

CR-3 Confirms Thick Herrera Sands on the Central Block, Test Results Ahead

ACTION: Maintain HOLD and Target Price

This morning, TXP announced that it has drilled the Carapal Ridge-3 (“CR-3”) development well to 8,200 ft TD. The well encountered ~1,000 net feet of Herrera sand across stacked horizons, both above and below the historical shale marker. During drilling, the well naturally built angle, allowing 341 feet to be drilled horizontally in the previously unproduced Herrera section, maximizing reservoir exposure. In addition to the Herrera interval, the well also encountered 82 net feet of gas-charged Karamat sands at ~6,700 ft. The Karamat zone has not been previously produced on the Central block and is now being evaluated as a stand-alone drilling prospect.

Completion operations are underway, with initial production planned from the lower horizontal Herrera section, with facility tie-in targeted for Q1 2026.

CR-3 validates the seismic model, confirms reservoir continuity, and supports the potential for up to three additional Herrera development wells on the Central block. We maintain our **HOLD** recommendation and our C\$0.20/share target price based on a 0.25x multiple of our risked NAV per share.

IMPACT: Positive. A Strong Production Test Is the Key Near-Term Catalyst

TXP’s offsetting Carapal Ridge-1 well tested the lower Herrera across multiple zones (tests 4, 5, 6) at a combined peak rate >20 MMcf/d gas and 500 bbl/d condensate for 1-2 days, but was never produced. The stacked Herrera sands in CR-3 are encouraging, but stabilized deliverability won’t be known until the well is completed and on permanent production.

Investor confidence must now be rebuilt after a disappointing 2025 at Cascadura, where capital was deployed without production or cash-flow growth, tightening financial flexibility. We maintain **HOLD**, \$0.20/share target, and will reevaluate on CR-3 test results.

RATING & TARGET PRICE

Rating	HOLD
Price	C\$0.14
Price Target	C\$0.20
Market Cap (\$M)	C\$45.46
Projected Return	42.9%

MARKET DATA

TXP-TSX	C\$0.14
52 Week Range	C\$0.52 - C\$0.11
Basic Shares O/S (mm)	324.7
Fully Diluted O/S (mm)	324.7
Enterprise Value (\$M)	C\$155.6
Net Debt (\$M)	C\$110.2

UPCOMING EVENTS/CATALYSTS

CR-3 Production Test (Q1/26).

ANALYST INFORMATION

Bill Newman, CFA
(403) 260-2460
bnewman@researchcapital.com

Figure 1: Detailed Summary and Forecast

Touchstone Exploration Inc.

TXP

Shares		Market Value			Stock Price		Target Price		
Basic Shares (mm):	324.7	Market Cap. (\$ mm):	\$ 45.5	Close:	\$0.14	Target Price:	\$0.20		
Diluted Sh. (Treasury):	324.7	Enterprise Value (\$ mm):	\$ 155.6	52 Week High:	\$0.52	Return:	43%		
Fully Diluted (mm):	342.6	Net Debt (W.C) (\$ mm):	\$ 110.2	52 Week Low:	\$0.11				
Production		2023A	2024A	Q1/25A	Q2/25A	Q3/25A	Q4/25E	2025E	2026E
Oil & Liquids	bb/d	1,382	1,352	1,201	1,352	1,487	1,450	1,373	1,538
Natural Gas	mmcf/d	15.6	26.3	18.7	18.3	22.0	20.0	19.7	23.8
Boe/d	6:1	3,981	5,734	4,317	4,399	5,147	4,783	4,664	5,499
Production Growth	% (q/q & y/y)	152%	44%	(38%)	(19%)	(1%)	(10%)	(19%)	18%
Funds Flow (US\$)		2023A	2024A	Q1/25A	Q2/25A	Q3/25A	Q4/25E	2025E	2026E
Funds Flow	\$ mm	13.73	16.75	2.58	1.43	0.74	0.81	5.55	9.90
Funds Flow /FD Share	\$/share	\$0.06	\$0.07	\$0.01	\$0.01	\$0.00	\$0.00	\$0.02	\$0.03
\$/Barrel of Oil Equivalent (US\$)		2023A	2024A	Q1/25A	Q2/25A	Q3/25A	Q4/25E	2025E	2026E
Production Revenue	\$/boe	33.10	27.39	28.60	27.50	26.81	27.82	27.64	29.52
Royalties	\$/boe	8.38	6.61	7.25	6.63	5.99	6.83	6.65	7.42
Operating Costs	\$/boe	6.68	5.10	5.52	8.28	8.45	8.45	7.74	8.00
Field Netback	\$/boe	18.05	15.67	15.83	12.59	12.37	12.53	13.25	14.10
Funds Flow Netback	\$/boe	9.45	7.98	6.64	3.58	1.55	1.83	3.26	4.93
Valuation Metrics (C\$)		2023A	2024A	Q1/25A	Q2/25A	Q3/25A	Q4/25E	2025E	2026E
FD Funds Flow Multiple		1.8x	1.4x	2.2x	4.4x	9.0x	9.6x	4.7x	3.3x
EV/DACF Multiple		3.0x	2.8x	4.5x	8.9x	13.0x	11.6x	10.2x	6.9x
EV/Production	C\$/mboe/d	39.1	27.1	36.0	35.4	30.2	32.5	33.4	28.3
EV/boe reserves	C\$/boe								
Commodity Price		2023A	2024A	Q1/25A	Q2/25A	Q3/25A	Q4/25E	2025E	2026E
Brent	US\$/bbl	82.18	79.85	74.90	66.71	68.16	61.00	67.67	75.00
Realized Oil Price	US\$/bbl	68.44	68.02	63.86	58.52	60.30	53.97	59.16	61.50
Realized Gas Price	US\$/mcf	2.24	2.48	2.50	2.55	2.74	2.74	2.63	2.85
Exchange Rate	US\$ per C\$	0.74	0.73	0.70	0.72	0.73	0.73	0.72	0.73
Capex and Capital Structure		2023A	2024A	Q1/25A	Q2/25A	Q3/25A	Q4/25E	2025E	2026E
Capex	US\$ mm	18.9	23.7	6.7	4.7	9.6	6.0	26.9	16.0
Capex/Cash Flow	%	138%	141%	259%	325%	1,306%	745%	485%	162%
Weighted Average Basic	mm	233.5	235.5	236.5	248.6	261.1	303.0	262.3	324.7
Market Cap	C\$ mm	32.7	33.0	33.1	34.8	36.6	42.4	36.7	45.5
Enterprise Value	C\$ mm	63.2	72.9	80.9	123.2	143.6	136.0	131.4	147.4
Net Debt (WC)	C\$ mm	30.5	39.9	47.8	88.4	107.1	93.6	94.7	102.0
Net Debt/Cash Flow		1.6x	1.7x	3.2x	11.1x	26.4x	21.1x	12.2x	7.5x
Net Asset Value		(C\$ mil)		C\$/share		Reserve Estimate (as at December 31, 2024)*			
Reserves (P + P)*	\$	317.0	\$0.98			(mboe)			
Net Debt	\$	110.2	\$0.34	Proven	58%	29,070			
Central Block @ Cost	\$	38.9	\$0.76	Probable	42%	20,993			
Net Asset Value (Basic)	\$	245.7	\$0.76	P+P		50,063			
Dilution	\$	-	\$0.00	*Excludes reserves from Central Block acquisition					
Core NAV/FD Share	\$	245.7	\$0.76	Reserve Life Index					
Price/ NAV			0.19x	Production					
*reduced by 25% based upon recent Cascadura results				2024		2025			
				13.9		17.1			
				23.9		29.4			

Source: Company reports and Research Capital Corp.

Company Description:

Touchstone is an exploration and production company focused on the development and exploration of assets located onshore in Trinidad and Tobago.

Risks:

While this is not an exhaustive list, we view the following risks as being noteworthy to investors in Touchstone Exploration Inc.

FINANCIAL RISK | TXP has disclosed that its current cash resources may be insufficient to fund planned operating and development expenditures as well as scheduled bank-debt repayments over the next twelve months. The Company's ability to continue as a going concern will depend on its capacity to generate higher operating cash flow, obtain additional financing through debt or equity, or successfully renegotiate or restructure existing debt obligations. In addition, based on current forecasts, TXP anticipates a potential breach of its net senior funded debt to trailing annual EBITDA covenant. Any such breach would constitute an event of default and could render the Company's outstanding bank debt immediately due and payable, heightening financial risk despite the lender's waiver of covenant testing for 2025.

PRODUCTION CONCENTRATION RISK | A large portion of TXP's current production is from the Cascadura and Central block. Unplanned production outages could have a material impact on cash flow

EXPLORATION RISK | Exploration failure could have a material impact on our valuation.

EXCHANGE RATE RISK | TXP's operations are exposed to several currencies, including, the U.S. dollar and the Trinidad & Tobago dollar, which is linked to the U.S. dollar. A significant change in the relative value of these currencies could impact both accounting and real results.

POLITICAL/COUNTRY RISK | Administrative lags in licencing and other regulatory requirements could delay operations.

LOGISTICAL RISK | Although Trinidad & Tobago has a long history of oil and gas production, the equipment to service the oil and gas sector is generally outdated, which could result in drilling delays. The local workforce is relatively well trained and educated for the oil and gas sector.

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