

PetroTal Corp. Announces Three-Year Arrangement with Petroperu

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Oil Sales Contract terms enhanced and extended to three years

Calgary, June 12, 2020 - [PetroTal Corp.](#) (TSXV: TAL) (AIM: PTAL) ("PetroTal" or the "Company") is pleased to announce that it has entered into an arrangement with PETROPERU S.A. (“Petroperu”).

The arrangement will result in the Company's liability to Petroperu in relation to the recent oil price movements being payable over a three year period, rather than at the point of sale of the oil. The arrangement has been structured to minimize the impact of the recent oil price decline on the Company's cash flows and forward plans, whilst allowing the Company to benefit from any future increase in oil prices when physical oil sales occur. As announced on May 7, 2020, the liability relates to the oil price differential between the date that oil enters the Northern Oil Pipeline (“ONP”) and the current oil price (and, ultimately, the physical oil sales price).

Additionally, PetroTal announces an extension of the oil sales contract with Petroperu dated December 23, 2019 (“Oil Sales Contract”) from one year to three years on enhanced terms. All monetary amounts in this release are in United States dollars.

Highlights

- The contingent liability announced on May 7, 2020 has been structured into a three-year payment arrangement (“Arrangement”) with Petroperu at an interest rate of 6.5% ;
- The contingent liability at the end of May is estimated to be approximately \$43 million;
- The Arrangement allows PetroTal to settle the obligations to Petroperu now while still allowing the Company to benefit from higher oil prices forecasted by the Brent forward strip pricing curve when the physical oil sales occur;
- PetroTal and Petroperu (the “Parties”) have agreed to extend the one-year Oil Sales Contract to three years upon expiry of the current term on December 23, 2020;
- The Parties will establish a framework to ensure that future oil sales under the Oil Sales Contract have adequate hedge protection to avoid future downside losses;
- The Parties have agreed to further amendments to the Oil Sales Contract for lower pipeline tariffs and fees during the period of low oil prices; and,
- PetroTal is coordinating with Petroperu to reopen the Bretana oil field in early July.

Arrangement

Pursuant to the terms of the Oil Sales Contract and the oil swap contract referenced in PetroTal's May 7, 2020 announcement, a contingent liability arose due to the significant reduction in oil prices in early 2020. The purchaser of the oil, Petroperu, has agreed to resolve this entire contingent liability on a one-time basis that would see the obligation paid evenly over a three year period, at an annual interest rate of 6.5%. At May 31, 2020, 2.1 million barrels of oil are either in the pipeline or storage tanks, and based on the average oil price for May 2020, the contingent liability is approximately \$43 million. At March 31, 2020, there were 1.8 million barrels of oil in the pipeline or storage tanks. The actual liability will be determined based on the future Brent oil price when the oil is sold. For reference, based on the average Brent oil price of approximately \$40/bbl for June to date, the contingent liability is approximately \$26 million. The Arrangement will allow PetroTal to continue to benefit from the higher oil prices forecasted by the Brent forward strip pricing curve when the physical oil sales occur while allowing PetroTal to invest in the Bretana oil field development.

As security for the Arrangement, the production facilities of PetroTal at Bretana will be pledged under a trust agreement pursuant to which such facilities will be held as security for the benefit of Petroperu. Along with the contractual monthly repayments, PetroTal may make additional pre-payments to facilitate an earlier

payout. Once Petroperu has been repaid in full, the trust agreement will terminate and any security in respect of the facilities shall be released.

PetroTal will continue to benefit from higher projected oil prices when the oil volumes that have been sold to Petroperu under the Oil Sales Contract and the oil swap contract are sold by Petroperu in Q3 and Q4 2020.

Amendments to the Oil Sales Contract

In order to solidify the long-term operating relationship between PetroTal and Petroperu, the parties have agreed to amend certain terms of the Oil Sales Contract in recognition of the current weak oil price conditions. The key changes are:

- Extension of the term to three years from the current one-year term;
- Given the extended time for Petroperu to realize the export sales, future invoices submitted by PetroTal will be due 240 days from when PetroTal delivers the oil at Saramuro;
- PetroTal will continue to have the ability to immediately factor future invoices, at a nominal rate, and therefore cash flow is expected to remain largely unaffected by this longer invoice period;
- Reductions in the pipeline tariff and commercialization fee graduated to correspond to varying levels of Brent oil prices;
- At current Brent oil price levels with minimum production of 9,000 barrels of oil per day monthly average, the combined fees are expected to drop from \$11.00 per barrel to \$8.67 per barrel;
- The initial differential at the time Bretana oil is sold to Petroperu has been adjusted to \$6 per barrel (previously \$4 per barrel). If the actual differential is less than the initial \$6 per barrel at the time the oil is physically exported 8 to 12 months later, then PetroTal will recapture the difference as revenue, however if the actual differential is higher than \$6 per barrel then PetroTal will pay the difference. By increasing the initial differential, PetroTal is reducing its future exposure to realized price differential risk;
- Future value fluctuation settlements will occur at the date the physical oil is sold by Petroperu;
- To minimize the future price differential, Petroperu will use their best efforts to sell the Bretana oil at the best market conditions; and,
- Both parties have mutually agreed to hedge future sales of the Bretana oil sold into the ONP to limit price exposure, at the Company's expense.

Pipeline and Bretana Oil Field Shut Down

While the Bretana oil field remains shut down awaiting opening of the ONP by Petroperu, PetroTal is coordinating with Petroperu to reopen the Bretana oil field in early July, with the expectation that the ONP restarts pumping oil very shortly thereafter. Both PetroTal and Petroperu will fully abide by the health directives issued by the Peruvian government in order to safely restart operations during the ongoing COVID-19 pandemic.

Financial Update

PetroTal currently has no bank debt and continues its efforts to establish a credit facility that will further enhance liquidity and flexibility for the Company. Upon collection of oil sales invoices in the next few weeks, PetroTal will have cash of approximately \$11 million. The Company has obligations to its suppliers of approximately \$49 million, excluding the contingent liability to Petroperu. Deferred payment plans are either in place or being discussed with a number of suppliers that will result in the payments being deferred to fit within PetroTal's cash resources and future cash flow generated.

Carlos Barrientos Gonzales, General Manager of Petroperu, commented:

"Petroperu appreciates the dedication and investment that PetroTal has made in the development of the Bretana oil field. Petroperu expects to complete the significant upgrade of the Talara refinery in mid-2021 and the ability to utilize domestic oil production will be an important element. PetroTal is an important player in Peru's oil industry and is now an important oil producer in the Country. The Oil Sales Contract between Petroperu and PetroTal is an important link between our two companies, and I'm pleased that we've reached agreement to extend it to three years along with the additional contract

enhancements. In recognition of the significant investment PetroTal has made in the Bretana oil field and production facilities, Petroperu is very comfortable with allowing the contingent liability to be settled over the next three years. The Bretana oil production coming through the Northern Pipeline also represents an important benefit for the Loreto Region and for the Country.

Manolo Zuniga, President and Chief Executive Officer, commented:

PetroTal is pleased to embrace the strong working relationship it has with Petroperu. Oil production from the Bretana oil field is an important component of Petroperu's pipeline and refinery network. Solidifying a three-year arrangement for both settlement of the contingent liability and ensuring future oil sales, significantly enhances PetroTal's operations. It also sets the stage for PetroTal to continue the development of the Bretana oil field, as and when oil prices recover.

Our focus on balance sheet strength and enhancing liquidity will ensure PetroTal has the financial strength for working capital management and the ongoing development of Bretana. PetroTal appreciates the support of its suppliers and the continued dedication of our employees and contractors. Together, PetroTal will emerge from the pandemic stronger, in order to rebuild value for shareholders.

Eight Capital acted as strategic advisor to PetroTal on the Arrangement with Petroperu.

ABOUT PETROTAL

PetroTal is a publicly traded, dual quoted (TSXV: TAL) (AIM: PTAL) 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 Bretaña oil field in Peru's Block 95 where oil production was initiated in June 2018, and in early 2020 became the second largest oil producer in Peru. Additionally, the Company has large exploration prospects and is engaged in finding a partner to drill the Osheki prospect in Block 107. The Company's management team has significant experience in developing and exploring for oil in Northern Peru and is led by a Board of Directors that is focused on safely and cost effectively developing the Bretaña oil field.

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

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[1] TAMEX (Active Interest Rate Market Average Foreign Currency) published by SBS
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