THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take or the contents of this document, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 ("FSMA") who specialises in advising on the acquisition of shares and other securities. The whole of the text of this document should be read. You should be aware that an investment in the Company involves a high degree of risk and prospective investors should also carefully consider the section entitled 'Risk Factors' set out in Part 2 of this document before taking any action.

This document comprises an admission document prepared in accordance with the AIM Rules for Companies. It does not constitute a prospectus for the purposes of FSMA and the Prospectus Rules. This document does not constitute an offer of transferable securities to the public in the United Kingdom, within the meaning of section 102B of FSMA and has not been approved by, or filed with, the FCA.

The Company, and Directors whose names and functions are set out on page 6 of this document, accept responsibility, both individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. To the extent information has been sourced from a third party, such information has been accurately reproduced and, as far as the Company and the Directors are aware, no facts have been omitted which may render the reproduced information inaccurate or misleading.

Application has been made for the Issued Share Capital to be admitted to trading on AIM, the market operated by the London Stock Exchange. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The Nominated Adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange and the TSXV have not examined or approved the contents of this document.

It is expected that Admission will become effective and dealings in the Common Shares will commence on AIM on 21 December 2018 (or such later date as the Company and the Nomad may agree).

PetroTal

PetroTal Corp.

(Incorporated under the laws of Alberta, Canada with corporate access number 2020869455)

Admission to trading on AIM

Strand Hanson Limited
Nominated Adviser

Numis Securities Limited
Joint Broker

FirstEnergy Capital LLP
Joint Broker

This document does not constitute an offer or invitation to subscribe for or to purchase any securities in the Company. No Common Shares have been, or are proposed to be, offered to the public in connection with the application for admission to AIM.

Strand Hanson, which is authorised and regulated by the FCA, is the Company's nominated adviser for the purposes of the AIM Rules and as such, its responsibilities are owed solely to the London Stock Exchange and are not owed to the Company, any Director or any other entity or persons. Strand Hanson will not be responsible to anyone other than the Company for providing the protection afforded to clients of Strand Hanson or for advising any other person in connection with Admission.

Numis and GMP FirstEnergy which are authorised and regulated by the FCA, are each acting exclusively for the Company and no one else in connection with their respective engagements as the Company's ongoing brokers. Numis, GMP FirstEnergy will not be responsible to anyone other than the Company for providing the protections afforded to clients of Numis and GMP FirstEnergy or advising any other person on the contents of this document or any matter referred to herein.

In particular, the information contained in this document has been prepared solely for the purposes of Admission and is not intended to inform or be relied upon by any subsequent purchasers of Common Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them. Without limiting the statutory rights of any person to whom this document is issued, no representation or warranty, express or implied, is made by Strand Hanson as to the contents of this document and Strand Hanson has not checked the contents of any part of this document for the accuracy of any information or opinions contained in this document or for any omissions of information.

Neither the Company nor the Directors are providing prospective investors with any representations or warranties or any legal, financial, business, tax or other advice. No person has been authorised to give any information or to make any representations other than as contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company, the Directors or Strand Hanson. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as of any time subsequent to the date hereof.

Extraction of information from the Competent Person's Report

This document contains cross-references to information contained in the Competent Person's Report set out in Part 3 of this document. The Company confirms that the information which has been extracted from the Competent Person's Report has been accurately reproduced and that, so far as the Company is aware and is able to ascertain from the Competent Person's Report, no facts have been omitted which would render the extracts inaccurate or misleading. The Competent Person has reviewed the information contained in this document which relates to information contained in the Competent Person's Report and has confirmed in writing to the Company and the Nomad the information presented is accurate, balanced and complete and not inconsistent with the Competent Person's Report.

Third party information

Where third party information has been used in this document, the source of such information has been identified. The Company takes responsibility for compiling and extracting, but has not independently verified, market data provided by third parties or industry or general publications and takes no further responsibility for such data.

Figures

Various figures and percentages in tables in this document, including financial information, have been rounded and accordingly may not total. As a result of this rounding, the totals of data presented in this document may vary slightly from actual arithmetical totals of such data.

The date of this document is 18 December 2018.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Events	**Times and/or dates**
Publication of this document	18 December 2018
Admission effective and commencement of dealings in the Common Shares on AIM	21 December 2018

Notes

References to times above are to London time unless otherwise stated. Each of the times and dates set out in the timetable above and mentioned throughout this document may be adjusted at the absolute discretion of the Company and Strand Hanson. In the event of a change, the Company will make an appropriate announcement to a Regulatory Information Service giving details of any revised dates and the details of the new times. Shareholders may not receive any further written communication.

KEY STATISTICS

Number of Common Shares in issue as at Admission*	537,740,991
Total voting rights**	452,963,288
Closing mid-market price on 14 December 2018 (being the Latest Practicable Date)	C$0.26
£: C$ exchange rate on 14 December 2018 (being the Latest Practicable Date)	£1: C$1.68
Estimated market capitalisation on Admission (based on the above closing mid-market share price and exchange rate)	£83.2 million
Number of Warrants in issue as at the date of this document	28,386,500
Number of PSUs in issue as at the date of this document	4,008,333
ISIN for the Common Shares	CA71677J1012
SEDOL for the Common Shares	BH3FL85
Trading symbol for Common Shares on AIM	PTAL
Trading symbol for Common Shares on the TSXV	TAL
Legal Entity Identifier (LEI)	21380047ER33PRH4XH56

*Assuming no Warrants or PSUs are exercised between the date of this document and Admission.

**Pursuant to the Investor Rights Agreement as set out in paragraph 11.8 of Part 5 of this document.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Douglas Urch *(Chairman and Non-Executive Director)* Manuel Pablo Zúñiga-Pflücker *(President and Chief Executive Officer)* Gary Guidry *(Non-Executive Director)* Ryan Ellson *(Non-Executive Director)* Gavin Wilson *(Non-Executive Director)* Mark McComiskey *(Non-Executive Director)*
Company Secretary	Manuel Pablo Zúñiga-Pflücker
Head Office	11451 Katy Freeway Suite 500 Houston, Texas USA 77079
Registered Office	C/o McCarthy Tétrault LLP Suite 4000, 421-7th Avenue S.W., Calgary Alberta T2P 4K9
Company Website	www.petrotal-corp.com
Nominated & Financial Adviser	Strand Hanson Limited 26 Mount Row London W1K 3SQ
Joint Broker to the Company	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Joint Broker to the Company	FirstEnergy Capital LLP 85 London Wall London EC2M 7AD
Auditors to the Company	Deloitte LLP Suite 700, 850 – 2nd Street S.W., Calgary Alberta T2P 0R8
Reporting Accountants to the Company	Deloitte LLP 2 New Street Square London EC4A 3BZ

Legal Advisers to the Company ***(as to matters of English law and Canadian law)***	McCarthy Tétrault, Registered Foreign Lawyers & Solicitors 26th Floor 125 Old Broad Street London EC2N 1AR McCarthy Tétrault LLP Suite 4000, 421-7th Avenue S.W., Calgary Alberta T2P 4K9
Legal Advisers to the Company ***(as to matters of Peruvian law)***	Barrios & Fuentes Abogados Arias Araguez 250 Miraflores Lima 18, Peru
Legal Advisers to the Company ***(as to matters of Curaçao law)***	United Trust Company N.V. Landhuis Joonchi Kaya Richard J. Beaujon z/n P.O. Box 837, Willemstad Curaçao
Legal Advisers to the Nominated Adviser	Gowling WLG (UK) LLP 4 More London Riverside London SE1 2AU
Registrar and Transfer Agent to the Company	Computershare Trust Company of Canada 530, 8th Avenue S.W. Calgary, Alberta T2P 3S8
UK Depositary	Computershare Investor Services PLC The Pavilions, Bridgwater Road Bristol BS13 8AE
Public Relations Adviser to the Company	Celicourt Communications 7-10 Adam Street London WC2N 6AA
Competent Person	Netherland, Sewell & Associates, Inc. Suite 3200 1301 McKinney Street Houston, Texas 77010

DEFINITIONS

The following words and expressions shall have the following meanings in this document unless the context otherwise requires:

ABCA	the *Business Corporations Act* (Alberta), as amended, including the regulations promulgated thereunder;
Acquisition	the acquisition, pursuant to the terms of the Share Purchase Agreement, by Sterling Resources from GTE of all of the issued and outstanding Peru HoldCo shares in consideration for (i) Common Shares and (ii) an option to retain a 20 per cent. working interest in Block 107 following the drilling of an exploration well, thereby resulting in the acquisition of the Peruvian Business;
Admission	the admission to trading of the entire issued and to be issued share capital of the Company on AIM, becoming effective as provided in Rule 6 of the AIM Rules;
Agent Compensation Warrants	the 2,086,500 warrants to purchase shares of PetroTal Ltd. issued by PetroTal Ltd. to the Agents in connection with the Financing and outstanding as at the date of this document;
affiliate or **associate**	when used to indicate a relationship with a person or company, has the meaning set forth in the *Securities Act* (Alberta), Revised Statutes of Alberta 2000, Chapter S-4, as amended, including the regulations promulgated thereunder;
Agents	a syndicate of investment dealers co-led by Eight Capital Ltd and Pareto Securities AS and includes PillarFour Securities Inc.;
AIM	AIM, the market of that name operated by the London Stock Exchange;
AIM Rules	the AIM Rules for Companies published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) and those other rules of the London Stock Exchange which govern the admission of securities to trading on, and the regulation of, AIM;
Annual General Meeting or **AGM**	the Company's annual general meeting of Shareholders held on 30 May 2018;
Arrangement	the completion by Sterling Resources of the Reverse Take-Over by way of statutory plan of arrangement involving Sterling Resources, PetroTal Ltd and the security holders of PetroTal Ltd. pursuant to the ABCA and to which each common share of PetroTal Ltd. was exchanged for 5.35 common shares of Sterling Resources, resulting in the issuance of an aggregate of 203,300,005 Sterling Resources shares;
Articles	the articles of amalgamation of the Company (as amended and restated from time to time);
Audit Committee	the audit committee established by the Company, as described at paragraph 16.1 of Part 1 of this document;
Board	the board of directors of the Company from time to time;

Bretaña Assets	the Company's oil assets which are located on Block 95 of onshore Peru;
By Laws	the by-laws of the Company adopted pursuant to the Arrangement on 18 December 2017 (as amended from time to time);
certificated or **in certificated form**	in relation to a Common Share, recorded on the Company's register as being held in certificated form (that is not in CREST or the Canadian Depositary for Securities (CDS));
Closing	means the effective date of the Arrangement under the ABCA, which occurred on 18 December 2017;
Common Shares	common shares of no par value in the share capital of the Company and "**Common Share**" shall be construed accordingly;
Company or **PetroTal**	PetroTal Corp., a public company incorporated under the laws of Alberta with corporate access number 2020869455 and whose registered office is at c/o McCarthy Tétrault LLP Suite 4000, 421¬7th Avenue S.W., Calgary Alberta T2P 4K9;
Consolidation	has the meaning set out in paragraph 11 of Part 1 of this document;
Corporate Governance and Compensation Committee	the corporate governance and compensation committee established by the Company, as described at paragraph 16.2 of Part 1 of this document;
CPR or **Competent Person's Report**	the competent person's report prepared by NSAI dated 17 December 2018, estimating the proved, probable and possible undeveloped reserves, prospective resources and future revenue, as of 30 June 2018, in relation to the Company's interest in certain oil properties located in Blocks 95, 107 and 133, onshore Peru as set out in Part 3 of this document;
CREST	the computerised settlement system operated by Euroclear which facilitates the transfer of title to shares;
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended from time to time, and any applicable rules made under those regulations;
Custodian	Computershare Investor Services PLC or a subsidiary or third party appointed by the Depositary;
Deferred Share Units or **DSUs**	the deferred share units of the Company granted pursuant to the DSU Plan;
Deloitte Canada	Deloitte LLP, the auditors to the Company;
Deloitte UK	Deloitte LLP, the UK limited liability partnership, the reporting accountants to the Company;
Depositary	Computershare Investor Services PLC, a company incorporated in England and Wales;
Depositary Agreement	the depositary agreement relating to the issue of the Depositary Interests, dated 13 November 2018, and entered into between the Company and the Depositary;

Depositary Deed Poll	the deed poll relating to the holding of Common Shares and the issue of the Depositary Interests, dated 12 November 2018, and made by the Depositary in favour of the DI Holders;
Depositary Interests	the dematerialised depositary interests representing Common Shares to be admitted to trading on AIM and issued by the Depositary, which will hold legal title to the underlying Common Shares, as detailed in paragraph 17 of Part 1 of this document;
DI Holder(s)	the holder(s) of a Depositary Interest, from time to time, pursuant to the Depositary Deed Poll;
Directors	the directors of the Company as at the date of this document, whose names are set out on page 6, and a "**Director**" shall be construed to be any one of them;
DSUs	the deferred share units of the Company, granted pursuant to the DSU Plan;
DSU Plan	the Company's deferred share unit plan adopted by the Compensation and Corporate Governance Committee and the Board on 30 April 2018 (as amended from time to time);
DTR	the Disclosure Guidance and Transparency Rules sourcebook containing the disclosure guidance, transparency rules, corporate governance rules and the rules relating to primary information providers and "**DTR5**" shall be construed as chapter 5 (*Vote Holder and Issuer Notification Rules*) of the DTR;
Euroclear	Euroclear UK & Ireland Limited, the operator of CREST;
Executive Director	Manuel Pablo Zúñiga-Pflücker and any other Director of the Company appointed as an executive director from time to time;
Executive Officers	the Company's President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer, who, at the date of this document are Manuel Pablo Zúñiga-Pflücker and Gregory Smith, respectively and Charles Fetzner, Vice President Asset Development and Estuardo Alvarez-Calderon, Vice President Operations;
FCA	the Financial Conduct Authority;
Financing	the issuance on 12 December 2017 by PetroTal Ltd. of 34 million subscription receipts (each convertible into one PetroTal Ltd. share on completion of the Arrangement) and raising gross proceeds of $34 million pursuant to a brokered private placement arranged by the Agents;
FSMA	the Financial Services and Markets Act 2000, as amended;
General Meeting	the general meeting of Shareholders which took place on 25 October 2018;
GMP FirstEnergy	FirstEnergy Capital LLP, joint broker to the Company;
Group	the Company and the Subsidiaries;
GTE	Gran Tierra Energy Inc.;

GTEIHL	Gran Tierra Energy International Holdings Ltd., a wholly owned subsidiary of GTRL;
GTRL	Gran Tierra Resources Limited, a wholly owned indirect subsidiary of GTE;
Health, Safety, Environment and Corporate Social Responsibility Committee	the health, safety, environment and corporate social responsibility committee established by the Company, as described at paragraph 17.4 of Part 1 of this document;
Hydrocarbon Law	the Organic Hydrocarbon Law No.26221 enacted by the government of Peru in 1993, which unified text was approved by Supreme Decree No. 042-2005-EM, and the regulations thereunder;
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board;
Independent Director	any Director that is neither an Executive Director, a director appointed at the request of a Substantial Shareholder (as the term is defined within the AIM Rules) nor has a direct or indirect material relationship with the Company aside from his / her directorship;
Introduction Agreement	the introduction agreement between the Company and Strand Hanson entered into on 17 December 2018 and summarised at paragraph 12.1 of Part 5 of this document;
Investor Rights Agreement	the investor rights agreement between GTEIHL, GTRL and Sterling Resources entered into on 18 December 2017 and summarised at paragraph 11.8 of Part 5 of this document;
Iquitos Refinery	the PetroPeru operated refinery located in Iquitos, Peru;
Issued Share Capital	the 537,740,991 Common Shares in issue as at Admission (assuming no Warrants or PSUs have been exercised between the date of this document and Admission);
Latest Practicable Date	14 December 2018 being the latest practicable date prior to the publication of this document;
Locked-In Persons	together, the Directors, GTRL, Meridian Capital International Fund and Gregory Smith;
London Stock Exchange or **LSE**	London Stock Exchange plc;
MAR	the Market Abuse Regulation (EU 596/2014) and the regulations, rules and guidelines promulgated thereunder, including but not limited to the amended AIM Rules for Companies (as amended pursuant to the consultation notified in AIM Notice 45 in connection with MAR);
Ministry	the Ministry of Energy and Mines of Peru;
NEOs or **Named Executive Officers**	collectively, the Executive Officers;
NI 51-101	National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators;
NI 51-102	National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators;

NI 52-110	National Instrument 52-110 – Audit Committees of the Canadian Securities Administrators;
NI 58-101	National Instrument 58-101 – *Disclosure of Corporate Governance Practices* of the Canadian Securities Administrators;
NI 62-104	National Instrument 62 104 – *Take-Over Bids and Issuer Bids*;
Non-Executive Directors	Gary Guidry, Ryan Ellson, Douglas Urch, Gavin Wilson and Mark McComiskey and any other Director of the Company appointed as a non-executive director from time to time;
NSAI	Netherland Sewell & Associates, Inc., competent person to the Company responsible for preparing the CPR;
Numis	Numis Securities Limited, joint broker to the Company;
OEFA	the Environmental Assessment and Control Agency of Peru;
Official List	the official list of the UK Listing Authority;
ONP	the Oil Northern Pipeline, which transports crude oil from the east to tide-water market on Peru's west coast at the Port of Bayovar;
PCA	person closely associated as defined in article 3(26) of MAR;
PDMR	a person discharging managerial responsibilities as defined in article 3(25) of MAR;
Performance Share Units or **PSUs**	the performance share units of the Company, granted pursuant to the PRSU Plan;
Performance Warrants	the 26,750,000 issued and outstanding performance warrants as at the date of this document to purchase Common Shares issued to certain directors, officers and employees of PetroTal Ltd. (now the Company);
Peru HoldCo	PetroTal Energy International (Peru) Holdings B.V., a limited company existing under the laws of Curaçao;
Perupetro	means Perupetro S.A., a private state owned company responsible for promoting, negotiating, underwriting and monitoring contracts for exploration and production of hydrocarbons in Peru;
Peruvian Business	the direct and indirect subsidiaries of Peru HoldCo and petroleum and natural gas properties and related assets, including the Bretaña Assets, all of which were acquired by the Company by virtue of the acquisition of all of the issued share capital of Peru HoldCo pursuant to the Acquisition;
Petrolifera	Petrolifera Petroleum Del Peru S.R.L., a company incorporated under the laws of Peru;
PetroPeru	Petróleos Del Perú – Petroperu S.A.;
PetroTal LLC	PetroTal LLC (formerly Talara Oil & Gas LLC), a Texas limited liability company and a wholly-owned subsidiary of the Company;
PetroTal Ltd.	PetroTal Ltd., a corporation incorporated under the ABCA;

PetroTal USA	PetroTal USA Corp., a company incorporated under the laws of Texas and a wholly-owned subsidiary of the Company;
Prospectus Rules	the prospectus rules of the UK Listing Authority made pursuant to section 73A of the Financial Services and Markets Act 2000, as amended;
Provinces	Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland in Canada;
PRSU Plan	the performance and restricted share unit plan of the Company, last approved by Shareholders at the Annual General and Special Meeting of Shareholders held on 4 June 2018;
QCA Code	QCA Corporate Governance Code published by the Quoted Companies Alliance, as amended from time to time;
Registrar	Computershare Trust Company of Canada;
Regulatory Information Service	one of the regulatory information services authorised by the UK Listing Authority to receive, process and disseminate regulatory information in respect of listed companies;
Reserves Committee	the reserves committee established by the Company, as described at paragraph 17.3 of Part 1 of this document;
Restricted Share Units or **RSUs**	the restricted share units of the Company, granted pursuant to the PRSU Plan;
Reverse Take-over	the reverse take-over by Sterling Resources of PetroTal Ltd. in connection with the Acquisition that completed on 18 December 2017;
Sale Transaction	means the sale of the entire issued share capital of PetroTal Ltd.'s operating subsidiary, Sterling Resources (UK) Ltd. that completed on 16 May 2017;
SENACE	the National Service of Environmental Certification for Sustainable Investments, a Peruvian public body responsible for approving environmental impact studies;
Shareholders	holders of Common Shares from time to time and "**Shareholder**" shall be construed accordingly;
Share Option Plans	together, the Stock Option Plan and PRSU Plan;
Share Purchase Agreement	the share purchase agreement entered into by Sterling Resources, PetroTal Ltd., GTE and GTEIHL on 9 November 2017 in respect of the Acquisition;
Stock Options	options to purchase Common Shares in the Company;
Stock Option Plan	the Company's share option plan, adopted and approved at a special meeting of Shareholders held on 30 May 2018 (as amended from time to time);
Sterling Resources	Sterling Resources Ltd., a Company incorporated under the ABCA;
Strand Hanson or **Nomad**	Strand Hanson Limited, the Company's Nominated Adviser (as the term is defined within the AIM Rules);

Subsidiaries	together, as at the date of this document, PetroTal USA, PetroTal LLC, Peru HoldCo, PetroTal Energy Peru B.V., Petrolifera and PetroTal Peru S.R.L;
Tax Act	the Income Tax Act (Canada), as amended, including the regulations promulgated thereunder;
TSXV	the TSX Venture Exchange;
UK Bribery Act	the Bribery Act 2010, as amended;
UK Companies Act	the Companies Act 2006, as amended;
UK Corporate Governance Code	the principles of good governance and code of best practice issued by the Financial Reporting Council;
UK Listing Authority	the FCA acting in its capacity as the competent authority for the purpose of Part VI of FSMA;
uncertificated or **in uncertificated form**	a share or shares recorded on the register of members as being held in uncertificated form in CREST, entitlement to which by virtue of the Uncertificated Securities Regulations, may be transferred by means of CREST;
United Kingdom or **UK**	the United Kingdom of Great Britain and Northern Ireland;
United States or **US** or **U.S.**	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
VAT	United Kingdom value added tax;
Warrants	together, the Agent Compensation Warrants and Performance Warrants;
£	Pounds sterling, the lawful currency of the United Kingdom;
C$	Canadian dollars, the lawful currency of Canada; and
$	American dollars, the lawful currency of the United States.

GLOSSARY OF TECHNICAL TERMS

1C	Denotes low estimate of contingent resources
2C	Denotes best estimate of contingent resources
3C	Denotes high estimate of contingent resources
1P	Denotes low estimate of reserves (i.e. proved reserves).
2P	Denotes best estimate of reserves. The sum of proved plus probable reserves
3P	Denotes high estimate of reserves. The sum of proved plus probable plus possible reserves
1U	Denotes the unrisked low estimate of prospective resources
2U	Denotes the unrisked best estimate of prospective resources
3U	Denotes the unrisked high estimate of prospective resources
Agua Caliente Formation	a sequence of sandstones of Cretaceous age, found in parts of Peru
bbl or **barrel**	barrel, representing 34.972 Imperial gallons or 42 US gallons
bbls/d or **bopd**	barrels per day or barrels of oil per day
Best Estimate	with respect to resources categorization, the most realistic assessment of recoverable quantities if only a single result were reported. If probabilistic methods are used, there should be at least a 50 per cent. probability (P50) that the quantities actually recovered will equal or exceed the best estimate
block	term commonly used to describe areas over which there is a petroleum or production licence or production sharing contract
boe	barrel of oil equivalent, where 6,000 standard cubic feet of gas equals 1 bbl of oil
boe/d	barrels of oil equivalent per day
bwpd	barrels of water per day
COS	geological chance of success, also known as Exploration Risk Factor
Cretaceous	a geological system, dated 145 to 65 million years before present, or the rocks deposited during that period.
Cushabatay Formation	a sequence of sandstones of Cretaceous age, found in parts of Peru
Darcy	a unit of measurement of permeability
farm in	a term used to describe when an oil and gas company buys a portion of the acreage in a block from another company, usually in return for consideration and for taking on a portion of the selling company's work commitments

farm out	a term used to describe when an oil and gas company sells a portion of the acreage in a block to another company, usually in return for consideration and for the buying company taking on a portion of the selling company's work commitments
GIIP	Gas Initially In Place is that quantity of free gas that is estimated to exist originally in naturally occurring accumulations
heavy crude oil	crude oil with an API gravity less than 20° API
High Estimate	this is considered to be an optimistic estimate of the quantity that will actually be recovered from an accumulation by a development project. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10 per cent. probability (P10) that the quantities actually recovered will equal or exceed the high estimate
hydrocarbon	a compound containing only the elements hydrogen and carbon, which may exist as a solid, liquid or gas. The term is mainly used as a catch-all description for oil, gas and condensate
licence	an exclusive right to explore for petroleum, usually granted by a national governing body
light crude oil	crude oil with an API gravity greater than 33° API
Low Estimate	this is considered to be a conservative estimate of the quantity that will actually be recovered from an accumulation by a development project. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 per cent. probability (P90) that the quantities actually recovered will equal or exceed the low estimate
km	kilometre
LTT	Long Term Test
m	metre
mD	millidarcy, a unit of permeability; one thousandth of a Darcy
medium crude oil	crude oil with an API gravity between 20-33°
Mcf	thousands of cubic feet
Mcf/d	thousands of cubic feet per day
Mbbls	thousands of barrels
Mbbls/d	thousands of barrels per day
MMbbls	millions of barrels
MMcf	millions of cubic feet
MMcf/d	millions of cubic feet per day
Net Attributable	the quantity (of reserves) in which a company has a direct economic interest, after the deduction of all royalties and payments in kind to others

OIIP Oil Initially In Place is that quantity of oil that is estimated to exist originally in naturally occurring accumulations prior to production

operator a company that has legal authority to drill wells and undertake production of oil and gas

OWC Oil Water Contact

possible reserves those unproved reserves which analysis of geological and engineering data suggests are less likely to be recoverable than probable reserves. In this context, when probabilistic methods are used, there should be at least a 10 per cent. probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable plus possible reserves

probable reserves those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves

prospect a potential accumulation that is sufficiently well defined to be a viable drilling target. For a prospect, sufficient data and analyses exist to identify and quantify the technical uncertainties, to determine reasonable ranges of geologic chance factors and engineering and petrophysical parameters, and to estimate prospective resources

prospective resources those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and chance of development

proved reserves those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves

psi pounds per square inch

reservoir a porous and permeable subsurface rock formation that contains a separate accumulation of petroleum that is confined by impermeable rock or water barriers and is characterised by a single pressure system where oil and gas has accumulated

royalty a percentage share of production, or the value derived from production, paid from a producing well

seismic a survey method by which an image of the earth's subsurface is created through the generation of seismic waves by transmitting energy into the earth and analysis of their reflection from rock strata

sq. km square kilometres

stock tank oil the volume of oil after flashing to nominal atmospheric (or other stated) storage pressure and temperature (as opposed to reservoir conditions). Normal atmospheric pressure is 14.696 psi and temperature is 60°F (16°C)

Trap a configuration of rocks suitable for containing hydrocarbons and sealed by a relatively impermeable formation through which hydrocarbons will not migrate. Traps are described as structural traps (in deformed strata such as folds and faults) or stratigraphic traps (in areas where rock types change, such as unconformities, pinch outs and reefs)

TVDSS	True Vertical Depth Sub-Sea
UK Brent Standard	a benchmark crude oil from the UK North Sea against which other crude oils are priced. It is widely used as an indicator of the price of oil beyond energy markets. It is traded on forward markets and is the basis of futures and options contracts listed on the International Petroleum Exchange in London
Vivian Formation	a sequence of sandstones of Cretaceous age, found in parts of Peru
water injection	the process of injecting water into wells to improve the areal sweep efficiency by displacing oil into producing wells

PART 1

INFORMATION RELATING TO THE COMPANY

1. Introduction

PetroTal is an oil and gas company incorporated in Alberta and domiciled in Canada with corporate offices in Houston, Texas. The Company's shares are currently admitted to trading on the TSXV. The Company is focused on the development of oil and gas assets in Peru and it currently has controlling interests in three onshore Peru licence blocks, being Block 95, which includes the Bretaña Assets, and two exploration blocks, namely Block 107 and Block 133.

The Company is advancing the development of its flagship Bretaña Assets, which includes the Bretaña oil field, located in the Marañon basin along the Ucayali River, as well as pursuing the exploration of Block 107, located in the Ucayali Basin of Eastern Peru and targeting a farm-out to bring in a partner to drill the Osheki Prospect within Block 107 in Q4 2019 or early 2020.

The Company has a clear and immediate focus on the continued development of the Bretaña Assets on Block 95, where early test production has already started, and a full field development programme is envisaged over the next 36 months. Significant exploration potential also exists on this large block.

First oil was achieved at the Bretaña Assets in June 2018, ahead of schedule. The Company completed the installation of initial long-term testing facilities at the start of November, 2018, and the Company is currently producing approximately 2,000 bopd. The oil field has significant proved and probable (2P) reserves of 39.8 MMbbls, independently verified by NSAI effective as of 30 June 2018. The Company has established routes to market with current production being barged to, and sold at, the Iquitos Refinery.

Further information on the Group's assets is set out at paragraph 6 of this Part 1.

The Board and the Group's senior management, has significant experience in establishing, growing, financing and subsequently monetising early stage oil and gas companies in South America. From Admission, the Board will comprise one executive director based in the USA and five non-executive directors based in the USA, Canada and Switzerland. Further information on the Board is set out in paragraph 9 of this Part 1.

2. Company Highlights

- Peru has undergone strong economic growth in recent years with an attractive fiscal and tax regime. The Peruvian oil and gas sector is a major contributor to the economic growth in the country.

- The Company has accumulated a balanced portfolio of exploration and production assets which includes near-term production growth and high impact exploration, whilst maintaining a strong debt-free balance sheet.

- The Company's three blocks have significant exploration potential, with several multi-million barrel oil prospects identified on Block 95 and 107.

Bretaña

- 100 per cent. working interest in the Bretaña Assets which management believes present a low risk, high impact opportunity, with a net present value discounted ten per cent. ("NPV10") of over $405 million assuming a recovery factor of 12 per cent., independently verified by NSAI.

- The Directors believe that the Bretaña Assets have the potential to generate significant returns, with an expected netback of $31.50 per bbl assuming an oil price of $65 per bbl.

- Field brought into production ahead of schedule and 25 per cent. under budget, with capex of $18.5 million to first oil and current production of approximately 2,000 bopd.

- Production currently barged to, and sold at, the Iquitos Refinery.

- The Directors believe that the proposed field development plan should deliver rapid production and cash flow growth, with production forecast to increase to 4,500 bopd by the end of the second quarter of 2019, and 10,000 bopd from 11 oil producing wells in 2020.
    - A number of additional export routes available with access to established barging and pipeline routes.
    - Growth expected to be funded from existing and internally generated funds from operations.
- The proposed field development plan is flexible and, in the event that the Group's capital becomes constrained (for instance in a situation where the oil price continued its downward trend) can be re-phased without incurring significant further expenditure.

Blocks 107 & 133

- Two contiguous exploration licence blocks, covering 5,615 sq km,
- Block 107, in which the Company holds a 100 per cent. working interest, the Osheki prospect, presents material exploration upside potential, with 534 mmboe best estimate prospective resources.
    - The prospect has been significantly de-risked with a new 3D Geological Model supporting Cretaceous reservoirs with oil charge from high quality Permian source rocks.
    - The Company is currently actively targeting a farm-out to bring in a partner to drill the prospect in Q4 2019 or early 2020.
    - Additionally, Block 107 has four other leads that, combined with Osheki, have a high estimate prospective resources of 4.6 billion barrels of original oil in place

The Company is currently conducting farm-out negotiations for Blocks 107 and 133, however no formal offers have been received to date.

3. Group History and Structure

The Company in its current form resulted from the merger of Sterling Resources and PetroTal Ltd., along with the acquisition of Peru HoldCo which contains the Peruvian Business. Sterling Resources was previously engaged in the exploration for, and the development and production of, crude oil and natural gas in the United Kingdom and the Netherlands.

Acquisition

On 9 November 2017, Sterling Resources and PetroTal Ltd. entered into an agreement to effect a business combination at the same time as entering into the Share Purchase Agreement with GTE and its wholly owned subsidiary GTEIHL to acquire Peru HoldCo, an indirect wholly owned subsidiary of GTE, which contained the Peruvian Business.

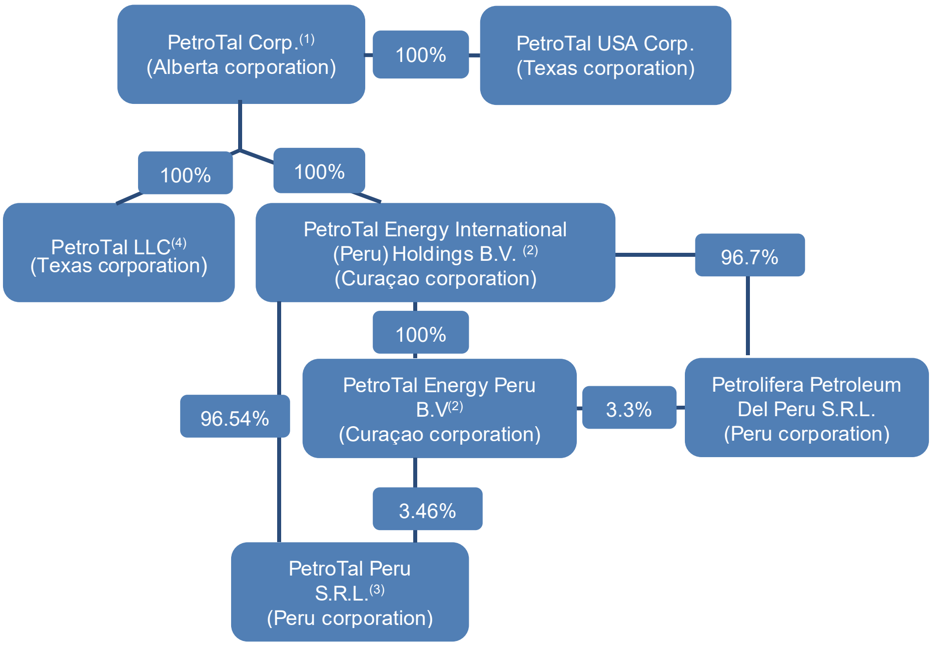
The Acquisition was completed on 18 December 2017 and resulted in the amalgamation of Sterling Resources and PetroTal Ltd., together with the acquisition of Peru HoldCo. The Acquisition constituted a reverse take-over pursuant to the policies of the TSXV.

GTEIHL has the option to retain a 20 per cent. carried working interest in Block 107 which can either be converted, at the election of GTE in its sole discretion to a non-carried working interest or be forfeited following the drilling of an exploration well in Block 107. From and after the date of a positive election, GTEIHL will pay its pro-rata share of costs associated with its 20 per cent. working interest.

On 4 June 2018, Sterling Resources changed its name to PetroTal Corp. More information on the Company and Group's history is set out in paragraph 2 of Part 5 of this document.

The Company acts as the ultimate holding company for the Group's subsidiaries. All of the Group's subsidiaries are wholly owned, directly or indirectly, by the Company.

Figure 1: Corporate Structure Chart



Note:

(1) Pursuant to the Arrangement, PetroTal Ltd. and the Company (previously "Sterling Resources Ltd.") were amalgamated and continued as one corporation.

(2) Formerly, Gran Tierra Energy International (Peru) Holdings B.V. and Gran Tierra Energy Peru B.V. respectively. A name change was effected by way of public deed on 11 October 2018 for both entities.

(3) Formerly, Gran Tierra Energy Peru S.R.L. A name change was effected by way of public deed dated 14 August 2018.

(4) On 31 October 2017, PetroTal Ltd. acquired all of the issued and outstanding PetroTal LLC Units and PetroTal LLC became a wholly owned subsidiary of PetroTal Ltd.

4. Overview of Peru

Peru, located on the west central coast of South America, is the third largest country by landmass on the continent. Besides hydrocarbons, Peru is a producer of gold, copper, silver, zinc, lead and phosphates as well as various agricultural products. Peru has maintained its investment-grade credit rating since December 2009 (S&P & Fitch: BBB+, Moody's: A3) and has a population of approximately 31.8 million people, approximately 32 per cent. of whom reside in the capital, Lima. The country has a land mass of over 1.28 million square kilometres thereby placing the country, on a land mass basis, as 20th largest in the world, with a size similar to Alaska and South Africa. Peru is regularly described as a "Latin Tiger" economy and benefits from a rapidly growing private pension fund system established in 1992, low inflation, a stable banking system, positive demographics, low debt levels and fiscal surpluses at the federal level. Peru is also signatory to dozens of free trade and investment agreements and uses global trade to promote the continued success of its commodity, oil and gas and agricultural sectors.

Between 2002 and 2013, Peru enjoyed rapid economic growth, with an average GDP growth rate of 6.1 per cent. per annum over this period. An economic climate of high growth and low inflation was created within Peru owing to a favourable external environment, prudent monetary and fiscal policies and structural economic reforms. The strong growth in GDP and employment means that Peru has achieved significant advances in social and development indicators with poverty rates reducing sharply. The poverty rate (the percentage of the population living on $ 5.50 a day or less) fell from 52.2 per cent. in 2005 to 26.1 per cent. in 2013. Between 2014 and 2017, GDP growth slowed to an average of 3.1 per cent. per annum owing to the decline in commodity prices, including Peru's largest export, copper. The external shock was mitigated in part through prudent fiscal policy management and the increase in mining production as projects implemented during the boom years matured, which increased exports and offset the decrease in domestic demand, allowing continued growth, albeit at a slower pace.

According to The World Bank, Peru's GDP in 2018 is expected to accelerate by circa 4 per cent. owing to a recovery in domestic demand and increased commodity prices leading to increasing investment in Peruvian mining and oil and gas projects.

5. Oil & Gas Industry in Peru

Overview of operating environment and key stakeholders

The Peruvian oil and gas sector has undergone a major transformation in recent years, transitioning from an industry facing severe structural issues, to a major contributor to the economic growth of Peru; the oil and gas sector contributed approximately 14.4 per cent. to the Peruvian GDP in 2014, making it the second largest contributor by sector. According to the Central Reserve Bank of Peru, $2.8 billion worth of investments are forecast to be invested in the hydrocarbon sector during the twenty-four months spanning 2017 and 2018, across fifteen projects in total. This growth relies heavily on Peru's geological potential with only three of Peru's eighteen sedimentary basins, namely Talara, Ucayali and Marañon, having been explored and exploited to date. As at October 2018, oil and natural gas production across Peru stood at approximately 48,200 bopd and 1.18 bcfpd, respectively. Peru has been a member of and accordingly compliant with, the Extractive Industries Transparency Initiative Standard since 2007, the first Latin American country to do so.

From the State's perspective, the key industry participants are Perupetro S.A., the state-owned hydrocarbons company responsible for promoting, negotiating, signing and managing contracts for exploration and production in the hydrocarbons industry in Peru, and Petroperú, the state-owned entity whose activities include the transportation, refinery and commercialisation of fuel and other oil derivatives. In December 2016, by means of a Legislative Decree, the Government authorized Petroperú to modify its internal structures with the aim of improving the efficiency of its operation and increase its operational capacity. Petroperú has now been authorized to participate as a partner and operator if agreed.

Mismanagement owing to political interference and strict state control of the hydrocarbon industry during 1960s, 1970s and 1980s, led the Peruvian Government to introduce widescale reforms in the 1990s. More specifically, the Government at the time implemented a privatisation process and allowed Perupetro the ability to negotiate licences and service contracts with private entities and investors. As a result, investment in the sector increased from approximately $20 million to $4.3 billion between 1990 and 1997. This growth again increased significantly when the Camisea Project began producing in 2004. The Camisea Project, located in the Ucayali basin, is said to contain 11.2 tcf in reserves and produces circa 92 per cent. of Peru's natural gas which in part is used to produce more than 40 per cent. of Peru's electricity supply. The Camisea discovery coupled with Peru's geological potential and recent economic and political stability has further bolstered recent activity in the Peruvian oil and gas sector.

The positive developments and stability of the Peruvian hydrocarbons sector is evidenced by the presence of major international oil and gas companies in Peru. The largest producer in-country at present is Argentinean Pluspetrol S.A. through its 27.2 per cent. stake in the Camisea Project. Other shareholders in the Camisea Project include Hunt Oil (25.2 per cent.), SK Energy (17.6 per cent.), Tecpetrol (10 per cent.) and publicly quoted Spanish company, Repsol, S.A. (10 per cent.). In addition, Respol currently holds five onshore licences and signed seven licence contracts to evaluate blocks in the Pisco and Ucayali basins. It is the sole operator of the La Pampilla Refinery. Other key industry participants include Anadarko Petroleum Corporation, the NYSE-quoted oil and gas company which entered the Peruvian market in 2017 when it signed three new offshore exploration and production contracts; CNPC Peru, the subsidiary of Chinese state-owned CNPC, which currently owns a 46.16 per cent. stake in block 57 located in the Ucayali basin, operated by Repsol, and a 100 per cent. stake in block 58 located in the same basin; and Savia Peru, the joint venture between Ecopetrol S.A. and Korea National Oil Corporation, which currently operates two offshore blocks and has exploration and production contracts in place for a further nine.

Downstream developments remain a significant focus not only for Government, owing to the Government's ambition of supplying the domestic population with natural gas for residential usage, but also to international investors alike. The La Pampilla refinery, operated by Repsol, currently has the largest refining capacity in Peru (capable of refining 102,000 bopd), and is currently being expanded and refurbished with investment said to total circa $1.2 billion by the time it is expected to be completed in August 2019. Similarly, Petroperú's Talara Refinery, which is Peru's second largest refinery by capacity, is currently undergoing a complete upgrade to increase its refining capacity from 65,000 bopd to 95,000 bopd with the expected completion in January 2021.

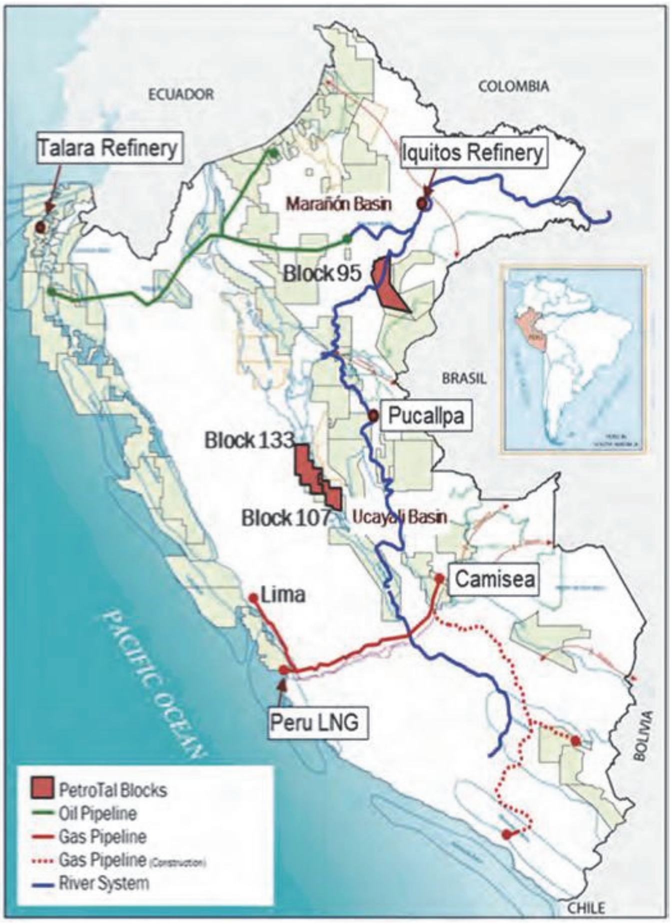
Peru's downstream sector also consists of a number of other smaller refineries, such as the Iquitos Refinery, owned and operated by Petroperú, situated approximately 14 km from the city of Iquitos, the capital of Peru's Loreto region. The Iquitos Refinery processes hydrocarbons at the facility, including the Company's hydrocarbons, before transporting the products via the Northern Peruvian Pipeline to Bayóvar, located on the north-western Peruvian coastline. The refinery currently processes/refines circa 12,000 bopd. In August 2018, Petroperú announced its intention to refurbish the Iquitos Refinery to comply with environmental standards. The announcement followed a government bill passed in October 2018, which stated that the modernisation of the Iquitos Refinery was a public necessity and of national interest.

Overview of regulation and fiscal regime

Please refer to Part 6 of this document for an overview of the regulatory and fiscal regime for Peruvian oil and gas companies.

6. Peruvian assets

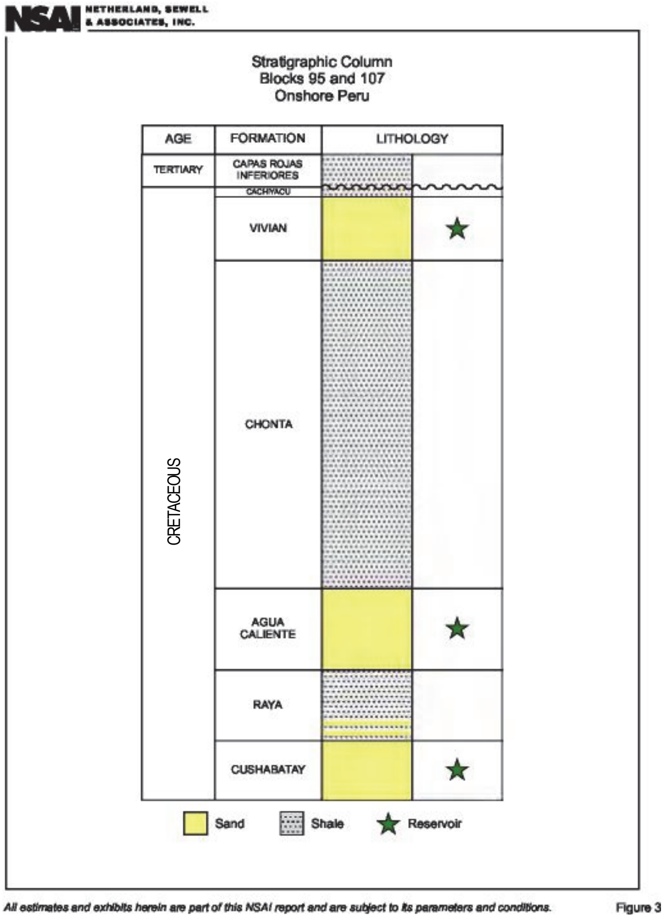
Figure 2: PetroTal Blocks and main hydrocarbon infrastructure



Block 95

Block 95 is a large licence covering 3,453 sq km (over 852,000 acres) located along the SE margin of the Maranon Basin, part of the very large foreland basin formed along the eastern flank of the Andes mountain chain. It is a remote, sparsely populated region, accessed mainly by the Ucayali River, one of the main tributaries of the Amazon. The Maranon is a known hydrocarbon basin, with source and reservoir rocks found mainly in the thick Cretaceous section, trapped in structures related to the Andean tectonic episodes. In Block 95, the main oil reservoir is found in the Upper Cretaceous Vivian Formation (see Figure 3), which is part of a regionally extensive sequence of alluvial to shallow marine sands, ranging up to 300 meters thick, with excellent reservoir properties (porosities up to 24 per cent., multiple Darcy permeability) and high Net-to-Gross ratios.

Figure 3: Stratigraphic Column, Blocks 95 and 107, Onshore Peru



Source: NSAI Competent Persons Report 2018

The Company formally declared commercial production at the end of November 2018, following which point the licence automatically moved into the exploitation phase. This allows the Company to benefit from the accrued net operating losses associated with the licence and to commence depreciation of capital expenditure on the licence.

Following declaration of commercial production, the Company is able to continue exploration work within a 5km radius of the producing field structure for a period of two years, during which point it is required to drill 1 exploration well (or 5 exploration working units/10,000 ha) in order to avoid having to relinquish the exploration area.

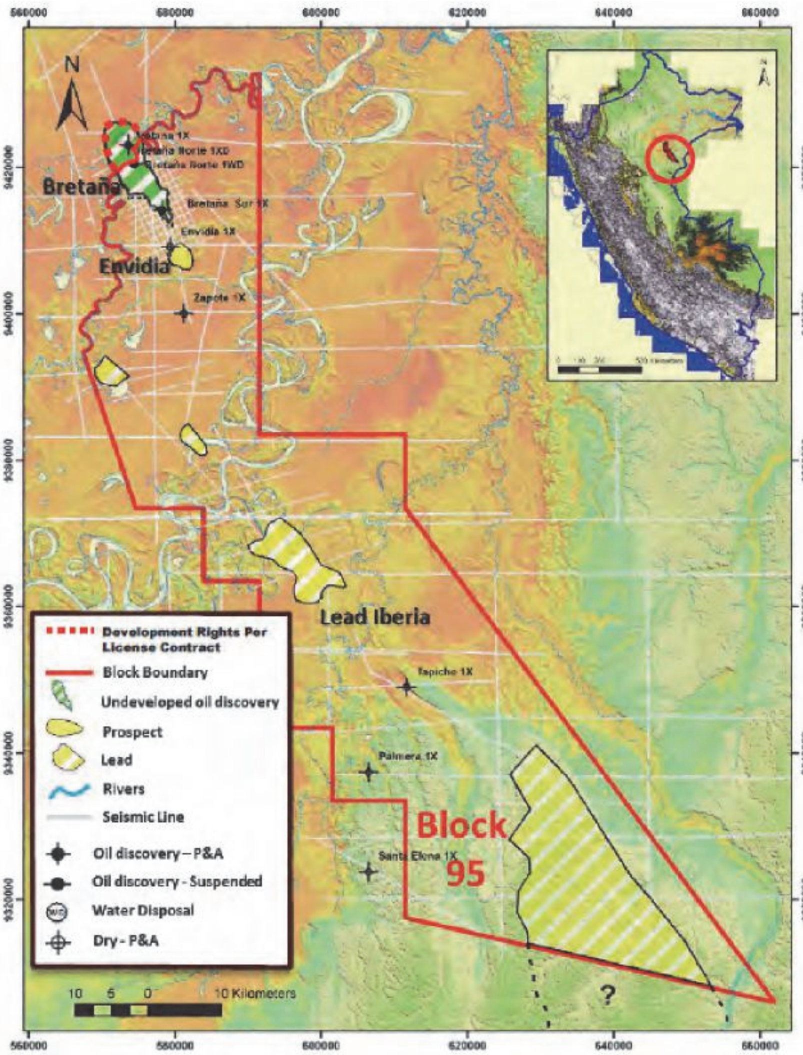
The overall licence term runs to 2041, and currently there are discussions within the Ministry of Energy and Mines to allow companies to increase the term of existing licence contracts for an additional 10 years. This change has not yet been approved, and in any event the certified reserves are expected to be produced during the term of the current licence contract (i.e. ending in 2041).

First oil was achieved at the Bretaña oil field from the single well via a long-term testing programme permit, valid for an initial six month period and extendable by a further six months. This allowed the Company to produce in the absence of having received approval for its Full Field Development Environmental Impact Assessment ("FFDEIA") study. Although the Company has submitted the FFDEIA study, it has not yet obtained approval from the relevant governmental agency but expects to receive such approval by the end of March or early April 2019. As such, the Company has received a further extension to the long-term testing programme until 31 May 2019, which allows the Company to continue to produce until such time that it receives the FFDEIA approval.

An early phase of oil exploration in the area in the 1970s resulted in the drilling of the Bretaña discovery well 10-16-1X by Amoco, in Vivian Formation sands, although Amoco abandoned the area after drilling three subsequent wells on other prospects. The area was re-awarded as Block 95 in 2005, and subsequently acquired by GTE who shot 2D seismic that was processed as a 3D cube and drilled the 95-2-1 XD & ST appraisal wells in 2013, plus the 95-2-2-1WD in 2014 and the 95-3-4-1X step-out to the south in 2015, which defined the southern limit of the accumulation.

The Block 95 licence outline is defined to the NW by the Puinahua Channel, a tributary to the Ucayali River (see Figure 4), which provides access to the Bretaña drilling site. The area NW of the river forms part of the protected Pacaya-Samiria Natural Reserve ("**Natural Reserve**"), where the Company has no rights to surface access although it does have development rights to the Bretaña Field hydrocarbons under the terms of the licence. Although the field extends at least 4 km into the protected Natural Reserve, the Company expects to be able to develop these resources from its current drilling site by the use of extended reach and horizontal drilling. The Company supports efforts to protect the Natural Reserve.

Figure 4: Block 95 – Prospects, Leads and seismic



Source: NSAI Competent Persons Report 2018

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Bretaña Field

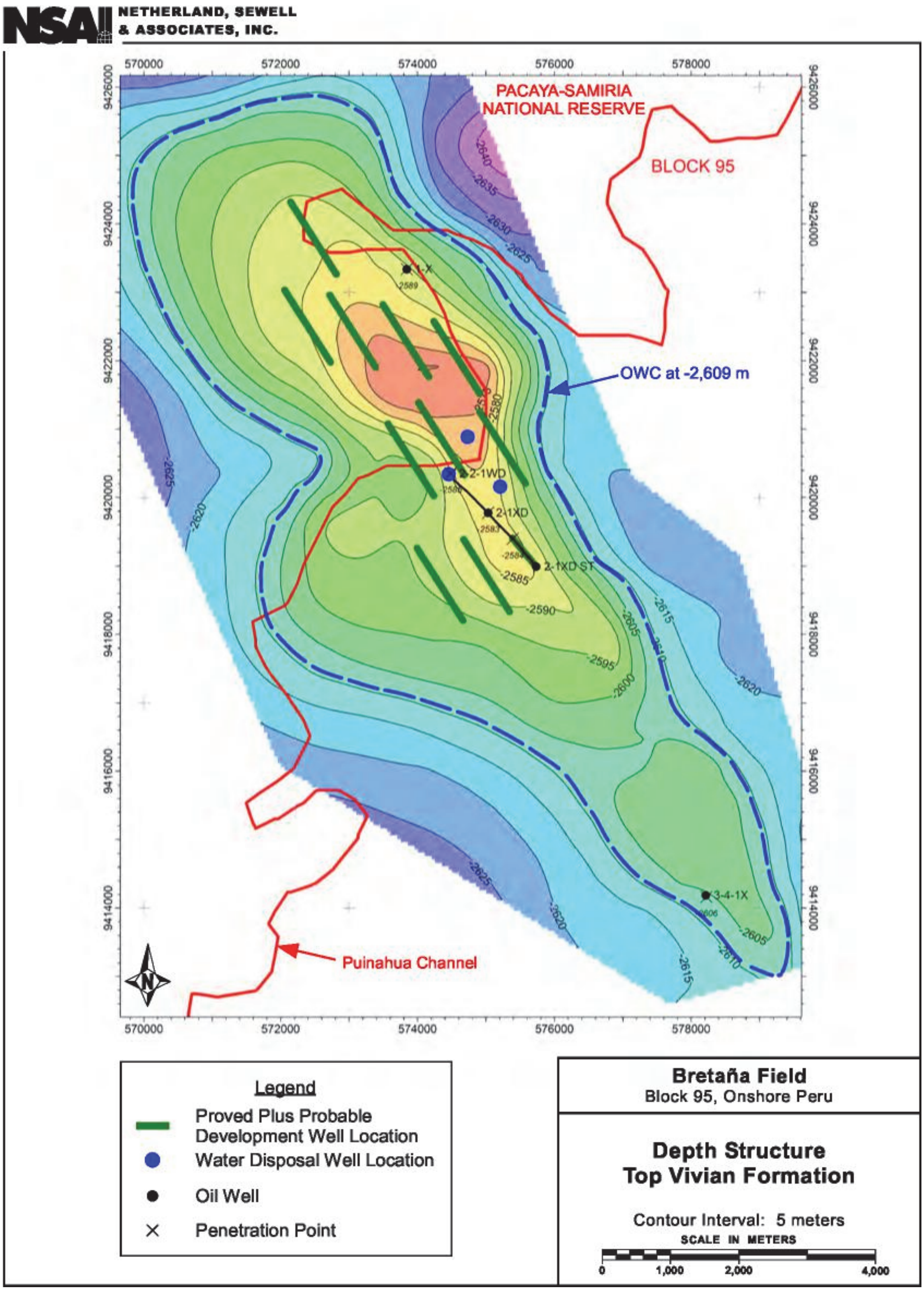
The Bretaña Field has been delineated by the following wells:

Table 1: History of wells drilled on the Bretaña Field

Well	*Operator*	*Year*	*Result*
10-16-1X	Amoco	1974	Discovery well. 807 bopd from Vivian Fm sands.
95-2-1XD	GTE	2012	OWC consistent with 10-16-1X.
95-2-1XD ST	GTE	2013	45m lateral sidetrack, from same pad Tested 3,095 bopd; currently under LTT.
95-2-2-1WD	GTE	2014	Water disposal well, drilled from same pad and same OWC
95-3-4-1X	GTE	2015	Bretaña South, ~5 km step-out to the south confirms OWC. Thin oil leg.

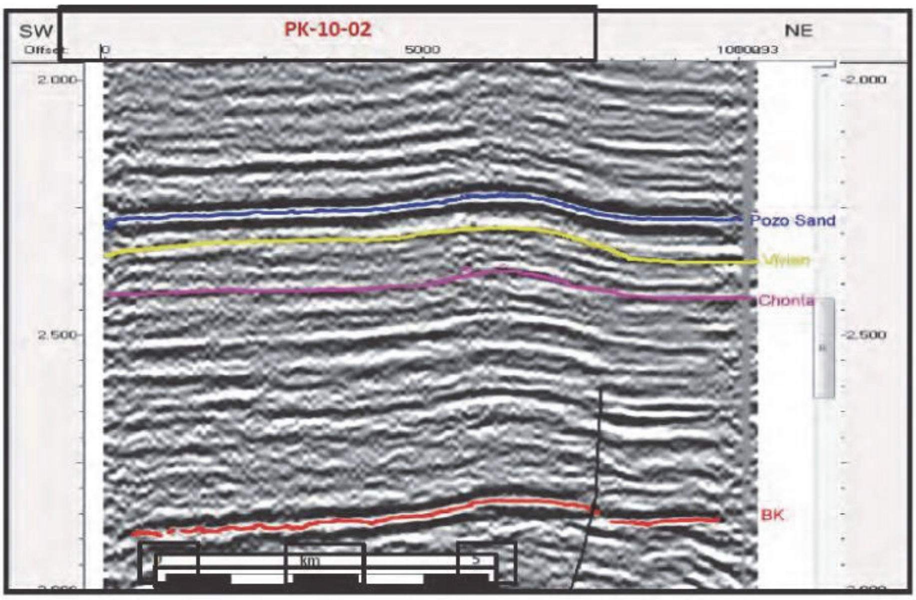
The field is a conventional oil accumulation in Vivian Formation sandstones, of Late Cretaceous age, trapped below latest Cretaceous and Tertiary age shales (see Figure 3). The field is a large, gently dipping, low relief four-way closure that trends in a NW-SE direction. It is defined by both 2D and 3D TWT seismic data sets (the latter having been obtained through processing 2D seismic as a 3D cube). The 3D data is confined to south of the river (shown in red on Figure 5), and there is therefore increasing structural uncertainty in the northern part of the field and along its western margin. The oil-bearing Vivian Formation does not produce a consistent seismic reflector across the field, although the overlying Pozo Sand, of Early Tertiary age, provides a good regional marker which forms the basis of seismic mapping in the area (see Figure 6).

Figure 5: Depth Structure, Top Vivian Formation



Source: NSAI Competent Persons Report 2018

Figure 6: SW-NE Seismic line across the Bretaña Field



Source: NSAI Competent Persons Report 2018

The Vivian Formation sands are over 100 metres thick across the structure, of which only the uppermost 30m or so lie above the OWC. There is about 10 metres net pay with 23 per cent. average porosity in the three central wells drilled by GTE, with a consistent oil-water-contact at -2,609 m TVDSS, 34 metres below the mapped structural crest. The oil is around 19 API, with relatively low associated gas content of around 25 scf/bbl. Oil flowed at over 800 bopd in the 1974 discovery well, and at higher rates of up to 3,095 bopd from an approximate 500 metre lateral in the 2-1XD-ST well.

Oil and Gas Reserves

The bottom water present below the OWC is expected to provide a strong drive mechanism for oil production. Reservoir engineering models of the field, verified by NSAI, suggest that a base case development with 11 horizontal producing wells and 3 water injection wells (shown in Figure 5) should produce around 39.8 million MMbbls, a recovery factor of 12 per cent. from the estimated 332 MM bbls OIP. Corresponding low case (Proved) development with 8 producers of the estimated 199 MM bbls of OIP, and high case (Proved+Probable+Possible) development with 17 producers of the estimated 500 MM bbls of OIP result in approximately 8 per cent. and 16 per cent. oil recovery factors, respectively.

The economic reserves determined by NSAI for the Bretaña Field are shown in Table 2 below. These have been classified under the PRMS standard as "Proved (Probable, and Possible) Undeveloped". Royalty production, which is set at 5 per cent. to 20 per cent. under a sliding scale related to production rate, has been regarded here as a production cash royalty and is not therefore deducted from the Net Attributable reserves numbers. No reserves (or resources) have been assessed for the associated gas at Bretaña, which is minimal. The small quantities of gas are currently flared, but may eventually be used for power generation.

Table 2: NSAI determined Reserves for the Bretaña Field

	Gross (MM bbl)			*Net Attributable (MM bbl)*			
	Proved 1P	*Proved + Probable 2P*	*Proved + Prob + Possible 3P*	*Proved 1P*	*Proved + Probable 2P*	*Proved + Prob + Possible 3P*	*Operator*
Oil & Liquids Bretaña Field Undeveloped	15.271	39.759	79.282	15.271	39.759	79.282	PetroTal
Gas							
Bretaña Field	0	0	0	0	0	0	PetroTal

Source: NSAI Competent Persons Report 2018

Bretaña Field Development

All development activities at Bretaña are based around the drill pad built by the Company alongside the Puinahua Channel on the northernmost edge of the licence block. The 2-1XD ST well is currently undergoing a Long Term production Test (LTT), with encouraging results; facilities used to facilitate this test include the water disposal well, related oil production and water injection pumps, production well head equipment, oil/water separators, oil and water storage tanks and barge loading facilities. The Company now intends to proceed with a full field development; and the following estimated investment costs cover the development of 11 producer and 3 injection wells (the 2P reserves base case):

Table 3: Proved + Probable Capital Expenditure profile

		Capital Expenditure ($m)			
	EIA	*Drilling*	*Facilities*	*Total*	*Comment*
2018	1.3		20.383	21.683	LTT facilities
2019	0.7	26.675	39.270	66.646	2 wells plus water handling facilities
2020	–	54.163	0.0	54.163	4 wells
2021	–	66.237	42.075	108.312	5 wells plus increased water handling facilities
2022	–	10.280	0.0	10.280	1 well
2023	–	–	42.075	42.075	Final stage water handling facilities

Source: NSAI Competent Persons Report 2018

As noted in the CPR set out as Part 3 of this document, capital costs used in the CPR were provided by PetroTal which are based on authorizations for expenditures and actual costs from recent activity and were used for internal forecasting/budgeting purposes. The Directors believe that the quantum of funds reflected in Table 3 remain correct with respect to the Bretaña field development but would note that the field development plan may be rephased (without affecting the total quantum of capital expenditure stated in Table 3). Two such examples, which are also discussed in paragraph 8.2 of Part 1 of this document, are that the Company now plans to drill three wells in 2019 (bringing forward the drilling of a well previously intended to be drilled in 2020), as opposed to two noted above, and that the capital expenditures for water handling facilities in 2019 are expected to be significantly less than the $39.3 million stated in the CPR and instead are planned to be spread across the second half of 2019 ($15 million) with the remaining capital outlay incurred during 2020.

The Competent Person's Report gives a full economic analysis of all three development scenarios, using the Company's oil price forecast, and with price sensitivity cases of +15 per cent. (high case) and -15 per cent. (low case). The results of the analysis are as follows:

Table 4: Summary of Net Reserves and Valuation under different Price Scenarios

Reserves Case	*Net Reserves MM bbl*	*Undisc. Cash Flow $m Base Oil Price*	*NPV 10 $m Base Oil Price*	*NPV 10 $m High Price +15%*	*NPV 10 $m Low Price 15%*
Proved (1P)	15.3	150.4	93.5	177.1	13.8
Proved + Prob (2P)	39.8	713.5	405.1	580.8	229.1
Proved+Prob+Poss (3P)	79.3	2071.4	995.7	1,317.7	673.6

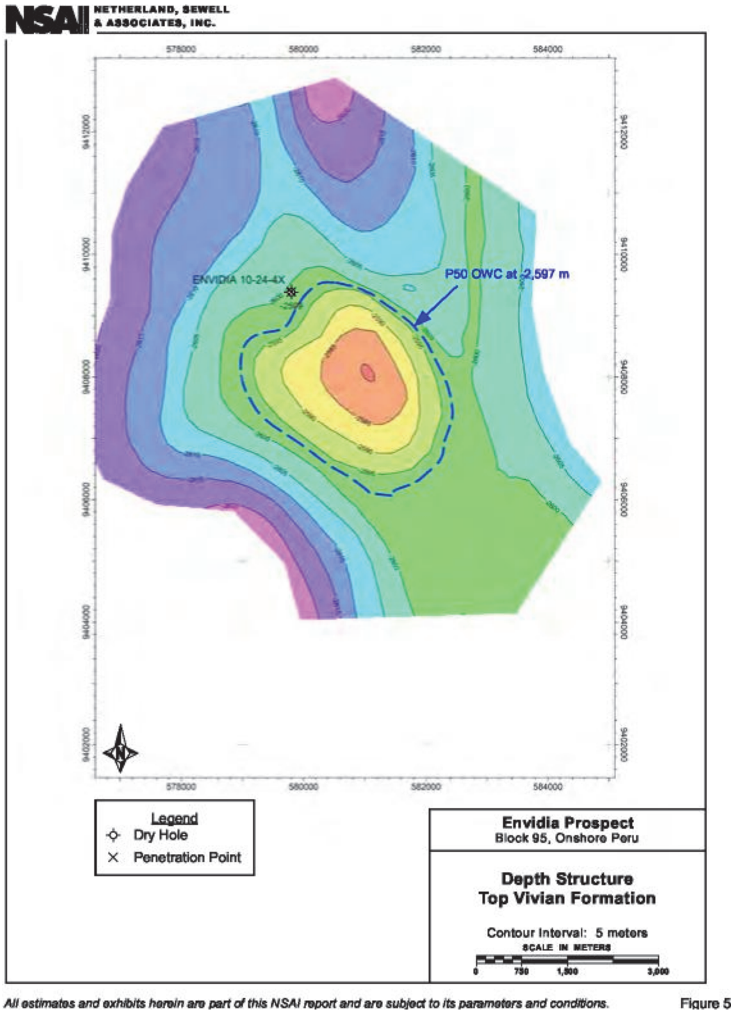
Source: NSAI Competent Persons Report 2018

These results show robust economics in the base case (2P), with substantial value sustained under a low oil price scenario, although the "Proved", 1P case becomes somewhat marginal at low oil prices.

Block 95 Exploration

A small exploration prospect is located about 5km south of the Bretaña Field, adjacent to the Amoco exploration well 10-24-4X, in which the Vivian sands were found to be water bearing. The Envidia Prospect is a small, very low relief closure updip from this well, which remains untested (see Figure 7), and could provide a small but significant addition to a Bretaña development. Potential volumes are shown in Table 5, and the prospect is assessed by NSAI as having a relatively high 36 per cent. chance of discovery, although there are no near-term plans to drill.

Figure 7: Envidia Prospect – Top Vivian Fm depth structure



Source: NSAI Competent Persons Report 2018

A number of other exploration leads are thought to exist in the southern part of this large licence block (see Figure 4), although none have been recognised or quantified by NSAI in the enclosed CPR.

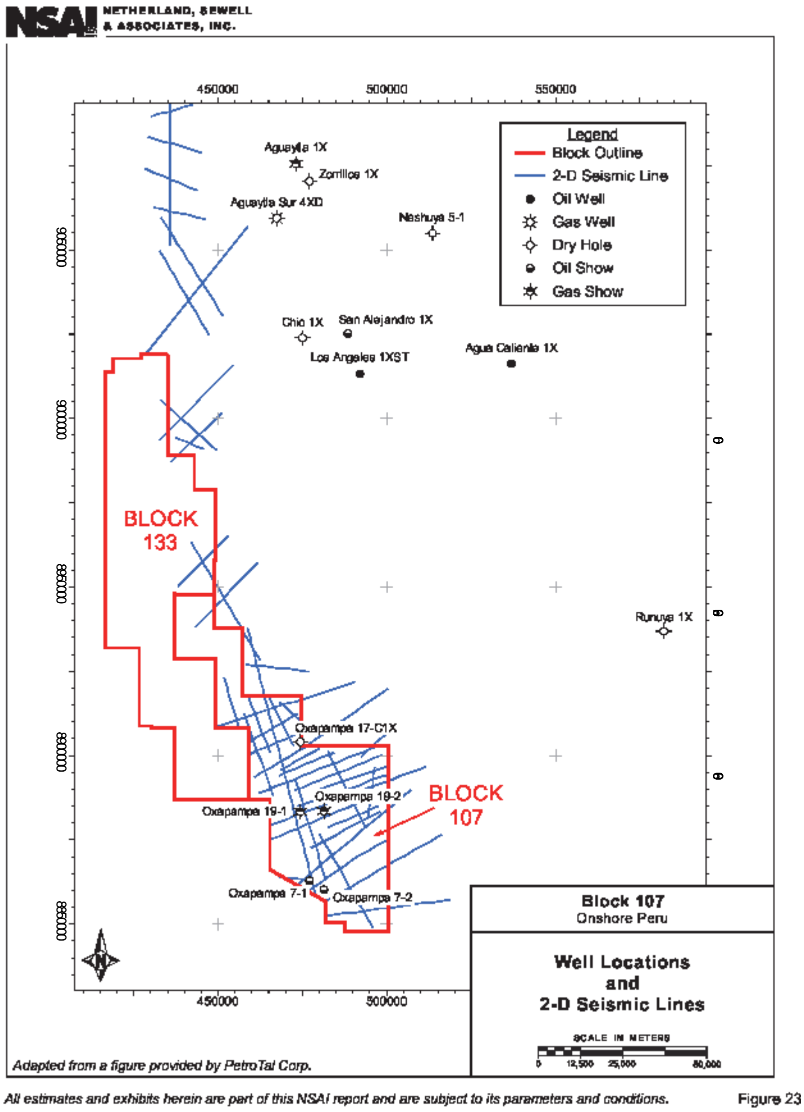
Blocks 107 & 133

These two contiguous exploration licence blocks, covering 5,615 sq km, were awarded with effective dates of 27 October 2007 and 15 June 2009, respectively, and are operated by PetroTal with a 100 per cent. working interest. Block 107 is currently in the fifth exploration period, ending 25 June 2021, which includes a commitment to drill two exploration wells ($38 million per well). Block 133 is in the third exploration period, bearing a commitment to drill one well or acquire 200km of 2D seismic by 31 March 2021. The licence contract terms run to 2041 and 2044, respectively.

The blocks lie in the sub-Andean foothills of central Peru, within the Ucayali Basin, which although only lightly explored is a known hydrocarbon province. Structures here are higher relief than in Block 95, being much closer to the Andean folding and thrust faulting, and most mapped structural closures are associated with thrust faults. Prospectivity is identified within the same clastic wedge of Cretaceous age, which is at its thickest here; reservoir potential is recognised in the Late Cretaceous Vivian, but also in the older, and deeper, Agua Caliente and Cushabatay Formation sandstones (see Figure 10).

The Company is currently conducting farm-out negotiations for Blocks 107 and 133, however no formal offers have been received to date.

Figure 8: Blocks 107 & 133, Well Locations and Seismic Lines



Source: NSAI Competent Persons Report 2018

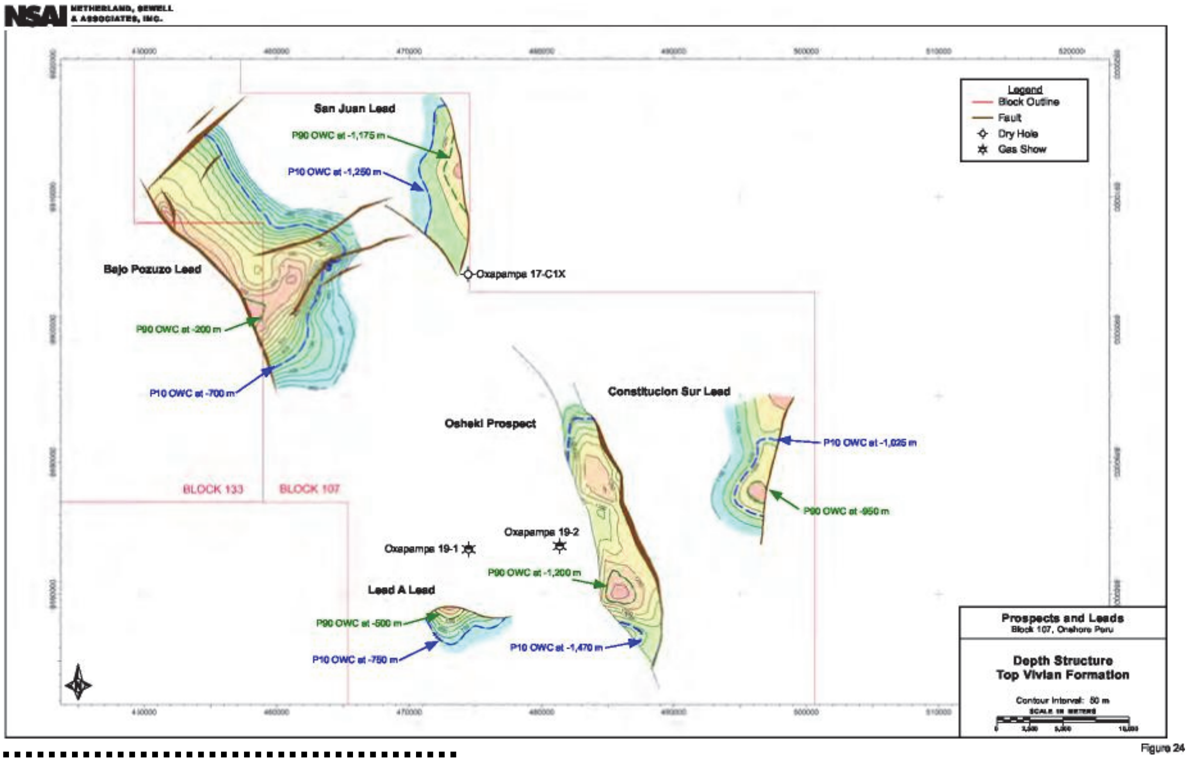
Block 107 is covered by a widely spaced grid of 2D seismic data, and a total of five wells were drilled in the 1960s, all of which were dry holes (see Figure 8). A number of structural leads have been mapped on aeromagnetic and seismic data, one of which is sufficiently well defined to be designated by NSAI as a prospect. Block 133 has almost no seismic data and is essentially un-explored. The Company plans to acquire 200 km of new 2D seismic in 2020, and has applied for the necessary permits to do so.

Osheki Prospect

The Osheki Prospect is the largest and best-defined prospective structure mapped on the two blocks, and forms an elongate fold extending about 20 km north to south through the centre of Block 107 (Figure 9), which is imaged on eight seismic lines. The structure is quite high relief, with over 300 metres of closure. It is faulted on the east side and bound to the west by a major thrust fault (the San Matias Thrust). The Oxapampa 19-1 and 19-2 wells, drilled in the early 1960s a short distance to the west, tested the upper thrust sheet overlying the San Matias Thrust and had oil shows in the Lower Cretaceous, but did not penetrate the hanging wall section downdip from Osheki (see Figure 10), Potential reservoir sands are thought to be present in the Vivian, Agua Caliente and Cushabatay Formations, with sand sections 70 to 200 metres thick and expected porosities in the range 11 per cent. to 20 per cent. Figure 10 shows depth structure of the shallowest target, the Vivian Formation; the deeper target horizons are similar. Volumetric analysis by NSAI suggests potential oil resources of 87, 118 and 73 MMbbl, respectively, in the three reservoirs (Best Estimates), but with a wide range of uncertainty (see Table 5). The exploration risk factor is assessed at 16 per cent.

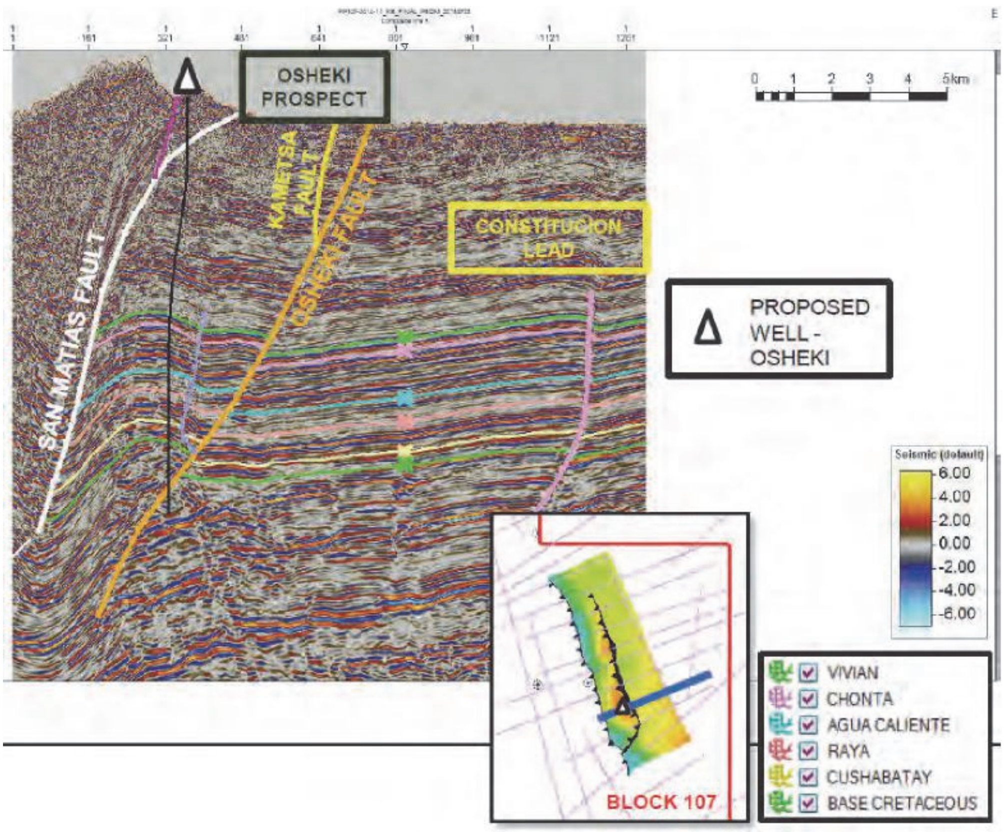
The Company is actively seeking a joint venture partner to drill a well on the Osheki Prospect in Q4 2019 or early 2020.

Figure 9: Block 107: Top Vivian Formation Depth Structure



Source: NSAI Competent Persons Report 2018

Figure 10: SW-NE seismic line across the Osheki Prospect



Source: Company materials

Other Leads on Block 107

Four additional leads have been quantified by NSAI, ranging from the potentially very large Bajo Pozuzo structure (which extends onto Block 133), down to the small Lead A, west of the Osheki Prospect. Seismic data coverage is limited, but all three potential reservoir zones are thought to be present on these structures. Table 5 gives the aggregated resource potential for all three zones, as assessed by NSAI; individual zone volumetrics are given in the CPR.

Table 5: Summary of Prospective Oil Resources

			Gross MMbbl			*Net Attributable MMbbl*				
Blocks	*Prospect*	*Zones*	*Low 1U*	*Best 2U*	*High 3U*	*Low 1U*	*Best 2U*	*High 3U*	*Risk Factor*	*Operator*
95	Envidia (Vivian only)	Vivian	3.1	5.3	8.7	3.1	5.3	8.7	36%	PetroTal
107	Osheki	Vivian	16.2	87.1	439.9	16.2	87.1	439.9	16%	PetroTal
		Ag Cal	25.4	118.0	495.2	25.4	118.0	495.2	16%	
		Cush	13.9	73.3	354.1	13.9	73.3	354.1	16%	
	Leads									
107/133	Bajo Pozuzo	All 3 Zones	21.3	295.0	2634.7	21.3	295.0	2634.7	6%	PetroTal
107	Constitucion Sur	All 3 Zones	8.5	35.7	192.4	8.5	35.7	192.4	10%	PetroTal
107	Lead A	All 3 Zones	3.9	20.1	97.9	3.9	20.1	97.9	7%	PetroTal
107	San Juan	All 3 Zones	14.0	72.9	369.8	14.0	72.9	369.8	9%	PetroTal

Source: Derived from NSAI Competent Persons Report 2018

7. Current Processing Facilities and Route to Market

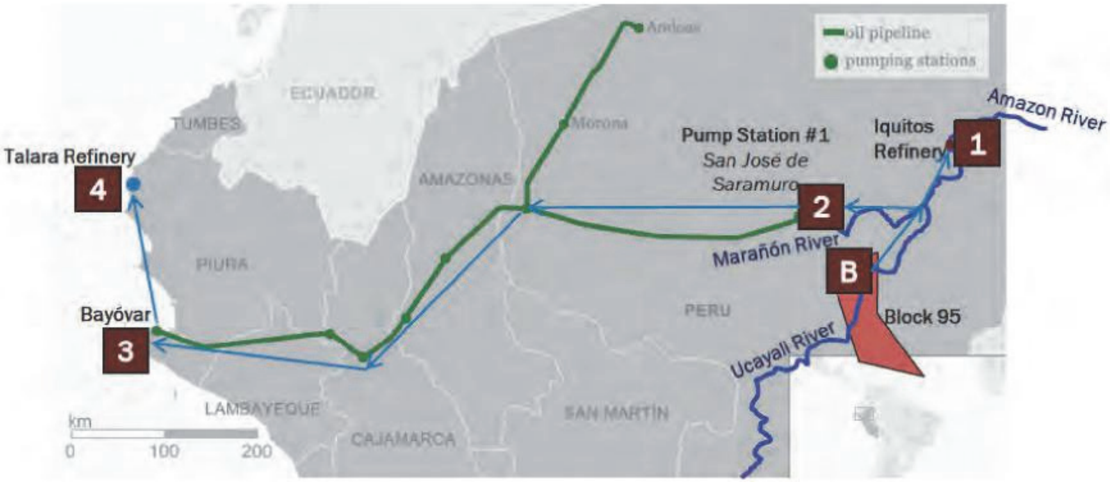
At present, the stream produced from the Bretaña Norte discovery well is at a restricted rate of approximately 2.0 Mbbls/d and is initially fed to a three-phase separator to separate the oil from the bulk of the water, and modest volumes of gas (25scf/bbl), which is flared. The oil is then transferred to a heater, which aids coalescence and further separation of water, then to wash tanks, to remove the salt content, and finally to storage tanks ahead of offloading at the barge terminal (see Figure 11). Separated water, as well as water used in the wash tanks, is re-injected into the aquifer.

PetroTal currently has a contract to supply 1 mbbls/d to the Iquitos Refinery owned by PetroPeru and, per discussions with PetroPeru, expects to increase this to 1.2mbbls/d during Q1 2019, with the possibility of up to 1.5mbbls/d depending on the refinery's throughput. Such crude oil is collected from the Bretaña field by PetroPeru and barged in double hull barges approximately 370 km along the Ucayali River (a journey period of about three days) to the Iquitos Refinery. The balance of the produced crude oil is currently sent to the Conchan refinery near Lima on a trial basis, which is also owned by PetroPeru, with the expectation that sales to this refinery will increase in future as the Company's production increases.

Figure 11: Crude being loaded onto barge at the Bretaña field

Throughput capacity at Iquitos is, however, limited, and, as production ramps up from Bretaña, additional offtake routes will be required. PetroTal is currently studying a number of competing options to transfer crude to market, which principally involves moving crude to the coast, where it can be refined or exported. Specifically, it is envisioned that the oil will be barged to Pump Station #1, which is annotated "2" in Figure 12 below. From here the oil would be transported to Bayovar via the Northern Oil Pipeline (annotated "3") and then barged to the Talara Refinery (annotated "4"). Alternatively, there are some other smaller refineries in-land that could be fed with Bretaña crude.

Figure 12: Potential off-take routes



8. Current Trading and Future Strategy of the Group

8.1 *Current Trading*

Since first production commenced in June 2018 from the initial horizontal well, the Company has realised an average oil price of $61.65/bbl, net of discount due to the crude gravity of 18.5 API, with all test production being sold to the Iquitos Refinery.

During the months of June, July and August 2018 minimal production was recorded as the Company commenced its ramp up of operations. Average September 2018 production was approximately 900 bopd, and average October 2018 production was approximately 675 bopd (with the decline being as a result of increasing water cuts affecting the productivity of the well that has been produced under natural flow). Water handling equipment was brought online at the start of November, which provides the Company with capacity to process up to 6 mbbls/d oil and 10 mbbl/d water. The Company recorded an average of 1,750 bopd oil in November 2018 as a result of ramping up to approximately 2 mbbls/d oil in mid-November 2018.

8.2 *Future Strategy*

The Company's focus is to continue to develop the Bretaña Field and increase production and cash flow in a meaningful way.

The Company is currently constructing long term testing facilities, which are ahead of schedule and under budget. Total capex is estimated to be US$18.3m and the facilities went online in mid-November 2018.

Development drilling is planned to commence in mid Q1 2019 at Bretaña, which is expected initially to include two new oil wells and one water well. By the end of Q2 2019, it is expected that three wells will be in production, delivering approximately 4,500 bbls/d. The Company's long term production target, to be delivered from 11 producing wells, is approximately 10,000 bbls/d by 2020. All of the preceding development activities are expected to be funded from existing and internally generated funds. In the event that such funds are insufficient to complete the work as described, the Group will explore alternatives, including raising funds from third parties and a re-phasing of the proposed development plan.

Management also believes there is material upside in the Bretaña field which can be realised by increasing recovery factors from the current 12 per cent. estimated by NSAI.

The Company, having assessed the cost of diesel power generation, has decided to move forward with the lease and future purchase of power generation equipment that will use oil from Bretaña rather than diesel.

Concurrent with the development of Bretaña, the Company will continue to look for a partner to drill the Osheki prospect in Block 107.

Additionally, the management team believes there are multiple opportunities to make accretive, synergistic, and strategic acquisitions in Peru. These acquisitions will only be acted upon if they provide clear upside to shareholders.

9. Directors, Senior Management and Key Employees

The Board and the Group's senior management have significant experience in establishing, growing, financing and subsequently monetising early stage oil and gas companies with a proven track record in Peru. As at the date of this document, and on Admission, the Board comprises and will comprise one executive Director and five non-executive Directors.

The details of the Board of Directors, senior management and key employees are set out below.

(i) ***The Board***

Douglas C. Urch *(aged 59)* – ***Non-Executive Director and Chairman of the Board***

Douglas Urch has over 35 years of oil and gas industry experience. Previously, Mr. Urch was the Executive Vice President, Finance and Chief Financial Officer of Bankers Petroleum Ltd. and Vice President, Finance and Chief Financial Officer of Rally Energy Corp. Mr. Urch is a Chartered Professional Accountant (CPA) and a designated member of the Institute of Corporate Directors (ICD). Mr. Urch graduated from the University of Calgary with a Bachelor of Commerce degree.

Manuel Pablo Zúñiga-Pflücker *(aged 57)* – ***President and Chief Executive Officer and Corporate Secretary***

Manuel Zúñiga is a petroleum engineer with 30 years of industry experience. Mr. Zúñiga was a founder and the President and Chief Executive Officer of BPZ when oil was discovered in the Corvina field of the Z-1 Block, brought online in less than two years using the first floating production storage and offloading (FPSO) unit ever used in Peru and developed with a buoyant drilling and production platform. Prior to completion of the Arrangement, Mr Zúñiga had been the President and Chief Executive Officer and Chairman of the Managers of PetroTal LLC since January 2016.

He started his career as a junior engineer with Occidental Petroleum where he worked in Block 1-AB, located in the northern jungle of Peru. He was born and raised in Talara, Peru and has led exploration and development projects for oil and gas in Peru, as well as other countries in Latin America. He has established relationships with operators in Peru, including owners of the targeted assets, and has good relationships with government agencies in the region. Mr. Zúñiga holds a Bachelor of Science degree in Mechanical Engineering from the University of Maryland and a Masters of Science degree in Petroleum Engineering from Texas A&M University.

Gary S. Guidry *(aged 62)* – ***Non-Executive Director***

Gary Guidry is a professional engineer with more than 35 years of experience developing and maximizing assets in the international oil and gas industry. Mr. Guidry has direct experience managing large, international projects, including assets in Latin America, Africa, the Middle-East and Asia. Mr. Guidry is currently the President and Chief Executive Officer of GTE. Most recently, Mr. Guidry was Head of Glencore E&P (Canada) and prior to that was the President and Chief Executive Officer of Caracal Energy Inc. ("Caracal") a London Stock Exchange listed company with operations in Chad, Africa. Mr. Guidry is an Alberta-registered Professional Engineer and a member of APEGA. He received a Bachelor of Science in Petroleum Engineering from Texas A&M University in 1980.

Mr Guidry is one of two representatives of GTE on the Board and is therefore not considered to be independent.

Ryan Ellson *(aged 42)* – ***Non-Executive Director***

Ryan Ellson has more than 17 years of experience in a broad range of international corporate finance and accounting roles. Most recently, Mr. Ellson was Head of Finance for Glencore E&P (Canada) and prior thereto Vice President, Finance at Caracal. Mr. Ellson is a Chartered Accountant and holds a Bachelor of Commerce and a Master of Professional Accounting from the University of Saskatchewan.

Mr Ellson is one of two representatives of GTE on the Board (currently the Chief Financial Officer of GTE) and is therefore not considered to be independent.

Gavin Wilson *(aged 55)* – ***Non-Executive Director***

Gavin Wilson is an Investment Manager for Meridian Group of Companies, a private investment company, which has a substantial shareholding in the Company. Mr. Wilson was the Founder and Manager of RAB Energy and RAB Octane, listed investment funds, from 2004 until 2011. From 1992 to 2003, he worked with Canaccord Capital London, an investment banking company, as Head of Oil and Gas, responsible for sales and Corporate Brokering/Finance. He holds a Bachelor of Arts degree in French History and Civilization.

Mark McComiskey *(aged 46)* – ***Non-Executive Director***

Mark McComiskey, is a Founding Partner of Vanwall Capital, LLC. Prior to November 2015, Mr. McComiskey was a Managing Partner of Prostar Capital Ltd., a specialized global investment manager in energy infrastructure investments. From June 2004 to April 2012 he was at First Reserve Corporation, the world's largest energy focused global private equity and infrastructure investment firm, where he served as Co-Head of Private Equity from December 2010. Mr. McComiskey holds a Juris Doctor degree from Harvard University and an AB degree in economics from Harvard College.

(ii) ***Senior Management/Key Employees***

Gregory Smith, ***Executive Vice President and Chief Financial Officer***

Mr. Smith is responsible for the financial management of the Group including financial reporting, corporate accounting, budgeting and forecasting as well as stewardship of internal controls. Mr. Smith has been with the Company's private predecessor and served as the Executive Vice President and Chief Financial Officer since its founding in January 2016.

Gregory Smith worked for BPZ Resources, Inc. ("**BPZ**") in the formative years playing a key finance/investor relations role in multiple capital raises across the capital structure. Mr. Smith brings extensive experience in finance and capital markets, having been involved in multiple debt and equity transactions in the past 10 years. Mr. Smith has over 20 years of experience in the oil and gas sector, most recently with Houston based offshore operator Energy XXI, and brings banking and financial relationships to the Company. Mr. Smith holds a Bachelor of Science degree in Communications from Missouri State University and a Masters in Business Administration from the Mays Business School at Texas A&M University.

Estuardo Alvarez-Calderon, ***Vice President, Operations***

Mr. Alvarez-Calderon is responsible for overseeing all field operations including health, safety, security and environment. He brings more than 35 years of oil and gas experience to the Company. His career spanned 28 years with Occidental Petroleum, Americas where he held roles including Geological Manager Latin America, New Ventures Manager Latin America, Senior Geologic Advisor, and Exploration Manager, Peru. He spent over 22 years with Oxy Perú where he held roles of increasing responsibility including his position as Exploration Manager during the periods from 1999 until 2001 and from 2005 until 2007.

Mr. Alvarez-Calderon has worked in exploration projects on most of the basins of Peru, including Marañón (Blocks 1-AB, 4, 54, 64 and 101), Ucayali, Huallaga and Madre de Dios. His latest role was as Vice President of Exploration and Production for BPZ where he was responsible for the Exploration & Production (Operations) groups in blocks located offshore and onshore Peru. Mr. Alvarez-Calderon received a Bachelor of Science degree in Geology from the University of Texas at Austin and is registered on the Texas Board of Professional Geoscientists.

Charles Fetzner, ***Vice President, Asset Development***

Mr. Fetzner is responsible for overseeing all asset development and evaluation activities along with upholding corporate vision and regulatory compliance set forth by the Company. Mr Fetzner is a geologist with over 35 years of experience managing exploration and development projects throughout the USA, Latin America, East and Southeast Asia, North Africa and the Middle East.

Most recently, Mr. Fetzner was the Exploration Director for BPZ. Prior thereto, Mr. Fetzner held positions of increasing responsibility with Sun E&P/Oryx Energy and Apache Corporation. While at Apache, Mr. Fetzner managed the company's start-up exploration and development activities on 10 million acres in the western desert of Egypt where the company developed over 500 million barrels of oil equivalent with peak production in excess of 500,000 barrels of oil equivalent per day. Mr. Fetzner's experience includes development of heavy oil projects in the Bohai Bay of northeast China and exploitation of unconventional plays in the USA and Argentina. Mr. Fetzner received a Bachelor of Science degree in Geology from the University of New Hampshire in 1979.

10. Interest in Common Shares

As at the Latest Practicable Date, the Directors were in aggregate interested, directly or indirectly, in 5,946,865 Common Shares, representing approximately 1.1 per cent. of the Issued Share Capital. Further details of the Directors' shareholdings are set out in paragraph 3.9 of Part 5 of this document. Following Admission, certain other significant shareholders, as referred to in paragraph 3.8 of Part 5 of this Document, will hold three per cent. or more of the Issued Share Capital.

11. Share Consolidation

On 30 May 2018, Shareholders approved at the Annual General Meeting a special resolution authorising the Board to (i) select a consolidation ratio of between four and eight pre-Consolidation Common Shares for each one post-Consolidation Common Shares and (ii) file articles of amendment giving effect to the Consolidation at the selected ratio (the "**Consolidation**"). The Company had experienced a significant increase in its share count as a result of the completion of the Arrangement and the Acquisition and wishes to reduce the outstanding share amount to a level more in keeping with its industry peers. The Consolidation will occur at a time determined by the Board prior to the next annual general meeting of Shareholders in 2019. The Board may determine not to proceed with the Consolidation, in its discretion.

12. Relationship Agreement

A relationship agreement was entered into between the Company, Strand Hanson and GTE on 17 December 2018, conditional on Admission (subject to a long stop date of 31 January 2019 or such other date as the parties may agree), pursuant to which the parties have agreed to manage the relationship between GTE and the Company to ensure that, among other things, (i) the Group will at all times be capable of carrying on its business independently of GTE and its Affiliates (as defined therein); (ii) all transactions and arrangements in the future between the Company and GTE and its Affiliates will be at arm's length and on a normal commercial terms and (iii) GTE will not use its Voting Rights (as defined therein) to prevent the Company from complying with applicable laws and regulations (the "**Relationship Agreement**").

More specifically, GTE has agreed to exercise its Voting Rights in compliance with the AIM Rules and in a way to ensure the independence of the Board is maintained and that no less than half of the directors of the Board are independent of GTE. The Relationship Agreement will terminate automatically in the event that (i) the Common Shares cease to be admitted to trading on AIM, or (if applicable) the Official List of the Financial Conduct Authority; (ii) GTE and its Affiliates cease to hold, in aggregate, a Controlling Interest (defined as an interest in 20 per cent. or more of the Common Shares or Voting Rights attaching to the Common Shares of the Company) for a period exceeding 56 days.

13. Stock Option Plan

The Directors believe that the Company's success is highly dependent on the quality and loyalty of the current and future directors, employees and consultants. To assist in the recruitment, retention and motivation of high quality personnel, the Company must have an effective remuneration strategy. The Directors consider that an important part of this remuneration strategy is the ability to award equity incentives and, in particular, stock options.

Stock Options may be granted under the Stock Option Plan, which was approved by Shareholders at the Company's Annual General Meeting. Under the rules of the TSXV, the number of Common Shares reserved for issue under the Stock Option Plan shall not exceed 10 per cent. of the Company's Common Shares (from time to time).

As at the date of this document, the Company has not awarded any rights to acquire Common Shares to Directors, employees and contractors under the Stock Option Plan.

Further details of the Stock Option Plan are set out in paragraph 5.5 of Part 5 of this document.

14. Lock-in and Orderly Market Arrangements

The Directors, Meridian Capital International Fund ("**Meridian**"), Gregory Smith and GTRL have each agreed with the Company, the Nomad, Numis and GMP FirstEnergy not to dispose of their interests in Common Shares held or acquired by them for a period of at least 12 months from the date of Admission (the "**Lock-In Period**"), save for GTRL, who has agreed to a 6 month Lock-In Period.

In addition, the Directors, Meridian and Gregory Smith have each agreed to only dispose of any interest held in the Common Shares for a period of 12 months (in the case of the Directors) and 6 months (in the case of Meridian and Gregory Smith) following expiration of the Lock-in Period, with the consent of, and through either Numis, GMP First Energy (together, the "**Brokers**") or any Replacement Broker (as defined therein), in such manner as the Brokers or the Replacement Broker may reasonably require so as to ensure an orderly market in the Common Shares (the "**OMA**").

The Lock-In and OMA restrictions are subject to a number of exceptions, including, but not limited to, a disposal pursuant to (i) an intervening court order; (ii) an offer to purchase the entire share capital of the Company whether by way of contractual purchase or court sanctioned process; or (iii) a disposal otherwise permitted by the AIM Rules, as determined by the Nomad.

The aggregate interests following Admission which shall be subject to the lock-in and orderly market arrangements, as described above, will amount to 332,737,608 Common Shares, which is equivalent to approximately 61.9 per cent. of the Issued Share Capital.

15. Dividend Policy

The Company intends to retain any earnings to finance the growth and development of the Company's business and, therefore, the Company does not anticipate paying any dividends in the immediate or foreseeable future.

16. Corporate Governance

The Board is committed to the highest standards of corporate governance. On and following Admission, the Board will continue to comply with the corporate governance requirements of the TSXV and applicable securities laws including, but not limited to NI 51-102, NI 52-110, NI 58-101 and TSXV Policy 3.1 – Directors, Officers, other Insiders and Personnel and Corporate Governance.

The Company is not required to comply with the provisions of the UK Corporate Governance Code, issued from time to time by the Financial Reporting Council (formerly the Combined Code). However, the Directors have determined to follow the QCA Corporate Governance Code published by the Quoted Companies Alliance, as amended (the "**QCA Code**").

The Directors are responsible for overseeing and embedding effective internal controls and promoting a culture of positive business and operational risk management including to ensure that proper accounting records are maintained, and that the financial and other information upon which business decisions are made, and which is issued for publication, is reliable and that the assets of the Company are safeguarded.

Corporate governance guidelines applicable to the Company as a result of its listing on the TSXV recommend that the board of directors of a public company be constituted with a majority of individuals who qualify as "independent" directors. Under the guidelines, a Director is considered independent if he or she has no direct or indirect "material relationship" with the Company, which could, in the view of the Board, reasonably interfere with the exercise of that Director's independent judgement.

Of the current Directors, Manuel Pablo Zúñiga-Pflücker (the President and Chief Executive Officer) is an "inside" or a management director, and accordingly is not considered to be "independent" within the meaning of the relevant guidelines of the TSXV and Canadian securities laws. Gary Guidry, Ryan Ellson, Douglas Urch, Gavin Wilson and Mark McComiskey are considered by the Board to be "independent" within the meaning of the relevant guidelines of the TSXV and Canadian securities laws. Under the QCA Code, however, Gavin Wilson, Gary Guidry and Ryan Ellson would not be considered independent as a result of their association with Meridian and GTRL respectively. The QCA Code requires that a Board should have at least two independent non-executive directors, and therefore, despite this determination, the Company meets this particular requirement.

The business activities of GTE are varied, and include investments in resource companies other than the Company. GTE's business activities include international exploration and production of crude oil, with operations focused in Colombia. There is therefore potential for a conflict of interest to arise. The ABCA provides that a Director or officer of the Company who is a party to, or who has a material interest in any person who is a party to, a material contract or proposed material contract with the Company shall disclose the nature and extent of his/her interest, in writing, or request to have such disclosure entered in the minutes at the first relevant meeting. Pursuant to the By Laws, any such contract or proposed contract shall be referred to the Board or Shareholders for approval, even if such contract is one that in the ordinary course of the Company's business would not require approval by the Board or Shareholders, and a Director interested in such contract shall not vote on any resolution to approve the same, subject to various exemptions set out in the ABCA.

The Board currently has the following corporate governance procedures and policies in place:

16.1 ***The Audit Committee***

The Audit Committee is appointed annually by the Board and is comprised of three (3) members, the majority of which shall be independent directors. The Board shall appoint the chairman of the Audit Committee. The members of the Audit Committee at the date of this document are Douglas Urch (as the Chairman), Mark McComiskey and Ryan Ellson. The Audit Committee shall meet at least four times annually or more frequently as circumstances dictate.

The duties of the Audit Committee include: (i) reviewing, prior to release, the annual and quarterly financial statements and other financial information provided by the Company to regulatory authorities and the Shareholders; (ii) reviewing the effectiveness of the Company's internal audit function and controls; (iii) reviewing the performance of the Company's external auditors annually; (iv) providing an avenue for internal reporting of financial wrong doing; and (v) providing an open avenue of communication among the Company's auditors, senior management and the Board. The full terms of reference are set out in the Audit Committee Charter last amended on 30 May 2018 and available on the Company's website.

The Audit Committee will also be responsible for overseeing the Group's compliance with the AIM Rules and MAR.

16.2 ***Corporate Governance and Compensation Committee***

The Board established a Corporate Governance and Compensation Committee comprised of three (3) directors of the Company, the majority of which shall be independent directors as defined by the TSXV regulations. The Board shall appoint the chairman of the Corporate Governance and Compensation Committee. The members of the Corporate Governance and Compensation Committee at the date of this document are Mark McComiskey (as the Chairman), Ryan Ellson and Gavin Wilson. The Committee shall meet at least once annually, or more frequently as circumstances dictate or as otherwise directed by the Board.

The primary duties of the Corporate Governance and Compensation Committee include: (i) reviewing and determining the compensation policies of the Company with respect to the directors, officers, employees and consultants of the Company; (ii) proposing to the Board new nominees to the Board and for assessing the Directors on an ongoing basis; and (iii) responding to and implementing the guidelines set forth from time to time by any applicable regulatory authorities. The full terms of reference are set out in the Corporate Governance and Compensation Committee Charter last amended on 30 May 2018 and are available on the Company's website.

16.3 ***Reserves Committee***

The Board established a Reserves Committee comprised of no less than three (3) Directors of the Company, the majority of whom shall be outside directors of the Company and preferably individuals with engineering or geographical experience. The Board shall appoint the Chair of the Reserves Committee who shall be an outside director. The members of the Reserves Committee at the date of this document are Gavin Wilson (as the Chairman), Gary Guidry and Manuel Pablo Zúñiga-Pflücker. The Committee shall meet at least once annually or more frequently as circumstances dictate or otherwise directed by the Board.

The duties of the Reserves Committee include: (i) reviewing the expertise of the independent engineering firm which has prepared the Company's reserves and/or resources evaluations; (ii) meeting with the independent engineering firm to discuss their report and key assumptions and (iii) considering the information supplied to the firm with respect to matters such as product prices, operating costs, royalty burdens etc. The full terms of reference are set out in the Corporate Governance and Compensation Committee Charter last amended on 30 May 2018 and are available on the Company's website.

16.4 ***Health, Safety, Environment and Corporate Social Responsibility Committee***

The Board established a Health, Safety, Environment and Corporate Social Responsibility Committee comprised of no less than three (3) members the majority of whom shall be outside directors of the Company. The Board shall appoint the Chair of the Health, Safety, Environment and Corporate Social Responsibility Committee who shall similarly be an outside director. The members of the Health, Safety, Environment and Corporate Social Responsibility Committee at the date of this document are Douglas Urch (as the Chairman), Gavin Wilson and Gary Guidry. The Committee shall meet at least once annually or more frequently as circumstances dictate or as otherwise directed by the Board.

The general duties of the Health, Safety, Environment and Corporate Social Responsibility Committee include: (i) regularly reviewing health and safety policies and procedures, monitoring compliance with such policies, maintaining management systems to implement such policies and reporting on its findings to the Board; (ii) regularly reviewing environmental activities in terms of environmental policies of the Company and reporting on its findings to the Board; and (iii) reviewing social aspects of the Company's operations in terms of social responsibility policies of the Company and reporting on its findings to the Board. The full terms of reference are set out in the Health, Safety, Environment and Corporate Social Responsibility Committee Charter last amended on 30 May 2018 and available on the Company's website.

16.5 ***Ethical Business Conduct and Anti-Bribery Policy***

The Board has adopted a formal written Code of Ethics and Business Conduct, last amended on 30 August 2018 (the "**Conduct Code**"). The purpose of the Conduct Code is to maintain the highest level of integrity in all corporate dealings and is applicable to all directors, officers, employees, contractors and consultants of the Group (collectively, "**PetroTal Personnel**"). All PetroTal Personnel are required to read the Conduct Code and agree to abide by its terms. The Board has also adopted an Anti-Bribery, Anti-Corruption and Sanctions Compliance Policy (last amended on 30 August 2018) that addresses bribery and corruption and applies to all PetroTal Personnel.

16.6 ***Corporate Disclosure and Insider Trading Policy***

The Company intends to adopt a corporate disclosure and insider trading policy with effect from Admission (replacing the Company's current corporate disclosure policy, last amended on 30 May 2018) to ensure compliance with the share dealing provisions set out in article 19 of MAR and Rule 21 of the AIM Rules. The policy applies to *inter alia* all Directors and senior officers of the Group, employees who may be in possession of or have access to unpublished price-sensitive information concerning the Company, their spouses, civil partners, children under 18 and any other person who is otherwise classified as a PDMR and their PCAs under MAR (together the "**Designated Persons**"). The policy applies to the Designated Persons whether they are acting directly or through another person or company.

All dealings in securities in the Company (including convertible securities) by the Designated Persons must be pre-cleared by the President and Chief Executive Officer or the Chief Financial Officer (or by the Chairman of the Audit Committee in the case of the President and Chief Executive Officer and Chief Financial Officer). Clearance will not be given during prohibited periods, defined as being:

- blackout periods: these are not regularly scheduled but prescribed from time to time by the Chief Executive Officer or Chief Financial Officer as a result of special circumstances, i.e. where the Company or Designated Persons are in possession of any unpublished price-sensitive information concerning the Company that is not generally known to the public or at any time it has become reasonably probable that such information will be required to be disclosed to the market under stock exchange policies and applicable legislations; blackout periods end on the opening of trading of the second trading day after the information has been made public and the market appropriately cleansed; and

- closed periods: being (i) the period 30 days immediately preceding announcement of the Company's financial results (annual, half year and quarterly interims), or if shorter, the period from the end of the relevant financial period up to and including the time of announcement; (ii) any period where there exists unpublished price sensitive information in relation to the Common Shares and the proposed trading would take place after the time it has become reasonably probable that an announcement will be required (iii) and any period when the Designated Person or the person responsible for granting clearance has reason to believe the trading would be in breach of the policy.

The policy also states that the purchase of shares by Designated Persons should be for long term investment and not short term speculation. It therefore prohibits dealing in puts and calls, short selling and other such speculative behaviour, in relation to the Common Shares, and acquiring shares in a company which the Company is contemplating acquiring or with whom they are otherwise negotiating significant business arrangements.

The policy requires Designated Persons to make certain filings with SEDI and the FCA in relation to their trading in Common Shares. It also sets out the notification requirements for any related party of the Company and/or the Group contemplating a related party transaction and the associated approval process.

17. Admission, Depositary Interests, Settlement and CREST

17.1 *Reasons for Admission*

The Directors are seeking to list the Company's shares on AIM both to provide access to capital via a broader investor base and to increase liquidity in the Company's Shares. The Directors believe that the profile and status of the Company will be enhanced by Admission.

17.2 *Admission to AIM and Dealings in Common Shares*

Application will be made to the London Stock Exchange for the Issued Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings, for normal settlement, will commence on 21 December 2018.

There will be a total of 537,740,991 Common Shares, 4,008,333 Performance Share Units, nil Restricted Share Units, nil Stock Options, 28,386,500 Warrants and nil Treasury Shares in issue upon Admission.

17.3 *CREST*

In order to be traded on AIM, securities must be able to be transferred and settled through the CREST system, a UK computerised paperless share transfer and settlement system operated by Euroclear, which allows shares and other securities, including Depositary Interests, to be held in electronic rather than in paper form. Securities issued by companies not incorporated in the UK, Ireland, Isle of Man or Channel Islands, such as the Company, cannot be held electronically (i.e. in uncertificated form) or transferred in CREST. However, depositary interests representing underlying shares can allow securities to be dematerialised and settled electronically.

Accordingly, the Common Shares will not themselves be admitted to CREST. Instead, the Company, through its Depositary, will have a facility whereby Depositary Interests, representing Common Shares, will be issued by the Depositary to persons who wish to hold the Common Shares in electronic form within the CREST system. Under the Depositary Deed Poll, the Depositary (or its Custodian) will hold Common Shares in certificated form on trust for shareholders and it will issue uncertificated Depositary Interests (on a one-for-one basis) representing those underlying Common Shares and provide the necessary custodian services. The relevant Shareholders will retain the beneficial interest in the Common Shares held through the Depositary Interest facility and voting rights, dividends or any other rights relating to those Common Shares will be passed on by the Depositary (or its nominee) in accordance with the terms of the Depositary Deed Poll. The Depositary Interests can then be held and settled within the CREST system in the same way as any other CREST security.

Each Depositary Interest will be treated as one Common Share for the purposes of determining eligibility for dividends and voting entitlements. In respect of any dividends declared, the Company will provide the Depositary (or custodian, if appointed) with funds for the payment and the Depositary will transfer the money to the DI Holders. In respect of voting, the Depositary will cast votes in respect of the Common Shares as directed by the DI Holders which the relevant Common Shares represent.

The Depositary Interests will be created pursuant to and issued on the terms of the Depositary Deed Poll. Prospective DI Holders should note that they will have no rights in respect of the underlying Common Shares or the Depositary Interests representing them against CREST or its subsidiaries. The Depositary Interests will have the same ISIN as the underlying Common Shares and will not require a separate application for admission to trading on AIM.

A holder of the Common Shares on the share register of the Company maintained in Canada (the "**Share Register**") (a "**Register Holder**") will be able to do the following to obtain a Depositary Interest for its Common Shares: (a) if held directly, send in its Common Share certificates to the Registrar together with the relevant transfer form; or (b) if held in a nominee account, provide instructions to its broker who will then obtain a withdrawal of the Common Shares from the system of CDS Clearing and Depositary Services Inc. ("**CDS**"). In addition, the Register Holder, either directly or through its broker, must complete a Depositary Interest issuance request form that may be obtained from the Registrar. The Registrar will then either cancel the Common Share certificate or the CDS position, as applicable, through a transfer of Common Shares to the custodian of the Depositary. After these steps, a Depositary Interest can be created and is then issued to the CREST participant that the holder, or the holder's broker, requested on the Depositary Interest issuance request form.

If a Register Holder wishes to cancel its Depositary Interest, it will either directly or through its broker instruct the applicable CREST participant to initiate a CREST withdrawal (where such withdrawal is sent to the Depositary) for the name that appears on the Share Register. The Depositary Interest will then be cancelled by the Depositary and the related Common Share will be transferred to the account on the Share Register by the Registrar. The Registrar will either send the Register Holder a new Common Share certificate if held directly, or if held in nominee form, by electronically updating the CDS position associated with the holder's broker.

Application has been made for the Common Shares, in the form of Depositary Interests, to be admitted to CREST, with effect from Admission, and CREST has agreed to such admission. Accordingly, settlement of transactions in the Common Shares, in the form of Depositary Interests, following Admission may take place within the CREST system if relevant Shareholders so wish. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates in respect of Common Shares will still be able to do so.

Details of the Depositary Deed Poll and the Depositary Agreement are set out in paragraphs 12.5 and 12.6 of Part 5 of this document.

18. Disclosure and Transparency Rules

Following Admission, the Company will comply with Rule 17 of the AIM Rules to announce any changes in a whole percentage point to the holding of any Shareholder holding three per cent. (3 per cent.) or more of the Common Shares or voting rights in the Company. As the Company is incorporated in Alberta, provisions have been incorporated into the Articles (and approved by Shareholders at the Special Meeting) which, to the extent possible, mirror the requirements of DTR 5, so as to enable the Directors to request information from Shareholders in order to comply with the disclosure obligations under AIM Rule 17 and further disclosure requirements of certain transactions involving shares or "significant shareholders" (as defined in the AIM Rules) to disclose to the Company their beneficial ownership of the Common Shares. Further details of these notification and disclosure requirements are summarized in paragraph 4 of Part 5 of this document. Shareholders should consider their notification and disclosure obligations carefully as failure to make a disclosure to the Company may result in disenfranchisement.

19. Takeovers

19.1 *General*

NI 62-104 sets forth the Canadian take-over bid regime. NI 62-104 will continue to apply to the Company to the extent that it is party to a take-over bid made in Canada.

As the Company is a reporting issuer in the Provinces, the following may apply to the Company in certain situations.

Securities laws of the Provinces include a comprehensive code governing both the reporting of the acquisition of significant shareholdings and the conduct of takeover bids. For the purposes of these rules, a person is deemed to own all shares and securities convertible into shares that are held directly or indirectly by, or over which control or direction is exercised by, such person and persons acting jointly or in concert with that person.

19.2 *Early Warning Report and Conduct of Takeover Bids*

Under the securities laws of the Provinces, any person who directly or indirectly acquires beneficial ownership of, or the power to exercise control or direction over, shares (or securities convertible into shares) of the Company that, together with any shares held by that person, would constitute 10 per cent. or more of the outstanding shares, must forthwith issue a news release in Canada announcing, among other things, the number of such securities they hold and their intentions with respect to the securities of the Company. A formal report (an "**early warning report**") setting forth details regarding the acquisition is also required to be filed with the Securities Commissions of the Provinces, within two business days of the acquisition of shares (or convertible securities) that results in the person holding 10 per cent. or more of such securities. If a person's beneficial ownership of, or control or direction over, shares (or securities convertible into shares) decreases to less than 10 per cent. of such securities, that person must issue a news release and file an early warning report disclosing the same information as described above.

Whenever a person who has filed an early warning report acquires or disposes beneficial ownership of, or acquires or ceases to have control over, 2 per cent. of the Company's shares (including securities convertible into shares), or if there is a change in a material fact disclosed in a previously filed report, an additional report must be filed within the same time limits.

19.3 *Takeover Bid Rules*

Any person who acquires or offers to acquire 20 per cent. or more of the Company's Shares (other than pursuant to an issuance from treasury) is deemed to be making a takeover bid. Generally, applicable Canadian securities laws provide that takeover bids must:

(i) be made available to all shareholders;

(ii) be open for acceptance for a minimum of 105 days, subject to certain exceptions;

(iii) require more than 50 per cent. of the applicable securities be deposited under the bid;

(iv) offer identical consideration to all shareholders; and

(v) be made by a takeover bid circular containing prescribed information about the bidder and its intentions with respect to the Company.

There are various statutory exemptions available from these rules. In particular, a person may acquire up to 5 per cent. of the Company's Shares in any 12 month period at prices not in excess of "market price" (plus brokerage). Also, a person may acquire Common Shares of the Company from no more than five persons in private transactions at no more than 115 per cent. of "market price".

19.4 *Insider Reporting*

A person who acquires direct or indirect beneficial ownership of, or the power to exercise control or direction over, more than 10 per cent. of the Shares of the Company is considered to be an "insider" of the Company. Each insider must file an initial insider report in prescribed form within 10 days of becoming an insider disclosing the holdings of that person. That insider must file a further insider report within five days of any change in the ownership or control or direction over securities of the Company.

Insider reports are filed electronically using the System for Electronic Disclosure by Insiders ("**SEDI**") established by the Canadian Securities Administrators. Further information about SEDI can be found at the SEDI website (www.sedi.ca).

20. Financial Information

Part 4 of this document contains:

- the unaudited quarterly financial information relating to the Group as at and for the nine months ended 30 September 2018;
- the audited consolidated financial statements for Sterling Resources as at and for the year ended 31 December 2017; and
- the audited combined carve-out financial statements of GTE's Peruvian Business as at and for the years ended 31 December 2016 and 31 December 2015 and the combined carve-out statements of net and comprehensive loss, combined carve-out statements of net parental investment, and combined carve-out statements of cash flows for each of the three years in the period ended 31 December 2016.

21. Taxation

Information regarding certain taxation with respect to Common Shares and Admission is set out in paragraph 6 of Part 5 of this document. These details are, however, intended only as a general guide to the current position under UK taxation law. Shareholders who are in doubt as to their tax position should consult their professional advisers immediately.

PART 2

RISK FACTORS

Any investment in the Company is subject to a number or risks. Accordingly, investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Common Shares and the Group including, in particular, the specific risks described below, before making any investment decision. The information below does not purport to be an exhaustive list nor are the risks set out in any order of priority. Investors should consider carefully whether an investment in the Common Shares is suitable for them in light of the information in this document and their personal circumstances. Before making any final decision, prospective investors in any doubt should consult with an independent adviser authorised under FSMA (or the corresponding legislation in the jurisdiction in which a prospective investor is resident) who specialises in advising on the acquisition of shares and other securities.

If any of the following risks were to materialise, the Company's business, financial position, results and/or future operations may be materially adversely affected. The market value of the Common Shares may go up or down and an investor may lose all or part of his or her investment. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the performance and value of the Company. Therefore the following factors do not purport to be an exhaustive list or explanation of all the risk factors involved in investing in the Company.

An investment in the Company is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may arise therefrom (which may be equal to the whole amount invested). There can be no certainty that the Company will be able to implement successfully the strategy set out in the document. No representation is or can be made as to the performance of the Company and there can be no assurance that the Company will achieve its objectives.

In this Part 2, reference to the Company shall also, where the context admits, be deemed to be a reference to the Group.

1. Risks relating to the Company and its Business

Nature of Business

An investment in the Company should be considered highly speculative due to the nature of the Company's involvement in the exploration for, and the acquisition, production and marketing of, oil reserves in a developing country and its current stage of development. Oil and gas operations involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that further commercial quantities of oil will be discovered or acquired by the Company, or that the Company will be able to successfully exploit the current discovered commercial quantities.

Trade Relations

The results of the 2016 U.S. election have introduced greater uncertainty with respect to trade and tax policies, tariffs and government regulations affecting trade between the United States and other countries. Major developments in tax policy or trade relations, such as the renegotiation of the North American Free Trade Agreement ("**NAFTA**") or the imposition of tariffs could have a material adverse effect on the Company. Canada, the United States and Mexico began renegotiating the terms of NAFTA in mid-2017. The United States has also suggested that it might give notice of the termination of NAFTA if it is not satisfied with the outcome of the renegotiations. As of the date hereof, renegotiation discussions continue and the outcome of such negotiations remains unclear.

Further, unlegislated proposals from the government of the United States have contemplated prohibitive actions against foreign businesses competing in the United States economy. It is uncertain whether the government of the United States will proceed with any proposed or contemplated actions, or the effects those actions may have on the Company.

Peru and ten other countries recently concluded discussions with respect to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (the "**CPTPP**"), which is intended to allow for preferential market access among the countries that are parties to the CPTPP. The text of CPTPP has been finalized and published, but the agreement remains subject to ratification by the governments of each of the countries involved.

While it is uncertain what effect the CPTPP or any other trade agreements will have on the oil and gas industry in Peru, the lack of available infrastructure for the offshore export of oil and gas may limit the ability of Peruvian oil and gas producers to benefit from such trade agreements.

Capital Lending Markets

As a result of recent economic uncertainties in the oil and gas industry and, in particular, the lack of risk capital available to the junior resource sector, particularly those in emerging market jurisdictions, the Company, along with other junior resource entities, may have reduced access to bank debt and to equity. As future capital expenditures will be financed out of funds generated from operations, bank borrowings (if available) and possible issuances of debt or equity securities, the Company's ability to fund future capital expenditures is dependent on, among other factors, the overall state of lending and capital markets and investor and lender appetite for investments in the energy industry generally and the Company's securities in particular.

To the extent that external sources of capital become limited, unavailable or available only on onerous terms, the Company's ability to invest and to maintain existing assets or implement the exploration or development plan, or complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

Local Legal, Political and Economic Factors

The Company operates its business in Peru and may eventually expand to other countries. Exploration and production operations in developing countries are at times subject to legal, political and economic uncertainties, including terrorism, military repression, social unrest, strikes by local or national labour groups, interference with private contract rights (such as nationalization), vexatious litigation, extreme fluctuations in currency exchange rates, high rates of inflation, exchange controls, changes in tax rates, changes in laws or policies affecting environmental issues (including land use and water use), workplace safety, foreign investment, foreign trade, investment or taxation, as well as restrictions imposed on the oil and natural gas industry, such as restrictions on production, price controls and export controls.

South America has a history of political and economic instability. This instability could result in new governments or the adoption of new policies, laws or regulations that might assume a substantially more hostile attitude toward foreign investment, including the imposition of additional taxes. In an extreme case, such a change could result in the imposition of additional taxes, renegotiation or termination of existing concessions and contract rights and expropriation of foreign-owned assets without fair compensation. Any changes in oil and gas or investment regulations and policies or a shift in political attitudes in Peru or other countries in which the Company may operate are beyond its control and may significantly hamper its ability to expand its operations or operate its business at a profit.

Changes in laws in the jurisdiction in which the Company operates or expands into with the effect of favouring local enterprises, and changes in political views regarding the exploitation and protection of natural resources and economic pressures, may make it more difficult for the Company to negotiate agreements on favourable terms, obtain required licences, comply with regulations or effectively adapt to adverse economic changes. such as increased taxes, higher costs, inflationary pressure and currency fluctuations.

In certain jurisdictions, the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These licences and agreements may be susceptible to revision or cancellation and legal redress may be uncertain or delayed.

Peru has experienced fluctuating inflation rates since 2002. There can be no assurance that any governmental action will be taken to control inflationary or deflationary situations or that any such action will be effective. Future governmental action may trigger inflationary or deflationary cycles or otherwise contribute to economic uncertainty. Additionally, changes in inflation or deflation rates and governmental actions taken in response to such changes may affect currency values. Any such events or changes could have a material adverse effect on the Company's operations and financial condition.

Political Developments in Peru

Peru's history since the mid-1980s has been one of political and economic instability under both democratically elected and dictatorial governments. These governments have frequently intervened in the national economy and social structure, including periodically imposing various controls the effects of which have been to restrict the ability of both domestic and foreign companies to freely operate. Peru's recent political and fiscal regimes were generally favourable to the oil and gas industry and have been relatively stable. However, there is a risk that this will change.

Current or future political regimes may adopt new policies, laws and regulations that are more hostile toward foreign investment which may result in the imposition of additional taxes, the adoption of regulations that limit price increases, termination of contract rights, or the expropriation of foreign-owned assets. Such actions by the elected political regime could limit the amount of the Company's future revenue in that country and affect its operations.

The Company's interests and operations may be affected by government regulations with respect to restrictions on property access, permitting, price controls, export controls, foreign exchange controls, income taxes, foreign investment, expropriation of property and environmental legislation.

There is also a risk of other adverse developments, such as labour unrest, widespread civil unrest or rebellion, which may adversely affect the Company. Labour in Peru is customarily unionized and there are risks that labour unrest or wage agreements may adversely impact the Company's operations.

Laws and Regulations

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government in Peru and internationally that may be amended from time to time.

The Company is subject to laws and regulations that can adversely affect the cost, manner and feasibility of its operations. Because the oil and gas industry in Peru is less developed than elsewhere, changes in laws and interpretations of laws are more likely to occur than in countries with a more developed oil and gas industry. Future laws or regulations, as well as any adverse change in the interpretation of existing laws or our failure to comply with existing legal requirements may harm the Company's results of operations and financial condition.

In order to comply with laws and regulations, the Company may be required to make unanticipated expenditures relating, among other things, to: (a) work programme guarantees and other financial responsibility requirements; (b) taxation; (c) royalty requirements; (d) customer requirements; (e) employee compensation and benefit costs; (f) operational reporting; (g) environmental and safety requirements; and (h) unitization requirements.

Health and Safety

The Company is subject to labour and health and safety laws and regulations, at a national, state and local level in Peru, that govern, among other things, the relationship between the Company and its employees and the health and safety of the Company's employees. For example, the Company is required to adopt certain measures to safeguard the health and safety of its employees, as well as third parties, in its facilities. In the event that compliance by the Company with such requirements is reviewed by the applicable authorities and a decision that the Company violated any labour laws, results from such review, the Company may be exposed to penalties and sanctions, including the payment of fines and, depending on the level of severity of the infraction, exposed to the closure of its facilities and/or stoppage of its operations and the cancellation or suspension of governmental registrations, authorizations and licences, any one of which may result in interruption or discontinuity of activities in the Company's facilities, and materially and adversely affect the Company.

Insurance

The Company's involvement in the exploration for and development of oil and gas properties may result in the Company becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although the Company has obtained insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks or additional risks may not, in all circumstances be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or for other reasons, the payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's financial position, results of operations or prospects.

Substantial Capital Requirements and Liquidity

The Company anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas resources or reserves in the future, including in relation to its assets. If the Company's future revenues or resources decline, the Company may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that cash flow from operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or further equity financing is required, that it will be available and on terms acceptable to the Company. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have material adverse effect on the Company's financial condition, results of operations or prospects.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Company makes acquisitions and dispositions of businesses and assets that occur in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, as well as realizing the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Company. The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management assesses the value and contribution of individual properties and other assets.

Operational Dependence

Currently the Company owns a 100 per cent. working interest in all three licence contracts. Upon and depending on the terms of any farm-in agreement, other companies may operate some of the assets in which the Company will have or has an interest. In such cases, the Company will have diminished ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect the Company's financial performance. The Company's return on assets operated by others may therefore depend upon a number of factors that may be outside of the Company's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

Reliance on Key Personnel

The Company's success will depend in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. The Company does not have any key person insurance in effect however, the Company's compensation plan is geared to incentivise the key personnel to perform and stay in the Company. The contributions of the management team to the Company's immediate and near term operations are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense, particularly in Peru, and there can be no assurance that the Company will be able to attract and retain all personnel necessary for the development and operation of its business.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth could have a material adverse impact on its business, operations and prospects.

Permits and Licences

The operations of the Company requires licences and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licences and permits that are required to carry out exploration and development at its properties. The permitting process in Peru takes significant time, meaning that exploration and development projects have a longer cycle time to completion than they might elsewhere.

Regulations and policies relating to licences and permits may change, be implemented in a way that the Company does not currently anticipate or take significantly greater time to obtain. These licences and permits are subject to numerous requirements, including compliance with the environmental regulations of the local governments. Revocation or suspension of the Company's environmental and operating permits could have a material adverse effect on its business, financial condition and results of operations.

The Company's properties are currently held, and any future properties are expected to be held in the form of licences and working interests in licences. If the Company or the holder of the licence fails to meet the specific requirement of a licence, the licence may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence will be met. The termination or expiration of the Company's licences or the working interests relating to a licence may have a material adverse effect on the Company's results of operations and business.

The terms of Peruvian oil and gas licence agreements require licensees to perform certain minimum work programmes in each period under the seven year exploration phase of such agreements. The calculation of each period is halted when the government reviews related environmental applications, meaning the seven year exploration phase may last several years more. However, the term of the licence contract remains the same, so the holder still has 23 years to develop and produce the discovered crude oil reserves or 33 years in the case of natural gas reserves. The work programmes can include seismic acquisition, processing and interpretations and the drilling of required wells in accordance with those contracts and agreements. Licensees are also required to conduct environmental impact studies and/or environmental impact assessments and to establish their ability to comply with environmental regulations.

Additional Funding Requirements

The Company's cash flow from its operations may not be sufficient to fund its ongoing activities at all times. From time to time, the Company may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Company's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Company's ability to expend the necessary capital to replace its reserves or to maintain its production. If the Company's cash flow from operations and current cash balance are not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on favourable terms.

Variations in Foreign Exchange Rates and Interest Rates

World oil and gas prices are quoted in United States dollars and the price received by Canadian and Peruvian producers is therefore affected by the Canadian/United States dollar and Peruvian sol/United States dollar exchange rates, which will fluctuate over time. Future Canadian/United States and Peruvian sol/United States exchange rates could accordingly impact the future value of the Company's reserves as determined by independent evaluators. Furthermore, an increase in interest rates could result in a significant increase in the amount the Company pays to service debt.

Issuance of Debt

From time to time, the Company may enter into transactions to acquire assets or the securities of other business entities. These transactions may be financed partially or wholly with debt which may increase the

Company's debt levels above industry standards. The level of the Company's indebtedness from time to time could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Hedging

From time to time, the Company may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Company will not benefit from such increases. Similarly, from time to time the Company may enter into agreements to fix the exchange rate of Canadian to United States dollars or Peruvian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar or the Peruvian sol increases in value compared to the United States dollar; however, if the Canadian dollar or the Peruvian sol declines in value compared to the United States dollar, the Company will not benefit from its fluctuating exchange rate.

Information Technology Systems and Cyber-Security

The Company depends on digital technology, among other things, to process and record financial and operating data; communicate with its employees and business partners; analyse seismic and drilling information; and estimate quantities of oil and gas resources and reserves. Accordingly, the Company is susceptible to cyber incidents (both deliberate and unintentional).

The unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary and other information could disrupt the Company's business plans and negatively impact its operations in a number of ways. As cyber threats continue to evolve, the Company may be required to expend significant additional resources to continue to modify or enhance its protective measures or to investigate and remediate any information security vulnerabilities.

Weather and Geographic Concentration

Since the Company's properties are geographically concentrated in Peru's eastern region, they are influenced by factors affecting that region such as natural disasters (including earthquakes) and severe weather conditions (including excessive rainfall and flooding). Such conditions could have a material adverse impact on the Company's business, operations and prospects. Because all the Company's properties could experience the same conditions at the same time, these conditions could have a relatively greater impact on the Company's operations than they might have on other operators who have properties over a wider geographic area.

Litigation

In the normal course of the Company's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to personal injuries, property damage, property tax, land rights, the environment and contract disputes. The outcome of future proceedings cannot be predicted with certainty and may be determined adversely to the Company and as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, the Company may disclose confidential information relating to its business, operations or affairs. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put the Company at competitive risk and may cause significant damage to its business. The harm to the Company's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be recoverable in damages. There is no assurance that, in the event of a breach of confidentiality, the Company will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Third Party Credit Risk

The Company may be exposed to third party credit risk through its contractual arrangements with its future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Company, such failures could have a material adverse effect on the Company and its cash flow from operations. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Company's ongoing capital programme, potentially delaying the programme and the results of such programme until the Company finds a suitable alternative partner.

Corruption

The Company is subject to the Foreign Corrupt Practices Act (the "**FCPA**"), the Corruption of Foreign Public Officials Act ("**CFPOA**") and the UK Bribery Act, and its failure to comply with the laws and regulations thereunder could result in material adverse effect on the Company's business, results of operations and financial condition. The FCPA prohibits companies and their intermediaries from making improper payments to foreign officials to secure any improper advantage for the purpose of obtaining or keeping business and/or other benefits. Similarly, the CFPOA prohibits persons form, directly or indirectly, giving, offering to give or agreeing to give a loan, reward, advantage or benefit of any kind to a foreign public official or to any person for the benefit of a foreign public official. The UK Bribery Act prohibits persons from offering, promising or giving a financial or other advantage to a foreign public official, directly or indirectly, with the intention of influencing that foreign public official in the performance of their official functions.

Any violation of these laws could result in monetary penalties against the Company or its subsidiaries and could damage its reputation and, therefore, its ability to do business.

Successor Liability

It is possible that the Group could be held liable for successor liability for violations of compliance laws, if such violations have been committed in the past by GTE or its associated entities, or by their employees, directors, representatives or agents, in relation to the Company's assets. There remains a risk that the Company's due diligence may not have identified all issues which may have occurred over the life and in all aspects of the business of the Peru HoldCo.

2. General Exploration, Development and Production Risks

Commodity Price Volatility

The Company's results of operations and financial condition are dependent on the prevailing prices of crude oil and natural gas. Crude oil and natural gas prices have fluctuated widely in the recent past and are subject to fluctuations in response to relatively minor changes in supply, demand, market uncertainty and other factors that are beyond the Company's control. Crude oil and natural gas prices are impacted by a number of factors including, but not limited to: the global supply of and demand for crude oil and natural gas; global economic conditions; the actions of the Organization of Petroleum Exporting Countries ("**OPEC**"); government regulation; political stability and geopolitical factors; the ability to transport crude to markets; developments relating to the market for liquefied natural gas; the availability and prices of alternate fuel sources; and weather conditions. All of these factors are beyond the Company's control and can result in a high degree of price volatility.

Fluctuations in currency exchange rates further compound this volatility when the commodity prices, which are generally set in United States dollars, are stated in Canadian dollars or Peruvian soles. The Company's financial performance also depends on revenues from the sale of commodities which differ in quality and location from underlying commodity prices quoted on financial exchanges. Of particular importance are the price differentials between the Company's light/medium oil and heavy oil (in particular the light/heavy differential) and quoted market prices. Not only are these discounts influenced by regional supply and demand factors, they are also influenced by other factors such as transportation costs, capacity and interruptions; refining demand; the availability and cost of diluent used to blend and transport product; and the quality of the oil produced, all of which are beyond the Company's control. See also "*Variations in Foreign Exchange Rates and Interest Rates*".

Fluctuations in the price of commodities and associated price differentials may impact the value of the Company's assets and the ability to maintain its business and to fund growth projects. Prolonged periods of commodity price depression and volatility may also negatively impact the Company's ability to meet guidance targets and meet all of its financial obligations as they come due. Any substantial and extended decline in the price of oil would have an adverse effect on the Company's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on the Company's business, financial condition, results of operations, prospects and the level of expenditures for the development of oil reserves, including delay or cancellation of existing or future drilling or development programs or curtailment in production.

In addition, future bank borrowings available to the Company may, in part, be determined by the Company's borrowing base, which is impacted, *inter alia*, by the carrying value of its reserves and assets.

The Company conducts regular assessments of the carrying value of its assets in accordance with IFRS. If crude oil prices decline significantly and remain at low levels for an extended period of time, the carrying value of the Company's assets may be subject to impairment.

Crude oil and natural gas prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies and OPEC actions. Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

Guerrilla and Indigenous Activity

Peru has a publicized history of security problems. The Shining Path, a guerrilla rebel organization, has been active in Peru since the early 1980's and, at one point, was active throughout the country. Recently, the group's activity has been confined to small areas of Peru; its operations have been hampered by the capture of many high profile leaders and membership has fallen dramatically.

The Company's operations in Peru are in a different region, with no known activity by the group. However, other groups may be active in other areas of the country and possibly the Company's operational areas.

In addition to The Shining Path, blockades by indigenous groups have also caused disruptions to oil and gas activities in Peru. Under Peruvian law, the government is required to undertake a prior consultation process with indigenous groups that may be affected by national or regional projects in order to ensure appropriate consideration is given to their interest in the land. Any disagreements between an indigenous group and the terms of an agreement that was entered into as a result of the prior consultation process must be resolved directly between the Peruvian government and the affected indigenous group.

The Company may seek to enter into cooperation agreements with affected indigenous groups with the aim of protecting, respecting and strengthening traditional practices and preserving cultural heritage.

NGO Activity Against Peruvian Oil and Gas Operators

Under Peruvian law, prospective operators must evaluate whether potential projects will be located within, or adjacent to, lands occupied by an indigenous community. Furthermore, indigenous communities retain the right to be consulted in the process to ensure appropriate consideration is given to their interest in the law. Any disagreements between an indigenous group and the terms of an agreement that was entered as a result of the prior consultation process must be resolved directly between the Peruvian government and the affected indigenous group.

Such disputes arising from issues relating to indigenous land rights remain contentious, especially in the Amazon region. The grievances typically relate to oil and gas companies infringing on the indigenous communities' land ownership rights and exposing isolated communities to diseases to which they are not immune. Although Peruvian authorities have now implemented measures to reduce tensions with indigenous communities, a certain level of tension does still exist. Environmental activist activity is also prevalent in Peru, with significant overlap between indigenous land rights and environmental activism. Environmental activists also hold grievances with oil and gas companies, specifically oil spills from pipelines and the contamination of drinking water.

Indigenous and NGO activism can manifest itself in violent civil unrest, including erecting road and river blockages, occupation of key infrastructure, such as refineries and airports, and kidnapping of oil workers.

To date, the Company has experienced no material issues with indigenous and NGO activism on its current asset base. In the event this situation changes for the negative, the Company may seek to enter into cooperation agreements with affected indigenous groups with the aim of protecting, respecting and strengthening traditional practices and preserving cultural heritage, and ultimately avoiding a disruption to operations.

Markets and Marketing

The marketability and price of crude oil and natural gas that may be acquired or discovered by the Company is, and will continue to be, affected by numerous factors beyond its control. The Company's ability to market its crude oil may depend upon its ability to acquire space on pipelines such as the ONP or other means of transport to bring such crude oil to commercial markets. The Company may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing and storage facilities and operational problems affecting such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and many other aspects of the oil and gas business.

Exploration and Production Risks

Oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on exploration by the Company will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling programme due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

The long term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil resources or reserves. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomical.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow outs, cratering, sour gas releases, fires, spills or leaks. These risks could result in personal injury, loss of life, and environmental or property damage. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial conditions.

Weakness in the Oil and Gas Industry

Recent market events and conditions, including global excess oil and natural gas supply, actions taken by OPEC, slowing growth in emerging economies, market volatility and disruptions in Asia, sovereign debt levels and political upheavals in various countries have caused significant weakness and volatility in commodity prices. These events and conditions have caused a significant decrease in the valuation of oil and gas companies and a decrease in confidence in the oil and gas industry. Lower commodity prices may also affect the volume and value of the Company's reserves, rendering certain reserves uneconomical. In addition, lower commodity prices have restricted, and may continue to restrict, the Company's cash flow resulting in a reduced capital expenditure budget. Consequently, the Company may not be able to replace its production with additional reserves and both the Company's production and reserves could be reduced on a year over year basis.

Project Risks

The Company manages and participates in a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Project cost estimates may not be accurate due to a lack of history of comparable projects. Furthermore, significant project cost over-runs could make a project uneconomical.

The Company's ability to execute projects and market oil will depend upon numerous factors beyond the Company's control, including: the availability of processing capacity; the availability and proximity of pipeline capacity; the availability of storage capacity; the supply of and demand for oil and natural gas; the availability of alternative fuel sources; the effects of inclement weather; the availability of drilling and related equipment; unexpected cost increases; accidental events; currency fluctuations; changes in regulations; the availability and productivity of skilled labour; and the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, the Company could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil that it produces.

Infrastructure, Availability of Drilling Equipment and Access Restrictions

Crude oil and natural gas exploration, development and production activities depend, to one degree or another, on adequate infrastructure and the availability of drilling and related equipment in the particular areas where such activities will be conducted. Reliable roads, bridges, power sources, water supply and disposal facilities are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the operations, financial condition and results of operations of the Company.

The oil and gas industry in South America is not as efficient or developed as the oil and gas industry in North America. As a result, the Company's exploration and development activities may take longer to complete and may be more expensive than similar operations in North America. The availability of technical expertise, specific equipment and supplies may be more limited than in North America. If the Company is unable to obtain, or unable to obtain without undue cost, drilling rigs, equipment, supplies or personnel, its exploration and production operations could be delayed or adversely affected. Furthermore, once oil and natural gas production is recovered, there are fewer ways to transport it to market for sale. Pipeline and trucking operations are subject to uncertainty and lack of availability. Oil and natural gas pipelines and truck transport travel through miles of territory and are subject to the risk of diversion, destruction or delay. Such factors may subject the Company's international operations to economic and operating risks that may not be experienced in North American operations.

Further, the Company operates in remote areas and may rely on helicopter, boats or other transportation methods. Some of these transport methods may result in increased levels of risk and could lead to operational delays which could affect the Company's ability to add to its resource base and produce oil and could have a significant impact on its reputation or cash flow. Additionally, some required equipment may be difficult to obtain in the Company's areas of operations, which could hamper or delay operations, and could increase the cost of those operations.

Strategic and Business Relationships

The ability of the Company to successfully bid on and acquire additional properties, to discover resources or reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements will depend on developing and maintaining effective working relationships with industry participants and on the Company's ability to select and evaluate suitable partners and to consummate transactions in a highly competitive environment. These relationships are subject to change and may impair the Company's ability to grow.

To develop the Company's business, it may enter into strategic and business relationships, which may take the form of joint ventures with other parties or with local government bodies, or contractual arrangements with other oil and gas companies, including those that supply equipment and other resources that the Company may use in its business. The Company may not be able to establish these business relationships or, if established, it may not be able to maintain them. In addition, the dynamics of the Company's relationships with strategic partners may require the Company to incur expenses or undertake activities it would not otherwise be inclined to take to fulfil its obligations to these partners or maintain its relationships. If the Company fails to make the cash calls required by its joint venture partners in the joint ventures it does not operate, the Company may be required to forfeit its interests in joint ventures. If the Company's strategic relationships are not established or maintained, its business prospects may be limited, which could diminish its ability to conduct its operations.

Competition

The oil and gas industry is highly competitive. The Company will actively compete for acquisitions, exploration leases, licences and concessions, skilled industry personnel and capital to finance such activities with a substantial number of other oil and gas companies, many of which have significantly greater financial, technical and personnel resources than the Company. The Company's competitors will include major integrated oil and natural gas companies and numerous other independent oil and natural gas companies and individual producers and operators. Competitors may be able to evaluate, bid for and purchase a greater number of properties and prospects than the Company's financial, technical or personnel resources permit. The Company's size and financial status may impair its ability to compete for oil and natural gas properties and prospects.

Changes in Peruvian government regulation have enabled multinational and regional companies to enter the Peruvian energy market. Competition in oil and gas business activities has increased and may increase further, as existing and new participants expand their activities. If several companies are interested in an area, Perupetro may choose to call for bids, either through international competitive biddings or through private bidding processes by invitation, and award the contract to the highest bidder. The greater resources of competitors may be particularly important in reviewing prospects and purchasing properties in the course of such bids. Competitors may be able to pay more for productive oil and natural gas properties and exploratory prospects than the Company is able or willing to pay.

The Company's ability to acquire additional prospects and to find and develop reserves in the future will depend on its ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. If the Company is unable to compete successfully in these areas in the future, its future revenues and growth may be diminished or restricted. The availability of properties for acquisition depends largely on the business practices of other oil and natural gas companies, commodity prices, general economic conditions and other factors the Company cannot control or influence.

Cost of New Technologies

The oil industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Company. There can be no assurance that the Company will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by the Company or implemented in the future may become obsolete. In such case, the Company's business, financial condition and results of operations could be materially adversely affected. If the Company is unable to utilize the most advanced commercially available technology, its business, financial condition and results of operations could be materially adversely affected.

Environmental Risks

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and national, state and local laws and regulations. As an owner, licensee and/or operator of oil and gas properties in Peru, the Company is subject to various national, state and local laws and regulations relating to the discharge of materials into, and protection of, the environment. For example, the Company is required to obtain environmental permits or approvals from the Peruvian government prior to conducting seismic operations or drilling wells in Peruvian territory. Environmental laws and regulations in Peru impose substantial restrictions on, among other things, the use of natural resources, interference with the natural environment, the location of facilities, the handling and storage of hazardous materials such as hydrocarbons, the use of radioactive material, the disposal of waste, and the emission of noise and other activities. These laws and regulations may, among other things: (a) impose liability on the owner or lessee under an oil and gas lease for the cost of property damage, oil spills, discharge of hazardous materials, remediation and clean-up resulting from operations; (b) subject the owner or lessee to liability for pollution damages and other environmental or natural resource damages; and (c) require suspension or cessation of operations in affected areas. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. No assurance can be given that the application of environmental laws to the business and operations of the Company will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

Reserve and Resource Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids resources, reserves and cash flows to be derived therefrom, including many factors beyond the Company's control. In estimating proved reserves, the chance of commerciality is effectively 100 per cent. For prospective resources, the chance of commerciality will be the product of the chance that a project will result in a discovery of petroleum or natural gas and the chance that an accumulation will be commercially developed. There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

The reserve and associated cash flow information and estimates represent estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material. Further, the evaluations are based in part on the assumed success of exploitation activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived therefrom contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluation.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

Actual future net revenue from the Company's assets will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs. Actual production and revenues derived therefrom will vary from the estimates, and such variations could be material.

There are numerous uncertainties inherent in estimating quantities of resources, including many factors beyond the Company's control, and no assurance can be given that the indicated level of resources will be realized. In general, estimates of recoverable resources are based upon a number of factors and assumptions made as of the date on which the resource estimates were determined, such as geological and engineering estimates which have inherent uncertainties, the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. All such estimates are, to some degree, uncertain and classifications of resources are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable natural gas and/or oil and the classification of such resources based on risk of recovery prepared by different engineers or by the same engineers at different times may vary substantially.

Estimates with respect to resources that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of resources, rather than upon actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same resources based upon production history will result in variations, which may be material, in the estimated resources.

Resources estimates may require revision based on actual production experience. Market price fluctuations of natural gas and/or oil prices may render uneconomic the recovery of the resources.

Climate Change

The Company's exploration and production facilities and other operations and activities emit greenhouse gases and the Company may be required to comply with greenhouse gas emissions legislation in Peru or other countries in which the Company may operate in the future. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on the Company and its operations and financial condition.

Reserve Replacement

The Company's future oil and natural gas reserves, production, and cash flows to be derived therefrom are highly dependent on the Company successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves the Company may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Company's reserves will depend not only on the Company's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that the Company's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

Community Relationships

The operations of the Company may have a significant effect on the areas in which it operates. Maintaining good community relationships is an essential aspect of operating in the oil and gas industry. Communities have demonstrated an ability and willingness to halt operations or delay approvals.

To enjoy the support and trust of local populations and governments, the Company will need to demonstrate a commitment to: (a) local employment, training and business opportunities; (b) environmental stewardship; (c) open and transparent communication; and (d) community development investments that are carefully selected, not unduly costly and bring lasting social and economic benefits to the community and the area. Improper management of these relationships could lead to a delay in operations, loss of licence or major impact to the Company's reputation in these communities, which could adversely affect its business.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. Although fuel consumption in Peru continues to grow, the Company cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Reputational Risk Associated with Operations

Any environmental damage, loss of life, injury or damage to property caused by the Company's operations could damage its reputation in the areas in which the Company operates. Negative sentiment towards the

Company could result in a lack of willingness of municipal authorities being willing to grant the necessary licences or permits for the Company to operate its business and in residents in the areas where the Company is doing business opposing the Company's further operations in the area. If the Company develops a reputation of having an unsafe work site it may impact the Company's ability to attract and retain the necessary skilled employees and consultants to operate its business. Further, the Company's reputation could be affected by actions and activities of other companies operating in the oil and gas industry, over which the Company has no control. In addition, environmental damage, loss of life, injury or damage to property caused by the Company's operations could result in negative investor sentiment towards the Company, which may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Common Shares.

3. Investment, Common Shares and AIM Risks

Control Persons and Other Significant Shareholders of the Company

On Admission, GTRL will own, directly or indirectly, or control approximately 45.8 per cent. of the Common Shares, and therefore is considered a control person of the Company. Together with Meridian Capital International Fund and Capital Research and Management Company, these shareholders will own or control approximately 63.5 per cent. of the Common Shares on Admission and, if acting together, would be able to significantly influence all matters requiring shareholder approval, including without limitation, the election of directors. The interests of significant shareholders may be different than the interests of other Shareholders.

In addition, management and the board of directors of the Company will own or control approximately 1.8 per cent. of the Common Shares.

As noted in Part 1 of this document, GTE has entered into a Relationship Agreement to regulate the activities and influence of GTE and its Affiliates (as defined therein) on the Company.

Dilution and Further Sales

The Company may issue new Common Shares in the future, which may dilute a Shareholder's holdings in the Company. The Company's Articles permit the issuance of an unlimited number of Common Shares and Shareholders will have no pre-emptive rights in connection with such further issuances. Also, additional Common Shares may be issued by the Company on the exercise of Performance Warrants and Agent Compensation Warrants, or on the exercise of options under the Company's Stock Option Plan, which was approved by Shareholders at the Annual General Meeting.

Changing Investor Sentiment

A number of factors, including the concerns of the effects of the use of fossil fuels on climate change, concerns of the impact of oil and gas operations on the environment, concerns of environmental damage relating to spills of petroleum products during transportation and concerns of indigenous rights, have affected certain investors' sentiments towards investing in the oil and gas industry. As a result of these concerns, some institutional, retail and public investors have announced that they no longer are willing to fund or invest in oil and gas properties or companies or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Company's Board, management and employees. Failing to implement the policies and practices as requested by institutional investors may result in such investors reducing their investment in the Company or not investing in the Company at all. Any reduction in the investor base interested or willing to invest in the oil and gas industry and more specifically, the Company, may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Common Shares.

Risks Relating to the Common Shares

Securities traded on AIM

AIM securities are not admitted to the Official List. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success, and liquidity in the market for the Company's securities, cannot be guaranteed.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached compared with larger or more established companies. Each investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser duly authorised under FSMA (or the corresponding legislation in the jurisdiction in which a prospective investor is resident) who specialises in advising on the acquisition of shares and other securities.

Discounts

The market price of the Common Shares in the Company is determined by the interaction of supply and demand for such Common Shares in the market as well as the underlying value per Common Share. The Common Share price can therefore fluctuate and may represent a discount or premium to the underlying value per Common Share. This discount or premium is itself variable as conditions for supply and demand for the Common Shares change. This can mean that the Common Share price can fall when the underlying value per Common Share rises, or vice versa.

Liquidity

Shareholders have no right to have their Common Shares repurchased by the Company at any time and therefore Shareholders wishing to realise their investment in the Company will be required to dispose of their Common Shares through the stock market.

Whilst the Directors retain the right to effect repurchases of Common Shares, they are under no obligation to use such powers at any time and Shareholders should not place any reliance on the willingness of the Directors to do so.

Market liquidity in the shares of similar companies to the Company is frequently inferior to the market liquidity in shares issued by larger companies traded on the Main Market of the London Stock Exchange. There can be no guarantee that a liquid market in the Common Shares on AIM will exist. Accordingly, Shareholders may be unable to realise their Common Shares at the quoted market price or at all.

The Company can give no assurance that an active trading market on AIM for the Common Shares will develop, or if such a market develops, that it will be sustained. If an active trading market does not develop or is not maintained, the liquidity and trading price of the Common Shares on AIM could be adversely affected and Shareholders may have difficulty selling their Common Shares. The market price of the Common Shares may drop below the price at which a Shareholder purchased Common Shares. Any investment in the Common Shares should be viewed as a long-term investment.

Investment risk

An investment in a share which is traded on AIM, such as the Common Shares, may be difficult to realise and carries a high degree of risk. The ability of an investor to sell Common Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his or her investment in the Company and he or she may lose all of his or her investment.

Investors should be aware that the market price of Common Shares may be volatile and may go down as well as up and Shareholders may therefore be unable to recover their original investment and could even lose their entire investment. This volatility could be attributable to various factors and events, including the availability of information for determining the market value of the Common Shares, any regulatory or economic changes affecting the Company's operations, variations in the Company's operating results, developments in the Company's business or its competitors, or changes in market sentiment towards the Common Shares. In addition, the Company's operating results and prospects from time to time may be below the expectations of market analysts and investors.

Market conditions may affect the Common Shares regardless of the Company's operating performance or the overall performance of the sector in which the Company operates. Stock market conditions are affected by many factors, including general economic outlook, movements in or outlook regarding interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand and supply for capital. Accordingly, the market price of the Common Shares may not reflect the underlying value of the Company's net assets, and the price at which investors may dispose of their Common Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Company while others of which may be outside the Company's control.

If the Company's revenues do not grow, or grow more slowly than anticipated, or if its operating or capital expenditures exceed expectations and cannot be adjusted sufficiently, the market price of its Common Shares may decline. In addition, if the market for securities of companies in the same sector or the stock market in general experiences a loss in investor confidence or otherwise falls, the market price of the Common Shares may fall for reasons unrelated to the Company's business, results of operations or financial condition. Therefore, Shareholders might be unable to resell their Common Shares at or above the price at which they have purchased their Common Shares, if at all.

ESTIMATES

of

RESERVES AND FUTURE REVENUE TO THE PETROTAL CORP. INTEREST

and

GROSS (100 PERCENT) PROSPECTIVE RESOURCES

in

CERTAIN OIL PROPERTIES

located in

BLOCKS 95, 107, AND 133 ONSHORE PERU

as of

JUNE 30, 2018

COMPETENT PERSON'S REPORT

BASED ON ESCALATED PRICE AND COST PARAMETERS

specified by

PETROTAL CORP.

NETHERLAND, SEWELL & ASSOCIATES, INC.
WORLDWIDE PETROLEUM CONSULTANTS
ENGINEERING • GEOLOGY • GEOPHYSICS • PETROPHYSICS

EXECUTIVE COMMITTEE
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CHAIRMAN & CEO
C.H. (SCOTT) REES III
PRESIDENT & COO
DANNY D. SIMMONS
EXECUTIVE VP
G. LANCE BINDER

December 17, 2018

Mr. Gregory Smith
PetroTal Corp.
11451 Katy Freeway, Suite 500
Houston, Texas 77079

Strand Hanson Limited
26 Mount Row, Mayfair
London W1K 3SQ
United Kingdom

Ladies and Gentlemen:

In accordance with the request of PetroTal Corp. (PetroTal), we have estimated the proved, probable, and possible undeveloped reserves and future revenue, as of June 30, 2018, to the PetroTal interest in certain oil properties located in Bretaña Field, Block 95, onshore Peru. Also as requested, we have estimated the gross (100 percent) prospective resources, as of June 30, 2018, for certain prospects and leads in Blocks 95 and 107. Additional assets owned by PetroTal include Block 133 that is awaiting approval for Environmental Investigation Agency (EIA) seismic acquisition. We completed our evaluation on or about the date of this letter. For the reserves, this Competent Person's Report has been prepared using escalated price and cost parameters specified by PetroTal, referred to as the Base Price Case, as discussed in subsequent paragraphs of this letter. Gross volumes shown in this report are 100 percent of the volumes expected to be produced from the properties.

This report has been prepared in accordance with the AIM Rules for Companies, specifically the "Note for Mining, Oil and Gas Companies - June 2009" (Note for Mining, Oil and Gas Companies) and the content requirements at Appendix 2 and the summaries set out in Appendices 1 and 3, as well as the definitions and guidelines set forth in the 2018 Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers (SPE). As presented in the 2018 PRMS, petroleum accumulations can be classified, in decreasing order of likelihood of commerciality, as reserves, contingent resources, or prospective resources. Different classifications of petroleum accumulations have varying degrees of technical and commercial risk that are difficult to quantify; thus reserves, contingent resources, and prospective resources should not be aggregated without extensive consideration of these factors. Definitions are presented immediately following this letter. Following the definitions are a list of abbreviations used in this report and the certificates of qualification for the evaluators who contributed to this report. This report has been prepared for use by PetroTal in filing with the London Stock Exchange; in our opinion the assumptions, data, methods, and procedures used in preparation of this report are appropriate for such purpose.

RESERVES

Reserves are those quantities of petroleum anticipated to be commercially recoverable from known accumulations by application of development projects from a given date forward under defined conditions. Reserves must be discovered, recoverable, commercial, and remaining as of the evaluation date based on the planned development projects to be applied. Proved reserves are those quantities of oil and gas which, by analysis of engineering and geoscience data, can be estimated with reasonable certainty to be commercially recoverable; probable and possible reserves are those additional reserves which are sequentially less certain to be recovered than proved reserves.

We estimate the oil reserves and future net revenue to the PetroTal interest for the properties in Bretaña Field, Block 95, as of June 30, 2018, to be:

	Oil Reserves(1) (MBBL)		Future Net Revenue(2) (M$)	
Category	Gross	Net	Total	Present Worth at 10%
Proved Undeveloped	15,271.0	15,271.0	150,435.3	93,522.6
Probable Undeveloped	24,488.3	24,488.3	563,055.6	311,540.8
Proved + Probable	39,759.3	39,759.3	713,490.9	405,063.4

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Category	Oil Reserves[1] (MBBL) Gross	Net	Future Net Revenue[2] (M$) Total	Present Worth at 10%
Possible Undeveloped	39,522.7	39,522.7	1,357,866.6	590,627.4
Proved + Probable + Possible	79,282.0	79,282.0	2,071,357.4	995,690.8

Totals may not add because of rounding.

(1) PetroTal owns a 100 percent working interest and 100 percent net revenue interest in these properties.
(2) Future net revenue includes deductions for PetroTal's sliding scale government royalty payments.

The oil volumes shown include crude oil only. Oil volumes are expressed in thousands of barrels (MBBL); a barrel is equivalent to 42 United States gallons. No gas market is expected to exist for these properties; therefore, gas reserves have not been estimated for this report. Monetary values shown in this report are expressed in United States dollars ($) or thousands of United States dollars (M$) using the June 30, 2018, United States Federal Reserve exchange rate of $1.3206 per British pound sterling.

Reserves categorization conveys the relative degree of certainty; reserves subcategorization is based on development and production status. The estimates of reserves and future revenue included herein have not been adjusted for risk.

Gross revenue for the reserves shown in this report is PetroTal's share of the gross (100 percent) revenue from the properties prior to any deductions. Future net revenue is after deductions for PetroTal's share of capital costs, abandonment and reclamation costs, government royalty payments, and operating expenses but before consideration of any income taxes. The future net revenue has been discounted at an annual rate of 10 percent to determine its present worth, which is shown to indicate the effect of time on the value of money. Future net revenue presented in this report, whether discounted or undiscounted, should not be construed as being the fair market value of the properties. The tax estimates shown in this report are a simplification of current tax law and were not prepared by a tax accountant or lawyer.

As requested, this report has been prepared using Base Price Case parameters specified by PetroTal. Oil prices are based on Brent Crude futures prices and are adjusted for quality, transportation fees, and market differentials. Annual average oil prices for the Base Price Case, before adjustments, along with escalation parameters are shown in the following table:

Period Ending	Oil Price ($/Barrel)	Period Ending	Oil Price ($/Barrel)
12-31-2018	78.84	12-31-2024	61.86
12-31-2019	75.08	12-31-2025	61.83
12-31-2020	70.19		
12-31-2021	66.53	Thereafter, escalated 2 percent on January 1 of each year.	
12-31-2022	64.15		
12-31-2023	62.58		

Also as requested, this report includes two price sensitivities for these properties, referred to herein as the Low and High Price Cases. Oil prices for the Low and High Price Cases are 15 percent lower and higher, respectively, than the Base Price Case. Summary projections of reserves and revenue by reserves category as well as a table of revenue, taxes, and costs for the Low and High Price Cases are included in this report.

We have estimated operating costs based on PetroTal's estimates and our knowledge of similar operations. Operating costs are limited to direct lease- and field-level costs and PetroTal's estimate of the portion of its headquarters general and administrative overhead expenses necessary to operate the properties. Operating costs have been divided into field-level costs and per-unit-of-production costs and are escalated 2 percent on January 1 of each year throughout the lives of the properties.

Capital costs used in this report were provided by PetroTal and are based on authorizations for expenditure and actual costs from recent activity. Capital costs are included as required for workovers, new development wells, and production equipment. Based on our understanding of future development plans, a review of the records provided to us, and our knowledge of similar properties, we regard these estimated capital costs to be reasonable. Abandonment and reclamation costs used in this report are PetroTal's estimates of reclamation costs and the costs to abandon the wells, platforms, and production facilities, net of any salvage value. Net abandonment and reclamation costs are scheduled to be incurred 2 years after the end of the economic life of the lease. Capital costs and abandonment and reclamation costs are escalated 2 percent on January 1 of each year to the date of expenditure.

PROSPECTIVE RESOURCES

Prospective resources are those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. The prospective resources included in this report should not be construed as reserves or contingent resources; they represent exploration opportunities and quantify the development potential in the event a petroleum discovery is made. The undiscovered accumulations assessed in this report have been subclassified as prospects and leads. The 2018 PRMS defines a prospect as a project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target, a lead as a project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be subclassified as a prospect, and a play as a project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects. A geologic risk assessment was performed for these prospects, as discussed in subsequent paragraphs. This report does not include economic analysis for these prospects. Based on analogous field developments, it appears that, assuming a discovery is made, the unrisked best estimate prospective resources in this report have a reasonable chance of being economically viable.

Totals of unrisked prospective resources beyond the prospect and lead levels are not reflective of volumes that can be expected to be recovered and are therefore not shown. Because of the geologic risk associated with each prospect and lead, meaningful totals beyond these levels can be defined only by summing risked prospective resources. Such risk is often significant.

We estimate the unrisked and risked gross (100 percent) prospective oil resources and the risk factor for the prospects in Blocks 95 and 107, as of June 30, 2018, to be:

	Gross (100%) Prospective Oil Resources (MMBBL)								
	Unrisked				Risked				
Block/Prospect/Reservoir	Low Estimate (1U)	Best Estimate (2U)	High Estimate (3U)	Mean	Low Estimate (1U)	Best Estimate (2U)	High Estimate (3U)	Mean	Risk Factor[1] (%)
Block 95									
Envidia/Vivian	3.1	5.3	8.7	5.6	1.1	1.9	3.1	2.0	36
Block 107									
Osheki/Vivian	16.2	87.1	439.9	174.8	2.6	13.9	70.4	28.0	16
Osheki/Agua Caliente	25.4	118.0	495.2	210.6	4.0	18.6	78.0	33.2	16
Osheki/Cushabatay	13.9	73.3	354.1	148.8	2.2	11.5	55.8	23.4	16

(1) The risk factor for prospective resources refers to the estimated chance, or probability, that the volumes will be commercially extracted. For the purposes of this report, the risk factor for the prospective resources refers to the PRMS term "chance of discovery".

The oil volumes shown include crude oil only. Oil volumes are expressed in millions of barrels (MMBBL); a barrel is equivalent to 42 United States gallons. No gas market is expected to exist for these properties; therefore, prospective gas resources have not been estimated for this report.

We estimate the unrisked and risked gross (100 percent) prospective oil resources and the risk factor for the leads in Block 107, as of June 30, 2018, to be:

	Gross (100%) Prospective Oil Resources (MMBBL)								
	Unrisked				Risked				
Lead/Reservoir	Low Estimate (1U)	Best Estimate (2U)	High Estimate (3U)	Mean	Low Estimate (1U)	Best Estimate (2U)	High Estimate (3U)	Mean	Risk Factor[(1)] (%)
Bajo Pozuzo									
Vivian	5.3	61.7	651.1	243.4	0.3	3.5	36.6	13.7	6
Agua Caliente	8.9	106.2	1,006.0	393.0	0.5	6.0	56.6	22.1	6
Cushabatay	7.1	91.1	977.6	380.1	0.4	5.1	55.0	21.4	6
Constitucion Sur									
Vivian	5.3	18.0	59.8	27.1	0.5	1.8	6.1	2.7	10
Agua Caliente	2.7	9.5	31.0	14.0	0.3	1.0	3.1	1.4	10
Cushabatay	0.5	8.2	101.6	36.7	0.1	0.8	10.3	3.7	10
Lead A									
Vivian	2.1	11.4	57.7	22.7	0.1	0.8	3.9	1.5	7
Agua Caliente	1.3	5.1	19.3	8.2	0.1	0.3	1.3	0.6	7
Cushabatay	0.5	3.6	20.9	8.1	0.0	0.2	1.4	0.5	7
San Juan									
Vivian	6.9	32.1	142.8	58.5	0.6	2.9	12.9	5.3	9
Agua Caliente	4.3	20.8	95.8	39.4	0.4	1.9	8.6	3.5	9
Cushabatay	2.8	20.0	131.2	49.5	0.2	1.8	11.8	4.5	9

(1) The risk factor for prospective resources refers to the estimated chance, or probability, that the volumes will be commercially extracted. For the purposes of this report, the risk factor for the prospective resources refers to the PRMS term "chance of discovery".

The prospective resources shown in this report have been estimated using probabilistic methods and are dependent on a petroleum discovery being made. If a discovery is made and development is undertaken, the probability that the recoverable volumes will equal or exceed the unrisked estimated amounts is 90 percent for the low estimate, 50 percent for the best estimate, and 10 percent for the high estimate. As requested, mean estimates are reported in addition to the low, best, and high estimate prospective resources

Unrisked prospective resources are estimated ranges of recoverable oil volumes assuming their discovery and development and are based on estimated ranges of undiscovered in-place volumes. Geologic risking of prospective resources addresses the probability of success for the discovery of a significant quantity of potentially moveable petroleum; this risk analysis is conducted independent of estimations of petroleum volumes and without regard to the chance of development. Principal geologic risk elements of the petroleum system include (1) trap and seal characteristics; (2) reservoir presence and quality; (3) source rock capacity, quality, and maturity; and (4) timing, migration, and preservation of petroleum in relation to trap and seal formation. Risk assessment is a highly subjective process dependent upon the experience and judgment of the evaluators and is subject to revision with further data acquisition or interpretation. Included in this report is a discussion of the primary geologic risk elements for each prospect and lead.

Each prospect and lead was evaluated to determine ranges of in-place and recoverable petroleum and was risked as an independent entity without dependency between potential prospect or lead drilling outcomes. If petroleum discoveries are made, smaller-volume prospects and leads may not be commercial to independently develop, although they may become candidates for satellite developments and tie-backs to existing infrastructure at some future date. The development infrastructure and data obtained from early discoveries will alter both geologic risk and future economics of subsequent discoveries and developments.

It should be understood that the prospective resources discussed and shown herein are those undiscovered, highly speculative resources estimated beyond reserves or contingent resources where geological and geophysical data suggest the potential for discovery of petroleum but where the level of proof is insufficient for classification as reserves or contingent resources. The unrisked prospective resources shown in this report are the range of volumes that could reasonably be expected to be recovered in the event of the discovery and development of these prospects and leads.

GENERAL INFORMATION

As shown in the Table of Contents, this report includes summary projections of reserves and revenue by reserves category as well as a table of revenue, taxes, and costs. Also included are a technical discussion and pertinent figures for all properties in this report.

This report does not include any value that could be attributed to interests in undeveloped acreage beyond those tracts for which undeveloped reserves have been estimated. For the purposes of this report, we did not perform any field inspection of the properties, nor did we examine the mechanical operation or condition of the facilities. Based on the information used in our analysis, it is our opinion that a field visit was not required and would not materially affect our evaluation. We have not investigated possible environmental liability related to the properties; therefore, our estimates do not include any costs due to such possible liability. Additionally, we have made no investigation of any firm transportation contracts that may be in place for these properties; no adjustments have been made to our estimates of future revenue to account for such contracts.

The reserves and prospective resources shown in this report are estimates only and should not be construed as exact quantities. Estimates may increase or decrease as a result of market conditions, future operations, changes in regulations, or actual reservoir performance. In addition to the primary economic assumptions discussed herein, our estimates are based on certain assumptions including, but not limited to, that the properties will be developed consistent with current development plans as provided to us by PetroTal, that the properties will be operated in a prudent manner, that no governmental regulations or controls will be put in place that would impact the ability of the interest owner to recover the volumes, and that our projections of future production will prove consistent with actual performance. If these volumes are recovered, the revenues therefrom and the costs related thereto could be more or less than the estimated amounts. Because of governmental policies and uncertainties of supply and demand, the sales rates, prices received, and costs incurred may vary from assumptions made while preparing this report.

For the purposes of this report, we used technical and economic data including, but not limited to, well logs, geologic maps, seismic data, well test data, historical price and cost information from analogous properties, and property ownership interests. The reserves and prospective resources in this report have been estimated using a combination of deterministic and probabilistic methods; these estimates have been prepared in accordance with generally accepted petroleum engineering and evaluation principles set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the SPE (SPE Standards). We used standard engineering and geoscience methods, or a combination of methods, including performance analysis, volumetric analysis, analogy, and reservoir modeling, that we considered to be appropriate and necessary to classify, categorize, and estimate volumes in accordance with the 2018 PRMS definitions and guidelines. The reserves and prospective resources shown in this report are for undeveloped locations; such volumes are based on estimates of reservoir volumes and recovery efficiencies along with analogy to properties with similar geologic and reservoir characteristics. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, our conclusions necessarily represent only informed professional judgment.

The data used in our estimates were obtained from PetroTal, public data sources, and the nonconfidential files of Netherland, Sewell & Associates, Inc. (NSAI) and were accepted as accurate. Supporting work data are on file in our office. We have not examined the contractual rights to the properties or independently confirmed the actual degree or type of interest owned. The technical persons primarily responsible for preparing the estimates presented herein meet the requirements regarding qualifications, independence, objectivity, and confidentiality set forth in the SPE Standards. We are independent petroleum engineers, geologists, geophysicists, and petrophysicists; we do not own an interest in these properties nor are we employed on a contingent basis.

NSAI served as independent evaluator in the conduct and analyses described and in the determination of professional opinions expressed herein. NSAI is professionally qualified and a member in good standing of an appropriate, recognized professional association under the AIM Rules for Companies with at least 5 years relevant experience in the estimation, assessment, and evaluation of oil and gas. NSAI and its management and staff are independent of PetroTal and have no interest in any assets or share capital of PetroTal or in the promotion of PetroTal. Neither NSAI nor its staff will receive any pecuniary or other benefits in connection with this assignment other than a normal fixed consultancy fee.

NSAI confirms that, to the best of its knowledge, there has been no material change in the information contained in this report since June 30, 2018, being the date to which we have estimated the reserves and resources contained in the report. This report was prepared for PetroTal and Strand Hanson Limited (in its capacity as nominated adviser to PetroTal) and should not be used for purposes other than those for which it is intended without our prior written consent.

Sincerely,

NETHERLAND, SEWELL & ASSOCIATES, INC.
Texas Registered Engineering Firm F-2699

By: /s/ C.H. (Scott) Rees III
C.H. (Scott) Rees III, P.E.
Chairman and Chief Executive Officer

By: /s/ Benjamin W. Johnson
Benjamin W. Johnson, P.E. 124738
Vice President

Date Signed: December 17, 2018

By: /s/ Zachary R. Long
Zachary R. Long, P.G. 11792
Vice President

Date Signed: December 17, 2018

BWJ:ARS

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PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS

Excerpted from the Petroleum Resources Management System Approved by
the Society of Petroleum Engineers (SPE) Board of Directors, June 2018

This document contains information excerpted from definitions and guidelines prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE) and reviewed and jointly sponsored by the SPE, World Petroleum Council, American Association of Petroleum Geologists, Society of Petroleum Evaluation Engineers, Society of Exploration Geophysicists, Society of Petrophysicists and Well Log Analysts, and European Association of Geoscientists & Engineers.

Preamble

Petroleum resources are the quantities of hydrocarbons naturally occurring on or within the Earth's crust. Resources assessments estimate quantities in known and yet-to-be-discovered accumulations. Resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resources management system provides a consistent approach to estimating petroleum quantities, evaluating projects, and presenting results within a comprehensive classification framework.

This updated PRMS provides fundamental principles for the evaluation and classification of petroleum reserves and resources. If there is any conflict with prior SPE and PRMS guidance, approved training, or the Application Guidelines, the current PRMS shall prevail. It is understood that these definitions and guidelines allow flexibility for entities, governments, and regulatory agencies to tailor application for their particular needs; however, any modifications to the guidance contained herein must be clearly identified. The terms "shall" or "must" indicate that a provision herein is mandatory for PRMS compliance, while "should" indicates a recommended practice and "may" indicates that a course of action is permissible. The definitions and guidelines contained in this document must not be construed as modifying the interpretation or application of any existing regulatory reporting requirements.

1.0 Basic Principles and Definitions

1.0.0.1 A classification system of petroleum resources is a fundamental element that provides a common language for communicating both the confidence of a project's resources maturation status and the range of potential outcomes to the various entities. The PRMS provides transparency by requiring the assessment of various criteria that allow for the classification and categorization of a project's resources. The evaluation elements consider the risk of geologic discovery and the technical uncertainties together with a determination of the chance of achieving the commercial maturation status of a petroleum project.

1.0.0.2 The technical estimation of petroleum resources quantities involves the assessment of quantities and values that have an inherent degree of uncertainty. These quantities are associated with exploration, appraisal, and development projects at various stages of design and implementation. The commercial aspects considered will relate the project's maturity status (e.g., technical, economical, regulatory, and legal) to the chance of project implementation.

1.0.0.3 The use of a consistent classification system enhances comparisons between projects, groups of projects, and total company portfolios. The application of PRMS must consider both technical and commercial factors that impact the project's feasibility, its productive life, and its related cash flows.

1.1 Petroleum Resources Classification Framework

1.1.0.1 Petroleum is defined as a naturally occurring mixture consisting of hydrocarbons in the gaseous, liquid, or solid state. Petroleum may also contain non-hydrocarbons, common examples of which are carbon dioxide, nitrogen, hydrogen sulfide, and sulfur. In rare cases, non-hydrocarbon content can be greater than 50%.

1.1.0.2 The term resources as used herein is intended to encompass all quantities of petroleum naturally occurring within the Earth's crust, both discovered and undiscovered (whether recoverable or unrecoverable), plus those quantities already produced. Further, it includes all types of petroleum whether currently considered as conventional or unconventional resources.

1.1.0.3 Figure 1.1 graphically represents the PRMS resources classification system. The system classifies resources into discovered and undiscovered and defines the recoverable resources classes: Production, Reserves, Contingent Resources, and Prospective Resources, as well as Unrecoverable Petroleum.

1.1.0.4 The horizontal axis reflects the range of uncertainty of estimated quantities potentially recoverable from an accumulation by a project, while the vertical axis represents the chance of commerciality, P_c, which is the chance that a project will be committed for development and reach commercial producing status.

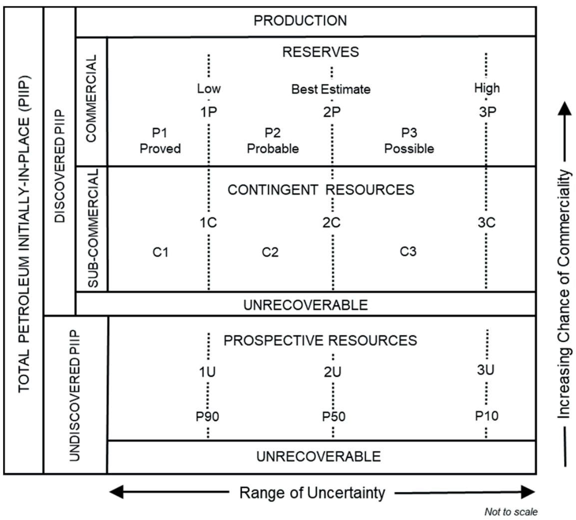

Figure 1.1—Resources classification framework

PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS

Excerpted from the Petroleum Resources Management System Approved by
the Society of Petroleum Engineers (SPE) Board of Directors, June 2018

1.1.0.5 The following definitions apply to the major subdivisions within the resources classification:

A. **Total Petroleum Initially-In-Place** (PIIP) is all quantities of petroleum that are estimated to exist originally in naturally occurring accumulations, discovered and undiscovered, before production.

B. **Discovered PIIP** is the quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations before production.

C. **Production** is the cumulative quantities of petroleum that have been recovered at a given date. While all recoverable resources are estimated, and production is measured in terms of the sales product specifications, raw production (sales plus non-sales) quantities are also measured and required to support engineering analyses based on reservoir voidage (see Section 3.2, Production Measurement).

1.1.0.6 Multiple development projects may be applied to each known or unknown accumulation, and each project will be forecast to recover an estimated portion of the initially-in-place quantities. The projects shall be subdivided into commercial, sub-commercial, and undiscovered, with the estimated recoverable quantities being classified as Reserves, Contingent Resources, or Prospective Resources respectively, as defined below.

A. 1. **Reserves** are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria: discovered, recoverable, commercial, and remaining (as of the evaluation's effective date) based on the development project(s) applied.

2. Reserves are recommended as sales quantities as metered at the reference point. Where the entity also recognizes quantities consumed in operations (CiO) (see Section 3.2.2), as Reserves these quantities must be recorded separately. Non-hydrocarbon quantities are recognized as Reserves only when sold together with hydrocarbons or CiO associated with petroleum production. If the non-hydrocarbon is separated before sales, it is excluded from Reserves.

3. Reserves are further categorized in accordance with the range of uncertainty and should be sub-classified based on project maturity and/or characterized by development and production status.

B. **Contingent Resources** are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, by the application of development project(s) not currently considered to be commercial owing to one or more contingencies. Contingent Resources have an associated chance of development. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the range of uncertainty associated with the estimates and should be sub-classified based on project maturity and/or economic status.

C. **Undiscovered PIIP** is that quantity of petroleum estimated, as of a given date, to be contained within accumulations yet to be discovered.

D. **Prospective Resources** are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of geologic discovery and a chance of development. Prospective Resources are further categorized in accordance with the range of uncertainty associated with recoverable estimates, assuming discovery and development, and may be sub-classified based on project maturity.

E. **Unrecoverable Resources** are that portion of either discovered or undiscovered PIIP evaluated, as of a given date, to be unrecoverable by the currently defined project(s). A portion of these quantities may become recoverable in the future as commercial circumstances change, technology is developed, or additional data are acquired. The remaining portion may never be recovered because of physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

1.1.0.7 The sum of Reserves, Contingent Resources, and Prospective Resources may be referred to as "remaining recoverable resources." Importantly, these quantities should not be aggregated without due consideration of the technical and commercial risk involved with their classification. When such terms are used, each classification component of the summation must be provided.

1.1.0.8 Other terms used in resource assessments include the following:

A. **Estimated Ultimate Recovery (EUR)** is not a resources category or class, but a term that can be applied to an accumulation or group of accumulations (discovered or undiscovered) to define those quantities of petroleum estimated, as of a given date, to be potentially recoverable plus those quantities already produced from the accumulation or group of accumulations. For clarity, EUR must reference the associated technical and commercial conditions for the resources; for example, proved EUR is Proved Reserves plus prior production.

B. **Technically Recoverable Resources (TRR)** are those quantities of petroleum producible using currently available technology and industry practices, regardless of commercial considerations. TRR may be used for specific Projects or for groups of Projects, or, can be an undifferentiated estimate within an area (often basin-wide) of recovery potential.

PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS

Excerpted from the Petroleum Resources Management System Approved by
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1.2 Project-Based Resources Evaluations

1.2.0.1 The resources evaluation process consists of identifying a recovery project or projects associated with one or more petroleum accumulations, estimating the quantities of PIIP, estimating that portion of those in-place quantities that can be recovered by each project, and classifying the project(s) based on maturity status or chance of commerciality.

1.2.0.2 The concept of a project-based classification system is further clarified by examining the elements contributing to an evaluation of net recoverable resources (see Figure 1.2).

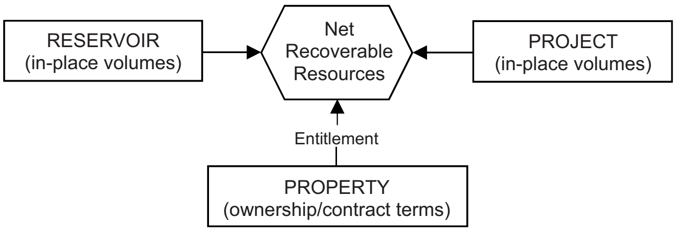

Figure 1.2—Resources evaluation

1.2.0.3 **The reservoir** (contains the petroleum accumulation): Key attributes include the types and quantities of PIIP and the fluid and rock properties that affect petroleum recovery.

1.2.0.4 **The project:** A project may constitute the development of a well, a single reservoir, or a small field; an incremental development in a producing field; or the integrated development of a field or several fields together with the associated processing facilities (e.g., compression). Within a project, a specific reservoir's development generates a unique production and cash-flow schedule at each level of certainty. The integration of these schedules taken to the project's earliest truncation caused by technical, economic, or the contractual limit defines the estimated recoverable resources and associated future net cash flow projections for each project. The ratio of EUR to total PIIP quantities defines the project's recovery efficiency. Each project should have an associated recoverable resources range (low, best, and high estimate).

1.2.0.5 **The property** (lease or license area): Each property may have unique associated contractual rights and obligations, including the fiscal terms. This information allows definition of each participating entity's share of produced quantities (entitlement) and share of investments, expenses, and revenues for each recovery project and the reservoir to which it is applied. One property may encompass many reservoirs, or one reservoir may span several different properties. A property may contain both discovered and undiscovered accumulations that may be spatially unrelated to a potential single field designation.

1.2.0.6 An entity's net recoverable resources are the entitlement share of future production legally accruing under the terms of the development and production contract or license.

1.2.0.7 In the context of this relationship, the project is the primary element considered in the resources classification, and the net recoverable resources are the quantities derived from each project. A project represents a defined activity or set of activities to develop the petroleum accumulation(s) and the decisions taken to mature the resources to reserves. In general, it is recommended that an individual project has assigned to it a specific maturity level sub-class (See Section 2.1.3.5, Project Maturity Sub-Classes) at which a decision is made whether or not to proceed (i.e., spend more money) and there should be an associated range of estimated recoverable quantities for the project (See Section 2.2.1, Range of Uncertainty). For completeness, a developed field is also considered to be a project.

1.2.0.8 An accumulation or potential accumulation of petroleum is often subject to several separate and distinct projects that are at different stages of exploration or development. Thus, an accumulation may have recoverable quantities in several resources classes simultaneously.

1.2.0.10 Not all technically feasible development projects will be commercial. The commercial viability of a development project within a field's development plan is dependent on a forecast of the conditions that will exist during the time period encompassed by the project (see Section 3.1, Assessment of Commerciality). Conditions include technical, economic (e.g., hurdle rates, commodity prices), operating and capital costs, marketing, sales route(s), and legal, environmental, social, and governmental factors forecast to exist and impact the project during the time period being evaluated. While economic factors can be summarized as forecast costs and product prices, the underlying influences include, but are not limited to, market conditions (e.g., inflation, market factors, and contingencies), exchange rates, transportation and processing infrastructure, fiscal terms, and taxes.

1.2.0.11 The resources being estimated are those quantities producible from a project as measured according to delivery specifications at the point of sale or custody transfer (see Section 3.2.1, Reference Point) and may permit forecasts of CiO quantities (see Section 3.2.2., Consumed in Operations). The cumulative production forecast from the effective date forward to cessation of production is the remaining recoverable resources quantity (see Section 3.1.1, Net Cash-Flow Evaluation).

PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS
Excerpted from the Petroleum Resources Management System Approved by
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1.2.0.12 The supporting data, analytical processes, and assumptions describing the technical and commercial basis used in an evaluation must be documented in sufficient detail to allow, as needed, a qualified reserves evaluator or qualified reserves auditor to clearly understand each project's basis for the estimation, categorization, and classification of recoverable resources quantities and, if appropriate, associated commercial assessment.

2.0 Classification and Categorization Guidelines

2.1 Resources Classification

2.1.0.1 The PRMS classification establishes criteria for the classification of the total PIIP. A determination of a discovery differentiates between discovered and undiscovered PIIP. The application of a project further differentiates the recoverable from unrecoverable resources. The project is then evaluated to determine its maturity status to allow the classification distinction between commercial and sub-commercial projects. PRMS requires the project's recoverable resources quantities to be classified as either Reserves, Contingent Resources, or Prospective Resources.

2.1.1 Determination of Discovery Status

2.1.1.1 A discovered petroleum accumulation is determined to exist when one or more exploratory wells have established through testing, sampling, and/or logging the existence of a significant quantity of potentially recoverable hydrocarbons and thus have established a known accumulation. In the absence of a flow test or sampling, the discovery determination requires confidence in the presence of hydrocarbons and evidence of producibility, which may be supported by suitable producing analogs (see Section 4.1.1, Analogs). In this context, "significant" implies that there is evidence of a sufficient quantity of petroleum to justify estimating the in-place quantity demonstrated by the well(s) and for evaluating the potential for commercial recovery.

2.1.1.2 Where a discovery has identified recoverable hydrocarbons, but is not considered viable to apply a project with established technology or with technology under development, such quantities may be classified as Discovered Unrecoverable with no Contingent Resources. In future evaluations, as appropriate for petroleum resources management purposes, a portion of these unrecoverable quantities may become recoverable resources as either commercial circumstances change or technological developments occur.

2.1.2 Determination of Commerciality

2.1.2.1 Discovered recoverable quantities (Contingent Resources) may be considered commercially mature, and thus attain Reserves classification, if the entity claiming commerciality has demonstrated a firm intention to proceed with development. This means the entity has satisfied the internal decision criteria (typically rate of return at or above the weighted average cost-of-capital or the hurdle rate). Commerciality is achieved with the entity's commitment to the project and all of the following criteria:

A. Evidence of a technically mature, feasible development plan.
B. Evidence of financial appropriations either being in place or having a high likelihood of being secured to implement the project.
C. Evidence to support a reasonable time-frame for development.
D. A reasonable assessment that the development projects will have positive economics and meet defined investment and operating criteria. This assessment is performed on the estimated entitlement forecast quantities and associated cash flow on which the investment decision is made (see Section 3.1.1, Net Cash-Flow Evaluation).
E. A reasonable expectation that there will be a market for forecast sales quantities of the production required to justify development. There should also be similar confidence that all produced streams (e.g., oil, gas, water, CO_2) can be sold, stored, re-injected, or otherwise appropriately disposed.
F. Evidence that the necessary production and transportation facilities are available or can be made available.
G. Evidence that legal, contractual, environmental, regulatory, and government approvals are in place or will be forthcoming, together with resolving any social and economic concerns.

2.1.2.2 The commerciality test for Reserves determination is applied to the best estimate (P50) forecast quantities, which upon qualifying all commercial and technical maturity criteria and constraints become the 2P Reserves. Stricter cases [e.g., low estimate (P90)] may be used for decision purposes or to investigate the range of commerciality (see Section 3.1.2, Economic Criteria). Typically, the low- and high-case project scenarios may be evaluated for sensitivities when considering project risk and upside opportunity.

2.1.2.3 To be included in the Reserves class, a project must be sufficiently defined to establish both its technical and commercial viability as noted in Section 2.1.2.1. There must be a reasonable expectation that all required internal and external approvals will be forthcoming and evidence of firm intention to proceed with development within a reasonable time-frame. A reasonable time-frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While five years is recommended as a benchmark, a longer time-frame could be applied where justifiable; for example, development of economic projects that take longer than five years to be developed or are deferred to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.

2.1.2.4 While PRMS guidelines require financial appropriations evidence, they do not require that project financing be confirmed before classifying projects as Reserves. However, this may be another external reporting requirement. In many cases, financing is conditional upon the same criteria as above. In general, if there is not a reasonable expectation that financing or other forms of commitment (e.g., farm-outs) can be arranged so that the development will be initiated within a reasonable time-frame, then the project should be classified as Contingent Resources. If financing is reasonably expected to be in place at the time of the final investment decision (FID), the project's resources may be classified as Reserves.

2.2 Resources Categorization

2.2.0.1 The horizontal axis in the resources classification in Figure 1.1 defines the range of uncertainty in estimates of the quantities of recoverable, or potentially recoverable, petroleum associated with a project or group of projects. These estimates include the uncertainty components as follows:

A. The total petroleum remaining within the accumulation (in-place resources).
B. The technical uncertainty in the portion of the total petroleum that can be recovered by applying a defined development project or projects (i.e., the technology applied).
C. Known variations in the commercial terms that may impact the quantities recovered and sold (e.g., market availability; contractual changes, such as production rate tiers or product quality specifications) are part of project's scope and are included in the horizontal axis, while the chance of satisfying the commercial terms is reflected in the classification (vertical axis).

2.2.0.2 The uncertainty in a project's recoverable quantities is reflected by the 1P, 2P, 3P, Proved (P1), Probable (P2), Possible (P3), 1C, 2C, 3C, C1, C2, and C3; or 1U, 2U, and 3U resources categories. The commercial chance of success is associated with resources classes or sub-classes and not with the resources categories reflecting the range of recoverable quantities.

2.2.1 Range of Uncertainty

2.2.1.1 Uncertainty is inherent in a project's resources estimation and is communicated in PRMS by reporting a range of category outcomes. The range of uncertainty of the recoverable and/or potentially recoverable quantities may be represented by either deterministic scenarios or by a probability distribution (see Section 4.2, Resources Assessment Methods).

2.2.1.2 When the range of uncertainty is represented by a probability distribution, a low, best, and high estimate shall be provided such that:

A. There should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate.
B. There should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate.
C. There should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

2.2.1.3 In some projects, the range of uncertainty may be limited, and the three scenarios may result in resources estimates that are not significantly different. In these situations, a single value estimate may be appropriate to describe the expected result.

2.2.1.4 When using the deterministic scenario method, typically there should also be low, best, and high estimates, where such estimates are based on qualitative assessments of relative uncertainty using consistent interpretation guidelines. Under the deterministic incremental method, quantities for each confidence segment are estimated discretely (see Section 2.2.2, Category Definitions and Guidelines).

2.2.1.5 Project resources are initially estimated using the above uncertainty range forecasts that incorporate the subsurface elements together with technical constraints related to wells and facilities. The technical forecasts then have additional commercial criteria applied (e.g., economics and license cutoffs are the most common) to estimate the entitlement quantities attributed and the resources classification status: Reserves, Contingent Resources, and Prospective Resources.

2.2.2 Category Definitions and Guidelines

2.2.2.1 Evaluators may assess recoverable quantities and categorize results by uncertainty using the deterministic incremental method, the deterministic scenario (cumulative) method, geostatistical methods, or probabilistic methods (see Section 4.2, Resources Assessment Methods). Also, combinations of these methods may be used.

2.2.2.2 Use of consistent terminology (Figures 1.1 and 2.1) promotes clarity in communication of evaluation results. For Reserves, the general cumulative terms low/best/high forecasts are used to estimate the resulting 1P/2P/3P quantities, respectively. The associated incremental quantities are termed Proved (P1), Probable (P2) and Possible (P3). Reserves are a subset of, and must be viewed within the context of, the complete resources classification system. While the categorization criteria are proposed specifically for Reserves, in most cases, the criteria can be equally applied to Contingent and Prospective Resources. Upon satisfying the commercial maturity criteria for discovery and/or development, the project quantities will then move to the appropriate resources sub-class. Table 3 provides criteria for the Reserves categories determination.

2.2.2.3 For Contingent Resources, the general cumulative terms low/best/high estimates are used to estimate the resulting 1C/2C/3C quantities, respectively. The terms C1, C2, and C3 are defined for incremental quantities of Contingent Resources.

2.2.2.4 For Prospective Resources, the general cumulative terms low/best/high estimates also apply and are used to estimate the resulting 1U/2U/3U quantities. No specific terms are defined for incremental quantities within Prospective Resources.

2.2.2.5 Quantities in different classes and sub-classes cannot be aggregated without considering the varying degrees of technical uncertainty and commercial likelihood involved with the classification(s) and without considering the degree of dependency between them (see Section 4.2.1, Aggregating Resources Classes).

2.2.2.6 Without new technical information, there should be no change in the distribution of technically recoverable resources and the categorization boundaries when conditions are satisfied to reclassify a project from Contingent Resources to Reserves.

2.2.2.7 All evaluations require application of a consistent set of forecast conditions, including assumed future costs and prices, for both classification of projects and categorization of estimated quantities recovered by each project (see Section 3.1, Assessment of Commerciality).

Table 1—Recoverable Resources Classes and Sub-Classes

Class/Sub-Class	Definition	Guidelines
Reserves	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.	Reserves must satisfy four criteria: discovered, recoverable, commercial, and remaining based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by the development and production status. To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability (see Section 2.1.2, Determination of Commerciality). This includes the requirement that there is evidence of firm intention to proceed with development within a reasonable time-frame. A reasonable time-frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While five years is recommended as a benchmark, a longer time-frame could be applied where, for example, development of an economic project is deferred at the option of the producer for, among other things, market-related reasons or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented. To be included in the Reserves class, there must be a high confidence in the commercial maturity and economic producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.
On Production	The development project is currently producing or capable of producing and selling petroleum to market.	The key criterion is that the project is receiving income from sales, rather than that the approved development project is necessarily complete. Includes Developed Producing Reserves. The project decision gate is the decision to initiate or continue economic production from the project.
Approved for Development	All necessary approvals have been obtained, capital funds have been committed, and implementation of the development project is ready to begin or is under way.	At this point, it must be certain that the development project is going ahead. The project must not be subject to any contingencies, such as outstanding regulatory approvals or sales contracts. Forecast capital expenditures should be included in the reporting entity's current or following year's approved budget. The project decision gate is the decision to start investing capital in the construction of production facilities and/or drilling development wells.

PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS

Excerpted from the Petroleum Resources Management System Approved by
the Society of Petroleum Engineers (SPE) Board of Directors, June 2018

Class/Sub-Class	Definition	Guidelines
Justified for Development	Implementation of the development project is justified on the basis of reasonable forecast commercial conditions at the time of reporting, and there are reasonable expectations that all necessary approvals/contracts will be obtained.	To move to this level of project maturity, and hence have Reserves associated with it, the development project must be commercially viable at the time of reporting (see Section 2.1.2, Determination of Commerciality) and the specific circumstances of the project. All participating entities have agreed and there is evidence of a committed project (firm intention to proceed with development within a reasonable time-frame). There must be no known contingencies that could preclude the development from proceeding (see Reserves class). The project decision gate is the decision by the reporting entity and its partners, if any, that the project has reached a level of technical and commercial maturity sufficient to justify proceeding with development at that point in time.
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies.	Contingent Resources may include, for example, projects for which there are currently no viable markets, where commercial recovery is dependent on technology under development, where evaluation of the accumulation is insufficient to clearly assess commerciality, where the development plan is not yet approved, or where regulatory or social acceptance issues may exist. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by the economic status.
Development Pending	A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.	The project is seen to have reasonable potential for eventual commercial development, to the extent that further data acquisition (e.g., drilling, seismic data) and/or evaluations are currently ongoing with a view to confirming that the project is commercially viable and providing the basis for selection of an appropriate development plan. The critical contingencies have been identified and are reasonably expected to be resolved within a reasonable time-frame. Note that disappointing appraisal/evaluation results could lead to a reclassification of the project to On Hold or Not Viable status. The project decision gate is the decision to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity at which a decision can be made to proceed with development and production.
Development on Hold	A discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay.	The project is seen to have potential for commercial development. Development may be subject to a significant time delay. Note that a change in circumstances, such that there is no longer a probable chance that a critical contingency can be removed in the foreseeable future, could lead to a reclassification of the project to Not Viable status. The project decision gate is the decision to either proceed with additional evaluation designed to clarify the potential for eventual commercial development or to temporarily suspend or delay further activities pending resolution of external contingencies.
Development Unclarified	A discovered accumulation where project activities are under evaluation and where justification as a commercial development is unknown based on available information.	The project is seen to have potential for eventual commercial development, but further appraisal/evaluation activities are ongoing to clarify the potential for eventual commercial development. This sub-class requires active appraisal or evaluation and should not be maintained without a plan for future evaluation. The sub-class should reflect the actions required to move a project toward commercial maturity and economic production.

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Class/Sub-Class	Definition	Guidelines
Development Not Viable	A discovered accumulation for which there are no current plans to develop or to acquire additional data at the time because of limited production potential.	The project is not seen to have potential for eventual commercial development at the time of reporting, but the theoretically recoverable quantities are recorded so that the potential opportunity will be recognized in the event of a major change in technology or commercial conditions. The project decision gate is the decision not to undertake further data acquisition or studies on the project for the foreseeable future.
Prospective Resources	Those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.	Potential accumulations are evaluated according to the chance of geologic discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects. It is recognized that the development programs will be of significantly less detail and depend more heavily on analog developments in the earlier phases of exploration.
Prospect	A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target.	Project activities are focused on assessing the chance of geologic discovery and, assuming discovery, the range of potential recoverable quantities under a commercial development program.
Lead	A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation to be classified as a Prospect.	Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the Lead can be matured into a Prospect. Such evaluation includes the assessment of the chance of geologic discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.
Play	A project associated with a prospective trend of potential prospects, but that requires more data acquisition and/or evaluation to define specific Leads or Prospects.	Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to define specific Leads or Prospects for more detailed analysis of their chance of geologic discovery and, assuming discovery, the range of potential recovery under hypothetical development scenarios.

Table 2—Reserves Status Definitions and Guidelines

Status	Definition	Guidelines
Developed Reserves	Expected quantities to be recovered from existing wells and facilities.	Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-producing.
Developed Producing Reserves	Expected quantities to be recovered from completion intervals that are open and producing at the effective date of the estimate.	Improved recovery Reserves are considered producing only after the improved recovery project is in operation.
Developed Non-Producing Reserves	Shut-in and behind-pipe Reserves.	Shut-in Reserves are expected to be recovered from (1) completion intervals that are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells that will require additional completion work or future re-completion before start of production with minor cost to access these reserves. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

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Status	Definition	Guidelines
Undeveloped Reserves	Quantities expected to be recovered through future significant investments.	Undeveloped Reserves are to be produced (1) from new wells on undrilled acreage in known accumulations, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g., when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

Table 3—Reserves Category Definitions and Guidelines

Category	Definition	Guidelines
Proved Reserves	Those quantities of petroleum that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable from a given date forward from known reservoirs and under defined economic conditions, operating methods, and government regulations.	If deterministic methods are used, the term "reasonable certainty" is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the estimate. The area of the reservoir considered as Proved includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) adjacent undrilled portions of the reservoir that can reasonably be judged as continuous with it and commercially productive on the basis of available geoscience and engineering data. In the absence of data on fluid contacts, Proved quantities in a reservoir are limited by the LKH as seen in a well penetration unless otherwise indicated by definitive geoscience, engineering, or performance data. Such definitive information may include pressure gradient analysis and seismic indicators. Seismic data alone may not be sufficient to define fluid contacts for Proved. Reserves in undeveloped locations may be classified as Proved provided that: A. The locations are in undrilled areas of the reservoir that can be judged with reasonable certainty to be commercially mature and economically productive. B. Interpretations of available geoscience and engineering data indicate with reasonable certainty that the objective formation is laterally continuous with drilled Proved locations. For Proved Reserves, the recovery efficiency applied to these reservoirs should be defined based on a range of possibilities supported by analogs and sound engineering judgment considering the characteristics of the Proved area and the applied development program.
Probable Reserves	Those additional Reserves that analysis of geoscience and engineering data indicates are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves.	It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate. Probable Reserves may be assigned to areas of a reservoir adjacent to Proved where data control or interpretations of available data are less certain. The interpreted reservoir continuity may not meet the reasonable certainty criteria. Probable estimates also include incremental recoveries associated with project recovery efficiencies beyond that assumed for Proved.

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Category	Definition	Guidelines
Possible Reserves	Those additional reserves that analysis of geoscience and engineering data indicates are less likely to be recoverable than Probable Reserves.	The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high-estimate scenario. When probabilistic methods are used, there should be at least a 10% probability (P10) that the actual quantities recovered will equal or exceed the 3P estimate. Possible Reserves may be assigned to areas of a reservoir adjacent to Probable where data control and interpretations of available data are progressively less certain. Frequently, this may be in areas where geoscience and engineering data are unable to clearly define the area and vertical reservoir limits of economic production from the reservoir by a defined, commercially mature project. Possible estimates also include incremental quantities associated with project recovery efficiencies beyond that assumed for Probable.
Probable and Possible Reserves	See above for separate criteria for Probable Reserves and Possible Reserves.	The 2P and 3P estimates may be based on reasonable alternative technical interpretations within the reservoir and/or subject project that are clearly documented, including comparisons to results in successful similar projects. In conventional accumulations, Probable and/or Possible Reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from Proved areas by minor faulting or other geological discontinuities and have not been penetrated by a wellbore but are interpreted to be in communication with the known (Proved) reservoir. Probable or Possible Reserves may be assigned to areas that are structurally higher than the Proved area. Possible (and in some cases, Probable) Reserves may be assigned to areas that are structurally lower than the adjacent Proved or 2P area. Caution should be exercised in assigning Reserves to adjacent reservoirs isolated by major, potentially sealing faults until this reservoir is penetrated and evaluated as commercially mature and economically productive. Justification for assigning Reserves in such cases should be clearly documented. Reserves should not be assigned to areas that are clearly separated from a known accumulation by non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results); such areas may contain Prospective Resources. In conventional accumulations, where drilling has defined a highest known oil elevation and there exists the potential for an associated gas cap, Proved Reserves of oil should only be assigned in the structurally higher portions of the reservoir if there is reasonable certainty that such portions are initially above bubble point pressure based on documented engineering analyses. Reservoir portions that do not meet this certainty may be assigned as Probable and Possible oil and/or gas based on reservoir fluid properties and pressure gradient interpretations.

ABBREVIATIONS

$	United States dollars
ϕ_e	effective porosity
1U	low estimate scenario of prospective resources
2U	best estimate scenario of prospective resources
3U	high estimate scenario of prospective resources
API	American Petroleum Institute
BOPD	barrels of oil per day
EIA	Environmental Investigation Agency
FVF	formation volume factors
km	kilometers
km^2	square kilometers
LTT	long-term flow test
m	meters
M$	thousands of United States dollars
MBBL	thousands of barrels
MMBBL	millions of barrels
MDT	modular dynamic test
NSAI	Netherland, Sewell & Associates, Inc.
OOIP	original oil-in-place
OWC	oil-water contact
P10	10 percent confidence level
P50	50 percent confidence level
P90	90 percent confidence level
PetroTal	PetroTal Corp.
PRMS	Petroleum Resources Management System
RB/STB	reservoir barrels per stock tank barrel
RF	recovery factors
SPE	Society of Petroleum Engineers
SPE Standards	Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the SPE
S_w	water saturation
TVDSS	true vertical depth subsea
V_{sh}	shale volume

CERTIFICATE OF QUALIFICATION

I, Benjamin W. Johnson, Licensed Professional Engineer, 2100 Ross Avenue, Suite 2200, Dallas, Texas 75201, hereby certify:

I am an employee of Netherland, Sewell & Associates, Inc., which prepared a reserves and prospective resources evaluation for PetroTal Corp. The effective date of this evaluation is June 30, 2018.

I do not have, nor do I expect to receive, any direct or indirect interest in the securities of PetroTal Corp. or its affiliated companies.

I attended Texas Tech University, and I graduated in 2005 with a Bachelor of Science Degree in Petroleum Engineering. I am a Licensed Professional Engineer in the State of Texas, United States of America; and I have in excess of 13 years of experience in petroleum engineering studies and evaluations.

/s/ Benjamin W. Johnson
By: ____
Benjamin W. Johnson, P.E.
Vice President
Texas License No. 124738

December 17, 2018
Dallas, Texas

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NETHERLAND, SEWELL & ASSOCIATES, INC.

CERTIFICATE OF QUALIFICATION

I, Zachary R. Long, Licensed Professional Geoscientist, 1301 McKinney Street, Suite 3200, Houston, Texas 77010, hereby certify:

I am an employee of Netherland, Sewell & Associates, Inc., which prepared a reserves and prospective resources evaluation for PetroTal Corp. The effective date of this evaluation is June 30, 2018.

I do not have, nor do I expect to receive, any direct or indirect interest in the securities of PetroTal Corp. or its affiliated companies.

I attended Texas A&M University, and I graduated in 2005 with a Master of Science Degree in Geophysics. I attended University of Louisiana at Lafayette, and I graduated in 2003 with a Bachelor of Science Degree in Geology; I am a Licensed Professional Geoscientist in the State of Texas, United States of America; and I have in excess of 13 years of experience in geological and geophysical studies and evaluations.

/s/ Zachary R. Long
By: ______________________________________
Zachary R. Long, P.G.
Vice President
Texas License No. 11792

December 17, 2018
Houston, Texas

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NETHERLAND, SEWELL & ASSOCIATES, INC.

PETROTAL CORP. INTEREST

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF JUNE 30, 2018

PROVED UNDEVELOPED RESERVES

CERTAIN OIL PROPERTIES
LOCATED IN BRETAÑA FIELD, BLOCK 95
ONSHORE PERU

PERIOD	GROSS RESERVES		NET RESERVES				AVERAGE PRICES			GROSS REVENUE			
ENDING M-D-Y	OIL MBBL	GAS MMCF	OIL MBBL	NGL MBBL	GAS MMCF	EQUIV MBOE	OIL $/BBL	NGL $/BBL	GAS $/MCF	OIL M$	NGL M$	GAS M$	TOTAL M$
12-31-2018	192.6	0.0	192.6	0.0	0.0	192.6	53.09	0.00	0.000	10,226.6	0.0	0.0	10,226.6
12-31-2019	1,050.1	0.0	1,050.1	0.0	0.0	1,050.1	51.82	0.00	0.000	54,415.9	0.0	0.0	54,415.9
12-31-2020	2,100.2	0.0	2,100.2	0.0	0.0	2,100.2	50.76	0.00	0.000	106,605.5	0.0	0.0	106,605.5
12-31-2021	1,963.2	0.0	1,963.2	0.0	0.0	1,963.2	47.58	0.00	0.000	93,409.9	0.0	0.0	93,409.9
12-31-2022	2,100.2	0.0	2,100.2	0.0	0.0	2,100.2	45.51	0.00	0.000	95,579.5	0.0	0.0	95,579.5
12-31-2023	1,917.6	0.0	1,917.6	0.0	0.0	1,917.6	44.15	0.00	0.000	84,660.4	0.0	0.0	84,660.4
12-31-2024	1,303.6	0.0	1,303.6	0.0	0.0	1,303.6	43.52	0.00	0.000	56,734.5	0.0	0.0	56,734.5
12-31-2025	1,046.5	0.0	1,046.5	0.0	0.0	1,046.5	43.49	0.00	0.000	45,511.6	0.0	0.0	45,511.6
12-31-2026	889.7	0.0	889.7	0.0	0.0	889.7	44.57	0.00	0.000	39,650.4	0.0	0.0	39,650.4
12-31-2027	781.3	0.0	781.3	0.0	0.0	781.3	45.66	0.00	0.000	35,675.9	0.0	0.0	35,675.9
12-31-2028	700.7	0.0	700.7	0.0	0.0	700.7	46.78	0.00	0.000	32,779.1	0.0	0.0	32,779.1
12-31-2029	637.9	0.0	637.9	0.0	0.0	637.9	47.92	0.00	0.000	30,572.7	0.0	0.0	30,572.7
12-31-2030	587.4	0.0	587.4	0.0	0.0	587.4	49.09	0.00	0.000	28,834.0	0.0	0.0	28,834.0
12-31-2031	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.000	0.0	0.0	0.0	0.0
12-31-2032	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.000	0.0	0.0	0.0	0.0
SUBTOTAL	15,271.0	0.0	15,271.0	0.0	0.0	15,271.0	46.80	0.00	0.000	714,656.1	0.0	0.0	714,656.1
REMAINING	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.000	0.0	0.0	0.0	0.0
TOTAL	15,271.0	0.0	15,271.0	0.0	0.0	15,271.0	46.80	0.00	0.000	714,656.1	0.0	0.0	714,656.1
CUM PROD	0.0	0.0											
ULTIMATE	15,271.0	0.0											

PERIOD	NUMBER OF ACTIVE COMPLETIONS		NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE	
			TAXES		CAPITAL	ABDNMNT	GOVERNMENT	OPERATING	UNDISC	DISC AT 10.000%
ENDING M-D-Y	GROSS	NET	PRODUCTION M$	AD VALOREM M$	COST M$	COST M$	ROYALTY M$	EXPENSE M$	PERIOD M$	CUM M$
12-31-2018	1	1.0	0.0	0.0	21,683.0	0.0	511.3	5,786.3	-17,754.0	-17,131.0
12-31-2019	2	2.0	0.0	0.0	47,283.3	0.0	2,720.8	16,422.5	-12,010.7	-28,053.9
12-31-2020	6	6.0	0.0	0.0	56,351.7	0.0	5,456.5	21,994.1	22,803.2	-9,201.2
12-31-2021	8	8.0	0.0	0.0	72,971.5	0.0	4,725.8	22,477.9	-6,765.3	-14,286.0
12-31-2022	8	8.0	0.0	0.0	0.0	0.0	4,892.2	26,188.3	64,499.1	29,784.3
12-31-2023	8	8.0	0.0	0.0	0.0	0.0	4,266.4	26,262.1	54,131.9	63,408.6
12-31-2024	8	8.0	0.0	0.0	0.0	0.0	2,836.7	25,791.5	28,106.2	79,279.8
12-31-2025	8	8.0	0.0	0.0	0.0	0.0	2,275.6	25,095.4	18,140.7	88,592.3
12-31-2026	8	8.0	0.0	0.0	0.0	0.0	1,982.5	24,879.8	12,788.1	94,560.3
12-31-2027	8	8.0	0.0	0.0	0.0	0.0	1,783.8	24,872.0	9,020.1	98,387.1
12-31-2028	8	8.0	0.0	0.0	0.0	0.0	1,639.0	25,918.9	5,221.2	100,400.9
12-31-2029	8	8.0	0.0	0.0	0.0	0.0	1,528.6	26,132.8	2,911.3	101,421.7
12-31-2030	8	8.0	0.0	0.0	0.0	0.0	1,441.7	26,404.3	988.0	101,736.6
12-31-2031	0	0.0	0.0	0.0	0.0	9,408.0	0.0	0.0	-9,408.0	99,127.9
12-31-2032	0	0.0	0.0	0.0	0.0	22,236.5	0.0	0.0	-22,236.5	93,522.6
SUBTOTAL			0.0	0.0	198,289.5	31,644.6	36,061.0	298,225.8	150,435.3	93,522.6
REMAINING			0.0	0.0	0.0	0.0	0.0	0.0	0.0	93,522.6
TOTAL OF 12.5 YRS			0.0	0.0	198,289.5	31,644.6	36,061.0	298,225.8	150,435.3	93,522.6

PRESENT WORTH PROFILE	
DISC RATE %	CUM PW M$
0.000	150,435.3
5.000	119,392.1
10.000	93,522.6
15.000	72,803.1
20.000	56,434.2
30.000	33,326.2
35.000	25,208.6
40.000	18,706.1
45.000	13,458.9
50.000	9,194.1

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

BASED ON ESCALATED PRICE AND COST PARAMET
BASE PRICE CASE

Table I

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF JUNE 30, 2018

PETROTAL CORP. INTEREST

PROBABLE UNDEVELOPED RESERVES

CERTAIN OIL PROPERTIES
LOCATED IN BRETAÑA FIELD, BLOCK 95
ONSHORE PERU

PERIOD	GROSS RESERVES		NET RESERVES				AVERAGE PRICES			GROSS REVENUE			
ENDING M-D-Y	OIL MBBL	GAS MMCF	OIL MBBL	NGL MBBL	GAS MMCF	EQUIV MBOE	OIL $/BBL	NGL $/BBL	GAS $/MCF	OIL M$	NGL M$	GAS M$	TOTAL M$
12-31-2018	192.6	0.0	192.6	0.0	0.0	192.6	53.09	0.00	0.000	10,226.6	0.0	0.0	10,226.6
12-31-2019	1,050.1	0.0	1,050.1	0.0	0.0	1,050.1	51.82	0.00	0.000	54,415.9	0.0	0.0	54,415.9
12-31-2020	2,100.2	0.0	2,100.2	0.0	0.0	2,100.2	50.76	0.00	0.000	106,605.5	0.0	0.0	106,605.5
12-31-2021	1,963.2	0.0	1,963.2	0.0	0.0	1,963.2	47.58	0.00	0.000	93,409.9	0.0	0.0	93,409.9
12-31-2022	2,100.2	0.0	2,100.2	0.0	0.0	2,100.2	45.51	0.00	0.000	95,579.5	0.0	0.0	95,579.5
12-31-2023	1,917.6	0.0	1,917.6	0.0	0.0	1,917.6	44.15	0.00	0.000	84,660.4	0.0	0.0	84,660.4
12-31-2024	1,303.6	0.0	1,303.6	0.0	0.0	1,303.6	43.52	0.00	0.000	56,734.5	0.0	0.0	56,734.5
12-31-2025	1,046.5	0.0	1,046.5	0.0	0.0	1,046.5	43.49	0.00	0.000	45,511.6	0.0	0.0	45,511.6
12-31-2026	889.7	0.0	889.7	0.0	0.0	889.7	44.57	0.00	0.000	39,650.4	0.0	0.0	39,650.4
12-31-2027	781.3	0.0	781.3	0.0	0.0	781.3	45.66	0.00	0.000	35,675.9	0.0	0.0	35,675.9
12-31-2028	700.7	0.0	700.7	0.0	0.0	700.7	46.78	0.00	0.000	32,779.1	0.0	0.0	32,779.1
12-31-2029	637.9	0.0	637.9	0.0	0.0	637.9	47.92	0.00	0.000	30,572.7	0.0	0.0	30,572.7
12-31-2030	587.4	0.0	587.4	0.0	0.0	587.4	49.09	0.00	0.000	28,834.0	0.0	0.0	28,834.0
12-31-2031	1,090.2	0.0	1,090.2	0.0	0.0	1,090.2	50.28	0.00	0.000	54,813.0	0.0	0.0	54,813.0
12-31-2032	1,018.4	0.0	1,018.4	0.0	0.0	1,018.4	51.49	0.00	0.000	52,436.2	0.0	0.0	52,436.2
12-31-2033	956.8	0.0	956.8	0.0	0.0	956.8	52.72	0.00	0.000	50,444.7	0.0	0.0	50,444.7
12-31-2034	903.3	0.0	903.3	0.0	0.0	903.3	53.98	0.00	0.000	48,764.7	0.0	0.0	48,764.7
12-31-2035	856.4	0.0	856.4	0.0	0.0	856.4	55.27	0.00	0.000	47,331.0	0.0	0.0	47,331.0
12-31-2036	814.6	0.0	814.6	0.0	0.0	814.6	56.58	0.00	0.000	46,091.9	0.0	0.0	46,091.9
12-31-2037	777.1	0.0	777.1	0.0	0.0	777.1	57.92	0.00	0.000	45,011.5	0.0	0.0	45,011.5
SUBTOTAL	21,687.9	0.0	21,687.9	0.0	0.0	21,687.9	48.85	0.00	0.000	1,059,549.1	0.0	0.0	1,059,549.1
REMAINING	2,800.4	0.0	2,800.4	0.0	0.0	2,800.4	61.33	0.00	0.000	171,742.9	0.0	0.0	171,742.9
TOTAL	24,488.3	0.0	24,488.3	0.0	0.0	24,488.3	50.28	0.00	0.000	1,231,292.0	0.0	0.0	1,231,292.0
CUM PROD	0.0	0.0											
ULTIMATE	24,488.3	0.0											

PERIOD	NUMBER OF ACTIVE COMPLETIONS		NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE	
			TAXES		CAPITAL	ABDNMNT	GOVERNMENT	OPERATING	UNDISC	DISC AT 10.000%
ENDING M-D-Y	GROSS	NET	PRODUCTION M$	AD VALOREM M$	COST M$	COST M$	ROYALTY M$	EXPENSE M$	PERIOD M$	CUM M$
12-31-2018	0	0.0	0.0	0.0	0.0	0.0	511.3	1,077.5	8,637.8	8,334.7
12-31-2019	0	0.0	0.0	0.0	20,695.3	0.0	2,849.7	5,529.2	25,341.7	31,381.2
12-31-2020	0	0.0	0.0	0.0	0.0	0.0	7,392.3	11,894.1	87,319.2	103,573.0
12-31-2021	3	3.0	0.0	0.0	41,970.6	0.0	6,311.3	11,374.4	33,753.6	128,942.0
12-31-2022	3	3.0	0.0	0.0	11,127.4	0.0	6,627.7	12,366.2	65,458.3	173,667.7
12-31-2023	3	3.0	0.0	0.0	46,454.2	0.0	5,670.0	12,188.1	20,348.1	186,307.0
12-31-2024	3	3.0	0.0	0.0	0.0	0.0	3,219.8	8,724.7	44,790.0	211,599.3
12-31-2025	3	3.0	0.0	0.0	0.0	0.0	2,380.5	7,699.5	35,431.6	229,788.2
12-31-2026	3	3.0	0.0	0.0	0.0	0.0	1,982.5	7,117.9	30,550.0	244,045.3
12-31-2027	3	3.0	0.0	0.0	0.0	0.0	1,783.8	6,763.9	27,128.2	255,554.6
12-31-2028	3	3.0	0.0	0.0	0.0	0.0	1,639.0	5,565.4	25,574.7	265,418.5
12-31-2029	3	3.0	0.0	0.0	0.0	0.0	1,528.6	5,355.2	23,688.9	273,724.4
12-31-2030	3	3.0	0.0	0.0	0.0	0.0	1,441.7	5,222.1	22,170.2	280,791.2
12-31-2031	11	11.0	0.0	0.0	0.0	-9,408.0	2,740.6	31,813.6	29,666.8	289,270.3
12-31-2032	11	11.0	0.0	0.0	0.0	-22,236.5	2,621.8	32,087.4	39,963.5	299,545.4
12-31-2033	11	11.0	0.0	0.0	0.0	0.0	2,522.2	32,384.5	15,538.0	303,266.5
12-31-2034	11	11.0	0.0	0.0	0.0	0.0	2,438.2	32,750.1	13,576.3	306,222.2
12-31-2035	11	11.0	0.0	0.0	0.0	0.0	2,366.5	33,151.1	11,813.4	308,560.3
12-31-2036	11	11.0	0.0	0.0	0.0	0.0	2,304.6	33,582.0	10,205.4	310,396.5
12-31-2037	11	11.0	0.0	0.0	0.0	0.0	2,250.6	32,898.4	9,862.5	312,009.7
SUBTOTAL			0.0	0.0	120,247.5	-31,644.6	60,582.9	329,545.3	580,817.9	312,009.7
REMAINING			0.0	0.0	0.0	46,804.7	8,587.1	134,113.4	-17,762.3	311,540.8
TOTAL OF 23.5 YRS			0.0	0.0	120,247.5	15,160.2	69,170.0	463,658.6	563,055.6	311,540.8

PRESENT WORTH PROFILE	
DISC RATE %	CUM PW M$
0.000	563,055.6
5.000	408,524.9
10.000	311,540.8
15.000	248,361.0
20.000	205,189.0
30.000	151,261.3
35.000	133,499.0
40.000	119,407.5
45.000	107,965.6
50.000	98,495.0

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

BASED ON ESCALATED PRICE AND COST PARAMET
BASE PRICE CASE

Table II

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF JUNE 30, 2018

PETROTAL CORP. INTEREST

PROVED + PROBABLE UNDEVELOPED RESERVES

CERTAIN OIL PROPERTIES
LOCATED IN BRETAÑA FIELD, BLOCK 95
ONSHORE PERU

PERIOD	GROSS RESERVES		NET RESERVES				AVERAGE PRICES			GROSS REVENUE			
ENDING M-D-Y	OIL MBBL	GAS MMCF	OIL MBBL	NGL MBBL	GAS MMCF	EQUIV MBOE	OIL $/BBL	NGL $/BBL	GAS $/MCF	OIL M$	NGL M$	GAS M$	TOTAL M$
12-31-2018	385.3	0.0	385.3	0.0	0.0	385.3	53.09	0.00	0.000	20,453.3	0.0	0.0	20,453.3
12-31-2019	2,100.2	0.0	2,100.2	0.0	0.0	2,100.2	51.82	0.00	0.000	108,831.7	0.0	0.0	108,831.7
12-31-2020	4,200.4	0.0	4,200.4	0.0	0.0	4,200.4	50.76	0.00	0.000	213,211.0	0.0	0.0	213,211.0
12-31-2021	3,926.4	0.0	3,926.4	0.0	0.0	3,926.4	47.58	0.00	0.000	186,819.9	0.0	0.0	186,819.9
12-31-2022	4,200.4	0.0	4,200.4	0.0	0.0	4,200.4	45.51	0.00	0.000	191,159.1	0.0	0.0	191,159.1
12-31-2023	3,835.1	0.0	3,835.1	0.0	0.0	3,835.1	44.15	0.00	0.000	169,320.8	0.0	0.0	169,320.8
12-31-2024	2,607.3	0.0	2,607.3	0.0	0.0	2,607.3	43.52	0.00	0.000	113,469.0	0.0	0.0	113,469.0
12-31-2025	2,093.0	0.0	2,093.0	0.0	0.0	2,093.0	43.49	0.00	0.000	91,023.3	0.0	0.0	91,023.3
12-31-2026	1,779.4	0.0	1,779.4	0.0	0.0	1,779.4	44.57	0.00	0.000	79,300.8	0.0	0.0	79,300.8
12-31-2027	1,562.6	0.0	1,562.6	0.0	0.0	1,562.6	45.66	0.00	0.000	71,351.8	0.0	0.0	71,351.8
12-31-2028	1,401.3	0.0	1,401.3	0.0	0.0	1,401.3	46.78	0.00	0.000	65,558.1	0.0	0.0	65,558.1
12-31-2029	1,275.9	0.0	1,275.9	0.0	0.0	1,275.9	47.92	0.00	0.000	61,145.4	0.0	0.0	61,145.4
12-31-2030	1,174.8	0.0	1,174.8	0.0	0.0	1,174.8	49.09	0.00	0.000	57,668.0	0.0	0.0	57,668.0
12-31-2031	1,090.2	0.0	1,090.2	0.0	0.0	1,090.2	50.28	0.00	0.000	54,813.0	0.0	0.0	54,813.0
12-31-2032	1,018.4	0.0	1,018.4	0.0	0.0	1,018.4	51.49	0.00	0.000	52,436.2	0.0	0.0	52,436.2
12-31-2033	956.8	0.0	956.8	0.0	0.0	956.8	52.72	0.00	0.000	50,444.7	0.0	0.0	50,444.7
12-31-2034	903.3	0.0	903.3	0.0	0.0	903.3	53.98	0.00	0.000	48,764.7	0.0	0.0	48,764.7
12-31-2035	856.4	0.0	856.4	0.0	0.0	856.4	55.27	0.00	0.000	47,331.0	0.0	0.0	47,331.0
12-31-2036	814.6	0.0	814.6	0.0	0.0	814.6	56.58	0.00	0.000	46,091.9	0.0	0.0	46,091.9
12-31-2037	777.1	0.0	777.1	0.0	0.0	777.1	57.92	0.00	0.000	45,011.5	0.0	0.0	45,011.5
SUBTOTAL	36,958.9	0.0	36,958.9	0.0	0.0	36,958.9	48.00	0.00	0.000	1,774,205.2	0.0	0.0	1,774,205.2
REMAINING	2,800.4	0.0	2,800.4	0.0	0.0	2,800.4	61.33	0.00	0.000	171,742.9	0.0	0.0	171,742.9
TOTAL	39,759.3	0.0	39,759.3	0.0	0.0	39,759.3	48.94	0.00	0.000	1,945,948.0	0.0	0.0	1,945,948.0
CUM PROD	0.0	0.0											
ULTIMATE	39,759.3	0.0											

PERIOD	NUMBER OF ACTIVE COMPLETIONS		NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE	
			TAXES		CAPITAL	ABDNMNT	GOVERNMENT	OPERATING	UNDISC	DISC AT 10.000%
ENDING M-D-Y	GROSS	NET	PRODUCTION M$	AD VALOREM M$	COST M$	COST M$	ROYALTY M$	EXPENSE M$	PERIOD M$	CUM M$
12-31-2018	1	1.0	0.0	0.0	21,683.0	0.0	1,022.7	6,863.8	-9,116.2	-8,796.3
12-31-2019	2	2.0	0.0	0.0	67,978.6	0.0	5,570.5	21,951.7	13,331.0	3,327.3
12-31-2020	6	6.0	0.0	0.0	56,351.7	0.0	12,848.8	33,888.2	110,122.3	94,371.7
12-31-2021	11	11.0	0.0	0.0	114,942.1	0.0	11,037.1	33,852.4	26,988.3	114,656.0
12-31-2022	11	11.0	0.0	0.0	11,127.4	0.0	11,519.8	38,554.5	129,957.3	203,452.0
12-31-2023	11	11.0	0.0	0.0	46,454.2	0.0	9,936.5	38,450.2	74,480.0	249,715.6
12-31-2024	11	11.0	0.0	0.0	0.0	0.0	6,056.6	34,516.2	72,896.2	290,879.1
12-31-2025	11	11.0	0.0	0.0	0.0	0.0	4,656.1	32,794.8	53,572.3	318,380.5
12-31-2026	11	11.0	0.0	0.0	0.0	0.0	3,965.0	31,997.7	43,338.1	338,605.6
12-31-2027	11	11.0	0.0	0.0	0.0	0.0	3,567.6	31,635.9	36,148.3	353,941.8
12-31-2028	11	11.0	0.0	0.0	0.0	0.0	3,277.9	31,484.3	30,795.9	365,819.4
12-31-2029	11	11.0	0.0	0.0	0.0	0.0	3,057.3	31,488.0	26,600.2	375,146.1
12-31-2030	11	11.0	0.0	0.0	0.0	0.0	2,883.4	31,626.4	23,158.2	382,527.8
12-31-2031	11	11.0	0.0	0.0	0.0	0.0	2,740.6	31,813.6	20,258.7	388,398.2
12-31-2032	11	11.0	0.0	0.0	0.0	0.0	2,621.8	32,087.4	17,727.0	393,068.1
12-31-2033	11	11.0	0.0	0.0	0.0	0.0	2,522.2	32,384.5	15,538.0	396,789.1
12-31-2034	11	11.0	0.0	0.0	0.0	0.0	2,438.2	32,750.1	13,576.3	399,744.9
12-31-2035	11	11.0	0.0	0.0	0.0	0.0	2,366.5	33,151.1	11,813.4	402,082.9
12-31-2036	11	11.0	0.0	0.0	0.0	0.0	2,304.6	33,582.0	10,205.4	403,919.2
12-31-2037	11	11.0	0.0	0.0	0.0	0.0	2,250.6	32,898.4	9,862.5	405,532.4
SUBTOTAL			0.0	0.0	318,537.0	0.0	96,643.9	627,771.1	731,253.2	405,532.4
REMAINING			0.0	0.0	0.0	46,804.7	8,587.1	134,113.4	-17,762.3	405,063.4
TOTAL OF 23.5 YRS			0.0	0.0	318,537.0	46,804.7	105,231.0	761,884.4	713,490.9	405,063.4

PRESENT WORTH PROFILE	
DISC RATE %	CUM PW M$
0.000	713,490.9
5.000	527,917.0
10.000	405,063.4
15.000	321,164.1
20.000	261,623.1
30.000	184,587.5
35.000	158,707.6
40.000	138,113.6
45.000	121,424.5
50.000	107,689.1

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

BASED ON ESCALATED PRICE AND COST PARAMET
BASE PRICE CASE

Table III

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF JUNE 30, 2018

POSSIBLE UNDEVELOPED RESERVES

PETROTAL CORP. INTEREST

CERTAIN OIL PROPERTIES
LOCATED IN BRETAÑA FIELD, BLOCK 95
ONSHORE PERU

PERIOD ENDING M-D-Y	GROSS RESERVES OIL MBBL	GROSS RESERVES GAS MMCF	NET RESERVES OIL MBBL	NET RESERVES NGL MBBL	NET RESERVES GAS MMCF	NET RESERVES EQUIV MBOE	AVERAGE PRICES OIL $/BBL	AVERAGE PRICES NGL $/BBL	AVERAGE PRICES GAS $/MCF	GROSS REVENUE OIL M$	GROSS REVENUE NGL M$	GROSS REVENUE GAS M$	GROSS REVENUE TOTAL M$
12-31-2018	98.7	0.0	98.7	0.0	0.0	98.7	53.09	0.00	0.000	5,240.0	0.0	0.0	5,240.0
12-31-2019	1,698.0	0.0	1,698.0	0.0	0.0	1,698.0	51.82	0.00	0.000	87,991.1	0.0	0.0	87,991.1
12-31-2020	1,407.3	0.0	1,407.3	0.0	0.0	1,407.3	50.76	0.00	0.000	71,435.5	0.0	0.0	71,435.5
12-31-2021	2,782.5	0.0	2,782.5	0.0	0.0	2,782.5	47.58	0.00	0.000	132,390.4	0.0	0.0	132,390.4
12-31-2022	1,458.4	0.0	1,458.4	0.0	0.0	1,458.4	45.51	0.00	0.000	66,370.6	0.0	0.0	66,370.6
12-31-2023	1,048.0	0.0	1,048.0	0.0	0.0	1,048.0	44.15	0.00	0.000	46,267.1	0.0	0.0	46,267.1
12-31-2024	3,420.7	0.0	3,420.7	0.0	0.0	3,420.7	43.52	0.00	0.000	148,867.6	0.0	0.0	148,867.6
12-31-2025	4,414.1	0.0	4,414.1	0.0	0.0	4,414.1	43.49	0.00	0.000	191,970.2	0.0	0.0	191,970.2
12-31-2026	3,713.5	0.0	3,713.5	0.0	0.0	3,713.5	44.57	0.00	0.000	165,495.2	0.0	0.0	165,495.2
12-31-2027	3,055.8	0.0	3,055.8	0.0	0.0	3,055.8	45.66	0.00	0.000	139,535.2	0.0	0.0	139,535.2
12-31-2028	2,547.6	0.0	2,547.6	0.0	0.0	2,547.6	46.78	0.00	0.000	119,184.2	0.0	0.0	119,184.2
12-31-2029	2,148.6	0.0	2,148.6	0.0	0.0	2,148.6	47.92	0.00	0.000	102,969.3	0.0	0.0	102,969.3
12-31-2030	1,830.5	0.0	1,830.5	0.0	0.0	1,830.5	49.09	0.00	0.000	89,856.3	0.0	0.0	89,856.3
12-31-2031	1,574.3	0.0	1,574.3	0.0	0.0	1,574.3	50.28	0.00	0.000	79,148.0	0.0	0.0	79,148.0
12-31-2032	1,365.0	0.0	1,365.0	0.0	0.0	1,365.0	51.49	0.00	0.000	70,279.4	0.0	0.0	70,279.4
12-31-2033	1,191.7	0.0	1,191.7	0.0	0.0	1,191.7	52.72	0.00	0.000	62,832.9	0.0	0.0	62,832.9
12-31-2034	1,046.7	0.0	1,046.7	0.0	0.0	1,046.7	53.98	0.00	0.000	56,506.6	0.0	0.0	56,506.6
12-31-2035	924.3	0.0	924.3	0.0	0.0	924.3	55.27	0.00	0.000	51,084.2	0.0	0.0	51,084.2
12-31-2036	820.1	0.0	820.1	0.0	0.0	820.1	56.58	0.00	0.000	46,402.8	0.0	0.0	46,402.8
12-31-2037	730.9	0.0	730.9	0.0	0.0	730.9	57.92	0.00	0.000	42,332.5	0.0	0.0	42,332.5
SUBTOTAL	37,276.6	0.0	37,276.6	0.0	0.0	37,276.6	47.65	0.00	0.000	1,776,159.1	0.0	0.0	1,776,159.1
REMAINING	2,246.1	0.0	2,246.1	0.0	0.0	2,246.1	61.21	0.00	0.000	137,490.4	0.0	0.0	137,490.4
TOTAL	39,522.7	0.0	39,522.7	0.0	0.0	39,522.7	48.42	0.00	0.000	1,913,649.6	0.0	0.0	1,913,649.6
CUM PROD	0.0	0.0											
ULTIMATE	39,522.7	0.0											

PERIOD ENDING M-D-Y	NUMBER OF ACTIVE COMPLETIONS GROSS	NUMBER OF ACTIVE COMPLETIONS NET	TAXES PRODUCTION M$	TAXES AD VALOREM M$	NET DEDUCTIONS/EXPENDITURES CAPITAL COST M$	ABDNMNT COST M$	GOVERNMENT ROYALTY M$	OPERATING EXPENSE M$	FUTURE NET REVENUE UNDISC PERIOD M$	DISC AT 10.000% CUM M$
12-31-2018	0	0.0	0.0	0.0	0.0	0.0	274.2	477.8	4,488.0	4,330.5
12-31-2019	0	0.0	0.0	0.0	0.0	0.0	5,948.5	7,999.1	74,043.5	71,668.0
12-31-2020	0	0.0	0.0	0.0	0.0	0.0	6,036.6	7,429.8	57,969.1	119,594.4
12-31-2021	0	0.0	0.0	0.0	0.0	0.0	11,661.1	14,981.9	105,747.4	199,073.8
12-31-2022	0	0.0	0.0	0.0	118,401.9	0.0	5,623.3	7,142.2	-64,796.7	154,800.2
12-31-2023	1	1.0	0.0	0.0	-30,319.5	0.0	3,691.8	5,493.0	67,401.9	196,667.2
12-31-2024	4	4.0	0.0	0.0	44,539.6	0.0	11,825.3	17,109.9	75,392.9	239,240.5
12-31-2025	6	6.0	0.0	0.0	28,643.8	0.0	15,219.9	22,363.5	125,742.9	303,790.7
12-31-2026	6	6.0	0.0	0.0	0.0	0.0	12,154.9	19,608.2	133,732.0	366,201.2
12-31-2027	6	6.0	0.0	0.0	0.0	0.0	9,522.2	16,940.4	113,072.7	414,173.1
12-31-2028	6	6.0	0.0	0.0	0.0	0.0	7,654.5	14,904.1	96,625.6	451,440.4
12-31-2029	6	6.0	0.0	0.0	0.0	0.0	6,282.3	13,311.1	83,375.9	480,674.1
12-31-2030	6	6.0	0.0	0.0	0.0	0.0	5,244.7	12,022.1	72,589.5	503,812.1
12-31-2031	6	6.0	0.0	0.0	0.0	0.0	4,442.8	11,059.4	63,645.8	522,254.9
12-31-2032	6	6.0	0.0	0.0	0.0	0.0	3,809.5	10,219.3	56,250.6	537,073.0
12-31-2033	6	6.0	0.0	0.0	0.0	0.0	3,299.5	9,555.6	49,977.8	549,041.8
12-31-2034	6	6.0	0.0	0.0	0.0	0.0	2,881.7	8,983.1	44,641.8	558,760.8
12-31-2035	6	6.0	0.0	0.0	0.0	0.0	2,554.2	8,505.3	40,024.6	566,682.5
12-31-2036	6	6.0	0.0	0.0	0.0	0.0	2,320.1	8,148.5	35,934.2	573,148.0
12-31-2037	6	6.0	0.0	0.0	0.0	0.0	2,116.6	7,837.8	32,378.1	578,444.0
SUBTOTAL			0.0	0.0	161,265.8	0.0	122,563.8	224,092.1	1,268,237.5	578,444.0
REMAINING			0.0	0.0	0.0	11,845.3	6,874.5	29,141.5	89,629.1	590,627.4
TOTAL OF 23.5 YRS			0.0	0.0	161,265.8	11,845.3	129,438.3	253,233.6	1,357,866.6	590,627.4

PRESENT WORTH PROFILE DISC RATE %	CUM PW M$
0.000	1,357,866.6
5.000	860,079.6
10.000	590,627.4
15.000	432,822.0
20.000	334,091.2
30.000	223,592.0
35.000	191,009.2
40.000	166,722.5
45.000	148,082.0
50.000	133,405.7

BASED ON ESCALATED PRICE AND COST PARAMET
BASE PRICE CASE

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Table IV

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF JUNE 30, 2018

PETROTAL CORP. INTEREST

PROVED + PROBABLE + POSSIBLE UNDEVELOPED RESERVES

CERTAIN OIL PROPERTIES
LOCATED IN BRETAÑA FIELD, BLOCK 95
ONSHORE PERU

PERIOD	GROSS RESERVES		NET RESERVES				AVERAGE PRICES			GROSS REVENUE			
ENDING M-D-Y	OIL MBBL	GAS MMCF	OIL MBBL	NGL MBBL	GAS MMCF	EQUIV MBOE	OIL $/BBL	NGL $/BBL	GAS $/MCF	OIL M$	NGL M$	GAS M$	TOTAL M$
12-31-2018	484.0	0.0	484.0	0.0	0.0	484.0	53.09	0.00	0.000	25,693.2	0.0	0.0	25,693.2
12-31-2019	3,798.2	0.0	3,798.2	0.0	0.0	3,798.2	51.82	0.00	0.000	196,822.8	0.0	0.0	196,822.8
12-31-2020	5,607.7	0.0	5,607.7	0.0	0.0	5,607.7	50.76	0.00	0.000	284,646.6	0.0	0.0	284,646.6
12-31-2021	6,708.9	0.0	6,708.9	0.0	0.0	6,708.9	47.58	0.00	0.000	319,210.3	0.0	0.0	319,210.3
12-31-2022	5,658.7	0.0	5,658.7	0.0	0.0	5,658.7	45.51	0.00	0.000	257,529.7	0.0	0.0	257,529.7
12-31-2023	4,883.1	0.0	4,883.1	0.0	0.0	4,883.1	44.15	0.00	0.000	215,587.9	0.0	0.0	215,587.9
12-31-2024	6,028.0	0.0	6,028.0	0.0	0.0	6,028.0	43.52	0.00	0.000	262,336.6	0.0	0.0	262,336.6
12-31-2025	6,507.1	0.0	6,507.1	0.0	0.0	6,507.1	43.49	0.00	0.000	282,993.5	0.0	0.0	282,993.5
12-31-2026	5,492.9	0.0	5,492.9	0.0	0.0	5,492.9	44.57	0.00	0.000	244,796.0	0.0	0.0	244,796.0
12-31-2027	4,618.3	0.0	4,618.3	0.0	0.0	4,618.3	45.66	0.00	0.000	210,887.1	0.0	0.0	210,887.1
12-31-2028	3,949.0	0.0	3,949.0	0.0	0.0	3,949.0	46.78	0.00	0.000	184,742.3	0.0	0.0	184,742.3
12-31-2029	3,424.5	0.0	3,424.5	0.0	0.0	3,424.5	47.92	0.00	0.000	164,114.8	0.0	0.0	164,114.8
12-31-2030	3,005.3	0.0	3,005.3	0.0	0.0	3,005.3	49.09	0.00	0.000	147,524.3	0.0	0.0	147,524.3
12-31-2031	2,664.5	0.0	2,664.5	0.0	0.0	2,664.5	50.28	0.00	0.000	133,961.0	0.0	0.0	133,961.0
12-31-2032	2,383.4	0.0	2,383.4	0.0	0.0	2,383.4	51.49	0.00	0.000	122,715.6	0.0	0.0	122,715.6
12-31-2033	2,148.5	0.0	2,148.5	0.0	0.0	2,148.5	52.72	0.00	0.000	113,277.6	0.0	0.0	113,277.6
12-31-2034	1,950.0	0.0	1,950.0	0.0	0.0	1,950.0	53.98	0.00	0.000	105,271.3	0.0	0.0	105,271.3
12-31-2035	1,780.6	0.0	1,780.6	0.0	0.0	1,780.6	55.27	0.00	0.000	98,415.2	0.0	0.0	98,415.2
12-31-2036	1,634.7	0.0	1,634.7	0.0	0.0	1,634.7	56.58	0.00	0.000	92,494.7	0.0	0.0	92,494.7
12-31-2037	1,508.0	0.0	1,508.0	0.0	0.0	1,508.0	57.92	0.00	0.000	87,344.0	0.0	0.0	87,344.0
SUBTOTAL	74,235.5	0.0	74,235.5	0.0	0.0	74,235.5	47.83	0.00	0.000	3,550,364.3	0.0	0.0	3,550,364.3
REMAINING	5,046.5	0.0	5,046.5	0.0	0.0	5,046.5	61.28	0.00	0.000	309,233.3	0.0	0.0	309,233.3
TOTAL	79,282.0	0.0	79,282.0	0.0	0.0	79,282.0	48.68	0.00	0.000	3,859,597.6	0.0	0.0	3,859,597.6
CUM PROD	0.0	0.0											
ULTIMATE	79,282.0	0.0											

PERIOD	NUMBER OF ACTIVE COMPLETIONS		NET DEDUCTIONS/EXPENDITURES: TAXES						FUTURE NET REVENUE	
			PRODUCTION	AD VALOREM	CAPITAL COST	ABDNMNT COST	GOVERNMENT ROYALTY	OPERATING EXPENSE	UNDISC PERIOD	DISC AT 10.000% CUM
ENDING M-D-Y	GROSS	NET	M$	M$	M$	M$	M$	M$	M$	M$
12-31-2018	1	1.0	0.0	0.0	21,683.0	0.0	1,296.8	7,341.7	-4,628.3	-4,465.8
12-31-2019	2	2.0	0.0	0.0	67,978.6	0.0	11,519.0	29,950.8	87,374.5	74,995.3
12-31-2020	6	6.0	0.0	0.0	56,351.7	0.0	18,885.4	41,318.0	168,091.4	213,966.1
12-31-2021	11	11.0	0.0	0.0	114,942.1	0.0	22,698.2	48,834.2	132,735.7	313,729.9
12-31-2022	11	11.0	0.0	0.0	129,529.3	0.0	17,143.1	45,696.6	65,160.6	358,252.2
12-31-2023	12	12.0	0.0	0.0	16,134.7	0.0	13,628.3	43,943.1	141,881.9	446,382.8
12-31-2024	15	15.0	0.0	0.0	44,539.6	0.0	17,881.8	51,626.1	148,289.1	530,119.6
12-31-2025	17	17.0	0.0	0.0	28,643.8	0.0	19,876.0	55,158.4	179,315.2	622,171.2
12-31-2026	17	17.0	0.0	0.0	0.0	0.0	16,120.0	51,605.9	177,070.1	704,806.8
12-31-2027	17	17.0	0.0	0.0	0.0	0.0	13,089.7	48,576.3	149,221.0	768,114.9
12-31-2028	17	17.0	0.0	0.0	0.0	0.0	10,932.4	46,388.4	127,421.5	817,259.8
12-31-2029	17	17.0	0.0	0.0	0.0	0.0	9,339.6	44,799.1	109,976.1	855,820.2
12-31-2030	17	17.0	0.0	0.0	0.0	0.0	8,128.1	43,648.6	95,747.6	886,339.8
12-31-2031	17	17.0	0.0	0.0	0.0	0.0	7,183.5	42,873.0	83,904.5	910,653.1
12-31-2032	17	17.0	0.0	0.0	0.0	0.0	6,431.3	42,306.6	73,977.7	930,141.1
12-31-2033	17	17.0	0.0	0.0	0.0	0.0	5,821.7	41,940.1	65,515.8	945,831.0
12-31-2034	17	17.0	0.0	0.0	0.0	0.0	5,319.9	41,733.3	58,218.1	958,505.7
12-31-2035	17	17.0	0.0	0.0	0.0	0.0	4,920.8	41,656.4	51,838.0	968,765.4
12-31-2036	17	17.0	0.0	0.0	0.0	0.0	4,624.7	41,730.5	46,139.5	977,067.1
12-31-2037	17	17.0	0.0	0.0	0.0	0.0	4,367.2	40,736.2	42,240.6	983,976.4
SUBTOTAL			0.0	0.0	479,802.8	0.0	219,207.6	851,863.2	1,999,490.7	983,976.4
REMAINING			0.0	0.0	0.0	58,650.0	15,461.7	163,254.9	71,866.7	995,690.8
TOTAL OF 23.5 YRS			0.0	0.0	479,802.8	58,650.0	234,669.3	1,015,118.1	2,071,357.4	995,690.8

PRESENT WORTH PROFILE	
DISC RATE %	CUM PW M$
0.000	2,071,357.4
5.000	1,387,996.6
10.000	995,690.8
15.000	753,986.1
20.000	595,714.4
30.000	408,179.5
35.000	349,716.8
40.000	304,836.1
45.000	269,506.5
50.000	241,094.7

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

BASED ON ESCALATED PRICE AND COST PARAMET
BASE PRICE CASE

Table V

Table VI

REVENUE, TAXES, AND COSTS (M$)
BRETAÑA FIELD, BLOCK 95, ONSHORE PERU
PETROTAL CORP. INTEREST
AS OF JUNE 30, 2018

BASE PRICE CASE

Category	Company Gross Revenue	Capital Costs	Abandonment and Reclamation Costs	Government Royalty	Operating Costs	Future Net Revenue Before Income Tax		PetroTal Corporate Income Taxes[1]	Future Net Revenue After PetroTal Corporate Income Taxes	
						Discounted at 0%	Discounted at 10%		Discounted at 0%	Discounted at 10%
Proved Undeveloped	714,656.1	198,289.5	31,644.6	36,061.0	298,225.8	150,435.3	93,522.6	48,139.3	102,296.0	63,595.4
Probable Undeveloped	1,231,292.0	120,247.5	15,160.2	69,170.0	463,658.6	563,055.6	311,540.8	180,177.8	382,877.8	211,847.7
Proved + Probable Undeveloped	1,945,948.0	318,537.0	46,804.7	105,231.0	761,884.4	713,490.9	405,063.4	228,317.1	485,173.8	275,443.1
Possible Undeveloped	1,913,649.6	161,265.8	11,845.3	129,438.3	253,233.6	1,357,866.6	590,627.4	434,517.3	923,349.3	401,626.6
Proved + Probable + Possible Undeveloped	3,859,597.6	479,802.8	58,650.0	234,669.3	1,015,118.1	2,071,357.4	995,690.8	662,834.4	1,408,523.1	677,069.8

Totals may not add because of rounding.

[1] The estimated tax rate is 32 percent.

Note: These estimates are a simplification of current tax laws and were not prepared by a tax accountant or attorney.

TECHNICAL DISCUSSION

TECHNICAL DISCUSSION
RESERVES AND PROSPECTIVE RESOURCES
BLOCKS 95 AND 107, ONSHORE PERU
AS OF JUNE 30, 2018

1.0 GENERAL OVERVIEW AND SCOPE OF WORK

Netherland, Sewell & Associates, Inc. has estimated the proved, probable, and possible undeveloped reserves and future revenue, as of June 30, 2018, to the PetroTal Corp. (PetroTal) interest in certain oil properties located in Bretaña Field, Block 95, onshore Peru. We have also estimated the gross (100 percent) prospective resources, as of June 30, 2018, for certain prospects and leads in Blocks 95 and 107. Additional assets owned by PetroTal include Block 133 that is awaiting approval for Environmental Investigation Agency (EIA) seismic acquisition. It is our understanding that PetroTal Corp. owns the interests in these properties. Gross volumes shown in this this Competent Person's Report are 100 percent of the volumes expected to be produced from the properties.

For the purposes of this report, we used technical and economic data including, but not limited to, well logs, geologic maps, seismic data, well test data, historical price and cost information from analogous properties, and property ownership interests. The reserves and prospective resources in this report have been estimated using a combination of deterministic and probabilistic methods; these estimates have been prepared in accordance with generally accepted petroleum engineering and evaluation principles set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers. We used standard engineering and geoscience methods, or a combination of methods, including performance analysis, volumetric analysis, analogy, and reservoir modeling, that we considered to be appropriate and necessary to classify, categorize, and estimate volumes in accordance with the 2018 Petroleum Resources Management System definitions and guidelines. The reserves and prospective resources shown in this report are for undeveloped locations; such volumes are based on estimates of reservoir volumes and recovery efficiencies along with analogy to properties with similar geologic and reservoir characteristics. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, our conclusions necessarily represent only informed professional judgment.

2.0 OVERVIEW OF BLOCKS

The blocks described herein cover approximately 9,000 square kilometers (km^2). PetroTal currently owns interests in three blocks onshore Peru. These blocks include one producing field, two prospects, and four leads. A location map of the blocks in which PetroTal owns an interest is shown in Figure 1. The table below describes the blocks in which PetroTal owns an interest. A more comprehensive table showing license, operator, license expiration date, license area, working interest, status, and comments about the properties is included in Figure 2.

Asset	Operator	PetroTal Working Interest (%)	License Expiration Date	License Area (km^2)
Block 95(1)	PetroTal Corp.	100	2041	3,453
Block 107	PetroTal Corp.	100	2041	2,522
Block 133	PetroTal Corp.	100	2044	3,093

(1) A portion of Bretaña Field in Block 95 extends into a national reserve and must be accessed with directional drilling.

2.1 LICENSE AND FISCAL TERMS

The table below describes PetroTal's license terms, work commitments, and contract terms in Blocks 95, 107, and 133.

Asset	Region	Sliding Scale Royalty (%)	Phase/Term	Phase Work Commitment/ Capital	Relinquishment Penalty	Commercial Contract Term
Block 95	Jungle	5-20	3-year retention period, ending December 2018	1 well/$16.4 million	$5.0 million for abandonment	2041
Block 107	Jungle	5-20	Exploration Period 5, ending June 2021	2 wells/$38.0 million per well	$1.5 million per well	2041
Block 133	Jungle	5-20	Exploration Period 3, 38 months remaining for Periods 3 and 4	1 well or 200 km 2-D seismic/$35 million per well or $42.5 thousand per km	$1.0 million	2044

3.0 BLOCK 95

3.1 OVERVIEW

Block 95 is located onshore in the northern region of Peru, as shown in Figure 1. The block is located along the southeastern flank of the Marañon Basin where the influence of Andean tectonics has been mild relative to other areas in the basin. The Marañon Basin is located adjacent to the Putumayo Basin in Colombia and Oriente Basin in Ecuador. These three basins together form a region referred to as the Putumayo-Oriente-Marañon Province. The province is a large foreland basin that covers approximately 125,000 square miles. Block 95 is in a remote and sparsely populated area of Peru accessed primarily via the Ucayali River. Rainforest flood plains that cover the surface terrain are subject to overflow from the Ucayali River. The northern boundary of the block is defined by the Puinahua Channel that also serves as the southern boundary of the Pacaya-Samiria National Reserve. Historically, oil and gas activity in Block 95 has been minor. With the exception of a significant oil discovery in Bretaña Field, the remainder of the wells were either dry holes or encountered hydrocarbon intervals that were never developed. Bretaña Field and the nearby Envidia Prospect are located along the northern margin of Block 95 and are currently the only structures evaluated. With most of the historical drilling and exploration in Block 95 taking place in the 1970s, there is additional resources potential within the block aided by renewed investigation efforts and the acquisition of more seismic data.

3.2 STRATIGRAPHY AND STRUCTURE

The Cretaceous section has been the main target of historical exploration within Block 95. A stratigraphic column is shown in Figure 3. The Cretaceous section in Block 95 is composed largely of sand-rich sediments starting with the Cushabatay Formation in the Lower Cretaceous. The Raya Formation overlies the Cushabatay and is a marine shale that is also a source rock in some areas, although the Jurassic Pucara Formation is interpreted to be the source in the north of Block 95. The Agua Caliente Formation was deposited after the Raya. In some portions of the basin, the Cushabatay and Agua Caliente are hydrocarbon-bearing sandstone reservoirs although no significant accumulations were discovered in these formations in Block 95. The Upper Cretaceous Vivian Formation, separated from the Agua Caliente by the shale-rich Chonta Formation, is a massive sandstone that is present throughout the Marañon Basin. The

Vivian serves as the reservoir in Bretaña Field while the Chonta is one of the likely source rocks. Porosity within the Vivian generally ranges from 21 to 24 percent.

From a regional perspective, the Marañon Basin is a large monocline that dips to the west. The eastern extent of the basin terminates where Cretaceous and Tertiary sediments onlap against the Guyana Shield. To the west, the basin edge forms as deformation begins to increase along the transgressional Santiago and Huallaga Basins.

Bretaña Field is a large, gently dipping four-way closure that trends in a slight northwest to southeast direction, as shown in Figure 4. The structure is defined by both 2-D and 3-D two-way-time seismic data sets. The Vivian Formation, which is the oil-bearing reservoir, does not produce a consistent seismic reflector across the field. However, the overlying Pozo Sand does produce a consistent seismic reflector across the field. The Pozo Sand is a regionally consistent marker and provides for a reasonably confident structural pick in time. The 3-D seismic data allow for mapping of the southern half of the field. The sparse 2-D lines defining the remainder of the structure result in increased structural uncertainty in the northern part of the field and along the western margin.

The Envidia Prospect is located approximately 5 kilometers (km) to the south of the southern edge of Bretaña Field. This structure is interpreted as a small four-way closure that is located just updip of the Envidia 10-24-4X well, which encountered water in the Vivian Formation, as shown in Figure 5. The 3-D seismic data set ends at the interpreted crest of the structure. The interpretation of the southern extent of the prospect relied upon the 2-D data set.

3.3 HYDROCARBON SOURCE AND MIGRATION

In the northwest Marañon Basin where Bretaña is situated, the key source rock is the Jurassic Pucara Formation. This formation is a laterally extensive marine shale. The kitchen is interpreted to exist some distance to the west where the burial depth is greater because of the regional structural dip. As hydrocarbons were generated and expelled, they migrated updip in an eastward direction and were trapped where structural closures were present. In other areas of the basin, the Chonta Formation is interpreted to be a viable source rock.

3.4 DATA AND METHODOLOGY

PetroTal provided all raw data for this evaluation. For the geologic portion, the pertinent information provided for Bretaña Field and the Envidia Prospect included 2-D and 3-D seismic data in two-way time, well logs, directional surveys, formation tops, core data, and reports. PetroTal, the current operator in Block 95, obtained modular dynamic test (MDT) pressures, core data, and fluid samples while drilling the 2-1XD well to characterize the fluid and reservoir. We built a reservoir simulation model utilizing this information, PetroTal's geologic and simulation models, and the results from the flow and buildup test performed on the 2-1XD ST horizontal sidetrack. A location map with the wells and seismic lines in Block 95 is included in Figure 6.

Bretaña Field is analogous to 16 oil fields that were discovered and developed by Occidental Petroleum and PetroPeru in Blocks 8 and 192 in the 1970s. These fields are on the same geologic trend to the northwest of Block 95. Vivian Formation sandstones form the primary reservoir in these fields with similar oil characteristics, reservoir characteristics, and structural trapping styles as Bretaña Field. These analogous fields provide a guide for production profile modeling, and recovery factors (RF) are predicted to be over 20 percent.

For estimates of reserves, deterministic methods were used based on the structural and petrophysical interpretations. For prospective resources, probabilistic methods were used with ranges for the inputs based on seismic interpretation and analog field data.

3.5 GEOLOGY, GEOPHYSICS, AND PETROPHYSICS

The seismic data were reviewed against existing structural interpretations for each asset. When a discrepancy was identified, changes were made to produce a final interpretation that accurately represents the data. Because the seismic data are in time, the interpretations were converted to depth to generate the final structure maps. Average velocities were calculated at each of the wells based on the depth of the top of the Vivian Formation in the wells and the corresponding time value of the Pozo Sand interpretation at the same location. Because of the gentle structural dip, the manner in which the average velocity points are contoured has an impact on gross rock volume above the oil-water contact (OWC) at 2,609 meters (m) true vertical depth subsea (TVDSS). For this reason, different velocity grids were created to provide low, best, and high depth structure realizations for the Vivian Formation. Each realization maintains structural closure within the oil column for Bretaña Field. The Envidia Prospect is a small closure updip from an existing well and is less subject to sensitivities in depth conversion. Ultimately, the different depth structural interpretations were used along with fluid contacts to define the range of input values for area and thickness to use in original oil-in-place (OOIP) calculations.

For Bretaña Field, log data for the 1-X, 2-1XD, and 3-4-1X wells and core data from the 2-1XD well were evaluated. Log curves for shale volume (V_{sh}), effective porosity (ϕ_e), and water saturation (S_w) were calculated. Net sand was defined as any rock with V_{sh} less than or equal to 40 percent and ϕ_e greater than or equal to 12 percent. Net pay was further discriminated by a S_w cutoff of 65 percent. The Vivian Formation is a thick sand that is present over much of the region. In Bretaña Field, the upper few meters of the Vivian Formation exhibits variable rock quality with lower ϕ_e and higher calculated S_w. However, below that interval the sand is more consistent with a low V_{sh} signature and high ϕ_e. The log and core data are similar with respect to V_{sh} and ϕ_e, although there is a material discrepancy between log-calculated S_w and porous plate measurements from core data. The core data suggest a short transition zone and lower overall S_w, but the log data generally calculate higher S_w and a longer transition from oil to water. The log-based S_w may be affected by factors such as suppressed resistivity due to grain size variation and lower-quality data in the 1-X well because of the vintage of its acquisition. As such, these data are viewed as suitable for a low-case S_w input. While the core data suggest a much more optimistic view of S_w, we have core data for only one well in a very large structure; therefore, this interpretation is considered a high-case S_w input. It is our view that the most likely field-wide average of rock properties lies between the log evaluation and the 1-X well core evaluation. For the Envidia Prospect, reservoir parameter ranges were derived from the Envidia 10-24-4X well with the exception of S_w, which was leveraged from observations of saturations in Bretaña Field.

3.6 ORIGINAL OIL-IN-PLACE

For our deterministic estimates of reserves, we selected representative low, best, and high parameters for net rock volumes, ϕ_e, and S_w. We intend the resulting volumetric OOIP values to represent a reasonable 90 percent confidence level (P90), 50 percent confidence level (P50), and 10 percent confidence level (P10); therefore, rather than include the full range on each parameter, we applied judgment to the input range such that the resulting OOIP values ranged from P90 to P10 rather than a 99 percent confidence level to a 1 percent confidence level.

For our probabilistic estimates of prospective resources, we used ranges of area, thickness, ϕ_e, S_w, and gas expansion factor input into a Monte Carlo simulation model. Estimates of hydrocarbons-in-place were then selected from the resulting probabilistic output.

3.7 RESERVOIR ENGINEERING

The reservoir parameters supplied by PetroTal were reviewed and considered reasonable based on our knowledge of Bretaña Field and other fields in Peru. The ranges of parameters such as ϕ_e, S_w, formation volume factors (FVFs), and RF are based on analogous fields located on the same geologic trend. For

Bretaña Field, the P50 reservoir parameters used are a FVF of 1.08 reservoir barrels per stock tank barrel (RB/STB), ϕ_e of 23 percent, and S_w of 38 percent. For Envidia Prospect, the P50 reservoir parameters used are a FVF of 1.08 RB/STB, ϕ_e of 10 percent, and S_w of 50 percent. As development in these areas matures, the reservoir parameters will be updated to reflect the more current information.

3.8 BRETAÑA FIELD RESERVES

Bretaña Field is located in the north of Block 95, onshore Peru, as shown on the location map in Figure 1. The field itself is a large, gently dipping four-way closure with a northwest-southeast trend. The northern portion of the field underlies the Pacaya-Samiria National Preserve to the north of Block 95. While no surface activity can take place in the preserve, development wells can be drilled directionally from Block 95 to produce hydrocarbons contained in this portion of the field. In 1974, Amoco Corporation drilled the 1-X discovery well that encountered oil within the Upper Cretaceous Vivian Formation and flowed at approximately 800 barrels of 18.5-degree-API oil per day. Log and MDT data suggest an OWC at approximately 2,609 m TVDSS. The Top Vivian Formation depth structure is shown in Figure 4.

Our interpretation indicates that there is communication between each of the Vivian Formation sand intervals and that there are no continuous barriers throughout this depositional system. The reservoir fluid is characterized as an undersaturated, 18.5-degree-API oil that has an oil viscosity of about 28 centipoise and a gas-oil ratio of 25 standard cubic feet of gas to 1 barrel of oil produced. A bottom water aquifer is present below the OWC that will provide a strong drive mechanism for oil production. An oil and water production forecast was determined for each well based on the simulation model.

To date, 5 wells have been drilled in Bretaña Field. In 2012, Gran Tierra Energy Inc. drilled the 2-1XD well in a more central location within the structure and found an OWC that is consistent with the 1-X well. Following the testing of the 2-1XD well, a horizontal sidetrack named 2-1XD ST was drilled southeast along the structure to be able to perform a long-term flow test (LTT). To enable the LTT, the 2-2-1WD was drilled as a water disposal well in 2014, offset from the 2-1XD well; and in 2015, the Bretaña South 3-4-1X appraisal well was drilled on the southern extent of the closure. The 3-4-1X well came in deeper than expected and encountered only a thin oil column but helped to delineate the field area to the south. The northern portion of the field is covered by sparse 2-D seismic lines while the south has more extensive coverage of 2-D and 3-D data, as shown in Figure 6.

Current operations in Bretaña Field have resulted in early time production testing from the field with positive results. The work program is focused on increasing water storage capacity and water injection facilities to allow for full production. Flow tests have shown a water cut of less than 1 percent in June and July and production of 100 barrels of oil per day (BOPD) on a significant choke. The well that was tested was unloaded at a rate of 1,000 BOPD. The current oil export route for Bretaña Field is modeled with oil initially metered in the field before transfer to the barge. Oil is transported by barge to a pump station at San Jose de Saramuro where it is pumped via the Oil Northern pipeline to Bayovar.

The current wells were drilled from Platform L2A, the raised drilling and facilities platform constructed on the floodplain of the Ucayali River. This platform will allow for full development of Bretaña Field from a central location utilizing directional wells to drain the structure. Platform L2A will house power generation and all production facilities for oil and water production, including separation, treatment, water reinjection, oil storage, and offloading to barges for product sales.

In the proved reserves case, 8 horizontal producing wells and 2 water injection wells are estimated to recover approximately 15.3 million barrels of oil that yield a RF of 10 percent.

In the proved plus probable reserves case, the estimated total recoverable oil is approximately 39.8 million barrels of oil that yield a RF of about 12 percent. To develop these reserves, 11 horizontal producing wells and 3 water injection wells will be required. The production wells are spaced approximately 400 m apart with 6 deviated horizontal producing wells along the crest of the structure to the northwest, and 5 deviated horizontal producing wells to the southeast of Platform L2A. The water disposal wells are in close proximity to the vertical wells under the platform. These water disposal wells will inject water into the Vivian Formation below the OWC. Figure 4 presents the proved plus probable reserves development case and well surface locations.

In the proved plus probable plus possible reserves case, 17 horizontal producing wells and 5 water injection wells are estimated to recover approximately 79.3 million barrels of oil that yield a RF of 16 percent. This case uses the proved plus probable reserves case as a starting point and adds 6 additional producing wells to capture bypassed oil 2 years after the initial development.

Figure 7 presents the gross and net reserves and the operator for the properties in this report. Reserves have been estimated using performance analysis, volumetric analysis, and reservoir modeling. A graph of the net projected oil production is shown in Figure 8. We estimate the oil reserves and future net revenue to the PetroTal interest in these properties, as of June 30, 2018, to be:

Category	Oil Reserves(1) (MBBL) Gross	Net	Future Net Revenue(2) (M$) Total	Present Worth at 10%
Proved Undeveloped	15,271.0	15,271.0	150,435.3	93,522.6
Probable Undeveloped	24,488.3	24,488.3	563,055.6	311,540.8
Proved + Probable	39,759.3	39,759.3	713,490.9	405,063.4
Possible Undeveloped	39,522.7	39,522.7	1,357,866.6	590,627.4
Proved + Probable + Possible	79,282.0	79,282.0	2,071,357.4	995,690.8

Totals may not add because of rounding.

(1) PetroTal owns a 100 percent working interest and 100 percent net revenue interest in these properties.
(2) Future net revenue includes deductions for PetroTal's sliding scale government royalty payments.

The oil volumes shown include crude oil only. Oil volumes are expressed in thousands of barrels (MBBL); a barrel is equivalent to 42 United States gallons. No gas market is expected to exist for these properties; therefore, gas reserves have not been estimated for this report. Monetary values shown in this report are expressed in United States dollars ($) or thousands of United States dollars (M$) using the June 30, 2018, United States Federal Reserve exchange rate of $1.3206 per British pound sterling.

The on-site facilities and the planned facility upgrades required to meet the demands of the forecasted production are shown in Figures 9 and 10. It is our understanding that over $13.5 million has been invested for equipment to support long-term testing of current wells in Bretaña Field. Additional capital is scheduled in 2018 for the full development of Bretaña Field, including base camp construction, expansion of oil production facilities, treatment of produced water, and increasing the reinjection capacity. For this evaluation, we have scheduled capital expenditures for facility build-out, according to plans submitted by PetroTal. A summary of PetroTal's investments for the proved, proved plus probable, and proved plus probable plus possible cases is shown in Figure 11. Based on our understanding of future development plans, a review of the records provided to us, and our knowledge of similar properties, we regard these estimated capital costs to be reasonable. The facility investments in the proved case in 2018 and 2019 are for oil and water treatment to support early production operations, extensions to Platform L2A to handle production, and for connections between Platform L2A and the oil treatment facilities. The facility investments in the proved case in 2021 are for upgrades to the water treatment facility to support full production operations. The future facility investments in the proved plus probable and proved plus probable plus possible cases are for upgrades to the central production facility to handle additional water from planned development wells.

3.9 SENSITIVITIES ANALYSIS

As requested, Low and High Price Case sensitivities were prepared. Oil prices for the Low and High Price Cases are 15 percent lower and higher, respectively, than the Base Price Case. Average annual prices for the Low and High Price Cases, before adjustments, along with escalation parameters are shown in the following table:

Period Ending	Oil Price ($/Barrel) Low Price Case	Oil Price ($/Barrel) High Price Case
12-31-2018	67.01	90.66
12-31-2019	63.82	86.34
12-31-2020	59.66	80.71
12-31-2021	56.55	76.51
12-31-2022	54.53	73.77
12-31-2023	53.20	71.97
12-31-2024	52.58	71.14
12-31-2025	52.55	71.10

Thereafter, escalated 2 percent on January 1 of each year.

Summary projections of reserves and revenue by reserves category for the Low and High Price Cases are shown in Figures 12 through 21. A table of revenue, taxes, and costs for the Low and High Price Cases is shown in Figure 22. The future net revenue for each case is shown in the following table:

	Future Net Revenue (M$)		
Category	Base Price Case	Low Price Case	High Price Case
Proved Undeveloped	150,435.3	34,286.7	280,527.7
Probable Undeveloped	563,055.6	345,468.5	768,435.3
Proved + Probable	713,490.9	379,755.2	1,048,963.0
Possible Undeveloped	1,357,866.6	1,030,756.6	1,683,240.1
Proved + Probable + Possible	2,071,357.4	1,410,511.8	2,732,203.1

Totals may not add because of rounding.

3.10 ENVIDIA PROSPECT

The Envidia Prospect is located approximately 5 km to the south of Bretaña Field in Block 95. Based on 2-D data, the Envidia 10-24-4X well was drilled with the expectation that a continuation of the Bretaña structure would be discovered. The well came in high to the OWC observed in Bretaña; however, the Vivian Formation was wet. These results indicated that a structural low exists between Envidia and Bretaña and that any oil had migrated updip and beyond the Envidia well. After the 3-D seismic data were acquired, potential for a structural closure just updip from the Envidia well was identified. This sets up the current

Envidia Prospect. The southern portion of the interpreted closure is still only defined by 2-D seismic, so the biggest risk is the presence of a trap. Structural spill is estimated to be at 2,597 m TVDSS. This well has confirmed reservoir presence and quality, and the existence of Bretaña Field confirms that there is a source and migration pathways into the area.

4.0 BLOCK 107

4.1 OVERVIEW

Block 107 is located in central onshore Peru, as shown in Figure 1. It lies within the southwestern portion of the Ucayali Basin along the sub-Andean foothills where there is complex structural faulting and folding. The Ucayali Basin covers an area greater than 50,000 square miles and is home to a small number of oil and gas discoveries, although one group of gas fields in the basin known as the Camisea Complex is world-class in size. There has been minimal exploration within the basin outside of those fields. Within Block 107, 4 historical wells provide information about the geology and potential hydrocarbon system. The prospect and leads identified in this block are generally set up by structuring that has taken place along the eastern margin of the Eastern Cordillera and the San Matias Thrust system. The 2-D seismic data have been acquired in this region in multiple stages from 1981 to 2015. While additional exploration potential is believed to exist within the block, more seismic data are needed to effectively perform that assessment. The relative positions of the prospect and leads within the block are shown in Figure 24. The expectation is that the first exploration well in Block 107 will be drilled in late 2019 or early 2020. The planned target for this well is the Osheki Prospect that has the most favorable seismic coverage of the Block 107 prospects and leads evaluated to date.

4.2 STRATIGRAPHY AND STRUCTURE

The prospective reservoirs in Block 107 are sandstones in the Cretaceous Vivian, Agua Caliente, and Cushabatay Formations, as shown in the stratigraphic column in Figure 3. The block is located along the western margin of the Cretaceous sediment wedge where it is near its thickest. An extensive marine shale separates each sandstone interval. The Chonta Formation separates the Vivian and Agua Caliente, and the Raya Formation is situated between the Agua Caliente and Cushabatay Formations. Although it is primarily a shale, there is some sand development in the lower portion of the section. Porosity within the prospective reservoirs is estimated to range from approximately 11 to 22 percent based on observations from historical wells.

Block 107 is located within the Pachitea subbasin that is in the southwestern portion of the Ucayali Basin. A major fault system separates the Pachitea subbasin from the Eastern Cordillera to the west. The Shira High serves as the subbasin limit to the east. Between the two margins, the San Matias Thrust cuts through Block 107 in a northwest to southeast direction.

The 2-D seismic data that have been converted from time to depth exist over Block 107 and are the primary tool used to identify the prospect and leads in the central and southern portions of the block. Extensive faulting along the eastern margin of the Eastern Cordillera and the San Matias Thrust system has created structures that serve as potential hydrocarbon traps and hydrocarbon migration pathways. The identified leads in Block 107 are generally structural closures that trap against thrust faulting in the updip direction. In the Osheki Prospect, the coverage of 2-D seismic lines allows for reasonable mapping of the structure and bounding faults. The leads have incomplete seismic coverage, and elements of structural closure or trapping faults is more uncertain.

4.3 HYDROCARBON SOURCE AND MIGRATION

Within the Pachitea subbasin, there are multiple source rocks capable of generating hydrocarbons. Hydrocarbons from local oil seeps at the surface and oil and gas samples from wells within the block have been evaluated in an effort to better understand the source and the likely fluid type if a discovery is made. Studies of the oil seeps have shown similarities with hydrocarbons believed to originate from Cretaceous source rocks. Samples analyzed in nearby wells appear to tie to older sources in the Permian and Devonian, which are prone to oil and condensate generation. The source kitchen is likely located to the west where the sediment wedge thickens and burial depth increases. Migration updip may occur within the source formations until faulting is encountered, and this faulting may serve as the pathways from the source rocks to the reservoirs. If a discovery is made in the prospect or in one of the leads, it is estimated that the most likely fluid type would be light oil and all prospective reservoirs have been evaluated using this assumption. There is a risk that any discovered volumes could be gas.

4.4 DATA AND METHODOLOGY

All raw data for this evaluation were provided by PetroTal. For the geologic portion, the pertinent information provided for the Block 107 leads included 2-D seismic data in depth, well logs from offset wells, and a geochemical study. In addition to the geologic data, PetroTal also supplied reservoir parameters used in the probabilistic modeling. Reservoir engineering data were based on analogous fields. The table below describes the offset wells PetroTal provided for our evaluation. A location map with the wells and seismic lines is included in Figure 23.

Well	Company	Year
Agua Caliente 1X	Ganso Azul	1937
Aguaytia 1X	Mobil	1962
Aguaytia Sur 4XD	Mobil	1962
Chio 1X	Quintana Minerals	1998
Los Angeles 1XST	Cepsa	2013
Neshuya 5-1	Grupo Aleman	1973
Oxapampa 17-C1X	Cerropet	1965
Oxapampa 19-1	Cerropet	1964
Oxapampa 19-2	Cerropet	1965
Oxapampa 7-1	Cerropet	1961
Oxapampa 7-2	Cerropet	1961
Runuya 1X	Hispanoil	1975
San Alejandro 1X	PanEnergy	1998
Zorrillos 1X	Mobil	1961

Block 107 was evaluated for prospective resources only. Probabilistic methods were used with ranges for the inputs based on seismic interpretation and data from offset wells. Because there are limited data in the area, the ranges for inputs were often broad to account for uncertainty in outcomes.

4.5 GEOLOGY, GEOPHYSICS, AND PETROPHYSICS

The 2-D seismic data were reviewed against existing structural interpretations for each prospect and lead. When a discrepancy was identified, changes were made to produce a final interpretation that accurately represents the data. Because each seismic line had been depth converted, there was no need to perform any correction to the interpretations to generate depth structure maps. The quality of the seismic data is favorable over most of the block; however, the coverage is limited. The definition of structural closure and extent of faulting was often derived from interpolation between seismic lines or extrapolation beyond lines.

A single best estimate structure map was generated for each prospective reservoir within each prospect and lead. From each map, a minimum and a maximum area were calculated for input into the probabilistic model to generate OOIP ranges. The minimum area was defined as the minimum mapped structural closure. The maximum area was defined as the maximum mapped structural closure beyond which a potential hydrocarbon accumulation would leak out into the basin.

Log data were evaluated for a number of wells that lie in Block 107 as well as in other fields and discoveries in the basin. The Vivian, Agua Caliente, and Cushabatay Formations were analyzed where present in order to achieve an understanding of potential thickness ranges that may be encountered in the Block 107 leads. Depth structures of each of these formations are shown in Figures 24 through 26. Additionally, ranges of ϕ_e and S_w were based on the offset well data. Net thickness, ϕ_e, and S_w ranges were used in conjunction with the range of areas determined from the seismic mapping as inputs into the probabilistic model.

4.6 ORIGINAL OIL-IN-PLACE

For our probabilistic estimates of prospective resources, we used ranges of area, net thickness, ϕ_e, S_w, and gas expansion factor. These parameters were input in a Monte Carlo simulation model. The data available to characterize the structure of each prospect and lead are limited, so there is generally a large range applied to the area input. Ranges for net thickness, ϕ_e, and S_w were derived from offset well data. The range of each input parameter was designed to appropriately reflect the uncertainty in each prospect and lead. Estimates of hydrocarbons-in-place were then selected from the resulting probabilistic output. Each prospect and lead has been evaluated as a potential oil accumulation. However, there is a chance that some or all may be gas. The risking included in this report does not account for gas.

4.7 RESERVOIR ENGINEERING

The reservoir parameters provided by PetroTal were reviewed and considered reasonable based on our knowledge of other fields in Peru. The reservoir parameters include ϕ_e, S_w, FVF, and RF. For the Vivian Formation, the P50 reservoir parameters used are FVF of 1.08 RB/STB, ϕ_e of 13 percent, and S_w of 50 percent. For the Agua Caliente Formation, the P50 reservoir parameters used are FVF of 1.08 RB/STB, ϕ_e of 10 percent, and S_w of 50 percent. For the Cushabatay Formation, the P50 reservoir parameters used are FVF of 1.15 RB/STB, ϕ_e of 9 percent, and S_w of 50 percent. As development in these areas matures, the reservoir parameters will be updated to reflect more current information. Figure 27 presents the unrisked and risked gross (100 percent) prospective oil resources, the geologic risk factors, and the operator for the properties in this report.

4.8 OSHEKI PROSPECT

The Osheki Prospect is located in the middle of Block 107 and it is the largest, most well-defined prospective structure in the block. The prospective reservoirs are the Vivian, Agua Caliente, and Cushabatay Formations. Osheki is a northwest-to-northeast-trending structure that is approximately 20 km long and 3 km wide. It is bound to the southwest by the San Matias Thrust and to the northeast by the Osheki Fault. There are eight seismic lines that run nearly perpendicular to the axis of the structure which allow for more confident mapping of the reflectors and the faults relative to the leads in the block. Osheki is characterized by two structural highs that sit between the bounding faults. The low estimate scenario of prospective resources assumes that only a portion of the southern structural high is hydrocarbon-filled, while the high estimate scenario of prospective resources fills the whole structure to the spill point. The primary risks are timing, migration, and source. This prospect is scheduled to be drilled in late 2019 or early 2020.

4.9 BLOCK 107 LEADS

4.9.1 Bajo Pozuzo Lead

The Bajo Pozuzo Lead is located along the western edge of Block 107 and extends into Block 133. It is the largest lead in Block 107 in terms of prospective resources estimates. The prospective reservoirs are the Vivian, Agua Caliente, and Cushabatay Formations. The structure is defined by six key 2-D seismic lines. It is broad and shallowly dipping along the crest with dip increasing off-structure. A northeast-to-southwest-trending fault is the interpreted limit of the structure to the north, and the primary trapping fault trends perpendicular to it. Structural dip controls the limits to the east and south. Since there are a limited number of seismic lines that cover Bajo Pozuzo, the primary risk is trap followed by timing and migration.

4.9.2 Constitucion Sur Lead

Constitucion Sur is the easternmost lead in Block 107, and it is also among the smallest leads. The prospective reservoirs are the Vivian, Agua Caliente, and Cushabatay Formations. The structure is defined by three key 2-D seismic lines. It is a gently dipping three-way structure that traps to the west against a north-to-south-trending fault. The primary risks are trap, timing, and migration.

4.9.3 Lead A Lead

Lead A is located in the southwestern portion of the block, and it is the smallest of the leads. The prospective reservoirs are the Vivian, Agua Caliente, and Cushabatay Formations. The structure is defined by only one key 2-D seismic line. Structural dip is to the south, and the trap to the north is an east-to-west-trending fault. The primary risks are trap, timing, and migration.

4.9.4 San Juan Lead

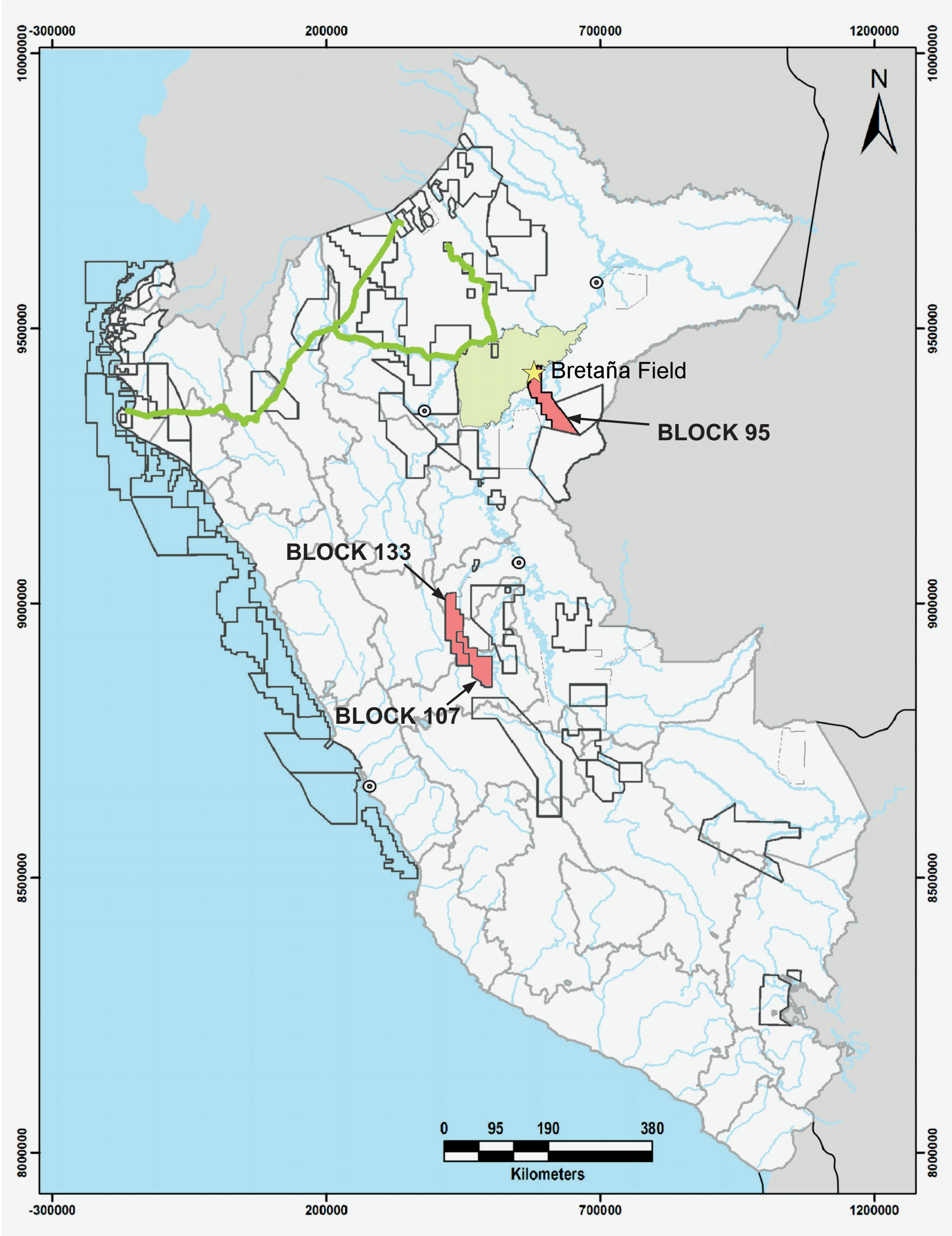
The Sand Juan Lead is located in the northern portion of Block 107, and it is separated from Bajo Pozuzo to the west by a structural saddle. The prospective reservoirs are the Vivian, Agua Caliente, and Cushabatay Formations. The structure is defined by four key 2-D seismic lines, and it is a three-way closure that dips gently to the west. A north-to-south-trending fault serves as the updip trap. The primary risks are trap, timing, and migration.

5.0 BLOCK 133

5.1 OVERVIEW

Block 133 is located to the west and north of Block 107, as shown in Figure 1. Unlike Block 107, there has been no historical exploration on this block and there is essentially no seismic data coverage. As a result of the limited data, no opportunities are currently identified in this block with the exception of a portion of the Bajo Pozuzo lead that appears to extend from Block 107 onto Block 133. The geologic environment is interpreted to be similar to that of Block 107, however, and future exploration efforts are planned. Currently, PetroTal is awaiting approval from the EIA to acquire seismic data in this block. Any future development of the block would be done in conjunction with development in Block 107.

FIGURES



Legend

Pipeline

National Reserve

Blocks 95, 107, and 133
Onshore Peru

Location Map

SCALE IN KILOMETERS
0 125 250 500

Adapted from a figure provided by PetroTal Corp.

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 1

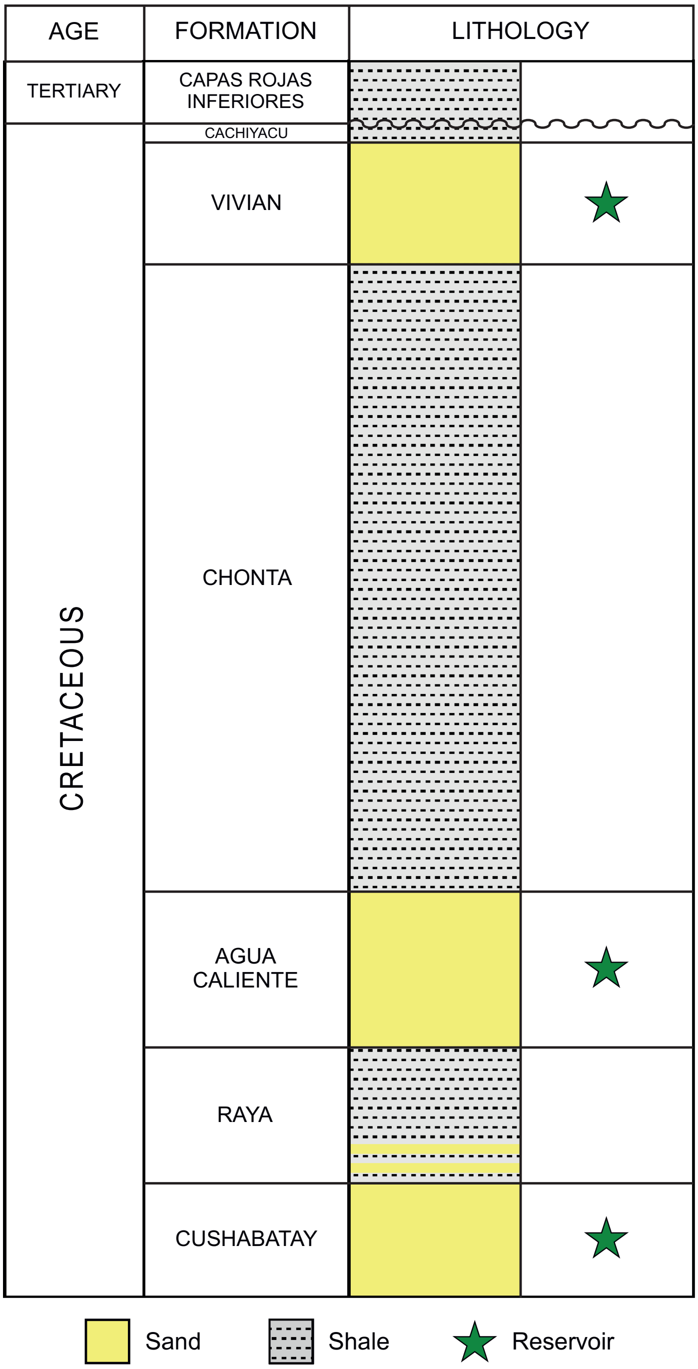
SUMMARY OF ASSETS
LOCATED ONSHORE PERU
PETROTAL CORP.
AS OF JUNE 30, 2018

Asset	Operator	PetroTal Working Interest (%)	Status	License Expiration Date	License Area (km^2)	Comments
Block 95	PetroTal Corp.	100	Exploration	2041	3,453	In a three-year retention period while producing oil on the LTT from the BN 95-2-1XD ST well
Block 107	PetroTal Corp.	100	Exploration	2041	2,522	Expect to drill Osheki exploration prospect in Quarter 4 of 2019 or Quarter 1 of 2020
Block 133	PetroTal Corp.	100	Exploration	2044	3,093	Obtaining EIA permit for seismic acquisition

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

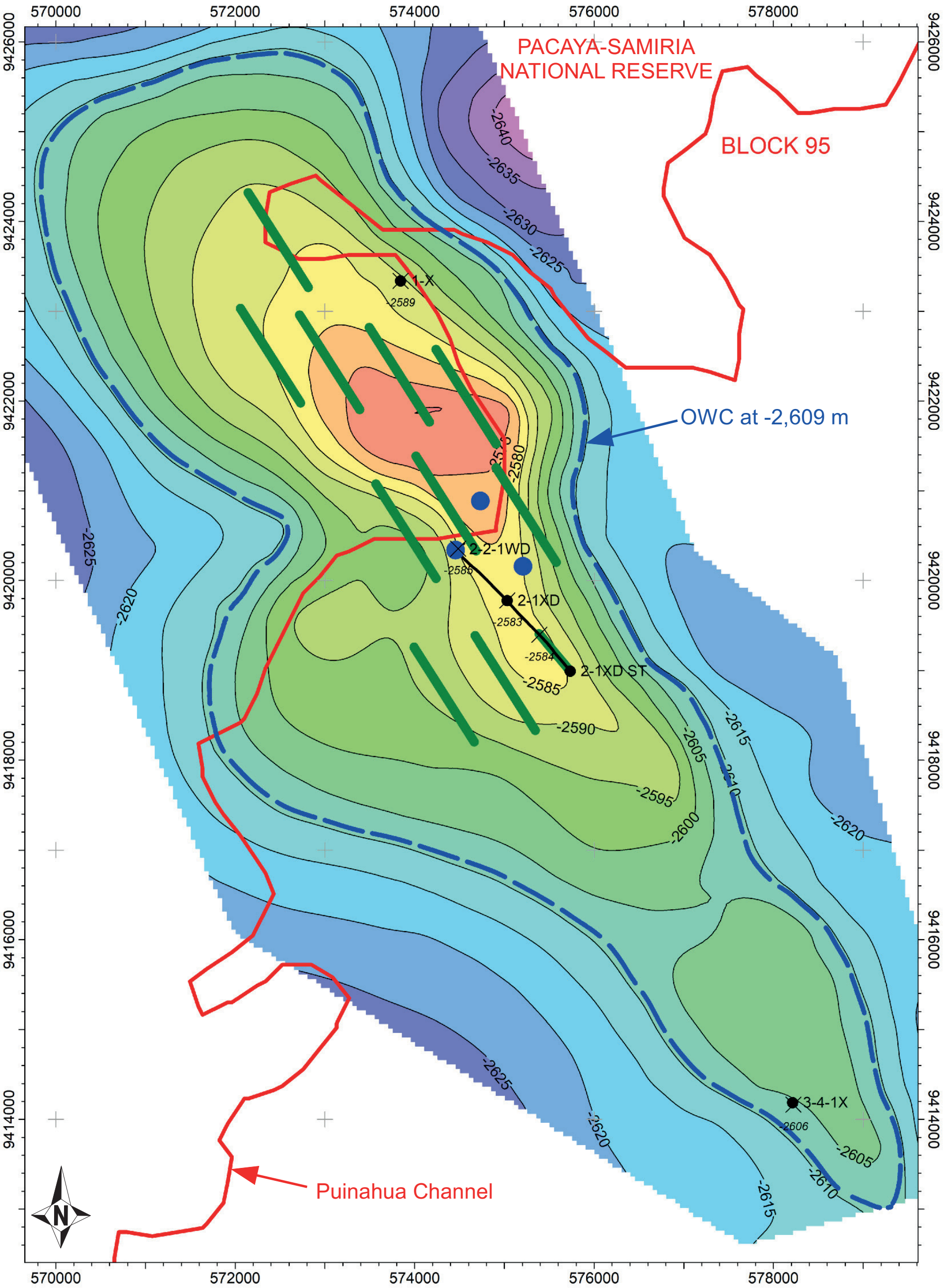
Figure 2

Stratigraphic Column
Blocks 95 and 107
Onshore Peru



All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 3



Legend

- Proved Plus Probable Development Well Location
- Water Disposal Well Location
- Oil Well
- Penetration Point

Bretaña Field
Block 95, Onshore Peru

Depth Structure
Top Vivian Formation

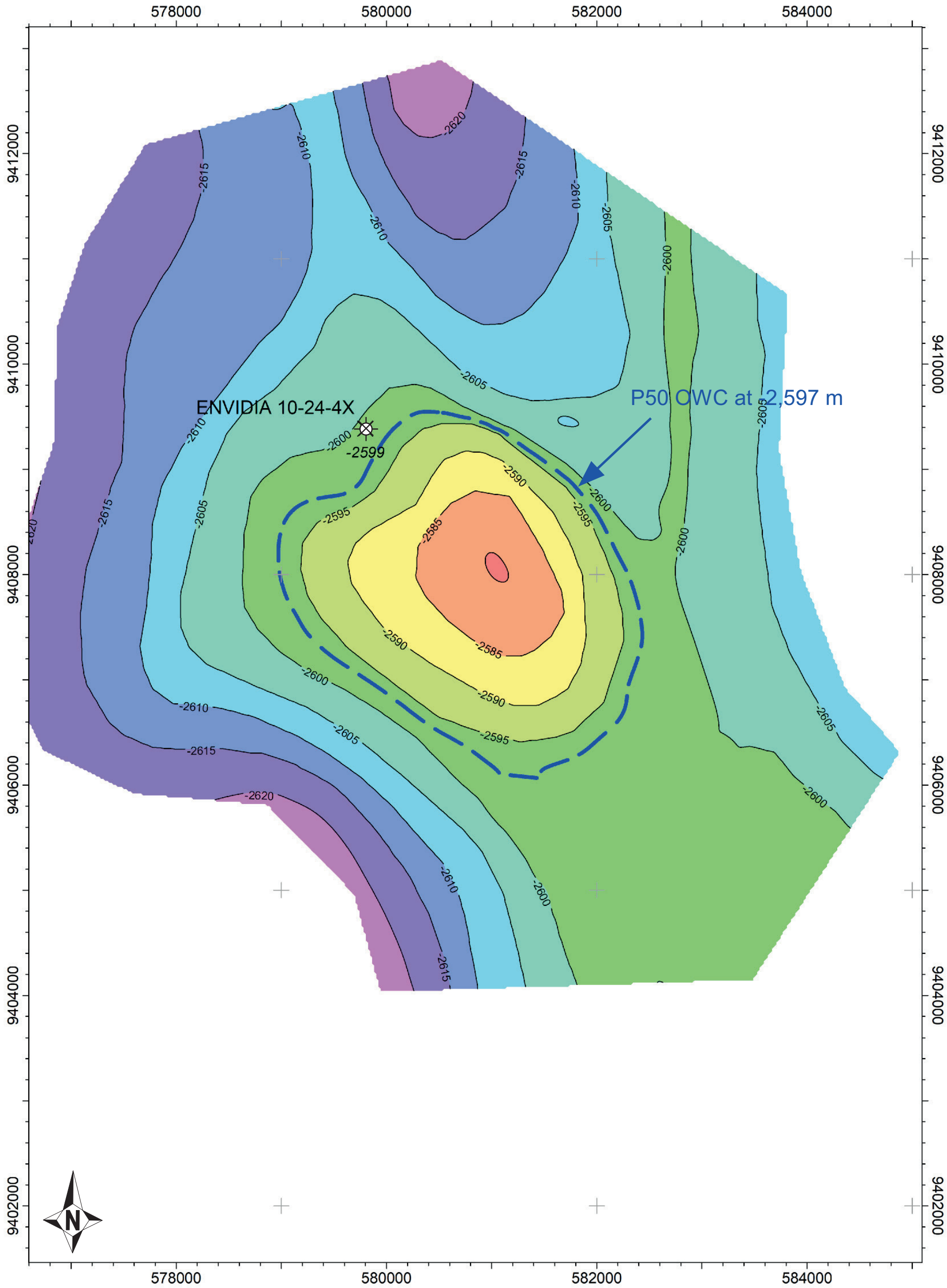
Contour Interval: 5 meters

SCALE IN METERS

0 1,000 2,000 4,000

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 4



Legend
Dry Hole
Penetration Point

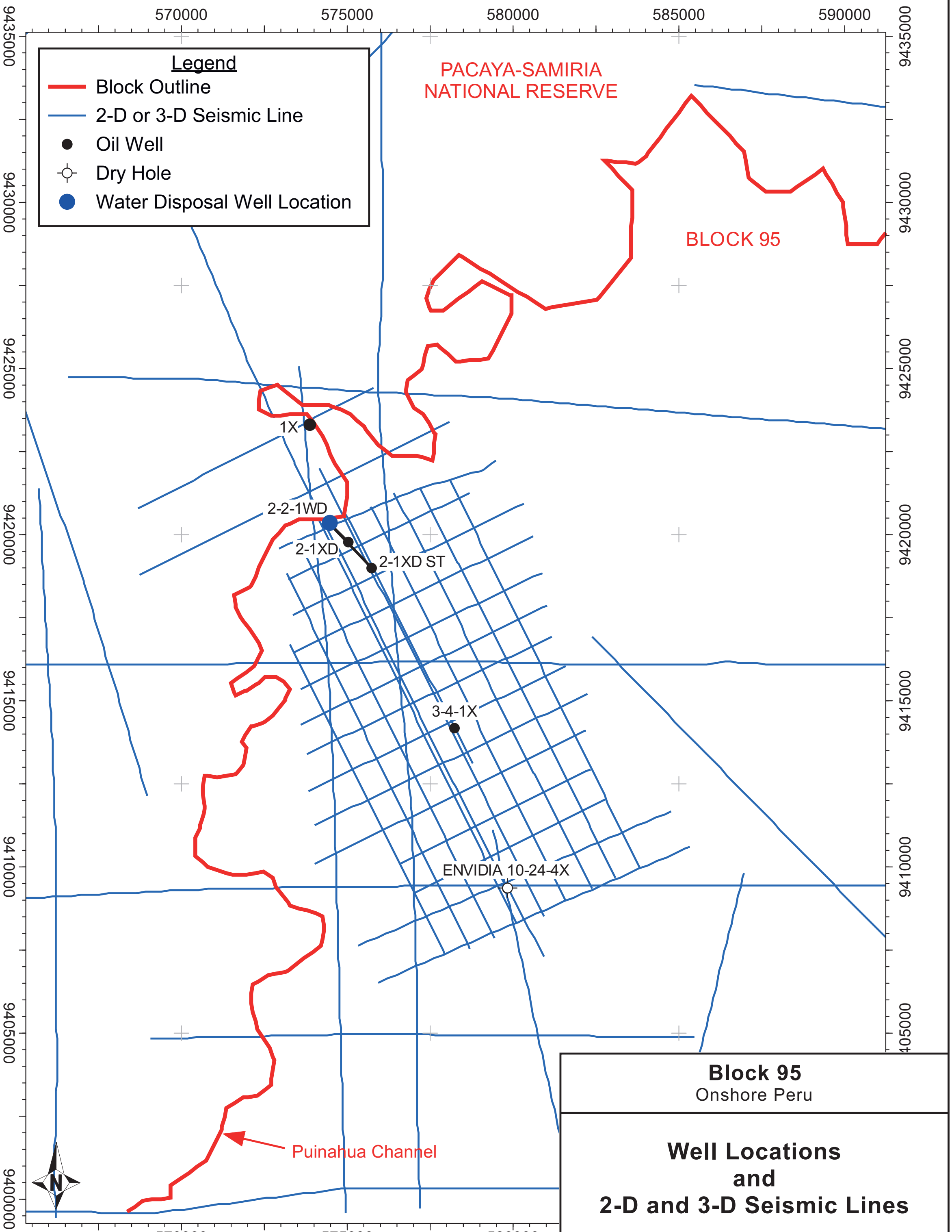
Envidia Prospect
Block 95, Onshore Peru

Depth Structure
Top Vivian Formation

Contour Interval: 5 meters
SCALE IN METERS
0 750 1,500 3,000

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 5



Block 95
Onshore Peru

Well Locations
and
2-D and 3-D Seismic Lines

SCALE IN METERS
0 2,500 5,000 10,000

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 6

SUMMARY OF OIL RESERVES
BRETAÑA FIELD, BLOCK 95, ONSHORE PERU
PETROTAL CORP. INTEREST
AS OF JUNE 30, 2018

	Oil Reserves (MBBL)						
	Gross (100%)			Net			
Area	Proved	Proved + Probable	Proved + Probable + Possible	Proved	Proved + Probable	Proved + Probable + Possible	Operator Name
Bretaña Field, Block 95	15,271.0	39,759.3	79,282.0	15,271.0	39,759.3	79,282.0	PetroTal Corp.

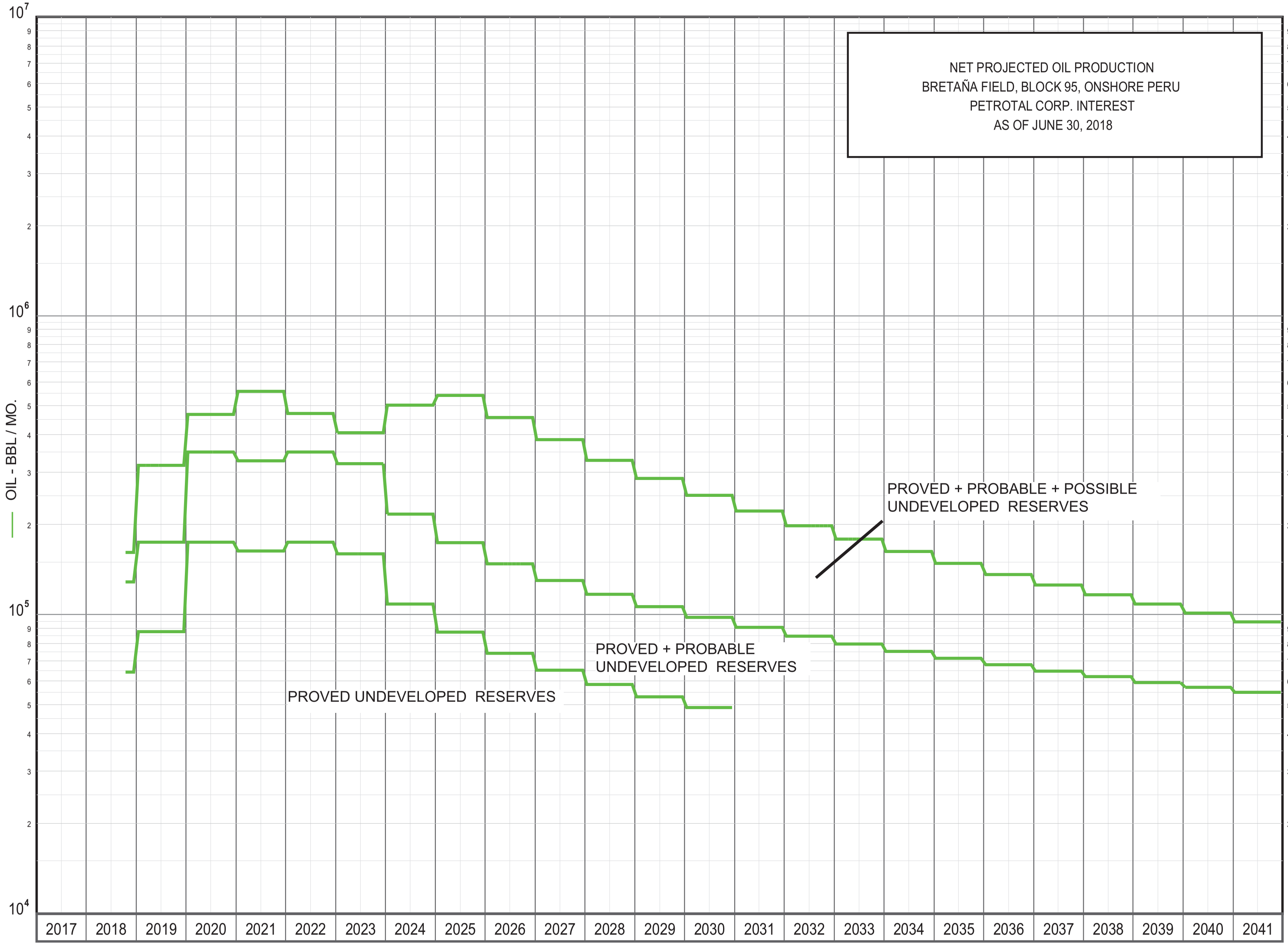
Note: Reserves shown are based on Base Price Case oil prices.

Source: Netherland, Sewell & Associates, Inc.

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 7

NETHERLAND, SEWELL & ASSOCIATES, INC.

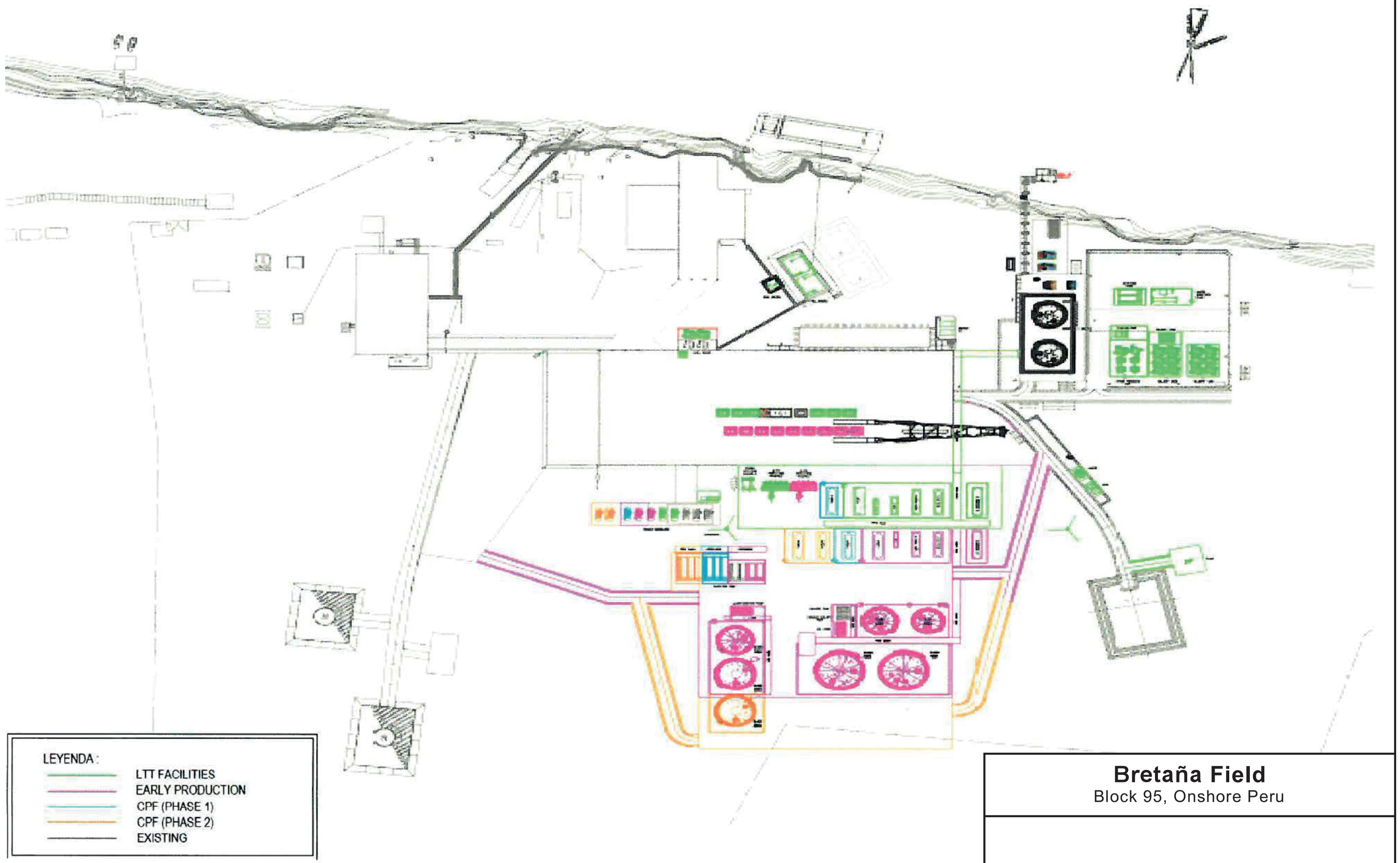


Note: Reserves shown are based on Base Price Case oil prices.

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 8

NETHERLAND, SEWELL & ASSOCIATES, INC.



Bretaña Field
Block 95, Onshore Peru

Conceptual Full Field Development Schematic

Figure provided by PetroTal Corp.

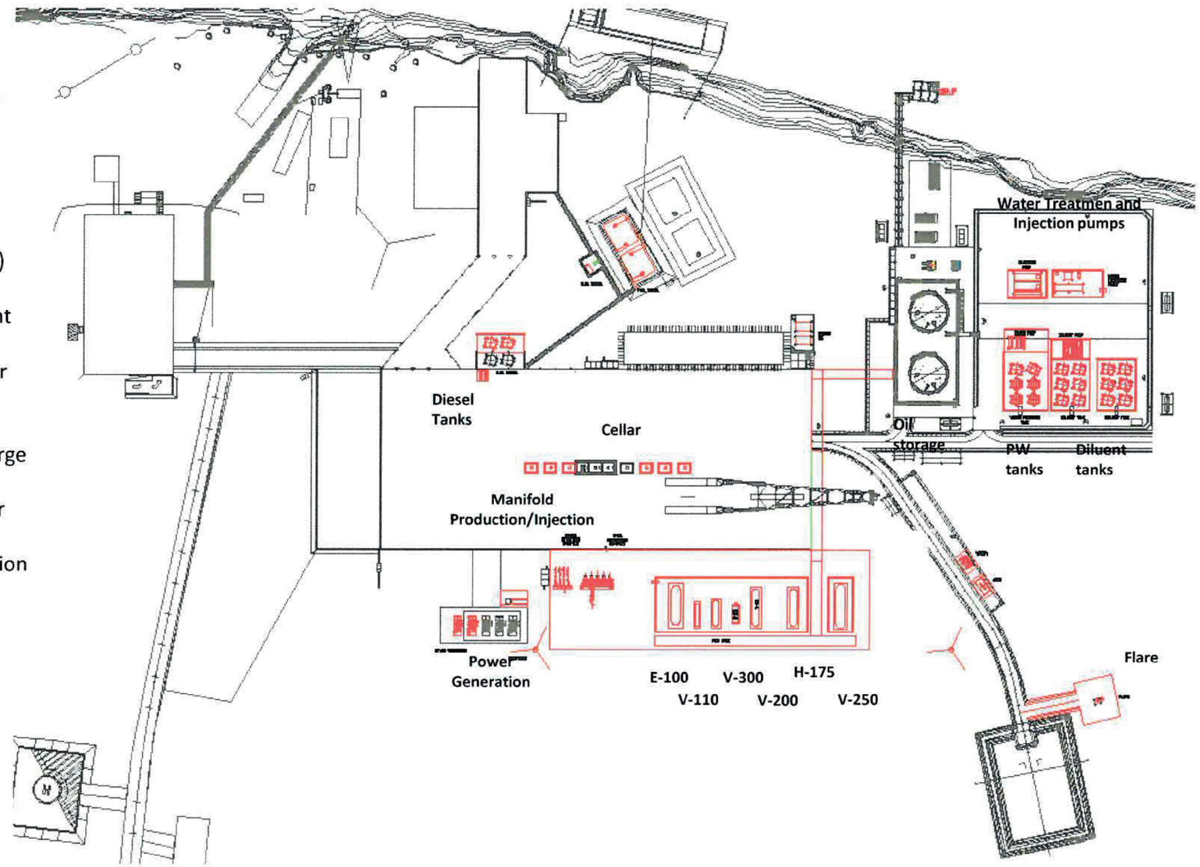
All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 9

Equipment:
- Production/Injection Manifold
- E-100 Crude Heat Exchanger
- H-175 Crude Heater
- V-110 Production Separator (Tri-Phase)
- E-150 Crude Cooler
- 12EA – 500bls Diluent Tanks.
- 6EA- 450bls Producer Water Tanks
- Power Generator .
- P-001A/B Crude Charge Pump
- V-200 Heater Treater
- V-250 Desalter.
- 02EA- 5kbwpd Injection Pump.
- 06EA-Cellar.
- Flare Stack

Existing

Remaining



Bretaña Field
Block 95, Onshore Peru

Conceptual LTT Facilities Schematic

Figure provided by PetroTal Corp.

Figure 10

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

SUMMARY OF INVESTMENTS
BRETAÑA FIELD, BLOCK 95, ONSHORE PERU
PETROTAL CORP. INTEREST
AS OF JUNE 30, 2018

	Well Count		Capital Investments (M$)			
Reserves Category/Year	Production	Water Disposal	EIA	Drilling	Facilities	Total
Proved						
2018	0	0	1,300.0	0.0	20,383.0	21,683.0
2019	1	1	700.0	26,675.7	18,980.5	46,356.2
2020	4	0	0.0	54,163.5	0.0	54,163.5
2021	2	0	0.0	26,687.6	42,075.0	68,762.6
Proved + Probable						
2018	0	0	1,300.0	0.0	20,383.0	21,683.0
2019	1	1	700.0	26,675.7	39,270.0	66,645.7
2020	4	0	0.0	54,163.5	0.0	54,163.5
2021	5	0	0.0	66,237.5	42,075.0	108,312.5
2022	0	1	0.0	10,280.0	0.0	10,280.0
2023	0	0	0.0	0.0	42,075.0	42,075.0
Proved + Probable + Possible						
2018	0	0	1,300.0	0.0	20,383.0	21,683.0
2019	1	1	700.0	26,675.7	39,270.0	66,645.7
2020	4	0	0.0	54,163.5	0.0	54,163.5
2021	5	0	0.0	66,237.5	42,075.0	108,312.5
2022	0	3	0.0	30,840.1	88,825.0	119,665.1
2023	1	0	0.0	14,613.7	0.0	14,613.7
2024	3	0	0.0	39,549.8	0.0	39,549.8
2025	2	0	0.0	24,936.2	0.0	24,936.2

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 11

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF JUNE 30, 2018

PETROTAL CORP. INTEREST

PROVED UNDEVELOPED RESERVES

CERTAIN OIL PROPERTIES
LOCATED IN BRETAÑA FIELD, BLOCK 95
ONSHORE PERU

PERIOD ENDING M-D-Y	GROSS RESERVES OIL MBBL	GROSS RESERVES GAS MMCF	NET RESERVES OIL MBBL	NET RESERVES NGL MBBL	NET RESERVES GAS MMCF	NET RESERVES EQUIV MBOE	AVERAGE PRICES OIL $/BBL	AVERAGE PRICES NGL $/BBL	AVERAGE PRICES GAS $/MCF	GROSS REVENUE OIL M$	GROSS REVENUE NGL M$	GROSS REVENUE GAS M$	GROSS REVENUE TOTAL M$
12-31-2018	192.6	0.0	192.6	0.0	0.0	192.6	42.80	0.00	0.000	8,244.5	0.0	0.0	8,244.5
12-31-2019	1,050.1	0.0	1,050.1	0.0	0.0	1,050.1	42.02	0.00	0.000	44,124.9	0.0	0.0	44,124.9
12-31-2020	2,100.2	0.0	2,100.2	0.0	0.0	2,100.2	41.60	0.00	0.000	87,367.8	0.0	0.0	87,367.8
12-31-2021	1,963.2	0.0	1,963.2	0.0	0.0	1,963.2	38.90	0.00	0.000	76,369.2	0.0	0.0	76,369.2
12-31-2022	2,100.2	0.0	2,100.2	0.0	0.0	2,100.2	37.14	0.00	0.000	78,001.0	0.0	0.0	78,001.0
12-31-2023	1,917.6	0.0	1,917.6	0.0	0.0	1,917.6	35.98	0.00	0.000	68,993.9	0.0	0.0	68,993.9
12-31-2024	1,303.6	0.0	1,303.6	0.0	0.0	1,303.6	35.45	0.00	0.000	46,214.1	0.0	0.0	46,214.1
12-31-2025	1,046.5	0.0	1,046.5	0.0	0.0	1,046.5	35.42	0.00	0.000	37,066.5	0.0	0.0	37,066.5
12-31-2026	889.7	0.0	889.7	0.0	0.0	889.7	36.33	0.00	0.000	32,326.9	0.0	0.0	32,326.9
12-31-2027	781.3	0.0	781.3	0.0	0.0	781.3	37.27	0.00	0.000	29,116.2	0.0	0.0	29,116.2
12-31-2028	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.000	0.0	0.0	0.0	0.0
12-31-2029	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.000	0.0	0.0	0.0	0.0
SUBTOTAL	13,345.0	0.0	13,345.0	0.0	0.0	13,345.0	38.05	0.00	0.000	507,825.0	0.0	0.0	507,825.0
REMAINING	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.000	0.0	0.0	0.0	0.0
TOTAL	13,345.0	0.0	13,345.0	0.0	0.0	13,345.0	38.05	0.00	0.000	507,825.0	0.0	0.0	507,825.0
CUM PROD	0.0	0.0											
ULTIMATE	13,345.0	0.0											

PERIOD ENDING M-D-Y	NUMBER OF ACTIVE COMPLETIONS GROSS	NUMBER OF ACTIVE COMPLETIONS NET	TAXES PRODUCTION M$	TAXES AD VALOREM M$	NET DEDUCTIONS/EXPENDITURES CAPITAL COST M$	ABDNMNT COST M$	GOVERNMENT ROYALTY M$	OPERATING EXPENSE M$	FUTURE NET REVENUE UNDISC PERIOD M$	FUTURE NET REVENUE DISC AT 10.000% CUM M$
12-31-2018	1	1.0	0.0	0.0	21,683.0	0.0	412.2	5,786.3	-19,637.0	-18,947.9
12-31-2019	2	2.0	0.0	0.0	47,283.3	0.0	2,206.2	16,422.5	-21,787.1	-38,761.8
12-31-2020	6	6.0	0.0	0.0	56,351.7	0.0	4,471.9	21,994.1	4,550.1	-35,000.0
12-31-2021	8	8.0	0.0	0.0	72,971.5	0.0	3,863.7	22,477.9	-22,943.9	-52,244.5
12-31-2022	8	8.0	0.0	0.0	0.0	0.0	3,992.4	26,188.3	47,820.2	-19,570.4
12-31-2023	8	8.0	0.0	0.0	0.0	0.0	3,476.9	26,262.1	39,254.9	4,813.0
12-31-2024	8	8.0	0.0	0.0	0.0	0.0	2,310.7	25,791.5	18,111.9	15,040.5
12-31-2025	8	8.0	0.0	0.0	0.0	0.0	1,853.3	25,095.4	10,117.8	20,234.5
12-31-2026	8	8.0	0.0	0.0	0.0	0.0	1,616.3	24,879.8	5,830.8	22,955.6
12-31-2027	8	8.0	0.0	0.0	0.0	0.0	1,455.8	24,872.0	2,788.4	24,138.6
12-31-2028	0	0.0	0.0	0.0	0.0	8,865.4	0.0	0.0	-8,865.4	20,866.7
12-31-2029	0	0.0	0.0	0.0	0.0	20,954.0	0.0	0.0	-20,954.0	13,836.4
SUBTOTAL			0.0	0.0	198,289.5	29,819.4	25,659.5	219,769.9	34,286.7	13,836.4
REMAINING			0.0	0.0	0.0	0.0	0.0	0.0	0.0	13,836.4
TOTAL OF 9.5 YRS			0.0	0.0	198,289.5	29,819.4	25,659.5	219,769.9	34,286.7	13,836.4

PRESENT WORTH PROFILE

DISC RATE %	CUM PW M$
0.000	34,286.7
5.000	23,528.7
10.000	13,836.4
15.000	5,709.6
20.000	-873.3
30.000	-10,232.7
35.000	-13,458.4
40.000	-15,970.4
45.000	-17,918.0
50.000	-19,420.4

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

BASED ON ESCALATED PRICE AND COST PARAMET
LOW PRICE CASE

Figure 12

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF JUNE 30, 2018

PROBABLE UNDEVELOPED RESERVES

PETROTAL CORP. INTEREST

CERTAIN OIL PROPERTIES
LOCATED IN BRETAÑA FIELD, BLOCK 95
ONSHORE PERU

PERIOD ENDING M-D-Y	GROSS RESERVES OIL MBBL	GROSS RESERVES GAS MMCF	NET RESERVES OIL MBBL	NET RESERVES NGL MBBL	NET RESERVES GAS MMCF	NET RESERVES EQUIV MBOE	AVERAGE PRICES OIL $/BBL	AVERAGE PRICES NGL $/BBL	AVERAGE PRICES GAS $/MCF	GROSS REVENUE OIL M$	GROSS REVENUE NGL M$	GROSS REVENUE GAS M$	GROSS REVENUE TOTAL M$
12-31-2018	192.6	0.0	192.6	0.0	0.0	192.6	42.80	0.00	0.000	8,244.5	0.0	0.0	8,244.5
12-31-2019	1,050.1	0.0	1,050.1	0.0	0.0	1,050.1	42.02	0.00	0.000	44,124.9	0.0	0.0	44,124.9
12-31-2020	2,100.2	0.0	2,100.2	0.0	0.0	2,100.2	41.60	0.00	0.000	87,367.8	0.0	0.0	87,367.8
12-31-2021	1,963.2	0.0	1,963.2	0.0	0.0	1,963.2	38.90	0.00	0.000	76,369.2	0.0	0.0	76,369.2
12-31-2022	2,100.2	0.0	2,100.2	0.0	0.0	2,100.2	37.14	0.00	0.000	78,001.0	0.0	0.0	78,001.0
12-31-2023	1,917.6	0.0	1,917.6	0.0	0.0	1,917.6	35.98	0.00	0.000	68,993.9	0.0	0.0	68,993.9
12-31-2024	1,303.6	0.0	1,303.6	0.0	0.0	1,303.6	35.45	0.00	0.000	46,214.1	0.0	0.0	46,214.1
12-31-2025	1,046.5	0.0	1,046.5	0.0	0.0	1,046.5	35.42	0.00	0.000	37,066.5	0.0	0.0	37,066.5
12-31-2026	889.7	0.0	889.7	0.0	0.0	889.7	36.33	0.00	0.000	32,326.9	0.0	0.0	32,326.9
12-31-2027	781.3	0.0	781.3	0.0	0.0	781.3	37.27	0.00	0.000	29,116.2	0.0	0.0	29,116.2
12-31-2028	1,401.3	0.0	1,401.3	0.0	0.0	1,401.3	38.22	0.00	0.000	53,557.1	0.0	0.0	53,557.1
12-31-2029	1,275.9	0.0	1,275.9	0.0	0.0	1,275.9	39.19	0.00	0.000	50,000.3	0.0	0.0	50,000.3
12-31-2030	1,174.8	0.0	1,174.8	0.0	0.0	1,174.8	40.18	0.00	0.000	47,200.8	0.0	0.0	47,200.8
12-31-2031	1,090.2	0.0	1,090.2	0.0	0.0	1,090.2	41.19	0.00	0.000	44,904.8	0.0	0.0	44,904.8
12-31-2032	1,018.4	0.0	1,018.4	0.0	0.0	1,018.4	42.22	0.00	0.000	42,995.6	0.0	0.0	42,995.6
12-31-2033	956.8	0.0	956.8	0.0	0.0	956.8	43.27	0.00	0.000	41,398.1	0.0	0.0	41,398.1
12-31-2034	903.3	0.0	903.3	0.0	0.0	903.3	44.34	0.00	0.000	40,052.7	0.0	0.0	40,052.7
12-31-2035	856.4	0.0	856.4	0.0	0.0	856.4	45.43	0.00	0.000	38,906.7	0.0	0.0	38,906.7
12-31-2036	814.6	0.0	814.6	0.0	0.0	814.6	46.55	0.00	0.000	37,918.0	0.0	0.0	37,918.0
12-31-2037	777.1	0.0	777.1	0.0	0.0	777.1	47.68	0.00	0.000	37,057.6	0.0	0.0	37,057.6
SUBTOTAL	23,613.9	0.0	23,613.9	0.0	0.0	23,613.9	39.88	0.00	0.000	941,816.7	0.0	0.0	941,816.7
REMAINING	2,141.1	0.0	2,141.1	0.0	0.0	2,141.1	50.00	0.00	0.000	107,058.0	0.0	0.0	107,058.0
TOTAL	25,755.0	0.0	25,755.0	0.0	0.0	25,755.0	40.73	0.00	0.000	1,048,874.8	0.0	0.0	1,048,874.8
CUM PROD	0.0	0.0											
ULTIMATE	25,755.0	0.0											

PERIOD ENDING M-D-Y	NUMBER OF ACTIVE COMPLETIONS GROSS	NUMBER OF ACTIVE COMPLETIONS NET	NET DEDUCTIONS/EXPENDITURES TAXES PRODUCTION M$	TAXES AD VALOREM M$	CAPITAL COST M$	ABDNMNT COST M$	GOVERNMENT ROYALTY M$	OPERATING EXPENSE M$	FUTURE NET REVENUE UNDISC PERIOD M$	DISC AT 10.000% CUM M$
12-31-2018	0	0.0	0.0	0.0	0.0	0.0	412.2	1,077.5	6,754.7	6,517.7
12-31-2019	0	0.0	0.0	0.0	20,695.3	0.0	2,310.8	5,529.2	15,589.7	20,695.5
12-31-2020	0	0.0	0.0	0.0	0.0	0.0	6,058.3	11,894.1	69,415.4	78,085.2
12-31-2021	3	3.0	0.0	0.0	41,970.6	0.0	5,159.9	11,374.4	17,864.2	91,511.8
12-31-2022	3	3.0	0.0	0.0	11,127.4	0.0	5,408.8	12,366.2	49,098.6	125,059.5
12-31-2023	3	3.0	0.0	0.0	46,454.2	0.0	4,620.8	12,188.1	5,730.8	128,619.2
12-31-2024	3	3.0	0.0	0.0	0.0	0.0	2,622.8	8,724.7	34,866.7	148,307.9
12-31-2025	3	3.0	0.0	0.0	0.0	0.0	1,938.8	7,699.5	27,428.2	162,388.2
12-31-2026	3	3.0	0.0	0.0	0.0	0.0	1,616.3	7,117.9	23,592.6	173,398.5
12-31-2027	3	3.0	0.0	0.0	0.0	0.0	1,455.8	6,763.9	20,896.5	182,264.0
12-31-2028	11	11.0	0.0	0.0	0.0	-8,865.4	2,677.9	31,484.3	28,260.3	193,016.3
12-31-2029	11	11.0	0.0	0.0	0.0	-20,954.0	2,500.0	31,488.0	36,966.3	205,660.9
12-31-2030	11	11.0	0.0	0.0	0.0	0.0	2,360.0	31,626.4	13,214.3	209,873.0
12-31-2031	11	11.0	0.0	0.0	0.0	0.0	2,245.2	31,813.6	10,845.9	213,015.9
12-31-2032	11	11.0	0.0	0.0	0.0	0.0	2,149.8	32,087.4	8,758.4	215,323.1
12-31-2033	11	11.0	0.0	0.0	0.0	0.0	2,069.9	32,384.5	6,943.7	216,986.0
12-31-2034	11	11.0	0.0	0.0	0.0	0.0	2,002.6	32,750.1	5,300.0	218,139.9
12-31-2035	11	11.0	0.0	0.0	0.0	0.0	1,945.3	33,151.1	3,810.3	218,894.0
12-31-2036	11	11.0	0.0	0.0	0.0	0.0	1,895.9	33,582.0	2,440.2	219,333.1
12-31-2037	11	11.0	0.0	0.0	0.0	0.0	1,852.9	32,898.4	2,306.3	219,710.3
SUBTOTAL			0.0	0.0	120,247.5	-29,819.4	53,304.0	408,001.2	390,083.4	219,710.3
REMAINING			0.0	0.0	0.0	45,887.0	5,352.9	100,433.0	-44,614.9	215,282.6
TOTAL OF 22.5 YRS			0.0	0.0	120,247.5	16,067.6	58,656.9	508,434.2	345,468.5	215,282.6

PRESENT WORTH PROFILE

DISC RATE %	CUM PW M$
0.000	345,468.5
5.000	271,515.9
10.000	215,282.6
15.000	174,905.5
20.000	145,793.8
30.000	108,072.9
35.000	95,434.5
40.000	85,373.2
45.000	77,194.9
50.000	70,426.6

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

BASED ON ESCALATED PRICE AND COST PARAMET
LOW PRICE CASE

Figure 13

NETHERLAND, SEWELL & ASSOCIATES, INC.

PETROTAL CORP. INTEREST

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF JUNE 30, 2018

PROVED + PROBABLE UNDEVELOPED RESERVES

CERTAIN OIL PROPERTIES
LOCATED IN BRETAÑA FIELD, BLOCK 95
ONSHORE PERU

PERIOD	GROSS RESERVES		NET RESERVES				AVERAGE PRICES			GROSS REVENUE			
ENDING M-D-Y	OIL MBBL	GAS MMCF	OIL MBBL	NGL MBBL	GAS MMCF	EQUIV MBOE	OIL $/BBL	NGL $/BBL	GAS $/MCF	OIL M$	NGL M$	GAS M$	TOTAL M$
12-31-2018	385.3	0.0	385.3	0.0	0.0	385.3	42.80	0.00	0.000	16,489.0	0.0	0.0	16,489.0
12-31-2019	2,100.2	0.0	2,100.2	0.0	0.0	2,100.2	42.02	0.00	0.000	88,249.9	0.0	0.0	88,249.9
12-31-2020	4,200.4	0.0	4,200.4	0.0	0.0	4,200.4	41.60	0.00	0.000	174,735.6	0.0	0.0	174,735.6
12-31-2021	3,926.4	0.0	3,926.4	0.0	0.0	3,926.4	38.90	0.00	0.000	152,738.4	0.0	0.0	152,738.4
12-31-2022	4,200.4	0.0	4,200.4	0.0	0.0	4,200.4	37.14	0.00	0.000	156,001.9	0.0	0.0	156,001.9
12-31-2023	3,835.1	0.0	3,835.1	0.0	0.0	3,835.1	35.98	0.00	0.000	137,987.8	0.0	0.0	137,987.8
12-31-2024	2,607.3	0.0	2,607.3	0.0	0.0	2,607.3	35.45	0.00	0.000	92,428.2	0.0	0.0	92,428.2
12-31-2025	2,093.0	0.0	2,093.0	0.0	0.0	2,093.0	35.42	0.00	0.000	74,133.0	0.0	0.0	74,133.0
12-31-2026	1,779.4	0.0	1,779.4	0.0	0.0	1,779.4	36.33	0.00	0.000	64,653.7	0.0	0.0	64,653.7
12-31-2027	1,562.6	0.0	1,562.6	0.0	0.0	1,562.6	37.27	0.00	0.000	58,232.5	0.0	0.0	58,232.5
12-31-2028	1,401.3	0.0	1,401.3	0.0	0.0	1,401.3	38.22	0.00	0.000	53,557.1	0.0	0.0	53,557.1
12-31-2029	1,275.9	0.0	1,275.9	0.0	0.0	1,275.9	39.19	0.00	0.000	50,000.3	0.0	0.0	50,000.3
12-31-2030	1,174.8	0.0	1,174.8	0.0	0.0	1,174.8	40.18	0.00	0.000	47,200.8	0.0	0.0	47,200.8
12-31-2031	1,090.2	0.0	1,090.2	0.0	0.0	1,090.2	41.19	0.00	0.000	44,904.8	0.0	0.0	44,904.8
12-31-2032	1,018.4	0.0	1,018.4	0.0	0.0	1,018.4	42.22	0.00	0.000	42,995.6	0.0	0.0	42,995.6
12-31-2033	956.8	0.0	956.8	0.0	0.0	956.8	43.27	0.00	0.000	41,398.1	0.0	0.0	41,398.1
12-31-2034	903.3	0.0	903.3	0.0	0.0	903.3	44.34	0.00	0.000	40,052.7	0.0	0.0	40,052.7
12-31-2035	856.4	0.0	856.4	0.0	0.0	856.4	45.43	0.00	0.000	38,906.7	0.0	0.0	38,906.7
12-31-2036	814.6	0.0	814.6	0.0	0.0	814.6	46.55	0.00	0.000	37,918.0	0.0	0.0	37,918.0
12-31-2037	777.1	0.0	777.1	0.0	0.0	777.1	47.68	0.00	0.000	37,057.6	0.0	0.0	37,057.6
SUBTOTAL	36,958.9	0.0	36,958.9	0.0	0.0	36,958.9	39.22	0.00	0.000	1,449,641.7	0.0	0.0	1,449,641.7
REMAINING	2,141.1	0.0	2,141.1	0.0	0.0	2,141.1	50.00	0.00	0.000	107,058.0	0.0	0.0	107,058.0
TOTAL	39,100.0	0.0	39,100.0	0.0	0.0	39,100.0	39.81	0.00	0.000	1,556,699.8	0.0	0.0	1,556,699.8
CUM PROD	0.0	0.0											
ULTIMATE	39,100.0	0.0											

PERIOD	NUMBER OF ACTIVE COMPLETIONS		NET DEDUCTIONS/EXPENDITURES: TAXES						FUTURE NET REVENUE	
ENDING M-D-Y	GROSS	NET	PRODUCTION M$	AD VALOREM M$	CAPITAL COST M$	ABDNMNT COST M$	GOVERNMENT ROYALTY M$	OPERATING EXPENSE M$	UNDISC PERIOD M$	DISC AT 10.000% CUM M$
12-31-2018	1	1.0	0.0	0.0	21,683.0	0.0	824.4	6,863.8	-12,882.3	-12,430.2
12-31-2019	2	2.0	0.0	0.0	67,978.6	0.0	4,517.0	21,951.7	-6,197.4	-18,066.3
12-31-2020	6	6.0	0.0	0.0	56,351.7	0.0	10,530.1	33,888.2	73,965.5	43,085.2
12-31-2021	11	11.0	0.0	0.0	114,942.1	0.0	9,023.6	33,852.4	-5,079.7	39,267.3
12-31-2022	11	11.0	0.0	0.0	11,127.4	0.0	9,401.2	38,554.5	96,918.9	105,489.1
12-31-2023	11	11.0	0.0	0.0	46,454.2	0.0	8,097.7	38,450.2	44,985.7	133,432.2
12-31-2024	11	11.0	0.0	0.0	0.0	0.0	4,933.5	34,516.2	52,978.5	163,348.4
12-31-2025	11	11.0	0.0	0.0	0.0	0.0	3,792.1	32,794.8	37,546.0	182,622.7
12-31-2026	11	11.0	0.0	0.0	0.0	0.0	3,232.7	31,997.7	29,423.4	196,354.1
12-31-2027	11	11.0	0.0	0.0	0.0	0.0	2,911.6	31,635.9	23,684.9	206,402.6
12-31-2028	11	11.0	0.0	0.0	0.0	0.0	2,677.9	31,484.3	19,394.9	213,883.0
12-31-2029	11	11.0	0.0	0.0	0.0	0.0	2,500.0	31,488.0	16,012.3	219,497.3
12-31-2030	11	11.0	0.0	0.0	0.0	0.0	2,360.0	31,626.4	13,214.3	223,709.4
12-31-2031	11	11.0	0.0	0.0	0.0	0.0	2,245.2	31,813.6	10,845.9	226,852.3
12-31-2032	11	11.0	0.0	0.0	0.0	0.0	2,149.8	32,087.4	8,758.4	229,159.5
12-31-2033	11	11.0	0.0	0.0	0.0	0.0	2,069.9	32,384.5	6,943.7	230,822.4
12-31-2034	11	11.0	0.0	0.0	0.0	0.0	2,002.6	32,750.1	5,300.0	231,976.3
12-31-2035	11	11.0	0.0	0.0	0.0	0.0	1,945.3	33,151.1	3,810.3	232,730.4
12-31-2036	11	11.0	0.0	0.0	0.0	0.0	1,895.9	33,582.0	2,440.2	233,169.4
12-31-2037	11	11.0	0.0	0.0	0.0	0.0	1,852.9	32,898.4	2,306.3	233,546.7
SUBTOTAL			0.0	0.0	318,537.0	0.0	78,963.6	627,771.1	424,370.1	233,546.7
REMAINING			0.0	0.0	0.0	45,887.0	5,352.9	100,433.0	-44,614.9	229,119.0
TOTAL OF 22.5 YRS			0.0	0.0	318,537.0	45,887.0	84,316.5	728,204.1	379,755.2	229,119.0

PRESENT WORTH PROFILE	
DISC RATE %	CUM PW M$
0.000	379,755.2
5.000	295,044.6
10.000	229,119.0
15.000	180,615.1
20.000	144,920.5
30.000	97,840.2
35.000	81,976.1
40.000	69,402.8
45.000	59,276.9
50.000	51,006.2

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

BASED ON ESCALATED PRICE AND COST PARAMET
LOW PRICE CASE

Figure 14

NETHERLAND, SEWELL & ASSOCIATES, INC.

PETROTAL CORP. INTEREST

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF JUNE 30, 2018

POSSIBLE UNDEVELOPED RESERVES

CERTAIN OIL PROPERTIES
LOCATED IN BRETAÑA FIELD, BLOCK 95
ONSHORE PERU

PERIOD ENDING M-D-Y	GROSS RESERVES OIL MBBL	GROSS RESERVES GAS MMCF	NET RESERVES OIL MBBL	NET RESERVES NGL MBBL	NET RESERVES GAS MMCF	NET RESERVES EQUIV MBOE	AVERAGE PRICES OIL $/BBL	AVERAGE PRICES NGL $/BBL	AVERAGE PRICES GAS $/MCF	GROSS REVENUE OIL M$	GROSS REVENUE NGL M$	GROSS REVENUE GAS M$	GROSS REVENUE TOTAL M$
12-31-2018	98.7	0.0	98.7	0.0	0.0	98.7	42.80	0.00	0.000	4,224.3	0.0	0.0	4,224.3
12-31-2019	1,698.0	0.0	1,698.0	0.0	0.0	1,698.0	42.02	0.00	0.000	71,350.5	0.0	0.0	71,350.5
12-31-2020	1,407.3	0.0	1,407.3	0.0	0.0	1,407.3	41.60	0.00	0.000	58,544.5	0.0	0.0	58,544.5
12-31-2021	2,782.5	0.0	2,782.5	0.0	0.0	2,782.5	38.90	0.00	0.000	108,238.4	0.0	0.0	108,238.4
12-31-2022	1,458.4	0.0	1,458.4	0.0	0.0	1,458.4	37.14	0.00	0.000	54,164.0	0.0	0.0	54,164.0
12-31-2023	1,048.0	0.0	1,048.0	0.0	0.0	1,048.0	35.98	0.00	0.000	37,705.4	0.0	0.0	37,705.4
12-31-2024	3,420.7	0.0	3,420.7	0.0	0.0	3,420.7	35.45	0.00	0.000	121,262.8	0.0	0.0	121,262.8
12-31-2025	4,414.1	0.0	4,414.1	0.0	0.0	4,414.1	35.42	0.00	0.000	156,348.2	0.0	0.0	156,348.2
12-31-2026	3,713.5	0.0	3,713.5	0.0	0.0	3,713.5	36.33	0.00	0.000	134,927.9	0.0	0.0	134,927.9
12-31-2027	3,055.8	0.0	3,055.8	0.0	0.0	3,055.8	37.27	0.00	0.000	113,879.0	0.0	0.0	113,879.0
12-31-2028	2,547.6	0.0	2,547.6	0.0	0.0	2,547.6	38.22	0.00	0.000	97,366.4	0.0	0.0	97,366.4
12-31-2029	2,148.6	0.0	2,148.6	0.0	0.0	2,148.6	39.19	0.00	0.000	84,200.9	0.0	0.0	84,200.9
12-31-2030	1,830.5	0.0	1,830.5	0.0	0.0	1,830.5	40.18	0.00	0.000	73,546.7	0.0	0.0	73,546.7
12-31-2031	1,574.3	0.0	1,574.3	0.0	0.0	1,574.3	41.19	0.00	0.000	64,840.9	0.0	0.0	64,840.9
12-31-2032	1,365.0	0.0	1,365.0	0.0	0.0	1,365.0	42.22	0.00	0.000	57,626.3	0.0	0.0	57,626.3
12-31-2033	1,191.7	0.0	1,191.7	0.0	0.0	1,191.7	43.27	0.00	0.000	51,564.6	0.0	0.0	51,564.6
12-31-2034	1,046.7	0.0	1,046.7	0.0	0.0	1,046.7	44.34	0.00	0.000	46,411.5	0.0	0.0	46,411.5
12-31-2035	924.3	0.0	924.3	0.0	0.0	924.3	45.43	0.00	0.000	41,991.9	0.0	0.0	41,991.9
12-31-2036	820.1	0.0	820.1	0.0	0.0	820.1	46.55	0.00	0.000	38,173.8	0.0	0.0	38,173.8
12-31-2037	730.9	0.0	730.9	0.0	0.0	730.9	47.68	0.00	0.000	34,852.0	0.0	0.0	34,852.0
SUBTOTAL	37,276.6	0.0	37,276.6	0.0	0.0	37,276.6	38.93	0.00	0.000	1,451,220.1	0.0	0.0	1,451,220.1
REMAINING	2,905.5	0.0	2,905.5	0.0	0.0	2,905.5	50.93	0.00	0.000	147,983.3	0.0	0.0	147,983.3
TOTAL	40,182.0	0.0	40,182.0	0.0	0.0	40,182.0	39.80	0.00	0.000	1,599,203.4	0.0	0.0	1,599,203.4
CUM PROD	0.0	0.0											
ULTIMATE	40,182.0	0.0											

PERIOD ENDING M-D-Y	NUMBER OF ACTIVE COMPLETIONS GROSS	NUMBER OF ACTIVE COMPLETIONS NET	NET DEDUCTIONS/EXPENDITURES TAXES PRODUCTION M$	TAXES AD VALOREM M$	CAPITAL COST M$	ABDNMNT COST M$	GOVERNMENT ROYALTY M$	OPERATING EXPENSE M$	FUTURE NET REVENUE UNDISC PERIOD M$	FUTURE NET REVENUE DISC AT 10.000% CUM M$
12-31-2018	0	0.0	0.0	0.0	0.0	0.0	221.0	477.8	3,525.5	3,401.8
12-31-2019	0	0.0	0.0	0.0	0.0	0.0	4,823.5	7,999.1	58,527.9	56,628.9
12-31-2020	0	0.0	0.0	0.0	0.0	0.0	4,947.3	7,429.8	46,167.4	94,798.2
12-31-2021	0	0.0	0.0	0.0	0.0	0.0	9,533.8	14,981.9	83,722.8	157,724.0
12-31-2022	0	0.0	0.0	0.0	118,401.9	0.0	4,589.1	7,142.2	-75,969.1	105,816.6
12-31-2023	1	1.0	0.0	0.0	-30,319.5	0.0	3,008.6	5,493.0	59,523.3	142,789.8
12-31-2024	4	4.0	0.0	0.0	44,539.6	0.0	9,632.5	17,109.9	49,980.8	171,013.3
12-31-2025	6	6.0	0.0	0.0	28,643.8	0.0	12,395.7	22,363.5	92,945.2	218,726.7
12-31-2026	6	6.0	0.0	0.0	0.0	0.0	9,909.9	19,608.2	105,409.8	267,919.7
12-31-2027	6	6.0	0.0	0.0	0.0	0.0	7,771.3	16,940.4	89,167.3	305,749.5
12-31-2028	6	6.0	0.0	0.0	0.0	0.0	6,253.2	14,904.1	76,209.0	335,142.4
12-31-2029	6	6.0	0.0	0.0	0.0	0.0	5,137.2	13,311.1	65,752.5	358,197.0
12-31-2030	6	6.0	0.0	0.0	0.0	0.0	4,292.8	12,022.1	57,231.8	376,439.6
12-31-2031	6	6.0	0.0	0.0	0.0	0.0	3,639.7	11,059.4	50,141.8	390,969.4
12-31-2032	6	6.0	0.0	0.0	0.0	0.0	3,123.7	10,219.3	44,283.3	402,635.0
12-31-2033	6	6.0	0.0	0.0	0.0	0.0	2,707.7	9,555.6	39,301.3	412,046.9
12-31-2034	6	6.0	0.0	0.0	0.0	0.0	2,366.8	8,983.1	35,061.6	419,680.2
12-31-2035	6	6.0	0.0	0.0	0.0	0.0	2,099.6	8,505.3	31,386.9	425,892.3
12-31-2036	6	6.0	0.0	0.0	0.0	0.0	1,908.7	8,148.5	28,116.6	430,951.2
12-31-2037	6	6.0	0.0	0.0	0.0	0.0	1,742.6	7,837.8	25,271.6	435,084.9
SUBTOTAL			0.0	0.0	161,265.8	0.0	100,104.9	224,092.1	965,757.4	435,084.9
REMAINING			0.0	0.0	0.0	12,763.1	7,399.2	62,821.8	64,999.2	444,514.6
TOTAL OF 23.5 YRS			0.0	0.0	161,265.8	12,763.1	107,504.0	286,914.0	1,030,756.6	444,514.6

PRESENT WORTH PROFILE DISC RATE %	CUM PW M$
0.000	1,030,756.6
5.000	650,507.2
10.000	444,514.6
15.000	324,369.2
20.000	249,666.2
30.000	166,850.8
35.000	142,671.3
40.000	124,740.1
45.000	111,034.3
50.000	100,277.0

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

BASED ON ESCALATED PRICE AND COST PARAMET
LOW PRICE CASE

Figure 15

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF JUNE 30, 2018

PROVED + PROBABLE + POSSIBLE UNDEVELOPED RESERVES

PETROTAL CORP. INTEREST

CERTAIN OIL PROPERTIES
LOCATED IN BRETAÑA FIELD, BLOCK 95
ONSHORE PERU

PERIOD	GROSS RESERVES		NET RESERVES				AVERAGE PRICES			GROSS REVENUE			
ENDING	OIL	GAS	OIL	NGL	GAS	EQUIV	OIL	NGL	GAS	OIL	NGL	GAS	TOTAL
M-D-Y	MBBL	MMCF	MBBL	MBBL	MMCF	MBOE	$/BBL	$/BBL	$/MCF	M$	M$	M$	M$
12-31-2018	484.0	0.0	484.0	0.0	0.0	484.0	42.80	0.00	0.000	20,713.3	0.0	0.0	20,713.3
12-31-2019	3,798.2	0.0	3,798.2	0.0	0.0	3,798.2	42.02	0.00	0.000	159,600.4	0.0	0.0	159,600.4
12-31-2020	5,607.7	0.0	5,607.7	0.0	0.0	5,607.7	41.60	0.00	0.000	233,280.1	0.0	0.0	233,280.1
12-31-2021	6,708.9	0.0	6,708.9	0.0	0.0	6,708.9	38.90	0.00	0.000	260,976.9	0.0	0.0	260,976.9
12-31-2022	5,658.7	0.0	5,658.7	0.0	0.0	5,658.7	37.14	0.00	0.000	210,165.9	0.0	0.0	210,165.9
12-31-2023	4,883.1	0.0	4,883.1	0.0	0.0	4,883.1	35.98	0.00	0.000	175,693.2	0.0	0.0	175,693.2
12-31-2024	6,028.0	0.0	6,028.0	0.0	0.0	6,028.0	35.45	0.00	0.000	213,691.0	0.0	0.0	213,691.0
12-31-2025	6,507.1	0.0	6,507.1	0.0	0.0	6,507.1	35.42	0.00	0.000	230,481.2	0.0	0.0	230,481.2
12-31-2026	5,492.9	0.0	5,492.9	0.0	0.0	5,492.9	36.33	0.00	0.000	199,581.6	0.0	0.0	199,581.6
12-31-2027	4,618.3	0.0	4,618.3	0.0	0.0	4,618.3	37.27	0.00	0.000	172,111.5	0.0	0.0	172,111.5
12-31-2028	3,949.0	0.0	3,949.0	0.0	0.0	3,949.0	38.22	0.00	0.000	150,923.5	0.0	0.0	150,923.5
12-31-2029	3,424.5	0.0	3,424.5	0.0	0.0	3,424.5	39.19	0.00	0.000	134,201.2	0.0	0.0	134,201.2
12-31-2030	3,005.3	0.0	3,005.3	0.0	0.0	3,005.3	40.18	0.00	0.000	120,747.5	0.0	0.0	120,747.5
12-31-2031	2,664.5	0.0	2,664.5	0.0	0.0	2,664.5	41.19	0.00	0.000	109,745.7	0.0	0.0	109,745.7
12-31-2032	2,383.4	0.0	2,383.4	0.0	0.0	2,383.4	42.22	0.00	0.000	100,621.8	0.0	0.0	100,621.8
12-31-2033	2,148.5	0.0	2,148.5	0.0	0.0	2,148.5	43.27	0.00	0.000	92,962.7	0.0	0.0	92,962.7
12-31-2034	1,950.0	0.0	1,950.0	0.0	0.0	1,950.0	44.34	0.00	0.000	86,464.3	0.0	0.0	86,464.3
12-31-2035	1,780.6	0.0	1,780.6	0.0	0.0	1,780.6	45.43	0.00	0.000	80,898.6	0.0	0.0	80,898.6
12-31-2036	1,634.7	0.0	1,634.7	0.0	0.0	1,634.7	46.55	0.00	0.000	76,091.8	0.0	0.0	76,091.8
12-31-2037	1,508.0	0.0	1,508.0	0.0	0.0	1,508.0	47.68	0.00	0.000	71,909.6	0.0	0.0	71,909.6
SUBTOTAL	74,235.5	0.0	74,235.5	0.0	0.0	74,235.5	39.08	0.00	0.000	2,900,861.8	0.0	0.0	2,900,861.8
REMAINING	5,046.5	0.0	5,046.5	0.0	0.0	5,046.5	50.54	0.00	0.000	255,041.3	0.0	0.0	255,041.3
TOTAL	79,282.0	0.0	79,282.0	0.0	0.0	79,282.0	39.81	0.00	0.000	3,155,903.2	0.0	0.0	3,155,903.2
CUM PROD	0.0	0.0											
ULTIMATE	79,282.0	0.0											

PERIOD	NUMBER OF ACTIVE COMPLETIONS		NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE	
			TAXES		CAPITAL	ABDNMNT	GOVERNMENT	OPERATING	UNDISC	DISC AT 10.000%
ENDING			PRODUCTION	AD VALOREM	COST	COST	ROYALTY	EXPENSE	PERIOD	CUM
M-D-Y	GROSS	NET	M$	M$	M$	M$	M$	M$	M$	M$
12-31-2018	1	1.0	0.0	0.0	21,683.0	0.0	1,045.5	7,341.7	-9,356.8	-9,028.5
12-31-2019	2	2.0	0.0	0.0	67,978.6	0.0	9,340.5	29,950.8	52,330.5	38,562.6
12-31-2020	6	6.0	0.0	0.0	56,351.7	0.0	15,477.4	41,318.0	120,132.9	137,883.3
12-31-2021	11	11.0	0.0	0.0	114,942.1	0.0	18,557.4	48,834.2	78,643.1	196,991.3
12-31-2022	11	11.0	0.0	0.0	129,529.3	0.0	13,990.2	45,696.6	20,949.8	211,305.7
12-31-2023	12	12.0	0.0	0.0	16,134.7	0.0	11,106.3	43,943.1	104,509.0	276,222.0
12-31-2024	15	15.0	0.0	0.0	44,539.6	0.0	14,566.0	51,626.1	102,959.3	334,361.7
12-31-2025	17	17.0	0.0	0.0	28,643.8	0.0	16,187.8	55,158.4	130,491.2	401,349.5
12-31-2026	17	17.0	0.0	0.0	0.0	0.0	13,142.6	51,605.9	134,833.1	464,273.8
12-31-2027	17	17.0	0.0	0.0	0.0	0.0	10,682.9	48,576.3	112,852.2	512,152.1
12-31-2028	17	17.0	0.0	0.0	0.0	0.0	8,931.1	46,388.4	95,603.9	549,025.4
12-31-2029	17	17.0	0.0	0.0	0.0	0.0	7,637.3	44,799.1	81,764.8	577,694.3
12-31-2030	17	17.0	0.0	0.0	0.0	0.0	6,652.8	43,648.6	70,446.2	600,149.0
12-31-2031	17	17.0	0.0	0.0	0.0	0.0	5,885.0	42,873.0	60,987.8	617,821.6
12-31-2032	17	17.0	0.0	0.0	0.0	0.0	5,273.4	42,306.6	53,041.8	631,794.5
12-31-2033	17	17.0	0.0	0.0	0.0	0.0	4,777.6	41,940.1	46,245.0	642,869.3
12-31-2034	17	17.0	0.0	0.0	0.0	0.0	4,369.5	41,733.3	40,361.5	651,656.5
12-31-2035	17	17.0	0.0	0.0	0.0	0.0	4,044.9	41,656.4	35,197.3	658,622.7
12-31-2036	17	17.0	0.0	0.0	0.0	0.0	3,804.6	41,730.5	30,556.8	664,120.6
12-31-2037	17	17.0	0.0	0.0	0.0	0.0	3,595.5	40,736.2	27,577.9	668,631.5
SUBTOTAL			0.0	0.0	479,802.8	0.0	179,068.4	851,863.2	1,390,127.5	668,631.5
REMAINING			0.0	0.0	0.0	58,650.0	12,752.1	163,254.9	20,384.4	673,633.6
TOTAL OF 23.5 YRS			0.0	0.0	479,802.8	58,650.0	191,820.5	1,015,118.1	1,410,511.8	673,633.6

PRESENT WORTH PROFILE	
DISC RATE %	CUM PW M$
0.000	1,410,511.8
5.000	945,551.8
10.000	673,633.6
15.000	504,984.3
20.000	394,586.7
30.000	264,691.0
35.000	224,647.4
40.000	194,142.9
45.000	170,311.2
50.000	151,283.3

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

BASED ON ESCALATED PRICE AND COST PARAMET
LOW PRICE CASE

Figure 16

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF JUNE 30, 2018

PETROTAL CORP. INTEREST

PROVED UNDEVELOPED RESERVES

CERTAIN OIL PROPERTIES
LOCATED IN BRETAÑA FIELD, BLOCK 95
ONSHORE PERU

PERIOD ENDING M-D-Y	GROSS RESERVES OIL MBBL	GROSS RESERVES GAS MMCF	NET RESERVES OIL MBBL	NET RESERVES NGL MBBL	NET RESERVES GAS MMCF	NET RESERVES EQUIV MBOE	AVERAGE PRICES OIL $/BBL	AVERAGE PRICES NGL $/BBL	AVERAGE PRICES GAS $/MCF	GROSS REVENUE OIL M$	GROSS REVENUE NGL M$	GROSS REVENUE GAS M$	GROSS REVENUE TOTAL M$
12-31-2018	192.6	0.0	192.6	0.0	0.0	192.6	63.38	0.00	0.000	12,208.8	0.0	0.0	12,208.8
12-31-2019	1,050.1	0.0	1,050.1	0.0	0.0	1,050.1	61.62	0.00	0.000	64,706.8	0.0	0.0	64,706.8
12-31-2020	2,100.2	0.0	2,100.2	0.0	0.0	2,100.2	59.92	0.00	0.000	125,843.2	0.0	0.0	125,843.2
12-31-2021	1,963.2	0.0	1,963.2	0.0	0.0	1,963.2	56.26	0.00	0.000	110,450.7	0.0	0.0	110,450.7
12-31-2022	2,100.2	0.0	2,100.2	0.0	0.0	2,100.2	53.88	0.00	0.000	113,158.1	0.0	0.0	113,158.1
12-31-2023	1,917.6	0.0	1,917.6	0.0	0.0	1,917.6	52.32	0.00	0.000	100,326.9	0.0	0.0	100,326.9
12-31-2024	1,303.6	0.0	1,303.6	0.0	0.0	1,303.6	51.59	0.00	0.000	67,254.9	0.0	0.0	67,254.9
12-31-2025	1,046.5	0.0	1,046.5	0.0	0.0	1,046.5	51.56	0.00	0.000	53,956.8	0.0	0.0	53,956.8
12-31-2026	889.7	0.0	889.7	0.0	0.0	889.7	52.80	0.00	0.000	46,973.9	0.0	0.0	46,973.9
12-31-2027	781.3	0.0	781.3	0.0	0.0	781.3	54.06	0.00	0.000	42,235.6	0.0	0.0	42,235.6
12-31-2028	700.7	0.0	700.7	0.0	0.0	700.7	55.35	0.00	0.000	38,779.6	0.0	0.0	38,779.6
12-31-2029	637.9	0.0	637.9	0.0	0.0	637.9	56.66	0.00	0.000	36,145.3	0.0	0.0	36,145.3
12-31-2030	587.4	0.0	587.4	0.0	0.0	587.4	58.00	0.00	0.000	34,067.6	0.0	0.0	34,067.6
12-31-2031	545.1	0.0	545.1	0.0	0.0	545.1	59.36	0.00	0.000	32,360.6	0.0	0.0	32,360.6
12-31-2032	509.2	0.0	509.2	0.0	0.0	509.2	60.76	0.00	0.000	30,938.4	0.0	0.0	30,938.4
12-31-2033	478.4	0.0	478.4	0.0	0.0	478.4	62.18	0.00	0.000	29,745.7	0.0	0.0	29,745.7
12-31-2034	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.000	0.0	0.0	0.0	0.0
12-31-2035	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.000	0.0	0.0	0.0	0.0
SUBTOTAL	16,803.7	0.0	16,803.7	0.0	0.0	16,803.7	55.89	0.00	0.000	939,152.7	0.0	0.0	939,152.7
REMAINING	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.000	0.0	0.0	0.0	0.0
TOTAL	16,803.7	0.0	16,803.7	0.0	0.0	16,803.7	55.89	0.00	0.000	939,152.7	0.0	0.0	939,152.7
CUM PROD	0.0	0.0											
ULTIMATE	16,803.7	0.0											

PERIOD ENDING M-D-Y	NUMBER OF ACTIVE COMPLETIONS GROSS	NUMBER OF ACTIVE COMPLETIONS NET	NET DEDUCTIONS/EXPENDITURES TAXES PRODUCTION M$	TAXES AD VALOREM M$	CAPITAL COST M$	ABDNMNT COST M$	GOVERNMENT ROYALTY M$	OPERATING EXPENSE M$	FUTURE NET REVENUE UNDISC PERIOD M$	FUTURE NET REVENUE DISC AT 10.000% CUM M$
12-31-2018	1	1.0	0.0	0.0	21,683.0	0.0	610.4	5,786.3	-15,870.9	-15,314.0
12-31-2019	2	2.0	0.0	0.0	47,283.3	0.0	3,235.3	16,422.5	-2,234.3	-17,346.0
12-31-2020	6	6.0	0.0	0.0	56,351.7	0.0	6,441.2	21,994.1	41,056.2	16,597.5
12-31-2021	8	8.0	0.0	0.0	72,971.5	0.0	5,587.9	22,477.9	9,413.3	23,672.6
12-31-2022	8	8.0	0.0	0.0	0.0	0.0	5,791.9	26,188.3	81,177.9	79,139.0
12-31-2023	8	8.0	0.0	0.0	0.0	0.0	5,055.9	26,262.1	69,008.9	122,004.2
12-31-2024	8	8.0	0.0	0.0	0.0	0.0	3,362.7	25,791.5	38,100.6	143,519.1
12-31-2025	8	8.0	0.0	0.0	0.0	0.0	2,697.8	25,095.4	26,163.6	156,950.2
12-31-2026	8	8.0	0.0	0.0	0.0	0.0	2,348.7	24,879.8	19,745.4	166,165.0
12-31-2027	8	8.0	0.0	0.0	0.0	0.0	2,111.8	24,872.0	15,251.8	172,635.7
12-31-2028	8	8.0	0.0	0.0	0.0	0.0	1,939.0	25,918.9	10,921.7	176,848.1
12-31-2029	8	8.0	0.0	0.0	0.0	0.0	1,807.3	26,132.8	8,205.3	179,725.0
12-31-2030	8	8.0	0.0	0.0	0.0	0.0	1,703.4	26,404.3	5,959.9	181,624.8
12-31-2031	8	8.0	0.0	0.0	0.0	0.0	1,618.0	26,698.4	4,044.1	182,796.7
12-31-2032	8	8.0	0.0	0.0	0.0	0.0	1,546.9	27,045.0	2,346.5	183,414.8
12-31-2033	8	8.0	0.0	0.0	0.0	0.0	1,487.3	27,439.1	819.3	183,611.0
12-31-2034	0	0.0	0.0	0.0	0.0	9,983.9	0.0	0.0	-9,983.9	181,531.1
12-31-2035	0	0.0	0.0	0.0	0.0	23,597.6	0.0	0.0	-23,597.6	177,062.0
SUBTOTAL			0.0	0.0	198,289.5	33,581.5	47,345.7	379,408.4	280,527.7	177,062.0
REMAINING			0.0	0.0	0.0	0.0	0.0	0.0	0.0	177,062.0
TOTAL OF 15.5 YRS			0.0	0.0	198,289.5	33,581.5	47,345.7	379,408.4	280,527.7	177,062.0

PRESENT WORTH PROFILE DISC RATE %	PRESENT WORTH PROFILE CUM PW M$
0.000	280,527.7
5.000	222,765.7
10.000	177,062.0
15.000	141,789.7
20.000	114,620.1
30.000	77,005.1
35.000	63,881.4
40.000	53,341.0
45.000	44,779.4
50.000	37,751.9

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

BASED ON ESCALATED PRICE AND COST PARAMET
HIGH PRICE CASE

Figure 17

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF JUNE 30, 2018

PETROTAL CORP. INTEREST

PROBABLE UNDEVELOPED RESERVES

CERTAIN OIL PROPERTIES
LOCATED IN BRETAÑA FIELD, BLOCK 95
ONSHORE PERU

PERIOD ENDING M-D-Y	GROSS RESERVES OIL MBBL	GROSS RESERVES GAS MMCF	NET RESERVES OIL MBBL	NET RESERVES NGL MBBL	NET RESERVES GAS MMCF	NET RESERVES EQUIV MBOE	AVERAGE PRICES OIL $/BBL	AVERAGE PRICES NGL $/BBL	AVERAGE PRICES GAS $/MCF	GROSS REVENUE OIL M$	GROSS REVENUE NGL M$	GROSS REVENUE GAS M$	GROSS REVENUE TOTAL M$
12-31-2018	192.6	0.0	192.6	0.0	0.0	192.6	63.38	0.00	0.000	12,208.8	0.0	0.0	12,208.8
12-31-2019	1,050.1	0.0	1,050.1	0.0	0.0	1,050.1	61.62	0.00	0.000	64,706.8	0.0	0.0	64,706.8
12-31-2020	2,100.2	0.0	2,100.2	0.0	0.0	2,100.2	59.92	0.00	0.000	125,843.2	0.0	0.0	125,843.2
12-31-2021	1,963.2	0.0	1,963.2	0.0	0.0	1,963.2	56.26	0.00	0.000	110,450.7	0.0	0.0	110,450.7
12-31-2022	2,100.2	0.0	2,100.2	0.0	0.0	2,100.2	53.88	0.00	0.000	113,158.1	0.0	0.0	113,158.1
12-31-2023	1,917.6	0.0	1,917.6	0.0	0.0	1,917.6	52.32	0.00	0.000	100,326.9	0.0	0.0	100,326.9
12-31-2024	1,303.6	0.0	1,303.6	0.0	0.0	1,303.6	51.59	0.00	0.000	67,254.9	0.0	0.0	67,254.9
12-31-2025	1,046.5	0.0	1,046.5	0.0	0.0	1,046.5	51.56	0.00	0.000	53,956.8	0.0	0.0	53,956.8
12-31-2026	889.7	0.0	889.7	0.0	0.0	889.7	52.80	0.00	0.000	46,973.9	0.0	0.0	46,973.9
12-31-2027	781.3	0.0	781.3	0.0	0.0	781.3	54.06	0.00	0.000	42,235.6	0.0	0.0	42,235.6
12-31-2028	700.7	0.0	700.7	0.0	0.0	700.7	55.35	0.00	0.000	38,779.6	0.0	0.0	38,779.6
12-31-2029	637.9	0.0	637.9	0.0	0.0	637.9	56.66	0.00	0.000	36,145.3	0.0	0.0	36,145.3
12-31-2030	587.4	0.0	587.4	0.0	0.0	587.4	58.00	0.00	0.000	34,067.6	0.0	0.0	34,067.6
12-31-2031	545.1	0.0	545.1	0.0	0.0	545.1	59.36	0.00	0.000	32,360.6	0.0	0.0	32,360.6
12-31-2032	509.2	0.0	509.2	0.0	0.0	509.2	60.76	0.00	0.000	30,938.4	0.0	0.0	30,938.4
12-31-2033	478.4	0.0	478.4	0.0	0.0	478.4	62.18	0.00	0.000	29,745.7	0.0	0.0	29,745.7
12-31-2034	903.3	0.0	903.3	0.0	0.0	903.3	63.63	0.00	0.000	57,476.6	0.0	0.0	57,476.6
12-31-2035	856.4	0.0	856.4	0.0	0.0	856.4	65.11	0.00	0.000	55,755.3	0.0	0.0	55,755.3
12-31-2036	814.6	0.0	814.6	0.0	0.0	814.6	66.62	0.00	0.000	54,265.8	0.0	0.0	54,265.8
12-31-2037	777.1	0.0	777.1	0.0	0.0	777.1	68.15	0.00	0.000	52,965.4	0.0	0.0	52,965.4
SUBTOTAL	20,155.2	0.0	20,155.2	0.0	0.0	20,155.2	57.53	0.00	0.000	1,159,615.9	0.0	0.0	1,159,615.9
REMAINING	2,800.4	0.0	2,800.4	0.0	0.0	2,800.4	72.07	0.00	0.000	201,836.6	0.0	0.0	201,836.6
TOTAL	22,955.6	0.0	22,955.6	0.0	0.0	22,955.6	59.31	0.00	0.000	1,361,452.4	0.0	0.0	1,361,452.4
CUM PROD	0.0	0.0											
ULTIMATE	22,955.6	0.0											

PERIOD ENDING M-D-Y	NUMBER OF ACTIVE COMPLETIONS GROSS	NUMBER OF ACTIVE COMPLETIONS NET	NET DEDUCTIONS/EXPENDITURES TAXES PRODUCTION M$	TAXES AD VALOREM M$	CAPITAL COST M$	ABDNMNT COST M$	GOVERNMENT ROYALTY M$	OPERATING EXPENSE M$	FUTURE NET REVENUE UNDISC PERIOD M$	DISC AT 10.000% CUM M$
12-31-2018	0	0.0	0.0	0.0	0.0	0.0	610.4	1,077.5	10,520.8	10,151.6
12-31-2019	0	0.0	0.0	0.0	20,695.3	0.0	3,388.6	5,529.2	35,093.7	42,067.0
12-31-2020	0	0.0	0.0	0.0	0.0	0.0	8,726.2	11,894.1	105,222.9	129,060.7
12-31-2021	3	3.0	0.0	0.0	41,970.6	0.0	7,462.7	11,374.4	49,642.9	166,372.2
12-31-2022	3	3.0	0.0	0.0	11,127.4	0.0	7,846.6	12,366.2	81,817.9	222,276.0
12-31-2023	3	3.0	0.0	0.0	46,454.2	0.0	6,719.3	12,188.1	34,965.3	243,994.8
12-31-2024	3	3.0	0.0	0.0	0.0	0.0	3,816.9	8,724.7	54,713.3	274,890.7
12-31-2025	3	3.0	0.0	0.0	0.0	0.0	2,822.3	7,699.5	43,435.0	297,188.1
12-31-2026	3	3.0	0.0	0.0	0.0	0.0	2,348.7	7,117.9	37,507.3	314,692.1
12-31-2027	3	3.0	0.0	0.0	0.0	0.0	2,111.8	6,763.9	33,359.9	328,845.3
12-31-2028	3	3.0	0.0	0.0	0.0	0.0	1,939.0	5,565.4	31,275.1	340,907.7
12-31-2029	3	3.0	0.0	0.0	0.0	0.0	1,807.3	5,355.2	28,982.8	351,069.9
12-31-2030	3	3.0	0.0	0.0	0.0	0.0	1,703.4	5,222.1	27,142.1	359,721.4
12-31-2031	3	3.0	0.0	0.0	0.0	0.0	1,618.0	5,115.2	25,627.4	367,147.5
12-31-2032	3	3.0	0.0	0.0	0.0	0.0	1,546.9	5,042.3	24,349.2	373,561.9
12-31-2033	3	3.0	0.0	0.0	0.0	0.0	1,487.3	4,945.3	23,313.0	379,144.9
12-31-2034	11	11.0	0.0	0.0	0.0	-9,983.9	2,873.8	32,750.1	31,836.6	385,982.4
12-31-2035	11	11.0	0.0	0.0	0.0	-23,597.6	2,787.8	33,151.1	43,414.0	394,373.5
12-31-2036	11	11.0	0.0	0.0	0.0	0.0	2,713.3	33,582.0	17,970.5	397,606.9
12-31-2037	11	11.0	0.0	0.0	0.0	0.0	2,648.3	32,898.4	17,418.7	400,456.1
SUBTOTAL			0.0	0.0	120,247.5	-33,581.5	66,978.5	248,362.7	757,608.6	400,456.1
REMAINING			0.0	0.0	0.0	46,804.7	10,091.8	134,113.4	10,826.7	403,701.9
TOTAL OF 23.5 YRS			0.0	0.0	120,247.5	13,223.3	77,070.3	382,476.1	768,435.3	403,701.9

PRESENT WORTH PROFILE DISC RATE %	CUM PW M$
0.000	768,435.3
5.000	537,885.9
10.000	403,701.9
15.000	319,777.6
20.000	263,633.0
30.000	194,313.9
35.000	171,550.3
40.000	153,479.9
45.000	138,791.1
50.000	126,619.2

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

BASED ON ESCALATED PRICE AND COST PARAMET
HIGH PRICE CASE

Figure 18

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF JUNE 30, 2018

PROVED + PROBABLE UNDEVELOPED RESERVES

PETROTAL CORP. INTEREST

CERTAIN OIL PROPERTIES
LOCATED IN BRETAÑA FIELD, BLOCK 95
ONSHORE PERU

PERIOD	GROSS RESERVES		NET RESERVES				AVERAGE PRICES			GROSS REVENUE			
ENDING M-D-Y	OIL MBBL	GAS MMCF	OIL MBBL	NGL MBBL	GAS MMCF	EQUIV MBOE	OIL $/BBL	NGL $/BBL	GAS $/MCF	OIL M$	NGL M$	GAS M$	TOTAL M$
12-31-2018	385.3	0.0	385.3	0.0	0.0	385.3	63.38	0.00	0.000	24,417.6	0.0	0.0	24,417.6
12-31-2019	2,100.2	0.0	2,100.2	0.0	0.0	2,100.2	61.62	0.00	0.000	129,413.6	0.0	0.0	129,413.6
12-31-2020	4,200.4	0.0	4,200.4	0.0	0.0	4,200.4	59.92	0.00	0.000	251,686.5	0.0	0.0	251,686.5
12-31-2021	3,926.4	0.0	3,926.4	0.0	0.0	3,926.4	56.26	0.00	0.000	220,901.4	0.0	0.0	220,901.4
12-31-2022	4,200.4	0.0	4,200.4	0.0	0.0	4,200.4	53.88	0.00	0.000	226,316.2	0.0	0.0	226,316.2
12-31-2023	3,835.1	0.0	3,835.1	0.0	0.0	3,835.1	52.32	0.00	0.000	200,653.7	0.0	0.0	200,653.7
12-31-2024	2,607.3	0.0	2,607.3	0.0	0.0	2,607.3	51.59	0.00	0.000	134,509.8	0.0	0.0	134,509.8
12-31-2025	2,093.0	0.0	2,093.0	0.0	0.0	2,093.0	51.56	0.00	0.000	107,913.6	0.0	0.0	107,913.6
12-31-2026	1,779.4	0.0	1,779.4	0.0	0.0	1,779.4	52.80	0.00	0.000	93,947.8	0.0	0.0	93,947.8
12-31-2027	1,562.6	0.0	1,562.6	0.0	0.0	1,562.6	54.06	0.00	0.000	84,471.2	0.0	0.0	84,471.2
12-31-2028	1,401.3	0.0	1,401.3	0.0	0.0	1,401.3	55.35	0.00	0.000	77,559.1	0.0	0.0	77,559.1
12-31-2029	1,275.9	0.0	1,275.9	0.0	0.0	1,275.9	56.66	0.00	0.000	72,290.6	0.0	0.0	72,290.6
12-31-2030	1,174.8	0.0	1,174.8	0.0	0.0	1,174.8	58.00	0.00	0.000	68,135.2	0.0	0.0	68,135.2
12-31-2031	1,090.2	0.0	1,090.2	0.0	0.0	1,090.2	59.36	0.00	0.000	64,721.2	0.0	0.0	64,721.2
12-31-2032	1,018.4	0.0	1,018.4	0.0	0.0	1,018.4	60.76	0.00	0.000	61,876.8	0.0	0.0	61,876.8
12-31-2033	956.8	0.0	956.8	0.0	0.0	956.8	62.18	0.00	0.000	59,491.3	0.0	0.0	59,491.3
12-31-2034	903.3	0.0	903.3	0.0	0.0	903.3	63.63	0.00	0.000	57,476.6	0.0	0.0	57,476.6
12-31-2035	856.4	0.0	856.4	0.0	0.0	856.4	65.11	0.00	0.000	55,755.3	0.0	0.0	55,755.3
12-31-2036	814.6	0.0	814.6	0.0	0.0	814.6	66.62	0.00	0.000	54,265.8	0.0	0.0	54,265.8
12-31-2037	777.1	0.0	777.1	0.0	0.0	777.1	68.15	0.00	0.000	52,965.4	0.0	0.0	52,965.4
SUBTOTAL	36,958.9	0.0	36,958.9	0.0	0.0	36,958.9	56.79	0.00	0.000	2,098,768.6	0.0	0.0	2,098,768.6
REMAINING	2,800.4	0.0	2,800.4	0.0	0.0	2,800.4	72.07	0.00	0.000	201,836.6	0.0	0.0	201,836.6
TOTAL	39,759.3	0.0	39,759.3	0.0	0.0	39,759.3	57.86	0.00	0.000	2,300,605.1	0.0	0.0	2,300,605.1
CUM PROD	0.0	0.0											
ULTIMATE	39,759.3	0.0											

PERIOD	NUMBER OF ACTIVE COMPLETIONS		NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE	
			TAXES		CAPITAL	ABDNMNT	GOVERNMENT	OPERATING	UNDISC	DISC AT 10.000%
ENDING M-D-Y	GROSS	NET	PRODUCTION M$	AD VALOREM M$	COST M$	COST M$	ROYALTY M$	EXPENSE M$	PERIOD M$	CUM M$
12-31-2018	1	1.0	0.0	0.0	21,683.0	0.0	1,220.9	6,863.8	-5,350.1	-5,162.4
12-31-2019	2	2.0	0.0	0.0	67,978.6	0.0	6,623.9	21,951.7	32,859.4	24,721.0
12-31-2020	6	6.0	0.0	0.0	56,351.7	0.0	15,167.4	33,888.2	146,279.1	145,658.3
12-31-2021	11	11.0	0.0	0.0	114,942.1	0.0	13,050.6	33,852.4	59,056.3	190,044.8
12-31-2022	11	11.0	0.0	0.0	11,127.4	0.0	13,638.5	38,554.5	162,995.8	301,415.0
12-31-2023	11	11.0	0.0	0.0	46,454.2	0.0	11,775.2	38,450.2	103,974.2	365,999.0
12-31-2024	11	11.0	0.0	0.0	0.0	0.0	7,179.6	34,516.2	92,813.9	418,409.7
12-31-2025	11	11.0	0.0	0.0	0.0	0.0	5,520.1	32,794.8	69,598.6	454,138.3
12-31-2026	11	11.0	0.0	0.0	0.0	0.0	4,697.4	31,997.7	57,252.7	480,857.1
12-31-2027	11	11.0	0.0	0.0	0.0	0.0	4,223.6	31,635.9	48,611.7	501,481.0
12-31-2028	11	11.0	0.0	0.0	0.0	0.0	3,878.0	31,484.3	42,196.8	517,755.8
12-31-2029	11	11.0	0.0	0.0	0.0	0.0	3,614.5	31,488.0	37,188.1	530,794.9
12-31-2030	11	11.0	0.0	0.0	0.0	0.0	3,406.8	31,626.4	33,102.0	541,346.2
12-31-2031	11	11.0	0.0	0.0	0.0	0.0	3,236.1	31,813.6	29,671.5	549,944.2
12-31-2032	11	11.0	0.0	0.0	0.0	0.0	3,093.8	32,087.4	26,695.6	556,976.6
12-31-2033	11	11.0	0.0	0.0	0.0	0.0	2,974.6	32,384.5	24,132.3	562,755.9
12-31-2034	11	11.0	0.0	0.0	0.0	0.0	2,873.8	32,750.1	21,852.7	567,513.5
12-31-2035	11	11.0	0.0	0.0	0.0	0.0	2,787.8	33,151.1	19,816.5	571,435.5
12-31-2036	11	11.0	0.0	0.0	0.0	0.0	2,713.3	33,582.0	17,970.5	574,668.9
12-31-2037	11	11.0	0.0	0.0	0.0	0.0	2,648.3	32,898.4	17,418.7	577,518.1
SUBTOTAL			0.0	0.0	318,537.0	0.0	114,324.1	627,771.1	1,038,136.4	577,518.1
REMAINING			0.0	0.0	0.0	46,804.7	10,091.8	134,113.4	10,826.7	580,763.8
TOTAL OF 23.5 YRS			0.0	0.0	318,537.0	46,804.7	124,416.0	761,884.4	1,048,963.0	580,763.8

PRESENT WORTH PROFILE	
DISC RATE %	CUM PW M$
0.000	1,048,963.0
5.000	760,651.6
10.000	580,763.8
15.000	461,567.3
20.000	378,253.1
30.000	271,318.9
35.000	235,431.8
40.000	206,820.9
45.000	183,570.5
50.000	164,371.1

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

BASED ON ESCALATED PRICE AND COST PARAMET
HIGH PRICE CASE

Figure 19

NETHERLAND, SEWELL & ASSOCIATES, INC.

PETROTAL CORP. INTEREST

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF JUNE 30, 2018

POSSIBLE UNDEVELOPED RESERVES

CERTAIN OIL PROPERTIES
LOCATED IN BRETAÑA FIELD, BLOCK 95
ONSHORE PERU

PERIOD ENDING M-D-Y	GROSS RESERVES OIL MBBL	GROSS RESERVES GAS MMCF	NET RESERVES OIL MBBL	NET RESERVES NGL MBBL	NET RESERVES GAS MMCF	NET RESERVES EQUIV MBOE	AVERAGE PRICES OIL $/BBL	AVERAGE PRICES NGL $/BBL	AVERAGE PRICES GAS $/MCF	GROSS REVENUE OIL M$	GROSS REVENUE NGL M$	GROSS REVENUE GAS M$	GROSS REVENUE TOTAL M$
12-31-2018	98.7	0.0	98.7	0.0	0.0	98.7	63.38	0.00	0.000	6,255.6	0.0	0.0	6,255.6
12-31-2019	1,698.0	0.0	1,698.0	0.0	0.0	1,698.0	61.62	0.00	0.000	104,631.6	0.0	0.0	104,631.6
12-31-2020	1,407.3	0.0	1,407.3	0.0	0.0	1,407.3	59.92	0.00	0.000	84,326.6	0.0	0.0	84,326.6
12-31-2021	2,782.5	0.0	2,782.5	0.0	0.0	2,782.5	56.26	0.00	0.000	156,542.3	0.0	0.0	156,542.3
12-31-2022	1,458.4	0.0	1,458.4	0.0	0.0	1,458.4	53.88	0.00	0.000	78,577.2	0.0	0.0	78,577.2
12-31-2023	1,048.0	0.0	1,048.0	0.0	0.0	1,048.0	52.32	0.00	0.000	54,828.9	0.0	0.0	54,828.9
12-31-2024	3,420.7	0.0	3,420.7	0.0	0.0	3,420.7	51.59	0.00	0.000	176,472.4	0.0	0.0	176,472.4
12-31-2025	4,414.1	0.0	4,414.1	0.0	0.0	4,414.1	51.56	0.00	0.000	227,592.2	0.0	0.0	227,592.2
12-31-2026	3,713.5	0.0	3,713.5	0.0	0.0	3,713.5	52.80	0.00	0.000	196,062.5	0.0	0.0	196,062.5
12-31-2027	3,055.8	0.0	3,055.8	0.0	0.0	3,055.8	54.06	0.00	0.000	165,191.4	0.0	0.0	165,191.4
12-31-2028	2,547.6	0.0	2,547.6	0.0	0.0	2,547.6	55.35	0.00	0.000	141,001.9	0.0	0.0	141,001.9
12-31-2029	2,148.6	0.0	2,148.6	0.0	0.0	2,148.6	56.66	0.00	0.000	121,737.8	0.0	0.0	121,737.8
12-31-2030	1,830.5	0.0	1,830.5	0.0	0.0	1,830.5	58.00	0.00	0.000	106,165.9	0.0	0.0	106,165.9
12-31-2031	1,574.3	0.0	1,574.3	0.0	0.0	1,574.3	59.36	0.00	0.000	93,455.1	0.0	0.0	93,455.1
12-31-2032	1,365.0	0.0	1,365.0	0.0	0.0	1,365.0	60.76	0.00	0.000	82,932.6	0.0	0.0	82,932.6
12-31-2033	1,191.7	0.0	1,191.7	0.0	0.0	1,191.7	62.18	0.00	0.000	74,101.1	0.0	0.0	74,101.1
12-31-2034	1,046.7	0.0	1,046.7	0.0	0.0	1,046.7	63.63	0.00	0.000	66,601.7	0.0	0.0	66,601.7
12-31-2035	924.3	0.0	924.3	0.0	0.0	924.3	65.11	0.00	0.000	60,176.5	0.0	0.0	60,176.5
12-31-2036	820.1	0.0	820.1	0.0	0.0	820.1	66.62	0.00	0.000	54,631.8	0.0	0.0	54,631.8
12-31-2037	730.9	0.0	730.9	0.0	0.0	730.9	68.15	0.00	0.000	49,813.0	0.0	0.0	49,813.0
SUBTOTAL	37,276.6	0.0	37,276.6	0.0	0.0	37,276.6	56.37	0.00	0.000	2,101,098.2	0.0	0.0	2,101,098.2
REMAINING	2,246.1	0.0	2,246.1	0.0	0.0	2,246.1	71.94	0.00	0.000	161,588.7	0.0	0.0	161,588.7
TOTAL	39,522.7	0.0	39,522.7	0.0	0.0	39,522.7	57.25	0.00	0.000	2,262,686.9	0.0	0.0	2,262,686.9
CUM PROD	0.0	0.0											
ULTIMATE	39,522.7	0.0											

PERIOD ENDING M-D-Y	NUMBER OF ACTIVE COMPLETIONS GROSS	NUMBER OF ACTIVE COMPLETIONS NET	NET DEDUCTIONS/EXPENDITURES TAXES PRODUCTION M$	TAXES AD VALOREM M$	CAPITAL COST M$	ABDNMNT COST M$	GOVERNMENT ROYALTY M$	OPERATING EXPENSE M$	FUTURE NET REVENUE UNDISC PERIOD M$	FUTURE NET REVENUE DISC AT 10.000% CUM M$
12-31-2018	0	0.0	0.0	0.0	0.0	0.0	327.3	477.8	5,450.4	5,259.2
12-31-2019	0	0.0	0.0	0.0	0.0	0.0	7,073.5	7,999.1	89,559.0	86,707.1
12-31-2020	0	0.0	0.0	0.0	0.0	0.0	7,126.0	7,429.8	69,770.8	144,390.6
12-31-2021	0	0.0	0.0	0.0	0.0	0.0	13,788.4	14,981.9	127,772.0	240,423.7
12-31-2022	0	0.0	0.0	0.0	118,401.9	0.0	6,657.5	7,142.2	-53,624.3	203,783.8
12-31-2023	1	1.0	0.0	0.0	-30,319.5	0.0	4,375.0	5,493.0	75,280.5	250,544.6
12-31-2024	4	4.0	0.0	0.0	44,539.6	0.0	14,018.0	17,109.9	100,804.9	307,467.7
12-31-2025	6	6.0	0.0	0.0	28,643.8	0.0	18,044.1	22,363.5	158,540.7	388,854.8
12-31-2026	6	6.0	0.0	0.0	0.0	0.0	14,400.0	19,608.2	162,054.3	464,482.7
12-31-2027	6	6.0	0.0	0.0	0.0	0.0	11,273.0	16,940.4	136,978.1	522,596.6
12-31-2028	6	6.0	0.0	0.0	0.0	0.0	9,055.7	14,904.1	117,042.1	567,738.4
12-31-2029	6	6.0	0.0	0.0	0.0	0.0	7,427.4	13,311.1	100,999.3	603,151.3
12-31-2030	6	6.0	0.0	0.0	0.0	0.0	6,196.7	12,022.1	87,947.1	631,184.5
12-31-2031	6	6.0	0.0	0.0	0.0	0.0	5,245.9	11,059.4	77,149.8	653,540.4
12-31-2032	6	6.0	0.0	0.0	0.0	0.0	4,495.4	10,219.3	68,217.9	671,511.1
12-31-2033	6	6.0	0.0	0.0	0.0	0.0	3,891.2	9,555.6	60,654.4	686,036.7
12-31-2034	6	6.0	0.0	0.0	0.0	0.0	3,396.5	8,983.1	54,222.1	697,841.5
12-31-2035	6	6.0	0.0	0.0	0.0	0.0	3,008.8	8,505.3	48,662.3	707,472.7
12-31-2036	6	6.0	0.0	0.0	0.0	0.0	2,731.6	8,148.5	43,751.7	715,344.8
12-31-2037	6	6.0	0.0	0.0	0.0	0.0	2,490.6	7,837.8	39,484.6	721,803.2
SUBTOTAL			0.0	0.0	161,265.8	0.0	145,022.6	224,092.1	1,570,717.6	721,803.2
REMAINING			0.0	0.0	0.0	11,845.3	8,079.4	29,141.5	112,522.4	736,984.2
TOTAL OF 23.5 YRS			0.0	0.0	161,265.8	11,845.3	153,102.1	253,233.6	1,683,240.1	736,984.2

PRESENT WORTH PROFILE DISC RATE %	PRESENT WORTH PROFILE CUM PW M$
0.000	1,683,240.1
5.000	1,069,789.8
10.000	736,984.2
15.000	541,420.6
20.000	418,589.0
30.000	280,349.0
35.000	239,354.4
40.000	208,708.4
45.000	185,131.2
50.000	166,535.1

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

BASED ON ESCALATED PRICE AND COST PARAMET
HIGH PRICE CASE

Figure 20

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF JUNE 30, 2018

PETROTAL CORP. INTEREST

PROVED + PROBABLE + POSSIBLE UNDEVELOPED RESERVES

CERTAIN OIL PROPERTIES
LOCATED IN BRETAÑA FIELD, BLOCK 95
ONSHORE PERU

PERIOD	GROSS RESERVES		NET RESERVES				AVERAGE PRICES			GROSS REVENUE			
ENDING	OIL	GAS	OIL	NGL	GAS	EQUIV	OIL	NGL	GAS	OIL	NGL	GAS	TOTAL
M-D-Y	MBBL	MMCF	MBBL	MBBL	MMCF	MBOE	$/BBL	$/BBL	$/MCF	M$	M$	M$	M$
12-31-2018	484.0	0.0	484.0	0.0	0.0	484.0	63.38	0.00	0.000	30,673.1	0.0	0.0	30,673.1
12-31-2019	3,798.2	0.0	3,798.2	0.0	0.0	3,798.2	61.62	0.00	0.000	234,045.2	0.0	0.0	234,045.2
12-31-2020	5,607.7	0.0	5,607.7	0.0	0.0	5,607.7	59.92	0.00	0.000	336,013.0	0.0	0.0	336,013.0
12-31-2021	6,708.9	0.0	6,708.9	0.0	0.0	6,708.9	56.26	0.00	0.000	377,443.7	0.0	0.0	377,443.7
12-31-2022	5,658.7	0.0	5,658.7	0.0	0.0	5,658.7	53.88	0.00	0.000	304,893.4	0.0	0.0	304,893.4
12-31-2023	4,883.1	0.0	4,883.1	0.0	0.0	4,883.1	52.32	0.00	0.000	255,482.7	0.0	0.0	255,482.7
12-31-2024	6,028.0	0.0	6,028.0	0.0	0.0	6,028.0	51.59	0.00	0.000	310,982.2	0.0	0.0	310,982.2
12-31-2025	6,507.1	0.0	6,507.1	0.0	0.0	6,507.1	51.56	0.00	0.000	335,505.7	0.0	0.0	335,505.7
12-31-2026	5,492.9	0.0	5,492.9	0.0	0.0	5,492.9	52.80	0.00	0.000	290,010.3	0.0	0.0	290,010.3
12-31-2027	4,618.3	0.0	4,618.3	0.0	0.0	4,618.3	54.06	0.00	0.000	249,662.6	0.0	0.0	249,662.6
12-31-2028	3,949.0	0.0	3,949.0	0.0	0.0	3,949.0	55.35	0.00	0.000	218,561.1	0.0	0.0	218,561.1
12-31-2029	3,424.5	0.0	3,424.5	0.0	0.0	3,424.5	56.66	0.00	0.000	194,028.4	0.0	0.0	194,028.4
12-31-2030	3,005.3	0.0	3,005.3	0.0	0.0	3,005.3	58.00	0.00	0.000	174,301.1	0.0	0.0	174,301.1
12-31-2031	2,664.5	0.0	2,664.5	0.0	0.0	2,664.5	59.36	0.00	0.000	158,176.3	0.0	0.0	158,176.3
12-31-2032	2,383.4	0.0	2,383.4	0.0	0.0	2,383.4	60.76	0.00	0.000	144,809.4	0.0	0.0	144,809.4
12-31-2033	2,148.5	0.0	2,148.5	0.0	0.0	2,148.5	62.18	0.00	0.000	133,592.5	0.0	0.0	133,592.5
12-31-2034	1,950.0	0.0	1,950.0	0.0	0.0	1,950.0	63.63	0.00	0.000	124,078.3	0.0	0.0	124,078.3
12-31-2035	1,780.6	0.0	1,780.6	0.0	0.0	1,780.6	65.11	0.00	0.000	115,931.8	0.0	0.0	115,931.8
12-31-2036	1,634.7	0.0	1,634.7	0.0	0.0	1,634.7	66.62	0.00	0.000	108,897.6	0.0	0.0	108,897.6
12-31-2037	1,508.0	0.0	1,508.0	0.0	0.0	1,508.0	68.15	0.00	0.000	102,778.4	0.0	0.0	102,778.4
SUBTOTAL	74,235.5	0.0	74,235.5	0.0	0.0	74,235.5	56.57	0.00	0.000	4,199,866.7	0.0	0.0	4,199,866.7
REMAINING	5,046.5	0.0	5,046.5	0.0	0.0	5,046.5	72.01	0.00	0.000	363,425.3	0.0	0.0	363,425.3
TOTAL	79,282.0	0.0	79,282.0	0.0	0.0	79,282.0	57.56	0.00	0.000	4,563,292.0	0.0	0.0	4,563,292.0
CUM PROD	0.0	0.0											
ULTIMATE	79,282.0	0.0											

PERIOD	NUMBER OF ACTIVE COMPLETIONS		NET DEDUCTIONS/EXPENDITURES: TAXES						FUTURE NET REVENUE	
ENDING	GROSS	NET	PRODUCTION	AD VALOREM	CAPITAL COST	ABDNMNT COST	GOVERNMENT ROYALTY	OPERATING EXPENSE	UNDISC PERIOD	DISC AT 10.000% CUM
M-D-Y			M$	M$	M$	M$	M$	M$	M$	M$
12-31-2018	1	1.0	0.0	0.0	21,683.0	0.0	1,548.2	7,341.7	100.3	96.8
12-31-2019	2	2.0	0.0	0.0	67,978.6	0.0	13,697.4	29,950.8	122,418.4	111,428.1
12-31-2020	6	6.0	0.0	0.0	56,351.7	0.0	22,293.4	41,318.0	216,049.9	290,048.8
12-31-2021	11	11.0	0.0	0.0	114,942.1	0.0	26,839.0	48,834.2	186,828.3	430,468.5
12-31-2022	11	11.0	0.0	0.0	129,529.3	0.0	20,296.0	45,696.6	109,371.5	505,198.7
12-31-2023	12	12.0	0.0	0.0	16,134.7	0.0	16,150.2	43,943.1	179,254.7	616,543.6
12-31-2024	15	15.0	0.0	0.0	44,539.6	0.0	21,197.7	51,626.1	193,618.8	725,877.5
12-31-2025	17	17.0	0.0	0.0	28,643.8	0.0	23,564.2	55,158.4	228,139.3	842,993.0
12-31-2026	17	17.0	0.0	0.0	0.0	0.0	19,097.4	51,605.9	219,307.0	945,339.8
12-31-2027	17	17.0	0.0	0.0	0.0	0.0	15,496.5	48,576.3	185,589.8	1,024,077.6
12-31-2028	17	17.0	0.0	0.0	0.0	0.0	12,933.6	46,388.4	159,239.0	1,085,494.2
12-31-2029	17	17.0	0.0	0.0	0.0	0.0	11,042.0	44,799.1	138,187.3	1,133,946.2
12-31-2030	17	17.0	0.0	0.0	0.0	0.0	9,603.4	43,648.6	121,049.1	1,172,530.7
12-31-2031	17	17.0	0.0	0.0	0.0	0.0	8,482.0	42,873.0	106,821.3	1,203,484.6
12-31-2032	17	17.0	0.0	0.0	0.0	0.0	7,589.2	42,306.6	94,913.5	1,228,487.7
12-31-2033	17	17.0	0.0	0.0	0.0	0.0	6,865.7	41,940.1	84,786.7	1,248,792.6
12-31-2034	17	17.0	0.0	0.0	0.0	0.0	6,270.3	41,733.3	76,074.7	1,265,354.9
12-31-2035	17	17.0	0.0	0.0	0.0	0.0	5,796.6	41,656.4	68,478.8	1,278,908.2
12-31-2036	17	17.0	0.0	0.0	0.0	0.0	5,444.9	41,730.5	61,722.3	1,290,013.7
12-31-2037	17	17.0	0.0	0.0	0.0	0.0	5,138.9	40,736.2	56,903.3	1,299,321.3
SUBTOTAL			0.0	0.0	479,802.8	0.0	259,346.8	851,863.2	2,608,854.0	1,299,321.3
REMAINING			0.0	0.0	0.0	58,650.0	18,171.3	163,254.9	123,349.1	1,317,748.1
TOTAL OF 23.5 YRS			0.0	0.0	479,802.8	58,650.0	277,518.1	1,015,118.1	2,732,203.1	1,317,748.1

PRESENT WORTH PROFILE	
DISC RATE %	CUM PW M$
0.000	2,732,203.1
5.000	1,830,441.4
10.000	1,317,748.1
15.000	1,002,987.8
20.000	796,842.1
30.000	551,668.0
35.000	474,786.1
40.000	415,529.3
45.000	368,701.7
50.000	330,906.2

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

BASED ON ESCALATED PRICE AND COST PARAMET
HIGH PRICE CASE

REVENUE, TAXES, AND COSTS (M$)
BRETAÑA FIELD, BLOCK 95, ONSHORE PERU
PETROTAL CORP. INTEREST
AS OF JUNE 30, 2018

LOW AND HIGH PRICE CASES

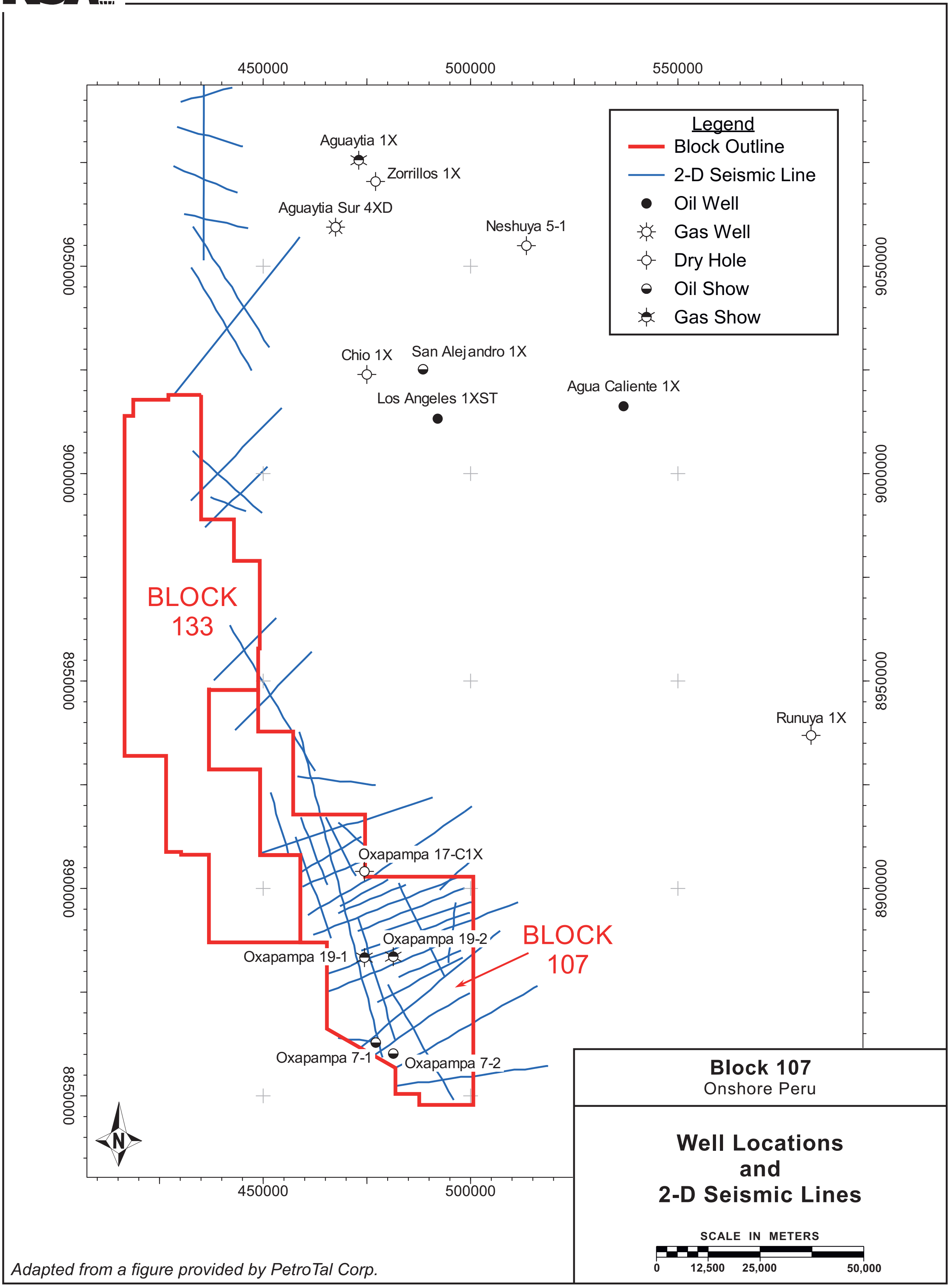
Case/Category	Company Gross Revenue	Capital Costs	Abandonment and Reclamation Costs	Government Royalty	Operating Costs	Future Net Revenue Before Income Tax Discounted at 0%	Future Net Revenue Before Income Tax Discounted at 10%	PetroTal Corporate Income Taxes[1]	Future Net Revenue After PetroTal Corporate Income Taxes Discounted at 0%	Future Net Revenue After PetroTal Corporate Income Taxes Discounted at 10%
Low Price Case										
Proved Undeveloped	507,825.0	198,289.5	29,819.4	25,659.5	219,769.9	34,286.7	13,836.4	10,971.8	23,315.0	9,408.7
Probable Undeveloped	1,048,874.8	120,247.5	16,067.6	58,656.9	508,434.2	345,468.5	215,282.6	110,549.9	234,918.6	146,392.2
Proved + Probable Undeveloped	1,556,699.8	318,537.0	45,887.0	84,316.5	728,204.1	379,755.2	229,119.0	121,521.7	258,233.5	155,800.9
Possible Undeveloped	1,599,203.4	161,265.8	12,763.1	107,504.0	286,914.0	1,030,756.6	444,514.6	329,842.1	700,914.5	302,269.9
Proved + Probable + Possible Undeveloped	3,155,903.2	479,802.8	58,650.0	191,820.5	1,015,118.1	1,410,511.8	673,633.6	451,363.8	959,148.0	458,070.8
High Price Case										
Proved Undeveloped	939,152.7	198,289.5	33,581.5	47,345.7	379,408.4	280,527.7	177,062.0	89,768.9	190,758.9	120,402.1
Probable Undeveloped	1,361,452.4	120,247.5	13,223.3	77,070.3	382,476.1	768,435.3	403,701.9	245,899.3	522,536.0	274,517.3
Proved + Probable Undeveloped	2,300,605.1	318,537.0	46,804.7	124,416.0	761,884.4	1,048,963.0	580,763.8	335,668.2	713,294.8	394,919.4
Possible Undeveloped	2,262,686.9	161,265.8	11,845.3	153,102.1	253,233.6	1,683,240.1	736,984.2	538,636.8	1,144,603.3	501,149.3
Proved + Probable + Possible Undeveloped	4,563,292.0	479,802.8	58,650.0	277,518.1	1,015,118.1	2,732,203.1	1,317,748.1	874,305.0	1,857,898.1	896,068.7

Totals may not add because of rounding.

[1] The estimated tax rate is 32 percent.

Note: These estimates are a simplification of current tax laws and were not prepared by a tax accountant or attorney.

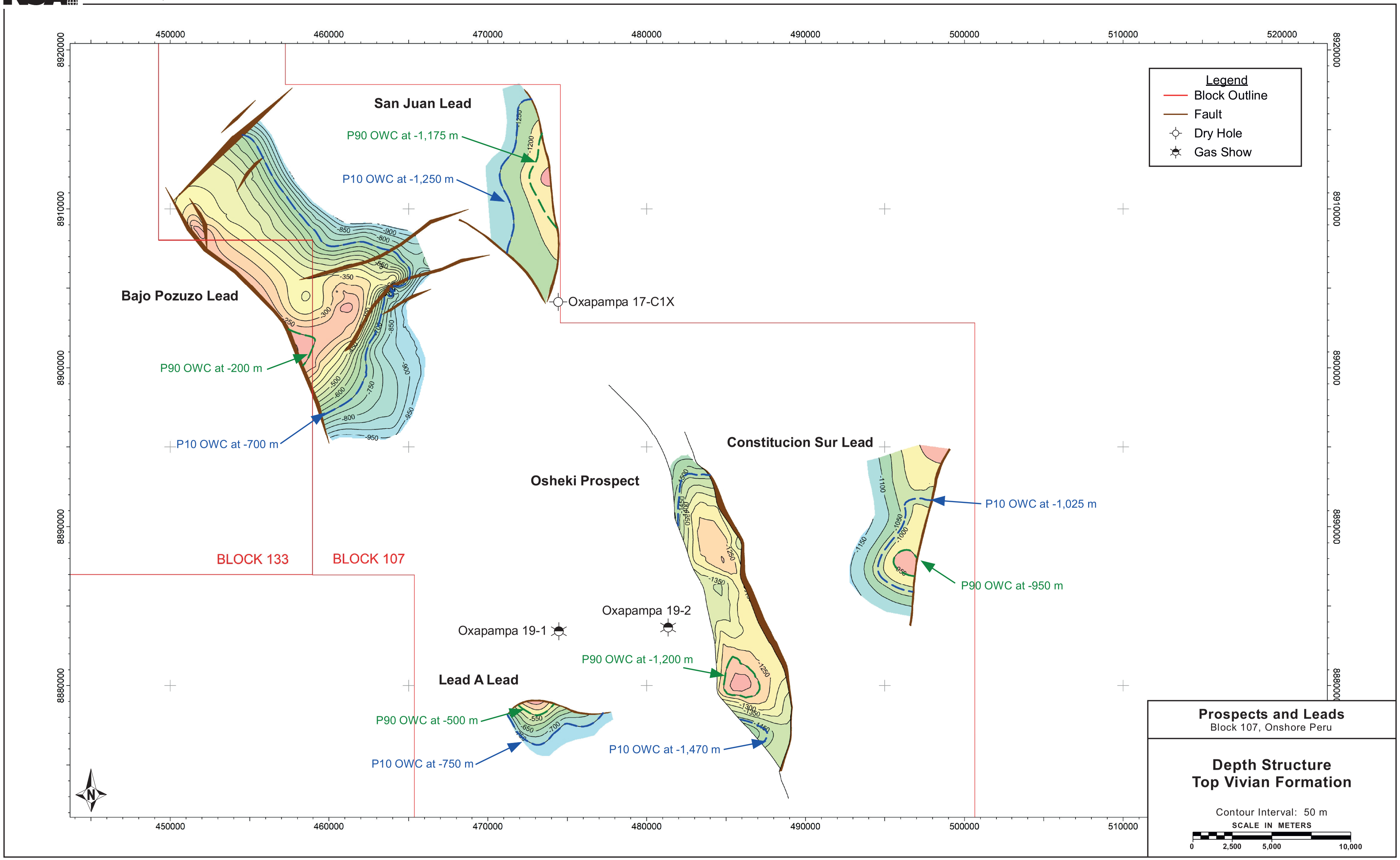
Figure 22



Adapted from a figure provided by PetroTal Corp.

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

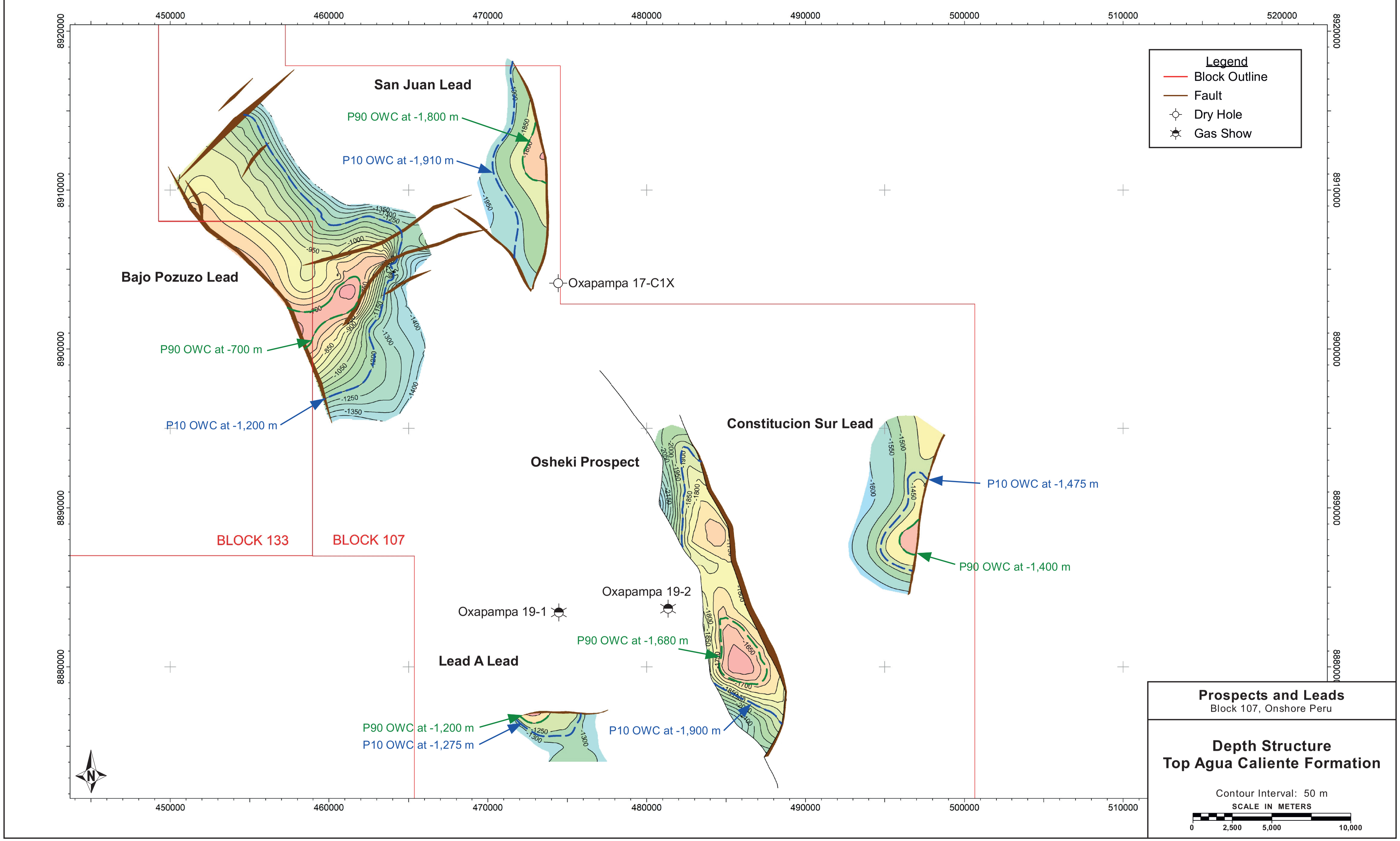
Figure 23



All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 24

NSAI NETHERLAND, SEWELL & ASSOCIATES, INC.



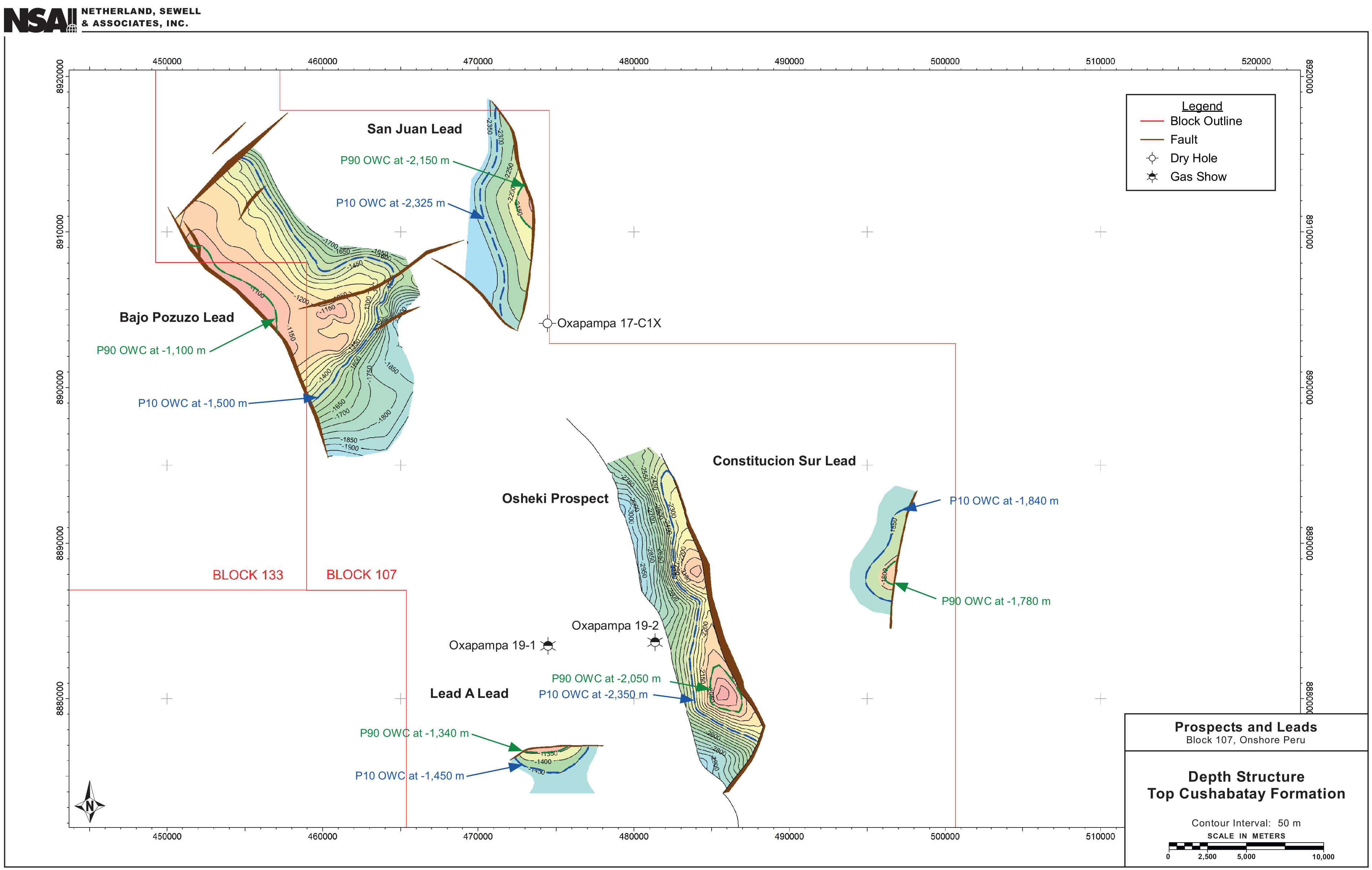
Prospects and Leads
Block 107, Onshore Peru

Depth Structure
Top Agua Caliente Formation

Contour Interval: 50 m
SCALE IN METERS
0 2,500 5,000 10,000

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 25



All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 26

SUMMARY OF GROSS (100 PERCENT) PROSPECTIVE OIL RESOURCES
BLOCKS 95 AND 107, ONSHORE PERU
PETROTAL CORP.
AS OF JUNE 30, 2018

	Gross (100%) Prospective Oil Resources (MMBBL)									
	Unrisked				Risked					
Block/Prospect or Lead/Reservoir	Low Estimate (1U)	Best Estimate (2U)	High Estimate (3U)	Mean	Low Estimate (1U)	Best Estimate (2U)	High Estimate (3U)	Mean	Risk Factor(1) (%)	Operator Name
Block 95										
Envidia/Vivian	3.1	5.3	8.7	5.6	1.1	1.9	3.1	2.0	36	PetroTal Corp.
Block 107										
Osheki/Vivian	16.2	87.1	439.9	174.8	2.6	13.9	70.4	28.0	16	PetroTal Corp.
Osheki/Agua Caliente	25.4	118.0	495.2	210.6	4.0	18.6	78.0	33.2	16	PetroTal Corp.
Osheki/Cushabatay	13.9	73.3	354.1	148.8	2.2	11.5	55.8	23.4	16	PetroTal Corp.
Bajo Pozuzo Lead										
Vivian	5.3	61.7	651.1	243.4	0.3	3.5	36.6	13.7	6	PetroTal Corp.
Agua Caliente	8.9	106.2	1,006.0	393.0	0.5	6.0	56.6	22.1	6	PetroTal Corp.
Cushabatay	7.1	91.1	977.6	380.1	0.4	5.1	55.0	21.4	6	PetroTal Corp.
Constitucion Sur Lead										
Vivian	5.3	18.0	59.8	27.1	0.5	1.8	6.1	2.7	10	PetroTal Corp.
Agua Caliente	2.7	9.5	31.0	14.0	0.3	1.0	3.1	1.4	10	PetroTal Corp.
Cushabatay	0.5	8.2	101.6	36.7	0.1	0.8	10.3	3.7	10	PetroTal Corp.
Lead A Lead										
Vivian	2.1	11.4	57.7	22.7	0.1	0.8	3.9	1.5	7	PetroTal Corp.
Agua Caliente	1.3	5.1	19.3	8.2	0.1	0.3	1.3	0.6	7	PetroTal Corp.
Cushabatay	0.5	3.6	20.9	8.1	0.0	0.2	1.4	0.5	7	PetroTal Corp.
San Juan Lead										
Vivian	6.9	32.1	142.8	58.5	0.6	2.9	12.9	5.3	9	PetroTal Corp.
Agua Caliente	4.3	20.8	95.8	39.4	0.4	1.9	8.6	3.5	9	PetroTal Corp.
Cushabatay	2.8	20.0	131.2	49.5	0.2	1.8	11.8	4.5	9	PetroTal Corp.

(1) The risk factor for prospective resources refers to the estimated chance, or probability, that the volumes will be commercially extracted. For the purposes of this report, the risk factor for the prospective resources refers to the PRMS term "chance of discovery".

Source: Netherland, Sewell & Associates, Inc.

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 27

PART 4

FINANCIAL STATEMENTS

4.1: Unaudited quarterly financial information relating to the Group as at and for the nine months ended 30 September 2018

PetroTal

Condensed Interim Consolidated Financial Statements
For three and nine months ended September 30, 2018 and 2017
(UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS

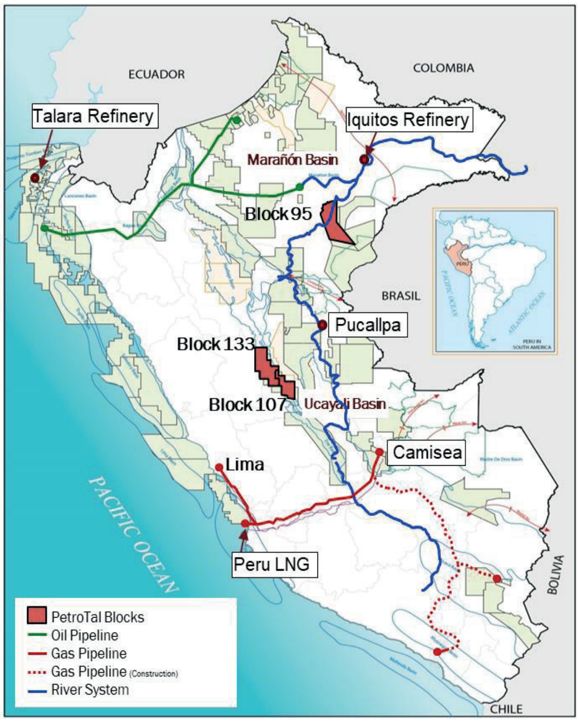
This Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of PetroTal Corp ("PetroTal" or the "Company") for the three and nine months ended September 30, 2018, is dated November 29th, 2018, and should be read in conjunction with the Company's unaudited condensed consolidated financial statements (the "financial statements") for the three and nine months ended September 30, 2018 and 2017, as well as the Company's audited consolidated financial statements for the year ended December 31, 2017. The unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 – Interim Financial Reporting as issued by the International Accounting Standards Board, which are also generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada.

Financial figures throughout this MD&A are stated in thousands of United States dollars ($) unless otherwise indicated.

This MD&A contains forward-looking statements that should be read in conjunction with the Company's disclosure under "*Forward Looking Statements and Business Risks*".

CORPORATE OVERVIEW AND STRATEGY

PetroTal is a publicly-traded (TSX-V:TAL), international energy company incorporated and domiciled in Canada. Through its two subsidiaries in Peru, the Company is currently engaged in the development and exploration for hydrocarbons in Block 95 with a focus on the development of the Bretaña oil field. Additionally, the Company has exploration prospects and leads in Blocks 107 and 133



On December 18, 2017, the Company:

• Completed a plan of arrangement (the Reverse Takeover "RTO") with Sterling Resources Ltd. pursuant to which Sterling acquired all of the shares of "old" PetroTal and, once amalgamated, continued as one operation under the name of Sterling Resources Ltd. The name of the Company was changed in June 2018 to PetroTal Corp.

• Acquired from Gran Tierra Energy Inc. (NYSE:GTE) 100% of the subsidiaries that held the rights in the exploration blocks in Peru. GTE had 100% working interest in three license contracts (Blocks 95, 107 and 133), and GTE retained a 20% back-in option in Block 107.

After the reverse takeover transaction and the acquisition of GTE Peruvian assets on December 18, 2017, the Company appointed an experienced Board of Directors and retained the prior PetroTal Management team

• Raised $34M gross proceeds through the issuance of subscription receipts, which have been subsequently converted into common shares.

The Company commenced oil production in H2-2018 at Bretaña via a long-term testing program of the single oil producer drilled by GTE, which is now a major component of our operations. Production volume averaged 900 barrels of oil per day ("BOPD") in September 2018, with current production of approximately 2,000 BOPD.

Capital expenditures are related to exploration, evaluation, development and production of oil assets in Peru. The majority of the activity is related to Block 95, and in particular the Bretaña oil field. The Company has an approved capital budget of $30.6 million in 2018, including $27.3 million for the Bretaña field and year to date has spent $17.2 million on the Bretaña field. The Company expects to spend a total of $24.2 million across the assets in 2018.

BRETAÑA OIL FIELD

The Bretaña oil field is located in the Maranon Basin of northern Peru. To date this basin has produced more than one billion barrels of crude oil. Approximately 70% of the oil in the Maranon Basin has been produced from the Vivian Formation and approximately 30% from the Chonta Formation. The Vivian Formation is known as a quality oil reservoir with high permeabilities and strong aquifer support. Generally, this type of reservoir achieves the highest oil recoveries. The Chonta Formation is immediately below the Vivian and typically produces medium to light oil.

The Bretaña oil field with its estimated 330 million barrels of oil ("MMBO") in place, as estimated by Netherland, Sewell & Associates, Inc. ("NSAI"), a qualified reserves evaluator as defined in National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"), effective June 30, 2018, is a large oil field in the Maranon Basin. The current estimate of 39.8 MMBO of 2P reserves is based on a 12% recovery factor. Analog fields show that the potential recovery could be two to three times higher.

The well, which is currently under long-term testing, initially tested at a rate of 3,095 BOPD of 18.5 API oil from the horizontal sidetrack in 2013. The well had been shut since that time until the Company put the well on production in June of this year.

The Company's operating team has previously worked on the fields in the area, and therefore are familiar with this type of operations. These highly productive oil wells are supported by strong aquifers and require the produced water to be reinjected back into the reservoir. The Company intends to develop the Bretaña oil field on a modular basis, whereby the production and water reinjection facilities are installed as needed.

Q3 2018 OPERATIONAL HIGHLIGHTS

Bretaña

On June 1st, five months earlier than anticipated, the Company announced that the Bretaña discovery well was placed on production through long-term testing, allowing for the start of the commissioning of the newly installed oil production facilities. The Company restricted the well flow rates to minimize water production until the required water injection facilities and oil well hydraulic pump was commissioned and installed. The Company has been able to increase production as of November 8, 2018 to approximately 2,000 BOPD. Current facilities are designed to manage approximately 6,000 BOPD and 10,000 barrels of formation water per day. The discovery well is also producing aquifer water, as expected, at current rates of approximately 3,000 barrels of water per day for a total fluid production of approximately 5,000 barrels per day.

In addition, the Company has completed refurbishment and construction on the existing drilling pad and is now able to drill additional wells in 2019 without causing material interruptions to production. Mobilization of a drilling rig is expected to commence shortly and once fully tested will be taken to Bretaña to begin drilling the Company's second oil well. The expected spud date is February 2019 with first production expected in late March 2019. This second oil well will be drilled down to the Chonta Formation to comply with the current exploration commitment and investigate the potential for light oil but will be completed as an oil producer at the top of the target Vivian Formation. The Company has received the permit to drill Bretaña's third oil well, allowing for time to receive the full field environmental impact assessment permit in March or April 2019.

The engineering studies for the next phase of production facilities are expected to be completed before year end 2018, allowing the Company sufficient time to conduct the tender process that is required to secure a contractor that will be responsible for the expansion of the production facilities. This expansion is necessary in order to be able to handle the expected increase in future volumes of oil and water.

Osheki

PetroTal opened a data room for Block 107 in September 2018 to present the Osheki prospect and other leads to potential partners. Based on an independent assessment completed by Netherland Sewell & Associates, Inc., with an effective date of June 30, 2018, and prepared in accordance with the Canadian Oil and Gas Evaluation Handbook and the standards established by NI 51-101, the Osheki prospect is estimated to have 534 MMBO of mean prospective recoverable oil resources. This estimate is based on a recovery factor of 30 percent of the estimated 1.78 billion barrels of mean prospective original oil in place ("OOIP"), using maps generated from seismic acquired in 2007 and 2014. The mean risked prospective resources figure for the Osheki prospect is 85 MMBO. The prospect was de-risked with a new 3D geologic model supporting Cretaceous age reservoirs with high quality Permian source rocks. Block 107 has four additional leads that, with Osheki, could contain a total of 4.6 billion barrels of recoverable resource in the high estimate case. Drilling permits for the Osheki prospect have been approved and the Company is seeking joint venture partners to drill the first exploration well and are looking to spud the well by fourth quarter 2019 or early 2020.

Q3 2018 FINANCIAL HIGHLIGHTS

Results of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
($US thousands, except per unit amounts)				
Net revenues	4,144	-	4,144	-
Operating expense	(1,354)	-	(1,354)	-
DD&A	(566)	-	(589)	-
General & administrative expense	(1,478)	-	(3,765)	-
Accretion expense	(93)	-	(529)	-
Foreign exchange loss	(146)	-	(304)	-
Impairment	-	-	(40)	-
Net income (loss)	507	-	(2,437)	-
Average production BBL/D	757	-	757	-
Average Brent oil price	74.65	-	74.65	-
Discount to Brent 14.1%	10.53	-	10.53	-
Royalties/BBL	2.44	-	2.44	-
Net realized average oil price/BBL	61.68	-	61.68	-
Average production cost/BBL	16.37	-	16.37	-
Depreciation, depletion and amortization (DD&A)/BBL	9.19	-	9.19	-
Transportation/BBL	5.50	-	5.50	-
Capital expenditures	7,315	-	16,517	-

Following the Company's July 3, 2018 announcement of first oil production from the Bretaña field, the Company executed an initial oil sales contract with PetroPeru, Peru's state oil company and owner of the Iquitos refinery. The Company successfully negotiated a discount equivalent to 14 percent from Brent; however, the Company does not pay pipeline tariffs during the contract term, as all oil is barged directly to the refinery. The crude oil is currently picked up at the Bretaña field and transported to the refinery by PetroPeru.

The Company's revenue recognition accounting policy is in accordance with IFRS 15 as follows:

Revenue associated with the sale of crude oil and natural gas is measured based on the consideration specified in contracts with customers. Revenue from contracts with customers is recognized when or as PetroTal satisfies a performance obligation by *transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of oil, natural gas, natural gas liquids usually coincides with title passing to the customer and the customer taking physical possession. The Company principally satisfies its performance obligations at a point in time and the amounts of revenue recognized relating to performance obligations satisfied over time are not significant.*

Through the contract above the Company has satisfied the performance obligations such that revenue recognition in the quarter was warranted. Oil sold to PetroPeru has been recorded as revenue during the period commencing July 1st. As such once the oil is loaded on the barge, revenue recognition has been met.

Capital expenditures in the table above were primarily for water treatment and reinjection facilities that have allowed the Company to increase oil production rates from the discovery well, originally brought online mid-year at approximately 1,000 BOPD, to approximately 2,000 BOPD in early November.

With consistent sales of the Bretaña oil being established, and revenues being recognized, the Bretaña exploration asset, in the amount of $41.1 million, was transferred to Property Plant and Equipment ("PP&E") from Exploration and Evaluation ("E&E) assets in the period. The continuity of the PP&E assets is below:

Property Plant and Equipment

($ thousands)	Oil and Gas Properties	Furniture and Fixtures	Total
Balance at December 31, 2017	-	109	109
Transfer of exploration and evaluation assets	48,042	-	48,042
Change in estimates - decommissioning obligations	(6,957)		(6,957)
Additions	4,385	244	4,629
DD&A charge in period	(640)	(36)	(676)
Net book value PP&E September 30, 2018	44,830	317	45,147

The accumulated DD&A on the balance sheet is different to what is recorded in the income statement as there is an allocation to Inventory.

Exploration and Evaluation Assets

($ thousands)	September 30, 2018	December 31, 2017
Balance, beginning of the period	38,571	-
Additions from Peru asset acquisition	-	38,417
Additions during the period	13,905	154
Impairment of exploration and evaluation assets	(40)	-
Transfer to property plant and equipment	(48,042)	-
Balance, end of the period	4,394	38,571

Financing Activities and Liquidity

Working capital is $28.3 million at September 30, 2018 compared to $32.6 million at June 30, 2018. The reduction is primarily due to capital expenditures in the period. A breakdown of the Company's net working capital as at September 30, 2018, June 30, 2018, March 31, 2018 and December 31, 2017 is provided below:

	Three months ended			
($ thousands)	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Cash	27,905	34,986	42,059	48,783
VAT receivables	1,905	2,234	2,155	531
Trade and other receivables	1,553	104	402	350
Inventory	539	294	295	295
Prepaid expenses	391	350	241	147
Trade and other payables	(4,035)	(5,335)	(2,598)	(2,675)
Total	28,258	32,633	42,554	47,431

Capital Resources

As of September 30, 2018, the Company holds the following commitments in the exploration blocks in Peru, which are guaranteed by letters of credit:

Block	Beneficiary	Amount - $000s	Commitment
107	PeruPetro S.A.	1,500	Minimum work – 5th exploratory period - 1st exploratory well (expires April 14, 2020)
107	PeruPetro S.A.	1,500	Minimum work – 5th exploratory period - 2nd exploratory well (expires April 14, 2020)
133	PeruPetro S.A.	1,000	Minimum work – 3rd exploratory period - expires November 22, 2019

With regard to Block 133, there has been a delay in the approval of the work program by the local environmental agency and the Company recently finalized an extension to the deadline to November 22, 2019

Decommissioning Obligations

The Company has estimated decommissioning liabilities to be $14.5 million. The net present value of its estimated decommissioning liabilities is $7.6 million, which includes an adjustment of $7.0 million in the period reflecting the revised life of the 2P reserves of Bretaña to 23 years from two years. The undiscounted future liability, after inflation adjustment is $22.8 million. The present value of the obligations was calculated using a credit-adjusted risk rate of 4.94 percent to reflect the market assessment of the time value of money. The inflation rate used in determining the cash flow estimates is 2.0 percent. The following table sets out the continuity of decommissioning obligations:

($ thousands)	September 30, 2018	December 31, 2017
Balance, beginning of period	14,048	-
Additions from Peru asset acquisition	-	14,023
Changes in Estimates	(6,957)	
Accretion of decommissioning discount	529	25
Balance, end of the period	7,620	14,048

Summary of Quarterly Results

	3 months ended							
($ thousands)	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Revenue	4,144	-	-	-	-	-	-	-
Net income (loss)	507	(1,400)	(1,544)	(2,754)	-	-	-	-
Net income (loss) per weighted average common share – basic and diluted ($)	0.00	(0.00)	(0.00)	(0.01)	-	-	-	-
Capital assets	49,541	51,736	43,408	38,680	-	-	-	-
Capital expenditure	(7,315)	(5,630)	(3,572)	(154)	-	-	-	

SIGNIFICANT JUDGEMENTS AND ESTIMATES

Management is required to make judgments, assumptions and estimates that have a significant impact on the Company's financial results. Significant judgments in the financial statements include going concern, financing arrangements, impairment indicators, assessment of transfers from E&E to PPE, asset acquisition and joint arrangements. Significant estimates in the financial statements include commitments, provision for future decommissioning obligations, recoverable amounts for exploration and evaluation assets and accruals. In addition, the Company uses estimates for numerous variables in the assessment of its assets for impairment purposes, including oil and natural gas prices, exchange rates, discount rates, cost estimates and production profiles. By their nature, all of these estimates are subject to measurement uncertainty, may be beyond management's control and the effect on future consolidated financial statements from changes in such estimates could be significant.

RELATED PARTY TRANSACTIONS AND OFF-BALANCE SHEET ARRANGEMENTS

The Company had no related party transactions or off-balance sheet arrangements.

Taxation

Peruvian law requires the Company to pay a two percent tax on gross revenues. The Company does not anticipate having a tax liability for the next few years. At such time as there is a liability, the amounts paid will reduce the amount of future tax to be paid.

Royalties

The royalty regime in Peru is negotiated on a block by block basis. In our current blocks, we pay a royalty based on production and ranges between five percent and twenty percent. The royalty calculation is five percent based on production of 5,000 BOPD or less and twenty percent when production reaches 100,000 BOPD or more, with a straight line calculation between. Currently we are paying a royalty of five percent, and at peak production will be approximately eight percent once the field has been fully developed. For royalty calculation purposes, Perupetro subtracts transportation from revenue prior to calculation.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at the date hereof, there are issued and outstanding:

- 537,740,991 Common Shares;
- 26,750,000 performance warrants of the Company ("Performance Warrants"); and
- 2,086,500 Compensation Warrants.

For a description of the Performance Warrants and Compensation Warrants, refer to PetroTal's annual information form available via SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS AND BUSINESS RISKS

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Company cannot guarantee future results, levels of activity, performance, or achievements. The risks and other factors, some of which are beyond the Company's control, could cause results to differ materially from those expressed in the forward-looking statements contained in this MD&A.

The forward-looking statements contained in this MD&A are expressly qualified by the foregoing cautionary statement. Subject to applicable securities laws, the Company is under no duty to update any of the forward-looking statements after the date hereof or to compare such statements to actual results or changes in the Company's expectations. Financial outlook information contained in this MD&A about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information should not be used for purposes other than for which it is disclosed herein.

ADDITIONAL INFORMATION

Additional information about PetroTal Resources Ltd. and its business activities, including PetroTal's annual information form and audited financial statements for the years ended December 31, 2017 and 2016 are available via SEDAR at www.sedar.com.

MANAGEMENT'S REPORT

The accompanying unaudited condensed consolidated financial statements and all information in the management discussion and analysis and notes to the condensed consolidated financial statements are the responsibility of management. The condensed consolidated financial statements were prepared by management in accordance with International Accounting Standards "IAS" 34 – Interim Financial Reporting outlined in the notes to the condensed consolidated financial statements. Other financial information appearing throughout the report is presented on a basis consistent with the condensed consolidated financial statements.

Management maintains appropriate systems of internal controls. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded, and financial records properly maintained to provide reliable information for the presentation of condensed consolidated financial statements.

The Audit Committee reviewed the condensed consolidated financial statements with management and with the auditors. The Board of Directors has approved the unaudited condensed consolidated financial statements on the recommendation of the Audit Committee.

Manuel Pablo Zuniga-Pflucker
Chief Executive Officer

Gregory E. Smith
Chief Financial Officer

November 29th, 2018

CONDENSED CONSOLIDATED BALANCE SHEET

($US thousands)	September 30, 2018	December 31, 2017
(Unaudited)		
ASSETS		
Current assets		
Cash (note 4)	27,905	48,783
VAT receivables (note 7)	1,905	531
Trade and other receivables (note 8)	1,553	350
Inventory	539	295
Prepaid expenses	391	147
Total Current assets	32,293	50,106
Non-current assets		
Exploration and evaluation assets (note 5)	4,394	38,571
Property, plant and equipment (note 6)	45,147	109
VAT receivables (note 7)	9,488	9,980
Total Non-current assets	59,029	48,660
Total Assets	**91,322**	**98,766**
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	4,035	2,675
Total Current liabilities	4,035	2,675
Non-current Liabilities		
Decommissioning obligations (note 9)	7,620	14,048
Total Liabilities	11,655	16,723
Equity		
Share capital	84,793	84,793
Contributed surplus	65	4
Deficit	(5,191)	(2,754)
Total Equity	79,667	82,043
Total Liabilities and Equity	**91,322**	**98,766**

See accompanying notes to the condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

	Three Months Ended Sep. 30,		Nine Months Ended Sep 30,	
($US thousands, except per share amounts)	**2018**	**2017**	**2018**	**2017**
(unaudited)				
REVENUES				
Net revenues (Note 3)	4,144	-	4,144	-
Total revenue	4,144	-	4,144	-
EXPENSES				
Operating	1,354	-	1,354	-
General and administration expense	1,478	-	3,765	-
Finance expense	93	-	529	-
Depreciation depletion and amortization	566	-	589	-
Impairment expense	-	-	40	-
Foreign exchange loss	146	-	304	-
Total expenses	3,637	-	6,581	-
Net Income (loss) and comprehensive Income (loss)	507	-	(2,437)	-
Basic and diluted earnings (loss) per share ($US)	0.00	-	(0.00)	-
Weighted average number of common shares outstanding (000's)				
Basic	537,736	-	537,736	-
Diluted	537,736		537,736	

See accompanying notes to the condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

($US thousands)	Nine Months Ended September 30, 2018	2017
(unaudited)		
Share Capital		
Balance, beginning and end of period	84,793	-
Balance end of period	84,793	-
Contributed surplus		
Balance, beginning and end of period	4	-
Stock compensation plan	61	
Balance end of period	65	-
Deficit		
Balance, beginning and end of period	(2,754)	-
Net loss	(2,437)	-
Balance end of period	(5,191)	-

See accompanying notes to the condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine Months Ended September 30,	
($US thousands)	2018	2017
(unaudited)		
Cash flows from operating activities		
Net loss for the period	(2,437)	-
Adjustments for:		
Unrealized foreign exchange gain		
Depreciation depletion and amortization	676	-
Impairment	40	-
Stock compensation plan	61	
Accretion of decommissioning obligation	529	-
Changes in non-cash working capital:		
VAT and other receivables	(2,084)	-
Prepaids and Inventory	(488)	-
Trade and other payables	(658)	-
Net cash used in operating activities	(4,361)	-
Cash flows from investing activities		
Exploration and evaluation asset additions	(13,904)	-
Property, plant and equipment	(4,629)	-
Non cash changes in working capital	2,016	-
Net cash used in investing activities	(16,517)	-
Cash flows from financing activities		
Net cash used in financing activities	-	-
Net decrease in cash	(20,877)	-
Cash, beginning of the period	48,783	-
Cash, end of the period	27,905	-

See accompanying notes to the condensed consolidated financial statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the nine months ended September 30, 2018 (Unaudited). All amounts are stated and presented in thousands United States dollars unless otherwise noted.

1. CORPORATE INFORMATION

PetroTal Corp (formerly Sterling Resources Ltd), (the "Company" or "PetroTal") is a publicly-traded energy company incorporated and domiciled in Canada. The Company is engaged in the exploration, appraisal and development of crude oil and natural gas in Peru, South America. The Company's registered office is located at 4000, 421 – 7th Avenue S.W., Calgary, Alberta, Canada.

These unaudited condensed consolidated financial statements (the "Financial Statements") have been prepared on a going concern basis, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

These Financial Statements were approved for issuance by the Company's Board of Directors on November 28th, 2018, on the recommendation of the Audit Committee.

2. BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

The Financial Statements were prepared in accordance with International Accounting Standards "IAS" 34, Interim Financial Reporting. They do not contain all disclosures required by International Financial Reporting Standards "IFRS" for annual financial statements and, accordingly, should be read in conjunction with the Company's audited annual consolidated financial statements as at and for the years ended December 31, 2017 and 2016, which outline the Company's significant accounting policies in Note 2 thereto, which have been applied consistently in these Financial Statements, as well as the Company's critical accounting judgments and key sources of estimation uncertainty which are also set out in Note 2 thereto.

BASIS OF MEASURMENT

These Financial Statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting.

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The following pronouncements from the International Accounting Standards Board became effective on January 1, 2018. The Company adopted these standards as follows:

IFRS 9 – Financial Instruments

In July 2014, the IASB issued final amendments to IFRS 9, replacing IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets, and new requirements related to hedge accounting. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple category and measurement models in IAS 39. The categorization approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. New hedge accounting requirements incorporated into IFRS 9 increase the scope of items that may qualify as a hedged item and changes the requirements of hedge effectiveness testing that must be met in order to apply hedge accounting.

The requirements of IFRS 9 were effective for annual periods beginning on or after January 1, 2018. IFRS 9 replaced the multiple classification and measurement models for financial assets that existed under IAS 39 Financial Instruments, and the basis on which financial assets are measured determines their classification as either, at amortized cost, fair value through profit and loss, or fair value through other comprehensive income. Therefore, the adoption of this standard results in a reclassification of financial assets classified as loans and receivables to financial assets at amortized cost. The standard also requires entities to recognize a loss allowance for expected credit losses on financial assets with the objective to recognize lifetime expected credit losses for all financial instruments, however there was no impact to the measurement of these financial assets, for the Company. The implementation of IFRS 9 did not have a material effect on the Company's Financial Statements.

IFRS 15- Revenue from contracts with customers
In May 2014, the IASB and FASB jointly issued IFRS 15 "Revenue from Contracts with Customers," which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and other revenue related interpretations. In April 2016, the IASB issued amendments to IFRS 15, clarifying the application of certain of its underlying principles, including the identification of a performance obligation, and the determination of whether a company is a principal or is acting as an agent in the provision of a good or service. The amendments became effective concurrent with the effective date of IFRS 15 on January 1, 2018. The adoption of IFRS 15 did not have a material effect on the Company's Financial Statements. This standard also requires expanded disclosure requirements. The standard is required to be adopted either retrospectively or using a modified retrospective approach.

PetroTal used the modified retrospective approach to adopt the standard. Under this transitional provision, the cumulative effect of initially applying IFRS 15 is recognized on the date of initial application as an adjustment to retained earnings. No adjustment to retained earnings was required upon adoption of IFRS 15. The Company has reviewed its various revenue streams and underlying contracts with customers, and as result of this review, the adoptions of IFRS 15 did not have a material impact on the Company's statements of comprehensive income and financial position. However, the Company has expanded the disclosures in the notes to its financial statements as prescribed by IFRS 15, including disclosing the Company's disaggregated revenue streams by product type. In addition, as a result of this adoption, the Company has revised the description of its accounting policy for revenue recognition as follows:

Revenue Recognition

Revenue associated with the sale of crude oil and natural gas is measured based on the consideration specified in contracts with customers. Revenue from contracts with customers is recognized when or as PetroTal satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of oil, natural gas, natural gas liquids usually coincides with title passing to the customer and the customer taking physical possession. The Company principally satisfies its performance obligations at a point in time and the amounts of revenue recognized relating to performance obligations satisfied over time are not significant.

($ thousands)	**Three Months**		**Nine Months**	
Sales	**2018**	**2017**	**2018**	**2017**
Crude oil	4,301	-	4,301	-
Royalties	(157)	-	(157)	-
Net revenues	4,144	-	4,144	-

IFRS 2 - "Share-based Payment"
In June 2016, the IASB issued amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions, including the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, accounting for share-based accounting transactions with a net settlement feature for withholding tax obligations, and accounting for modifications to the terms and conditions of a share-based payment that changes the classification of the share-based payment transaction from cash-settled to equity-settled. The IFRS 2 amendments were effective for annual periods beginning on or after January 1, 2018. The implementation of IFRS 2 did not have a material effect on the Company's Financial Statements.

The following pronouncements from the International Accounting Standards Board are issued and become effective on January 1, 2019. The Company intends to adopt these standards and interpretations, if applicable, when they become effective.

IFRS 16 - Leases
In January 2016, the IASB issued IFRS 16 "Leases", which replaces IAS 17 "Leases". IFRS 16 eliminates the distinction between operating and financing leases and provides a single lessee accounting model that requires the lessee to recognize assets and liabilities for all leases on its balance sheet. Leases to explore for or use oil or natural gas are specifically excluded from the scope of IFRS 16. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been applied. The Company has not yet finalized its assessment of the potential effect of the implementation of IFRS 16 on its Financial Statements.

4. CASH

Cash consists of the following:

($ thousands)	September 30, 2018	December 31, 2017
Balances held in:		
Canadian dollars	28	-
US dollars	27,733	48,764
Peruvian Soles	144	19
Cash	27,905	48,783

5. EXPLORATION AND EVALUATION ASSETS

On July 1st, 2018, following the evaluation of successful commercial results, the Bretaña field was transferred from exploration and evaluation ("E&E") assets to property, plant and equipment. The costs capitalized to the Bretaña filed were compared to the fair value of the reserves estimated to be in place at the date of transfer. The fair value of the reserves exceeded the costs recorded in E&E and no impairment was recorded on the transfer. The following table sets out a continuity of the E&E assets:

($ thousands)	September 30, 2018	December 31, 2017
Balance, beginning of the period	38,571	-
Additions from Peru asset acquisition	-	38,417
Additions during the period	13,905	154
Impairment of exploration and evaluation assets	(40)	-
Transfer to property plant and equipment	(48,042)	-
Balance, end of the period	4,394	38,571

6. PROPERTY, PLANT and EQUIPMENT

($ thousands)	Oil and Gas Properties	Furniture and Fixtures	Total
Balance at December 31, 2017	-	109	109
Transfer of exploration and evaluation assets	48,042	-	48,042
Change in estimates - decommissioning obligations	(6,957)		(6,957)
Additions	4,385	244	4,629
DD&A charge in period	(640)	(36)	(676)
Net book value PP&E September 30, 2018	44,830	317	45,147

For the three and nine months ended September 30, 2018, $88 thousand of the depreciation depletion and amortization expense was recorded as inventory.

7. VAT RECEIVABLE

($ thousands)	September 30, 2018	December 31, 2017
VAT receivable - Current	1,905	531
VAT receivable - Non-current	9,488	9,980
Total VAT receivable	11,393	10,511

8. TRADE AND OTHER RECEIVABLES

100% of trade receivables are revenue, are current, and are with one counterparty.

($ thousands)	September 30, 2018	December 31, 2017
Trade receivables	1,472	-
Other receivables	81	350
Total trade and other receivables	1,553	350

9. DECOMMISSIONING OBLIGATIONS

The Company has estimated decommissioning liabilities to be $14.5 million. The net present value of its estimated decommissioning liabilities is $7.6 million, which includes an adjustment of $7.0 million in the period reflecting the revised life of the 2P reserves of Bretaña to 23 years from 1 year. The present value of the obligations was calculated using a credit-adjusted risk rate of 4.94 percent to reflect the market assessment of the time value of money as well as risks specific to the liabilities that have not been included in the cash flow estimates. The inflation rate used in determining the cash flow estimates is 2.0 percent. The following table sets out the continuity of decommissioning obligations:

($ thousands)	September 30, 2018	December 31, 2017
Balance, beginning of period	14,048	-
Additions from Peru asset acquisition	-	14,023
Changes in estimates	(6,957)	
Accretion of decommissioning discount	529	25
Balance, end of the period	7,620	14,048

10. TAXATION

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred tax assets and liabilities are recognized using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the net deferred tax assets will not be realized. The Company's ability to realize deferred tax assets is assessed throughout the year and a valuation allowance is established, if required. The Company recognizes the impact of a tax position only if it is more likely than not to be sustained upon examination based on the technical merits of the position. The Company recognizes potential interest and penalties related to uncertain tax positions in income tax expense.

The Company files federal income tax returns as well as income tax returns in various jurisdictions.

The Company has a tax rate in each of the three license contracts of 32 percent; however due to prior capital investments, the Company only expects to pay the two percent tax on revenue that is recoverable against any future tax payable.

11. SHARE CAPITAL

Authorized share capital consists of an unlimited number of Common Shares without nominal or par value. The holders of Common Shares are entitled to one vote per share and are entitled to receive dividends as recommended by the Board of Directors.

	September 30, 2018		December 31, 2017	
	Shares	Amount	Shares	Amount
	000s	US$000s	000s	US$000s
Balance, beginning of the period	537,736	84,793	-	-
Equity issuances:	-	-	-	-
Petrotal - pre-transaction (effected for share exchange)	-	-	21,400	-
Petrotal - subscription receipts	-	-	181,900	34,000
Consideration paid by Petrotal (Sterling shares @ FV)	-	-	147,186	18,662
Acquisition of Gran Tierra Energy International Holdings	-	-	187,250	34,997
Less agents' warrants	-	-	-	(4)
Less subscription receipts costs	-	-	-	(2,862)
Balance, end of the period	537,736	84,793	537,736	84,793

Pursuant to the Arrangement Agreement closed on December 18, 2017, whereby PetroTal completed a plan of arrangement that constituted a reverse takeover under the policies of the TSX Venture Exchange, Sterling Resources, Ltd. acquired all of the issued and outstanding PetroTal shares from PetroTal shareholders in exchange for 5.35 Sterling shares for each PetroTal share. An aggregate of 203,300,005 Sterling shares were issued at a deemed price of $0.187 per Sterling share.

In addition, pursuant to the share purchase agreement among Sterling, Gran Tierra Energy Inc. ("GTE"), and its wholly owned subsidiary Gran Tierra Energy International Holdings Ltd. ("GTEIH"), Sterling acquired all of the issued and outstanding shares of Gran Tierra Energy International (Peru) Holdings B.V. ("GTE Peru"), an indirect wholly-owned subsidiary of GTE. In consideration for the Gran Tierra Peru shares, Sterling issued 187,250,000 Sterling shares at a deemed price of $0.187 per Sterling share. This acquisition was completed on December 18, 2017.

PERFORMANCE WARRANTS

The performance warrants have an exercise price of $0.187 per share, a 5-year term and will vest upon achievement of certain oil and gas production targets, within a specified period of time. Each warrant will be adjusted as to the number of shares to be issued on the exercise date and the exercise price of the warrant. The fair value of the compensation warrants is zero as none of the vesting conditions have been achieved. The following table sets out a continuity of outstanding performance warrants:

	September 30, 2018	December 31, 2017
	000s	000s
Balance, beginning of the year	26,750,000	-
Additions during the year	-	26,750,000
Balance, end of the year	**26,750,000**	**26,750,000**

AGENTS' WARRANTS

As compensation for the services rendered in connection with the brokered private placement offering, the Agents received warrants which entitles the holder to purchase one common share of the Company at an exercisable price of $0.187 per converted Agents' warrant on or before June 12, 2019. There are 2,086,500 Agent's warrants outstanding

STOCK-BASED COMPENSATION

On September 14th, 2018 The Company announced the grant of performance share units ("PSUs") and deferred share units ("DSUs") to certain officers and directors of the Company.

The grant date fair value of performance share units ("PSUs") granted to officers and directors is recognized as stock-based compensation expense with a corresponding increase in contributed surplus over the vesting period. The Company granted an aggregate of 3,901,666 PSUs to certain officers of the Company in accordance of the provisions of the Company's PSU plan. The PSUs will vest annually over three years in equal amounts and each PSU will entitle the holder to acquire between zero and two common shares of the Company ("Common Shares"), subject to the achievement of performance conditions relating to the Company's total shareholder return, net asset value and certain production and operational milestones. The company determined the fair value of the PSUs through a combination of Black-Scholes and a probability weighted model.

The following assumptions were used for the Black-Scholes valuation of the PSUs granted:

	30-Sep-18
Risk-free interest rate	4.94%
Expected life	1-3 years
Annualized volatility	50%
Dividend rate	0%
Forfeiture rate	0%

For the three and nine months ended September 30, 2018, the Company recognized $0.1 million of share-based compensation expense in general and administration expense (December 31, 2017: $nil).

The Company also issued an aggregate of 650,000 DSUs pursuant to the Company's DSU plan to the directors of the Company. The DSUs vest immediately and may only be redeemed upon a holder ceasing to be a director of PetroTal. No Common Shares will be issued under the DSU plan; all DSUs granted are settled in cash. The DSUs are valued at the closing share price on the reporting date. During the period ended September 30, 2018, $0.1 million was included in accounts payable relating to the DSUs.

For the three and nine months ended September 30, 2018, the Company recognized $0.1 million of DSU expense in general and administration expense (December 31, 2017: $nil).

12. FINANCIAL INSTRUMENTS

The Company's financial instruments includes cash, trade and other receivables, and trade and other payables.

The Company is exposed to various financial risks arising from normal-course business exposure. These risks include market risks relating to foreign exchange rate fluctuations and commodity price risk as well as liquidity.

FOREIGN EXCHANGE RATE RISK

The Company's functional currency is the United States dollar. Foreign exchange gains or losses can occur on translation of working capital denominated in currencies other than the functional currency of the jurisdiction which holds the working capital item. Excluding the impact of changes in the cross-rates, a one percent fluctuation in translation rates would have nil impact on net income or loss, based on foreign currency balances held at September 30, 2018.

LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's liquidity position continues to be adequate as a result of the closing of the plan of arrangement on December 18, 2017, in conjunction with a simultaneous private placement of $34 million.

CREDIT RISK

Credit risk is the risk that a customer or counterparty will fail to perform an obligation or fail to pay amounts due causing a financial loss to the Company. The Company's Value Added Tax "VAT" is primarily for sales tax credits on exploration and evaluation expenses incurred in prior years. These credits will be applied to future oil development activities or recovered as per the sale tax recovery legislation currently in effect. The majority of the Company's trade receivable balances relate to petroleum sales. The Company's policy is to enter into agreements with customers that are well established and well financed entities in the oil and gas industry such that the level of risk is mitigated. To date, the Company has not experienced any material credit losses in the collection of its trade receivables.

Impairment to a financial asset is only recorded when there is objective evidence of impairment and the loss event has an impact on future cash flow and can be reliably estimated. Evidence of impairment may include default or delinquency by a debtor or indicators that the debtor may enter bankruptcy. Management believes that there is no risk on the recoverability and or applicability of the sales tax credits. Therefore, no impairment to the carrying value of these assets has been estimated.

The Company has deposited its cash and cash equivalents with reputable financial institutions, with which management believes the risk of loss to be remote. The maximum credit exposure associated with financial assets is their carrying value. At September 30, 2018, the cash and cash equivalents were held with five different institutions from three countries, mitigating the credit risk of a collapse of one particular bank.

13. COMMITMENTS

As of September 30, 2018, the Company holds the following letters of credit guaranteeing its commitments in the exploration blocks:

Block	Beneficiary	Amount - $000s	Commitment
107	PeruPetro S.A.	1,500	Minimum work – 5th exploratory period - 1st exploratory well (expires April 14, 2020)
107	PeruPetro S.A.	1,500	Minimum work – 5th exploratory period - 2nd exploratory well (expires April 14, 2020)
133	PeruPetro S.A.	1,000	Minimum work – 3rd exploratory period - expires November 22, 2019

PART 4

FINANCIAL STATEMENTS

4.2: Audited consolidated financial statements for Sterling Resources as at and for the year ended 31 December 2017

STERLING RESOURCES LTD.

2017 ANNUAL FINANCIAL STATEMENTS AND

MANAGEMENT DISCUSSION AND ANALYSIS

MESSAGE TO SHAREHOLDERS

I am pleased to have the opportunity to write this letter welcoming you to the New Sterling Resources. On December 18, 2017, the Company finalized the reverse take-over transaction with Sterling Resources Ltd., completed the amalgamation with PetroTal Ltd. ("PetroTal"), a private company and acquired the assets of Gran Tierra Energy International (Peru) Holdings B.V., an indirect wholly-owned subsidiary of Gran Tierra Energy Inc. ("Gran Tierra"). At that time, the Company assumed the day to day operations of the Bretaña assets in Peru. On closing, we have created a well-funded, debt free company.

We believed all along that the assets in Peru would be best suited to a team with specific experience in fields like Bretaña. Our team, which compliments an existing team of professionals already on staff from Gran Tierra, has moved swiftly to meet the objectives of the company. The creation of an independent oil company in Peru is the beginning of a process to build value and provide shareholders with a growth vehicle in which to stay invested.

Our near-term strategy is to complete the work necessary, including procurement and installation of facilities, to bring the oil field online within 10-12 months from closing the transaction in December. We not only believe that goal is achievable, but we expect to begin producing the discovery well later this year. We have started the mobilization of equipment and facilities to the oil field and are pleased with the team's progress.

While last year saw a significant transition for Sterling shareholders, this year should be even more active. We expect to finalize installation and commission the equipment to bring the oil field online, initiate first production and oil sales, and put a full field development plan in action that includes the drilling of ten new horizontal oil wells at Bretaña.

On behalf of the management team and the Board of Directors, we thank you for supporting our company's mission and we will work tirelessly to build value for shareholders.

Sincerely,

Manuel Pablo Zúñiga-Pflücker
President and Chief Executive Officer
April 30, 2018

This Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of Sterling Resources Ltd. ("Sterling" or the "Company") for the year ended December 31, 2017 is dated April 30, 2018, and should be read in conjunction with Sterling's audited consolidated financial statements (the "financial statements") for the years ended December 31, 2017 and 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, which are also generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada.

Financial figures throughout this MD&A are stated in United States dollars ($) unless otherwise indicated.

This MD&A contains forward-looking statements that should be read in conjunction with the Company's disclosure under "*Forward Looking Statements and Business Risks*".

CORPORATE OVERVIEW AND STRATEGY

Sterling is a publicly-traded, international energy company incorporated and domiciled in Canada. The Company is currently engaged in the exploration for, and the development of, crude oil and natural gas and operates primarily in Peru, South America, in the Bretaña oil field. With an experienced management team and a strong, committed board of directors, growth is anticipated to occur through operational execution and strategic acquisitions.

The Company's immediate focus is to: (a) develop its approximately 2.2 million net acres of undeveloped land on the Bretaña field, one of the largest undeveloped discoveries in Peru, by applying management's knowledge and leveraging management's experience with the local suppliers and regulatory bodies; and (b) secure a farm-in partner to finance the drilling of the Block 107 Osheki prospect.

Until the completion of the ONE Transaction (defined below) on May 16, 2017, the Company was engaged in the exploration for, and the development and production of, crude oil and natural gas in the United Kingdom ("UK") and the Netherlands.

Prior to the plan of arrangement (defined below), on May 8, 2017, at the annual and special meeting of the shareholders of Sterling, the shareholders passed special resolutions approving the following:

- the sale of all or substantially all, of the assets of the Company resulting from the sale by the Company's wholly-owned subsidiary SRUK Holdings Ltd. ("SHL") of the entire issued share capital of Sterling Resources (UK) Ltd. ("SRUK") (the "ONE Transaction") pursuant to a share purchase agreement dated March 3, 2017 between the Company, SHL and Oranje-Nassau Energie B.V. ("ONE") (the "SRUK Share Purchase Agreement"); and

- the voluntary wind-up and dissolution of the Company and the distribution to shareholders in conjunction therewith, in each case as determined by the board of directors in its sole discretion.

On May 16, 2017, the ONE Transaction was completed, including the redemption of all issued and outstanding bonds issued under the 9 percent SRUK Senior Secured Callable Bond Issue 2013/2019 and the cancellation of the super senior revolving credit facility agreement. Thereafter, the Company began to undertake the steps necessary to wind-up and dissolve the Company as economically and quickly as practical, and to deliver the net distributable proceeds into the hands of the shareholders.

On June 30, 2017, the Company made a distribution to its shareholders, pursuant to which the aggregate amount of US$92.8 million or US$0.63 per common share of Sterling ("Common Share") which was made as a return of capital, with the stated capital of the Common Shares being reduced accordingly. Further distributions of Sterling's remaining cash assets were at that time anticipated to be made on or prior to September 30, 2017 and during the 2018 fiscal year, respectively, prior to ultimately dissolving.

On or about June 29, 2017, Sterling became aware of PetroTal LLC and the potential for a transaction pursuant to which Sterling would complete a reverse take-over of PetroTal LLC, or an affiliate thereof, in connection with the acquisition of Peru assets (defined below).

On December 18, 2017, the Company completed a plan of arrangement with PetroTal Ltd. ("PetroTal"), the parent company o PetroTal LLC, under the ABCA, pursuant to which, among other things, the Company: (i) acquired all of the issued and outstandin shares of PetroTal; and (ii) amalgamated with PetroTal and continued as one corporation under the name "Sterling Resources Ltd." (the "Plan of Arrangement"). See "*Plan of Arrangement*".

PLAN OF ARRANGEMENT

On November 9, 2017, Sterling and PetroTal entered into an arrangement agreement (the "Arrangement Agreement") to effect a business combination pursuant to the Plan of Arrangement. In addition, on November 9, 2017, Sterling entered into a share purchase agreement (the "Share Purchase Agreement") with PetroTal, Gran Tierra Energy Inc. ("GTE"), and its wholly owned subsidiary Gran Tierra Energy International Holdings Ltd. ("GTEIH") to acquire Gran Tierra Energy International (Peru) Holdings B.V. ("GTE Peru"), an indirect wholly-owned subsidiary of GTE.

The Plan of Arrangement was completed on December 18, 2017 and resulted in the amalgamation of Sterling and PetroTal under the name "Sterling Resources Ltd". The Plan of Arrangement constituted a reverse take-over pursuant to the policies of the TSX Venture Exchange. Pursuant to the Arrangement, each common share of PetroTal, including 34,000,000 common shares of PetroTal issued upon the conversion of subscription receipts issued in connection with a brokered private placement, was exchanged for 5.35 Common Shares, resulting in the issuance of an aggregate of 203,300,005 Sterling Shares. See "*Financing Activities and Liquidity*".

As an additional consideration for the SPA transaction, GTEIH has a 20% carried working interest in Block 107, located in the Ucayali basin in Peru, which interest may, at the option of Gran Tierra, either be converted to a non-carried working interest or be forfeited following the drilling of an exploration well in Block 107. From and after the date of a positive election, GTEIH will pay its pro rata share of costs associated with its 20 percent working interest. Upon closing of the SPA, Gran Tierra Energy holds approximately 45.8 percent of the outstanding common shares of Sterling, with voting rights associated with Sterling shares not to exceed 30 percent of the issued and outstanding shares.

GTE Peru is now a wholly-owned subsidiary of the Company. The acquisition was accounted for as an asset acquisition with the consideration paid being allocated on a fair value basis to the net assets acquired.

FORWARD-LOOKING STATEMENTS AND BUSINESS RISKS

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

Forward-looking statements or information in this MD&A include, but are not limited to:

- expectations regarding the timing and completion of the long-term testing facilities;
- expectations for oil prices, and together with other factors including the timing and amount of capital expenditures during 2018, their impact on the Company's cash balances;
- the Company's cash requirements and funding expectations;
- the Company's expectations regarding commitments, future cash flows and cash balances and its plans for mitigating risks that may affect its cash position;
- the Company's drilling plans on any of its blocks;
- development and growth plans; and

- the Company's strategy and the Company's plans and expectations (see "*Discussion of Operations*").

With respect to forward-looking statements in this MD&A, the Company has assumed, among other things, that the Company:

- will produce hydrocarbons which are consistent with the production profiles prepared by the independent reserves evaluator;
- operates in an environment of political and regulatory stability;
- will be able to obtain all necessary partner and regulatory approvals for a particular course of action on satisfactory terms;
- is able to continue to attract and retain qualified personnel either as staff or consultants;
- is able to continue to obtain services and equipment in a timely manner; and
- will be able to progress plans for future investments in the Bretaña field and achieve expected incremental production from such future investments.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Company cannot guarantee future results, levels of activity, performance, or achievements. The risks and other factors, some of which are beyond the Company's control, which could cause results to differ materially from those expressed in the forward-looking statements contained in this MD&A include, but are not limited to:

- liabilities inherent in oil and natural gas operations;
- volatility in market prices for oil and natural gas;
- legal, political and economic instability in Peru;
- uncertainties associated with estimating oil and natural gas resources;
- changes to trade relations;
- completion for capital, acquisitions of reserves and resources, undeveloped lands and skilled personnel;
- geological, technical, drilling and processing problems;
- inadequate infrastructure in Peru;
- changes in income tax laws and incentive programs relating to the oil and natural gas industry;
- risks and uncertainties associated with the regulatory environment in which the Company operates and will operate;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- incorrect assessments of the value of acquisitions;
- reserves, resources and production estimates may prove incorrect;
- the finding, determination, evaluation, assessment and measurement of oil and gas deposits or reserves may vary materially from the estimates, plans and assumptions of the independent reserves evaluator or of the Company;
- exploration and development activities are capital-intensive and involve a high degree of risk and accordingly future appraisal of potential oil and natural gas properties may involve unprofitable efforts;
- oil and natural gas price fluctuations;
- without the addition of reserves through exploration, acquisition or development activities, the Company's reserves and production will decline over time as reserves are exploited;
- production and processing operations may prove more difficult, costly or less efficient than planned;

- all modes of transportation of hydrocarbons include inherent and significant risks;
- interruptions in availability of exploration, production or supply infrastructure;
- the Company's majority shareholder has significant influence on the Company and may also affect the market price and liquidity of the Company's securities;
- third party contractors and providers of capital equipment can be scarce;
- reliance on other operators and stakeholders limits the Company's control over certain activities;
- availability of joint venture partners and the terms of agreement between them and the Company will depend upon factors beyond the Company's control;
- permits, approvals, authorizations, consents and licences may be difficult to obtain, sustain or renew;
- regulatory requirements can be onerous and expensive;
- the Company cannot completely protect itself against title disputes;
- the Company is substantially dependent on its executive management;
- environmental legislation can have an impact on the Company's operations;
- additional funding may not be available or may be very expensive and restrictive;
- the Company's operations are subject to the risk of litigation;
- significant competition exists in attracting and retaining skilled personnel;
- insurance and indemnities may not be sufficient to cover the full extent of all liabilities;
- fluctuations in foreign exchange rates, interest rates and inflation may cause financial harm to the Company;
- political or governmental changes in legislation or policy in the country in which the Company operates may have a negative impact on those operations;
- labour unrest could affect the Company's ability to explore for, produce and market its oil and gas production;
- failure to meet contractual agreements may result in a loss of the Company's interests; and
- failure to follow corporate and regulatory formalities may call into question the validity of the existence and conduct of the Company and its subsidiaries and their respective rights in relation to the Company's assets.

These factors should not be considered exhaustive. Additional risks and uncertainties relating to the Company and its business can be found in the annual information form for the year ended December 31, 2017, which is available on SEDAR at www.sedar.com.

The forward-looking statements contained in this MD&A are expressly qualified by the foregoing cautionary statement. Subject to applicable securities laws, the Company is under no duty to update any of the forward-looking statements after the date hereof or to compare such statements to actual results or changes in the Company's expectations. Financial outlook information contained in this MD&A about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information should not be used for purposes other than for which it is disclosed herein.

SIGNIFICANT ASSUMPTIONS, ESTIMATES AND JUDGEMENTS

Management is required to make judgments, assumptions and estimates in the application of IFRS that have a significant impact on the Company's financial results. Significant judgments in the financial statements include, financing arrangements, impairment indicators, asset acquisition and joint arrangements. Significant estimates in the financial statements include deferred tax assets and liabilities, provisions, commitments and contingent liabilities, provision for future decommissioning obligations, exploration and evaluation assets and functional currency. In addition, the Company uses estimates for numerous variables in the assessmei of its assets for impairment purposes, including oil and natural gas prices, exchange rates, discount rates, cost estimates ar production profiles. By their nature, all of these estimates are subject to measurement uncertainty, may be beyond management's control and the effect on future consolidated financial statements from changes in such estimates could be significant.

NON-GAAP FINANCIAL MEASURES

This MD&A contains references to certain financial measures used by the Company that do not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other entities. Readers are cautioned that these non-GAAP measures should not be construed as alternatives to other measures of financial performance calculated in accordance with GAAP. The non-GAAP measures and their manner of reconciliation to GAAP financial measures are discussed below. These non-GAAP measures provide additional information that management believes is meaningful in describing the Company's operational performance, liquidity and capacity to fund capital expenditures and other activities. The specific rationale for, and incremental information associated with, each non- GAAP measure is discussed below.

Property, plant and equipment and exploration and evaluation asset expenditures is defined as expenditures on property, plant and equipment and exploration and evaluation assets including the effects of accruals (see note 6 in the Company's financial statements for the years ended December 31, 2017 and 2016) and is used to monitor the capital intensity of assets.

Net working capital surplus (deficit) is defined as current assets less current liabilities. See "*Financing Activities and Liquidity*".

SELECTED ANNUAL INFORMATION

Years ended December 31,	**2017**	2016
$ thousands except where defined		
Revenues	-	-
Net (loss) income	**(2,754)**	-
Net (loss) income per weighted average Common Share - basic and diluted ($)	**(0.13)**	-
Exploration and evaluation asset expenditures	**154**	-
Net working capital surplus (deficit)	**47,431**	-
Total assets	**98,766**	-
Total liabilities	**16,723**	-
Shareholders' equity	**82,043**	-
Common Shares outstanding (000s)-basic	**537,736**	147,186

The year ended December 31, 2017 was a transformative year for the Company. The transactions that were completed, summarized under "*Corporate Overview and Strategy*", had a significant impact on the comparability of the Company's period over period results.

For the year ended December 31, 2017, the Company recorded a net loss of $2.75 million ($0.13 per weighted average Common Share).

Net loss for the year ended December 31, 2017 is largely comprised of the following elements:

TRANSACTION COSTS-PLAN OF ARRANGEMENT

For the year ended December 31, 2017, the Company incurred $1.8 million in costs related to structuring and completing the Plan of Arrangement. See "*Plan of Arrangement*". The Company incurred an additional $2.9 million in legal and professional costs related to the brokered private placement offering of subscription receipts, which were charged against share capital as subscription receipt costs. See "*Financing Activities and Liquidity*".

FOREIGN EXCHANGE

The Company's cash balances are generally maintained in the currencies in which they are expected to be utilized.

For the year ended December 31, 2017, the Company recorded a foreign exchange loss of $32 thousands primarily related to the cash balances and transactions in Peruvian Soles.

EMPLOYEE EXPENSE AND GENERAL AND ADMINISTRATION EXPENSE

For the year ended December 31, 2017, general and administration expense was $0.91 million, including $0.43 million related to employee performance bonuses accrued during the year.

DISCUSSION OF OPERATIONS

In 2018, the Company plans to develop the Bretaña oil field. Initially, facilities will be brought into the field in order to place the existing oil discovery well on production. Following that, the Company plans to spud its first development well, which is expected to be completed in late 2018.

As of the date hereof, the Company's objective of putting the Bretaña field online by year-end 2018 is on target, with commissioning of facilities expected to begin as early as August 2018. Facilities have been transported to the field from storage, and production equipment has been procured and brought to the field to be installed. The Company is negotiating future oil prices and pipeline tariffs with Peru's state oil company, PeruPetro.

The Bretaña oil field expects to require approximately $22.5 million to be put on production before year-end 2018, allocated as follows: $17.8 million in facilities and civil works to start production from the existing discovery well that tested oil during a short-term test prior to being shut in, as well as some maintenance work on the other projects; and the remaining $4.7 million to complete the ongoing Bretaña full field development environmental permit and for capitalized general and administrative expenses. In addition, the Company also plans to invest $2.0 million to work over the existing oil well and the existing water reinjection well. The Company expects to spud Bretaña's second oil producing well before year end at a cost of $5.4 million, representing about one third of the total cost of this well that is expected to be completed in early 2019. The Company will also invest $0.5 million on Osheki's logistics, with the expectation of bringing a joint venture partner to drill this important prospect the following year.

INCOME TAXES

At December 31, 2017, the tax basis in excess of net book value was $181.7 million (tax effected – $58.1 million) that were not recognized in the financial statements due to uncertainties associated with its ability to utilize these balances in the future.

At December 31, 2017, the Company had operating loss carryforwards of $4.1 million (December 31, 2016 – $nil), which will expire between 2018 and 2019. No deferred tax assets have been recognized in respect of the operating loss carryforwards as at December 31, 2017.

SUMMARY OF QUARTERLY RESULTS

	2017				2016			
	3 months ended				3 months ended			
$000s	**Dec.31**	**Sep. 30**	**Jun. 30**	**Mar. 31**	Dec.31	Sep. 30	Jun. 30	Mar. 31
Revenue	-	-	-	-	-	-	-	-
Net (loss) income	**(2,754)**	-	-	-	-	-	-	-
Net (loss) income per weighted average Common Share – basic and diluted ($)	**(0.13)**	-	-	-	-	-	-	-

The factors discussed under "*Operating Highlights*" are critical in assessing the comparability of the Company's quarter over quarter results.

FINANCING ACTIVITIES AND LIQUIDITY

On November 9, 2017, in conjunction with the Plan of Arrangement, PetroTal entered into an agreement with a syndicate of investment dealers for a brokered private placement offering of subscription receipts on a best efforts agency basis at a price of $1.00 per Subscription Receipt. On December 12, 2017, PetroTal issued a total of 34,000,000 subscription receipts for aggregate gross proceeds of $34.0 million. On December 18, 2017, each subscription receipt was converted into one common share of PetroTal and such shares were exchanged for Common Shares pursuant to the Plan of Arrangement.

The costs associated with the private placement offering of subscription receipts amounted to $2.9 million. The Company also issued 390,000 (2,086,500 after conversion) warrants ("Compensation Warrants") to the agents as compensation.

It is anticipated that the Company's commissioning of facilities and development of the Bretaña field will be funded through funds received from the private placement. A breakdown of the Company's net working capital as at December 31, 2017 is provided below.

Net Working Capital

($ thousands)	**December 31, 2017**
Cash	**48,783**
VAT and other receivables	**881**
Inventory	**295**
Prepaid expenses	**147**
Trade and other payables	**(2,675)**
	47,431

Net working capital, defined as current assets less current liabilities was $47.4 million as at December 31, 2017. See "*Discussion of Operations*" for a discussion of the Company's working capital requirements in 2018.

CAPITAL RESOURCES

As of December 31, 2017, the Company holds the following commitments in the exploration blocks in Peru, which are guaranteed by letters of credit:

Block	Beneficiary	Amount - $000s	Commitment
107	PeruPetro S.A.	3,000	Minimum work – Phase 5 – Two exploration wells
133	PeruPetro S.A.	3,000	Minimum work – Phase 3 – 200 km 2D Seismic

Blocks 123 & 129 – On December 27, 2017, due to persisting security conditions preventing the continuation of the exploration program, the Company applied for a relinquishment of these blocks. See notes 13 and 15 on the financial statements for further details.

EXPLORATION AND EVALUATION ACTIVITY

During the year ended December 31, 2017, the Company's evaluation and exploration activity in the Bretaña oil field was minimal and, prior to the Company's acquisition of GTE Peru, GTE and its affiliates did not perform any material development activities in the Bretaña oil field during the year ended December 31, 2017.

DECOMMISSIONING OBLIGATIONS

The following table sets out the Company's decommissioning obligations for the Bretaña field:

($ thousands)	December 31, 2017
Balance, beginning of the year	-
Additions from Peru asset acquisition (note 1)	**14,023**
Accretion of decommissioning discount	**25**
Balance, end of the year	**14,048**

The Company has estimated the net present value of its decommissioning liabilities to be $14.05 million based on a total undiscounted future liability, after inflation adjustment of $15.45 million. The present value of the obligations was calculated using a credit-adjusted risk rate of 5.85 percent to reflect the market assessment of the time value of money as well as risks specific to the liabilities that have not been included in the cash flow estimates. The inflation rate used in determining the cash flow estimates varies from 0.1 percent to 2.30 percent.

RELATED PARTY TRANSACTIONS AND OFF-BALANCE SHEET ARRANGEMENTS

The Company had no related party transactions or off-balance sheet arrangements.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at the date hereof, there are issued and outstanding:

- 537,740,991 Common Shares;
- 23,540,000 performance warrants of the Company ("Performance Warrants"); and
- 2,086,500 Compensation Warrants.

For a description of the Performance Warrants and Compensation Warrants, refer to Sterling's annual information form available via SEDAR at www.sedar.com.

ADDITIONAL INFORMATION

Additional information about Sterling Resources Ltd. and its business activities, including Sterling's annual information form and audited financial statements for the years ended December 31, 2017 and 2016 are available via SEDAR at www.sedar.com.

MANAGEMENT'S REPORT

The accompanying consolidated financial statements and all information in the management discussion and analysis and notes to the consolidated financial statements are the responsibility of management. The consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards outlined in the notes to the consolidated financial statements. Other financial information appearing throughout the report is presented on a basis consistent with the consolidated financial statements.

Management maintains appropriate systems of internal controls. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded, and financial records properly maintained to provide reliable information for the presentation of consolidated financial statements.

Deloitte LLP, an independent firm of chartered professional accountants, was engaged, as approved by the shareholders, to examine the consolidated financial statements in accordance with auditing standards generally accepted in Canada and to provide an independent professional opinion.

The Audit Committee and the Board of Directors reviewed the consolidated financial statements with management and with Deloitte LLP. The Board of Directors has approved the consolidated financial statements on the recommendation of the Audit Committee.

Manuel Pablo Zuniga-Pflucker
Chief Executive Officer

Gregory E. Smith
Chief Financial Officer

April 30, 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sterling Resources Ltd.

We have audited the accompanying consolidated financial statements of Sterling Resources Ltd., which comprise the consolidated balance sheet as at December 31, 2017 and December 31, 2016, and the consolidated income statement, consolidated statement of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the balance sheet of Sterling Resources Ltd. as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Deloitte LLP.

Chartered Professional Accountants
April 30, 2018
Calgary, Alberta

CONSOLIDATED BALANCE SHEET

($ thousands)	December 31, 2017	December 31, 2016
ASSETS		
Current assets		
Cash (note 4)	**48,783**	-
VAT and other receivables (note 7)	**881**	-
Inventory	**295**	-
Prepaid expenses	**147**	-
	50,106	**-**
Non-current assets		
Exploration and evaluation assets (note 6)	**38,571**	-
Property, plant and equipment	**109**	-
VAT receivables (note 7)	**9,980**	
	48,660	**-**
Total Assets	**98,766**	**-**
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables (note 8)	**2,675**	-
	2,675	**-**
Non-current liabilities		
Decommissioning obligations (note 9)	**14,048**	-
Total Liabilities	**16,723**	**-**
Equity		
Share capital (note 10)	**84,793**	-
Contributed surplus (note 10)	**4**	
Deficit	**(2,754)**	-
Total equity	**82,043**	**-**
Total liabilities and equity	**98,766**	**-**

CONSOLIDATED INCOME STATEMENT

For the years ended December 31 ($ thousands, except per share amounts)	**2017**	2016
Expenses		
General and administration expense	**(910)**	-
Depreciation and amortization	**(2)**	-
Transaction costs (note 1)	**(1,810)**	-
Foreign exchange loss	**(32)**	-
Total expenses	**(2,754)**	-
Net loss	**(2,754)**	-
Net loss per common share (note 11)		
Basic and diluted ($)	**(0.13)**	-

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the years ended December 31 ($ thousands)	**2017**	2016
Net loss	**(2,754)**	-
Comprehensive loss	**(2,754)**	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

($ thousands)	Share Capital	Contributed Surplus	Surplus / (deficit)	Total
Balance at January 1, 2016	-	-	-	-
Equity Issuances (note 10)	-	-	-	-
Balance at December 31, 2016	-	-	-	-
Balance at January 1, 2017	**-**	**-**	**-**	**-**
Equity Issuances (note 10)	**87,659**	**-**	**-**	**87,659**
Subscription receipt costs (note 10)	**(2,862)**	**-**	**-**	**(2,862)**
Agents' warrants	**(4)**	**4**	**-**	**-**
Loss for the period	**-**	**-**	**(2,754)**	**(2,754)**
Balance at December 31, 2017	**84,793**	**4**	**(2,754)**	**82,043**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31 ($ thousands)	2017	2016
Cash flows from operating activities		
Net loss for the period	**(2,754)**	-
Adjustments for:		
Unrealized foreign exchange loss	**24**	-
Depreciation and amortization	**2**	-
Accretion of decommissioning obligation	**25**	-
	(2,703)	-
Changes in non-cash working capital:		
Trade and other receivables	**(56)**	-
Prepaids	**(91)**	-
Trade and other payables	**1,763**	-
Net cash used in operating activities	**(1,087)**	-
Cash flows from investing activities		
Exploration and evaluation asset additions	**(154)**	-
Net cash used in investing activities	**(154)**	-
Cash flows from financing activities		
Proceeds from subscription receipts, net of issuance costs	**31,139**	-
Cash acquired from reverse takeover and Gran Tierra Peru	**18,893**	-
Net cash provided by financing activities	**50,032**	-
Net Increase in cash	**48,791**	-
Cash, beginning of the year	**-**	-
Effect of translation on foreign currency cash	**(8)**	-
Cash, end of the year	**48,783**	-

As at and for the years ended December 31, 2017 and 2016. All amounts are stated and presented in United States dollars unless otherwise noted.

1. CORPORATE INFORMATION

Sterling Resources Ltd. (the "Company" or "Sterling") is a publicly-traded energy company incorporated and domiciled in Canada. The Company is engaged in the exploration, appraisal and development of crude oil and natural gas in Peru, South America. The Company's registered office is located at 4000, 421 – 7th Avenue S.W., Calgary, Alberta, Canada.

These audited consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

These audited consolidated financial statements (the "Financial Statements") were approved for issuance by the Company's Board of Directors on April 30, 2018, on the recommendation of the Audit Committee.

PLAN OF ARRANGEMENT

On November 9, 2017, Sterling and PetroTal Ltd ("PetroTal") entered into an arrangement agreement (the "Arrangement") whereby Sterling and PetroTal would complete a business combination pursuant to a plan of arrangement (the "Plan of Arrangement") under the Alberta *Business Corporations Act.*

The plan of arrangement was completed on December 18, 2017 and resulted in the amalgamation of Sterling and PetroTal under the name "Sterling Resources Ltd". The plan of arrangement constituted a reverse takeover pursuant to the policies of the TSX Venture Exchange (the "TSXV") and was subject to the acceptance of the TSXV. Pursuant to the Arrangement, each common share of PetroTal was exchanged for 5.35 common shares of Sterling, resulting in the issuance of an aggregate of 203,300,005 Sterling Shares.

In addition to the Arrangement, PetroTal entered into a share purchase agreement dated as of November 9, 2017 (the "SPA") with Sterling, Gran Tierra Energy Inc. ("GTE"), and its wholly owned subsidiary Gran Tierra Energy International Holdings Ltd. ("GTEIH") to acquire Gran Tierra Energy International (Peru) Holdings B.V. ("GTE Peru"), an indirect wholly-owned subsidiary of GTE.

On December 18, 2017, pursuant to the SPA and in the manner set forth in the Plan of Arrangement, Sterling completed the acquisition of all the issued and outstanding common shares of Gran Tierra Energy International (Peru) Holdings B.V. for 187,250,000 common shares of Sterling, at a deemed price of approximately US$0.1869 per Sterling Share. As an additional consideration for the SPA transaction, GTEIH has a 20% carried working interest in Block 107, located in the Ucayali basin in Peru, which interest may, at the option of Gran Tierra, either be converted to a non-carried working interest or be forfeited following the drilling of an exploration well in Block 107. From and after the date of a positive election, GTEIH will pay its pro rata share of costs associated with its 20 percent working interest. Upon closing of the SPA, Gran Tierra Energy holds approximately 45.8 percent of the outstanding common shares of Sterling, with voting rights associated with Sterling shares not to exceed 30 percent of the issued and outstanding shares. The Company incurred costs of $1.81 million in the structuring and closing of the Plan of Arrangement.

Upon completion of the transaction, GTE Peru became a wholly-owned subsidiary of Sterling Resources Ltd. The acquisition was accounted for as an asset acquisition with the consideration paid being allocated on a fair value basis to the net assets acquired. The following table shows the allocation of the cost of the acquisition based on the relative fair values of the assets and liabilities acquired.

Consideration paid ($ thousands):	
187,250,000 shares at $0.1869 per share	**34,997**
Allocation of consideration paid:	
Exploration and evaluation assets	**38,571**
Property, plant and equipment	**111**
Net working capital	**415**
Long term receivables	**9,923**
Decommissioning obligations	**(14,023)**
	34,997

THE FINANCING

On November 9, 2017, in conjunction with the Plan of Arrangement, PetroTal entered into an agreement with a syndicate of investment dealers (the "Agents"), for a brokered private placement offering of subscription receipts on a best efforts agency basis at a price of US$1.00 per Subscription Receipt. On December 12, 2017, PetroTal closed a brokered private placement offering of 34,000,000 subscription receipts for aggregate gross proceeds of $34.00 million (the "Financing"). The costs associated with the private placement offering of subscription receipts amounted to $2.9 million. The Company also issued 390,000 (2,086,500 after conversion) warrants to the Agents as compensation (note 10).

Each Subscription Receipt was exchanged into one common share in the capital of PetroTal without any further action required on the part of the holder of the Subscription Receipt and without payment of any additional consideration, upon the completion of the plan of arrangement of Sterling and PetroTal.

2. BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

The Company prepares its annual consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS").

BASIS OF MEASURMENT

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

PRINCIPLES OF CONSOLIDATION

The Company's consolidated financial statements comprise the financial statements of the Company and the wholly-owned group of companies. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company's, using consistent accounting policies.

Inter-company balances and transactions, and any unrealized gains arising from inter-company transactions with the Company's subsidiaries, are eliminated on consolidation.

USES OF ACCOUNTING ASSUMPTIONS, ESTIMATES AND JUDGMENTS

The preparation of the Company's Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the same period if the revision affects only that period or in the period of the revision and future periods if the revision affects current and future periods.

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are summarized below:

Functional Currency

The functional currency of each of the Company's entities is the United States dollar, which is the currency of the primary economic environment in which the entities operate.

Exploration and Evaluation Assets

The accounting for exploration and evaluation ("E&E") assets requires management to make certain estimates and assumptions, including whether exploratory wells have discovered economically recoverable quantities of reserves. Designations are sometimes revised as new information becomes available. If an exploratory well encounters hydrocarbons, but further appraisal activity is required in order to conclude whether the hydrocarbons are economically recoverable, the well costs remain capitalized as long as sufficient progress is being made in assessing the economic and operating viability of the well. Criteria used in making this determination include evaluation of the reservoir characteristics and hydrocarbon properties, expected additional development activities, commercial evaluation and regulatory matters. The concept of "sufficient progress" is an area of judgment, and it is possible to have exploratory costs remain capitalized for several years while additional drilling is performed, or the Company seeks government, regulatory or partner approval of development plans.

Petroleum and natural gas assets are grouped into cash generating units ("CGUs") identified as having largely independent cash flows and are geographically integrated. The determination of the CGUs was based on management's interpretation and judgement.

Impairment Indicators

The Company monitors internal and external indicators of impairment relating to the exploration and evaluation assets. Among others, the following are the types of indicators used:

- The entity's right to explore in an area has expired during the period or will expire in the near future without renewal;
- No further exploration or evaluation work is planned or budgeted in the specific area;
- The decision to discontinue exploration and evaluation in an area because of the absence of commercial reserves; or
- Sufficient data exists to indicate that the book value will not be fully recovered from future development and production.

The assessment of impairment indicators requires the exercise of judgment. If an impairment indicator exists, then the recoverable amounts of individual assets are determined based on the higher of value-in-use and fair values less costs of disposal calculations. These require the use of estimates and assumptions, such as future oil and natural gas prices, discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves and operating performance. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Decommissioning Obligations

Decommissioning obligations will be incurred by the Company at the end of the operating life of wells or supporting infrastructure. The ultimate asset decommissioning costs and timing are uncertain and cost estimates can vary in response to many factors including changes to relevant legal and regulatory requirements, the emergence of new restoration techniques, experience at other production sites. As a result, there could be significant adjustments_to the provisions established which would affect future financial results. The expected amount of expenditure is estimated using a discounted cash flow calculation with a risk-free discount rate.

Liabilities for environmental costs are recognized in the period in which they are incurred, normally when the assed is developed and the associated costs can be estimated.

Deferred Tax Assets & Liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of oil and gas reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected. The measurement of deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities.

Provisions, commitments and contingent liabilities

Amounts recorded as provisions and amounts disclosed as commitments and contingent liabilities are estimated based on the terms of the related contracts and management's best knowledge at the time of issuing the consolidated financial statements. The actual results ultimately may differ from those estimates as future confirming events occur.

SIGNIFICANT ACCOUNTING POLICIES

a. Cash

Cash includes deposits held with banks in Canada and the United Kingdom that are available on demand and highly liquid.

b. Restricted Cash

Cash and cash equivalents unavailable for use by the Company or its subsidiaries due to certain restrictions that may be in place are classified as restricted cash.

c. Property, Plant and Equipment

Property, plant and equipment is recorded at cost less accumulated depreciation. Depreciation begins when the asset is put into service and is calculated annually using the straight-line method. The cost of maintenance and repairs is charged to expense as incurred. The cost of significant renewals and improvements is added to the carrying amount of the respective asset. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the balance, and any resulting gain or loss is reflected in the consolidated statement of loss and comprehensive loss.

When commercial production in an area has commenced, PP&E properties, excluding surface costs are depleted using the unit-of-production method over their proved plus probable reserve life. Proved plus probable reserves are determined annually by qualified independent reserve engineers. Changes in factors such as estimates of proved plus probable reserves that affect unit-of-production calculations are accounted for on a prospective basis

d. Inventory

Inventory consists of materials and supplies to be used in exploration activities and is measured at the lesser of acquisition cost and net realizable value. The cost of the inventory is recognized using the weighted average method.

e. Financial Instruments

Financial instruments are classified into one of the following categories: fair-value-through-profit-and-loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. Financial instruments are measured in the consolidated statement of financial position at fair value, except for loans and receivables, held-to-maturity, and other financial liabilities, which are measured at amortized cost. Subsequent measurement of financial instruments measured at fair value is dependent upon initial classification as follows: (1) fair-value-through-profit-and-loss financial assets are measured at fair value with changes in fair value recognized in net income (loss); (2) available-for-sale financial instruments are measured at fair value with changes in fair value recognized in other comprehensive income until the instrument is derecognized or impaired.

The Company's financial instruments consist of cash, and other receivables and trade and other payables. These are included in current assets and current liabilities, respectively due to their short-term nature. The Company initially measures financial instruments at fair value.

f. Exploration and Evaluation Assets

All costs directly associated with the exploration and evaluation of oil and natural gas reserves are initially capitalized. Exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability have not yet been determined. These costs include acquisition costs, exploration costs, geological and geophysical costs, decommissioning costs, E&E drilling, sampling and appraisals. Costs incurred prior to acquiring the legal rights to explore an area are expensed as incurred.

At each reporting date, the carrying amounts of the Company's exploration and evaluation assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the year. The exploration and evaluation phase of a particular project is completed when both the technical feasibility and commercial viability of extracting oil or gas are demonstrable for the project or there is no prospect of a positive outcome for the project. Exploration and evaluation assets with commercial reserves will be reclassified to development and production assets and the carrying amounts will be assessed for impairment and adjusted (if appropriate) to their estimated recoverable amounts.

When an area is determined to be technically feasible and commercially viable the accumulated costs are transferred to property, plant and equipment, where they are depleted. Exploration and evaluation assets are not amortized during the exploration and evaluation stage. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to comprehensive income (loss) as impairment of exploration and evaluation assets.

g. Decommissioning Obligations

The Company recognizes a decommissioning liability in relation to the evaluation and exploration assets and to property, plant and equipment, in the period in which a reasonable estimate of the fair value can be made of the statutory, contractual, constructive or legal liabilities associated with the retirement of the oil and gas properties, facilities and pipelines. The amount recognized is the estimated cost of decommissioning, discounted to its present value using a credit-adjusted discount rate. The estimates are reviewed periodically. Changes in the provision resulting from changes to the timing of expenditures, costs or risk-free rates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to property, plant and equipment or exploration and evaluation assets. The unwinding of the discount on the decommissioning provision is charged to the consolidated statement of loss and comprehensive loss. Actual costs incurred upon settlement of the obligations are charged against the provision to the extent of the liability recorded and the remaining balance of the actual costs is recorded in the consolidated income statement.

h. Income Taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss. Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

i. Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

j. Foreign Currency Translation

Transactions and Balances

Transactions in foreign currencies are initially translated into the functional currency using the exchange rate on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Foreign Operations

Each subsidiary in the group is measured using the currency of the primary economic environment in which the entity operates, which is its functional currency.

k. Earnings per Share

The Company presents basic and diluted earnings per share (“EPS”) data for its common shares (the “Common Shares”). Basic EPS is calculated by dividing the net profit or loss attributable to common shareholders of the Company by the weighted average number of Common Shares outstanding during the period.

Diluted EPS is determined by dividing the net profit or loss attributable to common shareholders by the weighted average number of Common Shares outstanding during the year, plus the weighted average number of Common Shares that would be issued on conversion of all dilutive potential Common Shares into Common Shares. Those potential Common Shares comprise share options granted.

l. Fair Value Measurements

Financial instruments recorded at fair value in the consolidated balance sheet (or for which fair value is disclosed in the notes to the consolidated financial statements) are categorized based on the fair value hierarchy of inputs. The three levels in the hierarchy are described below:

Level I
Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide continuous pricing information.

Level II
Pricing inputs are other than quoted prices in active markets included in Level I. Prices in Level II are either directly or indirectly observable as of the reporting date. Level II valuations are based on inputs, including quoted forward

prices for commodities, time value, credit risk and volatility factors, which can be substantially observed or corroborated in the marketplace

Level III

Valuations are made using inputs for the asset or liability that are not based on observable market data. Sterling uses Level III inputs for fair value measurements in inputs such as commodity prices in impairment assessments.

3. NEW ACCOUTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following pronouncements from the International Accounting Standards Board are issued and will become effective for future reporting periods. The Company intends to adopt these standards and interpretations, if applicable, when they become effective.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued final amendments to IFRS 9, replacing IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets, and new requirements related to hedge accounting. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple category and measurement models in IAS 39. The categorization approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. New hedge accounting requirements incorporated into IFRS 9 increase the scope of items that may qualify as a hedged item and changes the requirements of hedge effectiveness testing that must be met in order to apply hedge accounting. The requirements of IFRS 9 are effective for annual periods beginning on or after January 1, 2018. IFRS 9 replaced the multiple classification and measurement models for financial assets that existed under IAS 39 Financial Instruments, and the basis on which financial assets are measured determines their classification as either, at amortized cost, fair value through profit and loss, or fair value through other comprehensive income. Therefore, the adoption of this standard results in a reclassification of financial assets classified as loans and receivables to financial assets at amortized cost, however there is no impact to the measurement of these financial assets. The implementation of IFRS 9 will not have a material effect on the Company's consolidated financial statements.

IFRS 15- Revenue from contracts with customers

In May 2014, the IASB and FASB jointly issued IFRS 15 "Revenue from Contracts with Customers," which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and other revenue related interpretations. In April 2016, the IASB issued amendments to IFRS 15, clarifying the application of certain of its underlying principles, including the identification of a performance obligation, and the determination of whether a company is a principal or is acting as an agent in the provision of a good or service. The amendments became effective concurrent with the effective date of IFRS 15 on January 1, 2018. The implementation of IFRS 15 will not have a material effect on the Company's consolidated financial statements.

IFRS 2 - "Share-based Payment"

In June 2016, the IASB issued amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions, including the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, accounting for share-based accounting transactions with a net settlement feature for withholding tax obligations, and accounting for modifications to the terms and conditions of a share-based payment that changes the classification of the share-based payment transaction from cash-settled to equity-settled. The IFRS 2 amendments are effective for annual periods beginning on or after January 1, 2018. The implementation of IFRS 2 will not have a material effect on the Company's consolidated financial statements.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 "Leases", which replaces IAS 17 "Leases". IFRS 16 eliminates the distinction between operating and financing leases and provides a single lessee accounting model that requires the lessee to recognize assets and liabilities for all leases on its balance sheet. Leases to explore for or use oil or natural gas are specifically excluded from the scope of IFRS 16. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been applied. The Company has not yet assessed the potential effect of the implementation of IFRS 16 on its consolidated financial statements.

4. CASH

Cash consists of the following:

($ thousands)	December 31, 2017	December 31, 2016
Balances held in:		
US dollars	**48,764**	-
Peruvian Soles	**19**	-
Total cash	**48,783**	-

The Company does not record any restricted cash; however once qualified as an operator in Peru, up to $6 million in cash could be restricted depending on status of work commitments (note 13).

5. FINANCIAL INSTRUMENTS

The Company's financial instruments, including cash, other receivables, and other payables. The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The Company is exposed to various financial risks arising from normal-course business exposure. These risks include market risks relating to foreign exchange rate fluctuations, interest rate risk and commodity price risk and as well as liquidity risk and credit risk as described below.

FOREIGN EXCHANGE RATE RISK

The Company's functional currency is the United States dollar. Foreign exchange gains or losses can occur on translation of working capital denominated in currencies other than the functional currency of the jurisdiction which holds the working capital item. Excluding the impact of changes in the cross-rates, a one percent fluctuation in translation rates would have the following impact on net income or loss, based on foreign currency balances held at December 31, 2017.

	($ thousands)
US Dollar vs. Canadian dollar	Nil
US Dollar vs. Peruvian Sol	Nil

INTEREST RATE RISK

From time to time, the Company may have significant cash or cash-equivalent balances invested at prevailing short-term interest rates. Accordingly, cash flows are sensitive to changes in interest rates on these investments. Based on total cash and cash equivalents at December 31, 2017, there is no interest risk impact as the Company does not have cash balances invested at short term interest rates.

LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's liquidity position has improved in the year ended December 31, 2017 following the closing of the arrangement on December 18, 2017 (note 1). Cash and cash equivalents in the year ended December 31, 2017 increased to approximately $50 million.

Credit risk is the risk that a customer or counterparty will fail to perform an obligation or fail to pay amounts due causing a financial loss to the Company. The Company's VAT and other receivables are primarily for sales tax credits ("VAT") on exploration and evaluation expenses incurred in prior years. These credits will be applied to future oil development activities or recovered as per the sale tax recovery legislation currently in effect. The Company had no other material concentrations of receivables with third parties.

Impairment to a financial asset is only recorded when there is objective evidence of impairment and the loss event has an impact on future cash flow and can be reliably estimated. Evidence of impairment may include default or delinquency by a debtor or indicators that the debtor may enter bankruptcy. Management believes that there is no risk on the recoverability and or applicability of the sales tax credits. Therefore, no impairment to the carrying value of these assets has been estimated.

The Company has deposited its cash and cash equivalents with reputable financial institutions, with which management believes the risk of loss to be remote. The maximum credit exposure associated with financial assets is their carrying value. At December 31, 2017, the cash and cash equivalents were held with five different institutions from two countries, mitigating the credit risk of a collapse of one particular bank.

6. EXPLORATION AND EVALUATION ASSETS

The following table sets out a continuity of the exploration and evaluation assets:

($ thousands)	**December 31, 2017**	**December 31, 2016**
Balance, beginning of the year	**-**	-
Additions from Peru asset acquisition (note 1)	**38,417**	-
Additions during the year	**154**	-
Balance, end of the year	**38,571**	**-**

7. VAT AND OTHER RECEIVABLES

($ thousands)	**December 31, 2017**	**December 31, 2016**
VAT receivable - Current	**531**	-
Other receivables	**350**	-
Total current	**881**	-
VAT receivable- Non-current	**9,980**	-
		-
Total VAT and other receivables	**10,861**	-

8. TRADE AND OTHER PAYABLES

($ thousands)	**December 31, 2017**	**December 31, 2016**
Trade payables	**227**	-
Tax withholdings payable	**149**	-
Accrued liabilities	**2,185**	-
Other payables	**114**	-
Total trade and other payables	**2,675**	-

9. DECOMMISSIONING OBLIGATIONS

The following table sets out the continuity of decommissioning obligations:

($ thousands)	December 31, 2017	December 31, 2016
Balance, beginning of the year	-	-
Additions from Peru asset acquisition (note 1)	**14,023**	-
Accretion of decommissioning discount	**25**	-
Balance, end of the year	**14,048**	**-**

The Company has estimated the net present value of its decommissioning liabilities to be $14.05 million based on a total undiscounted future liability, after inflation adjustment of $15.45 million. The present value of the obligations was calculated using a credit-adjusted risk rate of 5.85 percent to reflect the market assessment of the time value of money as well as risks specific to the liabilities that have not been included in the cash flow estimates. The inflation rate used in determining the cash flow estimates varies from 0.1 percent to 2.30 percent.

10. SHARE CAPITAL

Authorized share capital consists of an unlimited number of Common Shares without nominal or par value. The holders of Common Shares are entitled to one vote per share and are entitled to receive dividends as recommended by the Board of Directors. Share capital issued and outstanding is as follows:

	December 31, 2017	
	Shares	**Amount**
	000s	**$000s**
Balance, beginning of the year	**-**	**-**
Equity issuances:		
PetroTal – Pre-Transaction (effected for Share Exchange)	**21,400**	**-**
PetroTal - Subscription Receipts (note 1)	**181,900**	**34,000**
Consideration Paid by PetroTal (Sterling Shares @ FV)	**147,186**	**18,662**
Acquisition of Gran Tierra Energy International Holdings	**187,250**	**34,997**
Less agents' warrants	**-**	**(4)**
Less subscription receipts costs	**-**	**(2,862)**
Balance, end of the year	**537,736**	**84,793**

Pursuant to the Arrangement Agreement closed on December 18, 2017, whereby Sterling and PetroTal completed a plan of arrangement that constituted a reverse takeover under the policies of the TSX Venture Exchange, Sterling acquired all of the issued and outstanding PetroTal shares from PetroTal shareholders in exchange for 5.35 Sterling shares for each PetroTal share. An aggregate of 203,300,005 Sterling shares were issued a deemed price of $0.1869 per Sterling share.

In addition, pursuant to the share purchase agreement among Sterling. Gran Tierra Energy Inc. ("GTE"), and its wholly owned subsidiary Gran Tiera Energy International Holdings Ltd. ("GTEIH"), Sterling acquired all of the issue and outstanding shares of Gran Tierra Energy International (Peru) Holdings B.V. ("GTE Peru"), an indirect wholly-owned subsidiary of GTE. In consideration for the Gran Tierra Peru shares, Sterling issued 187,250,000 Sterling shares at a deemed price of $0.1869 per Sterling share. This acquisition was completed on December 18, 2017.

AGENTS' WARRANTS

As disclosed in note 1, pursuant to the agency agreement entered into and, as compensation for the services rendered in connection with the brokered private placement offering, the Agents received a fee of US$0.06 per each subscription receipt subscribed and 390,000 warrants (the "Agents' Warrants") at the offering price of$1.00 per Agents' Warrant. On conversion at 5.35 Sterling shares per warrant, total number of Agents' Warrants amounts to 2,086,500. Each converted Agents' Warrant entitles the holder to purchase one common share of the Company at an exercisable price of $0.1869 per converted Agents' Warrant on or before June 12, 2019.

The fair value of the Agents' Warrants estimated at $4.00 (using a Black Scholes option pricing model) was netted against proceeds from share capital (as share issue costs).

The following assumptions were used in the Black-Scholes option pricing model to estimate the fair value of the Broker's Warrants as at the date of issue.

		December 12, 2017
Number of warrants		**2,086,500**
Share price at valuation date	**$**	**0.1089**
Exercise price	**$**	**0.1869**
Risk-free interest rate (percent)		**1.684**
Expected life of option		**1.50**
Volatility in the price of the Company's shares (percent)		**30.0**
Expected annual dividend yield (percent)		**0.00**
Call Option Value	**$**	**0.0019**
Value of warrants	**$**	**3,903**

PERFORMANCE WARRANTS

There are 5,000,000 performance warrants outstanding. The warrants have an exercise price of $1.00 per share, a 5-year term and will vest upon achievement of certain oil and gas production targets, within a specified period of time following the closing of the Arrangement Agreement (note 1). Each warrant will be adjusted as to the number of shares to be issued on the exercise date and the exercise price of the warrant. The fair value of the compensation warrants is dependent upon certain valuations and other studies that have yet to be completed. The fair value of the compensation warrants is zero as none of the vesting conditions have been achieved.

The number of warrants as of December 31, 2017 and 2016 is as follows:

	December 31, 2017	December 31, 2016
Balance, beginning of the year	**-**	-
Additions during the year	**7,086,500**	-
Balance, end of the year	**7,086,500**	-

11. NET LOSS PER SHARE

The following reflects the loss and share data used in the computation of basic and diluted earnings per share:

	2017	2016
Weighted average shares outstanding (000s)	**20,434**	**-**
Net loss ($000s)	**(2,754)**	-
Weighted average loss per share ($)		
Basic	**(0.13)**	-
Diluted	**(0.13)**	-

12. RELATED PARTIES

The Company's related parties include its key management personnel, directors and entities which are directly or indirectly owned and controlled by the Company. The key management personnel of the Company are comprised of executives of the Company and members of its board of directors. Key management personnel compensation for the year ended December 31, 2017, including bonuses and benefits, was $0.69 million. Additionally, 4,400,000 performance warrants were issued to key management personnel with an exercise price of $1.00 and a five-year term to exercise the option (note 10).

13. COMMITMENTS

As of December 31, 2017, the Company holds the following letters of credit guaranteeing its commitments in the exploration blocks:

Block	Beneficiary	Amount - $000s	Guarantee
107	PeruPetro S.A.	3,000	Minimum work – Phase 5 – Two exploration wells
133	PeruPetro S.A.	3,000	Minimum work – Phase 3 – 200 km 2D Seismic

Blocks 123 & 129 – On December 27, 2017, due to persisting security conditions preventing the continuation of the exploration program, the Company applied for a relinquishment of the blocks. See note 15 for further details.

The Company also operating lease agreements for office space expiring on December 31, 2018. As of December 31, 2017, the Company has contracted with the lessors the following minimum lease installments:

Less than one year	$ 144

14. INCOME TAXES

The income tax expense reported differs from the amount computed by applying the Peru statutory rate (the Peru statutory rate was used because Peru is the primary residency of the Business) to loss before income taxes. As per the current income tax regime, the exploration activities of the Company in Peru are subject to a 30% statutory tax rate plus 2% in accordance with Law 27343.

($ thousands)	December 31, 2017	December 31, 2016
Loss before taxes	**2,754**	-
Statutory income tax rate in Peru	**32%**	32%
Income tax recovery expected at statutory rate	**881**	-
Derecognition of deferred tax assets	**(881)**	-
		-
Total income tax	**-**	**-**

The movement in deferred income tax balances is as follows:

($ thousands)	December 31, 2017	December 31, 2016
Tax basis in excess of net book value	**58,136**	-
Non-capital losses carried forward	**4,060**	-
Deferred tax asset	**62,196**	-
Derecognition of deferred tax assets	**(62,196)**	-
Deferred tax asset	**-**	**-**

At December 31, 2017, the tax basis in excess of net book value was $181.7 million (tax effected – $58.1 million) that were not recognized in the financial statements due to uncertainties associated with its ability to utilize these balances in the future. December 31, 2016 $nil.

At December 31, 2017, the Company had operating loss carryforwards of $4.1 million (December 31, 2016 – $nil), which will expire between 2018 and 2019. No deferred tax assets have been recognized in respect of the operating loss carryforwards as at December 31, 2017. December 31, 2016 $nil.

15. SUBSEQUENT EVENTS

On January 22, 2018, pursuant to the application filed on December 27, 2017, the national oil company, PeruPetro, approved the relinquishment of blocks 123 and 129.

CORPORATE INFORMATION

DIRECTORS

JAMES B. TAYLOR (1) (5)
Chair
Santa Fe, USA

RYAN ELLSON (4) (5)
Calgary, Canada

GARY S. GUIDRY (2) (7)
Calgary, Canada

MARK McCOMISKEY (3) (6)
Greenwich, USA

DOUGLAS C. URCH (3) (8)
Calgary, Canada

GAVIN WILSON (1) (7)
Zurich, Switzerland

MANUEL ZUNIGA-PFLUCKER
Katy, USA

(1) Reserves Committee
(2) Chair of Reserves Committee
(3) Audit Committee
(4) Chair of Audit Committee
(5) Governance and Compensation Committee
(6) Chair of Governance and Compensation Committee
(7) Health, Safety, Environment and Social Committee
(8) Chair of Health, Safety, Environment and Social Committee

OFFICERS

MANUEL ZUNIGA-PFLUCKER
President and Chief Executive Officer

GREGORY E. SMITH
Executive Vice President and Chief Financial Officer

CHARLES FETZNER
Vice President, Asset Development

ESTUARDO ALVAREZ-CALDERON
Vice President, Exploration and Development

TRACY LESSARD
Corporate Secretary

INVESTOR RELATIONS

E-Mail: info@sterling-resources.com

AUDITOR

DELOITTE LLP

LEGAL COUNSEL

McCARTHY TÉTRAULT LLP

REGISTRAR AND TRANSFER AGENT

Inquiries regarding change of address, registered shareholdings, stock transfers or lost certificates should be directed to:

COMPUTERSHARE INVESTOR SERVICES INC.
9th Floor, 100 University Avenue Toronto, Ontario, Canada
M5J 2Y1
Tel: 800-564-6253
Fax: 888-453-0330/416-263-9394
E-Mail: service@computershare.com

STOCK EXCHANGE LISTING

THE TSX VENTURE EXCHANGE
Stock Exchange Trading Symbol: SLG

OFFICES

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Website: www.sterling-resources.com

ANNUAL GENERAL AND SPECIAL MEETING

May 30, 2018 at 10.00 AM Mountain Daylight Time
The Clarkson & Tétrault Boardroom
McCarthy Tétrault LLP
Suite 4000, 421 – 7th Avenue S.W. Calgary, Alberta,
Canada, T2P 4K9

PART 4

FINANCIAL STATEMENTS

4.3: Audited Combined Carve-Out Financial Statements of GTE's Peruvian Business as at and for the years ended 31 December 2016 and 31 December 2015 and the Combined Carve-Out Statements of Net and Comprehensive Loss, Combined Carve-Out Statements of Net Parental Investment, and Combined Carve-Out Statements of Cash Flows of the three years in the period ended 31 December 2016

Combined Carve-Out Financial Statements – Peru Business

As at December 31, 2016 and 2015
and for the years ended December 31, 2016, 2015 and 2014

Deloitte LLP
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Calgary, AB T2P 0R8
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Gran Tierra Energy International (Peru) Holding B.V.

We have audited the accompanying combined carve-out Financial Statements of Gran Tierra Energy – Peru Business, which comprise the combined carve-out statements of financial position as at December 31, 2016, and December 31, 2015, and the combined carve-out statements of net and comprehensive loss, combined carve-out statements of net parental investment, and combined carve-out statements of cash flows for each of the three years in the period ended December 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Combined Carve-out Financial Statements
Management is responsible for the preparation and fair presentation of these combined carve-out Financial Statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of combined carve-out Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these combined carve-out Financial Statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined carve-out Financial Statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined carve-out Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined carve-out Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the business' preparation and fair presentation of the combined carve-out Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined carve-out Financial Statements.
We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the combined carve-out Financial Statements present fairly, in all material respects, the financial position of Gran Tierra Energy – Peru Business as at December 31, 2016, and December 31, 2015, and its financial performance and cash flows for the years ended December 31, 2016, December 31, 2015 and December 31, 2014, in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2 to the combined carve-out Financial Statements which indicates that Gran Tierra Energy – Peru Business has incurred a net loss of $32.8 million during the year ended December 31, 2016 (2015: $51.4 million and 2014: $271 million). In addition, the Business has no properties which currently generate revenues. These conditions, along with other matters as set forth in Note 2, indicate the existence of material uncertainties that cast significant doubt about Gran Tierra Energy – Peru Business' ability to continue as a going concern.

/s/ Deloitte LLP

Chartered Professional Accountants
October 17, 2017

Combined Carve-Out Statements of Financial Position

(thousands of United States dollars)

	Note	December 31, 2016	December 31, 2015
ASSETS			
CURRENT ASSETS			
Cash		**$ 230**	$ 880
Accounts receivable		**132**	496
VAT receivable		**336**	9,780
Prepaids		**228**	295
Total Current Assets		**926**	11,451
Exploration and evaluation assets	**4**	**85,302**	112,207
Property, plant and equipment	**5**	**498**	813
VAT receivable		**9,798**	9,508
Due from related parties	**11**	**2,005**	11
Total Assets		**$ 98,529**	$ 133,990
LIABILITIES AND NET PARENTAL INVESTMENT			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		**$ 976**	$ 1,175
Total Current Liabilities		**976**	1,175
Due to related parties	**11**	**452,537**	456,125
Decommissioning liability	**6**	**13,966**	13,671
Total Liabilities		**467,479**	470,971
Net parental investment		**(368,950)**	(336,981)
Total Liabilities and Net Parental Investment		**$ 98,529**	$ 133,990
Going Concern	**2**		
Commitments	**9**		

(See notes to the combined carve-out financial statements)

Approved by the Board of Directors

Adrian Coral	Alejandra Escobar
Director	Director

Combined Carve-Out Statements of Net and Comprehensive Loss
(thousands of United States dollars)

	Note	For the years ended December 31, 2016	2015	2014
EXPENSES				
Impairment of exploration and evaluation assets	**4**	**$ 30,601**	$ 40,340	$ 259,365
General and administrative		**1,913**	6,579	8,411
Share based compensation		**16**	36	222
Depreciation	**5**	**262**	444	743
Foreign exchange (gain) loss		**(305)**	3,076	1,944
		32,487	50,475	270,685
Interest income		**(246)**	(2)	(1)
Bank charges and accretion	**8**	**586**	904	309
		340	902	308
NET AND COMPREHENSIVE LOSS		**$ 32,827**	$ 51,377	$ 270,993

(See notes to the combined carve-out financial statements)

Combined Carve-Out Statements of Cash Flows
(thousands of United States dollars)

	Note	For the years ended December 31, 2016	2015	2014
Operating activities				
Net loss		$ **(32,827)**	$ (51,377)	$ (270,993)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities				
Depreciation and impairment	**4, 5**	**30,863**	40,784	260,108
Accretion expense	**6, 8**	**577**	636	155
Non-cash share based compensation		**40**	65	22
Unrealized foreign exchange (gain) loss		**(379)**	2,146	1,184
Cash settlement of decommissioning liability	**6**	**-**	(4,990)	-
Net change in assets and liabilities from operating activities				
Accounts receivable		**241**	(1,237)	777
Prepaids		**67**	639	(799)
Accounts payable and accrued liabilities		**49**	(5,005)	318
VAT receivable		**9,197**	3,288	(5,065)
Net cash provided by (used in) operating activities		**7,828**	(15,051)	(14,293)
Investing activities				
Additions to exploration and evaluation assets		**(3,725)**	(45,150)	(151,857)
Proceeds from disposition of (additions to) property, plant and equipment	**5**	**53**	14	(687)
Net change in non-cash working capital		**(125)**	(32,649)	32,368
Net cash used in investing activities		**(3,797)**	(77,785)	(120,176)
Financing activities				
(Repayment of) proceeds from related party	**11**	**(3,251)**	77,994	142,910
Change in related parties	**11**	**(2,624)**	931	1,892
Change in net parental investment		**858**	2,479	(6)
Net cash (used in) provided by financing activities		**(5,017)**	81,404	144,796
Foreign exchange gain (loss) on cash		**336**	(52)	74
Net (decrease) increase in cash		**(650)**	(11,484)	10,401
Cash, beginning of the year		**880**	12,364	1,963
Cash, end of the year		$ **230**	$ 880	$ 12,364

(See notes to the combined carve-out financial statements)

Combined Carve-Out Statement of Net Parental Investment
(thousands of United States dollars)

Balance, January 1, 2014	$	(17,084)
Net and comprehensive loss		(270,993)
Net transfers to Parent		(6)
Balance, December 31, 2014		(288,083)
Net and comprehensive loss		(51,377)
Net transfers from Parent		2,479
Balance, December 31, 2015		(336,981)
Net and comprehensive loss		(32,827)
Net transfers from Parent		858
Balance, December 31, 2016	**$**	**(368,950)**

(See notes to the combined carve-out financial statements)

Notes to the Combined Carve-Out Financial Statements

(expressed in thousands of United States dollars, unless otherwise indicated)

1. Corporate Information

Gran Tierra Energy – Peru Business (the "**Business**") is in the business of the exploration and development of oil in Peru.

The Business was incorporated in Curaçao. The Business's registered office is located at Calle Andres Reyes 437, Piso 8, Edificio Platinum Plaza Torre II, San Isidro, Lima 27, Peru.

These combined carve-out financial statements include the accounts of Gran Tierra Energy Inc.'s ("**Gran Tierra**") Peru entities, including four indirect subsidiaries of Gran Tierra:

Entity	Ownership %
Gran Tierra Energy International (Peru) Holdings B.V.	100
Gran Tierra Energy Peru B.V.	100
Gran Tierra Energy Peru S.R.L.	100
Petrolifera Petroleum Del Peru S.R.L.	100

Intercompany balances and transactions are eliminated on consolidation.

These financial statements were authorized for issuance by the Board of Directors of Gran Tierra Energy International (Peru) Holdings B.V. ("**GTEIPH**" or the "**Parent**") on October 17, 2017.

2. Basis of Preparation

Basis of presentation

The combined carve-out financial statements of the Business have been derived from the accounting records of Gran Tierra as if it were operated on a stand-alone basis.

The combined carve-out statements of net and comprehensive loss reflect allocations of general corporate expenses from Gran Tierra including, but not limited to, executive management, finance, audit, tax, internal audit, legal, information technology, human resources, employee benefits administration, treasury, risk management and other shared services. The allocations were made on a direct usage basis when identifiable, with the remainder allocated on the basis of capital expenditures incurred or other costs incurred. Management of the Business and Gran Tierra consider these allocations to be a reasonable reflection of the utilization of services by, or the benefits provided to the Business. The allocations may not, however, reflect the expense the Business would have incurred as a stand-alone company for the periods presented or of the costs expected to be incurred in the future. Actual costs that may have been incurred if the Business had been a stand-alone business would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure.

During the years ended December 31, 2016, 2015, and 2014, the Business was allocated $0.1 million, $1.1 million and $2.6 million, respectively, of general corporate expenses including share based compensation incurred by Gran Tierra which are included within general and administrative expenses in the combined carve-out statements of net and comprehensive loss.

Gran Tierra's cash has not been assigned to the Business for any of the periods presented because those cash balances are not directly attributable to the Business nor is the Business expected to acquire or assume that cash presently or in connection with the proposed transaction.

Gran Tierra has historically used a centralized approach to cash management and financing of its operations. Transactions between the Business and Gran Tierra are considered to be effectively settled for cash at the time the transaction is recorded. The net effect of these transactions is included in the combined carve-out statements of cash flows as financing activities.

Going Concern

The accompanying combined carve-out financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Business had net losses in 2016, 2015 and 2014 of $32.8 million, $51.4 million and $271.0 million, respectively. In addition, the Business has no properties which currently generate revenues. Additional cash resources will be required to exploit the Business's oil and gas properties. The existence of these material uncertainties may cast significant doubt as to the Business's ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The uncertainties include the need for additional cash resources to fund its existing operations and for the development of its properties. To date, all operational activities of the Business have been funded by Gran Tierra. Management is currently evaluating and pursuing other funding alternatives, including new equity issuances or debt financing to fund the Business's ongoing operations. The Business's access to sufficient capital will impact its ability to complete its planned exploration and development activities. However, there can be no assurance that the steps management is taking will be successful.

The accompanying financial statements do not include any adjustments relating to the possible recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Business be unable to continue as a going concern.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards **("IFRS")** as issued by the International Accounting Standards Board **("IASB")**.

Basis of measurement

The combined carve-out financial statements have been prepared under the historical cost convention except for share-based compensation transactions which are measured at fair value.

Significant accounting judgments, estimates and assumptions

The timely preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions and use judgment regarding the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

The following critical judgments and estimates have been made in applying accounting policies which have the most significant impact on the amounts recognized in the combined carve-out financial statements.

Asset impairment

For impairment testing of exploration and evaluation assets ("**E&E assets**") and property, plant and equipment, the assessment of facts and circumstances is a subjective process that often involves a number of estimates and is subject to interpretation. The testing of assets or Cash Generating Units ("**CGU**") for impairment, as well as the assessment of potential impairment reversals, requires estimates of an asset's or CGU's recoverable amount. The estimate of a recoverable amount requires a number of assumptions and estimates, including quantities of reserves, expected production volumes, future commodity prices, discount rates as well as future development and operating costs. These assumptions and estimates are subject to change as new information becomes available and changes in any of the assumptions, such as a downward revision in reserves, a decrease in commodity prices or an increase in costs, could result in an impairment of an asset's or CGU's carrying value. E&E assets are tested for impairment when indicators of impairment are present and when E&E assets are transferred to oil and gas properties. The level for assessing for impairment is the CGU level.

Decommissioning liabilities

In estimating future decommissioning liabilities, assumptions are made about activities that occur many years into the future including the cost and timing of such activities. Additionally, interpretation of contracts and regulations is required by management to determine what constitutes removal and remediation. The ultimate financial impact is not clearly known as asset removal and remediation techniques and costs are constantly changing, as are legal, regulatory, environmental, political, safety and other such considerations. In arriving at amounts recorded, assumptions and estimates are made on ultimate settlement amounts, inflation factors, discount rates, timing and expected changes in legal, regulatory, environmental, political and safety environments.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Income taxes

The Business is subject to income taxes in Peru and Curacao. The determination of income tax is inherently complex and the Business is required to interpret continually changing regulations and make certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Business believes it has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in the provision for income taxes.

Functional currency

The determination of the Business's functional currency requires analyzing facts that are considered primary factors, and if the result is not conclusive, secondary factors. The analysis requires the Business to apply significant judgment since primary and secondary factors may be mixed. In determining its functional currency the Business analyzed both the primary and secondary factors, including the currency of the Business's operating costs in the countries that it operates in, and sources of debt and equity financing.

3. Summary of Significant Accounting Policies

Relationship with Gran Tierra

Gran Tierra's net investment in the Business is shown in lieu of shareholders' equity in the combined carve-out financial statements because the Business in its entirety is not a separate legal entity. Gran Tierra's net investment in the Business is presented as ''Net Parental Investment''. Changes in net parental investment include net cash transfers and other transfers to and from Gran Tierra and the Business.

Pre-license costs

Costs incurred prior to having obtained the legal rights to explore an area are expensed to the combined carve-out statements of net and comprehensive loss as they are incurred.

E&E assets

E&E assets include all costs directly associated with the exploration and evaluation of crude oil and gas reserves. Such costs may include costs of license acquisition, exploration and appraisal costs of technical services and studies, seismic acquisition, exploratory drilling and testing. These costs are initially capitalized by well, field, unit of account or specific exploration unit as appropriate.

Expenditures incurred during the various exploration and appraisal phases are carried forward, until the existence of commercial reserves and when the technical feasibility and commercial viability are demonstrable and approved by the regulator. If commercial reserves have been discovered and technical feasibility and commercial viability are demonstrable, the carrying value of the exploration and evaluation assets, after any impairment loss, is reclassified as oil and gas properties. If technical feasibility and commercial viability cannot be demonstrated upon completion of the exploration phase, the carrying value of the exploration and evaluation costs incurred are expensed in the period this determination is made.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation. The initial cost of an asset comprises its purchase price or construction cost, any cost directly attributable to bringing the asset into operation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Property, plant and equipment is generally depreciated on a straight-line basis over its estimated useful lives, which range from 4 to 5 years.

Impairment

E&E assets and property, plant and equipment assets are tested for impairment when indicators of impairment are present and when E&E assets are transferred to oil and gas properties. The level for assessing for impairment is the CGU level.

E&E assets and property, plant and equipment costs are accumulated on an area-by-area basis then grouped into CGUs on the basis of geographical area having regard to the operational infrastructure (such as pipelines, facilities and sales points) of the area, and are the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets. For impairment test purposes, corporate assets are allocated to CGUs on the basis of proportionate future net revenue consistent with the recoverable amount.

At the end of each reporting period, the Business assesses the CGUs for circumstances that indicate that the assets may be impaired. If any such indication of impairment exists, the Business makes an estimate of its recoverable amount. A CGUs recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGUs group exceeds its recoverable amount, the asset or CGU is considered impaired and is written-down. For impairment losses identified based on a CGU, or group of CGUs, the loss is allocated on a pro rata basis to the assets within the CGU(s). This is first completed by reducing the carrying amount of any goodwill allocated to the CGU or group of CGUs and then, reducing the carrying amount of the other assets of the CGU, or group of CGUs, on a pro rata basis. The impairment loss is recognized as an expense in the combined carve-out statements of net and comprehensive loss.

Where the circumstances that gave rise to an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, so that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the combined carve-out statements of net and comprehensive loss.

Decommissioning

The Business recognizes the estimated fair value of decommissioning liabilities associated with E&E assets as a liability in the period in which the Business has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. A corresponding amount equivalent to the decommissioning liability is also recognized as part of the cost of the related E&E assets. The liability is estimated by discounting expected future cash flows required to settle the liability using a credit adjusted risk-free rate.

Changes in the estimated timing or costs of decommissioning, or discount rate are recognized prospectively by recording an adjustment to the decommissioning liability, and a corresponding adjustment to E&E. The liability accretes for the effect of time value of money until it is expected to settle as unwinding of the discount. Actual decommissioning liabilities settled during the period reduce the decommissioning liability.

Provisions

A provision is recognized if, as a result of a past event, the Business has a current legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

Financial instruments

Financial instruments include cash, accounts receivable, accounts payable and accrued liabilities and amounts due to and from related parties. The Business classifies cash, accounts receivable and due from related parties as loans and receivables and accounts payable and accrued liabilities and due to related parties as other financial liabilities.

Financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to the initial recognition, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method, less any impairment losses.

Share-based compensation

The Business's equity compensation awards outstanding as of December 31, 2016 and 2015 included stock options and restricted stock units ("**RSUs**").

The Business records share-based compensation expense using the fair value method. The fair value of an option is calculated at the grant date using the Black-Scholes pricing model, and expensed, net of estimated forfeitures, over the vesting period of the option. An adjustment is made to compensation expense for any difference between the estimated forfeitures and the actual forfeitures. The fair value of an RSU is calculated using the market price of Gran Tierra's shares on each reporting date and expensed over the vesting period of the RSU. The Business uses historical data to estimate the expected term used in the Black-Scholes option pricing model, option exercises and employee departure behavior. Expected volatilities used in the fair value estimate are based on the historical volatility of Gran Tierra's shares. The risk-free rate for periods within the expected term of the stock options is based on the U.S. Treasury yield curve in effect at the time of grant. The Business records share-based compensation to E&E assets and general and administrative expenses.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in net and comprehensive loss.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the accounting and tax bases of assets, liabilities, unused tax losses and unused tax credits, using substantively enacted income tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the combined carve-out statements of net and comprehensive loss in the period in which the change occurs. Deferred tax assets are only recognized to the extent it is probable that sufficient future taxable income will be available to allow the deferred tax asset to be realized.

Foreign currency translation

Functional and presentation currency

The United States dollar is the functional currency of each of the entities in the Business and these financial statements are presented in United States dollars.

Transactions and balances

Monetary assets and liabilities denominated in a currency other than the functional currency are translated at the exchange rate in effect at the reporting period date. Non-monetary assets, liabilities, revenues and expenses are translated at transaction date exchange rates. Exchange gains or losses are included in the determination of net loss as foreign exchange gains or losses.

Operating Segments

Management has determined the operating segments based on information regularly reviewed for the purposes of decision making, allocating resources and assessing operational performance by the Business's chief operating decision makers. The Business has one operating segment, Peru. The Business evaluates the financial performance of its operating segment primarily based on income before tax.

Standards issued but not yet effective

- In July 2014, the IASB issued the final version of IFRS 9 "Financial Instruments". The standard supersedes earlier versions of IFRS 9 and replaces IAS 39 "Financial Instruments Recognition and Measurement" IFRS 9 replaces the multiple classification and measurement models for financial assets with a new model that has only two classifications categories amortized cost and fair value through profit and loss and a substantially reformed approach to hedge accounting. The new standard will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 9 will be applied by the Business on January 1, 2018. It is not expected that there will be a material impact to a Business.

- In January 2016, the IASB issued IFRS 16 "Leases" which provides guidance on accounting for leases. The new standard replaces IAS 17 "Leases" and related interpretations. IFRS 16 eliminates the distinction between operating and financing leases for lessees. The new standard is effective January 1, 2019 with earlier adoption permitted providing that IFRS 15 has been adopted. The new standard is required to be applied retrospectively, with a policy alternative of restating comparative prior periods or recognizing the cumulative adjustment in the opening retained earnings at the date of adoption. The Business is assessing the impact of this standard on its combined carve-out financial statements.

4. Exploration & evaluation assets

As at December 31, 2014	$	105,900
Additions		46,467
Decommissioning liability additions		180
Impairment		(40,340)
As at December 31, 2015		112,207
Additions		3,696
Decommissioning liability additions		-
Impairment		(30,601)
As at December 31, 2016	**$**	**85,302**

E&E assets consist of the Business's exploration projects where technical feasibility and commercial viability have not yet been determined. These costs include unproved property acquisition costs, exploration costs, geological and geophysical costs, decommissioning costs, E&E drilling, sampling and appraisals. Additions represent the costs incurred on E&E assets during the year.

E&E Assets Impairment

During the year ended December 31, 2016, management decided to cease all exploration activities on Blocks 123 and 129. As a result, it was determined that the carrying amount of E&E assets associated with Blocks 123 and 129 was unlikely to be recovered by successful development or sale. The impairment test compared the carrying value of the assets to the recoverable amount. The recoverable amount was estimated using fair value less costs of disposal (using level 3 inputs) and was determined to be $nil for these assets. It was determined that the impairment on Block 123 and 129 was $16.5 million and $14.1 million, respectively, for the year ended December 31, 2016 which was recorded in the combined carve-out statement of net and comprehensive loss.

On February 19, 2015, Gran Tierra made the decision to cease all further development expenditures on the Bretaña Field on Block 95 in Peru other than what is necessary to maintain tangible asset integrity and security. As a result, it was determined that the carrying amount of E&E assets associated with Block 95 was unlikely to be recovered by successful development or sale. The impairment test compared the carrying value of the assets to the recoverable amount. The recoverable amount was estimated using fair value less costs of disposal (using level 3 inputs) and was determined to be $nil for these assets. The impairment on Block 95 was $nil for the year ended December 31, 2016 (December 31, 2015 – $40.3 million and December 31, 2014 – $259.4 million) which was recorded in the combined carve-out statement of net and comprehensive loss.

5. Property, plant and equipment

Cost		
As at December 31, 2014	$	2,688
Disposals		(14)
As at December 31, 2015		2,674
Disposals		(53)
As at December 31, 2016	**$**	**2,621**
Accumulated depreciation		
As at December 31, 2014	$	(1,417)
Depreciation for the year		(444)
As at December 31, 2015		(1,861)
Depreciation for the year		(262)
As at December 31, 2016	**$**	**(2,123)**
Net book value		
December 31, 2015	$	813
December 31, 2016	**$**	**498**

6. Decommissioning Liabilities

As at December 31, 2014	$	17,845
Obligations settled		(4,990)
Accretion		636
Changes in estimate and discount rate		180
As at December 31, 2015		13,671
Accretion		577
Changes in estimate and discount rate		(282)
As at December 31, 2016	**$**	**13,966**

The total decommissioning liabilities were determined by management based on the estimated costs to reclaim and abandon the wells, well sites, and certain facilities based on legal requirements and settle environmental impact obligations incurred. The obligations are expected to be funded from the Business's internal resources available at the time of settlement.

The total undiscounted amount of estimated decommission cash flows, considering the effects of inflation, required to settle the decommissioning obligations at December 31, 2016 is $16.1 million (December 31, 2015 – $14.3 million) with the majority of these costs anticipated to occur in 2019 or later. The decommissioning obligations were calculated using an inflation rate of 2.86% (2015 – 2.86%) and a credit-adjusted risk-free rate of 5.5% to 9.0% per year (2015 – 5.5% to 9.0%).

7. Income taxes

The income tax expense reported differs from the amount computed by applying the Peru statutory rate (the Peru statutory rate was used because Peru is the primary residency of the Business) to loss before income taxes for the following reasons:

	Year Ended December 31,		
	2016	**2015**	**2014**
Loss before taxes	**$ 32,827**	$ 51,377	$ 270,993
Statutory income tax rate in Peru	**28%**	28%	30%
Income tax recovery expected at statutory rate	**9,192**	14,386	81,298
Derecognition of deferred tax assets	**(9,618)**	(14,199)	(84,231)
Other permanent differences	**426**	(187)	2,933
Total income tax recovery	**$ -**	$ -	$ -

Peru's government enacted a law on December 31, 2016 that contains several tax measures intended to stimulate the economy, including a progressive reduction of the corporate income tax rates. The new law gradually reduces the income tax rate applicable to resident corporate taxpayers from 30% to 26%, as follows: 2014 – 30%, 2015-2016 – 28%, 2017-2018 – 29.5% and 2019 and thereafter – 29.5%.

	December 31, 2014	Deferred tax expense (recovery)	December 31, 2015	Deferred tax expense (recovery)	December 31, 2016
Tax benefit of operating loss carryforwards	$ 840	$ (682)	$ 1,522	$ (89)	**$ 1,611**
Tax basis in excess of book basis	108,542	(13,430)	121,972	(9,443)	**131,415**
Deferred tax assets not recognized	(109,382)	14,112	(123,494)	9,532	**(133,026)**
	$ -	$ -	$ -	$ -	**$ -**

At December 31, 2016, the Business had operating loss carryforwards of $5.8 million (December 31, 2015 – $5.4 million, December 31, 2014 - $2.8 million), which will expire between 2017 and 2019. No deferred tax assets have been recognized in respect of the operating loss carryforwards as at December 31, 2016 (2015 – Nil; 2014 – Nil).

8. Bank charges and accretion

	Year Ended December 31,		
	2016	**2015**	**2014**
Bank charges	**$ 9**	$ 268	$ 154
Accretion on decommissioning liability	**577**	636	155
	$ 586	$ 904	$ 309

9. Commitments

As of December 31, 2016, the Business holds the following letters of credit guaranteeing its commitments in exploration blocks:

Block	Beneficiary	Total	Guarantee
107	Perupetro S.A.	$1.5 million	Minimum work - phase 4 (1st well)
107	Perupetro S.A.	$1.5 million	Minimum work - phase 5 (2nd well)
133	Perupetro S.A.	$3.0 million	Minimum work - phase 3

The Business has also entered into operating lease agreements for some offices, ranging from 1 to 3 years.

As of December 31, 2016, the Business has contracted with the lessors the following minimum lease installments:

Less than one year	$	1,077
Between one and five years		963
	$	2,040

Total office lease expense for the year ended December 31, 2016 was $1.2 million (year ended December 31, 2015 - $1.5 million and year ended December 31, 2014 - $0.4 million).

10. Financial instruments and financial risk management

The Business has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and foreign currency risk. This note presents information about the Business's exposure to each of the above risks, and the Business's objectives, policies and processes for measuring and managing risk.

Each entity's Board of Directors has overall responsibility for the establishment and oversight of the Business's financial risk management framework and monitors risk management activities. The Business identifies and analyzes the risks faced by the Business and may utilize financial instruments to mitigate these risks.

(a) Credit risk

Credit risk is the risk that the Business will not be able to collect amounts owed as they are due. The Business has credit risk on cash, accounts receivable and related party receivables.The carrying amounts of cash, accounts receivable and related party receivables represent the Business's maximum credit exposure. Cash is held with highly rated international banks and therefore the Business considers this financial asset to have negligible credit risk.

The entire amount of VAT receivable at December 31, 2016 and 2015 is due from the Peruvian tax authority and the Business considers this balance to have negligible credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Business will not be able to meet its financial obligations as they become due. The Business's process for managing liquidity risk includes ensuring, to the extent possible, that it will have sufficient liquidity to meet its liabilities when they become due. The Business prepares annual capital expenditure budgets which are monitored and updated as required. In addition, the Business requires authorizations for expenditures to assist with the management of capital.

The following are the contractual maturities of financial liabilities at December 31, 2016:

	Less than 1 year	1 to less than 2 years	2 to less than 5 years	Thereafter	Total
Accounts payable and accrued liabilities	$ 976	$ -	$ -	$ -	$ 976
Related parties	-	-	-	452,537	452,537
	$ 976	**$ -**	**$ -**	**$ 452,537**	**$ 453,513**

The following are the contractual maturities of financial liabilities at December 31, 2015:

	Less than 1 year	1 to less than 2 years	2 to less than 5 years	Thereafter	Total
Accounts payable and accrued liabilities	$ 1,147	$ 28	$ -	$ -	$ 1,175
Related parties	-	-	-	456,125	456,125
	$ 1,147	$ 28	$ -	$ 456,125	$ 457,300

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. Such exposure arises primarily from expenditures that are denominated in currencies other than the functional currency. The Business monitors its exposure to foreign currency rates. The Business is exposed to foreign currency fluctuations as certain expenditures are denominated in Peruvian nuevo soles. Foreign exchange losses primarily result from fluctuation of the U.S. dollar to the Peruvian nuevo soles due to the Business's value added tax (**"VAT"**) receivable, which is a monetary asset denominated in the local currency. As a result, foreign exchange gains and losses must be calculated on conversion to the U.S. dollar functional currency. A strengthening in the U.S. dollar against the Peruvian nuevo soles results in foreign exchange losses, estimated at $1.3 million for each one half nuevo soles decrease in the exchange rate of the Peruvian nuevo soles to one U.S. dollar.

(d) Fair value of financial instruments

The Business's financial instruments are cash, accounts receivable, accounts payable and accrued liabilities, RSUs and amounts due to and from related parties. The fair values of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts due to the short-term maturity of these instruments. The fair value of amounts due to and from related parties cannot be determined due to there being no fixed terms of repayment.

The Business uses a three level hierarchy to categorize the significance of the inputs used in measuring the fair value of financial instruments. The three levels of the fair value hierarchy are:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Business's financial instruments have been assessed on the fair value hierarchy described above. RSU liability is classified as Level 1.

(e) Capital management

The Business manages its capital structure and makes adjustments to it, based on the funds available to the Business, in order to support the acquisition, exploration and development of oil and gas properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Business's management to sustain future development of the business.

To carry-out planned asset acquisition, exploration and development, and to pay for administrative costs, the Business will spend its existing working capital and will attempt to raise additional funds as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Business, is reasonable. There were no changes in the Business's approach to capital management during the year ended December 31, 2016. The Business is not subject to externally imposed capital requirements.

11. Related party transactions

	December 31, 2016	December 31, 2015
Due from related parties		
Gran Tierra Energy International Cayman Holding Limited ("GTEIH")	**$ 2,000**	$ -
Gran Tierra Energy Canada ULC	**5**	11
	$ 2,005	$ 11

Due to related parties

	December 31, 2016	December 31, 2015
Gran Tierra Energy Inc.	**$ 16,133**	$ 18,470
GTEIH	**436,404**	437,655
	$ 452,537	$ 456,125

These amounts bear no interest, are unsecured and have no fixed terms of repayment

On June 5, 2017, GTEIPH issued a convertible demand note to GTEIH for the $411.4 million of intercompany loans which was subsequently converted by GTEIH into shares of GTEIPH. Additionally, GTEIH assigned the entire interest of intercompany loans due from Gran Tierra Energy Peru B.V. of $14.1 million and Petrolifera Petroleum Del Peru S.R.L. of $11.1 million as a capital contribution to GTEIPH.

During the years ended December 31, 2016, 2015 and 2014 the Business had the following transactions with GTEIH, the parent of the Business, and Gran Tierra, the ultimate parent of the Business:

	Year ended December 31,		
	2016	2015	2014
Cash (repayments) advances	**$ (3,251)**	$ 77,994	$ 142,910
Intercompany allocations and payments made on behalf of the Business	**(2,331)**	2,313	5,681
	$ (5,582)	$ 80,307	$ 148,591

Key management personnel includes the General Manager of Peru and all direct reports of the General Manager. Compensation paid to key management personnel consists of the following:

Key management personnel compensation	For the year ended December 31,		
	2016	2015	2014
Wages and benefits	**$ 1,769**	**$ 3,369**	**$ 3,569**

Unaudited Combined Condensed
Carve-Out Financial Statements – Peru Business

For the three and six months ended
June 2017 and 2016

Combined Condensed Carve-Out Statements of Financial Position

(thousands of United States dollars, unaudited)

	Note	June 30, 2017	December 31, 2016
ASSETS			
CURRENT ASSETS			
Cash		**$ 424**	$ 230
Accounts receivable		**118**	132
VAT receivable		**347**	336
Prepaids		**242**	228
Total Current Assets		**1,131**	926
Exploration and evaluation assets	**3**	**87,034**	85,302
Property, plant and equipment	**4**	**431**	498
VAT receivable		**10,042**	9,798
Due from related parties	**10**	**5**	2,005
Total Assets		**$ 98,643**	$ 98,529
LIABILITIES AND NET PARENTAL INVESTMENT			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		**$ 802**	$ 976
Total Current Liabilities		**802**	976
Due to related parties	**10**	**16,527**	452,537
Decommissioning liability	**5**	**14,371**	13,966
Total Liabilities		**31,700**	467,479
Net parental investment		**66,943**	(368,950)
Total Liabilities and Net Parental Investment		**$ 98,643**	$ 98,529
Going Concern	**2**		
Commitments	**8**		

(See notes to the combined condensed carve-out financial statements)

Approved by the Board of Directors

Adrian Coral	Alejandra Escobar
Director	Director

Combined Condensed Carve-Out Statements of Net and Comprehensive Loss

(thousands of United States dollars, unaudited)

	Note	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
EXPENSES					
Impairment of exploration and evaluation assets	**3**	**$ 166**	$ 463	**$ 444**	$ 950
General and administrative		**322**	501	**736**	981
Share based compensation		**-**	4	**1**	12
Depreciation	**4**	**37**	68	**60**	139
Foreign exchange loss (gain)		**37**	(307)	**(314)**	(556)
		562	729	**927**	1,526
Interest income		**(63)**	(22)	**(74)**	(119)
Bank charges and accretion	**7**	**232**	144	**435**	288
		169	122	**361**	169
NET AND COMPREHENSIVE LOSS		**$ 731**	$ 851	**$ 1,288**	$ 1,695

(See notes to the combined condensed carve-out financial statements)

Combined Condensed Carve-Out Statements of Cash Flows

(thousands of United States dollars, unaudited)

	Note	Six months ended June 30, 2017	2016
Operating activities			
Net loss		**$ (1,288)**	$ (1,695)
Adjustments to reconcile loss to net cash (used in) provided by operating activities			
Depreciation and impairment	**3,4**	**504**	1,089
Accretion expense	**5,7**	**405**	284
Non-cash share based compensation		**1**	12
Unrealized foreign exchange gain		**(321)**	(621)
Net change in assets and liabilties from operating activities			
Accounts receivable		**15**	196
Prepaids		**(14)**	25
Accounts payable and accrued liabilities		**(164)**	(43)
VAT receivable		**64**	6,732
Net cash (used in) provided by operating activities		**(798)**	5,979
Investing activities			
Additions to exploration and evaluation assets		**(2,090)**	(2,352)
Proceeds from dispositions of plant and equipment		**7**	20
Net change in non-cash working capital		**(11)**	(32)
Net cash used in investing activities		**(2,094)**	(2,364)
Financing activities			
Proceeds (repayments of proceeds) to related party	**10**	**2,561**	(3,532)
Change in related party	**10**	**36**	861
Change in net parental investment		**487**	819
Net cash provided by (used in) financing activities		**3,084**	(1,852)
Foreign exchange gain (loss) on cash		**2**	(305)
Net increase in cash		**194**	1,458
Cash, beginning of the period		**230**	880
Cash, end of the period		**$ 424**	$ 2,338

(See notes to the combined condensed carve-out financial statements)

Combined Condensed Carve-Out Statement of Net Parental Investment

(thousands of United States dollars, unaudited)

	Six months ended	
	June 30, 2017	**June 30, 2016**
Balance - beginning of period	**$ (368,950)**	$ (336,981)
Net and comprehensive loss for the period	**(1,288)**	(1,695)
Net transfers from Parent	**437,181**	819
Balance - end of period	**$ 66,943**	$ (337,857)

(See notes to the combined condensed carve-out financial statements)

Notes to the Combined Condensed Carve-Out Financial Statements

(expressed in thousands of United States dollars, unless otherwise indicated, unaudited)

1. Corporate Information

Gran Tierra Energy – Peru Business (the "**Business**") is in the business of the exploration and development of oil in Peru.

The Business was incorporated in Curaçao. The Business's registered office is located at Calle Andres Reyes 437, Piso 8, Edificio Platinum Plaza Torre II, San Isidro, Lima 27, Peru.

These combined condensed carve-out financial statements include the accounts of Gran Tierra Energy Inc.'s ("**Gran Tierra**") Peru entities, including four indirect subsidiaries of Gran Tierra:

Entity	Ownership %
Gran Tierra Energy International (Peru) Holdings B.V.	100
Gran Tierra Energy Peru B.V.	100
Gran Tierra Energy Peru S.R.L.	100
Petrolifera Petroleum Del Peru S.R.L.	100

Intercompany balances and transactions are eliminated on consolidation.

The Business has one operating segment, Peru.

These financial statements were authorized for issuance by the Board of Directors of Gran Tierra Energy International (Peru) Holdings B.V. ("**GTEIPH**" the "**Parent**") on October 17, 2017.

2. Basis of Preparation

The combined condensed carve-out financial statements of the Business have been derived from the accounting records of Gran Tierra as if it were operated on a stand-alone basis.

The combined condensed carve-out statements of net and comprehensive loss reflect allocations of general corporate expenses from Gran Tierra including, but not limited to, executive management, finance, audit, tax, internal audit, legal, information technology, human resources, employee benefits administration, treasury, risk management and other shared services. The allocations were made on a direct usage basis when identifiable, with the remainder allocated on the basis of capital expenditures incurred or other costs incurred. Management of the Business and Gran Tierra consider these allocations to be a reasonable reflection of the utilization of services by, or the benefits provided to the Business. The allocations may not, however, reflect the expense the Business would have incurred as a stand-alone company for the periods presented or the costs expected to be incurred in the future. Actual costs that may have been incurred if the Business had been a stand-alone business would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure.

Gran Tierra's cash has not been assigned to the Business for any of the periods presented because those cash balances are not directly attributable to the Business nor is the Business expected to acquire or assume that cash presently or in connection with the proposed disposal.

Gran Tierra has historically used a centralized approach to cash management and financing of its operations. Transactions between the Business and Gran Tierra are considered to be effectively settled for cash at the time the transaction is recorded. The net effect of these transactions is included in the combined condensed carve-out statements of cash flows as financing activities. During the three and six months ended June 30, 2017, the Business was allocated $nil and $0.1 million, respectively (three and six months 2016 –$nil and $nil), of general corporate expenses including share based compensation incurred by Gran Tierra which are included within general and administrative expenses in the condensed interim combined condensed carve-out statements of operations.

Significant accounting judgements, estimates and assumptions

The timely preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions and use judgment regarding the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

Going Concern

The accompanying combined carve-out financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Business had net losses in the three and six months ended June 30, 2017 of $0.7 million and $1.3 million, respectively (three and six months 2016 of $0.9 million and $1.7 million). In addition, the Business has no properties which currently generate revenues. Additional cash resources will be required to exploit the Business's oil and gas properties. The existence of these material uncertainties may cast significant doubt as to the Business's ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The uncertainties include the need for additional cash resources to fund its existing operations and for the development of its properties. To date, all operational activities of the Business have been funded by Gran Tierra. Management is currently evaluating and pursuing other funding alternatives, including new equity issuances or debt financing to fund the Business's ongoing operations. The Business's access to sufficient capital will impact its ability to complete its planned exploration and development activities. However, there can be no assurance that the steps management is taking will be successful.

Statement of compliance

The combined condensed carve-out financial statements for the three and six months ended June 30, 2017 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The combined condensed carve-out financial information should be read in conjunction with the combined carve-out annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

Basis of measurement

The combined condensed carve-out financial statements have been prepared under the historical cost convention except for share-based compensation transactions which were measured at fair value.

3. Exploration & evaluation assets

As at December 31, 2016	$	85,302
Additions		2,176
Impairment		(444)
As at June 30, 2017	**$**	**87,034**

E&E assets consist of the Business's exploration projects where technical feasibility and commercial viability have not yet been determined. These costs include unproved property acquisition costs, exploration costs, geological and geophysical costs, decommissioning costs, E&E drilling, sampling and appraisals. Additions represent the costs incurred on E&E assets during the period.

E&E Asset Impairments

During the year ended December 31, 2016, management decided to cease all exploration activities on Blocks 123 and 129. As a result, it was determined that the carrying amount of E&E assets associated with Blocks 123 and 129 was unlikely to be recovered by successful development or sale. The impairment test compared the carrying value of the assets to the recoverable amount. The recoverable amount was estimated using fair value less costs of disposal (using level 3 inputs) and was determined to be $nil for these assets. During the three and six month period ending June 30, 2017 further spending on Blocks 123 and 129 was impaired which was recorded in the combined condensed carve-out statements of net and comprehensive loss.

4. Property, plant and equipment

Cost		
As at December 31, 2016	$	2,621
Dispositions		(7)
As at June 30, 2017	**$**	**2,614**
Accumulated depreciation and impairment		
As at December 31, 2016	$	(2,123)
Depreciation for the period		(60)
As at June 30, 2017	**$**	**(2,183)**
Net book value		
December 31, 2016	$	498
June 30, 2017	**$**	**431**

5. Decommissioning Liabilities

As at December 31, 2015	$	13,671
Accretion		577
Changes in estimate and discount rate		(282)
As at December 31, 2016		13,966
Accretion		405
As at June 30, 2017	**$**	**14,371**

The total undiscounted amount of estimated decommissioning cash flows, considering the effects of inflation, required to settle the decommissioning obligations at June 30, 2017 was $16.1 million (December 31, 2016 – $16.1 million) with these costs anticipated to occur in 2019 or later. The decommissioning obligations were calculated using an inflation rate of 2.86% (2016 – 2.86%) and a credit-adjusted risk-free rate of 5.5% to 9.0% per year (2016 – 5.5% to 9.0%).

6. Income taxes

The income tax expense reported differs from the amount computed by applying the Peru statutory rate (the Peru statutory rate was used because Peru is the primary residency of the Business) to loss before income taxes for the following reasons:

	Six months ended June 30, 2017	**2016**
Loss before taxes	$ **1,288**	$ 1,695
Statutory income tax rate in Peru	**29.5%**	28.0%
Income tax expense expected at statutory rate	**380**	475
Derecognition of deferred tax assets	**(40)**	1,044
Other permanent differences	**(340)**	(1,519)
Total income tax expense	**$ -**	$ -

Peru's government enacted a law on December 31, 2016 that contains several tax measures intended to stimulate the economy, including a progressive reduction of the corporate income tax rates. The new law gradually reduces the income tax rate applicable to resident corporate taxpayers from 30% to 26%, as follows: 2014 – 30%, 2015-2016 – 28%, 2017-2018 – 29.5% and 2019 and thereafter – 29.5%.

	December 31, 2015	Deferred tax expense (recovery)	June 30, 2016	Deferred tax expense (recovery)	December 31, 2016	Deferred tax expense (recovery)	June 30, 2017
Tax benefit of operating loss carryforwards	$ 1,522	$ 174	$ 1,696	$ (84)	$ 1,612	$ 71	$ **1,683**
Tax basis in excess of book basis	121,972	(1,218)	120,754	10,661	131,415	(35)	**131,380**
Deferred tax asset not recognized	(123,494)	1,044	(122,450)	(10,577)	(133,027)	(36)	**(133,063)**
	$ -	$ -	$ -	$ -	$ -	$ -	$ -

At June 30, 2017, the Business had operating loss carryforwards of $6.3 million (December 31, 2016 – $5.8 million), which will expire between 2017 and 2019. No deferred tax assets have been recognized in respect of the operating loss carryforwards as at June 30, 2017 (December 31, 2016 – Nil).

7. Bank charges and accretion

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Bank charges	**$ 28**	$ 2	**$ 30**	$ 4
Accretion on decommissiong liabilty	**204**	$ 142	**405**	284
	$ 232	$ 144	**$ 435**	$ 288

8. Commitments

As of June 30, 2017, the Business holds the following letters of credit guaranteeing its commitments in exploration blocks:

Block	Beneficiary	Total	Guarantee
107	Perupetro S.A.	$1.5 million	Minimum work - phase 4 (1st well)
107	Perupetro S.A.	$1.5 million	Minimum work - phase 5 (2nd well)
133	Perupetro S.A.	$3.0 million	Minimum work - phase 3

The Business has also entered into operating lease agreements for some offices, ranging from 1 to 3 years.

As of June 30, 2017, the Business has contracted with the lessors the following minimum lease installments:

Less than one year	$ 1,020
Between one and five years	482
	$ 1,502

Total office lease expense for the three and six months periods ended June 30, 2017 was $0.3 million and $0.5 million, respectively (three and six months periods June 30, 2016, $0.3 million and $0.6 million).

9. Financial instruments and financial risk management

The Business has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and foreign currency risk. This note presents information about the Business's exposure to each of the above risks, and the Business's objectives, policies and processes for measuring and managing risk.

Each entity's Board of Directors has overall responsibility for the establishment and oversight of the Business's financial risk management framework and monitors risk management activities. The Business identifies and analyzes the risks faced by the Business and may utilize financial instruments to mitigate these risks.

(a) Credit risk

Credit risk is the risk that the Business will not be able to collect amounts owed as they are due. The Business has credit risk on cash, accounts receivable and related party receivables.The carrying amounts of cash, accounts receivable and related party receivables represent the Business's maximum credit exposure. Cash is held with highly rated international banks and therefore the Business considers this financial asset to have negligible credit risk.

The entire amount of VAT receivable at June 30, 2017 and December 31, 2016 is due from the Peruvian tax authority and the Business considers this balance to have negligible credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Business will not be able to meet its financial obligations as they become due. The Business's process for managing liquidity risk includes ensuring, to the extent possible, that it will have sufficient liquidity to meet its liabilities when they become due. The Business prepares annual capital expenditure budgets which are monitored and updated as required. In addition, the Business requires authorizations for expenditures to assist with the management of capital.

The following are the contractual maturities of financial liabilities at June 30, 2017:

	Less than 1 year	1 to less than 2 years	2 to less than 5 years	Thereafter	Total
Accounts payable and accrued liabilities	$ 802	$ -	$ -	$ -	$ 802
Due to related parties	-	-	-	16,527	16,527
	$ 802	**$ -**	**$ -**	**$ 16,527**	**$ 17,329**

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. Such exposure arises primarily from expenditures that are denominated in currencies other than the functional currency. The Business monitors its exposure to foreign currency rates. The Business is exposed to foreign currency fluctuations as certain expenditures are denominated in Peruvian nuevo soles. Foreign exchange losses primarily result from fluctuation of the U.S. dollar to the Peruvian nuevo soles due to the Business's value added tax **("VAT")** receivable, which is a monetary asset denominated in the local currency. As a result, foreign exchange gains and losses must be calculated on conversion to the U.S. dollar functional currency. A strengthening in the U.S. dollar against the Peruvian nuevo soles results in foreign exchange losses, estimated at $1.6 million for each one half nuevo soles decrease in the exchange rate of the Peruvian nuevo soles to one U.S. dollar.

(d) Fair value of financial instruments

The Business's financial instruments are cash, accounts receivable, accounts payable and accrued liabilities, RSUs and amounts due to and from related parties. The fair values of cash, accounts receivable, accounts payable and accrued liabilities approximate their

carrying amounts due to the short-term maturity of these instruments. The fair value of amounts due to and from related parties cannot be determined due to there being no fixed terms of repayment.
The Business uses a three level hierarchy to categorize the significance of the inputs used in measuring the fair value of financial instruments. The three levels of the fair value hierarchy are:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Business's financial instruments have been assessed on the fair value hierarchy described above. RSU liability is classified as Level 1.

(e) Capital management

The Business manages its capital structure and makes adjustments to it, based on the funds available to the Business, in order to support the acquisition, exploration and development of oil and gas properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Business's management to sustain future development of the business.

To carry-out planned asset acquisition, exploration and development, and to pay for administrative costs, the Business will spend its existing working capital and will attempt to raise additional funds as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Business, is reasonable. There were no changes in the Business's approach to capital management during the period ended June 30, 2017. The Business is not subject to externally imposed capital requirements.

10. Related party transactions

Due from related parties

	June 30, 2017	**December 31, 2016**
Gran Tierra Energy International Cayman Holdings Limited ("GTEIH")	**$ -**	$ 2,000
Gran Tierra Energy Canada ULC	**5**	5
	$ 5	$ 2,005

Due to related parties

	June 30, 2017	December 31, 2016
Gran Tierra Energy Inc.	**$ 16,255**	$ 16,133
GTEIH	**272**	436,404
	$ 16,527	$ 452,537

These amounts bear no interest, are unsecured and have no fixed terms of repayment

On June 5, 2017, GTEIPH issued a convertible demand note to GTEIH for the $411.4 million of intercompany loans which was subsequently converted by GTEIH into shares of GTEIPH. Additionally GTEIH assigned the entire interest of intercompany loans due from Gran Tierra Energy Peru B.V. of $14.1 million and Petrolifera Petroleum Del Peru S.R.L. of $11.1 million as a capital contribution to GTEIPH.

During the six month ended June 30, 2017 and June 30, 2016 the Business had the following transactions with Gran Tierra Energy International Holdings Ltd., the parent of the Business, and Gran Tierra, the ultimate parent of the Business:

	Six months ended June 30,	
	2017	2016
Cash advances (repayment of advances)	**$ 2,561**	$ (3,532)
Intercompany loans conversion into shares of GTEIPH	**(411,449)**	-
Capital contribution to GTEIPH	**(25,244)**	-
Intercompany allocations and payments made on behalf of the business, net of repayments	**122**	923
	$ (434,010)	$ (2,609)

PART 5

ADDITIONAL INFORMATION

1. Responsibility Statements

The Company and the Directors, whose names appear on page 6 of this document, accept responsibility, both individually and collectively, for the information contained in this document and for compliance with the AIM Rules. To the best of the knowledge and belief of the Company and Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

NSAI accepts responsibility for the Competent Person's Report set out in Part 3 of this document. To the best of the knowledge and belief of NSAI (which has taken all reasonable care to ensure that such is the case), the information contained in the Competent Person's Report is in accordance with the facts and contains no omissions likely to affect the import of such information.

2. The Group

2.1 *Company and Group History*

The Company is an international energy company engaged in the exploration for, and the development of, crude oil and currently operates only in Peru. The Company's business plan is focused on building value through the development and exploration of oil assets in Peru on its 2.2 million net acres of undeveloped land. The Company's immediate focus is to: (a) develop the Bretaña Assets, one of the largest undeveloped discoveries in Peru; and (b) secure a farm-in partner to finance the drilling of the Block 107 Osheki prospect.

The Company was incorporated under the Companies Act (Alberta) on 31 August 1979 as a public company limited by shares with corporate access number 20224532 under the name Peoples Oil Limited. The Company was continued pursuant to articles of continuance under Section 261 of the ABCA on 8 July 1982. The Company changed its name to "Sterling Resources Ltd." on 10 February 1997.

On 18 December 2017, Sterling Resources completed a reverse take-over of PetroTal Ltd., by way of statutory plan of arrangement under the ABCA, pursuant to which, among other things, Sterling Resources (i) acquired all of the issued and outstanding shares of PetroTal Ltd; (ii) amalgamated with PetroTal Ltd and continued as one Company under the name "Sterling Resources Ltd."; (iii) the management and board was reconstituted and (iv) the Company completed the Acquisition (as defined below) (together, the "**Arrangement**"). On 30 May 2018, Shareholders approved a name change to PetroTal Corp, which took effect on 4 June 2018. On 6 June 2018, the Company began trading under the new ticker symbol "TAL.V".

On 18 December 2017, the Company, pursuant to the Share Purchase Agreement and in the manner set forth in the Plan of Arrangement, acquired from GTE all of the issued and outstanding Peru HoldCo Shares in consideration for: (i) Common Shares; and (ii) an option to retain a 20 per cent. working interest in Block 107 following the drilling of an initial exploration well, and the Company thereby acquired the Peruvian Business (the "**Acquisition**").

The principal legislation under which the Company operates and under which the Common Shares were created is the ABCA and regulations made thereunder. The liability of the Company's Shareholders is limited.

The Company's USA office is located at 11451 Katy Freeway, Suite 500, Houston, Texas USA 77079 and its registered office is located at c/o McCarthy Tétrault LLP, 4000,421-7th Avenue S.W., Calgary, Alberta T2P 4KG. The telephone number of the Company as its principal place of business is +001(713) 609 9101. The Group's website address is www.petrotal-corp.com.

The Company's accounting reference date is 31 December each year.

The auditor of the Company is Deloitte Canada. Deloitte Canada is qualified to conduct audits in Alberta by virtue of its registration with the Chartered Professional Accountants of Alberta.

2.2 *Company and Group History (pre-Arrangement)*

Prior to the Arrangement and Acquisition, the Company (as Sterling Resources) focused on onshore activities in Canada and the United States, and gained its first international assets in Romania in 1997 divesting these assets in 2015. In 1998, the Company acquired assets in the UK, divesting these assets in 2017. The Company's three year history before the Arrangement and Acquisition is as follows:

In 2015, the Company: (A) announced it had amended its outstanding senior secured bond issued by its UK subsidiary, Sterling Resources (UK) Ltd. in the principal amount of $225.0 million (the "Bond") to defer an amortization instalment payment due on 30 April 2015, the further temporary suspension of transfers of funds into a restricted debt service reserve account (the "**DSRA**"), the temporary reduction in the minimum UK liquidity requirement to $5.0 million and the permanent one month deferral in monthly transfers to the DSRA (an amendment fee of $3.0 million was paid); (B) announced it had sold its interest in block 27 Muridava to Petroceltic Resources PLC for non-material consideration; (C) announced it had amended its outstanding Bond to defer the amortization instalment payment due on 30 October 2015, to permanently suspend the requirement to make monthly transfers of funds into DSRA and to make revisions to the UK liquidity requirements; (D) completed the sale of its remaining Romanian business to Carlyle International Energy Partners (the "**Romanian Sale**"). The sale included licence blocks 13 Pelican, 15 Midia and 25 Luceafarul, structured as a corporate sale of the Company's wholly-owned subsidiary Midia Resources SRL. The headline consideration for the transaction was $42.5 million. Concurrent with the Romanian Sale, the Company terminated the investment agreement signed with Gemini Oil & Gas Fund II, L.P. ("**Gemini**") in 2007 for a cash consideration of $10.0 million and the issuance to Gemini of 60,372,876 Common Shares with a market value at the time of issuance of $7.5 million; and (E) announced first production from the Cladhan oil field in the UK Northern North Sea.

In 2016, the Company: (A) completed a recapitalization agreement in which, through a rights offering and Bond exchange, Bond liabilities were reduced from $214,340,000 to $40,261,519 and 14,277,525,577 Common Shares were issued; and (B) conducted a consolidation of the Common Shares on the basis of one post-consolidation Common Share for every 100 pre-consolidation Common Shares. Meridian Capital International Fund, which currently owns approximately 11.3 per cent. of the Company is the only legacy shareholder from the above mentioned Bond exchange.

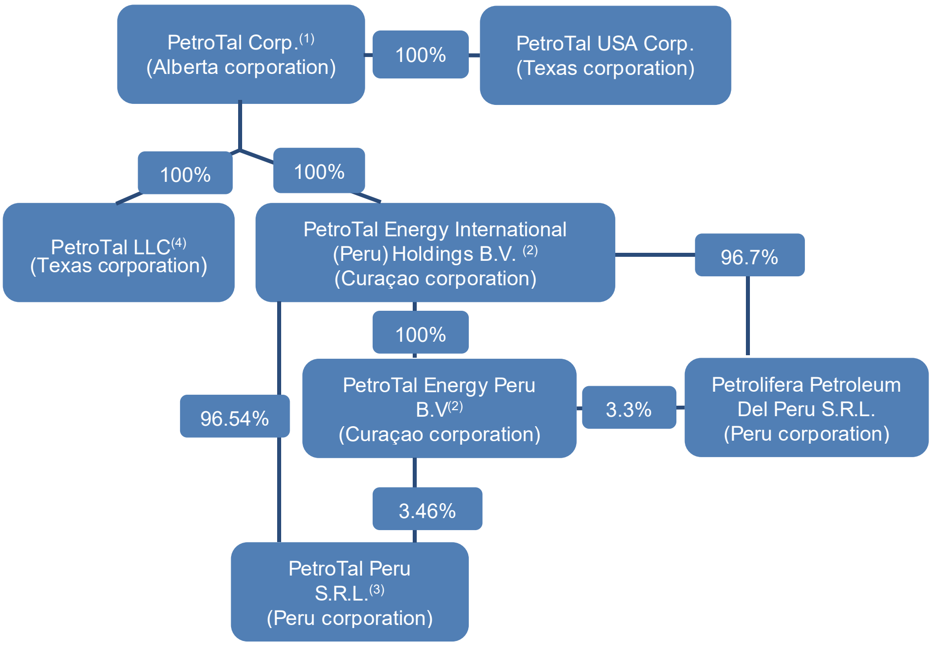
On 3 March 2017, the Company announced that it, together with its wholly-owned subsidiary SRUK Holdings Ltd., had entered into an agreement with Oranje-Nassau Energie B.V. to sell the entire issued share capital of the Company's operating subsidiary Sterling Resources (UK) Ltd. for an amount equal to $163 million, less certain amounts necessary to settle the Company's outstanding indebtedness and subject to adjustment. This transaction, which amounted to the sale of all or substantially all of the Company's assets, was approved by Shareholders on 8 May 2017 and closed on 16 May 2017. The purchase price paid to the Company at closing was $97.0 million at closing. In addition, intercompany debt was settled between Sterling Resources (UK) Ltd. and the Company of $16.8 million. As a result of the transaction, the Company no longer had active business operations or assets other than the cash proceeds from the transaction.

At the time of announcement of the sale transaction, it was the intention of the Company to undertake a voluntary winding-up and dissolution following the completion thereof and, to that end, Shareholders authorized the Board to voluntarily wind-up and apply for dissolution of the Company. In furtherance of that objective, the Board paid an initial cash distribution to Shareholders in the aggregate amount of $92.8 million on 30 June 2017 or $0.63 per Common Share. Further distributions of the Company's remaining cash assets were at that time anticipated to be made on or prior to 30 September 2017 and during the 2018 fiscal year prior to ultimately dissolving.

However, or about 29 June 2017, the Company became aware of PetroTal LLC and the potential for a transaction pursuant to which the Company would complete the Arrangement in connection with the Acquisition. The Arrangement and Acquisition closed on 18 December 2017.

2.3 ***The principal activities of the Group***

The Company is the holding company of the Group and its principal activity is holding investments in the Subsidiaries. A chart setting out the intercorporate relationships within the Group is below:



Note:

(1) Pursuant to the Arrangement, PetroTal Ltd. and the Company (previously "Sterling Resources Ltd.") were amalgamated and continued as one corporation.

(2) Formerly, Gran Tierra Energy International (Peru) Holdings B.V. and Gran Tierra Energy Peru B.V. respectively. A name change was effected by way of public deed on 11 October 2018 for both entities.

(3) Formerly, Gran Tierra Energy Peru S.R.L. A name change was effected by way of public deed dated 14 August 2018.

(4) On 31 October 2017, PetroTal Ltd. acquired all of the issued and outstanding PetroTal LLC Units and PetroTal LLC became a wholly owned subsidiary of PetroTal Ltd.

As at Admission, the details and principal activities of the Subsidiaries are as follows:

Name	*Company Number/ Corporate Access Number*	*Jurisdiction and date of incorporation*	*Percentage shareholding (direct or indirect)*	*Principal activity*
PetroTal USA Corp.	0802882046	Texas 13 December 2017	100% (direct)	Administrative
PetroTal LLC.	0802327644	Texas 6 November 2015	100% (direct)	Shell company
PetroTal Energy International (Peru) Holdings B.V.	119188	Curaçao 3 May 2010	100% (direct)	Holding company
PetroTal Energy Peru B.V.	119187	Curaçao 8 June 2005	100% (indirect)	Holding company
Petrolifera Petroleum Del Peru S.R.L.	11736860	Peru 3 March 2005	100% (indirect)	Holds a 100% interest in Blocks 107 and 133 in Peru
PetroTal Peru S.R.L	12538256	Peru 14 August 2018	100% (indirect)	Holds a 100% interest in Block 95 (Bretaña Assets)

3. Share Capital of the Company

3.1 The issued fully paid up share capital of the Company as at the date of this document and as it is expected to be immediately following Admission, is 537,740,991 Common Shares (aggregate value of $537,740,991).

3.2 The Company is authorised to issue an unlimited number of Common Shares of no par value. The Company does not require authorisation from its Shareholders in order to issue Common Shares. To this end, the Introduction Agreement contains an irrevocable undertaking of the Company that:

- for so long as the Common Shares remain quoted on AIM but are no longer listed on the TSX or the TSXV, the Company will obtain Shareholder approval (by way of special resolution) for any issuance of the Common Shares or convertible securities for case; provided that
- such issuance, when aggregated with any other cash issuance in the previous 12 month period, or the date of de-listing from the relevant exchange (whichever period is shorter), exceeds 25 per cent. of the issued and outstanding Common Shares at the date of issuance.

3.3 In the three financial years ended 31 December 2015, 2016 and 2017 and for the period of 1 January 2018 to the Latest Practicable Date, there have been the following material changes to the share capital of the Company or where the context permits, the Company's predecessors (including various share based awards):

- On 5 July 2016, the Company completed a consolidation of its Common Shares on the basis of one post-consolidation Common Share for every one hundred pre-consolidation Common Shares, resulting in 147,190,985 Common Shares issued and outstanding.
- On 24 October, 2017, 4,400,000 Performance Warrants were issued, out of a total 5,000,000 Performance Warrants that were authorized for issuance, to certain officers of PetroTal Ltd., each such warrant entitling the holder thereof to purchase one fully paid and non-assessable share in PetroTal Ltd. (each a "**PetroTal Share**"), at any time until 18 December 2022, at a price of $1.00 per PetroTal Share. Pursuant to the Arrangement, the Performance Warrants were adjusted as to the number of Common Shares to be issued upon the exercise thereof and the exercise price of such warrants, to effect the terms of the Arrangement, such that 23,540,000 Performance Warrants were outstanding as of 31 December 2017, out of a total of 26,750,000 Performance Warrants that are authorized for issuance, each having an exercise price of $0.1869 per Common Share. On 22 January 2018, the remaining 3,210,000 Performance Warrants were issued to certain officers of the Company on the same terms and conditions as the previously issued Performance Warrants (after giving effect to the terms of the Arrangement). The Performance Warrants have a five year term and will vest upon the Company's achievement of certain oil and gas production targets. As at the date hereof, 50 per cent. of the Performance Warrants have vested.
- On 31 October, 2017, PetroTal Ltd. acquired from PetroTal LLC 4,000,000 PetroTal LLC Units, being all of the issued and outstanding PetroTal LLC units, in exchange for 4,000,000 PetroTal Ltd. shares.
- On 18 December 2017, in connection with the Acquisition, GTEIH acquired 187,250,000 Common Shares, which were held in escrow pursuant to an escrow agreement between the Company, the Registrar and GTEIH entered into on the same day. On 31 January 2018, GTEIH completed an escrow transfer of the 187,250,000 escrowed Common Shares to GTRL by way of an interim in specie dividend.
- On 30 May 2018, Shareholders approved the Consolidation. The Company had experienced a significant increase in its share count as a result of the completion of the Arrangement and the Acquisition and wishes to reduce the outstanding share amount to a level more in keeping with its industry peers. The Consolidation will occur at a time determined by the Board prior to the next annual general meeting of Shareholders in 2019. The Board may determine not to proceed with the Consolidation, in its discretion.
- On 14 September 2018, the Company granted an aggregate of 3,901,666 PSUs to certain officers of the Company in accordance with the provisions of the PRSU Plan. These PSUs vest annually over a three year period and each PSU entitles the holder thereof to acquire between zero and two Common Shares, subject to the achievement of various performance conditions relating to total shareholder return, net asset value and certain production and operational

milestones. The Company also issued an aggregate of 650,000 DSUs pursuant to the DSU Plan to the Independent Directors of the Company. The DSUs vest immediately and may only be redeemed (in cash) upon a holder ceasing to be a Director of the Company.

- On 31 October 2018, the Company granted 106,667 PSUs to Mr. Gregory Smith, Executive Vice President and Chief Financial Officer of the Company and an additional 1,689,714 PSUs to certain employees of the Company in accordance of the provisions of the Company's PRSU Plan. The PSUs will vest annually over three years and each PSU will entitle the holder to acquire between zero and two Common Shares, subject to the achievement of performance conditions relating to the Company's total shareholder return, net asset value and certain production and operational milestones.

(i) The Common Shares are without par value and are issued in United States dollars.

(ii) The Common Shares were created under and are subject to the provisions of the ABCA and the Articles. All Common Shares will be uniform in all respects and will form a single class for all purposes (including in respect of any dividends and other distributions (if any) declared or made or paid in respect of Common Shares after the date of issue).

(iii) Save as otherwise set out in the Investor Rights Agreement in relation to GTE's voting rights, no Shareholder enjoys different or enhanced voting rights.

(iv) There are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

(v) There are no shares in the Company not representing capital.

(vi) There are no Common Shares held by, or on behalf of, the Company or any subsidiary undertaking.

(vii) The Common Shares are in registered form and are capable of being held in certificated and uncertificated form. The Company (via the Depositary) has applied for Depositary Interests representing the underlying Common Shares to be admitted to CREST from Admission, and it is therefore expected that the Depositary Interests will be capable of being settled in CREST from Admission. The records in respect of Depositary Interests held in uncertificated form will be maintained by Euroclear and the Depositary. All the Common Shares may be transferred into CREST for which there will be no charge or stamp duty payable on the transfer.

(viii) As at the date of this document and on Admission, the percentage of AIM securities not in public hands is or will be 61.9 per cent. of the Issued Share Capital.

3.4 As at the date of this document 156,487,499 Common Shares and 17,655,000 Performance Warrants are held in escrow. For further details with respect to the escrowed securities (including the terms of their release under the relevant escrow agreements) see paragraph 11.6 of this Part 5.

3.5 As at the date of this document, no options have been granted under the Stock Option Plan and an aggregate of 4,008,333 PSUs are issued and outstanding pursuant to the terms of the PRSU Plan.

3.6 As at the date of this document, the following Warrants have been granted and are outstanding:

Date of Issuance	*Class of Securities*	*Number of Securities Issued and Outstanding*	*Exercise price per Warrant Share*	*Exercise Date/period*	*Expiry Date*
24 October 2017	Performance Warrants[1]	26,750,000	$0.1869	One half vest 18 June 2019 and one half vest 18 December 2020	18 December 2022
18 December 2017	Agent Compensation Warrants[2]	2,086,500	$0.19	Any time	18 June 2019
22 January 2018	Performance[3] Warrants	3,210,000	$0.1869	One half vest 18 June 2019 and one half vest	18 December 2022

1 As at the date of this document, the following Performance Warrants have been released from escrow: (a) 2,354,000 on 22 December 2017 and (b) 3,531,000 on 21 June 2018. For a further discussion on the escrow arrangements, see paragraph 11.3 of this Part 5 below.

2 Each warrant entitles the holder thereof to purchase one fully paid and non-assessable Common Share, at any time until 18 June 2019, at a price per Common Share equal to $0.19, all subject to the terms and conditions of the applicable warrant certificate.

3 These Performance Warrants are not subject to the escrow arrangements noted in (1) above.

3.7 Other than in respect of Common Shares which may be issued pursuant to the Share Option Plans and the Warrants:

(i) there are no acquisition rights or obligations over the unissued share capital of the Company and the Company has made no undertaking to increase its share capital;

(ii) no person has any preferential or subscription rights for any share capital in the Company; and

(iii) no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

3.8 ***Substantial and Significant Share Interests***

(i) As at the Latest Practicable Date and in so far as is known to the Company, below are persons, that will have immediately following the Admission, an interest, (whether direct or indirect or joint or several), in three per cent. (3 per cent.) or more of the Issued Share Capital of the Company which would be notifiable to the Company under the Articles:

Shareholder	*Number of Common Shares as at the date hereof (and following Admission)*	*Percentage of Issued Share Capital*
Gran Tierra Resources Limited[1]	246,100,000	45.8%
Meridian Capital International Fund[2]	79,391,411	14.8%
Capital Research and Management Company	34,775,000	6.5%

1 GTRL initially acquired 58,850,000 Common Shares as a subscriber to the Financing. On 31 January 2018, GTEIH completed an escrow transfer of the 187,250,000 escrowed Common Shares to GTRL by way of an interim in specie dividend.

2 On behalf of it and another Meridian Group company.

(ii) Save as otherwise set out in the Investor Rights Agreement in respect of GTE's voting rights, the Company's substantial Shareholders set out above do not have different voting rights from any other holder of Common Shares.

(iii) There are no provisions in the Articles or By Laws which would have the effect of delaying, deferring or preventing a change of control of the Company.

(iv) The Company is not aware of any person who directly, indirectly, jointly or severally exercises or could exercise control over the Company nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

3.9 ***The Interests of the Directors***

(i) The beneficial interests of the Directors in the issued share capital of the Company as at the date of this document (and as expected to be held immediately following Admission), such interests being those which are required to be notified by each Director to the Company under Article 19 of MAR, including the interests of PCAs, the existence of which is known or which could, with reasonable diligence, be ascertained by a Director as at the Latest Practicable Date are, and will be, as follows:

	Common Shares		*Performance Warrants to acquire Common Shares*			*PSUs*	
Director	*Number held*	*Percentage of issued share capital*	*Number held*	*Exercise Price per Warrant Share*	*Exercise Date*	*Number held*	*Grant Date*
Manuel Pablo Zúñiga-Pflücker	2,816,848[1]	0.52%	9,362,500[3]	$0.1869	18 June 2019 (50%) 18 December 2020 (50%)	1,233,333[4]	TBC (14 Sep 18 and/or 31 October 2018)
Douglas C. Urch	3,130,017[2]	0.58%	Nil	/	/	Nil	/
Gary S. Guidry	Nil	0%	Nil	/	/	Nil	/
Gavin Wilson	Nil	0%	Nil	/	/	Nil	/
Ryan Ellson	Nil	0%	Nil	/	/	Nil	/
Mark McComiskey	Nil	0%	Nil	/	/	Nil	/

1 Of these, 2,740,990 Common Shares have been held in escrow since completion of the Arrangement (representing approximately 0.51 per cent. of the Issued Share Capital as at the date of this document) to be released in accordance with the terms of the Securityholder Escrow Agreement (further details of which are set out in paragraph 11.6 of this Part 5).

2 Of these, 2,017,513 Common Shares are currently held in escrow (representing approximately 0.09 per cent. of the Issued Share Capital as at the date of this document) to be released in accordance with the terms of the Securityholder Escrow Agreement (further details of which are set out in paragraph 11.6 of this Part 5).

3 Of these, 9,362,500 Performance Warrants are currently held in escrow, to be released in accordance with the terms of the Warrantholder Escrow Agreement (further details of which is set out in paragraph 11.6 of this Part 5).

4 These PSUs vest annually over a three year period and each PSU entitles Mr. Pablo Zúñiga-Pflücker to acquire between zero and two Common Shares, subject to the achievement of various performance conditions relating to total shareholder return, net asset value and certain production and operational milestones.

(ii) As at the date hereof, the Directors and officers of the Company and their associates and affiliates as a group, whether beneficial, direct or indirect own 9,736,080 Common Shares representing 1.8 per cent. of the Issued Share Capital.

(iii) Gary Guidry and Ryan Ellson are also executives of GTE. The Company is as at the date of this document 45.8 per cent. owned, directly or indirectly, or controlled by GTE and therefore the interests of the two executives are not divergent. Applicable Canadian securities laws provide that directors need not refrain from voting in respect of contracts and transactions between "affiliates" (for greater clarity, the Company and GTE would be considered "affiliates" of each other).

(iv) Gavin Wilson, a director of the Company, is an advisor to the Meridian Group of Companies. The Company is as at the date of this document 14.8 per cent. owned, directly or indirectly, or controlled by the Meridian Group of Companies.

(v) Manuel Pablo Zúñiga-Pflücker may be considered to be a promoter of the Company pursuant to applicable Canadian securities laws. As at the date hereof, Manuel Pablo Zúñiga-Pflücker beneficially owns, directly or indirectly, 2,816,848 Common Shares representing approximately 0.52 per cent. of the Issued Share Capital.

(vi) Save as set out above, following Admission no Director will, and no person connected with a Director is expected to, have any interest in the share capital of the Company or any of the Subsidiaries (whether legal or beneficial).

(vii) No Director or PCA has any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of the Common Shares.

3.10 *Employment Agreements, Letters of Appointment and Termination Payments*

(i) *Employment Agreements*

On 18 December 2017, PetroTal USA., a wholly owned subsidiary of the Company, entered into executive employment agreements with the following Executives: Messrs. Zúñiga-Pflücker and Smith (collectively, the "**Initial Employment Agreements**") in connection with their roles as President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, respectively. The Initial Employment Agreements were each replaced in their entirety with new contracts, effective 30 July 2018, to affect a change of employer from PetroTal USA to the Company (the "**Employment Agreement**s").

The Employment Agreements provide a termination payment (the "**Termination Payment**") to Messrs. Zúñiga-Pflücker and Smith upon a termination of the Employment Agreement by the executive, for good reason being those reasons customary for such a position, by the Company without cause, or upon a change of control of the Company. The proposed Admission does not trigger as change of control under the terms of the Employment Agreements. The Termination Payment shall be equal to, in relation to Mr. Zúñiga-Pflücker's Employment Agreement, (a) two times the annual base salary; plus (b) two times the average annual bonus paid pursuant to his Employment Agreement, if any, less applicable withholdings and in relation to Mr. Smith's Employment Agreement, (a) one and a half times the annual base salary; plus (b) one and a half times the average annual bonus paid pursuant to his Employment Agreement.

The Executives may terminate their respective Employment Agreement without cause on the giving of 30 days' prior written notice to the Company. Upon receipt of such notice, the Company may in its sole discretion require the Executive to (i) continue to work all, part or none of their notice period and continue to receive remuneration and benefits in accordance with their respective Employment Agreement until the expiration of the notice period; or (ii) terminate the Executive's employment and pay a lump sum consisting of a base salary and an additional 20 per cent. of this amount in lieu of lost benefits. Each Executive is not entitled to the Termination Payment mentioned above or any other compensation in circumstances whereby they terminate their agreement without cause.

The estimated payments which would be payable by the Company to Messrs. Zúñiga-Pflücker and Smith, assuming a termination of employment without cause occurred on the last business day of the year ended 31 December 2017, would be, in the aggregate, $1,416,000.

Mr. Zúñiga-Pflücker has entered into a service agreement with the Company, customary for a Chief Executive Officer of a company admitted to trading on AIM, conditional upon and with effect from Admission. Other than an extension to the notice period for termination (without cause) to three months and a minimum term of 12 months, the new service agreement has been entered into on substantially the same commercial terms as and replaces his respective Employment Agreement.

Mr. Smith has entered into a service agreement with the Company, customary for a Chief Financial Officer of a company admitted to trading on AIM, conditional upon and with effect from Admission. Other than an extension to the notice period for termination (without cause) to three months and a minimum term of 24 months, the new service agreement has been entered into on substantially the same commercial terms as and replaces his respective Employment Agreement.

On 30 July 2018, PetroTal USA., entered into executive employment agreements with the following Executives: Messrs. Alvarez-Calderon and Fetzner in connection with their roles as Vice President, Operations and Vice President, Asset Development respectively (together, the "**Additional Employment Agreements**").

The Additional Employment Agreements provide a termination payment (the "**Termination Payment**") to Messrs. Alvarez-Calderon and Fetzner upon a termination of the Employment Agreement by the Company without cause, or upon a change of control of the Company. The proposed Admission does not trigger as change of control under the terms of the Additional Employment Agreements.

The Termination Payment shall be equal to, in relation to each Additional Employment Agreement, (a) one times the annual base salary; plus (b) one times the Executive's average annual bonus (less applicable holdings), based on the bonus paid for the year prior or the average of the bonus paid over the last 2 consecutive years of employment, whichever is greater.

The Executives may terminate their respective Additional Employment Agreements without cause on the giving of 30 days' prior written notice to the Company. Upon receipt of such notice, the Company may in its sole discretion require the Executive to (i) continue to work all, part or none of their notice period and continue to receive remuneration and benefits in accordance with their respective Additional Employment Agreement until the expiration of the notice period; or (ii) terminate the Executive's employment and pay a lump sum consisting of a base salary and an additional 20 per cent. of this amount in lieu of lost benefits. Each Executive is not entitled to the Termination Payment mentioned above whereby they terminate their agreement without cause.

The estimated payments which would be payable by the Company to Messrs. Alvarez-Calderon and Fetzner, assuming a termination of employment without cause occurred on the last business day of the year ended 31 December 2017, would be, in the aggregate, $637,500.

(ii) *Letters of Appointment*

Each non-executive Director of the Company has entered into an appointment letter, customary for non-executive directors of an AIM company under the terms of which they have agreed to act, with effect from Admission, as a non-executive director of the Company and to devote such time as is reasonably necessary for the proper performance of their duties under the Agreement, including attending or participating in all board meetings.

The appointment is effective from Admission for an initial 12 month term and thereafter, until terminated by either party on not less than 1 months' written notice. Total compensation for the first twelve months of each director's appointment will be $95,000 for the Chairman and $75,000 for all other Directors, half payable in cash and half payable in DSUs, (or at such rates as the Company may from time to time decide), subject to the usual deductions for income tax and national insurance, or the equivalent required by any applicable laws (the "**Fees**"). The Company reserves the right to pay the Fees in lieu of all or any part of notice of termination (whether given by the Company or the director) and will conduct a review of the Fees on the first anniversary of the date of appointment. Directors who perform various additional duties (including serving on any committee of the Board) may be paid such additional remuneration as the Board may determine from time to time.

(iii) *Termination Payments*

Additionally, prior to the completion of the Sale Transaction, the Company entered into employment agreements with each of the following executives: John M. Rapach (former Chief Executive Officer and Chief Operating Officer), Christine Shinnie (former Chief Financial Officer) and David Davies (former Vice President, Business Development). The employment agreements provided the following amounts would be payable in the event of termination without cause or a change of control (as defined below):

Name	*Compensation Upon Termination Without Cause or Change of Control*
John M. Rapach *Former Chief Executive Officer and Chief Operating Officer*	(a) All accrued salary to date of termination of employment; (b) all accrued vacation pay to date of termination of employment; (c) amount equal to 12 months base salary; (d) 7.5 per cent. of amount paid in (c) above as compensation for loss of all employment benefits; and (e) all unvested stock options vest immediately and become exercisable upon termination.
Christine Shinnie *Former Chief Financial Officer*	(a) All accrued salary to date of termination of employment; (b) all accrued vacation pay to date of termination of employment; (c) amount equal to 18 months base salary; (d) amount equal to average bonus received in last three calendar years; (e) 7.5 per cent. of amount paid in (c) above as compensation for loss of all employment benefits; and (f) all unvested stock options vest immediately and become exercisable upon termination.
David Davies *Former Vice President, Business Development*	(a) All accrued salary to date of termination of employment; (b) all accrued vacation pay to date of termination of employment; (c) amount equal to 9 months base salary; (d) amount equal to average bonus received in last three calendar years; and (e) 7.5 per cent. of amount paid in (c) above as compensation for loss of all employment benefits.

For the purposes of the employment agreements, "change of control" means: (a) the acquisition by a person, group of persons acting jointly or in concert, or persons associated or affiliated within the meaning of the ABCA with any such person, group of persons or any of such persons acting jointly or in concert, of beneficial ownership of 50 per cent. or more of the Common Shares then outstanding; (b) the sale of all or substantially all of the assets of the Company to any purchaser in circumstances where the purchaser intends to carry on all or part of the business carried on by the Company, excluding a sale to an entity in which the Company owns 25 per cent. or more of the Common Shares; or (c) the approval by the Shareholders of a complete liquidation or dissolution of the Company.

The Sale Transaction constituted a change of control for the purposes of the employment agreements and Messrs. Rapach and Davies and Ms. Shinnie received severance payments in the aggregate amount of $812,384 in full and final satisfaction of all amounts owing.

Effective as of 17 May 2017, Davies Oil & Gas Management Advisory Limited (the "Contractor"), a private company owned and controlled by Mr. Davies, executed a consulting agreement with the Company whereby the Contractor agreed to provide the services of Mr. Davies to act as Vice President, Business Development. The consulting agreement provided for a term of six months, subject to earlier termination by either party. Upon termination, the Company agreed to pay for services performed during the notice period and the Contractor agreed to: (a) repay any monies paid by the Company for inadequate services; and (b) pay for replacement services performed by a third party. This consulting agreement was terminated in connection with the Arrangement.

3.11 ***Additional Information on the Directors***

(i) Other than their directorships of the Company, the Directors hold or have held the following directorships and/or interests in partnerships within the five (5) years preceding the date of this document:

Director	*Current directorship/ partnership*	*Past directorship/partnership*
Douglas C. Urch	Blue Moon Zinc. Corp Canadian Foresight Group Limited Permex Petroleum Corporation Riva Capital Corp.	Petrodorado Energy Limited Underground Energy Corporation Underground Energy, Inc. Verano Energy Limited
Manuel Pablo Zúñiga-Pflücker	N/A	BPZ Resources, Inc.
Gary S. Guidry	Africa Oil Corp Gran Tierra Energy Inc.	Caracal Energy Inc. ShaMaran Petroleum Corp.
Ryan Ellson	N/A	N/A
Gavin Wilson	N/A	Buccaneer Energy Limited
Mark McComiskey	N/A	Carpe Diem Equestrian LLC DHT Holdings, Inc.

3.12 Save as disclosed in paragraphs 3.13 to 3.15 below, none of the Directors has:

(i) any unspent convictions in relation to indictable offences;

(ii) had a bankruptcy order made against him or made an individual voluntary arrangement;

(iii) been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary arrangement or made any composition or arrangement with its creditors generally or of any class of its creditors whilst he was a director of that company or within 12 months after he ceased to be a director of that company;

(iv) been a partner in a partnership which has been placed in compulsory liquidation, administration or made a partnership voluntary arrangement whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership;

(v) had any asset placed in receivership or any asset of a partnership in which he was a partner placed in receivership whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership; or

(vi) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies) or disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

3.13 Mr. Zúñiga was a director of BPZ Resources Inc. ("**BPZ**"), a corporation engaged in exploration, development and production of oil and gas in Peru. BPZ filed a voluntary petition for reorganization relief under Chapter 11 of the United States Bankruptcy Code on 9 March, 2015.

3.14 Mr. Urch was a director of Underground Energy, Inc. ("**Underground USA**"), a wholly-owned US subsidiary of Underground Canada, when Underground USA voluntarily filed for Chapter 11 creditor protection in US Federal Court on 4 March, 2013. The case was filed in the United States Bankruptcy Court for the Central District of California – Northern Division, Santa Barbara. On 5 January, 2015, Underground USA successfully emerged from the protection of Chapter 11 of the U.S. Bankruptcy Code and restructured without having to declare bankruptcy, and Mr. Urch resigned as a director.

3.15 Mr. Wilson was a director of Buccaneer Energy Ltd. ("**Buccaneer**"), a corporation engaged in exploration, development and production of oil and gas in the United States. Buccaneer filed a voluntary petition for reorganization relief under Chapter 11 of the United States Bankruptcy Code on 31 May, 2014.

3.16 No loans or guarantees have been granted or provided to or for the benefit of the Directors by the Company.

4. Articles and By Laws of the Company

Objects

The Articles do not restrict the objects and purposes of the Company. There are no restrictions on the business of the Company or on the powers the Company may exercise.

Board of Directors – Composition

The By Laws provide that the Directors shall, until otherwise changed in accordance with the ABCA, consist of a minimum number of two Directors and a maximum number of nine Directors. The Board presently consists of six directors.

The Articles also provide that the Directors have the power, between annual general meetings of Shareholders to appoint one or more additional Directors until the next annual general meeting, but the number of additional Directors shall not at any time exceed 1/3rd of the number of Directors who held office at the last annual general meeting.

Powers and Responsibilities

Subject to any unanimous shareholders agreement, the Board manages the business and affairs of the Company (including banking arrangements) and holds borrowing powers of the Company. The Directors can delegate any of their powers to committees (except those which, under the ABCA, a committee of Directors has no authority to exercise), who in the exercise of the powers delegated to it must conform to any regulations that are imposed on it by the Directors.

The Board owes the Company fiduciary duties and duties of good faith, care, diligence and skill.

The Board may also appoint a Chairman or Managing Director, who must also be a Director. The Chairman or Managing Director may be assigned any of the powers and duties that the By Laws allow (i.e. general supervision of the business and affairs of the Company and other powers as the Board may specify).

Officers

Subject to any unanimous shareholders agreement, the Board may from time to time appoint a President, one or more Vice-Presidents (to which title may be added words indicating seniority or function) a Secretary, a Treasurer and such other officers as the Board may determine. The Board may specify the duties of such officers and, in accordance with the By Laws and subject to the provisions of the ABCA, delegate to such officers powers to manage the business and affairs of the Company.

The President, if any, shall be the Chief Executive Officer of the Company and, subject to the authority of the Board, has general supervision over the business of the Company. The Vice Presidents have such powers and duties as the Board or the Chief Executive Officer may specify.

The Treasurer is responsible for (i) custody of the Company's funds and securities, (ii) keeping full and accurate account of receipts and disbursements, (iii) depositing all monies and valuable effects in the name and to the credit of the Company in such depository or depositories as may be designated by the Directors and (iv) performing such other duties as may be prescribed by the Directors or the Chief Executive Officer.

The Secretary is responsible for keeping or causing to be kept, at the principal office of the Company or such other place as the Directors may order, a book of minutes of all meetings and actions of the Directors, committees of the Directors and Shareholders, with the time and place of holding, whether regular or special, and, if special, how authorised, the notice thereof given, the names of those present at meetings of the

Directors and committees thereof, the number of shares present or represented at Shareholders' meetings and the proceedings thereof.

Governance

The Company is obligated to follow and the Board is responsible for ensuring compliance with the corporate governance provisions of NI 58-101. Through collaboration with the Corporate Governance and Compensation Committee, the Board is responsible for risk management, public disclosure and compliance monitoring.

Calling and Notice of Meetings

The Managing Director, the President or any two Directors may at any time summon a meeting of the Directors, and any Director may participate in such meeting. Directors must be given 48 hours' notice before the time when the meeting is to be held.

The annual meeting of Shareholders must be held at such time in each year and, subject to the ABCA and the By Laws, at such place as the Board, the Chairman, the Managing Director or the President may from time to time determine. The annual meeting of Shareholders is held to consider the financial statements and reports required by the ABCA, electing the Directors, appointing auditors and for the transaction of such other business as may be properly brought before the meeting.

The Board, the Chairman, the Managing Director or the President have the power to call a special meeting of Shareholders.

Notice of the time and place of each Shareholders' meeting shall be given not less than 21 days and not more than 50 days before the date of the meeting to each Director, to the auditor and to the Shareholders who at the close of business on the record date are entered in the securities register as a holder of one ore more Common Shares carrying a right to vote at the meeting.

Quorum and Voting

Quorum for the transaction of business at any meeting of Directors must consist of a majority of the Directors or such lesser number of Directors, being at least two Directors, as the Board may from time to time determine. Every question at a meeting of Directors shall be decided by a majority of the votes cast on the question. In cases of an equality of votes, the Chairman of the meeting is entitled to a second or casting vote.

Quorum for the transaction of business at any meeting of Shareholders is two persons present in person, each being a Shareholder entitled to vote thereat or a duly appointed proxy for an absent Shareholder so entitled, together holding or representing by proxy not less than 10 per cent. of the outstanding Common Shares entitled to vote at the meeting. A Shareholder that acquires Common Shares after the fixing of a record date for a Shareholders' meeting may produce a properly endorsed share certificate and demand not later than 10 days before a meeting that his/her name is included in the securities register, allowing him/her to vote at the meeting.

Interests of Directors/Officers in Contracts

A Director or officer of the Company who is a party to, or who is a director or officer of or has a material interest in any person who is a party to, a material contract or proposed material contract with the Company shall disclose the nature and extent of his interest at the time and in the manner provided in the ABCA. Such contracts are referred to the Board or Shareholders for approval, notwithstanding such contract may not, in the ordinary course of the Company's business, require approval from the Board or Shareholders. A Director interested in a contract so referred to the Board shall not vote on any resolution to approve it except as provided by the ABCA.

Liability of Directors/Officers

No Director is liable: (a) for the acts, receipts, neglects or defaults of any other Director or officer or employee of the Company; or (b) for any loss on account of defect of title to any property of the Company; or (c) on account of the insufficiency of any security in or upon which any money of the Company shall be invested;

or (d) for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Company shall be deposited; or (e) for any loss occasioned by any error of judgment or oversight on his/her part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his/her office or in relation thereto, unless the same are occasioned by his/her own wilful neglect or default; provided that nothing in the By Laws relieve any Director or officer of the Company from the duty to act in accordance with the ABCA or from liability for any breach thereof.

Indemnification

Subject to the limitations in the ABCA, and to the extent he/she is otherwise fairly and reasonably entitled thereto, the Company shall indemnify a Director or officer, a former Director or officer, or a person who acts or acted at the Company's request as a director or officer of a body corporate of which the Company is or was a shareholder or creditor, and his/her heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him/her in respect of any civil, criminal or administrative action or proceeding to which he/she is made a party by reason of being or having been a Director or officer of the Company or such other body corporate, if: (a) he/she acted honestly and in good faith with a view to the best interests of the Company; and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he/she has reasonable grounds for believing his/her conduct was lawful.

Share Capital

The Company is authorised to issue an unlimited number of Common Shares with no par value. As at the date of this document, the Company's Issued Share Capital comprises 537,740,991 Common Shares.

Rights, Preferences and Restrictions Attaching to Shares

Common Shares

Each Common Share entitles the holder to receive notice of and to attend all meetings of the Shareholders, to vote at such meetings, to receive such dividends as may be declared by the Board (subject to the provisions of the ABCA), and to share ratably with other Shareholders in the residual property of the Company in the event of liquidation, dissolution or winding-up of the Company. The Articles provide that there are no restrictions on the transferability of the Common Shares.

Disclosure Obligations

The Company is a non-DTR company as defined in the AIM Rules. Consequently, in order to ensure compliance with the AIM Rules, the Articles require that, for so long as the Company is admitted to AIM, the provisions of DTR5 shall be deemed to be incorporated by reference. Specifically, all Shareholders holding (directly or indirectly), 3 per cent. or more in the Company, must notify the Company without delay (and in any event within 2 trading days) of any changes to their holding which increase or decrease such holding through any single percentage. Shareholders approved an amendment to the Articles at the General Meeting held on 25 October 2018, incorporating such provisions.

Meetings of Company (Shareholders)

The annual meeting of Shareholders must be held at such time in each year and, subject to the ABCA and the By Laws, at such place as the Board, the Chairman, the Managing Director or the President may from time to time determine.

The Board, the Chairman, the Managing Director or the President have the power to call a special meeting of Shareholders.

Calling and Notice of Meetings

Notice of the time and place of each Shareholders' meeting shall be given not less than 21 days and not more than 50 days before the date of the meeting to each Director, to the auditor and to the Shareholders who at the close of business on the record date are entered in the securities register as a holder of one ore more Common Shares carrying a right to vote at the meeting.

Quorum

Quorum for the transaction of business at any meeting of Shareholders is two persons present in person, each being a Shareholder entitled to vote thereat or a duly appointed proxy for an absent Shareholder so entitled, together holding or representing by proxy not less than 10 per cent. of the outstanding Common Shares entitled to vote at the meeting. A Shareholder that acquires Common Shares after the fixing of a record date for a Shareholders' meeting may produce a properly endorsed share certificate and demand not later than 10 days before a meeting that his/her name is included in the securities register, allowing him/her to vote at the meeting.

Procedure

The annual meeting of Shareholders is held to consider the financial statements and reports required by the ABCA, electing the Directors, appointing auditors and for the transaction of such other business as may be properly brought before the meeting. All business transacted at a special meeting of Shareholders and all business transacted at an annual meeting of Shareholders, except the consideration of the financial statements, auditors reports, election of directors and reappointment of the incumbent auditors, is deemed to be special business.

If all Shareholders consent, participation in any meeting of Shareholders may be by means of a telephone or similar communication equipment by way of which all persons participating in such meeting can communicate with each other and such participation shall be deemed to constitute presence in person at the meeting.

The Chairman of the Board, President, Managing Director or a Vice-President who is a Shareholder shall preside as chairman at a meeting of Shareholders. If there is no such chairman, or if at any meeting of Shareholders he/she is not present within fifteen minutes after the time appointed for holding the meeting, the persons present and entitled to vote shall choose a chairman of the meeting.

If a meeting of Shareholders is adjourned for less than 30 days, the By Laws provide that it is not necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned. If a meeting of Shareholders is adjourned by one or more adjournments for an aggregate of 30 days or more, notice of the adjourned meeting shall be given as for an original meeting. At any such adjourned meeting, no business shall be transacted other than business left unfinished at the meeting from which the adjournment took place.

Any question at a meeting of Shareholders is to be decided by a show of hands unless a ballot thereon is required or demanded. Any ballot so required or demanded is to be taken in such manner as the chairman of the meeting shall direct.

5. Compensation Philosophy, Objectives and Governance

5.1 *Background*

The executive compensation program adopted by the Company and applied to its Executive Officers is designed to attract and retain qualified and experienced executives who will contribute to the success of the Company. The executive compensation program attempts to ensure that the compensation of the senior executive officers provides a competitive base compensation package and a strong link between corporate performance and compensation. Executive Officers are motivated through the program to enhance long-term shareholder value. On 22 January, 2018, the Board established the Corporate Governance and Compensation Committee and adopted the following practices recommended by the Corporate Governance and Compensation Committee that are designed to avoid inappropriate or excessive risks:

- **Ownership Guidelines**. The Company has implemented share ownership guidelines (the "**Ownership Guidelines**") for Executive Officers and non-executive Directors of the Company to further align their interests with the long-term interests of Shareholders. The Ownership Guidelines require that, within three years of joining the Company, each Executive Officer or non-executive Director has a minimum holding of Common Shares or Common Share equivalents, including PSUs, RSUs and DSUs, that have an aggregate value of at least: (a) three times the annual base salary for the CEO; (b) two times the annual base salary for each other officer of the Company; and (c) three times the amount of the annual Board retainer for each non-executive Director.

- **Anti-Hedging Policy.** The Company has adopted a written anti-hedging policy (the "**Anti-Hedging Policy**") that prohibits a NEO or director, among others, from purchasing financial instruments, including prepaid variable forward contracts, instruments for the short sale or purchase or sale of call or put options, equity swaps, collars, or units of exchangeable funds, that are designed to or that may reasonably be expected to have the effect of hedging or offsetting a decrease in the market value of any securities of the Company.

  The Anti-Hedging Policy has been implemented to ensure that directors, executive officers and employees of the Company are prohibited from hedging or monetizing transactions in order to lock in the value of their securities of the Company. Examples would include the entry into prepaid variable forward contracts, instruments for the short sale or purchase or sale of call or put options, equity swaps, collars, or units of exchangeable funds that have the effect of offsetting a decrease in the market value of securities held in the Company.

  In addition, pursuant to the Anti-Hedging Policy governing insider trading, short-term speculative trading of the Common Shares by officers, directors and employees is strongly discouraged as it conflicts with the best interests of the Company and its Shareholders. Consequently, insiders including the Company's NEOs, Directors and their related persons, are not only discouraged from frequently trading the Common Shares, but are also specifically prohibited from short selling any Common Shares and from trading in any derivative instruments involving the Company's securities.

- **Clawback Policy.** The Company has implemented a written clawback policy (the "**Clawback Policy**") for situations where a director, executive officer or other employee receives additional incentive compensation as a result of his or her own misconduct (the "**Overpayment Amounts**"). In such situations, Directors, Executive Officers, or other employees shall be obligated to reimburse the Company for such Overpayment Amounts and the Board shall be given the discretion to determine the steps required to effect such recovery.

5.2 ***Elements of Compensation***

The Directors of the Company are entitled to receive compensation for services in their capacity as directors. Members of the Board are entitled to be reimbursed for all reasonable expenses incurred in attending meetings. In addition, the Share Option Plans and the DSU Plan allow for the grant of options and share units to Directors, as applicable. Once non-executive Directors have an amount of equity equal to three times their annual base compensation, they can elect to be paid in any combination of cash or equity. Until that time, at least half of their compensation must be paid in DSUs. DSUs are settled in cash and vest on the date of grant. However, non-executive Directors are only entitled to receive the value of the DSUs once they cease to be a Director.

The executive compensation program consists of three components: (a) base compensation in the form of salary; (b) incentive bonuses in the form of cash payments; and (c) long-term compensation in the form of stock options, PSUs and RSU. For the NEOs, the stock option, PSU and RSU component is an essential part of their compensation.

In addition, no NEO or Director of the Company is permitted to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation, or held, directly or indirectly, by an NEO or Director of the Company.

Base compensation for the Executive Officers of the Company is set annually, having regard to the individual's job responsibilities, contribution, experience and proven or expected performance, as well as to market conditions. In setting base compensation levels, consideration is to be given to such factors as level of responsibility, experience and expertise in addition to the policies of the TSXV. Subjective factors such as leadership, commitment and attitude are also to be considered.

Incentive bonuses, in the form of cash payments, are designed to add a variable component of compensation based on corporate and individual performance for the Executive Officers.

Given the significant change following the Company's reorganization, the Directors believe disclosing the benefits in kind and remuneration for 2017 would be inappropriate or otherwise not material to investors. Accordingly, the following remuneration or benefits in kind were paid or granted to the NEOs and non-executive Directors (or are expected to be paid following year end) for the period ending 31 December 2018:

Name	*Base Compensation (Salary or Retainer)*	*Bonus*[2]	*PSUs*[2]	*DSUs*	*RSUs*	*Options*
Named Executive Officers						
Manuel Pablo Zúñiga-Pflücker[1]	$315,000	$315,000	1,233,333	Nil	Nil	Nil
Gregory Smith	$275,000	$220,000	1,016,667	N/A	Nil	
Charles Fetzner	$225,000	$112,500	925,000	N/A	Nil	Nil
Estuardo Alvarez-Calderon	$200,000	$100,000	833,333	N/A	Nil	Nil
Non-Executive Directors						
Douglas C. Urch (Chairman)	$45,000	N/A	Nil	150,000	Nil	Nil
Gary S. Guidry	$37,500	N/A	Nil	125,000	Nil	Nil
Gavin Wilson	$37,500	N/A	Nil	125,000	Nil	Nil
Ryan Ellson	$37,500	N/A	Nil	125,000	Nil	Nil
Mark McComiskey	$37,500	N/A	Nil	125,000	Nil	Nil

1 Mr. Zúñiga-Pflücker does not receive additional compensation for serving as a director of the Company.

2 The anticipated value of the incentive bonuses (including payment thereof) and issuance of Common Shares in connection with the grant of the PSUs is contingent on the achievement of various Board approved performance criteria and targets for the year ended 31 December 2018.

5.3 *Pension Plan Benefits*

Following completion of the Arrangement, the Company does not have a pension plan or provide any benefits following or in connection with retirement. There is no requirement under Alberta law for the Company to operate a pension scheme.

Peruvian employees are covered under one of two pension schemes in Peru, a private pension scheme ("**PPS**") or government pension scheme ("**GPS**"). Under the GPS contributions of PetroTal Peru are approximately 13 per cent. per annum and under the PPS, contributions in aggregate are approximately 13.22 per cent. per annum (comprising a 10 per cent. pension contribution, 1.86 per cent. as commission and a further 1.36 per cent. as death and disability insurance). In most cases, PetroTal Peru is responsible for withholding the contribution from employees' salaries.

5.4 *Outstanding Share-based Awards and Option Based Awards*

There are a total of 4,008,333 PSUs held by NEOs.

There were no other share based awards or option based awards granted to NEOs for the nine months ending 30 September 2018 and no other share based awards or option based awards outstanding as at the date of this document.

5.5 *Stock Option Plan*

On 30 May 2014, Shareholders initially approved a "rolling" stock option plan of the Company. The stock option plan was reapproved by Shareholders on 28 May 2015 and 5 June, 2016. The Company did not seek approval of the stock option plan at the annual meeting held on 8 May 2017 and, as a result, the Company was not authorized to issue stock options under the stock option plan as at 31 December 2017. At the Annual General Meeting held on 30 May 2018, Shareholders approved the new Stock Option Plan (herein after referred to as the "**Stock Option Plan**"). As at the date of this document, there were no stock options outstanding under the Stock Option Plan.

Description of the Stock Option Plan

The purposes of the Stock Option Plan are: (a) to provide directors, officers, employees and consultants of the Company, or any of its subsidiaries an incentive to achieve the longer-term objectives of the Company; (b) to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Company; and (c) to attract and retain in the employ of the Company or any of its subsidiaries, persons of experience and ability by providing them with the opportunity to acquire an increased proprietary interest in the Company.

Administration

The Stock Option Plan is administered by the Board and the Board may, subject to applicable law, delegate its powers to administer the Stock Option Plan to a committee of the Board. Options may be granted at the discretion of the Board, in such number that may be determined at the time of grant, subject to the limits set out in the Stock Option Plan. Previous grants will be taken into account when considering new grants.

Exercise Price

The exercise price of stock options granted under the Stock Option Plan will be fixed by the Board at the time of grant, provided that the exercise price shall be not less than the discounted market price of the Common Shares in accordance with the policies of the TSXV.

Maximum Percentage of Common Shares Reserved

The aggregate number of Common Shares that may be issued pursuant to the exercise of options awarded under the Stock Option Plan and all other security-based compensation arrangements of the Company, including the PRSU Plan, is 10 per cent. of the Common Shares outstanding from time to time (on a non-diluted basis), subject to the following limitations:

- the aggregate number of Common Shares reserved for issuance to any one person under the Stock Option Plan, within a 12 month period, must not exceed 5 per cent. of the issued and outstanding Common Shares (on a non-diluted basis);
- the aggregate number of Common Shares reserved for issuance to any single consultant under the Stock Option Plan within a 12 month period, shall not exceed 2 per cent. of the issued and outstanding Common Shares; and
- the aggregate number of Common Shares reserved for issuance to any one participant employed to provide investor relations activities (as defined in the Stock Option Plan) within a 12 month period, must not exceed 2 per cent. of the issued and outstanding Common Shares.

Transferability

The stock options are not assignable or transferable by a participant, except for a limited right of assignment in the event of the death of the participant.

Term and Vesting

The term of the options granted shall be determined by the Board in its discretion, to a maximum of five years from the date of the grant of the option. The vesting period or periods within this period during which an option or a portion thereof may be exercised shall be determined by the Board. Further, the Board may, in its sole discretion at any time or in the agreement in respect of any stock options granted, accelerate, or provide for the acceleration of, vesting of stock options previously granted.

Early Expiration

Unless otherwise provided in an agreement evidencing the grant of stock options, options shall terminate at the earlier of: (a) 30 days after the participant ceasing (other than by reason of death) to be at least one of an officer, director, employee or consultant of the Company or a subsidiary of the Company, as the case may be; and (b) the expiry date of the stock option. If before the expiry of an option in accordance with the terms thereof a participant ceases to be an employee, officer, director or consultant by reason of the death of the participant, any unvested portion of such stock option shall vest within one year following the earlier of the death of the participant and the expiry date of the stock option. In addition, such option may, subject to the terms thereof and any other terms of the Stock Option Plan, be exercised by the legal personal representative(s) of the participant's estate.

Takeover or Change of Control

In the event of any disposition of all or substantially all of the assets of the Company, or the dissolution, merger, amalgamation or consolidation of the Company with or into any other corporation or of such corporation into the Company, or any change in control of the Company occurring, the Company will have the power to make such arrangements as it shall deem appropriate for the exercise of outstanding options or continuance of outstanding options, including, without limitation, to amend any option agreement to permit the exercise of any or all of the remaining options prior to the completion of any such transaction.

Voluntary Black-Out Periods

The Company has adopted a policy on trading in the securities of the Company which results in the imposition of self-imposed black-out periods from time to time, preventing officers, directors, employees and consultants from exercising options. For example, these black-out periods would be imposed prior to the release of financial statements and when the Company is considering various possible transactions or is completing material operations that could, if consummated or successfully completed, have a significant effect on the trading price or value of the Company's securities. This policy will be adopted as part of Company's approach to responsible governance. However, the imposition of voluntary black-out periods can penalize the Company, and its insiders and employees where their stock options have not been exercised prior to the voluntary black-out period and such stock options would expire during such period.

Pursuant to the Stock Option Plan, the expiration of the term of any stock options that would fall during any black-out period or within 10 days following the termination of any black-out period will be extended for a period of 10 business days following the expiry of such black-out period, such that all participants will always have a maximum of 10 business days following a voluntary black-out period to exercise stock options. This provision applies to all participants.

5.6 ***Performance and Restricted Share Unit Plan***

On 30 May 2018, Shareholders approved the adoption of a plan to grant PSU's and RSU's (together, "**Share Units**") to directors, officers, employees and consultants of the Company and its Subsidiaries. Each Share Unit entitles the holder thereof upon settlement to receive one Common Share in accordance with the PRSU Plan, subject to an adjustment factor between zero and two based on performance measures determined by the Board. As at the date of this document, there were no Share Units outstanding under the PRSU Plan.

Administration

The PRSU Plan is administered by the Board and the Board may, subject to applicable law, delegate its powers to administer the PRSU Plan to a committee of the Board. Share Units may be granted at the discretion of the Board, in such number that may be determined at the time of grant, subject to the limits set out in the PRSU Plan. Previous grants will be taken into account when considering new grants.

Maximum Percentage of Common Shares Reserved

The aggregate number of Common Shares that may be issued pursuant to the exercise of Share Units awarded under the PRSU Plan and all other security-based compensation arrangements of the Company, including the Stock Option Plan, is 10 per cent. of the Common Shares outstanding from time to time (on a non-diluted basis), subject to the following limitations:

- the aggregate number of Common Shares reserved for issuance to any one person under the PRSU Plan, within a 12 month period, must not exceed 5 per cent. of the issued and outstanding Common Shares (on a non-diluted basis);

- the aggregate number of Common Shares reserved for issuance to any single consultant under the PRSU Plan within a 12 month period, shall not exceed 2 per cent. of the issued and outstanding Common Shares; and
- the aggregate number of Common Shares reserved for issuance to any one participant employed to provide investor relations activities (as defined in the PRSU Plan) within a 12 month period, must not exceed 2 per cent. of the issued and outstanding Common Shares.

Transferability

RSUs or PSUs, as applicable, are assignable by holders of such Share Units to certain assignors, including: a trustee, a custodian or an administrator acting on behalf of, or for the benefit of the holder or the holder's spouse, a holding entity of the holder, or the holder's spouse. Share Units are otherwise non-transferable.

Term and Settlement

PSU and RSU grants vest in such manner as determined by the Board. Prior to the distribution date in respect of any PSU, the Board shall assess the performance of the Company for the applicable period. The weighting of the individual's performance measures shall be determined by the Board in its sole discretion having regard to the principal purposes of the PRSU Plan and, upon the assessment of all performance measures, the Board shall determine the adjustment factor for the applicable period in its sole discretion. The applicable adjustment factor may be between a minimum of zero and such maximum as determined by the Board (provided such maximum shall not exceed 2.0). The number of PSUs which vest on a vesting date is the number of PSUs scheduled to vest on such date multiplied by the adjustment factor.

The Board, in its sole discretion, has the option of settling the Common Shares issuable in respect of Share Units by either or both of the following methods: (a) settlement in Common Shares acquired by the Company on the TSXV; or (b) the issuance of Common Shares from the treasury of the Company.

Early Expiration

In the event that a participant of the PRSU Plan ceases to be a director, officer, employee or consultant of the Company or a subsidiary of the Company for any reason, including without limitation, resignation or dismissal, but excluding death or permanent disability, the participant may, prior to the expiry date of the RSUs or PSUs, as applicable, and within 90 days from the date of ceasing to be a director, officer, employee or consultant, exercise any Share Units which are vested within such period, after which time any outstanding Share Units shall terminate. All grants of Share Units to US Taxpayers shall be deemed to adjust the 90 day term to 74 days. In the event of death or permanent disability of a participant, the participant's legal representative or the participant, as applicable, may, within one year from the participant's death and prior to the expiry date, exercise the Share Units which are vested within such period, after which time any remaining Share Units shall terminate.

A holder of vested Share Units may determine the date of settlement of such Share Units, provided that such date is not later than the earlier of: (a) the thirtieth day after the holder ceases to be eligible to participate in the PRSU Plan; and (b) December 15th of the year such Share Units become vested.

Takeover or Change of Control

In the event of a change of control (as such term is defined in the PRSU Plan), all unvested Share Units shall become automatically vested. Common Shares issuable in respect of Share Units shall be, and shall be deemed to be, issued to participants effective immediately prior to the completion of the transaction which would result in the change of control unless issued prior thereto in accordance with the PRSU Plan.

Voluntary Black-Out Periods

The Company has adopted a policy on trading in the securities of the Company which results in the imposition of self-imposed black-out periods from time to time, preventing officers, directors, employees and consultants from exercising Share Units. For example, these black-out periods would be imposed prior to the release of financial statements and when the Company is considering various possible transactions or is completing material operations that could, if consummated or successfully completed, have a significant effect on the trading price or value of the Company's securities. This policy will be adopted as part of Company's approach to responsible governance. However, the imposition of voluntary black-out periods can penalize the Company, and its insiders and employees where their Share Units have not been exercised prior to the voluntary black-out period and such Share Units would expire during such period. The expiration of the term of any Share Units that would fall during any black-out period or within 10 days following the termination of any black-out period will be extended for a period of 10 business days following the expiry of such black-out period, such that all participants will always have a maximum of 10 business days following a voluntary black-out period to exercise Share Units. This provision applies to all participants.

5.7 *Deferred Share Unit Plan*

On 30 May 2018, Shareholders approved the adoption of a plan to grant deferred share units to non-executive directors. The purpose of the DSU Plan is to: (a) promote a proprietary interest in the Company and a greater alignment between non-executive of the Company and Shareholders; (b) provide a compensation system for directors that is reflective of the responsibilities, commitments and risks accompanying the role of a director; and (c) assist the Company in attracting experienced individuals to serve as directors.

The DSU Plan is administered by the Board, which has the authority to grant DSU awards under the DSU Plan to non-executive directors. The DSU Plan may be amended, suspended or terminated at any time by the Board. The DSUs granted thereunder are not transferable or assignable except in the case of death.

No Common Shares are issued under the DSU Plan, as all DSUs granted are settled in cash. DSUs vest on the date they are granted but directors are only entitled to receive the value of the DSUs once they cease to be a director of the Company. Under the DSU Plan, Directors may elect to receive up to 100 per cent. of their annual retainer in the form of DSUs.

The cash payment to be received will be equal to the number of DSUs held by the director on the date the director ceased to be a director after giving effect to adjustments for dividends, multiplied by the closing price of the Common Shares on the TSXV on the trading day immediately prior to the date the payment is to be made, less all applicable withholding taxes.

Under no circumstances shall DSUs be considered Common Shares or other securities of the Company, nor shall they entitle any participant to exercise voting rights or any other rights attaching to the ownership of Common Shares or other securities of the Company, including, without limitation, voting rights, dividend entitlement rights or rights on liquidation, nor shall any participant be considered the owner of Common Shares by virtue of an award of DSUs. Notwithstanding the foregoing, and without conferring any rights as Shareholders to the holders thereof, DSUs held by directors are included in calculating achievement of share ownership guidelines.

6. UK Taxation

6.1 *General*

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Shares. The following statements are based on current UK legislation and what is understood to be the current practice of Her Majesty's Revenue and Customs ("**HMRC**") as at the date of this document, both of which may change, possibly with retroactive effect. They apply only to Shareholders who are resident (and in the case of individual Shareholders resident and domiciled) for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Shares as an investment (other than under an individual savings account), and who are the absolute beneficial owners of both their Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) or trustees and beneficiaries as regards shares held in trust is not considered.

Any person who is in any doubt about their taxation position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

6.2 ***Taxation of Chargeable Gains***

UK tax resident Shareholders

Disposals

If a Shareholder sells or otherwise disposes of all or some of the Shares, he may, depending on his circumstances and subject to any available exemption or relief, incur a liability to Capital Gains Tax ("**CGT**"). An individual Shareholder is entitled to a capital gains tax-free allowance per tax year (£11,700 for 2018/19) and will be subject to CGT on gains realised in excess of this allowance.

An individual Shareholder who is subject to tax at the higher rate will be liable to CGT at the rate of 20 per cent. (for 2018/19) to the extent that such sum, when treated as the top slice of the Shareholder's income, falls above the threshold for higher rate tax.

An individual Shareholder who is liable to tax at the additional rate will be liable to CGT at a rate of 20 per cent. (for 2018/19).

UK tax non-resident Shareholders

A Shareholder who is not resident for tax purposes in the UK will not generally be subject to CGT on a disposal of Shares unless the Shareholder is carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the Shares are used, held or acquired.

Such Shareholders may be subject to foreign taxation on any gain under local law.

An individual Shareholder who has ceased to be resident for tax purposes in the UK for a period of less than five tax years and who disposes of all or part of his Shares during that period may be liable to CGT on his return to the UK, subject to available exemptions or reliefs.

6.3 ***Taxation of Dividends***

Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

Dividends paid will generally be subject to a 15 per cent. withholding tax in Canada.

An individual Shareholder who is resident for tax purposes in the UK and who receives a dividend from the Company will generally be entitled to a dividend tax free allowance per tax year (£2,000 for 2018/19) and will be subject to income tax on dividends received over and above this allowance.

An individual Shareholder who is subject to income tax at the higher rate will be liable to income tax on the gross dividend at the rate of 32.5 per cent. (for 2018/2019) to the extent that such sum, when treated as the top slice of the Shareholder's income, falls above the threshold for higher rate income tax.

An individual Shareholder who is resident for tax purposes in the UK and who is liable to tax at the new "additional" rate will be liable to tax on the gross dividend at the rate of 38.1 per cent. (for 2018/19).

Under the Canadian and UK tax treaty, an individual Shareholder should be able to obtain credit for the Canadian withholding tax suffered on the dividend when paying UK income tax on the dividend.

A corporate Shareholder (within the charge to UK Company tax) which is a 'small company' for the purposes of the UK taxation of dividends legislation will not generally be subject to UK Company tax on dividends from the Company, on the basis the payer is resident in a 'qualifying territory' at the time the dividend is received, as long as the payer also meets the necessary conditions. A 'qualifying territory' for these purposes is, *inter alia*, any territory with which the UK has a double tax treaty that has an appropriate non-discrimination clause, and this includes Canada. Other corporate

Shareholders (within the charge to UK Company tax) will not be subject to tax on dividends from the Company provided the dividends fall within an exempt class and certain conditions are met.

Corporate shareholders will not be entitled to any relief for withholding tax suffered on dividends that are not subject to UK taxation.

A Shareholder resident outside the UK may be subject to foreign taxation on dividend income under local law. A Shareholder who is resident outside the UK for tax purposes should consult his own tax adviser concerning his tax position on dividends received from the Company.

6.4 ***UK Stamp Duty and Stamp Duty Reserve Tax ("SDRT")***

No stamp duty or SDRT will arise on the issue or allotment of new Shares by the Company given that the shares will be admitted to AIM.

6.5 ***Subsequent transfers***

No UK Stamp duty should in practice be payable on an instrument transferring Shares and no charge to SDRT should also arise on an unconditional agreement to transfer Shares while the Company does not maintain a register in the UK.

No charge to SDRT should arise on an unconditional agreement to transfer a depositary interest in Shares while they satisfy the requirements of the SDRT (UK Depositary Interest in Foreign Securities) Regulations 1999.

7. Canadian Taxation

7.1 ***General***

The following is a summary of the principal Canadian federal income tax considerations generally relevant to Shareholders who, at all relevant times, for purposes of the Income Tax Act (Canada) the ("**Canadian Tax Act**"): (i) are not resident in Canada and are not deemed to be resident in Canada; (ii) do not use or hold, and are not deemed to use or hold, Common Shares in connection with carrying on a business in Canada; and (iii) hold their Common Shares as capital property.

Shareholders who meet all of the foregoing requirements are referred to in this summary as "non¬resident Shareholder" and this summary applies only to such non-resident Shareholders. Special rules, which are not discussed in this summary, may apply to a non-resident Shareholder that is an insurer that carries on business in Canada and elsewhere or an "authorized foreign bank" as defined in the Canadian Tax Act.

This summary is based upon the current provisions of the Canadian Tax Act and the regulations thereunder, the current provisions of the Canada-United Kingdom Income Tax Convention (the "**UK Treaty**"), and the Company's counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency made publicly available in writing prior to the date hereof. This summary also takes into account specific proposals to amend the Canadian Tax Act announced prior to the date hereof by or behalf of the Minister of Finance (Canada) (the "**Proposed Amendments**") and assumes that the Proposed Amendments will be enacted as proposed. No assurances can be given that the Proposed Amendments will become law.

This summary is not exhaustive of all possible Canadian federal income tax considerations and does not take into account or anticipate any changes in law, administrative policy or assessing practice, whether by legislative, governmental, administrative or judicial action, other than the Proposed Amendments. This summary does not deal with foreign, provincial or territorial income tax considerations, which may differ from the federal considerations.

This summary is of a general nature only and is not, and is not to be construed as, legal or income tax advice to any particular non-resident Shareholder. Each non-resident Shareholder is urged to obtain independent tax advice as to the Canadian income tax consequences of an investment in Common Shares applicable to the non-resident Shareholder's particular circumstances.

7.2 ***Taxation of Dividends***

Any dividend on a Common Share that is paid or credited, or deemed to be paid or credited, by the Company to a non-resident Shareholder will be subject to Canadian withholding tax at the rate of 25 per cent. of the gross amount of the dividend. The rate of withholding tax may be reduced under the provisions of an applicable income tax convention between Canada and the country in which the non-resident Shareholder is resident for tax purposes. Pursuant to the UK Treaty, the rate of withholding tax applicable to a dividend paid (or deemed to be paid) on a Common Share to a non¬resident Shareholder who is a resident of the United Kingdom for purposes of the UK Treaty (a "**UK Shareholder**") will generally be reduced to 15 per cent. of the gross amount of the dividend (or 5 per cent. in the case of a UK Shareholder that is a company that controls, directly or indirectly, at least 10 per cent. of the voting power of the Company). The Company will be required to withhold any such tax from the dividend paid or credited to the non-resident Shareholder and will remit the withheld tax directly to the Receiver General for Canada for the account of the non-resident Shareholder.

7.3 ***Taxation of Capital Gains***

A non-resident Shareholder generally will not be subject to tax under the Canadian Tax Act on any capital gain realized by the non-resident Shareholder on a disposition (or deemed disposition) of a Common Share unless the Common Share constitutes "taxable Canadian property" to the non¬resident Shareholder for purposes of the Canadian Tax Act. Provided that the Common Shares are listed on a "designated stock exchange" as defined in the Canadian Tax Act (which includes tiers 1 and 2 of the TSXV), the Common Shares generally will not constitute taxable Canadian property to the non-resident Shareholder unless at any time during the 60 month period immediately preceding the disposition: (i) the non-resident Shareholder, persons with whom the non-resident Shareholder does not deal at arm's length, or partnerships in which the non-resident Shareholder, or a person with whom the non-resident Shareholder does not deal at arm's length, holds a membership interest directly or indirectly through one or more partnerships, owned 25 per cent. or more of the issued shares of any class of the capital stock of the Company; and (ii) more than 50 per cent. of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" (as defined in the Canadian Tax Act), "timber resource properties" (as defined in the Canadian Tax Act) or options in respect of, or interests in, or for civil law rights in, such property whether or not such property exists. Further, Common Shares may be deemed to be taxable Canadian property to a non-resident Shareholder for purposes of the Canadian Tax Act in certain circumstances.

Any non-resident Shareholder that would otherwise be subject to Canadian income tax on a capital gain realized on a disposition of a Common Share that constitutes taxable Canadian property to the non-resident Shareholder may be eligible for relief pursuant to an income tax convention between Canada and the country in which the non-resident Shareholder is resident for tax purposes. Non-resident Shareholders who may hold Common Shares as "taxable Canadian property" should consult their own tax advisors.

8. Working Capital

The Directors having made due and careful enquiry, are of the opinion that the working capital available to the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

9. Litigation

No member of the Group is (or has been) engaged in any governmental, legal or arbitration proceedings, which may have, or have had, a significant effect on the Group's financial position or profitability during the 12 months preceding the date of this document and, so far as the Directors are aware, there are no proceedings which are pending or threatened by or against any member of the Group.

10. Significant and Material Change

There has been no significant or material change in the financial or trading position of the Group since 30 September 2018, the date the Company's last interim financial statements were published.

11. Material Contracts of the Company

The following contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company or another member of the Group (a) within the two (2) years immediately preceding the date of this document and are, or may be, material or (b) which contain provisions under which the Company has any obligation or entitlement which is material as at the date of this document:

11.1 *Share Purchase Agreement*

On 9 November 2017, the Company (as Sterling Resources), PetroTal Ltd., GTE and GTEIHL entered into a share purchase agreement, pursuant to which the Company acquired from GTE all of the issued and outstanding Peru HoldCo Shares in consideration for: (i) the issuance of 187.25 million Common Shares to GTEIHL at a price of $0.1869 per Common Share; and (ii) an option to retain a 20 per cent. working interest in Block 107 following the drilling of an initial exploration well, and the Company would thereby acquire the Peruvian Business (the "**Share Purchase Agreement**").

The Bretaña Assets were acquired on closing of the Share Purchase Agreement consisting of approximately 10,000 gross developed acres of total land, including five gross wells in total, including a shut-in oil producer and a water injector wells as the other three wells were previously plugged and abandoned. Initial production from the Bretaña Assets was achieved on 1 June 2018. Currently, the Bretaña Assets have produced approximately 1,000 bbls/d during the initial testing and commissioning phase, which has been sold at the local Iquitos Refinery owned by Petroleos del Peru S.A.

The Company also owns a 100 per cent. working interest in the Osheki prospect in Block 107, located in the Ucayali Basin of eastern Peru, and the adjacent Block 133. The Company's 100 per cent. working interest in Block 107 is subject to a Carried Interest and Option Agreement whereby the Company granted GTEIH, as partial consideration for the Acquisition, the option to retain a 20 per cent. working interest in Block 107 following the drilling of an initial exploration well (the "**Option**").

The Option operates as follows:

- once the initial exploration well has been drilled, Petrolifera must provide to GTEIHL within 10 business days, written notice of either: (i) the abandonment of the well (if such well is not brought on production); (ii) casing; (iii) or initial testing of such well, whichever is later;
- once such notice is given, Petrolifera is deemed to have granted the Option to GTEIH, who must then exercise the Option within 10 business days of receiving the notice;
- upon the exercise by GTEIHL of its Option, its acquisition of the 20 per cent. working interest is subject to and conditional upon, receiving all required Peruvian government authorisations; and
- after GTEIH receives such government authorisations, the Company must use reasonably commercial efforts to procure that Petrolifera, in turn, uses reasonably commercial efforts to transfer legal title in the 20 per cent. participating interest.

The Company is currently conducting farm-out negotiations for Blocks 107 and 133, however no formal offers have been received to date.

11.2 *Block 95 Licence Agreement*

On 7 April 2005, Harken Del Perú Limitada Surcursal del Perú ("**Harken**") and Perupetro entered into a licence agreement for the exploration and exploitation of hydrocarbons in Block 95. The agreement was perfected by public deed dated 7 April 2015 (the "**Block 95 Licence Agreement**").

On 16 January 2012, Harken assigned a 60 per cent. participating interest in the Block 95 Licence Agreement in favour of PetroTal Peru S.R.L (formerly, Gran Tierra Energy Peru S.R.L). The remaining

40 per cent. participating interest was assigned to PetroTal Peru S.R.L on 11 February 2013. PetroTal Peru S.R.L has been the contractor under the agreement since January 2012.

By Supreme Decree Nº 033-2918-EM, signed by the President of Peru, an amendment to the Block 95 Licence Agreement was approved in order to (i) reflect the change of name, effective from 14 August 2018 from Gran Tierra Energy Peru S.R.L to PetroTal Peru S.R.L and (ii) approve the Company as guarantor, replacing GTE.

The Block 95 Licence Agreement was originally awarded in 2005 and was in approximately a 3-year extension period (known as a "retention period") until 30 November 2018. Work commitments for the exploration phase and the retention period have been fully met and included the drilling by PetroTal Peru S.R.L of one exploration well. The Company declared commercial production at the end of November 2018, following which point the licence automatically moved into an exploitation phase. Upon declaration of commercial discovery of petroleum, PetroTal Peru S.R.L has the automatic right to exploit petroleum for a period of 23 years (in the case of crude oil) and 33 years (in the case of gas) from the date of such declaration.

In order to keep the exploration area that was not relinquished at the end of the expiry date of the exploration phase, PetroTal Peru S.R.L has committed to drilling one exploratory well (or 15 Working Exploration Unites) over a period of 48 months. The expiry date of this obligation is 15 November 2020. Contingent on the results of this exploratory well, PetroTal Peru S.R.L must also drill one confirmatory well.

Thereafter, in order to avoid having to relinquish its interest in the exploration area under the agreement, PetroTal Peru S.R.L must drill one 1 exploration well (or 5 Working Exploration Units/10,000 ha) every 2 years. In the event PetroTal Peru S.R.L fails to meet this ongoing drilling commitment, it may only retain the fields that are in production at the time, in addition to a 5 kilometre surrounding area, up to the boundary of the contracted area.

On Friday 7 December 2018, the Company received a letter from OEFA, the government agency that oversees the environmental impacts of the companies working in Peru, noting that the previous operator had deforested an area larger than authorized for the L4 platform located in Block 95. However, as previously indicated by the Company, the remediation work on the L4 platform and surrounding area is scheduled to begin in 2019, due to the fact that the scope of work for the proposed remediation has not yet been approved by the government agency. OEFA is asking the Company to pay a fine of approximately $70,000 and to start working on the recovery of the L4 platform. The Company maintains two points in discussion with OEFA: (1) the company has not been able to remediate the area due to the delay of the government agency to approve the abandonment plan; and (2) during these past three years of evaluation, unauthorized third parties have entered the L4 area to remove materials they may be able to use/sell. The company affirms that these discussions do not affect the commitment to initiate the recovery of the area, once the proposed abandonment plan is approved by the government agency.

Hydrocarbon Royalty

The royalty regime for Block 107 and Block 133 pursuant to the Block 107 License Agreement and the Block 133 License Agreement respectively, may be calculated using either the Production Scales or Economic Results (RRE) methodology at the operator's election once commerciality is declared.

The royalty regime for Block 95, pursuant to the terms of the Block 95 License Agreement and Letter N° PTP-LIM – L95-2018-510 dated 30 November, 2018 from the Ministry, will be calculated using the Production Scales methodology.

Methodology based on Production Scales

Pursuant to Supreme Decree Nº 017-2003-EM:

Fiscalized Production Levels (bbls/d)	*Royalty (per cent.)*
< 5,000	A
5,000 – 100,000	A – B [1]
>100,000	B

[1] Exact royalty determined using linear interpolation

Methodology based on Economic Results (RRE):

RRE = 5% + RV

Where:

RV: Variable Royalty percentage

The Variable Royalty is applied when $FR_{t-1} \geq 1.15$ and within the following range:

0% ≤ Variable Royalty ≤ 20%

Where:

FR_{t-1}: $\dfrac{\textit{Accumulated Revenue from the Date of Signing until period t-1,inclusive}}{\textit{Accumulated Expenditure from the Date of Signing until period t-1,inclusive}}$

$$RV^2 = \left[\frac{X_{t-1} - Y_{t-1}}{X_{t-1}}\right] \cdot \left[1 - \left(\frac{1}{1 + (FR_{t-1} - 1.15)}\right)\right] \cdot 100$$

[2] For negative calculated results, 0 per cent. is considered; for calculated results higher than or equal to 20 per cent., 20 per cent. is considered.

Where:

X_{t-1}: Revenues corresponding to the annual period immediately preceding the time at which the calculation of the Variable Royalty is made. These include the items applicable to FR_{t-1}.

Y_{t-1}: Expenditures corresponding to the annual period immediately preceding the time at which the calculation of the Variable Royalty is made. These include the items applicable.to FR_{t-1}.

Accumulated Revenue
=[PFP·(PCP-CTAP)]+[PFC·(PCC-CTAC)]+[PFG·(PRG-CTAG)]+[PFL·(PCL-CTAL)]+OI

Accumulated Expenditure=Investment+Expenses+Royalty+Other Expenditures
Where:

PFP: Fiscalized Production of Petroleum

PCP: Basket Price for Petroleum

CTAP: Transportation and Storage Costs for Petroleum

PFC: Production of Condensates

PCC: Basket Price for Condensates

CTAC: Transportation and Storage Cost for Condensates

PFG: Fiscalized Production of Natural Gas

PRG: Realized Price of Natural Gas

CTAG: Transportation and Storage Cost for Natural Gas

PFL: Fiscalized Production of Natural Gas Liquids

PCL: Basket Price for Natural Gas Liquids

CTAL: Transportation and Storage Costs for Natural Gas Liquids

OI: Other revenues

The calculation of the Variable Royalty percentage is done twice a year:

I. January, based on the information on Revenues and Expenditures from January to December of the preceding calendar year; and

II. July, based on the information from July of the preceding calendar year until June of the then current calendar year.

Royalties Block 95

PetroTal Peru S.R.L. has elected to calculate the royalties due using the Production Scales methodology, where:

A = 5 per cent.

B = 20 per cent.

11.3 *Block 107 Licence Agreement*

On 1 September 2005, Petrolifera (formerly, Petrolifera Petroleum Del Peru S.A.C.) and Perupetro entered into a licence agreement for the exploration and exploitation of hydrocarbons in Block 107. The agreement was perfected by public deed dated 1 September 2015 (the "**Block 107 Licence Agreement**"). Petrolifera has been the contractor under the Block 107 Licence Agreement since 25 September 2017, and prior thereto Petrolifera Petroleum Del Peru S.A.C had been the contractor since 1 September 2005.

On 27 May 2015, the Block 107 Licence Agreement was amended pursuant to which the exploratory phase was extended by 3 years and the guarantor changed from Petrolifera Petroleum Limited to Gran Tierra Energy Inc. Petrolifera is currently awaiting approval from the Ministry of Energy and Mines in the form of a Supreme Decree signed by the President of Peru authorising Perupetro to amend the Block 107 Licence Agreement to approve the Company as guarantor, replacing GTE.

The term of licence runs to approximately 2041. The exploration phase spans seven years, with a three year extension, divided in five exploratory periods. Block 107 is currently in the fifth exploration period, ending 25 June 2021, which includes a commitment by Petrolifera to drill two exploratory wells at a depth of 3 kilometres or penetration of 50 metres inside the Pre-Cretaceous, whichever is to occur first. The first well is estimated to cost $35 million, which includes building the drilling location and the mobilization of the drilling rig. The second well is expected to cost $15 million. Petrolifera's minimum work commitments under the current exploration period are guaranteed by way of a letter of credit issued by BBVA Continental to Perupetro (as beneficiary) in the amount of $1,500,000 for each of the first and second exploratory wells. These guarantees will expire on 11 August 2021.

Upon commercial discovery of petroleum, Petrolifera has the automatic right to exploit petroleum declared by them for a period of 20 years (in the case of crude oil) and 30 years (in the case of gas) from the date of declaration of commercial discovery. In order to continue with the exploitation phase, Petrolifera is required to submit an Initial Development Plan and Annual Work Plan.

Royalties Block 107

PetrolÍfera, upon declaring a commercial discovery, may choose to apply either the Production Scales or Economic Results methodology for Block 107. With reference to the Production Scales methodology:

A = 5 per cent.

B = 20 per cent.

11.4 *Block 133 Licence Agreement*

On 16 April 2009, Petrolifera (formerly, Petrolifera Petroleum Del Peru S.A.C) and Perupetro entered into a licence agreement for the exploration and exploitation of hydrocarbons in Block 133. The agreement was perfected by public deed dated 1 September 2015 (the "**Block 133 Licence Agreement**"). Petrolifera has been the contractor under the Block 133 Licence Agreement since 25 September 2017, and prior thereto Petrolifera Petroleum Del Peru S.A.C had been the contractor since 1 September 2005.

Petrolifera is currently awaiting approval from the Ministry of Energy and Mines in the form of a Supreme Decree signed by the President of Peru authorizing Perupetro to amend the Block 133 Licence Agreement in order to approve the Company as guarantor, replacing GTE.

The term of the licence runs to approximately 2044. The exploration phase spans seven years, divided into four exploratory periods. Petrolifera is currently in the third exploration period and has the right to explore for petroleum for a term of up to 31 months approximately. Under this exploration period, Petrolifera has committed to drill one exploratory wells at a depth of 1,770 metres or penetration of 100 metres inside the Pre-Cretaceous, whichever is to occur first. Petrolifera's minimum work commitments under the current exploration period are guaranteed by way of a letter of credit issued by BBVA Continental to Perupetro (as beneficiary) in the amount of $1,500,000. The current guarantee expires on 25 November 2019.

The term of the current exploration period has been suspended since 16 May 2014 due to delays in receiving approval from SENACE with respect to the Environmental Impact Study prepared by the Company. The suspension stops the clock on the current exploration period and the original term remains.

Upon commercial discovery of petroleum, Petrolifera has the automatic right to exploit petroleum declared by them for a period of 23 years (in the case of crude oil) and 33 years (in the case of gas) from the date of declaration of commercial discovery. In order to continue with the exploitation phase, Petrolifera is required to submit an Initial Development Plan and Annual Work Plan every year to Perupetro.

Royalties Block 133

PetrolÍfera, upon declaring a commercial discovery, may choose to apply either the Production Scales or Economic Results methodology for Block 133. With reference to the Production Scales methodology, the royalty consists of an additional percentage to the one established by Supreme Decree N° 017-2003-EM:

A = 20 per cent.

B = 35 per cent.

11.5 ***Transitional Services Agreement***

On 18 December 2017, GTRL and the Company (as Sterling Resources) entered into a transitional services agreement (the "**Transitional Services Agreement**"). Pursuant to the Transitional Services Agreement, GTRL agreed to provide certain services to Sterling Resources from closing for up to six months in order to transfer the ownership of the Peruvian oil and gas business to Sterling Resources in an orderly fashion. Subject to any additional fee for the provision of additional services by GTRL or its Affiliates (as defined in the Transitional Services Agreement), the Company agreed to pay GTRL or any Affiliate, as applicable, in consideration for the services rendered a fixed fee in the amount of $20,000 per month, pro-rated, excluding taxes. The Transitional Services Agreement expired on 18 June 2018.

11.6 ***Escrow Agreements***

Acquisition Escrow Agreement

In connection with the Acquisition, GTEIH acquired 187,250,000 Common Shares, which were held in escrow pursuant to an escrow agreement between the Company, Computershare and GTEIH dated 18 December 2017 (the "**Acquisition Escrow Agreement**"). The Acquisition Escrow Agreement provides for the release of such Common Shares pursuant to the following schedule:

(i) 18,725,000 Common Shares upon release of the TSXV's bulletin regarding the listing of such Common Shares, which was issued on 22 December 2017; and

(ii) 28,087,500 Common Shares, in every 6 month interval, following the release of the aforementioned TSXV bulletin.

All Common Shares held by GTEIH will be released from escrow pursuant to the Acquisition Escrow Agreement within 36 months of the aforementioned TSXV bulletin. On 31 January 2018, GTEIH completed an escrow transfer of the 187,250,000 escrowed Common Shares to GTRL pursuant to an interim in specie dividend. GTRL had initially acquired 58,850,000 Common Shares as a subscriber to the Financing.

As at the date of this document, the following shares held by GTRL have been released from escrow: (a) 18,725,000 Common Shares on 22 December 2017 and (b) 28,087,500 Common Shares on 21 June 2018.

Securityholder Escrow Agreement

On 18 December 2017, the directors, officers and certain employees (at such time) and Computershare entered into an agreement (the "**Securityholder Escrow Agreement**"), pursuant to which an aggregate of 9,693,857 Common Shares were agreed to be held in escrow.

The Securityholder Escrow Agreement provides for the release of such warrants pursuant to the following schedule:

(i) 969,385 Common Shares upon release of the TSXV's bulletin regarding the listing of such Common Shares, which was issued on 22 December 2017; and

(ii) 1,454,078 Common Shares, in every 6 month interval, following the release of the aforementioned TSXV bulletin.

All Common Shares will be released from escrow pursuant to the Securityholder Escrow Agreement within 36 months of the aforementioned TSXV bulletin.

As at the date of this document, 2,423,463 of such Common Shares have been released from escrow.

Warrantholder Escrow Agreement

On 18 December 2017, the holders of Performance Warrants and Computershare entered into an agreement (the "**Warrantholder Escrow Agreement**"), pursuant to which an aggregate of 23,540,000 Performance Warrants were agreed to be held in escrow.

The Warrantholder Escrow Agreement provides for the release of such warrants pursuant to the following schedule:

(iii) 2,354,000 Performance Warrants upon release of the TSXV's bulletin regarding the listing of such Common Shares, which was issued on 22 December 2017; and

(iv) 3,531,000 Performance Warrants, in every 6 month interval, following the release of the aforementioned TS)(V bulletin.

All Performance Warrants will be released from escrow pursuant to the Warrantholder Escrow Agreement within 36 months of the aforementioned TSXV bulletin.

As at the date of this document, the following Performance Warrants have been released from escrow: (a) 2,354,000 on 22 December 2017 and (b) 3,531,000 on 21 June 2018.

In the event that the Company makes an application to the TSXV to be listed as a Tier 1 Issuer on the Toronto Stock Exchange, and such application is accepted, the release schedules, for both the Common Shares and Warrants described above will be replaced with the following release schedule:

Percentage of Shares released from Escrow	*Release Date*
25%	the date of the TSXV bulletin
25%	6 months from the date of the TSXV bulletin
25%	12 months from the date of the TSXV bulletin
25%	18 months from the date of the TSXV bulletin

11.7 ***Carried Interest and Option Agreement***

On 18 December 2017, the Company (as Sterling Resources), Petrolifera Petroleum Del Peru S.R.L. ("**Petrolifera**") and GTEIHL entered into a carried interest and option agreement (the "**Carried Interest and Option Agreement**"). Pursuant to the Carried Interest and Option Agreement, Petrolifera agreed to transfer, assign and convey to and in favour of GTEIHL all of their respective beneficial right, title and interest in and to an undivided 20 per cent. participating interest in respect of the rights and obligations under the Block 107 Licence Agreement free and clear of all encumbrances other than those arising under the Block 107 Licence Agreement and any applicable laws and provided that Petrolifera will continue to hold legal and registered title to such participating interest for and on behalf of GTEIHL until receipt of all required authorizations from the Peruvian government. Pursuant to the Carried Interest and Option Agreement, GTEIHL has the option to either forfeit its interest, or convert its interest to a non-carried working interest, following the drilling of an exploration well in Block 107.

11.8 ***Investor Rights Agreement***

On 18 December 2017, GTEIHL, GTRL and the Company (as Sterling Resources) entered into an investor rights agreement (the "**Investor Rights Agreement**"). Pursuant to the Investor Rights Agreement, GTEIHL and GTRL agreed that: (i) notwithstanding the fact GTE (or any of its Affiliates, as defined) (together, the "**Investor**") own or exercise control over (at the time) approximately 45.77 per cent. of the issued and outstanding Common Shares of the Company, unless consented to in writing by the Company, the Investor shall not exercise at any time any voting rights associated with any Common Shares which exceed 30 per cent. of the issued and outstanding Common Shares of the Company (ii) GTEIHL and GTRL shall promptly notify the Company of any acquisitions of Common Shares after the execution of the Investor Rights Agreement, which Common Shares shall also be subject to the Investor Rights Agreement; and (iii) GTEIHL and GTRL or any of their Affiliates shall not solicit any officer or employee of the Company or any of its Affiliates (as defined therein), subject to certain standard exceptions.

Furthermore, effective from completion of the Arrangement and Acquisition, and pursuant to the Investor Rights Agreement, the Investor had the immediate right to appoint two nominees to the Board and thereafter has the right to two nominees provided that their or its ownership of Common Shares exceeds 20 per cent. and the right to one nominee provided that their or its ownership of Common Shares exceeds 10 per cent., subject to adjustment depending upon the size of the Board. Under the Investor Rights Agreement, the Company acknowledges that the Investor and its nominees: (i) have participated (directly or indirectly) and will continue to participate (directly or indirectly) in Other Investments (as defined therein), including Other Investments engaged in various aspects of the "upstream" and "midstream" oil and gas business (and related services businesses) that may, are or will be competitive with the Company's business; (ii) have interests in, participate with, aid and maintain seats on the board of directors or similar governing bodies of, Other Investments; (iii) may develop or become aware of business opportunities for Other Investments; and (iv) may or will, as a result of or arising from (A) the matters referenced in clauses (i), (ii) or (iii), (B) the nature of the business of the Investor and the Investor's nominees and (C) other factors, have conflicts of interest or potential conflicts of interest.

It is further provided under the Investor Rights Agreement that:

(i) the Board must consist of at least three Directors which are independent of the management of the Company and GTE;

(ii) in the event of a dilutive issuance of securities which are offered from treasury to one or more persons, the Investor has a right of pre-emption to subscribe for and purchase (or a pro-rata basis and on the same terms) such securities in order to maintain its *pro rata* ownership percentage in the Company;

(iii) commencing one year from the date of the agreement (i.e. 18 December 2018), provided the Investor holds 10 per cent. or more of the Common Shares, the Investor has the right at any time (but not more than twice in a 365 day period) to make a written request to the Company to effect a filing of a prospectus (preliminary and final) with any of the Canadian Securities Commissions (a "**Prospectus**") and (but only if) the Company has completed a US IPO, to request the Company effect a filing of a registration statement with the United States Securities and Exchange Commission, in compliance with the United States Securities Act of 1933, as amended (a "**Registration Statement**"), to qualify for distribution any Common Shares beneficially owned by the Investor, provided that such request shall only be made is the aggregate number of Common Shares requested is not less than the lesser of (i) all remaining Subject Shares and (ii) the number of Common Shares would reasonably be expected to result in gross sale proceeds to the Investor of at least $15.0 million;

(iv) for so long as the Investor holds 10 per cent. or more of the Common Shares, in the event that the Company proposes to file a Prospectus or a Registration Statement then the Company must give the Investor written notice not less than five business days prior to such filing. The Investor may, at its option, give the Company written notice specifying the number of Common Shares (the "**Supplemental Prospectus Shares**") proposed to be sold or otherwise transferred and requesting the inclusion thereof for distribution under such Prospectus or Registration Statement, as applicable;

(v) notwithstanding the above set out in (v) above, the Company has a right to delay or abandon any Canadian offering or US registration proposed by it at any time in the event the Board determines that such delay or abandonment is in the best interests of the Company and the Company has no obligations or liabilities in connection with such determination. The Investor has the right to withdraw all or part of its Supplemental Prospectus Shares provided such withdrawal is notified at least 24 hours prior to the first filing of the Prospectus or Registration Statement (as applicable); and

(vi) the Investor Rights Agreement terminates if the Investor's equity ownership percentage falls below 10 per cent., or upon the written agreement of the Investor and Company.

11.9 ***Finance Arrangements and Guarantees***

On 5 June 2017, prior to completion of the Acquisition, the managing directors of Peru Holdco approved:

(i) the issuance of a convertible demand note in the amount of $411,448,698.61 in order to evidence the aggregate amount borrowed from GTEIHL to fund the Peruvian Business (the "**Demand Note**"). On the same day, GTEIHL delivered to Peru Holdco a notice of conversion requesting the entire amount owing under the Demand Note be converted into 411,448,698 shares of Peru Holdco; and

(ii) the assignment of GTEIHL's entire interest and right to be paid $14,124,949.71 from PetroTal Energy Peru B.V. and $11,119,000 from Petrolifera to Peru Holdco, representing the full indebtedness that PetroTal Energy Peru B.V. and Petrolifera owed to GTEIHL. The terms of this assignment were set out in a contribution agreement dated 5 June 2017 between GTEIHL and Peru Holdco (the "**Contribution Agreement**").

Prior to completion of the Acquisition, the Demand Note and Contribution Agreement assigned or otherwise extinguished all debt owed to GTEIHL in connection with the Peruvian Business.

The Company has guaranteed various financial and work commitments in relation to Blocks 107 and 133 (the "**Guarantees**"). The Guarantees are letters of credit issued by BBVA Continental to Perupetro, as beneficiary. The Guarantees are in the amounts of:

- $1,500,000, guaranteeing Petrolifera's commitments in relation to a first exploratory well during the fifth exploratory period for Block 107 (expiring 11 August 2021); $1,500,000, guaranteeing Petrolifera's commitments in relation to a second exploratory well during the fifth exploratory period for Block 107 (expiring 11 August 2021); and

- $1,000,000, guaranteeing Petrolifera's commitments in relation to the third exploratory period for Block 133 (expiring 25 November 2019).

Pursuant to the Guarantees, BBVA Continental and Petrolifera are jointly and severally liable to Perupetro to pay the guaranteed amount, on demand, in the event Petrolifera does not fulfil its obligations under the respective minimum work programmes.

12. Material Contracts relating to Admission

12.1 *Introduction Agreement*

Pursuant to an introduction agreement entered into on 17 December 2018 (the "**Introduction Agreement**"), the Company appointed Strand Hanson as its nominated advisor in connection with Admission and thereafter, to continue in that role in accordance with the terms of the Nominated Adviser Agreement (described at paragraph 12.10 below). The Introduction Agreement is conditional upon, among other things, Admission taking place no later than 8.30 a.m. on 21 December 2018 (or such later date as the Company and Strand Hanson may agree, which shall be no later than 31 January 2019).

Pursuant to the Introduction Agreement, the Company has confirmed its agreement to pay to Strand Hanson various fees set out in the Strand Hanson Engagement Letter (described at paragraph 12.2 below) including a lump sum cash payment in substitution for part thereof.

The Company has also agreed to pay all costs and expenses incidental to Admission including the fees of the legal and other professional advisers of Strand Hanson irrespective of whether or not Admission occurs (provided such fees have been properly incurred in accordance with the terms of the Strand Hanson Engagement Letter).

Pursuant to the Introduction Agreement, the Company has given certain warranties and indemnities to Strand Hanson that are typical for agreements of this nature. Furthermore, the Company undertakes that for a period of six months following Admission, it will not, without the prior written consent of Strand Hanson:

- enter into any agreement, commitment or arrangement or put itself into a position where it is obliged to make any announcement concerning any agreement, commitment or arrangement which might be material in the context of Admission; or
- issue any shares or options to subscribe for any shares (other than options granted pursuant to the share schemes referred to in this Admission Document) or securities convertible or exchangeable into shares or enter into any agreement or undertaking to do so.

The Company further irrevocably undertakes that:

- for so long as the Common Shares remain quoted on AIM but are no longer listed on the TSX or the TSXV, the Company will obtain Shareholder approval (by way of special resolution) for any issuance of the Common Shares or convertible securities for case; provided that
- such issuance, when aggregated with any other cash issuance in the previous 12 month period, or the date of de-listing from the relevant exchange (whichever period is shorter), exceeds 25 per cent. of the issued and outstanding Common Shares at the date of issuance.

Strand Hanson is entitled to terminate the Introduction Agreement in specified circumstances prior to Admission, including, among other things, in the event of the occurrence of certain force majeure events. If any of the conditions contained in the Introduction Agreement are not satisfied (or waived in whole or part where capable of waiver), the Agreement terminates (save for various provisions that survive termination) and Admission will not take place.

12.2 *Strand Hanson Engagement Letter*

Pursuant to a letter of engagement dated 14 August 2018, the Company appointed Strand Hanson to act as its nominated adviser to act on the Admission. The Company agreed to pay to Strand Hanson a corporate finance fee for its services payable on the achievement of various milestones.

Pursuant to the terms of the Nominated Adviser Agreement (set out at paragraph 12.7 below) the Company will also pay to Strand Hanson an initial retainer fee per annum, for a minimum term of one year, in connection with its services as the Company's Nominated Adviser.

The Company agreed to reimburse Strand Hanson for any properly incurred out of pocket expenses including, but not limited to, all third party costs, the fees and expenses of Strand Hanson's legal advisers (which are subject to a cap) and all fees and expenses payable in connection with Admission.

Under the letter of engagement, the Company has given certain customary undertakings and indemnities to Strand Hanson in connection with its engagement.

The letter of engagement is governed by English law, and the parties irrevocably submit to the jurisdiction of the courts of England.

12.3 ***Numis Ongoing Broker Agreement***

The Company has also appointed Numis as its joint broker (together with GMP FirstEnergy) on an ongoing basis pursuant to an engagement letter dated 18 October 2018. The engagement will commence on Admission for a minimum of 1 year and continue thereafter until terminated by the Company (with immediate effect). The Company has agreed to pay Numis an annual retainer fee in connection with its ongoing broking services in the first 12 months of the engagement. Prior to expiration of the first 12 month period and each subsequent 12 month period, the parties shall agree the fee for the following 12 month period having regard to the level of services anticipated to be required and all other relevant circumstances.

In addition, the Company has agreed to pay all reasonable costs and expenses of Numis in connection with the engagement including legal fees, provided any amounts in excess of £1,000 have been pre-approved in writing by the Company. Under the letter of engagement, the Company has given certain customary undertakings and indemnities to Numis in connection with its engagement.

The letter of engagement is governed by English law, and the parties irrevocably submit to the jurisdiction of the courts of England.

12.4 ***GMP FirstEnergy Ongoing Broker Agreement***

The Company has also appointed GMP FirstEnergy as its joint broker (together with Numis) on an ongoing basis pursuant to an engagement letter dated 17 December 2018. The engagement will commence on Admission for a minimum of 1 year and continue thereafter until terminated by either party on the giving of no less than thirty days' prior notice. The Company has agreed to pay GMP FirstEnergy an annual retainer fee in connection with its ongoing broking services in addition to all expenses reasonably incurred by GMP FirstEnergy in connection with the engagement including legal fees. Under the letter of engagement, the Company has given certain customary undertakings and indemnities to GMP FirstEnergy in connection with its engagement. The letter of engagement is governed by English law, and the parties irrevocably submit to the jurisdiction of the courts of England.

12.5 ***Deed Poll***

The Depositary will hold (itself or through the Custodian), as bare trustee, the underlying Common Shares and all and any rights and other securities, property and cash attributable to the underlying Common Shares pertaining to the Depositary Interests for the benefit of the holders of the relevant Depositary Interests as tenants in common. The Depositary will re-allocate securities or Depositary Interests distributions allocated to the Depositary or Custodian *pro rata* to the Common Shares held for the respective accounts of the holders of Depositary Interests but will not be required to account for fractional entitlements arising from such re-allocation.

Holders of Depositary Interests agree to give such warranties and certifications to the Depositary as the Depositary may reasonably require. In particular, holders of Depositary Interests warrant, *inter alia*, that the securities in the Company transferred or issued to the Depositary or Custodian on behalf of the Depositary for the account of the Depositary Interest holder are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company's constitutional documents or any contractual obligation, or applicable law or regulation binding or affecting such holder, and holders of Depositary Interests agree to indemnify the Depositary against any liability incurred as a result of any breach of such warranty.

The Depositary and any Custodian shall pass on to the Depositary Interest holders all rights and entitlements received in respect of the underlying Common Shares. Rights and entitlements to cash distributions, to information, to make choices and elections and to attend and vote at meetings shall, subject to the Deed Poll, be passed on in the form in which they are received together with amendments and additional documentation necessary to affect such passing-on. If arrangements are made which allow a holder to take up rights in the Company's securities requiring further payment, the holder must put the Depositary in cleared funds before the relevant payment date or other date notified by the Depositary if it wishes the Depositary to exercise such rights.

The Depositary will be entitled to cancel Depositary Interests and treat the holders thereof as having requested a withdrawal of the underlying securities in certain circumstances, including where a Depositary Interest holder fails to furnish to the Depositary such certificates or representations and warranties as to matters of fact, including his identity, as the Depositary may deem necessary or appropriate.

The Depositary warrants that it is an authorised person under the FSMA and is duly authorised to carry out custodian and other activities under the Deed Poll. It also undertakes to maintain that status and authorisation.

The Deed Poll contains provisions excluding and limiting the Depositary's liability. For example, the Depositary shall not be liable to any Depositary Interest holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or fraud or that of any person for whom it is vicariously liable, provided that the Depositary shall not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent. Except in the case of personal injury or death, any liability incurred by the Depositary to a holder under the Deed Poll is limited to the lesser of:

(a) the value of the Common Shares that would have been properly attributable to the Depositary Interests to which the liability relates; and

(b) that proportion of £5 million which corresponds to the portion which the amount the Depositary would otherwise be liable to pay to the holder bears to the aggregate of the amounts the Depositary would otherwise be liable to pay to all such holders in respect of the same act, omission, or event which gave rise to such liability or, if there are no such amounts, £5 million. The Depositary is entitled to charge holders of Depositary Interests fees and expenses for the provision of its services under the Deed Poll.

Each holder of Depositary Interests is liable to indemnify the Depositary and any Custodian (and their agents, officers and employees), and hold each of them harmless from and against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll so far as they relate to the property held for the account of that holder, other than those caused by or resulting from the wilful default, negligence or fraud of (i) the Depositary or (ii) the Custodian or any agent if such Custodian or agent is a member of the Depositary's group or if, not being a member of the same group, the Depositary shall have failed to exercise reasonable care in the appointment and continued use of such Custodian or agent.

The Depositary is entitled to make deductions from the deposited property or any income or capital arising therefrom, or to sell such deposited property and make deductions from the sale proceeds thereof, in order to discharge the indemnification obligations of Depositary Interest holders.

The Depositary may terminate the Deed Poll by giving not less than 30 days prior written notice. During such notice period, Depositary Interest holders may cancel their Depositary Interests and withdraw their deposited property and, if any Depositary Interests remain outstanding after termination, the Depositary shall, as soon as reasonably practicable, and amongst other things, (i) deliver the deposited property in respect of the Depositary Interests to the relevant Depositary

Interest holder or, at the Depositary's discretion, (ii) sell all or part of such deposited property. It shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the Depositary, together with any other cash held by it under the Deed Poll *pro rata* to the Depositary Interest holders in respect of their Depositary Interests.

The Depositary may require from any holder or former or prospective holder (i) information as to the capacity in which Depositary Interests are owned or held by such holders and the identity of any other person with any interest of any kind in such Depositary Interests or the underlying Common Shares and the nature of such interests, (ii) evidence or declaration of nationality or residence of the legal or beneficial owner(s) of Depositary Interests and such information as is required to transfer the relevant Depositary Interests or Common Shares to the holder and (iii) such information as is necessary or desirable for the purposes of the Deed Poll or CREST system, and holders are bound to provide such information requested. The holders of Depositary Interests consent to the disclosure of such information by the Depositary or Custodian to the extent necessary or desirable to comply with their respective legal or regulatory obligations.

Furthermore, to the extent that the Company's constitutional documents or applicable law may require, the disclosure to the Company of, or limitations in relation to, beneficial or other ownership of, or interests of any kind whatsoever in the Company's securities, the Depositary Interest holders are to comply with the Company's instructions with respect thereto, as may be forwarded to them from time to time.

It should also be noted that holders of Depositary Interests may not have the opportunity to exercise all of the rights and entitlements available to holders of Common Shares, including, for example, the ability to vote on a show of hands. In relation to voting, it will be important for holders of Depositary Interests to give prompt instructions to the Depositary or its nominated Custodian, in accordance with any voting arrangements made available to them, to vote the underlying Common Shares on their behalf or, to the extent possible, to take advantage of any arrangements enabling holders of Depositary Interests to vote such Common Shares as a proxy of the Depositary or its nominated Custodian.

12.6 ***Depositary Agreement***

The Depositary Agreement was entered into between the Company and the Depositary on 13 November 2018 and contains the following provisions:

Under the Depositary Agreement, the Company appoints the Depositary to constitute and issue from time to time, upon the terms of the Deed Poll, a series of Depositary Interests representing Common Shares and to provide certain other services (including depositary services, custody services and dividend services) in connection with such Depositary Interests.

The Depositary agrees that it will comply with the terms of the Deed Poll and that it will perform its obligations with reasonable skill and care. The Depositary assumes certain specific obligations, including, for example, to arrange for the Depositary Interests to be admitted to CREST as participating securities and provide copies of, and access to, the register of Depositary Interests.

The Company acknowledges that it shall be its responsibility and undertakes to advise the Depositary promptly of any securities laws or other applicable laws, rules or regulations of the Province of Alberta and federal laws of Canada which the Depositary must comply with in providing the services.

The Company agrees to provide such information, data and documentation to the Depositary as is reasonably required by the Depositary for the purposes of performing its duties, responsibilities and obligations under the Depositary Agreement.

The Depositary is to indemnify the Company and its officers and employees from and against any loss (excluding indirect, consequential or special loss) which any of them may incur in any way as a result of or in connection with the fraud, negligence or wilful default of the Depositary (or its officers, employees, agents or sub-contractors).

Subject to earlier termination, the appointment of the Depositary shall continue for a fixed period of one year and thereafter until terminated in accordance with the terms of the Depositary Agreement. Should the Depositary Agreement be terminated for any reason, other than arising from the Depositary's fraud, negligence, wilful default or material breach of a term of the Depositary Agreement, the Company shall within 30 days of termination pay to the Depositary, the Depositary's reasonable costs and expenses of transferring the Depositary Interest register to its new registrar. Either party may terminate the Depositary Agreement with immediate effect by notice in writing if the other party (i) shall be in persistent breach of any term or material breach of any material term (of the Depositary Agreement) and such breach is not remedied within 21 days of a request for such remedy, (ii) goes into insolvency or liquidation (not being a members' voluntary liquidation) or administration or a receiver is appointed over any part of its undertaking or assets, subject to certain provisos or (iii) shall cease to have the appropriate authorisations which permit it lawfully to perform its obligations under the Depositary Agreement.

The Depositary will be entitled to employ agents for the purposes of carrying out certain matters of a specialist nature, which the Depositary may consider appropriate.

The Company is to pay to the Depositary an annual fee for the services. The Company shall pay a fixed fee for the deposit, cancellation and transfer of the Depositary Interests and the compilation of the initial Depositary Interests register. The Company shall in addition reimburse the Depositary within 30 days of the Depositary's invoice for all network charges, CREST charges, money transmission and banking charges and other out-of-pocket expenses incurred by it in connection with the provision of the services under the Depositary Agreement.

The Company will indemnify the Depositary from and against all loss (excluding indirect, consequential or special loss) suffered by the Depositary as a result of or in connection with the performance of its obligations under the Depositary Agreement.

The aggregate liability of the Depositary to the Company over any 12-month period under the Depositary Agreement will not exceed twice the amount of fees payable in any 12 month period in respect of a single claim or in the aggregate.

12.7 ***Nominated Adviser Agreement***

A nominated adviser agreement dated 17 December 2018 was entered into between Strand Hanson and the Directors of the Company (the "**Nomad Agreement**"), pursuant to which Strand Hanson has agreed to act, following Admission, as the Company's nominated adviser as required by the AIM Rules. The Nomad Agreement provides for a minimum term of 12 months and thereafter is terminable by either party (without cause) on 1 months' written notice. The Nomad Agreement provides for the Company to pay Strand Hanson an annual fee.

The appointment will terminate immediately in the following circumstances, among others, (i) on Strand Hanson giving written notice to the Company in certain customary circumstances including, without limitation, if there is a material breach by the Company or any of the Directors of its obligations under the Nomad Agreement or of the AIM Rules (which, where capable of remedy, remains unremedied within seven days of a request therefor by Strand Hanson), (ii) forthwith if Strand Hanson is removed for any reason from the register of nominated advisers maintained by the London Stock Exchange, (iii) by the Company giving written notice if there is a material breach by Strand Hanson of its obligations under the Nomad Agreement, where such breach has not been remedied within seven days or (iv) if the Common Shares are suspended from trading on AIM for more than 14 days for reasons other than by virtue of the type of transaction contemplated by Rules 14 or 15 of the AIM Rules or they cease to be admitted to trading on AIM.

Under the Nomad Agreement, the Company has given customary undertakings and provided customary indemnities to Strand Hanson. The agreement is governed by English law and the parties irrevocably submit to the jurisdiction of the courts of England.

12.8 ***Lock-in and Orderly Market Arrangements***

The Directors, Meridian Capital International Fund ("**Meridian**"), Gregory Smith and GTRL have each agreed with the Company, the Nomad, Numis and GMP FirstEnergy not to dispose of their interests in Common Shares held or acquired by them for a period of at least 12 months from the date of Admission (the "**Lock-In Period**"), save for GTRL, who has agreed to a 6 month Lock-In Period.

In addition, the Directors, Meridian and Gregory Smith have each agreed to only dispose of any interest held in the Common Shares for a period of 12 months (in the case of the Directors) and 6 months (in the case of Meridian and Gregory Smith) following expiration of the Lock-in Period, with the consent of, and through either Numis, GMP First Energy (together, the "**Brokers**") or any Replacement Broker (as defined therein), in such manner as the Brokers or the Replacement Broker may reasonably require so as to ensure an orderly market in the Common Shares (the "**OMA**").

The Lock-In and OMA restrictions are subject to a number of exceptions, including, but not limited to, a disposal pursuant to (i) an intervening court order; (ii) an offer to purchase the entire share capital of the Company whether by way of contractual purchase or court sanctioned process; or (iii) a disposal otherwise permitted by the AIM Rules, as determined by the Nomad.

The aggregate interests following Admission which shall be subject to the lock-in and orderly market arrangements, as described above, will amount to 332,737,608 Common Shares, which is equivalent to approximately 61.9 per cent. of the Issued Share Capital.

12.9 ***Relationship Agreement***

A relationship agreement was entered into between the Company, Strand Hanson and GTE on 17 December 2018, conditional on Admission (subject to a long stop date of 31 January 2019 or such other date as the parties may agree), pursuant to which the parties have agreed to manage the relationship between GTE and the Company to ensure that, among other things, (i) the Group will at all times be capable of carrying on its business independently of GTE and its Affiliates (as defined therein); (ii) all transactions and arrangements in the future between the Company and GTE and its Affiliates will be at arm's length and on a normal commercial terms and (iii) GTE will not use its Voting Rights (as defined therein) to prevent the Company from complying with applicable laws and regulations (the "**Relationship Agreement**").

More specifically, GTE has agreed to exercise its Voting Rights, or to procure that any Voting Rights held by its Affiliates (as defined therein) including GTRL, are exercised in compliance with the AIM Rules and in a way to ensure the independence of the Board is maintained and that no less than half of the directors of the Board are independent of GTE. The Relationship Agreement will terminate automatically in the event that (i) the Common Shares cease to be admitted to trading on AIM, or (if applicable) the Official List of the Financial Conduct Authority; (ii) GTE and its Affiliates cease to hold, in aggregate, a Controlling Interest (defined as an interest in 20 per cent. or more of the Common Shares or Voting Rights attaching to the Common Shares of the Company) for a period exceeding 56 days.

GTE has agreed to procure that it and any Affiliates shall give notice to the Nomad in the event that it wishes to sell any interest in Common Shares during the 6 month period commencing at the end of the 6 month lock in referred to in paragraph 12.8 of this Part 5.

13. Related Party Transactions

Save as disclosed in the financial information set out in Part 4 of this document, there were no related party transactions between any Group company that were entered into during the financial years ended 31 December 2017, 2016 and 2015 or during the period between 1 January 2018 and the Latest Practicable Date.

14. Intellectual Property

The Company has confirmed that it does not have any registered intellectual property other than its website domain name – www.petrotal-corp.com

15. Employees

As at 30 September 2018, the Company has in aggregate 51 employees, 9 of which are based in Houston and 42 in Peru. The Company also engages one consultant.

16. Properties

The Group does not own any material real property. Various Subsidiaries with the Group lease office space in Houston and Lima.

17. Corporate Social Responsibility

The Company, as at the date of this document, employs a team of 5 professionals to lead its Corporate Social Responsibility ("**CSR**") efforts. The team is focused on working with local communities where the Group's operations and properties are located. Annually, the Company spends approximately USD $900,000 to fund CSR initiatives and support local communities. Over the past several years, this team has successfully engaged with the local communities and fostered good working relationships in such regions. The Company is committed to achieving the long term success of its CSR endeavours.

18. Consents and Other Information

18.1 Strand Hanson, the nominated adviser to the Company has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they appear. Strand Hanson is registered in England and Wales as a private company under the Companies Act of Great Britain with number 02780169 and is regulated by the FCA. Its registered office is at 26 Mount Row, London W1K 3SQ.

Numis and GMP FirstEnergy have each given and not withdrawn their written consent to the issue of this document with the inclusion in it of references to their name in the form and context in which they appear.

18.2 NSAI, has given and not withdrawn its written consent to the issue of this document with the inclusion in it of its report contained in Part 3 of this document, and references thereto and to its name in the form and context in which they appear.

18.3 Deloitte LLP of Suite 700, 850 – 2nd Street S.W., Calgary, Alberta T2P 0R8 are the auditors of the Company.

18.4 The total costs and expenses payable by the Company in connection with Admission (including professional fees, the costs of printing and registrars fees) are estimated to amount to £0.9 million (approximately $1.11 million) excluding VAT.

18.5 Save as otherwise disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Group's business or profitability.

18.6 Save as otherwise disclosed in this document, there have been no significant authorised or contracted capital commitments of the Group as at the date of publication of this document.

18.7 No environmental issues have arisen in the past 12 months which would have had a significant effect on the Company's financial position or profitability. The Company has estimated the net present value of its decommissioning liabilities associated with the Bretaña Assets to be $14.5 million as at 30 September 2018, based on a total undiscounted future liability, after inflation adjustment of $22.8 million. Save as disclosed in this document, the Company is not aware of any material environmental issues or risks affecting the utilisation of the Group's tangible fixed assets or its operations.

18.8 Save as otherwise disclosed in this document, no person has (excluding those professional advisers disclosed in this document and trade suppliers):

(i) received, directly or indirectly, from the Company within the 12 months preceding the date of this document; or

(ii) entered into any contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:

- o fees totalling either £10,000 or more;
- o securities in the Company with a value of either £10,000 or more calculated by reference to the expected price of a Common Share at Admission; or
- o any other benefit with a value of either £10,000 or more or more at the date of Admission.

18.9 The Directors will comply with Rule 21 of the AIM Rules and Article 19 of the Market Abuse Regulation relating to Directors' and applicable employees' dealings in Common Shares and to this end, the Company has adopted an appropriate insider trading policy.

18.10 Save as disclosed in this document, the Directors are unaware of:

(i) any significant trends in production, sales and inventory and costs and selling prices from 30 September 2018 (being the date to which the latest interim financial information set out in Part 4 of this document was prepared) to the date of this document;

(ii) any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for at least the current financial year; or

(iii) any exceptional factors which have influenced the Company's activities.

18.11 There are no mandatory takeover bids outstanding in respect of the Company and no public takeover bids have been made by third parties either in the last financial year or the current financial year of the Company.

18.12 The information required by Rule 26 of the AIM Rules will be available at www.petrotal-corp.com from the date of Admission.

19. Availability of Admission Document

Copies of this document, which contains full details about the Company and the admission of its securities, will be available from the offices of Strand Hanson, 26 Mount Row, London W1K 3SQ, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of one month from the date of Admission. A copy of this document is also available for download at the Company's website at www.petrotal-corp.com

PART 6

OVERVIEW OF PERUVIAN REGULATORY AND FISCAL REGIME

Hydrocarbons Law

The legal framework in respect of the exploration for and exploitation of Hydrocarbons within the Republic of Peru is governed by the Hydrocarbons Law.

Specifically, the Hydrocarbons Law governs Hydrocarbons activities in the territories of Peru and provide that the Peruvian State fosters the development of Hydrocarbons activities based on free competition and free access to economic activity in order to achieve the welfare of human beings and national development.

The Hydrocarbons Law established PeruPetro, as the private law company of the Ministry of Energy and Mines in order to promote investments in Hydrocarbons exploration and exploitation in Peru. Furthermore, PeruPetro has authority to execute and supervise contracts for the exploration and/or exploitation of Hydrocarbons.

Ownership of "in situ" Hydrocarbons within the Republic of Peru

The Government grants PeruPetro the right to Hydrocarbons extracted in order for it to be able to execute the exploration and exploitation or exploitation contracts in accordance with the terms established by the Hydrocarbons Law.

The property right, title and interest of PeruPetro of and to such Hydrocarbons is transferred to licensees upon the execution of a licence contract.

Article 10 of the Hydrocarbons Law provides that exploration and exploitation of Hydrocarbons may be carried out under the following contract forms:

(a) a licence contract;

(b) a services agreement; or

(c) other contract forms authorised by the Ministry of Energy and Mines.

To this end, the contract form for Blocks 95, 107 and 133 is a licence contract for the exploration and exploitation of Hydrocarbons.

Law governing Licence Contracts

The first paragraph of Article 62 of the Political Constitution of Peru provides

that: *"Article 62.- Freedom to contract*

Freedom to contract secures that the parties may validly agree according to the rules in force at the time of the agreement. <u>The contract terms may not be modified by laws or any other provision.</u> Conflicts arising out of the contract relationship are only settled by arbitration or in court, following the protection tools set forth in the agreement or under the law."

The first paragraph of Article 12 of the Hydrocarbons Law provides that:

"Article 12.- The Agreements, once approved and signed, may only be modified by written agreement among the parties. The amendments shall be approved by Supreme Decree countersigned by the Ministers of Economy and Finances and of Energy and Mines, within the same term provided in Article 11.

Licence Contracts, as well as Services Agreements, are governed by private law, being applicable the scope of Article 1357 of the Civil Code."

Article 1357 of the Civil Code provides that:

"Article 1357- Agreements – Law In pursuance of the law, supported on grounds of social, national or public interest, guaranties and securities granted by the State may be provided for under an agreement."

Accordingly, the licence contract is a private law agreement, governed by the terms and conditions agreed upon by the parties, and cannot be amended by law or any other rule issued or created after its execution. Any amendment to the contractual terms requires the mutual written agreement of the contractor counterparty and PeruPetro, in compliance with the approval proceedings accordance with the Hydrocarbons Law.

Assignment of contractual position in the Licence Contract

Furthermore, Article 17 of the Hydrocarbons Law provides that: *"A Contractor may assign its contractual position or become associated with third parties, with the prior approval through Supreme Decree countersigned by the Ministers of Economy and Finances and of Energy and Mines"*. Any assignee must have the same responsibilities with respect to guarantees and obligations assumed by the contractor under the licence contract.

Other applicable rules to the Licence Contract

Exploration and Exploitation

The activities for exploration and exploitation of Hydrocarbons must be carried out in compliance with Supreme Decree Nº 032-2004-EM which regulates the exploration and exploitation of Hydrocarbons.

Royalties

The mythologies to determine the royalties payable under licence contracts are set out in Supreme Decree Nº 049-93-EM and Supreme Decree N° 017-2000-EM. Royalties are payable in the event of a Commercial Discovery of Hydrocarbons.

Imports and Exports

Pursuant to the Hydrocarbons Law:

The Contractor may import such goods as it may be necessary for the performance of the Licence Agreement. It may not re-export or dispose of the imported items that are tax free for other purposes, without prior the authorization of PeruPetro.

Importing goods and products required for the exploration stage of the licence contract, for exploration activities, is tax exempted, including those taxes that require express reference during the term of such stage. Supreme Decree N° 138-94-EF approved the list of goods and products that may be exempted from any tax for this purpose.

Taxes on importing of goods and inputs required by a contractor, for exploitation activities and/ or exploration in the exploitation stage, shall be borne by the importer.

Moreover, exporting of Hydrocarbons is exempted from any and all tax, including those that require express reference.[1]

Aside from those exemptions, the Contractor must pay, with its own resources, import taxes applicable to its activities in Peru, according to the Hydrocarbons Law.

Temporary Importing

Pursuant to the Hydrocarbons Law:

Contractors may import temporarily for two years goods for its activities, exempt from import tax, including those taxes that require express reference.

The procedure, requirement and guarantees necessary for the application of the temporary imports are subject to the rules included in the General Customs Act, as amended and together with its regulations thereunder.

1 "...require express reference" means that, by Law, some taxes require an express reference to them in order that an exemption or exoneration to that tax is legally valid. One of these taxes for example is income tax.

Temporary importing may be extended for one year, up to two times with the consent of PeruPetro and subsequent authorization of the Customs National Superintendency.

Environment

The Regulations for Environmental Protection in Hydrocarbons Activities, as approved by Supreme Decree N° 039-2014-EM apply to contractors in their exploration and exploitation of Hydrocarbons.

Treatment of Foreign Investment, Submission to Peruvian Arbitration and Jurisdiction

In accordance with Article 63 of the Political Constitution of Peru:

"Article 63.- Local and foreign Investment

Local and foreign investments are subject to the same conditions. The production of goods and services and foreign trade are free. If any other country or group of countries adopt protection or discriminatory measures that affect the national interest, the State may, in its defense, adopt similar measures.

In any and all agreement of the State and public law persons with residing foreigners, they are submitted to the laws and jurisdictional bodies of the Republic and they waive any diplomatic claims. Financial agreements may be exempted from national jurisdiction.

The State and other public law persons may settle their differences arising out of the contract relationship to courts created under effective treaties. They may also submit them to national or international arbitration, as provided by the law."

Consistent with the second and third paragraph of said rule, the Hydrocarbons Law provides that:

"Article 85.- Local or foreign individuals or legal entities, that develop Hydrocarbons activities shall be expressly submitted to the laws of the Republic of Peru and shall waive any and all diplomatic claims."

"Article 86.- Any difference that may arise out of the execution, performance and anything related to Hydrocarbons activities referred to in this Law, may be submitted to the Judiciary or to local or international arbitration. Once the jurisdiction is agreed, it must be mandatory.

The arbitration shall be mutually agreed by the parties in writing. The parties must set the conditions for their performance, and they must indicate necessarily the designation of arbitrators and the rules applicable to issue their award. The arbitration award shall be final and mandatory."

Ownership by Foreigners

Article 71 of the Political Constitution of Peru provides:

"Article 71.- Ownership by Foreigners

As far as ownership is concerned, foreigners, whether individuals or legal entities, shall be in the same position as Peruvians, and they may not claim any exception or diplomatic protection.

However, within fifty kilometers of borderlines, foreigners may not buy or hold any ownership title, mines, lands, forests, waters, fuels or sources of energy whatsoever, directly or indirectly, individually or in society, under penalty of losing, in the benefit of the State, the right so acquired. The public need is excepted expressly declared by supreme decree approved by the Council of Ministers according to the law."

Notwithstanding the second paragraph of the above mentioned rule, Article 15 of the Hydrocarbons Law provides for the following exception:

"Article 13.- Local or foreign individuals or legal entities may enter into Agreements in all national territory, including the area involved in the fifty (50) kilometers next to borderlines. In order to carry out exploration and exploitation of Hydrocarbons in the borderline area above mentioned, this Law recognizes that they are national and public cases."

Free Availability of Hydrocarbons

In accordance with Article 39 of the Hydrocarbons Law: *"The Contractor shall have free availability of Hydrocarbons according to the Agreement and may export them free from any tax, including those taxes that require express reference."*

Holding and availability of Foreign Currency

Article 64 of the Political Constitution of Peru provides the following: *"The State secures free holding and ownership of foreign currency."*

Accounting in Foreign Currency

In accordance with Article 64 of the Hydrocarbons Law:

"The Contractor may keep accounting in foreign currency, according to accounting principles accepted in Peru." Accordingly the Contractor is permitted to account in US dollars.

Guaranties of Free Availability and Availability of Foreign Currency

Article 66 of the Hydrocarbons Law sets forth the guarantees for free management and availability of foreign currency:

"Article 66.- The Central Bank of Peru, on behalf of the State, must guarantee to the local or foreign companies that make up the Contractor, the availability of foreign currency according to this Law and the Agreements, also including the following:

(a) Free availability of 100 per cent. (one hundred per cent) of foreign currency from exports of Hydrocarbons, that may be used of directly in its bank accounts in the country or overseas;

(b) Free availability and right to freely convert foreign currencies 100 per cent. (one hundred per cent) of the local currency resulting from the sales of Hydrocarbons to the local market and the right to deposit directly in US bank accounts in the country or overseas both foreign currencies and local currency;

(c) The right to exchange freely into foreign currency 100 per cent. (one hundred percent) of the contribution paid in cash, the free availability of this foreign currency and the right to deposit directly in its bank accounts in the country or overseas both the foreign currency and the local currency;

(d) The right to keep, control and operate bank accounts in any currency, both in the country and overseas, and to keep and dispose freely overseas of such funds from said accounts without restriction;

(e) Notwithstanding, the right to use freely, distribute, send, or withhold overseas, without restriction, its annual net profits, after taxes.

The guaranty of free availability of foreign currency granted by the Central Bank shall be applied provided that the foreign currency required by the Contractor may not be met by the local financial system."

Fiscal Regime

Oil and gas exploration and production (E&P) activities are conducted in Peru under licence or service contracts granted by the Government of Peru. Pursuant to the Hydrocarbons Law, the Government guarantees that the tax law in effect on the agreement date will remain unchanged during the contract term.

It's important to note that the Hydrocarbons Law and the related tax regulations foresee that the signing of an oil and gas agreement implies the guarantee that the tax regime in effect at the date of signature will not be changed during the life of the contract. This is intended to preserve the economy of the contract so that no further tax costs are borne by contractors.

The signing of an agreement for the exploration or exploitation of a block freezes the tax regime in force at the date the contract is signed for the entire life of the contract. Pursuant to Law 27909 additional two percentage points will be applicable to the income tax rate of the tax regime in force (i.e., pursuant to Article 55 Income Tax Law a current income tax rate of 29.5 per cent. plus 2 per cent.). The taxes covered by this provision are the responsibility of the contractor as the taxpayer.

It is important to note that this tax stabilization mechanism is, in essence, granted for the contract activities and not directly for the counterparties to the contract. Therefore, any change in the contractor's ownership will not affect the tax stabilization. Equally, the tax stabilization mechanism only covers the contract activities (i.e., the exploration and exploitation of Hydrocarbons) and no other related or distinct activities that may be performed by the legal entity (e.g., refining). Taxes (i.e., dividend tax or branch profits tax) that affect profit distributions arising from the contract activities are also covered.

Pursuant to Supreme Decree 151-2002- EF, Contractors are entitled to keep their accounting records in foreign currency, but taxes must be paid in Peruvian soles (PEN).

Corporate tax

Pursuant to the Income Tax Law, Resident corporations are subject to corporation tax on their worldwide income, whereas branches, agencies or other permanent establishments (PEs) of foreign corporations, while also being considered resident corporations, are subject to corporation tax exclusively on their Peruvian-sourced income. Exports are considered to be Peruvian-sourced income.

Resident corporations are companies incorporated in Peru which includes controlled foreign corporations.

Tax rates

The current CIT rate is 29.5 per cent., which applies for 2018 and onwards.

In addition, a dividend tax of 5 per cent. applies to distributions of profits to non-residents and individuals by resident companies and branches, permanent establishments and agencies of foreign companies. The 5 per cent. rate applies beginning 1 January 2017. For profits earned from 1 January 2015 to 31 December 2016, the former 6.8 per cent. withholding rate applies, even if the profits are distributed in 2017. The law specifies various transactions that are considered profit distributions by resident entities for the purpose of the dividend tax, including a distribution of cash or assets other than shares of the distributing company and, under certain circumstances, a reduction in the company s capital or a liquidation of the company.

Expenses that are not subject to further tax control (i.e., expenses that might benefit shareholders, such as personal expenses and other charges assumed by the corporation) are deemed to be a dividend distribution. However, the capitalization of equity accounts is not treated as a distribution.

For PEs, branches and agencies of foreign companies, a distribution of profits is deemed to occur on the deadline for filing their annual CIT return (generally, at the end of March of the following year).

Dividends are taxed pursuant to withholding mechanism. The withheld amount is considered a final payment. Nevertheless, dividends related to expenses not subject to further tax control are subject to a dividend tax (i.e., it will be treated as a deemed dividend distribution).

Taxable year

Pursuant to the Income Tax Law, the taxable year is the calendar year. The accounting year is also the calendar year, without exception.

Tax returns

CIT returns must be prepared by the taxpayer under the self-assessment method. The annual income tax return must be filed within the first three months of the following tax year. Income tax prepayment tax returns must be filed monthly. Value-added tax (VAT), withholding tax (WHT) and other returns (e.g., payroll tax) are also filed monthly according to a Schedule published by the tax authorities, based on the taxpayer's tax number.

The contractor has to determine the tax base and the amount of tax applicable. If the contractor carries out related activities (i.e., activities related to oil and gas but not carried out under the terms of the contract) or other activities (i.e., activities not related to oil and gas), the contractor is obliged to determine the tax base and the amount of tax separately and for each activity. The corresponding tax is determined based on the income tax provisions that apply in each case (subject to the tax stability provisions for contract activities, and based on the regular regime for the related activities or other activities).

The total income tax amount that the contractor must pay is the sum of the amounts calculated for each contract, for both the related activities and the other activities. The forms to be used for tax statements and payments are determined by the tax administration.

Monthly income tax prepayments

Taxpayers are required to pay estimated monthly income tax prepayments, which must be calculated, in general terms, based on the following methods:

- Percentage method: by applying 1.5 per cent. to the total net revenue of the month.
- Ratio method: by dividing the tax calculated in the previous year by the total accrued net revenues of the same year and applying the ratio to the net accrued revenues of the month.

Income tax prepayments apply as a credit against the annual income tax obligation. They can be refunded at the end of the fiscal year (once the tax return is filed) if they exceed the annual income tax assessed.

Group treatment

Peruvian tax law does not include any provisions regarding taxation on a consolidated basis.

Ring fencing

Pursuant to the Hydrocarbons Law, if the contractor has more than one contract, it may offset the tax losses generated by one or more contracts against the profits resulting from other contracts or related activities. Likewise, the tax losses resulting from related activities may be offset against the profits from one or more contracts.

It is possible to choose the allocation of tax losses to one or more of the contracts or related activities that have generated the profits, provided that the losses are depleted or are compensated to the limit of the profits available. The tax losses are allocated up to the limit of the profits available in the block or related activities. If there is another contract or related activity, a taxpayer may continue compensating for the tax losses until they are fully utilized.

A contractor with tax losses from one or more contracts or related activities may not offset them against profits generated by the other activities. Furthermore, in no case may tax losses generated by the other activities be offset against the profits resulting from the contracts or from the related activities.

Income recognition

For local corporate purposes, income is recognized on an accrual basis.

Transfer pricing

Peru has adopted transfer pricing guidelines, based on the arms-length principle. The accepted methods are the comparable uncontrolled price (CUP) method, the resale price method, the cost plus method and the transactional net margin method, as well as other related methods based on margins. Organisation for Economic Cooperation and Development (OECD) guidelines can be used as a complementary source of interpretation. Advance pricing agreements (APAs) maybe agreed with the tax authorities.

In Peru, these rules do not only apply to transactions between related parties, but also to transactions with entities that reside in tax havens. However, adjustments to the value of related-party transactions should only occur if the value agreed between the parties results in the payment of lower taxes under specific criteria.

One or more legal entities are related parties if one of them participates directly or indirectly in the management, control or equity of the other one, or whenever the same person participates directly or indirectly in the direction, control or equity of diverse related entities.

Capital gains

Capital gains are treated as ordinary income. Capital gains, determined by resident entities are subject to a 29.5 per cent. tax rate according to the Income Tax Law.

Expenses

According to Articles 37 and 44 of the Income Tax Law, expenses incurred in the generation of revenue, in maintaining the revenue source, or in the generation of capital gains, are generally deductible for determining the income tax base.

However, expenses derived from transactions executed with entities (corporations or branches) that reside in tax havens are not deductible for the computation of taxable income, with the exception of payments derived from the following transactions: credit facilities and insurance, assignment of ships or aircrafts, transportation from/to the country and the tax haven, and fees for passage through the Panama Canal.

Peruvian income tax regulations contain a list of countries considered as tax havens for income tax purposes. Notwithstanding this, countries not included on the list can be qualified as tax havens if their effective income tax rate is 0 per cent. or the effective income tax rate is less than 50 per cent. of the rate that would apply in Peru over the same kind of income.

Organization expenses, initial pre-operating expenses, pre-operating expenses resulting from the expansion of a company's business and interest accrued during the pre-operating period may be deducted, at the taxpayer s option, in the first taxable year, or they may be amortized proportionately over a maximum term of 10 years. The amortization period runs from the year when production starts. Once the amortization period is fixed by the taxpayer, it can only be varied with the prior authorization of the tax authorities. The new term comes into effect in the year following the date that the authorization was requested, without exceeding the overall 10-year limit.

Research and development expenses (R&D) shall be deductible in the fiscal year in which they are accrued. The deduction is allowed even if the expenses are not related to the core business of the company.

Pursuant to Law 28194 it is necessary to use certain means of payment for the deduction of expenses in excess of approximately PEN3,500 (equivalent to around US$ 1,060). The permitted means of payment include deposits in bank accounts, fund transfers, payment orders, debit and credit cards issued in Peru, checks, etc.

Valuation of inventory

Pursuant to the Income Tax Law, inventory is valued for tax purposes at the acquisition or production cost. Finance charges are not allowed as part of the cost. Taxpayers may choose any one of the following methods to calculate annual inventory for tax purposes, provided that the method is used consistently: first-in, first-out (FIFO); daily, monthly or annual average; specific identification; detailed inventory; or basic inventory.

Depreciation of tangible assets

According to income tax regulations of the Income Tax Law, the maximum annual depreciation rates for income tax purposes are: 20 per cent. for vehicles; 20 per cent. for machinery and equipment used in the mining, oil and construction industries; 10 per cent. for other machinery and equipment; 25 per cent. for hardware; and 10 per cent. for other fixed assets. Under the income tax general provisions, depreciation is deductible provided that it does not exceed the maximum rates and it is registered in the taxpayers accounting records, regardless of the depreciation method used.

Buildings are subject to a fixed 5 per cent. depreciation rate, without the accounting record requirement.

Special oil and gas rules regarding investments aimed to produce Hydrocarbons

The Hydrocarbons Law provides that exploration and development expenditures, and the investments that contractors may make, up to the date when commercial extraction of Hydrocarbons starts, including the cost of the wells, are accumulated in an account. At the contractor s option and with respect to each contract, the amount is amortized using either of the methods below:

- Units of production
- Linear amortization, deducting the expenditures in equal portions over a period of no less than five fiscal years

Any investments in a contract area that did not reach the commercial extraction stage and that were totally released can be accumulated with the same type of investments made in another contract that is in the process of commercial extraction. These investments are amortized in accordance with the amortization method chosen in the latter contract.

If the contractor has entered into a single contract, the accumulated investments are charged as a loss against the results of that contract in the year of total release of the area for any contract if the area did not reach the commercial extraction stage. Investments consisting of buildings, power installations, camps, means of communication, equipment and other goods that the contractor keeps or recovers to use in the same operations or in other operations of a different nature cannot be charged as loss against the contract.

Once commercial extraction starts, all amounts corresponding to disbursements with no recovery value are deducted as expenses for the fiscal year. Expenses with no recovery value at the start of commercial extraction include:

- Investments for drilling, completing or producing start-up wells of any nature, including stratigraphic ones, and excluding acquisition costs of surface equipment.
- Exploration investments, including those related to geophysics, geochemistry, field geology, gravimetry, aerophotographic surveys and seismic surveying, processing and interpreting.

The Manual of Accounting Procedures to be filed before PeruPetro must detail the accounts considered expenditures without any recovery value.

Tax Losses

According to the Income Tax Law, Tax losses can be carried forward and offset against net income derived in future fiscal years. The provisions currently in force require the taxpayer to elect one of the following procedures to offset the tax losses:

- Offset the total net tax losses from Peruvian sources incurred in a tax year against net income derived in the four fiscal years following its generation. The amount of losses not offset after this term are cancelled.
- Offset the total net tax losses from Peruvian sources obtained in the tax year against 50 per cent. of the net income obtained in the following years, without limitation.

The election should be made when the annual income tax return is filed, and it cannot be changed until the accumulated losses are fully utilized.

Loss carrybacks are not allowed.

VAT

Pursuant to the Hydrocarbons Law, VAT is subject to tax stability, but only for the transferable nature of the VAT charged by the buyer to the seller. The stabilized regime for VAT and other selective consumption taxes (e.g., Peru's luxury tax, the so-called "Impuesto Selectivo al Consumo") also applies for exporters, which means that exports are not subject to any tax.

It should also be mentioned that the import of goods and inputs required for exploration activities is free from any taxes (based on a list detailing such goods approved by the Government authorities).

VAT charged at 18 per cent. applies to the following operations:

1. The sale of goods within Peru
2. Services performed with in Peru
3. Services performed by non-residents within Peru
4. Construction
5. The first sale of resale state by a builder
6. The import of goods (including intangible assets).

For activities 1, 2, 4 and 5, the VAT payable is determined on a monthly basis by deducting credited VAT paid (i.e., input tax) from the gross tax charged (i.e., output VAT) in each period. As a result, VAT does not necessarily represent a financial cost but can be met through offsetting the input tax against the output tax charged in the tax period.

However, VAT paid on the import of goods or the utilization of services within Peru must be paid directly to the tax authorities.

Customs duties

The custom duty rates that apply on the importation of goods into Peruvian territory are 0 per cent., 6 per cent. and 11 per cent., depending on the tariff classification of the goods. Customs value is assessed using the valuation rules of the WTO (World Trade Organization). Most capital goods are covered by the 0 per cent. rate.

The importation of certain goods and inputs during an oil or gas exploration phase is tax-free; however, these goods must be included in a list to be approved by means of a ministerial resolution by the Ministry.

Goods can be temporarily imported for a period of up to four years. Import taxes (customs duties, if applicable, plus VAT) are suspended for temporary imports, but must be guaranteed.

Financial transaction tax

Pursuant to Law 28194 Operations made through Peruvian bank accounts (deposits and withdrawals) are subject to a financial transaction tax, charged at the rate of 0.005 per cent.

Temporary net assets tax

Pursuant to Law 28424 temporary net assets tax is equal to 0.4 per cent. of the value of the total assets over PEN 1 million. The ITAN obligation is determined based on the balance sheet as of 31 December of the previous year.

ITAN may be paid in a single amount or nine monthly quotas (i.e., a fractional payment). In the first case, the payment must be made with the ITAN return submitted in April. ITAN payments may be used as a tax credit to offset income tax liabilities (i.e., monthly prepayments and the income tax payment due when the annual income tax return is filed).

Likewise, according to the ITAN law, taxpayers that are obliged to pay taxes abroad related to income arising from Peruvian sources may choose to pay the ITAN due with the amount paid for the monthly prepayments of income tax. This option may be used only if the taxpayer has chosen to make the payment in fractional amounts.

Osinergmin contribution

Pursuant to Law 27332, this contribution must be paid by oil and gas companies that import or produce fuels, including liquefied petroleum gases and natural gas, or carry out transportation and distribution activities. The rate of this contribution is 0.36 per cent. (for import or production activities) and 0.57 per cent. (for transport and distribution activities), and it is based on their monthly billing, deducting VAT.

Agency for Environmental Assessment and Enforcement (OEFA) contribution

Pursuant to Law 27332, oil and gas companies that import or produce fuel, including liquefied petroleum gases, or carry out transport and distribution activities should pay the OEFA contribution. The rate of this contribution is 0.09 per cent. (for import or production activities) and 0.11 per cent. (for transport and distribution activities), and it is based on their monthly billing, deducting VAT.

Energetic Fund for the Social Inclusion (FISE)

Pursuant to Law 29852, this contribution must be paid by oil and gas producers and importers for the sale of liquid Hydrocarbons and natural gas liquids. This surcharge for each sale will be equal to US$ 1 for each barrel of the mentioned products.

Profit sharing

Pursuant to Legislative Decree 892,employers are obliged to distribute a share of their profits among their employees. The rate depends on the company's activity. For oil and gas companies the rate is 5 per cent.

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