PetroTal Corp. Announces Q2 2021 Operations Update

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PetroTal completes water disposal well, commences drilling next horizontal well (BN-8H), and exits Q2 2021 with strong cash liquidity

July 20, 2021) - PetroTal Corp. (TSXV: TAL) (AIM: PTAL) ("PetroTal" or the "Company") is pleased to announce the following operational update for Q2 2021. All currency amounts are in United States dollars (unless otherwise stated).

Highlights:

- Q2 2021 production averaged 8,825 barrels of oil per day ("bopd") which was 2% higher than guidance of 8,655 bopd;

- PetroTal completed its second water disposal well ("3WD"), thereby potentially doubling its produced formation water disposal capacity to approximately 100,000 barrels of water per day ("bwpd") once the CPF-2 facilities are completed;

- Two cores were successfully recovered from the 3WD which should enhance reservoir models and understanding of Bretana's oil in place estimates;

- The 7D oil well continues to outperform expectations producing approximately 260,000 barrels of oil since it started producing on April 30, 2021. The well achieved payout in early July and has averaged over 2,500 bopd from July 1 to July 16, 2021;

- PetroTal is currently producing a constrained 8,800 bopd and successfully disposing of all the produced formation water into the 2WD and 3WD water disposal wells, however, water disposal pumping capacity is operating at reduced levels. Over the next month, the Company will continue optimizing water disposal pumping capacity to further enhance production rates to 10,000 bopd;

- Drilling commenced on the Company's next horizontal well (BN-8H) on July 12, 2021. The BN-8H well should be completed by early September at a cost of $12.25 million and is expected to boost field production to over 13,000 bopd;

- Phase two of PetroTal's central processing facility ("CPF-2") is on track for Q4 2021 completion;

- Total cash liquidity at June 30, 2021, was approximately $79 million, of which $54 million is unrestricted. At June 30, 2021, accounts payable and accrued liabilities were approximately $37 million; and,

- As part of PetroTal's commitment to our local stakeholders, the Company recently joined the Indigenous Chamber of Commerce of Peru and was also recognized by The Ministry of Energy and Mines (MINEM) for Community Citizen Socio-Environmental Monitoring Program ("PROMOSAC"), developed with community participation, reflective of the Company's focus on community support.

Completion of two new wells. PetroTal commenced drilling a second water disposal well, 3WD, on May 3, 2021. It was successfully completed on July 9, 2021, approximately one month later than the original estimate due to a required sidetrack. Despite the drilling delay, and inclusive of the coring operation, the total well cost is expected to be $11.9 million, compared to the budget of $9.8 million. The additional expenditure is partially offset by cost savings on the 7D development well that was completed in late April 2021 and has already accumulated approximately 260,000 barrels of oil and achieved payout in early July.

Valuable reservoir data collected. Two cores were cut and recovered while drilling the 3WD well, one from the top of the Vivian oil reservoir and the second throughout the oil-to-water transition zone that shows a better-than-expected shorter transition zone. This will be verified by the ongoing petrophysical studies, allowing for a more thorough estimate of oil in place for the 2021 year-end reserves assessment.

Q2 2021 oil production. As stated in the May 31, 2021 announcement, current production levels were approximately 9,000 bopd inclusive of well shut ins, and as a result of drilling delays, created a restricted production level for most of Q2 2021. Q2 2021 oil production averaged 8,825 bopd, up 20% from 7,331 bopd in Q1 2021, and 2% higher than guidance of 8,655 bopd. Current field production is 8,800 bopd and while the 3WD water disposal well has now been completed, one of the booster pumps is not fully operational, constraining water injection rates. This results in current field oil production being constrained just below 9,000 bopd. The booster pump is expected to be either repaired or replaced over the next month, allowing PetroTal to restore production rates to the unencumbered 10,000 bopd level.

Horizontal well BN-8H has commenced drilling. Drilling of the next horizontal development well ("BN-8H") commenced on July 12, 2021, and is expected to cost $12.25 million. The well will take approximately 53 days to drill and complete and is prognosed to be 4,200 meters in total length. This will be the first horizontal well in 2021 with the last development well, 7D, being a deviated well. The Company expects that, upon completion of the BN-8H and fixing the water pumping disposal capacity, to ramp production to over 13,000 bopd and meet Q3 2021 average production guidance of 11,750 bopd.

CPF-2 nearing completion. The final installations for CPF-2 are ongoing with the crude oil treatment, storage tanks, and water treatment all scheduled for completion in early Q4 2021. This will provide for approximately 100,000 bwpd water disposal capacity.

June 30, 2021 liquidity update. At June 30, 2021, PetroTal had a cash position of approximately $79 million, of which $54 million is unrestricted, $20 million is dedicated to accretive acquisitions and $5 million is collateral for commodity price hedges. Accounts receivable from current oil sales, including VAT, is $16.7 million, and accounts payable are approximately $37 million. Pursuant to contractual terms with suppliers, approximately $7 million (19%) of the accounts payable balance is due after Q3 2021. Ongoing payments will be managed from expected oil field revenues, internal cash resources, and the $100 million February 2021 secured bond issue proceeds. The Company maintains access to an additional $25 million from the bond issue for potential acquisitions and development drilling.

Recognition by Ministry of Energy and Mines (MINEM). PetroTal is pleased to acknowledge being recognized by MINEM for its Community Citizen Socio-Environmental Monitoring Program ("PROMOSAC"). The Company was one of three, selected out of a group of thirty-three nominations. This award seeks to recognize those Peruvian companies with a strong commitment to local community, the environment, and local social and economic monitoring initiatives. Furthermore, PetroTal is also supporting the Indigenous Chamber of Commerce of Peru and will work closely with this emblematic institution promoting mutually beneficial projects to empower the local communities.

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

"We are pleased to continue meeting our goals even though Peru continues to suffer the consequences of a third Covid-19 wave. After successfully completing the 7D well that continues to outperform our 3P forecast, we completed the 3WD well which will effectively double our water disposal capacity to approximately 100,000 bwpd. We are now starting to drill more of our prolific horizontal wells which are weighted nicely in the back half of the 2021 capital investment program. Despite some operational challenges, the Company was able to slightly beat Q2 2021 production guidance, even considering curtailed production rates. The core data extracted from the 3WD well will be useful for oil in place calibration in our 2021 year-end reserves report. The field is now producing approximately 8,800 bopd and should ramp up quickly as we optimize water disposal operations and prepare to receive production from the new BN-8H oil well in early September which will allow us to take Bretana's oil production to new highs."

ABOUT PETROTAL

PetroTal is a publicly traded, dual‐quoted (TSXV: TAL) and (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 Bretana oil field in Peru's Block 95 where oil production was initiated in June 2018, and in early 2020 became the second largest crude 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 Peru and is led by a Board of Directors that is focused on safely and cost effectively developing the Bretana 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 below:

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In addition, statements relating to expected production, reserves, 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", "believe", "expect", "plan", "estimate", "potential", "will", "should", "continue", "may", "objective" 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 labour, 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. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses; and health, safety and environmental risks), commodity price volatility, price differentials and the actual prices *received for products, exchange rate fluctuations, legal, political and economic instability in Peru, access to transportation routes and markets for the Company's production, changes in legislation affecting the oil and gas industry and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. In addition, the Company cautions that current global uncertainty with respect to the spread of the COVID-19 virus and its effect on the broader global economy may have a significant negative effect on the Company. While the precise impact of the COVID-19 virus on the Company remains unknown, rapid spread of the COVID-19 virus may continue to have a material adverse effect on global economic activity, and may continue to result in volatility and disruption to global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to the Company. Please refer to the risk factors identified in the Company's annual information form for the year ended December 31, 2020 and management's discussion and analysis for the year ended December 31, 2020 and for the three months ended March 31, 2021 which are available on SEDAR at www.sedar.com. 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"). All references to Brent indicate Intercontinental Exchange ("ICE") Brent.

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