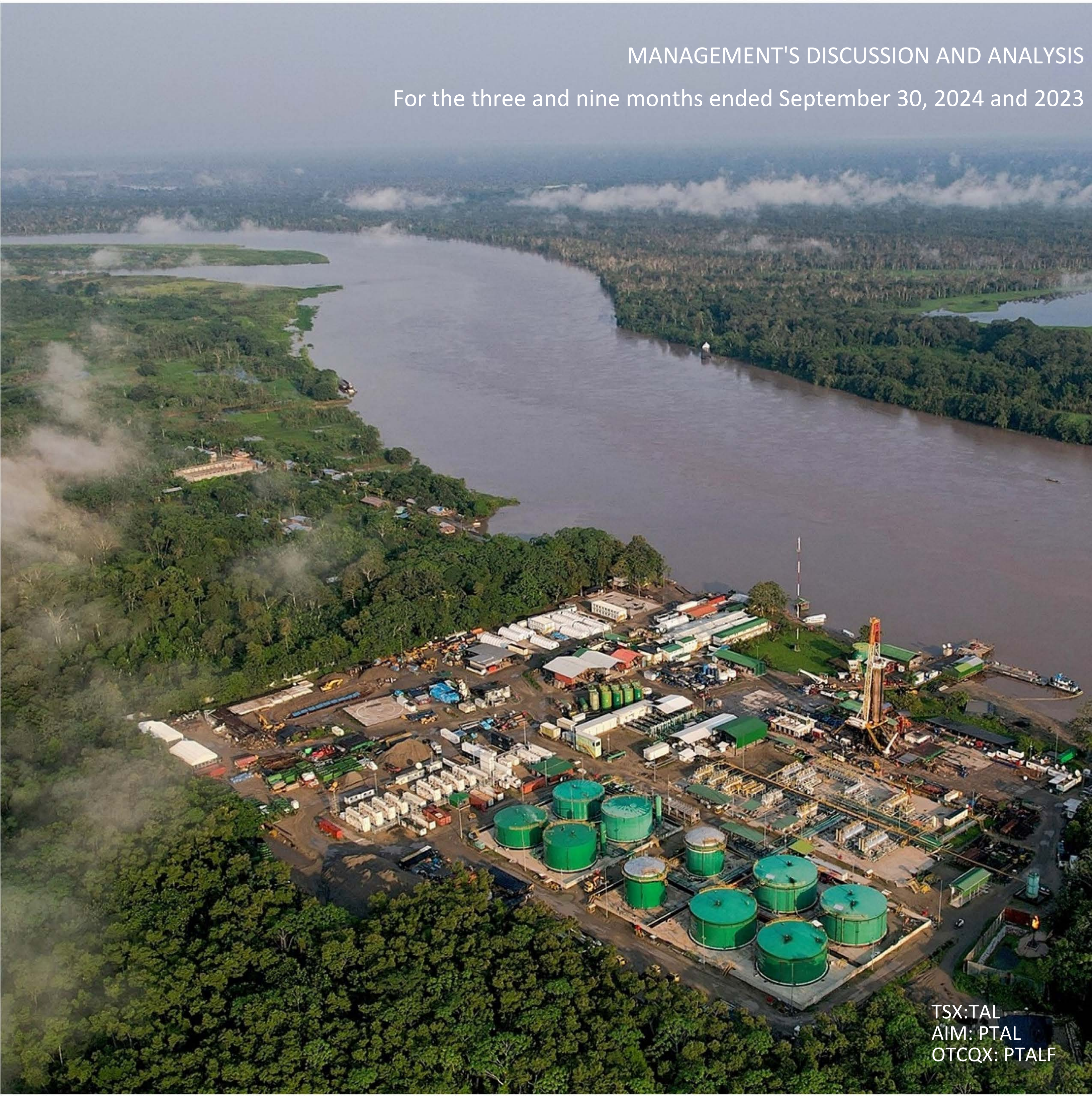
PetroTal

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2024 and 2023



TSX:TAL
AIM: PTAL
OTCQX: PTALF

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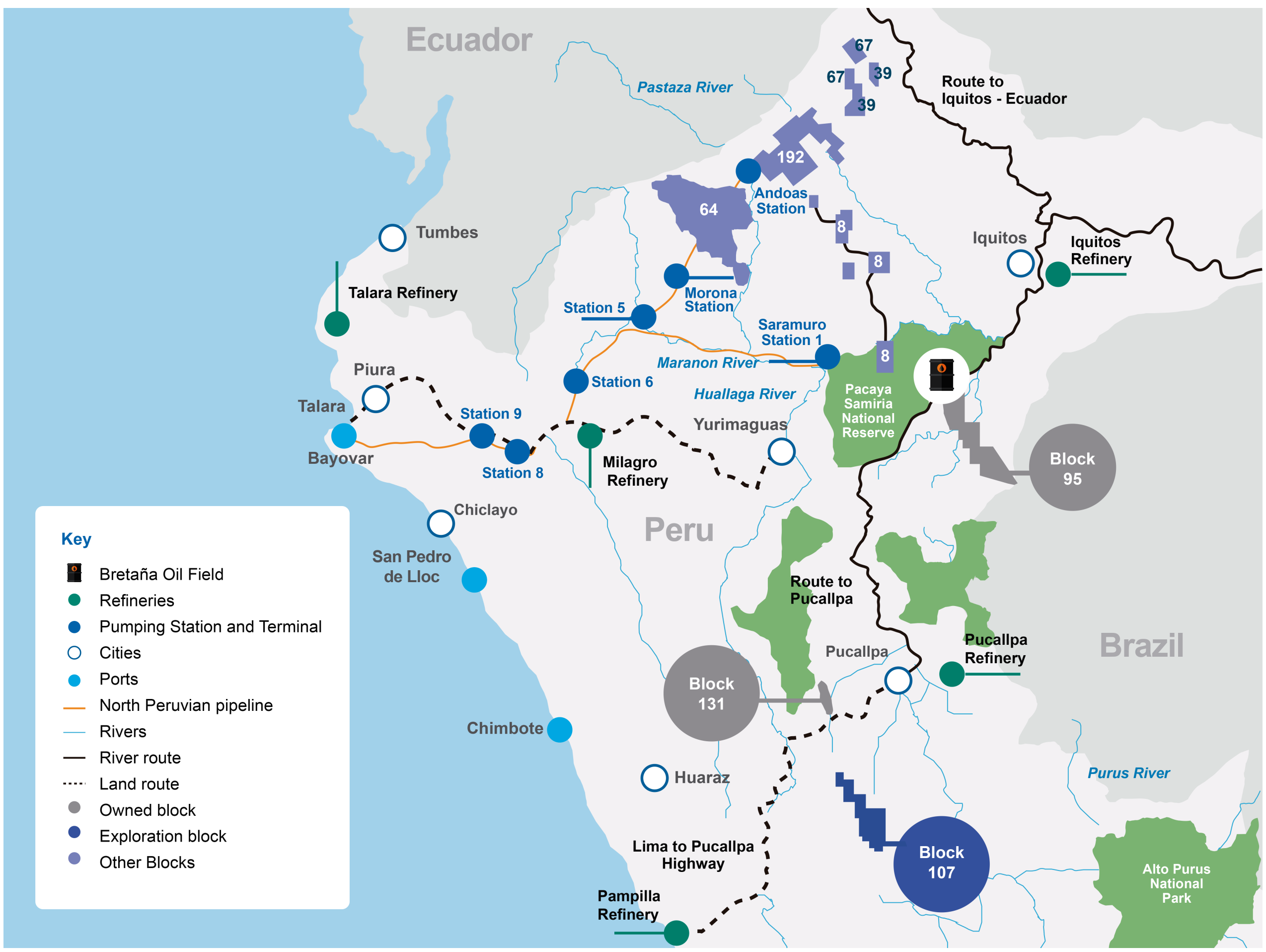
MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of PetroTal Corp. ("PetroTal" or the "Company") for the three and nine months ended September 30, 2024 and 2023, is dated November 11, 2024, and should be read in conjunction with the Company's unaudited condensed interim consolidated Financial Statements ("Financial Statements") for the three and nine months ended September 30, 2024 and 2023. The Financial Statements were prepared by management in accordance with International Accounting Standards ("IAS") 34-Interim Financial Reporting as issued by the International Accounting Standards Board, which are also generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada.

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

1. CORPORATE OVERVIEW

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



The Bretana oil field is located in the Maranon Basin of northern Peru. To date, this basin has produced more than one billion barrels of oil. Approximately 70% of the oil in the Maranon Basin has been produced from the Vivian formation and approximately 30% from the Chonta formation. The Vivian formation is known as a quality oil reservoir with high permeabilities and strong aquifer support. Generally, this type of reservoir achieves the highest oil recoveries. The Chonta formation is immediately below the Vivian and typically produces medium to light oil; the Company is focused on the Vivian formation. The Company has a 100% working interest in the Bretana oil field.

2. OVERVIEW AND SELECTED INFORMATION

The following table summarizes key financial and operating highlights associated with the Company's performance for the periods ended September 30, 2024 and September 30, 2023.

RESULTS AT A GLANCE

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	2024	2023
Financial				
Oil revenue	$78,850	$69,142	$282,519	$232,865
Royalties	($7,433)	($5,835)	($26,924)	($20,972)
Net operating income (1)	$56,685	$49,396	$216,319	$179,484
Commodity price derivatives (gain) loss	$21,481	($12,701)	$13,149	$818
Net income	$7,179	$25,359	$90,208	$88,975
Basic earnings per share ($/share)	$0.01	$0.03	$0.10	$0.10
Capital expenditures	$43,019	$17,010	$112,238	$76,296
Operating				
Average production (bopd)	15,203	10,909	17,329	14,040
Average sales (bopd)	14,760	11,553	17,044	14,214
Average Brent price ($/bbl)	77.74	84.65	80.85	81.88
Contracted sales price ($/bbl)	78.58	84.31	81.37	80.35
Netback ($/bbl) (1)	41.74	46.47	46.32	46.26
Free funds flow (2)	$6,537	$26,560	$84,567	$87,424
Balance Sheet				
Cash and restricted cash	$133,072	$112,827	$133,072	$112,827
Working capital	$124,439	$162,958	$124,439	$162,958
Total assets	$746,131	$618,200	$746,131	$618,200
Current liabilities	$112,665	$61,584	$112,665	$61,584
Equity	$503,756	$462,557	$503,756	$462,557

(1) Net operating income ("NOI") and Netback represent revenues less royalties, operating expenses and direct transportation.
(2) 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. Q3 2024 HIGHLIGHTS

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

Q3 2024 Operational Highlights

- Oil production of 1,398,693 barrels ("mmbbls"), an average of 15,203 barrels of oil per day ("bopd"), a decrease of 17% from 18,290 bopd in Q2 2024, and a 39% increase from 10,909 bopd in Q3 2023. At September 30, 2024, the Company has 20 producing wells and 4 water disposal wells;
- Oil sales allocations were 89% as export through Brazil and 11% to the Iquitos refinery;
- PetroTal finished drilling horizontal well 20H ("20H") in September 2024. For the first time at the Bretana field, this well was completed in both the main producing Vivian sandstone reservoir ("VS2") and a secondary target in the Upper Vivian sand ("VS1"). The well achieved a peak daily production rate of 5,357 bopd, while averaging 2,932 bopd in its first seven days on stream. Well 20H was completed on time and budget, at a cost of approximately $15.5 million;
- The Company is progressing its preventive riverbank erosion control program aimed to protect the Bretana field and nearby community. During the quarter, PetroTal purchased steel parts associated with the project, for a total cost of $7.3 million;
- PetroTal initiated a pilot shipment of crude oil to Ecuador's Oleoducto de Crudos Pesados ("OCP") pipeline during the quarter. Due to historically low river levels in both Peru and Ecuador, the Company was only able to deliver 16,000 barrels (out of a planned total shipment of 100,000 barrels) to the OCP. The cargo reached the Balao Terminal in Esmereldas during the first half of November, where it was sold at the Napo crude oil benchmark, for a price differential of roughly $14.00/bbl below dated Brent. PetroTal remains committed to developing safe, cost-effective options for its crude oil exports, and continue evaluating commercial viability of the OCP route against other available options;

- PetroTal was recognized as a "Company that Transforms" by the Instituto Peruano de Administracion de Empresas ("IPAE") a private, non-profit business association in Peru. The distinction is a response to PetroTal's ongoing efforts to promote socially responsible business practices, in the category for medium and large companies; and,

Q3 2024 Financial Highlights

- The Company generated revenue of $78.9 million (1.4 million mmbbls sold, 14,760 bopd, $58.06/bbl) compared to $103.1 million (1.6 million mmbbls sold, 18,050 bopd, $62.76/bbl) in Q2 2024;
- Royalties paid to the Peruvian government were $5.4 million ($3.99/bbl, 6.9% of revenues) compared to $7.5 million ($4.56/bbl, 7.3% of revenues) in Q2 2024. Contributions for the 2.5% community social trust fund represented $2.0 million in Q3 2024, as compared to $2.5 in Q2 2024;
- Capital expenditures ("Capex") totaled $43.0 million in Q3 2024, primarily associated with the drilling of wells during the quarter, and the expansion of fluid-handling facilities capacity in the Bretana field;
- PetroTal entered into a hedging agreement during the quarter, covering the future sale of 1.8 million barrels as of September 30, 2024. The costless collars have a floor price of $65.00/bbl and a ceiling of $84.25/bbl, with a cap of $104.25/bbl;
- Generated Q3 2024 EBITDA and free funds flow of $47.5 million ($35.00/bbl) and $6.5 million ($4.81/bbl), respectively;
- Net operating income was $56.7 million ($41.74/bbl) compared to $80.0 million ($48.72/bbl) in Q2 2024;
- PetroTal ended the quarter with total cash of $133.1 million ($121.3 million unrestricted), compared to $95.9 million in Q2 2024;
- PetroTal continued its shareholder capital return policy in 2024 and paid dividends totaling $13.8 million on September 15, 2024; and,
- In September 2024, the Company recorded a $1.1M receivable related to true-up derivative gain from a physical sale of 318,532 bbls at Bayovar.

Q3 2024 Subsequent Events

- On October 2, 2024, the President of Peru signed a Supreme Decree allowing for the amendment of the hydrocarbon exploration and production license for Block 131 in Peru. CEPSA Peruana SAC and the Company are now awaiting the renewal of an investment certificate from the Peruvian tax authority, expected within the next 30 business days, at which point the transaction is expected to close;
- On October 11, 2024, PetroTal executed a financing agreement to lease a drilling rig with a Peruvian bank. The term of the rig lease is 36 months and a payment of approximately $0.5 million per month; and,
- On November 11, 2024, the Company declared a cash dividend of $0.015 per common share to be paid December 13, 2024.

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 2024 capital program include:

- Continued migration of 2P reserves into 1P and PDP categories.
- Development of new export routes to maximize value for our product, while minimizing operational risk.
- Maintaining a debt-free balance sheet.
- Returning free cash flow to shareholders through a stable dividend and share buybacks when appropriate.

As of September 30, 2024, PetroTal has drilled a total of 20 development wells at Bretana, plus 4 water injection wells. The ongoing 2024 development program is consistent with the Company's year-end 2023 reserves report, which contemplated a field development plan consisting of 32 production wells in the 2P case. Remaining recoverable reserves of approximately 100 million barrels are expected to be produced prior to the Block 95 license contract expiry in 2041. The 3P case includes recoverable reserves upside to 200 million barrels, mainly through the drilling of additional development locations, and the extension of the Block 95 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 ("VS"1) at Bretana, where a brief production test flowed

320 barrels of oil per day. This zone, which PetroTal's independent reserve evaluator estimates may contain more than 20% of the original oil in place at the Bretana field, may be included in future development plans for the asset.

Another key strategic priority is to secure new export routes throughout Peru, which will facilitate execution of PetroTal's full 2P and 3P development plans. The company has identified four potential new transportation options in Peru, which could increase sales capacity by up to 20,000 bopd over the next two to three years. In Q3 2024, PetroTal initiated a pilot shipment of Bretana crude to on the OCP in Ecuador; although the pilot was ultimately hampered by unusually low river levels, the company will continue to consider this option within a portfolio of marketing options.

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 2024 capital budget is based on an estimated average annual Brent oil price forecast of $77/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 M&A opportunities to create long-term value for shareholders. Subsequent to the end of the quarter, PetroTal closed its first acquisition in Peru, 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 each department throughout the Company;
- Collaborate with government entities and key stakeholders to ensure 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 reduce its carbon footprint by implementing methodologies that prevent deforestation and support projects with zero net biodiversity loss. It prioritizes ecosystem restoration and 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,
- Maintain a constant dialogue with our stakeholders to inform and prevent conflicts.

Exploratory Block 107 – Osheki-Kametza

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

5. SELECTED FINANCIAL INFORMATION

5.1 FINANCIAL SUMMARY

($ thousands)		Q3-2024 $/bbl		Q2-2024 $/bbl		Q1-2024 $/bbl		Q4-2023 $/bbl	
PRODUCTION:	Average Production (bopd) [1]		15,203		18,290		18,518		14,865
SALES:	Average sales (bopd)		14,760		18,050		18,347		15,033
	Total sales (bbls) [2]		1,357,961		1,642,578		1,669,537		1,383,061
	Average Brent price	$77.74		$83.87		$81.01		$82.21	
	Weighted contracted sales price, gross	$78.58		$83.92		$81.14		$81.05	
LESS:	Tariffs, fees and differentials	($20.52)		($21.15)		($20.89)		($20.28)	
	Realized sales price, net	$58.06		$62.76		$60.25		$60.77	
REVENUES:	Oil revenue [3]	$58.06	$78,850	$62.76	$103,086	$60.25	$100,583	$60.77	$84,046
LESS:	Royalties [4]	$5.47	$7,433	$6.08	$9,991	$5.69	$9,500	$7.00	$9,676
	Operating expense (excl. Erosion)	$8.23	$11,176	$6.10	$10,023	$5.56	$9,278	$7.24	$10,010
	Erosion control project	$0.40	$548	$—	$—	$—	$—	$—	$—
	Direct Transportation:								
	Diluent	$0.90	$1,218	$1.16	$1,898	$0.94	$1,567	$1.46	$2,020
	Barging	$0.68	$927	$0.58	$951	$0.60	$1,005	$0.60	$828
	Diesel	$0.13	$173	$0.11	$186	$0.05	$80	$0.10	$142
	Dry Season Freight/Storage/Inv.	$0.51	$690	$0.01	$12	($0.27)	($457)	$1.45	$2,001
	Total Transportation	$2.22	$3,008	$1.86	$3,047	$1.32	$2,195	$3.61	$4,991
NET OPERATING INCOME		$41.74	$56,685	$48.72	$80,025	$47.68	$79,610	$42.92	$59,369
	Netback as % of Revenue		*71.9%*		*77.6%*		*79.1%*		*70.6%*
General and administrative expense		$6.75	$9,160	$6.41	$10,528	$4.83	$8,070	$6.21	$8,588
Commodity price derivative loss (gain)		$15.82	$21,481	$2.01	$3,306	($6.97)	($11,638)	$8.43	$11,662
Financial expense (gain)		($0.23)	($311)	$0.62	$1,018	$0.21	$353	$2.28	$3,150
Income tax expense		$4.45	$6,038	$8.81	$14,470	$11.74	$19,602	$2.95	$4,076
Depletion, depreciation and amortization		$9.64	$13,092	$9.32	$15,311	$9.19	$15,338	$8.33	$11,527
Foreign exchange loss (gain)		$0.03	$46	($0.01)	($14)	$0.16	$264	($0.84)	($1,163)
NET INCOME			$7,179		$35,406		$47,621		$21,529
FREE FUNDS FLOW			$6,537		$36,334		$41,696		$19,767

(1) bopd = barrels of oil per day

(2) bbls = barrels

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

(4) 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)		Q3-2023 $/bbl		Q2-2023 $/bbl		Q1-2023 $/bbl		Q4-2022 $/bbl	
PRODUCTION:	Average Production (bopd) [1]		10,909		19,031		12,193		10,374
SALES:	Average sales (bopd)		11,553		18,483		12,618		10,420
	Total sales (bbls) [2]		1,062,851		1,681,962		1,135,611		958,624
	Average Brent price	$84.65		$77.29		$82.51		$88.61	
	Weighted contracted sales price, gross	$84.31		$77.88		$80.32		$88.22	
LESS:	Tariffs, fees and differentials	($19.25)		($21.26)		($20.01)		($21.71)	
	Realized sales price, net	$65.05		$56.61		$60.31		$66.51	
REVENUES:	Oil revenue [3]	$65.05	$69,142	$56.61	$95,229	$60.31	$68,494	$66.51	$63,755
LESS:	Royalties[4]	$5.49	$5,835	$5.29	$8,899	$5.49	$6,238	$6.08	$5,824
	Operating expense (excl. Erosion)	$8.45	$8,982	$4.22	$7,100	$5.60	$6,354	$7.42	$7,115
	Erosion control project	$—	$—	$—	$—	$—	$—	$—	$—
	Direct Transportation:								
	Diluent	$1.72	$1,829	$0.98	$1,641	$1.20	$1,368	$1.33	$1,274
	Barging	$0.80	$845	$0.53	$896	$0.80	$906	$0.86	$824
	Diesel	$0.13	$141	$0.07	$120	$0.10	$113	$0.15	$144
	Dry Season Freight/Storage/Inv.	$1.99	$2,114	$—	$—	$—	$0	$0.16	$152
	Total Transportation	$4.64	$4,929	$1.58	$2,657	$2.10	$2,387	$2.50	$2,394
NET OPERATING INCOME		$46.47	$49,396	$45.53	$76,573	$47.12	$53,515	$50.51	$48,422
	Netback as % of Revenue		*71.4%*		*80.4%*		*78.1%*		*76.0%*
General and administrative expense		$6.92	$7,355	$3.89	$6,548	$4.90	$5,559	$5.57	$5,339
Commodity price derivative loss (gain)		($11.95)	($12,701)	$3.73	$6,272	$6.38	$7,247	($13.95)	($13,373)
Financial expense		$1.12	$1,187	$1.22	$2,046	$7.89	$8,958	$2.49	$2,387
Income tax expense		$18.30	$19,445	$1.64	$2,751	$5.93	$6,730	$9.36	$8,975
Depletion, depreciation and amortization		$7.49	$7,962	$7.23	$12,154	$7.18	$8,158	$7.42	$7,116
Other expenses		$—	$—	$—	$—	$—	$—	$1.02	$978
Foreign exchange (gain) loss		$0.74	$789	$0.10	$167	($0.10)	($116)	($0.18)	($176)
NET INCOME			$25,359		$46,635		$16,979		$37,176
FREE FUNDS FLOW			$26,560		$45,044		$15,821		($2,298)

(1) bopd = barrels of oil per day

(2) bbls = barrels

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

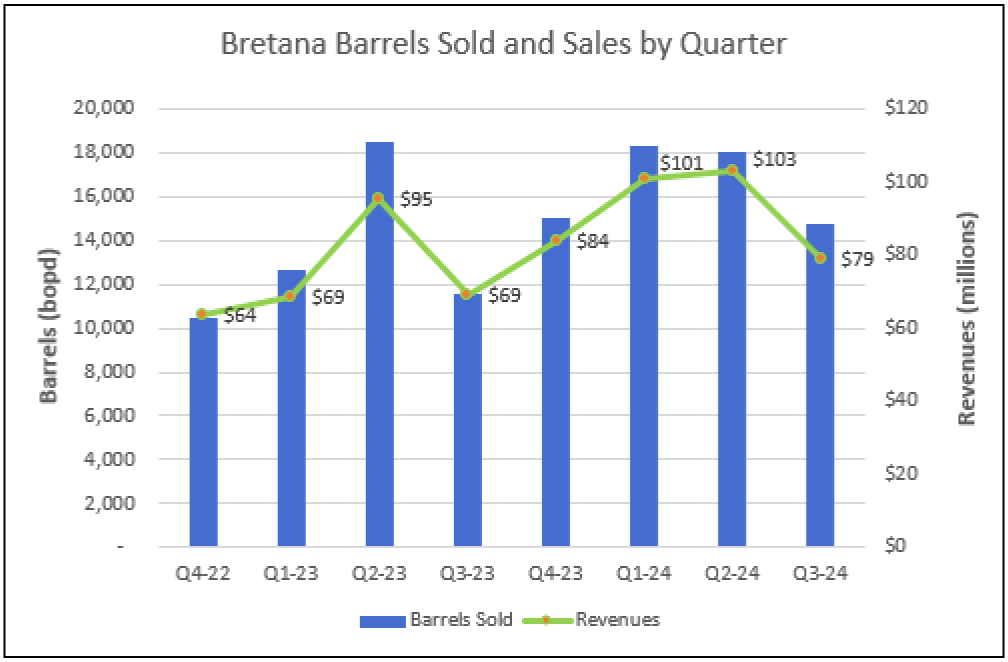
EARNINGS STATEMENT INFORMATION

Revenue

Oil sales in Q3 2024 were 1,357,961 barrels (14,760 bopd), a decrease of 17% compared Q2 2024 when the company sold 1,642,578 barrels (18,050 bopd). However, sales increased 28% compared to Q3 2023, when the company produced 1,062,851 barrels (11,553 bopd).

In Q3 2024, 89% of PetroTal's oil sales were through the Brazil export route and 11% to the Iquitos refinery. Sales to the Iquitos refinery are priced at the prevailing Brent oil price less a quality differential discount and barge transportation charges. Oil sales exported through Brazil are on a freight on board ("FOB") Bretana basis, at the forecasted Brent oil price in three months, less a fixed amount to cover all transportation and sales costs, including the quality differential. As disclosed previously, PetroTal commenced a pilot shipment of Bretana crude to Ecuador's OCP pipeline in Q3 2024; the sale of this oil will be realized in Q4 2024.

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 the 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.



Oil Royalties and social fund balance decreased (mainly related to lower production and oil prices) to $7.4 million ($5.47/bbl) in Q3 2024 from $10.0 million ($6.08/bbl) in Q2 2024 and increased from $5.8 million ($5.49/bbl) in Q3 2023. Beginning in Q3 2022, the 2.5% community social trust initiative is included in royalties. Royalties for the Bretana oilfield are calculated on production, less transportation costs, starting at 5% based on production of 5,000 bopd or less and 20% when production reaches 100,000 bopd or more, increasing on a straight-line basis. Royalty determination is calculated on an individual block basis, based either on production scales or on economic results.

Operating expenses in Q3 2024 increased to $11.2 million ($8.23/bbl), as compared to $10.0 million ($6.10/bbl) in Q2 2024 and in Q3 2023 were $9.0 million ($8.45/bbl). Higher operating expenses in Q3 2024 were mainly due to riverbank maintenance, erosion control and community aid expenses during the quarter.

Direct Transportation expenses in Q3 2024 totaled $3.0 million ($2.22/bbl), representing barging and diluent blending costs, as compared to $3.0 million ($1.86/bbl) in Q2 2024 and $4.9 million ($4.64/bbl) in Q3 2023. Direct transportation costs in Q3 2024 increased due to demurrage charges because of low river levels, offset by a decrease in diluent costs due to lower diluent consumption. Diluent is a light hydrocarbon mixture that is blended with heavy crude oil to make the crude oil thinner and easier to discharge. Mixture of the diluent with the crude oil at the Bretana field tanks increases the American Petroleum Institute (API) gravity and decreases its viscosity to meet the Iquitos refinery pumping system requirements. Diluent costs fluctuate as a result of diluent prices and blending requirements for oil delivered to the Iquitos refinery.

	September 30, 2024	June 30, 2024
Diluent	1,218	1,898
Barging	927	951
Diesel	173	186
Dry season freight and storage	690	12
Total Direct Transportation	3,008	3,047

General and administrative ("G&A") expenses in Q3 2024 were $9.2 million ($6.75/bbl), as compared to $10.5 million ($6.41/bbl) in Q2 2024 and $7.4 million ($6.92/bbl) in Q3 2023.

	September 30, 2024	June 30, 2024
Salaries and benefits	5,965	7,108
Legal, audit and consulting fees	3,367	3,309
Community support	658	422
Office rent and administrative	1,172	1,773
Share-based compensation plans	914	916
Costs directly attributable to PP&E and operating expenses	(2,916)	(3,000)
Total	9,160	10,528

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

The Company allocated $2.9 million of G&A in Q3 2024 to capital projects and operating expenses, compared to $3.0 million in Q2 2024 and $1.7 million Q3 2023.

Depletion, Depreciation and Amortization ("DD&A") for Q3 2024 was $13.1 million ($9.64/bbl) as compared to $15.3 million ($9.32/bbl) in Q2 2024 and $8.0 million ($7.49/bbl) in Q3 2023. DD&A is determined using the annual reserve report information prepared by NSAI at December 31, 2023. DD&A is calculated based on capital invested, future capital, abandonment provision, production and 2P reserves.

Commodity price derivative loss of $21.5 million in Q3 2024 primarily stems from fluctuations in oil price futures, impacting the fair value of outstanding embedded derivatives. The loss compares to a $3.3 million loss in Q2 2024 and a $12.7 million gain in Q3 2023. The loss is non-cash and is contingent upon the eventual sale of oil volumes at the Bayovar terminal under the Company's sales agreement with Petroperu. 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. Currently, Petroperu owes approximately $20 million for previously invoiced barrels, which will be collected upon final export.

Foreign exchange loss in Q3 2024 was $46 thousand compared to a $14 thousand gain in Q2 2024, and a $789 thousand loss in Q3 2023, due to fluctuations in relative currency positions and transactions.

Income tax expenses of $6.0 million was recorded in Q3 2024 compared to $14.5 million in Q2 2024 and $19.4 million in Q3 2023 (see Note 9).

Finance income was $0.3 million in Q3 2024, mainly related to interest income and a long-term receivable present value adjustment gain, net of lease interest expense and accretion of decommissioning obligation expense. The Company had $1.0 million and $1.2 million in finance expense in Q2 2024 and Q3 2023, respectively.

5.2 BALANCE SHEET INFORMATION

BALANCE SHEET - SUMMARIZED

	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023
($ thousands)					
Current Assets					
Cash	$121,328	$84,116	$62,498	$90,568	$94,109
Restricted cash	$5,744	$5,743	$16,653	$14,731	$12,718
VAT receivable	$20,032	$12,376	$9,034	$9,709	$9,634
Trade and other receivables	$47,011	$93,325	$93,402	$58,602	$65,591
Inventory	$23,560	$14,960	$16,525	$12,792	$16,028
Prepaid expenses	$16,199	$19,933	$15,867	$7,462	$6,445
Derivative assets	$3,230	$6,963	$18,065	$9,318	$20,017
Total Current Assets	$237,104	$237,416	$232,044	$203,182	$224,542
Restricted cash	$6,000	$6,000	$6,000	$6,000	$6,000
Trade Receivable long-term	$20,439	$19,985	$20,514	$20,370	$—
VAT receivables and taxes	$3,180	$2,769	$14,659	$15,271	$8,436
PPE and E&E, net	$479,369	$446,563	$422,559	$408,537	$373,251
Derivative assets	$39	$7,967	$4,584	$4,926	$5,971
Total Non-current Assets	$509,027	$483,284	$468,316	$455,104	$393,658
Total Assets	$746,131	$720,700	$700,360	$658,286	$618,200
Current Liabilities					
Trade and other payables	$83,725	$71,271	$85,446	$79,328	$58,696
Income tax payable	$25,228	$18,133	$8,260	$—	$—
Lease liabilities	$3,712	$3,879	$1,866	$4,555	$2,888
Total Current Liabilities	$112,665	$93,283	$95,572	$83,883	$61,584
Leases and other long-term	$24,298	$25,304	$28,083	$26,373	$15,884
Deferred income tax liabilities	$65,006	$65,762	$62,633	$55,109	$51,548
Long-term derivative liabilities	$14,910	$3,974	$3,599	$6,832	$6,914
Decommissioning liabilities	$25,496	$22,456	$21,556	$22,147	$19,713
Total Non-current Liabilities	$129,710	$117,496	$115,871	$110,461	$94,059
Total Equity	$503,756	$509,921	$488,917	$463,942	$462,557
Total Liabilities and Equity	$746,131	$720,700	$700,360	$658,286	$618,200

Cash and liquidity

At September 30, 2024, the Company held cash of $121.3 million and restricted cash of $11.7 million, totaling $133.1 million, compared to $95.9 million at June 30, 2024 and $111.3 million at December 31, 2023. Working capital was $124.4 million at September 30, 2024 as compared to $144.1 million at June 30, 2024 and $119.3 million at December 31, 2023.

	September 30, 2024	December 31, 2023
Cash	121,328	90,568
Restricted cash current	5,744	14,731
Restricted cash non-current	6,000	6,000
Total Cash	133,072	111,299

Current restricted cash of $5.7 million, is primarily related to the social fund and letters of credit bank guarantees for Block 107 exploration wells. The $6.0 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 and nine months ended September 30, 2024, the Company paid to the community $2.4 million and $15.8 million, respectively.

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VAT receivable

	September 30, 2024	December 31, 2023
VAT receivable current	20,032	9,709
VAT receivable non-current	2,286	2,226
Total VAT receivables	22,318	11,935

Valued Added Tax ("VAT") in Peru is levied on the purchase of goods and services and is recoverable on sales of goods and services. The Company recovered $16.0 million during the nine months ended September 30, 2024 and expects to recover $20.0 million in the short-term.

Trade and other receivables

	September 30, 2024	December 31, 2023
Trade receivables	66,045	76,163
Other receivables	1,405	2,809
Total trade and other receivables	67,450	78,972
Represented as:		
Current receivables	47,011	58,602
Non-current receivables	20,439	20,370

At September 30, 2024, trade receivables represent revenue related to the sale of oil. The trade balance is mostly comprised of $24.6 million due from Petroperu ($4.2 million is short term and $20.4 million is long term) and $41.4 million from export sales through Brazil (all of which is due short term). No credit losses on the Company's trade receivables have been incurred and all short-term receivables are current.

In Q4 2023, the company reclassified a $22.6 million Petroperu receivable from short-term receivables to long-term receivables. The long-term receivable was discounted to a present value of $20 million that resulted in a charge to finance expense. At September 30, 2024, the value of this receivable was $20.4 million.

Capital expenditures

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	2024	2023
Drilling Program	21,474	7,715	72,945	49,681
Field Infrastructure	12,517	6,205	27,047	16,005
Fluid Handling Facilities (CPF)	7,092	1,538	8,078	4,811
Erosion Control	51	1,001	173	2,843
Block 95	163	153	684	1,178
Block 107	641	147	818	1,241
Other	1,081	251	2,493	537
Total	43,019	17,010	112,238	76,296

PetroTal invested $43.0 million in capital projects in Q3 2024, an increase of $26 million compared to the same period last year. The major components of the Q3 capital program were the costs associated with drilling wells 5WD and 20H at Bretana, along with the expansion of fluid handling capacity at the field. PetroTal has invested $112.2 million in capital projects in the nine months ended September 30, 2024, compared to $76.3 million for the comparable 2023 period.

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

At September 30, 2024, the Company has $10.0 million of exploration and evaluation assets related to Block 95 and Block 107.

Inventory

	September 30, 2024	December 31, 2023
Oil inventory	3,460	813
Materials, parts and supplies	20,100	11,979
Total inventory	23,560	12,792

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 September 30, 2024, the oil inventory balance of $3.5 million consists of 96,070 barrels of oil valued at $36.01/bbl (December 31, 2023: $0.8 million, based on 35,320 barrels of oil at $23.01/bbl). Materials, parts, and supplies, including diluent, are expected to be consumed in the short-term.

	Barrels
Oil inventory at January 1, 2024	35,320
Production	4,748,229
Diluent added	44,049
Internal use (power generation) and other	(61,452)
Sales	(4,670,076)
Oil inventory at September 30, 2024	96,070

Trade and other payables

	September 30, 2024	December 31, 2023
Trade payables	31,978	25,037
Accrued payables and other obligations	51,747	54,291
Total trade and other payables	83,725	79,328

At September 30, 2024 and December 31, 2023, trade payables and other payables are primarily related to the drilling and completion of wells and construction of production processing facilities. The other obligations are mainly related to the 2.5% social fund for the benefit of local communities, which totaled to $2.9 million at September 30, 2024 ($12.2 million at December 31, 2023).

Commodity Price Derivatives

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

The fair value change of the embedded derivative, considering an average future ICE Brent price marker differential, was recorded as a loss on commodity price derivatives at September 30, 2024.

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	2024	2023
Net derivative asset at beginning of period	10,956	6,373	7,412	20,370
Cash settlements	0	(253)	(4,788)	(478)
Cash to be received	(1,116)	253	(1,116)	—
Realized (loss)	(3,774)	(2,734)	(3,741)	(2,256)
Unrealized (loss) gain	(17,707)	15,435	(9,408)	1,438
Net derivative asset (liability) at end of period	(11,641)	19,074	(11,641)	19,074
Represented as:				
Short-term derivative assets			3,230	20,017
Long-term derivative assets			39	5,971
Long-term derivative liabilities			(14,910)	(6,914)

Sales delivery / Executed month	Expected settlement month	Volume mbbls	Price range $/bbl	Hedged range $/bbl	Net Derivative Asset (Liability)
Peru Embedded Derivatives [(a)]					
Apr-21 to Feb-22	Oct-25 to May-27	1,882	62.49 to 85.26	70.10 to 70.43	(14,871)
Corporate Derivatives Hedging [(b)]					
Aug-24	Oct-24 to Aug-25	1,868	—	65.00 | 84.25 | 104.25	3,230
				Net Derivative (Liability)	**(11,641)**

a) Embedded derivative related to original Petroperu sales agreement.
b) Corporate hedge program to cover a portion of 2024 and 2025 production.

For the three and nine months ended September 30, 2024, the Company realized true-up derivative gains from final sales at Bayovar of 318,532 bbls for $1.1 million and 540,132 bbls for $5.9 million, respectively. At September 30, 2024, 1.9 million barrels (2.4 million at December 31, 2023) at an average forecasted sale price of $70.20, remain in the pipeline or storage tanks, awaiting final sale by Petroperu. During the quarter, a decrease in future oil prices and an increase to the Peru embedded derivative quality discount resulted in a net derivative liability. A 1% change to the hedged range price would result in a $1.2 million change to the net derivative liability.

In August 2024, the company executed a hedging agreement that consisted of multiple trades that total 2.1 million bbls of Brent oil with settlements dates from October 2024 to August 2025. The hedge types include a put option of $65.00 per bbl, a call option of $84.25 per bbl and a call option of $104.25 per bbl. At September 2024, there was a remainder of 1.9 million in hedged barrels of Brent oil that resulted in a net derivative asset of $3.2 million.

Decommissioning liabilities

The undiscounted uninflated value of its estimated decommissioning liabilities is $42.5 million ($39.0 million in 2023). The present value of the obligations was calculated using an average risk-free rate of 5.2% (December 31, 2023: 5.3%) 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%.

Balance at January 1, 2023	13,393
Additions	5,390
Revisions to decommissioning liabilities	2,370
Accretion	994
Balance at December 31, 2023	22,147
Additions	1,868
Revisions to decommissioning liabilities	549
Accretion	932
Balance at September 30, 2024	25,496

Short and long-term debt

During the quarter the Company did not borrow from any of the lines of credit for working capital, there was $0 in debt at September 30, 2024, and has available $77M in lines of credit shown below. All lines of credit are available for one year with the option to renew.

At September 30, 2024, the Company had a $20 million unsecured line of credit fully available with an interest rate of 8.97% with Banco de Credito del Peru and a payment term of 90 days. No debt covenants were set forth by the lender in the loan agreement. The funds are to be used to fund short-term working capital needs.

In April 2024, PetroTal obtained a $2 million unsecured line of credit with BanBif at an interest rate determined by the prevailing market rate at the time of borrowing and a payment term of 90 days. No debt covenants were set forth by the lender in the loan agreement.

In April 2024, PetroTal obtained a $5 million line of credit with Scotia Bank at an interest rate determined by the prevailing market rate at the time of borrowing and a payment term of 360 days. The line of credit requires $5 million in cash collateral if the credit line is used. No other debt covenants were set forth by the lender in the loan agreement.

In May 2024, PetroTal obtained a $20 million unsecured line of credit with JP Morgan Bank at an interest rate determined by the prevailing market rate at the time of borrowing and a payment term of 120 days. No debt covenants were set forth by the lender in the loan agreement.

In August 2024, PetroTal obtained a $10 million unsecured line of credit with GNB at an interest rate determined by the prevailing market rate at the time of borrowing and a payment term of 180 days. No debt covenants were set forth by the lender in the loan agreement.

In September 2024, PetroTal obtained a $20 million line of credit with Banco Pichincha at an interest rate determined by the prevailing market rate at the time of borrowing and a payment term of 120 days. The line of credit is secured by an insurance endorsement. No debt covenants were set forth by the lender in the loan agreement.

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Leases

In prior years, PetroTal commenced a service lease arrangement with a supplier that provides turnkey power generation equipment services. The lease term ends September 2031.

During the quarter, the Company entered into a new office lease in Lima, Peru with a lease termination date of August 2027. The lease liabilities also includes two other office leases, one in Houston, Texas and one in Lima, Peru. The Houston lease is for a term of 6.2 years with an incremental borrowing rate of 6.5% and the Lima lease is for 5 years with an incremental borrowing rate of 8.5%.

Lease liabilities at January 1, 2023	19,642
Revisions	12,389
Payments	(4,465)
Interest on leases	1,304
Lease liabilities at December 31, 2023	28,870
Additions	504
Payments	(5,176)
Interest on leases	1,599
Lease liabilities at September 30, 2024	25,797
Represented as:	
Current liability	3,712
Non-current liability	22,085

As of September 30, 2024, total lease liabilities have the following minimum undiscounted payments per year:

Year	
2024	1,292
2025	5,258
Thereafter	26,630
Total	33,180

In the preparation of the Financial Statements, we identified as of December 31, 2023 a misclassification of $2.3M between the lease payments due in the short and long-term. As a result, the Company revised the balances as of December 31, 2023, to properly reflect the classification of lease payments with no impact to the total lease liability balance.

Share capital

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

As of November 11, 2024, PetroTal has the following securities outstanding (in thousands):

Common shares	912,675	98%
Performance share units	17,610	2%
Total	930,285	100%

Dividends

During the three and nine months ended September 30, 2024, the Company paid dividends to shareholders in the amount of $13.8 million and $46.8 million, respectively. The Company paid dividends in the amount of $0.015 per share during the quarter. The Company's 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 44,230,205 common shares (representing approximately 5% of outstanding common shares as at May 12, 2023) beginning May 18, 2023 and ending no later than May 17, 2024. Common shares purchased under the NCIB will be cancelled. On May 22,2024, the Company announced that it intends to renew the NCIB which would end no later than May 23, 2025. This renewal includes the intention to purchase up to 14,600,000 common shares (representing approximately 2% of its outstanding common shares at May 10, 2024).

During the nine months ended September 30, 2024 and 2023, the Company purchased 7,337,904 and 6,187,995 common shares under the NCIB for total consideration of $4.2 million and $3 million, respectively. The surplus between the total consideration and the carrying value of the shares repurchased was recorded against retained earnings.

5.3 NON-GAAP TERMS

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

NON-GAAP FINANCIAL MEASURES

Revenue and transportation expense adjustment

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

Funds flow information

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

	Q3 2024	Q2 2024	Q3 2023
Cash flow from operating activities			
Net income	7,179	35,409	25,360
Adjustments for:			
Depletion, depreciation and amortization	13,092	15,308	7,155
Accretion of decommissioning obligation	317	311	253
Equity based compensation expense	586	1,181	1,502
Financial interest expense	67	1,061	438
Deferred income tax expense	(1,057)	14,967	19,445
Commodity price unrealized derivatives loss	17,707	3,339	(15,436)
Funds flow provided by operations before non-cash working capital	**37,892**	**71,576**	**38,717**
Changes in non-cash working capital:			
Receivables and restricted cash	38,547	(3,212)	45,224
Advances and prepaid expenses	3,734	(4,066)	344
Inventory	(8,252)	1,709	(2,410)
Trade and other payables	12,320	(12,902)	1,042
Income tax payable	7,095	9,873	—
Commodity price realized derivatives gain	4,890	4,755	2,960
Cash (paid) received for income taxes	—	—	247
Net cash provided by operating activities	**96,226**	**67,733**	**86,124**

	Q3 2024	Q2 2024	Q3 2023
Cash flow from investing activities			
Exploration and evaluation asset additions	(770)	(24)	(178)
Property, plant and equipment additions	(42,249)	(38,843)	(16,832)
Non-cash changes in working capital	135	(1,274)	(1,640)
Net cash used in investing activities	**(42,884)**	**(40,141)**	**(18,650)**
Net cash provided by operating and investing activities	**53,342**	**27,592**	**67,474**

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.

	Q3 2024	Q2 2024	Q3 2023
Net income	7,179	35,409	25,360
Adjustments to reconcile net income:			
Depletion, depreciation and amortization	13,092	15,309	7,962
Financial expense	(311)	1,018	1,187
Income tax expense	6,038	14,471	19,445
Commodity price derivatives loss (gain)	21,481	3,306	(12,701)
Foreign exchange loss (gain)	46	(14)	789
EBITDA (non-GAAP)	**47,526**	**69,499**	**42,042**
Commodity price derivatives realized (loss) gain	1,116	4,788	—
Share based compensation	914	916	1,529
Adjusted EBITDA (non-GAAP)	**49,556**	**75,201**	**43,571**
Capital expenditures	(43,019)	(38,868)	(17,011)
Free funds flow (non-GAAP)	**6,537**	**36,334**	**26,560**

Note: The EBITDA and Adjusted EBITDA 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.

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.

6. SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are included in the Financial Statements and the accompanying notes as of December 31, 2023 and 2022. Additional information about significant judgements and estimates are included in PetroTal's audited Financial Statements for the years ended December 31, 2023 and 2022.

USES OF CRITICAL ACCOUNTING ASSUMPTIONS, ESTIMATES AND JUDGEMENTS

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

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

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

Functional Currency

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

Exploration and Evaluation Assets

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

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

Decommissioning Obligations

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

Deferred Tax Assets & Liabilities

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

Provisions, Commitments and Contingent Liabilities

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

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

7. DISCLOSURE PRONOUNCEMENTS NOT YET ADOPTED

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

In June 2023 the International Sustainability Standards Board ("ISSB") issued its inaugural standards - IFRS S1 and IFRS S2. The ISSB was formed as a new standard-setting board within the IFRS Foundation to issue standards that deliver a comprehensive global baseline of sustainability-related financial disclosures, operating alongside the International Accounting Standards Board. IFRS S1 and IFRS S2 are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, as long as both standards are applied. IFRS S1 provides a set of disclosure requirements designed to enable companies to communicate to investors about the sustainability-related risks and opportunities, while IFRS S2 sets out specific climate-related disclosures and is designed to be used in conjunction with IFRS S1. Canadian regulators have not yet mandated these standards; however, the Company is continuing to review the impact of the standards on its financial reporting.

8. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

GUARANTEES AND COMMITMENTS

As at September 30, 2024, the Company holds the following letters of credit guaranteeing its commitments for exploration blocks to Perupetro S.A.:

Block	Beneficiary	Amount	Commitment	Expiration
107	Perupetro S.A.	$1,500	1st exploration well, minimum work 5th exploratory period	May 2026
107	Perupetro S.A.	$1,500	2nd exploration well, minimum work 5th exploratory period	May 2026
		$3,000		

CONTRACTUAL OBLIGATIONS

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

9. TAXES

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	**2023**	**2024**	**2023**
Earnings before income taxes	13,217	44,804	130,319	117,901
Canadian corporate tax rate	23.00 %	23.00 %	23.00 %	23.00 %
Expected income tax expense	3,040	10,305	29,973	27,117
Increase (decrease) in taxes resulting from:				
Non-deductible expenses and other	3,056	5,621	1,980	1,497
Tax differential on foreign jurisdictions	(58)	3,519	8,158	9,123
Change in valuation allowance	—	—	—	(8,811)
Provision for income taxes	**6,038**	**19,445**	**40,111**	**28,926**

The Company recognized the net tax amount related to NOLs and deferred tax liabilities in Canada, Peru and the US. As of September 30, 2024, the Company consumed all losses in Canada (December 31, 2023: $17 million) and all losses in Peru (December 31, 2023: $7 million). The US has $0.9 million tax losses remaining (December 31, 2023: $2 million). The US non-capital losses can be carried forward indefinitely.

The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized as of September 30, 2024 is approximately $4 million (December 31, 2023: $29 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 September 30, 2024.

LIQUIDITY RISK

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

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

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

CREDIT RISK

Credit risk is the risk that a customer or counterparty will fail to perform an obligation or fail to pay amounts due causing a financial loss to the Company. The Company's VAT is primarily for sales tax credits on exploration and drilling expenses incurred in prior years. These credits will be applied to future oil development activities or recovered as per the sales tax recovery legislation currently in effect. The majority of the Company's trade receivable balance relates to oil sales and purchase price adjustments to two customers, being Petroperu, a state-owned company and Novum, an oil trading company. The Company has a long-term sales agreement for oil exports through Brazil, whereby sales are FOB Bretana. Sales through the ONP pipeline are due and payable 240 days after the final delivery of the oil to the Bayovar terminal. During the nine months ended September 30, 2024, 88% of oil sales were to Novum (Brazil export route) and 12% were to Petroperu (Iquitos refinery). The Company has not experienced any material credit losses in the collection of its trade receivables.

Impairment to a financial asset is only recorded when there is objective evidence of impairment and the loss event has an impact on future cash flow and can be reliably estimated. Evidence of impairment may include default or delinquency by a debtor or indicators that the debtor may enter bankruptcy. Management believes that there is no risk on the recoverability and/or applicability of the sales tax credits. Therefore, no impairment to the carrying value of these assets has been estimated. The Company has deposited its cash and cash equivalents with reputable financial institutions, with which management believes the risk of loss to be remote. The maximum credit exposure associated with financial assets is their carrying value. At September 30, 2024, the cash and cash equivalents were held with six different institutions from three countries, mitigating the credit risk of a collapse of one particular bank.

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 2025 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 Osheki prospect are based upon an independent assessment completed by NSAI with an effective date of September 30, 2018 and prepared in accordance with Canadian Oil and Gas Evaluation Handbook ("COGE") and the standards established by NI 51-101. For additional information about the Company's prospective resources, see the Company's website for the most current press release.

ADDITIONAL INFORMATION

Additional information about PetroTal Corp. and its business activities, including PetroTal's audited Financial Statements for the years ended December 31, 2023 and 2022 are available on the Company's website at www.petrotal-corp.com, and at www.sedarplus.ca, or below:

DIRECTORS

Mark McComiskey (1)(4)(5)
Chair of the Board

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)

OFFICERS AND SENIOR EXECUTIVES

Manuel Pablo Zuniga-Pflucker
President and Chief Executive Officer

Camilo McAllister
Executive VP and Chief Financial Officer

Sudan Maccio
Chief Legal Counsel and Corporate Secretary

Jose Contreras
Senior VP of Operations

Glen Priestley
VP Finance and Treasurer

Emilio Acin Daneri
Vice President of Business Development

Guillermo Florez
General Manager Peru

CORPORATE HEADQUARTERS

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STOCK EXCHANGES

TSX Exchange
Toronto, Ontario, Canada
TSX: TAL

AIM Stock Exchange
London, United Kingdom
AIM: PTAL

OTCQX Stock Exchange
New York, USA
OTCQX: PTALF

LEGAL COUNSEL

Stikeman Elliott LLP
Calgary, Alberta, Canada

AUDITORS

Deloitte LLP
Calgary, Alberta, Canada

NOMINATED & FINANCIAL ADVISER

Strand Hanson Limited
London, United Kingdom

JOINT BROKERS

Stifel Nicolaus Europe Limited
London, United Kingdom

Peel Hunt LLP
London, United Kingdom

RESERVES EVALUATORS

Netherland, Sewell & Associates, Inc.
Dallas, Texas, USA

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada
Calgary, Alberta, Canada
London, United Kingdom
Massachusetts, USA and New Jersey, USA

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