



Touchstone Exploration Inc.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023 and 2022

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Touchstone Exploration Inc. ("Touchstone", "we", "our", "us" or the "Company") for the three and nine months ended September 30, 2023 with comparisons to the three and nine months ended September 30, 2022 is dated November 13, 2023 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements as at and for the three and nine months ended September 30, 2023 (the "interim financial statements"), as well as with the Company's audited consolidated financial statements as at and for the year ended December 31, 2022 (the "audited 2022 financial statements"). The interim financial statements have been prepared by Management in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" using accounting policies consistent with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board. Accounting policies adopted by the Company are set out in the notes to the audited 2022 financial statements. The interim financial statements were prepared by Management and approved by the Company's Board of Directors ("Board"). This MD&A should also be read in conjunction with Touchstone's MD&A for the three months and year ended December 31, 2022, as disclosure which is unchanged from December 31, 2022 may not be duplicated herein.

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

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

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

About Touchstone Exploration Inc.

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

Touchstone operates Trinidad-based upstream petroleum and natural gas activities under state exploration and production licences with the Government of Trinidad and Tobago Ministry of Energy and Energy Industries ("MEEI"), Lease Operatorship Agreements ("LOAs") with state owned Heritage Petroleum Company Limited ("Heritage") and private subsurface and surface leases with individual landowners. The LOAs contain marketing arrangements, whereas any crude oil and liquids sold from MEEI licences and private agreements are marketed under separate liquids sales agreements with Heritage. In addition, Primera Oil and Gas Limited ("POGL"), a wholly owned subsidiary of Touchstone, is a party to a long-term natural gas sales agreement with the government owned National Gas Company of Trinidad and Tobago Limited ("NGC") related to all Ortoire property natural gas sales.

Financial and Operating Results Summary

	Three months ended			Nine months ended		
	2023	September 30, 2022	% change	2023	September 30, 2022	% change
Operational						
Average daily production						
Crude oil ⁽¹⁾ (bbls/d)	1,183	1,272	(7)	1,197	1,362	(12)
NGLs ⁽¹⁾ (bbls/d)	176	-	n/a	59	-	n/a
Crude oil and liquids (bbls/d)	1,359	1,272	7	1,256	1,362	(8)
Natural gas ⁽¹⁾ (Mcf/d)	12,191	-	n/a	7,203	-	n/a
Average daily production (boe/d) ⁽²⁾	3,391	1,272	100	2,457	1,362	80
Average realized prices ⁽³⁾						
Crude oil ⁽¹⁾ (\$/bbl)	71.89	84.85	(15)	66.38	88.80	(25)
NGLs ⁽¹⁾ (\$/bbl)	78.12	-	n/a	78.12	-	n/a
Crude oil and liquids (\$/bbl)	72.69	84.85	(14)	66.94	88.80	(25)
Natural gas ⁽¹⁾ (\$/Mcf)	2.31	-	n/a	2.23	-	n/a
Realized commodity price (\$/boe) ⁽²⁾	37.44	84.85	(56)	40.76	88.80	(54)
Production mix (% of production)						
Crude oil and liquids	40	100		51	100	
Natural gas	60	-		49	-	
Operating netback (\$/boe) ⁽²⁾						
Realized commodity price ⁽³⁾	37.44	84.85	(56)	40.76	88.80	(54)
Royalties ⁽³⁾	(10.23)	(29.14)	(65)	(11.70)	(30.97)	(62)
Operating expenses ⁽³⁾	(7.94)	(18.16)	(56)	(10.44)	(17.60)	(41)
Operating netback ⁽³⁾	19.27	37.55	(49)	18.62	40.23	(54)
Financial						
(\$000's except per share amounts)						
Petroleum and natural gas sales	11,682	9,933	18	27,339	33,025	(17)
Cash from operating activities	343	3,058	(89)	4,231	6,941	(39)
Funds flow from operations	2,432	256	100	3,241	2,849	14
Net earnings (loss)	988	(778)	n/a	638	(1,276)	n/a
Per share – basic and diluted	0.00	(0.00)	n/a	0.00	(0.01)	n/a
Exploration capital expenditures	3,498	2,692	30	17,043	7,498	100
Development capital expenditures	111	207	(46)	720	1,323	(46)
Capital expenditures ⁽³⁾	3,609	2,899	24	17,763	8,821	100
Working capital deficit ⁽³⁾				13,419	4,537	100
Principal long-term bank debt				16,500	22,500	(27)
Net debt ⁽³⁾ – end of period				29,919	27,037	11
Share Information (000's)						
Weighted avg. shares outstanding:						
Basic	233,541	212,647	10	233,243	211,898	10
Diluted	237,138	212,647	12	236,947	211,898	12
Outstanding shares – end of period				234,213	213,113	10

Notes:

- (1) In the table above and elsewhere in this MD&A, references to "crude oil" refer to "light and medium crude oil" and "heavy crude oil" product types combined; references to "NGLs" refer to condensate; and references to "natural gas" refer to "conventional natural gas", all as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). Refer to the "Advisories - Product Type Disclosures" section of this MD&A for further information.
- (2) In the table above and elsewhere in this MD&A, references to "boe" mean barrels of oil equivalent that are calculated using the energy equivalent conversion method. Refer to the "Advisories - Oil and Natural Gas Measures" section in this MD&A for further information.
- (3) Non-GAAP financial measure. See the "Advisories - Non-GAAP Financial Measures" section of this MD&A for further information.

Results of Operations

Financial highlights

(\$000's except per share amounts)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% change	2023	2022	% change
Net earnings (loss)	988	(778)	n/a	638	(1,276)	n/a
Per share – basic and diluted	0.00	(0.00)	n/a	0.00	(0.01)	n/a
Cash from operating activities	343	3,058	(89)	4,231	6,941	(39)
Funds flow from operations	2,432	256	100	3,241	2,849	14

Net earnings (loss)

We recorded net earnings of \$988,000 (\$0.00 per basic and diluted share) in the third quarter of 2023 compared to a net loss of \$778,000 (\$0.00 per basic share) in the prior year equivalent quarter. Compared to the prior year third quarter, the variance from the same period of 2023 predominately reflected an increase of \$2,176,000 in funds flow from operations, slightly offset by various non-cash items, notably a \$402,000 increase in depletion and depreciation expenses related to initial Cascadura production volumes brought onstream in the third quarter of 2023.

Touchstone recognized net earnings of \$638,000 (\$0.00 per basic and diluted share) during the nine months ended September 30, 2023 in comparison to a net loss of \$1,276,000 (\$0.01 per basic share) recorded in the corresponding 2022 period. Relative to the year-to-date 2022 period, the 2023 increase was based on a \$392,000 increase in funds flow from operations as well as positive year-over-year variances in various non-cash items, including a net increase in gain on asset dispositions and decreases in non-cash finance and deferred income tax expenses.

The following table sets forth details of the change in net (loss) earnings from the three and nine months ended September 30, 2022 to the three and nine months ended September 30, 2023.

(\$000's)	Three months ended September 30,	Nine months ended September 30,
Net loss – 2022	(778)	(1,276)
Cash items		
Funds flow from operations	2,176	392
Decommissioning expenditures	(78)	(110)
Cash variances	2,098	282
Non-cash items		
Gain on asset dispositions	-	680
Unrealized foreign exchange	(218)	(430)
Equity-based compensation expense	116	146
Depletion and depreciation expense	(402)	(915)
Impairment expense	(8)	134
Non-cash finance expenses	51	522
Deferred income tax	129	1,495
Non-cash variances	(332)	1,632
Net earnings – 2023	988	638

Cash from operating activities

Details of the change in cash from operating activities from the three and nine months ended September 30, 2022 to the three and nine months ended September 30, 2023 are included in the table below.

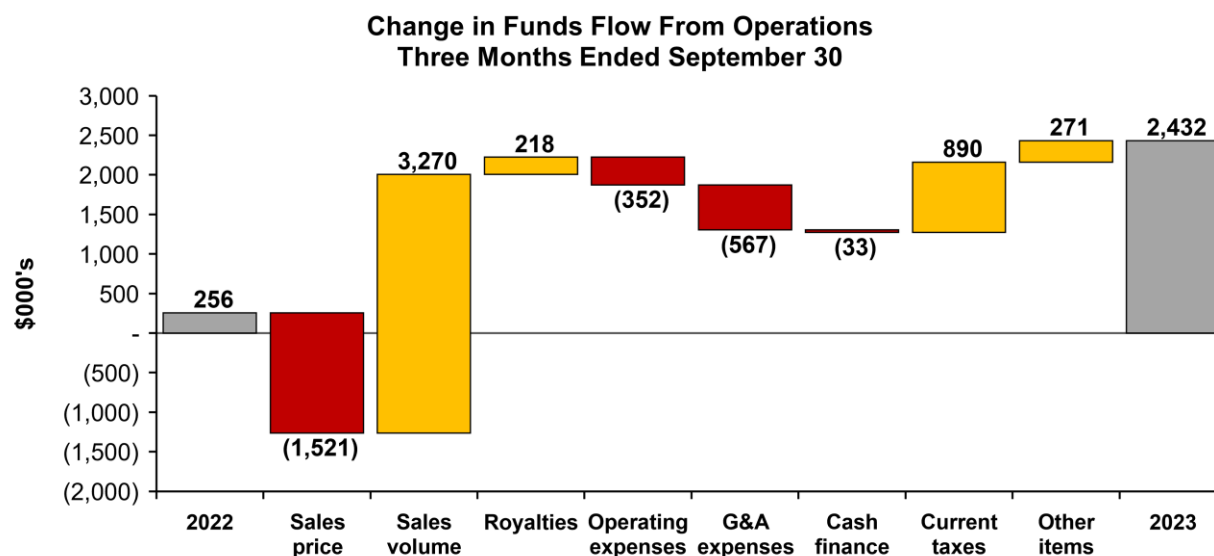
(\$000's)	Three months ended September 30,	Nine months ended September 30,
Cash from operating activities – 2022	3,058	6,941
Change in funds flow from operations	2,176	392
Net change in non-cash working capital	(4,891)	(3,102)
Cash from operating activities – 2023	343	4,231

Funds flow from operations

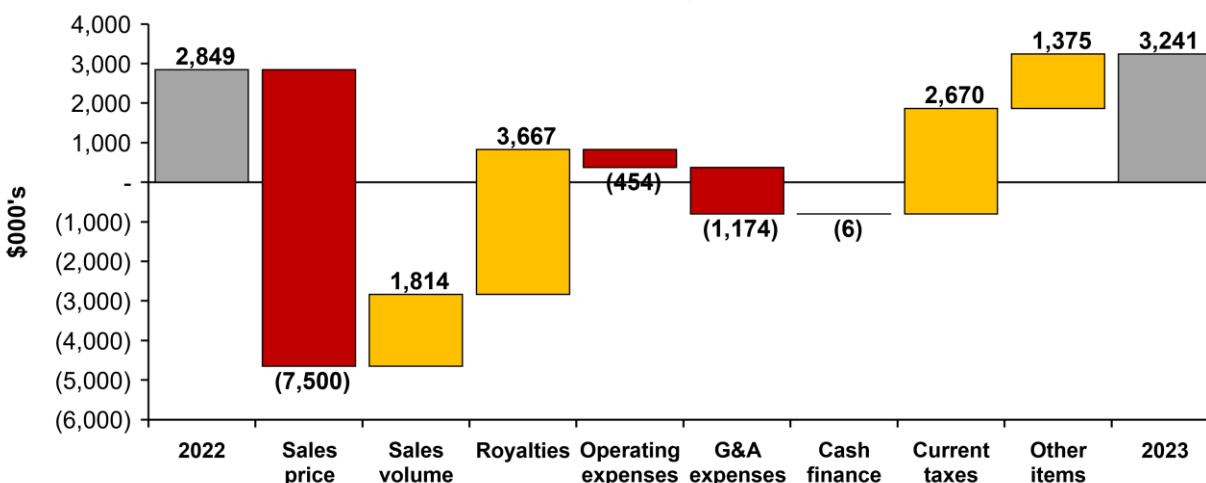
We generated funds flow from operations of \$2,432,000 in the third quarter of 2023 compared to \$256,000 in the prior year comparative quarter. Relative to the third quarter of 2022, the increase of \$2,176,000 recorded in the same period of 2023 primarily reflected an increase of \$1,615,000 in operating netbacks predominately from incremental Cascadura natural gas and NGL production volumes. Increased third quarter 2023 general and administration ("G&A") expenses were offset by reduced current income tax expenses and insurance proceeds received in relation to the June 2022 oil spill.

On a year-to-date basis, we generated funds flow from operations of \$3,241,000 in 2023 compared to \$2,849,000 in the same period of 2022. Relative to the nine months ended September 30, 2022, 2023 operating netbacks decreased by \$2,473,000, as crude oil sales declined 34 percent based on a 25 percent reduction in realized pricing and a 12 percent decline in production. The reduction in crude oil sales were slightly offset by natural gas sales from Coho and Cascadura recognized during the nine months ended September 30, 2023, as well as reduced royalties incurred in 2023 from decreased average crude oil pricing and incremental natural gas production which was subject to lower royalty rates. Increased year to date September 30, 2023 G&A expenses were offset by a \$2,670,000 reduction in current income tax expenses and the aforementioned insurance proceeds recognized in the 2023 year to date period.

The following graphs summarize the change in funds flow from operations from the three and nine months ended September 30, 2022 to the three and nine months ended September 30, 2023.



**Change in Funds Flow From Operations
Nine Months Ended September 30**



Production volumes

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% change	2023	2022	% change
Production						
Crude oil (bbls)	108,879	117,059	(7)	326,839	371,896	(12)
NGLs (bbls)	16,180	-	n/a	16,180	-	n/a
Crude oil and liquids (bbls)	125,059	117,059	7	343,019	371,896	(8)
Natural gas (Mcf)	1,121,585	-	n/a	1,966,347	-	n/a
Total production (boe)	311,990	117,059	100	670,743	371,896	80
Average daily production						
Crude oil (bbls/d)	1,183	1,272	(7)	1,197	1,362	(12)
NGLs (bbls/d)	176	-	n/a	59	-	n/a
Crude oil and liquids (bbls/d)	1,359	1,272	7	1,256	1,362	(8)
Natural gas (Mcf/d)	12,191	-	n/a	7,203	-	n/a
Average daily production (boe/d)	3,391	1,272	100	2,457	1,362	80
Production mix						
Crude oil and liquids (%)	40	100		51	100	
Natural gas (%)	60	-		49	-	

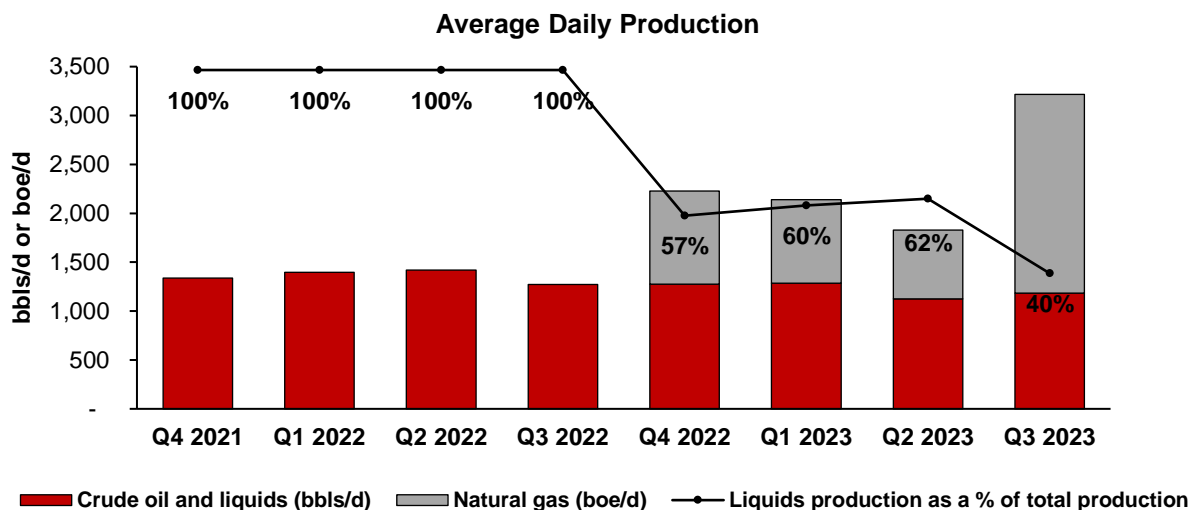
We achieved record quarterly production in the third quarter of 2023 as we brought both of our Cascadura wells onstream in September 2023, which increased our natural gas production weighting to 60 percent in the quarter and 49% on a year to date basis.

Third quarter and year to date 2023 crude oil production volumes decreased 7 percent and 12 percent from the prior year equivalent periods, respectively. The year over year decreases predominately reflected natural declines, as 2022 oil production volumes included flush production from the three development wells brought onstream in the first quarter of 2022 and we sold 4,126 incremental barrels of Royston-1 well production test volumes in the first half of the prior year.

Coho-1 contributed average net production volumes of 3.7 MMcf/d or 618 boe/d in the third quarter of 2023, representing a 12 percent decrease from 4.2 MMcf/d (703 boe/d) produced in the second quarter of 2023. In the third quarter of 2023, the Coho-1 well continued to experience higher water volumes and lower flowing pressures, and the well was down for three days due to third party processor downtime. For the nine months

ended September 30, 2023, the well contributed average net production volumes of 4.3 MMcf/d (724 boe/d).

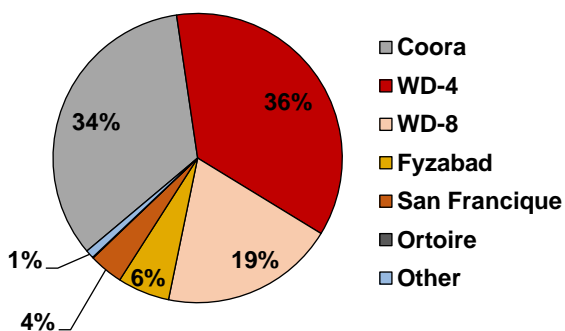
On September 6, 2023 and September 14, 2023, we achieved first production from our Cascadura-1ST1 well and Cascadura Deep-1 well, respectively. The wells contributed average net natural gas production rates of 8.5 MMcf/d (1,413 boe/d) in the third quarter of 2023 and 2.9 MMcf/d (476 boe/d) during the nine months ended September 30, 2023. The Company sold 16,180 net barrels of NGLs in September 2023, representing third quarter and year to date production averages of 176 bbls/d and 59 bbls/d, respectively.



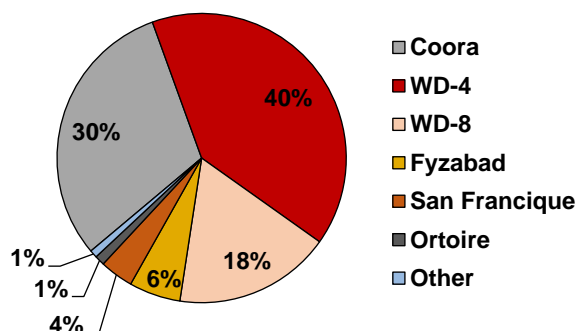
The following table summarizes crude oil production by property during the three and nine months ended September 30, 2023 and 2022.

(bbls)	Three months ended			Nine months ended		
	2023	September 30, 2022	% change	2023	September 30, 2022	% change
Coora (CO-1 and CO-2)	34,511	35,308	(2)	110,401	113,731	(3)
WD-4	37,380	47,919	(22)	117,880	150,082	(21)
WD-8	26,651	21,900	22	63,738	65,417	(3)
Fyzabad	5,831	6,592	(12)	19,019	21,398	(11)
San Francique	3,249	4,225	(23)	12,461	13,961	(11)
Ortoire	267	-	n/a	267	4,126	(94)
Other	990	1,115	(11)	3,073	3,181	(3)
Crude oil production	108,879	117,059	(7)	326,839	371,896	(12)

Crude Oil Production by Property for the Nine Months Ended September 30, 2023



Crude Oil Production by Property for the Nine Months Ended September 30, 2022



Commodity prices

	Three months ended			Nine months ended		
	2023	September 30, 2022	% change	2023	September 30, 2022	% change
Avg. benchmark prices⁽¹⁾						
Brent (\$/bbl)	86.65	100.71	(14)	81.99	105.00	(22)
WTI (\$/bbl)	82.26	91.56	(10)	77.39	98.09	(21)
Average realized prices⁽²⁾						
Crude oil (\$/bbl)	71.89	84.85	(15)	66.38	88.80	(25)
NGLs (\$/bbl)	78.12	-	n/a	78.12	-	n/a
Crude oil and liquids (\$/bbl)	72.69	84.85	(14)	66.94	88.80	(25)
Natural gas (\$/Mcf)	2.31	-	n/a	2.23	-	n/a
Realized commodity price (\$/boe)	37.44	84.85	(56)	40.76	88.80	(54)

Notes:

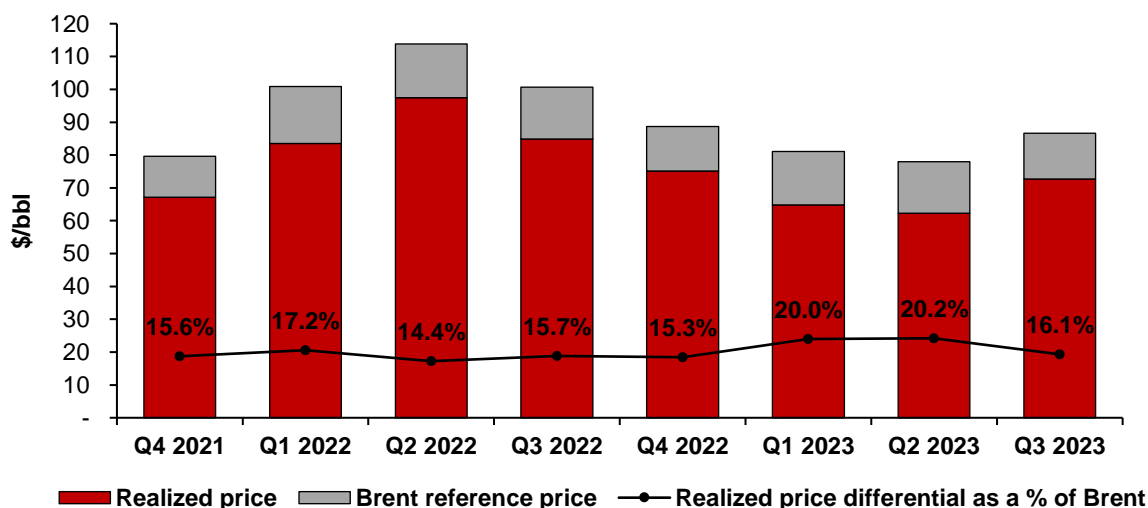
(1) Average of the daily closing spot prices for a given product over the specified period. Source: US Energy Information Administration.

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

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

Third quarter and year to date 2023 benchmark crude oil prices decreased compared to the same periods in 2022, primarily due to the normalization of global supply and demand balances.

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



Note:

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

Touchstone realized an average crude oil price of \$71.89 per barrel in the third quarter of 2023 compared to an average of \$84.85 per barrel reported in the equivalent quarter of 2022. Relative to the third quarter of 2022, the 15 percent decrease in 2023 was predominately driven by a 14 percent decrease in Brent reference pricing, combined with a widening of the realized price differential in relation to Brent benchmark pricing from 15.7 percent to 17.0 percent.

On a year-to-date basis, we realized an average crude oil price of \$66.38 per barrel in 2023, a 25 percent decrease relative to the \$88.80 per barrel price received during the nine months ended September 30, 2022. The decrease from the corresponding 2022 period reflected a 22 percent decrease in the average Brent reference price and an increase in the realized price differential in relation to Brent reference pricing from 15.4 percent to 19.0 percent.

Touchstone realized average NGL prices of \$78.12 per barrel during the three and nine months ended September 30, 2023, which represented Cascadura field volumes sold in September 2023.

We realized average Coho-1 natural gas prices of \$2.11 per Mcf during the three and nine months ended September 30, 2023. Touchstone is obligated to pay a \$0.125 per Mcf processing fee to the third-party natural gas facility operator which is netted against natural gas sales. Cascadura September 2023 natural gas sales volumes realized an average price of \$2.40 per Mcf. We realized weighted average natural gas prices of \$2.31 per Mcf and \$2.23 per Mcf during the three and nine months ended September 30, 2023, respectively.

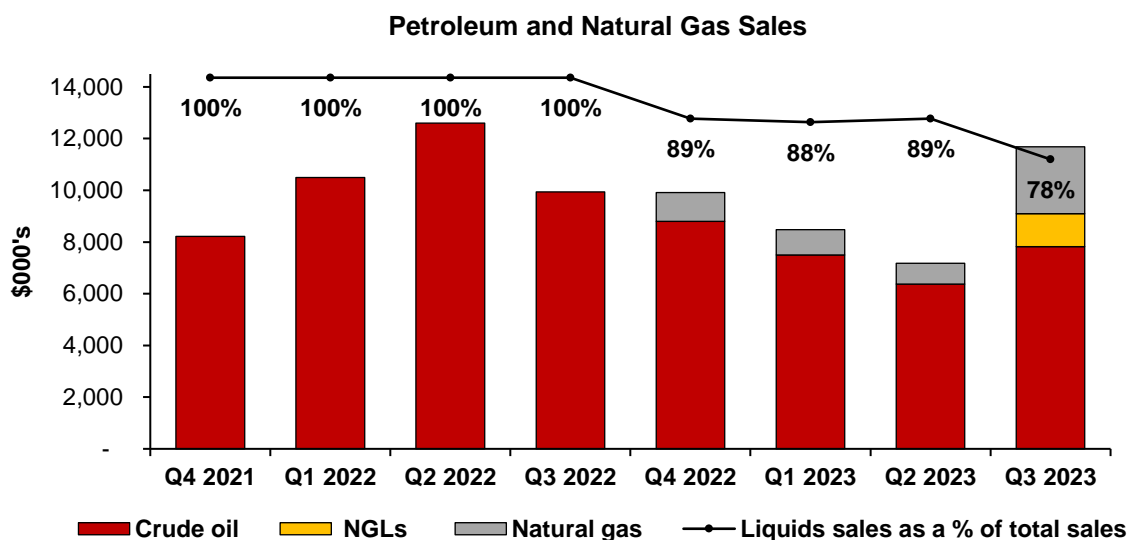
Petroleum and natural gas sales

<i>(\$000's unless otherwise stated)</i>	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	%	2023	2022	%
			change			change
Crude oil	7,827	9,933	(21)	21,697	33,025	(34)
NGLs	1,264	-	n/a	1,264	-	n/a
Natural gas	2,591	-	n/a	4,378	-	n/a
Petroleum and natural gas sales	11,682	9,933	18	27,339	33,025	(17)
Sales mix						
Crude oil and liquids (%)	78	100		84	100	
Natural gas (%)	22	-		16	-	

We sell all produced crude oil and NGL volumes to Heritage, with title transferring at our various sales batteries. As of September 30, 2023, we held 5,487 barrels of crude oil and liquids inventory in comparison to 4,021 barrels as of December 31, 2022. We sell our Coho and Cascadura natural gas volumes to NGC, with title transferring at each facility.

Petroleum and natural gas sales in the third quarter of 2023 increased 18 percent to \$11,682,000 from \$9,933,000 in the comparative quarter of 2022. Compared to the third quarter of 2022, 2023 crude oil sales declined by \$2,106,000, with \$1,521,000 reflecting a decrease in realized pricing and \$585,000 attributed to a reduction in sales volumes. In the third quarter of 2023, we recorded \$1,264,000 in NGL sales from September Cascadura field production, and an incremental \$720,000 and \$1,871,000 was recognized relating to Coho and Cascadura natural gas sales, respectively.

For the nine months ended September 30, 2023, petroleum and natural gas sales were \$27,339,000, representing a \$5,686,000 or 17 percent decrease from the \$33,025,000 recognized in the equivalent 2022 period. Relative to the prior year period, crude oil sales recognized during the nine months ended September 30, 2023 declined by \$11,328,000, with \$7,500,000 attributed to decreases in average realized pricing and \$3,838,000 of the variance reflecting decreased sales volumes. An incremental \$1,264,000 in NGL sales was recorded during the year-to-date period, solely representing Cascadura September sales volumes. In addition, we recognized \$4,378,000 in natural gas sales during the nine months ended September 30, 2023, with \$2,507,000 from Coho and \$1,871,000 from Cascadura.



Royalties

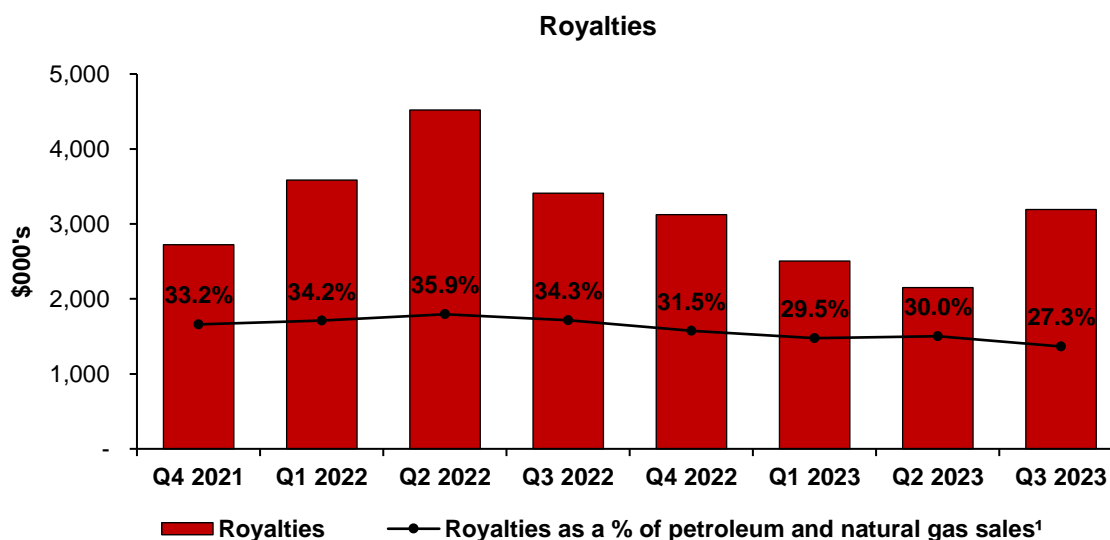
(\$000's unless otherwise stated)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% change	2023	2022	% change
Crown royalties	1,438	1,148	25	3,281	3,810	(14)
Private royalties	68	92	(26)	207	320	(35)
Overriding royalties	1,687	2,171	(22)	4,361	7,386	(41)
Royalties	3,193	3,411	(6)	7,849	11,516	(32)
\$ per boe ⁽¹⁾	10.23	29.14	(65)	11.70	30.97	(62)
As a % of petroleum and natural gas sales ⁽¹⁾	27.3	34.3	(20)	28.7	34.9	(18)

Note:

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

Royalties decreased 6 and 32 percent in the three and nine months ended September 30, 2023, respectively, compared to the same periods of 2022. The decreases were largely due to the 21 and 34 percent decreases in crude oil sales in the same respective periods. Additional Ortoire property natural gas and NGL sales recognized in the 2023 periods were only subject to a 12.5 percent crown royalty.

Royalties as a percentage of petroleum and natural gas sales decreased to 27.3 percent in the third quarter of 2023 compared to 34.3 percent in the prior year equivalent quarter. For the nine months ended September 30, 2023, royalties represented 28.7 percent of petroleum and natural gas sales compared to 34.9 percent in the same period of 2022. Relative to the corresponding 2022 periods, the decreases in effective royalty rates during the three and nine months ended September 30, 2023 were attributed to reduced realized crude oil pricing and corresponding sliding scale overriding royalty rates, as well as incremental 2023 natural gas and NGL production from our Ortoire field that incurs lower royalty rates.



Note:

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

Operating expenses

(\$000's except per boe amounts)	Three months ended			Nine months ended		
	2023	September 30, 2022	% change	2023	September 30, 2022	% change
Operating expenses	2,478	2,126	17	7,001	6,547	7
\$ per boe ⁽¹⁾	7.94	18.16	(56)	10.44	17.60	(41)

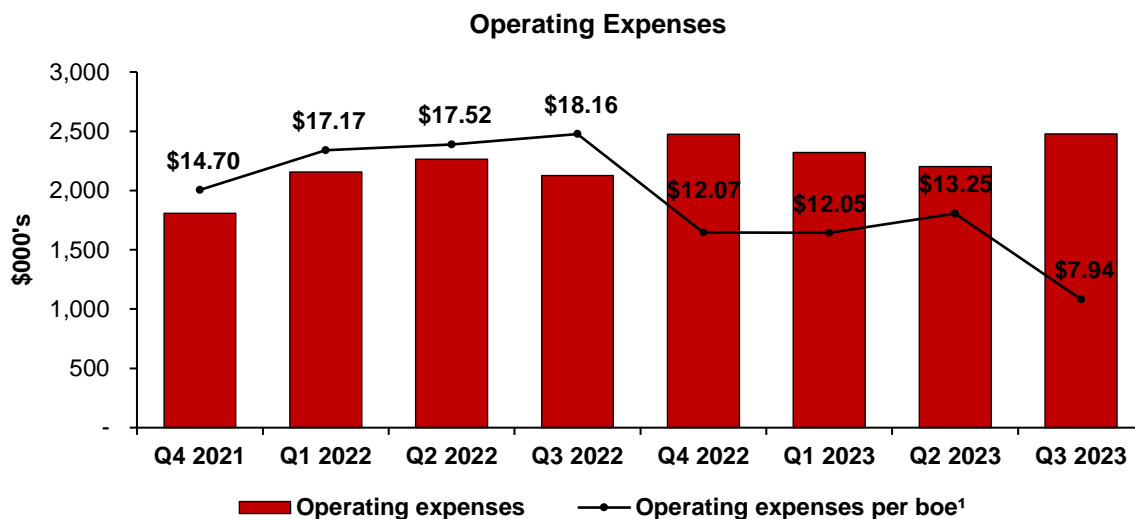
Note:

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

Third quarter 2023 operating expenses increased by 17 percent from the comparative period of 2022. Relative to the prior year equivalent period, 2023 third quarter crude oil related operating expenses remained consistent. Increases in employee headcount and related salaries were offset by a 7 percent decline in crude oil production. An estimated \$210,000 and \$147,000 of additional operating costs were incurred related to Coho natural gas production and Cascadura natural gas and NGL production during the three months ended September 30, 2023, respectively.

For the nine months ended September 30, 2023, operating expenses increased by 7 percent from the prior year comparative period. 2023 crude oil operating expenses decreased by approximately 9 percent from the prior year comparative period based on a 12 percent production decline, slightly offset by increased fixed salary costs allocated to operating expenses. Touchstone recognized an estimated \$1,001,000 in incremental operating costs attributed to natural gas and NGL production during the nine months ended September 30, 2023.

Operating expenses per boe decreased 56 and 41 percent in the three and nine months ended September 30, 2023, respectively, compared to the same periods of 2022. The per unit decreases in comparison to the comparative 2022 periods were primarily attributed to incremental Coho and Cascadura production. Coho natural gas production averaged estimated operating expenses of \$3.69 and \$4.32 per boe during the third quarter and year to date 2023 periods, respectively. Cascadura natural gas and NGL production averaged estimated operating expenses of \$1.01 per boe during the three and nine months ended September 30, 2023. During the third quarter and year to date 2023 periods, estimated crude oil operating expenses were \$19.48 and \$18.36 per barrel, respectively, representing increases from the respective prior year periods due to increased salary expenses and inflationary pressures on various cost categories.

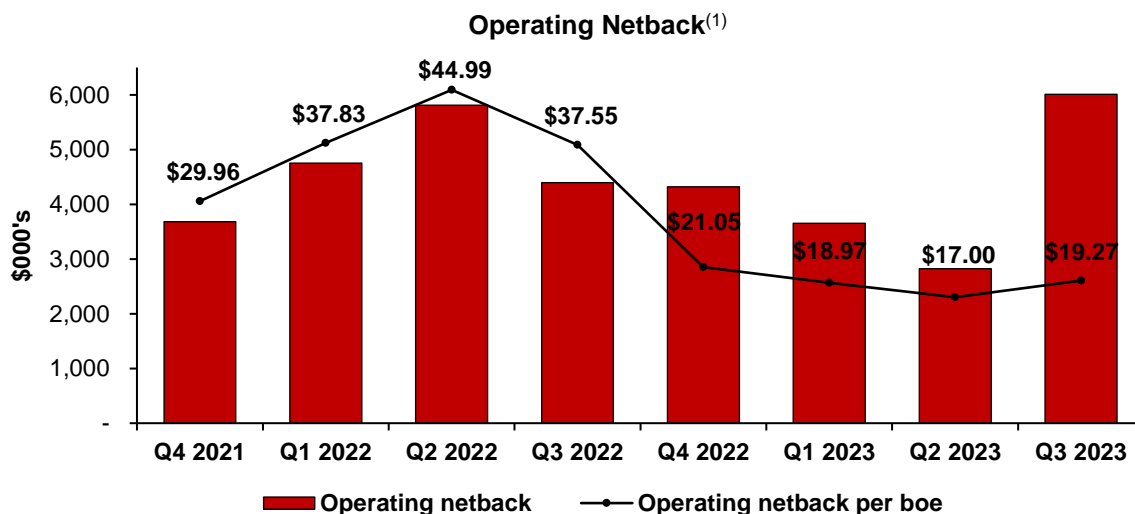


Note:

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

Operating netback

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% change	2023	2022	% change
<i>(\$'000's)</i>						
Petroleum and natural gas sales	11,682	9,933	18	27,339	33,025	(17)
Royalties	(3,193)	(3,411)	(6)	(7,849)	(11,516)	(32)
Operating expenses	(2,478)	(2,126)	17	(7,001)	(6,547)	7
Operating netback⁽¹⁾	6,011	4,396	37	12,489	14,962	(17)
<i>(\$/boe)</i>						
Realized commodity price ⁽¹⁾	37.44	84.85	(56)	40.76	88.80	(54)
Royalties ⁽¹⁾	(10.23)	(29.14)	(65)	(11.70)	(30.97)	(62)
Operating expenses ⁽¹⁾	(7.94)	(18.16)	(56)	(10.44)	(17.60)	(41)
Operating netback⁽¹⁾	19.27	37.55	(49)	18.62	40.23	(54)



Note:

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

General and administration expenses

(\$000's except per boe amounts)	Three months ended			Nine months ended		
	2023	September 30, 2022	% change	2023	September 30, 2022	% change
Gross G&A expenses	2,790	2,247	24	7,760	6,594	18
Capitalized G&A expenses	(230)	(254)	(9)	(723)	(731)	(1)
G&A expenses	2,560	1,993	28	7,037	5,863	20
\$ per boe ⁽¹⁾	8.21	17.03	(52)	10.49	15.77	(33)

Note:

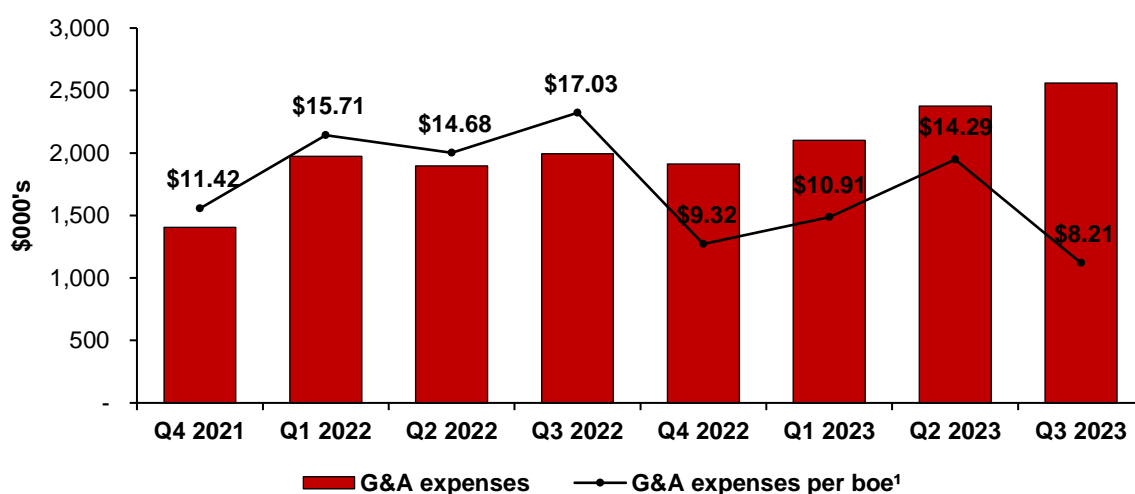
(1) Non-GAAP financial measure. See the "Advisories - Non-GAAP Financial Measures" section of this MD&A for further information.

Gross G&A expenses increased 24 percent and 18 percent in the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022. The increases in the three and nine months ended September 30, 2023 compared to the prior year equivalent periods were primarily attributable to higher employee headcount related costs, travel, insurance and legal expenses, slightly offset by foreign exchange variances from the translation of Canadian head office costs based on a weaker Canadian dollar throughout 2023.

Capitalized G&A expenses declined in the three and nine months ended September 30, 2023 compared to the same periods in 2022 predominantly from decreased employee hours allocated to capital projects, slightly offset by a higher employee headcount.

Third quarter 2023 G&A expenses were \$8.21 per boe, representing a 52 percent decrease from the \$17.03 per barrel reported in the third quarter of 2022. A 28 percent increase in third quarter 2023 net G&A expenses in relation to the prior year equivalent quarter was fully offset by a 167 percent increase in production volumes on a boe basis. Year to date 2023 G&A expenses on a boe basis declined 33 percent from the equivalent 2022 period, as an 80 percent increase in production volumes achieved in 2023 fully offset a 20 percent increase in net G&A expenditures.

General and Administration Expenses



Note:

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

Net finance expenses

(\$000's except per boe amounts)	Three months ended			Nine months ended		
	2023	September 30, 2022	% change	2023	September 30, 2022	% change
Interest income	(12)	(15)	(20)	(57)	(23)	100
Finance lease interest income	(10)	(15)	(33)	(34)	(49)	(31)
Lease liability interest	75	61	23	203	187	9
Bank debt interest	594	583	2	1,657	1,761	(6)
Debt issuance expense	-	-	-	114	-	n/a
Production liability revaluation (gain) loss	(45)	20	n/a	(353)	139	n/a
Accretion on decommissioning liabilities	65	48	35	188	168	12
Other	7	10	(30)	18	69	(74)
Net finance expenses	674	692	(3)	1,736	2,252	(23)
Cash net finance expenses	647	614	5	1,895	1,889	-
Non-cash net finance (income) expenses	27	78	(65)	(159)	363	n/a
Net finance expenses	674	692	(3)	1,736	2,252	(23)
\$ per boe ⁽¹⁾	2.16	5.91	(63)	2.59	6.06	(57)

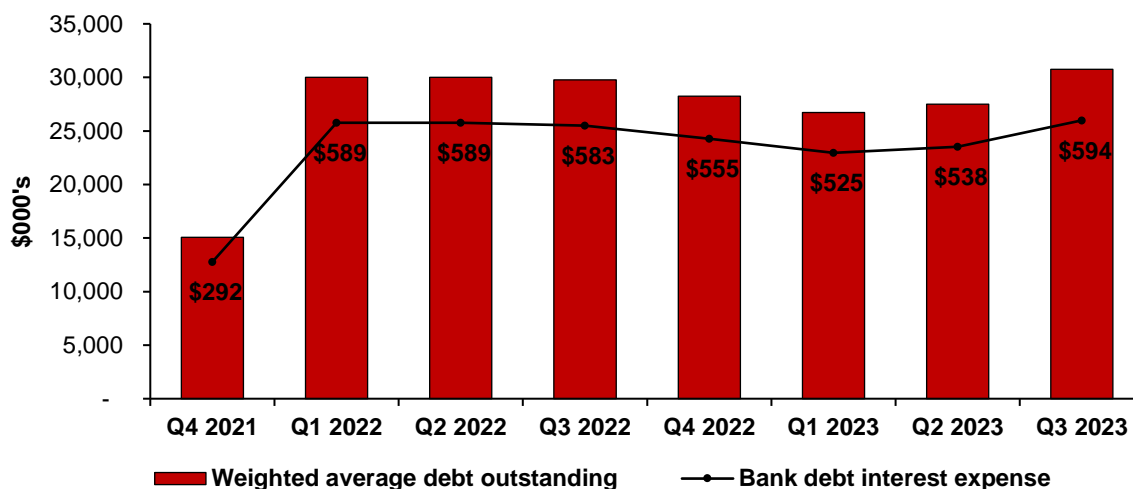
Note:

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

Net finance expenses in the third quarter of 2023 were \$674,000 compared to \$692,000 recognized in the same period of 2022. For the nine months ended September 30, 2023, net finance expenses were \$1,736,000, representing a \$516,000 or 23 percent decrease from the \$2,252,000 recognized in the prior year comparative period.

Relative to the corresponding periods of 2022, bank debt interest costs were consistent in both periods of 2023. During the nine months ended September 30, 2023, the Company incurred \$114,000 in debt issuance costs from the inception of a bank debt revolving facility in June 2023 (refer to the "Liquidity and Capital Resources - Bank Debt" section herein for further details).

Bank Debt and Interest Expense



We granted our former lender a production payment equal to 1.33 percent of petroleum and natural gas sales from Trinidad land holdings, payable quarterly through October 31, 2023. The production liability is

revalued at each reporting period based on changes to internally forecasted petroleum and natural gas production and forward product pricing and is thus subject to variability. During the three and nine months ended September 30, 2023, we recognized gains on revaluation of \$45,000 and \$353,000, respectively, based on decreases in estimated future production levels (2022 - losses of \$20,000 and \$139,000). As of September 30, 2023, our production liability balance was \$102,000, with the full balance included in accounts payable and accrued liabilities on the consolidated balance sheet (December 31, 2022 - \$816,000).

Foreign exchange and foreign currency translation

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

Applicable FX rates	Three months ended			Nine months ended		
	2023	September 30, 2022	% change	2023	September 30, 2022	% change
US\$:C\$ avg. FX rate ⁽¹⁾	1.342	1.305	3	1.347	1.283	5
US\$:TT\$ avg. FX rate ⁽²⁾	6.745	6.754	-	6.749	6.755	-
	September 30, 2023	June 30, 2023	% change	September 30, 2023	December 31, 2022	% change
US\$:C\$ closing FX rate ⁽¹⁾	1.359	1.325	3	1.359	1.357	-
US\$:TT\$ closing FX rate ⁽²⁾	6.749	6.749	-	6.749	6.742	-

Notes:

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

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

During the three and nine months ended September 30, 2023, the C\$ depreciated 3 percent and 5 percent relative to the US\$, respectively, in comparison to the corresponding average rates observed in the 2022 equivalent periods. Relative to the US\$, the TT\$ remained range bound during the three and nine months ended September 30, 2023 and 2022. In aggregate, we recorded foreign exchange gains of \$5,000 and \$67,000 during the three and nine months ended September 30, 2023, respectively (2022 - \$285,000 and \$481,000). Foreign exchange gains and losses include amounts that are unrealized in nature and may be reversed in the future as a result of fluctuations in prevailing exchange rates.

The assets and liabilities of our parent company and subsidiaries are translated to US\$ dollars at the exchange rate on the reporting period date for presentation purposes, with all foreign currency differences recorded in other comprehensive loss. Relative to the US\$, the C\$ closed 3 percent weaker on September 30, 2023 versus June 30, 2023 while the September 30, 2023 closing rate was consistent with the corresponding rate on December 31, 2022. In comparison to the US\$, the TT\$ remained consistent over the corresponding periods. We recognized a foreign currency translation loss of \$179,000 and an aggregate gain of \$25,000 during the three and nine months ended September 30, 2023, respectively (2022 - losses of \$450,000 and \$317,000).

Equity-based awards

We have a stock option plan ("Legacy Plan") pursuant to which options to purchase common shares of the Company were granted by our Board to directors, officers, and employees.

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

No additional stock options will be granted under the Legacy Plan, and all outstanding stock options previously issued pursuant to the Legacy Plan will continue to be governed by such plan and will continue to vest in accordance with their existing vesting schedules. The maximum number of common shares reserved for issuance under the Legacy Plan and the Omnibus Plan at any time is limited to 10 percent of our issued and outstanding common shares, on a non-diluted basis. As of September 30, 2023, we had 14,353,935 stock options outstanding, which represented 6.1 percent of our issued and outstanding common shares (December 31, 2022 - 11,928,435 and 5.1 percent, respectively).

The following table sets forth equity compensation expenses recorded in relation to issued stock options pursuant to our incentive compensation plans for the periods indicated.

(\$000's)	Three months ended			Nine months ended		
	2023	September 30, 2022	% change	2023	September 30, 2022	% change
Gross equity-based compensation	246	421	(42)	963	1,223	(21)
Capitalized equity-based compensation	(34)	(93)	(63)	(138)	(252)	(45)
Equity-based compensation expense	212	328	(35)	825	971	(15)

Equity-based compensation expenses declined 35 percent and 15 percent in the third quarter and year to date periods of 2023, respectively, compared to the equivalent periods in 2022. The decreases in gross equity-based compensation and capitalized equity-based compensation during the three and nine months ended September 30, 2023 compared to the same periods of 2022 were primarily attributable to decreases in the fair value of equity-based awards granted in 2022 versus previously granted awards. In addition, the Company issued its Board approved 2023 annual stock option awards on September 18, 2023.

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

Depletion and depreciation expense

(\$000's except per boe amounts)	Three months ended			Nine months ended		
	2023	September 30, 2022	% change	2023	September 30, 2022	% change
Depletion expense	1,147	837	37	3,172	2,621	21
Depreciation expense	459	367	25	852	488	75
Depletion and depreciation expense	1,606	1,204	33	4,024	3,109	29
Depletion expense \$ per boe ⁽¹⁾	3.68	7.15	(49)	4.73	7.05	(33)

Note:

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

For the three and nine months ended September 30, 2023, depletion expense associated with our petroleum and natural gas development assets included in property, plant and equipment ("PP&E") increased by 37 percent and 21 percent, respectively, compared to the same periods of 2022. The 2023 year-over-year increases in depletion expenses in comparison to 2022 primarily reflected incremental production volumes associated with our Coho and Cascadura field production.

On a per boe basis, the Company's depletion rates decreased 49 percent and 33 percent during the three and nine months ended September 30, 2023, respectively, in comparison to the equivalent prior year periods, primarily based on incremental production volumes associated with our Coho and Cascadura fields.

The increases in depreciation expense reported during the three and nine months ended September 30, 2023 relative to the equivalent 2022 periods reflected higher net asset carrying values associated with lease right-of-use assets as a result of increased lease liability carrying values and corporate PP&E expenditures, as well as an increase in depreciation of drilling rig mobilization expenses which were recorded when the associated drilling rig was in use in the first quarter of 2023.

Impairment of non-financial assets

E&E asset impairment

During the three and nine months ended September 30, 2023, we recognized E&E asset impairments of \$18,000 and \$47,000, respectively, primarily reflecting Cory Moruga exploration licence financial obligations (2022 - \$10,000 and \$181,000). Our 16.2 percent non-operated working interest in the Cory Moruga licence continues to have an estimated recoverable value of \$nil, and the operator of the licence has entered into a sale and purchase agreement for the property with a third party.

Upon first production in September 2023, the Company transferred \$30,434,000 of E&E costs related to our Cascadura cash-generating unit ("CGU") to PP&E. Immediately prior to transferring the assets to PP&E, we performed the required impairment test to estimate the recoverable amount of the CGU. It was determined that the recoverable amount of the CGU exceeded its carrying value, resulting in no impairment expense recognized.

As of September 30, 2023, we identified no indicators of impairment relating to our Ortoire field, which had a carrying value of \$37,054,000 representing the full E&E asset balance on the consolidated balance sheet (December 31, 2022 - \$51,352,000).

PP&E impairment

On September 30, 2023 and 2022, we evaluated our petroleum and natural gas development assets included in PP&E for indicators of any potential impairment or reversal. As a result of these assessments, no indicators were identified.

Other expenses

(\$000's except per boe amounts)	Three months ended			Nine months ended		
	2023	September 30, 2022	% change	2023	September 30, 2022	% change
Other expenses	(112)	132	n/a	(552)	672	n/a
\$ per boe ⁽¹⁾	(0.36)	1.13	n/a	(0.82)	1.81	n/a

Note:

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

During the third quarter and year to date third quarter periods of 2022, the Company accrued \$132,000 and \$672,000 in estimated costs related to an oil spill that occurred as a result of vandalism in June 2022. In the fourth quarter of 2022 we filed an insurance claim through our general and pollution liability policy which has a \$250,000 deductible for all pollution claims. We received the final insurance proceeds of \$112,000 in the third quarter of 2023 from this claim, with an aggregate \$552,000 received during the nine months ended September 30, 2023.

Income taxes

Current income tax

The Company's two Trinidad exploration and production subsidiaries are subject to supplemental petroleum tax ("SPT"), petroleum profit tax ("PPT") and unemployment levy ("UL").

SPT is levied on a quarterly basis and is applicable to crude oil and liquids volumes. Actual rates vary based on the average realized selling prices of crude oil and liquids in the applicable quarter. The SPT rate is zero when the weighted average realized price of crude oil and liquids for a given quarter is below \$75.00 per barrel and 18 percent when weighted average realized prices fall between \$75.00 and \$90.00 per barrel. For quarterly average prices greater than \$90.00, the SPT rate is 18 percent plus 0.2 percent per \$1.00 above \$90.00 per barrel. The tax base for the calculation of SPT is crude oil and liquids sales less related royalties paid, less 30 percent investment tax credits on mature oilfields for allowable tangible and intangible capital expenditures incurred in the applicable fiscal quarter. Our Ortoire property is not considered a mature oilfield, and thus no capital spending investment tax credits are applicable.

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

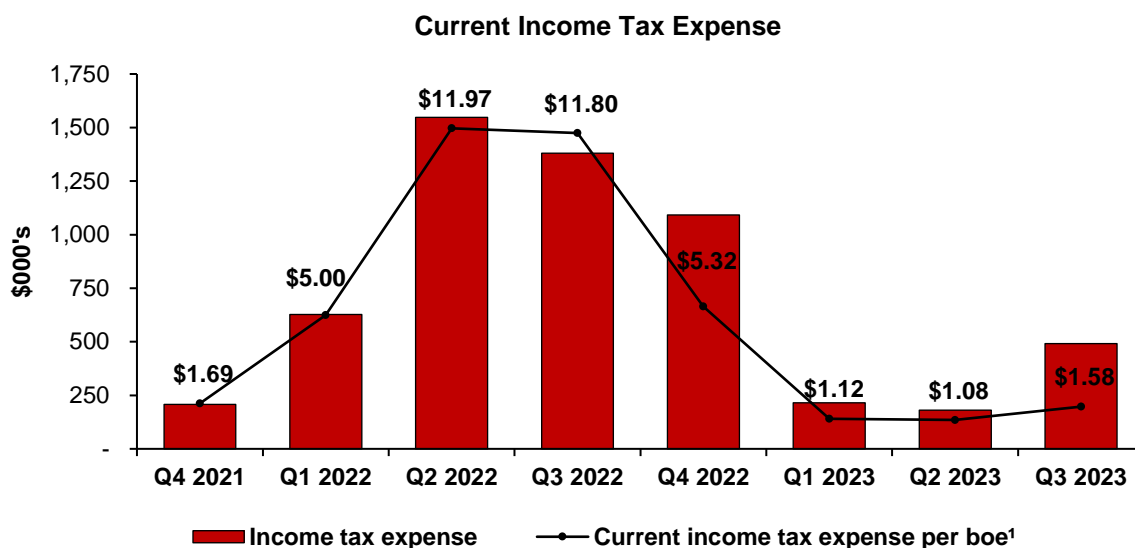
The following table sets forth current income tax expenses for the periods indicated.

(\$000's except per boe amounts)	Three months ended			Nine months ended		
	2023	September 30, 2022	% change	2023	September 30, 2022	% change
SPT	230	1,173	(80)	234	2,443	(90)
PPT	152	122	25	381	702	(46)
UL	61	48	27	152	281	(46)
Other	48	38	26	119	130	(8)
Current income tax expenses	491	1,381	(64)	886	3,556	(75)
\$ per boe ⁽¹⁾	1.57	11.80	(87)	1.32	9.56	(86)

Note:

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

During the three and nine months ended September 30, 2023, we recognized current income tax expenses of \$491,000 and \$886,000, respectively, compared to \$1,381,000 and \$3,556,000 in the same periods of 2022. Relative to the corresponding periods of 2022, the decrease in third quarter and year to date September 30, 2023 current income taxes was based on reduced SPT expenses and a decline in estimated 2023 Trinidad-based net taxable profits. Third quarter 2023 SPT expenses related to September NGL sales, which averaged a realized price above the \$75.00 per barrel SPT threshold.



Note:

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

Deferred income tax

During the three and nine months ended September 30, 2023, we recognized deferred income tax recoveries of \$400,000 and \$1,230,000, respectively, compared to a recovery of \$271,000 and an aggregate \$265,000 expense in the same periods of 2022, reflecting an increase in deductible interest reserves, partially offset by the use of non-capital carry forward losses.

The Company's \$13,318,000 net deferred income tax liability balance represented the estimated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective income tax bases as at September 30, 2023 (December 31, 2022 - \$14,557,000). The deferred income tax balance remained in a liability position mainly from the discrepancy between the financial statement carrying values and the income tax values of the Company's petroleum and natural gas development assets included in PP&E.

Capital Expenditures

E&E asset expenditures

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

(\$000's)	Three months ended			Nine months ended		
	2023	September 30, 2022	% change	2023	September 30, 2022	% change
Licence financial obligations	78	176	(56)	224	519	(57)
Drilling, completions and well testing	899	288	100	8,242	1,310	100
Equipment and facilities	2,169	1,667	30	7,709	4,328	78
Capitalized G&A	149	180	(17)	464	498	(7)
Other	203	381	(47)	404	843	(52)
E&E asset expenditures	3,498	2,692	30	17,043	7,498	100

Our 2023 capital program remained solely focused on exploration activities on the Ortoire property, as we invested \$3,498,000 and \$17,043,000 during the three and nine months ended September 30, 2023,

respectively. Third quarter 2023 investments included three production tests on the Royston-1X sidetrack well drilled in the first quarter of 2023, as well as final construction and commissioning costs directed toward the Cascadura natural gas and liquids facility that came online in September 2023. Upon first production, the carrying value of the Cascadura CGU was transferred from E&E assets to PP&E.

During the three and nine months ended September 30, 2022, we invested \$2,692,000 and \$7,498,000 in E&E assets, respectively. The investments primarily focused on facility and pipeline expenditures related to the Coho-1 natural gas facility, investments for the Cascadura natural gas and liquids facility and Royston-1 well production testing operations completed in the first quarter of 2022.

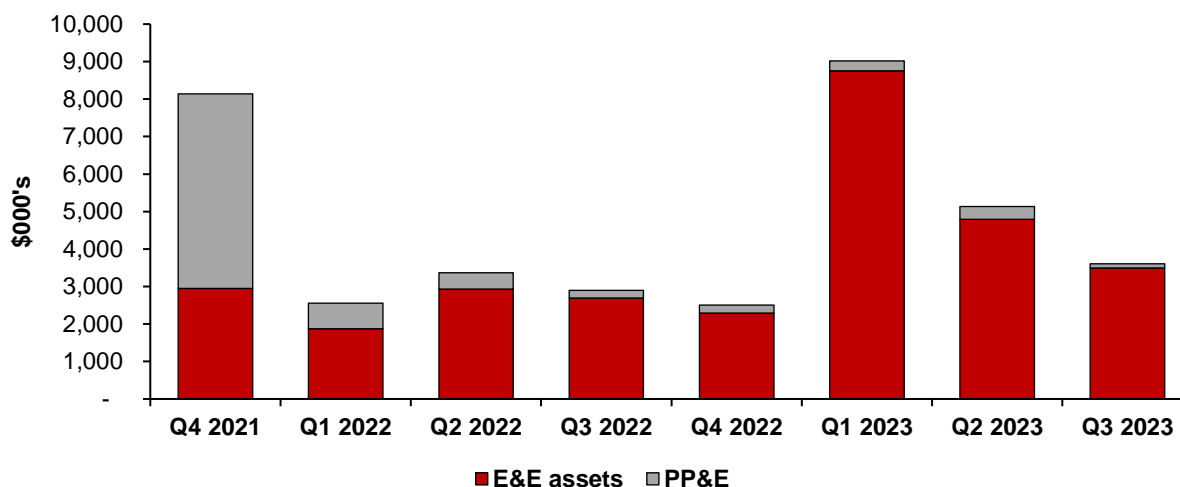
PP&E expenditures

(\$000's)	Three months ended			Nine months ended		
	2023	September 30, 2022	% change	2023	September 30, 2022	% change
Drilling and completions	(2)	110	n/a	207	1,008	(79)
Capitalized G&A	81	74	9	259	233	11
Corporate and other	32	23	39	254	82	100
PP&E expenditures	111	207	(46)	720	1,323	(46)

Third quarter and year to date 2023 expenditures on PP&E were minimal given our capital program continued to focus on Ortoire exploration activities. We performed four development well recompletions and invested in corporate information technology infrastructure during the nine months ended September 30, 2023.

Third quarter and year to date 2022 PP&E expenditures were \$207,000 and \$1,323,000, respectively. Expenditures were predominately related to completion costs for our three wells drilled in the fourth quarter of 2021 as well as lease preparation costs for two CO-1 drilling locations.

Capital Expenditures⁽¹⁾



Note:

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

Decommissioning Liabilities and Abandonment Fund

Our decommissioning and reclamation liabilities relate to future site restoration and well abandonment costs including the costs of production equipment removal and land reclamation based on current Trinidad environmental regulations. The estimates are reviewed at least quarterly and adjusted as new information regarding the liability is determined and include assumptions in respect of actual costs to abandon wells

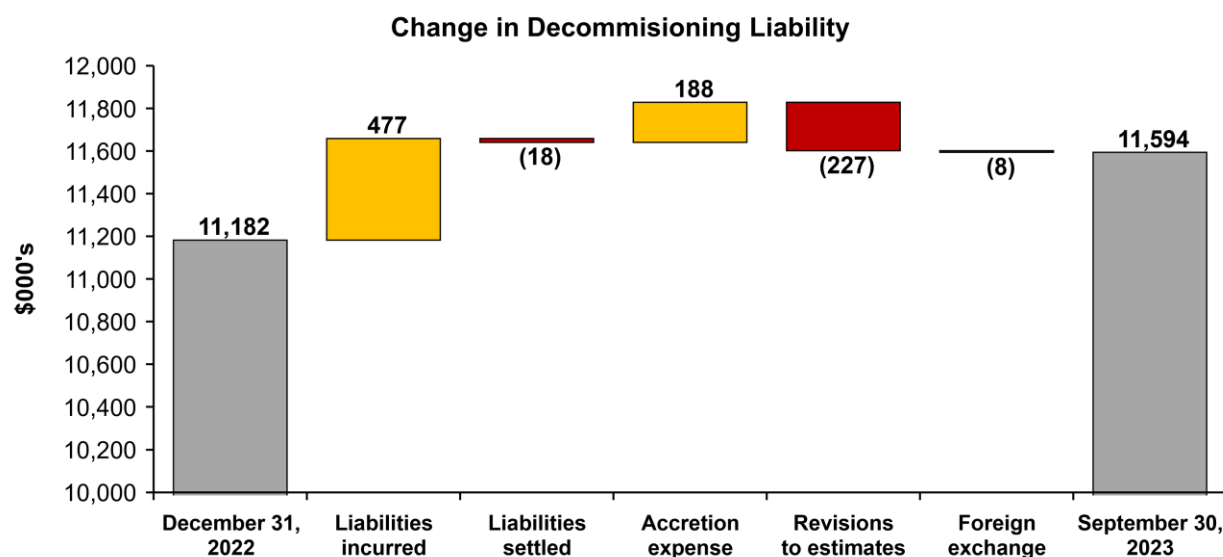
and facilities and reclaim a property, the time frame in which such costs will be incurred, historical well production and annual inflation factors.

Pursuant to production and exploration licences with the MEEI and LOAs with Heritage, we are obligated to remit \$0.25 per boe sold into various escrow accounts. As of September 30, 2023, we reported \$1,698,000 of accrued or paid contributions into MEEI and Heritage abandonment funds as long-term abandonment fund assets (December 31, 2022 - \$1,446,000).

Touchstone estimated the net present value of the cash flows required to settle decommissioning liabilities to be \$11,594,000 as at September 30, 2023 compared to \$11,182,000 as of December 31, 2022. The increase in the estimated decommissioning liability at September 30, 2023 in comparison to December 31, 2022 was primarily attributed to increased liabilities from the Cascadura facility, slightly offset by a reduction in the estimated weighted average long-term inflation rate from 2.4 percent in December 31, 2022 to 2.1 percent in September 30, 2023. In addition, \$65,000 and \$188,000 of accretion expenses were recognized during the three and nine months ended September 30, 2023, respectively, to reflect the increase in decommissioning liabilities associated with the passage of time (2022 - \$48,000 and \$168,000).

Decommissioning liability details as at and during the nine months ended September 30, 2023 are summarized in the table and graph below.

Number of well locations (net)	Number of facility locations (net)	Undiscounted balance (\$000's)	Inflation adjusted balance (\$000's)	Discounted balance (\$000's)
737.6	4.6	15,136	18,383	11,594



Environmental stewardship is a core value at Touchstone, and abandonment and reclamation activities are made in a prudent, responsible manner with the oversight of the Board and in accordance with local regulations. Decommissioning liabilities are considered critical accounting estimates. There are significant uncertainties related to future decommissioning expenditures, and the impact on our consolidated financial statements could be material. The eventual timing of and costs for these expenditures could differ from current estimates. Further information regarding decommissioning liabilities is included in Note 9 "Decommissioning Liabilities" of our interim financial statements.

Liquidity and Capital Resources

Liquidity

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

On May 25, 2023, we entered into a second amended and restated loan agreement with our Trinidad based lender providing for a \$7,000,000 revolving loan facility in addition to the existing term loan facility (the "Second Amended Loan Agreement"). The \$7,000,000 million revolving loan component was fully drawn on June 1, 2023, primarily to maintain financial flexibility while we proceeded with Royston-1X production testing operations and Cascadura facility construction investments. Refer to the "Liquidity and Capital Resources - Bank Debt" section herein for further details.

As at September 30, 2023, we had a cash balance of \$3,794,000, a working capital deficit of \$13,419,000 and a principal long-term bank debt balance of \$16,500,000. The following table summarizes our changes in cash during the periods specified.

(\$000's)	Three months ended			Nine months ended		
	2023	September 30, 2022	% change	2023	September 30, 2022	% change
Net cash from (used in):						
Operating activities	343	3,058	(89)	4,231	6,941	(39)
Investing activities	(4,830)	(2,090)	100	(18,744)	(14,742)	27
Financing activities	(1,874)	(1,822)	3	1,861	(1,662)	n/a
Change in cash	(6,361)	(854)	100	(12,652)	(9,463)	34
Cash, beginning of period	10,138	9,425		16,335	17,936	
Impact of FX on cash balances	17	161	(89)	111	259	(57)
Cash, end of period	3,794	8,732	(57)	3,794	8,732	(57)

Our September 30, 2023 cash and working capital balances declined in comparison to June 30, 2023 and December 31, 2022 based on ongoing investments directed toward our Ortoire block. During the nine months ended September 30, 2023, we increased our bank debt balance by a net \$2,500,000, with \$7,000,000 drawn on the revolving component and \$4,500,000 paid on our existing term component. Further, our September 30, 2023 cash balance excluded approximately \$1,407,000 in August 2023 crude oil sales that were collected in the first week of October 2023.

Our near-term development plan is strategically balanced between maintaining base commodity production levels and investing in development and exploratory activities. We will continue to take a measured approach to future developmental and exploration capital expenditures to manage financial liquidity while proceeding with this plan. We expect our year-end 2023 cash and working capital balances to increase as a direct result of incremental natural gas and associated liquids production from our Cascadura field. In addition, we expect to continually renew the revolving component of our bank debt past the initial May 31, 2024 period, the full balance of which is currently included in current liabilities.

Bank debt

Touchstone Exploration (Trinidad) Ltd., the Company's indirectly wholly owned Trinidadian subsidiary, entered into a \$20 million, seven-year term credit facility arrangement effective June 15, 2020 with Republic Bank Limited, a chartered bank owned by Republic Financial Holdings Limited. Republic Financial Holdings

Limited is headquartered in Trinidad and the registered owner of ten banks in the Caribbean region, as well as other financial services subsidiaries.

On closing, we withdrew \$15 million to satisfy our obligations relating to prepaying our former C\$20 million Canadian-based term loan. On December 21, 2021, the parties entered into an amended and restated loan agreement providing for a \$10 million increase in the principal balance to \$30 million. Effective December 30, 2021, we withdrew an additional \$15 million on the credit facility, resulting in the full principal balance of \$30 million outstanding.

On May 25, 2023, the parties entered into the Second Amended Loan Agreement, which provided for a \$7 million revolving loan facility in addition to the existing \$30 million term facility. Aside from adding the revolving loan component, the Second Amended Loan Agreement did not alter any material terms of the prior December 21, 2021 amended and restated loan agreement. The Second Amended Loan Agreement remains a senior secured syndicated loan, with Republic Bank Limited acting as lender, arranger and administrative agent. The Second Amended Loan Agreement is principally secured by a pledge of equity interests and fixed and floating security interests over all present and after acquired assets of Touchstone Exploration (Trinidad) Ltd. and its wholly owned Trinidadian subsidiary, POGL. Details of our bank debt components are set forth below.

Facility	Term loan component	Revolving loan component
Amount	\$30,000,000	\$7,000,000
Maturity date	June 15, 2027	May 30, 2024 - the parties have the option to extend annually by additional periods of up to one year
Interest rate	7.85 percent per annum	7.29 percent through May 2024 - reset annually
Interest payments	Payable quarterly in arrears	Payable monthly in arrears
Principal payments	Twenty \$1.5 million quarterly payments from September 15, 2022 to June 15, 2027; additional principal may be repaid with no penalty	Principal may be repaid at any time, on or before the maturity date without penalty and any amounts repaid may be redrawn at any time

As at September 30, 2023, the Company had \$29,500,000 in aggregate principal bank debt outstanding, with \$13,000,000 classified as short term on the consolidated balance sheet (December 31, 2022 - \$27,000,000 and \$6,000,000, respectively). The \$7,000,000 revolving loan component was fully drawn on June 1, 2023. As at September 30, 2023, the principal balance of the term loan component was \$22,500,000, with fifteen equal and consecutive quarterly principal payments of \$1,500,000 outstanding.

The Second Amended Loan Agreement contains industry standard representations and warranties, undertakings, events of default, and financial covenants assessed on an annual basis. Pursuant to the Second Amended Loan Agreement, a failure of any covenant constitutes an event of default. Upon an event of default, the lender can declare the principal balance and any accrued interest immediately due and payable. We routinely review all operational and financial covenants based on actual and forecasted results and can amend development and exploration plans to comply with the covenants. We are committed to having an adaptable capital expenditure program that can be adjusted to a tightening of liquidity sources if necessary. As at September 30, 2023, the Company was compliant with all covenants provided for in the Second Amended Loan Agreement.

At all times, we must maintain a cash reserves balance of not less than the equivalent of two subsequent quarterly interest payments related to the term loan component. Accordingly, Touchstone classified \$844,000 of cash as long-term restricted on the consolidated balance sheet as at September 30, 2023 (December 31, 2022 - \$1,021,000).

Further information regarding the loan arrangement is included in Note 8 "*Bank Debt*" of our interim financial

statements, and copies of the loan agreement and amendments may be accessed through our profile on SEDAR+ (www.sedarplus.ca).

Shareholders' equity

The Company is authorized to issue an unlimited number of voting common shares without nominal or par value. From time to time, we may access capital markets to meet our additional financing needs and to maintain flexibility in funding our capital programs. The following table summarizes our outstanding common shares and stock options as at the date of this MD&A, September 30, 2023 and December 31, 2022.

	November 13, 2023	September 30, 2023	December 31, 2022
Common shares outstanding	234,212,726	234,212,726	233,037,226
Stock options outstanding	14,327,935	14,353,935	11,928,435
Fully diluted common shares	248,540,661	248,566,661	244,965,661

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

Capital management

When evaluating our capital structure, Management's long-term strategy is to maintain net debt to trailing twelve-month funds flow from operations at or below a ratio of two times in a normalized commodity price environment. This ratio may increase at certain times as a result of increased capital expenditures or low commodity prices. We also monitor our capital management through the net debt to managed capital ratio. Our strategy is to utilize more equity than debt, thereby targeting net debt to managed capital at a ratio of less than 0.4 to 1. The following table details our internal capital management calculations for the periods specified.

(\$000's)	Target measure	September 30, 2023	December 31, 2022
Net debt ⁽¹⁾		29,919	16,008
Shareholders' equity		80,216	78,380
Managed capital ⁽¹⁾		110,135	94,388
Trailing twelve-month funds flow from operations ⁽²⁾		3,932	3,540
Net debt to funds flow from operations ratio⁽¹⁾	At or < 2.0 times	7.61	4.52
Net debt to managed capital ratio⁽¹⁾	< 0.4 times	0.27	0.17

Notes:

- (1) Non-GAAP financial measure. See the "Advisories - Non-GAAP Financial Measures" section of this MD&A for further information.
- (2) Trailing twelve-month funds flow from operations as at September 30, 2023 includes the sum of funds flow from operations for the nine months ended September 30, 2023 and funds flow from operations for the October 1, 2022 through December 31, 2022 interim period.

Our net debt to funds flow from operations ratio has exceeded our target based on continuing E&E asset investments, notably Cascadura facility capital expenditures required to bring the field onstream. We expect funds flow from operations to increase in the fourth quarter of 2023 from incremental Cascadura production, and we forecast to achieve and will strive to maintain our capital management targets in the future. Refer to the *Market Risk Management - Liquidity risk*" section herein for further details regarding our approach to managing liquidity.

Contractual Obligations and Commitments

We have contractual obligations in the normal course of business which include minimum work obligations under various operating agreements with Heritage, exploration commitments under our Cory Moruga and

Ortoire block exploration and production licences with the MEEI, and various lease commitments. The following table outlines our estimated minimum contractual payments as at September 30, 2023.

(\$000's)	Total	Estimated payments due by year			
		2023	2024	2025	Thereafter
Operating agreement commitments					
CO-1 and CO-2 blocks	13,187	4,875	2,560	2,617	3,135
WD-4 block	4,328	10	1,276	1,306	1,736
WD-8 block	4,338	9	1,273	1,303	1,753
Fyzabad block	760	76	79	80	525
Coho area of Ortoire block	56	6	6	5	39
Cascadura area of Ortoire block	103	11	11	10	71
Cory Moruga exploration block	1,125	24	105	110	886
Ortoire exploration block	14,511	183	194	6,478	7,656
Office and equipment leases	756	90	180	203	283
Minimum payments	39,164	5,284	5,684	12,112	16,084

Under the terms of our Heritage operating agreements, we are required to fulfill minimum work obligations on an annual basis over the specific licence term. As at September 30, 2023, four development wells and two heavy workover commitments are required to be performed prior to December 31, 2023. The Company is currently in discussions with Heritage to defer drilling the four development wells to 2024.

In 2022, Touchstone was granted an extension to the exploration phase of the Ortoire licence to July 31, 2026, and we are obligated to drill three exploration wells prior to the end of the amended licence term, with one well drilled (Royston-1X) in February 2023.

The Company is a party to lease arrangements for a drilling rig, office space and office equipment. As of September 30, 2023, we recognized \$2,701,000 in aggregate lease liabilities, of which \$1,662,000 was classified as long-term on the consolidated balance sheet (December 31, 2022 - \$2,255,000 and \$1,373,000, respectively). Information regarding our lease obligations is included in Note 7 "Lease Liabilities" of our interim financial statements.

Market Risk Management

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

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

Commodity price risk

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

Crude oil prices have fluctuated widely in recent years due to global and regional factors including supply

and demand fundamentals, the COVID-19 pandemic, ongoing geopolitical factors, inventory levels, weather, and economic factors. Further, our realized crude oil price is based on quality differentials and international marketing arrangements and therefore are attributed to factors that are beyond our control.

Our long-term fixed price natural gas sales agreement with NGC contains options for price negotiations on each fifth anniversary of our initial October 2022 production date. The price of natural gas in Trinidad is predominantly based on domestic supply and demand, with demand largely from domestic power generation and petrochemical facilities. There can be no guarantee that we may be able to negotiate future price increases for natural gas, and a material decline in natural gas sales prices will result in a reduction of the Company's cash from operating activities and financial position.

We maintain a risk management strategy to protect our cash from operations from the volatility of crude oil and liquids prices. Our strategy focuses on the periodic use of puts, costless collars, swaps or fixed price contracts to limit exposure to fluctuations in crude oil prices while allowing for participation in price increases. We had no commodity financial management contracts in place as of the date hereof or during the three and nine months ended September 30, 2023 and 2022. We will continue to monitor forward commodity prices and may enter into future commodity-based risk management contracts to reduce the volatility of crude oil and liquids sales and protect future development and exploration capital programs. Additionally, we continually review our capital program and implement initiatives to adapt to such price changes.

Foreign currency risk

Foreign currency exchange risk arises from changes in foreign exchange rates that may affect the fair value or future cash flows of our financial assets or liabilities. Touchstone does not hedge its foreign exchange risk.

As we primarily operate in Trinidad, fluctuations in the exchange rate between the TT\$ and the US\$ could have a significant effect on financial results. Although the sales prices of crude oil are determined by reference to US\$ denominated benchmark prices, the majority of the invoices for such sales are paid in TT\$, exposing the Company to foreign exchange risk. To mitigate this risk, we attempt to match revenues received in TT\$ by entering into contracts denominated and payable in TT\$ when possible. We also attempt to limit our exposure to foreign currency risk through collecting and paying foreign currency denominated balances in a timely fashion. In addition, we have further foreign exchange risk regarding our US\$ denominated debt and related interest payments. These risks are mitigated by the fact that the TT\$ is informally pegged to the US\$ and all NGL and natural gas sales are denominated and payable in \$US.

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

Credit risk

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

In addition, the Company historically has aged accounts receivables owing for Trinidad-based value added taxes ("VAT"). Although ultimate collection is erratic and therefore the timing thereof cannot be estimated with any certainty, Management believes that the VAT accounts receivable balances are ultimately

collectable as we have not experienced any past collection issues. The following table details the composition and aging of our accounts receivable as of September 30, 2023.

Composition	Counterparty	Balance due (\$000's)	Balance due (%)	Accounts receivable aging	
				Current (\$000's)	Over 90 days (\$000's)
Crude oil and liquids sales	Heritage	4,374	34	4,374	-
Natural gas sales	NGC	2,643	21	2,643	-
Joint interest billings	Heritage and NGC	700	5	700	-
VAT	Trinidad government	4,453	35	914	3,539
Finance leases	Third-party lessees	59	-	59	-
Other	Various	630	5	569	61
Accounts receivable		12,859	100	9,259	3,600

Effective March 1, 2021, we executed separate arrangements to lease our oilfield service rigs and swabbing units to two third-party contractors. We have determined that the credit risk related to the associated receivable balance is negligible, as the assets are secured by the underlying equipment, with ownership transferring to the counterparties upon receipt of the final lease payments. As of September 30, 2023, our aggregate finance lease receivable balance was \$393,000, of which \$333,000 was included in long-term other assets on the consolidated balance sheet (December 31, 2022 - \$534,000 and \$457,000, respectively).

Liquidity risk

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

Our approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due, under both normal and unusual conditions without incurring unacceptable losses or jeopardizing our business objectives. Stewardship of our capital structure and liquidity risk is managed through our financial and operating forecast process. The forecast of our future cash flows is based on estimates of petroleum and natural gas production, crude oil and liquids forward prices, capital expenditures, royalty expenses, operating expenses, G&A expenses, income tax expenses and other investing and financing activities. The forecast is regularly updated based on changes in commodity prices, capital expenditures, production expectations, income tax and royalty regulations, and other factors that in our view would impact cash flows from operating, investing and financing activities. The following table sets forth estimated undiscounted cash outflows and financial maturities of our financial liabilities as at September 30, 2023.

(\$000's)	Recognized in financial statements	Undiscounted cash outflows ⁽¹⁾	Financial maturity by period		
			Less than 1 year	1 to 3 years	Thereafter
Accounts payable and accrued liabilities ⁽²⁾	Yes – liability	15,999	15,999	-	-
Income taxes payable	Yes – liability	751	751	-	-
Lease liabilities	Yes – liability	3,691	1,263	594	1,834
Bank debt principal	Yes – liability	29,500	13,000	12,000	4,500
Bank debt interest	No – recognized as incurred	3,799	1,910	1,727	162
Financial liabilities		53,740	32,923	14,321	6,496

Notes:

(1) The undiscounted cash outflows equal their financial statement carrying values, with the exception of lease liabilities and bank debt principal.

(2) Excludes the current portion of lease liabilities.

To manage our capital structure, we may reduce our fixed cost structure, adjust capital and exploration spending, issue new equity or seek additional sources of debt financing. We actively monitor our liquidity to ensure that cash flows, potential credit facility capacity and working capital are adequate to support our current and future financial liabilities, as well as the Company's capital programs and future work commitments.

Related Party Transactions

Our Corporate Secretary and former director is a senior partner of our Canadian legal counsel, Norton Rose Fulbright Canada LLP. For the three and nine months ended September 30, 2023, \$6,000 and \$173,000 in legal fees and disbursements charged by Norton Rose Fulbright Canada LLP were incurred, respectively (2022 - \$51,000 and \$115,000). \$23,000 was included in accounts payable and accrued liabilities as at September 30, 2023 (2022 - \$49,000).

Our Trinidad-based director is a member of the board of directors of a private Trinidad engineering services company that provides oilfield supplies to Touchstone. During the three and nine months ended September 30, 2023, \$4,000 and \$12,000 in products were purchased, respectively (2022 - \$12,000 and \$20,000). As at September 30, 2023, \$2,000 was included in accounts payable and accrued liabilities (2022 - \$12,000).

Changes in Accounting Policies Including Initial Adoption

There were no changes in accounting policies during the three and nine months ended September 30, 2023 that had a material effect on the reported comprehensive income or net assets of the Company.

Standards Issued but Not Yet Effective

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

Off-balance Sheet Arrangements

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

Significant Accounting Estimates, Judgements and Assumptions

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

A full list of the significant estimates and judgements made by Management in the preparation of the interim financial statements and the audited 2022 financial statements is included in Note 4 "*Use of Estimates, Judgements and Assumptions*" of our audited 2022 financial statements.

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

Business Risks

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

Please refer to our 2022 Annual Information Form dated March 23, 2023 for a full understanding of risks that affect Touchstone, which can be found on our SEDAR+ profile (www.sedarplus.ca) and website (www.touchstoneexploration.com). Refer to the "Advisories - Forward-looking Statements" section in this MD&A for additional information regarding the risks to which Touchstone and our business operations are subject to.

Control Environment

Touchstone is required to comply with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*. There were no changes in the Company's internal control over financial reporting during the period beginning on July 1, 2023 and ended September 30, 2023 that had materially affected, or were reasonably likely to materially affect, internal control over financial reporting.

Summary of Quarterly Results

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

Three months ended	Sept. 30, 2023	June 30, 2023	March 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	March 31, 2022	Dec. 31, 2021
Operational								
Average daily production (boe/d)	3,391	1,827	2,139	2,229	1,272	1,420	1,396	1,336
Net wells drilled	-	-	0.8	-	-	-	-	3.0
Realized commodity price ⁽¹⁾ (\$/boe)	37.44	43.19	44.03	48.36	84.85	97.48	83.55	66.81
Operating netback ⁽¹⁾ (\$/boe)	19.27	17.00	18.97	21.05	37.55	44.99	37.83	29.96
Financial (\$000's except per share amounts)								
Petroleum and natural gas sales	11,682	7,181	8,476	9,919	9,933	12,596	10,496	8,212
Cash from (used in) operating activities	343	2,975	913	(1,189)	3,058	3,533	350	1,406
Funds flow from operations	2,432	6	803	691	256	1,150	1,443	1,309
Net earnings (loss)	988	(71)	(279)	(1,921)	(778)	(262)	(236)	6,514
Per share – basic and diluted	0.00	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	0.03
E&E asset expenditures	3,498	4,795	8,750	2,290	2,692	2,932	1,874	2,946
PP&E expenditures	111	340	269	219	207	436	680	5,190
Capital expenditures ⁽¹⁾	3,609	5,135	9,019	2,509	2,899	3,368	2,554	8,136
Working capital deficit (surplus) ⁽¹⁾	13,419	10,913	4,383	(4,992)	4,537	(346)	(4,259)	(6,925)
Principal long-term bank loan	16,500	18,000	19,500	21,000	22,500	24,000	25,500	27,000
Net debt ⁽¹⁾ – end of period	29,919	28,913	23,883	16,008	27,037	23,654	21,241	20,075
Share Information (000's)								
Weighted average – basic	233,541	233,144	233,037	217,106	212,647	212,204	210,823	210,732
Weighted average – diluted	237,138	233,144	233,037	217,106	212,647	212,204	210,823	218,102
Outstanding shares – end of period	234,213	233,428	233,037	233,037	213,113	212,275	211,164	210,732

Note:

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

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

- In the third quarter of 2023, we generated \$2.4 million of funds flow from operations, as we brought on initial natural gas production from our Cascadura wells, thereby achieving an 86 percent increase in quarterly average production on a boe basis from the preceding quarter. Net debt increased by \$1.0 million from the second quarter of 2023, as we invested \$3.6 million in quarterly capital investments predominately relating to final construction and commissioning of the Cascadura natural gas facility.
- We recorded negligible funds flow from operations in the second quarter of 2023, as operating netbacks declined by \$0.8 million from the prior quarter based on a 15 percent and a 4 percent decline in production and realized pricing, respectively. Touchstone entered into a \$7 million additional revolving facility with its current lender in the quarter which was fully drawn on June 1, 2023. \$5.1 million in quarterly capital investments led to a \$5 million increase in net debt from the preceding quarter.
- First quarter 2023 funds flow from operations were \$0.8 million, relatively consistent with the preceding quarter. In the quarter we drilled the Royston-1X sidetrack well and continued constructing the Cascadura natural gas facility, incurring an aggregate \$9.0 million in capital expenditures. These investments decreased our cash and working capital balances, as we exited the quarter with \$23.9 million in net debt, a \$7.9 million increase from the previous quarter.
- In the fourth quarter of 2022, we generated \$0.7 million of funds flow from operations, as we brought on initial natural gas production from our Coho-1 well, thereby achieving a 75 percent increase in quarterly average production on a boe basis from the preceding quarter. In addition, we completed two private placements raising net proceeds of \$12.3 million, leading to an \$11 million decrease in net debt from the previous quarter.
- In the third quarter of 2022, we recorded \$0.3 million in funds flow from operations, which decreased by \$0.8 million from the previous quarter based on a 10 percent decline in production and a 13 percent reduction in realized commodity prices, partially offset by reduced royalty and operating expenses. We invested \$2.9 million in capital expenditures, resulting in a 14 percent increase in net debt from the second quarter of 2022.
- We generated \$1.2 million in funds flow from operations in the second quarter of 2022, which reflected a \$0.5 million provision for oil spill reclamation costs due to vandalism. We continued with development costs relating to our Coho and Cascadura production facilities, investing \$3.4 million in capital projects. As a result, net debt increased by \$2.4 million or 11 percent from the prior quarter.
- We generated \$1.4 million in funds flow from operations in the first quarter of 2022, as production and realized pricing increased by 4 percent and 25 percent from the fourth quarter of 2021, respectively. Capital expenditures of \$2.6 million led to an increase in net debt of \$1.2 million from the preceding quarter.
- We recorded \$1.3 million in funds flow from operations in the fourth quarter of 2021 and increased our net debt by \$8.3 million from the third quarter of 2021, as \$8.1 million was invested in exploration and development drilling activities. Further, we increased our bank debt balance from \$20 million to \$30 million and withdrew the remaining \$15 million available balance on December 30, 2021. Net non-financial asset impairment reversals of \$13.7 million and the associated deferred income tax expense of \$7.2 million led to net earnings of \$6.5 million reported in the quarter.

Advisories

Non-GAAP Financial Measures

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

Funds flow from operations

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

Operating netback

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

(\$000's unless otherwise stated)	Three months ended		Nine months ended	
	2023	September 30, 2022	2023	September 30, 2022
Petroleum and natural gas sales	11,682	9,933	27,339	33,025
Less: royalties	(3,193)	(3,411)	(7,849)	(11,516)
Petroleum and natural gas revenue, net of royalties	8,489	6,522	19,490	21,509
Less: operating expenses	(2,478)	(2,126)	(7,001)	(6,547)
Operating netback	6,011	4,396	12,489	14,962
Production (boe)	311,990	117,059	670,743	371,896
Operating netback (\$/boe)	19.27	37.55	18.62	40.23

Capital expenditures

Capital expenditures is a non-GAAP financial measure that is calculated as the sum of exploration and evaluation asset expenditures and property, plant and equipment expenditures included in the Company's

consolidated statements of cash flows and is most directly comparable to cash used in investing activities. Touchstone considers capital expenditures to be a useful measure of its investment in its existing asset base. The following table presents the computation of capital expenditures and reconciles capital expenditures to cash used in investing activities for the periods indicated.

(\$000's)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
E&E asset expenditures	3,498	2,692	17,043	7,498
PP&E expenditures	111	207	720	1,323
Capital expenditures	3,609	2,899	17,763	8,821
Abandonment fund expenditures	131	26	253	85
Proceeds from asset dispositions	-	(11)	(250)	(146)
Net change in non-cash working capital	1,090	(824)	978	5,982
Cash used in investing activities	4,830	2,090	18,744	14,742

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

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

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

(\$000's)	September 30, 2023	December 31, 2022	September 30, 2022
Current assets	(17,370)	(26,415)	(17,489)
Current liabilities	30,789	21,423	22,026
Working capital deficit (surplus)	13,419	(4,992)	4,537
Principal long-term balance of bank debt	16,500	21,000	22,500
Net debt	29,919	16,008	27,037

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

(\$000's)	September 30, 2023	December 31, 2022	September 30, 2022
Total liabilities	73,832	69,497	72,672
Lease liabilities	(1,662)	(1,373)	(1,355)
Other liabilities	-	-	(344)
Decommissioning liabilities	(11,594)	(11,182)	(11,650)
Deferred income tax liability	(13,318)	(14,557)	(14,844)
Variance of carrying value and principal value of bank debt	31	38	47
Current assets	(17,370)	(26,415)	(17,489)
Net debt	29,919	16,008	27,037

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

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

Supplementary Financial Measures

The following supplementary financial measures are disclosed herein.

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

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

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

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

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

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

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

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

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

Forward-looking Statements

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

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

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

- business and operational strategies;
- financial condition and outlook and results of operations, including future liquidity and financial capacity and expectations of future growth, including expectations of future production levels and cash flows to be derived therefrom;
- future demand for the Company's petroleum and natural gas products and economic activity in general;
- expectations regarding the ability of the Company to raise capital and to continually add to reserves through exploration, acquisitions and development;
- future capital expenditure programs, including the anticipated timing of completion, allocation and costs thereof and the method of funding;
- the performance characteristics of the Company's petroleum and natural gas properties including current and future crude oil and liquids and natural gas production levels and estimated field production levels;
- future development and exploration activities to be undertaken in various areas and timing thereof, including the fulfillment of minimum work obligations and exploration commitments;
- terms and estimated future expenditures of the Company's contractual commitments and their timing of settlement;
- terms and title of exploration and production licences and the expected formal extension or execution of certain contracts;
- expectations regarding the Company's ability to fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its properties;
- receipt of anticipated and future regulatory approvals and exploration and production licence renewals or amendments;
- access to third-party facilities and infrastructure;
- expected levels of royalties, operating expenses, G&A expenses, net finance expenses and other costs associated with the Company's business;
- treatment under current and future governmental regulatory regimes, environmental legislation, royalty regimes and tax laws enacted in the Company's areas of operations;
- current risk management strategies and the benefits to be derived therefrom, including the future use of commodity derivatives to manage commodity price risk;
- the foreign currency risk strategies of the Company and the benefits to be derived therefrom and the Company's ability to reverse unrealized foreign exchange gains and losses in the future;
- credit risk assumptions and the Company's expectation to receive past due VAT amounts from the Trinidad government;
- future liquidity and future sources of liquidity and the Company's expectation to settle all current and future financial liabilities in a timely manner;
- future compliance with the Company's bank debt covenants and its ability to make future scheduled interest and principal payments;
- expectations regarding renewing the Company's revolving credit facility subsequent to May 2024;
- the potential of future acquisitions or dispositions and receiving regulatory approvals and closing previously announced transactions, including estimated timing thereof;

- general economic and political developments in Trinidad and globally;
- estimated amounts, timing and the anticipated sources of funding for the Company's decommissioning liabilities;
- effect of business and environmental risks on the Company; and
- the statements under "*Significant Accounting Estimates, Judgements and Assumptions*".

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

The Company is exposed to numerous operational, technical, financial and regulatory risks and uncertainties, many of which are beyond its control and may significantly affect anticipated future results. The Company is exposed to risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities. Operations may be unsuccessful or delayed as a result of competition for services, supplies and equipment, mechanical and technical difficulties, ability to attract and retain qualified employees on a cost-effective basis, extreme weather-related events, and commodity and marketing risk. The Company is subject to significant drilling risks and uncertainties including the ability to find petroleum and natural gas reserves on an economic basis and the potential for technical problems that could lead to well blow-outs and environmental damage. The Company is exposed to risks relating to the inability to obtain timely regulatory approvals, surface access, access to third-party gathering and processing facilities, transportation and other third-party operation risks. The Company is subject to industry conditions including changes in laws and regulations, the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced. There are uncertainties in estimating the Company's reserve base due to the complexities in estimated future production, costs and timing of expenses and future capital. The Company is subject to the risk that it will not be able to fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its properties. The financial risks the Company is exposed to include, but are not limited to, the impact of global economic conditions, the impact of significant volatility in market prices for crude oil and liquids, the impact (and duration thereof) of ongoing geopolitical events and their effect on market prices for crude oil and liquids, the ability to access sufficient capital from internal and external sources, changes in income tax laws, royalties and incentive programs relating to the Trinidad oil and natural gas industry, fluctuations in interest rates, and fluctuations in foreign exchange rates. The Company is subject to local regulatory legislation, the compliance with which may require significant expenditures and non-compliance with which may result in fines, penalties or production restrictions or the termination of licence, exploration, lease operating or joint operating rights related to the Company's interests in Trinidad. Readers are cautioned that the foregoing list of risk factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed under the Company's profile on SEDAR+ (www.sedarplus.ca).

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

Any forward-looking statement is made only as of the date of this MD&A, and Touchstone undertakes no obligation or intent to update or revise any forward-looking statement or statements to reflect information, events, results, circumstances or otherwise after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by law, including applicable securities laws. New factors emerge from time to time, and it is not possible

for Touchstone to predict all of such factors or to assess in advance the impact of each such factor on Touchstone's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

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

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

Oil and Natural Gas Measures

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

Product Type Disclosures

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

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

Three months ended	Sept. 30, 2023	June 30, 2023	March 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	March 31, 2022	Dec. 31, 2021
Production								
Light and medium crude oil (bbls)	103,048	96,050	108,722	111,114	110,467	122,778	117,253	113,724
Heavy crude oil (bbls)	5,831	6,270	6,918	6,126	6,592	6,434	8,372	9,193
Crude oil (bbls)	108,879	102,320	115,640	117,240	117,059	129,212	125,625	122,917
NGLs (bbls)	16,180	-	-	-	-	-	-	-
Conventional natural gas (Mcf)	1,121,585	383,572	461,189	527,105	-	-	-	-
Total production (boe)	311,990	166,249	192,505	205,091	117,059	129,212	125,625	122,917
Average daily production								
Light and medium crude oil (bbls/d)	1,120	1,055	1,208	1,207	1,200	1,349	1,303	1,236
Heavy crude oil (bbls/d)	63	69	77	67	72	71	93	100
Crude oil (bbls/d)	1,183	1,124	1,285	1,274	1,272	1,420	1,396	1,336
NGLs (bbls/d)	176	-	-	-	-	-	-	-
Conventional natural gas (Mcf/d)	12,191	4,215	5,124	5,729	-	-	-	-
Average daily production (boe/d)	3,391	1,827	2,139	2,229	1,272	1,420	1,396	1,336

The Company's total and average production for the nine months ended September 30, 2023 and 2022 and the references to "crude oil", "NGLs" and "natural gas" reported in this MD&A consist of the following product types as defined in NI 51-101 using a conversion of 6 Mcf to 1 boe where applicable.

	Nine months ended September 30,		%
	2023	2022	change
Production			
Light and medium crude oil (bbls)	307,820	350,498	(12)
Heavy crude oil (bbls)	19,019	21,398	(11)
Crude oil (bbls)	326,839	371,896	(12)
NGLs (bbls)	16,180	-	n/a
Conventional natural gas (Mcf)	1,966,347	-	n/a
Total production (boe)	670,743	371,896	80
Average daily production			
Light and medium crude oil (bbls/d)	1,127	1,284	(12)
Heavy crude oil (bbls/d)	70	78	(10)
Crude oil (bbls/d)	1,197	1,362	(12)
NGLs (bbls/d)	59	-	n/a
Conventional natural gas (Mcf/d)	7,203	-	n/a
Average daily production (boe/d)	2,457	1,362	80

References to Touchstone

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

Abbreviations

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

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

Additional Information

Additional information related to Touchstone and factors that could affect our operations and financial results are included with reports on file with the Canadian securities regulatory authorities, including the interim financial statements, the audited 2022 financial statements and related Management's discussion and analysis and our December 31, 2022 Annual Information Form dated March 23, 2023, all of which can be accessed online under our SEDAR+ profile at www.sedarplus.ca or from our website at www.touchstoneexploration.com.



Corporate Information

Directors

John D. Wright
Chair of the Board

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

Corporate Secretary
Thomas E. Valentine

Officers and Senior Executives

Paul R. Baay
President and Chief Executive Officer

Scott Budau
Chief Financial Officer

James Shipka
Chief Operating Officer

Brian Hollingshead
Vice President Engineering and Business Development

Alex Sanchez
Vice President Production and Environment

Cayle Sorge
Vice President Finance

Head Office

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T2P 3N9

Registered Office

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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