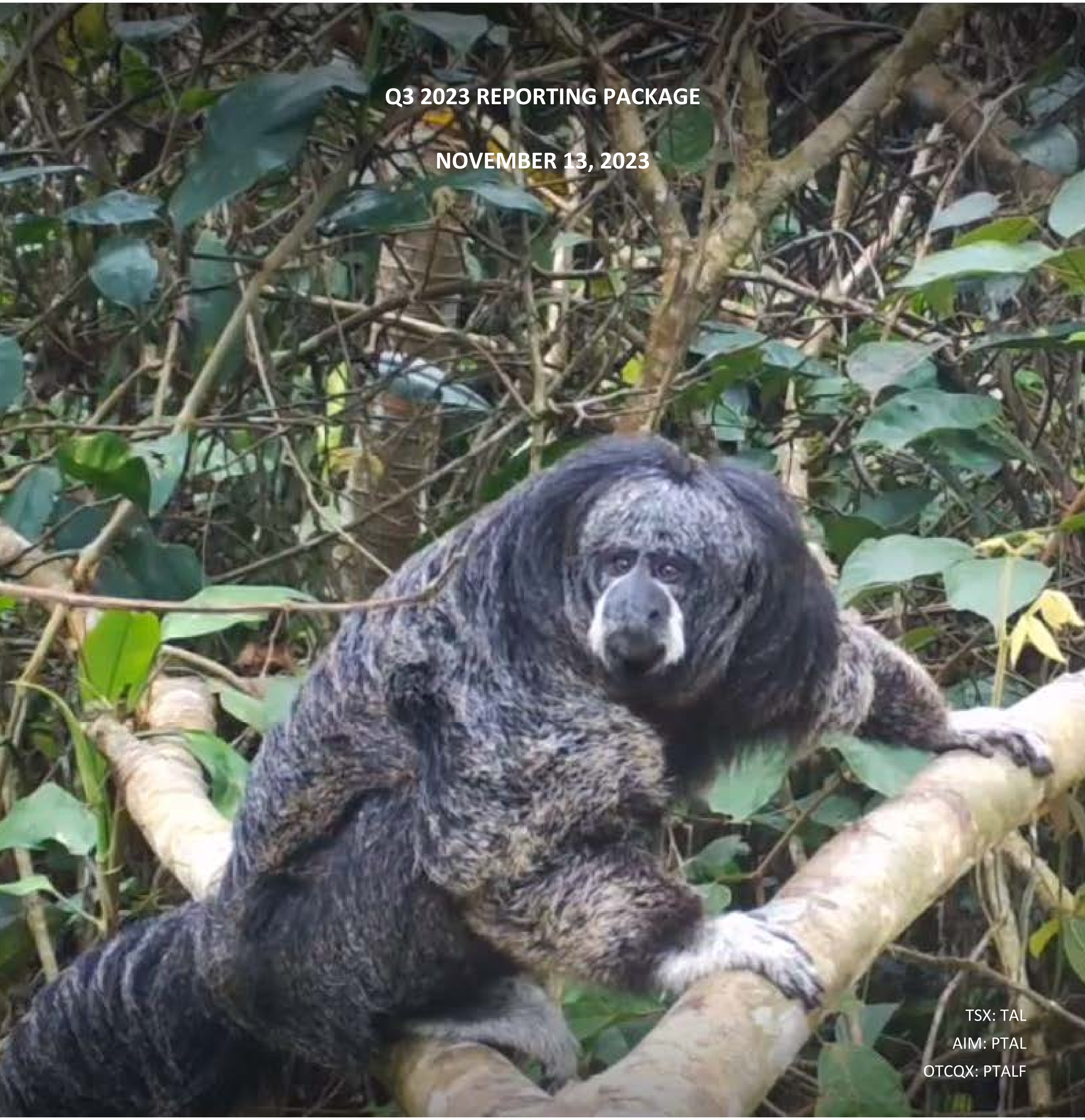
Q3 2023 REPORTING PACKAGE

NOVEMBER 13, 2023



TSX: TAL
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PetroTal Announces Q3 2023 Financial and Operating Results

Q3 2023 average sales and production of 11,553 bopd and 10,909 bopd respectively
Q3 2023 unrestricted cash of $94 million
OCP sales pilot commencing shortly with support from Ecuadorian government
US$0.02 per share dividend to be paid December 15, 2023

Calgary, AB and Houston, TX – **November 13, 2023**—PetroTal Corp. ("PetroTal" or the "Company") (TSX: TAL, AIM: PTAL and OTCQX: PTALF) is pleased to report its operating and financial results for the three and nine months ended September 30, 2023 ("Q3").

Selected financial and operational information is outlined below and should be read in conjunction with the Company's unaudited consolidated financial statements and management's discussion and analysis ("MD&A") for the three and nine months ended September 30, 2023, which are available on SEDAR+ at www.sedarplus.ca and on the Company's website at www.PetroTal-Corp.com. All amounts herein are in United States dollars unless otherwise stated.

Selected Highlights

- Average quarterly sales and production of 11,553 and 10,909 barrels ("bbls") of oil per day ("bopd"), respectively, impacted by a severe dry season and consequent low river levels that limited barge transport and tanker unloading capacity at Manaus;

- Exited the quarter in a strong cash position with $113 million in total cash ($94 million unrestricted), up 22% from the end of the second quarter ("Q2") of 2023;

- The Company has declared a cash dividend of $0.02 per common share that will be paid December 15, 2023, with a record date of November 30, 2023. This represents a 15% annualized yield based on the current share price. In addition, the Company will continue to buy back shares under its normal course issuer bid, at approximately $1 million per month during the fourth quarter of 2023 ("Q4");

- Completed the latest well, 15H, in early June 2023 averaging 7,203 bopd during its first 30 days online. The well was shut-in in mid July due to production constraints caused by low river levels, and was briefly reopened last month for 10 days, averaging 5,000 bopd. The well is expected to be fully reopened the last week of November as river levels continue to rise;

- Completed installation of the new west drilling platform ("L2 West Platform") where the Company expects to drill future oil wells;

- Generated EBITDA and free funds flow of \$42.0 million (\$39.55/bbl) and \$36.9 million (\$34.76/bbl) respectively, compared to \$70.0 million (\$41.63/bbl) and \$37.7 million (\$22.41/bbl) in Q2 2023;

- Achieved net income of \$25.4 million (\$0.03/share) in Q3 2023 compared to \$46.6 million (\$0.05/share) in Q2 2023;

- Paid a dividend of \$0.025/share and repurchased 5.6 million common shares in Q3 2023, representing a total of \$26.1 million of capital returned to shareholders (~5.0% of September 30, 2023, market capitalization) due to record results in Q2 2023 financial performance; and,

- Enhanced the Board of Directors ("Board") by adding two new independent directors since June 30, 2023. Mr. Felipe Arbelaez Hoyos and Ms. Emily Morris joined the Board, each bringing significant breadth and depth in commercial strategy, capital markets, ESG and M&A to the PetroTal team.

Manuel Pablo Zuniga-Pflucker, President and Chief Executive Officer, commented:

"Despite a challenging Q3 from an oil sales perspective due to extremely low river levels, the Company delivered strong cash flows for the quarter, driven by robust Brent prices and prudent spending by the management team. This has allowed the Company to declare a cash dividend of \$0.02 per common share. With river levels now rising we expect to be producing approximately 20,000 bopd consistently by the last week of November 2023.

Looking ahead to Q4 2023, management is very focused on optimizing existing logistics and unlocking new commercial sales routes, starting with our 100,000 barrel oil sales pilot through the Ecuador pipeline ("OCP"). If successful, and with some added facilities, we estimate this route could carry up to 5,000 bopd, significantly limiting the impact of future dry seasons. In addition, the commercial team has completed a significant Brazilian export milestone by unloading directly from barge to ship without requiring a terminal to unload the crude, bypassing that potential bottleneck.

As we contemplate future sales routes in our 2024 budget planning, including the route via Yurimaguas that should be ready next year, we are still expecting an ONP sales option in 2024 as Petroperu continues to work through their financial and operational challenges. We will continue to support constructive discussions with Petroperu in this area."

Selected Financial Highlights

The table below summarizes PetroTal's comparative financial position.

	Three Months Ended				Nine Months Ended September 30			
	Q3-2023		Q2-2023		2023		2022	
($ thousands US)	$/bbl	$ 000	$/bbl	$ 000	$/bbl	$ 000	$/bbl	$ 000
Average Production (bopd)		10,909		19,031		14,040		12,816
Average sales (bopd)		11,553		18,483		14,214		14,095
Total sales (bbls)(1)		1,062,851		1,681,962		3,880,424		3,847,807
Average Brent price	$84.65		$77.29		$81.88		$102.39	
Contracted sales price, gross	$84.31		$77.88		$80.45		$98.78	
Tariffs, fees and differentials	($19.25)		($21.26)		($20.34)		($22.03)	
Realized sales price, net	$65.05		$56.61		$60.01		$76.75	
Oil revenue(1)	$65.05	$69,142	$56.61	$95,229	$60.01	$232,865	$76.75	$295,350
Royalties(2)	$5.49	$5,835	$5.29	$8,899	$5.40	$20,972	$6.80	$26,166
Operating expense	$8.45	$8,982	$4.22	$7,100	$5.78	$22,436	$6.72	$25,839
Direct Transportation:								
Diluent	$1.72	$1,829	$0.98	$1,641	$1.25	$4,838	$2.12	$8,167
Barging	$0.80	$845	$0.53	$896	$0.68	$2,647	$1.46	$5,608
Diesel	$0.13	$141	$0.07	$120	$0.10	$374	$0.24	$938
Storage	$1.99	$2,114	$0.00	$0	$0.54	$2,114	$0.91	$3,517
Total Transportation	$4.64	$4,929	$1.58	$2,657	$2.57	$9,973	$4.73	$18,230
Net Operating Income(3,4)	$46.47	$49,396	$45.53	$76,573	$46.26	$179,484	$58.50	$225,114
G&A	$6.92	$7,355	$3.89	$6,548	$5.02	$19,462	$3.78	$14,549
EBITDA(3)	$39.55	$42,041	$41.63	$70,025	$41.24	$160,021	$54.72	$210,565
Adjusted EBITDA(3,5)	$50.76	$53,953	$38.09	$64,064	$40.93	$158,842	$57.11	$219,684
Net Income	$23.86	$25,359	$27.73	$46,635	$22.93	$88,975	$39.33	$151,351
Basic Shares Outstanding		916,700		922,306		916,700		859,324
Market Capitalization(6)		$522,519		$433,484		$522,519		$360,916
Net Income/Share		$0.03		$0.051		$0.10		$0.176
Capex		$17,011		$26,367		$76,296		$62,178
Free Funds Flow(3) (7)	$34.76	$36,944	$22.41	$37,697	$21.27	$82,547	$40.93	$157,506
% of Market Capitalization(6)		7.1%		8.7%		15.8%		43.6%
Total Cash(8)		$112,827		$92,552		$112,827		$93,018
Net Surplus (Debt) (3) (9)		$86,545		$97,523		$86,545		$75,505

1. Approximately 82% of Q3 2023 sales were through the Brazilian route vs 91% in Q2 2023.
2. Royalties at year to date September 30, 2023 and September 30, 2022 include the impact of the 2.5% community social trust.
3. Non-GAAP (defined below) measure that does not have any standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures presented by other entities. See "Selected Financial Measures" section.
4. Net operating income represents revenues less royalties, operating expenses, and direct transportation. See "Selected Financial Measures" section.
5. Adjusted EBITDA is net operating income less general and administrative ("G&A") and plus/minus realized derivative impacts. See "Selected Financial Measures" section.
6. Market capitalization for Q3 2023, Q2 2023, and Q3 2022 assume share prices of $0.57, $0.47, and $0.42, respectively.
7. Free funds flow is defined as adjusted EBITDA less capital expenditures. See "Selected Financial Measures" section.
8. Includes restricted cash balances.
9. Net Surplus (Debt) = Total cash + all trade and VAT receivables + short and long term net derivative balances – total current liabilities – long term debt – non current lease liabilities – net deferred tax – other long term obligations. See "Selected Financial Measures" section.

Q3 2023 Financial Variance Summary

US$/bbl Variance Summary	Three Months Ended Q3 2023	Q2 2023	Variance	Nine Months Ended September 30 2023	2022	Variance
Oil Sales (bopd)	**11,553**	**18,483**	**(693)**	**14,214**	**14,095**	**119**
Contracted Brent Price	**$84.31**	**$77.88**	**$6.43**	**$80.45**	**$98.78**	**($18.33)**
Realized Sales Price	**$65.05**	**$56.61**	**$8.44**	**$60.01**	**$76.75**	**($16.74)**
Royalties	$5.49	$5.29	$0.20	$5.40	$6.80	($1.40)
Total Opex and Transportation	$13.09	$5.80	$7.29	$8.35	$11.45	($3.10)
Net Operating Income[1,2]	**$46.47**	**$45.53**	**$0.94**	**$46.26**	**$58.50**	**($12.25)**
G&A	$6.92	$3.89	$3.03	$5.02	$3.78	$1.24
EBITDA	**$39.55**	**$41.63**	**($2.08)**	**$41.24**	**$54.72**	**($13.48)**
Net Income	$23.86	$27.73	($3.87)	$22.93	$39.33	($16.41)
Free Funds Flow[3]	**$34.76**	**$22.41**	**$12.35**	**$21.27**	**$40.93**	**($19.66)**

Q3 2023 Financial Variance Commentary

- Strong contracted Brent price of $84.31/bbl compared to the preceding quarter of $77.88/bbl, resulting in a higher realized price by 15%;
- Higher operating expenses per barrel resulting from lower sales volumes in Q3 2023 compared to Q2 2023 and the inclusion of approximately $2 million in well servicing and erosion control costs in the quarter. Higher transportation costs were driven by an increase in floating storage costs caused by longer than usual barge travel times during the dry season;
- Capital spending in the quarter was $17 million compared to $26.4 million in Q2 2023 driven by lower rig activity. This generated a flat Q3 2023 free funds flow[1,3] dollar figure of approximately $37 million compared to Q2 2023, which increased 64% on a per barrel basis;
- Enhanced liquidity in Q3 2023 compared to Q2 2023, with total cash growing by $10 million to $112.8 million driven by timely AR collections, strong Brent prices and lower rig activity in the quarter; and,
- Strong balance sheet position in Q3 2023 with no debt and a net surplus [4] of $87 million.

1. See “Selected Financial Measures”
2. Net operating income represents revenues less royalties, operating expenses, and direct transportation; See “Selected Financial Measures” section.
3. Free funds flow is defined as adjusted EBITDA less capital expenditures. See “Selected Financial Measures” section.
4. Net Surplus (Debt) = Total cash + all trade and VAT receivables + short and long term net derivative balances – total current liabilities – long term debt – non current lease liabilities – net deferred tax – other long term obligations. See “Selected Financial Measures” section.

Financial and Operating Updates Subsequent to September 30, 2023

Current oil production. With river levels gradually increasing, production is ramping up. Production for October 2023 averaged 11,808 bopd, but increased to 13,420 bopd for the period October 17, 2023, to November 9, 2023. The Company expects to achieve an average of approximately 14,500 bopd for Q4 2023 and over 14,000 bopd for the 2023 full year.

OCP pilot project. PetroTal continues with plans to sell 100,000 barrels of crude oil into the OCP Ecuador pipeline for eventual arrival at Esmeralda's port. Subject to logistical optimization, facility additions and completion of the pilot, the Company estimates an eventual reliable oil sales route of up to 5,000 bopd. Notably, this route is expected to be less impacted by the lower water levels in dry seasons. PetroTal has secured the required barging and trucking service to support the route logistics and are now finalizing commercial terms for payment with an internationally recognized oil trading company.

Upcoming operations. The L2 West Platform has been completed on time and on budget. This will allow the Company to drill new locations. PetroTal will commence drilling its 17th well (16H) shortly, at an estimated cost of approximately $15 million, with production expected to begin early 2024.

Brazilian route optimization. PetroTal is pleased to announce a barge-to-ship arrangement recently approved by Transpetro, a Brazilian infrastructure and maritime transportation company. PetroTal will unload crude oil directly from barges to tanker, considerably reducing barge waiting times currently caused by terminal availability thereby allowing increased sales through the Brazilian route.

Q3 2023 dividend declaration. Based on the Company's current liquidity exceeding $60 million, PetroTal confirms that a cash dividend of $0.02 per common share will be declared and paid in Q4 2023. This represents a 15% annualized yield based on current share price and includes the recurring US$0.015 per common share amount plus an amount for a minimum liquidity sweep equal to US$0.005 per common share. The total dividend of $0.02 per common share will be paid according to the following timetable:

- Ex dividend date: November 29, 2023
- Record date: November 30, 2023
- Payment date: December 15, 2023

The dividend is an eligible dividend for the purposes of the Income Tax Act (Canada) and investors should note that the excess liquidity sweep portion of all future dividends may be subject to fluctuations up or down in accordance with the Company's return of capital policy. Shareholders outside of Canada should contact their respective brokers or registrar agents for the appropriate tax election forms regarding this dividend.

Canon distribution update. On October 20, 2023, Peruvian congress voted in favour of the new proposed canon distribution law, which was approved by Peruvian congress on November 9, 2023. The new law will reallocate 40% of the canon (payment from the government to the communities generated by oil and gas royalties) to the producing province encompassing municipalities and districts near the Bretana oil field. This should result in a smoother process for the Company to carry out exploration activities in Block 95, creating alignment between the Company, government and communities.

Corporate presentation update. The Company has updated its Corporate Presentation, which is available for download or viewing at www.petrotal-corp.com

Q3 2023 webcast link for November 13, 2023

Please join the Company for its' Q3 2023 webcast on November 13, 2023 at 9am CT (Houston).

https://stream.brrmedia.co.uk/broadcast/650d4b6b39ad9f961be9caad

ABOUT PETROTAL

PetroTal is a publicly traded, tri-quoted (TSX: TAL, AIM: PTAL and OTCQX: PTALF) oil and gas development and production Company domiciled in Calgary, Alberta, focused on the development of oil assets in Peru. PetroTal's flagship asset is its 100% working interest in Bretana oil field in Peru's Block 95 where oil production was initiated in June 2018. In early 2022, PetroTal became the largest crude oil producer in Peru. The Company's management team has significant experience in developing and exploring for oil in Peru and is led by a Board of Directors that is focused on safely and cost effectively developing the Bretana oil field. It is actively building new initiatives to champion community sensitive energy production, benefiting all stakeholders.

For further information, please see the Company's website at www.petrotal-corp.com, the Company's filed documents at www.sedarplus.ca, or below:

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READER ADVISORIES

FORWARD-LOOKING STATEMENTS: This press release contains certain statements that may be deemed to be forward-looking statements. Such statements relate to possible future events, including, but not limited to, oil production levels and guidance, including the ramp up and resumption of shut-in production. 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", "believe", "expect", "plan", "estimate", "potential", "will", "should", "continue", "may", "objective" and similar expressions. Without limitation, this press release contains forward-looking statements pertaining to: PetroTal's drilling, completions, workovers and other activities; the Company's plans and expectations with respect to its barge-to-ship commercial arrangement approved by Transpetro, including its effects on barge queue time and monthly sales in the Brazilian route moving forward; anticipated future production and revenue; drilling plans including the timing of drilling, commissioning, and startup (including in respect of well 16H and the L2 West Platform); expectations surrounding disrupted barge logistics and the consequences in respect thereof, including in relation to the Company's production guidance; expectations surrounding the L2 West Platform including the number of wells to be drilled at the location and the timing thereof; expectations surrounding oil production rates throughout the remainder of 2023; the Company's plans to declare and distribute a cash dividend of $0.015 per common share and buy back its own shares in Q4 2023 including in respect of the amounts and timing thereof; plans with respect to well 16H including in respect of anticipated costs, completion and timing thereof including the Company's plans to begin production at well 16H in early 2024; intentions with respect to return of capital, including quarterly eligible dividend payments equal to the sum of $0.015 per share per quarter and share buybacks of approximately $1 million per month; the Company's Q4 2023 declaration of cash dividends and timing thereof; and the Company's plans to announce its 2024 budget and timing thereof. In addition, statements relating to expected production, reserves, recovery, replacement, costs and valuation are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. The forward-looking statements are based on certain key expectations and assumptions made by the Company, including, but not limited to, expectations and assumptions concerning the ability of existing infrastructure to deliver production and the anticipated capital expenditures associated therewith, the ability of government groups to effectively achieve objectives in respect of reducing social conflict and collaborating towards continued investment in the energy sector, reservoir characteristics, recovery factor, exploration upside, prevailing commodity prices and the actual prices received for PetroTal's products, *including pursuant to hedging arrangements, the availability and performance of drilling rigs, facilities, pipelines, other oilfield services and skilled labour, royalty regimes and exchange rates, the impact of inflation on costs, the application of regulatory and licensing requirements, the accuracy of PetroTal's geological interpretation of its drilling and land opportunities, current legislation, receipt of required regulatory approval, the success of future drilling and development activities, the performance of new wells, future river water levels, the Company's growth strategy, general economic conditions and availability of required equipment and services. Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses; and health, safety and environmental risks), commodity price volatility, price differentials and the actual prices received for products, exchange rate fluctuations, legal, political and economic instability in Peru, access to transportation routes and markets for the Company's production, changes in legislation affecting the oil and gas industry and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures; changes in the financial landscape both domestically and abroad, including volatility in the stock market and financial system; and wars (including Russia's war in Ukraine and the Israeli-Palestinian conflict). Please refer to the risk factors identified in the Company's most recent annual information form and MD&A which are available on SEDAR+ at www.sedarplus.ca. The forward-looking statements contained in this press release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.*

OIL REFERENCES: All references to "oil" or "crude oil" production, revenue or sales in this press release mean "heavy crude oil" as defined in NI 51-101.

SHORT TERM RESULTS: References in this press release to peak rates, production rates since inception, current production rates, initial 12 day production rates and other short-term production rates are useful in confirming the presence of hydrocarbons, however such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long-term performance or of ultimate recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production of PetroTal.

SPECIFIED FINANCIAL MEASURES: This press release includes various specified financial measures, including non-GAAP financial measures, non-GAAP financial ratios and capital management measures as further described herein. These measures do not have a standardized meaning prescribed by generally accepted accounting principles ("GAAP") and, therefore, may not be comparable with the calculation of similar measures by other companies. Management uses these non- GAAP measures for its own performance measurement and to provide shareholders and investors with additional measurements of the Company's efficiency and its ability to fund a portion of its future capital expenditures. "Adjusted EBITDA" (non-GAAP financial measure) is calculated as consolidated net income (loss) before interest and financing expenses, income taxes, depletion, depreciation and amortization and adjusted for G&A impacts and certain non-cash, extraordinary and non-recurring items primarily relating to unrealized gains and losses on financial instruments and impairment losses, including derivative true-up settlements. PetroTal utilizes adjusted EBITDA as a measure of operational performance and cash flow generating capability. Adjusted EBITDA impacts the level and extent of funding for capital projects investments. Reference to EBITDA is calculated as net operating income less G&A. "Net Operating Income" (non-GAAP financial measure) is calculated as revenues less royalties, operating expenses, and direct *transportation. The Company considers Net Operating Income measure as they demonstrate Company's profitability relative to current commodity prices. "Net surplus (debt)" (non-GAAP financial measure) is calculated by adding together total cash, trade and VAT receivables, and short and long-term net derivative balances less total current liabilities, long-term debt, non-current lease liabilities, deferred tax, and other long-term obligations. Net surplus (debt) is used by management to provide a more complete understanding of the Company's capital structure and provides a key measure to assess the Company's liquidity. "Free funds flow" (non-GAAP financial measure) is calculated as net operating income less G&A less exploration and development capital expenditures less realized derivative gains/losses and is calculated prior to all debt service, taxes, lease payments, hedge costs, factoring, and lease payments. Management uses free funds flow to determine the amount of funds available to the Company for future capital allocation decisions. Please refer to the MD&A for additional information relating to specified financial measures. "Free cash flow" (non-GAAP financial measure) is calculated as EBITDA less G&A less Capex prior to the realization of any derivative impacts.*

Eligible Dividend: An eligible dividend is one which is characterized as such by the dividend-paying corporation for Canadian residents. The primary benefit of an eligible dividend is that it benefits from an enhanced gross-up and credit regime at the shareholder level (i.e., the shareholder pays less tax on eligible dividends than non-eligible dividends). This is meant to compensate for the higher general corporate tax rate paid by non-CCPC's on their income and generally preserve integration of Canada's tax rates. As an example, for federal income tax purposes the gross-up rate for eligible dividends is 38% (as compared to 15% for non-eligible dividends) such that the amount of the dividend is multiplied by 1.38 to determine the taxable income to the shareholder. The dividend tax credit for eligible dividends is additionally increased to 6/11 (or 15.02%), as compared to 9/13 (9%) for non-eligible dividends, to offset the greater income inclusion to the taxpayer. Each province provides similar relief on the tax they would otherwise levy on the dividends, although the effective gross-up and credit differs by province.

FOFI DISCLOSURE: This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about PetroTal's prospective results of operations and production results, free funds flow, balance sheet strength, shareholder returns and components thereof, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. FOFI contained in this press release was approved by management as of the date of this press release and was included for the purpose of providing further information about PetroTal's anticipated future business operations. PetroTal and its management believe that FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results. PetroTal disclaims any intention or obligation to update or revise any FOFI contained in this press release, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this press release should not be used for purposes other than for which it is disclosed herein. All FOFI contained in this press release complies with the requirements of Canadian securities legislation, including NI 51-101. Changes in forecast commodity prices, differences in the timing of capital expenditures, and variances in average production estimates can have a significant impact on the key performance measures included in PetroTal's guidance. The Company's actual results may differ materially from these estimates.

PetroTal

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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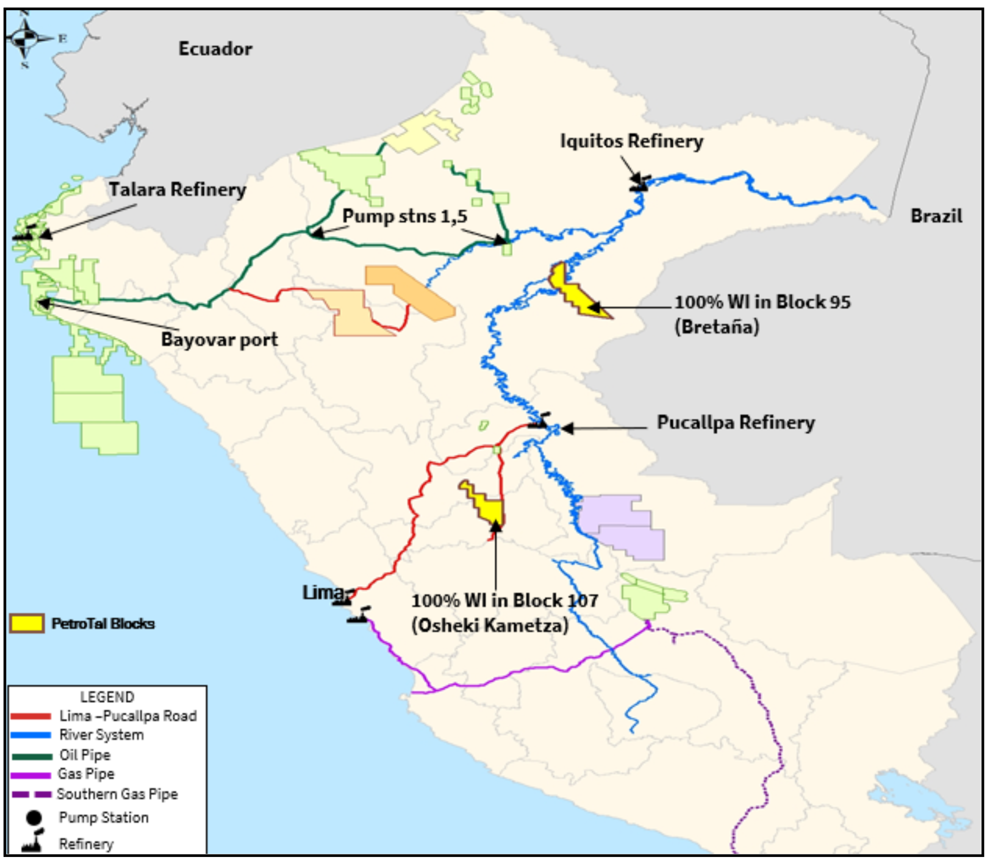
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2023 and 2022, is dated November 10, 2023, and should be read in conjunction with the Company's unaudited Condensed Interim Consolidated Financial Statements (the "Financial Statements") for the three and nine months ended September 30, 2023 and 2022. The Financial Statements were prepared by management 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 ("$" or "USD") 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*".

1. CORPORATE OVERVIEW

PetroTal Corp. is a publicly-traded (TSX: TAL, AIM: PTAL, and OTCQX: PTALF) international oil and gas company incorporated and domiciled in Canada, with management based in Houston, Texas and Lima, Peru. Through its two subsidiaries in Peru, the Company is currently engaged in the ongoing development of hydrocarbons in Block 95 with a focus on the development of, and production from the Bretana oil field. In addition to further leads in Block 95, the Company has significant exploration prospects and leads in Block 107.



The Bretana oil field is located in the Maranon Basin of northern Peru. To date, this basin has produced more than one billion barrels of 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 Company is focused on the Vivian formation. The Company has a 100% working interest in the Bretana oil field.

2. OVERVIEW AND SELECTED INFORMATION

The following table summarizes key financial and operating highlights associated with the Company's performance for the periods ended September 30, 2023 and September 30, 2022.

RESULTS AT A GLANCE

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Financial				
Oil revenue	$69,142	$84,164	$232,865	$295,350
Royalties	($5,835)	($11,689)	($20,972)	($26,166)
Net operating income (1)	$49,396	$62,333	$179,484	$225,114
Commodity price derivatives (gain) loss	($12,701)	$32,686	$818	$5,141
Net income	$25,359	$2,594	$88,975	$151,351
Basic earnings per share ($/share)	$0.03	$0.00	$0.10	$0.18
Capital expenditures	$17,010	$20,625	$76,296	$62,178
Operating				
Average production (bopd)	10,909	12,229	14,040	12,816
Average sales (bopd)	11,553	12,186	14,214	14,095
Average Brent price ($/bbl)	84.65	97.89	81.88	102.39
Contracted sales price ($/bbl)	84.31	97.21	80.35	98.78
Netback ($/bbl) (1)	46.47	55.60	46.26	58.50
Funds flow provided by operations (2)	$86,124	$46,205	$185,690	$112,636
Balance Sheet				
Cash and restricted cash	$112,827	$93,018	$112,827	$93,018
Working capital	$162,958	$136,338	$162,958	$136,338
Total assets	$618,200	$549,838	$618,200	$549,838
Current liabilities	$61,584	$110,160	$61,584	$110,160
Equity	$462,557	$361,367	$462,557	$361,367

(1) Net operating income ("NOI") and Netback represent revenues less royalties, operating expenses and direct transportation.
(2) Funds flow provided by operations does not have standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures for other entities. See "Non-GAAP Measures" section.

3. Q3 2023 HIGHLIGHTS

The Company reached several key operational and financial achievements as described below:

Q3 2023 Operational Highlights

- Oil production of 1 million barrels ("mmbbl"), an average of 10,909 barrels of oil per day ("bopd"), a decrease of 43% from 19,031 bopd in Q2 2023, and a 11% decrease from 12,229 bopd in Q3 2022. The field is currently producing around 20,000 bopd. Production was lower than the Company's guided 13,500 bopd as it was negatively impacted by lower than expected river levels that reduced barge capacity for the Brazil route exports. At September 30, 2023, the Company has 15 producing wells and 3 water disposal wells;
- The dry season commenced in July and the Company is experiencing lower river levels which results in lower barge fill levels, in line with budget expectations;
- During the quarter, construction and installation of the new west drilling platform ("L2 West Platform") was substantially complete and is expected to start drilling operations in November. The new platform will allow the Company to drill its next nine wells over the next two to three years;
- Meetings continue between the communities, Perupetro, and the Puinahua District Municipality outlining executive committee roles and controls towards finalizing the 2.5% community social trust fund's bylaws; and,
- Oil sales allocations were 82% as export through Brazil and 18% to the Iquitos refinery.

Q3 2023 Financial Highlights

- The Company generated revenue of $69.1 million (1.1 mmbbls sold, 11,553 bopd, $65.05/bbl) compared to $95.2 million (1.7 mmbbls sold, 18,483 bopd, $56.61/bbl) in Q2 2023;
- Royalties paid to the Peruvian government were $4.2 million ($3.96/bbl, 6.1% of revenues) compared to $7.0 million ($4.18/bbl, 7.4% of revenues) in Q2 2023. These amounts do not include provisions for the 2.5% community social trust;
- Generated funds flow from operations of $86.1 million compared to $58.2 million in Q2 2023;
- Net operating income was $49.4 million ($46.47/bbl) compared to $76.6 million ($45.53/bbl) in Q2 2023;
- The Company had cash and restricted cash of $112.8 million, compared to $92.6 million at Q2 2023; and,
- On September 15, 2023, the Company paid a $23 million quarterly dividend of $0.025/share ($0.015/share previous quarter) and repurchased 5,605,287 shares (582,708 shares previous quarter) as part of the shareholder capital return policy.

Q3 2023 Subsequent Events

- The Company commenced its pilot oil sales shipment through the OCP Ecuador pipeline ("OCP") in early November with the support of the Ecuadorian government. PetroTal expects to sell 100,000 barrels of crude into the OCP for eventual arrival at Esmeralda's port;
- Increasing river levels have allowed for an increase in oil exports through Brazil. Production is currently at 20,000 bopd;
- The Company declared a cash dividend of $0.02 per common share that will be paid December 15, 2023, with a record date of November 30, 2023; and,
- Emily Morris was appointed to PetroTal's board of directors as an independent non-executive director, who brings experience in energy capital markets, M&A and ESG.

4. OUTLOOK AND GROWTH

Strategy Outlook

The capital program prioritizes management's strategy to maintain a strong balance sheet during the period of oil price volatility, optimizing drilling activity to fit within cash flow. The Company's activity will focus on managing existing production and drilling new wells during 2023. Base maintenance capital would require capital expenditures and additional activities included in the capital program outlined as follows:

- Completion of production facilities and infrastructure activities which includes optimization of existing facilities, wells and some improvements aimed at lowering operating costs;
- Drilling new wells focused on continuing development in the core area of Bretana oilfield; and,
- Continued investment in environmental remediation and social initiatives as part of a sustained long-term effort to improve the physical environment and to provide training programs and other community initiatives for the residents near the Company's operations.

The 2023 capital budget is based on an estimated average annual Brent oil price forecast of $85/bbl.

Growth Strategy

PetroTal's strategy is focused on petroleum assets that have long-life reserves with production growth potential. Employing its knowledge base and technical expertise, the Company is working to optimize its existing assets primarily through drilling new oil wells to create long-term value for shareholders. This will be accomplished through the attainment of its main objectives: increasing production, reserves, funds generated from operations, and net asset value ("NAV").

PetroTal's strategic priorities are to:

- Increase reserves and production;
- Maintain a strong balance sheet by controlling and managing capital expenditures;
- Control costs through efficient management of operations;
- Pursue new and proven technology applications to improve operations and assist exploration endeavors;
- Expand infrastructure (pipelines, storage, treating capacity) to increase production capacity in a cost-effective manner; and,
- Explore undeveloped acreage to identify and create development opportunities.

Throughout the period, PetroTal focused on achieving its priorities and implementing its capital programs in Peru. The Company will fund its capital development program using funds generated from operations and existing cash. Strategic allocation of the work program and budget is designated to provide additional recoverable reserves at the Peruvian oilfields and achieve production growth.

Environmental and Social Governance ("ESG") Strategy

PetroTal believes in creating long-term value for our shareholders, employees, suppliers, communities, customers, and the government, as well as ensuring economic value, safety for people and the environment, and creating a better future for all. Therefore, our sustainability strategy towards year 2030 rests on our shoulders. PetroTal's ESG vision is: "To create value and generate more opportunities for the benefit of all". The steps to measure our success are:

- Develop measurable goals for 2025 and 2030 that will be built and reviewed with the participation of each department throughout the Company;
- Initiatives will be continually updated to achieve our goals;
- The Sustainable Development Goals ("SDGs") will be included, to which PetroTal contributes through its Sustainability Plan to 2030;
- We are committed to reducing our carbon and water footprints, which means reducing emissions, waste, preventing oil spills as much as possible, efficiently managing our use of water, focusing on the protection and conservation of biodiversity, managing our impact positively, innovating where possible and doing all of the above safely;
- We are implementing an effective due diligence process to prevent possible human rights violations;
- To materialize the aforementioned initiatives, we develop and promote talent in PetroTal, the community, and within our suppliers; and,
- We maintain a constant and respectful dialogue with our stakeholders to inform and prevent conflicts.

Exploratory Block 107 – Osheki-Kametza

PetroTal has a 100% working interest in this 623,280 acre block. There are several prospective features, the largest being the Osheki-Kametza prospect. Osheki-Kametza has the potential to contain in place volumes of 970.7 million barrels of oil equivalent ("mmboe") according to Netherland Sewell and Associates, Inc. ("NSAI"). Resource estimates are based on maps generated from modern seismic acquired in 2007 and 2014 and partially de-risked with a new 3D geologic model supporting Cretaceous age reservoirs with high quality Permian source rocks. Additional reprocessing of existing seismic data and acquisition of new seismic data may be required to enhance the structural configuration. The Company continues to work on the necessary permits and complete further technical work for the Osheki-Kametza prospect which will allow PetroTal to consider progressing towards a drilling recommendation. On January 6, 2023, Perupetro extended the Company's Block 107 exploratory license to May 2026.

PetroTal

5. SELECTED FINANCIAL INFORMATION

5.1 FINANCIAL SUMMARY

($ thousands)		Q3-2023		Q2-2023		Q1-2023		Q4-2022	
		$/bbl		$/bbl		$/bbl		$/bbl	
PRODUCTION:	Average Production (bopd)		10,909		19,031		12,193		10,374
SALES:	Average sales (bopd)		11,553		18,483		12,618		10,420
	Total sales (bbls)		1,062,851		1,681,962		1,135,611		958,624
	Average Brent price	$84.65		$77.29		$82.51		$88.61	
	Weighted contracted sales price, gross	$84.31		$77.88		$80.32		$88.22	
LESS:	Tariffs, fees and differentials	($19.25)		($21.26)		($20.01)		($21.71)	
	Realized sales price, net	$65.05		$56.61		$60.31		$66.51	
REVENUES:	Oil revenue [(1)]	$65.05	$69,142	$56.61	$95,229	$60.31	$68,494	$66.51	$63,755
LESS:	Royalties [(2)]	$5.49	$5,835	$5.29	$8,899	$5.49	$6,238	$6.08	$5,824
	Operating expense	$8.45	$8,982	$4.22	$7,100	$5.60	$6,354	$7.42	$7,115
	Direct Transportation:								
	Diluent	$1.72	$1,829	$0.98	$1,641	$1.20	$1,368	$1.33	$1,274
	Barging	$0.80	$845	$0.53	$896	$0.80	$906	$0.86	$824
	Diesel	$0.13	$141	$0.07	$120	$0.10	$113	$0.15	$144
	Storage	$1.99	$2,114	$—	$—	$—	$—	$0.16	$152
	Total Transportation	$4.64	$4,929	$1.58	$2,657	$2.10	$2,387	$2.50	$2,394
NET OPERATING INCOME		$46.47	$49,396	$45.53	$76,573	$47.12	$53,515	$50.51	$48,422
	Netback as % of Revenue		*71.4%*		*80.4%*		*78.1%*		*76.0%*
General and administrative expense		$6.92	$7,355	$3.89	$6,548	$4.90	$5,559	$5.57	$5,339
Commodity price derivative loss (gain)		($11.95)	($12,701)	$3.73	$6,272	$6.38	$7,247	($13.95)	($13,373)
Financial expense		$1.12	$1,187	$1.22	$2,046	$7.89	$8,958	$2.49	$2,387
Income tax expense		$18.30	$19,445	$1.64	$2,751	$5.93	$6,730	$9.36	$8,975
Depletion, depreciation and amortization		$7.49	$7,962	$7.23	$12,154	$7.18	$8,158	$7.42	$7,116
Other expenses		$—	$—	$—	$—	$—	$—	$1.02	$978
Foreign exchange loss (gain)		$0.74	$789	$0.10	$167	($0.10)	($116)	($0.18)	($176)
NET INCOME			$25,359		$46,635		$16,979		$37,176
FUNDS FLOW PROVIDED BY OPERATIONS			$86,124		$58,154		$41,412		$59,383

(1) Tariff and marketing fees are expenses usually recorded by reducing revenues in the financial statements.
(2) Royalties include 2.5% community social trust initiative.

($ thousands)		Q3-2022 $/bbl		Q2-2022 $/bbl		Q1-2022 $/bbl		Q4-2021 $/bbl	
PRODUCTION:	Average Production (bopd)		12,229		14,467		11,746		10,147
SALES:	Average sales (bopd)		12,186		14,616		15,518		7,242
	Total sales (bbls)		1,121,132		1,330,026		1,396,648		666,301
	Average Brent price	$97.89		$111.80		$97.49		$79.79	
	Weighted contracted sales price, gross	$97.21		$111.39		$88.02		$77.46	
LESS:	Tariffs, fees and differentials	($22.14)		($22.35)		($21.61)		($18.56)	
	Realized sales price, net	$75.07		$89.04		$66.41		$58.90	
REVENUES:	Oil revenue [1]	$75.07	$84,164	$89.04	$118,435	$66.41	$92,752	$58.90	$39,243
LESS:	Royalties	$10.43	$11,689	$6.09	$8,104	$4.56	$6,373	$3.46	$2,304
	Operating expense	$6.62	$7,423	$6.28	$8,355	$7.20	$10,061	$7.60	$5,063
	Direct Transportation:								
	Diluent	$1.23	$1,374	$1.45	$1,931	$3.48	$4,862	$4.21	$2,805
	Barging	$1.05	$1,172	$0.71	$943	$2.50	$3,493	$1.46	$975
	Diesel	$0.10	$110	$0.05	$71	$0.54	$758	$0.69	$458
	Storage	$0.06	$63	$0.33	$442	$2.16	$3,011	$2.87	$1,911
	Total Transportation	$2.44	$2,719	$2.54	$3,387	$8.68	$12,124	$9.23	$6,149
NET OPERATING INCOME		$55.60	$62,333	$74.13	$98,589	$45.97	$64,194	$38.61	$25,727
	Netback as % of Revenue		*74.1%*		*83.2%*		*69.2%*		*65.6%*
General and administrative expense		$4.18	$4,689	$3.87	$5,143	$3.38	$4,718	$5.95	$3,965
Commodity price derivative loss (gain)		$29.15	$32,686	($4.91)	($6,533)	($15.05)	($21,014)	$8.44	$5,622
Financial expense		$5.17	$5,792	$4.60	$6,113	$4.21	$5,878	$6.78	$4,519
Income tax expense (recovery)		$7.49	$8,392	$0.04	$53	($0.02)	($29)	$0.02	$10
Depletion, depreciation and amortization		$7.06	$7,920	$6.90	$9,179	$6.70	$9,353	$7.14	$4,758
Foreign exchange loss		$0.23	$260	$0.29	$385	$0.56	$777	$0.01	$9
NET INCOME			$2,594		$84,249		$64,511		$6,844
FUNDS FLOW PROVIDED BY OPERATIONS			$46,207		$60,688		$5,743		$34,714

(1) Tariff and marketing fees are expenses usually recorded by reducing revenues in the financial statements.

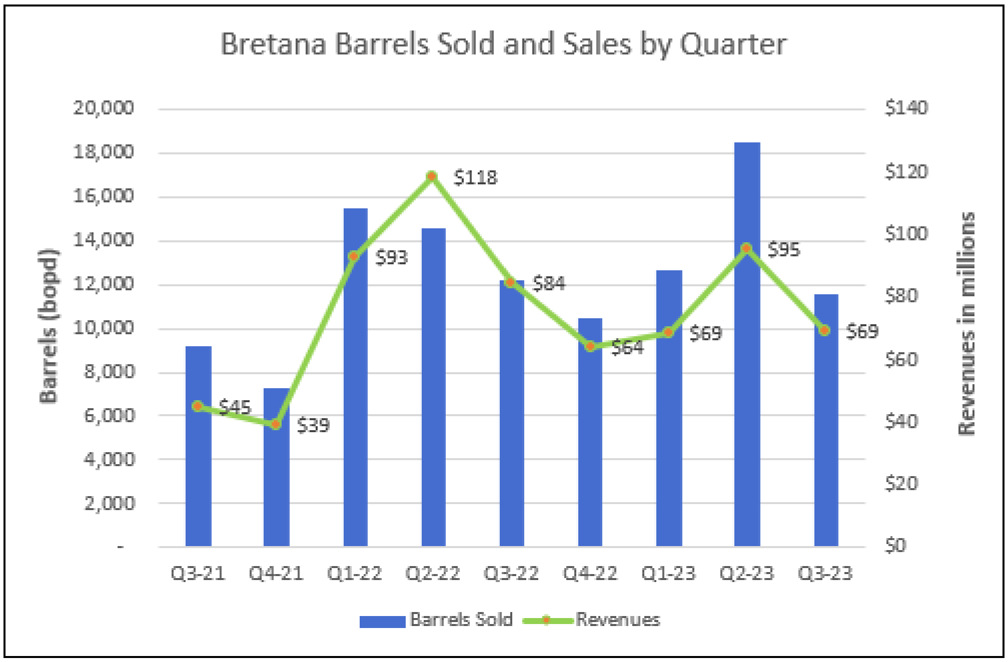
(2) Royalties in Q3 2022 include the value since January 1, 2022 inception for the 2.5% community social trust initiative. Subsequent social trust contributions are recorded in the corresponding quarter incurred.

EARNINGS STATEMENT INFORMATION

Revenue

Oil sales in Q3 2023 decreased by 37% to 1,062,851 barrels (11,553 bopd), compared to 1,681,962 barrels (18,483 bopd) in Q2 2023. Sales were 1,121,132 barrels (12,186 bopd) in Q3 2022. Oil sales decreased during the quarter due to barge limitations from low river levels.

The Company sells oil at three sales points: the local Iquitos refinery, exports through Brazil, and the Northern Peruvian Pipeline ("ONP"). In Q3 2023, 82% of oil sales were through the Brazil export route and 18% to the Iquitos refinery. Sales to the Iquitos refinery are priced at the prevailing Brent oil price less a quality differential discount and barge transportation charges. Oil sales exported through Brazil are on a freight on board ("FOB") Bretana basis, at the forecasted Brent oil price in three months, less a fixed amount to cover all transportation and sales costs, including the quality differential. Sales to Petroperu at the Saramuro pump station for transportation through the ONP and onward to the Bayovar port, are priced based on the forecasted Brent oil price in eight months, less a quality differential, and is net of all pipeline and marketing fees. When the oil is ultimately sold by Petroperu at Bayovar, PetroTal is subject to a valuation adjustment based on the actual price achieved by Petroperu, whether higher or lower than the original forecasted price. Using the future price and the sales basis minimizes the impact of oil price fluctuations.



Royalties decreased to $5.8 million ($5.49/bbl) in Q3 2023 from $8.9 million ($5.29/bbl) in Q2 2023 and decreased from $11.7 million in Q3 2022 ($10.43/bbl), commensurate with lower oil production levels. Beginning in Q3 2022, the 2.5% community social trust initiative is included in royalties. Royalties for the Bretana oilfield are calculated on production, less transportation costs, starting at 5% based on production of 5,000 bopd or less and 20% when production reaches 100,000 bopd or more, increasing on a straight-line basis. Royalty determination in Peru is negotiated on an individual block basis, based either on production scales or on economic results.

Operating expenses in Q3 2023 were $9 million ($8.45/bbl), as compared to $7.1 million ($4.22/bbl) in Q2 2023 and in Q3 2022 were $7.4 million ($6.62/bbl). Operating expenses were higher during the quarter due to $1 million in well servicing costs and $1 million in erosion costs. Lower oil production in Q3 2023 resulted in higher operating costs per barrel due to fixed operating cost allocations.

Direct Transportation expenses in Q3 2023 totaled $4.9 million ($4.64/bbl), representing barging and diluent blending costs, as compared to $2.7 million ($1.58/bbl) in Q2 2023 and in Q3 2022 totaled $2.7 million ($2.44/bbl). Direct transportation costs include additional charges of $2.1 million ($1.99/bbl) for storage and dry season freight due to unusual low river levels that occurred in Q3 2023. Diluent costs fluctuate as a result of blending requirements for oil delivered to the Iquitos refinery. .

	Q3 2023	Q2 2023
Diluent	1,829	1,641
Barging	845	896
Diesel	141	120
Dry season freight and storage	2,114	—
Total Direct Transportation	4,929	2,657

General and administrative ("G&A") expenses in Q3 2023 were $7 million ($6.92/bbl), as compared to $6.5 million ($3.89/bbl) in Q2 2023 and $4.7 million ($4.18/bbl) in Q3 2022. As production decreases, per barrel G&A costs will increase.

	Q3 2023	Q2 2023
Salaries and benefits	3,707	3,684
Legal, audit and consulting fees	2,310	1,809
Community support	463	538
Office rent and administrative	1,046	1,356
Share-based compensation	1,529	908
G&A allocations	(1,700)	(1,747)
Total	7,355	6,548

Included in G&A are expenditures related to various community project initiatives for Bretana and neighboring communities. PetroTal recognizes the importance of community alignment and support over the areas in which it operates.

The Company allocated $1.7 million of G&A in Q3 2023 to capital and operating projects, compared to $1.7 million in Q2 2023 and $1.3 million in Q3 2022.

Depletion, Depreciation and Amortization ("DD&A") for Q3 2023 was $8 million ($7.49/bbl) as compared to $12.2 million ($7.23/bbl) in Q2 2023 and in Q3 2022 totaled $7.9 million ($7.06/bbl). DD&A is determined using the annual reserve report information prepared by NSAI at December 31, 2022. DD&A is calculated based on capital invested, future capital, production and 2P reserves.

Commodity price derivative gain of $12.7 million in Q3 2023 is the net fair value change of outstanding embedded derivatives, compared to a $6.3 million derivative loss in Q2 2023 and a $32.7 million loss in Q3 2022. The oil sales agreement with Petroperu for sales into the ONP are subject to oil price variations when sold by Petroperu upon arrival at the Bayovar port.

Foreign exchange loss in Q3 2023 was $789 thousand compared to a $167 thousand loss in Q2 2023, and a $260 thousand loss in Q3 2022, due to fluctuations in relative currency positions and transactions.

Income tax expense of $19.4 million was recorded in Q3 2023 compared to $2.8 million in Q2 2023 and $8.4 million in Q3 2022. The Peruvian income tax expense for the quarter is increased by the Canadian NOL consumption.

Financial expense was $1.2 million in Q3 2023, mainly related to interest and financial expense and accretion of decommissioning obligation expense, as compared to $2 million in Q2 2023 and $5.8 million in Q3 2022.

5.2 BALANCE SHEET INFORMATION

BALANCE SHEET - SUMMARIZED

	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
($ thousands)					
Current Assets					
Cash	$94,109	$75,256	$56,390	$104,340	$75,065
VAT receivable	$9,634	$19,830	$14,953	$10,555	$5,256
Trade and other receivables	$65,591	$100,806	$93,886	$107,275	$121,495
Inventory	$16,028	$13,215	$11,397	$13,773	$11,938
Prepaid expenses	$6,445	$7,036	$6,823	$5,475	$4,294
Derivative assets	$20,017	$10,510	$15,864	$12,086	$16,497
Total Current Assets	$224,542	$237,949	$208,558	$263,133	$246,498
Restricted cash	$6,000	$6,000	$6,000	$6,000	$6,000
VAT receivables and taxes	$8,436	$12,200	$3,213	$3,032	$2,439
PPE and E&E, net	$373,251	$361,230	$345,644	$319,252	$294,044
Derivative assets	$5,971	$2,666	$2,476	$11,463	$857
Total Non-current Assets	$393,658	$382,096	$357,333	$339,747	$303,340
Total Assets	$618,200	$620,045	$565,891	$602,880	$549,838
Current Liabilities					
Trade and other payables	$58,696	$59,302	$60,331	$67,195	$50,609
Lease liabilities	$2,888	$2,398	$2,328	$2,567	$2,258
Short-term debt	$0	$20,259	$20,134	$53,600	$51,200
Short-term derivative liabilities	$—	$—	$—	$—	$2,992
Decommissioning liabilities	$—	$—	$—	$—	$3,101
Total Current Liabilities	$61,584	$81,959	$82,793	$123,362	$110,160
Leases and other long-term	$15,884	$16,459	$17,472	$18,384	$19,109
Deferred income tax liabilities	$51,548	$35,820	$24,222	$17,386	$8,369
Long-term debt	$—	$—	$—	$27,845	$27,067
Long-term derivative liabilities	$6,914	$6,803	$5,217	$3,179	$10,858
Decommissioning liabilities	$19,713	$16,891	$14,958	$13,393	$12,908
Total Non-current Liabilities	$94,059	$75,973	$61,869	$80,187	$78,311
Total Equity	$462,557	$462,113	$421,229	$399,331	$361,367
Total Liabilities and Equity	$618,200	$620,045	$565,891	$602,880	$549,838

Cash and liquidity

At September 30, 2023, the Company held cash of $94.1 million and restricted cash of $18.7 million, totaling $112.8 million, a $7.2 decrease from $120.0 million at December 31, 2022. Working capital was $163.0 million at September 30, 2023 as compared to $139.8 million at December 31, 2022. The working capital increase was mainly related to the bond paid out in Q1 2023.

VAT receivable

	September 30, 2023	December 31, 2022
VAT receivable - current	9,634	10,555
VAT receivable - non-current	2,111	1,934
Total VAT receivables	11,745	12,489

Valued Added Tax ("VAT") in Peru is levied on the purchase of goods and services and is recoverable on contracted oil sales. As a result of capital activity and oil sales during the period, the Company recovered $19.1 million during the nine months ended September 30, 2023 and expects to recover $9.6 million in the short-term.

Trade and other receivables

	September 30, 2023	December 31, 2022
Trade receivables	65,331	105,647
Other receivables	260	1,628
Total trade and other receivables	65,591	107,275

As at September 30, 2023, trade receivables represent revenue related to the sale of oil. The balance is comprised of $30 million due from Petroperu and $36 million from export sales through Brazil. No credit losses on the Company's trade receivables have been incurred.

Capital expenditures

	Three Months Ended September 30		Nine Month Ended September 30	
	2023	2022	2023	2022
Drilling Program	7,715	13,410	49,681	40,531
Field Infrastructure	6,205	2,366	16,005	5,087
Fluid Handling Facilities (CPF)	1,538	1,418	4,811	9,878
Erosion Control	1,001	1,717	2,843	3,251
Abandonment	—	1,247	—	2,049
Block 95	153	—	1,178	—
Block 107	147	313	1,241	1,051
Other	251	154	537	331
Total	17,010	20,625	76,296	62,178

The Company's primary focus is to increase oil production from existing wells, build on the success of drilling new wells and ensure sufficient production facilities. The Company invested $76.3 million in capital programs in the nine months ended September 30, 2023, compared to $62.2 million for the comparable 2022 period.

The Company continues to invest in a variety of community, social and regulatory ("CSR") initiatives. A strong emphasis on ESG is prevalent throughout all areas of our operations.

As at September 30, 2023, the Company has $8.6 million of exploration and evaluation assets related to Block 95 and Block 107.

Inventory

	September 30, 2023	December 31, 2022
Oil inventory	1,204	2,389
Materials, parts and supplies	14,824	11,384
Total inventory	16,028	13,773

Oil inventory consists of stored oil barrels, which are valued at the lower of cost or market. Costs include operating expenses, royalties, transportation, and depletion associated with production. Costs capitalized as inventory will be expensed when the inventory is sold. As of September 30, 2023, the oil inventory balance of $1.2 million consists of 52,506 barrels of oil valued at $22.94/bbl (December 31, 2022: $2.4 million, based on 106,621 barrels of oil at $22.41/bbl). Materials, parts, and supplies, including diluent, are expected to be consumed in the short-term.

	Barrels
Oil inventory at January 1, 2023	106,621
Production	3,832,860
Diluent added	38,353
Internal use (power generation) and other	(44,904)
Sales	(3,880,424)
Oil inventory at September 30, 2023	52,506

Trade and other payables

	September 30, 2023	December 31, 2022
Trade payables	15,075	32,177
Accrued payables and other obligations	43,621	35,018
Total trade and other payables	58,696	67,195

As at September 30, 2023 and December 31, 2022, trade payables and other payables are primarily related to the drilling and completion of wells and construction of production processing facilities. The other obligations are mainly related to the 2.5% social fund for the benefit of local communities, which totaled to $10.0 million as at September 30, 2023 ($5.1 million at December 31, 2022).

Commodity Price Derivatives

The derivative asset is classified as a Level 2 fair value measurement. The Petroperu Saramuro agreement, signed with Petroperu during 2021, includes a clause for the purchase price adjustment. The initial sales price is based on the arithmetic average of the ICE Brent 8-month forward price. The realized price is based on the tender price of the oil that is sold at the Bayovar terminal. The purchase price adjustment represents the realized price less the initial sales price, and if negative, the Company will compensate Petroperu the amount, multiplied by the volume sold or arranged by Petroperu. If the purchase price adjustment is positive, the Company will be compensated by Petroperu in a similar manner.

The fair value change of the embedded derivative, considering an average future ICE Brent price marker differential, was recorded as a loss on commodity price derivatives at September 30, 2023.

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Net derivative asset at beginning of period	6,373	56,798	20,370	36,723
Cash settlements	(253)	7,434	(478)	(38)
Cash to be received	253	(28,040)	—	(28,040)
Realized gain (loss)	(2,734)	(6,247)	(2,256)	17,491
Unrealized gain (loss)	15,435	(26,441)	1,438	(22,632)
Net derivative asset at end of period	19,074	3,504	19,074	3,504

Sales delivery / Executed month	Expected settlement month	Volume mbbls	Price range $/bbl	Hedged range $/bbl	Net Derivative Asset
Peru Embedded Derivatives (a)					
Jan-21 to Feb-22	Jan-24 to Oct-27	2,422	55.32 to 85.26	73.02 to 90.36	19,074
				Net Derivative Asset	**19,074**

a) Embedded derivative related to original Petroperu sales agreement.

During the nine months ended September 30, 2023, no barrels have been sold by Petroperu. 2.4 million barrels remain in the pipeline or storage tanks, awaiting final sale by Petroperu.

Decommissioning liabilities

The undiscounted uninflated value of its estimated decommissioning liabilities is $40.5 million ($30.2 million in 2022). The present value of the obligations was calculated using an average risk-free rate of 6.3% (December 31, 2022: 6.6%) 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 estimate was 2.1%. The table below sets out the continuity of decommissioning obligations.

Balance at January 1, 2022	22,101
Additions	1,916
Revisions to decommissioning liabilities	(6,604)
Expenditures	(4,917)
Accretion	897
Balance at December 31, 2022	13,393
Additions	4,968
Revisions to decommissioning liabilities	656
Accretion	696
Balance at September 30, 2023	19,713

Short and long-term debt

On February 16, 2023, in accordance with the terms of the debt agreement the company paid $25 million and in March 24, 2023, the Company elected to repay the remaining $55 million bond principal, plus interest and fees of $2.9 million. The original bond maturity was February 2024.

On March 2, 2023, the Company finalized a $20 million unsecured revolving loan with an interest rate of 8.97% with Banco de Credito del Peru. The initial term of the loan was two months with renewal options until the end of 2023. No debt covenants were set forth by the lender in the loan agreement. The funds were used to fund short-term working capital needs. On August 3, 2023, the Company repaid $20 million to Banco de Credito del Peru for its revolving loan plus $0.2 million in accrued interest. At September 30, 2023, the $20 million line of credit remains fully available.

Leases

In prior years, PetroTal commenced a seven-year service lease arrangement with a supplier that provides turnkey power generation equipment services. The Company has the option to buy the equipment in year five for $5.5 million. The incremental borrowing rate used to measure the lease liabilities was 7.5% for the dollar denominated lease.

The lease liabilities also include two office leases, one in Houston, Texas and one in Lima, Peru. The Houston lease is for a term of 6.2 years with an incremental borrowing rate of 6.5% and the Lima lease is for 5 years with an incremental borrowing rate of 8.5%.

Lease liabilities at January 1, 2022	17,661
Additions	7,263
Revisions	(2,332)
Payments	(3,974)
Interest on leases	1,024
Lease liabilities at December 31, 2022	19,642
Payments	(3,652)
Interest on leases	931
Lease liabilities at September 30, 2023	16,921
Represented as:	
Current liability	2,888
Non-current liability	14,033

As of September 30, 2023, total lease liabilities have the following minimum undiscounted payments per year:

Year	
2023	1,253
2024	5,014
Thereafter	11,139
Total	17,406

Share capital

Authorized share capital consists of an unlimited number of common shares without nominal or par value. The holders of common shares have one vote per share and are entitled to receive dividends as recommended by the Board. During the nine months ended September 30, 2023, all remaining warrants were exercised, generating proceeds of $12.3 million.

As of November 10, 2023, PetroTal has the following securities outstanding (in thousands):

Common shares	917,175	98%
Performance share units	20,114	2%
Total	937,289	100%

Normal course issuer bid

On May 16, 2023, the Company announced that Toronto Stock Exchange approved the notice of intention to commence a normal course issuer bid ("NCIB"). The NCIB allows the Company to purchase up to 44,230,205 common shares (representing approximately 5% of outstanding common shares as at May 12, 2023) beginning May 18, 2023 and ending no later than May 17, 2024. Common shares purchased under the NCIB will be cancelled.

During the three and nine months ended September 30, 2023 , the Company purchased 5,605,287 and 6,187,995 common shares under the NCIB for total consideration of $3.1 million, and $3.4 million, respectively. The surplus between the total consideration and the carrying value of the shares repurchased was recorded against retained earnings.

5.3 NON-GAAP TERMS

This report contains financial terms that are not considered measures under GAAP such as operating netback, operating netback per bbl, revenues and transportation expense adjusted, funds flow provided by operations, funds flow provided by operations per bbl, funds flow netback per bbl, free funds flow and diluted funds flow per share that do not have any standardized meaning under GAAP and may not be comparable to similar measures presented by other companies. Management uses these non-GAAP measures for its own performance measurement and to provide shareholders and investors with additional measurements of the Company's efficiency and its ability to fund a portion of its future capital expenditures.

NON-GAAP FINANCIAL MEASURES

Revenue and transportation expense adjustment

Revenue and transportation expense adjustment are a non-GAAP measure that includes transportation ONP pipeline tariff, marketing fee, barging and diluent expenses. Tariff and marketing fees are expenses usually recorded by reducing revenues in the financial statements.

Funds flow information

Funds flow provided by operations ("FFO"), is a non-GAAP measure that includes all cash generated from operating activities and changes in non-cash working capital. The Company considers funds flow from operations to be a key measure as it demonstrates Company's profitability. A reconciliation from cash provided by operating activities to funds flow provided by operations is as follows:

	Q3 2023	Q2 2023	Q3 2022
Cash flow from operating activities			
Net income	25,360	46,635	2,594
Adjustments for:			
Depletion, depreciation and amortization	7,155	12,256	7,920
Accretion of decommissioning obligation	253	230	267
Equity based compensation expense	1,502	909	(104)
Financial interest expense	438	761	5,392
Deferred income tax expense	19,445	2,751	8,345
Commodity price unrealized derivatives loss	(15,436)	6,713	26,440
Funds flow provided by operations before non-cash working capital	**38,717**	**70,256**	**50,854**
Settlement of abandonment liabilities	—	—	(1,247)
Changes in non-cash working capital:			
Receivables and restricted cash	45,224	(11,712)	(33,663)
Advances and prepaid expenses	344	(7)	994
Inventory	(2,410)	(1,590)	242
Trade and other payables	1,042	1,602	4,273
Commodity price realized derivatives gain	2,960	(189)	26,855
Cash paid for income taxes	247	(206)	(2,101)
Net cash provided by operating activities	**86,124**	**58,154**	**46,207**

Free funds flow after investing activities is a non-GAAP measure and the Company considers free funds flow or free cash flow to be a key measure as it demonstrates the Company's ability to fund a return of capital without accessing outside funds and is calculated as follows:

	Q3 2023	Q2 2023	Q3 2022
Cash flow from investing activities			
Exploration and evaluation asset additions	(178)	(374)	(313)
Property, plant and equipment additions	(16,832)	(25,993)	(20,312)
Capital lease additions	—	—	—
Non-cash changes in working capital	(1,640)	(2,630)	(4,176)
Net cash used in investing activities	**(18,650)**	**(28,997)**	**(24,801)**
Net cash provided by operating and investing activities	**67,474**	**29,157**	**21,404**

CAPITAL MANAGEMENT MEASURES

Adjusted EBITDA

Adjusted EBITDA means earnings before interest, taxes, depreciation and amortization, and derivatives.

	Q3 2023	Q2 2023	Q3 2022
Net income	25,360	46,635	2,594
Adjustments to reconcile net income:			
Depletion, depreciation and amortization	7,962	12,154	7,920
Financial expense	1,187	2,046	5,792
Income tax expense	19,445	2,751	8,346
Commodity price derivatives loss (gain)	(12,701)	6,272	32,686
EBITDA (non-GAAP)	**41,252**	**69,858**	**57,338**
Realized derivative instruments gain (loss)	12,702	(5,794)	26,854
Adjusted EBITDA (non-GAAP)	**53,954**	**64,064**	**84,192**
Capital expenditures	(17,011)	(26,367)	(20,625)
Free funds flow	**36,944**	**37,697**	**63,567**

Operating netback

The Company considers operating netbacks to be a key measure that demonstrates the Company's profitability relative to current commodity prices. Netback is calculated by dividing net operating income by total revenue.

6. 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 Exploration and Evaluation ("E&E") to Property, Plant and Equipment ("PP&E"), leases, derivatives, 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 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 Financial Statements from changes in such estimates could be significant.

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are included in the Financial Statements and the accompanying notes as of December 31, 2022 and 2021. Additional information about significant judgements and estimates are included in PetroTal's audited Financial Statements for the years ended December 31, 2022 and 2021.

USES OF CRITICAL ACCOUNTING ASSUMPTIONS, ESTIMATES AND JUDGEMENTS

The Company's critical estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Such estimates and assumptions affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from estimates.

The critical 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 estimates and judgements 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 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 judgement, 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.

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, and 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 asset 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 the expiration 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 Financial Statements. The actual results ultimately may differ from those estimates as future confirming events occur.

The Company has one reportable business segment which did not have any critical accounting estimate changes during the past two financial years.

7. DISCLOSURE PRONOUNCEMENTS NOT YET ADOPTED

Issuance of IFRS Sustainability Standards - IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information" and IFRS S2 "Climate-related Disclosures"

In June 2023 the International Sustainability Standards Board ("ISSB") issued its inaugural standards - IFRS S1 and IFRS S2. The ISSB was formed as a new standard-setting board within the IFRS Foundation to issue standards that deliver a comprehensive global baseline of sustainability-related financial disclosures, operating alongside the International Accounting Standards Board. IFRS S1 and IFRS S2 are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, as long as both standards are applied. IFRS S1 provides a set of disclosure requirements designed to enable companies to communicate to investors about the sustainability-related risks and opportunities, while IFRS S2 sets out specific climate-related disclosures and is designed to be used in conjunction with IFRS S1. The Company is currently reviewing the impact of the standards on its disclosures.

8. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

GUARANTEES

As at September 30, 2023, the Company holds the following letters of credit guaranteeing its commitments for exploration blocks to Perupetro S.A.:

Block	Beneficiary	Amount	Commitment	Expiration
107	Perupetro S.A.	$1,500	1st exploration well, minimum work 5th exploratory period	December 2023
107	Perupetro S.A.	$1,500	2nd exploration well, minimum work 5th exploratory period	December 2023
		$3,000		

CONTRACTUAL OBLIGATIONS

Refer to "Short and long-term debt" in section "5.2 Balance Sheet Information" for material changes to the Company's contractual obligations.

9. FORWARD-LOOKING STATEMENTS AND BUSINESS RISKS

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 1% fluctuation in translation rates would have nil impact on net income or loss, based on foreign currency balances held at September 30, 2023.

LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The Company’s approach to managing liquidity risk is to have sufficient cash and/or credit facilities to meet its obligations when due. Liquidity is managed through short and long-term cash, debt and equity management strategies. The Company’s liquidity risk is impacted by current and future commodity prices. If required, the Company will also consider additional short-term financing or issuing equity in order to meet its future liabilities. Declines in future commodity prices could affect the Company’s ability to fund ongoing operations. The current economic environment and SARS-CoV-2 (“COVID-19”) has and may continue to have a significant impact on the Company including, but not exclusively:

- material declines in revenue and cash flows as a result of the decline in commodity prices;
- declines in revenue and operating activities due to reduced capital programs and the shut-in of production;
- inability to access financing sources;
- increased risk of non-performance by the Company’s customers and suppliers;
- interruptions in operations as the Company adjusts personnel to the dynamic environment; and,
- delivery of oil at the Bayovar port and sale swap price risk.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time. Estimates and judgments made by management in the preparation of the financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

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 VAT is primarily for sales tax credits on exploration and drilling expenses incurred in prior years. These credits will be applied to future oil development activities or recovered as per the sales tax recovery legislation currently in effect. The majority of the Company's trade receivable balance relates to oil sales and purchase price adjustments to two customers, being Petroperu, a state-owned company and Novum, an oil trading company. The Company has a long-term sales agreement for oil exports through Brazil, whereby sales are FOB Bretana. Sales through the ONP pipeline are due and payable 240 days after the final delivery of the oil to the Bayovar terminal. During Q3 2023, 82% of oil sales were to Novum (Brazil export route) and 18% were to Petroperu (Iquitos refinery). 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, 2023, the cash and cash equivalents were held with six different institutions from three countries, mitigating the credit risk of a collapse of one particular bank.

WORKFORCE MAY BE EXPOSED TO WIDESPREAD PANDEMIC

PetroTal's operations are located in areas relatively remote from local towns and villages and represent a concentration of personnel working and residing in close proximity to one another. Should an employee or visitor become infected with a serious illness that has the potential to spread rapidly, this could place the workforce at risk. The 2020/2021 outbreak of the novel coronavirus in China and other countries around the world is one example of such an illness. The Company takes every precaution to strictly follow industrial hygiene and occupational health guidelines. There can be no assurance that this virus or another infectious illness will not impact the Company's personnel and ultimately its operations.

Additional information regarding risk factors including, but not limited to, risks related to political developments in Peru and environmental risks is available in the Company's Annual Information Form ("AIF"), a copy of which may be accessed through the SEDAR website (www.sedar.com).

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance, including, but not limited to: PetroTal's business strategy, objectives, strength, focus and outlook, drilling, completions, workovers and other activities including expanding infrastructure and exploring undeveloped acreage and the anticipated costs and results of such activities, environmental remediation and social initiatives, the ability of the Company to achieve drilling success consistent with management's expectations, anticipated future production and revenue, oil production levels, the 2024 capital program and budget, including drilling plans, balance sheet strength, COVID-19 surveillance and control process, hedging program and the terms thereof, and future development and growth prospects. All statements other than statements of historical fact may be forward-looking statements. In addition, statements relating to expected production, reserves, prospective resources, recovery, costs and valuation are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. 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.

The forward-looking statements are based on certain key expectations and assumptions made by the Company, including, but not limited to, expectations and assumptions concerning the ability of existing infrastructure to deliver production and the anticipated capital expenditures associated therewith, reservoir characteristics, recovery factor, exploration upside, prevailing commodity prices and the actual prices received for PetroTal's products, including pursuant to hedging arrangements, the availability and performance of drilling rigs, facilities, pipelines, other oilfield services and skilled labor, royalty regimes and exchange rates, the application of regulatory and licensing requirements, the accuracy of PetroTal's geological interpretation of its drilling and land opportunities, current legislation, receipt of required regulatory approval, the success of future drilling and development activities, the performance of new wells, the Company's growth strategy, general economic conditions and availability of required equipment and services.

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

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. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of reserve estimates, the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price volatility, price differentials and the actual prices received for products, exchange rate fluctuations, legal, political and economic instability in Peru, access to transportation routes and markets for the Company's production, changes in legislation affecting the oil and gas industry and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. In addition, the Company cautions that current global uncertainty with respect to the spread of the COVID-19 virus and its effect on the broader global economy may have a significant negative effect on the Company. While the precise impact of the COVID-19 virus on the Company remains unknown, rapid spread of the COVID-19 virus may continue to have a material adverse effect on global economic activity, and may continue to result in volatility and disruption to global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to the Company. Please refer to the risk factors identified in the AIF which is available on SEDAR at www.sedar.com.

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.

Prospective resources are the quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Estimates of prospective resources included in this document relating to the Osheki prospect are based upon an independent assessment completed by NSAI with an effective date of September 30, 2018 and prepared in accordance with Canadian Oil and Gas Evaluation Handbook ("COGE") and the standards established by NI 51-101. For additional information about the Company's prospective resources, see the Company's website for the most current press release.

ADDITIONAL INFORMATION

On February 16, 2023, the Company graduated from the TSX Venture Exchange to the Toronto Stock Exchange. The trading symbol remains the same, "TAL".

Additional information about PetroTal Corp. and its business activities, including PetroTal's audited Financial Statements for the years ended December 31, 2022 and 2021 are available on the Company's website at www.petrotal-corp.com, and at www.sedarplus.ca, or below:

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Mark McComiskey
Chair of the Board

Felipe Arbelaez
Eleanor Barker
Jon Harris
Roger Tucker
Gavin Wilson
Emily Morris
Manuel Pablo Zuniga-Pflucker

OFFICERS AND SENIOR EXECUTIVES
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President and Chief Executive Officer

Douglas Urch
EVP and Chief Financial Officer

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TSX Exchange
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TSX: TAL

AIM Stock Exchange
London, United Kingdom
AIM: PTAL

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TRANSFER AGENT AND REGISTRAR
Computershare Trust Company of Canada
Calgary, Alberta
London, United Kingdom

Equity Stock Transfer
New York, NY

GLOSSARY / ABBREVIATIONS

1P	Proved
2P	Proved plus Probable
3P	Proved plus Probable and Possible
AIF	Annual Information Form
bbl	Barrel
bopd	Barrels of Oil per Day
CGUs	Cash Generating Units
COGE	Canadian Oil and Gas Evaluation Handbook
COVID-19	SARS-CoV-2
CSR	Community, Social and Regulatory
DD&A	Depletion, Depreciation and Amortization
E&E	Exploration and Evaluation
EIA	Environmental Impact Assessment
ESG	Environmental and Social Governance
FOB	Freight on board
FFO	Funds Flow Provided by Operations
G&A	General and Administrative
GAAP	Generally Accepted Accounting Principles
IFRS	International Financial Reporting Standards
ISSB	International Sustainability Standards Board
mbbl(s)	Thousand Barrel(s)
MD&A	Management's Discussion and Analysis
mmbbl	Million Barrels
mmboe	Million Barrels of Oil Equivalent
NAV	Net Asset Value
NCIB	Normal Course Issuer Bid
Netback	Benchmark to assess the profitability based on revenues less royalties, operating and transportation costs
NI 51-101	National Instruments - Standards of Disclosure for Oil and Gas Activities
NOI	Net Operating Income
NSAI	Netherland Sewell and Associates, Inc.
OCP	OCP Ecuador Pipeline
ONP	Northern Peruvian Pipeline
OOIP	Original Oil in Place
PP&E	Property, Plant and Equipment
RLI	Reserve Life Index
SDGs	Sustainable Development Goals
VAT	Value Added Tax

PetroTal

Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2023 and 2022

TSX: TAL
AIM: PTAL
OTCQX: PTALF

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MANAGEMENT'S REPORT

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

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

Signed "Manuel Pablo Zuniga-Pflucker"
Manuel Pablo Zuniga-Pflucker
President and Chief Executive Officer

Signed "Douglas Urch"
Douglas Urch
Executive VP and Chief Financial Officer

November 10, 2023

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

($ thousands of US Dollars, unaudited)	Note	September 30 2023	December 31 2022
ASSETS			
Current Assets			
Cash	4	94,109	104,340
Restricted cash	4	12,718	9,629
VAT receivable	5	9,634	10,555
Trade and other receivables	6	65,591	107,275
Inventory	7	16,028	13,773
Prepaid expenses	8	6,445	5,475
Derivative assets	9	20,017	12,086
Total Current Assets		224,542	263,133
Non-current Assets			
Restricted cash	4	6,000	6,000
Exploration and evaluation assets	10	8,614	7,342
Property, plant and equipment	11	364,637	311,910
Deferred tax asset	19	6,325	1,098
VAT receivable	5	2,111	1,934
Derivative assets	9	5,971	11,463
Total Non-current Assets		393,658	339,747
Total Assets		**618,200**	**602,880**

LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	13	58,696	67,195
Lease liabilities	15	2,888	2,567
Short-term debt	12	—	53,600
VAT payable	5	—	—
Total Current Liabilities		61,584	123,362
Non-current Liabilities			
Long-term debt	12	—	27,845
Long-term derivative liabilities	9	6,914	3,179
Lease liabilities	15	14,033	17,075
Decommissioning liabilities	14	19,713	13,393
Deferred income tax liabilities	19	51,548	17,386
Other long-term obligations		1,851	1,309
Total Non-current Liabilities		94,059	80,187
Total Liabilities		155,643	203,549
Equity			
Share capital	16	141,511	130,196
Contributed surplus		8,915	6,262
Retained earnings		312,131	262,873
Total Equity		462,557	399,331
Total Liabilities and Equity		**618,200**	**602,880**

See accompanying notes to the Condensed Interim Consolidated Financial Statements

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS AND OTHER COMPREHENSIVE INCOME

($ thousands of US Dollars, except per share amounts, unaudited)		Three Months Ended September 30		Nine Months Ended September 30	
	Note	**2023**	**2022**	**2023**	**2022**
REVENUES					
Oil revenues, net of royalties and social fund	17	63,307	72,475	211,893	269,184
Total revenue		63,307	72,475	211,893	269,184
EXPENSES					
Operating		8,982	7,423	22,436	25,839
Direct transportation	18	4,929	2,719	9,973	18,230
General and administrative		7,355	4,689	19,462	14,551
Finance expense		1,187	5,792	12,190	17,782
Commodity price derivatives (gain) loss	9	(12,701)	32,686	818	5,141
Depletion, depreciation and amortization		7,962	7,920	28,273	26,452
Foreign exchange loss		789	260	840	1,423
Total expenses		18,503	61,489	93,992	109,418
Income before income taxes		**44,804**	**10,986**	**117,901**	**159,766**
Current income tax expense (recovery)		—	(8)	—	46
Deferred income tax expense	19	19,445	8,400	28,926	8,369
Net income and comprehensive income		**25,359**	**2,594**	**88,975**	**151,351**
Basic earnings per share		0.03	0.00	0.10	0.18
Diluted earnings per share		0.03	0.00	0.10	0.17
Weighted average number of common shares outstanding (000's)					
Basic		920,312	843,507	894,901	841,048
Diluted		941,197	904,291	915,704	904,814

See accompanying notes to the Condensed Interim Consolidated Financial Statements

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

($ thousands of US Dollars, unaudited)		Nine Months Ended September 30	
	Note	2023	2022
Share capital			
Balance, beginning of year		130,196	126,696
Repurchase of shares	16	(1,001)	—
Exercise of warrants	16	12,316	3,457
Balance, end of period		141,511	130,153
Contributed surplus			
Balance, beginning of year		6,262	3,215
Share-based compensation plan		2,653	2,302
Balance, end of period		8,915	5,517
Retained earnings			
Balance, beginning of year		262,873	74,346
Dividends paid	16	(37,286)	—
Net income and comprehensive income		88,975	151,351
Repurchase of shares		(2,431)	—
Balance, end of period		312,131	225,697
Total Equity		462,557	361,367

See accompanying notes to the Condensed Interim Consolidated Financial Statements

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

($ thousands of US Dollars, unaudited)		Nine Months Ended September 30	
	Note	**2023**	**2022**
Cash flows from operating activities			
Net income		88,975	151,351
Adjustments for:			
Depletion, depreciation and amortization		27,569	26,452
Accretion of decommissioning obligations	14	696	659
Share-based compensation plan		3,195	2,345
Commodity price unrealized derivatives loss	9	(1,439)	22,631
Finance expenses		7,912	13,897
Deferred income tax expense		28,926	8,369
Settlement of decommissioning liabilities	14	—	(2,049)
Changes in working capital:			
- Receivables and taxes		42,428	(123,153)
- Advances and prepaid expenses		160	(1,375)
- Inventory		(1,903)	8,360
- Trade and other payables		(12,433)	(3,339)
- Commodity price realized derivatives	9	2,734	10,590
Cash paid for income taxes		(1,130)	(2,101)
Net cash provided by operating activities		185,690	112,637
Cash flows from investing activities			
Property, plant and equipment additions	11	(75,024)	(61,127)
Exploration and evaluation asset additions	10	(1,272)	(1,051)
Non-cash changes in working capital		3,943	(1,094)
Net cash used in investing activities		(72,353)	(63,272)
Cash flows from financing activities			
Interest and fees paid		(8,426)	(11,300)
Net proceeds from exercise of warrants	16	12,316	3,457
Repayment of bond principal	12	(80,000)	(20,000)
Funds received from credit facility	12	20,000	—
Repayment of credit facility	12	(20,000)	—
Payments of dividends to shareholders		(37,286)	—
Repurchase of shares		(3,432)	—
Payment of current lease liabilities	15	(3,652)	(2,962)
Net cash used in financing activities		(120,480)	(30,805)
Increase (decrease) in cash		(7,143)	18,560
Cash, beginning of period		104,340	44,919
Restricted cash	4	(3,089)	11,585
Cash, end of the period		**94,108**	**75,064**

See accompanying notes to the Condensed Interim Consolidated Financial Statements

1. CORPORATE INFORMATION

PetroTal Corp. (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 oil and natural gas in Peru, South America. The Company's registered office is located at 4300 Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta, Canada.

These unaudited Condensed Interim 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.

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date that the Financial Statements were issued.

These Financial Statements were approved for issuance by the Company's Board of Directors on November 10, 2023, on the recommendation of the Audit Committee.

2. BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

These 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 for the year ended December 31, 2022, which outline the Company's significant accounting policies in Note 2 thereto, and have been applied consistently in these Financial Statements, except as disclosed in Note 3, as well as the Company's critical accounting judgements and key sources of estimation uncertainty which are also set out in Note 2 thereto.

BASIS OF MEASUREMENT

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.

PRINCIPLES OF CONSOLIDATION

The Company's Financial Statements include the accounts of the Company and its subsidiaries. The Financial Statements of the subsidiaries are prepared for the same reporting period as the parent Company's, using consistent accounting practices.

Inter-company balances and transactions, and any unrealized gains arising from inter-company transactions with the Company's subsidiaries, are eliminated on consolidation.

The entities included in the Company's Financial Statements are PetroTal Corp. and its 100% owned subsidiaries PetroTal USA Corp., PetroTal LLC, PetroTal Energy International (Peru) Holdings B.V., PetroTal Peru B.V., Petrolifera Petroleum Del Peru S.R.L. and PetroTal Peru S.R.L.

3. NEW ACCOUNTING POLICIES, STANDARDS AND INTERPRETATIONS

NEW ACCOUNTING POLICIES

Shareholders' capital represents the recognized amount for common shares issued (net of equity issuance costs) less the weighted-average carrying value of shares repurchased. The price paid to repurchase common shares is compared to the carrying value of the shares and the difference is recorded against retained earnings.

NEW ACCOUNTING STANDARDS ISSUED

New accounting standards and interpretations were issued and are mandatory for accounting periods after January 1, 2023. Certain of the new accounting standards and interpretations, which did not have a significant impact on the Company's Financial Statements upon adoption, are as follows:

- IAS 1 – Disclosure of Accounting Policies – Effective January 1, 2023, the amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies, while providing guidance on how entities can identify material accounting policy information and examples of when accounting policy information is likely to be material.
- IAS 1 – Presentation of Financial Statements – Effective January 1, 2023, the amendments clarify the requirements for the presentation of liabilities as current or non-current in the balance sheet.
- IAS 8 – Definition of Accounting Estimates – Effective January 1, 2023, the amendments distinguish how an entity should present and disclose different types of accounting changes in its financial statements and provides updated definitions to changes in accounting estimates to assist issuers in assessing between a change in accounting policy and a change in accounting estimate.

4. CASH AND RESTRICTED CASH

The following table sets out cash and restricted cash balances held in different currencies:

	September 30 2023	December 31 2022
Balances held in:		
US dollars	106,296	117,378
Peruvian soles	2,658	113
English pounds	943	2,457
Canadian dollars	2,931	21
Total	112,827	119,969
Represented as:		
Cash	94,109	104,340
Restricted cash current	12,718	9,629
Restricted cash non-current	6,000	6,000

Current restricted cash of $12.7 million, is primarily related to the social fund, letters of credit bank guarantees, and hedge deposits. The $6 million of non-current restricted cash is related to permitted hedging programs (see Note 9).

The social fund was formally recognized in 2022 where 2.5% of the value of the monthly oil produced in Bretana's Block 95, less transportation, is set aside for the benefit of local communities. In March 2023, Peru's President signed the Supreme Decree authorizing Perupetro S.A. ("Perupetro") to execute the amendment incorporating the 2.5% social trust fund into the Block 95 license contract, effective and retroactive to January 1, 2022. The social trust now requires its bylaws to be approved by the working table participants. For the three and nine months ended September 30, 2023, the Company accrued $1.6 million and $5.1 million, respectively, in social fund expense (see Note 17) of which $0 million and $0.2 million was paid to the community, respectively.

5. VAT RECEIVABLES

	September 30 2023	December 31 2022
VAT receivable - current	9,634	10,555
VAT receivable - non-current	2,111	1,934
Total VAT receivables	11,745	12,489

Valued Added Tax ("VAT") in Peru is levied on the purchase of goods and services and is recoverable on sales of goods and services. The Company recovered $19.1 million during the nine months ended September 30, 2023 and expects to recover $9.6 million in the short-term.

6. TRADE AND OTHER RECEIVABLES

	September 30 2023	December 31 2022
Trade receivables	65,331	105,647
Other receivables	260	1,628
Total trade and other receivables	65,591	107,275

As at September 30, 2023, trade receivables represent revenue related to the sale of oil. The balance is comprised of $30 million due from Petroperu and $36 million from export sales through Brazil. No credit losses on the Company's trade receivables have been incurred and all are current.

7. INVENTORY

	September 30 2023	December 31 2022
Oil inventory	1,204	2,389
Materials, parts and supplies	14,824	11,384
Total inventory	16,028	13,773

Oil inventory consists of the Company's oil barrels, which are valued at the lower of cost or net realizable value. Costs include operating expenses, royalties, transportation, and depletion associated with production. Costs capitalized as inventory will be expensed when the inventory is sold. As at September 30, 2023, the oil inventory balance of $1.2 million consists of 52,506 barrels of oil valued at $22.94/bbl (December 31, 2022: $2.4 million, based on 106,621 barrels at $22.41/bbl). Materials, parts and supplies, including diluent, are expected to be consumed in the short-term.

8. PREPAID EXPENSES

	September 30 2023	December 31 2022
Advances to contractors	5	—
Prepaid expenses and other	6,440	5,475
Total advances and prepaid expenses	6,445	5,475

As at September 30, 2023, prepaid expenses were comprised of $5.6 million in Peruvian income tax prepaid and $0.8 million in insurance, prepaid services for consultants, and other related services.

9. RISK MANAGEMENT

	September 30, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and restricted cash	112,827	112,827	119,969	119,969
Trade and other receivables	65,591	65,591	107,275	107,275
Short-term derivative assets	20,017	20,017	12,086	12,086
Long-term derivative assets	5,971	5,971	11,463	11,463
Short and long-term debt	—	—	81,445	82,000
Trade and other payables	58,696	58,696	67,195	67,195
Long-term derivative liabilities	6,914	6,914	3,179	3,179

The table above details the Company's carrying value and fair value of financial instruments including cash and restricted cash, trade and other receivables, derivatives, short and long-term debt, and trade and other payables, all of which are classified as financial assets and liabilities and reported at amortized cost or fair value. 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.

COMMODITY PRICE DERIVATIVES

The derivative asset is classified as a Level 2 fair value measurement. The Petroperu Saramuro agreement, signed with Petroperu during 2021, includes a clause for the purchase price adjustment. The initial sales price is based on the arithmetic average of the ICE Brent Crude 8-month forward price. The realized price is based on the tender price of the oil that is sold at the Bayovar terminal. The purchase price adjustment is the realized price less the initial sales price. If the purchase price adjustment is negative, the Company will compensate Petroperu for the amount, multiplied by the volume sold or arranged by Petroperu. If the purchase price adjustment is positive, the Company will be compensated by Petroperu.

The fair value of the embedded derivative, considering an average future Brent price marker differential, was recorded as a gain (loss) on commodity price derivatives at September 30, 2023.

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Net derivative asset at beginning of period	6,373	56,798	20,370	36,723
Cash settlements	(253)	7,434	(478)	(38)
Cash to be received	253	(28,040)	—	(28,040)
Realized gain (loss)	(2,734)	(6,247)	(2,256)	17,491
Unrealized gain (loss)	15,435	(26,441)	1,438	(22,632)
Net derivative asset at end of period	19,074	3,504	19,074	3,504

Sales delivery / Executed month	Expected settlement month	Volume mbbls	Price range $/bbl	Hedged range $/bbl	Net Derivative Asset
Peru Embedded Derivatives (a)					
Jan-21 to Feb-22	Jan-24 to Oct-27	2,422	55.32 to 85.26	73.02 to 90.36	19,074
				Net Derivative Asset	**19,074**

a) Embedded derivative related to original Petroperu sales agreement.

During the nine months ended September 30, 2023, no barrels have been sold by Petroperu. 2.4 million barrels remain in the pipeline or storage tanks, awaiting final sale by Petroperu.

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 1% fluctuation in translation rates would have nil impact on net income or loss, based on foreign currency balances held at September 30, 2023.

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 risk is impacted by current and future commodity prices. If required, the Company will also consider additional short-term financing or issuing equity in order to meet its future liabilities. Declines in future commodity prices could affect the Company's ability to fund ongoing operations. The current economic environment may have significant adverse impacts on the Company including, but not exclusively:

- material declines in revenue and cash flows as a result of the decline in commodity prices;
- declines in revenue and operating activities due to reduced capital programs and constrained oil production;
- inability to access financing sources;
- increased risk of non-performance by the Company's customers and suppliers;
- interruptions in operations as the Company adjusts personnel to the dynamic environment; and,
- delivery of oil at Bayovar port and sale swap price risk.

Estimates and judgements made by management in the preparation of the financial statements are subject to a certain degree of measurement uncertainty during this volatile period.

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 VAT is primarily for sales tax credits on exploration and drilling expenses incurred in prior years. These credits will be applied to future oil development activities or recovered as per the sales tax recovery legislation currently in effect. The Company's trade receivable balance relates to oil sales and purchase price adjustments to two customers, being Petroperu, a state-owned company and Novum, an oil trading company. The Company has a long-term sales agreement for oil exports through Brazil, whereby sales are FOB Bretana. Sales through the ONP pipeline are due and payable 240 days after the final delivery of the oil to the Bayovar terminal. During Q3 2023, 82% of oil sales were to Novum (Brazil export route) and 18% were to Petroperu (Iquitos refinery). The Company has not experienced any material credit losses in the collection of its trade receivables. The Company periodically assesses the recoverability of all trade receivables through discussions with its customers, review of credit rating agency reports or review of other third-party information.

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, cash equivalents and restricted cash 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, 2023, the cash, cash equivalents and restricted cash were held with six different institutions from three countries, mitigating the credit risk of a collapse of one particular bank.

10. EXPLORATION AND EVALUATION ASSETS

The following table sets out a continuity of Exploration and Evaluation Assets:

Balance at January 1, 2022	6,051
Additions	1,291
Balance at December 31, 2022	7,342
Additions	1,272
Balance at September 30, 2023	8,614

The Company determined there were no impairment indicators of the exploration and evaluation assets balance at September 30, 2023 and December 31, 2022.

11. PROPERTY, PLANT AND EQUIPMENT

	Petroleum Interests	Right of Use Asset (Power Plant)	Other Assets	Total
Balance at January 1, 2022	231,009	20,188	633	251,830
Additions	91,348	5,894	2,933	100,175
Revisions to decommissioning obligations	(4,688)	—	—	(4,688)
Revisions to right of use asset	—	(4,158)	—	(4,158)
Depletion, depreciation and amortization	(29,390)	(1,212)	(647)	(31,249)
Balance at December 31, 2022	288,279	20,712	2,919	311,910
Additions	74,472	—	551	75,023
Additions and revisions to decommissioning obligations	5,624	—	—	5,624
Depletion, depreciation and amortization	(26,185)	(937)	(799)	(27,921)
Balance at September 30, 2023	342,190	19,775	2,671	364,636

As at September 30, 2023, $0.4 million of the depreciation, depletion and amortization expense was recorded as inventory (December 31, 2022: $0.7 million).

The Company determined there were no impairment indicators of the property, plant and equipment balance at September 30, 2023 and December 31, 2022.

12. SHORT AND LONG-TERM DEBT

On February 16, 2023, in accordance with the terms of the debt agreement the company paid $25 million and in March 24, 2023, the Company elected to repay the remaining $55 million bond principal, plus interest and fees of $2.9 million. The original bond maturity was February 2024.

On March 2, 2023, the Company finalized a $20 million unsecured revolving loan with an interest rate of 8.97% with Banco de Credito del Peru. The initial term of the loan was two months with renewal options until the end of 2023. No debt covenants were set forth by the lender in the loan agreement. The funds were used to fund short-term working capital needs. On August 3, 2023, the Company repaid $20 million to Banco de Credito del Peru for its revolving loan plus $0.2 million in accrued interest.

13. TRADE AND OTHER PAYABLES

	September 30 2023	December 31 2022
Trade payables	15,075	32,177
Accrued payables and other obligations	43,621	35,018
Total trade and other payables	58,696	67,195

As at September 30, 2023 and December 31, 2022, trade payables and other payables are primarily related to the drilling and completion of wells and construction of production processing facilities. The other obligations are mainly related to the 2.5% social fund for the benefit of local communities, which totaled to $10.0 million as at September 30, 2023 ($5.1 million at December 31, 2022).

14. DECOMMISSIONING LIABILITIES

Balance at January 1, 2022	22,101
Additions	1,916
Revisions to decommissioning liabilities	(6,604)
Expenditures	(4,917)
Accretion	897
Balance at December 31, 2022	13,393
Additions	4,968
Revisions to decommissioning liabilities	656
Accretion	696
Balance at September 30, 2023	19,713

The undiscounted uninflated value of estimated decommissioning liabilities is $40.5 million ($30.2 million in 2022). The present value of the obligations was calculated using an average risk-free rate of 6.3% (December 31, 2022: 6.6%) 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 estimate was 2.1%.

15. CURRENT AND NON-CURRENT LEASE LIABILITIES

In prior years, PetroTal commenced a seven-year service lease arrangement with a supplier that provides turnkey power generation equipment services. The Company has the option to buy the equipment in year five for $5.5 million. The incremental borrowing rate used to measure the lease liabilities was 7.5% for the dollar denominated lease.

The lease liabilities also includes two office leases, one in Houston, Texas and one in Lima, Peru. The Houston lease is for a term of 6.2 years with an incremental borrowing rate of 6.5% and the Lima lease is for 5 years with an incremental borrowing rate of 8.5%.

Lease liabilities at January 1, 2022	17,661
Additions	7,263
Revisions	(2,332)
Payments	(3,974)
Interest on leases	1,024
Lease liabilities at December 31, 2022	19,642
Payments	(3,652)
Interest on leases	931
Lease liabilities at September 30, 2023	16,921
Represented as:	
Current liability	2,888
Non-current liability	14,033

As at September 30, 2023, total lease liabilities have the following minimum undiscounted annual payments:

Year	
2023	1,253
2024	5,014
Thereafter	11,139
Total	17,406

16. 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.

	Thousands of Common Shares	Share Capital
Balance at January 1, 2022	828,197	126,696
Vesting of performance share units	8,050	—
Warrants exercised	25,962	3,500
Balance at December 31, 2022	862,209	130,196
Vesting of performance share units	1,557	—
Repurchase of shares	(6,188)	(1,001)
Warrants exercised	59,876	12,316
Balance at September 30, 2023	917,454	141,511

During the three and nine months ended September 30, 2023, the Company paid dividends to shareholders in the amount of $23 million and $37 million respectively.

NORMAL COURSE ISSUER BID

On May 16, 2023, the Company announced that Toronto Stock Exchange approved the notice of intention to commence a normal course issuer bid ("the NCIB"). The NCIB allows the Company to purchase up to 44,230,205 common shares (representing approximately 5% of outstanding common shares as at May 12, 2023) beginning May 18, 2023 and ending no later than May 17, 2024. Common shares purchased under the NCIB will be cancelled.

During the three and nine months ended September 30, 2023, the Company purchased 5,605,287 and 6,187,995 common shares under the NCIB for total consideration of $3.1 million and $3.4 million, respectively. The surplus between the total consideration and the carrying value of the shares repurchased was recorded against retained earnings.

PERFORMANCE AND INVESTORS' WARRANTS

The investor warrants were granted in connection with the brokered private placement offering on June 18, 2020. Investors received one common share and one half of one warrant allowing the subscriber to purchase additional shares until June 17, 2023, at 16 pence/share upon presentation of a full warrant. The warrants were fully exercised on June 18, 2023 and $12.3 million in proceeds was received. The following table sets out a continuity of the warrants:

	Performance Warrants	Investor Warrants
Balance at January 1, 2022	22,546,350	66,749,005
Warrants exercised	(22,546,350)	(6,873,318)
Balance at December 31, 2022	—	59,875,687
Warrants exercised	—	(59,875,687)
Balance at September 30, 2023	—	—

SHARE-BASED COMPENSATION

The Company has granted performance share units ("PSUs") to employees and deferred share units ("DSUs") to directors. The grant date fair value of PSUs granted to employees is recognized as share-based compensation expense with a corresponding increase in contributed surplus over the vesting period. The Company granted PSUs to employees in accordance with the provisions of the Company's PSU plan. The PSUs either vest after three years or equally over three years and each PSU will entitle the holder to acquire between zero and two common shares of the Company, subject to the achievement of performance conditions relating to the Company's total shareholder return, net asset value and certain production, environmental, safety and operational milestones.

The fair value of the PSUs is determined through a combination of Black-Scholes and probability weighted models. The following table details the terms of the PSUs outstanding as at September 30, 2023:

	2023 Plan Share Units	2022 Plan Share Units
Vest date 3 years from grant date, exchangeable for up to 2 shares	4,283,897	3,169,560
Vests equally over 3 years from grant date, exchangeable for up to 2 shares	520,500	305,152
Vests equally over 3 years from grant date, exchangeable for up to 1-1.5 shares	1,987,367	874,225
Total units	6,791,764	4,348,937

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

	2023 Plan	2022 Plan
Risk-free interest rate	3.8 %	2.0 %
Expected Life	1-3 years	1-3 years
Annualized volatility	50 %	50 %

For the nine months ended September 30, 2023, the Company recognized $3.2 million of share-based compensation expense in general and administrative expense (September 30, 2022: $3.1 million).

The Company issued DSUs to directors of the Company, pursuant to the Company's DSU plan and has 3,459,886 DSUs outstanding at September 30, 2023. The DSUs are fully vested and are redeemable upon a holder ceasing to be a director of PetroTal. No common shares will be issued under the DSU plan, as they are settled in cash at the prevailing market price and valued at the closing share price on the reporting date. For the nine months ended September 30, 2023, the Company recognized $0.6 million of DSU expense in general and administrative expense and contributed surplus (September 30, 2022: $0.8 million).

The following table details the PSU and DSU activity:

	Performance Share Units	Deferred Share Units
Balance at January 1, 2022	23,583,322	2,962,539
Additions	5,165,917	1,073,483
Issued/forfeiture	(9,022,071)	—
Exercised/settled	—	(1,384,268)
Balance at December 31, 2022	19,727,168	2,651,754
Additions	6,791,763	959,392
Issued/forfeiture	(6,405,021)	—
Exercised/settled	—	(151,260)
Balance at September 30, 2023	20,113,910	3,459,886

17. REVENUE NET OF ROYALTIES AND SOCIAL FUND

The Company's oil revenue is determined pursuant to the terms of various sales agreements. The transaction price for crude is based on the commodity price in the production month, adjusted for quality, allowable deductions and other factors. Commodity prices are based on market indices.

	Three Months Ended September 30		Nine months Ended September 30	
	2023	2022	2023	2022
Oil revenue	69,142	84,164	232,865	295,350
Royalty	(4,204)	(5,628)	(15,856)	(20,105)
Social fund (see Note 4)	(1,631)	(6,061)	(5,116)	(6,061)
Oil Revenue Net of Royalties and Social Fund	63,307	72,475	211,893	269,184

18. DIRECT TRANSPORTATION EXPENSE

Direct transportation is comprised of diluent, barging, diesel and storage expenses. Diluent costs are required due to blending requirements mainly for oil exports through Brazil. Direct transportation expense includes additional charges for storage and dry season freight due to unusual low river levels that occurred in Q3 2023.

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Diluent	1,829	1,641	4,838	8,166
Barging	845	896	2,647	5,608
Diesel	141	120	374	940
Dry season freight and storage	2,114	—	2,114	3,516
Total Direct Transportation	4,929	2,657	9,973	18,230

19. TAXES

The Company's effective tax rate is impacted each quarter by the relative pre-tax income earned by the Company's operations in Canada, U.S., and Peru. The Company is subject to statutory tax rates of 23% in Canada, 21% in the U.S. and 32% in Peru (activities of the Company in Peru are subject to a 30% statutory tax rate plus 2% in accordance with Law 27343). The Company files federal income tax returns and local income tax returns in the various jurisdictions.

The tax at the effective rate differed from the tax at the statutory rate as follows:

	Three Months Ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Earnings before income taxes	44,804	10,986	117,901	159,766
Canadian corporate tax rate	23.00 %	23.00 %	23.00 %	23.00 %
Expected income tax expense	10,305	2,527	27,117	36,746
Increase (decrease) in taxes resulting from:				
Non-deductible expenses and other	5,621	(2,761)	1,497	(3,694)
Tax differential on foreign jurisdictions	3,519	942	9,123	15,450
Change in valuation allowance	—	7,692	(8,811)	(40,133)
Provision for income taxes	**19,445**	**8,400**	**28,926**	**8,369**

The deferred income tax balances are as follows:

	September 30, 2023	December 31, 2022
Deferred tax assets (Canada)	5,780	495
Deferred tax assets (USA)	545	603
Deferred tax assets (Peru NOLs)	22,065	46,061
Deferred tax liability (Peru)	73,613	63,447
Net deferred tax asset - Long-term	6,325	1,098
Net deferred tax liability - Long-term	51,548	17,386

The Company recognized the net tax amount related to Net Operating Losses ("NOLs") and deferred tax liabilities in Peru. As of September 30, 2023, the Company has $19 million in available tax losses in Peru (mainly related to Block 95), $22 million tax losses in Canada and $2.5 million in the US (December 31, 2022: $112 million, $54 million, and $1.7 million, respectively). The Canadian non-capital losses can be carried forward for twenty years and there is generally no carryback period. The carryover period starts with the taxable year following the loss and continues indefinitely.

The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized as of September 30, 2023 is approximately $94 million (December 31, 2022: $50 million).

20. COMMITMENTS

As at September 30, 2023, the Company holds the following letters of credit guaranteeing its commitments in exploration block 107:

Block	Beneficiary	Amount	Commitment	Expiration
107	Perupetro S.A.	$1,500	1st exploration well, minimum work 5th exploratory period	December 2023
107	Perupetro S.A.	$1,500	2nd exploration well, minimum work 5th exploratory period	December 2023
		$3,000		