

Touchstone Exploration Announces Acquisition of Trinity Exploration and Production Plc

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CALGARY, May 1, 2024 - [Touchstone Exploration Inc.](#) ("Touchstone", "we", "our" or the "Company") (TSX:TXP)(LSE:TXP) is pleased to announce that it has reached an agreement with Trinity Exploration and Production Plc ("Trinity") on the terms of an all-share acquisition by which Touchstone will acquire all of the issued and to be issued ordinary share capital of Trinity (the "Acquisition"). Trinity is a crude oil exploration, development and production company with onshore and offshore assets located solely in the Republic of Trinidad and Tobago ("Trinidad") and is publicly listed on the AIM market of the London Stock Exchange ("AIM").

Under the terms of the Acquisition, Trinity shareholders will receive 1.5 common shares of Touchstone ("Touchstone Shares") for each Trinity common share ("Trinity Share") held.

Based upon the closing Touchstone Share price of 41.25 pence on AIM on April 30, 2024, the Acquisition represents an implied value of Trinity of approximately \$30.1 million, representing a 71.9 percent premium to the April 30, 2024 closing price of Trinity Shares on AIM of 36 pence. The terms of the Acquisition represent a 13.6 percent premium to the nine-month volume weighted average price of Trinity Shares as at the close of April 30, 2024. Approximately 24.91 percent of currently outstanding Touchstone Shares will be issued pursuant to the Acquisition, and the Acquisition will not be a "significant acquisition" for Touchstone under Canadian securities laws.

The board of directors of Trinity intends to recommend unanimously that Trinity shareholders vote in favour of the Acquisition and Touchstone has received irrevocable undertakings from certain of Trinity's shareholders (including directors) to vote their Trinity shares in favour of the Acquisition representing, in aggregate, approximately 38.9 percent of Trinity's issued ordinary share capital as of April 30, 2024 (excluding Trinity shares held in treasury). Completion of the Acquisition is subject to customary regulatory, stock exchange and Trinity shareholder approvals and is expected to close by the end of the third quarter of 2024.

Highlights

- Creates a Trinidadian operator of scale with a significant inventory of onshore and offshore exploration and development assets.
- Combined funds flow from operations from an increased production base will allow the combined company to invest in multiple development programs concurrently to accelerate the potential of the asset base and allow greater optionality over capital allocation decisions.
- Accretive on a funds flow from operations basis to Touchstone shareholders in the first full year following completion of the Acquisition prior to expected synergies.
- The combined company will benefit from greater economies of scale and recurring annual cost synergies with a significant anticipated reduction in combined fixed overhead and corporate costs.
- Following completion of the Acquisition, existing Touchstone shareholders will own approximately 80 percent of the post-Acquisition Touchstone Shares, and Trinity shareholders will own approximately 20 percent of the post-Acquisition Touchstone Shares.

Paul Baay, President and Chief Executive Officer, commented:

"We believe this acquisition represents a compelling strategic opportunity which will deliver enhanced scale, balance sheet strength, and growth opportunities. The business combination will create an upstream oil and natural gas company of increased scale in Trinidad, enhancing our ability to deliver growth in reserves, production and cash flows for the benefit of our combined shareholders and local stakeholders. The combined group will be able to invest in multiple development programs and accelerate the growth potential of the enlarged asset base, thereby giving us the potential to materially enhance long-term value."

The Acquisition

The Trinity assets are a natural extension of Touchstone's assets in Trinidad assets. The addition of Trinity's existing production portfolio, along with its exploration and development assets, will position Touchstone as a key player in the Trinidad oil and gas sector, and one of the leading independent operating companies dedicated to investing in both onshore and offshore activity to grow Trinidadian oil and natural gas production. On a pro-forma basis, the Acquisition is expected to create a producing portfolio between approximately 11,700 and 12,400 boe/d (based upon 2024 average daily production guidance from each company) with combined estimated proved plus probable reserves of approximately 80.3 MMboe as of December 31, 2023.

Following completion of the Acquisition, Touchstone will have strong cash flows from operations from an increased crude oil and natural gas production base. The combined group will have the resources, capacity and flexibility to invest in multiple development programs concurrently to accelerate the potential of the combined asset base. The combined entity will have an attractive portfolio of exploration and development prospects across Trinity's onshore Hummingbird portfolio and Buenos Ayres block (subject to the execution of the relevant licence agreement), as well as its TGAL discovery at the offshore Galeota block, and at our Ortoire area and Cipero, Charuma, and Rio Claro blocks (subject to the execution of the relevant licence agreements). Together, the portfolio provides a diversified opportunity with the potential to materially enhance the long-term value of the combined entity.

Information on Trinity

Trinity is an independent oil exploration, development and production company with producing assets onshore, as well as offshore off the east and west coasts of Trinidad.

Trinity produced net daily average crude oil sales volumes of 2,790 bbls/d during the year ended December 31, 2023 and 2,669 bbls/d during the three months ended March 31, 2024. As at December 31, 2023, Trinity's management estimate of its total proved plus probable reserves was 12.91 MMBbl.

Trinity operates seven onshore oil blocks from which it produced 1,495 bbls/d in 2023, accounting for 53 percent of its net annual average crude oil production. Trinity actively manages its onshore asset portfolio in order to optimize production and mitigate declines through the application of workover activities, well recompletions, well swabbing and infill drilling. Trinity's west coast assets, the Point Ligoure-Guapo Bay-Brighton Marine and Brighton Marine licences, are located offshore and produced net crude oil volumes of 352 bbls/d in 2023, representing 13 percent of Trinity's annual net production. Trinity has been operating and producing offshore from the east coast of Trinidad since 2013, and currently produces crude oil from three platforms in the Trintes field which resides within the Galeota block. Net average 2023 crude oil production from the Trintes field was 943 bbls/d, representing 34 percent of Trinity's net annual production.

As at March 31, 2024 Trinity reported an unaudited cash balance of \$4.8 million and drawn borrowings of \$4.0 million. For the three months ended March 31, 2024, Trinity reported unaudited earnings before interest, income taxes, depreciation and amortization ("EBITDA") of \$4.0 million. Trinity's unaudited EBITDA figures are ordinary course profit estimates within the meaning of the Code (as defined below).

Approvals

- The Acquisition is subject to the Conditions and terms set out in Appendix I of the Rule 2.7 Announcement (as defined below) which includes, amongst other things:
- the approval of the Scheme by a majority in number of the Trinity shareholders who are present and vote, whether in person or by proxy, at the Court Meeting and who represent 75 percent in value of the Trinity Shares voted;
- the resolutions required to implement the Scheme being duly passed by Trinity shareholders representing 75 percent or more of votes cast at the General Meeting;
- the receipt or waiver of anti-trust clearances in Trinidad;
- the approval of the Scheme by the High Court of Justice in England and Wales;
- the London Stock Exchange having acknowledged that the Touchstone Shares issuable pursuant to the Acquisition will be admitted to trading on AIM;

- the acceptance by Toronto Stock Exchange ("TSX") of the listing of the Touchstone Shares issuable pursuant to the Acquisition on customary post-closing conditions;
- insofar as the Acquisition requires such approval, the Government of the Republic of Trinidad and Tobago Ministry of Energy and Energy Industries having provided consent to the Acquisition in a form and subject to conditions (if any) that are reasonably satisfactory to Touchstone; and
- the receipt of the following consents or waivers from Heritage Petroleum Company Limited ("Heritage"):
 - Heritage having provided its written consent to the Acquisition under the terms of the lease operatorship agreements, the Galeota Joint Operatorship Agreement and the royalty conversion agreements in a form and subject to conditions (if any) that are reasonably satisfactory to Touchstone; and
 - the waiver (or non-exercise within any applicable time limits) by Heritage of any right of pre-emption, right of first offer or refusal or any similar or analogous right, arising as a result of or in connection with the Acquisition under the terms of the joint operatorship agreements (other than the Galeota Joint Operatorship Agreement in circumstances where Heritage has already provided its prior written consent) in a form and subject to conditions (if any) that are reasonably satisfactory to Touchstone.

Rule 2.7 of the UK City Code on Takeovers and Mergers

In accordance with Rule 2.7 of the UK City Code on Takeovers and Mergers (the "Code"), a firm offer announcement ("Rule 2.7 Announcement") has been published and is accessible on Touchstone's website (www.touchstoneexploration.com). This news release should be read in conjunction with, and is subject to, the full text of the Rule 2.7 Announcement (including its appendices). The offer will be subject to the conditions and certain further terms set out in the Rule 2.7 Announcement and to the full terms and conditions to be set out in the scheme document to be published in due course. Capitalized terms used but not otherwise defined herein shall have the meaning given to them in the Rule 2.7 Announcement.

Advisors

In connection with the Acquisition for Touchstone, Shore Capital Limited is acting as lead financial advisor, Canaccord Genuity Limited is acting as co-financial advisor, and Beacon Securities Limited and Cormark Securities Inc. are acting as strategic advisors. Norton Rose Fulbright LLP is acting as legal advisor to Touchstone.

[Touchstone Exploration Inc.](#)

[Touchstone Exploration Inc.](#) is a Calgary, Alberta based company engaged in the business of acquiring interests in petroleum and natural gas rights and the exploration, development, production and sale of petroleum and natural gas. Touchstone is currently active in onshore properties located in the Republic of Trinidad and Tobago. The Company's common shares are traded on the Toronto Stock Exchange and the AIM market of the London Stock Exchange under the symbol "TXP".

For further information about Touchstone, please visit our website at www.touchstoneexploration.com or contact:

Mr. Paul Baay, President and Chief Executive Officer
Mr. Brian Hollingshead, Vice President Engineering and Business Development
Telephone: 403.750.4487

Advisories

Currency

Unless otherwise stated, all financial amounts presented herein are stated in United States dollars, and all production volumes disclosed herein are sales volumes based on company working interest before royalty burdens. References to "pounds" and "pence" are to the currency of the United Kingdom.

Throughout this news release, one United States dollar has been translated from pounds at a rate of 1.2521 to 1.00.

Forward-Looking Statements

The information provided in this news release contains certain forward-looking statements and information (collectively, "forward-looking statements") within the meaning of applicable securities laws. 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 "expect", "believe", "intend", "estimate", "potential", "growth", "long-term", "anticipate", "forecast" and similar expressions, or are events or conditions that "will", "would", "could" or "should" occur or be achieved. The forward-looking statements contained in this news release speak only as of the date hereof and are expressly qualified by this cautionary statement.

Specifically, this news release includes, but is not limited to, forward-looking statements relating to: the Company's business plans, strategies, priorities and development plans; the expectation of executing certain licence agreements; Touchstone's annual 2024 preliminary production guidance; Touchstone's intention to acquire the entire issued and to be issued ordinary share capital of Trinity including anticipated shares Trinity shareholders will receive and the value of Trinity as at closing; expectations regarding funds flow from operations resulting from Touchstone's daily production; the key highlights of the Acquisition and its expected benefits and synergies; the production portfolio created as result of the Acquisition; expectations with regards to the potential for Trinity's portfolio to deliver meaningful reserves/resources growth; the expectation that the Acquisition will be completed by way of a scheme of arrangement; the anticipated ownership structure of the combined group; anticipated timing of Trinity's court meeting and general meeting; expectations with respect to the business, financial prospects and future opportunities for the combined group, including that the combined group will be a Trinidad operator of scale; the combined group's ability to invest in a larger portfolio of development opportunities; expectations regarding the combined group's enhanced development and exploration portfolio; the ability of the combined group to benefit from enhanced efficiencies and synergies; expectation of the combined group's enhanced access to operational, tax and corporate synergies; the anticipated closing conditions and regulatory approvals pursuant to the scheme; and the anticipated timing and completion of the Acquisition. The Company's actual decisions, activities, results, performance, or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits that Touchstone will derive from them.

In addition, information and statements relating to reserves are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future. The recovery and reserve estimates of the reserves provided herein are estimates only, and there is no guarantee that the estimated reserves will be recovered. Consequently, actual results may differ materially from those anticipated in the forward-looking statements.

This news release includes a reference to Touchstone's preliminary 2024 production guidance, which includes, but is not limited to, forward looking statements relating to: the focus of Touchstone's 2024 capital plan, including pursuing developmental drilling activities and optimizing existing natural gas and liquids infrastructure capacity; anticipated 2024 annual average production; forecasted production decline rates; anticipated timing of developmental and exploration drilling production; anticipated 2024 capital expenditures including estimations of costs and inflation incorporated therein; expected drilling activities, including locations and the timing thereof; anticipated timing of well tie-in operations; and Touchstone's future financial position, including the sufficiency of resources to fund future capital expenditures and maintain financial liquidity. For further information regarding the Company's 2024 guidance and the related future oriented financial information advisories, refer to Touchstone's news release dated 19 December 2023 entitled "Touchstone Announces 2024 Capital Budget, Preliminary 2024 Guidance and an Operational Update" which is available under the Company's profile on SEDAR+ (www.sedarplus.ca) and on the Company's website (www.touchstoneexploration.com).

Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. Since

forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. Certain of these risks are set out in more detail in the Company's 2023 Annual Information Form dated March 20, 2024 which is available under the Company's profile on SEDAR+ (www.sedarplus.ca) and on the Company's website (www.touchstoneexploration.com). The forward-looking statements contained in this news release are made as of the date hereof, and except as may be required by applicable securities laws, the Company assumes no obligation or intent to update publicly or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.

Disclaimers

Shore Capital & Corporate Limited and Shore Capital Stockbrokers Limited (either individually or collectively "Shore Capital") which are authorised and regulated by the Financial Conduct Authority in the United Kingdom, are acting exclusively as lead financial adviser and joint corporate broker for Touchstone and for no-one else in connection with the subject matter of this news release and will not be responsible to anyone other than Touchstone for providing the protections afforded to clients of Shore Capital, or for providing advice in relation to the Acquisition or any other matter referred to herein. Neither Shore Capital & Corporate Limited nor Shore Capital Stockbrokers Limited, nor any of their subsidiaries or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Shore Capital in connection with this news release, any statement contained herein or otherwise.

Canaccord Genuity Limited ("Canaccord Genuity"), which is authorised and regulated in the UK by the FCA, is acting as co-financial adviser and joint corporate broker to Touchstone and no one else in connection with the matters set out in this news release and will not be responsible to anyone other than Touchstone for providing the protections afforded to clients of Canaccord Genuity or for providing advice in relation to contents of this news release or any other matters referred to in this news release. Neither Canaccord Genuity nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Canaccord Genuity in connection with this news release, any statement contained herein or otherwise.

TSX Disclaimer and Listing Matters

The TSX has not reviewed and does not accept responsibility for the adequacy or accuracy of this news release. No stock exchange, securities commission or other regulatory authority has approved or disapproved the information contained herein.

Touchstone will apply to list the Touchstone Shares issuable in connection with the Acquisition on the TSX. Such listing will be subject to Touchstone fulfilling all of the listing requirements of the TSX.

Reserves Disclosures

The oil and natural gas reserves contained in this news release have generally been prepared in accordance with Canadian disclosure standards, which are not comparable in all respects to other foreign disclosure standards.

Oil and natural gas reserves of the Company disclosed or referenced in this news release are based on the independent reserve evaluation prepared by GLJ Ltd. dated February 29, 2024 with an effective date of December 31, 2023 (the "Reserves Report"), which was prepared in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101") and the Canadian Oil and Gas Evaluation ("COGE") Handbook. The disclosure herein highlights certain information contained in the Reserves Report but represents only a portion of the disclosure required under NI 51-101. Full disclosure and related advisories with respect to the Company's reserves as at December 31, 2023 are included in the Company's 2023 Annual Information Form dated March 20, 2024, which can be accessed online on the Company's SEDAR+ profile (www.sedarplus.ca) and on our website (www.touchstoneexploration.com).

Oil and natural gas reserves of Trinity disclosed or referenced in this news release are estimates which were

prepared by Trinity's management. Trinity's disclosure was not prepared in accordance with NI 51-101 and the COGE Handbook, nor evaluated by an independent qualified reserves evaluator or auditor.

Oil and Natural Gas Measures

Where applicable, natural gas has been converted to barrels of oil equivalent (boe) based on six thousand cubic feet (Mcf) to one barrel (bbl) of oil. The barrel of oil equivalent rate is based on an energy equivalent conversion method primarily applicable at the burner tip and given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different than the energy equivalency of the 6:1 conversion ratio, utilizing the 6:1 conversion ratio may be misleading as an indication of value. This conversion factor is an industry accepted norm and is not based on either energy content or prices.

Product Type Disclosures

This news release includes references to crude oil, natural gas liquids, natural gas, 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 news release, references to "crude oil" refer to "light crude oil and medium crude oil" and "heavy crude oil" combined product types; references to "natural gas liquids" refer to condensate; and references to "natural gas" refer to the "conventional natural gas" product type, all as defined in the instrument.

For information regarding specific product disclosures in accordance with NI 51-101, please refer to the "Advisories - Product Type Disclosures" section in the Company's most recent Management's discussion and analysis for the three months and year ended December 31, 2023 accompanying our December 31, 2023 audited consolidated financial statements, both of which can be accessed online on the Company's SEDAR+ profile (www.sedarplus.ca) and on our website (www.touchstoneexploration.com).

Abbreviations

The following abbreviations are referenced in this news release:

bbls/d - barrels per day
boe - barrels of oil equivalent
boe/d - barrels of oil equivalent per day
Mcf - thousand cubic feet
MMbbl - million barrels
MMboe - million barrels of oil equivalent

Disclosure requirements of the Code

Under Rule 8.3(a) of the Code, any person who is interested in 1 percent or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3:30 p.m. (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3:30 p.m. (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1 percent or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange

offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3:30 p.m. (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they shall be deemed to be a single person for the purpose of Rule 8.3 of the Code.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4 of the Code).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at <http://www.thetakeoverpanel.org.uk>, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

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