



Touchstone Exploration Inc.

Interim Condensed Consolidated Financial Statements (unaudited)

March 31, 2022

Touchstone Exploration Inc.
Interim Condensed Consolidated Statements of Financial Position
Unaudited, stated in thousands of United States dollars

As at	Note	March 31, 2022	December 31, 2021
Assets			
Current assets			
Cash		10,148	17,936
Accounts receivable	3	9,521	7,546
Crude oil inventory		89	143
Prepaid expenses		1,453	1,055
Assets held for sale	5	1,182	1,176
		22,393	27,856
Exploration and evaluation assets	4	52,978	50,760
Property, plant and equipment	5	62,171	61,275
Restricted cash	8	1,173	1,178
Other assets		597	673
Abandonment fund		1,313	1,278
Total assets		140,625	143,020
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	11,100	16,000
Income taxes payable	10	829	236
Term loan	8	4,500	3,000
Liabilities associated with assets held for sale	9	1,705	1,695
		18,134	20,931
Lease liabilities	7	2,308	2,265
Term loan	8	25,440	26,896
Other liabilities		844	908
Decommissioning liabilities	9	11,027	10,012
Deferred income taxes	10	14,764	14,450
Total liabilities		72,517	75,462
Shareholders' equity			
Shareholders' capital	11	101,873	101,757
Contributed surplus		3,736	3,466
Other comprehensive loss		(12,819)	(13,219)
Deficit		(24,682)	(24,446)
Total shareholders' equity		68,108	67,558
Total liabilities and shareholders' equity		140,625	143,020

Commitments (note 15)

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

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

		Three months ended	
	Note	2022	March 31, 2021
Revenue			
Petroleum sales		10,496	6,120
Less: royalties		(3,586)	(1,843)
Petroleum revenue, net of royalties		6,910	4,277
Other revenue		9	23
Total revenue		6,919	4,300
Expenses			
Operating		2,157	1,711
General and administration		1,973	1,535
Net finance	12	943	149
Net gain on asset dispositions		(35)	(25)
Foreign exchange (gain) loss	13	(56)	100
Equity-based compensation	11	244	110
Depletion and depreciation	5	930	803
Impairment	4	136	29
Total expenses		6,292	4,412
Earnings (loss) before income taxes		627	(112)
Provision for income taxes			
Current expense	10	628	341
Deferred expense	10	235	7
Income tax expense		863	348
Net loss		(236)	(460)
Currency translation adjustments		400	45
Comprehensive income (loss)		164	(415)
Net loss per common share			
Basic and diluted	11	(0.00)	(0.00)

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

Touchstone Exploration Inc.**Interim Condensed Consolidated Statements of Changes in Shareholders' Equity***Unaudited, stated in thousands of United States dollars*

		Three months ended	
	Note	2022	March 31, 2021
Shareholders' capital			
Balance, beginning of period		101,757	101,385
Equity-based settlements	11	116	-
Balance, end of period		101,873	101,385
Contributed surplus			
Balance, beginning of period		3,466	2,476
Equity-based settlements	11	(41)	-
Equity-based compensation expense	11	244	110
Equity-based compensation capitalized		67	30
Balance, end of period		3,736	2,616
Other comprehensive loss			
Balance, beginning of period		(13,219)	(13,331)
Comprehensive income		400	45
Balance, end of period		(12,819)	(13,286)
Deficit			
Balance, beginning of period		(24,446)	(30,165)
Net loss		(236)	(460)
Balance, end of period		(24,682)	(30,625)

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

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

		Three months ended	
	Note	2022	March 31, 2021
Operating activities			
Net loss		(236)	(460)
Items not involving cash from operations:			
Net gain on asset dispositions		(35)	(25)
Unrealized foreign exchange (gain) loss	13	(140)	74
Equity-based compensation	11	244	110
Depletion and depreciation	5	930	803
Impairment	4	136	29
Other	12	292	-
Deferred income tax expense	10	235	7
Funds flow from operations		1,426	538
Net change in non-cash operating working capital		(1,093)	(1,772)
Cash from (used in) operating activities		333	(1,234)
Investing activities			
Exploration and evaluation expenditures	4	(1,874)	(2,954)
Property, plant and equipment expenditures	5	(680)	(127)
Abandonment fund expenditures		(29)	(27)
Proceeds from asset dispositions		35	104
Net change in non-cash investing working capital		(5,620)	(4,486)
Cash used in investing activities		(8,168)	(7,490)
Financing activities			
Changes in restricted cash	8	5	-
Production liability payments		(140)	(81)
Net finance lease receipts (payments)		96	(2)
Issuance of common shares	11	75	-
Net change in non-cash financing working capital		33	22
Cash from (used in) financing activities		69	(61)
Change in cash		(7,766)	(8,785)
Cash, beginning of period		17,936	24,281
Impact of foreign exchange on foreign denominated cash balances		(22)	(45)
Cash, end of period		10,148	15,451
Supplementary information for cash flow from operating activities:			
Interest paid in cash	8	540	147
Income taxes paid in cash	10	36	22

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

1. Nature of Business

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

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

2. Basis of Preparation and Statement of Compliance

Statement of compliance

These unaudited interim condensed consolidated financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These financial statements are condensed as they do not include all the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2021 (the "2021 audited financial statements").

These financial statements have been prepared on a historical cost basis, except for the production liability. All accounting policies and methods of computation followed in the preparation of these financial statements are consistent with those of the 2021 audited financial statements. Unless otherwise stated, amounts presented in these financial statements are denominated in United States dollars (" \$" or "US\$"). Canadian dollars ("C\$") and Trinidad and Tobago dollars ("TT\$") may also be referenced herein.

These financial statements were approved and authorized for issuance by the Company's Board of Directors (the "Board") on May 11, 2022.

Use of estimates, judgements and assumptions

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

In preparing these financial statements, the judgments made by Management in applying the Company's accounting policies and the key sources of significant estimation uncertainty were the same as those applied to the 2021 audited financial statements.

3. Financial Assets and Credit Risk

The Company's credit exposure on accounts receivable typically pertains to petroleum sales for monthly crude oil production volumes sold to Trinidad government owned Heritage Petroleum Company Limited ("Heritage") and value added taxes ("VAT") due from the Trinidad government. As at March 31, 2022, \$2,894,000 of petroleum sales was included in accounts receivable, representing approximately 30 percent of the Company's consolidated accounts receivable balance (December 31, 2021 - \$1,594,000 and 21 percent, respectively). In addition, \$6,178,000 of the Company's consolidated accounts receivable was comprised of VAT as of March 31, 2022, which represented approximately 65 percent of the total balance (December 31, 2021 - \$5,519,000 and 73 percent, respectively).

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2022 and 2021

As at March 31, 2022, the Company determined that the average expected credit loss on the Company's accounts receivables was \$nil (December 31, 2021 - \$nil). The Company believes that the accounts receivable balances that are past due as of March 31, 2022 are ultimately collectible, as they solely represent VAT amounts due from the Trinidad government. Although the timing of settlement is uncertain, the Company has not historically experienced any collection issues. The aging of accounts receivable as at March 31, 2022 and December 31, 2021 is disclosed in the following table.

(\$000's)	March 31, 2022	December 31, 2021
Not past due	4,265	3,181
Past due (greater than 90 days)	5,256	4,365
Accounts receivable	9,521	7,546

4. Exploration and Evaluation Assets

(\$000's)	Three months ended March 31, 2022	Year ended December 31, 2021
Balance, beginning of period	50,760	30,680
Additions	1,945	20,343
Impairment	(20)	(114)
Effect of change in foreign exchange rates	293	(149)
Balance, end of period	52,978	50,760

During the three months ended March 31, 2022, \$201,000 of direct and attributable overhead charges were capitalized to exploration and evaluation ("E&E") assets (2021 - \$200,000).

Impairment

During the three months ended March 31, 2022, the Company recognized E&E asset impairments of \$136,000 related to non-core exploration properties (2021 - \$29,000). The impairments were predominately related to writing down well decommissioning assets based on changes in estimates that increased the corresponding decommissioning liabilities.

The March 31, 2022 E&E asset carrying value of \$52,978,000 was included in the Ortoire cash-generating unit. No indicators of impairment were identified by the Company as at March 31, 2022.

5. Property, Plant and Equipment

(\$000's)	Petroleum assets	Right-of-use assets	Corporate assets	Total
Cost				
Balance, January 1, 2021	141,410	631	1,944	143,985
Additions	7,755	2,324	450	10,529
Decommissioning liability change in estimate (note 9)	(490)	-	-	(490)
Transfer to other assets	(1,271)	-	-	(1,271)
Reclassified as assets held for sale	(3,957)	-	-	(3,957)
Foreign exchange translation	(553)	(5)	2	(556)
Balance, December 31, 2021	142,894	2,950	2,396	148,240
Additions	676	7	21	704
Decommissioning liability change in estimate (note 9)	758	-	-	758
Foreign exchange translation	830	7	36	873
Balance, March 31, 2022	145,158	2,964	2,453	150,575

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2022 and 2021

(\$000's)	Petroleum assets	Right-of-use assets	Corporate assets	Total
Accumulated depletion, depreciation and impairment				
Balance, January 1, 2021	98,784	351	1,834	100,969
Depletion and depreciation	2,966	59	390	3,415
Impairment reversal	(13,786)	-	-	(13,786)
Transfer to other assets	(411)	-	-	(411)
Reclassified as assets held for sale	(2,835)	-	-	(2,835)
Foreign exchange translation	(389)	(1)	3	(387)
Balance, December 31, 2021	84,329	409	2,227	86,965
Depletion and depreciation	873	20	37	930
Foreign exchange translation	475	4	30	509
Balance, March 31, 2022	85,677	433	2,294	88,404
Carrying amounts				
Balance, December 31, 2021	58,565	2,541	169	61,275
Balance, March 31, 2022	59,481	2,531	159	62,171

During the three months ended March 31, 2022, \$98,000 of direct and attributable overhead charges were capitalized to property, plant and equipment (2021 - \$65,000).

Impairment

On March 31, 2022, the Company evaluated its petroleum assets included in property, plant and equipment for indicators of any potential impairment or reversal. As a result of this assessment, no indicators were identified.

Dispositions

In 2021 the Company executed sales and purchase agreements with a third party to dispose of three non-core properties for aggregate consideration of \$350,000, subject to customary closing adjustments. Immediately prior to classifying the assets and associated liabilities as held for sale, the Company conducted a review of the assets' recoverable amounts based on the expected consideration to be received and transferred these assets at their carrying amount, with no impairment recognized. The following table specifies the carrying values that were classified as held for sale for the periods indicated.

(\$000's)	March 31, 2022	December 31, 2021
Property, plant and equipment	1,128	1,122
Abandonment fund	54	54
Assets held for sale	1,182	1,176
Decommissioning obligations (note 9)	(1,705)	(1,695)
Liabilities associated with assets held for sale	(1,705)	(1,695)
Net liabilities held for sale	(523)	(519)

Effective May 1, 2022, two of the property sales were completed, with the remaining sale subject to standard regulatory approvals.

6. Financial Liabilities and Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company manages its liquidity risk by using cash and debt management programs, including continuously monitoring actual and forecasted cash flows from operating, investing and financing activities and opportunities to expand its existing credit facility or to issue additional equity. The Company's near-term development plan is strategically balanced between

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2022 and 2021

investing in legacy crude oil assets, bringing recent exploration discoveries onto production and proceeding with exploratory activities. The Company will continue to manage its capital expenditures to reflect current financial resources in the interest of sustaining long-term viability. The Company believes that future cash flows will be adequate to meet financial obligations as they come due.

Refer to Note 8 "Term Loan", Note 14 "Capital Management" and Note 15 "Commitments" for further details regarding the Company's debt structure and capital management objectives. The following table sets forth estimated undiscounted cash outflows and financial maturities of the Company's financial liabilities as at March 31, 2022.

(\$000's)	Undiscounted cash outflows	Financial maturity by period		
		Less than 1 year	1 to 3 years	Thereafter
Accounts payable and accrued liabilities	11,100	11,100	-	-
Income tax payable (note 10)	829	829	-	-
Lease liabilities (note 7)	3,238	618	2,170	450
Term loan principal (note 8)	30,000	4,500	12,000	13,500
Term loan interest (note 8)	6,673	2,252	3,140	1,281
Production liability	1,960	635	1,325	-
Total financial liabilities	53,800	19,934	18,635	15,231

7. Lease Liabilities

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

(\$000's)	Three months ended March 31, 2022	Year ended December 31, 2021
Balance, beginning of period	2,648	383
Additions	7	2,710
Interest	63	81
Payments	(25)	(526)
Effect of change in foreign exchange rates	7	-
Balance, end of period	2,700	2,648
Current (included in accounts payable and accrued liabilities)	392	383
Non-current	2,308	2,265
Lease liabilities	2,700	2,648

8. Term Loan

The Company's Trinidad-based \$30 million term loan facility is fully drawn. The term loan bears a fixed interest rate of 7.85 percent per annum, compounded and payable quarterly. Twenty equal and consecutive quarterly principal payments of \$1.5 million commence on September 15, 2022. The term loan agreement contains industry standard representations and warranties, undertakings, events of default, and financial covenants, which will be tested on an annual basis commencing with financial results for the year ended December 31, 2022.

Pursuant to the term loan agreement, the Company must maintain a cash reserves balance of not less than the equivalent of two subsequent quarterly interest payments at all times. Accordingly, the Company classified \$1,173,000 of cash as long-term restricted cash as at March 31, 2022 (December 31, 2021 - \$1,178,000).

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2022 and 2021

The following table details the movements of the Company's term loan balance for the periods indicated.

(\$000's)	Three months ended March 31, 2022	Year ended December 31, 2021
Balance, beginning of period	29,896	7,176
Advances, net of debt modification fees	-	22,396
Revaluation loss	-	279
Accretion	44	45
Balance, end of period	29,940	29,896
Current	4,500	3,000
Non-current	25,440	26,896
Term loan	29,940	29,896

9. Decommissioning Liabilities

The Company estimated the net present value of the cash flows required to settle its decommissioning liabilities to be \$11,027,000 as at March 31, 2022 based on an inflation adjusted future liability of \$17,344,000 (December 31, 2021 - \$10,012,000 and \$15,943,000, respectively). Decommissioning liabilities were estimated as at March 31, 2022 using a weighted average long-term risk-free rate of 5.1 percent and a long-term inflation rate of 2.4 percent (December 31, 2021 - 5.3 percent and 1.6 percent, respectively). The following table summarizes the Company's estimated decommissioning liability provision for the periods indicated.

(\$000's)	Three months ended March 31, 2022	Year ended December 31, 2021
Balance, beginning of period	10,012	11,919
Liabilities incurred	3	101
Liabilities settled	-	(9)
Accretion expense	66	273
Revisions to estimates	891	(529)
Reclassified as liabilities associated with assets held for sale (note 5)	-	(1,695)
Effect of change in foreign exchange rates	55	(48)
Balance, end of period	11,027	10,012

10. Income Taxes

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

(\$000's unless otherwise stated)	Three months ended March 31, 2022	2021
Net earnings (loss) before income taxes	627	(112)
Trinidad statutory income tax rate	55.0%	55.0%
Expected income tax expense (recovery) at statutory tax rate	345	(62)
Effect on income tax resulting from:		
Supplemental petroleum tax	102	-
Change in income tax assets not recognized	34	28
Income tax rate differential	473	322
Other	(91)	60
Income tax expense	863	348

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

11. Shareholders' Capital

Issued and outstanding common shares

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

	Number of shares	Shareholders' capital (\$000's)
Balance, January 1, 2021	209,399,627	101,385
Equity-based settlements	1,332,100	372
Balance, December 31, 2021	210,731,727	101,757
Equity-based settlements	431,800	116
Balance, March 31, 2022	211,163,527	101,873

Equity compensation plan

The Company has a share option plan pursuant to which options to purchase common shares of the Company may be granted by the Board to directors, officers, employees and consultants of the Company. The exercise price of each share option may not be less than the volume weighted average trading price per common share on the TSX for the five consecutive trading days ending on the last trading day preceding the grant date. Compensation expense is recognized as the options vest. Unless otherwise determined by the Board, vesting typically occurs one third on each of the next three anniversaries of the grant date as recipients render continuous service to the Company, and the share options typically expire five years from the grant date.

	Number of share options	Weighted average exercise price (C\$)
Issued and outstanding, January 1, 2021	9,552,434	0.34
Granted	3,013,000	1.70
Exercised	(1,332,100)	0.22
Issued and outstanding, December 31, 2021	11,233,334	0.72
Exercised	(431,800)	0.22
Forfeited	(261,800)	1.47
Issued and outstanding, March 31, 2022	10,539,734	0.72
Exercisable, March 31, 2022	4,986,537	0.27

The maximum number of common shares issuable on the exercise of outstanding share options at any time is limited to 10 percent of the Company's issued and outstanding common shares. During the three months ended March 31, 2022, the Company recorded equity-based compensation expenses of \$244,000 (2021 - \$110,000).

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

Weighted average common shares

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

	Three months ended March 31,	
	2022	2021
Weighted average common shares outstanding - basic	210,822,656	209,399,627
Dilutive impact of equity-based compensation	-	-
Weighted average common shares outstanding - diluted	210,822,656	209,399,627

There was no dilutive impact to the weighted average number of common shares for the three months ended March 31, 2022 and 2021, as approximately 6.3 million and 8.2 million share options were excluded from the diluted weighted average share calculations as they were anti-dilutive, respectively.

12. Net Finance Expenses

(\$000's)	Three months ended March 31,	
	2022	2021
Lease liability interest expense (note 7)	63	5
Term loan interest expense (note 8)	589	146
Accretion on term loan (note 8)	44	15
Production liability revaluation loss (gain)	199	(71)
Accretion on decommissioning liabilities (note 9)	66	63
Other	(18)	(9)
Net finance expenses	943	149
Cash net finance expenses	651	149
Non-cash net finance expenses	292	-
Net finance expenses	943	149

13. Financial Instruments and Market Risk Management

Financial instruments

As of March 31, 2022, the Company's financial instruments included cash, accounts receivable, restricted cash, finance lease receivable (included in other assets on the statements of financial position), accounts payable and accrued liabilities, income taxes payable, lease liabilities, term loan and production liability (included in other liabilities on the statements of financial position).

The Company's financial instruments that are carried at fair value on the statements of financial position include the production liability included in other liabilities on the consolidated statements of financial position. The carrying values of the Company's accounts receivable, accounts payable and accrued liabilities and income taxes payable as of March 31, 2022 approximate their fair values due to the short-term nature of these instruments.

Market risk management

The Company is 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 (refer to note 3) and liquidity risk (refer to note 6). The risk exposures are proactively reviewed by the Company, and Management seeks to mitigate these risks through various business processes and controls. Management of cash flow variability is an integral component of the Company's business strategy. Changing business conditions are monitored regularly and, where material, reviewed with the Board to establish risk management guidelines to be used by the Company.

Commodity price risk

The Company's operational and financial results are largely dependent on the commodity prices received from petroleum production. Movement in commodity prices could have a significant positive or negative effect on the Company's comprehensive income (loss) and cash flows. To mitigate this risk, the Company maintains a risk management strategy to protect funds flow from operations from the volatility of commodity prices. The Company's strategy focuses on the periodic use of puts, costless collars, swaps or fixed price contracts to limit exposure to fluctuations in commodity prices while allowing for participation in commodity price increases. The Company had no commodity-based risk management contracts in place as at or during the three months ended March 31, 2022 and 2021. The Company will continue to monitor forward commodity prices and may enter future commodity-based risk management contracts to reduce the volatility of petroleum sales and protect future development and exploration capital programs.

Foreign currency risk

Foreign currency exchange risk arises from changes in foreign exchange rates that may affect the fair value or future cash flows of the Company's financial assets or liabilities. The Company's foreign currency policy is to monitor foreign currency risk exposure in its areas of operations and mitigate that risk where possible by matching foreign currency denominated expenses with petroleum sales paid in foreign currencies. The Company attempts to limit its exposure to foreign currency risk through collecting and paying foreign currency denominated balances in a timely fashion. The Company had no contracts in place to manage foreign currency risk as at or during the three months ended March 31, 2022 and 2021.

As the Company primarily operates in Trinidad, fluctuations in the exchange rate between the 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, the Company attempts to match revenues received in TT\$ by entering into contracts denominated and payable in TT\$ when possible. In addition, the Company has US\$ denominated debt and related interest payments. These risks are currently mitigated by the fact that the TT\$ is informally pegged to the US\$.

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

14. Capital Management

The Company's policy is to maintain a strong capital base to preserve investor, creditor, and market confidence and to sustain the future development of the business. The Company considers its capital structure to include shareholders' equity, working capital and bank debt. The Company's long-term goal is to fund current period decommissioning and capital expenditures necessary for the replacement of production declines using only funds flow from operations. Exploration activities and profitable growth activities will be financed with a combination of funds flow from operations and other sources of capital. The Company uses share equity and term debt as its primary sources of capital.

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

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2022 and 2021

management through the net debt to total managed capital ratio. The Company's strategy is to utilize more equity than debt, thereby targeting net debt to total managed capital at a ratio of less than 0.4 to 1.

Net debt is calculated by summing the Company's working capital and the principal (undiscounted) non-current amount of senior secured debt. Total managed capital is calculated as the sum of net debt and total shareholders' equity. Working capital, net debt, total managed capital, net debt to funds flow from operations ratio and net debt to total managed capital ratio are considered non-IFRS capital management measures and therefore may not be comparable to similar measures presented by other companies.

The Company's internal capital management calculations for the three months ended March 31, 2022 and year ended December 31, 2021 are set forth in the following table.

(\$000's)	Target measure	March 31, 2022	December 31, 2021
Current assets		(22,393)	(27,856)
Current liabilities		18,134	20,931
Working capital surplus		(4,259)	(6,925)
Principal non-current balance of term loan		25,500	27,000
Net debt		21,241	20,075
Shareholders' equity		68,108	67,558
Total managed capital		89,349	87,633
Trailing twelve-month funds flow from operations ⁽¹⁾		4,995	4,107
Net debt to funds flow from operations ratio	at or < 2.0 times	4.25	4.89
Net debt to total managed capital ratio	< 0.4 times	0.24	0.23

Note:

(1) Trailing twelve-month funds flow from operations as at March 31, 2022 includes the sum of funds flow from operations for the three months ended March 31, 2022 and funds flow from operations for the April 1 through December 31, 2021 interim period.

15. Commitments

The Company has minimum work obligations under various operating agreements with Heritage, exploration commitments under its Cory Moruga and Ortoire block exploration and production licences with the Trinidad and Tobago Ministry of Energy and Energy Industries, and various lease commitments for office space and motor vehicles. The following table sets forth the Company's estimated minimum contractual payments as at March 31, 2022.

(\$000's)	Total	Estimated payments due by year			
		2022	2023	2024	Thereafter
Operating agreements	25,871	5,396	284	5,982	14,209
Exploration agreements	25,846	534	7,022	7,305	10,985
Other commitments	770	320	104	104	242
Minimum payments	52,487	6,250	7,410	13,391	25,436

Pursuant to its operating agreements with Heritage, the Company is required to fulfill minimum work obligations on an annual basis over each licence term. With respect to these obligations, the Company has four development wells and three heavy workover commitments to perform in 2022.

As of December 31, 2021, the Company completed all of the exploration minimum work commitments with respect to the Ortoire exploration and production licence. In March 2022, the Company was notified that the Trinidad government approved an extension to the exploration phase of the Ortoire licence to July 31, 2026. Upon execution, the Company will be required to drill

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2022 and 2021

three exploration wells prior to the end of the amended licence term which are included in the table above.

The Company is involved in a limited number of legal claims arising in the normal course of operations. Such claims are not expected to have a material impact on the Company's results of operations or cash flows.



Corporate Information

Directors

John D. Wright

Chair of the Board

Paul R. Baay

Kenneth R. McKinnon

Peter Nicol

Beverley Smith

Stanley T. Smith

Thomas E. Valentine

Harrie Vredenburg

Head Office

Touchstone Exploration Inc.

4100, 350 7th Avenue SW

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T2P 3N9

Reserves Evaluator

GLJ Ltd.

Calgary, Alberta

Legal Counsel

Norton Rose Fulbright LLP

Calgary, Alberta

London, United Kingdom

Nunez and Co.

Port of Spain, Trinidad

Registered Office

3700, 400 3rd Avenue SW

Calgary, Alberta, Canada

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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

Operating Offices

**Touchstone Exploration
(Trinidad) Ltd.**

#30 Forest Reserve Road

Fyzabad, Trinidad, W.I.

Primera Oil and Gas Limited

#14 Sydney Street

Rio Claro, Trinidad, W.I.

Stock Exchange Listing

Toronto Stock Exchange

London Stock Exchange AIM

Symbol: TXP

Auditor

KPMG LLP

Calgary, Alberta

Transfer Agent and Registrar

Odyssey Trust Company

Calgary, Alberta

Link Group

London, United Kingdom

UK Nominated Advisor and Joint Broker

Shore Capital

London, United Kingdom

UK Joint Broker

Canaccord Genuity

London, United Kingdom

UK Public Relations

Camarco

London, United Kingdom