Touchstone Exploration Inc.

Interim Condensed Consolidated Financial Statements (unaudited)

As at and for the three and nine months ended September 30, 2024 and 2023

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

As at	Note	September 30, 2024	December 31, 2023
Assets			
Current assets			
Cash		**6,549**	8,186
Accounts receivable	3	**11,641**	12,852
Inventory		**80**	91
Prepaid expenses		**950**	764
Assets held for sale	5	**-**	677
		19,220	22,570
Exploration and evaluation assets	4	**5,562**	5,030
Property, plant and equipment	5	**122,801**	108,148
Restricted cash	8	**983**	785
Other assets	3	**208**	334
Abandonment fund	9	**2,754**	2,081
Total assets		**151,528**	138,948
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	**16,269**	15,013
Income taxes payable	15	**191**	240
Current portion of bank debt	8	**6,625**	13,000
Liabilities associated with assets held for sale	5	**-**	1,898
		23,085	30,151
Lease liabilities	7	**4,430**	2,888
Bank debt	8	**25,493**	14,977
Decommissioning liabilities	9	**9,579**	9,733
Share-based compensation liabilities	14	**75**	-
Deferred income taxes	15	**19,178**	21,433
Total liabilities		**81,840**	79,182
Shareholders' equity			
Shareholders' capital	10	**115,610**	114,965
Contributed surplus		**6,904**	6,166
Other comprehensive loss		**(13,399)**	(13,124)
Deficit		**(39,427)**	(48,241)
Total shareholders' equity		**69,688**	59,766
Total liabilities and shareholders' equity		**151,528**	138,948

Commitments (Note 18)

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

Touchstone Exploration Inc.
Interim Condensed Consolidated Statements of Earnings and Comprehensive Income
Unaudited, stated in thousands of United States dollars (except per share amounts)

	Note	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Revenue					
Petroleum and natural gas sales	11	**13,253**	11,682	**43,927**	27,339
Less: royalties		**(3,409)**	(3,193)	**(10,671)**	(7,849)
Petroleum and natural gas revenue, net of royalties		**9,844**	8,489	**33,256**	19,490
Other revenue		**(2)**	21	**50**	55
Total revenue		**9,842**	8,510	**33,306**	19,545
Expenses					
Operating		**2,436**	2,478	**7,258**	7,001
General and administration		**2,742**	2,560	**7,716**	7,037
Net finance	12	**775**	674	**2,215**	1,736
Transaction costs	13	**722**	-	**1,942**	-
Exploration		**61**	-	**231**	-
Gain on asset dispositions	5	**(782)**	-	**(2,317)**	(800)
Foreign exchange loss (gain)	16	**120**	(5)	**51**	(67)
Share-based compensation	14	**751**	212	**1,461**	825
Depletion and depreciation	5	**2,516**	1,606	**6,550**	4,024
Impairment (reversal)	4,5	**(9)**	18	**493**	47
Other		**-**	(112)	**-**	(552)
Total expenses		**9,332**	7,431	**25,600**	19,251
Earnings before income taxes		**510**	1,079	**7,706**	294
Provision for income taxes					
Current expense	15	**151**	491	**1,070**	886
Deferred recovery	15	**(1,488)**	(400)	**(2,178)**	(1,230)
Total income tax expense (recovery)		**(1,337)**	91	**(1,108)**	(344)
Net earnings		**1,847**	988	**8,814**	638
Currency translation adjustments		**(120)**	(179)	**(275)**	25
Comprehensive income		**1,727**	809	**8,539**	663
Net earnings per common share					
Basic and diluted	10	**0.01**	0.00	**0.04**	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 nine months ended September 30

Unaudited, stated in thousands of United States dollars

	Note	**2024**	2023
Shareholders' capital			
Balance, beginning of period		**114,965**	114,635
Issued under share-based compensation plans	14	**645**	330
Balance, end of period		**115,610**	114,965
Contributed surplus			
Balance, beginning of period		**6,166**	4,905
Recognized under share-based compensation plans	14	**(230)**	(120)
Share-based compensation expense	14	**912**	825
Share-based compensation capitalized	5,14	**56**	138
Balance, end of period		**6,904**	5,748
Other comprehensive loss			
Balance, beginning of period		**(13,124)**	(13,517)
Other comprehensive (loss) income		**(275)**	25
Balance, end of period		**(13,399)**	(13,492)
Deficit			
Balance, beginning of period		**(48,241)**	(27,643)
Net earnings		**8,814**	638
Balance, end of period		**(39,427)**	(27,005)

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 September 30,		Nine months ended September 30,	
	Note	**2024**	2023	**2024**	2023
Operating activities					
Net earnings		**1,847**	988	**8,814**	638
Items not involving cash from operations:					
Gain on asset dispositions	5	**(782)**	-	**(2,317)**	(800)
Unrealized foreign exchange loss (gain)	16	**125**	(19)	**122**	(86)
Share-based compensation expense	14	**751**	212	**1,461**	825
Depletion and depreciation expense	5	**2,516**	1,606	**6,550**	4,024
Impairment (reversal) expense	4,5	**(9)**	18	**493**	47
Non-cash finance expense (income)	12	**83**	27	**208**	(159)
Deferred income tax recovery	15	**(1,488)**	(400)	**(2,178)**	(1,230)
Decommissioning expenditures	9	**(19)**	-	**(19)**	(18)
Funds flow from operations		**3,024**	2,432	**13,134**	3,241
Change in non-cash working capital		**583**	(2,089)	**(775)**	990
Cash from operating activities		**3,607**	343	**12,359**	4,231
Investing activities					
Exploration and evaluation expenditures	4	**(452)**	(3,498)	**(620)**	(17,043)
Property, plant and equipment expenditures	5	**(2,616)**	(111)	**(19,953)**	(720)
Abandonment fund expenditures	9	**(218)**	(131)	**(745)**	(253)
Proceeds from asset dispositions	5	**1,066**	-	**1,066**	250
Change in non-cash working capital		**(1,840)**	(1,090)	**3,111**	(978)
Cash used in investing activities		**(4,060)**	(4,830)	**(17,141)**	(18,744)
Financing activities					
Changes in restricted cash	8	**59**	59	**(198)**	177
Advance of bank debt, net of fees	8	**1,853**	-	**11,600**	7,000
Repayment of bank debt	8	**(1,500)**	(1,500)	**(7,500)**	(4,500)
Net finance lease payments	7	**(436)**	(465)	**(1,190)**	(665)
Issuance of common shares	10	**54**	141	**415**	210
Change in non-cash working capital		**4**	(109)	**(3)**	(361)
Cash from (used in) financing activities		**34**	(1,874)	**3,124**	1,861
Decrease in cash		**(419)**	(6,361)	**(1,658)**	(12,652)
Cash, beginning of period		**6,990**	10,138	**8,186**	16,335
Impact of foreign exchange on foreign denominated cash balances		**(22)**	17	**21**	111
Cash, end of period		**6,549**	3,794	**6,549**	3,794
Supplementary information for cash from operating activities:					
Interest paid in cash	8	**619**	642	**1,774**	1,673
Income taxes paid in cash	15	**317**	74	**1,123**	1,146

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

1. Nature of Business

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

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

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 disclosed in Note 14 and noted below.

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

3. Financial Assets and Credit Risk

As at September 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 $170,000 long-term finance lease receivable balance as at September 30, 2024 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 28 percent of the Company's credit exposure as at September 30, 2024 attributed to accrued revenue for September 2024 production volumes.

The following table discloses the composition and aging of Touchstone's accounts receivable balance for the periods indicated.

($000's)	**September 30, 2024**	December 31, 2023
Composition		
Petroleum and natural gas sales	**3,310**	6,424
Joint interest billings	**662**	702
VAT	**6,678**	5,058
Other	**991**	668
Accounts receivable balance	**11,641**	12,852
Aging		
Current (less than 30 days)	**4,949**	7,880
31-60 days	**714**	302
61-90 days	**238**	308
Past due (greater than 90 days)	**5,740**	4,362
Accounts receivable balance	**11,641**	12,852

As at September 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 nine months ended September 30, 2024, approximately $1,504,000 in past due VAT was collected.

4. Exploration and Evaluation Assets

($000's)	**Nine months ended September 30, 2024**	Year ended December 31, 2023
Balance, beginning of period	**5,030**	51,352
Additions	**620**	18,199
Transfer to property, plant and equipment (Note 5)	**-**	(31,803)
Impairment expense	**(73)**	(32,747)
Effect of change in foreign exchange rates	**(15)**	29
Balance, end of period	**5,562**	5,030

During the three and nine months ended September 30, 2024, the Company recognized exploration and evaluation ("E&E") asset impairment expenses of $4,000 and $73,000 related to its Ortoire E&E asset, respectively (2023 - $25,000 and $66,000 relating to non-core E&E assets).

5. Property, Plant and Equipment

($000's)	Petroleum and natural gas development assets	Right-of-use assets	Corporate assets	Total
Cost				
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	(677)	-	-	(677)
Foreign exchange translation	810	22	69	901
Balance, December 31, 2023	**186,846**	**5,492**	**2,697**	**195,035**
Additions	**18,680**	**2,930**	**1,329**	**22,939**
Transfers within PP&E	**1,283**	**(1,283)**	**-**	**-**
Change in decommissioning asset (Note 9)	**(104)**	**-**	**-**	**(104)**
Acquisitions	**355**	**-**	**-**	**355**
Dispositions	**(1,085)**	**-**	**-**	**(1,085)**
Foreign exchange translation	**(685)**	**(18)**	**(42)**	**(745)**
Balance, September 30, 2024	**205,290**	**7,121**	**3,984**	**216,395**
Accumulated depletion, depreciation and impairment				
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
Balance, December 31, 2023	**84,029**	**726**	**2,132**	**86,887**
Depletion and depreciation	**5,525**	**868**	**157**	**6,550**
Impairment expense	**474**	**-**	**-**	**474**
Foreign exchange translation	**(272)**	**(6)**	**(39)**	**(317)**
Balance, September 30, 2024	**89,756**	**1,588**	**2,250**	**93,594**
Carrying amounts				
Balance, December 31, 2023	102,817	4,766	565	108,148
Balance, September 30, 2024	**115,534**	**5,533**	**1,734**	**122,801**

During the three and nine months ended September 30, 2024, $178,000 and $358,000 of direct and attributable overhead charges were capitalized to property, plant and equipment ("PP&E"), respectively (2023 - $93,000 and $314,000).

On September 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*.

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

The $1,535,000 gain on acquisition recognized during the nine months ended September 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 $1,066,000. 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 nine months ended September 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 $782,000 in decommissioning and accrued liabilities. The disposition closed effective September 19, 2024, with a $782,000 gain on asset disposition recorded during the three and nine months ended September 30, 2024.

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.

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 September 30, 2024, the Company had a working capital deficiency based on increased capital investments throughout 2024, primarily relating to expenditures on infrastructure and development wells that were placed on production subsequent to September 30, 2024. Touchstone had $4,147,000 of available borrowing capacity under its revolving loan facility as at September 30, 2024 (see Note 8).

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

($000's)	**Undiscounted cash outflows**[1]	**Financial maturity by period**		
		Less than 1 year	**1 to 3 years**	**Thereafter**
Accounts payable and accrued liabilities[2]	**14,297**	14,297	-	-
Income taxes payable (Note 15)	**191**	191	-	-
Lease liabilities[3] (Note 7)	**7,450**	2,353	3,761	1,336
Bank debt[3][4] (Note 8)	**36,904**	8,888	23,368	4,648
Share-based compensation liabilities[5] (Note 14)	**554**	479	75	-
Total financial liabilities	**59,396**	**26,208**	**27,204**	**5,984**

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 and share-based compensation 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).
(5) Accrued obligations associated with share-based compensation expected to be settled in cash.

Refer to Note 8 "Bank Debt", Note 17 "Capital Management" and Note 18 "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)	**Nine months ended September 30, 2024**	Year ended December 31, 2023
Balance, beginning of period	**4,328**	2,255
Additions	**2,930**	2,934
Interest expense	**270**	287
Repayments	**(1,587)**	(1,164)
Effect of change in foreign exchange rates	**(18)**	16
Balance, end of period	**5,923**	4,328
Current (included in accounts payable and accrued liabilities)	**1,493**	1,440
Non-current	**4,430**	2,888
Lease liabilities balance	**5,923**	4,328

On September 30, 2024, the Company extended a drilling services contract through October 6, 2026. Pursuant to the amended arrangement, the Company is required to utilize a drilling rig for a minimum of 120 days per annum over the additional two-year term. Accordingly, the Company recognized a $2,930,000 lease liability and associated right-of-use ("ROU") asset in connection with the lease arrangement.

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 September 30, 2024, the Company had $32,353,000 in aggregate principal bank debt outstanding, with $6,625,000 classified as short term on the consolidated balance sheet (December 31, 2023 - $28,000,000 and $13,000,000, 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 September 30, 2024, the principal balance of term loan facility 1 was $16,500,000, with eleven equal and consecutive quarterly principal payments of $1,500,000 outstanding.

Term loan facility 2

The Company withdrew the full amount of the $10,000,000 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 which is reset on an annual basis. As at September 30, 2024, the principal balance of the term loan facility was $10,000,000, 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. $5,853,000 of the $10,000,000 revolving loan facility was drawn as of September 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
Balance, December 31, 2023	**20,977**	**-**	**7,000**	**27,977**
Advances, net of fees	**-**	**9,747**	**1,853**	**11,600**
Repayments	**(4,500)**	**-**	**(3,000)**	**(7,500)**
Accretion	**11**	**30**	**-**	**41**
Balance, September 30, 2024	**16,488**	**9,777**	**5,853**	**32,118**
Current	**6,000**	**625**	**-**	**6,625**
Non-current	**10,488**	**9,152**	**5,853**	**25,493**
Bank debt balance	**16,488**	**9,777**	**5,853**	**32,118**

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 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 September 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 $983,000 of cash as long-term restricted cash as at September 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 $9,579,000 as at September 30, 2024 based on an inflation adjusted undiscounted future liability of $14,491,000 (December 31, 2023 - $9,733,000 and $14,910,000, respectively). Decommissioning liabilities were estimated as at September 30, 2024 using a weighted average long-term risk-free rate of 5.4 percent and a long-term inflation rate of 1.9 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)	**Nine months ended September 30, 2024**	Year ended December 31, 2023
Balance, beginning of period	**9,733**	11,182
Liabilities incurred from development activities	**151**	480
Liabilities acquired	**37**	-
Liabilities settled	**(19)**	(18)
Accretion expense	**166**	257
Revisions to estimates	**(291)**	(317)
Dispositions (Note 5)	**(166)**	(1,898)
Effect of change in foreign exchange rates	**(32)**	47
Balance, end of period	**9,579**	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 September 30, 2024, the Company classified $2,754,000 of accrued or paid fund contributions as non-current abandonment fund assets (December 31, 2023 - $2,081,000).

10. 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
Issued under share-based compensation plans	1,175,500	330
Balance, December 31, 2023	**234,212,726**	**114,965**
Issued under share-based compensation plans	2,247,935	645
Balance, September 30, 2024	**236,460,661**	**115,610**

In the nine months ended September 30, 2024, a total of 2,247,935 stock options were exercised for total proceeds of $415,000 (year ended December 31, 2023 - 1,175,500 stock options were exercised for total proceeds of $210,000). $230,000 of contributed surplus related to the stock options exercised was transferred to shareholder's capital during the nine months ended September 30, 2024 (year ended December 31, 2023 - $120,000).

Weighted average common shares

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Weighted average common shares outstanding - basic	**236,381,607**	233,541,004	**235,188,867**	233,242,521
Dilutive impact of share-based compensation plans	**367,424**	3,597,421	**1,388,998**	3,704,278
Weighted average common shares outstanding - diluted	**236,749,031**	237,138,425	**236,577,865**	236,946,799

11. 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 September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Crude oil	**7,603**	7,827	**22,786**	21,697
Natural gas liquids	**306**	1,264	**2,643**	1,264
Natural gas	**5,344**	2,591	**18,498**	4,378
Petroleum and natural gas sales	**13,253**	11,682	**43,927**	27,339

At September 30, 2024, accounts receivable from petroleum and natural gas sales were $3,310,000 related to September 2024 production (December 31, 2023 - $6,424,000 related to December 2023 production).

12. Net Finance Expenses

($000's)	Three months ended September 30, 2024	2023	Nine months ended September 30, 2024	2023
Interest income	**(7)**	(12)	**(20)**	(57)
Finance lease interest income	**(6)**	(10)	**(21)**	(34)
Lease liability interest expense (Note 7)	**84**	75	**270**	203
Bank debt interest expense (Note 8)	**615**	594	**1,760**	1,657
Financing expense	**6**	-	**18**	114
Accretion on decom liabilities (Note 9)	**57**	65	**166**	188
Other	**26**	(38)	**42**	(335)
Net finance expenses	**775**	674	**2,215**	1,736

13. Transaction Costs

In connection with the terminated acquisition of Trinity Exploration and Production Plc, Touchstone incurred $722,000 and $1,942,000 in transaction costs during the three and nine months ended September 30, 2024, respectively.

14. Share-based Compensation Plans

Stock option plans

Touchstone has a stock option plan (the "Legacy Stock Option 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 in June 2023 (the "Omnibus Plan") which replaced the Legacy Stock Option Plan and was adopted to allow the Company to grant stock options, restricted share units ("RSUs") and performance share units ("PSUs") to directors, officers, employees and consultants. No additional stock options will be granted under the Legacy Stock Option Plan, and all outstanding stock options previously issued pursuant to the Legacy Stock Option Plan will continue to be governed by such plan and will continue to vest in accordance with their existing vesting schedules. The aggregate number of common shares reserved for issuance under the Legacy Stock Option Plan and the Omnibus Plan at any time is limited to 10 percent of the Company's issued and outstanding common shares.

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 stock options typically expire five years from the grant date. Share-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 outstanding	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
Issued and outstanding, December 31, 2023	**14,327,935**	**1.10**
Exercised	**(2,247,935)**	**0.25**
Forfeited	**(349,000)**	**1.52**
Issued and outstanding, September 30, 2024	**11,731,000**	**1.25**
Exercisable, September 30, 2024	**8,267,666**	**1.26**

Long-term incentive plans

Share awards

The Company may grant RSUs and PSUs under its Omnibus Plan. On July 12, 2024, the Company issued 1,447,780 RSUs and 1,397,780 PSUs 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 12, 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. 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 over the three-year vesting period.

All RSUs and PSUs are currently accounted for as cash settled. The fair value of the share-based compensation liability is determined based on the Company's closing common share price on the financial reporting date and is recognized as the share awards vest in the statements of earnings and comprehensive income. PSUs are also adjusted by an estimated payout multiplier. The amount of cash-settled share-based compensation expense is reduced by an estimated forfeiture rate on the grant date, which has been estimated at five percent of outstanding share awards. The forfeiture rate is adjusted to reflect the actual number of shares that vest.

As at September 30, 2024, the Company had 1,447,780 RSUs and 1,397,780 PSUs outstanding, representing the Company's inaugural July 2024 grant of share awards.

Deferred share unit plan

The Company offers a deferred share unit plan to non-employee directors. On July 12, 2024, the Company issued 977,332 deferred share units ("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 on the payment date and may be adjusted based on dividend equivalents from the grant date at the discretion of the Board. The fair value of the liability is determined based on the Company's closing common price on the financial reporting date in the statements of earnings and comprehensive income.

As at September 30, 2024, the Company had 977,332 DSUs outstanding, representing the Company's inaugural July 2024 grant of awards under its deferred share unit plan.

Share-based compensation expense

The following table sets forth share-based compensation expenses recorded in relation to issued awards pursuant to our share-based compensation plans for the periods indicated.

($000's)	**Three months ended September 30,**		**Nine months ended September 30,**	
	2024	2023	**2024**	2023
Share settled compensation	**232**	246	**968**	963
Cash settled compensation	**549**	-	**549**	-
Capitalized expenses	**(30)**	(34)	**(56)**	(138)
Share-based compensation expense	**751**	212	**1,461**	825

Share-based compensation liabilities

($000's)	**Nine months ended September 30, 2024**	Year ended December 31, 2023
Balance, beginning of period	**-**	-
Liability incurred from grant of DSUs	**429**	-
Increase in liability related to RSUs and PSUs	**120**	-
Effect of change in foreign exchange rates	**5**	-
Balance, end of period	**554**	-
Current (included in accounts payable and accrued liabilities)	**479**	-
Non-current	**75**	-
Share-based compensation liabilities balance	**554**	-

15. Income Taxes

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

($000's unless otherwise stated)	**Three months ended September 30,**		**Nine months ended September 30,**	
	2024	2023	**2024**	2023
Earnings before income taxes	**510**	1,079	**7,706**	294
Trinidad statutory income tax rate	**55.0%**	55.0%	**55.0%**	55.0%
Expected income tax expense at statutory tax rate	**280**	594	**4,238**	162
Effect on income tax resulting from:				
Change in income tax assets not recognized	**(1,722)**	(879)	**(7,094)**	(1,917)
Income tax rate differential	**566**	(442)	**(243)**	57
Effect of change in foreign exchange rates and other	**(461)**	818	**1,991**	1,354
Income tax (recovery) expense	**(1,337)**	91	**(1,108)**	(344)

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 various income tax matters under review, and Touchstone believes that the provision for income taxes is adequate.

16. Financial Instruments and Market Risk Management

Financial instruments

As of September 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 September 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 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 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$, exposing Touchstone to foreign exchange risk. In addition, Touchstone has US$ denominated debt and related interest payments. These risks are currently mitigated by the fact that the TT$ is informally pegged to the US$, and all natural gas and associated liquids sales are denominated and payable in US$.

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 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 based on the one-year term secured overnight financing rate. The current interest rates for the term loan facility 2 and the revolving facility are 7.49 percent and 7.23 percent, respectively.

Equity price risk

The Company is exposed to equity price risk on its own share price in relation to awards issued under its Omnibus Plan and deferred share unit plan, which affects comprehensive income through the revaluation of awards that are accounted for as cash-settled transactions at each period end.

Changes in the Company's share price will result in an increase or decrease in the amount that Touchstone recognizes as share-based compensation expense and the amount Touchstone pays to settle the awards.

17. 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.

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

($000's)	**Target measure**	**September 30, 2024**	December 31, 2023
Current assets		**(19,220)**	(22,570)
Current liabilities		**23,085**	30,151
Working capital deficit		**3,865**	7,581
Principal balance of long-term bank debt		**25,728**	15,000
Net debt		**29,593**	22,581
Shareholders' equity		**69,688**	59,766
Managed capital		**99,281**	82,347
Trailing twelve-months funds flow from operations(1)		**23,623**	13,730
Net debt to funds flow from operations ratio	At or < 2.0 times	**1.25**	1.64
Net debt to managed capital ratio	< 0.4 times	**0.30**	0.27

Note:
(1) Trailing twelve-months funds flow from operations as at September 30, 2024 includes the sum of funds flow from operations for the nine months ended September 30, 2024 and funds flow from operations for the October 1, 2023 through December 31, 2023 interim period.

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.

18. 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 various exploration and production licences 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 September 30, 2024.

($000's)		Estimated payments due by year			
	Total	**2024**	**2025**	**2026**	**Thereafter**
Operating agreements	**18,305**	4,428	4,590	1,764	7,523
Exploration agreements	**45,226**	346	6,292	6,352	32,236
Other commitments	**541**	49	206	194	92
Minimum payments	**64,072**	**4,823**	**11,088**	**8,310**	**39,851**

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.

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

Brian Hollingshead
Executive Vice President Engineering and Business Development

James Shipka
Executive Vice President Asset Development and HSE

Alex Sanchez
Vice President Production and Environment

Cayle Sorge
Vice President Finance

Head Office

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Registered Office

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San Fernando, Trinidad, W.I.

Primera Oil and Gas Limited
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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