



ANNUAL INFORMATION FORM

For the financial year ended December 31, 2020

Dated April 21, 2021

TSXV: TAL / AIM: PTAL / OTC: PTALF



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GLOSSARY

Certain terms and abbreviations used in this Annual Information Form are defined below:

"**ABCA**" means the *Business Corporations Act* (Alberta), as amended, including the regulations promulgated thereunder.

"**Acquisition**" has the meaning attributed thereto in "*Name, Address and Incorporation*".

"**affiliate**" or "**associate**" when used to indicate a relationship with a person or company, has the meaning set forth in the *Securities Act* (Alberta).

"**AIF**" means this annual information form dated April 21, 2021 for the financial year ended December 31, 2020.

"**AIM**" means AIM, the market of that name operated by the London Stock Exchange.

"**AIM Rules**" means the AIM Rules for Companies published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) and those other rules of the London Stock Exchange which govern the admission of securities to trading on, and the regulation of, AIM.

"**Arrangement**" has the meaning attributed thereto in "*Name, Address and Incorporation*" below.

"**Board**" or "**Board of Directors**" means the board of directors of the Company, as constituted from time to time, including where applicable, any committee thereof.

"**Bretana Assets**" means the Company's heavy oil assets which are located on Block 95 of onshore Peru.

"**Common Shares**" means the common shares in the capital of the Company.

"**Company**" or "**PetroTal**" means PetroTal Corp.

"**GTE**" means Gran Tierra Energy Inc.

"**GTEIH**" means Gran Tierra Energy International Holdings Ltd., a wholly owned subsidiary of GTE.

"**GBP**" means British Pound Sterling

"**GTRL**" means Gran Tierra Resources Limited, a wholly owned indirect subsidiary of GTE.

"**Hydrocarbon Law**" means the Organic Hydrocarbon Law No. 26221 enacted by the government of Peru in 1993, which unified text was approved by Supreme Decree No. 042-2005-EM, and the regulations thereunder.

"**Income Tax Law**" means the Legislative Decree No. 774, which Unified Text was approved by the Supreme Decree No. 179-2004-EF, and its regulations, approved by the Supreme Decree 122-94-EF, including all its amendments.

"**Ministry**" means the Ministry of Energy and Mines of Peru.

"**NI 51-101**" means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators.



"**NI 51-102**" means National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

"**NSAI Report**" means the report prepared by Netherland, Sewell & Associates, Inc. dated February 18, 2021, evaluating the crude oil reserves attributed to the Bretana Assets as at December 31, 2020.

"**ONP**" means the North Peruvian Pipeline, which transports crude oil from Station 1, in San Jose de Saramuro (Loreto), to tide-water market on Peru's west coast at the Port of Bayovar.

"**Perupetro**" means Perupetro S.A., a private state-owned company responsible for promoting, negotiating, underwriting and monitoring contracts for exploration and production of hydrocarbons in Peru.

"**Peru HoldCo**" means PetroTal International (Peru) Holdings B.V. (formerly Gran Tierra International (Peru) Holdings B.V.), a limited company existing under the laws of Curaçao.

"**Peru HoldCo Shares**" means shares in the capital of Peru HoldCo.

"**Peruvian Business**" means Peru HoldCo and its direct and indirect subsidiaries and petroleum and natural gas properties and related assets, including the Bretana Assets, all of which were acquired by the Company by virtue of the acquisition of the Peru HoldCo Shares pursuant to the Acquisition.

"**PetroPeru**" means Petróleos del Perú S.A., a private state-owned company dedicated to the transportation, refining, distribution and sale of fuel and other products derived from oil.

"**PetroTal Ltd.**" means PetroTal Ltd., a corporation incorporated under the ABCA.

"**PetroTal LLC**" means PetroTal LLC (formerly Talara Oil & Gas LLC), a Texas limited liability company and a wholly-owned subsidiary of the Company.

"**Performance Warrants**" means performance warrants to purchase Common Shares issued to certain directors, officers and employees of the Company.

"**PetroTal Shareholders**" means the holders of PetroTal Shares.

"**PetroTal Shares**" means the common shares in the capital of PetroTal prior to the closing of the Arrangement.

"**Tax Act**" means the *Income Tax Act* (Canada), as amended, including the regulations promulgated thereunder.

"**TSXV**" or "**Exchange**" means the TSX Venture Exchange.

"**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.



CONVENTIONS

Unless otherwise indicated, references herein to "\$" or "dollars" are to United States dollars. All financial information with respect to the Company has been presented in United States dollars in accordance with International Financial Reporting Standards ("IFRS"). The information in this AIF is stated as at December 31, 2020, unless otherwise indicated.

ABBREVIATIONS

Bbl	barrel
Bbls	barrels
Mbbls	thousand barrels
Bbls/d	barrels per day
NGLs	natural gas liquids
Mcf	thousand cubic feet
API	an indication of the specific gravity of crude oil measured on the American Petroleum Institute gravity scale. Liquid petroleum with a specified gravity of 28° API or higher is generally referred to as light crude oil.
BOE	barrel of oil equivalent of natural gas and crude oil on the basis of 1 BOE for 6 (unless otherwise stated) Mcf of natural gas (this conversion factor is an industry accepted norm and is not based on either energy content or current prices)
BOE/D	barrel of oil equivalent per day
m ³	cubic metres
MBOE	1,000 barrels of oil equivalent
\$000 or M\$	thousands of dollars

CONVERSION

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	Cubic meters	28.174
Cubic meters	Cubic feet	35.494
Bbls	Cubic meters	0.159
Cubic meters	Bbls	6.290
Feet	Meters	0.305
Meters	Feet	3.281
Miles	Kilometers	1.609
Kilometers	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

ADDITIONAL INFORMATION CONCERNING RESERVES DATA

Reserve Categories

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on:

- analysis of drilling, geological, geophysical and engineering data;



- the use of established technology; and
- specified economic conditions, specifically the forecast prices and costs.

Reserves are classified according to the degree of certainty associated with the estimates.

- (a) Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- (b) Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
- (c) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

Other criteria that must also be met for the categorization of reserves are provided in the most recent publication of the Canadian Oil and Gas Evaluation Handbook maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter), as amended from time to time (the "**COGE Handbook**").

Each of the reserve categories (proved, probable and possible) may be divided into developed and undeveloped categories:

- (a) Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.
 - (i) Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
 - (ii) Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.
- (b) Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level



sum of individual entity estimates for which reserve estimates are prepared). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- (a) at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves;
- (b) at least a 50 percent probability that the quantities actually recovered will equal or exceed the estimated proved plus probable reserves; and
- (c) at least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in the COGE Handbook.

Interests in Reserves, Wells and Properties

"gross" means: (a) in relation to an issuer's interest in reserves, its "company gross reserves", which are its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the issuer; (b) in relation to an issuer's interest in wells, the total number of wells in which an issuer has an interest; and (c) in relation to an issuer's interest in properties, the total area of properties in which an issuer has an interest.

"net" means: (a) in relation to an issuer's interest in reserves, its working interest (operating or non-operating) share after deduction of royalty obligations, plus its royalty interests in reserves; (b) in relation to an issuer's interest in wells, the number of wells obtained by aggregating the issuer's working interest in each of its gross wells; and (c) in relation to an issuer's interest in a property, the total area in which an issuer has an interest multiplied by the working interest owned by the issuer.

"working interest" means the percentage of undivided interest held by an issuer in the oil and/or natural gas or mineral lease granted by the mineral owner which interest gives the issuer the right to "work" the property (lease) to explore for, develop, produce and market the leased substances.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this AIF 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 AIF should not be unduly relied upon by investors. These statements speak only as of the date of this AIF and are expressly qualified, in their entirety, by this cautionary statement.



Forward-looking statements or information in this AIF include, but are not limited to:

- the performance characteristics of the Company's oil properties;
- future commodity prices and costs of and supply and demand for crude oil in each market in which production is sold;
- future gains or losses from risk management contracts;
- future production volumes in 2021 and 2022, production volumes and production declines;
- future revenues and production costs (including royalties) and revenues and production costs per commodity unit;
- future capital expenditures and their allocation to specific activities or periods, particularly with respect to the estimated maintenance capital and number of wells to be drilled as part of the 2021 capital program;
- future growth plans through 2021 and 2022;
- future drilling and completion of wells;
- future decommissioning costs, inflation rates and discount rates used to determine the net present value of such costs;
- measurement and recoverability of reserves and timing of such recoverability;
- estimates of ultimate recovery from wells;
- future finding and development costs, production costs, transportation costs, interest and financing costs, and general and administrative costs;
- effect of existing or future contractual obligations including agreements pertaining to processing, transportation and marketing of oil;
- future availability and cost of drilling rigs, completion and other oilfield services;
- dates or time periods by which wells will be drilled and completed, facility construction completed and brought into service and geographical areas developed;
- operating and other costs, world-wide supply and demand for petroleum products, royalty rates and treatment under governmental regulatory regimes;
- productive capacity of wells, anticipated or expected production rates and anticipated dates of commencement of production and timing of results therefrom;
- the size of the oil reserves of the Company and anticipated future cash flows from such reserves;
- ability to meet current and future obligations;
- future sources of funding for capital programs and future availability of such sources;
- future asset acquisitions or dispositions;
- future abandonment and reclamation costs;
- future tax liabilities and future use of tax pools and losses;
- development plans;
- transportation alternatives and sales continuity, including pursuant to exports through Brazil;
- anticipated land expiries;
- treatment under governmental regulatory regimes and tax and royalty laws;
- the ability to obtain financing on acceptable terms or at all; and
- currency, exchange and interest rates.

With respect to forward-looking statements contained in this AIF, the Company has made assumptions regarding, among other things:

- the accuracy of reserve estimates and valuations;
- oil production levels;
- the success of the Company's operations and exploration and development activities;
- prevailing climatic conditions, commodity prices, interest and exchange rates;



- the impact of increasing competition;
- availability of skilled labour, services and drilling equipment;
- timing and amount of capital expenditures;
- the legislative and regulatory environments of the jurisdictions where the Company carries on business or has operations;
- conditions in general economic and financial markets;
- the ability of the Company to secure necessary personnel, equipment and services;
- government regulation in the areas of taxation, royalty rates and environmental protection;
- future operating costs;
- access to transportation routes and markets for the Company's production; and
- the Company's ability to obtain additional financing on satisfactory terms.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this AIF:

- a global public health crisis including the recent outbreak of the novel coronavirus ("**COVID-19**") which causes volatility and disruptions in the supply, demand and pricing for crude oil, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people;
- volatility in market prices for oil and natural gas, interest and exchange rates, including between Peruvian soles and United States dollars;
- risk associated with hedging activities;
- uncertainties associated with estimating oil and natural gas reserves;
- the risks of the oil and gas industry, such as operational risks and market demand;
- legal, political and economic instability in Peru, including disruptions caused by guerrilla or indigenous groups;
- changes to trade relations, including between Peru and the United States;
- transportation and third party facility capacity constraints and access to sales markets;
- the ability of management to execute its business plan;
- governmental regulation of the oil and gas industry, including environmental regulation;
- actions taken by governmental authorities, including increases in taxes and changes in government regulations and incentive programs;
- geological, technical, drilling and processing problems;
- inadequate infrastructure in Peru;
- exploration and development activities are capital intensive and involve a high degree of risk;
- risks and uncertainties involving geology of oil and gas deposits;
- risks inherent in marketing operations, including credit risk;
- potential delays or changes in plans with respect to exploration or development projects or capital expenditures;
- availability of sufficient financial resources to fund the Company's capital expenditures;
- stock market volatility and market valuations;
- failure to realize the anticipated benefits of acquisitions and dispositions;
- unanticipated operating events which could reduce production or cause production to be shut-in or delayed;
- hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury;
- environmental risks (including climate change) and the cost of compliance with current and future environmental laws, including climate change laws along with risks relating to increased activism and public opposition to fossil fuels;



- encountering unexpected formations or pressures, premature decline of reservoirs, and the premature and/or stronger than expected invasion of water into producing formations;
- the ability to add production and reserves through development and exploration activities;
- uncertainties in regard to the timing of exploration and development activities;
- changes in general economic, market and business conditions;
- the effect of litigation proceedings on the Company's business;
- the possibility that government policies or laws, including laws and regulations related to the environment, may change or governmental approvals may be delayed or withheld;
- uncertainty in amounts and timing of royalty payments;
- uncertainties inherent in estimating quantities of oil and natural gas reserves and cash flows to be derived therefrom;
- failure to obtain industry partner and other third party consents and approvals, as and when required;
- the availability of capital on acceptable terms or at all;
- cyber-security issues;
- competition for, among other things, capital, acquisition of reserves, undeveloped land and skilled personnel; and
- the other factors considered under "*Risk Factors*" below.

Statements relating to "reserves" are deemed to be forward-looking statements or information, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitable in the future. There are numerous uncertainties inherent in estimating quantities of proved, probable and possible reserves, including many factors beyond the control of the Company. The reserve data included herein represents estimates only. In general, estimates of economically recoverable oil reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary considerably from actual results. All such estimates are to some degree speculative and classifications of reserves are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil reserves attributable to any particular group of properties and classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom, prepared by different engineers or by the same engineers at different times, may vary substantially. The actual production, revenues, taxes and development and operating expenditures of the Company with respect to these reserves will vary from such estimates, and such variances could be material.

The Company has included the above summary of assumptions and risks related to forward-looking information provided herein in order to provide investors with a more complete perspective on the Company's current and future operations and such information may not be appropriate for other purposes. This AIF may contain forward-looking statements attributed to third party industry sources.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained herein, and the documents incorporated by reference herein, are expressly qualified by this cautionary statement. Except as required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking statements and readers should also carefully consider the matters discussed under the heading "*Risk Factors*" below.

The forward-looking statements or information contained herein are made as of the date hereof and the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable securities laws.



Caution Respecting Reserves Information

The determination of oil and natural gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved and probable reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery. The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

The recovery and reserve estimates of oil, NGLs and natural gas reserves provided herein (including the documents incorporated by reference) are estimates only. Actual reserves may be greater than or less than the estimates provided herein. The estimated future net revenue from the production of the Company's natural gas and petroleum reserves does not represent the fair market value of the Company's reserves.

Caution Respecting BOE

In this AIF, the abbreviation BOE means a barrel of oil equivalent on the basis of 1 BOE to 6 Mcf of natural gas when converting natural gas to BOEs. **BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf to 1 BOE is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio of oil compared to natural gas based on currently prevailing prices is significantly different than the energy equivalency conversion ratio of 6 Mcf to 1 BOE, utilizing a conversion ratio of 6 Mcf to 1 BOE may be misleading as an indication of value.** For example, the conversion ratio specified in the Block 95 License Contract is 5.626 Mcf to 1 BOE.

NAME, ADDRESS AND INCORPORATION

The Company was incorporated under the *Companies Act* (Alberta) on August 31, 1979 under the name of "Peoples Oil Limited". The Company was continued pursuant to articles of continuance under Section 261 of the ABCA on July 2, 1982. The Company changed its name to "Sterling Resources Ltd." on February 10, 1997.

On December 18, 2017, the Company: (a) completed a reverse take-over with PetroTal Ltd. by way of statutory plan of arrangement under the ABCA (the "**Arrangement**"), pursuant to which the Company: (i) acquired all of the issued and outstanding shares of PetroTal Ltd.; and (ii) amalgamated with PetroTal Ltd. and continued as one Company under the name "Sterling Resources Ltd."; (b) acquired from GTE all of the issued and outstanding Peru HoldCo (the "**Acquisition**"); and (c) the Company's Board and management team were reconstituted.

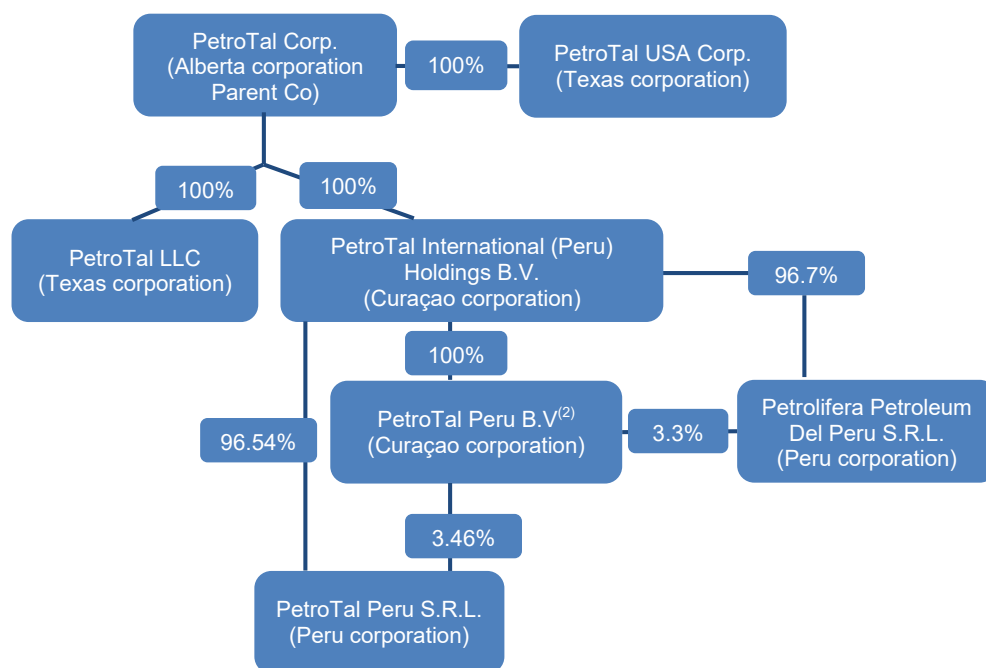
The Company changed its name to "PetroTal Corp." on June 4, 2018. On October 25, 2018, the Company amended its articles in order to comply with the AIM Rules.

The Company's head office is located at 11451 Katy Freeway, Suite 500, Houston, Texas 77079. The registered office of the Company is located at Suite 4300 Bankers Hall West, 888 3rd St SW, Calgary Alberta T2P 5C5.

As of the date hereof, the Company is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland. The Common Shares are listed on the TSXV under the trading symbol "TAL" , on OTC under the trading symbol of "PTALF", and on AIM under the trading symbol "PTAL".



The following diagram illustrates the inter-corporate relationships among the Company and its subsidiaries as at the date hereof:



GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

Since incorporation, the Company has been involved in the acquisition of petroleum and natural gas rights and the exploration for, and the development and production of, crude oil and natural gas. In its early years, the Company focused on onshore activities in Canada and the United States, and gained its first international assets in Romania in 1997 divesting these assets in 2015. In 1998, the Company acquired assets in the United Kingdom ("UK"), divesting these assets in 2017. Following the completion of the Arrangement and the Acquisition in December 2017, the new management team began to execute on its development and exploration plan in respect of the Peruvian Business.

Financial Year Ended December 31, 2018

On June 4, 2018, the Company changed its name from "Sterling Resources Ltd." to "PetroTal Corp.".

On July 1, 2018 the Company brought the Bretana field online, recording first production and revenue.

On October 25, 2018, in advance of listing the Common Shares on AIM, the Company amended its articles in order to comply with the AIM Rules.

In November 2018, all oil and water handling facilities were in place and the field was placed on commercial production on November 30, 2018 with the declaration of commerciality in the field.

On December 24, 2018, the Common Shares commenced trading on AIM under the trading symbol "PTAL".



Financial Year Ended December 31, 2019

On April 18, 2019, Charles Fetzner resigned as Vice President of Asset Development of the Company.

On April 22, 2019, the Company completed its second development oil well in the Bretana field.

In May 2019, the Company received approval of the Environmental Impact Assessment under the Environmental Impact Assessment System and Supreme Decree No. 039-2014-EM to allow for drilling of development oil wells and installation of related facilities in Block 95 of the Bretana field.

On May 31, 2019, the Company completed a brokered placing of 133,333,333 Common Shares at a price of £0.15 (\$USD.19) per Common Share for aggregate gross proceeds of £20 million (\$USD25.5 million). On December 12, 2019, the Company declared an interim dividend of Canadian Dollars ("CAD\$") 0.0017 cash for each Common Share to be paid to Shareholders on January 20, 2020, representing in aggregate a total dividend payment of approximately CAD\$1.14 million (\$0.9 million).

On June 18, 2019, the Company completed its third development oil well. It was the Company's first well equipped with an electric submersible pump for optimizing future well productivity.

On August 21, 2019, the Company completed its second water disposal well and converted its existing water disposal well into an oil producer.

On October 21, 2019, the Company completed its fourth development oil well. It was the Company's first horizontally completed well utilizing autonomous inflow control device valves aimed to maximize production output.

On November 4, 2019, Douglas C. Urch replaced Greg Smith as Executive Vice President and Chief Financial Officer of the Company. Concurrent with his appointment as an officer of the Company, Mr. Urch resigned as a director and Chairman of the Board and Mark McComiskey, an existing director, was appointed as Chairman.

On December 16, 2019, the Company completed its fifth development oil well. It was the Company's second horizontal well equipped with autonomous inflow control device valves and the longest horizontal well drilled to date in Peru.

On December 19, 2019, Eleanor Barker and Roger Tucker were appointed as directors of the Company.

On December 27, 2019, the Company entered into an oil sales contract with PetroPeru concurrent with the commissioning of the Company's first central production facility. Pursuant to the oil sales contract, the Company utilizes the ONP, owned and operated by PetroPeru, in order to deliver crude oil from Pump Station No. 1 in the Saramuro region to be ultimately sold by PetroPeru at the terminal facilities in Port Bayovar. See "*Forward Contracts and Marketing*".

Financial Year Ended December 31, 2020

Due to the Peruvian government's COVID-19 health directive and social unrest, field operations were shut-down from May 3, 2021 to September 28, 2020.

On June 18, 2020, the Company completed a brokered placing of 141,203,891 units, each unit comprised of one Common Share and one half of one Warrant at a price of £0.11 (\$USD.14) per unit for aggregate gross proceeds of £14.1 million (\$USD18.0 million).



PetroTal recommenced oil field operations on September 28, 2020 and the wells were brought back into operation in Q4 2020. The indigenous communities and government bodies have reached an agreement that will see increased funding for the local communities. The Company recommenced oil delivery to the Iquitos refinery and to the ONP. The Company's stringent COVID-19 protocols continue to ensure that the camp remains safe.

During Q4 2020, PetroTal signed a contract with an international oil trader for a pilot shipment to export 106,000 barrels of oil into the Atlantic region using the Amazon river through Brazil. The shipment was sold FOB Bretana, priced at the forward month Brent ICE price, and paid within two weeks of loading at Bretana. The contract does require any oil price adjustments.

Recent Developments

On January 19, 2021, the Company executed a final agreement with Petroperu to restructure the contingent derivative liability and extended the oil sales contract with Petroperu for an additional 2 years.

On February 16, 2021, the Company completed the issuance of a 3-year \$100 million senior secured bond with an annual interest rate of 12%. The bond is PetroTal's only interest bearing debt. A portion of the bond proceeds was used to retire all of the contingent derivative liability with Petroperu and the remainder will be used to continue development of the Bretana oil field, support the Company's crude oil price hedging strategy, and finance potential acquisitions.

On February 18, 2021, the Company announced its 2021 capital program of \$100 million. The program is funded from the bond issue, supplemented with funds generated from operations and existing resources.

On March 31, 2021, the Company has implemented a hedge program for 2021 covering about 30% of expected 2021 oil production, in addition to hedging the value of all barrels currently in the ONP. This robust hedging program will ensure funding stability to support the 2021 capital development program and ensure compliance with covenants, should the Brent oil price drop materially

For sales into the ONP, the Company is paid an initial price when oil is delivered to pump station #1 at Saramuro, with a true-up payment received approximately eight months later from Petroperu, based on the Brent price at the Bayovar port. To alleviate the oil price risk associated with PetroTal's monthly deliveries into the ONP, the monthly sales invoices are, pursuant to the previously announced amended oil sales contract with Petroperu, now priced based on the eight month Brent strip price forecast, and Petroperu has placed oil price Swaps for these sales to alleviate significant price adjustments

The Company continues to develop an alternative export route through to the Atlantic based in the success of the first delivery. In Q1 2021, PetroTal completed a second exportation of approximately 220,000 barrels of oil.

Significant Acquisitions

The Company has not completed any significant acquisitions during its most recently completed financial year for which disclosure is required under Part 8 of NI 51-102.

DESCRIPTION OF THE BUSINESS OF THE COMPANY

General



The Company's business plan is focused on building value through the development and exploration of oil assets in Peru on its 1.5 million net acres of undeveloped land. The Company's immediate focus is to: (a) continue to develop the Bretana Assets, one of the largest undeveloped discoveries in Peru, by applying management's knowledge and leveraging management's experience with the local suppliers and regulatory bodies; and (b) secure a farm-in partner to finance the drilling of the Block 107 Osheki prospect.

Specialized Skill and Knowledge

The Company relies on the specialized skill and knowledge of its permanent staff to compile, interpret and evaluate technical data, drill and complete wells, design and operate production facilities and numerous additional activities required to explore for and produce oil and natural gas. From time to time, the Company employs consultants and other service providers to provide complementary experience and expertise to carry out its oil and natural gas operations effectively. It is the belief of management of the Company that its officers and employees, who have significant technical, operational and financial experience in the oil and gas industry, hold the necessary skill sets to successfully execute the Company's business strategy in order to achieve its corporate objectives.

Competitive Conditions

The oil and natural gas industry is intensely competitive in all its phases. The Company competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. The Company's competitors include resource companies that have greater financial resources, staff and facilities than those of the Company. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. The Company's ability to acquire additional property rights, to discover and produce reserves, to construct and operate production facilities and to identify and enter into advantageous commercial arrangements is dependent upon: (i) the Company developing and maintaining close working relationships with its industry partners; (ii) its ability to select and evaluate suitable properties for acquisition and development; (iii) its ability to consummate commercially attractive transactions in a competitive environment; and (iv) the maintenance of adequate financial capacity. The Company believes that its competitive position is equivalent to that of other oil and gas issuers of similar size and at a similar stage of development. See "*Risk Factors - Competition*".

Cyclical Nature of Industry

The Company's operational results and financial condition are dependent on the prices received for oil and natural gas production. Oil and natural gas prices have fluctuated significantly during recent years and are determined by global supply and demand factors, including weather and general economic conditions, competition from other oil and natural gas producing regions, pipeline access and geopolitical circumstances. During 2018, crude oil pricing gradually improved through the first ten months of the year before collapsing in November over concerns of supply outpacing demand. In 2019, crude oil pricing decreased compared to 2018 as a result of a lower oil demand forecast due to trade tensions between the U.S. and China which continued to affect the global economy and fears of an oversupplied market, despite rising tensions in the Middle East. In 2020, the COVID-19 pandemic significantly reduced demand and led to a dramatic collapse in the crude oil price in May 2020 and also caused significant volatility in commodity prices for the remainder of the year. Any decline in oil and natural gas prices could have an adverse effect on the Company's financial condition. See "*Risk Factors*".

Health, Safety and Environmental Policies

PetroTal constantly monitors and actively manages its approach to environmental concerns. The Company believes that it is in compliance with applicable existing environmental laws and regulations and is not aware of any proposed



environmental legislation or regulations with which it would not be in material compliance. Procedures are put in place to ensure that the utmost care is taken in the day-to-day management of the Company's oil and gas properties. However, in the future, the natural resources industry may become subject to more stringent environmental protection rules. This could increase the cost of doing business and may have a negative impact on future earnings.

PetroTal is committed to meeting industry standards in each jurisdiction in which it operates with respect to human rights, environment, health and safety policies. Management, employees and contractors are governed by and required to comply with PetroTal's environment, health and safety policy as well as all applicable national, state and local legislation and regulations. PetroTal has established roles and responsibilities to facilitate effective management of its environment, health and safety policy throughout the organization. It is the primary responsibility of the managers, supervisors and other senior field staff of PetroTal to oversee safe work practices and ensure that rules, regulations, policies and procedures are being followed. PetroTal maintains and will continue to maintain a safe and environmentally responsible work place, and will continue to provide training, equipment and procedures to all individuals in adhering to our policies. PetroTal will also solicit and take into consideration input from its neighbors, communities and other stakeholders in regard to protecting people and the environment. See "*Industry Conditions*" and "*Risk Factors*".

Employees

As at December 31, 2020, the Company had 57 employees in Peru and 11 employees in Houston.

Reorganizations

There have been no material reorganizations of the Company within the three most recently completed financial years or completed during or proposed for the current financial year.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Disclosure of Reserves Data and Other Information as of Financial Year Ended December 31, 2020

The reserves data herein is based upon the NSAI Report. The reserves data set forth below is based upon an evaluation of the NSAI Report. The NSAI Report summarizes the crude oil reserves of the Bretana Assets and the net present values of future net revenue for these reserves using forecast prices and costs. No gas market is expected to exist for the Company's properties so natural gas reserves were not estimated in the NSAI Report. The NSAI Report has been prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101. Additional information not required by NI 51-101 has been presented to provide continuity and additional information which the Company believes is important to the readers of this information. The following tables provide summary information presented in the NSAI Report effective December 31, 2020 and based on an average of forecasts of Brent Crude futures prices prepared by three Canadian independent consultants as of December 31, 2020.

The Report on Reserves Data by NSAI and the Report of Management and Directors on Oil and Gas Disclosure are attached as Exhibit 1 and Exhibit 2, respectively, to this AIF.

All of the Company's reserves are onshore in the Bretana field located at the northern edge of Block 95 in northern Peru. The NSAI Report is based on certain factual data supplied by the Company and NSAI's opinion of reasonable practice in the industry. For the purposes of the NSAI Report, NSAI did not perform any field inspections, examinations of mechanical operation, condition of facilities or possible environmental liability.



The Company's gross revenue shown in the NSAI Report is the Company's share of the gross (100%) revenue from its properties prior to any deductions. Future net revenue is provided after deductions for the Company's share of royalty burden, capital costs, abandonment and reclamation costs and operating expenses but before consideration of any income taxes. Estimated Peruvian incomes taxes are a simplification of current tax law and were not prepared by a tax accountant or lawyer. The Company's financial statements and management's discussion and analysis for the year ended December 31, 2020 should be consulted for additional information regarding the Company's taxes.

There are numerous uncertainties inherent in estimating quantities of crude oil reserves and the future cash flows attributed to such reserves. In general, such estimates are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For those reasons, estimates of the economically recoverable crude oil reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to reserves estimated by NSAI represent the fair market value of those reserves. Other assumptions and qualifications relating to costs, prices for future production and other matters are summarized herein. The recovery and reserve estimates of crude oil reserves provided herein are estimates only. Actual reserves may be greater than or less than the estimates provided herein.

The information relating to the Company's crude oil reserves contains forward-looking statements relating to future net revenues, forecast capital expenditures, future development plans, timing and costs related thereto, forecast operating costs, anticipated production and abandonment costs. See "*Special Note Regarding Forward-Looking Statements*", "*Industry Conditions*" and "*Risk Factors*".

Throughout the following summary tables, differences may arise due to rounding.

SUMMARY OF OIL RESERVES AND NET PRESENT VALUES OF FUTURE NET REVENUE AS OF DECEMBER 31, 2020 FORECAST PRICES AND COSTS

	Heavy Oil⁽¹⁾	
	Gross	Net⁽²⁾
	(Mbbbl)	(Mbbbl)
Proved		
Developed Producing	11,953.8	11,953.8
Undeveloped	10,324.3	10,324.3
Total Proved	22,278.1	22,278.1
Total Probable	28,717.4	28,717.4
Total Proved + Probable	50,995.5	50,995.5
Total Possible	55,081.7	55,081.7
Total Proved + Probable + Possible	106,077.2	106,077.2

Notes:

- (1) Totals may not add because of rounding.
- (2) PetroTal owns a 100% working interest and a 100% net revenue interest in these properties.



(3) Net reserves do not include deductions for royalty expense for net oil volumes. Government royalties are included in property and taxes.

NET PRESENT VALUE OF FUTURE NET REVENUE

Description	Before Income Tax Discounted at Various Rates					Unit Value Before Income Tax
	0%	5%	10%	15%	20%	Discounted at 10% \$/Bbl
	M\$	M\$	M\$	M\$	M\$	
Proved						
Producing	133,430.6	137,892.9	134,882.3	129,158.0	122,721.5	11.23
Undeveloped	316,160.2	236,309.6	181,981.4	143,515.5	115,303.6	17.67
Total Proved	449,590.8	374,202.5	316,863.7	272,673.5	238,025.1	14.21
Total Probable	1,123,343.6	733,519.2	512,907.1	378,766.9	291,918.0	17.87
Total Proved + Probable	1,572,934.4	1,107,721.7	829,770.8	651,440.4	529,943.1	16.27
Total Possible	2,404,785.2	1,372,076.8	891,174.5	632,503.8	476,775.8	16.17
Total Proved + Probable + Possible	3,977,719.6	2,479,798.5	1,720,945.3	1,283,944.2	1,006,718.9	16.22

Notes:

- (1) Totals may not add because of rounding.
- (2) Utilizes an average of forecasts of Brent Crude futures prices prepared by three Canadian independent consultants as of December 31, 2020 as detailed below.
- (3) Future net revenue is after deductions for the Company's share of royalty burdens, capital costs, abandonment and reclamation costs and operating expenses by before consideration of any Peruvian income taxes.

Description	After Income Tax Discounted at Various Rates				
	0%	5%	10%	15%	20%
	M\$	M\$	M\$	M\$	M\$
Proved					
Producing	133,430.6	137,500.4	134,135.3	128,105.0	121,403.9
Undeveloped	236,748.8	177,520.2	137,364.2	108,961.1	88,100.1
Total Proved	370,179.4	315,020.6	271,499.6	237,066.1	209,504.0
Total Probable	761,762.1	498,858.9	349,539.9	258,646.5	199,812.9
Total Proved + Probable	1,131,941.5	813,879.5	621,039.4	495,712.5	409,316.9
Total Possible	1,632,719.0	933,526.6	606,766.7	430,975.4	325,281.2
Total Proved + Probable + Possible	2,764,660.5	1,747,406.1	1,227,806.1	926,687.9	734,598.1

Notes:

- (1) Totals may not add because of rounding.
- (2) Utilizes an average of forecasts of Brent Crude futures prices prepared by three Canadian independent consultants as of December 31, 2020 as detailed below.
- (3) Future net revenue is after deductions for the Company's share of royalty burdens, capital costs, abandonment and reclamation costs, operating expenses and Peruvian income taxes.



TOTAL FUTURE NET REVENUE (UNDISCOUNTED) AS OF DECEMBER 31, 2020
FORECAST PRICES AND COSTS (M\$)

Reserves Category	Revenue	Property and Mineral Taxes	Operating Costs	Capital Develop. Costs	Aband/ Other Costs	Net Revenue Before Income Taxes	Income Tax	Net Revenue After Income Taxes
Total Proved	1,185,412.1	56,899.8	560,185.2	97,494.8	21,241.6	449,590.7	143,869.0	305,721.7
Total Proved + Probable	2,915,102.1	139,924.9	1,008,806.0	165,857.8	27,579.0	1,572,934.4	503,339.0	1,069,595.4
Total Proved + Probable+Possible	6,473,839.5	310,744.3	1,888,421.8	261,452.9	35,500.9	3,977,719.6	1,272,870.3	2,704,849.3

Forecast Costs and Price Assumptions

The forecast cost and price assumptions are based on Brent Crude futures prices and are adjusted for quality, transportation fees and market differentials. Crude oil benchmark reference pricing, inflation and exchange rates utilized by NSAI in the NSAI Report were an average of forecasts of Brent Crude futures prices prepared by three Canadian independent consultants as of December 31, 2020, as follows:

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS as of December 31, 2020

FORECAST PRICES AND COSTS

Year	Oil Price (\$US/Bbl)
Forecast	
2021	49.42
2022	52.85
2023	56.04
2024	57.87
2025	59.00
2026	60.15
2027	61.33
2028	62.53
Thereafter	Escalation Rate of 2% on January 1 of each year

Estimated future abandonment and reclamation costs related to a working interest have been taken into account by NSAI in determining reserves that should be attributed to a property and in determining the aggregate future net revenue therefrom, there was deducted the reasonable estimated future well abandonment and reclamation costs. No allowance was made, however, for the abandonment of any facilities. The forecast price and cost assumptions assume the continuance of current laws and regulations.

Reconciliations of Changes in Reserves and Future Gross Revenue

The following table reconciles the Company's gross reserves from December 31, 2019 to December 31, 2020, using forecast prices and costs. Gross reserves include oil volumes to be used to generate power for the field.



	Proved (Mbbbl)	Proved plus Probable (Mbbbl)
Opening balance, beginning of year	21,536.2	47,689.1
Technical Revision	3,810.9	5,931.4
Economic Factors	(992.4)	(548.4)
Less Production	(2,076.9)	(2,076.9)
Total Reserves, end of year	22,278.1	50,995.5

Additional Information Relating to Reserves Data

Undeveloped Reserves

Undeveloped reserves are attributed by NSAI in accordance with standards and procedures contained in the COGE Handbook. Proved undeveloped reserves are those reserves that can be estimated with a high degree of certainty and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. Probable undeveloped reserves are those reserves that are less certain to be recovered than proved undeveloped reserves and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. Proved and probable undeveloped reserves have been assigned in accordance with engineering and geological practices as defined under NI 51-101.

The Company plans to continue to develop the reserves by drilling a series of horizontal wells into the productive formation. The Company anticipates that 4 new wells will be required to produce the proved undeveloped reserves and an additional 7 new wells will be required to produce the proved plus probable reserves.

There are a number of factors that could result in delayed or cancelled development, including the following: (a) changing economic conditions (due to commodity pricing, operating and capital expenditure fluctuations); (b) changing technical conditions (including production anomalies, such as water breakthrough or accelerated depletion); (c) multi-zone developments (for instance, a prospective formation completion may be delayed until the initial completion formation is no longer economic); (d) a larger development program may need to be spread out over several years to optimize capital allocation and facility utilization; and (e) surface access issues (including those relating to land owners, weather conditions and regulatory approvals). See "*Risk Factors*".

Significant Factors or Uncertainties Affecting Reserves Data

The process of evaluating reserves is inherently complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and natural gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions and other factors and assumptions that may affect the reserve estimates and the present value of the future net revenue therefrom. These factors and assumptions include, among others: (a) historical production in the area compared with production rates from analogous producing areas; (b) initial production rates; (c) production decline rates; (d) ultimate recovery of reserves; (e) success of future development activities; (f) timing and costs of future development activities; (g) marketability of production; (h) effects of government regulations; and (i) other government levies imposed over the life of the reserves.



As circumstances change and additional data becomes available, reserve estimates also change. Estimates are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and government restrictions. Revisions to reserve estimates can arise from changes in year-end prices, reservoir performance and geologic conditions or production. These revisions can be either positive or negative.

While the Company does not anticipate any significant economic factors or significant uncertainties that will affect any particular components of the reserves data, the reserves can be affected significantly by fluctuations in product pricing, capital expenditures, costs to abandon and reclaim properties, operating costs, royalty regimes and well performance that are beyond the Company's control. See "Risk Factors".

Future Development Costs

The following table sets forth development costs deducted in the estimation of the Company's future net revenue attributable to the reserve categories noted below:

Year	Forecast Development Costs (M\$)		
	Proved Reserves	Proved Plus Probable Reserves	Proved Plus Probable Plus Possible Reserves
2021	87,503.0	94,945.7	94,945.7
2022	249.9	51,702.5	64,962.5
2023	-	9,467.7	68,562.3
2024	-	-	23,240.5
2025	9,741.9	9,741.9	9,741.9
Thereafter	-	-	-
Total Undiscounted	97,494.8	165,857.8	261,452.9

Future development costs are capital expenditures required in the future for the Company to convert proved undeveloped reserves, probable reserves and possible reserves to proved developed producing reserves. The undiscounted development costs are \$97 million for proved reserves, \$166 million for proved plus probable reserves and \$261 million for proved plus probable plus possible reserves (in each case based on forecast prices and costs).

The Company expects to use a combination of internally generated cash from operations, working capital and the issuance of new equity or debt where and when it believes appropriate to fund future development costs set out in the NSAI Report. There can be no guarantee that funds will be available or that the Board of Directors will allocate funding to develop all of the reserves attributable in the NSAI Report. Failure to develop those reserves could have a negative impact on the Company's future cash flow.

Interest expense or other costs of external funding are not included in the reserves and future net revenue estimates set forth above and would reduce the reserves and future net revenue to some degree depending upon the funding sources utilized. The Company does not anticipate that interest or other funding costs would make further development of any of the Company's properties uneconomic.

Other Information

The following table sets forth the number and status of the Company's wells effective December 31, 2020.



	Producing Oil		Non-Producing ⁽³⁾ Oil	
	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾
Peru	7	7	1	1
Total	7	7	1	1

(1) "Gross" means total number of wells in which the Company holds an interest.

(2) "Net" means the aggregate of the percentage working interests of the Company in the gross wells.

(3) "Non-Producing" means wells that may or may not have been previously on production (oil and water) the date Production will be obtained from these wells is uncertain.

Properties with no Attributed Reserves

The following table summarizes, effective December 31, 2020, the gross and net acres of undeveloped properties in which the Company had an interest and also the number of net acres for which its rights to explore, develop or exploit could expire within one year.

	Undeveloped Acres		Developed ⁽¹⁾ Acres		Total Acres	
	Gross	Net	Gross	Net	Gross	Net
Peru	1,404,800	1,404,800	10,000	10,000	1,414,800	1,414,800
Total	1,404,800	1,404,800	10,000	10,000	1,414,800	1,414,800

(1) The acres shown as "Developed" refer to the expected size of the Bretana field.

Significant Factors or Uncertainties Relevant to Properties With No Attributed Reserves

There are several economic factors and significant uncertainties that affect the anticipated exploration and development of the Company's properties with no attributed reserves. The Company will be required to make substantial capital expenditures in order to explore, exploit, develop, prove and produce oil from these properties in the future.

If the Company's cash flow is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or, if available, on terms acceptable to the Company. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain opportunities and reduce or terminate its operations.

The inability of the Company to access sufficient capital for its exploration and development activities could have a material adverse effect on the Company's ability to execute its business strategy to develop these prospects. See "*Risk Factors*".

The significant economic factors that affect the Company's development of its lands to which no reserves have been attributed are future commodity prices for oil and the Company's outlook relating to such prices, and the future costs of drilling, completing, equipping, tie-in and operating the wells at the time that such activities are considered in the future.

The significant uncertainties that affect Company's development of such lands are: (a) the future drilling and completion results the Company achieves in its development activities; (b) drilling and completion results achieved by others on lands in proximity to the Company's lands; and (c) future changes to applicable regulatory or royalty regimes that affect timing or economics of proposed development activities. All of these uncertainties have the potential to delay the development of such lands. Alternatively, uncertainty as to the timing and nature of the evolution or development of improved exploration drilling, completion and production technologies have the potential to accelerate development activities and enhance the economics relating to such lands.



Forward Contracts and Marketing

PetroTal is exposed to market risks resulting from fluctuations in commodity prices, foreign exchange rates and interest rates in the normal course of operations. A variety of derivative instruments may be used by PetroTal to reduce its exposure to fluctuations in commodity prices and foreign exchange rates. The Company primarily sells crude oil based on prevailing market pricing. The Company has entered into an oil sales contract with PetroPeru, whereby PetroPeru has agreed to purchase crude oil at Pump Station No.1 located in San Jose de Saramuro, approximately 460 kilometers from the Bretana field. The crude oil delivered to Station No. 1 is sold based on the monthly average reference price of the Brent Index minus discounts. PetroPeru ultimately sells the crude oil at the Bayovar Terminal, located in the department of Piura, and provides the Company with a valuation adjustment based on the actual price achieved, whether higher or lower. On January 19, 2021, the oil sales contract was extended for an additional 2 years.

The embedded derivative liability is classified as Level 2 fair value measurement. The service contract for transport of liquid hydrocarbons of the ONP and Saramuro agreements signed with Petroperu, 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 return, 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 return, the Company will be compensated by Petroperu.

On a monthly basis, the Company tracks the impact of fluctuating oil prices on volumes sold under both the Swap Contract and Sales Contract as a commodity derivative. Given the current ONP timetable, it is expected that oil delivered pursuant to the Swap Contract will be sold by Petroperu in Q2 2021. Under the terms of the Sales Contract, the Company is required to settle this contingent liability when the balance exceeds \$10 million.

The \$4.4 million fair value of the embedded derivative, considering an average future Brent price marker differential was recorded as a loss on derivative expense and related derivative liability as at December 31, 2020.

Delivery month	Settle month	Volume bbls	\$/bbl	12-31-20 \$/bbl	Receivable/ (Liability)
ONP Agreement					
Aug-19	Jul-20	200,261	59.66	43.10	(3,316)
Oct-19	Jul-20	208,397	64.37	43.10	(4,434)
Dec-19	Jul-20	53,922	68.17	43.10	(1,352)
Dec-19	Nov-20	112,228	68.17	44.85	(2,617)
Dec-19	Mar-21	6,030	68.17	51.34	(101)
Petroperu Saramuro Agreement					
Dec-19	Mar-21	294,372	64.30	51.34	(3,816)
Dec-19	Mar-21	85,142	65.17	51.34	(1,178)
Jan-20	Mar-21	120,486	63.67	51.34	(1,486)
Jan-20	Abr-21	140,114	63.67	51.63	(1,688)
Feb-20	Abr-21	226,793	55.48	51.63	(873)
Mar-20	Abr-21	133,094	33.73	51.63	2,383
Mar-20	May-21	212,828	33.73	51.68	3,820
Apr-20	May-21	286,211	26.63	51.68	7,170
May-20	May-21	960	32.41	51.68	18



May-20	Jun-21	48,566	32.41	51.67	935
Jul-20	Jun-21	37,402	43.22	51.67	316
Aug-20	Jun-21	16,594	45.01	51.67	111
Sep-20	Jun-21	895	41.87	51.67	9
Oct-20	Jun-21	130,017	41.52	51.67	1,319
Nov-20	Jun-21	88,543	43.98	51.67	681
Dec-20	Jun-21	38,106	50.22	51.67	55
Total		2,440,961			(4,044)

Tax Horizon

Based on NSAI production forecasts, planned capital expenditures and the forecast commodity pricing applied in the NSAI Report, the Company estimates that it will not be required to pay current income taxes until 2026. The current corporate income tax is 32% and allows for the Company to deduct prior capital spent against future net income. See "Risk Factors – Tax Risk".

Costs Incurred

The following table summarizes the Company's gross property acquisition costs, exploration costs and development costs for the year ended December 31, 2020.

Capital Investment (\$M)				
Property Acquisition Costs		Exploration Costs	Development Costs	
Proved Properties	Unproved Properties			
Costs (\$M)	-	0.5	41.5	

Exploration and Development Activities

The following table summarizes the gross and net exploration and development wells in which the Company participated during the year ended December 31, 2020.

	Development Wells		Exploration Wells		Total Wells	
	Gross	Net	Gross	Net	Gross	Net
Natural gas wells	-	-	-	-	-	-
Oil wells	7	7	-	-	7	7
Water wells	1	1	-	-	1	1
Stratigraphic test wells	-	-	-	-	-	-
Dry holes	-	-	-	-	-	-
Total	8	8	-	-	8	8

Planned Capital Expenditures

The Company plans to continue to develop the reserves by drilling a series of horizontal wells into the productive formation. The Company anticipates that 4 new wells will be required to produce the Company's proved undeveloped reserves and an additional 7 new wells will be required to produce the Company's proved plus probable reserves. Additionally, water injection wells, and equipment to inject the water back into the formation for environmental purposes, will be required.



The Company plans to focus on the development of the proved plus probable reserves for the foreseeable future. As of the date hereof, the Company has drilled and completed 6 wells in Bretana and expects to drill up to 4 additional wells by the end of 2020.

Production Estimates

The following table discloses for each product type the total average daily volume of production estimated by NSAI in the NSAI Report for 2020 in the estimates of future net revenue from gross proved and gross proved plus probable reserves disclosed above.

	Heavy Oil (Bbls/d)
Proved	
Peru	4,238
Total Proved	4,238
Probable	
Peru	2,415
Total Probable	2,415
Total Proved plus Probable	6,653

Other Oil and Gas Information

The Company's primary development asset, the Bretana oil field, is located in the Marañón Basin of Northern Peru that has been producing since the early 1970's. The Bretana field was drilled by GTE after completing a detailed seismic program. The initial well eventually tested 3,095 Bbls/d, with an average of 2,550 Bbls/d, and was shut in pending the installation of facilities. GTE had also drilled a water disposal well that will be used to reinject any water produced with future oil production. PetroTal has brought the initial well back online and drilled additional development oil wells and water disposal wells. PetroTal is delivering its crude oil to the Iquitos refinery via double-hull barges, and also delivering crude oil using the existing ONP (North Peruvian Pipeline) that has capacity to deliver the crude to the West Coast of Peru. The Talara refinery near the delivery point has capacity to accept the crude oil production from Bretana. In addition, the Company is developing an alternative export route through to the Atlantic.

Bretana (Block 95)

Block 95, where the Bretana Assets are located, is on the southeastern flank of the Marañón Basin. The surface terrain is characterized by rainforest flood plains that can be covered by overflow of the Ucayali River for five to six months of the year. The field itself is a large, gently dipping four-way closure with a northwest-southeast trend. In 1974, Amoco Corporation drilled the 1-X discovery well, which encountered oil within the Upper Cretaceous Vivian Formation and flowed at approximately 800 barrels of 18.5 degree-API oil per day.

There are established infrastructure and export routes in northcentral onshore Peru, consisting of barging and the ONP. It is expected that the ONP will be in full operation for the production stage of Bretana and that the barges will be available for the production stage of Bretana to transport crude to the ONP access point at Pump Station No. 1 in San Jose de Saramuro.

As at December 31, 2020, the Bretana Assets included approximately 10,000 gross proved developed (10,000 net developed acres) acres of total land, which is the expected area of the Bretana oil field. The Bretana Assets include 7 gross (7 net producers) wells in total, including the oil producer which was brought on production during the year and 1 water injector



wells as the other three wells were previously plugged and abandoned (1-X-ST1, BS-2). As at December 31, 2020, 6 producing wells and one water disposal were operating on the Bretana Assets. The Company has a 100% working interest in the Bretana Assets. The initial water disposal was converted to an oil producer.

The following wells have been drilled and completed by the Company in the Bretana field; 2-1XD, 01, 2XD, 3D, 4H, 5H, 6H and 2WD. The northern portion of the field is covered by sparse 2-D seismic line while the south has more extensive coverage of 2-D and 3-D cube data.

INDUSTRY CONDITIONS

The oil and natural gas industry is subject to extensive controls and regulations governing its operations (including land tenure, acquisitions, transfers, exploration, development, production, refining, transportation, marketing, pricing and taxation) imposed by legislation enacted by various levels of government in Peru, all of which should be carefully considered by investors in the oil and gas industry. It is not expected that any of these controls or regulations will affect the Company's operations in a manner materially different than they would affect other oil and gas companies of similar size which are also operating in Peru. All legislation is published in the Official Gazette, "El Peruano" and the Company is unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and gas industry in Peru.

Legislation and Regulation

Hydrocarbon Legislation

Peru's hydrocarbon legislation, which includes the Hydrocarbon Law, governs the Company's operations in Peru. This legislation: (a) covers the entire range of petroleum operations; (b) defines the roles of Peruvian government agencies that regulate and interact with the oil and gas industry; (c) provides that private investors (both national and foreign) (hereafter, "**Contractors**") may make investments in the petroleum sector; and (d) promotes the development of hydrocarbon activities by fostering competition and access.

Under the Peruvian legal system, the state is the owner of all sub-surface hydrocarbons located within its borders. The Peruvian government plays an active role in petroleum operations through various entities and agencies, including:

- Perupetro: the state company responsible for promoting and overseeing investment in hydrocarbon exploration and production activities that is empowered, on behalf of the state, to enter into contracts with Contractors relating to exploration and production of petroleum and natural gas;
- the Ministry: the government department that establishes energy, mining and environmental protection policies, enacts rules applicable to these sectors and supervises compliance with such policies and rules;
- the Vice-Ministry of Hydrocarbons: the government department responsible for communicating with oil and gas companies that have current or planned investments in Peru;
- the General Directorate of Hydrocarbons: the agency of the Ministry responsible for regulating the development of oil and gas fields;
- the Direccion General de Asuntos Ambientales Energeticos: the agency of the Ministry responsible for reviewing and approving environmental regulations related to environment risks that result from hydrocarbon exploration and production activities;
- the Organismo Supervisor de la Inversión en Energía y Minería (OSINERGMIN): the government agency that monitors occupational health and safety standards in the hydrocarbon industry;



- the Environmental Evaluation and Fiscalization Entity (Organismo de Evaluación y Fiscalización Ambiental) (OEFA): the agency within the Ministry of the Environment that is responsible for ensuring Contractors' compliance with environmental rules and sanctioning non-compliant companies; and
- Servicio Nacional de Certificación Ambiental para las Inversiones Sostenibles (SENACE): the agency within the Ministry of the Environment which is in charge of the review and approval of detailed Environmental Impact Studies.

The Company is subject to the laws and regulations of all of these entities and agencies as well as the Ministry of Agriculture, the Ministry of Culture and the Dirección General de Capitanías y Guardacostas del Perú (DICAPI).

Exploration and Production Agreements

Contractors must enter into license agreements and/or service contracts with Perupetro prior to engaging in oil and gas exploration and production activities in Peru. License agreements give Contractors the right to both produce and sell hydrocarbons, whereas service contracts only entitle Contractors to produce hydrocarbons. Peru's laws allow for other contract models, but such models must be authorized by the Ministry.

Perupetro will only contract with Contractors that meet the qualifications specified in the regulations under the Hydrocarbon Law. These qualifications require Contractors to have the technical, legal, economic and financial capacity to comply with all obligations they will assume under the contracts. Perupetro's assessment of whether Contractors are qualified is based, among other things, on the characteristics of the land in question, the level of the Contractors' investments and whether the Contractors' operations are governed by satisfactory environmental protection rules. When a Contractor is a foreign investor, it must either: (a) incorporate a Peruvian subsidiary; or (b) register a local branch with local representatives in Peru. Once Perupetro has confirmed qualifications, the qualified Contractor must be registered on the Hydrocarbons Contractors Registry, administered by the Peruvian Public Records Office.

The Company operates in Peru through PetroTal Peru S.R.L., a wholly-owned subsidiary of Peru HoldCo, and Petrolifera Petroleum Del Peru S.R.L. The Company is required to guarantee its subsidiary's obligations. Such guarantee provides for joint and several liability to Perupetro with respect to the fulfillment of PetroTal Peru S.R.L.'s responsibilities, including with respect to minimum work program requirements. On August 2, 2018, Perupetro qualified the Company as an operator in Peru after which the Company made application and filed the needed paperwork to issue new guarantees to Perupetro.

The Company and its subsidiaries have been qualified by Perupetro with respect to all license agreements. Perupetro reviews Contractors' qualifications each time they prepare to enter into an exploration and production agreement.

Pursuant to the license agreements, Contractors acquire the right to explore for and produce hydrocarbons in a specified area. Perupetro transfers the property right in the extracted hydrocarbons to the licensee and, in consideration for such right, the licensee must pay a royalty to the state. The determination of the royalties is made according to the production of hydrocarbons in the area of such agreement. The payment of the royalty depends on the valorization methodology established in each license agreement. The licensee is entitled to market or export such hydrocarbons in any manner whatsoever, in accordance with the terms of the license agreement, and can fix hydrocarbon sales prices according to market forces, subject to a limitation in the case of natural emergencies, in which case the law stipulates such manner of marketing.

License agreements contemplate an exploration phase and an exploitation phase. Oil and gas licenses are typically granted for fixed terms with opportunity for extension. The duration of the license agreements is based on the nature of the hydrocarbons discovered. The license agreement duration for crude oil is 30 years, while the contract duration for natural gas and condensates is 40 years. These durations include the exploration and discovery phases. In the event a block contains both oil and gas the 40-year term may apply to oil exploration and production as well. The license agreement commences



on the date established in the license agreement. Most contracts include an exploration phase and an exploitation phase, unless the contract is solely an exploitation contract. Within the contract term, seven years is allotted to exploration, with the possibility of an extension of up to three years, granted at the discretion of Perupetro. A potential retention period for a maximum of five years (ten years for natural gas) is also available if certain factors recognized by law delay the economic viability of a discovery, such as a lack of transportation facilities or a lack of a market. The exploration phase is generally divided into several periods and each period includes a minimum work program. The term of the exploration phase may last longer than the prescribed seven years, or ten years if the three-year extension was granted, as the time elapsed for the approval of the respective environmental permits is not taken into consideration as part of the respective exploration period. However, the term of the license agreement stays the same. The fulfillment of the minimum work program must be supported by an irrevocable bank guarantee, which amount is determined taking into consideration the estimated value of the minimum work program.

Upon a declared discovery, and at the Contractor's request, the exploitation phase commences with a 30 year term (40 years for natural gas), which term includes the 7-year exploration period, extendable under certain circumstances. If a discovery is made but, for reasons relating to transportation, it is non-commercial, the Contractor may request a retention period of up to five years (ten years for natural gas) in order to make transportation feasible. All discoveries must be reported to Perupetro. At the end of the exploration phase, the contractor must declare commerciality or return the block. Contractors are obligated to submit monthly reports to Perupetro. Contractors must also submit a monthly economic report to the Central Reserve Bank of Peru. These reports are generally combined and delivered together with other operating reports required to be submitted to Perupetro.

The Company has two license agreements. As of the date hereof, the Company believes it is in compliance with all of the material requirements of each contract. The Company has executed certain letters of guarantee in favor of Perupetro to insure performance under the license agreements. Should the Company fail to fulfill its minimum work program obligations under any of the license agreements without technical justification or other good cause, Perupetro could seek recourse to the letters of credit posted as a guarantee for the performance of the license agreements, the parent company guarantees and terminate the license agreement.

Peruvian Fiscal Regime

Peru's fiscal regime determines the government's entitlement from petroleum activities. This regime is subject to change, which could negatively impact the Company's business. However, the Hydrocarbon Law and the regulations thereunder governing the tax stability guarantee and other tax rules provide that the tax regime in force on the date of signing a contract will remain unchanged during the term of the contract. Therefore, any change to the tax regime, which results in either an increase or decrease in the tax burden, will not affect the Contractor.

During the exploration phase, Contractors are exempt from import duties and other forms of taxation applicable to goods intended for exploration activities. Exemptions are withdrawn at the production phase, but exceptions are made in certain instances, and the operator may be entitled to temporarily import goods tax-free for a two-year period ("**Temporary Import**"). A Temporary Import may be extended for additional one year periods for up to two years upon: (a) the Contractor's request; (b) approval of the Ministry; and (c) authorization of the Superintendencia Nacional de Aduanas y de Administracion Tributaria (Peruvian Customs Agency).

Taxable income is determined by deducting allowable operating and administrative expenses, including royalty payments. Income tax is levied on the income of the Contractor based upon the legal corporate tax rate in effect at the date the license agreement was signed. As of the date hereof, the statutory tax rate applicable to corporate income in Peru is 29.5%, plus an additional 2% rate for Hydrocarbon activities. Tax losses can be carried forward for five years or, at a company's election, indefinitely with a restriction that they can be used to offset only up to 50% of taxable income in any given year. The Organic



Law for Hydrocarbons and the related tax regulations ensure that the tax regime in effect at the signing date of each license will not change during the life of that license. Taxpayers in Peru are required to make estimated monthly tax payments which can be refunded at the end of the fiscal year if they exceed the actual income tax assessed.

Contractors engaged in the exploration and production of crude oil, natural gas and condensates must determine their taxable income separately for each license agreement under which they operate. Where a Contractor carries out these activities under different individual license agreements, it may offset its earnings before income tax under one license agreement with losses under another license agreement, for purposes of determining the corporate income tax, provided that the individual license agreements are held by the same entity, as Peruvian tax law does not permit filing a consolidated tax return for related companies. However, under no circumstances can the investment in the producing property be amortized for tax purposes unless the Contractor is under the commercial stage of production.

Peruvian Labor and Safety Legislation

Oil and gas operations in Peru are subject to the Productivity and Labor Competitiveness Law (the "**Labor Law**"), which governs the labor force in the petroleum sector. In addition to the Labor Law, the Hydrocarbon Law and related safety regulations for the petroleum industry also regulate the safety and health of workers involved in the development of hydrocarbon activities. All entities engaged in the performance of activities related to the petroleum industry must provide the General Hydrocarbons Bureau with the list of their personnel on a semi-annual basis, indicating their nationality, specialty and position. These entities must also train their workers on the application of safety measures in the operations and control of disasters and emergencies. The regulations also contain provisions on accident prevention and personnel health and safety, which in turn include rules on living conditions, sanitary facilities, water quality at workplaces, medical assistance and first-aid services. Provisions specifically related to oil and gas exploration also contained in the regulations and include safety measures related to camps, medical assistance, food conditions, and handling of explosives. Additional safety regulations may become applicable as the Company expands and develops its operations.

The Labor Law and the regulations thereunder define the employer/employee relationship. Employers may only terminate the employment relationship for just cause as established in the Labor Law. If an employee is terminated for any reason other than those listed in the Labor Law, the employee would be entitled to claim the payment of a severance for arbitrary dismissal (equal to 1.5 times the monthly salary for every year of services), or to request the reinstatement of his or her position.

The Constitution of Peru and Legislative Decree Nos. 677 and 892 give employees of private companies engaged in activities generating income, as defined by the Income Tax Law, the right to share in a company's profits. This profit sharing is carried out through the distribution by the company of a percentage of the annual income before tax. According to Article 3 of the United Nations International Standard Industrial Classification, the Company's tax category is classified under the "mining companies" section, which sets the rate at 8%. However, in Peru, the Hydrocarbon Law states, and the Supreme Court ruled, that hydrocarbons are not related to mining activities. Hydrocarbons are included under "Companies Performing Other Activities," and as a result, oil and gas companies pay profit sharing at a rate of 5%. The profit sharing benefit granted by the law to employees is calculated on the basis of the "net income subject to taxation" and not on the net business or accounting income of companies. "Taxable income" is obtained after deducting from total revenues subject to income tax, the expenses required to produce them or maintain the source thereof.

Any party engaging in hydrocarbon activities must file an "Oil Spill and Emergency Contingency Plan" with the General Directorate of Hydrocarbons, a department of the Ministry. Such plans must be updated annually and must contain information regarding the measures to be taken in the event of emergencies such as spills, explosions, fires, accidents and evacuations.



Peruvian Environmental Legislation and Regulation

The Company's operations are subject to numerous laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Peru has enacted specific environmental regulations applicable to the hydrocarbon industry. The General Environmental Law establishes a framework within which all specific laws and regulations applicable to each sector of the economy are to be developed. Peru has enacted amendments to its environmental laws, imposing restrictions on the use of natural resources, interference with the natural environment, location of facilities, development of activities in natural protected areas, handling and storage of hydrocarbons, use of radioactive material, disposal of waste, emission of noise and other activities. Additionally, the laws require monitoring and reporting obligations in the event of any spillage or unregulated discharge of hydrocarbons. These laws and regulations are designed to ensure a continual balance of environmental and petroleum interests, and are subject to change. The regulations stipulate certain environmental standards expected from contractors. They also specify appropriate sanctions to be enforced if a contractor fails to maintain such standards. The OEFA is the agency within the Ministry of the Environment that is responsible for evaluating and ensuring compliance with applicable environmental laws and regulations covering hydrocarbon activities, and for sanctioning non-compliant companies.

The Environmental Regulations for Hydrocarbon Activities provide that companies participating in the implementation of projects, performance of work and operation of facilities related to hydrocarbon activities are responsible for the emission, discharge and disposal of wastes into the environment. Such companies must file an annual report describing the company's compliance with the current environmental legislation.

For each proposed project, a company involved in hydrocarbon activities must prepare and file an Environmental Impact Assessment ("EIA") (which content and level of detail could vary depending on the impacts of the specific project) with the SENACE, an agency of the Ministry of Environment, in order for a company to demonstrate that its activities will not adversely affect the environment and to show compliance with the maximum permissible emission limits set forth by the Ministry. Such proposals must be approved by the SENACE prior to the development of the activities included in such instrument. The Company has prepared an EIA and obtained environmental approvals for its operations.

Any failure to comply with environmental protection laws and regulations, the import of contaminated products, or the failure to keep a monitoring register or send reports in a timely fashion could subject the responsible company to fines. In addition to certain pollution coverage related to our surface facilities, the Company maintains insurance coverage for seepage and pollution, cleanup and contamination from its wells. However, no such coverage can insure the Company fully against all risks, including environmental risks.

Climate Change Regulation

Peru is a signatory to the United Nations Framework Convention on Climate Change (the "UNFCCC"), which was entered into in order work towards stabilizing atmospheric concentrations of greenhouse gas ("GHG") emissions at a level to prevent "dangerous anthropogenic interference with the climate system". Since its inception, the UNFCCC has instigated numerous policy changes with respect to climate governance. On April 22, 2016, 197 countries signed the Paris Agreement, committing to prevent global temperatures from rising more than 2° Celsius above pre-industrial levels and to pursue efforts to limit this rise to no more than 1.5° Celsius. To date, 189 of the 197 parties, including Peru, to the UNFCCC have ratified the Paris Agreement. Carbon and emissions decisions have been delayed until the next climate conference, scheduled to occur in November 2021.

In September 2015, Peru submitted its Intended Nationally Determined Contribution to the UNFCCC Secretariat, pledging a 30% reduction from 2010 levels – compared to a business as usual baseline scenario – by 2030.



GHG emissions legislation is emerging and is subject to change. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions would impact the business of the Company, any such future laws and regulations that limit emissions of GHGs could adversely affect demand for the oil and natural gas produced by the Company.

The Company anticipates that future legislation may require the reduction of GHG emissions at the Company's operations and facilities. The Company will be committed to meeting its responsibilities under any legislation involving GHG reduction requirements in the future, which may require the Company to increase capital and/or operating expenses. In addition, failure to comply with current or proposed regulations can have a material adverse effect on the Company's operations, operating expenses, compliance costs and/or may lead to the modification or cancellation of operating licenses and permits, penalties and other corrective actions.

Environmental Regulation

The oil and natural gas industry is subject to environmental regulations in Peru, all of which is subject to governmental review and revision from time to time. Such legislation relates to environmental impact studies, the discharge of pollutants into air and water, management of hazardous waste, including its transportation, storage, and disposal, permitting for the construction of facilities, recycling requirements and reclamation standards, and the protection of natural areas, certain plants and animal species, archaeological remains, among others, and provides for restrictions and prohibitions on the release or emitting of various substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide. In addition, such legislation sets out the requirements for the satisfactory abandonment and reclamation of well and facility sites. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, and the imposition of material fines and penalties.

Availability of Services

The availability of the services necessary to drill and complete the types of oil wells that form a substantial portion of the Company's planned exploration and development activities may be constrained due to demand and competition for such services. The oil and gas industry in South America is not as developed as the oil and gas industry in North America. As a result, the Company's exploration and development activities may take longer to complete and may be more expensive than similar operations in North America. The availability of technical expertise, specific equipment and supplies may be more limited than in North America.

RISK FACTORS

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Company's other public filings before making an investment decision. The risks set out below are not an exhaustive list, and should not be taken as a complete summary or description of all the risks associated with the Company's business and the oil and natural gas business generally.

Overview

The Company's business consists of the exploration for, and the development and production of crude oil projects, with properties primarily in Peru. There are a number of inherent risks associated with the exploration and production of oil



reserves. There are also numerous additional risks associated with operating in a developing country such as Peru. Many of these risks are beyond the control of the Company.

Nature of Business

An investment in the Company should be considered highly speculative due to the nature of the Company's involvement in the exploration for, and the acquisition, production and marketing of, oil reserves in a developing country and its current stage of development. Oil and gas operations involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that further commercial quantities of oil will be discovered or acquired by the Company, or that the Company will be able to successfully exploit its current reserves.

Commodity Price Volatility

The Company's financial results are largely dependent on the prevailing prices of crude oil and natural gas. Crude oil and natural gas prices are subject to fluctuations in supply, demand, market uncertainty and other factors that are beyond the Company's control. This can include but is not limited to: the global and domestic supply of and demand for crude oil and natural gas; global and domestic economic conditions; the actions of the Organization of Petroleum Exporting Countries ("OPEC"); government regulation; political stability and geopolitical factors; the ability to transport commodities to markets; developments related to the market for liquefied natural gas; the availability and prices of alternate fuel sources; and weather conditions. All of these factors are beyond the Company's control and can result in a high degree of price volatility.

Market conditions which include global oil and natural gas supply and demand and global events including actions taken by OPEC, Russia's withdrawal from OPEC, sanctions against Iran and Venezuela, slowing growth in China and emerging economies, weakening global relationships, isolationist and punitive trade policies, shale production in the United States, sovereign debt levels and political upheavals in various countries including growing anti-fossil fuel sentiment, and the outbreak of COVID-19 have caused significant volatility in commodity prices. In addition, continued hostilities in the Middle East and the occurrence or threat of terrorist attacks, including attacks on oil infrastructure in oil-producing nations, in the United States or other countries could adversely affect the economies of Peru, the United States and other countries. These events and conditions have caused a significant reduction in the valuation of oil and natural gas companies and a decrease in confidence in the future of the oil and natural gas industry.

Fluctuations in currency exchange rates further compound this volatility when the commodity prices, which are generally set in United States dollars, are stated in Canadian dollars or Peruvian soles. The Company's financial performance also depends on revenues from the sale of commodities which differ in quality and location from underlying commodity prices quoted on financial exchanges. Of particular importance are the price differentials between the Company's light/medium oil and heavy oil (in particular the light/heavy differential) and quoted market prices. Not only are these discounts influenced by regional supply and demand factors, they are also influenced by other factors such as transportation costs, capacity and interruptions; refining demand; the availability and cost of diluent used to blend and transport product; and the quality of the oil produced, all of which are beyond the Company's control. See also "*Variations in Foreign Exchange Rates and Interest Rates*".

Unexpected developments in financial markets, regulatory environments, or consumer behaviour may also have adverse effects on the Company's results, business, financial condition or liquidity, for a substantial period of time.

Fluctuations in the price of commodities and associated price differentials affect the value of the Company's assets and the Company's ability to pursue its business objectives. Prolonged periods of low commodity prices and volatility may also affect the Company's ability to meet guidance targets and its financial obligations as they come due. Any substantial and extended decline in the price of oil and gas could have an adverse effect on the Company's reserves, borrowing capacity, revenues,



profitability and funds flow and may have a material adverse effect on the Company's business, financial condition, results of operations, prospects and the level of expenditures for the development of oil and natural gas reserves. This may include delay or cancellation of existing or future drilling or development programs or curtailment in production as the economics of producing from some wells may become impaired.

Crude oil and natural gas prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies and OPEC actions. Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

The Company conducts regular assessments of the carrying value of its assets in accordance with IFRS. If crude oil prices decline significantly and remain at low levels for an extended period of time, the carrying value of the Company's assets may be subject to impairment.

Global Health Crises and the Effects of Pandemics

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises (directly or indirectly). In December 2019, COVID-19 was reported to have surfaced; on January 30, 2020, the World Health Organization ("**WHO**") declared the outbreak a global health emergency; and on March 11, 2020 the WHO declared the outbreak of COVID-19 a global pandemic. The spread of COVID-19 has led to governments and companies to impose quarantines, travel restrictions and other public health safety measures. COVID-19 vaccinations are expected to ramp up in 2021 which could restore economic activity; however, the timing remains uncertain. Global economies, supply chains, financial markets, and interest rates have been affected. The COVID-19 pandemic has caused business closures; resulted in ratings downgrades, credit deterioration and defaults in many sectors; caused decreased revenues; and resulted in increased unemployment and bankruptcies. It remains uncertain how the macroeconomic environment, and societal and business norms will continue to be affected following the COVID-19 pandemic.

Public health crises can result in volatility and disruptions in the supply and demand for oil and natural gas, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect commodity prices, interest rates, credit ratings, credit risk and inflation. In particular, crude oil prices sustained a steep initial decline in response to the outbreak of COVID-19. The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations affected by an outbreak. This could include the Company's wells and facilities and/or third party facilities and pipelines used by the Company. More specifically, the Company may be adversely affected by such public health crises as a result of:

- The closure of facilities or the delay of work due to infections of COVID-19, government mandated restrictions, labour shortages or other workforce disruptions. Third-party suppliers and vendors may experience similar workforce disruption.
- Counter-parties may be unable to fulfill their contractual obligations which may include payment to the Company of amounts owing for product sales.
- Cash flows may be reduced causing capital expenditure budgets to be reduced.
- Storage and transportation constraints may interrupt the ability to operate. This includes the effects of border restrictions, road or port closures or pipeline shut-ins.



- There may be a lack of access to new capital as a result of unpredictable financial markets, commodity prices, or changes in market fundamentals.

At this point, the extent to which COVID-19 may continue to affect the Company is uncertain; however, it is possible that the ongoing COVID-19 pandemic may have a material adverse effect in the future on the Company's business, results of operations and financial condition. If subsequent waves or additional variants of COVID-19 emerge which are more transmissible or cause more severe disease, or if other diseases emerge with similar effects, there may be further adverse impacts on the economy, commodity prices, and the Company's operations.

Trade Relations

To the extent that certain political actions taken in North America, Europe and elsewhere in the world result in a marked decrease in free trade, access to personnel and freedom of movement, it could have an adverse effect on PetroTal's ability to market products internationally, increase costs for goods and services required for operations, reduce access to skilled labour and negatively affect business, operations, financial conditions and the market value of the Common Shares.

Major developments in tax policy or trade relations, such as the replacement of the North American Free Trade Agreement with the United States-Canada-Mexico Agreement effective as of March 13, 2020, or the imposition of tariffs, could have a material adverse effect on the Company.

Further, unlegislated proposals from the government of the United States have contemplated prohibitive actions against foreign businesses competing in the United States economy. It is uncertain whether the government of the United States will proceed with any proposed or contemplated actions, or the effects those actions may have on the Company.

Peru and ten other countries have agreed on the text of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (the "CPTPP"), which is intended to allow for preferential market access among the countries that are parties to the CPTPP. The CPTPP is in force among the first seven countries to ratify the agreement, including Canada, Australia, Japan, Mexico, New Zealand, Vietnam and Singapore. The agreement remains subject to ratification by the governments of the remaining three countries.

While it is uncertain what effect CPTPP or any other trade agreements will have on the oil and gas industry in Peru, the lack of available infrastructure for the offshore export of oil and gas may limit the ability of Peruvian oil and gas producers to benefit from such trade agreements.

Capital Lending Markets

As a result of recent economic uncertainties in the oil and gas industry and, in particular, the lack of risk capital available to the junior resource sector, particularly those in emerging market jurisdictions, the Company, along with other junior resource entities, may have reduced access to bank debt and to equity. As future capital expenditures will be financed out of funds generated from operations, bank borrowings, if available, and possible issuances of debt or equity securities, the Company's ability to fund future capital expenditures is dependent on, among other factors, the overall state of lending and capital markets and investor and lender appetite for investments in the energy industry, generally, and the Company's securities in particular.

To the extent that external sources of capital become limited, unavailable or available only on onerous terms, the Company's ability to invest and to maintain existing assets or implement the exploration or development plan, or complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, may be impaired,



and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

Local Legal, Political and Economic Factors

The Company operates its business in Peru and may eventually expand to other countries. Exploration and production operations in foreign countries are subject to legal, political and economic uncertainties, including risks related to terrorism, military repression, social unrest, strikes by local or national labor groups, interference with private contract rights (such as nationalization), vexatious litigation, extreme fluctuations in currency exchange rates, high rates of inflation, exchange controls, changes in tax rates, changes in laws or policies affecting environmental issues (including land use and water use), workplace safety, foreign investment, foreign trade, investment or taxation, as well as restrictions imposed on the oil and natural gas industry, such as restrictions on production, price controls and export controls. For example, Peru has experienced fluctuating inflation rates since 2002, and there can be no assurance that any governmental action will be taken to control inflationary or deflationary situations or that any such action will be effective. Further, labour in Peru is customarily unionized and there is a risk that labour unrest may adversely impact the Company's operations.

South America has a history of political and economic instability. For example, Peru experienced political turmoil in November 2020, with three different presidents holding office during the period from November 9, 2020 to November 17, 2020, and unrest and protests related to this. This instability could negatively affect the Company and could result in new governments or the adoption of new policies, laws or regulations that might assume a substantially more hostile attitude toward foreign investment, including the imposition of additional taxes. In an extreme case, such a change could result in renegotiation or termination of existing concessions and contract rights and expropriation of foreign-owned assets without fair compensation. Any changes in oil and gas or investment regulations and policies or a shift in political attitudes in Peru or other countries in which the Company may operate are beyond the Company's control, and may significantly hamper its ability to expand its operations or operate its business at a profit. For example, such changes may make it difficult for the Company to negotiate agreements on favorable terms, obtain required licenses and comply with regulations. Further, in certain jurisdictions, the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licenses and agreements for business. These licenses and agreements may be susceptible to revision or cancellation and legal redress may be uncertain or delayed, which in turn could negatively affect the Company.

Geographic Concentration

The geographic concentration of the Company's properties in Peru subjects the Company to an incremental risk of loss of revenue or curtailment of production from factors affecting that region specifically. Thus, should that region experience natural disasters or abnormal weather events (such as El Niño, which may cause excessive rainfall and flooding in Peru), delays from or decreases in production, the availability of equipment, facilities or services, capacity to gather, process or transport production or a political or regulatory adverse change, all of the Company's properties could be impacted, which in turn could have a material adverse effect on the Company's operations and financial condition. Further, certain of the Company's assets are located in locations that are proximate to forests and grasslands, and a wildfire may lead to significant downtime and/or damage to such assets.

Political Developments in Peru and Risks Related to Civil Unrest and Indigenous Activity

Peru's history since the mid-1980s has been one of political and economic instability under both democratically elected and dictatorial governments. These governments have frequently intervened in the national economy and social structure, including periodically imposing various controls the effects of which have been to restrict the ability of both domestic and



foreign companies to freely operate. Peru's recent political and fiscal regimes were generally favourable to the oil and gas industry, although there can be no assurance that this will continue to be the case in the future. The political regimes of Peru could also be subject to rapid change, as seen by the recent political turmoil in Peru in November 2020. Current or future political regimes, such as the new regime elected in April 2021, may adopt new policies, laws and regulations that are more hostile toward foreign investment which may result in, inter alia, the imposition of additional taxes, the adoption of regulations that limit price increases, termination of contract rights, or the expropriation of foreign-owned assets, which in turn could negatively affect the Company.

There is also a risk of other adverse developments, such as labour unrest, widespread civil unrest or rebellion. For example, in 2020 the Company recently shut down the Bretana oil field for safety reasons, due to civil unrest outside the camp. The incident that led to the shut down occurred when an armed group of protesters confronted the national police force, following which about a dozen injuries amongst the police and protestors were reported. Unfortunately, there were also three other protestors that later died from their injuries. Although it is important to highlight that the aforementioned protests were against the government of Peru, and not PetroTal, there can be no assurance that the Company's operations will not be adversely affected by incidents such as the aforementioned, or similar incidents related to civil unrest, in the future.

Peru has a publicized history of security problems. The Shining Path, a terrorist organization, has been active in Peru since the early 1980's and, at one point, was active throughout the country. The group's activity has been confined to small areas of Peru; its operations have been hampered by the capture of many high profile leaders; and membership has fallen dramatically. The Company's operations in Peru are in a different region, with no known activity by the group. However, other groups may be active in other areas of the country and possibly the Company's operational areas. In addition to The Shining Path, blockades by indigenous groups have also caused disruptions to oil and gas activities in Peru. Security related issues related to the aforementioned, should they occur, could have a material adverse effect on the Company.

Markets and Marketing

The marketability and price of crude oil and natural gas that may be acquired or discovered by the Company is, and will continue to be, affected by numerous factors beyond its control. The Company's ability to market its crude oil may depend upon its ability to acquire space on pipelines such as the ONP or other means of transport to bring such crude oil to commercial markets. The Company may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing and storage facilities and operational problems affecting such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and many other aspects of the oil and gas business.

The Company has established routes to market the oil it produces. The Company will continue to develop access to markets to assure oil sales and cash flow.

Exploration and Production Risks

Oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on exploration by the Company will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.



The long term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil reserves. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow outs, cratering, sour gas releases, fires, spills or leaks. These risks could result in personal injury, loss of life, and environmental or property damage. Any of the aforementioned risks could have a material adverse effect on the Company's future results of operations, liquidity and financial conditions.

Fiscal and Royalty Regimes

Peru has legislation and regulations which govern land tenure, drilling and construction permits, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the profitability of oil and natural gas production. The determination of the royalties is made according to the production of hydrocarbons in the area of such agreement. The payment of the royalty depends on the valorization methodology established in each license agreement. See "*Industry Conditions*".

Laws and Regulations

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government in Peru and internationally that may be amended from time to time. Because the oil and gas industry in Peru is less developed than elsewhere, changes in laws and interpretations of laws are more likely to occur than in countries with a more developed oil and gas industry. Future laws or regulations, as well as any adverse change in the interpretation of existing laws or failure to comply with existing legal requirements may harm the Company's results of operations and financial condition. Further, the Company may be required to make unanticipated expenditures in order to comply with laws and regulations.

Health and Safety

The Company is subject to labor and health and safety laws and regulations, at a national, state and local level in Peru, that govern, among other things, the relationship between the Company and its employees and the health and safety of the Company's employees. For example, the Company is required to adopt certain measures to safeguard the health and safety of its employees, as well as third parties, in its facilities. In the event that compliance by the Company with such requirements is reviewed by the applicable authorities and a decision that the Company violated any labor laws, results from such review, the Company may be exposed to penalties and sanctions, including the payment of fines and, depending



on the level of severity of the infraction, exposed to the closure of its facilities and/or stoppage of its operations and the cancellation or suspension of governmental registrations, authorizations and licenses, any one of which may result in interruption or discontinuity of activities in the Company's facilities, and materially and adversely affect the Company.

Insurance

The Company's involvement in the exploration for and development of oil and gas properties may result in the Company becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although the Company has obtained insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks or additional risks may not, in all circumstances be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or for other reasons. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's financial position, results of operations or prospects.

Project Risks

The Company manages and participates in a variety of small and large projects in the conduct of its business. Project delays, should they occur, may delay expected revenues from operations and could also have other negative consequences for the Company. Further, project cost estimates may not be accurate due to several factors, and significant project cost over-runs could make a project uneconomic. The Company's ability to execute projects and market oil will depend upon numerous factors beyond the Company's control, including: the availability of processing capacity; the availability and proximity of pipeline capacity or other means of transport; the availability of storage capacity; the supply of and demand for oil and natural gas; the availability of alternative fuel sources; the effects of inclement weather; the availability of drilling and related equipment; unexpected cost increases; accidental events; currency fluctuations; changes in regulations; the availability and productivity of skilled labour; and the regulation of the oil and natural gas industry by various levels of government and governmental agencies. Because of these factors, the Company could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil that it produces. Consequently, any of the aforementioned factors could have a material adverse effect on the Company's business, cash flows, financial position, results of operations or prospects.

Infrastructure, Availability of Drilling Equipment and Access Restrictions

Crude oil and natural gas exploration, development and production activities depend, to one degree or another, on adequate infrastructure and the availability of drilling and related equipment in the particular areas where such activities will be conducted. Reliable roads, bridges, barge access along rivers, power sources, water supply and disposal facilities are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the operations, financial condition and results of operations of the Company. If the Company is unable to obtain, or unable to obtain without undue cost, drilling rigs, equipment, supplies or personnel, its exploration and production operations could be delayed or adversely affected. Furthermore, pipeline and trucking operations are subject to uncertainty and lack of availability, due to mechanical and/or social issues, as seen by the recent shut down of the pipeline used by the Company at the Bretana oil field. Oil and natural gas pipelines and truck transport travel through miles of territory and are subject to the risk of diversion, destruction or delay. Transportation of oil with barges could also be subject to similar risks. Further, the Company operates in remote areas and may rely on helicopter, boats or other transportation methods. Some of these transport methods may result in increased levels of risk and could lead to operational delays which could affect the



Company's ability to add to its resource base and produce oil and could have a significant impact on its reputation or cash flow. Additionally, some required equipment may be difficult to obtain in the Company's areas of operations, which could hamper or delay operations, and could increase the cost of those operations.

Strategic and Business Relationships

The ability of the Company to successfully bid on and acquire additional properties, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements will depend on developing and maintaining effective working relationships with industry participants and on the Company's ability to select and evaluate suitable partners and to consummate transactions in a highly competitive environment. These relationships are subject to change and may impair the Company's ability to grow.

To develop the Company's business, it may enter into strategic and business relationships, which may take the form of joint ventures with other parties or with local government bodies, or contractual arrangements with other oil and gas companies, including those that supply equipment and other resources that the Company may use in its business. The Company may not be able to establish these business relationships or, if established, it may not be able to maintain them. In addition, the dynamics of the Company's relationships with strategic partners may require the Company to incur expenses or undertake activities it would not otherwise be inclined to take to fulfill its obligations to these partners or maintain its relationships. If the Company fails to make the cash calls required by its joint venture partners in the joint ventures it does not operate, the Company may be required to forfeit its interests in joint ventures. If the Company's strategic relationships are not established or maintained, its business prospects may be limited, which could diminish its ability to conduct its operations.

Capital Requirements and Liquidity

The Company's operations are highly capital intensive, and the Company anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future, including in relation to its assets. The Company may therefore require additional funding in the future to cover working capital and investment needs. Should the Company not be able to obtain such funding on favorable terms, or at all, the Company may, *inter alia*, be forced to reduce or delay capital expenditures, sell assets on unfavorable terms or to restructure or refinance its debt. Failure to obtain funding could also cause the Company to forfeit its interest in certain properties and to miss certain acquisition opportunities. Any of the aforementioned could have a material adverse effect on the Company's business, results of operations, prospects and financial condition.

Dividends

The declaration and payment of future dividends (and the amount thereof) is subject to the discretion of the Board and may vary depending on a variety of factors and conditions existing from time to time, including fluctuations in commodity prices, the financial condition of the Company, production levels, results of operations, capital expenditure requirements, working capital requirements, debt service requirements, operating costs, foreign exchange rates, interest rates, contractual restrictions, the Company's hedging activities or programs, available investment opportunities, the Company's business plan, strategies and objectives, the satisfaction of the solvency and liquidity tests imposed by the ABCA for the declaration and payment of dividends and other factors that the Board may deem relevant. Depending on these and various other factors, many of which are beyond the control of the Company, the dividend policy of the Company may vary from time to time and, as a result, future cash dividends could be reduced or suspended entirely.



Pursuant to the ABCA, the Company may not declare or pay a dividend if there are reasonable grounds for believing that: (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realizable value of its assets would thereby be less than the aggregate of its liabilities and stated capital of its outstanding shares.

Dividends may be reduced or suspended during periods of lower cash flow from operations. The timing and amount of the Company's capital expenditures, and the ability of the Company to repay or refinance debt as it becomes due, directly affects the amount of cash dividends that may be declared by the Board. Future acquisitions, expansions of the Company's assets, and other capital expenditures and the repayment or refinancing of debt as it becomes due may be financed from sources such as cash flow from operations, the issuance of additional shares or other securities of the Company, and borrowings. Dividends may be reduced, or even eliminated, at times when significant capital or other expenditures are made. There can be no assurance that sufficient capital will be available on terms acceptable to the Company, or at all, to make additional investments, fund future expansions or make other required capital expenditures. To the extent that external sources of capital, including the issuance of additional shares or other securities or the availability of credit facilities, become limited or unavailable on favourable terms or at all due to credit market conditions or otherwise, the ability of the Company to make the necessary capital investments to maintain or expand its operations, to repay debt and to invest in assets, as the case may be, may be impaired. To the extent the Company is required to use cash flow from operations to finance capital expenditures or acquisitions or to repay debt as it becomes due, the cash available for dividends may be reduced and the level of dividends declared may be reduced or suspended entirely.

Over time, the Company's capital and other cash needs may change significantly from its current needs, which could affect whether the Company pays dividends and the amounts of dividends, if any, it may pay in the future. If the Company continues to pay dividends at the current levels, it may not retain a sufficient amount of cash to finance external growth opportunities, meet any large unanticipated liquidity requirements or fund its activities in the event of a significant business downturn.

The market value of the Company's securities may deteriorate if dividends are reduced or suspended. Furthermore, the future treatment of dividends for tax purposes will be subject to the nature and composition of dividends paid by the Company and potential legislative and regulatory changes.

Competition

The oil and gas industry is highly competitive. The Company will actively compete for acquisitions, exploration leases, licences and concessions, skilled industry personnel and capital to finance such activities with a substantial number of other oil and gas companies, many of which have significantly greater financial, technical and personnel resources than the Company. The Company's competitors will include major integrated oil and natural gas companies and numerous other independent oil and natural gas companies and individual producers and operators. Competitors may be able to evaluate, bid for and purchase a greater number of properties and prospects than the Company's financial, technical or personnel resources permit. The Company's size and financial status may impair its ability to compete for oil and natural gas properties and prospects.

Changes in Peruvian government regulation have enabled multinational and regional companies to enter the Peruvian energy market. Competition in oil and gas business activities has increased and may increase further, as existing and new participants expand their activities. If several companies are interested in an area, Perupetro may choose to call for bids, either through international competitive biddings or through private bidding processes by invitation, and award the contract to the highest bidder. The greater resources of competitors may be particularly important in reviewing prospects and purchasing properties in the course of such bids. Competitors may be able to pay more for productive oil and natural gas properties and exploratory prospects than the Company is able or willing to pay.



The Company's ability to acquire additional prospects and to find and develop reserves in the future will depend on its ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. If the Company is unable to compete successfully in these areas in the future, its future revenues and growth may be diminished or restricted. The availability of properties for acquisition depends largely on the business practices of other oil and natural gas companies, commodity prices, general economic conditions and other factors the Company cannot control or influence.

Cost of New Technologies

The oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil and gas companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Company. There can be no assurance that the Company will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by the Company or implemented in the future may become obsolete. In such case, the Company's business, financial condition and results of operations could be materially adversely affected. If the Company is unable to utilize the most advanced commercially available technology, its business, financial condition and results of operations could be materially adversely affected.

Environmental Risks

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and national, state and local laws and regulations. As an owner, licensee and/or operator of oil and gas properties in Peru, the Company is subject to various national, state and local laws and regulations relating to the discharge of materials into, and protection of, the environment. For example, the Company is required to obtain environmental permits or approvals from the Peruvian government prior to conducting seismic operations or drilling wells in Peruvian territory. Environmental laws and regulations in Peru impose substantial restrictions on, among other things, the use of natural resources, interference with the natural environment, the location of facilities, the handling and storage of hazardous materials such as hydrocarbons, the use of radioactive material, the disposal of waste, and the emission of noise and other activities. These laws and regulations may, among other things: (a) impose liability on the owner or lessee under an oil and gas lease for the cost of property damage, oil spills, discharge of hazardous materials, remediation and clean-up resulting from operations; (b) subject the owner or lessee to liability for pollution damages and other environmental or natural resource damages; and (c) require suspension or cessation of operations in affected areas.

Environmental legislation is evolving in a manner that has and is expected to continue to result in stricter standards and enforcement, larger fines, liabilities and sanctions, and potentially increased capital expenditures and operating costs. To mitigate potential environmental liabilities, the Company, in addition to implementing policies and procedures designed to prevent an accidental spill or discharge, maintains insurance at industry standards.

The discharge of oil, natural gas, or other pollutants into the air, soil or water may give rise to liabilities to third parties and may require the Company to incur costs to remedy such discharge in the event that they are not covered by the Company's insurance. Although the Company maintains insurance to industry standards, which in part covers liabilities associated with discharges, it is not certain that such insurance will cover all possible environmental events, foreseeable or otherwise, or whether changing regulatory requirements or emerging jurisprudence may render such insurance of little benefit.

The Company's oil and natural gas operations include exploration, drilling, well completions and tie-ins, production, facility operation, distribution, pricing, marketing and transportation and are subject to compliance with federal, provincial and



local laws and regulations controlling the discharge of pollutants into the environment or otherwise relating to the protection of the environment. Regulations and laws impose restrictions on emissions, spills and releases of various substances used in oil and gas industry operations, requirements for waste handling and storage, habitat protection and the operation, maintenance, abandonment and reclamation of facilities, pipelines and wells. Changes to environmental regulations could delay or prevent planned activity, affect current and forecast production levels and increase the cost of production and/or development capital expenditures.

Although the Company believes that it is in material compliance with current applicable environmental regulations, changing government regulations may have an adverse effect on the Company. See "Industry Conditions – Regulatory Authorities and Environmental Regulation" and "Industry Conditions – Climate Change Regulation". The Company's practice is to do all that it reasonably can to ensure that it remains in material compliance with environmental protection legislation. The Company also believes that it is reasonably likely that the trend towards stricter standards in environmental legislation and regulation will continue. The Company is committed to meeting its responsibilities to protect the environment wherever it operates and will take such steps as required to ensure compliance with environmental legislation.

No assurance can be given that environmental laws will not result in a curtailment of production, a material increase in the costs of production or the costs of development or exploration activities, or otherwise adversely affect the Company's financial condition, capital expenditures, results of operations, competitive position or prospects. The complexity and breadth of changes in environmental regulation make it extremely difficult to predict the potential future effects on PetroTal.

Reserve Estimates

The Company's reserves and associated cash flow information and estimates represent estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. Consequently, the Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves could vary from estimates thereof and such variations could be material.

Climate Change

The Company's exploration and production facilities and other operations and activities emit greenhouse gases and the Company may be required to comply with greenhouse gas emissions legislation in Peru or other countries in which the Company may operate in the future. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. There is a risk that greenhouse gas emissions legislation, or related regulations, may in the future adversely affect the Company's operations and business generally, for example by requiring the Company to make significant expenditures in order to comply with such regulations. In addition, the Company may be subject to activism from groups campaigning against fossil fuel extraction, which could affect its reputation, expose the Company to contractual liability, disrupt its campaigns or programs or otherwise negatively impact the Company's business.

Acute Climate Change



Climate change has been linked to extreme weather conditions. Extreme hot weather, heavy rainfall and wildfires may restrict the Company's ability to access the Company's properties, cause operational difficulties, including damage to machinery and facilities. Extreme weather may also increase the risk of personnel injury as a result of dangerous working conditions. Certain of the Company's assets are located in locations that are proximate to forests and grasslands, and a wildfire may lead to significant downtime and/or damage to such assets. Moreover, extreme weather conditions may disrupt the Company's ability to transport produced crude oil as well as goods and services along the supply chain.

Reserve Replacement

The Company's future oil and natural gas reserves, production, and cash flows to be derived therefrom are highly dependent on the Company successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves the Company may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Company's reserves will depend not only on the Company's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that the Company's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Company makes acquisitions and dispositions of businesses and assets that occur in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, as well as realizing the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Company. The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management assesses the value and contribution of individual properties and other assets.

Finding, Developing and Acquiring Petroleum and Natural Gas Reserves on an Economic Basis

Petroleum and natural gas reserves naturally deplete as they are produced over time. The success of the Company's business is highly dependent on its ability to acquire and/or discover new reserves in a cost efficient manner. Substantially all of the Company's cash flow is derived from the sale of the petroleum and natural gas reserves it accumulates and develops. In order to remain financially viable, the Company must be able to replace reserves over time at a lesser cost on a per unit basis than its cash flow on a per unit basis. The reserves and costs used in this determination are estimated each year based on numerous assumptions and these estimates and costs may vary materially from the actual reserves produced or from the costs required to produce those reserves. The Company mitigates this risk by employing a qualified and experienced team of petroleum and natural gas professionals, operating in geological areas in which prospects are well understood by management and by closely monitoring the capital expenditures made for the purposes of increasing its petroleum and natural gas reserves.

Operational Dependence

Currently the Company owns a 100% working interest in all of its licence agreements. In the event that the Company enters into any farm-in agreement, other companies may operate some of the assets in which the Company will have or has an interest. In such cases, the Company will have diminished ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect the Company's financial performance. The Company's return on assets operated by others may therefore depend upon a number of factors that may be outside of the Company's control, including



the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

Reliance on Key Personnel

The Company's continued success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. The Company may not have any key person insurance in effect. The contributions of the management team to the Company's immediate and near term operations are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense, particularly in Peru, and there can be no assurance that the Company will be able to attract and retain all personnel necessary for the development and operation of its business.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth could have a material adverse impact on its business, operations and prospects.

Permits and Licences

The operations of the Company require licences and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licences and permits that are required to carry out exploration and development at its properties. The permitting process in Peru takes significant time, meaning that exploration and development projects have a longer cycle time to completion than they might elsewhere.

Regulations and policies relating to licences and permits may change, be implemented in a way that the Company does not currently anticipate or take significantly greater time to obtain. These licences and permits are subject to numerous requirements, including compliance with the environmental regulations of the local governments. Revocation or suspension of the Company's environmental and operating permits could have a material adverse effect on its business, financial condition and results of operations.

Expiration or Termination of Licences

The Company's properties are currently held, and any future properties are expected to be held, in the form of licences and working interests in licences. If the Company or the holder of the licence fails to meet the specific requirement of a licence, the licence may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence will be met. The termination or expiration of the Company's licences or the working interests relating to a licence may have a material adverse effect on the Company's results of operations and business.

The terms of Peruvian oil and gas licence agreements require licensees to perform certain minimum work programmes in each period under the seven year exploration phase of such agreements. The calculation of each period is halted when the government reviews related environmental applications, meaning the seven year exploration phase may last several years more. However, the term of the licence contract remains the same, so the holder still has 23 years to develop and produce the discovered crude oil reserves or 33 years in the case of natural gas reserves. The work programmes can include seismic acquisition, processing and interpretations and the drilling of required wells in accordance with those contracts and



agreements. Licensees are also required to conduct environmental impact studies and/or environmental impact assessments and to establish their ability to comply with environmental regulations.

Additional Funding Requirements

The Company's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, the Company may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Company's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Company's ability to expend the necessary capital to replace its reserves or to maintain its production. If the Company's cash flow from operations and current cash balance is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on favorable terms.

Variations in Foreign Exchange Rates and Interest Rates

World oil and gas prices are quoted in United States dollars and the price received by Canadian and Peruvian producers is therefore affected by the Canadian/United States and Peruvian/United States dollar exchange rates, which will fluctuate over time. Future Canadian/United States and Peruvian/United States exchange rates could accordingly impact the future value of the Company's reserves as determined by independent evaluators. Furthermore, an increase in interest rates could result in a significant increase in the amount the Company pays to service debt.

Issuance of Debt

From time to time, the Company may enter into transactions to acquire assets or the securities of other business entities. These transactions may be financed partially or wholly with debt which may increase the Company's debt levels above industry standards. The level of the Company's indebtedness from time to time could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Hedging

The Company may enter into hedging arrangements in the form of swaps, puts and calls and similar instruments to secure revenue or offset the risk of revenue losses if commodity prices decline. However, such arrangements may be expensive and there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms. In addition, hedging itself carries certain risks, including expenses associated with termination or close-out of treasury transactions under hedging agreements and the risk that the Company could incur losses should it fail to anticipate movements in commodity prices. The Company may also be required to provide cash collateral under its hedging arrangements, which the Company may be unable to provide or which could affect the liquidity of the Company. There is also the risk that the Company will be obliged to make payments under swap arrangements, even in a scenario where its production has decreased or ceased, potentially creating cash obligations which the Company is unable to settle. Further, certain types of hedging arrangements, if entered into by the Company, may also involve a risk of not realizing potential gains if the Company should fail to anticipate movements in commodity prices.

Information Technology Systems and Cyber-Security



The Company depends on digital technology, among other things, to: process and record financial and operating data; communicate with its employees and business partners; analyze seismic and drilling information; and estimate quantities of oil and gas reserves. Accordingly, the Company is susceptible to cyber incidents (both deliberate and unintentional).

The unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary and other information could disrupt the Company's business plans and negatively impact its operations in a number of ways, including: (a) negatively impact the Company's competitive position in developing its oil and gas reserves; (b) dry hole cost or drilling incidents; (c) loss of production or accidental discharge; (d) supply chain disruptions; and (e) expensive remediation efforts, distraction of management, damage to the Company's reputation, or a negative impact on the price of the common shares of the Company. As cyber threats continue to evolve, the Company may be required to expend significant additional resources to continue to modify or enhance its protective measures or to investigate and remediate any information security vulnerabilities.

Weather

Since the Company's properties are geographically concentrated in Peru's eastern region, they are influenced by factors affecting that region such as natural disasters (including earthquakes and forest fires) and severe weather conditions (including excessive rainfall and flooding). Such conditions could have a material adverse impact on the Company's business, operations and prospects. Because all the Company's properties could experience the same conditions at the same time, these conditions could have a relatively greater impact on the Company's operations than they might have on other operators who have properties over a wider geographic area.

Litigation

In the normal course of the Company's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to personal injuries, property damage, property tax, land rights, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Company and as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations.

Community Relationships

The operations of the Company may have a significant effect on the areas in which it operates, and communities have, in the past, demonstrated an ability and willingness to halt operations or delay approvals. Should the Company's relationship with local populations and governments not remain in good standing, this could lead to a delay in operations, loss of license or major impact to the Company's reputation, which in turn could adversely affect the Company's business.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, the Company may disclose confidential information relating to its business, operations or affairs. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put the Company at competitive risk and may cause significant damage to its business. The harm to the Company's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Company will be able to obtain equitable remedies, such as injunctive relief, from



a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Conflicts of Interest

Directors and officers of the Company may also be directors and officers of other oil and gas companies involved in oil and gas exploration and development, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply under the ABCA.

Control Persons and Other Significant Shareholders of the Company

Based, in part, on public filings of Shareholders, GTRL owns, directly or indirectly, or controls approximately 30% of the Common Shares, and is considered a control person of the Company, and Meridian Capital International Fund owns or controls approximately 19% of the Common Shares. In addition, management and the Board of the Company own or control approximately 1% of the Common Shares. Collectively these shareholders own or control approximately 50% of the Common Shares and, if acting together, would be able to significantly influence all matters requiring shareholder approval, including without limitation, the election of directors.

Dilution

The Company may issue additional Common Shares in the future, which may dilute a Shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares and Shareholders will have no preemptive rights in connection with such further issuances. Also, additional Common Shares may be issued by the Company on the exercise of Common Share purchase warrants, or on the exercise of options, performance share units and restricted share units under the Company's stock option plan and performance and restricted share unit plan.

Third Party Credit Risk

The Company is or may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production, counterparties to financial instruments and other parties. In the event such entities fail to meet their contractual obligations, such failures could have a material adverse effect on the Company's financial results and financial condition.

Alternatives to and Changing Demand for Petroleum Products

Fuel reduction regulations, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas and technological advances in fuel economy and renewable energy generation devices could reduce the demand for crude oil and liquid hydrocarbons. Recently, certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels and encourage the use of renewable fuel alternatives, which may lessen the demand for petroleum products and put downward pressure on commodity prices. In addition, advancements in energy efficient products have a similar effect on the demand for oil and gas products. PetroTal cannot predict the effect of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Company's business, financial condition, results of operations and funds flow.



Reputational Risk Associated with Operations

Any environmental damage, loss of life, injury or damage to property caused by the Company's operations could damage its reputation in the areas in which the Company operates. Negative sentiment towards the Company could result in a lack of willingness of municipal authorities being willing to grant the necessary licenses or permits for the Company to operate its business and in residents in the areas where the Company is doing business opposing the Company's further operations in the area. If the Company develops a reputation of having an unsafe work site it may impact the Company's ability to attract and retain the necessary skilled employees and consultants to operate its business. Further, the Company's reputation could be affected by actions and activities of other Company's operating in the oil and gas industry, over which the Company has no control. In addition, environmental damage, loss of life, injury or damage to property caused by the Company's operations could result in negative investor sentiment towards the Company, which may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Common Shares.

Changing Investor Sentiment

A number of factors, including the concerns of the effects of the use of fossil fuels on climate change, the effect of crude oil and natural gas operations on the environment, environmental damage relating to spills of petroleum products during production and transportation and indigenous rights, have affected certain investors' sentiments towards investing in the crude oil and natural gas industry. As a result of these concerns, some institutional, retail and public investors have announced that they no longer are willing to fund or invest in crude oil and natural gas properties or companies tied to crude oil and natural gas or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can be costly and require a significant time commitment from the Board, management and employees of the Company. Failing to implement the policies and practices as requested by institutional investors may result in such investors reducing their investment in the Company or not investing in the Company at all. Any reduction in the investor base interested or willing to invest in the crude oil and natural gas industry, and more specifically, the Company, may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Common Shares, even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause a decrease in the value of the Company's assets which may result in an impairment change.

Expansion into New Activities

In the future, the Company may acquire or move into new industry related activities or new geographical areas, may acquire different energy related assets, and as a result may face unexpected risks or alternatively, significantly increase the Company's exposure to one or more existing risk factors, which may in turn result in the Company's future operational and financial conditions being adversely affected.

Corruption

The Company is subject to the Foreign Corrupt Practices Act (the "**FCPA**") and the Corruption of Foreign Public Officials Act ("**CFPOA**"), and its failure to comply with the laws and regulations thereunder could result in material adverse effect on the Company's business, results of operations and financial condition. The FCPA prohibits companies and their intermediaries from making improper payments to foreign officials to secure any improper advantage for the purpose of obtaining or keeping business and/or other benefits. Similarly, the CFPOA prohibits persons from, directly or indirectly, giving, offering



to give or agreeing to give a loan, reward, advantage or benefit of any kind to a foreign public official or to any person for the benefit of a foreign public official.

Any violation of these laws could result in monetary penalties against the Company or its subsidiaries and could damage its reputation and, therefore, its ability to do business.

Forward-Looking Information May Prove to be Inaccurate

Investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumptions and uncertainties are found in this AIF under the heading "Forward-Looking Statements" above.

DIVIDENDS

The Company historically had a policy of retaining earnings in order to finance growth and development of the Company's business. However, on May 31, 2019, the Company implemented a dividend policy whereby the Company would pay out a dividend in respect of the half year period from July 1, 2019 to December 31, 2020. The Company has since suspended dividend payments to preserve funds for investment in the business.

The Company's new dividend policy is intended to optimise Shareholder wealth while balancing such returns to Shareholders with continued reinvestment in the Peruvian Business to support future growth and development. This, in turn, is expected to provide a stronger base of cash flow leading to consistent dividend payment in the future. The amount of dividends to be paid on Common Shares, if any, is subject to the discretion of the Board and may vary depending on a variety of factors including, but not limited to, current and expected future levels of distributable cash flow, capital expenditures, borrowings and debt repayments, changes in working capital requirements, prevailing market conditions and anticipated earnings. The Company intends to undertake regular review of the policy taking into account factors such as current and future commodity prices, foreign exchange rates, current operations and available investment opportunities.

The Company does not have a dividend reinvestment plan or stock dividend program.

Dividend History

On December 12, 2019, the Company declared an interim dividend of CAD\$0.0017 (£0.001) cash for each Common Share to be paid to Shareholders on January 20, 2020, representing in aggregate a total dividend payment of approximately CAD\$1.14 million (£0.66 million)

The declaration and payment of dividends is subject to the discretion of the Board and may vary depending on a variety of factors and conditions existing from time to time. The payment of dividends to Shareholders is not assured or guaranteed and dividends may be reduced or suspended entirely. In addition to the foregoing, the Company's ability to pay dividends now or in the future and the actual amount distributed will depend on numerous factors and conditions existing from time to time, including fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, foreign exchange rates and the satisfaction of solvency tests



imposed by the ABCA for the declaration and payment of dividends, applicable law and other factors beyond the Company's control. See "*Risk Factors – Dividends*".

DESCRIPTION OF SHARE CAPITAL

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value. Each Common Share entitles the holder to receive notice of and to attend all meetings of the shareholders of the Company, to vote at such meetings, to receive such dividends as may be declared by the Board of Directors, and to share ratable with other shareholders in the residual property of the Company in the event of liquidation, dissolution or winding-up of the Company. As at the date hereof, there are 816,667,379 Common Shares issued and outstanding.

Performance warrants

The performance warrants have an exercise price of \$0.187 per share and vested upon achievement of certain oil production targets, within a specified period. Each warrant will be adjusted as to the number of shares to be issued on the exercise date and the exercise price of the warrant.

Investors' warrants

In connection with the brokered private placement offering on June 12, 2020, investors received 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. The following table sets out a continuity of outstanding warrants:

Balance at January 1, 2018	-
Performance warrants issued	26,750,000
Balance at December 31, 2019	26,750,000
Performance warrants exercised	(1,000,000)
Investor warrants issued	70,601,946
Balance at December 31, 2020	96,351,946

MARKET FOR SECURITIES AND TRADING HISTORY

The Common Shares are listed and posted for trading on the facilities of the TSXV under the symbol "TAL" and, since December 24, 2018, on AIM under the symbol "PTAL". The following table sets out the price range for, and the trading volume of, the Common Shares of the Company as reported:

TSXV 2020	High (CDN\$)	Low (CDN\$)	Volume
January	0.55	0.44	16,829,100
February	0.48	0.29	13,256,900
March	0.35	0.12	33,142,000
April	0.32	0.16	15,894,800
May	0.23	0.11	41,911,100
June	0.26	0.17	21,092,400
July	0.28	0.18	17,803,400
August	0.24	0.19	14,391,500



TSXV 2020	High (CDN\$)	Low (CDN\$)	Volume
September	0.24	0.17	10,826,600
October	0.20	0.11	6,361,000
November	0.18	0.13	14,990,800
December	0.26	0.14	19,425,800

AIM 2020	High (GBP)	Low (GBP)	Volume
January	0.33	0.26	27,414,806
February	0.28	0.17	20,407,378
March	0.21	0.07	44,807,822
April	0.15	0.09	19,047,730
May	0.13	0.06	100,743,394
June	0.15	0.10	35,754,737
July	0.15	0.11	33,668,510
August	0.14	0.10	11,955,282
September	0.13	0.10	12,888,039
October	0.11	0.08	9,628,657
November	0.10	0.07	17,742,624
December	0.14	0.09	17,821,155

PRIOR SALES

The following table sets forth, for each class of securities of the Company that is outstanding but not listed or quoted on a marketplace, the price at which securities of the class have been issued during the financial year ended December 31, 2020 and the number of securities of the class issued at that price and the date on which the securities were issued.

Date of Issuance	Class of Securities	Number of Securities Issued	Exercise Price
September 15, 2020	Performance Share Units ⁽¹⁾	14,205,199	N/A

Note:

(1) Granted to certain officers of the Company in accordance with the provisions of the Company's amended performance and restricted share unit plan. The performance share units vest three years from grant date and each performance share unit entitles the holder thereof to acquire between zero and two Common Shares, subject to the achievement of various performance conditions relating to total shareholder return, net asset value and certain production and operational milestones.

ESCROWED SECURITIES

To the best of the Company's knowledge, no securities are currently subject to escrow as of December 31, 2020.

DIRECTORS AND OFFICERS

The following table sets forth the names and municipalities of residence of the directors and executive officers of the Company as at the date hereof, their respective positions and offices with the Company and date first elected as a director and their principal occupation(s) within the past five years.



Name and Municipality of Residence	Position Presently Held	Director Since	Principal Occupation for Previous Five Years
Manuel Pablo Zúñiga-Pflücker ⁽³⁾ Texas, USA	Director, President, Chief Executive Officer and Corporate Secretary	December 18, 2017	President, Chief Executive Officer and Director of the Company since December 18, 2017. Prior thereto, President and Chairman of the Managers of PetroTal LLC since January 2016. Mr. Zúñiga-Pflücker founded and led BPZ Resources, Inc. ("BPZ") from 2001 to 2015. Petroleum engineer with more than 30 years' experience.
Douglas C. Urch Alberta, Canada and Texas, USA	Executive Vice President and Chief Financial Officer	-	Executive Vice President and Chief Financial Officer of the Company since November 4, 2019. From December 18, 2017 until November 2, 2019, Mr. Urch served as a Director of the Company. Prior thereto, Executive Vice President, Finance and Chief Financial Officer of Bankers Petroleum Ltd. from February 2008 to 2018.
Estuardo Alvarez-Calderon Texas, USA and Peru	Vice President, Operations	-	Vice President, Operations of the Company since December 18, 2017. Prior thereto, Vice President of Exploration and Production for BPZ.
Mark McComiskey ⁽¹⁾⁽²⁾ Connecticut, USA	Chairman of the Board	July 5, 2016	Partner at AVAIO Capital, a firm that focuses on value-added infrastructure investment. Prior thereto, a partner at Prostar Capital's energy business and its successor firm, Vanwall Capital, LLC. Prior to Prostar, Co-Head of Private equity at First Reserve, a private equity firm focused on the energy industry.
Gary S. Guidry ⁽³⁾⁽⁴⁾ Alberta, Canada	Director	December 18, 2017	President and Chief Executive Officer of Gran Tierra Energy Inc. since May 2015. Prior thereto, Mr. Guidry was President and Chief Executive Officer of Caracal Energy from 2011 to 2014.
Ryan Ellson ⁽¹⁾⁽²⁾ Alberta, Canada	Director	December 18, 2017	Chief Financial Officer of GTE since May 2015. Prior thereto, Mr. Ellson was Chief Financial Officer of Onza Energy Inc. Prior thereto, Mr. Ellson was Head of Finance for Glencore E&P (Canada) and, before that, he served as Vice President, Finance at Caracal Energy.



Name and Municipality of Residence	Position Presently Held	Director Since	Principal Occupation for Previous Five Years
Gavin Wilson ⁽²⁾⁽³⁾⁽⁴⁾ <i>Switzerland</i>	Director	June 11, 2013	Advisor to Meridian Group of Companies, an investment company. Prior thereto, Mr. Wilson was the Founder and Manager of RAB Energy and RAB Octane listed Investment Funds from 2004 until 2011.
Eleanor J. Barker ⁽¹⁾ <i>Ontario, Canada</i>	Director	December 19, 2019	President of Barker Oil Strategies Inc. and a director of Serinus Energy plc. Prior thereto, a director of Sterling Resources Ltd. from 2010 to 2014.
Roger M. Tucker ⁽³⁾⁽⁴⁾ <i>London, England</i>	Director	December 19, 2019	Director of Pale Rider Limited. Prior thereto, Mr. Tucker was a director of Van Damme North Sea Oil and Gas Limited from 2015 to 2017 and, before that, he served as a director of Vesta Petroleum Investments Limited.

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Corporate Governance and Compensation Committee.
- (3) Member of the Reserves Committee.
- (4) Member of the Health, Safety, Environment and Corporate Social Responsibility Committee.

As at the date hereof, the directors and officers of the Company, and their associates and affiliates, as a group, whether beneficial, direct or indirect, own 6,409,059 Common Shares, representing approximately 1% of the currently issued and outstanding Common Shares.

The directors listed above will hold office until the next annual meeting of the Company or until their successors are elected or appointed.

Cease Trade Orders and Bankruptcies

Except as set forth below, no director or executive officer of the Company is, or within ten years prior to the date of this AIF has been, a director, a chief executive officer or a chief financial officer of any company (including the Company), that:

- (a) was subject to: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**"), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as set forth below, no director, executive officer or, to the best of the Company's knowledge, any shareholder holding a sufficient number of securities of the Company to affect materially control of the Company, is, or within ten years prior to the date of this AIF has been, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal



under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Zúñiga-Pflücker was an officer of BPZ, a Company engaged in exploration, development and production of oil and gas in Peru. BPZ filed a voluntary petition for reorganization relief under Chapter 11 of the United States Bankruptcy Code on March 9, 2015.

Mr. Wilson was a director of Buccaneer Energy Ltd. ("**Buccaneer**"), a corporation engaged in exploration, development and production of oil and gas in the United States. Buccaneer filed a voluntary petition for reorganization relief under Chapter 11 of the *United States Bankruptcy Code* on May 31, 2014.

Personal Bankruptcies

No director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has, within the past ten years prior to the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person.

Penalties and Sanctions

No director or executive officer of the Company of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain of the directors and officers of the Company are also directors, officers and/or promoters of other reporting and non-reporting issuers, which may give rise to conflicts of interest. In accordance with corporate laws, directors who have an interest in a contract or a proposed contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Company. Some of the directors of the Company have other employment or other business or time restrictions placed on them and accordingly, these directors of the Company will only be able to devote part of their time to the affairs of the Company. In particular, certain of the directors and officers are involved in managerial and/or director positions with other oil and gas companies whose operations may, from time to time, provide financing to, or make equity investments in, competitors of the Company. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA. As of the date hereof, the Company is not aware of any existing or potential material conflicts of interest between the Company and any director or officer of the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS



There are no legal proceedings material to the Company to which the Company is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Company to be contemplated.

There are no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the most recently completed financial year, there are no other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decisions, and there are no settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority during the most recently completed financial year.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed herein, to the best of the Company's knowledge, there are no material interests, direct or indirect, of directors or executive officers of the Company, any shareholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares, or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years of the Company or during the current financial year which has materially affected, or is reasonably expected to materially affect, the Company.

Gary S. Guidry and Ryan Ellson, directors of the Company, are also executives of GTE. The Company is 16% owned, directly or indirectly, or controlled by GTE and therefore the interests of the two entities are not divergent. Applicable securities laws provide that directors need not refrain from voting in respect of contracts and transactions between "affiliates" (for greater clarity, the Company and GTE would be considered "affiliates" of each other).

Gavin Wilson, a director of the Company, is an advisor to Meridian Group of Companies. The Company is 19% owned, directly or indirectly, or controlled by Meridian Group of Companies.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar are Computershare Trust Company of Canada at its principal office in Calgary, Alberta, and Equity Stock Transfer at its office in New York, USA.

MATERIAL CONTRACTS

Except as disclosed herein and other than contracts entered into in the ordinary course of business, there have been no material contracts entered into by the Company within the most recently completed financial year, or before the most recently completed financial year that are still in effect.

PROMOTERS

Manuel Pablo Zúñiga-Pflücker may be considered to be a promoter of the Company pursuant to applicable securities laws. As at the date hereof, Mr. Zúñiga-Pflucker beneficially owns, directly or indirectly, 2,816,848 Common Shares representing approximately 0.4% of the issued and outstanding Common Shares.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing,



or referred to in a filing, made under NI 51-102 by the Company during, or related to, the year ended December 31, 2020 other than NSAI, the Company's independent reserves evaluators and Deloitte LLP, the Company's auditors.

None of the principals of NSAI had any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of the Company's associates or affiliates either at the time they prepared the statement, report or valuation prepared by it, at any time thereafter or to be received by them.

Deloitte LLP, the Company's auditors, are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or any associate or affiliate of the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's information circular for the Company's most recent shareholders meeting that involved the election of directors. Additional financial information is contained in the Company's financial statements and the related management's discussion and analysis for the year ended December 31, 2020.

Additional copies of this AIF and the materials listed in the preceding paragraph are available on the foregoing basis and upon request by contacting the Company at its offices at Suite 500, 11451 Katy Freeway, Houston, Texas 77079.

EXHIBIT 1
Form 51-101F2
REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

Terms to which a meaning is ascribed in National Instrument 51-101 have the same meaning herein.

To the board of directors of PetroTal Corp. (the "**Company**"):

1. We have evaluated the Company's reserves data as at December 31, 2020. The reserves data are estimates of proved, probable and possible reserves and related future net revenue as at December 31, 2020, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "**COGE Handbook**") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions in the COGE Handbook.
5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable plus possible reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2020, and identifies the respective portions thereof that we have evaluated and reported on to the Company's management:

Independent Qualified Reserves Evaluator or Auditor	Effective Date of Evaluation Report	Location of Reserves (Country)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate)(USM\$)			
			Audited	Evaluated	Reviewed	Total
Netherland, Sewell & Associates, Inc.	December 31, 2020	Onshore Peru	nil	829,770.8	nil	829,770.8

6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
7. We have no responsibility to update our report referred to in paragraph 5 for events and circumstances occurring after the effective date of our report.
8. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

Netherland, Sewell & Associates, Inc.
Texas Registered Engineering Firm F-2699
Dallas, Texas, USA

February 8, 2021

EXHIBIT 2
Form 51-101F3
REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

Terms to which a meaning is ascribed in National Instrument 51-101 have the same meaning herein.

Management of PetroTal Corp. (the "**Company**") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data.

Independent qualified reserves evaluators have evaluated and reviewed the Company's reserves data. The report of the independent qualified reserves evaluators is presented in the Annual Information Form of the Company for the year ended December 31, 2020.

The Reserves Committee of the Board of Directors of the Company has:

- (a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluators;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluators to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluators.

The Reserves Committee of the Board of Directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has, on the recommendation of the Reserves Committee, approved:

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data;
- (c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

(signed) "*Manuel Pablo Zuniga-Pflücker*"
Manuel Pablo Zuniga-Pflücker
Director, President and Chief Executive Officer

(signed) "*Douglas C. Urch*"
Douglas C. Urch
Executive Vice President and Chief Financial Officer

(signed) "*Roger Tucker*"
Roger Tucker
Director

(signed) "*Gary S. Guidry*"
Gary S. Guidry
Director

Dated April 21, 2021