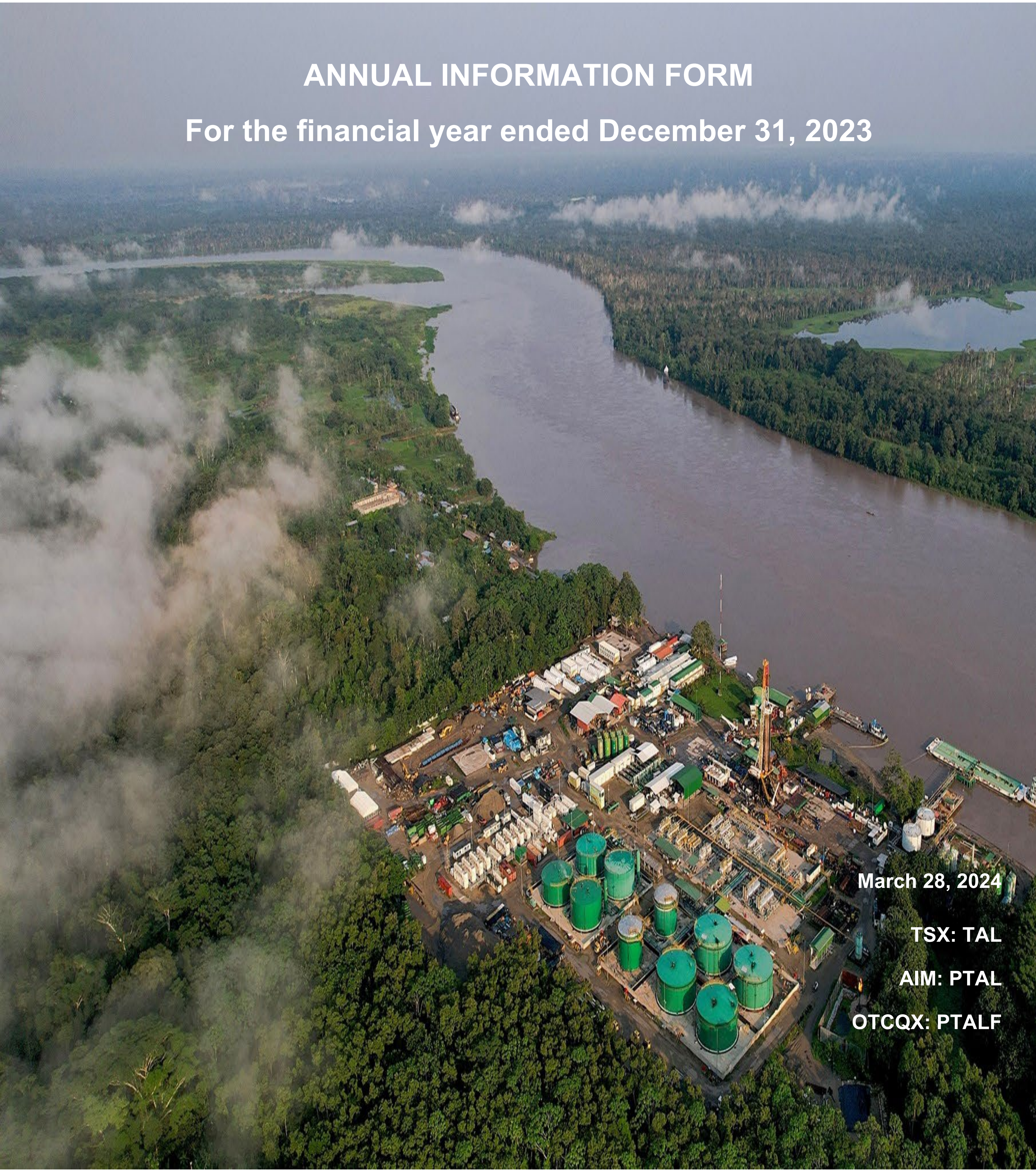
ANNUAL INFORMATION FORM

For the financial year ended December 31, 2023



March 28, 2024

TSX: TAL

AIM: PTAL

OTCQX: PTALF

PetroTal

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GLOSSARY

Certain terms and abbreviations used in this Annual Information Form are defined below:

"**ABCA**" means the *Business Corporations Act* (Alberta), as amended, including the regulations promulgated thereunder.

"**affiliate**" or "**associate**" when used to indicate a relationship with a person or company, has the meaning set forth in the *Securities Act* (Alberta).

"**AIF**" means this annual information form dated March 28, 2024, for the financial year ended December 31, 2023.

"**AIM**" means AIM, the market of that name operated by the London Stock Exchange.

"**AIM Rules**" means the AIM Rules for Companies published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) and those other rules of the London Stock Exchange which govern the admission of securities to trading on, and the regulation of, AIM.

"**Board**" or "**Board of Directors**" means the board of directors of the Company, as constituted from time to time, including where applicable, any committee thereof.

"**Bretana Assets**" means the Company's heavy oil assets which are located on Block 95 of onshore Peru.

"**COGE Handbook**" means the most recent publication of the Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Engineers (Calgary chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum.

"**Common Shares**" means the common shares in the capital of the Company.

"**Company**" or "**PetroTal**" means PetroTal Corp., a corporation incorporated under the ABCA.

"**GAAP**" means Canadian Generally Accepted Accounting Principles, which incorporate IFRS for public companies.

"**GBP**" means British Pound Sterling.

"**GTE**" means Gran Tierra Energy Inc.

"**Hydrocarbon Law**" means the Organic Hydrocarbon Law No. 26221 enacted by the government of Peru in 1993, which unified text was approved by Supreme Decree No. 042-2005-EM, and the regulations thereunder.

"**IFRS**" means International Financial Reporting Standards as issued by the International Accounting Standards Board.

"**Income Tax Law**" means the Legislative Decree No. 774, which Unified Text was approved by the Supreme Decree No. 179-2004-EF, and its regulations, approved by the Supreme Decree 122-94-EF, including all its amendments.

"**Ministry**" means the Ministry of Energy and Mines of Peru.

"**NCIB**" means the normal course issuer bid allowing PetroTal to repurchase Common Shares for cancellation.

"**NI 51-101**" means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators.

"**NI 51-102**" means National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

"**NSAI Report**" means the report prepared by Netherland, Sewell & Associates, Inc. dated February 9, 2024, evaluating the crude oil reserves attributed to the Bretana Assets as at December 31, 2023.

"**ONP**" means the North Peruvian Pipeline, which transports crude oil from Station 1, in San Jose de Saramuro (Loreto), to tide-water market on Peru's west coast at the Port of Bayovar.

"**OTCQX**" means Over-the-counter US exchange market.

"**Peru HoldCo**" means PetroTal International (Peru) Holdings B.V., a limited company existing under the laws of Curaçao.

"**Peru HoldCo Shares**" means shares in the capital of Peru HoldCo.

"**Perupetro**" means Perupetro S.A., a private state-owned company responsible for promoting, negotiating, underwriting and monitoring contracts for exploration and production of hydrocarbons in Peru.

"**Peruvian Business**" means Peru HoldCo and its direct and indirect subsidiaries and petroleum and natural gas properties and related assets, including the Bretana Assets, all of which were acquired by the Company by virtue of the acquisition of the Peru HoldCo Shares pursuant to the Acquisition.

"**PetroPeru**" means Petróleos del Perú S.A., a private state-owned company dedicated to the transportation, refining, distribution and sale of fuel and other products derived from oil.

"**PetroTal**" means PetroTal Corp., a corporation incorporated under the ABCA.

"**Share Units**" means performance share units and restricted share units issuable pursuant to PetroTal's amended performance and restricted share unit plan.

"**Tax Act**" means the *Income Tax Act* (Canada), as amended, including the regulations promulgated thereunder.

"**TSX**" means the Toronto Stock Exchange.

"**TSXV**" means the TSX Venture Exchange.

"**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.

CONVENTIONS

Unless otherwise indicated, references herein to "$" or "dollars" are to United States dollars. All financial information with respect to the Company has been presented in United States dollars in accordance with International Financial Reporting Standards ("**IFRS**"). The information in this AIF is stated as at December 31, 2023, unless otherwise indicated.

ABBREVIATIONS

Bbl	barrel
Bbls	barrels
Mbbls	thousand barrels
MMbbls	million barrels
Bopd	Barrels of oil per day
NGLs	natural gas liquids
Mcf	thousand cubic feet
API	an indication of the specific gravity of crude oil measured on the American Petroleum Institute gravity scale. Liquid petroleum with a specified gravity of 28° API or higher is generally referred to as light crude oil.
BOE	barrel of oil equivalent of natural gas and crude oil on the basis of 1 BOE for 6 (unless otherwise stated) Mcf of natural gas (this conversion factor is an industry accepted norm and is not based on either energy content or current prices)
BOE/D	barrel of oil equivalent per day
m^3	cubic metres
MBOE	1,000 barrels of oil equivalent
$000 or M$	thousands of dollars
MM$	millions of dollars

CONVERSION

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	Cubic meters	28.174
Cubic meters	Cubic feet	35.494
Bbls	Cubic meters	0.159
Cubic meters	Bbls	6.290
Feet	Meters	0.305
Meters	Feet	3.281
Miles	Kilometers	1.609
Kilometers	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

ADDITIONAL INFORMATION CONCERNING RESERVES DATA

Reserve Categories

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on:

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology; and
- specified economic conditions, specifically the forecast prices and costs.

Reserves are classified according to the degree of certainty associated with the estimates.

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

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

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

Other criteria that must also be met for the categorization of reserves are provided in the most recent publication of the Canadian Oil and Gas Evaluation Handbook maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter), as amended from time to time (the "**COGE Handbook**").

Each of the reserve categories (proved, probable and possible) may be divided into developed and undeveloped categories:

(a) Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

  (i) Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

  (ii) Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves' classification (proved, probable) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserve estimates are prepared). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

(a) at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves;

(b) at least a 50 percent probability that the quantities actually recovered will equal or exceed the estimated proved plus probable reserves; and

(c) at least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in the COGE Handbook.

Interests in Reserves, Wells and Properties

"*gross*" means: (a) in relation to an issuer's interest in reserves, its "company gross reserves", which are its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the issuer; (b) in relation to an issuer's interest in wells, the total number of wells in which an issuer has an interest; and (c) in relation to an issuer's interest in properties, the total area of properties in which an issuer has an interest.

"*net*" means: (a) in relation to an issuer's interest in reserves, its working interest (operating or non-operating) share after deduction of royalty obligations, plus its royalty interests in reserves; (b) in relation to an issuer's interest in wells, the number of wells obtained by aggregating the issuer's working interest in each of its gross wells; and (c) in relation to an issuer's interest in a property, the total area in which an issuer has an interest multiplied by the working interest owned by the issuer.

"*working interest*" means the percentage of undivided interest held by an issuer in the oil and/or natural gas or mineral lease granted by the mineral owner which interest gives the issuer the right to "work" the property (lease) to explore for, develop, produce and market the leased substances.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

- the performance characteristics of the Company's oil properties;
- the Company's intentions with respect to return of capital;
- the intention to buyback shares under the NCIB;
- the dividend policy and expectations regarding dividends;
- PetroTal's liquidity and financial position;

- expectations regarding dividends and share buybacks;
- PetroTal's liquidity and financial position;
- future commodity prices and costs of and supply and demand for crude oil in each market in which production is sold;
- future gains or losses from risk management contracts;
- future production volumes in 2024 and 2025, production volumes and production declines;
- future revenues and production costs (including royalties) and revenues and production costs per commodity unit;
- future capital expenditures and their allocation to specific activities or periods, particularly with respect to the estimated maintenance capital and number of wells to be drilled as part of the 2024 capital program;
- the Company's ability to continue to maintain a safe and environmentally responsible workplace and continued adherence to its existing policies in respect of the same;
- the Company's capacity to continue to provide training, equipment and procedures to all individuals in connection with current workplace and environmental safety policies;
- capital program and capital budgets, including 2024 guidance and budget;
- future growth plans through 2024 and 2025;
- the Company's anticipated payments under service contract for transport of liquid hydrocarbons of the ONP, including in respect of price adjustment mechanisms contemplated thereunder;
- the Company's continued commitment to ESG principles, including as disclosed in its sustainability reports released on its website;
- future drilling and completion of wells;
- future decommissioning costs, inflation rates and discount rates used to determine the net present value of such costs;
- measurement and recoverability of reserves and timing of such recoverability;
- estimates of ultimate recovery from wells;
- future finding and development costs, production costs, transportation costs, interest and financing costs, and general and administrative costs and expectations in respect thereof including regarding the Company's ability to make payments and the means it will utilize for funding the same;
- effect of existing or future contractual obligations including agreements pertaining to processing, transportation and marketing of oil;
- future availability and cost of drilling rigs, completion and other oilfield services;
- dates or time periods by which wells will be drilled and completed, facility construction completed and brought into service and geographical areas developed;
- operating and other costs, world-wide supply and demand for petroleum products, royalty rates and treatment under governmental regulatory regimes;
- productive capacity of wells, anticipated or expected production rates and anticipated dates of commencement of production and timing of results therefrom;
- the size of the oil reserves of the Company and anticipated future cash flows from such reserves;
- ability to meet current and future obligations;
- future sources of funding for capital programs and future availability of such sources;
- future acquisitions or dispositions;
- future abandonment and reclamation costs;
- future tax liabilities and future use of tax pools and losses;
- anticipated tax obligations including in respect of timing;
- development plans;
- transportation alternatives and sales continuity, including pursuant to exports through Brazil and Ecuador;
- anticipated land expiries;
- treatment under governmental regulatory regimes and tax and royalty laws;
- the ability to obtain financing on acceptable terms or at all; and
- currency, exchange and interest rates.

With respect to forward-looking statements contained in this AIF, the Company has made assumptions regarding, among other things:

- the accuracy of reserve estimates and valuations;
- oil production levels;
- the success of the Company's operations and exploration and development activities;
- prevailing climatic conditions, commodity prices, interest and exchange rates;
- the impact of increasing competition;
- availability of skilled labour, services and drilling equipment;
- timing and amount of capital expenditures;
- the legislative and regulatory environments of the jurisdictions where the Company carries on business or has operations;
- the ability of the Company to secure necessary personnel, equipment and services;
- government regulation in the areas of taxation, royalty rates and environmental protection;
- future operating costs;
- conditions in general economic and financial markets;
- access to transportation routes and markets for the Company's production; and
- the Company's ability to obtain additional financing on satisfactory terms.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this AIF:

- a global public health crisis which causes volatility and disruptions in the supply, demand and pricing for crude oil, global supply chains and financial markets, as well as trade volatility and market sentiment and reduced mobility of people;
- volatility in market prices for oil and natural gas, interest and exchange rates, including between Peruvian soles and United States dollars;
- Russia's military invasion of Ukraine;
- the Israeli-Hamas conflict;
- risk associated with hedging activities;
- uncertainties associated with estimating oil and natural gas reserves;
- the risks of the oil and gas industry, such as operational risks and market demand;
- legal, political and economic instability in Peru, including disruptions caused by guerrilla or indigenous groups;
- changes to trade relations, including between Peru and the United States;
- transportation and third-party facility capacity constraints and access to sales markets (including weather-related constraints such as drought reducing water levels in the Amazon River);
- the ability of management to execute its business plan;
- governmental regulation of the oil and gas industry, including environmental regulation;
- actions taken by governmental authorities, including increases in taxes and changes in government regulations and incentive programs;
- geological, technical, drilling and processing problems;
- inadequate infrastructure in Peru;
- exploration and development activities are capital intensive and involve a high degree of risk;
- risks and uncertainties involving geology of oil and gas deposits;
- risks inherent in marketing operations, including credit risk;
- potential delays or changes in plans with respect to exploration or development projects or capital expenditures;
- availability of sufficient financial resources to fund the Company's capital expenditures;
- stock market volatility and market valuations;
- failure to realize the anticipated benefits of acquisitions and dispositions;
- unanticipated operating events which could reduce production or cause production to be shut-in or delayed;

- hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury;
- environmental risks (including climate change) and the cost of compliance with current and future environmental laws, including climate change laws along with risks relating to increased activism and public opposition to fossil fuels;
- encountering unexpected formations or pressures, premature decline of reservoirs, and the premature and/or stronger than expected invasion of water into producing formations;
- the ability to add production and reserves through development and exploration activities;
- uncertainties in regard to the timing of exploration and development activities;
- changes in general economic, market and business conditions;
- the effect of litigation proceedings on the Company's business;
- the possibility that government policies or laws, including laws and regulations related to the environment, may change or governmental approvals may be delayed or withheld;
- uncertainty in amounts and timing of royalty payments;
- uncertainties inherent in estimating quantities of oil and natural gas reserves and cash flows to be derived therefrom;
- failure to obtain industry partner and other third-party consents and approvals, as and when required;
- the availability of capital on acceptable terms or at all;
- cyber-security issues;
- competition for, among other things, capital, acquisition of reserves, undeveloped land and skilled personnel; and
- the other factors considered under "*Risk Factors*" below.

Statements relating to "reserves" are deemed to be forward-looking statements or information, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. See "*Statement of Reserves Data and Other Oil and Gas Information*". There are numerous uncertainties inherent in estimating quantities of proved, probable and possible reserves, including many factors beyond the control of the Company. The reserve data included herein represents estimates only. In general, estimates of economically recoverable oil reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary considerably from actual results. All such estimates are to some degree speculative and classifications of reserves are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil reserves attributable to any particular group of properties and classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom, prepared by different engineers or by the same engineers at different times, may vary substantially. The actual production, revenues, taxes and development and operating expenditures of the Company with respect to these reserves will vary from such estimates, and such variances could be material.

The Company has included the above summary of assumptions and risks related to forward-looking information provided herein in order to provide investors with a more complete perspective on the Company's current and future operations and such information may not be appropriate for other purposes. This AIF may contain forward-looking statements attributed to third party industry sources.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained herein, and the documents incorporated by reference herein, are expressly qualified by this cautionary statement. Except as required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking statements and readers should also carefully consider the matters discussed under the heading "*Risk Factors*" below.

The forward-looking statements or information contained herein are made as of the date hereof and the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable securities laws.

Caution Respecting Reserves Information

The determination of oil and natural gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved and probable reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery. The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

The recovery and reserve estimates of oil, NGLs and natural gas reserves provided herein (including the documents incorporated by reference) are estimates only. Actual reserves may be greater than or less than the estimates provided herein. The estimated future net revenue from the production of the Company's natural gas and petroleum reserves does not represent the fair market value of the Company's reserves.

Caution Respecting BOE

In this AIF, the abbreviation BOE means a barrel of oil equivalent on the basis of 1 BOE to 6 Mcf of natural gas when converting natural gas to BOEs. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf to 1 BOE is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio of oil compared to natural gas based on currently prevailing prices is significantly different than the energy equivalency conversion ratio of 6 Mcf to 1 BOE, utilizing a conversion ratio of 6 Mcf to 1 BOE may be misleading as an indication of value. For example, the conversion ratio specified in the Block 95 license contract is 5.626 Mcf to 1 BOE.

Non-GAAP Measures and Ratios

This AIF contains certain financial measures and ratios, as described below, which do not have standardized meanings prescribed by IFRS or generally accepted accounting principles ("**GAAP**"). As these non-GAAP financial measures and ratios are commonly used in the oil and gas industry, the Company believes that their inclusion is useful to investors. The reader is cautioned that these amounts may not be directly comparable to measures for other companies where similar terminology is used. The non-GAAP financial measures and ratios used in this AIF, represented by the capitalized and defined terms outlined below, are used by PetroTal as key measures of financial performance and are not intended to represent operating profits nor should they be viewed as an alternative to cash provided by operating activities, net income or other measures of financial performance calculated in accordance with IFRS.

"*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 certain non-cash, extraordinary and non-recurring items primarily relating to unrealized gains and losses on financial instruments, 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.

"*Free funds flow*" (non-GAAP financial measure) is calculated as adjusted EBITDA less exploration and development capital expenditures. 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.

"*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.

NAME, ADDRESS AND INCORPORATION

The Company was incorporated under the *Companies Act* (Alberta) on August 31, 1979, under the name of "Peoples Oil Limited". The Company was continued pursuant to articles of continuance under Section 261 of the ABCA on July 2, 1982. The Company changed its name to "Sterling Resources Ltd." on February 10, 1997.

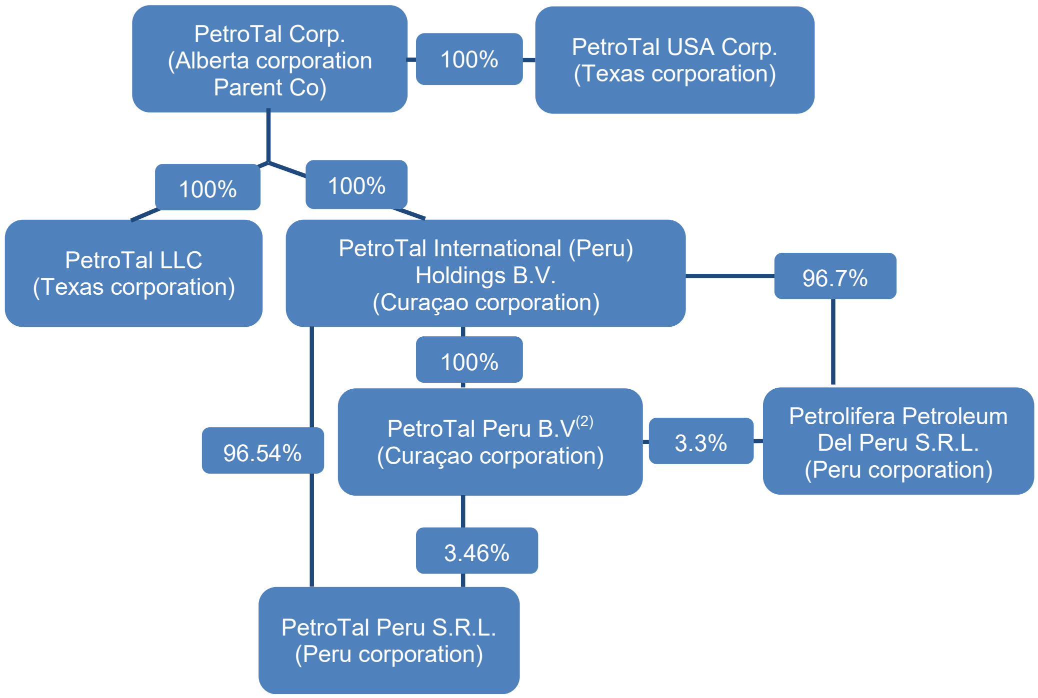
On December 18, 2017, the Company: (a) completed a reverse take-over with PetroTal Ltd. by way of statutory plan of arrangement under the ABCA, pursuant to which the Company: (i) acquired all of the issued and outstanding shares of PetroTal Ltd.; and (ii) amalgamated with PetroTal Ltd. and continued as one Company under the name "Sterling Resources Ltd."; (b) acquired from GTE all of the issued and outstanding Peru HoldCo; and (c) the Company's Board and management team were reconstituted.

The Company changed its name to "PetroTal Corp." from "Sterling Resources Ltd." on June 4, 2018. On October 25, 2018, the Company amended its articles in order to comply with the AIM Rules, and the Common Shares commenced trading on AIM under the trading symbol "PTAL" on December 24, 2018.

The Company's head office is located at 16200 Park Row, Suite 310, Houston, Texas 77084. The registered office of the Company is located at Suite 4200 Bankers Hall West, 888 3rd St SW, Calgary Alberta T2P 5C5.

On February 16, 2023, the Common Shares commenced trading on the TSX and were concurrently delisted from the TSXV. As of the date hereof, the Company is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland. The Common Shares are listed on the TSX under the trading symbol "TAL", on OTCQX under the trading symbol of "PTALF", and on AIM under the trading symbol "PTAL".

The following diagram illustrates the inter-corporate relationships among the Company and its subsidiaries as at the date hereof:



GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

Since incorporation, the Company has been involved in the acquisition of petroleum and natural gas rights and the exploration for, and the development and production of, crude oil and natural gas. In its early years, the Company focused on onshore activities in Canada and the United States and gained its first international assets in Romania in 1997 divesting these assets in 2015. In 1998, the Company acquired assets in the United Kingdom, divesting these assets in 2017. In December 2017, the new management team began to execute on its development and exploration plan in respect of the Peruvian Business.

Recent Developments

In January 2024, the Company completed well 16H at above expected level rates with a 26-day production average of approximately 4,850 bopd as of February 11, 2024.

On January 22, 2024, PetroTal announced the drilling commencement of well 17H, the Company's 18th producing well, budgeted at $15.2 million with production expected by the end of Q1 2024.

Financial Year Ended December 31, 2023

On March 9, 2023, PetroTal announced the: (a) finalization of its an unsecured revolving $20 million credit facility with a Peruvian bank; and (b) publication of the Supreme Decree signed by Peru's President authorizing Perupetro to execute the Block 95 license amendment incorporating the 2.5% community social trust fund into the Block 95 license contract.

On March 24, 2023, the Company repaid the full remaining $55 million bond principal plus interest and fees.

PetroTal reinstated a $0.015 per share quarterly-based dividend which commenced in June 2023. In Q3, the Company declared a dividend of $0.025 per share and in Q4 a dividend of $0.02 per share. On May 18, 2023, PetroTal commenced purchasing shares under the provision of 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 are cancelled. In 2023, PetroTal declared a total of $55.6 million in dividends and repurchased 11,326,806 Common Shares pursuant to the NCIB for a total of $6.5 million.

On May 1, 2023, PetroTal appointed José L Contreras as Senior Vice President, Operations.

On June 15, 2023, Mr. Luis Carranza retired as an independent non-executive director of PetroTal.

On July 6, 2023, PetroTal appointed Mr. Felipe Arbelaez Hoyos to the Board as an independent non-executive director.

On August 3, 2023, the Company repaid the full $20 million unsecured revolving credit facility.

On October 12, 2023, PetroTal appointed Emily Morris to the Board as an independent non-executive director.

Drilled and completed 2 new horizontal oil wells (14H and 15H) and 1 water disposal well in 2023.

Generated annual net operating income of $238.9 million ($45.39/bbl) and adjusted EBITDA inclusive of realized derivative impacts, of $199 million ($38/bbl). Free funds flow totaled $91 million, prior to working capital adjustments and debt service, and after $108 million in total capital expenditures.

Financial Year Ended December 31, 2022

On February 10, 2022, PetroTal announced completion of well 10H, which commenced production on January 30, 2022, and set a new internal daily production record with an average standalone 10-day production level of 10,500 bopd.

On April 1, 2022, the Company repaid $20.5 million to bondholders.

On September 15, 2022, Messrs. Luis Carranza and Jon Harris were elected as independent non-executive directors of PetroTal at the Company's annual general meeting, replacing retired directors Messrs. Gary Guidry and Ryan Ellson.

Drilled and completed four new highly productive horizontal oil wells in 2022 with average productivity indexes of approximately 37.5 barrels per pound of drawdown. With a relatively small pressure drawdown of 280 pounds, each well could produce more than 10,000 bopd for a period of time as showcased by the 10H and 11H wells. Drilling operational team encountered the target producing formation of 13H well approximately three meters higher than prognosis which contributed to oil-in-place and reserves upgrades in the 2022 reserve report.

Generated record annual net operating income of $274 million ($56.90/bbl) and adjusted EBITDA inclusive of realized derivative impacts, of $259 million ($53.99/bbl). Free funds flow totalled $161 million, prior to working capital adjustments and debt service, and after $94 million in total capital expenditures. This equates to a 38% free funds flow yield using the December 31, 2022 market capitalization and was approximately $34.38/bbl.

Financial Year Ended December 31, 2021

On January 19, 2021, the Company executed a final agreement with Petroperu to restructure the contingent derivative liability and extended the oil sales contract with Petroperu for an additional 2 years.

On February 16, 2021, the Company completed the issuance of a 3-year $100 million senior secured bond with an annual interest rate of 12%. The bond was PetroTal's only interest-bearing debt. The bond proceeds were used to retire the contingent derivative liability with Petroperu and to continue development of the Bretana oil field, support the Company's crude oil price hedging strategy and to finance potential acquisitions. The Company also announced its 2021 capital program of $100 million in the month of February. The program was funded from the bond issue, supplemented with funds generated from operations and existing resources.

On March 31, 2021, the Company implemented a hedge program for 2021 covering about 30% of 2021 oil production, in addition to hedging the value of all bbls in the ONP. This robust hedging program was implemented to ensure funding stability to support the 2021 capital development program and ensure compliance with covenants, should the Brent oil price drop materially.

For sales into the ONP, the Company is paid an initial price when oil is delivered to pump station #1 at Saramuro, with a true-up payment received approximately eight months later from Petroperu, based on the Brent price at the Bayovar port. To alleviate the oil price risk associated with PetroTal's monthly deliveries into the ONP, the monthly sales invoices are, pursuant to the previously announced amended oil sales contract with Petroperu, now priced based on the eight-month Brent strip price forecast, and Petroperu has placed oil price swaps for these sales to alleviate significant price adjustments.

The Company continues to develop alternative export routes. During 2021, PetroTal successfully completed the export of approximately 794,361 bbls.

Significant Acquisitions

The Company has not completed any significant acquisitions during its most recently completed financial year for which disclosure is required under Part 8 of NI 51-102.

DESCRIPTION OF THE BUSINESS OF THE COMPANY

General

The Company's business plan is focused on building value through the development and exploration of oil assets in Peru on its 1.4 million net acres of undeveloped land. The Company's immediate focus is to: (a) continue to develop the Bretana Assets, one of the largest undeveloped discoveries in Peru, by applying management's knowledge and leveraging management's experience with the local suppliers and regulatory bodies; and (b) secure a farm-in partner to finance drilling of the Block 107 Osheki-Kametza prospect.

PetroTal is committed to providing a sustainable business plan that delivers meaningful opportunities for stakeholders, which includes dedicating: attention, consideration and resources to environmental stewardship and social responsibility, with a commitment to safety, ethics and transparency. The Company's environment, safety and sustainability committee of the Board oversees internal ESG milestones as well as all aspects of health, safety, environmental protection and sustainability. This committee has periodic meetings to discuss the ESG impact of PetroTal's existing and proposed operations, and it is instrumental in reviewing the Company's annual sustainability report. Additional information relating to these policies and milestones can be found on the Company's website at www.petrotal-corp.com.

In just six years, the Company has increased production from zero to over 20,000 bopd. ESG is an integral part of PetroTal's short and long-term strategy and decision making. PetroTal is pleased to announce it has recently been awarded two ESG awards from the Peruvian National Mining, Oil and Energy Society. The first, in biodiversity conservation for its Biodiversity Monitoring Program, which allowed the registration of a new species in Peruvian Amazon: Batará de Cocha and the second, for its Fishing Innovation Program in the Puinahua District.

Specialized Skill and Knowledge

PetroTal relies on the specialized skill and knowledge of its permanent staff to compile, interpret and evaluate technical data, drill and complete wells, design and operate production facilities and numerous additional activities required to explore for and produce oil and natural gas. From time to time, the Company employs consultants and other service providers to provide complementary experience and expertise to carry out its oil and natural gas operations effectively. It is the belief of management that its officers and employees, who have significant technical, operational and financial experience in the oil and gas industry, hold the necessary skill sets to successfully execute the Company's business strategy in order to achieve its corporate objectives.

Competitive Conditions

The oil and natural gas industry is intensely competitive in all its phases. The Company competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. The Company's competitors include resource companies that have greater financial resources, staff and facilities than those of the Company. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. The Company's ability to acquire additional property rights, to discover and produce reserves, to construct and operate production facilities and to identify and enter into advantageous commercial arrangements is dependent upon: (i) the Company developing and maintaining close working relationships with its industry partners; (ii) its ability to select and evaluate suitable properties for acquisition and development; (iii) its ability to consummate commercially attractive transactions in a competitive environment; and (iv) the maintenance of adequate financial capacity. The Company believes that its competitive position is equivalent to that of other oil and gas issuers of similar size and at a similar stage of development. See "*Risk Factors - Competition*".

Cyclical Nature of Industry

The Company's operational results and financial condition are dependent on the prices received for oil and natural gas production. Oil and natural gas prices have fluctuated significantly during recent years and are determined by global supply and demand factors, including weather and general economic conditions, competition from other oil and natural gas producing regions, pipeline access and geopolitical circumstances.

Any decline in oil and natural gas prices could have an adverse effect on the Company's financial condition. See "*Risk Factors*".

Health, Safety and Environmental Policies

PetroTal constantly monitors and actively manages its approach to environmental concerns. The Company believes that it is in compliance with applicable existing environmental laws and regulations and is not aware of any proposed environmental legislation or regulations with which it would not be in material compliance. Procedures are put in place to ensure that the utmost care is taken in the day-to-day management of the Company's oil and gas properties. However, in the future, the natural resources industry may become subject to more stringent environmental protection rules. This could increase the cost of doing business and may have a negative impact on future earnings.

PetroTal is committed to meeting industry standards in each jurisdiction in which it operates with respect to human rights, environment, health and safety policies. Management, employees and contractors are governed by and required to comply with PetroTal's environment, health and safety policy as well as all applicable national, state and local legislation and regulations. PetroTal has established roles and responsibilities to facilitate effective management of its environment, health and safety policy throughout the organization. It is the primary responsibility of the managers, supervisors and other senior field staff of PetroTal to oversee safe work practices and ensure that rules, regulations, policies and procedures are being followed. PetroTal maintains and will continue to maintain a safe and environmentally responsible workplace, and will continue to provide training, equipment and procedures to all individuals in adhering to our policies. PetroTal will also solicit and take into consideration input from its neighbors, communities and other stakeholders in regard to protecting people and the environment. See "*Industry Conditions*" and "*Risk Factors*".

Foreign Operations

PetroTal's flagship asset is its 100% working interest in the Bretana oil field in Peru's Block 95 where oil production was initiated in June 2018. In early 2022, PetroTal became the largest on-shore crude oil producer in Peru. Any material change in Peru's constitutional framework and/or in regulations including, among other things, changes in legislation affecting the oil and gas industry, or shifts in political attitudes in Peru, are beyond the control of the Company and may adversely affect its business.

Future development and operations may be affected in varying degrees by such factors as government regulations (or changes thereto) with respect to restrictions on development, production, export controls, income taxes, expropriation of property, repatriation of profits, environmental legislation, land use, water use, land claims of local people. The effect of these factors cannot be accurately predicted. See "*Risk Factors*".

Employees

As at December 31, 2023, the Company had 148 employees in Peru and 13 employees in Houston.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Disclosure of Reserves Data and Other Information as of Financial year ended December 31, 2023

The reserves data herein is based upon the report prepared by Netherland, Sewell & Associates, Inc. dated February 9, 2024, evaluating the crude oil reserves attributed to the Bretana Assets as at December 31, 2023. The reserves data set forth below is based upon an evaluation of the NSAI Report. The NSAI Report summarizes the crude oil reserves of the Bretana Assets and the net present values of future net revenue for these reserves using forecast prices and costs. No gas market is expected to exist for the Company's properties so natural gas reserves were not estimated in the NSAI Report. The NSAI Report has been prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101. Additional information not required by NI 51-101 has been presented to provide continuity and additional information which the Company believes is important to the readers of this information. The following tables provide summary information presented in the NSAI Report effective December 31, 2023, and based on an average of forecasts of Brent Crude futures prices prepared by three Canadian independent consultants as of December 31, 2023.

The Report on Reserves Data by NSAI and the Report of Management and Directors on Oil and Gas Disclosure are attached as Exhibit 1 and Exhibit 2, respectively, to this AIF.

All of the Company's reserves are onshore in the Bretana field located at the northern edge of Block 95 in northern Peru. The NSAI Report is based on certain factual data supplied by the Company and NSAI's opinion of reasonable practice in the industry. For the purposes of the NSAI Report, NSAI did not perform any field inspections, examinations of mechanical operation, condition of facilities or possible environmental liability.

The Company's gross revenue shown in the NSAI Report is the Company's share of the gross (100%) revenue from its properties prior to any deductions. Future net revenue is provided after deductions for the Company's share of royalty burden, capital costs, abandonment and reclamation costs and operating expenses but before consideration of any income taxes. Estimated Peruvian incomes taxes are a simplification of current tax law and were not prepared by a tax accountant or lawyer. The Company's financial statements and management's discussion and analysis for the year ended December 31, 2023, should be consulted for additional information regarding the Company's taxes.

There are numerous uncertainties inherent in estimating quantities of crude oil reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth herein are estimates only. In general, such estimates are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For those reasons, estimates of the economically recoverable crude oil reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to reserves estimated by NSAI represent the fair market value of those reserves. There is no assurance that the forecast prices and cost assumptions will be attained, and variances could be material. Other assumptions and qualifications relating to costs, prices for future production and other matters are summarized herein. The recovery and reserve estimates of crude oil reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein.

The information relating to the Company's crude oil reserves contains forward-looking statements relating to future net revenues, forecast capital expenditures, future development plans, timing and costs related thereto, forecast operating costs, anticipated production and abandonment costs. See "*Special Note Regarding Forward-Looking Statements*", "*Industry Conditions*" and "*Risk Factors*".

Throughout the following summary tables, differences may arise due to rounding.

SUMMARY OF OIL RESERVES AND NET PRESENT VALUES OF FUTURE NET REVENUE AS OF DECEMBER 31, 2023 - FORECAST PRICES AND COSTS

	Heavy Oil(1)	
	Gross	Net(2)
	(MMbbl)	(MMbbl)
Proved		
Developed Producing	28.5	28.5
Undeveloped	19.5	19.5
Total Proved	**48.0**	**48.0**
Total Probable	52.2	52.2
Total Proved + Probable	**100.2**	**100.2**
Total Possible	99.4	99.4
Total Proved + Probable + Possible	**199.6**	**199.6**

Notes:

(1) Totals may not add because of rounding.
(2) PetroTal owns a 100% working interest and a 100% net revenue interest in these properties.
(3) Net reserves do not include deductions for royalty expense for net oil volumes. Government royalties are included in property and taxes.

NET PRESENT VALUE OF FUTURE NET REVENUE

Description	Before Income Tax Discounted at Various Rates 0% MM$	5% MM$	10% MM$	15% MM$	20% MM$	Unit Value Before Income Tax Discounted at 10% $/Bbl
Proved						
Producing	1,044	874	748	653	580	26.2
Undeveloped	1,084	804	623	500	413	32.0
Total Proved	**2,128**	**1,678**	**1,371**	**1,153**	**993**	**28.5**
Total Probable	2,881	1,788	1,169	796	560	22.4
Total Proved + Probable	**5,009**	**3,466**	**2,540**	**1,949**	**1,553**	**25.4**
Total Possible	6,358	2,754	1,346	731	433	13.5
Total Proved + Probable + Possible	**11,367**	**6,220**	**3,886**	**2,680**	**1,986**	**19.5**

Notes:

(1) Totals may not add because of rounding.
(2) Utilizes an average of forecasts of Brent Crude futures prices prepared by three Canadian independent consultants as of December 31, 2023, as detailed below.
(3) Future net revenue is after deductions for the Company's share of royalty burdens, capital costs, abandonment and reclamation costs and operating expenses by before consideration of any Peruvian income taxes.

Description	After Income Tax Discounted at Various Rates 0% MM$	5% MM$	10% MM$	15% MM$	20% MM$
Proved					
Producing	673	567	487	426	378
Undeveloped	696	517	401	321	266
Total Proved	**1,369**	**1,084**	**888**	**747**	**644**
Total Probable	1,856	1,151	751	510	357
Total Proved + Probable	**3,225**	**2,235**	**1,639**	**1,257**	**1,001**
Total Possible	4,101	1,779	869	471	278
Total Proved + Probable + Possible	**7,326**	**4,014**	**2,508**	**1,728**	**1,279**

Notes:

(1) Totals may not add because of rounding.
(2) Utilizes an average of forecasts of Brent Crude futures prices prepared by three Canadian independent consultants as of December 31, 2023, as detailed below.
(3) Future net revenue is after deductions for the Company's share of royalty burdens, capital costs, abandonment and reclamation costs, operating expenses and Peruvian income taxes.

TOTAL FUTURE NET REVENUE (UNDISCOUNTED) AS OF DECEMBER 31, 2023 FORECAST PRICES AND COSTS (MM$)

Reserves Category	Revenue	Property and Mineral Taxes	Operating Costs	Capital Develop. Costs	Aband/ Other Costs	Net Revenue Before Income Taxes	Income Tax/ Other[(1) (2)]	Net Revenue After Income Taxes
Total Proved	3,729	289	1,189	88	36	2,127	758	1,369
Total Proved + Probable	8,145	702	1,885	500	50	5,008	1,783	3,225
Total Proved + Probable + Possible	18,017	1,596	4,287	698	69	11,367	4,041	7,326

Notes:

(1) The estimated tax rate is 32 percent.

(2) Includes a 5% workers profit sharing deduction.

Forecast Costs and Price Assumptions

The forecast cost and price assumptions are based on Brent Crude futures prices and are adjusted for quality, transportation fees and market differentials. Crude oil benchmark reference pricing, inflation and exchange rates utilized by NSAI in the NSAI Report were an average of forecasts of Brent Crude futures prices prepared by three Canadian independent consultants as of December 31, 2023, as follows:

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS as of December 31, 2023 FORECAST PRICES AND COSTS

Year	Oil Price ($/Bbl)
Forecast	
2024	78.00
2025	79.18
2026	80.36
2027	81.79
2028	83.41
2029	85.09
2030	86.80
2031	88.52
2032	90.29
2033	92.10
Thereafter	Escalation Rate of 2% on January 1 of each year

Estimated future abandonment and reclamation costs related to a working interest have been taken into account by NSAI in determining reserves that should be attributed to a property and in determining the aggregate future net revenue therefrom, there was deducted the reasonable estimated future well abandonment and reclamation costs. No allowance was made for the abandonment of any facilities. The forecast price and cost assumptions assume the continuance of current laws and regulations.

Reconciliations of Changes in Reserves and Future Gross Revenue

The following table reconciles the Company's gross reserves from December 31, 2022, to December 31, 2023, using forecast prices and costs. Gross reserves include oil volumes to be used to generate power for the field.

	Proved (MMbbl)	Proved plus Probable (MMbbl)
Opening balance, beginning of year	45.4	96.7
Technical Revision	8.0	8.7
Economic Factors	(0.2)	-
Less Production	(5.2)	(5.2)
Total Reserves, end of year	48.0	100.2

Additional Information Relating to Reserves Data

Undeveloped Reserves

Undeveloped reserves are attributed by NSAI in accordance with standards and procedures contained in the COGE Handbook. Proved undeveloped reserves are those reserves that can be estimated with a high degree of certainty and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. Probable undeveloped reserves are those reserves that are less certain to be recovered than proved undeveloped reserves and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. Proved and probable undeveloped reserves have been assigned in accordance with engineering and geological practices as defined under NI 51-101.

The Company plans to continue to develop the reserves by drilling a series of horizontal wells into the productive formation. The Company anticipates that 7 new wells will be required to produce the proved undeveloped reserves and an additional 8 new wells will be required to produce the proved plus probable reserves.

There are a number of factors that could result in delayed or cancelled development, including the following: (a) changing economic conditions (due to commodity pricing, operating and capital expenditure fluctuations); (b) changing technical conditions (including production anomalies, such as water breakthrough or accelerated depletion); (c) multi-zone developments (for instance, a prospective formation completion may be delayed until the initial completion formation is no longer economic); (d) a larger development program may need to be spread out over several years to optimize capital allocation and facility utilization; and (e) surface access issues (including those relating to land owners, weather conditions and regulatory approvals). See "*Risk Factors*".

Significant Factors or Uncertainties Affecting Reserves Data

The process of evaluating reserves is inherently complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and natural gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions and other factors and assumptions that may affect the reserve estimates and the present value of the future net revenue therefrom. These factors and assumptions include, among others: (a) historical production in the area compared with production rates from analogous producing areas; (b) initial production rates; (c) production decline rates; (d) ultimate recovery of reserves; (e) success of future development activities; (f) timing and costs of future development activities; (g) marketability of production; (h) effects of government regulations; and (i) other government levies imposed over the life of the reserves.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and government restrictions. Revisions to reserve estimates can arise from changes in year-end prices, reservoir performance and geologic conditions or production. These revisions can be either positive or negative.

While the Company does not anticipate any significant economic factors or significant uncertainties that will affect any particular components of the reserves data, the reserves can be affected significantly by fluctuations in product pricing, capital expenditures, costs to abandon and reclaim properties, operating costs, royalty regimes and well performance that are beyond the Company's control. See "*Risk Factors"*.

Future Development Costs

The following table sets forth development costs deducted in the estimation of the Company's future net revenue attributable to the reserve categories noted below:

	Forecast Development Costs (MM$)		
Year	**Proved Reserves**	**Proved plus Probable Reserves**	**Proved plus Probable plus Possible Reserves**
2024	28	123	123
2025	-	159	163
2026	45	119	127
2027	15	67	100
2028	-	32	65
Thereafter	-		120
Total Undiscounted	**88**	**500**	**698**

Future development costs are capital expenditures required in the future for the Company to convert proved undeveloped reserves, probable reserves and possible reserves to proved developed producing reserves. The undiscounted development costs are $88 million for proved reserves, $500 million for proved plus probable reserves and $698 million for proved plus probable plus possible reserves (in each case based on forecast prices and costs).

The Company expects to use a combination of internally generated cash from operations, working capital and the issuance of new equity or debt where and when it believes appropriate to fund future development costs set out in the NSAI Report. There can be no guarantee that funds will be available or that the Board of Directors will allocate funding to develop all of the reserves attributable in the NSAI Report. Failure to develop those reserves could have a negative impact on the Company's future cash flow.

Interest expense or other costs of external funding are not included in the reserves and future net revenue estimates set forth above and would reduce the reserves and future net revenue to some degree depending upon the funding sources utilized. The Company does not anticipate that interest or other funding costs would make further development of any of the Company's properties uneconomic.

Other Information

The following table sets forth the number and status of the Company's wells effective December 31, 2023.

	Producing Oil		Non-Producing(3) Oil	
	Gross(1)	**Net(2)**	**Gross(1)**	**Net(2)**
Peru	16	16	3	3
Total	16	16	3	3

Notes:

(1) "*Gross*" means total number of wells in which the Company holds an interest.
(2) "*Net*" means the aggregate of the percentage working interests of the Company in the gross wells.
(3) "*Non-Producing*" means wells that may or may not have been previously on production (oil and water). The date production will be obtained from these wells is uncertain.

Properties with no Attributed Reserves

The following table summarizes, effective December 31, 2023, the gross and net acres of undeveloped properties in which the Company had an interest and also the number of net acres for which its rights to explore, develop or exploit could expire within one year.

	Undeveloped Acres		Developed[1] Acres		Total Acres	
	Gross	Net	Gross	Net	Gross	Net
Peru	1,404,800	1,404,800	10,000	10,000	1,414,800	1,414,800
Total	1,404,800	1,404,800	10,000	10,000	1,414,800	1,414,800

Note:

(1) The acres shown as "Developed" refer to the expected size of the Bretana field.

Significant Factors or Uncertainties Relevant to Properties with No Attributed Reserves

There are several economic factors and significant uncertainties that affect the anticipated exploration and development of the Company's properties with no attributed reserves. The Company will be required to make substantial capital expenditures in order to explore, exploit, develop, prove and produce oil from these properties in the future.

If the Company's cash flow is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or, if available, on terms acceptable to the Company. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain opportunities and reduce or terminate its operations.

The inability of the Company to access sufficient capital for its exploration and development activities could have a material adverse effect on the Company's ability to execute its business strategy to develop these prospects. See "*Risk Factors*".

The significant economic factors that affect the Company's development of its lands to which no reserves have been attributed are future commodity prices for oil and the Company's outlook relating to such prices, and the future costs of drilling, completing, equipping, tie-in and operating the wells at the time that such activities are considered in the future.

The significant uncertainties that affect Company's development of such lands are: (a) the future drilling and completion results the Company achieves in its development activities; (b) drilling and completion results achieved by others on lands in proximity to the Company's lands; and (c) future changes to applicable regulatory or royalty regimes that affect timing or economics of proposed development activities. All of these uncertainties have the potential to delay the development of such lands. Alternatively, uncertainty as to the timing and nature of the evolution or development of improved exploration drilling, completion and production technologies have the potential to accelerate development activities and enhance the economics relating to such lands.

Forward Contracts and Marketing

PetroTal is exposed to market risks resulting from fluctuations in commodity prices, foreign exchange rates and interest rates in the normal course of operations. A variety of derivative instruments may be used by PetroTal to reduce its exposure to fluctuations in commodity prices and foreign exchange rates. The Company primarily sells crude oil based on prevailing market pricing. The Company has entered into an oil sales contract with PetroPeru, whereby PetroPeru has agreed to purchase crude oil at Pump Station No.1 located in San Jose de Saramuro, approximately 460 kilometers from the Bretana field. The crude oil delivered to Station No. 1 is sold based on the monthly average reference price of the Brent Index minus discounts. PetroPeru ultimately sells the crude oil at the Bayovar Terminal, located in the department of

Piura, and provides the Company with a valuation adjustment based on the actual price achieved, whether higher or lower.

The derivative asset is classified as Level 2 fair value measurement. The service contract for transport of liquid hydrocarbons (the "**Swap Contract**") of the North-Peruvian Oil Pipeline ("**ONP**") and Petroperu Saramuro agreements (the "**Sales Contract**") 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 crude oil that is sold at the Bayovar terminal. The purchase price adjustment is the realized price less the initial sales price. In the case the purchase price adjustment is 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.

On a monthly basis, the Company tracks the impact of fluctuating oil prices on volumes sold under both the Swap Contract and Sales Contract as a commodity derivative. Under the terms of the Sales Contract, the Company is required to settle this contingent liability when the balance exceeds $10 million. In June 2022, Petroperu successfully delivered approximately 720,000 barrels of PetroTal's Bretana oil following an accelerated and temporary re-opening of section II of the ONP which had been previously closed due to maintenance operations.

The fair value change of the embedded derivative, considering an average future Brent price marker differential, was recorded as a loss on commodity price derivatives at December 31, 2023.

Sales delivery / Executed month	Expected settlement month	Volume Mbbls	Price range $/bbl	Hedged range $/bbl	Derivative Asset
Peru Embedded Derivatives					
Jan-21 to Feb-22	Feb-24 to Jun-26	2,422	55.32 to 85.26	70.85 to 78.39	7,412
				Net Derivative Asset	**7,412**

Tax Horizon

Based on NSAI production forecasts, planned capital expenditures and the forecast commodity pricing applied in the NSAI Report, the Company estimates it will pay current income taxes for the 2024 tax year. The current corporate income tax is 23% and allows for the Company to deduct prior capital spent against future net income. See "*Risk Factors – Tax Risk*".

Costs Incurred

The following table summarizes the Company's gross property acquisition costs, exploration costs and development costs for the year ended December 31, 2023.

	Capital Investment ($M)			
	Property Acquisition Costs			
	Proved Properties	**Unproved Properties**	**Exploration Costs**	**Development Costs**
Costs ($M)	-	-	107.0	1.4

Exploration and Development Activities

The following table summarizes the gross and net exploration and development wells in which the Company participated during the year ended December 31, 2023.

	Development Wells		Exploration Wells		Total Wells	
	Gross	Net	Gross	Net	Gross	Net
Natural gas wells	-	-	-	-	-	-
Oil wells	16	16	-	-	16	16
Water wells	3	3	-	-	3	3
Stratigraphic test wells	-	-	-	-	-	-
Dry holes	-	-	-	-	-	-
Total	19	19	-	-	19	19

Planned Capital Expenditures

The Company plans to continue to develop the reserves by drilling a series of horizontal wells into the productive formation. Additionally, water injection wells, erosion control, and equipment to inject the water back into the formation for environmental purposes, will be required. The Company plans to focus on the development of the proved plus probable reserves for the foreseeable future. As of the date hereof, the Company has drilled and completed 17 oil and 3 water disposal wells in Bretana.

Production Estimates

The following table discloses for each product type the total average daily volume of production estimated by NSAI in the NSAI Report for 2023 in the estimates of future net revenue from gross proved and gross proved plus probable reserves disclosed above.

	Heavy Oil ***(bopd)***
Proved	
Peru	7,339
Total Proved	7,339
Probable	
Peru	7,941
Total Probable	7,941
Total Proved plus Probable	15,280

Other Oil and Gas Information

The Company's primary development asset, the Bretana oil field, is located in the Marañón Basin of Northern Peru that has been producing since the early 1970's. The Bretana field was initially drilled by GTE after completing a detailed seismic program. The initial well eventually tested 3,095 bopd, with an average of 2,550 bopd and was shut in pending the installation of facilities. GTE had also drilled a water disposal well that will be used to reinject any water produced with future oil production. PetroTal has brought the initial well back online and drilled additional development oil wells and water disposal wells. PetroTal is delivering its crude oil to the Iquitos refinery via double-hull barges, and also delivering crude oil using the existing ONP (North Peruvian Pipeline) that has capacity to deliver the crude to the West Coast of Peru. The Talara refinery near the delivery point has capacity to accept the crude oil production from Bretana. Oil Atlantic sales exported through Brazil are on an 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.

Bretana (Block 95)

Block 95, where the Bretana Assets are located, is on the southeastern flank of the Marañón Basin. The surface terrain is characterized by rainforest flood plains that can be covered by overflow of the Ucayali River for five to six months of the year. The field itself is a large, gently dipping four-way closure with a northwest-southeast trend. In 1974, Amoco Corporation drilled the 1-X discovery well, which encountered oil within the Upper Cretaceous Vivian Formation and flowed at approximately 800 bbls of 18.5 degree-API oil per day.

There are established infrastructure and export routes in northcentral onshore Peru, consisting of barging and the ONP. Petroperu is still working to reopen the ONP pipeline and to resume Bayovar sales and future Talara refinery consumption.

As at December 31, 2023, the Bretana Assets included approximately 10,000 gross proved developed (10,000 net developed acres) acres of total land, which is the expected area of the Bretana oil field. The Bretana Assets include 5 deviated wells and 11 horizontal wells which have an approximate section of 1,000 meters, equipped with smart control valves to enhance production performance. Additionally, there are 3 wells that serve as water injectors for efficiency and sustainability to the extraction process. As at December 31, 2023, 16 producing wells and 3 water disposal wells were operating on the Bretana Assets. The Company has a 100% working interest in the Bretana Assets. The initial water disposal was converted to an oil producer.

The following wells have been drilled and completed by the Company in the Bretana field; 2-1XD, 01, 2XD, 3D, 4H, 5H, 6H, 7D, 8H, 9H, 10H, 11H, 12H, 13H, 14H, 15H, 2WD, 3WD and 4WD. The northern portion of the field is covered by sparse 2-D seismic line while the south has more extensive coverage of 2-D and 3-D cube data.

INDUSTRY CONDITIONS

The oil and natural gas industry is subject to extensive controls and regulations governing its operations (including land tenure, acquisitions, transfers, exploration, development, production, refining, transportation, marketing, pricing and taxation) imposed by legislation enacted by various levels of government in Peru, all of which should be carefully considered by investors in the oil and gas industry. It is not expected that any of these controls or regulations will affect the Company's operations in a manner materially different than they would affect other oil and gas companies of similar size which are also operating in Peru. All legislation is published in the Official Gazette, "El Peruano" and the Company is unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and gas industry in Peru.

Legislation and Regulation

Hydrocarbon Legislation

Peru's hydrocarbon legislation, which includes the Hydrocarbon Law, governs the Company's operations in Peru. This legislation: (a) covers the entire range of petroleum operations; (b) defines the roles of Peruvian government agencies that regulate and interact with the oil and gas industry; (c) provides that private investors (both national and foreign) (hereafter, "**Contractors**") may make investments in the petroleum sector; and (d) promotes the development of hydrocarbon activities by fostering competition and access.

Under the Peruvian legal system, the state is the owner of all sub-surface hydrocarbons located within its borders. The Peruvian government plays an active role in petroleum operations through various entities and agencies, including:

- Perupetro: the state company responsible for promoting and overseeing investment in hydrocarbon exploration and production activities that is empowered, on behalf of the state, to enter into contracts with Contractors relating to exploration and production of petroleum and natural gas;
- the Ministry: the government department that establishes energy, mining and environmental protection policies, enacts rules applicable to these sectors and supervises compliance with such policies and rules;
- the Vice-Ministry of Hydrocarbons: the government department responsible for communicating with oil and gas companies that have current or planned investments in Peru;
- the General Directorate of Hydrocarbons: the agency of the Ministry responsible for regulating the development of oil and gas fields;
- the Direccion General de Asuntos Ambientales Energeticos: the agency of the Ministry responsible for reviewing and approving environmental regulations related to environment risks that result from hydrocarbon exploration and production activities;
- the Organismo Supervisor de la Inversión en Energía y Minería (OSINERGMIN): the government agency that monitors occupational health and safety standards in the hydrocarbon industry;
- the Environmental Evaluation and Fiscalization Entity (Organismo de Evaluación y Fiscalización Ambiental) (OEFA): the agency within the Ministry of the Environment that is responsible for ensuring Contractors' compliance with environmental rules and sanctioning non-compliant companies; and
- Servicio Nacional de Certificación Ambiental para las Inversiones Sostenibles (SENACE): the agency within the Ministry of the Environment which is in charge of the review and approval of detailed Environmental Impact Studies.

The Company is subject to the laws and regulations of all of these entities and agencies as well as the Ministry of Agriculture, the Ministry of Culture and the Dirección General de Capitanías y Guardacostas del Perú (DICAPI).

Exploration and Production Agreements

Contractors must enter into license agreements and/or service contracts with Perupetro prior to engaging in oil and gas exploration and production activities in Peru. License agreements give Contractors the right to both produce and sell hydrocarbons, whereas service contracts only entitle Contractors to produce hydrocarbons. Peru's laws allow for other contract models, but such models must be authorized by the Ministry.

Perupetro will only contract with Contractors that meet the qualifications specified in the regulations under the Hydrocarbon Law. These qualifications require Contractors to have the technical, legal, economic and financial capacity to comply with all obligations they will assume under the contracts. Perupetro's assessment of whether Contractors are qualified is based, among other things, on the characteristics of the land in question, the level of the Contractors' investments and whether the Contractors' operations are governed by satisfactory environmental protection rules. When a Contractor is a foreign investor, it must either: (a) incorporate a Peruvian subsidiary; or (b) register a local branch with local representatives in Peru. Once Perupetro has confirmed qualifications, the qualified Contractor must be registered on the Hydrocarbons Contractors Registry, administered by the Peruvian Public Records Office.

The Company operates in Peru through PetroTal Peru S.R.L., a wholly-owned subsidiary of Peru HoldCo, and Petrolifera Petroleum Del Peru S.R.L. The Company is required to guarantee its subsidiary's obligations. Such guarantee provides for joint and several liability to Perupetro with respect to the fulfillment of PetroTal Peru S.R.L.'s responsibilities, including with respect to minimum work program requirements. On August 2, 2018, Perupetro qualified the Company as an operator in Peru after which the Company made application and filed the needed paperwork to issue new guarantees to Perupetro.

The Company and its subsidiaries have been qualified by Perupetro with respect to all license agreements. Perupetro reviews Contractors' qualifications each time they prepare to enter into an exploration and production agreement.

Pursuant to the license agreements, Contractors acquire the right to explore for and produce hydrocarbons in a specified area. Perupetro transfers the property right in the extracted hydrocarbons to the licensee and, in consideration for such right, the licensee must pay a royalty to the state. The determination of the royalties is made according to the production of hydrocarbons in the area of such agreement. The payment of the royalty depends on the valorization methodology established in each license agreement. The licensee is entitled to market or export such hydrocarbons in any manner whatsoever, in accordance with the terms of the license agreement, and can fix hydrocarbon sales prices according to market forces, subject to a limitation in the case of natural emergencies, in which case the law stipulates such manner of marketing.

License agreements contemplate an exploration phase and an exploitation phase. Oil and gas licenses are typically granted for fixed terms with opportunity for extension. The duration of the license agreements is based on the nature of the hydrocarbons discovered. The license agreement duration for crude oil is 30 years, while the contract duration for natural gas and condensates is 40 years. These durations include the exploration and discovery phases. In the event a block contains both oil and gas the 40-year term may apply to oil exploration and production as well. The license agreement commences on the date established in the license agreement. Most contracts include an exploration phase and an exploitation phase, unless the contract is solely an exploitation contract. Within the contract term, seven years is allotted to exploration, with the possibility of an extension of up to three years, granted at the discretion of Perupetro. A potential retention period for a maximum of five years (ten years for natural gas) is also available if certain factors recognized by law delay the economic viability of a discovery, such as a lack of transportation facilities or a lack of a market. The exploration phase is generally divided into several periods and each period includes a minimum work program. The term of the exploration phase may last longer than the prescribed seven years, or ten years if the three-year extension was granted, as the time elapsed for the approval of the respective environmental permits is not taken into consideration as part of the respective exploration period. However, the term of the license agreement stays the same. The fulfillment of the minimum work program must be supported by an irrevocable bank guarantee, which amount is determined taking into consideration the estimated value of the minimum work program.

Upon a declared discovery, and at the Contractor's request, the exploitation phase commences with a 30-year term (40 years for natural gas), which term includes the 7-year exploration period, extendable under certain circumstances. If a discovery is made but, for reasons relating to transportation, it is non-commercial, the Contractor may request a retention period of up to five years (ten years for natural gas) in order to make transportation feasible. All discoveries must be reported to Perupetro. At the end of the exploration phase, the Contractor must declare commerciality or return the block.

Contractors are obligated to submit monthly reports to Perupetro. Contractors must also submit a monthly economic report to the Central Reserve Bank of Peru. These reports are generally combined and delivered together with other operating reports required to be submitted to Perupetro.

The Company has two license agreements. As of the date hereof, the Company believes it is in compliance with all of the material requirements of each contract. The Company has executed certain letters of guarantee in favor of Perupetro to insure performance under the license agreements. Should the Company fail to fulfill its minimum work program obligations under any of the license agreements without technical justification or other good cause, Perupetro could seek recourse to the letters of credit posted as a guarantee for the performance of the license agreements, the parent company guarantees and terminate the license agreement.

Peruvian Fiscal Regime

Peru's fiscal regime determines the government's entitlement from petroleum activities. This regime is subject to change, which could negatively impact the Company's business. However, the Hydrocarbon Law and the regulations thereunder governing the tax stability guarantee and other tax rules provide that the tax regime in force on the date of signing a contract will remain unchanged during the term of the contract. Therefore, any change to the tax regime, which results in either an increase or decrease in the tax burden, will not affect the Contractor.

During the exploration phase, Contractors are exempt from import duties and other forms of taxation applicable to goods intended for exploration activities. Exemptions are withdrawn at the production phase, but exceptions are made in certain instances, and the operator may be entitled to temporarily import goods tax-free for a two-year period ("**Temporary Import**"). A Temporary Import may be extended for additional one-year periods for up to two years upon: (a) the Contractor's request; (b) approval of the Ministry; and (c) authorization of the Superintendencia Nacional de Aduanas y de Administracion Tributaria (Peruvian Customs Agency).

Taxable income is determined by deducting allowable operating and administrative expenses, including royalty payments. Income tax is levied on the income of the Contractor based upon the legal corporate tax rate in effect at the date the license agreement was signed. As of the date hereof, the statutory tax rate applicable to corporate income in Peru is 30%, plus an additional 2% rate for Hydrocarbon activities. Tax losses can be carried forward for five years or, at a company's election, indefinitely with a restriction that they can be used to offset only up to 50% of taxable income in any given year. The Organic Law for Hydrocarbons and the related tax regulations ensure that the tax regime in effect at the signing date of each license will not change during the life of that license. Taxpayers in Peru are required to make estimated monthly tax payments which can be refunded at the end of the fiscal year if they exceed the actual income tax assessed.

Contractors engaged in the exploration and production of crude oil, natural gas and condensates must determine their taxable income separately for each license agreement under which they operate. Where a Contractor carries out these activities under different individual license agreements, it may offset its earnings before income tax under one license agreement with losses under another license agreement, for purposes of determining the corporate income tax, provided that the individual license agreements are held by the same entity, as Peruvian tax law does not permit filing a consolidated tax return for related companies. However, under no circumstances can the investment in the producing property be amortized for tax purposes unless the Contractor is under the commercial stage of production.

Peruvian Labor and Safety Legislation

Oil and gas operations in Peru are subject to the Productivity and Labor Competitiveness Law (the "**Labor Law**"), which governs the labor force in the petroleum sector. In addition to the Labor Law, the Hydrocarbon Law and related safety regulations for the petroleum industry also regulate the safety and health of workers involved in the development of hydrocarbon activities. All entities engaged in the performance of activities related to the petroleum industry must provide the General Hydrocarbons Bureau with the list of their personnel on a semi-annual basis, indicating their nationality, specialty and position. These entities must also train their workers on the application of safety measures in the operations and control of disasters and emergencies. The regulations also contain provisions on accident prevention and personnel health and safety, which in turn include rules on living conditions, sanitary facilities, water quality at workplaces, medical assistance and first-aid services. Provisions specifically related to oil and gas exploration also contained in the regulations and include safety measures related to camps, medical assistance, food conditions, and handling of explosives. Additional safety regulations may become applicable as the Company expands and develops its operations.

The Labor Law and the regulations thereunder define the employer/employee relationship. Employers may only terminate the employment relationship for just cause as established in the Labor Law. If an employee is terminated for any reason other than those listed in the Labor Law, the employee would be entitled to claim the payment of a severance for arbitrary dismissal (equal to 1.5 times the monthly salary for every year of services), or to request the reinstatement of his or her position.

The Constitution of Peru and Legislative Decree Nos. 677 and 892 give employees of private companies engaged in activities generating income, as defined by the Income Tax Law, the right to share in a company's profits. This profit sharing is carried out through the distribution by the company of a percentage of the annual income before tax. According to Article 3 of the United Nations International Standard Industrial Classification, the Company's tax category is classified under the "mining companies" section, which sets the rate at 8%. However, in Peru, the Hydrocarbon Law states, and the Supreme Court ruled, that hydrocarbons are not related to mining activities. Hydrocarbons are included under "Companies Performing Other Activities," and as a result, oil and gas companies pay profit sharing at a rate of 5%. The profit sharing benefit granted by the law to employees is calculated on the basis of the "net income subject to taxation" and not on the net business or accounting income of companies. "Taxable income" is obtained after deducting from total revenues subject to income tax, the expenses required to produce them or maintain the source thereof.

Any party engaging in hydrocarbon activities must file an "Oil Spill and Emergency Contingency Plan" with the General Directorate of Hydrocarbons, a department of the Ministry. Such plans must be updated annually and must contain information regarding the measures to be taken in the event of emergencies such as spills, explosions, fires, accidents and evacuations.

Peruvian Environmental Legislation and Regulation

The Company's operations are subject to numerous laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Peru has enacted specific environmental regulations applicable to the hydrocarbon industry. The General Environmental Law establishes a framework within which all specific laws and regulations applicable to each sector of the economy are to be developed. Peru has enacted amendments to its environmental laws, imposing restrictions on the use of natural resources, interference with the natural environment, location of facilities, development of activities in natural protected areas, handling and storage of hydrocarbons, use of radioactive material, disposal of waste, emission of noise and other activities. Additionally, the laws require monitoring and reporting obligations in the event of any spillage or unregulated discharge of hydrocarbons. These laws and regulations are designed to ensure a continual balance of environmental and petroleum interests, and are subject to change. The regulations stipulate certain environmental standards expected from contractors. They also specify appropriate sanctions to be enforced if a contractor fails to maintain such standards. The OEFA is the agency within the Ministry of the Environment that is responsible for evaluating and ensuring compliance with applicable environmental laws and regulations covering hydrocarbon activities, and for sanctioning non-compliant companies.

The Environmental Regulations for Hydrocarbon Activities provide that companies participating in the implementation of projects, performance of work and operation of facilities related to hydrocarbon activities are responsible for the emission, discharge and disposal of wastes into the environment. Such companies must file an annual report describing the company's compliance with the current environmental legislation.

For each proposed project, a company involved in hydrocarbon activities must prepare and file an Environmental Impact Assessment ("**EIA**") (which content and level of detail could vary depending on the impacts of the specific project) with the SENACE, an agency of the Ministry of Environment, in order for a company to demonstrate that its activities will not adversely affect the environment and to show compliance with the maximum permissible emission limits set forth by the Ministry. Such proposals must be approved by the SENACE prior to the development of the activities included in such instrument. The Company has prepared an EIA and obtained environmental approvals for its operations.

Any failure to comply with environmental protection laws and regulations, the import of contaminated products, or the failure to keep a monitoring register or send reports in a timely fashion could subject the responsible company to fines. In addition to certain pollution coverage related to our surface facilities, the Company maintains insurance coverage for seepage and pollution, cleanup and contamination from its wells. However, no such coverage can ensure the Company fully against all risks, including environmental risks.

Climate Change Regulation

Peru is a signatory to the United Nations Framework Convention on Climate Change (the "**UNFCCC**"), which was entered into in order work towards stabilizing atmospheric concentrations of greenhouse gas ("**GHG**") emissions at a level to prevent "dangerous anthropogenic interference with the climate system". Since its inception, the UNFCCC has instigated numerous policy changes with respect to climate governance. On April 22, 2016, 197 countries signed the Paris Agreement, committing to prevent global temperatures from rising more than 2° Celsius above pre-industrial levels and to pursue efforts to limit this rise to no more than 1.5° Celsius. To date, 195 of the 198 parties, including Peru, to the UNFCCC have ratified the Paris Agreement.

In September 2015, Peru submitted its Intended Nationally Determined Contribution to the UNFCCC Secretariat, pledging a 30% reduction from 2010 levels – compared to a business-as-usual baseline scenario – by 2030.

GHG emissions legislation is emerging and is subject to change. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions would impact the business of the Company, any such future laws and regulations that limit emissions of GHGs could adversely affect demand for the oil and natural gas produced by the Company.

The Company anticipates that future legislation may require the reduction of GHG emissions at the Company's operations and facilities. The Company will be committed to meeting its responsibilities under any legislation involving GHG reduction requirements in the future, which may require the Company to increase capital and/or operating expenses. In addition, failure to comply with current or proposed regulations can have a material adverse effect on the Company's operations, operating expenses, compliance costs and/or may lead to the modification or cancellation of operating licenses and permits, penalties and other corrective actions.

Environmental Regulation

The oil and natural gas industry is subject to environmental regulations in Peru, all of which is subject to governmental review and revision from time to time. Such legislation relates to environmental impact studies, the discharge of pollutants into air and water, management of hazardous waste, including its transportation, storage, and disposal, permitting for the construction of facilities, recycling requirements and reclamation standards, and the protection of natural areas, certain plants and animal species, archaeological remains, among others, and provides for restrictions and prohibitions on the release or emitting of various substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide. In addition, such legislation sets out the requirements for the satisfactory abandonment and reclamation of well and facility sites. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, and the imposition of material fines and penalties.

Availability of Services

The availability of the services necessary to drill and complete the types of oil wells that form a substantial portion of the Company's planned exploration and development activities may be constrained due to demand and competition for such services. The oil and gas industry in South America is not as developed as the oil and gas industry in North America. As a result, the Company's exploration and development activities may take longer to complete and may be more expensive than similar operations in North America. The availability of technical expertise, specific equipment and supplies may be more limited than in North America.

Accountability and Transparency

Bill S-211, An Act to enact the Fighting Against Forced Child Labour in Supply Chains Act and to amend the Customs Tariff (the "**Modern Slavery Act**") received royal assent on May 11, 2023 and came into force on January 1, 2024. Pursuant to the Modern Slavery Act, entities that meet certain criteria are required to file public reports annually on the steps they have taken prevent and reduce the use of forced labour and child labour in their supply chains. Corporations that meet the requirement to comply with the obligations under the Modern Slavery Act will be required to submit their first annual report by May 31, 2024. The Company will be required to comply with the reporting obligations under the Modern Slavery Act and is preparing its first report. See "Risk Factors – Evolving Corporate Governance, Sustainability and Reporting Framework".

RISK FACTORS

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Company's other public filings before making an investment decision. The risks set out below are not an exhaustive list, and should not be taken as a complete summary or description of all the risks associated with the Company's business and the oil and natural gas business generally.

Overview

The Company's business consists of the exploration for, and the development and production of crude oil projects, with properties primarily in Peru. There are a number of inherent risks associated with the exploration and production of oil reserves. There are also numerous additional risks associated with operating in a developing country such as Peru. Many of these risks are beyond the control of the Company.

Nature of Business

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

Commodity Price Volatility

The Company's financial results are largely dependent on the prevailing prices of crude oil and natural gas. Crude oil and natural gas prices are subject to fluctuations in supply, demand, market uncertainty and other factors that are beyond the Company's control. This can include but is not limited to: the global and domestic supply of and demand for crude oil and natural gas; global and domestic economic conditions; the actions of OPEC; government regulation; political stability and geopolitical factors; the ability to transport commodities to markets; developments related to the market for liquefied natural gas; the availability and prices of alternate fuel sources; and weather conditions. All of these factors are beyond the Company's control and can result in a high degree of price volatility.

Market conditions which include global oil and natural gas supply and demand and global events including actions taken by OPEC, Russia's withdrawal from OPEC, sanctions against Iran and Venezuela, Russia's military invasion in Ukraine, the Israel-Hamas conflict, slowing growth in China and emerging economies, weakening global relationships, isolationist and punitive trade policies, shale production in the United States, sovereign debt levels and political upheavals in various countries including growing anti-fossil fuel sentiment, and the outbreak of global pandemics have caused significant volatility in commodity prices. In addition, continued hostilities in the Middle East, the war in Ukraine and the occurrence or threat of terrorist attacks, including attacks on oil infrastructure in oil-producing nations, in the United States or other countries could adversely affect the economies of Peru, the United States and other countries.

The ongoing war in the Ukraine and price caps and sanctions on oil from Russia have impacted demand and oil prices throughout the latter half of 2022, which continued throughout 2023. The long-term impacts of the tension between these nations remains uncertain.

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

Unexpected developments in financial markets, regulatory environments, or consumer behavior may also have adverse effects on the Company's results, business, financial condition or liquidity, for a substantial period of time.

Fluctuations in the price of commodities and associated price differentials affect the value of the Company's assets and the Company's ability to pursue its business objectives. Prolonged periods of low commodity prices and volatility may also affect the Company's ability to meet guidance targets and its financial obligations as they come due. Any substantial and extended decline in the price of oil and gas could have an adverse effect on the Company's reserves, borrowing capacity, revenues, profitability and funds flow and may have a material adverse effect on the Company's business, financial condition, results of operations, prospects and the level of expenditures for the development of oil and natural gas reserves. This may include delay or cancellation of existing or future drilling or development programs or curtailment in production as the economics of producing from some wells may become impaired.

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

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

Trade Relations

To the extent that certain political actions taken in North America, Europe and elsewhere in the world result in a marked decrease in free trade, access to personnel and freedom of movement, it could have an adverse effect on PetroTal's ability to market products internationally, increase costs for goods and services required for operations, reduce access to skilled labor and negatively affect business, operations, financial conditions and the market value of the Common Shares.

Major developments in tax policy or trade relations, such as the replacement of the North American Free Trade Agreement with the United States-Canada-Mexico Agreement effective as of March 13, 2020, or the imposition of tariffs, could have a material adverse effect on the Company.

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

Peru and ten other countries have agreed on the text of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (the "**CPTPP**"), which is intended to allow for preferential market access among the countries that are parties to the CPTPP. The CPTPP is in force among Canada, Australia, Japan, Malaysia, Mexico, New Zealand, Vietnam, Singapore, Brunei, Chile and Peru.

Capital Lending Markets

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

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

Local Legal, Political and Economic Factors

The Company operates its business in Peru and may eventually expand to other countries. Exploration and production operations in foreign countries are subject to legal, political and economic uncertainties, including risks related to terrorism, military repression, social unrest, strikes by local or national labor groups, interference with private contract rights (such as nationalization), vexatious litigation, extreme fluctuations in currency exchange rates, high rates of inflation, exchange controls, changes in tax rates, changes in laws or policies affecting environmental issues (including land use and water use), workplace safety, foreign investment, foreign trade, investment or taxation, as well as restrictions imposed on the oil and natural gas industry, such as restrictions on production, price controls and export controls. For example, Peru has experienced fluctuating inflation rates since 2002, and there can be no assurance that any governmental action will be taken to control inflationary or deflationary situations or that any such action will be effective. Further, labour in Peru is customarily unionized and there is a risk that labour unrest may adversely impact the Company's operations.

South America has a history of political and economic instability. For example, Peru experienced political turmoil in November 2020, with three different presidents holding office during the period from November 9, 2020, to November 17, 2020, and unrest and protests related to this, in addition to further protests related to the December 2022 change in political regime.

This instability could negatively affect the Company and could result in new governments or the adoption of new policies, laws or regulations that might assume a substantially more hostile attitude toward foreign investment, including the imposition of additional taxes. In an extreme case, such a change could result in renegotiation or termination of existing concessions and contract rights and expropriation of foreign-owned assets without fair compensation. Any changes in oil and gas or investment regulations and policies or a shift in political attitudes in Peru or other countries in which the Company may operate are beyond the Company's control, and may significantly hamper its ability to expand its operations or operate its business at a profit. For example, such changes may make it difficult for the Company to negotiate agreements on favorable terms, obtain required licenses and comply with regulations. Further, in certain jurisdictions, the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licenses and agreements for business. These licenses and agreements may be susceptible to revision or cancellation and legal redress may be uncertain or delayed, which in turn could negatively affect the Company.

The violence associated with political unrest may also damage the global reputation of the Peruvian investment climate, which may have incidental negative implications on shareholder sentiments towards the Company.

Inflation and Cost Management

The Company's operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices, and additional government intervention through stimulus spending or additional regulations. PetroTal's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on the Company's financial performance and funds from operations.

The cost or availability of oil and gas field equipment may adversely affect the Company's ability to undertake exploration, development and construction projects. The oil and gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects and construction materials generally. These materials and services may not be available when required at reasonable prices. A failure to secure the services and equipment necessary to the Company's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on its financial performance and funds from operations.

Borrowing

From time to time, PetroTal may acquire assets or the shares of other corporations or otherwise finance its ongoing operations using debt, which may increase PetroTal's debt levels above industry standards. Further, a significant decrease in crude oil and natural gas prices, hedging losses or lower than expected production from PetroTal's properties may cause the Company's debt-to-cash flow ratio to rise above its peer standards. The level of PetroTal's indebtedness or debt-to-cash flow ratio from time to time could impair PetroTal's ability to obtain additional financing in the future on a timely basis and could affect the market price of the Common Shares.

Geographic Concentration

The geographic concentration of the Company's properties in Peru subjects the Company to an incremental risk of loss of revenue or curtailment of production from factors affecting that region specifically. Thus, should that region experience natural disasters or abnormal weather events (such as El Niño, which may cause excessive rainfall and flooding in Peru), delays from or decreases in production, the availability of equipment, facilities or services, capacity to gather, process or transport production or a political or regulatory adverse change, all of the Company's properties could be impacted, which in turn could have a material adverse effect on the Company's operations and financial condition. Further, certain of the Company's assets are located in locations that are proximate to forests and grasslands, and a wildfire may lead to significant downtime and/or damage to such assets. For example, on of March 11, 2023, Peruvian authorities declared a state of emergency in various regions in Peru including Lima departments due to heavy rains.

Political Developments in Peru and Risks Related to Civil Unrest and Indigenous Activity

Peru's history since the mid-1980s has been one of political and economic instability under both democratically elected and dictatorial governments. These governments have frequently intervened in the national economy and social structure, including periodically imposing various controls the effects of which have been to restrict the ability of both domestic and foreign companies to freely operate. Peru's political and fiscal regimes were generally favourable to the oil and gas industry, although there can be no assurance that this will continue to be the case in the future. The political regimes of Peru could also be subject to rapid change, as seen by the political turmoil in Peru in November 2020. Peru's most recent general presidential elections took place in April 2021. On December 7, 2022, the Peruvian Congress voted to remove Mr. Pedro Castillo as President of Peru. Pursuant to Peruvian constitutional law, the Vice-President, Ms. Dina Boluarte assumes the Presidency. Mr. Castillo announced his intention to dissolve the Peruvian Congress and to intervene, among others, the Peruvian judicial branch and Superior Court. Mr. Castillo's actions were deemed to constitute an attempted coup, which led to his impeachment and arrest. Mr. Castillo was succeeded by his then vice-president, Dina Boluarte. Following Mr. Castillo's impeachment, a wave of protests in support of Mr. Castillo erupted across the country, which led President Boluarte to declare a state of emergency across several regions in Peru on December 12, 2022 and call for congressional approval of a bill to permit early elections in 2024.

As of the date of this AIF, despite proposals by President Dina Boluarte and members of the legislature to hold early general elections in 2024 in response to the impeachment and removal of former President Pedro Castillo, legislators failed to approve early elections in two successive congressional sessions as required by the Peruvian Constitution. These events have further increased the environment of political uncertainty in Peru, and gave way to further discussions about a possible reform of the Peruvian Constitution, which is based on free market, contractual liberty, and minimal governmental intervention in the economy. There is uncertainty as to whether President Boluarte will obtain the required qualified majorities in order to modify the Peruvian Constitution. We cannot assure that policies against free market and minimal intervention of the government in the Peruvian economy will not be taken by the new administration or any new Congress. Current or future political regimes, such as the regime elected in December 2022, may adopt new policies, laws and regulations that are more hostile toward foreign investment which may result in, inter alia, the imposition of additional taxes, the adoption of regulations that limit price increases, termination of contract rights, or the expropriation of foreign-owned assets, which in turn could negatively affect the Company. Any changes in the Peruvian economy or the Peruvian government's economic policies may have a negative effect on our business, financial condition, and results of operations. Changes in economic or other policies by the Peruvian government or other political developments in Peru could adversely affect the business, financial condition, and results of operations of PetroTal.

There is also a risk of other adverse developments, such as labour unrest, widespread civil unrest or rebellion. For example, in 2020 the Company shut down the Bretana oil field for safety reasons, due to civil unrest outside the camp. The incident that led to the shut down occurred when an armed group of protesters confronted the national police force, following which about a dozen injuries amongst the police and protestors were reported. Unfortunately, there were also three other protestors that later died from their injuries. In October 2021, approximately 200 indigenous residents of Peru took control of a pipeline station operated by state-owned company, Petroperu. The protest led to the evacuation of personnel in the area, as protestors installed temporary living structures and other items. Protestors remained on site for two and a half months before finally reaching an agreement with Petroperu. Additionally, on February 28, 2022, the Company reduced production to ensure field safety and manage storage levels due to social protests by a small group from AIDECOBAP at PetroTal's loading dock, causing the Company to constrain its production level to approximately 4,000 bopd. On April 5, 2022, fuel protests against soaring prices caused by Russia's invasion of Ukraine prompted the Peruvian government to impose a curfew on residents in Lima in an effort to quell nationwide unrest.

Although it is important to highlight that the aforementioned protests were against the government of Peru and actions by other South American countries to exploit Peruvian potash on protected indigenous lands, and not PetroTal, there can be no assurance that the Company's operations will not be adversely affected by incidents such as the aforementioned, or similar incidents related to civil unrest, in the future.

Peru has a publicized history of security problems. The Shining Path, a terrorist organization, has been active in Peru since the early 1980's and, at one point, was active throughout the country. The group's activity has been confined to small areas of Peru; its operations have been hampered by the capture of many high-profile leaders; and membership has fallen dramatically. The Company's operations in Peru are in a different region, with no known activity by the group. However, other groups may be active in other areas of the country and possibly the Company's operational areas. In addition to The Shining Path, blockades by indigenous groups have also caused disruptions to oil and gas activities in Peru. Security related issues related to the aforementioned, should they occur, could have a material adverse effect on the Company.

Markets and Marketing

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

The Company has established routes to market the oil it produces. The Company will continue to develop access to markets to assure oil sales and cash flow.

Exploration and Production Risks

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

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

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

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

Fiscal and Royalty Regimes

Peru has legislation and regulations which govern land tenure, drilling and construction permits, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the profitability of oil and natural gas production. The determination of the royalties is made according to the production of hydrocarbons in the area of such agreement. The payment of the royalty depends on the valorization methodology established in each license agreement. See "*Industry Conditions*".

Laws and Regulations

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government in Peru and internationally that may be amended from time to time. Because the oil and gas industry in Peru is less developed than elsewhere, changes in laws and interpretations of laws are more likely to occur than in countries with a more developed oil and gas industry. Future laws or regulations, as well as any adverse change in the interpretation of existing laws or failure to comply with existing legal requirements may harm the Company's results of operations and financial condition. Further, the Company may be required to make unanticipated expenditures in order to comply with laws and regulations.

Health and Safety

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

Insurance

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

Project Risks

The Company manages and participates in a variety of small and large projects in the conduct of its business. Project delays, should they occur, may delay expected revenues from operations and could also have other negative consequences for the Company. Further, project cost estimates may not be accurate due to several factors, and significant project cost over-runs could make a project uneconomic. The Company's ability to execute projects and market oil will depend upon numerous factors beyond the Company's control, including: the availability of processing capacity; the availability and proximity of pipeline capacity or other means of transport; the availability of storage capacity; the supply of and demand for oil and natural gas; the availability of alternative fuel sources; the effects of inclement weather; the availability of drilling and related equipment; unexpected cost increases; accidental events; currency fluctuations; changes in regulations; the availability and productivity of skilled labour; and the regulation of the oil and natural gas industry by various levels of government and governmental agencies. Because of these factors, the Company could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil that it produces. Consequently, any of the aforementioned factors could have a material adverse effect on the Company's business, cash flows, financial position, results of operations or prospects.

Infrastructure, Availability of Drilling Equipment and Access Restrictions

Crude oil and natural gas exploration, development and production activities depend, to one degree or another, on adequate infrastructure and the availability of drilling and related equipment in the particular areas where such activities will be conducted. The oil and natural gas industry is cyclical in nature and is prone to shortages of supply of equipment and services, including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects and construction materials generally. These materials and services may not be available when required at reasonable prices. Reliable roads, bridges, barge access along rivers, power sources, water supply and disposal facilities are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the operations, financial condition and results of operations of the Company. If the Company is unable to obtain, or unable to obtain without undue cost, drilling rigs, equipment, supplies or personnel, its exploration and production operations could be delayed or adversely affected. Furthermore, pipeline and trucking operations are subject to uncertainty and lack of availability, due to mechanical and/or social issues, as seen by the shut down of the pipeline used by the Company at the Bretana oil field. Oil and natural gas pipelines and truck transport travel through miles of territory and are subject to the risk of diversion, destruction or delay. Transportation of oil with barges could also be subject to similar risks. Further, the Company operates in remote areas and may rely on helicopter, boats or other transportation methods. Some of these transport methods may result in increased levels of risk and could lead to operational delays which could affect the Company's ability to add to its resource base and produce oil and could have a significant impact on its reputation or cash flow. Additionally, some required equipment may be difficult to obtain in the Company's areas of operations, which could hamper or delay operations, and could increase the cost of those operations.

Strategic and Business Relationships

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

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

Volatility of Market Price of Common Shares

The trading price of securities of crude oil and natural gas issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. The volatility may affect the ability of holders to sell the Common Shares at an advantageous price. Factors unrelated to the Company's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices and/or current perceptions of the crude oil and natural gas market. This includes, but is not limited to, changing and in some cases, negative investor sentiment towards energy-related businesses. In recent years, the volatility of crude oil and natural gas commodity prices, and the securities of issuers involved in the crude oil and natural gas business, has increased due, in part, to the implementation of computerized trading and the decrease of discretionary commodity trading. Similarly, recent market prices in the securities of crude oil and natural gas issuers relative to other industry sectors have led to lower crude oil and natural gas representation in certain key equity market indices. The volatility, trading volume and market price of crude oil and natural gas have been impacted by increasing investment levels in passive funds that track major indices and only purchase securities included in such indices and subsequently dispose of those securities if they are excluded from such indices. In addition, many institutional investors, pension funds and insurance companies, including government sponsored entities, have implemented investment strategies increasing their investments in low-carbon assets and businesses while decreasing the carbon intensity of their portfolios through, among other measures, divestments. These factors have impacted the volatility and liquidity of certain securities and put downward pressure on the market price of those securities. Similarly, the market price of the Common Shares could be subject to significant fluctuations in response to variations in the Company's operating results, financial condition, liquidity and other internal factors. Accordingly, the price at which the Common Shares will trade cannot be accurately predicted.

Capital Requirements and Liquidity

The Company's operations are highly capital intensive, and the Company anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves, including in relation to its assets. The Company completed the issuance of a 3-year $100 million senior secured bond with an annual interest rate of 12%. A portion of the bond proceeds was used to retire all of the contingent derivative liability with Petroperu and the remainder was used to continue development of the Bretana oil field, support the Company's crude oil price hedging strategy, and to finance potential acquisitions. Failure of covenants or to pay its obligations could cause the Company to forfeit its interest in certain properties and to miss certain acquisition opportunities.

At the end of 2023, accounts payable were approximately $79 million, and accounts receivable were approximately $76 million, with $26 million from Petroperu and $50 million of current receivables from the Company's Brazilian trading partner. As announced on December 9, 2022, PetroTal finalized a repayment schedule with Petroperu related to the $64 million true-up revenue owed to the Company from the June 2022 Bayovar export. PetroTal collected the full $64 million in monthly installments in August 2023. Any of the aforementioned could have a material adverse effect on the Company's business, results of operations, prospects and financial condition.

Dividends

The Company maintains a return of capital program consisting of quarterly dividends which commenced in June 2023 and share buybacks of approximately $1.0 million/month in accordance with the Company's return of capital policy.

The declaration and payment of future dividends is subject to the discretion of the Board and may vary depending on a variety of factors and conditions existing from time to time, including fluctuations in commodity prices, the financial condition of the Company, production levels, results of operations, capital expenditure requirements, working capital requirements, debt service requirements, operating costs, foreign exchange rates, interest rates, contractual restrictions, the Company's hedging activities or programs, available investment opportunities, the Company's business plan, strategies and objectives, the satisfaction of the solvency and liquidity tests imposed by the ABCA for the declaration and payment of dividends and other factors that the Board may deem relevant. Depending on these and various other factors, many of which are beyond the control of the Company, the dividend policy of the Company may vary from time to time and, as a result, future cash dividends could be reduced or suspended entirely.

Pursuant to the ABCA, the Company may not declare or pay a dividend if there are reasonable grounds for believing that: (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realizable value of its assets would thereby be less than the aggregate of its liabilities and stated capital of its outstanding shares.

Dividends may be reduced or suspended during periods of lower cash flow from operations. The timing and amount of the Company's capital expenditures, and the ability of the Company to repay or refinance debt as it becomes due, directly affects the amount of cash dividends that may be declared by the Board. Future acquisitions, expansions of the Company's assets, and other capital expenditures and the repayment or refinancing of debt as it becomes due may be financed from sources such as cash flow from operations, the issuance of additional shares or other securities of the Company, and borrowings. Dividends may be reduced, or even eliminated, at times when significant capital or other expenditures are made. There can be no assurance that sufficient capital will be available on terms acceptable to the Company, or at all, to make additional investments, fund future expansions or make other required capital expenditures. To the extent that external sources of capital, including the issuance of additional shares or other securities or the availability of credit facilities, become limited or unavailable on favourable terms or at all due to credit market conditions or otherwise, the ability of the Company to make the necessary capital investments to maintain or expand its operations, to repay debt and to invest in assets, as the case may be, may be impaired. To the extent the Company is required to use cash flow from operations to finance capital expenditures or acquisitions or to repay debt as it becomes due, the cash available for dividends may be reduced and the level of dividends declared may be reduced or suspended entirely.

Over time, the Company's capital and other cash needs may change significantly from its current needs, which could affect whether the Company pays dividends and the amounts of dividends, if any, it may pay in the future. If the Company continues to pay dividends at the current levels, it may not retain a sufficient amount of cash to finance external growth opportunities, meet any large unanticipated liquidity requirements or fund its activities in the event of a significant business downturn.

The market value of the Company's securities may deteriorate if dividends are reduced or suspended. Furthermore, the future treatment of dividends for tax purposes will be subject to the nature and composition of dividends paid by the Company and potential legislative and regulatory changes.

Competition

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

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

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

Cost of New Technologies

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

Environmental Risks

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and national, state and local laws and regulations. As an owner, licensee and/or operator of oil and gas properties in Peru, the Company is subject to various national, state and local laws and regulations relating to the discharge of materials into, and protection of, the environment. For example, the Company is required to obtain environmental permits or approvals from the Peruvian government prior to conducting seismic operations or drilling wells in Peruvian territory. Environmental laws and regulations in Peru impose substantial restrictions on, among other things, the use of natural resources, interference with the natural environment, the location of facilities, the handling and storage of hazardous materials such as hydrocarbons, the use of radioactive material, the disposal of waste, and the emission of noise and other activities. These laws and regulations may, among other things: (a) impose liability on the owner or lessee under an oil and gas lease for the cost of property damage, oil spills, discharge of hazardous materials, remediation and clean-up resulting from operations; (b) subject the owner or lessee to liability for pollution damages and other environmental or natural resource damages; and (c) require suspension or cessation of operations in affected areas.

Environmental legislation is evolving in a manner that has and is expected to continue to result in stricter standards and enforcement, larger fines, liabilities and sanctions, and potentially increased capital expenditures and operating costs. To mitigate potential environmental liabilities, the Company, in addition to implementing policies and procedures designed to prevent an accidental spill or discharge, maintains insurance at industry standards.

The discharge of oil, natural gas, or other pollutants into the air, soil or water may give rise to liabilities to third parties and may require the Company to incur costs to remedy such discharge in the event that they are not covered by the Company's insurance. Although the Company maintains insurance to industry standards, which in part covers liabilities associated with discharges, it is not certain that such insurance will cover all possible environmental events, foreseeable or otherwise, or whether changing regulatory requirements or emerging jurisprudence may render such insurance of little benefit.

The Company's oil and natural gas operations include exploration, drilling, well completions and tie-ins, production, facility operation, distribution, pricing, marketing and transportation and are subject to compliance with federal, provincial and local laws and regulations controlling the discharge of pollutants into the environment or otherwise relating to the protection of the environment. Regulations and laws impose restrictions on emissions, spills and releases of various substances used in oil and gas industry operations, requirements for waste handling and storage, habitat protection and the operation, maintenance, abandonment and reclamation of facilities, pipelines and wells. Changes to environmental regulations could delay or prevent planned activity, affect current and forecast production levels and increase the cost of production and/or development capital expenditures.

Although the Company believes that it is in material compliance with current applicable environmental regulations, changing government regulations may have an adverse effect on the Company. See "Industry Conditions – Regulatory Authorities and Environmental Regulation" and "Industry Conditions – Climate Change Regulation". The Company's practice is to do all that it reasonably can to ensure that it remains in material compliance with environmental protection legislation.

The Company also believes that it is reasonably likely that the trend towards stricter standards in environmental legislation and regulation will continue. The Company is committed to meeting its responsibilities to protect the environment wherever it operates and will take such steps as required to ensure compliance with environmental legislation.

No assurance can be given that environmental laws will not result in a curtailment of production, a material increase in the costs of production or the costs of development or exploration activities, or otherwise adversely affect the Company's financial condition, capital expenditures, results of operations, competitive position or prospects. The complexity and breadth of changes in environmental regulation make it extremely difficult to predict the potential future effects on PetroTal.

Reserve Estimates

The Company's reserves and associated cash flow information and estimates represent estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. Consequently, the Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves could vary from estimates thereof and such variations could be material.

Further, the evaluations are based, in part, on the assumed success of the exploitation activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived therefrom contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluation.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material. Many of PetroTal's producing wells have a limited production history and thus there is less historical production on which to base the reserves estimates. In addition, a significant portion of PetroTal's reserves may be attributable to a limited number of wells and, therefore, a variation in production results or reservoir characteristics in respect of such wells may have a significant impact upon PetroTal's reserves.

In accordance with applicable securities laws, NSAI has used forecast price and cost estimates based on averages from three different independent evaluators' price forecasts in calculating reserves quantities. See "*Statement of Reserves Data and Other Oil and Gas Information – Forecast Costs and Price Assumptions*". Actual future net cash flows will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs. Actual production and cash flows derived therefrom will vary from the estimates contained in the NSAI Report and such variations could be material. The NSAI Report is based in part on the assumed success of activities PetroTal intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom and contained in the NSAI Report will be reduced to the extent that such activities do not achieve the level of success assumed in the NSAI Report. The NSAI Report is effective as of December 31, 2023, with a preparation date of February 9, 2024, and, except as may be specifically stated or required by applicable securities laws, has not been updated and, therefore, does not reflect changes in reserves since that date.

Climate Change

The Company's exploration and production facilities and other operations and activities emit greenhouse gases and the Company may be required to comply with greenhouse gas emissions legislation in Peru or other countries in which the Company may operate in the future. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. There is a risk that greenhouse gas emissions legislation, or related regulations, may in the future adversely affect the Company's operations and business generally, for example by requiring the Company to make significant expenditures in order to comply with such regulations. In addition, the Company may be subject to activism from groups campaigning against fossil fuel extraction, which could affect its reputation, expose the Company to contractual liability, disrupt its campaigns or programs or otherwise negatively impact the Company's business.

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to environmental, social, governance and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. If the Company is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licences, registrations, approvals, and authorizations from various governmental authorities, and raise capital may be adversely affected.

Acute Climate Change

Climate change has been linked to extreme weather conditions. Extreme hot weather, heavy rainfall and wildfires may restrict the Company's ability to access the Company's properties, cause operational difficulties, including damage to machinery and facilities. Extreme weather may also increase the risk of personnel injury as a result of dangerous working conditions. Certain of the Company's assets are located in locations that are proximate to forests and grasslands, and a wildfire may lead to significant downtime and/or damage to such assets. Moreover, extreme weather conditions may disrupt the Company's ability to transport produced crude oil as well as goods and services along the supply chain.

Pandemic Risk

Severe disruptions in regional economies and the world economy can be caused by the outbreak of a contagious illness. Such pandemics and efforts to contain them could result in international, national and local border closings, travel restrictions, significant disruptions to business operations, supply chains, customer activity and demand, service cancellations, reductions and other changes, significant challenges in healthcare service preparation and delivery, and quarantines, as well as considerable general concern and uncertainty, all of which could negatively affect the economic environment and may in the future have further impacts, as was the case for the COVID-19 pandemic. It is not possible to predict what measures and restrictions may be imposed by governmental authorities and the period of time during which those measures and restrictions may apply. Economic and supply chain disruptions, including temporary staff shortages resulting from a pandemic, could further materially affect the Company's financial results and operations. A pandemic could also further and significantly impact credit ratings, credit risk and inflation and global economic activity, including demand for demand for oil and natural gas, and cause increased market volatility, continued changes to the macroeconomic environment and commodity prices in connection with ensuing economic disruption, supply shortages, trade disruption, temporary staff shortages and temporary closures of facilities in geographic locations more importantly impacted by the outbreak. The scope and severity of such disruptions and their impact on the Company's financial results and operations could be material.

Reserve Replacement

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

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

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

Finding, Developing and Acquiring Petroleum and Natural Gas Reserves on an Economic Basis

Petroleum and natural gas reserves naturally deplete as they are produced over time. The success of the Company's business is highly dependent on its ability to acquire and/or discover new reserves in a cost-efficient manner. Substantially all of the Company's cash flow is derived from the sale of the petroleum and natural gas reserves it accumulates and develops. In order to remain financially viable, the Company must be able to replace reserves over time at a lesser cost on a per unit basis than its cash flow on a per unit basis. The reserves and costs used in this determination are estimated each year based on numerous assumptions and these estimates and costs may vary materially from the actual reserves produced or from the costs required to produce those reserves. The Company mitigates this risk by employing a qualified and experienced team of petroleum and natural gas professionals, operating in geological areas in which prospects are well understood by management and by closely monitoring the capital expenditures made for the purposes of increasing its petroleum and natural gas reserves.

Operational Dependence

Currently the Company owns a 100% working interest in all of its licence agreements. In the event that the Company enters into any farm-in agreement, other companies may operate some of the assets in which the Company will have or has an interest. In such cases, the Company will have diminished ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect the

Company's financial performance. The Company's return on assets operated by others may therefore depend upon a number of factors that may be outside of the Company's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

Reliance on Key Personnel

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

Management of Growth

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

Permits and Licenses

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

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

Expiration or Termination of Licenses

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

The terms of Peruvian oil and gas licence agreements require licensees to perform certain minimum work programmes in each period under the seven-year exploration phase of such agreements. The calculation of each period is halted when the government reviews related environmental applications, meaning the seven-year exploration phase may last several years more. However, the term of the licence contract remains the same, so the holder still has 18 years to develop and produce the discovered crude oil reserves or 28 years in the case of natural gas reserves. The work programmes can include seismic acquisition, processing and interpretations and the drilling of required wells in accordance with those contracts and agreements.

Licensees are also required to conduct environmental impact studies and/or environmental impact assessments and to establish their ability to comply with environmental regulations.

Additional Funding Requirements

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

Variations in Foreign Exchange Rates and Interest Rates

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

Issuance of Debt

From time to time, the Company may enter into transactions to acquire assets or the securities of other business entities. These transactions may be financed partially or wholly with debt which may increase the Company's debt levels above industry standards. The level of the Company's indebtedness from time to time could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Hedging

The Company enters arrangements in the form of puts and swaps with calls and similar instruments to secure revenue or offset the risk of revenue losses if commodity prices decline. However, such arrangements may be expensive and there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms. The Company may also be required to provide cash collateral under its hedging arrangements, which the Company may be unable to provide or which could affect the liquidity of the Company.

Information Technology Systems and Cyber-Security

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

The unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary and other information could disrupt the Company's business plans and negatively impact its operations in a number of ways, including: (a) negatively impact the Company's competitive position in developing its oil and gas reserves; (b) dry hole cost or drilling incidents; (c) loss of production or accidental discharge; (d) supply chain disruptions; and (e) expensive remediation efforts, distraction of management, damage to the Company's reputation, or a negative impact on the price of the Common Shares of the Company. As cyber threats continue to evolve, the Company may be required to expend significant additional resources to continue to modify or enhance its protective measures or to investigate and remediate any information security vulnerabilities.

Weather

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

Litigation

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

Community Relationships

The operations of the Company may have a significant effect on the areas in which it operates, and communities have, in the past, demonstrated an ability and willingness to halt operations or delay approvals. Should the Company's relationship with local populations and governments not remain in good standing, this could lead to a delay in operations, loss of license or major impact to the Company's reputation, which in turn could adversely affect the Company's business.

Breach of Confidentiality

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

Conflicts of Interest

Directors and officers of the Company may also be directors and officers of other oil and gas companies involved in oil and gas exploration and development, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply under the ABCA.

Control Persons and Other Significant Shareholders of the Company

Based, in part, on public filings of Shareholders, YF Finance owns, directly or indirectly, or controls approximately 16.7% of the Common Shares, and is considered a control person of the Company, and Kite Lake Capital Management LLP owns 12.6% of the Common Shares. In addition, management and the Board of the Company own or control approximately 1% of the Common Shares. Collectively, these Shareholders own or control approximately 30% of the Common Shares.

Dilution

The Company may issue additional Common Shares in the future, which may dilute a Shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares and Shareholders will have no pre-emptive rights in connection with such further issuances. Also, additional Common Shares may be issued by the Company on the exercise of Common Share purchase warrants, or on the exercise of options, performance share units and restricted share units under the Company's stock option plan and performance and restricted share unit plan.

Third Party Credit Risk

The Company is or may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production, counterparties to financial instruments and other parties. In the event such entities fail to meet their contractual obligations, such failures could have a material adverse effect on the Company's financial results and financial condition.

Alternatives to and Changing Demand for Petroleum Products

Fuel reduction regulations, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas and technological advances in fuel economy and renewable energy generation devices could reduce the demand for crude oil and liquid hydrocarbons. Recently, certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels and encourage the use of renewable fuel alternatives, which may lessen the demand for petroleum products and put downward pressure on commodity prices. In addition, advancements in energy efficient products have a similar effect on the demand for oil and gas products. PetroTal cannot predict the effect of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Company's business, financial condition, results of operations and funds flow.

Reputational Risk Associated with Operations

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

Changing Investor Sentiment

A number of factors, including the concerns of the effects of the use of fossil fuels on climate change, the effect of crude oil and natural gas operations on the environment, environmental damage relating to spills of petroleum products during production and transportation and indigenous rights, have affected certain investors' sentiments towards investing in the crude oil and natural gas industry. As a result of these concerns, some institutional, retail and public investors have announced that they no longer are willing to fund or invest in crude oil and natural gas properties or companies tied to crude oil and natural gas or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can be costly and require a significant time commitment from the Board, management and employees of the Company. Failing to implement the policies and practices as requested by institutional investors may result in such investors reducing their investment in the Company or not investing in the Company at all. Any reduction in the investor base interested or willing to invest in the crude oil and natural gas industry, and more specifically, the Company, may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Common Shares, even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause a decrease in the value of the Company's assets which may result in an impairment change.

Expansion into New Activities

In the future, the Company may acquire or move into new industry related activities or new geographical areas, may acquire different energy related assets, and as a result may face unexpected risks or alternatively, significantly increase the Company's exposure to one or more existing risk factors, which may in turn result in the Company's future operational and financial conditions being adversely affected.

Corruption

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

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

Forward-Looking Information May Prove to be Inaccurate

Investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumptions and uncertainties are found in this AIF under the heading "*Forward-Looking Statements*" above.

DIVIDENDS

On May 31, 2019, the Company implemented a dividend policy whereby the Company would pay out a dividend in respect of each half year period from July 1, 2019 to December 31, 2020. The Company has since suspended dividend payments to preserve funds for investment in the business.

In Q1 2023, the Company reinstated a return of capital program, including a $0.015 per share quarterly-based dividend payable in June 2023, subject to maintaining a minimum liquidity level of $60 million. If economically viable on a forward-looking basis, the Company's base dividend will increase by an amount equal to the excess liquidity over $60 million. This quarterly cash dividend was designated as an "eligible dividend" for Canadian income tax purposes.

The Company's dividend policy is intended to optimise Shareholder wealth while balancing such returns to Shareholders with continued reinvestment in the Peruvian Business to support future growth and development. This, in turn, is expected to provide a stronger base of cash flow leading to consistent dividend payment in the future. The amount of dividends to be paid on Common Shares, if any, is subject to the discretion of the Board and may vary depending on a variety of factors including, but not limited to, current and expected future levels of distributable cash flow, capital expenditures, borrowings and debt repayments, changes in working capital requirements, prevailing market conditions and anticipated earnings. The Company intends to undertake regular review of the policy taking into account factors such as current and future commodity prices, foreign exchange rates, current operations and available investment opportunities.

The Company does not have a dividend reinvestment plan or stock dividend program.

Dividend History

On December 12, 2019, the Company declared an interim dividend of CAD$0.0017 (£0.001) cash for each Common Share to be paid to Shareholders on January 20, 2020, representing in aggregate a total dividend payment of approximately CAD$1.14 million (£0.66 million). On May 31, 2019, the Company implemented a dividend policy whereby the Company would pay out a dividend in respect of each half year period from July 1, 2019 to December 31, 2020. In 2020, the Company suspended dividend payments to preserve funds for investment in the business.

In the last three completed financial years of PetroTal, the Company declared and paid the following dividends on its Common Shares, beginning in May of 2023:

Date of dividend declaration	Amount of dividend per Common Share (CDN$)
May	0.015
June	-
July	-
August	0.025
September	-
October	-
November	0.02
December	-
Total	**0.06**

The Company's dividend policy is intended to optimise Shareholder wealth while balancing such returns to Shareholders with continued reinvestment in the Peruvian Business to support future growth and development. This, in turn, is expected to provide a stronger base of cash flow leading to consistent dividend payment in the future. The amount of dividends to be paid on Common Shares, if any, is subject to the discretion of the Board and may vary depending on a variety of factors including, but not limited to, current and expected future levels of distributable cash flow, capital expenditures, borrowings and debt repayments, changes in working capital requirements, prevailing market conditions and anticipated earnings. The Company intends to undertake regular review of the policy taking into account factors such as current and future commodity prices, foreign exchange rates, current operations and available investment opportunities.

The declaration and payment of dividends is subject to the discretion of the Board and may vary depending on a variety of factors and conditions existing from time to time. The payment of dividends to Shareholders is not assured or guaranteed and dividends may be reduced or suspended entirely. In addition to the foregoing, the Company's ability to pay dividends now or in the future and the actual amount distributed will depend on numerous factors and conditions existing from time to time, including fluctuations in commodity prices, production levels, capital expenditure requirements, bonds and debt service requirements, operating costs, foreign exchange rates and the satisfaction of solvency tests imposed by the ABCA for the declaration and payment of dividends, applicable law and other factors beyond the Company's control. See "*Risk Factors – Dividends*".

DESCRIPTION OF SHARE CAPITAL

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value. Each Common Share entitles the holder to receive notice of and to attend all meetings of Shareholders, to vote at such meetings, to receive such dividends as may be declared by the Board of Directors, and to share ratable with other Shareholders in the residual property of the Company in the event of liquidation, dissolution or winding up of the Company.

As at the date hereof, there are 914,104,390 Common Shares issued and outstanding.

MARKET FOR SECURITIES AND TRADING HISTORY

The Common Shares are listed and posted for trading on the facilities of the TSX under the symbol "TAL", on AIM under the symbol "PTAL", and on OTCQX under the symbol "PTALF". The following table sets out the price range for, and the trading volume of, the Common Shares of the Company as reported:

TAL 2023 (TSX)	High (CDN$)	Low (CDN$)	Volume
January	0.74	0.64	13,133,713
February	0.74	0.65	9,708,589
March	0.75	0.58	21,631,303
April	0.83	0.74	12,696,940
May	0.80	0.71	64,894,802
June	0.74	0.62	11,782,224
July	0.76	0.65	4,988,214
August	0.79	0.71	5,813,029
September	0.84	0.74	6,552,764
October	0.79	0.70	5,516,443
November	0.89	0.72	22,830,803
December	0.85	0.76	8,909,964

PRIOR SALES

The following table sets forth, for each class of securities of the Company that is outstanding but not listed or quoted on a marketplace, the price at which securities of the class have been issued during the financial year ended December 31, 2023, and the number of securities of the class issued at that price and the date on which the securities were issued.

Date of Issuance	Class of Securities	Number of Securities Issued	Exercise Price
January 1, 2023	Performance Share Units(1)	6,791,763	-

Note:

(1) Granted to certain officers and employees of the Company in accordance with the provisions of the Company's amended performance and restricted share unit plan, with an underlying price of $0.65 CAD. The performance share units vest in three years for executive officers (1/3 per year for other employees) from grant date and each performance share unit entitles the holder thereof to acquire between zero and two Common Shares, subject to the achievement of various performance conditions relating to total Shareholder return, net asset value and certain production and operational milestones.

ESCROWED SECURITIES

To the best of the Company's knowledge, no securities are currently subject to escrow as of December 31, 2023.

NORMAL COURSE ISSUER BID

On May 16, 2023, the Company announced that TSX approved the notice of intention to 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 year ended December 31, 2023, the Company had repurchased a total of 11,326,806 Common Shares under the NCIB for total consideration of $6.5 million.

DIRECTORS AND OFFICERS

The following table sets forth the names and municipalities of residence of the directors and executive officers of the Company as at the date hereof, their respective positions and offices with the Company and date first elected as a director and their principal occupation(s) within the past five years.

Name and Municipality of Residence	Position Presently Held	Director Since	Principal Occupation for Previous Five Years
Manuel Pablo Zúñiga-Pflücker(3) *Texas, USA*	Director, President, Chief Executive Officer and Corporate Secretary	December 18, 2017	President, Chief Executive Officer and Director of the Company since December 18, 2017. Prior thereto, President and Chairman of the Managers of PetroTal LLC since January 2016. Mr. Zúñiga-Pflücker founded and led BPZ Resources, Inc. ("**BPZ**") from 2001 to 2015. Petroleum engineer with more than 32 years' experience.
Douglas C. Urch *Texas, USA*	Executive Vice President and Chief Financial Officer	-	Executive Vice President and Chief Financial Officer of the Company since November 4, 2019. From December 18, 2017, until November 2, 2019, Mr. Urch served as a Director of the Company. Prior thereto, Executive Vice President, Finance and Chief Financial Officer of Bankers Petroleum Ltd. from February 2008 to 2018.

Name and Municipality of Residence	Position Presently Held	Director Since	Principal Occupation for Previous Five Years
Jose Contreras *Texas, USA*	Senior Vice President, Operations	-	Executive in the international oil and gas industry with over 25 years of experience and a successful track record managing large and complex field and technical upstream operations for various sized energy companies. Since 2017, Mr. Contreras has held various executive roles ranging from guiding international safety, security, and sustainability performance for projects and drilling; ensuring safe and efficient upstream and midstream onshore operations in the U.S. while implementing bottom line improvement programs; to managing low carbon (blue) ammonia/hydrogen new value chain opportunities.
Mark McComiskey(1)(2) *Connecticut, USA*	Chair of the Board	July 5, 2016	Partner at AVAIO Capital, a firm that focuses on value-added infrastructure investment. Prior thereto, a partner at Prostar Capital's energy business and its successor firm, Vanwall Capital, LLC. Prior to Prostar, Co-Head of Private equity at First Reserve, a private equity firm focused on the energy industry.
Gavin Wilson(2)(3)(4) *Switzerland*	Director	June 11, 2013	Advisor to Meridian Group of Companies, an investment company. Prior thereto, Mr. Wilson was the Founder and Manager of RAB Energy and RAB Octane listed Investment Funds from 2004 until 2011.
Eleanor J. Barker(1) *Ontario, Canada*	Director	December 19, 2019	President of Barker Oil Strategies Inc. Prior thereto, Ms. Barker was a director of Sterling Resources Ltd. from 2014 to 2017. In addition to over 25 years experience in international oil and gas, she held various positions with Esso and Gulf Canada.
Dr. Roger M. Tucker(3)(4) *London, England*	Director	December 19, 2019	Dr. Tucker has a PhD in Geology and over 35 years of diverse international oil and gas experience from Exxon, LASMO, Yukos and BG Group where he was a SVP of Europe. He was President of LASMO Latin America. He has served on the board of several companies and was recently Non-Executive Chairman of Viaro which completed several significant acquisitions.

Name and Municipality of Residence	Position Presently Held	Director Since	Principal Occupation for Previous Five Years
Jon Harris[(2)(3)] *London, England*	Director	September 15, 2022	Since January 2021, has been CEO of Gulf Keystone Petroleum. Mr. Harris has over 30 year's experience in the oil and gas industry at SASOL Limited, an integrated energy and chemicals company based in South Africa. Prior thereto, he spent 25 years with BG Group in various international roles, including Executive Vice President Technical and General Manager Production Operations.
Felipe Arbelaez Hoyo[(1)] *London, England*	Director	July 6, 2023	Senior Vice President Hydrogen and Carbon Capture Systems for BP Energy in London. Prior responsibilities include developing and operating BP's associated renewable energy asset portfolio including solar and biofuels, onshore and offshore wind.
Emily Morris *London, England*	Director	October 12, 2023	Currently a private corporate finance consultant, having previously led the energy team for a number of investment banks in London. Ms. Morris's career spans equity research, fund management, sales, corporate broking and advisory across the energy and resources sectors. Ms. Morris brings over 20 years of experience in energy capital markets, M&A and ESG to the Board.

Notes:
(1) Member of the Audit Committee.
(2) Member of the Corporate Governance and Compensation Committee.
(3) Member of the Reserves Committee.
(4) Member of the Health, Safety, Environment and Corporate Social Responsibility Committee.

As at the date hereof, the directors and officers of the Company, and their associates and affiliates, as a group, whether beneficial, direct or indirect, own 17,556,401 Common Shares, representing approximately 1.9% of the currently issued and outstanding Common Shares.

The directors listed above will hold office until the next annual meeting of the Company or until their successors are elected or appointed.

Cease Trade Orders and Bankruptcies

Except as set forth below, no director or executive officer of the Company is, or within ten years prior to the date of this AIF has been, a director, a chief executive officer or a chief financial officer of any company (including the Company), that:

(a) was subject to: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**"), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as set forth below, no director, executive officer or, to the best of the Company's knowledge, any shareholder holding a sufficient number of securities of the Company to affect materially control of the Company, is, or within ten years prior to the date of this AIF has been, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Zúñiga-Pflücker was an officer of BPZ, a Company engaged in exploration, development and production of oil and gas in Peru. BPZ filed a voluntary petition for reorganization relief under Chapter 11 of the United States Bankruptcy Code on March 9, 2015.

Mr. Wilson was a director of Buccaneer Energy Ltd. ("**Buccaneer**"), a corporation engaged in exploration, development and production of oil and gas in the United States. Buccaneer filed a voluntary petition for reorganization relief under Chapter 11 of the *United States Bankruptcy Code* on May 31, 2014.

Personal Bankruptcies

No director or executive officer of the Company or a Shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has, within the past ten years prior to the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person.

Penalties and Sanctions

No director or executive officer of the Company, or a Shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain of the directors and officers of the Company are also directors, officers and/or promoters of other reporting and non-reporting issuers, which may give rise to conflicts of interest. In accordance with corporate laws, directors who have an interest in a contract or a proposed contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Company. Some of the directors of the Company have other employment or other business or time restrictions placed on them and accordingly, these directors of the Company will only be able to devote part of their time to the affairs of the Company. In particular, certain of the directors and officers are involved in managerial and/or director positions with other oil and gas companies whose operations may, from time to time, provide financing to, or make equity investments in, competitors of the Company. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA. As of the date hereof, the Company is not aware of any existing or potential material conflicts of interest between the Company and any director or officer of the Company.

AUDIT COMMITTEE INFORMATION

The Audit Committee is a committee of the Board to which the Board delegates its responsibility for oversight of the financial reporting process. The Audit Committee is also responsible for managing, on behalf of the Shareholders, the relationship between the Corporation and the external auditor.

Pursuant to NI 52-110, the Corporation is required to disclose certain information with respect to its Audit Committee, as summarized below.

Audit Committee Charter

The Corporation's Audit Committee charter (the "**Audit Committee Charter**") was adopted by the Board, and is attached hereto as Schedule E to the Company's Information Circular dated May 3, 2023. The mandate of the Audit Committee is to oversee and provide assistance in financial reporting, financial policies and internal controls as well as to work with the external auditors to ensure the accuracy of the Corporation's financial disclosures. The Audit Committee must pre-approve all non-audit services to be provided by an external auditor.

Composition of the Audit Committee

As of the date hereof, the Audit Committee is comprised of:

Name of Director	Independent (Yes/No)(1)	Financially Literate (Yes/No)
Eleanor Barker (Chair)	Yes	Yes
Mark McComiskey	Yes	Yes
Felipe Arbelaez	Yes	Yes

Note:
(1) As defined in NI 52-110

Relevant Education and Experience

Collectively, the Audit Committee has the education and experience to fulfill the responsibilities outlined in the Audit Committee Charter.

Ms. Barker has over 25 years' experience as an oil and gas investment analyst. Ms. Barker is currently the President of Barker Oil Strategies Inc., an oil and gas investment and consulting company. Ms. Barker was previously a director of Sterling Resources Ltd., the U.S. National Association of Petroleum Investment Analysis and the former President of the Canadian Association of Investment Analysts. Ms. Barker has held roles with Imperial Oil Limited and Gulf Canada Limited. Ms. Barker holds an Honours B.Sc. in Chemistry from Queen's University in Canada and an MBA from the University of Western Ontario.

Mr. McComiskey is a partner at AVAIO Capital, a firm that focuses on value-added infrastructure investment and that spun-out of AECOM in 2019. Prior to AVAIO, Mr. McComiskey was a partner at Prostar Capital's energy business and its successor firm, Vanwall Capital, LLC. Prior to Prostar, he was Co-Head of Private equity at First Reserve, a private equity firm focused on the energy industry. Mr. McComiskey holds a Juris Doctor degree from Harvard University and an AB degree in economics from Harvard College.

Mr. Arbelaez Hoyos is currently the Senior Vice President Hydrogen and Carbon Capture Systems for BP Energy in London. Mr. Arbelaez Hoyos is a Mechanical Engineer with a Masters in both Mechanical Engineering and Finance.

Each member of the Audit Committee has:

(a) an understanding of the accounting principles used by the Corporation to prepare its financial statements;

(b) the ability to assess the general application of those principles in connection with the accounting for estimates, accruals and provisions;

(c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising individuals engaged in such activities; and

(d) an understanding of internal controls and procedures for financial reporting.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board.

Pre-Approval Policies and Procedures

The Audit Committee is authorized by the Board to review the performance of the Corporation's external auditors, and approve in advance the provision of services other than audit services and to consider the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the Corporation. The Audit Committee is authorized to approve any non-audit services or additional work, which the Chair of the Audit Committee deems as necessary.

External Auditor Service Fees by Category

The fees for auditor services billed by the Corporation's external auditors for the last three fiscal years are as follows:

Financial Year Ending December 31	Audit Fees ($)	Audit-related Fees ($)	Tax Fees ($)	All Other Fees[(1)] ($)
2023	279,545	-	-	36,293
2022	253,455	-	-	-
2021	229,304	-	-	-

Note:

(1) Fees for review of Company's risk control matrix design.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings material to the Company to which the Company is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Company to be contemplated.

There are no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the most recently completed financial year, there are no other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decisions, and there are no settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority during the most recently completed financial year.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed herein, to the best of the Company's' knowledge, there are no material interests, direct or indirect, of directors or executive officers of the Company, any shareholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares, or any known associate or affiliate of such persons, in any transaction within the four most recently completed financial years of the Company or during the current financial year which has materially affected, or is reasonably expected to materially affect, the Company.

Gavin Wilson, a director of the Company, is an advisor to Meridian Group of Companies. The Company is 17.4% owned, directly or indirectly, or controlled by Meridian Group of Companies.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar are Computershare Trust Company of Canada at its principal office in Calgary, Alberta, and Equity Stock Transfer at its office in New York, USA.

MATERIAL CONTRACTS

Except as disclosed herein and other than contracts entered into in the ordinary course of business, there have been no material contracts entered into by the Company within the most recently completed financial year, or before the most recently completed financial year that are still in effect.

PROMOTERS

Manuel Pablo Zúñiga-Pflücker may be considered to be a promoter of the Company pursuant to applicable securities laws. As at the date hereof, Mr. Zúñiga-Pflucker beneficially owns, directly or indirectly, 11.6 million Common Shares representing approximately 1.3% of the issued and outstanding Common Shares.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 by the Company during, or related to, the year ended December 31, 2023 other than NSAI, the Company's independent reserves evaluators and Deloitte LLP, the Company's auditors.

None of the principals of NSAI had any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of the Company's associates or affiliates either at the time they prepared the statement, report or valuation prepared by it, at any time thereafter or to be received by them.

Deloitte LLP, the Company's auditors, are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or any associate or affiliate of the Company.

ADDITIONAL INFORMATION

Reliance on Certain Exemptions

The Corporation is relying on the exemption in section 6.1 of NI 52-110.

Additional information relating to the Company can be found on SEDAR+ at www.sedarplus.ca. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's information circular for the Company's most recent shareholders meeting that involved the election of directors. Additional financial information is contained in the Company's financial statements and the related management's discussion and analysis for the year ended December 31, 2023.

Additional copies of this AIF and the materials listed in the preceding paragraph are available on the foregoing basis and upon request by contacting the Company at its offices at Suite 310, 16200 Park Row, Houston, Texas 77084.

PetroTal

EXHIBIT 1
Form 51-101F2
REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

Terms to which a meaning is ascribed in National Instrument 51-101 have the same meaning herein.

To the board of directors of PetroTal Corp. (the "**Company**"):

1. We have evaluated the Company's reserves data as at December 31, 2023. The reserves data are estimates of proved, probable and possible reserves and related future net revenue as at December 31, 2023, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "**COGE Handbook**") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).

4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions in the COGE Handbook.

5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2023, and identifies the respective portions thereof that we have evaluated and reported on to the Company's management:

Independent Qualified Reserves Evaluator or Auditor	Effective Date of Evaluation Report	Location of Reserves (Country)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate)(USM$)			
			Audited	**Evaluated**	**Reviewed**	**Total**
Netherland, Sewell & Associates, Inc.	December 31, 2023	Onshore Peru	nil	2,539,740.2	nil	2,539,740.2

6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

7. We have no responsibility to update our report referred to in paragraph 5 for events and circumstances occurring after the effective date of our report.

8. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

Netherland, Sewell & Associates, Inc.

(signed) Netherland, Sewell & Associates, Inc.
Texas Registered Engineering Firm F-2699
Dallas, Texas, USA

February 9, 2024

EXHIBIT 2
Form 51-101F3
REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

Terms to which a meaning is ascribed in National Instrument 51-101 have the same meaning herein.

Management of PetroTal Corp. (the "**Company**") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data.

Independent qualified reserves evaluators have evaluated and reviewed the Company's reserves data. The report of the independent qualified reserves evaluators is presented in the Annual Information Form of the Company for the year ended December 31, 2023.

The Reserves Committee of the Board of Directors of the Company has:

(a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluators;

(b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluators to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluators.

The Reserves Committee of the Board of Directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has, on the recommendation of the Reserves Committee, approved:

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;

(b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and

(c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

(signed) Manuel Pablo Zuniga-Pflücker,
Director President and Chief Executive Officer

(signed) Douglas C. Urch,
Executive Vice President and Chief Financial Officer

(signed) Dr. Roger Tucker,
Director, Reserve Committee Chair

(signed) Gavin Wilson,
Director

February 9, 2024