Q1 2025 REPORTING PACKAGE

May 12, 2025

AIM: PTAL

TSX: TAL

OTCQX: PTALF

PetroTal

PetroTal Announces Q1 2025 Financial and Operating Results

Calgary, AB and Houston, TX – **May 12, 2025** – PetroTal Corp. ("PetroTal" or the "Company") (TSX: TAL, AIM: PTAL and OTCQX: PTALF) is pleased to report its financial and operating results for the three months ended March 31, 2025. All amounts herein are in United States dollars unless stated otherwise.

Selected financial and operational information outlined above should be read in conjunction with the Company's unaudited consolidated financial statements and management's discussion and analysis ("MD&A") for the three months ended March 31, 2025, which are available on SEDAR+ at www.sedarplus.ca and on the Company's website at www.PetroTal-Corp.com.

Key Highlights

- Average Q1 2025 sales and production of 23,286 and 23,281 barrels of oil per day ("bopd"), respectively, both record highs for PetroTal;
- Generated Adjusted EBITDA(1) and Net Income of $71.9 million ($34.29/bbl) and $30.9 million ($14.72/bbl), respectively;
- Free Funds Flow(1) of $48.2 million ($23.02/bbl), PetroTal's second best quarter since inception;
- Capital expenditures of $23.6 million, a substantial QoQ decrease as the Bretana drilling campaign wound down in January;
- Total cash of $113.6 million at end of the period, essentially flat to the prior quarter, and an increase of $28 million compared to the same period last year;
- Arrangement of term loan facility with a syndicate of Peruvian banks, with commitments of up to $65 million;
- Mark to market value of production hedges increased to $14.2 million as of May 7, 2025, and;
- Declared a quarterly dividend of $0.015/sh, payable to shareholders on June 13, 2025.

(1) Non-GAAP (defined below) measure that does not have any standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures presented by other entities. See "Selected Financial Measures" section.

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

"PetroTal's first quarter results reflect a strong contribution from our 2024 development drilling program. I am proud of our entire team for delivering another record quarter of production. We have successfully been running

near 100% of our transportation and facility capacity and are taking full advantage of high river levels during the ongoing rainy season.

Our financial results remain strong as well, with PetroTal showing healthy improvements in quarterly EBITDA and free cash flow. Notwithstanding the recent decline in oil pricing, we are continuing with preparations for some important development projects over the remainder of 2025, including erosion control. PetroTal has hedges on approximately 40% of its remaining 2025 production volumes and remains well-capitalized to execute its development program.

I would like to conclude by assuring investors that PetroTal is prepared to respond to declines in oil pricing by reducing capex and opex as necessary. Balance sheet flexibility and peer leading returns on investment have always been key pillars of the investment thesis for PetroTal. If oil prices remain low as we get closer to resuming our drilling program in the third quarter of 2025, we may consider deferring or cancelling planned activity to better align production growth with a supportive commodity price environment and maximize return on investment for our shareholders. We will update market guidance, as required, at the appropriate time should such a decision be taken. Thank you for your ongoing support."

Selected Financial Highlights

	Three Months Ended					
	Q1-2025		Q4-2024		Q1-2024	
	$/bbl	$(000's)	$/bbl	$(000's)	$/bbl	$(000's)
Average Production (bopd)		**23,281**		**19,142**		**18,518**
Average Sales (bopd)		**23,286**		**19,087**		**18,347**
Total Sales (bbls)		**2,095,714**		**1,756,030**		**1,669,537**
Average Brent Price	**$73.96**		**$73.42**		**$81.01**	
Contracted Sales Price, Gross	$73.89		$73.16		$81.14	
Tariffs, Fees and Differentials	-$21.43		-$21.10		-$20.89	
Realized Sales Price, Net	$52.46		$52.06		$60.25	
Oil Revenue	**$52.46**	**$109,951**	**$52.06**	**$91,421**	**$60.25**	**$100,583**
Royalties	$5.84	$12,241	$7.42	$13,022	$5.69	$9,500
Operating Expenses	$6.31	$13,227	$7.88	$13,843	$5.56	$9,278
Direct Transportation						
Diluent	$0.00	$0	$0.14	$248	$0.94	$1,567
Barging	$0.79	$1,664	$1.94	$3,398	$0.60	$1,005
Diesel	$0.00	$0	$0.00	$0	$0.05	$80
Storage	$0.30	$636	$1.97	$3,452	-$0.27	-$457
Total Transportation	$1.09	$2,300	$4.05	$7,098	$1.32	$2,195
Net Operating Income	**$39.22**	**$82,183**	**$32.71**	**$57,458**	**$47.68**	**$79,610**
Erosion Control	$0.87	$1,816	$5.45	$9,569	$0.00	$0
G&A	$4.57	$9,579	$4.86	$8,534	$4.83	$8,070
EBITDA	**$33.78**	**$70,788**	**$22.41**	**$39,355**	**$42.85**	**$71,539**
Adjusted EBITDA	**$34.29**	**$71,860**	**$22.87**	**$40,167**	**$43.15**	**$72,048**
Net Income	**$14.72**	**$30,852**	**$12.10**	**$21,242**	**$28.52**	**$47,621**
Basic Shares Outstanding ('000)		915,930		911,783		914,104
Market Capitalization		$435,754		$355,595		$511,898
Net Income/Share ($/sh)		**$0.03**		**$0.02**		**$0.05**
Capex		**$23,624**		**$50,589**		**$30,352**
Free Funds Flow	**$23.02**	**$48,236**	**-$5.93**	**-$10,422**	**$24.97**	**$41,696**
Total Cash		**$113,565**		**$114,528**		**$85,151**
Net Surplus		**$6,312**		**-$1,532**		**$55,522**

1. Approximately 88% of Q1 2025 sales were through the Brazilian route vs 89% in Q4 2024.
2. Royalties include the impact of the 2.5% community social trust.
3. Non-GAAP (defined below) measure that does not have any standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures presented by other entities. See "Selected Financial Measures" section.
4. Net operating income represents revenues less royalties, operating expenses, and direct transportation.
5. Adjusted EBITDA is net operating income less general and administrative ("G&A") and plus/minus realized derivative impacts.
6. Market capitalization for Q1 2025, Q4 2024 and Q1 2024 assume share prices of $0.475, $0.39, and $0.58 respectively on the last trading day of the quarter.
7. Free funds flow is defined as adjusted EBITDA less capital expenditures. See "Selected Financial Measures" section.
8. Includes restricted cash balances.
9. Net Surplus (Debt) = Total cash + all trade and net VAT receivables + short and long term net derivative balances – total current liabilities – long term debt – non current lease liabilities – net deferred tax – other long term obligations.

Additional financial and operational updates during and subsequent to the quarter ending March 31, 2025:

Block 95 Update

PetroTal produced an average of 22,660 bopd from the Bretana field in Q1 2025, including 23,080 bopd in the month of March, representing record quarterly and monthly highs for the field, respectively. Bretana production averaged 23,050 bopd in the month of April 2025, essentially flat to March, as relatively high river levels have allowed the Company to maximize export capacity during the ongoing rainy season. As previously announced, PetroTal released its third-party drilling rig in March 2025, and does not intend to resume drilling at Bretana until the end of the year. It is expected that production additions from the 2024 development drilling program, supplemented by the H2 2025 development campaign at Block 131, will be sufficient to maintain output throughout the course of the year, and in-line with guidance.

Between December 2024 and April 2025, PetroTal has experienced pump failures in four producing wells at Bretana, out of a total of 24 producing wells in the field. Pump failures occur within the normal course of business, and PetroTal has been happy with the performance of its pumps to date. However, these wells are currently offline as the Company cycles production from newer development wells in the field. PetroTal currently plans to replace the pumps with a workover rig in Q3 2025, which is a budgeted activity within operating expenses. Replacement of the pumps is expected to return approximately 4,000 bopd of production capacity that is currently offline; changes to production capacity are not expected to have any impact on annual production guidance, which currently calls for average oil sales of 21,000 – 23,000 bopd in 2025.

Block 131 Update

Los Angeles field production averaged 620 bopd in Q1 2025, flat to Q4 2024, and 561 bopd in April 2025 as the field continues to experience natural declines. PetroTal is currently planning to mobilize equipment for a workover program at Los Angeles, where field activity is expected to commence by the end of June. The program, which is expected to run into September 2025, will include acid stimulations and workovers on up to four wells, to open bypassed pay in the producing formation, with a view to increasing field production by a total of approximately 500-1,000 bopd (on a peak monthly average basis). Pending the arrival of PetroTal's new drilling rig in Peru, which is expected to occur in Q3 2025, the Company is planning to conduct a two-well infill drilling program at the Los Angeles field. Each well is expected to take 4-6 weeks to drill and complete; including testing activities and demobilization, the drilling program will likely take until the end of 2025.

Erosion Control Project

PetroTal incurred $1.8 million of erosion control costs in Q1 2025, all of which were expensed as opex, down from $9.6 million in Q4 2024. Construction of steel segments at the project's staging point in Pucallpa had been expected to begin in May; however, record high river levels at the Pucallpa assembly yard have hampered the consortium's ability to mobilize equipment. River levels have been declining since mid-April, and PetroTal now expects both the steel components and jackup to arrive at Bretana by the end of Q2 2025. This represents a delay of approximately one month to the start of piling activities in front of Bretana. PetroTal continues to budget $35-40 million for erosion control in 2025, approximately 75% of which will be expensed through the income statement.

Syndicated Term Loan Agreement

PetroTal has entered into a syndicated term loan facility with two Peruvian banks, with commitments of up to $65 million. The term loan has been established for the purpose of financing PetroTal's ongoing investments in erosion control infrastructure in the vicinity of the Bretana oil field. This is a 4-year amortizing term loan, with a fixed annual interest rate of 8.65%, plus a 1.4% structuring fee payable on execution. The loan includes manageable covenants and does not include any material restrictions on PetroTal's ability to distribute dividends to shareholders. There are no material changes to cost estimates for the erosion control project at this time; PetroTal continues to guide to total project costs of $65-75 million.

Although PetroTal remains well capitalized to execute its 2025 capital program, which includes investments in erosion control infrastructure, the Company has been evaluating alternate means of financing the project. This loan offers advantageous terms compared to other available financing and will support liquidity in the event of further declines in oil prices. This will allow PetroTal to execute both the erosion control project and the Company's ongoing development program without unduly burdening existing cash reserves.

Cash and Liquidity Update

PetroTal ended Q1 2025 with a total cash position of $113.6 million, of which $103 million was unrestricted. The Company's cash position was essentially flat relative to year-end 2024, but has increased substantially from the same period last year (when total and available cash were $85 million and $63 million, respectively).

As previously announced, PetroTal has entered into hedge agreements for the sale of its crude oil, during periods when Brent oil pricing exceeded $80.00/bbl. These hedges consist of costless collars with a Brent floor price of $65.00/bbl and a ceiling of $82.50/bbl, with a cap of $102.50/bbl. As of the end of April 2025, the hedges covered approximately 38% of PetroTal's estimated production through the end of 2025. PetroTal recorded a $1.9 million gain on these hedges as of March 31, although the value of the hedges had increased to $14.2 million as of May 7, due to declines in oil pricing subsequent to the end of the quarter.

Response to Volatility in Oil Pricing

PetroTal's Board of Directors and management team are closely monitoring the recent decline in oil prices. The Company is actively re-evaluating budgeted capital expenditures under lower oil price assumptions and is prepared to cancel or defer activity in the event that oil prices remain at current levels or move lower. However, with minimal field activity planned for Q2 2025, any material changes to the 2025 capital program are unlikely to occur until Q3 2025. As a result, the Company will wait for greater certainty on oil pricing before committing to any formal changes to its Block 131 drilling campaign, and any potential impact on market guidance.

Q2 2025 Dividend Declaration

PetroTal's Board of Directors has declared a quarterly cash dividend of USD$0.015 per common share, payable on June 13, 2025 to shareholders of record on May 30, 2025, with an ex-dividend date of May 30, 2025. This dividend is with respect to Q1 2025 results and includes the recurring USD$0.015 per common share amount but no liquidity sweep this quarter due to a combination of weakening oil prices and anticipated heavier cash requirements over the next two quarters.

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

Renewal of Share Buyback Plan

PetroTal intends to renew its normal course issuer bid (the "NCIB"), subject to formal approval by the Company's board and the TSX, when the current plan expires on May 23, 2025. It is expected that Stifel Nicolaus Europe Limited ("Stifel") will conduct the NCIB on PetroTal's behalf. As of May 1, PetroTal had repurchased a total of 20 million shares, since enacting a share buyback policy in Q2 2023.

Corporate Presentation Update

The Company has updated its Corporate Presentation, which is available for download or viewing at www.petrotalcorp.com.

Q1 2025 Webcast Link for May 12, 2025

PetroTal's management team will host a webcast to discuss Q1 2025 results on May 12, 2025 at 9am CT (Houston) and 3pm BST (London). Please see the link below to register.

https://stream.brrmedia.co.uk/PTAL_Q1_2025

ABOUT PETROTAL

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

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

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READER ADVISORIES

FORWARD-LOOKING STATEMENTS: This press release contains certain statements that may be deemed to be forward-looking statements. Such statements relate to possible future events, including, but not limited to: oil production levels and production capacity; PetroTal's 2025 development program for drilling, completions and other activities, including Block 131; plans and expectations with respect to the erosion control project; and PetroTal's expectations with respect to dividends and share buybacks. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believe", "expect", "plan", "estimate", "potential", "will", "should", "continue", "may", "objective", "intend" and similar expressions. The forward-looking statements provided in this press release are based on management's current belief, based on currently available information, as to the outcome and timing of future events. The forward-looking statements are based on certain key expectations and assumptions made by the Company, including, but not limited to, expectations and assumptions concerning the ability of existing infrastructure to deliver production and the anticipated capital expenditures associated therewith, the ability to obtain and maintain necessary permits and licenses, the ability of government groups to effectively achieve objectives in respect of reducing social conflict and collaborating towards continued investment in the energy sector, reservoir characteristics, recovery factor, exploration upside, prevailing commodity prices and the actual prices received for PetroTal's products, including pursuant to hedging arrangements, the availability and performance of drilling rigs, facilities, pipelines, other oilfield services and skilled labour, royalty regimes and exchange rates, the impact of inflation on costs, the application of regulatory and licensing requirements, the accuracy of PetroTal's geological interpretation of its drilling and land opportunities, current legislation, receipt of required regulatory approval, the success of future drilling and development activities, the performance of new wells, future river water levels, the Company's growth strategy, general economic conditions and availability of required equipment and services. PetroTal cautions that forward-looking statements relating to PetroTal are subject to all of the risks, uncertainties and other factors, which may cause the actual results, performance, capital expenditures or achievements of the Company to differ materially from anticipated future results, performance, capital expenditures or achievement expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses; and health, safety and environmental risks), business performance, legal and legislative developments including changes in tax laws and legislation affecting the oil and gas industry and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures, credit ratings and risks, fluctuations in interest rates and currency values, changes in the financial landscape both domestically and abroad, including volatility in the stock market and financial system, wars (including Russia's war in Ukraine and the Israeli-Hamas conflict), regulatory developments, commodity price volatility, price differentials and the actual prices received for products, exchange rate fluctuations, legal, political and economic instability in Peru, access to transportation routes and markets for the Company's production, changes in legislation affecting the oil and gas industry, changes in the financial landscape both domestically and abroad (including volatility in the stock market and financial system) and the occurrence of weather-related and other natural catastrophes. Readers are cautioned that the foregoing list of factors is not exhaustive. Please refer to the annual information form for the year ended December 31, 2024 and the management's discussion and analysis for the three months ended March 31, 2025 for additional risk factors relating to PetroTal, which can be accessed either on PetroTal's website at www.petrotal-corp.com *or under the Company's profile on* www.sedarplus.ca*. The forward-looking statements contained in this press release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.*

OIL REFERENCES: All references to "oil" or "crude oil" production, revenue or sales in this press release mean "heavy crude oil" as defined in National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101").

SHORT TERM RESULTS: References in this press release to peak rates, initial production rates, current production rates, 30-day production rates and other short-term production rates are useful in confirming the presence of hydrocarbons, however such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long-term performance or of ultimate recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production of PetroTal. The Company cautions that such results should be considered to be preliminary.

FOFI DISCLOSURE: This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about PetroTal's prospective results of operations and production results, 2025 drilling program and budget, well investment payback, cash position, liquidity and components thereof, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. FOFI contained in this press release was approved by management as of the date of this press release and was included for the purpose of providing further information about PetroTal's anticipated future business operations. PetroTal and its management believe that FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results. PetroTal disclaims any intention or obligation to update or revise any FOFI contained in this press release, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this press release should not be used for purposes other than for which it is disclosed herein. All FOFI contained in this press release complies with the requirements of Canadian securities legislation, including NI 51-101. Changes in forecast commodity prices, differences in the timing of capital expenditures, and variances in average production estimates can have a significant impact on the key performance measures included in PetroTal's guidance. The Company's actual results may differ materially from these estimates.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2025, and 2024

PetroTal

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MANAGEMENT'S REPORT

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

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

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

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

Signed "Camilo McAllister"
Camilo McAllister
Executive VP and Chief Financial Officer

May 9, 2025

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

($ thousands of US Dollars - unaudited)

	Note	March 31 2025	December 31 2024
ASSETS			
Current Assets			
Cash	4	102,650	102,783
Restricted cash	4	4,915	5,745
VAT receivable	5	18,693	23,023
Trade and other receivables	6	67,316	65,832
Inventory	7	11,146	13,570
Prepaid expenses	8	19,462	13,901
Derivative assets	9	1,937	1,307
Total Current Assets		226,119	226,161
Non-current Assets			
Restricted cash	4	6,000	6,000
Trade receivable	6	19,497	19,279
Exploration and evaluation assets	10	10,600	10,406
Property, plant and equipment	11	544,085	537,018
Deferred income tax asset	18	1,984	1,963
Prepaid expenses	8	7,000	7,000
VAT receivable	5	2,647	2,329
Derivative assets	9	—	311
Total Non-current Assets		591,813	584,306
Total Assets		**817,932**	**810,467**
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	13	65,022	94,955
Income tax payable	18	37,535	19,744
Lease liabilities	15	11,545	10,426
Short-term debt	12	10,097	10,047
Total Current Liabilities		124,199	135,172
Non-current Liabilities			
Long-term derivative liabilities	9	12,284	10,534
Lease liabilities	15	46,900	44,215
Decommissioning liabilities	14	35,559	34,383
Deferred income tax liabilities	18	68,444	72,548
Other long-term obligations		2,660	2,107
Total Non-current Liabilities		165,847	163,787
Total Liabilities		290,046	298,959
Equity			
Share capital	16	139,002	139,198
Contributed surplus		11,237	11,332
Retained earnings		377,647	360,978
Total Equity		527,886	511,508
Total Liabilities and Equity		**817,932**	**810,467**

See accompanying notes to the Condensed Interim Consolidated Financial Statements

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS AND OTHER COMPREHENSIVE INCOME

($ thousands of US Dollars, except per share amounts - unaudited)
For the three months ended March 31

	Note	2025	2024
REVENUES			
Oil revenues, net of royalties and social fund	17	97,710	91,083
Total revenue		97,710	91,083
EXPENSES			
Operating		13,227	9,278
Erosion expense		1,816	—
Direct transportation		2,300	2,195
General and administrative		9,579	8,071
Finance expense		2,306	353
Commodity price derivatives loss (gain)	9	1,431	(11,638)
Depletion, depreciation and amortization		22,137	15,338
Foreign exchange (gain) loss		(417)	264
Total expenses		52,379	23,861
Income before income taxes		**45,331**	**67,222**
Current income tax expense	18	18,603	11,465
Deferred income tax expense (recovery) expense	18	(4,124)	8,138
Net income and comprehensive income		**30,852**	**47,619**
Basic earnings per share		0.03	0.05
Diluted earnings per share		0.03	0.05
Weighted average number of common shares outstanding (000's)			
Basic		915,774	917,398
Diluted		933,424	933,565

See accompanying notes to the Condensed Interim Consolidated Financial Statements

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

($ thousands of US Dollars - unaudited)
For the three months ended March 31

	Note	2025	2024
Share capital			
Balance, beginning of year		139,198	140,672
Repurchase of shares	16	(196)	(857)
Balance, end of period		139,002	139,815
Contributed surplus			
Balance, beginning of year		11,332	9,853
Share based compensation plan		(95)	(1,199)
Balance, end of period		11,237	8,654
Retained earnings			
Balance, beginning of year		360,978	313,417
Dividends paid	16	(13,828)	(18,467)
Net income and comprehensive income		30,852	47,619
Repurchase of shares		(355)	(2,121)
Balance, end of period		377,647	340,448
Total Equity		**527,886**	**488,917**

See accompanying notes to the Condensed Interim Consolidated Financial Statements

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

($ thousands of US Dollars - unaudited)
For the three months ended March 31

	Note	2025	2024
Cash flows from operating activities			
Net income		30,852	47,619
Adjustments for:			
Depletion, depreciation and amortization		22,137	15,338
Accretion of decommissioning obligations	14	519	304
Share based compensation plan		458	(1,062)
Commodity price unrealized derivatives loss (gain)	9	1,431	(11,638)
Finance expenses		1,230	402
Deferred income tax expense (gain)	18	(4,124)	8,138
Changes in working capital:			
- Receivables and taxes		2,237	(34,127)
- Prepaid expenses		(7,061)	(8,405)
- Inventory		2,297	(3,636)
- Trade and other payables		(19,435)	(2,230)
- Current income tax payable	18	19,291	8,260
Net cash provided by operating activities		49,832	18,963
Cash flows from investing activities			
Property, plant and equipment additions	11	(23,624)	(30,114)
Exploration and evaluation asset additions	10	(194)	(238)
Non-cash changes in working capital		(10,399)	8,349
Net cash used in investing activities		(34,217)	(22,003)
Cash flows from financing activities			
Interest and fees paid		(98)	—
Payments of dividends to shareholders		(13,828)	(18,467)
Repurchase of shares		(551)	(2,978)
Payment of current lease liabilities	15	(2,101)	(1,662)
Net cash used in financing activities		(16,578)	(23,107)
Increase (decrease) in cash		(963)	(26,147)
Cash, beginning of period		102,783	90,568
Restricted cash	4	830	(1,923)
Cash, end of the period		**102,650**	**62,498**

See accompanying notes to the Condensed Interim Consolidated Financial Statements

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2025 and 2024.
All amounts are stated in thousands of United States Dollars ($) unless otherwise indicated.

1. CORPORATE INFORMATION

PetroTal Corp. (the "Company" or "PetroTal") is a publicly-traded energy Company incorporated and domiciled in Canada. The Company is engaged in the exploration, appraisal and development of oil and natural gas in Peru, South America. The Company's registered office is located at 4200 Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta, Canada.

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

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

These Financial Statements were approved for issuance by the Company's Board of Directors on May 9, 2025, on the recommendation of the Audit Committee.

2. BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

These Financial Statements were prepared in accordance with International Accounting Standards ("IAS®") 34-Interim Financial Reporting. They do not contain all disclosures required by International Financial Reporting Standards ("IFRS®" or "IFRS® Accounting Standards") as issued by the International Accounting Standards Board ("IASB") for annual financial statements and, accordingly, should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2024, which outline the Company's material accounting policies in Note 2 thereto, and have been applied consistently in these Financial Statements, except as disclosed in Note 3, as well as the Company's critical accounting judgements and key sources of estimation uncertainty which are also set out in Note 2 thereto.

BASIS OF MEASUREMENT

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

PRINCIPLES OF CONSOLIDATION

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

Intercompany balances and transactions, and any unrealized gains arising from intercompany transactions with the Company's subsidiaries, are eliminated on consolidation.

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

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

NEW ACCOUNTING STANDARD ISSUED BUT NOT EFFECTIVE

New accounting standards and interpretations were issued and are mandatory for future accounting periods. With respect to IFRS® 18 (Presentation and Disclosure in Financial Statements) issued by the IASB in April 2024, the Company is currently evaluating the impact on the Company's Financial Statements. Retrospective application of the standard is mandatory for annual reporting periods starting from January 1, 2027 onwards with earlier application permitted.

4. CASH AND RESTRICTED CASH

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

	March 31 2025	December 31 2024
Balances held in:		
US dollars	100,490	109,586
Peruvian soles	1,819	925
English pounds	1,848	1,248
Canadian dollars	9,408	2,769
Total	113,565	114,528
Represented as:		
Cash	102,650	102,783
Restricted cash current	4,915	5,745
Restricted cash non-current	6,000	6,000

Current restricted cash of $4.9 million is primarily related to the social fund and letters of credit bank guarantees for Block 107 exploration wells. The $6 million of non-current restricted cash is related to the permitted hedging programs (see Note 9).

In March 2023, Peru's President signed the Supreme Decree authorizing Perupetro S.A. to execute the amendment incorporating the 2.5% social trust fund (value of the monthly oil produced in Bretana's Block 95, less transportation, for the benefit of local communities) into the Block 95 license contract, effective and retroactive to January 1, 2022.

5. VAT RECEIVABLE

	March 31 2025	December 31 2024
VAT receivable current	18,693	23,023
VAT receivable non-current	2,647	2,329
Total VAT receivables	21,340	25,352

Valued Added Tax ("VAT") in Peru is levied on the purchase of goods and services and is recoverable on sales of goods and services. The Company increased $9.6 million and recovered $13.9 million of VAT during the three months ended March 31, 2025 and expects to recover $18.7 million of VAT in the short-term.

6. TRADE AND OTHER RECEIVABLES SHORT AND LONG TERM

	March 31 2025	December 31 2024
Trade receivables	86,729	84,754
Other receivables	84	357
Total trade and other receivables	86,813	85,111
Represented as:		
Current receivables	67,316	65,832
Non-current receivables	19,497	19,279

At March 31, 2025, trade receivables represent revenue related to the sale of oil. The trade balance is mostly comprised of $27.9 million due from Petroperu ($8.4 million is short term and $19.5 million is long term), and $58.8 million from export sales through Brazil. No credit losses on the Company's trade receivables have been incurred and all short-term receivables are current.

7. INVENTORY

	March 31 2025	December 31 2024
Oil inventory	1,368	2,676
Materials, parts and supplies	9,778	10,894
Total inventory	11,146	13,570

Oil inventory consists of the Company's oil barrels, which are valued at the lower of cost or net realizable value. Costs include operating expenses, royalties, transportation, and depletion associated with production. Costs capitalized as inventory will be expensed when the inventory is sold. At March 31, 2025, the oil inventory balance of $1.4 million consists of 53,230 barrels of oil valued at $25.70/bbl. (December 31, 2024: $2.7 million, based on 85,863 barrels at $31.16/bbl.). Materials, parts and supplies are expected to be consumed in the short-term.

8. PREPAID EXPENSES

	March 31 2025	December 31 2024
Erosion control project advances	7,270	3,296
Advances to contractors	8,211	7,450
Prepaid expenses and others	10,981	10,155
Total advances and prepaid expenses	26,462	20,901
Represented as:		
Current prepaid expenses	19,462	13,901
Non-current prepaid expenses	7,000	7,000

At March 31, 2025, prepaid expenses and others were comprised of $9.2 million in Peruvian income tax prepaid and $1.8 million in insurance, prepaid services for consultants, and other related services. Advances to contractors include $7 million related to power plant projects in long-term.

9. RISK MANAGEMENT

	March 31, 2025		December 31, 2024	
	Carrying	Fair Value	Carrying	Fair Value
Cash and restricted cash	113,565	113,565	114,528	114,528
Trade and other receivables	67,316	67,316	65,832	65,832
Short-term derivative assets	1,937	1,937	1,307	1,307
Trade receivable long-term	19,497	19,497	19,279	19,279
Long-term derivative assets	—	—	311	311
Short and long-term debt	10,097	10,097	10,047	10,047
Trade and other payables	65,022	65,022	94,955	94,955
Long-term derivative liabilities	12,284	12,284	10,534	10,534

The table above details the Company's carrying value and fair value of financial instruments including cash and restricted cash, trade and other receivables, derivatives, debt and trade and other payables, all of which are classified as financial assets and liabilities and reported at amortized cost or fair value. The Company is exposed to various financial risks arising from normal-course business exposure.

COMMODITY PRICE DERIVATIVES

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

The fair value of the embedded derivative, considering an average future Brent price marker differential, was recorded as a gain (loss) on commodity price derivatives at March 31, 2025 and December 31, 2024.

	March 31 2025	December 31 2024
Net derivative (liability) asset at beginning of period	(8,916)	7,412
Cash settlements	—	(5,904)
Realized loss	—	(3,741)
Unrealized loss	(1,431)	(6,683)
Net derivative liability at end of period	(10,347)	(8,916)
Represented as:		
Short-term derivative assets	1,937	1,307
Long-term derivative assets	—	311
Long-term derivative liabilities	(12,284)	(10,534)

Sales delivery / Executed month	Expected settlement month	Volume (bbls. in thousands)	Price range $/bbl.	Hedged range $/bbl.	Net Derivative Asset (Liability)
Peru Embedded Derivatives [1]					
Apr-21 to Feb-22	Sep-26 to Nov-28	1,882	62.49 to 85.26	67.40 to 67.84	(12,284)
Corporate Derivatives Hedging [2]					
Aug-24 and Oct-24	Apr-25 to Jan-26	2,573	—	65.00 to 104.50	1,937
				Net Derivative (Liability)	**(10,347)**

1) Embedded derivative related to original Petroperu sales agreement.

At March 31, 2025, 1.9 million barrels (1.9 million at December 31, 2024) remain in the pipeline or storage tanks, awaiting final sale by Petroperu. During the quarter, a decrease in future oil prices to the Peru embedded derivative resulted in a increase to the net derivative liability. A 1% change to the Peru embedded derivative hedged range price would result in a $1.1 million change to the net derivative liability. The derivative gains/losses are only materialized when oil is effectively sold to third parties at Bayovar.

2) Corporate hedge program to cover a portion of 2025 and 2026 production.

During the quarter, the Company executed hedging agreements that consisted of multiple trades that totaled 1.8 million barrels of Brent oil. The hedge types included put options of $65.00 per bbl., call options of $79.00 and $80.50 per bbl., and call options of $99.00 and $100.50 per bbl. At March 2025, there was a remainder of 2.6 million in hedged barrels of Brent oil that resulted in a net derivative asset of $1.9 million.

FOREIGN EXCHANGE RATE RISK

The Company's functional currency is the United States dollar. Foreign exchange gains or losses can occur on translation of working capital denominated in currencies other than the functional currency of the jurisdiction which holds the working capital item. Excluding the impact of changes in the cross-rates, a 1% fluctuation in translation rates would have nil impact on net income or loss, based on foreign currency balances held at March 31, 2025.

LIQUIDITY RISK

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

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

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

CREDIT RISK

Credit risk is the risk that a customer or counterparty will fail to perform an obligation or fail to pay amounts due causing a financial loss to the Company. The Company's VAT is primarily for sales tax credits on exploration and drilling expenses incurred during the year and in prior years. These credits will be applied to future oil development activities or recovered as per the sales tax recovery legislation currently in effect. The Company's trade receivable balance relates mostly to oil sales and purchase price adjustments to two customers, being Petroperu, a state-owned company and Novum Energy Trading Corp, an oil trading company. The Company has a long-term sales agreement for oil exports through Brazil, whereby sales are FOB Bretana. Sales through the ONP pipeline are due and payable 240 days after the final delivery of the oil to the Bayovar terminal. In the first quarter 2025, PetroTal sold its oil through three primary routes: 88% via the Brazil export route, 11% to the local Iquitos refinery, and 1% exports through the Ecuador pilot project route. Sales via the ONP were inactive during the period. The Company has not experienced any material credit losses in the collection of its trade receivables. The Company periodically assesses the recoverability of all trade receivables through discussions with its customers, review of credit rating agency reports or review of other third-party information.

Impairment to a financial asset is only recorded when there is objective evidence of impairment and the loss event has an impact on future cash flow and can be reliably estimated. Evidence of impairment may include default or delinquency by a debtor or indicators that the debtor may enter bankruptcy. Management believes that there is no risk on the recoverability and or applicability of the sales tax credits. Therefore, no impairment to the carrying value of these assets has been estimated. The Company has deposited its cash, cash equivalents and restricted cash with reputable financial institutions, with which management believes the risk of loss to be remote. The maximum credit exposure associated with financial assets is their carrying value. At March 31, 2025, the cash, cash equivalents and restricted cash were held with six different institutions from three countries, mitigating the credit risk of a collapse of one particular bank.

10. EXPLORATION AND EVALUATION ASSETS

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

Balance at January 1, 2024	8,973
Additions	1,434
Balance at December 31, 2024	10,406
Additions	194
Balance at March 31, 2025	10,600

The Company determined there were no impairment indicators of the exploration and evaluation assets balance at March 31, 2025 and December 31, 2024.

11. PROPERTY, PLANT AND EQUIPMENT

	Petroleum Interests	Right of Use Asset (Power Plant)	Other Assets	Total
Balance at January 1, 2024	364,226	31,773	3,565	399,564
Additions	161,393	14,999	13,126	189,518
Revisions to decommissioning obligations	181	—	—	181
Asset acquisition	9,078	—	—	9,078
Revisions to right of use asset	—	—	1,045	1,045
Depletion, depreciation and amortization	(59,124)	(2,470)	(774)	(62,368)
Balance at December 31, 2024	475,754	44,302	16,962	537,018
Additions	21,231	4,797	2,393	28,421
Revisions to decommissioning obligations	656	—	—	656
Depletion, depreciation and amortization	(20,255)	(962)	(793)	(22,010)
Balance at March 31, 2025	477,386	48,137	18,562	544,085

At March 31, 2025, $0.5 million of the depreciation, depletion and amortization expense was recorded as inventory (December 31, 2024: $0.4 million). The Company determined there were no impairment indicators of the property, plant and equipment balance at March 31, 2025 and December 31, 2024.

12. SHORT AND LONG-TERM DEBT

At March 31, 2025 the Company had short term debt of $10.1 million at an interest rate of 5.99% to be paid in full 120 days from the date of borrowing. The proceeds will be used to fund short term working capital needs. The

Company has $67 million in remaining available credit. No debt covenants were set forth by the lenders in the loan agreements and all lines of credit are available for one year with the option to renew.

Bank	Agreement Date	Balance	Line of Credit	Interest Rate	Payment Term	Collateral
BCP	Mar-23	$10,097	$20,000	5.99 %	120 days	—
BanBif	Apr-24	—	$2,000	—	90 days	—
Scotia Bank	Apr-24	—	$5,000	—	360 days	—
JP Morgan Bank	May-24	—	$20,000	—	120 days	—
GNB	Aug-24	—	$10,000	—	180 days	—
Banco Pichincha	Sep-24	—	$20,000	—	120 days	Insurance endorsement
Balance at March 31, 2025		$10,097	$77,000			

13. TRADE AND OTHER PAYABLES

	March 31 2025	December 31 2024
Trade payables	29,003	39,201
Accrued payables and other obligations	36,019	55,754
Total trade and other payables	65,022	94,955

At March 31, 2025 and December 31, 2024, trade payables and other payables are primarily related to the drilling and completion of wells and construction of production processing facilities. The decrease in trade payables and accruals is related to lower drilling activity during the quarter. The other obligations are mainly related to the 2.5% social fund for the benefit of local communities, which totaled to $5.8 million at March 31, 2025 ($5.0 million at December 31, 2024).

14. DECOMMISSIONING LIABILITIES

Balance at January 1, 2024	22,147
Additions	3,205
Asset acquisition	13,590
Revisions to decommissioning liabilities	(5,851)
Accretion	1,292
Balance at December 31, 2024	34,383
Revisions to decommissioning liabilities	657
Accretion	519
Balance at March 31, 2025	35,559

The undiscounted uninflated value of estimated decommissioning liabilities is $64.4 million (December 31, 2024: $64.4 million). The present value of the liabilities was calculated using average risk-free rates between 5.9% to 6.1% (December 31, 2024: 4.8% to 6.3%) to reflect the market assessment of the time value of money as well as risks specific to the liabilities that have not been included in the cash flow estimates. The inflation rate used in determining the cash flow estimate was 2.0%. The revisions to the decommissioning liabilities includes changes to cost estimates, the risk free rates and adjustments for inflation.

15. CURRENT AND NON-CURRENT LEASE LIABILITIES

During the first quarter of 2025 the Company signed a new power plant equipment lease with the option to buy, which resulted in a $4.7 million present value increase to the right of use assets and liabilities on the balance sheet. The incremental borrowing rate used to measure the lease liability was 8.65%. The lease term ends February 2030.

During the fourth quarter of 2024, PetroTal executed an agreement to acquire a drilling rig from a Houston-based equipment company. The purchase was financed through a 36-month lease agreement with a Peruvian bank, resulting in a $13.3 million present value increase to the right of use assets and lease liabilities on the balance sheet. The lease term ends in December 2027. The agreement also includes an option for the Company to purchase the rig on October 31, 2028, based on terms outlined within the agreement. The incremental borrowing rate used to measure the lease liability was 8.5%.

The lease liabilities include three office leases, one in Houston, Texas and two in Lima, Peru. The Houston lease was renewed with a $1.1 million present value increase for a term of 6 years with an incremental borrowing rate of 9.5%. The Lima leases are for 3-5 years with an incremental borrowing rate of 8.5% with no changes in present value.

Lease liabilities at January 1, 2024	28,870
Additions	28,125
Acquisition	15
Revisions	1,045
Payments	(5,819)
Interest on leases	2,405
Lease liabilities at December 31, 2024	54,641
Additions	4,797
Payments	(2,101)
Interest on leases	1,108
Lease liabilities at March 31, 2025	58,445
Represented as:	
Current liability	11,545
Non-current liability	46,900

At March 31, 2025, total lease liabilities have the following minimum undiscounted annual payments:

Year	
2025	10,849
2026	14,487
2027	13,999
2028	9,462
2029	8,019
Thereafter	14,411
Total	71,227

16. SHARE CAPITAL

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

	Thousands of Common Shares	Share Capital
Balance at January 1, 2024	912,314	140,672
Vesting of performance share units	8,283	—
Repurchase of shares	(8,814)	(1,474)
Balance at December 31, 2024	911,783	139,198
Vesting of performance share units	5,311	—
Repurchase of shares	(1,164)	(196)
Balance at March 31, 2025	915,930	139,002

DIVIDENDS

During the three months ended March 31, 2025 and twelve months ended December 31, 2024, the Company paid dividends to shareholders in the amount of $13.8 million and $60.5 million, respectively. The Company paid dividends per share in the amount of $0.015 in March 2025 and $0.065 in 2024. The Company's sustainable dividend policy is to pay dividends based on current liquidity exceeding $60 million.

NORMAL COURSE ISSUER BID

On May 22, 2024, the Company renewed the NCIB which would end no later than May 23, 2025. This renewal includes the intention to purchase up to 14.6 million common shares (representing approximately 2% of its outstanding common shares at May 10, 2024). Common shares purchased under the NCIB are cancelled.

During the three months ended March 31, 2025 the company purchased 1,163,814 common shares under the NCIB for total consideration of $0.6 million (December 31, 2024: 8,814,260 shares, $4.9 million). The surplus between the total consideration and the carrying value of the shares repurchased was recorded against retained earnings.

SHARE BASED COMPENSATION

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

The fair value of the PSUs is determined through a combination of Black-Scholes and probability weighted models. The following table details the terms of the PSUs outstanding at March 31, 2025:

	2025 Plan Share Units	2024 Plan Share Units
Vest date 3 years from grant date, exchangeable for up to 2 shares	5,475,051	3,526,270
Vests equally over 3 years from grant date, exchangeable for up to 2 shares	1,277,347	699,408
Vests equally over 3 years from grant date, exchangeable for up to 1-1.5 shares	3,912,532	2,025,939
Total units	10,664,930	6,251,617

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

	2025 Plan	2024 Plan
Risk-free interest rate	4.5%	4.5%
Expected Life	1-3 years	1-3 years
Annualized volatility	50%	50%

For the three months ended March 31, 2025, the Company recognized $1.1 million of share based compensation expense in general and administrative expense, capital expenditures and operating expense (March 31, 2024: $0.5 million).

The Company issued DSUs to directors of the Company, pursuant to the Company's DSU plan and has 5,588,238 DSUs outstanding at March 31, 2025. The DSUs are fully vested and are redeemable upon a holder ceasing to be a director of PetroTal. No common shares will be issued under the DSU plan, as they are settled in cash at the prevailing market price and valued at the closing share price on the reporting date. For the three months ended March 31, 2025, the Company recognized $0.4 million of DSU expense in administrative expense and contributed surplus (March 31, 2024: $0.1 million). The following table details the PSU and DSU activity:

	Performance Share Units	Deferred Share Units
Balance at January 1, 2024	20,801,920	3,792,494
Additions	8,930,275	2,044,369
Issued	(9,910,871)	—
Forfeited	(1,542,321)	—
Exercised/settled	—	(765,428)
Balance at December 31, 2024	18,279,003	5,071,435
Additions	10,664,930	516,803
Issued	(4,703,977)	—
Balance at March 31, 2025	24,239,956	5,588,238

17. REVENUE NET OF ROYALTIES AND SOCIAL FUND

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

	Three months ended March 31	
	2025	2024
Oil revenue	109,951	100,583
Royalty	(9,554)	(7,515)
Social fund (see Note 4)	(2,687)	(1,985)
Oil Revenue Net of Royalties and Social Fund	97,710	91,083

The Company sold 2,095,714 barrels with a net realized sales price of $52.46/bbl, net of price discounts (Q1 2024: 1,669,537 barrels, net sales price of $60.25/bbl.).

18. TAXES

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

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

	Three months ended March 31	
	2025	2024
Earnings before income taxes	45,331	67,222
Canadian corporate tax rate	23%	23%
Expected income tax expense	10,426	15,461
Increase (decrease) in taxes resulting from:		
Non-deductible expenses and other	726	(754)
Tax differential on foreign jurisdictions	3,327	4,896
Provision for income taxes	14,479	19,603

The Company recognized the net tax amount related to Net Operating Losses ("NOLs") and deferred tax liabilities in Canada, Peru and the U.S. As of March 31, 2025, the Company consumed all losses in Canada (December 31, 2024: $0 million) and all losses in Peru related to Bretana (December 31, 2024: $0 million). The U.S. has $6 million tax losses remaining (December 31, 2024: $4 million). The U.S. non-capital losses can be carried forward indefinitely.

Ucawa has $86 million in tax losses at the end of March 31, 2025 (December 31, 2024: $82 million), but no related deferred tax asset has been recognized. These losses are being carried forward and are available to offset against future tax gains.

The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized as of March 31, 2025 is approximately $7 million (December 31, 2024: $22 million).

19. COMMITMENTS

At March 31, 2025, the Company holds the following letters of credit guaranteeing its commitments in exploration Block 107:

Block	Beneficiary	Amount	Commitment	Expiration
107	Perupetro S.A.	$1,500	1st exploration well, minimum work 5th exploratory period	Feb-27
107	Perupetro S.A.	$1,500	2nd exploration well, minimum work 5th exploratory period	Feb-27
		$3,000		

PetroTal also signed two Technical Evaluation Agreements with Perupetro in December 2024. The Technical Evaluation Agreements for Blocks 97 and 98 are located in the vicinity and on trend with PetroTal's Block 131, as well as the Aguaytia and Agua Caliente fields in Peru's Ucayali Basin. Contractual commitments will be executed in two 12-month phases, and mainly include geological and geophysical studies such as seismic imaging, geochemical modeling and hydrocarbon potential evaluation reports.

The Company progressed its preventive riverbank erosion control program aimed to protect the Bretana field and nearby community. The estimated total project cost has a range of $65 million to $75 million, which will be allocated approximately 65% to operating expense and 35% to capital expenditures during the next years. This program represents a significant operational and environmental commitment, and indicates a proactive approach to environmental stewardship for a permanent solution for the riverbank erosion.

As part of Ucawa Energy S.A.C. asset acquisition, a tax administrative and a judicial legal case were considered as possible, with a total legal contingency of approximately $2.5 million. According to clause 12.5 in the Purchase Agreement, the seller (CEPSA S.A.) is obligated to indemnify PetroTal of any legal action and/or fines if applicable.

20. SUBSEQUENT EVENTS

On April 3, 2025, the Company announced that common shares purchased under PetroTal's NCIB will either be cancelled or, where appropriate, be temporarily held in treasury to satisfy employee share awards.

On May 1, 2025, the Company merged its wholly-owned subsidiary, Petrolifera Petroleum del Peru S.R.L. into another wholly-owned subsidiary, PetroTal Peru S.R.L, as part of an internal legal reorganization.

On May 9, 2025, the Company entered into a loan agreement with COFIDE (Corporación Financiera de Desarrollo S.A.), a state-owned development bank in Peru, and BanBif for a total amount of $65 million. The four-year amortizing term loan matures on April 2029 and carries a fixed interest rate of 8.65%. The proceeds will be used to finance the erosion control project.

On May 12, 2025, the Company declared a cash dividend of $0.015 per common share to be paid June 13, 2025.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2025 and 2024

PetroTal

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of PetroTal Corp. ("PetroTal" or the "Company") for the three months ended March 31, 2025 and 2024, is dated May 9, 2025, and should be read in conjunction with the Company's unaudited condensed consolidated Financial Statements ("Financial Statements") for the three months ended March 31, 2025 and 2024. The Financial Statements were prepared by management in accordance with International Accounting Standards ("IAS®") 34 - Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB®"), which are also generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada.

Financial figures throughout this MD&A are stated in thousands of United States dollars ("$" or "USD") unless otherwise indicated. This MD&A contains forward-looking statements that should be read in conjunction with the Company's disclosure under "Forward-looking statements and business risks".

1.CORPORATE OVERVIEW

PetroTal Corp. is a publicly-traded (TSX: TAL, AIM: PTAL, and OTCQX: PTALF) international oil and gas Company incorporated and domiciled in Canada, with management based in Houston, Texas and Lima, Peru. Through its subsidiaries in Peru, the Company is currently engaged in the ongoing development of hydrocarbons at Block 95 and Block 131. PetroTal also has exploration prospects and leads in Block 107.

The Bretana oil field is located within Block 95 in the Maranon Basin of northern Peru. To date, this basin has produced more than one billion barrels ("bbls.") of oil. Approximately 70% of the oil in the Maranon Basin has been produced from the Vivian formation, which is known as a high-quality oil reservoir characterized by high permeability and strong aquifer support. The Bretana field, which produces from the Vivian formation, is currently the largest producing oil field in Peru. PetroTal holds a 100% working interest in Block 95 and the Bretana field; as of year-end 2024, Bretana's Proved plus Probable ("2P") oil reserves were independently assessed at 107.9 million bbls.

In November 2024, PetroTal closed the acquisition of a 100% working interest in Peru's Block 131, which contains the producing Los Angeles field. Block 131 is located in the Ucayali Basin of central Peru, where the most notable hydrocarbon discovery is the Camisea gas field. The Camisea project, which came onstream in 2004, mainly produces natural gas feedstock for the Peru LNG export facility. However, the Ucayali Basin also contains a number of small, light oil fields which have been producing since the mid-1900's. The Los Angeles field, which was discovered in 2013, produced an average of approximately 800 barrels of oil per day ("bopd.")

of light oil in 2024; as of year-end 2024, the field's Proved plus Probable oil reserves were independently assessed at 5.8 million bbls. In December 2024, PetroTal signed two Technical Evaluation Agreements surrounding Block 131, where a number of light oil exploration leads and prospects have already been identified by previous operators. The Company is currently conducting geological and geophysical evaluation of the acreage, with a view to advancing exploration activities in the coming years.

2. OVERVIEW AND SELECTED INFORMATION

The following table summarizes key financial and operating highlights associated with the Company's performance for the periods ended March 31, 2025, December 31, 2024 and March 31, 2024.

RESULTS AT A GLANCE

	Three Months Ended		
	March 31, 2025	December 31, 2024	March 31, 2024
Financial			
Oil revenue	$109,951	$91,421	$100,583
Royalties[1]	($12,241)	($13,022)	($9,500)
Net operating income [2]	$82,183	$57,458	$79,610
Erosion expense	$1,816	$9,569	—
Commodity price derivatives (gain) loss	$1,431	($2,726)	($11,638)
Net income	$30,852	$21,242	$47,619
Basic earnings per share ($/share)	$0.03	$0.02	$0.05
Capital expenditures	$23,624	$50,589	$30,224
Operating			
Average production (bopd.)	23,281	19,142	18,518
Average sales (bopd.)	23,286	19,087	18,347
Average Brent price ($/bbl.)	73.96	73.42	81.01
Contracted sales price ($/bbl.)	73.89	73.16	81.14
Netback ($/bbl.) [2]	39.22	32.71	47.68
Free funds flow [3]	$48,236	($10,422)	$41,696
Balance Sheet			
Cash and restricted cash	$113,565	$114,528	$85,151
Working capital	$101,920	$90,989	$136,472
Total assets	$817,932	$810,467	$700,360
Current liabilities	$124,199	$135,172	$95,572
Equity	$527,886	$511,508	$488,917

(1) Royalties include 2.5% community social trust initiative.
(2) Net operating income ("NOI") and Netback represent revenues less royalties, operating expenses (excludes erosion expense) and direct transportation.
(3) Free funds flow does not have standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures for other entities. See "Non-GAAP Measures" section.

3. Q1 2025 HIGHLIGHTS

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

Q1 2025 Operational Highlights

- Oil production of 2.1 million bbls., an average of 23,281 bopd., an increase of 22% from 19,142 bopd. in Q4 2024, and a 26% increase from 18,518 bopd. in Q1 2024. At March 31, 2025, the Company has 25 producing oil wells and 4 water disposal wells;
- Oil sales allocations were 88% as exports through Brazil, 11% to the Iquitos refinery, and 1% to the Ecuador Pipeline ("OCP");
- PetroTal completed drilling horizontal well 23H in late January 2025. This well was brought onstream on February 25, 2025, flowing an average of 3,363 bopd. over the month of March 2025. Well 23H achieved a peak daily rate of 5,110 bopd. on March 27, 2025. The well was completed under budget and ahead of schedule, at a cost of approximately $13.5 million; and,
- Following the completion of well 23H, PetroTal released its third-party drilling rig from the Bretana field. The demobilization of the KCA Deutag T-412 rig was completed in March 2025.

Q1 2025 Financial Highlights

- The Company generated revenue of $110 million (2.1 million bbls. sold, 23,286 bopd., $52.46/bbl.) compared to $91.4 million (1.8 million bbls. sold, 19,087 bopd., $52.06/bbl.) in Q4 2024;
- Royalties paid to the Peruvian government were $9.6 million ($4.56/bbl., 8.7% of revenues) compared to $9.1 million ($5.18/bbl., 10.0% of revenues) in Q4 2024. Contributions for the 2.5% community social trust fund represented $2.7 million in Q1 2025, as compared to $3.9 million in Q4 2024;
- Capital expenditures ("Capex") totaled $23.6 million in Q1 2025, primarily associated with the drilling program, the expansion of fluid-handling facilities capacity in the Bretana field, and field infrastructure;
- PetroTal entered into a hedging agreement during the quarter, covering the future sale of 1.8 million barrels as of March 31, 2025. The costless collars have a floor price of $65.00/bbl. and a ceiling of $80.50/bbl., with a cap of $100.50/bbl.;
- Generated Q1 2025 EBITDA and free funds flow of $70.8 million ($33.78/bbl.) and $48.2 million ($23.02/bbl.), respectively;
- Net operating income was $82.2 million ($39.22/bbl.) compared to $57.5 million ($32.71/bbl.) in Q4 2024;
- PetroTal ended the year with total cash of $113.6 million ($102.7 million unrestricted), compared to $114.5 million ($102.8 million unrestricted) in Q4 2024; and,
- PetroTal continued its sustainable shareholder capital return policy. In 2025 PetroTal paid dividends to shareholders in the amount of $13.8 million and repurchased 1.1 million shares (consideration of $0.6 million), compared to dividends paid of $18.5 million and repurchased shares of 5.2 million ($3.0 million) in March 2024.

Subsequent Events

- On April 3, 2025, the Company announced that common shares purchased under PetroTal's NCIB will either be cancelled or, where appropriate, be temporarily held in treasury to satisfy employee share awards;

- On May 1, 2025, the Company merged its wholly-owned subsidiary, Petrolifera Petroleum del Peru S.R.L. into another wholly-owned subsidiary, PetroTal Peru S.R.L, as part of an internal legal reorganization;
- On May 9, 2025, the Company entered into a loan agreement with COFIDE (Corporación Financiera de Desarrollo S.A.), a state-owned development bank in Peru, and BanBif for a total amount of $65 million. The four-year amortizing term loan matures on April 2029 and carries a fixed interest rate of 8.65%. The proceeds will be used to finance the erosion control project; and,
- On May 12, 2025, the Company declared a cash dividend of $0.015 per common share to be paid June 13, 2025.

4. OUTLOOK AND GROWTH STRATEGY

STRATEGY OUTLOOK

PetroTal's near-term strategy is focused on responsible stewardship of the Bretana Norte oil field, balancing priorities for key stakeholder groups while maximizing value for shareholders. Specifically, the key objectives of PetroTal's 2025 capital program include:

- Continued migration of 2P reserves into Proved ("1P") and Proved Developed Producing ("PDP") reserves categories;
- Development of new export routes to maximize value for our product, while minimizing operational risk;
- Maintaining financial flexibility with a conservative balance sheet; and,
- Returning free cash flow to shareholders through stable dividends and share buybacks when appropriate.

As of March 31, 2025, PetroTal has drilled a total of 25 producing wells at Bretana, plus 4 water disposal wells. The ongoing development program is consistent with the Company's year-end 2024 reserve report, which contemplated a field development plan of 40 production wells in the 2P case. Remaining recoverable reserves of approximately 108 million barrels are expected to be produced prior to the Block 95 license contract expiry in 2041. The Proved plus Probable and Possible ("3P") reserves case indicates an upside potential of up to 207 million recoverable barrels. Realizing this full potential is contingent upon both drilling additional development locations and, critically, securing an extension of the Block 95 license contract beyond its current 2041 expiration. Of the 99 mmbbl that PetroTal's independent reserve evaluator booked in the Possible reserves category at year-end 2024, 43 mmbbl are forecast to be produced beyond the end of the current license contract.

PetroTal is continuously evaluating alternative development strategies which may lead to improved recovery factors and/or acceleration of undeveloped reserves, including infill drilling, extended reach horizontal wells, and multilateral drilling. For example, in Q3 2024, the Company drilled its first lateral into the Upper Vivian sand ("VS1") at Bretana, where a brief production test flowed 320 bopd. This zone, which PetroTal's independent reserve evaluator estimates may contain more than 20% of the original oil in place at the Bretana field, was included in the Company's 3P reserves at year-end 2024.

To enable the full development of PetroTal's 2P and 3P reserves, securing new export routes within Peru is a key strategic priority. The Company is evaluating other potential transportation options aimed at collectively increasing sales capacity by up to 20,000 bopd. over the next two to three years. For example, a pilot shipment using the OCP route was initiated in Q3 2024, although this specific trial was ultimately hindered by exceptionally low river levels.

Finally, as part of PetroTal's unique value proposition to investors, the Company is committed to returning a portion of its free cash flow to shareholders through dividends and share buybacks. With relatively short payback periods on new production wells, PetroTal is capable of generating significant free cash flow which can be used to fund its ongoing development program while supporting returns of capital that have averaged between 11% and 18% on an annualized basis.

The 2025 capital budget was based on an estimated average annual Brent oil price forecast of $75/bbl.

Growth Strategy

PetroTal's medium-term growth strategy is currently based on the reinvestment of free cash flow from Bretana into undeveloped assets elsewhere in Peru, where the Company has an established track record of operational success. The key objectives of our medium-term growth strategy include:

- Reach and extend Bretana plateau while developing other assets;
- Optimize cost structure through operating synergies;
- Achieve $2 billion in market capitalization through expansion; and,
- Continue to return free cash flow to shareholders.

As the main funding driver of PetroTal's growth ambitions, the Bretana field remains critical to both the medium- and long-term strategy of the Company. Consistent with the performance of the field over the past few years, PetroTal continues to forecast significant free cash flow from Bretana, which will be used in part to fund the development of new assets elsewhere.

Employing its knowledge base and technical expertise in Latin America, the Company is also executing its growth strategy by sourcing inorganic mergers and acquisition opportunities to create long-term value for shareholders. PetroTal closed its first acquisition in Peru on November 29, 2024, assuming control of the producing Block 131. The Company is currently finalizing development plans for the asset, including potentially drilling new production wells in 2025.

PetroTal recognizes that balance sheet flexibility is a key focus of investors, and remains a priority for the Company. Supported by the strong historical performance of the Bretana field, PetroTal has the ability to source debt capital at favorable terms, allowing for incremental investment in projects that align with the Company's strategic objectives when appropriate.

Environmental, Social and Governance ("ESG") Strategy

PetroTal believes in creating long-term value for our shareholders, employees, suppliers, communities, customers, financial entities, industry associations, international certification bodies and organizations, media, and the government, as well as ensuring economic value, safety for people and the environment, and creating a better future for all. PetroTal's ESG vision is: "To create value and generate more opportunities for the benefit of all". The steps to measure our success are:

- Develop measurable goals for 2025 and 2030 that will be built and reviewed with the participation of various departments throughout the Company;
- Collaborate with government entities and key stakeholders to promote the efficient and transparent utilization of resources, including the 2.5% social fund and other resources, aimed at promoting strong governance frameworks, mitigating risks of corruption and fund mismanagement, and enhancing institutional capacity and technical expertise;
- Continuously update initiatives to achieve Company goals;
- The Sustainable Development Goals ("SDG") will be included, to which PetroTal contributes through its sustainability plan to 2030;
- Committed to climate action, the Company aims to implement methodologies that prevent deforestation, minimize its carbon footprint and support projects with zero net biodiversity loss. It prioritizes ecosystem restoration and promotes the sustainable use of local natural resources, while actively evaluating new technologies to eliminate direct emissions in its operations;
- Implement effective due diligence processes, awareness and training to prevent possible human rights violations, focusing efforts on the value chain;
- Develop and promote talent in PetroTal, the community, and within our suppliers; and,
- Engage in constant dialogue with our stakeholders to identify opportunities for collaboration, address concerns and doubts, build awareness, improve our performance, and prevent conflicts.

Exploratory Block 107 – Kametza Prospect

PetroTal has a 100% working interest in the 623,280 acres block located in the Ucayali basin of Peru. There are several prospective features, the largest being the Kametza prospect. Kametza has the potential to contain in place volumes of 970.7 million barrels of oil equivalent ("mmboe") according to the Company's independent reservoir engineers, Netherland, Sewell & Associates ("NSAI"). Resource estimates are based on maps generated from seismic acquired in 2007 and 2014 and partially de-risked with a new 3D geologic model supporting Cretaceous age reservoirs with high quality Permian source rocks. The Company continues to work on the necessary permits and complete further technical work for the Kametza prospect which will allow PetroTal to consider progressing towards a drilling recommendation in 2026. Perupetro extended the Company's Block 107 exploratory license to February 2027. The block is in a farm out process to acquire a partner, which is necessary for undertaking the drilling commitments.

5. SELECTED FINANCIAL INFORMATION

5.1 FINANCIAL SUMMARY

		Q1-2025		Q4-2024		Q3-2024		Q2-2024	
($ thousands)		$/bbl.		$/bbl.		$/bbl.		$/bbl.	
PRODUCTION:	Average Production (bopd.)		23,281		19,142		15,203		18,290
SALES:	Average sales (bopd.)		23,286		19,087		14,760		18,050
	Total sales (bbls.)		2,095,714		1,756,030		1,357,961		1,642,578
	Average Brent price	$73.96		$73.42		$77.74		$83.87	
Weighted contracted sales price, gross		$73.89		$73.16		$78.58		$83.92	
LESS:	Tariffs, fees and differentials	($21.43)		($21.10)		($20.52)		($21.15)	
	Realized sales price, net	$52.46		$52.06		$58.06		$62.76	
REVENUES:	Oil revenue [1]	$52.46	$109,951	$52.06	$91,421	$58.06	$78,850	$62.76	$103,086
LESS:	Royalties [2]	$5.84	$12,241	$7.42	$13,022	$5.47	$7,433	$6.08	$9,991
	Operating expense (excluding erosion)	$6.31	$13,227	$7.88	$13,843	$8.23	$11,176	$6.10	$10,023
	Direct Transportation:								
	Diluent	$—	$—	$0.14	$248	$0.90	$1,218	$1.16	$1,898
	Barging	$0.79	$1,664	$1.94	$3,398	$0.81	$1,100	$0.69	$1,137
	Dry Season Freight/Storage/Inventory	$0.30	$636	$1.97	$3,452	$0.51	$690	$0.01	$12
	Total Transportation	$1.09	$2,300	$4.05	$7,098	$2.22	$3,008	$1.86	$3,047
NET OPERATING INCOME (NOI)		$39.22	$82,183	$32.71	$57,458	$42.14	$57,233	$48.72	$80,025
	NOI as % of Revenue		*74.7%*		*62.9%*		*71.9%*		*77.6%*
Erosion expense		$0.87	$1,816	$5.45	$9,569	$0.40	$548	$—	$—
General and administrative expense		$4.57	$9,579	$4.86	$8,534	$6.75	$9,160	$6.41	$10,528
Commodity price derivative loss (gain)		$0.68	$1,431	($1.55)	($2,726)	$15.82	$21,481	$2.01	$3,306
Financial expense (gain)		$1.10	$2,306	$1.19	$2,096	($0.23)	($311)	$0.62	$1,018
Income tax expense (gain)		$6.91	$14,479	($0.12)	($209)	$4.45	$6,038	$8.81	$14,470
Depletion, depreciation and amortization		$10.56	$22,137	$10.54	$18,504	$9.64	$13,092	$9.32	$15,310
Foreign exchange loss (gain)		($0.20)	($417)	$0.25	$448	$0.03	$46	($0.01)	($14)
NET INCOME			$30,852		$21,242		$7,179		$35,407
FREE FUNDS FLOW			$48,236		($10,422)		$6,537		$36,334

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

(2) Royalties include 2.5% community social trust initiative.

Note: Free Funds Flow calculation methodology was changed in Q2 2024 and for prior periods to include adjustments for foreign exchange and share based compensation to better measure the Company's generated cash.

($ thousands)		Q1-2024 $/bbl.	Q1-2024	Q4-2023 $/bbl.	Q4-2023	Q3-2023 $/bbl.	Q3-2023	Q2-2023 $/bbl.	Q2-2023
PRODUCTION:	Average Production (bopd.)		18,518		14,865		10,909		19,031
SALES:	Average sales (bopd.)		18,347		15,033		11,553		18,483
	Total sales (bbls.)		1,669,537		1,383,061		1,062,851		1,681,962
	Average Brent price	$81.01		$82.21		$84.65		$77.29	
Weighted contracted sales price, gross		$81.14		$81.05		$84.31		$77.88	
LESS:	Tariffs, fees and differentials	($20.89)		($20.28)		($19.25)		($21.26)	
	Realized sales price, net	$60.25		$60.77		$65.05		$56.61	
REVENUES:	Oil revenue [1]	$60.25	$100,583	$60.77	$84,046	$65.05	$69,142	$56.61	$95,229
LESS:	Royalties[2]	$5.69	$9,500	$7.00	$9,676	$5.49	$5,835	$5.29	$8,899
	Operating expense (excluding erosion)	$5.56	$9,278	$7.24	$10,010	$8.45	$8,982	$4.22	$7,100
	Direct Transportation:								
	Diluent	$0.94	$1,567	$1.46	$2,020	$1.72	$1,829	$0.98	$1,641
	Barging	$0.60	$1,005	$0.60	$828	$0.80	$845	$0.53	$896
	Diesel	$0.05	$80	$0.10	$142	$0.13	$141	$0.07	$120
	Dry Season Freight/Storage/Inventory	($0.27)	($457)	$1.45	$2,001	$1.99	$2,114	$—	$—
	Total Transportation	$1.32	$2,195	$3.61	$4,991	$4.64	$4,929	$1.58	$2,657
NET OPERATING INCOME (NOI)		$47.68	$79,610	$42.92	$59,369	$46.47	$49,396	$45.53	$76,573
	NOI as % of Revenue		*79.1%*		*70.6%*		*71.4%*		*80.4%*
General and administrative expense		$4.83	$8,070	$6.21	$8,588	$6.92	$7,355	$3.89	$6,548
Commodity price derivative loss (gain)		($6.97)	($11,638)	$8.43	$11,662	($11.95)	($12,701)	$3.73	$6,272
Financial expense		$0.21	$353	$2.28	$3,150	$1.12	$1,187	$1.22	$2,046
Income tax expense		$11.74	$19,602	$2.95	$4,076	$18.30	$19,445	$1.64	$2,751
Depletion, depreciation and amortization		$9.19	$15,338	$8.33	$11,527	$7.49	$7,962	$7.23	$12,154
Foreign exchange (gain) loss		$0.16	$264	($0.84)	($1,163)	$0.74	$789	$0.10	$167
NET INCOME			$47,621		$21,529		$25,359		$46,635
FREE FUNDS FLOW			$41,696		$19,767		$26,560		$45,044

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

(2) Royalties include 2.5% community social trust initiative.

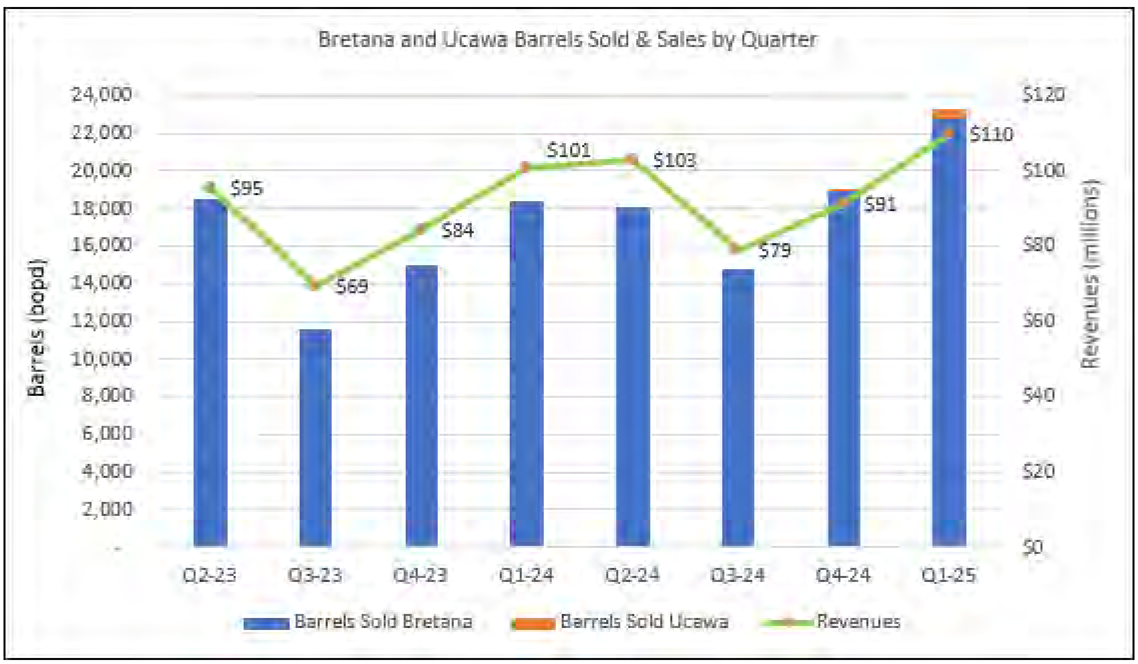
Note: Free Funds Flow calculation methodology was changed in Q2 2024 and for prior periods to include adjustments for foreign exchange and share based compensation to better measure the Company's generated cash. Previously reported was Q1 2024: $52,561; Q4 2023: $8,127; Q3 2023: $36,944; and Q2 2023: $37,697.

EARNINGS STATEMENT INFORMATION

Oil sales in Q1 2025 increased by 19% to 2.1 million bbls. (23,286 bopd.), compared to 1.8 million bbls. (19,087 bopd.) in Q4 2024. In addition, sales increased 26% compared to Q1 2024, when the Company sold 1.7 million barrels (18,347 bopd.).

The Company sells oil to the following sales points: the local Iquitos refinery, exports through Brazil, and the Northern Peruvian Pipeline ("ONP"). In the first quarter 2025, PetroTal sold its oil through three primary routes: 88% via the Brazil export route, 11% to the local Iquitos refinery, and 1% exports through the Ecuador pilot project route. Sales via the ONP were inactive during the period. Pricing mechanisms differ by route: sales to the Iquitos refinery and Ecuador were priced at the prevailing Brent oil price less a quality differential discount and barge transportation charges. Oil sales exported through Brazil are on a freight on board ("FOB") Bretana basis, priced at the forecasted Brent oil price in three months, less a fixed amount covering transportation, sales costs, and quality differential.

Sales to the ONP (Saramuro pump station) have been curtailed since February 2022, pursuant to Petroperu's inability to fulfill terms of the sales agreement. Sales to Petroperu at Saramuro for transportation through the ONP and onward to the Bayovar port, are priced based on the forecasted Brent oil price in eight months, less a quality differential, and is net of all pipeline and marketing fees. When the oil is ultimately sold by Petroperu at Bayovar, PetroTal is subject to a valuation adjustment based on the actual price achieved by Petroperu, whether higher or lower than the original forecasted price.



Royalties and social fund decreased to $12.2 million ($5.84/bbl.) in March 2025 from $13 million ($7.42/bbl.) in Q4 2024, and increased from $9.5 million ($5.69/bbl.) in Q1 2024. Royalties for the Bretana oilfield are calculated on production, less transportation costs, starting at 5% based on production of 5,000 bopd. or less and 20% when production reaches 100,000 bopd. or more, increasing on a straight-line basis. Los Angeles oilfield is subject to a 23.48% royalty rate at field production levels under 5,000 bopd., with a similar scaling factor to Block 95 above 5,000 bopd. Royalty determination is calculated on an individual block basis, based either on production scales or on economic results. Q4 2024 includes adjustments to royalties and social fund estimated expenses of $4 million, which generate a higher expense per barrel when comparing it with Q1 2025 and Q1 2024.

Operating expenses of $13.2 million ($6.31/bbl.) in March 2025, as compared to $13.8 million ($7.88/bbl.) in Q4 2024, and $9.3 million ($5.56/bbl.) in Q1 2024. Higher oil production achieved in Q1 2025, compared to Q1 2024, with no significant additional fixed expenses.

Direct Transportation expenses in Q1 2025 totaled $2.3 million ($1.09/bbl.), representing barging and diesel blending costs, as compared to $2.2 million ($1.32/bbl.) in Q1 2024. Diluent component is no longer required by the Iquitos refinery in 2025.

	March 31 2025	March 31 2024
Diluent	—	1,567
Barging and diesel	1,664	1,085
Dry season freight and storage	636	(457)
Total	2,300	2,195

General and administrative ("G&A") expenses in March 2025 were $9.6 million ($4.57/bbl.) as compared to $8.1 million ($4.83/bbl.) in March 2024. G&A expense increase of $1.5 million is mainly related to salaries and benefits increase for the Ucawa acquisition and increase in Corporate personnel as of March 31, 2025.

	March 31 2025	March 31 2024
Salaries and benefits	6,473	5,026
Legal, audit and consulting fees	2,155	2,454
Community support	355	358
Office rent and administrative	1,517	1,168
Profit sharing	2,135	1,350
Share based compensation plans	1,024	509
Costs directly attributable to PP&E and operating expenses	(4,080)	(2,794)
Total	9,579	8,071

The Company allocated $4.1 million of G&A in Q1 2025 to capital projects and operating expenses, compared to $2.8 million in Q1 2024.

Depletion, Depreciation and Amortization ("DD&A") for Q1 2025 was $22.1 million ($10.56/bbl.) as compared to $18.5 million ($10.54/bbl.) in Q4 2024, and $15.3 million ($9.19/bbl.) in Q1 2024. DD&A is calculated based on capital invested plus expected future capital using the unit of production method over their proved plus probable reserves.

Commodity price derivative loss of $1.4 million in Q1 2025 is net fair value change of outstanding embedded derivatives, compared to $2.7 million gain in Q4 2024, and $11.6 million gain in Q1 2024. The oil sales agreement with Petroperu for sales into the ONP are subject to oil price variations when sold by Petroperu upon arrival at the Bayovar port. The loss is non-cash and is contingent upon the eventual sale of oil volumes. Until a sale occurs, no payment is required. Moreover, if oil prices rise, the projected loss could decrease, potentially benefiting the Company's financial position.

Foreign exchange gain of $0.4 million in March 2025 compared to $0.4 million loss in Q4 2024, and $0.3 million loss in Q1 2024, due to fluctuations in relative currency positions and transactions.

Income tax of $14.5 million was recorded in March 2025 compared to $19.6 million in March 2024. Net operating losses in Peru were fully utilized during the three months ended March 31, 2024.

Financial expense was $2.3 million in March 2025, mainly related to financial service fees and accretion of decommissioning obligation, as compared to $2.1 million in Q4 2024, and $0.4 million in Q1 2024.

5.2 BALANCE SHEET INFORMATION

BALANCE SHEET - SUMMARIZED

	March 31, 2025	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024
($ thousands)					
Current Assets					
Cash	$102,650	$102,783	$121,328	$84,116	$62,498
Restricted cash	$4,915	$5,745	$5,744	$5,743	$16,653
VAT receivable	$18,693	$23,023	$20,032	$12,376	$9,034
Trade and other receivables	$67,316	$65,832	$47,011	$93,325	$93,402
Inventory	$11,146	$13,570	$23,560	$14,960	$16,525
Prepaid expenses	$19,462	$13,901	$16,199	$19,933	$15,867
Derivative assets	$1,937	$1,307	$3,230	$6,963	$18,065
Total Current Assets	$226,119	$226,161	$237,104	$237,416	$232,044
Restricted cash	$6,000	$6,000	$6,000	$6,000	$6,000
Trade receivable long-term	$19,497	$19,279	$20,439	$19,985	$20,514
VAT receivables and deferred taxes	$4,631	$4,292	$3,180	$2,769	$14,659
PP&E and E&E, net	$554,685	$547,424	$479,369	$446,563	$422,559
Prepaid expenses	$7,000	$7,000	$—	$—	$—
Derivative assets	$—	$311	$39	$7,967	$4,584
Total Non-current Assets	$591,813	$584,306	$509,027	$483,284	$468,316
Total Assets	$817,932	$810,467	$746,131	$720,700	$700,360
Current Liabilities					
Trade and other payables	$65,022	$94,955	$83,725	$71,271	$85,446
Income tax payable	$37,535	$19,744	$25,228	$18,133	$8,260
Lease liabilities	$11,545	$10,426	$3,712	$3,879	$1,866
Short-term debt	$10,097	$10,047	$—	$—	$—
Total Current Liabilities	$124,199	$135,172	$112,665	$93,283	$95,572
Leases and other long-term	$49,560	$46,322	$24,298	$25,304	$28,083
Deferred income tax liabilities	$68,444	$72,548	$65,006	$65,762	$62,633
Long-term derivative liabilities	$12,284	$10,534	$14,910	$3,974	$3,599
Decommissioning liabilities	$35,559	$34,383	$25,496	$22,456	$21,556
Total Non-current Liabilities	$165,847	$163,787	$129,710	$117,496	$115,871
Total Equity	$527,886	$511,508	$503,756	$509,921	$488,917
Total Liabilities and Equity	$817,932	$810,467	$746,131	$720,700	$700,360

Cash and liquidity

At March 31, 2025, the Company held cash of $102.7 million and restricted cash of $10.9 million, totaling $113.6 million, compared to $114.5 million at December 31, 2024. Working capital was $101.9 million at March 31, 2025 as compared to $119.3 million at December 31, 2024.

	March 31 2025	December 31 2024
Cash	102,650	102,783
Restricted cash current	4,915	5,745
Restricted cash non-current	6,000	6,000
Total Cash	113,565	114,528

Current restricted cash of $4.9 million is primarily related to the social fund and letters of credit bank guarantees for Block 107 exploration wells. The $6 million of non-current restricted cash is related to permitted hedging programs.

In March 2023, Peru's President signed the Supreme Decree authorizing Perupetro S.A. to execute the amendment incorporating the 2.5% social trust fund (value of the monthly oil produced in Bretana's Block 95, less transportation, for the benefit of local communities) into the Block 95 license contract, effective and retroactive to January 1, 2022. For the three months ended March 31, 2025 and the twelve months ended December 31, 2024, the Company paid to the community $1.9 million and $17.8 million, respectively.

VAT receivable

	March 31 2025	December 31 2024
VAT receivable current	18,693	23,023
VAT receivable non-current	2,647	2,329
Total VAT receivables	21,340	25,352

Valued Added Tax ("VAT") in Peru is levied on the purchase of goods and services and is recoverable on sales of goods and services. The Company increased $9.6 million and recovered $13.9 million during the three months ended March 31, 2025 and expects to recover $18.7 million in the short-term.

Trade and other receivables

	March 31 2025	December 31 2024
Trade receivables	86,729	84,754
Other receivables	84	357
Total trade and other receivables	86,813	85,111
Represented as:		
Current receivables	67,316	65,832
Non-current receivables	19,497	19,279

At March 31, 2025, trade receivables represent revenue related to the sale of oil. The trade balance is mostly comprised of $27.9 million due from Petroperu ($8.4 million is short term and $19.5 million is long term), and $58.8 million from export sales through Brazil. No credit losses on the Company's trade receivables have been incurred and all short-term receivables are current.

Prepaid expenses

	March 31 2025	December 31 2024
Erosion control project advances	7,270	3,296
Advances to contractors	8,211	7,450
Prepaid expenses and others	10,981	10,155
Total advances and prepaid expenses	26,462	20,901
Represented as:		
Current prepaid expenses	19,462	13,901
Non-current prepaid expenses	7,000	7,000

At March 31, 2025, prepaid expenses and others were comprised of $9.2 million in Peruvian income tax prepaid and $1.8 million in insurance, prepaid services for consultants, and other related services. Advances to contractors include $7 million related to power plant projects in long-term.

Capital expenditures

	March 31 2025	March 31 2024
Drilling Program	13,833	22,608
Field Infrastructure	5,747	5,416
Fluid Handling Facilities ("CPF")	2,313	578
Erosion Costs	—	72
Block 95	812	228
Block 107	188	109
Other	596	579
Exploration & development expenditures	23,489	29,590
SAP Project	135	634
Total capital expenditures	23,624	30,224

PetroTal invested $23.5 million in petroleum Capital Projects in March 31, 2025, compared to $29.6 million in March 31, 2024. Lower capital expenditures compared to March 31, 2024 were due to less drilling activity during the quarter.

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

At March 31, 2025, the Company has $10.6 million of exploration and evaluation assets related to Block 95 and Block 107.

Inventory

	March 31 2025	December 31 2024
Oil inventory	1,368	2,676
Materials, parts and supplies	9,778	10,894
Total inventory	11,146	13,570

Oil inventory consists of the Company's oil barrels, which are valued at the lower of cost or net realizable value. Costs include operating expenses, royalties, transportation, and depletion associated with production. Costs capitalized as inventory will be expensed when the inventory is sold. At March 31, 2025, the oil inventory balance of $1.4 million consists of 53,230 bbls. of oil valued at $25.70/bbl. (December 31, 2024: $2.7 million, based on 85,863 bbls. of oil at $31.16/bbl.). Materials, parts, and supplies are expected to be consumed in the short-term.

	Barrels
Oil inventory at January 1, 2025	85,863
Production	2,095,247
Internal use (power generation) and other	(32,166)
Sales	(2,095,714)
Oil inventory at March 31, 2025	53,230

Trade and other payables

	March 31 2025	December 31 2024
Trade payables	29,003	39,201
Accrued payables and other obligations	36,019	55,754
Total trade and other payables	65,022	94,955

At March 31, 2025 and December 31, 2024, trade payables and other payables are primarily related to the drilling and completion of wells and construction of production processing facilities. The decrease in trade payables and accruals is related to lower drilling activity during the quarter. The other obligations are mainly related to the 2.5% social fund for the benefit of local communities, which totaled to $5.8 million at March 31, 2025 ($5.0 million at December 31, 2024).

Commodity Price Derivatives

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

The fair of the embedded derivative, considering an average future Brent price marker differential, was recorded as a gain (loss) on commodity price derivatives at March 31, 2025 and December 31, 2024.

	March 31 2025	December 31 2024
Net derivative (liability) asset at beginning of period	(8,916)	7,412
Cash settlements	—	(5,904)
Cash to be received	—	(3,741)
Unrealized loss	(1,431)	(6,683)
Net derivative liability at end of period	(10,347)	(8,916)
Represented as:		
Short-term derivative assets	1,937	1,307
Long-term derivative assets	—	311
Long-term derivative liabilities	(12,284)	(10,534)

Sales delivery / Executed month	Expected settlement month	Volume (bbls. in thousands)	Price range $/bbl.	Hedged range $/bbl.	Net Derivative Asset (Liability)
Peru Embedded Derivatives [1]					
Apr-21 to Feb-22	Sep-26 to Nov-28	1,882	62.49 to 85.26	67.40 to 67.84	(12,284)
Corporate Derivatives Hedging [2]					
Aug-24 and Oct-24	Apr-25 to Jan-26	2,573	—	65.00 to 104.50	1,937
				Net Derivative (Liability)	**(10,347)**

1) Embedded derivative related to original Petroperu sales agreement.

2) Corporate hedge program to cover a portion of 2025 and 2026 production.

1) Embedded derivative related to original Petroperu sales agreement.

At March 31, 2025, 1.9 million bbls. (1.9 million at December 31, 2024) remain in the pipeline or storage tanks, awaiting final sale by Petroperu. During the quarter, a decrease in future oil prices to the Peru embedded derivative resulted in an increase to the net derivative liability. A 1% change to the Peru embedded derivative hedged range price would result in a $1.1 million change to the net derivative liability. The derivative gains/ losses are only materialized when oil is effectively sold to third parties at Bayovar.

2) Corporate hedge program to cover a portion of 2025 and 2026 production.

During the quarter, the Company executed hedging agreements that consisted of multiple trades that totaled 1.8 million barrels of Brent oil. The hedge types included put options of $65.00 per bbl., call options of $79.00 and $80.50 per bbl., and call options of $99.00 and $100.50 per bbl. At March 2025, there was a remainder of 2.6 million in hedged barrels of Brent oil that resulted in a net derivative asset of $1.9 million.

Decommissioning liabilities

The undiscounted uninflated value of estimated decommissioning liabilities is $64.4 million ($64.4 million in 2024). The present value of the liabilities was calculated using average risk-free rates between 5.9% to 6.1% (December 31, 2024: 4.8% to 6.3%) to reflect the market assessment of the time value of money as well as risks specific to the liabilities that have not been included in the cash flow estimates. The inflation rate used in determining the cash flow estimate was 2.0%. The revisions to the decommissioning liabilities includes changes to cost estimates, the risk free rates and adjustments for inflation.

Balance at January 1, 2024	22,147
Additions	3,205
Asset acquisition	13,590
Revisions to decommissioning liabilities	(5,851)
Accretion	1,292
Balance at December 31, 2024	34,383
Revisions to decommissioning liabilities	657
Accretion	519
Balance at March 31, 2025	35,559

Short and long-term debt

At March 31, 2025 the Company had short term debt of $10.1 million at an interest rate of 5.99% to be paid in full 120 days from the date of borrowing. The proceeds will be used to fund short term working capital needs. The Company has $67 million in remaining available credit. No debt covenants were set forth by the lenders in the loan agreements and all lines of credit are available for one year with the option to renew.

Bank	Agreement Date	Balance	Line of Credit	Interest Rate	Payment Term	Collateral
BCP	Mar-23	$10,097	$20,000	5.99 %	120 days	—
BanBif	Apr-24	—	$2,000	—	90 days	—
Scotia Bank	Apr-24	—	$5,000	—	360 days	—
JP Morgan Bank	May-24	—	$20,000	—	120 days	—
GNB	Aug-24	—	$10,000	—	180 days	—
Banco Pichincha	Sep-24	—	$20,000	—	120 days	Insurance endorsement
Balance at March 31, 2025		$10,097	$77,000			

Leases

During the first quarter of 2025 the Company signed a new power plant equipment lease with the option to buy, which resulted in a $4.7 million present value increase to the right of use assets and liabilities on the balance sheet. The incremental borrowing rate used to measure the lease liability was 8.65%. The lease term ends February 2030.

During the fourth quarter of 2024, PetroTal executed an agreement to acquire a drilling rig from a Houston-based equipment company. The purchase was financed through a 36-month lease agreement with a Peruvian bank, resulting in a $13.3 million present value increase to lease assets and liabilities on the balance sheet. The lease term ends in December 2027. The agreement also includes an option for the Company to purchase the rig on October 31, 2028, based on terms outlined within the agreement. The incremental borrowing rate used to measure the lease liability was 8.5%.

The lease liabilities include three office leases, one in Houston, Texas and two in Lima, Peru. The Houston lease was renewed with a $1.1 million present value increase for a term of 6 years with an incremental borrowing rate of 9.5%. The Lima leases are for 3-5 years with an incremental borrowing rate of 8.5% with no changes in present value.

Lease liabilities at January 1, 2024	28,870
Additions	28,125
Acquisition	15
Revisions	1,045
Payments	(5,819)
Interest on leases	2,405
Lease liabilities at December 31, 2024	54,641
Additions	4,797
Payments	(2,101)
Interest on leases	1,108
Lease liabilities at March 31, 2025	58,445
Represented as:	
Current liability	11,545
Non-current liability	46,900

As of March 31, 2025, total lease liabilities have the following minimum undiscounted payments per year:

Year	
2025	10,849
2026	14,487
2027	13,999
2028	9,462
2029	8,019
Thereafter	14,411
Total	71,227

Share capital

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

As of May 9, 2025, PetroTal has the following securities outstanding (in thousands):

Common shares	915,771	97%
Performance share units	24,240	3%
Total	940,011	100%

Dividends

During the three months ended March 31, 2025 and twelve months ended December 31, 2024, the Company paid dividends to shareholders in the amount of $13.8 million and $60.5 million, respectively. The Company paid dividends per share in the amount of $0.015 in March 2025 and $0.065 in 2024. The Company's sustainable dividend policy is to pay dividends based on current liquidity exceeding $60 million.

Normal course issuer bid

On May 16, 2023, the Company announced that the Toronto Stock Exchange approved a notice of intention to commence a normal course issuer bid ("NCIB"). The NCIB allows the Company to purchase up to 44.2 million common shares, representing approximately 5% of outstanding common shares. On May 22, 2024, the Company renewed the NCIB which would end no later than May 23, 2025. This renewal includes the intention to purchase up to 14.6 million common shares (representing approximately 2% of its outstanding common shares at May 10, 2024). Common shares purchased under the NCIB are cancelled.

During the three months ended March 31, 2025 the Company purchased 1,163,814 common shares under the NCIB for total consideration of $0.6 million (December 31, 2024: 8,814,260 shares, $4.9 million). The surplus between the total consideration and the carrying value of the shares repurchased was recorded against retained earnings.

NON-GAAP FINANCIAL MEASURES

Revenue and transportation expense adjustment

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

Funds flow information

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

	Three Months Ended		
	March 31 2025	December 31 2024	March 31 2024
Cash flow from operating activities			
Net income	30,852	21,241	47,619
Adjustments for:			
Depletion, depreciation and amortization	22,137	18,504	15,338
Accretion of decommissioning obligation	519	360	304
Equity based compensation expense	458	823	(1,062)
Financial interest expense	1,230	2,047	402
Deferred income tax expense	(4,124)	6,473	8,138
Commodity price unrealized derivatives (gain) loss	1,431	(2,724)	(11,638)
Funds flow provided by operations before non-cash working capital	**52,503**	**46,724**	**59,101**
Changes in non-cash working capital:			
Receivables and restricted cash	2,237	(14,730)	(34,127)
Advances and prepaid expenses	(7,061)	(306)	(8,405)
Inventory	2,297	9,877	(3,636)
Trade and other payables	(19,435)	13,065	(2,230)
Income tax payable	19,291	(6,642)	8,260
Cash (paid) received for income taxes	—	(150)	—
Net cash provided by operating activities	**49,832**	**47,838**	**18,963**

	Three Months Ended		
	March 31 2024	December 31 2023	March 31 2024
Cash flow from investing activities			
Exploration and evaluation asset additions	(194)	(402)	(238)
Property, plant and equipment additions	(23,624)	(50,187)	(30,114)
Asset acquisition	—	(1,700)	—
Non-cash changes in working capital	(10,399)	(8,998)	8,349
Net cash used in investing activities	(34,217)	(61,287)	(22,003)
Net cash provided by operating and investing activities	15,615	(13,449)	(3,040)

CAPITAL MANAGEMENT MEASURES

Adjusted EBITDA

Adjusted EBITDA means earnings before interest, taxes, depreciation and amortization, derivatives, foreign exchange, adjusted for realized derivatives gain (loss) and share based compensation.

	Three Months Ended		
	March 31 2025	December 31 2024	March 31 2024
Net income	30,852	21,241	47,619
Adjustments to reconcile net income:			
Depletion, depreciation and amortization	22,137	18,505	15,338
Financial expense	2,306	2,096	353
Income tax expense (gain)	14,479	(209)	19,603
Commodity price derivatives loss (gain)	1,431	(2,726)	(11,638)
Foreign exchange loss (gain)	(417)	448	264
EBITDA (non-GAAP)	70,788	39,355	71,539
Share based compensation	1,072	812	509
Adjusted EBITDA (non-GAAP)	71,860	40,167	72,048
Capital expenditures	(23,624)	(50,589)	(30,352)
Free funds flow (non-GAAP)	48,236	(10,422)	41,696

Note: The EBITDA and Adjusted EBITDA calculation methodology was changed in Q2 2024 and for prior periods to exclude realized derivatives gain (loss) and include adjustments for foreign exchange and share based compensation to better measure the Company's generated cash.

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

Operating netback

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

5.3. NON-GAAP TERMS

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

6. SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements along with additional information about such judgements and estimates are included in the Consolidated Financial Statements and the accompanying notes as of December 31, 2024 and 2023.

USES OF CRITICAL ACCOUNTING ASSUMPTIONS, ESTIMATES AND JUDGEMENTS

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

The critical estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the same period if the revision affects only that period or in the period of the revision and future periods if the revision affects current and future periods.

Critical estimates and judgements in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are summarized below:

Functional Currency

The functional currency of each of the Company's entities is the United States dollar, which is the currency of the primary economic environment in which the entities operate.

Decommissioning Obligations

Decommissioning obligations will be incurred by the Company at the end of the operating life of wells or supporting infrastructure. The ultimate asset decommissioning costs and timing are uncertain and cost estimates can vary in response to many factors including changes to relevant legal and regulatory requirements, the emergence of new restoration techniques, and experience at other production sites. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The expected amount of expenditure is estimated using a discounted cash flow calculation with a risk-free discount rate. Liabilities for environmental costs are recognized in the period in which they are incurred, normally when the asset is developed, and the associated costs can be estimated.

Deferred Tax Assets & Liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to the expiration of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of oil and gas reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected. The measurement of deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities.

Provisions, Commitments and Contingent Liabilities

Amounts recorded as provisions and amounts disclosed as commitments and contingent liabilities are estimated based on the terms of the related contracts and management's best knowledge at the time of issuing the Financial Statements. The actual results ultimately may differ from those estimates as future confirming events occur.

Exploration and Evaluation Assets

The accounting for E&E assets requires management to make certain estimates and assumptions, including whether exploratory wells have discovered economically recoverable quantities of reserves. Designations are sometimes revised as new information becomes available. If an exploratory well encounters hydrocarbons, but further appraisal activity is required in order to conclude whether the hydrocarbons are economically recoverable, the well costs remain capitalized as long as sufficient progress is being made in assessing the economic and operating viability of the well. Criteria used in making this determination include evaluation of the reservoir characteristics and hydrocarbon properties, expected additional development activities, commercial evaluation and regulatory matters. The concept of "sufficient progress" is an area of judgement, and it is possible to have exploratory costs remain capitalized for several years while additional drilling is performed, or the Company seeks government, regulatory or partner approval of development plans.

Petroleum and natural gas assets are grouped into cash generating units ("CGUs") identified as having largely independent cash flows and are geographically integrated. The determination of the CGUs was based on management's interpretation and judgement.

Erosion Costs

Erosion control costs are expenses incurred by the Company to protect the producing fields and nearby community from erosion cause by the river. These costs will be capitalized and/or expensed depending on the nature of the outflow and the direct benefits received by the Company or the community. Erosion costs are presented in a separate expense line in the Statement of Earnings and Other Comprehensive Income, recognized as incurred and for a better reliable measurement. The financial statement notes presents the nature, measurement basis, and transparency of this new activity.

Business Combinations

The Company adopted the amendments to International Financial Reporting Standards ("IFRS®") 3 – Business Combinations. Acquisitions of corporations or groups of assets are accounted for as business combinations using the acquisition method if the acquired assets constitute a business. Under the acquisition method, assets acquired and liabilities assumed in a business combination are measured at their fair values. If applicable, the excess or deficiency of the fair value of net assets acquired compared to consideration paid is recognized as a gain on business combination or as goodwill on the consolidated balance sheet. Acquisition-related costs incurred to effect a business combination are expensed in the period incurred. As part of the assessment to determine if the acquisition constitutes a business, the Company may elect to apply the concentration test on a transaction by transaction basis. The test is met if substantially all of the fair value related to the gross assets acquired is concentrated in a single identifiable asset (or group of similar assets) resulting in the acquisition not being deemed a business and recorded as an asset acquisition. The amendments introduced an optional concentration test, narrowed the definitions of a business and outputs, and clarified that an acquired set of activities and assets must include an input and a substantive process that together significantly contribute to the ability to create outputs.

7. DISCLOSURE OF PRONOUNCEMENTS NOT YET ADOPTED

New accounting standards and interpretations were issued and are mandatory for future accounting periods. With respect to IFRS® 18 (Presentation and Disclosure in Financial Statements) issued by the IASB® in April 2024, the Company is currently evaluating the impact on the Company's Financial Statements. Retrospective application of the standard is mandatory for annual reporting periods starting from January 1, 2027 onwards with earlier application permitted.

8. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

At March 31, 2025, the Company holds the following letters of credit guaranteeing its commitments in exploration Block 107:

Block	Beneficiary	Amount	Commitment	Expiration
107	Perupetro S.A.	$1,500	1st exploration well, minimum work 5th exploratory period	Feb-27
107	Perupetro S.A.	$1,500	2nd exploration well, minimum work 5th exploratory period	Feb-27
		$3,000		

PetroTal also signed two Technical Evaluation Agreements with Perupetro in December 2024. The Technical Evaluation Agreements for Blocks 97 and 98 are located in the vicinity and on trend with PetroTal's Block 131, as well as the Aguaytia and Agua Caliente fields in Peru's Ucayali Basin. Contractual commitments will be executed in two 12-month phases, and mainly include geological and geophysical studies such as seismic imaging, geochemical modeling and hydrocarbon potential evaluation reports.

The Company progressed its preventive riverbank erosion control program aimed to protect the Bretana field and nearby community. The estimated total project cost has a range of $65 million to $75 million, which will be allocated approximately 65% to operating expense and 35% to capital expenditures during the next years. This program represents a significant operational and environmental commitment, and indicates a proactive approach to environmental stewardship for a permanent solution for the riverbank erosion.

As part of Ucawa Energy S.A.C. asset acquisition, a tax administrative and a judicial legal case were considered as possible, with a total legal contingency of approximately $2.5 million. According to clause 12.5 in the Purchase Agreement, the seller (CEPSA S.A.) is obligated to indemnify PetroTal of any legal action and/or fines if applicable.

9. TAXES

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

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

	Three months ended March 31	
	2025	2024
Earnings before income taxes	45,331	67,222
Canadian corporate tax rate	23%	23%
Expected income tax expense	10,426	15,461
Increase (decrease) in taxes resulting from:		
Non-deductible expenses and other	726	(754)
Tax differential on foreign jurisdictions	3,327	4,896
Provision for income taxes	14,479	19,603

The Company recognized the net tax amount related to Net Operating Losses ("NOLs") and deferred tax liabilities in Canada, Peru and the U.S. As of March 31, 2025, the Company consumed all losses in Canada (December 31, 2024: $0 million) and all losses in Peru related to Bretana (December 31, 2024: $0 million). The U.S. has $6 million tax losses remaining (December 31, 2024: $4 million). The U.S. non-capital losses can be carried forward indefinitely.

Ucawa has $86 million in tax losses at the end of March 31, 2025 (December 31, 2024: $82 million), but no related deferred tax asset has been recognized. These losses are being carried forward and are available to offset against future tax gains.

The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized as of March 31, 2025 is approximately $7 million (December 31, 2024: $22 million).

10. FORWARD-LOOKING STATEMENTS AND BUSINESS RISKS

FOREIGN EXCHANGE RATE RISK

The Company's functional currency is the United States dollar. Foreign exchange gains or losses can occur on translation of working capital denominated in currencies other than the functional currency of the jurisdiction which holds the working capital item. Excluding the impact of changes in the cross-rates, a 1% fluctuation in translation rates would have nil impact on net income or loss, based on foreign currency balances held at March 31, 2025.

LIQUIDITY RISK

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

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

Estimates and judgments made by management in the preparation of the Financial Statements are subject to a certain degree of measurement uncertainty during this volatile period.

CREDIT RISK

Credit risk is the risk that a customer or counterparty will fail to perform an obligation or fail to pay amounts due causing a financial loss to the Company. The Company's VAT is primarily for sales tax credits on exploration and drilling expenses incurred during the year and in prior years. These credits will be applied to future oil development activities or recovered as per the sales tax recovery legislation currently in effect. The Company's trade receivable balance relates mostly to oil sales and purchase price adjustments to two customers, being Petroperu, a state-owned Company and Novum Energy Trading Corp, an oil trading Company. The Company has a long-term sales agreement for oil exports through Brazil, whereby sales are FOB Bretana. Sales through the ONP pipeline are due and payable 240 days after the final delivery of the oil to the Bayovar terminal. For the three months ended March 31, 2025, 88% of oil sales were to Novum (Brazil export route), 11% were to Petroperu (Iquitos refinery), and 1% to Ecuador. The Company has not experienced any material credit losses in the collection of its trade receivables. The Company periodically assesses the recoverability of all trade receivables through discussions with its customers, review of credit rating agency reports or review of other third-party information.

Impairment to a financial asset is only recorded when there is objective evidence of impairment and the loss event has an impact on future cash flow and can be reliably estimated. Evidence of impairment may include default or delinquency by a debtor or indicators that the debtor may enter bankruptcy. Management believes that there is no risk on the recoverability and or applicability of the sales tax credits. Therefore, no impairment to the carrying value of these assets has been estimated. The Company has deposited its cash, cash equivalents and restricted cash with reputable financial institutions, with which management believes the risk of loss to be remote. The maximum credit exposure associated with financial assets is their carrying value. At

March 31, 2025, the cash, cash equivalents and restricted cash were held with six different institutions from three countries, mitigating the credit risk of a collapse of one particular bank.

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

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance, including, but not limited to: PetroTal's business strategy, objectives, strength, focus and outlook, drilling, completions, workovers and other activities including expanding infrastructure and exploring undeveloped acreage and the anticipated costs and results of such activities, environmental remediation and social initiatives, the ability of the Company to achieve drilling success consistent with management's expectations, anticipated future production and revenue, oil production levels, the 2026 capital program and budget, including drilling plans, balance sheet strength, hedging program and the terms thereof, and future development and growth prospects. All statements other than statements of historical fact may be forward-looking statements. In addition, statements relating to expected production, reserves, prospective resources, recovery, costs and valuation are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "intend", "could", "might", "should", "believe" and similar expressions.

The forward-looking statements are based on certain key expectations and assumptions made by the Company, including, but not limited to, expectations and assumptions concerning the ability of existing infrastructure to deliver production and the anticipated capital expenditures associated therewith, reservoir characteristics, recovery factor, exploration upside, prevailing commodity prices and the actual prices received for PetroTal's products, including pursuant to hedging arrangements, the availability and performance of drilling rigs, facilities, pipelines, other oilfield services and skilled labor, royalty regimes and exchange rates, the application of regulatory and licensing requirements, the accuracy of PetroTal's geological interpretation of its drilling and land opportunities, current legislation, receipt of required regulatory approval, the success of future drilling and development activities, the performance of new wells, the Company's growth strategy, general economic conditions and availability of required equipment and services. Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of reserve estimates, the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price volatility, price differentials and the actual prices received for products, exchange rate fluctuations, legal, political and economic instability in Peru, access to transportation routes and markets for the Company's production, changes in legislation affecting the oil and gas industry and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Please refer to the risk factors identified in the AIF which is available on SEDAR+ at www.sedarplus.ca.

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

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

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

ADDITIONAL INFORMATION

Additional information about PetroTal Corp. and its business activities, including PetroTal's audited Financial Statements for the years ended December 31, 2024 and 2023 are available on the Company's website at www.petrotal-corp.com, and at www.sedarplus.ca.

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Chair of the Board

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Felipe Arbelaez [(3)(4)]

Eleanor Barker [(4)(5)]

Jon Harris [(1)(2)(5)]

Emily Morris[(5)]

Gavin Wilson [(1)(2)(3)]

Manuel Pablo Zuniga-Pflucker [(2)]

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Executive VP and Chief Financial Officer

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Chief Legal Counsel and Corporate Secretary

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(1) Member of the Corporate Governance and Compensation Committee.
(2) Member of the Reserves Committee.
(3) Member of the HSE CSR Committee.
(4) Member of the Audit Committee.
(5) Member of the Technical Committee.

GLOSSARY / ABBREVIATIONS

1P	Proved
2P	Proved plus Probable
3P	Proved plus Probable and Possible
AIF	Annual Information Form
bbls.	Barrels
bopd.	Barrels of Oil per Day
Capex	Capital Expenditures
CGUs	Cash Generating Units
COGE	Canadian Oil and Gas Evaluation Handbook
CPF	Central Processing Facilities
CSR	Community, Social and Regulatory
DD&A	Depletion, Depreciation and Amortization
E&E	Exploration and Evaluation
ESG	Environmental and Social Governance
FOB	Freight on board
FFO	Funds Flow Provided by Operations
G&A	General and Administrative
GAAP	Generally Accepted Accounting Principles
IAS®	International Accounting Standards
IASB®	International Accounting Standards Board
IFRS®	International Financial Reporting Standards as issued by the International Accounting Standards Board
MD&A	Management's Discussion and Analysis
mmboe	Million Barrels of Oil Equivalent
NCIB	Normal Course Issuer Bid
Netback	Benchmark to assess the profitability based on revenues less royalties, operating and transportation costs
NI 51-101	National Instruments - Standards of Disclosure for Oil and Gas Activities
NOI	Net Operating Income
NSAI	Netherland Sewell and Associates, Inc.
OCP	Ecuador Pipeline
ONP	Northern Peruvian Pipeline
PDP	Proved Developed Producing
PP&E	Property, Plant and Equipment
SDG	Sustainable Development Goals
USD	United States Dollar ($)
VAT	Value Added Tax
VS1	Upper Vivian Sand