PetroTal

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2020 and 2019

(Unaudited)

TSXV: TAL / AIM: PTAL / OTC: PTALF

PetroTal

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MANAGEMENT'S DISCUSSION AND ANALYSIS

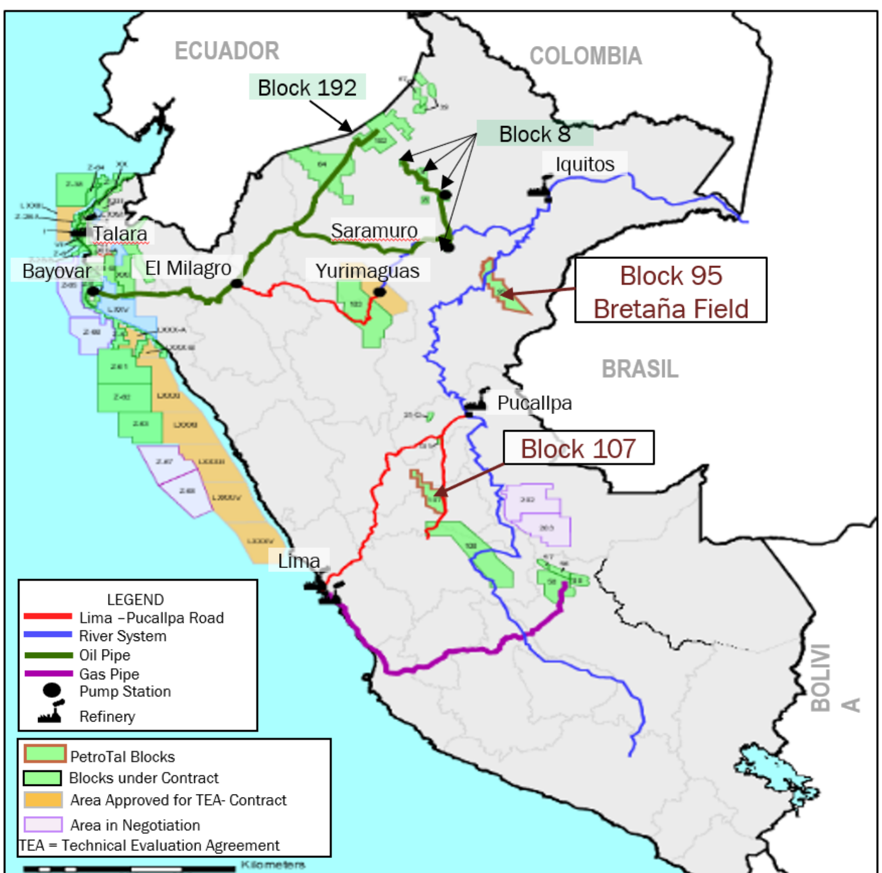
This Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of PetroTal Corp. ("PetroTal" or the "Company") for the nine months ended September 30, 2020 ("M9 2020") and 2019, is dated November 19, 2020, and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements ("interim Financial Statements") for the nine months ended September 30, 2020 and 2019. The interim 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 is a publicly-traded (TSXV: TAL, AIM: PTAL and OTC: PTALF), international oil company incorporated and domiciled in Canada. 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. Additionally, the Company has exploration prospects and leads in Block 107.

During 2017, the Company completed a plan of arrangement (Reverse Takeover "RTO") with Sterling Resources Ltd. pursuant to which Sterling acquired all the shares of PetroTal LLC and, once amalgamated, continued as one operation under the name of Sterling Resources Ltd. The name of the Company was changed in June 2018 to PetroTal Corp. The Company acquired 100% of the subsidiaries from Gran Tierra Energy Inc. ("GTE") that held the rights to the exploration blocks in Peru. GTE had 100% working interest in five license contracts: Blocks 95, 107, 123, 129 and 133 with GTE retaining a 20% back-in option in Block 107. In 2018 and 2019, PetroTal relinquished its rights to Blocks 123, 129 and 133. After the RTO transaction and the acquisition of the GTE Peruvian assets on December 18, 2017, the Company appointed an experienced Board of Directors, retained the prior PetroTal Management team and raised $34 million gross proceeds through the issuance of subscription receipts, which were subsequently converted into common shares.



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 crude 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, 2020, June 30, 2020, March 31, 2020 and September 30, 2019. Note that the commodity price derivative is a non-cash item.

RESULTS AT A GLANCE

		Nine Months Ended		Three Months Ended		
		September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	March 31, 2020
Financial						
Crude oil revenues		$59,218	$32,307	$7,611	$9,839	$41,768
Royalties		(2,177)	(1,581)	(248)	(123)	(1,806)
Net operating income		22,889	13,364	2,324	2,756	17,809
Commodity price derivatives income (loss)	(1)	(17,757)	580	4,399	18,264	(40,420)
Net income (loss)		(12,199)	1,925	3,224	16,029	(31,452)
Basic and diluted net income (loss) (US$/share)		(0.02)	0.00	0.00	0.02	(0.05)
Capital expenditures		35,982	62,490	3,354	8,756	23,872
Operating						
Average production (bopd)	(2) (3)	5,428	2,905	2,444	4,185	9,686
Average sales (bopd)		5,777	2,188	2,327	4,729	10,313
Average Brent oil price (US$/barrel)		42.69	64.67	44.32	29.19	50.14
Average realized price (US$/barrel)		37.41	54.09	35.56	22.87	44.51
Netback (US$/barrel)		14.46	22.38	10.86	6.40	18.98
Funds flow provided by (used in) operations		15,375	8,198	(548)	862	15,061
Balance sheet						
Cash				9,788	20,379	7,373
Working Capital				(30,407)	(31,845)	(61,025)
Total assets				205,531	216,899	194,274
Current liabilities				62,355	76,932	89,914
Equity				126,253	122,789	90,029

(1) Contingent liability will be paid over a three-year period.
(2) The field was shut in on May 7, 2020; for the 37 producing days in Q2 2020, production averaged 11,500 bopd.
(3) The field was shut in from July 1 to July 14 and from August 9 to September 27; for the 28 producing days in Q3 2020 constrained production averaged 8,000 bopd.

3. Q3 2020 HIGHLIGHTS

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

Q3 2020 Operational Highlights

- On July 15, 2020, PetroTal recommenced oil field operations after the COVID-19 government imposed shut down on May 7, 2020, and production returned to 11,500 bopd shortly thereafter;
- As a preemptive measure, the Bretana oil field was shut down on August 9, 2020 due to social unrest against the government outside the field camp that resulted in a violent confrontation between protestors (intending to occupy the Bretana facilities) and the police. The social unrest was conducted by protestors seeking government assistance against the COVID-19 crisis; and,
- As a result of the indigenous communities and government bodies reaching an agreement that will see increased funding for the local communities, on September 28, 2020, PetroTal recommenced oil field operations, and production again was restored to the pre-shut down level of 11,500 bopd.

Q3 2020 Financial Highlights

- Revenue decreased to $7.6 million ($35.56/bbl) compared to $9.8 million ($22.87/bbl) in Q2 2020, due to lower oil production as a result of social unrest in Q3 2020. However, this was in part, offset by higher oil prices with the average Brent oil price increasing to $44.32/bbl from $29.19/bbl for Q2 2020;

- Royalties to the Peruvian government were $0.2 million (3.2% of revenue) compared to $0.1 million (1.3% of revenue) for Q2 2020;
- Operating costs were $2.5 million ($11.64/bbl) compared to $2.4 million ($5.67/bbl) for Q2 2020, reflecting consistent quarterly costs not directly impacted by lower production;
- Transportation costs were $2.5 million ($11.90/bbl) compared to $4.5 million ($10.50/bbl) for Q2 2020, reflecting the variable cost nature associated with lower production;
- Cash flow used by operations was $0.5 million compared to $0.9 million generated by operations in Q2 2020;
- Net operating income was $2.3 million ($10.86/bbl) compared to net operating income of $2.8 million ($6.40/bbl) in Q2 2020;
- The Company had cash of $9.8 million at the end of Q3 2020 compared to $20.4 million at the end of Q2 2020. The majority of the cash reduction in accounts payable during Q3 2020;
- The Company's contingent derivative liability relating to oil sold to Petroperu was reduced to $17.0 million at September 30, 2020 from $22.3 million at June 30, 2020, as a result of higher oil process inQ3 2020. This contingent liability relates to the timing difference between when Petroperu provides an initial payment for the oil and when the final settlement price is calculated. The amount of the ultimate liability will be crystallized when the oil is actually sold by Petroperu, which is expected to commence in December 2020 and continue into 2021; and,
- The contingent liability pertaining to the Brent oil price reduction has been structured into a three-year payment arrangement ("Arrangement") with Petroperu (the "Parties"):
    - The amount of this contingent liability to Petroperu will be definitively determined when the security arrangements for PetroTal's obligations are finalized;
    - 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;
    - The Parties have agreed to extend the one-year Oil Sales Contract to three years upon expiry of the current term in December 2020;
    - The Parties established a framework to ensure that future oil sales under the Oil Sales Contract have adequate hedge protection to avoid future downside losses; and,
    - The Parties have agreed to further amendments to the Oil Sales Contract for lower pipeline tariffs and fees during periods of low oil prices.

September 30, 2020 Subsequent Events

- After PetroTal recommenced oil field operations on September 28, 2020, the wells were quickly brought into full operation at the pre shut-down level of 11,500 bopd. The indigenous communities and government bodies have reached an agreement that will see increased funding for the local communities. Oil deliveries have commenced to the Iquitos refinery and, on a limited basis, to the Northern Oil Pipeline ("ONP") until social issues affecting the ONP are fully resolved. In order to manage oil inventory levels, production is currently intentionally constrained to 5,000 bopd, until such time as the ONP is operational. The Company's stringent COVID-19 protocols continue to ensure that the camp remains safe;
- In October 2020, the Company sold 192,000 barrels of oil to the Iquitos refinery and the ONP at pump station #1, thereby generating revenues of $5.5 million (net of transportation and fees), which has been paid to the Company;
- Discussions with Petroperu are continuing with respect to finalizing the contingent liability Arrangement, and the agreement is expected to be finalized in the coming weeks;
- The Company continues to diligently pursue a robust credit facility that will enhance liquidity and enable the Company to continue investment in the Bretana oil field for development growth; and,
- PetroTal has been assessing other oil export options and has signed a contract with an international oil trader for a pilot shipment to export 120,000 barrels into the Atlantic region using the Amazon river through Brazil. The shipment will be sold FOB Bretana, priced at the forward month Brent ICE price, and paid within two weeks of loading at Bretana. There are no subsequent oil price adjustments.

4. OUTLOOK AND STRATEGY

Outlook

The capital program prioritizes management's strategy to maintain a strong balance sheet during the current period of low oil prices, maximizing activity to fit within cash flow base maintenance outlined as follows:

- Completion of production facilities and infrastructure activities which include optimization of existing facilities, wells and some improvements aimed at lowering operating costs;
- Drilling new wells focused on continuing development in the core area of Bretana oilfield, as pricing allows;
- Continued investment in environmental remediation and social initiatives as part of a sustained long-term effort to improve the physical environment, and to provide training programs and other community initiatives for residents near the Company's operations.

Capital expenditures for the remainder of 2020 will be minimal, reflective of available cash resources resulting from stabilized oil field operations.

Strategy

PetroTal's strategy is focused on petroleum assets that have long-life reserves with production growth potential. Employing its knowledge base and technical expertise, the Company is working to optimize its existing assets primary through drilling new oil wells to create long-term value for shareholders. This will be accomplished through the attainment of its main objectives: increasing production, reserves, funds generated from operations and net asset value.

PetroTal's strategic priorities are to:

- Increase reserves and production;
- Maintain a strong balance sheet by controlling and managing capital expenditures;
- Control costs through efficient management of operations;
- Pursue new and proven technology applications to improve operations and assist exploration endeavors;
- Expand infrastructure (pipelines, storage, treating capacity) to increase production capacity in a cost-effective manner;
- Explore undeveloped acreage to identify and create development opportunities;
- Maintain a strong focus on employee, contractor and community health and safety; and
- Manage environmental and social performance to minimize negative ecological impacts and ensure continued stakeholder support.

PetroTal will focus on achieving its priorities and implementing its capital programs in Peru through a measured program that is funded using funds generated from operations, existing cash and supplemented by credit facilities and equity proceeds, as appropriate. Strategic allocation of the work program and budget is designated to provide additional recoverable reserves at the Peruvian oilfields and achieve growth in production.

Exploratory Block 107 – Osheki

PetroTal has a 100% working interest in this 623,280 acre block, of which the Osheki prospect is estimated by NSAI to have 278.4 mmbbls of best estimate prospective recoverable oil resources. This estimate is based on a recovery factor of 28.5 percent of the estimated 970.7 million barrels of best estimate prospective original oil in place ("OOIP"), using maps generated from seismic acquired in 2007 and 2014. The best estimate risked prospective resources figure for the Osheki prospect is 44.0 mmbbls. The prospect was de-risked with a new 3D geologic model supporting Cretaceous age reservoirs with high quality Permian source rocks. Block 107 has four additional leads that, inclusive of Osheki, that could contain a total of 662 mmbbls barrels of recoverable resource in the high estimate case. One of them is the Constitucion Sur which has been upgraded to a prospect. The best estimate unrisked prospective resources figure for Constitucion Sur is 31.6 mmbbls. This estimate is based on a recovery factor of 29.1 percent of the 108.5 mmbbls best estimate OOIP. The best estimate of risked prospective resources figure for the Constitucion prospect is 3.2 mmbbls. Drilling permits for the Osheki prospect have been approved and the Company is working on the permits for Constitucion Sur which are expected in Q3 2021. PetroTal continues to seek joint venture partners for the Osheki prospect and other Block 107 leads.

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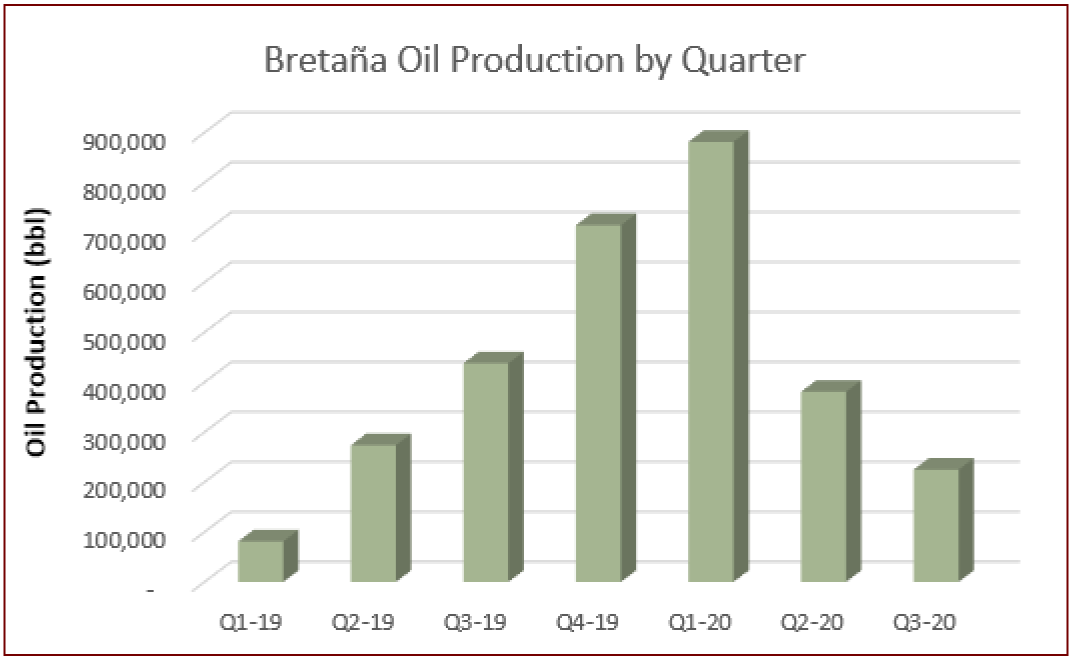
5. SELECTED FINANCIAL INFORMATION

5.1 QUARTERLY SUMMARY (IN THOUSANDS OF USD)

		Q4-2019		Q3-2019		Q2-2019	
		$/bbl		$/bbl		$/bbl	
SALES:	Average Production (bopd)		7,767		4,760		3,010
	Bbls Sold		874,802		374,683		139,517
	Average sold (bopd)		9,509		4,073		1,533
	Average Brent price ($/bbl)		$63.26		$61.93		$68.95
	Quality price differential (%)		8.8%		15.2%		15.8%
Revenues							
	Oil revenue	$57.71	$50,482	$52.52	$19,679	$58.05	$8,099
Less:	Royalties	$2.07	$1,814	$2.50	$937	$3.09	$430
	Operating expense	$6.91	$6,047	$8.30	$3,111	$18.88	$2,635
	Transportation expense	$16.31	$14,268	$17.26	$6,466	$12.03	$1,679
NET OPERATING INCOME		$32.42	$28,353	$24.46	$9,165	$24.05	$3,355
	Netback as % of Revenue		*56.2%*		*46.6%*		*41.4%*
General and administrative expense		$6.91	$6,048	$3.92	$1,469	$11.78	$1,643
Commodity price derivative loss (income)		($0.24)	($213)	$1.55	$580	$0.00	$0
Accretion and other expense		$0.26	$229	$0.96	$359	$0.43	$60
Financial expense		$0.15	$135	$0.00	$0	$0.00	$0
Deferred income tax expense (benefit)		$0.05	$45	($0.03)	($10)	($0.06)	($8)
Depletion, depreciation and amortization		$4.30	$3,760	$7.73	$2,898	$8.06	$1,125
Impairment and foreign exchange loss		$0.14	$126	$2.27	$852	$0.11	$15
NET INCOME (LOSS)			$18,223		$3,017		$520
FUNDS FLOW PROVIDED BY (USED IN) OPERATIONS			$22,058		$7,212		$1,714

		Q3-2020		Q2-2020		Q1-2020	
		$/bbl		$/bbl		$/bbl	
SALES:	Average Production (bopd)		2,444		4,185		9,686
	Bbls Sold		214,067		430,313		938,478
	Average sold (bopd)		2,327		4,729		10,313
	Average Brent price ($/bbl)		$44.32		$29.19		$50.14
	Quality price differential (%)		19.8%		21.7%		11.2%
Revenues							
	Oil revenue	$35.56	$7,611	$22.87	$9,839	$44.51	$41,768
Less:	Royalties	$1.16	$248	$0.29	$123	$1.92	$1,806
	Operating expense	$11.64	$2,492	$5.67	$2,441	$6.42	$6,028
	Transportation expense	$11.90	$2,547	$10.50	$4,519	$17.18	$16,125
NET OPERATING INCOME		$10.86	$2,324	$6.40	$2,756	$18.98	$17,809
	Netback as % of Revenue		*30.5%*		*28.0%*		*42.6%*
General and administrative expense		$10.11	$2,164	$4.35	$1,870	$2.12	$1,993
Commodity price derivative loss (income)		($20.55)	($4,399)	($42.44)	($18,264)	$43.07	$40,420
Accretion and other expense		$0.77	$164	$0.44	$191	$0.24	$229
Financial expense		$1.31	$280	$0.25	$107	$0.53	$499
Deferred income tax expense (benefit)		$0.04	$8	($0.02)	($8)	$0.06	$60
Depletion, depreciation and amortization		$6.57	$1,406	$6.22	$2,678	$6.10	$5,725
Foreign exchange loss (income)		($2.44)	($523)	$0.36	$153	$0.36	$335
NET INCOME (LOSS)			$3,224		$16,029		($31,452)
FUNDS FLOW PROVIDED BY (USED IN) OPERATIONS			(548)		$862		$15,061



The field was shut in on May 7, 2020; for the 37 producing days in Q2 2020, production averaged 11,500 bopd.
The field was shut in from July 1 to July 14 and from August 9 to September 27; for the 28 producing days in Q3 2020, production averaged 8,000 bopd.

EARNINGS STATEMENT INFORMATION

Revenues in Q3 2020 reflect oil volumes sold of 214,067 barrels (2,327 bopd) decreased from 430,313 barrels (4,729 bopd) in Q2 2020 and 374,683 barrels (4,073 bopd) in Q3 2019. Oil production in Q3 2020 was significantly impacted by the oil field being shut in due to social unrest, resulting in only 28 days of production during the quarter. The Company recommenced oil production on September 28, 2020, upon resolution of funding conflicts between the indigenous communities and governments.

The Company sells its oil at various sales points. Approximately 1,300 bopd is delivered to the Iquitos refinery priced at the prevailing Brent oil price less a discount inclusive of barging transportation charges. The majority of the oil is delivered and sold to Petroperu at the Saramuro pump station for transportation through the North Peruvian Oil Pipeline ("ONP") and onward to the Bayovar Port. The price is based on the average monthly Brent oil price, less a quality differential ($4.00/bbl), and is net of all pipeline and marketing fees. When the oil is ultimately sold by Petroperu at Bayovar, PetroTal will receive a valuation adjustment based on the actual price achieved by Petroperu, whether higher or lower. Revenues decreased to $7.6 million ($35.56/bbl) in Q3 2020 from $9.8 million ($22.87/bbl) in Q2 2020 and $19.7 million ($52.52/bbl) in Q3 2019. The Company had quality price adjustment of 19.8%, 21.7% and 15.2%, respectively.

Royalties per barrel in Q3 2020 ($1.16/bbl) were higher than the previous period as a result of higher oil prices and lower oil production levels, compared to Q2 2020 royalties of $0.29/bbl and $2.50/bbl in Q3 2019. In the current blocks, royalty is calculated on production, and ranges between five percent and twenty percent. The royalty calculation is five percent based on production of 5,000 bopd or less and twenty percent when production reaches 100,000 bopd or more, with a straight-line calculation between. The royalty regime in Peru is negotiated on a block by block basis, based either on production scales or on economic results.

Operating expense in Q3 2020 of $2.5 million ($11.64/bbl) was consistent with $2.4 million in Q2 2020 ($5.67/bbl), however represented higher per barrel metrics as a result of fixed costs being absorbed by the significant reduction of oil production in Q3 2020.

Transportation expense in Q3 2020 was $2.5 million ($11.90/bbl) down significantly from $4.5 million ($10.50/bbl) in Q2 2020, primarily as a result of the oil field being shut in and elimination of associated variable costs, along with a recently negotiated reduction (retroactive to March 1, 2020) of the pipeline tariff and marketing fee in recognition of low oil prices. Transportation costs consist of the ONP pipeline tariff, marketing fee, barging and diluent.

General and Administrative expense in Q3 2020 was $2.2 million as compared to $1.9 million in Q2 2020 and $1.5 million in Q3 2019. In Q3 2020, total G&A expenses are reflective of cost reductions implemented in Q2 2020, inclusive of 20% compensation reductions for management and directors, along with lower allocation to the reduced capital and operational activities in the oil field in Q3 2020.

Depletion, Depreciation and Amortization ("DD&A") for Q3 2020 was $1.4 million ($6.57/bbl) as compared to $2.7 million ($6.22/bbl) for Q2 2020. The decrease is related to the shut-in of operations during the quarter. DD&A was calculated using the updated annual reserve report information prepared by NSAI at December 31, 2019 and calculated based upon capital expenditures, production and 2P reserves.

Derivative income of $4.4 million in Q3 2020 is the net fair value of outstanding embedded derivatives, compared to a derivative income of $18.2 million in Q2 2020, and derivative loss of $40.4 million in Q1 2020, reflecting oil price fluctuation during the ensuing periods. The agreements signed with Petroperu in 2019, include a clause to adjust the risk of volatility of the global crude oil prices during the period in which Petroperu provides the service of crude oil usage and until the Company returns the full amount of the volumes that were delivered in advance (average minimum expected term of 6 months). Additionally, sales into the ONP are subject to oil price variations when sold by Petroperu upon arrival at the Bayovar port.

Foreign exchange gain (loss) mainly related to the foreign exchange variation of foreign currencies of $0.5 million gain during Q3 2020, compared to $0.2 million loss during Q2 2020 and foreign exchange gain of $0.3 million in Q1 2020.

Financial expense primarily represents revenue invoice factoring costs and were $0.3 million in Q3 2020 compared to $0.1 million in Q2 2020.

Reclassification

In prior periods the Company had reclassified its expenses to separate out the transportation component from operating expenses and present it separately. The Company has made this change to reflect how management views the performance and disclosure of its operations. The Company has reclassified these costs from the presentation in the statements of earnings (loss) and comprehensive income (loss). Historical results were reclassified to match the current period presentation. This change did not result in a change in income (loss) before taxes or cash flows from operations. Management believes the reclassifications described below, now align with the nature of the costs presented with the assessment of performance of the Company.

5.2 BALANCE SHEET INFORMATION (IN THOUSANDS OF USD)

	Q3-2020	Q2-2020	Q1-2020	Q4-2019	Q3-2019	Q2-2019
Cash	$9,232	$19,811	$7,373	$21,101	$20,510	$33,128
VAT receivable	$8,410	$8,414	$10,004	$12,747	$9,901	$9,268
Trade and other receivables	$4,824	$9,853	$8,124	$8,230	$2,014	$1,662
Inventory	$4,727	$3,439	$2,483	$4,197	$8,515	$4,980
Advances and prepaid expenses	$4,755	$3,570	$905	$1,249	$784	$1,118
Current Assets	$31,948	$45,087	$28,889	$47,524	$41,724	$50,156
Restricted cash	$556	$568	$0	$0	$0	$0
LT receivable and taxes	$3,769	$3,782	$3,782	$3,851	$3,706	$3,791
PPE and E&E, net	$169,258	$167,462	$161,603	$142,806	$116,533	$91,886
Total Assets	**$205,531**	**$216,899**	**$194,274**	**$194,181**	**$161,963**	**$145,833**
Trade and other payables	$40,328	$49,752	$44,814	$54,532	$41,964	$30,566
Financial liability	$667	$321	$0	$0	$0	$0
Derivative obligation	$17,012	$22,523	$40,788	$367	$580	$0
Decommissioning obligations ST	$4,348	$4,336	$4,312	$4,387	$2,718	$1,814
Current Liabilities	$62,355	$76,932	$89,914	$59,286	$45,262	$32,380
Other LT payables, taxes	$460	$435	$394	$663	$534	$616
Financial liability	$2,327	$2,724	$0	$0	$0	$0
Decommissioning obligations LT	$14,136	$14,019	$13,937	$13,175	$12,650	$12,679
Non-Current Liabilities	$16,923	$17,178	$14,331	$13,838	$13,184	$13,295
Total Equity	$126,253	$122,789	$90,029	$121,057	$103,517	$100,158
Total Liabilities and Equity	**$205,531**	**$216,899**	**$194,274**	**$194,181**	**$161,963**	**$145,833**

Variance analysis between September 30, 2020 and June 30, 2020

Cash and liquidity

Based on the enhanced values in the 2019 year-end reserve evaluation by NSAI, the Company continues to make progress towards establishing a credit facility. Having access to such a facility will strengthen PetroTal's liquidity. Higher oil production, as a result of the

2019 development program, established the basis for higher cash flow, albeit fluctuating commodity price will have an impact. To deal with reduced cash flow, the Company maintains flexibility to reduce its cost structure, as needed. Such measures include deferring capital expenditures, seeking cost reductions from suppliers, G&A reduction, and extension of payment terms. Taking these steps will help to optimize PetroTal's resource operations in Peru.

At September 30, 2020, the Company held cash of $9.8 million, a $10.6 million decrease from $20.4 million at June 30, 2020. During Q2 2020, the Company completed an equity issue that raised gross proceeds of $18 million. The working capital deficiency was $29.9 million at September 30, 2020 as compared to a working capital deficiency of $31.8 million at June 30, 2020. As summarized on the following table, quick working capital is more representative of the Company's current liquidity, and shows a deficiency of $14.3 million at September 30, 2020 as compared to a deficiency of $7.3 million at June 30, 2020. The variation is primarily due to the unrealized non-cash derivative loss and accrued liabilities which will be invoiced upon completion of the underlying work. The existing trade payables and accrued liabilities (when billed) have extended payment arrangements over the next six to nine months. Additionally, quarterly fluctuations in the Company's capital expenditure program impact cash utilization and payables. Following is a summary of liquidity and quick working capital:

	September 30 2020	June 30 2020	March 31 2020
Cash and restricted cash	9,788	19,811	7,373
Trade and other receivables	4,824	9,853	8,124
Trade payables	28,941	36,978	16,365
Quick working capital	(14,329)	(7,314)	(868)

VAT receivable

	September 30 2020	December 31 2019
VAT receivable - current	8,410	12,747
VAT receivable - non current	3,109	3,117
Total VAT receivable	11,519	15,864

Value 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 $12.6 million during the nine months of 2020 and expects to recover $8.4 million over the next year based on estimated oil sales.

Trade and other receivables

	September 30 2020	December 31 2019
Trade receivables	4,071	7,855
Other receivables	753	375
Total trade and other receivables	4,824	8,230

At September 30, 2020 and December 31, 2019, trade receivables represented revenue related to the sale of crude oil. No credit losses on the Company's trade accounts have been incurred.

Capital expenditures

	Three Months Ended			
	September 30 2020	June 30 2020	March 31 2020	December 31 2019
Drilling program	2,324	4,754	10,650	12,757
Production facilities	751	3,907	12,586	12,375
Abandonment	8	28	94	319
Exploratory	219	34	473	812
Others	52	33	69	10
Total	3,354	8,756	23,872	26,273

The Company's primary focus is to increase oil production with new wells, building on the success of reactivating the previously drilled and shut-in initial discovery well. The Company incurred $3.4 million of capital expenditures in Q3 2020 as compared to $8.8 million in

Q2 2020. One new oil producing well was completed in Q2 2020 along with completion of production facilities. Four successful oil wells were drilled in 2019, and the Company converted the initial water disposal well into a producing oil well.

The second focus was on ensuring the Company has adequate facilities to effectively and safely handle the increased production. The Company opted for a modular construction format whereby contractors design and build the components at manufacturing locations. The components are then transported to and fully assembled at the Bretana oil field. This enhances construction quality and is a cost effective solution for such major infrastructure.

Some investments were made in exploration Block 107 for permits and maintenance to ensure PetroTal will be in a position to bring in a joint venture partner in the future. The Company continues to invest in a variety of community, social and regulatory ("CSR") initiatives. An emphasis on environmental, social and governance ("ESG") is prevalent throughout all areas of our operations. A key focus has been in place to ensure the safety of our employees and contractors during the COVID-19 pandemic.

At September 30, 2020, the Company has approximately $5.4 million of exploration and evaluation assets related to exploration Block 107.

Trade and other payables

	September 30 2020	December 31 2019
Trade payables	28,854	35,985
Accrued payables and other obligations	11,387	17,587
Dividend payable	-	879
Lease obligation	87	81
Total trade and other payables	40,328	54,532

Accrued payables and other obligations decreased by $15 million (27%) in Q3 2020 as a result net payments towards accounts payable during the quarter. The payables are reflective of payment terms noted in the supplier contracts.

Derivatives

Delivery month	Settlement month	Volume bbls	Sale price $/bbl	Future price at Sep 30,2020 $/bbl	Receivable/ (Liability)
ONP Agreement					
Aug-19	Jul-20	200,261	59.66	43.10	(3,316)
Oct-19	Jul-20	209,200	64.37	43.10	(4,451)
Dec-19	Jul-20	53,119	68.17	43.10	(1,332)
Dec-19	Dec-20	119,061	68.17	41.56	(3,168)
Petroperu Saramuro Agreement					
Dec-19	Dec-20	294,372	64.30	41.56	(6,695)
Dec-19	Dec-20	60,761	65.17	41.56	(1,435)
Jan-20	Feb-21	284,981	63.67	42.33	(6,082)
Feb-20	Feb-21	48,878	55.48	42.33	(643)
Mar-20	Apr-21	523,836	33.73	42.96	4,835
Apr-20	May-21	286,212	26.63	43.27	4,763
May-20	May-21	49,526	32.41	43.27	538
Jul-20	May-21	37,402	43.22	43.27	2
Aug-20	May-21	16,594	45.01	43.27	(29)
Sep-20	May-21	895	41.87	43.27	1
Total		**2,185,098**			**(17,012)**

The embedded derivative liability is unrealized and classified as a Level 2 fair value measurement. The service contract for transport of liquid hydrocarbons of ONP and Petroperu Saramuro agreements signed with Petroperu during 2019, include a clause to adjust the risk of volatility of the international price of crude oil during the period in which Petroperu provides the service of crude oil usage and until the Company returns the full amount of the volumes that were delivered in advance. The price compensation is based on the 2 day average Brent oil price marker quotes (Brent Platts and Brent ICE) to the points of shipment and returns. In case the average price shipment is greater than the average price of estimated settlement, the Company will compensate Petroperu an amount equivalent to the difference between both averages, multiplied by the volume sold or arranged by Petroperu. If the average price shipment is lower than the average price of estimated settlement, the Company will be compensated by Petroperu.

The $17.0 million fair value of the embedded derivative, considering an average future Brent price marker differential, was recorded as a loss on commodity price derivatives at September 30, 2020. At September 30, 2020, 2.2 million barrels of oil have been delivered and sold pursuant to the sales agreements, of which 1.7 million barrels of oil remains in the pipeline or storage tanks, awaiting final transport and sale by Petroperu, and are subject to the same settlement terms as noted above in the ONP contract.

Decommissioning obligations

The Company has estimated decommissioning liabilities to be $21.6 million, of which, the net present value is $18.5 million, inclusive of an addition of $0.7 million related to the drilling campaign of the Company in the Bretana oil field, and liabilities incurred of $0.1 million. Of the total amount of $18.2 million, $4.3 million is classified as short term, and $14.1 million as long term. At year-end 2019, the decommissioning obligation was $17.6 million, of which $4.4 million was classified as short term and $13.2 million as long term.

Share capital

Authorized share capital consists of an unlimited number of common shares without nominal or par value. The holders of common shares are entitled to one vote per share and are entitled to receive dividends as recommended by the Board of Directors. In June 2019, the Company issued equity for gross proceeds of $25.5 million gross upon the issuance of 133.3 million of shares, and had agents warrants exercised and converted into 1.1 million shares for net proceeds of $0.2 million. In December 2019, PetroTal declared a dividend of $0.9 million to all shareholders which was paid in January 2020. In Q1 2020 the Company received $0.2 million from the exercise of warrants.

On June 18, 2020, the Company completed an equity issue, raising gross proceeds of approximately $18 million (at 10 pence per unit) upon issuance of 141.2 million of units. Each unit is comprised of one common share and one half of one warrant allowing the subscriber to purchase additional shares within 36 months at 16 pence/share upon presentation of a full warrant.

As of November 19, 2020, PetroTal has the following securities outstanding:

Common shares	816,167,379	88%
Investor warrants	70,601,945	8%
Performance warrants	25,750,000	3%
Performance share units	10,750,344	1%
Total	923,269,668	100%

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, transportation and revenues 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 IFRS 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.

Transportation and revenues adjusted

Transportation expense adjusted is a non-GAAP measure that includes all charges consisting of ONP pipeline tariff, marketing fee, barging and diluent expenses. Tariff and marketing fees are expenses usually recorded by reducing revenues. Management believes the reclassifications described below, now align with the nature of the costs presented with the assessment of performance of the company.

	Q3 2020 before reclassification	Q3 2020 after Reclassification	Q2 2020 before reclassification	Q2 2020 after reclassification	Q1 2020 before reclassification	Q1 2020 after reclassification
Revenues	6,933	7,611	7,413	9,839	32,245	41,768
Transportation	(1,869)	(2,547)	(2,093)	(4,519)	(6,602)	(16,125)

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Funds flow information

Funds flow provided by operations, is a non-GAAP measure that includes all cash generated from operating activities and is calculated before changes in non-cash working capital. A reconciliation from cash provided by operating activities to funds flow provided by operations is as follows:

	Q3 2020	Q2 2020	Q1 2020
Cash flows from operating activities			
Net income (loss) for the period	**3,224**	**16,029**	**(31,452)**
Adjustments for:			
Depletion, depreciation and amortization	1,406	2,678	5,725
Accretion of decommissioning obligation	137	134	131
Stock compensation expense/issuance	196	285	237
Financial instruments loss (gain)	(5,511)	(18,264)	40,420
Funds flow provided by (used in) operations before non-cash working capital	**(548)**	**862**	**15,061**
Changes in non-cash working capital:			
- VAT and other receivables	5,039	(146)	2,858
- Advances and prepaid expenses	(1,185)	(2,665)	344
- Deferred income tax	(8)	8	60
- Inventory	(1,288)	(956)	1,714
- Trade and other payables	(7,602)	18,235	(20,760)
Net cash provided by (used in) operating activities	**(5,592)**	**15,338**	**(723)**

Funds flow provided by (used in) operations or funds flow netback is a non-GAAP measure that includes all cash used in operating activities and is calculated before changes in non-cash working capital. Net operating income represents revenue less royalties, operating expenses and transportation expenses. The Company considers funds flow netback to be a key measure as it demonstrates profitability after all cash costs relative to current commodity prices.

Operating netback

The Company considers operating netbacks to be a key measure as they demonstrate Company's profitability relative to current commodity prices. Netback is calculated by dividing net operating income by barrels sold in the corresponding period.

Quick working capital

The Company considers quick working capital to be a key measure to show working capital needs in the short time. Quick working capital is calculated considering cash, trade and other receivables and trade payables.

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"), 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 audited Financial Statements and the accompanying notes as of December 31, 2019 and 2018.

Impairment testing of properties

During Q1 2020, an impairment test was conducted on the Company's properties due to the Company's market capitalization being below the carrying value of the net assets combined with the decline of oil market prices. The recoverable amount of the Cash Generating Unit (CGU) has been determined using a fair value adjusted for future abandonment costs cash flow. This is a discounted cash flow model, representing management's estimate of the expected return that will be obtained from the property in accordance with its best and intended use. As a result of the test, no impairment charge was recorded to the property's carrying amount. Company considered a discount rate of 13.5%. The carrying value of the CGU exceeds its recoverable amount.

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7. SUBSEQUENT EVENTS

After PetroTal recommenced oil field operations on September 28, 2020, the wells were quickly brought into full operation, at the pre-shut down level of 11,500 bopd. The indigenous communities and government bodies have reached an agreement that will see increased funding for the local communities. Oil deliveries have commenced to the Iquitos refinery and, on a limited basis, to the ONP until social issues affecting the ONP are fully resolved. In order to manage oil inventory levels, production is currently intentionally constrained to 5,000 bopd, until such time as the ONP is operational. The Company's stringent COVID-19 protocols continue to ensure that the camp remains safe.

In October 2020, the Company sold 192,000 barrels of oil to the Iquitos refinery and the ONP at pump station #1, thereby generating revenues of $5.5 million (net of transportation and fees), which has been paid to the company.

The Company expects to finalize the arrangement made with Petroperu to crystallize the contingent liability during Q4 2020, with the amount to be paid over a three-year period in equal instalments at an interest rate of approximately 6.5%. The agreement is secured by the Company's assets. The Company remains exposed to fluctuations in the commodity price beyond the crystallization date and will realize the benefit or loss of fluctuations in the commodity price when the oil is sold. On a monthly basis, the Company tracks the impact of fluctuating oil prices on volumes sold under both Sales Contracts as a commodity derivative. Given the current ONP timetable, it is expected that all remaining oil delivered pursuant to the Sales Contracts will be sold by Petroperu commencing in Q4 2020. As of September 30, 2020, the contingent liability has been reduced to $17.0 million.

The Company continues to diligently pursue a robust credit facility that will enhance liquidity and enable the Company to continue investment in the Bretana oil field for development growth.

In Q4 2020, the Company will commence a six year services contract with a supplier that will provide turnkey power generation services. The monthly lease payments for this contract will be $0.3 million fixed capacity charge, and $0.05 million mainly for the power consumed on a variable basis. The net present value of the lease will be recorded only in the balance sheet accounts.

8. RELATED PARTY TRANSACTIONS AND TAXES

The Company had no related party transactions or off-balance sheet arrangements.

Taxes

Peruvian law requires the Company to pay a two percent tax on gross revenue, which is booked as a deferred income tax asset and is recoverable once the prior net operating losses of approximately $144 million are exhausted. Due to prior net operating losses the Company does not anticipate having a significant tax liability for the next few years. At such time as there is a tax liability, the amounts pre-paid through the two percent payment will reduce the amount of future tax to be paid. Corporate tax rates for the Company's license contracts in Peru are 32 percent.

9. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of September 30, 2020, the Company holds the following letters of credit guaranteeing its commitments for exploration blocks:

Block	Beneficiary	Amount	Commitment	Expiration
107	Perupetro S.A.	$1,500	1st exploration well, minimum work 5th exploratory period	December 2021
107	Perupetro S.A.	$1,500	2nd exploration well, minimum work 5th exploratory period	December 2021
		$3,000		

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 one percent fluctuation in translation rates would have nil impact on net income or loss, based on foreign currency balances held at September 30, 2020.

LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. Company has no debt or loans with financial institutions. While the decrease in commodity prices as a result of the COVID-19 pandemic will negatively impact the Company's financial performance and position, the subsequent events disclosed in Note 18 provides the Company with financial flexibility and the ability to meet obligations as they become due. 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 challenging economic climate is having and may continue to have significant adverse impacts 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; and,
- interruptions in operations as the Company adjusts personnel to the dynamic environment.

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 evaluation expenses incurred in prior years. These credits will be applied to future oil development activities or recovered as per the sale tax recovery legislation currently in effect. The majority of the Company's trade receivable balances relate to crude oil sales. The Company's policy is to enter into agreements with customers that are well established and well financed entities in the oil and gas industry such that the level of risk is mitigated. 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, 2020, the cash and cash equivalents were held with seven different institutions in four countries, mitigating the credit risk of a collapse of one particular bank.

WORKFORCE MAY BE EXPOSED TO WIDESPREAD PANDEMIC

PetroTal operations are located in areas relatively remote from local towns and villages and represent a concentration of personnel working and residing in close proximity to one another. Should an employee or visitor become infected with a serious illness that has the potential to spread rapidly, this could place workforce at risk. The 2020 outbreak of the novel coronavirus in China and other countries around the world is one example of such an illness. The Company takes every precaution to strictly follow industrial hygiene and occupational health guidelines. There can be no assurance that this virus or another infectious illness will not impact company's personnel and ultimately its operations.

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. 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", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "intend", "could", "might", "should", "believe" and similar expressions. 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. 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.

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, 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 September 30, 2018, and prepared in accordance with the Canadian Oil and Gas Evaluation Handbook and the standards established by NI 51-101. For additional information about the Company's prospective resources, see the Company's press release dated September 12, 2018.

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ADITIONAL INFORMATION

Additional information about PetroTal Corp. and its business activities, including Financial Statements for the nine months ended September 30, 2020 and 2019 are available on the Company's website at www.petrotal-corp.com, and at www.sedar.com, or below:

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Ryan Ellson
Gary Guidry
Roger Tucker
Gavin Wilson
Manuel Pablo Zuniga-Pflucker

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President and Chief Executive Officer

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GLOSSARY / ABBREVIATIONS

MD&A	Management's Discussion and Analysis
IFRS	International Financial Reporting Standards
CPF	Central Production Facility
bbl(s)	Barrel(s)
mmbbl(s)	Million barrels
bopd	Barrels of oil per day
ONP	North Peruvian Oil pipeline
Netback	Benchmark to assess the profitability based on revenues less royalties, operating and transportation costs
OOIP	Original Oil in Place