cash, end of period</b>		<b>6,990</b>	<b>10,138</b>	<b>6,990</b>	<b>10,138</b>
Supplementary information for cash from operating activities:					
Interest paid in cash	8	615	501	1,155	1,031
Income taxes paid in cash	10	448	86	806	1,099

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

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2024 and 2023

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### 1. Nature of Business

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

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

### 2. Basis of Preparation

#### Statement of compliance

These unaudited interim condensed consolidated financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* using accounting policies consistent with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS"). These financial statements are condensed as they do not include all the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023 (the "2023 audited financial statements").

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

These financial statements have been prepared on a historical cost basis. All accounting policies and methods of computation followed in the preparation of these financial statements are consistent with those of the 2023 audited financial statements, except as noted below.

These financial statements were approved and authorized for issuance by Touchstone's Board of Directors (the "Board") on August 12, 2024.

#### Use of estimates, judgements and assumptions

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

In preparing these financial statements, the judgments made by Management in applying the Company's accounting policies and the key sources of significant estimation uncertainty were the same as those applied to the 2023 audited financial statements.

#### New and amended standards and interpretations

##### *Amendments to IAS 1 Presentation of Financial Statements*

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

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2024 and 2023

### 3. Financial Assets and Credit Risk

As at June 30, 2024, Touchstone was exposed to credit risk with respect to its finance lease receivable (included in other assets on the consolidated balance sheet) and accounts receivable balances.

Credit risk associated with Touchstone's June 30, 2024 \$213,000 long-term finance lease receivable balance (included in other assets on the consolidated balance sheet) is considered negligible as the assets are secured by the underlying equipment, with ownership transferring to the counterparty subsequent to receipt of the final lease payment in February 2026.

Credit risk is considered to be low for the Company's accounts receivable, as Touchstone's credit exposure typically pertains to monthly commodity sales and joint interest billings due from Trinidad government owned petroleum and natural gas entities, and value added taxes ("VAT") due from the Trinidad government. Petroleum and natural gas billings are typically collected within one month of production, with approximately 35 percent of the Company's credit exposure as at June 30, 2024 attributed to accrued revenue for June 2024 production volumes. The following tables disclose the composition and aging of Touchstone's accounts receivable balance for the periods indicated.

(\$000's)	June 30, 2024	December 31, 2023
Petroleum and natural gas sales	3,907	6,424
Joint interest billings	1,108	702
VAT	5,752	5,058
Other	355	668
<b>Accounts receivable balance</b>	<b>11,122</b>	<b>12,852</b>

(\$000's)	June 30, 2024	December 31, 2023
Current (less than 30 days)	5,532	7,880
31-60 days	479	302
61-90 days	302	308
Past due (greater than 90 days)	4,809	4,362
<b>Accounts receivable balance</b>	<b>11,122</b>	<b>12,852</b>

As at June 30, 2024, Touchstone determined that the average expected credit loss on its accounts receivables was \$nil. The Company believes that the accounts receivable balances that are past due are collectible, as they solely represent VAT amounts due from the Trinidad government. Although the timing of settlement is uncertain, Touchstone has not historically experienced any collection issues. During the six months ended June 30, 2024, approximately \$1,504,000 in past due VAT was collected.

### 4. Exploration and Evaluation Assets

(\$000's)	Six months ended June 30, 2024	Year ended December 31, 2023
Balance, beginning of period	5,030	51,352
Additions	168	18,199
Transfer to property, plant and equipment	-	(31,803)
Impairment expense	(69)	(32,747)
Effect of change in foreign exchange rates	1	29
<b>Balance, end of period</b>	<b>5,130</b>	<b>5,030</b>

During the three and six months ended June 30, 2024, the Company recognized exploration and evaluation ("E&E") asset impairment expenses of \$10,000 and \$69,000 related to the Ortoire E&E

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2024 and 2023

asset, respectively (2023 - \$24,000 and \$50,000 relating to non-core assets).

### 5. Property, Plant and Equipment

(\$000's)	Petroleum and natural gas development assets	Right-of-use assets	Corporate assets	Total
<b>Cost</b>				
Balance, January 1, 2023	153,699	2,937	2,355	158,991
Additions	1,079	2,934	273	4,286
Transfer from (to) E&E assets (Note 4)	32,204	(401)	-	31,803
Change in decommissioning asset (Note 9)	(269)	-	-	(269)
Reclassified as assets held for sale (Note 5)	(677)	-	-	(677)
Foreign exchange translation	810	22	69	901
<b>Balance, December 31, 2023</b>	<b>186,846</b>	<b>5,492</b>	<b>2,697</b>	<b>195,035</b>
Additions	16,137	-	1,226	17,363
Transfers within property, plant and equipment	689	(689)	-	-
Change in decommissioning asset (Note 9)	(28)	-	-	(28)
Acquisitions	356	-	-	356
Reclassified as assets held for sale (Note 5)	(1,096)	-	-	(1,096)
Foreign exchange translation	(75)	(10)	(64)	(149)
<b>Balance, June 30, 2024</b>	<b>202,829</b>	<b>4,793</b>	<b>3,859</b>	<b>211,481</b>
<b>Accumulated depletion, depreciation and impairment</b>				
Balance, January 1, 2023	89,435	480	1,914	91,829
Depletion and depreciation	5,595	241	173	6,009
Impairment reversal	(11,326)	-	-	(11,326)
Foreign exchange translation	325	5	45	375
<b>Balance, December 31, 2023</b>	<b>84,029</b>	<b>726</b>	<b>2,132</b>	<b>86,887</b>
Depletion and depreciation	3,647	306	81	4,034
Impairment expense	474	-	-	474
Foreign exchange translation	23	(6)	(60)	(43)
<b>Balance, June 30, 2024</b>	<b>88,173</b>	<b>1,026</b>	<b>2,153</b>	<b>91,352</b>
<b>Carrying amounts</b>				
Balance, December 31, 2023	102,817	4,766	565	108,148
<b>Balance, June 30, 2024</b>	<b>114,656</b>	<b>3,767</b>	<b>1,706</b>	<b>120,129</b>

During the three and six months ended June 30, 2024, \$98,000 and \$180,000 of direct and attributable overhead charges were capitalized to property, plant and equipment ("PP&E"), respectively (2023 - \$109,000 and \$221,000).

On June 30, 2024, the Company evaluated its petroleum and natural gas development assets included in PP&E for indicators of any potential impairment or reversal. As a result of this assessment, no indicators were identified.

#### Acquisition

On May 31, 2024, the Company closed an asset swap transaction with a third party. Touchstone swapped its 100 percent working interest in a non-core privately leased property for the counterparty's 100 percent working interest in a licence with Heritage Petroleum Company Limited ("Heritage") governing the Balata East block. The acquisition was not considered a business combination under IFRS 3 *Business Combinations*.



## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2024 and 2023

(\$000's)	
<b>Net assets acquired</b>	
Petroleum and natural gas development assets	356
Abandonment fund (Note 9)	19
Decommissioning liabilities (Note 9)	(37)
<b>Total identifiable net assets acquired</b>	<b>338</b>
Gain on acquisition	(1,535)
	<b>(1,197)</b>
<b>Consideration</b>	
Petroleum and natural gas development assets	675
Decommissioning liabilities (Note 9)	(1,872)
<b>Total consideration</b>	<b>(1,197)</b>

The \$1,535,000 gain on acquisition recognized during the three and six months ended June 30, 2024 represented the excess of the \$338,000 total identifiable net assets acquired over the net liabilities of the assets disposed.

### Dispositions

In March 2024, Touchstone executed a definitive sales and purchase agreement with a third party to dispose of its interest in the CO-2 block for aggregate consideration of approximately \$1,069,000. The designated assets and liabilities were reclassified as held for sale on March 31, 2024. A pre-tax impairment expense of \$474,000 was recorded during the six months ended June 30, 2024, as the fair value of the property's associated net assets was not sufficient to support their fair value less cost of disposal. The disposition closed effective August 1, 2024.

In May 2024, Touchstone entered into a sales and purchase agreement to dispose of a non-operated interest in a previously impaired E&E property with the third-party operator for the counterparty's assumption of approximately \$794,000 in decommissioning and accrued liabilities. The disposition is currently awaiting customary regulatory approvals to close.

The following table specifies the carrying values that were classified as held for sale for the periods indicated.

(\$000's)	June 30, 2024	December 31, 2023
PP&E	1,096	677
Abandonment fund (Note 9)	85	-
<b>Assets held for sale</b>	<b>1,181</b>	<b>677</b>
Accounts payable and accrued liabilities	(724)	-
Decommissioning liabilities (Note 9)	(178)	(1,898)
<b>Liabilities associated with assets held for sale</b>	<b>(902)</b>	<b>(1,898)</b>
<b>Net assets (liabilities) held for sale</b>	<b>279</b>	<b>(1,221)</b>

## 6. Financial Liabilities and Liquidity Risk

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

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2024 and 2023

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

At June 30, 2024, the Company had a working capital deficiency based on increased capital investments in the first half of 2024, primarily relating to expenditures on new wells that have to be placed on production. Touchstone had \$6,000,000 of available borrowing capacity under its revolving loan facility as at June 30, 2024 (see Note 8).

The following table sets forth estimated undiscounted cash outflows and financial maturities of Touchstone's financial liabilities as at June 30, 2024.

(\$000's)	Undiscounted cash outflows <sup>(1)</sup>	Financial maturity by period		
		Less than 1 year	1 to 3 years	Thereafter
Accounts payable and accrued liabilities <sup>(2)</sup>	15,016	15,016	-	-
Income taxes payable (Note 10)	355	355	-	-
Lease liabilities <sup>(3)</sup> (Note 7)	4,569	1,111	1,609	1,849
Bank debt <sup>(3)(4)</sup> (Note 8)	36,958	8,255	23,345	5,358
<b>Total financial liabilities</b>	<b>56,898</b>	<b>24,737</b>	<b>24,954</b>	<b>7,207</b>

Notes:

- (1) The undiscounted cash outflows equal their carrying values, with the exception of lease liabilities and bank debt.
- (2) Excludes the current portion of lease liabilities.
- (3) Includes the notional interest and principal payments.
- (4) Future interest payments are based on current interest rates, where two of the Company's three loan facility interest rates are reset on an annual basis (refer to Note 8).

Refer to Note 8 "Bank Debt", Note 16 "Capital Management" and Note 17 "Commitments" for further details regarding the Company's debt structure and capital management objectives and policies.

### 7. Lease Liabilities

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

(\$000's)	Six months ended June 30, 2024	Year ended December 31, 2023
<b>Balance, beginning of period</b>	<b>4,328</b>	2,255
Additions	-	2,934
Interest expense	186	287
Repayments	(1,028)	(1,164)
Effect of change in foreign exchange rates	(10)	16
<b>Balance, end of period</b>	<b>3,476</b>	4,328
Current (included in accounts payable and accrued liabilities)	856	1,440
Non-current	2,620	2,888
<b>Lease liabilities balance</b>	<b>3,476</b>	4,328

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2024 and 2023

### 8. Bank Debt

On April 18, 2024, the Company and its Trinidad based lender executed a third amended and restated loan agreement (the "Amended Bank Loan"), providing for an additional \$10 million five-year non-revolving term loan facility ("term loan facility 2") and an increase to the existing revolving loan facility borrowing capacity from \$7 million to \$10 million. As at June 30, 2024, the Company had \$32 million in aggregate principal bank debt outstanding, with \$6 million classified as short term on the consolidated balance sheet (December 31, 2023 - \$28 million and \$13 million, respectively).

#### *Term loan facility 1*

The Amended Bank Loan did not change the terms of the Company's original June 15, 2022 term loan facility ("term loan facility 1"). The facility matures on June 15, 2027 and bears a fixed interest rate of 7.85 percent per annum, compounded and payable quarterly. As at June 30, 2024, the principal balance of the term loan facility was \$18 million, with twelve equal and consecutive quarterly principal payments of \$1.5 million outstanding.

#### *Term loan facility 2*

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

#### *Revolving loan facility*

The Amended Bank Loan extended the revolving loan facility by a two-year period through May 31, 2026. The facility may be renewed by additional two-year periods by agreement between the parties. The revolving loan bears interest at a rate of 7.23 percent through May 2025 and is reset annually. Outstanding principal may be repaid at any time, on or before the maturity date without penalty and any amounts repaid may be redrawn at any time. \$4 million of the \$10 million revolving loan facility was drawn as of June 30, 2024.

The following table details the movements of the Company's bank debt balance for the periods indicated.

(\$000's)	Term loan facility 1	Term loan facility 2	Revolving loan facility	Bank debt
Balance, January 1, 2023	26,962	-	-	26,962
Advances	-	-	7,000	7,000
Repayments	(6,000)	-	-	(6,000)
Accretion	15	-	-	15
<b>Balance, December 31, 2023</b>	<b>20,977</b>	<b>-</b>	<b>7,000</b>	<b>27,977</b>
Advances, net of fees	-	9,747	-	9,747
Repayments	(3,000)	-	(3,000)	(6,000)
Accretion	4	10	-	14
<b>Balance, June 30, 2024</b>	<b>17,981</b>	<b>9,757</b>	<b>4,000</b>	<b>31,738</b>
Current	6,000	-	-	6,000
Non-current	11,981	9,757	4,000	25,738
<b>Bank debt balance</b>	<b>17,981</b>	<b>9,757</b>	<b>4,000</b>	<b>31,738</b>

Touchstone's bank debt is principally secured by a pledge of equity interests and fixed and floating security interests over all present and after acquired assets of its two Trinidad exploration and

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2024 and 2023

production subsidiaries. The Amended Bank Loan contains industry standard representations and warranties, undertakings, events of default, and financial covenants, which are applicable on a consolidated basis and evaluated on an annual basis. As at June 30, 2024, the Company was compliant with all covenants provided for in the Amended Bank Loan.

Pursuant to the Amended Bank Loan, Touchstone must at all times maintain a cash reserves balance of not less than the equivalent of two subsequent quarterly interest payments related to the term loan facilities. Accordingly, the Company classified \$1,042,000 of cash as long-term restricted cash as at June 30, 2024 (December 31, 2023 - \$785,000).

### 9. Decommissioning Liabilities and Abandonment Fund

Touchstone's decommissioning liabilities were calculated by Management based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities, and the estimated timing of the costs to be incurred in future periods.

The Company has estimated the net present value of the cash flows required to settle its decommissioning liabilities to be \$9,650,000 as at June 30, 2024 based on an inflation adjusted undiscounted future liability of \$14,731,000 (December 31, 2023 - \$9,733,000 and \$14,910,000, respectively). Decommissioning liabilities were estimated as at June 30, 2024 using a weighted average long-term risk-free rate of 5.3 percent and a long-term inflation rate of 2.0 percent (December 31, 2023 - 5.3 percent and 2.1 percent, respectively).

The following table summarizes the movements of Touchstone's estimated decommissioning liability provision for the periods indicated.

(\$000's)	Six months ended June 30, 2024	Year ended December 31, 2023
<b>Balance, beginning of period</b>	<b>9,733</b>	11,182
Liabilities incurred from development activities	147	480
Liabilities acquired	37	-
Liabilities settled	-	(18)
Accretion expense	109	257
Revisions to estimates	(198)	(317)
Reclassified as liabilities associated with assets held for sale (Note 5)	(178)	(1,898)
Effect of change in foreign exchange rates	-	47
<b>Balance, end of period</b>	<b>9,650</b>	9,733

Pursuant to the Company's production and exploration licences and agreements, the Company is obligated to remit payments into various abandonment funds based on production. Touchstone remits \$0.25 per barrel of oil equivalent of products sold, and the funds shall be used for the future abandonment of wells in the related licenced area. As at June 30, 2024, the Company classified \$2,544,000 of accrued or paid fund contributions as non-current abandonment fund assets (December 31, 2023 - \$2,081,000).

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

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### 10. Income Taxes

The following table is a reconciliation of income tax expense (recovery) calculated by applying the applicable aggregate Trinidad statutory petroleum tax and unemployment levy rates to net earnings (loss) before income tax expense.

(\$000's unless otherwise stated)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Net earnings (loss) before taxes	3,464	(274)	7,196	(785)
Trinidad statutory income tax rate	55.0%	55.0%	55.0%	55.0%
Expected income tax expense (recovery) at statutory tax rate	1,905	(151)	3,958	(432)
Effect on income tax resulting from:				
Change in income tax assets not recognized	(2,685)	(710)	(5,372)	(1,038)
Income tax rate differential	(305)	444	(809)	499
Effect of change in foreign exchange rates and other	1,210	214	2,452	536
<b>Income tax expense (recovery)</b>	<b>125</b>	<b>(203)</b>	<b>229</b>	<b>(435)</b>

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

### 11. Shareholders' Capital

#### Issued and outstanding common shares

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

The following table summarizes changes in common shares outstanding and shareholders' capital for the periods specified.

	Number of shares outstanding	Shareholders' capital (\$000's)
Balance, January 1, 2023	233,037,226	114,635
Equity-based settlements	1,175,500	330
<b>Balance, December 31, 2023</b>	<b>234,212,726</b>	<b>114,965</b>
Equity-based settlements	2,093,935	561
<b>Balance, June 30, 2024</b>	<b>236,306,661</b>	<b>115,526</b>

#### Equity-based compensation plans

Touchstone has a stock option plan (the "Legacy Plan") pursuant to which options to purchase common shares of the Company were granted by the Board to directors, officers and employees of Touchstone. Touchstone adopted an omnibus incentive compensation plan (the "Omnibus Plan"), which was approved by the Company's shareholders 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 directors, officers, employees and consultants including stock options, restricted share units ("RSUs") and performance share units ("PSUs"). No additional stock options will be granted under the Legacy Plan, and all outstanding stock options previously issued pursuant to the Legacy Plan

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2024 and 2023

will continue to be governed by such plan and will continue to vest in accordance with their existing vesting schedules. On July 12, 2024, the Company issued RSUs and PSUs to its executive officers and key employees under its long-term compensation plan (see Note 18).

The Company also offers a deferred share unit plan to non-employee directors. Deferred share units ("DSUs") were awarded under this plan subsequent to June 30, 2024 (refer to Note 18).

As of June 30, 2024, the Company solely had stock option awards outstanding under its equity-based compensation plans. The aggregate number of common shares reserved for issuance under the Legacy Plan and the Omnibus Plan at any time is limited to 10 percent of the Company's issued and outstanding common shares. As of June 30, 2024, aggregate stock options outstanding represented 5.2 percent of Touchstone's outstanding common shares (December 31, 2023 - 6.1 percent). Unless otherwise determined by the Board, stock option vesting typically occurs one third on each of the next three anniversaries of the grant date as recipients render continuous service to the Company, and the stock options typically expire five years from the grant date. Equity-based compensation expense is recognized as the stock options vest. The following table summarizes changes in outstanding stock options and the related weighted average exercise prices for the periods specified.

	Number of stock options	Weighted average exercise price (C\$)
Issued and outstanding, January 1, 2023	11,928,435	1.00
Granted	3,644,000	1.15
Exercised	(1,175,500)	0.24
Forfeited	(69,000)	1.42
<b>Issued and outstanding, December 31, 2023</b>	<b>14,327,935</b>	<b>1.10</b>
Exercised	<b>(2,093,935)</b>	<b>0.24</b>
<b>Issued and outstanding, June 30, 2024</b>	<b>12,234,000</b>	<b>1.25</b>
<b>Exercisable, June 30, 2024</b>	<b>7,320,999</b>	<b>1.27</b>

During the three and six months ended June 30, 2024, the Company recorded equity-based compensation expenses of \$309,000 and \$710,000, respectively (2023 - \$252,000 and \$613,000).

### Weighted average common shares

The following table sets forth the details of weighted average common shares used in calculating net earnings (loss) per common share for the periods indicated.

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Weighted average common shares outstanding - basic	234,959,160	233,143,798	234,585,943	233,090,807
Dilutive impact of equity-based compensation	1,404,512	-	1,865,241	-
<b>Weighted average common shares outstanding - diluted</b>	<b>236,363,672</b>	233,143,798	<b>236,451,184</b>	233,090,807

There was no dilutive impact to the weighted average number of common shares for the three and six months ended June 30, 2023, as approximately 3.6 million and 3.7 million stock options were excluded from the diluted weighted average share calculation as they were anti-dilutive, respectively.

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### 12. Petroleum and Natural Gas Sales

Touchstone derives its primary revenue from contracts with Trinidad government-owned entities through the transfer of commodities invoiced at the end of each month. The following table sets forth petroleum and natural gas sales by product type for the periods indicated.

(\$000's)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Crude oil	7,759	6,370	15,183	13,870
Natural gas liquids	680	-	2,337	-
Natural gas	5,651	811	13,154	1,787
<b>Petroleum and natural gas sales</b>	<b>14,090</b>	<b>7,181</b>	<b>30,674</b>	<b>15,657</b>

At June 30, 2024, accounts receivable from petroleum and natural gas sales were \$3,907,000 related to June 2024 production (December 31, 2023 - \$6,424,000 related to December 2023 production).

### 13. Net Finance Expenses

(\$000's)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Interest income	(8)	(17)	(13)	(45)
Finance lease interest income	(7)	(12)	(15)	(24)
Lease liability interest expense (Note 7)	86	77	186	128
Bank debt interest expense (Note 8)	610	538	1,145	1,063
Financing expense	12	126	12	126
Accretion on decommissioning liabilities (Note 9)	55	63	109	123
Other	13	(144)	16	(309)
<b>Net finance expenses</b>	<b>761</b>	<b>631</b>	<b>1,440</b>	<b>1,062</b>

### 14. Transaction Costs

In connection with the Company's proposed acquisition of Trinity Exploration and Production Plc, Touchstone incurred \$840,000 and \$1,220,000 in transaction costs during the three and six months ended June 30, 2024, respectively (see Note 18).

### 15. Financial Instruments and Market Risk Management

#### Financial instruments

As of June 30, 2024, the Company's financial instruments included cash, accounts receivable, restricted cash, finance lease receivable (included in other assets on the consolidated balance sheet), accounts payable and accrued liabilities, income taxes payable, lease liabilities and bank debt.

The carrying values of Touchstone's cash, accounts receivable, accounts payable and accrued liabilities and income taxes payable as of June 30, 2024 approximate their fair values due to the short-term nature of these instruments.

#### Market risk management

The Company is exposed to certain 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 (refer to Note 3) and liquidity risk (refer to Note 6). The risk exposures are

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2024 and 2023

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proactively reviewed by Touchstone, and Management seeks to mitigate these risks through various business processes and controls. Management of cash flow variability is an integral component of the Company's business strategy. Changing business conditions are monitored regularly and, where material, reviewed with the Board to establish risk management guidelines to be used by Touchstone.

### *Commodity price risk*

Touchstone's operational and financial results are largely dependent on the commodity prices received from crude oil, natural gas liquids and natural gas production. Movements in crude oil and liquids pricing could have a significant positive or negative effect on the Company's comprehensive income (loss) and cash flows. Touchstone does not currently hedge this risk given that over 50 percent of its forecasted petroleum and natural gas sales is expected to be derived from natural gas production governed by a fixed price contract through October 2027. The Company will continue to monitor forward commodity prices and may enter future commodity-based risk management contracts to reduce the volatility of crude oil and liquids sales and protect future development and exploration capital programs.

### *Foreign currency risk*

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

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

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

### *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 term loan facility 2 and revolving loan facility are subject to interest rate risk given the applicable annual interest rates are reset on an annual basis. The current interest rates for the term loan facility 2 and the revolving facility are 7.49 percent and 7.23 percent, respectively.



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### 16. Capital Management

Touchstone actively manages its capital structure and adjusts it in response to changes in economic conditions and the risk characteristics of its underlying assets. Touchstone considers its capital structure to include shareholders' equity, working capital and bank debt. The Company's long-term goal is to fund current period decommissioning and capital expenditures necessary for the replacement of production declines using only cash flows from operations. Exploration and development activities will be financed with a combination of cash flows from operations and other sources of capital. Touchstone uses share equity and bank debt as its primary sources of capital.

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

Management monitors working capital, net debt and managed capital as part of the Company's capital structure to evaluate its true debt and liquidity position and to manage capital and liquidity risk. Working capital is calculated by subtracting current liabilities from current assets as they appear on the 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 sheet. Management defines managed capital as the sum of net debt and shareholders' equity.

When evaluating the Company's capital structure, Management's long-term strategy is to maintain net debt to trailing twelve-month funds flow from operations at or below a ratio of 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. Touchstone also monitors its capital management through the net debt to managed capital ratio. The Company's strategy is to utilize more equity than debt, thereby targeting net debt to managed capital at a ratio of less than 0.4 to 1.

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

Touchstone's internal capital management calculations for the periods indicated are set forth in the following table.

(\$000's)	Target measure	June 30, 2024	December 31, 2023
Current assets		(20,455)	(22,570)
Current liabilities		23,129	30,151
Working capital deficit		2,674	7,581
Principal non-current balance of bank debt		26,000	15,000
Net debt		28,674	22,581
Shareholders' equity		67,675	59,766
Managed capital		96,349	82,347
Trailing twelve-months funds flow from operations <sup>(1)</sup>		23,031	13,730
<b>Net debt to funds flow from operations ratio</b>	At or < 2.0 times	<b>1.25</b>	1.64
<b>Net debt to managed capital ratio</b>	< 0.4 times	<b>0.30</b>	0.27

Note:

(1) Trailing twelve-months funds flow from operations as at June 30, 2024 includes the sum of funds flow from operations for the six months ended June 30, 2024 and funds flow from operations for the July 1, 2023 through December 31, 2023 interim period.

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### 17. Commitments

Touchstone has contractual obligations in the normal course of business which include minimum work obligations under various operating agreements with Heritage, exploration commitments under its Ortoire block exploration and production licence with the Government of the Republic of Trinidad and Tobago Ministry of Energy and Energy Industries, and various lease commitments (refer to Note 7). The following table sets forth the Company's estimated minimum contractual payments as at June 30, 2024, excluding those commitments related to properties classified as assets held for sale.

(\$000's)	Total	Estimated payments due by year			
		2024	2025	2026	Thereafter
Operating agreements	18,597	4,491	4,643	1,771	7,692
Exploration agreements	11,765	179	5,166	5,282	1,138
Other commitments	583	91	206	194	92
<b>Minimum payments</b>	<b>30,945</b>	<b>4,761</b>	<b>10,015</b>	<b>7,247</b>	<b>8,922</b>

Pursuant to operating agreements with Heritage, the Company is obligated to fulfill minimum work commitments on an annual basis over each licence term. With respect to these obligations, Touchstone is required to drill three development wells prior to December 31, 2024. As of June 30, 2024, Touchstone is obligated to drill two exploration wells on its Ortoire concession prior to the end of the July 31, 2026 licence term.

### 18. Subsequent Events

#### Proposed Acquisition

On May 1, 2024, Touchstone announced that it had 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 Touchstone would acquire the entire issued and to be issued ordinary share capital of Trinity to be implemented by means of a scheme of arrangement (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 would receive 1.5 common shares of Touchstone for each Trinity common share held.

Trinity's shareholders approved the Proposed Acquisition on June 24, 2024. On June 28, 2024, Trinity announced that all Trinidad regulatory and anti-trust conditions related to the Proposed Acquisition had been satisfied, and the court hearing to sanction the Proposed Acquisition was scheduled for July 31, 2024.

On August 2, 2024, Trinity announced that it reached agreement on the terms of a recommended all cash offer from a competing offeror to be implemented by means of a scheme of arrangement. The Board of Directors of Trinity withdrew their recommendation of the Proposed Acquisition and postponed the court hearing to sanction the Proposed Acquisition indefinitely. Touchstone will have the ability to invoke Condition 2.3 (ii) of Part A of Part Three of the scheme document published by Trinity in connection with the Proposed Acquisition and lapse the scheme on August 22, 2024, being the 22<sup>nd</sup> day following the date of the original court hearing date of July 31, 2024, if the Company so chooses.

#### Issuance of equity-based awards

On July 12, 2024, the Company issued 1,447,780 RSUs and 1,397,780 PSUs under its Omnibus Plan to its executive officers and key employees. The RSUs vest one third on each of the next three anniversaries of the grant date and the number of share awards are fixed. The PSUs vest on July

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

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11, 2027 and the number of share awards are variable. Each award may, in the Board's sole discretion, entitle the holder to be issued the number of Company common shares designated in the award or receive a payment in cash. If paid in cash, the plan participant will receive a cash payment based on the fair value of the underlying common shares on the applicable vesting date. The number of RSUs and PSUs may be adjusted for dividend equivalents from the grant date at the discretion of the Board.

PSUs are subject to a performance multiplier. This multiplier, ranging from zero to 1.75, will be applied to the original PSU awards granted on vesting and is dependent on the performance of the Company relative to predefined corporate performance measures set by the Board for the three-year vesting period.

### **Issuance of deferred share units**

On July 12, 2024, the Company issued 977,332 DSUs to its non-employee directors. The DSUs fully vest on the grant date but are only available for redemption when the director ceases to be a member of the Board. Awards are settled in cash as determined by the value of the underlying common shares and may be adjusted based on dividend equivalents from the grant date at the discretion of the Board.



## 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*

### Head Office

**Touchstone Exploration Inc.**  
4100, 350 7th Avenue SW  
Calgary, Alberta, Canada  
T2P 3N9

### Registered Office

3700, 400 3rd Avenue SW  
Calgary, Alberta, Canada  
T2P 4H2

### Operating Offices

**Touchstone Exploration (Trinidad) Ltd.**  
Unit 416A, South Park Plaza  
Tarouba Link Road  
San Fernando, 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**  
London, United Kingdom