PetroTal Announces Q1 2024 Financial and Operating Results

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Q1 2024 average sales and production of 18,347 bopd and 18,518 bopd, respectively
Generated Q1 2024 free funds flow of $53 million (10% quarterly yield)
Signed purchase and sale agreement to acquire Block 131
Declaring dividend of $0.015/share payable June 14, 2024

Calgary, May 9, 2024 - PetroTal Corp. (TSX: TAL) (AIM: PTAL) (OTCQX: PTALF) ("PetroTal" or the "Company") is pleased to report its operating and financial results for the three months ended March 31, 2024 ("Q1").

Selected financial and operational information is outlined below and should be read in conjunction with the Company's unaudited consolidated financial statements and management's discussion and analysis ("MD&A") for the three months ended March 31, 2024, which are available on SEDAR+ at www.sedarplus.ca and on the Company's website at www.PetroTal‐Corp.com. All amounts herein are in United States dollars unless otherwise stated.

Selected Q1 2024 Highlights

- Average Q1 2024 sales and production of 18,347 and 18,518 barrels ("bbls") of oil per day ("bopd"), respectively; PetroTal's second best quarter to date and within the Company's guidance;
- Generated Q1 2024 EBITDA(1) and free funds flow(1) of $71.6 million ($42.85/bbl) and $52.6 million ($31.48/bbl), respectively, materially surpassing Q4 2024 levels due to higher sales volumes realized in the quarter;
- Exited Q1 2024 in a strong cash position with $85.2 million in total cash ($62.5 million unrestricted), with over $93 million in short term receivables due subsequent to March 31;
- Delivered strong operating cost metrics with lifting and variable transportation costs under $7.00/bbl in the quarter helping generate a near 80% net operating income margin;
- Capital expenditures ("Capex") totaled $30.4 million in Q1 2024 and were focused on drilling well 17H, and continued infrastructure projects including water handling upgrades;
- Successfully drilled one and completed two new oil wells in the quarter, both of which met Company expectations and continue to perform at strong rates. Well 17H has averaged approximately 4,050 bopd for the month of April 2024;
- Delivered strong Q1 2024 net income of $47.6 million ($0.05/share); and,
- Paid total dividends of $0.02/share and repurchased 5.2 million common shares in Q1 2024, representing approximately $21.5 million of total capital returned to shareholders (approximately 4% of March 31, 2024, market capitalization).

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

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

"Q1 2024 was an exceptional and near record quarter for PetroTal. Cash flow was stronger than projected in previously announced guidance, allowing the Company some additional flexibility to plan for upcoming heavier Capex quarters likely to be seen under dry season conditions. As in previous years, the Company will reassess its guidance once the first half year results are finalized.

"In addition to the strong quarterly results, we are extremely excited to execute the purchase and sale agreement for the first acquisition in the Company's history. This transaction is highly strategic from an operational, financial, and social perspective. We look forward to incorporating it into our story when the transaction closes."

Selected Financial Highlights

The table below summarizes PetroTal's comparative financial position.

	Three Months Ended			
	Q1-2024		Q4-2023	
	$/bbl	$ 000	$/bbl	$ 000
Average Production (bopd)		18,518		14,865
Average sales (bopd)		18,347		15,033
Total sales (bbls)[1]		1,669,537		1,383,061
Average Brent price	$81.01		$82.21	
Contracted sales price, gross	$81.14		$81.05	
Tariffs, fees and differentials	($20.89)		($20.28)	
Realized sales price, net	$60.25		$60.77	
Oil revenue[1]	$60.25	$100,583	$60.77	$84,046
Royalties[2]	$5.69	$9,500	$7.00	$9,676
Operating expense("Opex")	$5.56	$9,278	$7.24	$10,010
Direct Transportation:				
Diluent	$0.94	$1,567	$1.46	$2,020
Barging	$0.60	$1,005	$0.60	$828
Diesel	$0.05	$80	$0.10	$142
Storage	($0.27)	($457)	$1.45	$2,001
Total Transportation	$1.32	$2,195	$3.61	$4,991
Net Operating Income[3,4]	$47.68	$79,610	$42.92	$59,369
G&A	$4.83	$8,071	$6.21	$8,588
EBITDA[3]	$42.85	$71,539	$36.71	$50,781
Adjusted EBITDA[3,5]	$49.66	$82,913	$29.13	$40,284
Net Income	$28.52	$47,619	$15.57	$21,529
Basic Shares Outstanding (000)		914,104		912,314
Market Capitalization[6]		$511,898		$556,512
Net Income/Share ($/share)		$0.05		$0.02
Capex		$30,352		$32,157
Free Funds Flow[3] [7]	$31.48	$52,561	$5.87	$8,127
% of Market Capitalization[6]		10.3%		1.5%
Total Cash[8]		$85,151		$111,299
Net Surplus (Debt) [3] [9]		$55,522		$57,298

1. Approximately 87% of Q1 2024 sales were through the Brazilian route vs 85% in Q4 2023.
2. Royalties at year to date March 31, 2024 and December 31, 2023 include the impact of the 2.5% community social trust.
3. Non-GAAP (defined below) measure that does not have any standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures presented by other entities. See "Selected Financial Measures" section.
4. Net operating income represents revenues less royalties, operating expenses, and direct transportation.
5. Adjusted EBITDA is net operating income less general and administrative ("G&A") and plus/minus realized derivative impacts.
6. Market capitalization for Q1, 2024 and Q4 2023, assume share prices of $0.56 and $0.61 respectively on the last trading day of each quarter.
7. Free funds flow is defined as adjusted EBITDA less capital expenditures. See "Selected Financial Measures" section.

8. Includes restricted cash balances.
9. Net Surplus (Debt) = Total cash + all trade and net VAT receivables + short and long term net derivative balances - total current liabilities - long term debt - non current lease liabilities - net deferred tax - other long term obligations.

Q1 2024 Financial Variance Summary

	Three Months Ended		
US$/bbl Variance Summary	Q1 2024	Q4 2023	Variance
Oil Sales (bopd)	18,347	15,033	3,314
Contracted Brent Price	$81.14	$81.05	$0.09
Realized Sales Price	$60.25	$60.77	($0.52)
Royalties	$5.69	$7.00	($1.31)
Total Opex and Transportation	$6.88	$10.85	($3.97)
Net Operating Income[1,2]	$47.68	$42.92	$4.76
G&A	$4.83	$6.21	($1.38)
EBITDA[1]	$42.85	$36.71	$6.14
Net Income	$28.52	$15.57	$12.95
Free Funds Flow[1,3]	$31.48	$5.87	$25.61

Q1 2024 Financial Variance Commentary

- An 18% increase in sales volume drove favorable per bbl metrics in Q1 2024 compared to prior quarter.
- Q1 operating and transportation costs returned to a more normalized level of $6.88/bbl due to increased oil sales, and with the return of higher river levels late in 2023. Opex and transportation costs were $10.85/bbl in Q4 2023.
- Capital spending in the quarter decreased by 6% to $30.3 million from the prior quarter of $32.2 million due to rescheduling minor facilities projects into the second half of 2024.
- Q1 2024 production and robust oil pricing generated significant free funds flow in the quarter of approximately $52.6 million compared to $8.1 million in Q4 2023.
- Liquidity decreased in Q1 2024 compared to Q4 2023, with total cash decreasing by approximately $26 million to $85.2 million due to sizable receivables being collected subsequent to quarter end.
- PetroTal maintained a strong balance sheet in Q1 2024 with no long term bank debt and a net surplus [1,4] of $55.5 million, flat from the prior quarter and inclusive of a $50 million net deferred tax liability.

1. See "Selected Financial Measures".
2. Net operating income represents revenues less royalties, operating expenses, and direct transportation.
3. Free funds flow is defined as adjusted EBITDA less capital expenditures.
4. Net Surplus (Debt) = Total cash + all trade and net VAT receivables + short and long term net derivative balances - total current liabilities - long term debt - non current lease liabilities - net deferred tax - other long term obligations.

Financial and Operating Updates Subsequent to March 31, 2024

Strategic Acquisition of Block 131

On May 8, 2024 the Company announced the execution of a definitive agreement to acquire a 100% working interest in Peru's Block 131, including the light oil producing Los Angeles oil field, through the acquisition of CEPSA Peruana, S.A.C. The acquisition is expected to close upon receipt of applicable regulatory items. Selected key highlights include:

- Low cost entry into a synergistic producing Block ($5 million[1] cash purchase price);
- Current production of approximately 900 bopd and generating a favorable acquisition price payback;
- Light oil recoverable reserves around 4.9 million bbls;[2,3]
- Synergies with Bretana operations that include potential netback enhancements from stronger differentials and capacity increases for Bretana crude at the Iquitos refinery; and,
- Additional drillable locations.

(1) Subject to adjustment as set forth in the definitive acquisition agreement.
(2) Based on the Reserves Report (defined below).

Leadership Buildout

PetroTal is strengthening its leadership group by welcoming Mr. Camilo McAllister as Executive Vice President and Chief Financial Officer and Mr. Emilio T. Acin Daneri as Vice President, Business Development. Both individuals bring over 25 years of executive and leadership experience in international energy to the current leadership team and will help lead the Company's accelerated growth strategy and financial excellence mandates. Concurrent with both appointments, Mr. Douglas Urch, who was instrumental to the Company's past achievements, retired as PetroTal's Executive Vice President and Chief Financial Officer.

Operations Update

Bretana continues to produce at guidance, with April 2024 average production of approximately 18,200 bopd and a Q2 2024 average target of approximately 19,000 bopd. Well 18H, which is nearing completion, is expected to commence production in mid May, serving as a catalyst to help the Company achieve Q2 2024 guidance.

The Bretana oilfield continues experiencing riverbank erosion, which has surpassed initial expectations. The Company has competed the detailed engineering work to address this issue effectively. The proposed solution involves designing larger and deeper groynes to redirect river currents away from the riverbank. The estimated total project cost has been adjusted to a range of $65 to $75 million, up from the previous estimate of $50 to $60 million. $45 to $55 million of the total project erosion control costs are anticipated to be incurred in 2025 with the remaining $20 million estimated in 2024 and still allocated approximately 60% to Opex and 40% to Capex.

Originally scheduled for late Q2 2024, the rig release of the currently contracted drilling rig cannot proceed as planned due to dry dock constraints caused by the erosion. Therefore, the Company is accelerating its planned water handling and drilling program to avoid rig standby costs, minimize water disposal risk, and increase production in 2025. Therefore, in Q3/Q4 2024 PetroTal is now planning a fifth water disposal well with associated tie in infrastructure, and an additional oil well. Total estimated 2024 capital spend, inclusive of the changes outlined above, will now be in the range of $150 to $160 million, up from $134 million.

Q2 2024 dividend declaration. A cash dividend of USD$0.015 per common share has been declared to be paid in Q2 2024. This represents a 10% annualized yield based on the current share price and includes the recurring USD$0.015 per common share amount but no liquidity sweep this quarter due to anticipated heavier cash requirements over the next two quarters. The total dividend of USD$0.015 per common share will be paid according to the following timetable:

- Ex dividend date: May 30, 2024
- Record date: May 31, 2024
- Payment date: June 14, 2024

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

Renewal of Share Buyback Plan

PetroTal is pleased to announce the intention to renew its share buyback plan of up to approximately US$3 million per quarter (up to a maximum of US$12 million in the current program), subject to formal approval by the Company's board and the TSX. Stifel Nicolaus Europe Limited ("Stifel"), will conduct the Program on PetroTal's behalf.

Corporate Presentation Update

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

Q1 2024 Webcast Link for May 9, 2024

PetroTal will host a webcast for its Q1 2024 results and to discuss the Block 131 acquisition on May 9, 2024 at 9am CT (Houston) and 3pm BST (London). Please see the link below to register.

https://stream.brrmedia.co.uk/broadcast/660bc6a92eae5d4dcf2e6319

ABOUT PETROTAL

PetroTal is a publicly traded, tri‐quoted (TSX: 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 2022, PetroTal became the largest crude oil producer in Peru. The Company's management team has significant experience in developing and exploring for oil in Peru and is led by a Board of Directors that is focused on safely and cost effectively developing the 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.sedarplus.ca, or below:

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READER ADVISORIES

FORWARD-LOOKING STATEMENTS: This press release contains certain statements that may be deemed to be forward-looking statements. Such statements relate to possible future events, including, but not limited to, oil production levels and guidance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believe", "expect", "plan", "estimate", "potential", "will", "should", "continue", "may", "objective" and similar expressions. Without limitation, this press release contains forward-looking statements pertaining to: PetroTal's drilling, completions, workovers and other activities; anticipated future production and revenue; drilling plans including the timing of drilling, commissioning, and startup; PetroTal's 2024 guidance; expectations regarding the strategic acquisition of CEPSA Peruana, S.A.C (the "Acquisition"), including in respect of its terms, timing, benefits and closing (including that it will close pending regulatory approvals); expectations with respect to well 18H including in respect of completion and timing thereof including the Company's plans to begin production at well 18H in May of 2024; the Company's expectation to meet Q2 2024 production guidance; expectations surrounding PetroTal's short term receivables and when they become due; Q2 2024 dividend declaration of $0.015/share payable June 14, 2024 and expectations in respect of thereof (including timing); the renewal of the share buyback plan; expectations surrounding PetroTal's new leadership team; and average 2024 production. In addition, statements relating to expected production, reserves, recovery, replacement, 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. The forward-looking statements are based on certain key expectations and assumptions made by the Company, including, but not limited to, expectations and assumptions concerning the ability of existing infrastructure to deliver production and the anticipated capital expenditures associated therewith, the ability to obtain and maintain necessary permits and licenses, the ability of government groups to effectively achieve objectives in respect of reducing social conflict and collaborating towards continued investment in the energy sector, reservoir characteristics, recovery factor, exploration upside, prevailing commodity prices and the actual prices received for PetroTal's products, including pursuant to hedging arrangements, the availability and performance of drilling rigs, facilities, pipelines, other oilfield services and skilled labour, royalty regimes and exchange rates, the impact of inflation on costs, the application of regulatory and licensing requirements, the accuracy of PetroTal's geological interpretation of its drilling and land opportunities, current legislation, receipt of required regulatory approval, the success of future drilling and development activities, the performance of new wells, future river water levels, the Company's growth strategy, general economic conditions and availability of required equipment and services. 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: counterparty risk to closing the Acquisition and unforeseen difficulties in integrating the assets pursuant to such acquisition into PetroTal's operations; incorrect assessments of the value of benefits to be obtained from acquisitions and exploration and development programs (including the Acquisition); 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; changes in the financial landscape both domestically and abroad, including volatility in the stock market and financial system; and wars (including Russia's war in Ukraine and the Israeli-Hamas conflict). Please refer to the risk factors identified in the Company's most recent annual information form and MD&A which are available on SEDAR+ at www.sedarplus.ca. The forward-looking statements contained in this press release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

OIL REFERENCES: All references to "light oil" in this press release mean "light crude oil" as defined in NI

51-101. All references to "heavy oil" in this press release mean "heavy crude oil" as defined in NI 51-101. All references to Brent indicate Intercontinental Exchange ("ICE") Brent. Recovery factor percentages include historical production.

RESERVES DISCLOSURE. All reserves values and ancillary information contained in this press release relating to assets to be acquired pursuant to the Acquisition are derived from the are derived from an independent assessment of reserves attributable to such assets, which was completed by Netherland Sewell and Associates Inc. ("NSAI"), a qualified independent reserves evaluator as defined in Canadian National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101"), with an effective date of March 31, 2024 (the "Reserves Report"), and prepared in accordance with the most recent publication of the Canadian Oil and Gas Evaluation Handbook ("COGEH") and the standards established by NI 51-101. Estimates of reserves for individual properties may not reflect the same level of confidence as estimates of reserves for all properties, due to the effect of aggregation. There is no assurance that the forecast price and cost assumptions applied by NSAI in evaluating PetroTal's reserves will be attained and variances could be material. See the Company's May 8, 2024 press release for additional information.

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

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. "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. "Netback" (non-GAAP financial measure) 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. "Net Operating Income" (non-GAAP financial measure) is calculated as revenues less royalties, operating expenses, and direct transportation. The Company considers Net Operating Income measure as they demonstrate Company's profitability relative to current commodity prices. "Net surplus (debt)" (non-GAAP financial measure) is calculated by adding together total cash, trade and VAT receivables, and short and long-term net derivative balances less total current liabilities, long-term debt, non-current lease liabilities, deferred tax, and other long-term obligations. Net surplus (debt) is used by management to provide a more complete understanding of the Company's capital structure and provides a key measure to assess the Company's liquidity. "Free funds flow" (non-GAAP financial measure) is calculated as net operating income less G&A less exploration and development capital expenditures less realized derivative gains/losses and is calculated prior to all debt service, taxes, lease payments, hedge costs, factoring, and lease payments. Management uses free funds 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.

Eligible Dividend: An eligible dividend is one which is characterized as such by the dividend-paying corporation for Canadian residents. The primary benefit of an eligible dividend is that it benefits from an enhanced gross-up and credit regime at the shareholder level (i.e., the shareholder pays less tax on eligible dividends than non-eligible dividends). This is meant to compensate for the higher general corporate tax rate paid by non-CCPC's on their income and generally preserve integration of Canada's tax rates. As an example, for federal income tax purposes the gross-up rate for eligible dividends is 38% (as compared to 15% for non-eligible dividends) such that the amount of the dividend is multiplied by 1.38 to determine the taxable income to the shareholder. The dividend tax credit for eligible dividends is additionally increased to 6/11 (or 15.02%), as compared to 9/13 (9%) for non-eligible dividends, to offset the greater income inclusion to the taxpayer. Each province provides similar relief on the tax they would otherwise levy on the dividends, although the effective gross-up and credit differs by province.

FOFI DISCLOSURE: This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about PetroTal's prospective results of operations and production results, free funds flow, cost estimates, tax rates, budget, EBITDA, netback, dividends, capex, 2024 average production and production and sales targets, shareholder returns and components thereof, including pro forma the completion of the Acquisition, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. FOFI contained in this press release was approved by management as of the date of this press release and was included for the purpose of providing further information about PetroTal's anticipated future business operations. PetroTal and its management believe that FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results. PetroTal disclaims any intention or obligation to update or revise any FOFI contained in this press release, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this press release should not be used for purposes other than for which it is disclosed herein. All FOFI contained in this press release complies with the requirements of Canadian securities legislation, including NI 51-101. Changes in forecast commodity prices, differences in the timing of capital expenditures, and variances in average production estimates can have a significant impact on the key performance measures included in PetroTal's guidance. The Company's actual results may differ materially from these estimates.

To view the source version of this press release, please visit https://www.newsfilecorp.com/release/208478