

PetroTal Announces Q2 2022 Financial and Operating Results

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Seventh straight quarter of production growth
Generated nearly \$100 million in net operating income in Q2 2022
Reiterating 2022 Guidance

Calgary, August 25, 2022 - [PetroTal Corp.](#) (TSXV: TAL) (AIM: PTAL) (OTCQX: PTALF) ("PetroTal" or the "Company") is pleased to announce its financial and operating results for the three months ended June 30, 2022 ("Q2 2022").

Selected financial and operational information is outlined below and should be read in conjunction with the Company's unaudited consolidated financial statements ("Financial Statements"), and management's discussion and analysis ("MD&A") for the three and six months ended June 30, 2022, which are available on SEDAR at www.sedar.com and on the Company's website at www.PetroTal‐Corp.com. All amounts herein are in United States dollars ("USD") unless otherwise stated.

PetroTal delivered solid Q2 2022 financial and operational performance highlighted by record production rates, record cash flow, and a robust balance sheet profile with a substantial net cash position.

Q2 2022 Highlights

- Achieved record quarterly production of 14,467 barrels of oil per day ("bopd") and quarterly sales of 14,616 bopd, up 25% and down 5%, respectively, from Q1 2022, representing the Company's seventh straight quarter of production growth, with unencumbered sales for the majority of the quarter;
- Completed well 11H on June 30, 2022, which produced over 300,000 barrels of oil over its first 30 full days on production, has paid out its capital investment, and averaged over 9,000 bopd from August 1 to 22, 2022;
- Achieved a new daily Company production record of 25,218 bopd on July 1, 2022 with production briefly reaching 26,000 bopd, representing the maximum capacity at the newly expanded Central Processing Facility ("CPF-2");
- Sold approximately 86% of sales through the Brazilian route with the remaining 14% sold to the Iquitos Refinery while the Northern Peruvian Oil Pipeline ("ONP") was offline, successfully redirecting 456,000 barrels from the ONP to the Brazilian market;
- Significantly reduced transportation costs through significantly reduced diluent blending requirements to Brazil, contributing to record low transportation costs of \$3.4 million (\$2.54/bbl);
- Generated record net operating income ("NOI") and EBITDA^(a) of \$98.6 million and \$93.4 million, respectively, both up three and a half fold from Q2 2021 levels and almost double from Q1 2022;
- Generated record free cash flow^(a) of \$69.4 million before changes in non-cash working capital and debt service, accumulating over \$100 million, for the six months ended June 30, 2022;
- Invested approximately \$24.0 million in capital expenditures ("Capex"), lower than revised guidance by \$5 million, due to drilling delays from the March 2022 social protests. Approximately two thirds of Capex spent was for drilling and completion related investments with the remainder divided amongst smaller production operation projects;

- On April 1, 2022, the Company paid \$20 million of principal to bondholders through the 101% call option mechanism set out in the bond agreement. As of June 30, 2022 and August 25, 2022, the Company is in compliance with all covenants; with \$80 million of bond principal remaining; and,
- Exited the quarter with \$77 million of total cash, including \$13.5 million of restricted cash, and approximately (\$79) million in net debt/(surplus)⁽¹⁾, a record level for the Company allowing for a future return of capital program in Q4 2022 or Q1 2023, with an extremely solid balance sheet profile.

⁽¹⁾ Net debt/(surplus) defined as cash and restricted cash + VAT receivable (short and long term) + trade receivables + short term and long term derivative assets - AP - short and long term leases - short and long term debt - derivative obligation

Selected Financial and Operational Highlights

(in thousands USD)	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022
Financial				
Crude oil revenues	\$118,435	\$142,809	211,187	75,165
Royalties	(\$8,104)	(2,306)	(14,477)	(4,054)
Net operating income ⁽¹⁾	98,589	29,677	162,783	49,647
Commodity price derivative (gain)/loss	(\$6,533)	4,147	(27,546)	(18,365)
Net income	84,249	11,373	148,759	42,159
Diluted net income (US\$/share)	0.10	0.01	0.18	0.05
Capital expenditures	24,024	22,363	41,553	29,476
Operating				
Average production (bopd)	14,467	8,839	13,114	8,089
Average sales (bopd)	14,616	8,842	15,065	8,711
Average Brent price (\$/bbl)	111.80	69.01	101.54	64.28
Contracted sales price, gross (\$/bbl)	111.39	66.55	99.42	62.79
Netback (\$/bbl) ⁽²⁾	74.13	36.88	59.70	31.49
Funds flow provided by operations ⁽²⁾	60,688	19,627	66,432	24,094
Balance sheet				
Cash and restricted cash			77,017	79,491
Working capital			141,971	62,634
Total assets			535,202	359,788
Current liabilities			92,988	72,639
Equity			357,732	180,291

1. Net operating income and Netback represent revenues less royalties, operating expenses, and direct transportation.

2. Netback per barrel ("bbl") and funds flow provided by operations do not have standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures for other entities. See "Selected Financial Measures" section.

Q2 2022 Financial Results

Record revenue. Oil revenue was \$118.4 million (\$89.04/bbl) compared to Q2 2021 of \$42.8 million (\$53.20/bbl) and Q1 2022 of \$92.7 million (\$66.41/bbl).

Record net operating income. Generated record NOI and EBITDA^(a) of \$98.6 million (\$74.13/bbl) and \$93.4 million (\$70.26/bbl), respectively, compared to \$29.7 million (\$36.88/bbl) and \$26.4 million (\$32.87/bbl), respectively, in Q2 2021 and \$64.2 million (\$45.96/bbl) and \$58.7 million (\$42.58/bbl), respectively, in Q1 2022.

Capital investment. Capital expenditures in the quarter totalled \$24.0 million and were focused on drilling and completing well 11H and advancing infrastructure projects. The total represented approximately 88% of the budget, due to deferral of drilling activity as a result of the social protest activity in March 2022, and deferral

of additional facility and water disposal work until 2023. First half 2022 capital expenditures are \$41.6 million, trending well under the \$70.0 million approved budget.

Record Q2 and YTD 2022 free cash flow. Generated record free cash flow^(a) before changes in non-cash working capital and debt service of \$69.4 million. Total free cash flow for the six months ended June 30, 2022 has surpassed \$100 million, significantly boosting the Company's liquidity profile.

Lower operating costs. Total quarterly lifting costs were \$8.4 million (\$6.28/bbl), a decrease from Q1 2022 of \$10.1 million (\$7.20/bbl) and from Q2 2021 of \$5.5 million (\$6.84/bbl), driven by lower contracted operations and COVID 19 expenses.

Record low transportation costs. Diluent and barging costs were \$3.4 million (\$2.54/bbl) in the quarter, reduced significantly from \$12.1 million (\$8.68/bbl) in Q2 2022, and down from \$5.3 million (\$6.61/bbl) in Q2 2021. The decrease was supported by lower barging standby time, and significantly lower diluent and diesel costs from shipping through the Brazil and Iquitos routes instead of incurring ONP costs.

G&A on budget. Q2 2022 G&A was \$5.1 million (\$3.87/bbl) compared to \$4.7 million (\$3.38/bbl) in Q1 2022 and \$3.2 million (\$4.01/bbl) in Q2 2021 representing a 15% and 3% increase and decrease, respectively, on a per barrel basis.

Record net income. Net income was \$84.2 million an increase of 31% over Q1 2022 of \$64.5 million and significantly exceeding \$11.4 million in Q2 2021.

Balance sheet reflects a record net debt/(surplus) position. Net debt/(surplus) was approximately (\$79) million as at June 30, 2022, as defined internally by the Company.

Large net derivative asset balance. The total net derivative asset on the balance sheet as at June 30, 2022 was \$56.8 million, consisting mostly of the true up value of oil in the ONP. As at June 30, 2022 approximately 3.1 million barrels remained in the ONP backstopping the net derivative value with a much lower cost base from sales made in 2020 and 2021. With the ONP maintenance estimated to be completed in October 2022, and the pipeline operational again, the schedule to realize the derivative value has shifted primarily into 2023, which will further supplement the Company's expected cash reserves.

Operational and Financial Highlights Subsequent to June 30, 2022

Bayovar Export Realized. As announced on June 16, 2022 and July 5, 2022, Petroperu delivered approximately 550,000 barrels through the ONP to Bayovar and exported nearly 720,000 barrels to an international refiner. The Company expects to receive \$53.9 million from Petroperu, net of usual ONP fees and adjustments. Post this Bayovar export, the amount of oil remaining in the ONP dropped from 3.1 million barrels to approximately 2.4 million barrels.

Navigating barging challenges. During July, the Company encountered barging delays that were compounded by the closure of the ONP, resulting in production constraints that lowered the average production to 5,700 bopd from July 7 until July 25. The Company has secured approximately 420,000 barrels of export barging capacity for August 2022 plus 60,000 barrels for the Iquitos Refinery which has allowed production to increase to 19,000 bopd since August 22, 2022. PetroTal continues to explore long term solutions to ensure appropriate barging capacity is available to accommodate higher oil production rates and to optimize logistics and barging fleet size for our Brazilian route.

Drilling schedule adjustments. Due to well servicing and a conductor pipe placement for a future well, the Company's revised drilling plan now schedules drilling the 13H well to be followed by the 12H well. The 13H was spud on August 24, 2022 and is estimated to be on production by late October.

Current liquidity update. Current total cash as at August 15, 2022 is approximately \$115 million including \$15 million in restricted cash and up to date payments from our Brazilian route shipping counterparty, but not including outstanding amounts owing from Petroperu.

Corporate Hedging Update. PetroTal recently sold a swap at \$62.05/bbl and bought a call at \$70.00/bbl on approximately 750,000 barrels of H2 2022 production. PetroTal will receive cash when the Brent oil price is above \$70/bbl, and will have a floor price of \$62.05/bbl. After this hedge, the Company is approximately 25% hedged on corporate production volumes in Q3 and Q4 2022. As 2022 progresses, the Company will look to layer in additional hedges for H1 2023 on up to 25% of total corporate production.

Ten million barrels produced. On August 22, 2022, the Company formally surpassed the ten million barrels of produced oil milestone in only four years.

Reiterating 2022 Guidance

The Company is reiterating guidance provided in May 2022 as navigated a number of logistical issues caused by the ONP shut down and barging fleet delays. The Company estimated 2022 average production to be between 15,000 bopd and 16,000 bopd and the latest production forecast confirms the lower end of this range. Thanks to higher oil prices and lower diluent costs, the Company maintains EBITDA to be approximately \$340 million and associated free cash flow before working capital and debt service to be approximately \$230 million. The reiterated guidance is highly dependent on certain sales route availability assumptions, ONP maintenance completion schedules, and Petroperu's unencumbered access to credit, which if different from current estimates could materially alter the reiterated guidance.

As a result of the revised drilling schedule, the Company is guiding 15,000 bopd, and has adjusted Q3 and Q4 2022 production profiles to the following levels as dictated by available sales scheduling:

Adjusted Guidance	Q1 (actual)	Q2 (actual)	Q3	Q4	2022
Oil wells completed	1 (10H)	1 (11H)	0	2	4
Average Production (bopd)	11,746	14,467	14,250	19,500	15,000
CAPEX (millions)	\$18	\$24	\$29	\$40	\$111
USD millions	Guidance				
Contracted Brent (USD/bbl)	\$102				
Average Production (bopd)	15,000 - 16,000 (25% downtime)				
Net operating income	\$351				
G&A	(\$22)				
Net derivative settlements ⁽¹⁾	\$13				
Adjusted EBITDA ¹	\$342				
CAPEX	(\$111)				
Free cash flow	\$231				

(1) Approximately \$33 million in anticipated 2022 true-up revenue has now been deferred into 2023 as a result of the ONP maintenance.

Updated Corporate Presentation, investor webcast and AGM reminder

PetroTal will host an investor webcast on August 25, 2022 at 9:00 am CT (3:00 pm BST), following release of the Q2 2022 results. The Company has also provided an updated corporate presentation inclusive of the Q2 2022 results, on its website. PetroTal's 2021 AGM will be held virtually on September 15, 2022.

Link to PetroTal Q2 2022 webcast

<https://stream.brrmedia.co.uk/broadcast/62e8f64f04182f363ba99aa2>

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

"We would like to thank our entire team for another record quarter on many fronts. Though we have experienced recent production constraints from short term sales bottlenecks, unconstrained production run rates are over 20,000 bopd which we successfully tested in our facilities. The outlook for PetroTal's low sulfur oil remains incredibly robust with recent strong export demand realized. We continue to meet commercial challenges head on and are excited about potential short- and long-term solutions for PetroTal's river

transportation options. From a social perspective, the 2.5% social fund working table sessions have been extremely productive, transparent, and aligned, creating the necessary stability our field has strived for over the years. Many milestones have yet to be achieved, however, the initiatives remain on track and functioning as planned with more formal updates on this to come in H2 2022. Finally, I would like to congratulate the entire PetroTal team on our recent milestone of ten million barrels produced in only four short years since first production."

ABOUT PETROTAL

PetroTal is a publicly traded, tri quoted (TSXV: TAL) (AIM: PTAL) (OTCQX: PTALF) oil and gas development and production Company domiciled in Calgary, Alberta, focused on the development of oil assets in Peru. PetroTal's flagship asset is its 100% working interest in Bretana oil field in Peru's Block 95 where oil production was initiated in June 2018. In early 2020, PetroTal became the largest crude oil producer in Peru. The Company's management team has significant experience in developing and exploring for oil in Peru and is led by a Board of Directors that is focused on safely and cost effectively developing the Bretana oil field. It is actively building new initiatives to champion community sensitive energy production, benefiting all stakeholders.

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

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Notes to Press Release

(a) See "Specified Financial Measures".

FORWARD-LOOKING STATEMENTS: This press release contains certain statements that may be deemed to be forward-looking statements. Such statements relate to possible future events, including, but not limited to: PetroTal's business strategy, objectives, strength and focus; the impact of social disruption on the Company's operations; drilling, completions, workovers and other activities and the anticipated costs and results of such activities; PetroTal's revised 2022 guidance and budget including, but not limited to, estimated or anticipated production levels, capital expenditures and drilling plans; PetroTal plans to deliver strong operational performance and to generate free cash flow and growth; capital requirements; the ability of the Company to achieve drilling success consistent with management's expectations; the ability of the Company to achieve near term production targets and operate at unrestricted levels; anticipated future production and revenue; drilling plans including the timing of drilling, commissioning, and startup and the impact of delays thereon; oil production levels, including average and exit production in 2022; sales expansion through alternative exports routes, including barging and trucking; the Company's proposals for collaboration with local communities; and future development and growth prospects. 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. Without limitation of the foregoing, future dividend payments, if any, and the level thereof, is uncertain, as the Company's dividend policy and the funds available for the payment of dividends from time to time is dependent upon, among other things, free cash flow financial requirements for the Company's operations and the execution of its growth strategy, fluctuations in working capital and the timing and amount of capital expenditures, debt service requirements and other factors beyond the Company's control. Further, the ability of PetroTal to pay dividends will be subject to applicable laws (including the satisfaction of the solvency test contained in applicable corporate legislation) and contractual restrictions contained in the instruments governing its indebtedness. The forward-looking statements are based on certain key expectations and assumptions made by the Company, including, but not limited to, expectations and assumptions concerning the ability of existing infrastructure to deliver production and the anticipated capital expenditures associated therewith, the ability of the Ministry of Energy to effectively achieve its objectives in respect of reducing social conflict and collaborating towards continued investment in the energy sector, reservoir characteristics, recovery factor, exploration upside, prevailing commodity prices and the actual prices received for PetroTal's products, including pursuant to hedging arrangements, the availability and performance of drilling rigs, facilities, pipelines, other oilfield services and skilled labor, royalty regimes and exchange rates, impact of inflation on costs, the application of regulatory and licensing requirements, the accuracy of PetroTal's geological interpretation of its drilling and land opportunities, current legislation, receipt of required regulatory approval, the success of future drilling and development activities, the performance of new wells, 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, wars (including Russia's military actions in Ukraine), 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. Ongoing military actions between Russia and Ukraine have the potential to threaten the supply of oil and gas from the region. The long-term impacts of the actions between these nations remains uncertain. 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, increased operating and capital costs due to inflationary pressures, business, financial conditions, results of operations and other factors relevant to the Company. Please refer to the risk factors identified in the Corporation's most recent annual information form and MD&A, 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.

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

OIL REFERENCES: All references to "oil" or "crude oil" production, revenue or sales in this press release mean "heavy crude oil" as defined in NI 51-101. All references to Brent indicate Intercontinental Exchange ("ICE") Brent.

SPECIFIED FINANCIAL MEASURES: This press release includes various specified financial measures, including non-GAAP financial measures, non-GAAP financial ratios and capital management measures as further described herein. These measures do not have a standardized meaning prescribed by generally accepted accounting principles ("GAAP") and, therefore, may not be comparable with the calculation of similar measures 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. "Netback" (non-GAAP financial ratio) equals total petroleum sales less quality discount, lifting costs, transportation costs and royalty payments calculated on a bbl basis. The Company considers netbacks to be a key measure as they demonstrate Company's profitability relative to current commodity prices. "Funds flow provided by operations" (non-GAAP financial measure) includes all cash generated from operating activities and is calculated before changes in non-cash working capital. "Adjusted EBITDA" (non-GAAP financial measure) is calculated as consolidated net income (loss) before interest and financing expenses, income taxes, depletion, depreciation and amortization and adjusted for G&A impacts and certain non-cash, extraordinary and non-recurring items primarily relating to unrealized gains and losses on financial instruments and impairment losses, including derivative true-up settlements. PetroTal utilizes adjusted EBITDA as a measure of operational performance and cash flow generating capability. Adjusted EBITDA impacts the level and extent of funding for capital projects investments. Reference to EBITDA is calculated as net operating income less G&A. "Free cash flow" (non-GAAP financial measure) is calculated as net operating income less G&A less exploration and development capital expenditures and is calculated prior to all debt service, taxes, lease payments, hedge costs, factoring, and lease payments. Management uses free cash flow to determine the amount of funds available to the Company for future capital allocation decisions. Please refer to the MD&A for additional information relating to specified financial measures.

FOFI DISCLOSURE: This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about PetroTal's revised budget and guidance, prospective results of operations, production and production capacity, free cash flow, revenue, adjusted EBITDA, debt repayment, liquidity, shareholder returns and components thereof, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. FOFI contained in this press release was approved by management as of the date of this press release and was included for the purpose of providing further information about PetroTal's anticipated future business operations. PetroTal disclaims any intention or obligation to update or revise any FOFI contained in this press release, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this press release should not be used for purposes other than for which it is disclosed herein.

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