PetroTal

Q2 2024 Reporting Package

August 8, 2024

TSX:TAL
AIM: PTAL
OTCQX: PTALF

PetroTal Announces Q2 2024 Financial and Operating Results

Q2 2024 average sales and production of 18,050 bopd and 18,290 bopd, respectively
Generated Q2 2024 free funds flow of $36 million (7% quarterly yield)
Exited quarter with $96 million in total cash
Declaring dividend of $0.015/share payable Sept 13, 2024
Board changes

Calgary, AB and Houston, TX – **August 08, 2024**—PetroTal Corp. ("PetroTal" or the "Company") (TSX: TAL, AIM: PTAL and OTCQX: PTALF) is pleased to report its operating and financial results for the three and six months ended June 30, 2024.

Selected financial and operational information is outlined below and should be read in conjunction with the Company's unaudited consolidated financial statements and management's discussion and analysis ("MD&A") for the three and six months ended June 30, 2024, which are available on SEDAR+ at www.sedarplus.ca and on the Company's website at www.PetroTal-Corp.com. All amounts herein are in United States dollars unless otherwise stated.

Selected Q2 2024 Highlights

- Average Q2 2024 production and sales of 18,290 and 18,050 barrels ("bbls") of oil per day ("bopd"), respectively, which included a brief river blockade;

- Generated Q2 2024 EBITDA[1] and free funds flow[1] of $69.5 million ($42.31/bbl) and $36.3 million ($22.11/bbl), respectively;

- Exited Q2 2024 in a strong cash position with $95.9 million in total cash ($84.1 million unrestricted), with over $93.2 million in current receivables due subsequent to June 30, 2024;

- In early May 2024, PetroTal signed an acquisition agreement to acquire a 100% working interest in Peru's Block 131, including the producing Los Angeles field for a purchase price of $5 million, subject to closing adjustments and with an effective date of January 1, 2024;

- Successfully drilled two new oil wells in the quarter. Well 19H has averaged over 6,860 bopd over its initial 30 days, placing it in the Company's top five initial rate wells and achieving payout in approximately 40 days;

- Delivered strong operating cost metrics with lifting and variable transportation costs under $8.00/bbl in the quarter, slightly higher than Q1 2024, and generating a near 78% net operating income margin in the quarter;

- Capital expenditures (“Capex”) totaled $38.9 million in Q2 2024 and were focused on drilling wells 18H and 19H;

- Completed all regulatory approvals for the Company’s Oleoducto de Crudos Pesados Oil Pipeline (“OCP”) route to market in Ecuador, onto which oil loading into barges was subsequently commenced in mid July 2024. Actual final sale of the pilot oil is expected in October 2024;

- Delivered strong Q2 2024 net income of $35.4 million ($0.04/share); and,

- Paid total dividends of $0.015/share and repurchased 1.2 million common shares in Q2 2024, representing approximately $15 million of total capital returned to shareholders (approximately 3% of June 30, 2024, market capitalization).

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

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

“Our Q2 2024 operating and financial results were robust and Q3 and Q4 are now underpinned by strong drilling results this quarter. The 19H well was initially producing in excess of 8,000 bopd despite being designed with a shorter horizontal section compared to previous drills and has now averaged over 6,800 bopd over the last 30 days.

In addition, we are extremely excited about our formal route activation through the OCP. Having completed all the regulatory approvals, the Company is now in a position to further diversify its oil sales routes and to allow for offtake optionality during the dry season. Activating additional routes to market is a priority for the Company and we look forward to sending further updates in the fall of 2024.

We are expecting to close the Block 131 acquisition later this year becoming the Company’s first diversified production stream with the expectation of significantly increasing its light oil production profile in 2025.”

Selected Financial Highlights

	Three Months Ended				Six Months Ended			
	Q2-2024		Q1-2024		Q2-2024		Q2-2023	
	$/bbl	$ 000	$/bbl	$ 000	$/bbl	$ 000	$/bbl	$ 000
Average Production (bopd)		18,290		18,518		18,404		15,631
Average sales (bopd)		18,050		18,347		18,198		15,567
Total sales (bbls)[(1)]		1,642,578		1,669,537		3,312,115		2,817,573
Average Brent price	$83.87		$81.01		$82.46		$79.73	
Contracted sales price, gross	$83.92		$81.14		$82.35		$78.86	
Tariffs, fees and differentials	($21.15)		($20.89)		($20.86)		($20.75)	
Realized sales price, net	$62.76		$60.25		$61.49		$58.11	
Oil revenue[(1)]	$62.76	$103,086	$60.25	$100,583	$61.49	$203,669	$58.11	$163,723
Royalties[(2)]	$6.08	$9,991	$5.69	$9,500	$5.88	$19,491	$5.37	$15,137
Operating expense	$6.10	$10,023	$5.56	$9,278	$5.83	$19,301	$4.78	$13,454
Direct Transportation:								
Diluent	$1.16	$1,898	$0.94	$1,567	$1.73	$5,740	$1.07	$3,009
Barging	$0.58	$951	$0.60	$1,005	$0.02	$54	$0.64	$1,802
Diesel	$0.11	$186	$0.05	$80	($0.03)	($106)	$0.08	$233
Storage	$0.01	$12	($0.27)	($457)	($0.13)	($445)	$0.00	$0
Total Transportation	$1.86	$3,047	$1.32	$2,195	$1.59	$5,243	$1.79	$5,044
Net Operating Income[(3,4)]	$48.72	$80,025	$47.68	$79,610	$48.19	$159,634	$46.17	$130,088
G&A	$6.41	$10,528	$4.83	$8,071	$5.61	$18,597	$4.30	$12,107
EBITDA[(3)]	$42.31	$69,497	$42.85	$71,539	$42.58	$141,037	$41.87	$117,981
Adjusted EBITDA[(3,5)]	$45.78	$75,201	$43.15	$72,048	$44.46	$147,250	$47.44	$133,670
Net Income	$21.55	$35,405	$28.52	$47,619	$25.07	$83,028	$22.58	$63,614
Basic Shares Outstanding (000)		914,196		914,104		914,196		922,306
Market Capitalization[(6)]		$504,152		$511,898		$504,152		$433,484
Net Income/Share ($/share)		$0.04		$0.05		$0.09		$0.069
Capex		$38,867		$30,352		$69,219		$59,286
Free Funds Flow[(3)] [(7)]	$22.12	$36,334	$24.97	$41,696	$23.56	$78,030	$26.40	$74,384
% of Market Capitalization[(6)]		7.2%		8.2%		15.5%		17.2%
Total Cash[(8)]		$95,859		$85,151		$95,859		$92,552
Net Surplus (Debt) [(3)] [(9)]		$50,324		$55,522		$50,324		$97,523

The table below summarizes PetroTal's comparative financial position.

1. Approximately 89% of Q2 2024 sales were through the Brazilian route vs 87% in Q1 2024.
2. Royalties at year to date June 30, 2024 and March 31, 2024 include the impact of the 2.5% community social trust.
3. Non-GAAP (defined below) measure that does not have any standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures presented by other entities. See "Selected Financial Measures" section.
4. Net operating income represents revenues less royalties, operating expenses, and direct transportation.
5. Adjusted EBITDA is net operating income less general and administrative ("G&A") and plus/minus realized derivative impacts.
6. Market capitalization for Q2, 2024, Q1 2024 and Q2 2023, assume share prices of $0.53, $0.56, and $0.45 respectively on the last trading day of the quarter.
7. Free funds flow is defined as adjusted EBITDA less capital expenditures. See "Selected Financial Measures" section.
8. Includes restricted cash balances.
9. Net Surplus (Debt) = Total cash + all trade and net VAT receivables + short and long term net derivative balances – total current liabilities – long term debt – non current lease liabilities – net deferred tax – other long term obligations.

Q2 2024 Financial Variance Summary

US$/bbl Variance Summary	Three months ended Q2 2024	Q1 2024	Variance	Six months ended Q2 2024	Q2 2023	Variance
Oil Sales (bopd)	**18,050**	**18,347**	**(297)**	**18,198**	**15,567**	**2,631**
Contracted Brent Price	**$83.92**	**$81.14**	**$2.78**	**$82.35**	**$78.86**	**$3.49**
Realized Sales Price	**$62.76**	**$60.25**	**$2.51**	**$61.49**	**$58.11**	**$3.38**
Royalties	$6.08	$5.69	$0.39	$5.88	$5.37	$0.51
Total OPEX and Transportation	$7.96	$6.88	$1.08	$7.42	$6.57	$0.85
Net Operating Income[1,2]	**$48.72**	**$47.68**	**$1.04**	**$48.19**	**$46.17**	**$2.02**
G&A	$6.41	$4.83	$1.58	$5.61	$4.30	$1.31
EBITDA	**$42.31**	**$42.85**	**($0.54)**	**$42.58**	**$41.87**	**$0.71**
Net Income	$21.55	$28.52	($6.97)	$25.07	$22.58	$2.49
Free Funds Flow[1,3]	**$22.12**	**$24.97**	**($2.85)**	**$23.56**	**$26.40**	**$2.84**

Q2 2024 Financial Variance Commentary

- Near-flat sales volume compared to prior quarter with six months ended sales volumes up 17% from Q2 2023;
- Higher lifting costs in the quarter, driven by higher contracted service and erosion control opex allocations compared to previous quarter. Higher diluent costs in the quarter due to higher transportation costs of diluent;
- Capital spending increased by 28% to $38.9 million in the quarter from the prior quarter of $30.2 million due to increased drilling activity;
- Strong Q2 2024 production and favorable oil pricing generated free funds flow per barrel in the quarter of approximately $22.1/bbl compared to $24.9/bbl in Q4 2023;
- Liquidity increased 13% in Q2 2024 compared to Q1 2024, with total cash increasing by approximately $11 million to $96 million despite transferring nearly $12 million of restricted cash to the social trust fund; and,
- PetroTal maintained a strong balance sheet in Q2 2024 with no long term bank debt and a net surplus[1,4] of $50 million, and inclusive of a $65 million net deferred tax liability.

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

Additional Financial and Operating Updates in, and subsequent to June 30, 2024

Operations Update

Corporate production averaged 20,034 bopd in July 2024, with contributions from the 19H and 18H wells, which averaged 5,167 and 2,278 bopd, respectively. Dry river season indicators are at the moment at lower levels than 2023. Notwithstanding, production and sales constraints from August through October 2024 are kept as originally budgeted thanks to the increased barge fleet size. Q3 2024 production guidance is reiterated at approximately 13,000 bopd.

With expected low river conditions in Q3 and early Q4, the Company is reaffirming production guidance of 16,500 to 17,500 bopd for 2024. Assuming a full year 2024 Brent price of $82/bbl, full year 2024 EBITDA is now expected to be in the range of $200 to $240 million. Previous 2024 EBITDA guidance was $200 million.

PetroTal completed drilling 5WD on July 22, 2024, the Company's fourth water disposal well with injectivity tests at approximately 50,000 barrels of water per day ("bwpd"). The 5WD well is already online at a total cost of $10.7 million and below its budget of $12.7 million. Once the three high pressure pumps and the additional 50,000 barrels of water tank are fully tied in, the total field water disposal capacity will reach an estimated 170,000 bwpd by year end from the current 110,000 bwpd.

Drilling commenced on Well 20H on July 26, 2024 with an estimated cost of $13.7 million. Well completion and first production are estimated by late Q3 2024.

In order to minimize rig standby fees and maximize production thanks to the increased water handling capacity heading into the next wet season, PetroTal is accelerating capex. Following the completion of the 20H well, PetroTal will drill and complete wells 21H, 22H and 23H at Bretana by the end of Q1 2025. As a result, total estimated 2024 capital spend is now expected to fall within a range of $150 to $175 million, from a range of $150 to $160 million previously.

ONP Update

On July 17, 2024 the Company was notified that approximately 322,000 barrels of Northern Peruvian Pipeline ("ONP") oil located in section II of the line was successfully pumped to the Bayovar port for tender and eventual sale. When the tender process is completed by Petroperu, it will trigger a true up payment to PetroTal if the realized price for those barrels is greater than the oil's cost base. The average cost base of the Company's 2.2 million barrels of oil in the ONP is approximately $72.5/bbl Brent. Including the recent oil movement, as of the end of July, there are approximately 1.88 million barrels remaining in the ONP.

Cepsa Acquisition Update

Since the signing of the acquisition agreement in early May 2024, PetroTal's integration team has been progressing on the necessary regulatory approvals required to close the acquisition. The first milestone was achieved in late June 2024 with an approval from Perupetro. Approval into supreme decree is still estimated in Q4 2024. The Block 131 assets have been producing between 800 and 1,000 bopd and generating positive EBITDA per month since the transaction effective date of January 1, 2024. It is the Company's intention to optimize production starting next year.

JP Morgan Line of Credit

In May 2024, PetroTal was able to secure a $20 million line of credit with JP Morgan to further enhance short term liquidity. The line of credit is for 120 days at market variable interest rates with payment due in full at the end of the term. Including the previously announced $20 million line of credit with Banco de Credito del Peru, the Company has approximately $40 million of undrawn short term credit capacity.

Share Buyback Plan Update

PetroTal's updated liquidity strategy prioritises dividend sustainability, potential Block 131 development, and erosion control working capital requirements. In Q2 2024, the Company set additional constraints on the share buyback program that better align daily buyback execution with lower share prices. As a result, a decreased volume of buybacks was realized in Q2 2024 compared to previous quarters. The Company will continue to monitor buyback levels.

Q3 2024 dividend declaration

A cash dividend of USD$0.015 per common share has been declared to be paid in Q3 2024. This approximately represents a 12% annualized yield based on the current share price and includes the recurring USD$0.015 per common share amount, without the liquidity sweep this quarter due to anticipated heavier cash requirements over the next two quarters. The total dividend of USD$0.015 per common share will be paid according to the following timetable:

- Record date: August 30, 2024
- Payment date: September 13, 2024

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

Director Resignation

Effective August 8, 2024, Dr. Roger Tucker has resigned as a Company director so he can focus on leading the growth of Africa Oil. Dr. Tucker has been a board member since the end of 2019 when the Company started its successful horizontal well drilling campaign and has made many other significant technical contributions to our success at Bretana. PetroTal would like to thank Dr. Tucker for his contributions to the company and wishes him well in his future endeavors.

Q2 2024 Webcast Link for August 8, 2024

PetroTal will host a webcast for its Q2 2024 results on August 8, 2024 at 9am CT (Houston) and 3pm BST (London). Please see the link below to register.

https://stream.brrmedia.co.uk/broadcast/666ae961ee30aaf32018b5c3

ABOUT PETROTAL

PetroTal is a publicly traded, tri-quoted (TSX: TAL, AIM: PTAL and OTCQX: PTALF) oil and gas development and production Company domiciled in Calgary, Alberta, focused on the development of oil assets in Peru. PetroTal's flagship asset is its 100% working interest in Bretana oil field in Peru's Block 95 where oil production was initiated in June 2018. In early 2022, PetroTal became the largest crude oil producer in Peru. The Company's management team has significant experience in developing and exploring for oil in Peru and is led by a Board of Directors that is focused on safely and cost effectively developing the Bretana oil field. It is actively building new initiatives to champion community sensitive energy production, benefiting all stakeholders.

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

Camilo McAllister
Executive Vice President and Chief Financial Officer
Cmcallister@PetroTal-Corp.com
T: (386) 383 1634

Manolo Zuniga
President and Chief Executive Officer
Mzuniga@PetroTal-Corp.com
T: (713) 609-9101

PetroTal Investor Relations
InvestorRelations@PetroTal-Corp.com

Celicourt Communications
Mark Antelme / Jimmy Lea
petrotal@celicourt.uk
T : 44 (0) 20 7770 6424

Strand Hanson Limited (Nominated & Financial Adviser)
Ritchie Balmer / James Spinney / Robert Collins
T: 44 (0) 207 409 3494

Stifel Nicolaus Europe Limited (Joint Broker)
Callum Stewart / Simon Mensley / Ashton Clanfield
T: +44 (0) 20 7710 7600

Peel Hunt LLP (Joint Broker)
Richard Crichton / David McKeown / Georgia Langoulant
T: +44 (0) 20 7418 8900

READER ADVISORIES

FORWARD-LOOKING STATEMENTS: This press release contains certain statements that may be deemed to be forward-looking statements. Such statements relate to possible future events, including, but not limited to, oil production levels and guidance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believe", "expect", "plan", "estimate", "potential", "will", "should", "continue", "may", "objective" and similar expressions. Without limitation, this press release contains forward-looking statements pertaining to: PetroTal's drilling, completions, workovers and other activities; anticipated future production and revenue; drilling plans including the timing of drilling, commissioning, and startup; PetroTal's 2024 guidance; expectations regarding the strategic acquisition of CEPSA Peruana, S.A.C (the "Acquisition"), including in respect of its terms, timing, benefits and closing (including that it will close pending regulatory approvals); the Company's expectation to meet Q3 2024 production guidance in face of production and sales constraints in August and September of Q3; expectations of timing to realize revenues from the Company's OCP oil route to market; expectations regarding the tender process and sale of the ONP oil; expectations surrounding PetroTal's short term receivables and when they become due; Q3 2024 dividend declaration of $0.015/share payable September 13, 2024 and expectations in respect of thereof (including timing); the renewal of the share buyback plan; expectations surrounding PetroTal's new leadership team; and average 2024 production. The forward-looking statements are based on certain key expectations and assumptions made by the Company, including, but not limited to, expectations and assumptions concerning the ability of existing infrastructure to deliver production and the anticipated capital expenditures associated therewith, the ability to obtain and maintain necessary permits and licenses, the ability of government groups to effectively achieve objectives in respect of reducing social conflict and collaborating towards continued investment in the energy sector, reservoir characteristics, recovery factor, exploration upside, prevailing commodity prices and the actual prices received for PetroTal's products, including pursuant to hedging arrangements, the availability and performance of drilling rigs, facilities, pipelines, other oilfield services and skilled labour, royalty regimes and exchange rates, the impact of inflation on costs, the application of regulatory and licensing requirements, the accuracy of PetroTal's geological interpretation of its drilling and land opportunities, current legislation, receipt of required regulatory approval, the success of future drilling and development activities, the performance of new wells, future river water levels, the Company's growth strategy, general economic conditions and availability of required equipment and services. Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with: counterparty risk to closing the Acquisition and unforeseen difficulties in integrating the assets pursuant to such acquisition into PetroTal's operations; incorrect assessments of the value of benefits to be obtained from acquisitions and exploration and development programs (including the Acquisition); the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses; and health, safety and environmental risks), commodity price volatility, price differentials and the actual prices received for products, exchange rate fluctuations, legal, political and economic instability in Peru, access to transportation routes *and markets for the Company's production, changes in legislation affecting the oil and gas industry and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures; changes in the financial landscape both domestically and abroad, including volatility in the stock market and financial system; and wars (including Russia's war in Ukraine and the Israeli-Hamas conflict). Please refer to the risk factors identified in the Company's most recent annual information form and MD&A which are available on SEDAR+ at www.sedarplus.ca. The forward-looking statements contained in this press release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.*

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

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

SPECIFIED FINANCIAL MEASURES: This press release includes various specified financial measures, including non-GAAP financial measures, non-GAAP financial ratios and capital management measures as further described herein. These measures do not have a standardized meaning prescribed by generally accepted accounting principles ("GAAP") and, therefore, may not be comparable with the calculation of similar measures by other companies. Management uses these non- GAAP measures for its own performance measurement and to provide shareholders and investors with additional measurements of the Company's efficiency and its ability to fund a portion of its future capital expenditures. "Adjusted EBITDA" (non-GAAP financial measure) is calculated as consolidated net income (loss) before interest and financing expenses, income taxes, depletion, depreciation and amortization and adjusted for G&A impacts and certain non-cash, extraordinary and non-recurring items primarily relating to unrealized gains and losses on financial instruments and impairment losses, including derivative true-up settlements. PetroTal utilizes adjusted EBITDA as a measure of operational performance and cash flow generating capability. Adjusted EBITDA impacts the level and extent of funding for capital projects investments. Reference to EBITDA is calculated as net operating income less G&A. "Netback" (non-GAAP financial measure) equals total petroleum sales less quality discount, lifting costs, transportation costs and royalty payments calculated on a bbl basis. The Company considers netbacks to be a key measure as they demonstrate Company's profitability relative to current commodity prices. "Net Operating Income" (non-GAAP financial measure) is calculated as revenues less royalties, operating expenses, and direct transportation. The Company considers Net Operating Income measure as they demonstrate Company's profitability relative to current commodity prices. "Net surplus (debt)" (non-GAAP financial measure) is calculated by adding together total cash, trade and VAT receivables, and short and long-term net derivative balances less total current liabilities, long-term debt, non-current lease liabilities, deferred tax, and other long-term obligations. Net surplus (debt) is used by management to provide a more complete understanding of the Company's capital structure and provides a key measure to assess the Company's liquidity. "Free funds flow" (non-GAAP financial measure) is calculated as net operating income less G&A less exploration and development capital expenditures less realized derivative gains/losses and is calculated prior to all debt service, taxes, lease payments, hedge costs, factoring, and lease payments. Management uses free funds flow to determine the amount of funds available to the Company for future capital allocation decisions. Please refer to the MD&A for additional information relating to specified financial measures.

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

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

PetroTal

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the six months ended June 30, 2024 and 2023

TSX:TAL
AIM: PTAL
OTCQX: PTALF

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of PetroTal Corp. ("PetroTal" or the "Company") for the three and six months ended June 30, 2024 and 2023, is dated August 6, 2024, and should be read in conjunction with the Company's unaudited condensed interim consolidated Financial Statements ("Financial Statements") for the three and six months ended June 30, 2024 and 2023. The Financial Statements were prepared by management in accordance with International Accounting Standards ("IAS") 34-Interim Financial Reporting as issued by the International Accounting Standards Board, which are also generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada.

Financial figures throughout this MD&A are stated in thousands of United States dollars ("$" or "USD") unless otherwise indicated. This MD&A contains forward-looking statements that should be read in conjunction with the Company's disclosure under "*Forward-Looking Statements and Business Risks*".

1. CORPORATE OVERVIEW

PetroTal Corp. is a publicly-traded (TSX: TAL, AIM: PTAL, and OTCQX: PTALF) international oil and gas company incorporated and domiciled in Canada, with management based in Houston, Texas and Lima, Peru. Through its two subsidiaries in Peru, the Company is currently engaged in the ongoing development of hydrocarbons in Block 95 with a focus on the development of, and production from the Bretana oil field. The Company also has exploration prospects and leads in Block 107, in addition to those in Block 95.

The Bretana oil field is located in the Maranon Basin of northern Peru. To date, this basin has produced more than one billion barrels of oil. Approximately 70% of the oil in the Maranon Basin has been produced from the Vivian formation and approximately 30% from the Chonta formation. The Vivian formation is known as a quality oil reservoir with high permeabilities and strong aquifer support. Generally, this type of reservoir achieves the highest oil recoveries. The Chonta formation is immediately below the Vivian and typically produces medium to light oil; the Company is focused on the Vivian formation. The Company has a 100% working interest in the Bretana oil field.

2. OVERVIEW AND SELECTED INFORMATION

The following table summarizes key financial and operating highlights associated with the Company's performance for the periods ended June 30, 2024 and June 30, 2023.

RESULTS AT A GLANCE

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Financial				
Oil revenue	$103,086	$95,229	$203,669	$163,723
Royalties	($9,991)	($8,899)	($19,491)	($15,137)
Net operating income (1)	$80,025	$76,573	$159,634	$130,088
Commodity price derivatives (gain) loss	$3,306	$6,272	($8,332)	$13,518
Net income	$35,405	$46,635	$83,028	$82,577
Basic earnings per share ($/share)	$0.04	$0.05	$0.09	$0.07
Capital expenditures	$38,867	$26,367	$69,219	$59,286
Operating				
Average production (bopd)	18,290	19,031	18,404	15,631
Average sales (bopd)	18,050	18,483	18,198	15,567
Average Brent price ($/bbl)	83.87	77.29	82.46	79.73
Contracted sales price ($/bbl)	83.92	77.88	82.35	78.86
Netback ($/bbl) (1)	48.72	45.53	48.19	46.17
Free funds flow (2)	$36,334	$45,044	$78,030	$74,384
Balance Sheet				
Cash and restricted cash	$95,859	$92,552	$95,859	$92,552
Working capital	$144,133	$155,990	$144,133	$155,990
Total assets	$720,700	$620,045	$720,700	$620,045
Current liabilities	$93,283	$81,959	$93,283	$81,959
Equity	$509,921	$462,113	$509,921	$462,113

(1) Net operating income ("NOI") and Netback represent revenues less royalties, operating expenses and direct transportation.
(2) Free funds flow does not have standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures for other entities. See "Non-GAAP Measures" section.

3. Q2 2024 HIGHLIGHTS

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

Q2 2024 Operational Highlights

- Oil production of 1,664,400 barrels ("mmbbls"), an average of 18,290 barrels of oil per day ("bopd"), a decrease of 1% from 18,518 bopd in Q1 2024, and a 4% decrease from 19,031 bopd in Q2 2023. At June 30, 2024, the Company has 19 producing wells and 4 water disposal wells;
- Oil sales allocations were 89% as export through Brazil and 11% to the Iquitos refinery;
- On April 29, 2024, there was a river blockade against the transportation company for less than eight days, led by radicals from the Indigenous Association for Development and Conservation of Bajo Puinahua ("AIDECOBAP"). Blockade was resolved and there was no lost or stolen cargo and no injuries resulted from the incident;
- In May 2024, the Company completed horizontal well 18H with initial 7-day and 30-day production rates of 4,621 bopd and 3,929 bopd, respectively. The well cost was approximately $17.3 million;
- On May 7, 2024, the Company signed a sale and purchase agreement to acquire 100% of the shares of CEPSA Peruana S.A.C., who owns a 100% working interest in Peru's Block 131. The single asset, Los Angeles field which has 4 oil producing wells, is located in the remote Ucayali basin in Peru. The purchase price is $5.0 million cash subject to adjustments, and at the time of signing the agreement, the Company has prepaid $0.28M. The transaction as of June 30, 2024 has not closed as it is subject to meeting certain conditions, including the approval from PeruPetro S.A. for the indirect transfer of the License Contract as evidenced though the publication in the official gazette of the corresponding supreme decree;

- On June 17, 2024, the Company commenced drilling its water disposal well 5 ("5WD") which will allow for water injection capacity to increase approximately 170,000 barrels of water per day by year-end, facilitating the Company's ability to produce over 20,000 bopd on a recurring basis. The 5WD has an estimated cost of $12.5 million;
- PetroTal achieved a significant milestone, securing all regulatory approvals for the Oleoducto de Crudos Pesados ("OCP") pipeline in Ecuador;
- In June 2024, the Company completed horizontal well 19H which has averaged over 8,000 bopd over the last 30 days making it the Company's top five initial rate wells. The well cost was approximately $11.5 million;
- The Company is progressing its preventive riverbank erosion control program aimed at protecting the Bretana oilfield and nearby community. The Company has completed detailed engineering work and expects to commence project construction in Q4 2024; long lead items have been already procured and permitting is ongoing. The estimated total project cost has a range of $65 to $75 million and to be allocated approximately 60% to Opex and 40% to Capex;
- and,
- Perupetro, Puinahua District Municipality and local communities finalized the 2.5% community social trust fund's bylaws.

Q2 2024 Financial Highlights

- The Company generated revenue of $103.1 million (1.6 mmbbls sold, 18,050 bopd, $62.76/bbl) compared to $100.6 million (1.7 mmbbls sold, 18,347 bopd, $60.25/bbl) in Q1 2024;
- Royalties paid to the Peruvian government were $7.5 million ($4.56/bbl, 7.3% of revenues) compared to $7.5 million ($4.50/bbl, 7.5% of revenues) in Q1 2024. Contributions for the 2.5% community social trust fund, represented $2.5 million in Q2 2024, as compared to $2.0 in Q1 2024;
- Capital expenditures ("Capex") totaled $38.9 million in Q2 2024 and were focused on drilling well 18H and 19H;
- Generated Q2 2024 EBITDA and free funds flow of $69.5 million ($42.31/bbl) and $36.3 million ($22.12/bbl), respectively;
- Net operating income was $80.0 million ($48.72/bbl) compared to $79.6 million ($47.68/bbl) in Q1 2024;
- The Company had strong cash and restricted cash strong position of $95.9 ($84.1 million unrestricted) at June 30, 2024, compared to $85.2 million in Q1 2024;
- PetroTal continued its shareholder capital return policy in 2024 and paid dividends totaling $14.5 million on June 15, 2024;
- The Company fully consumed all Canadian net operating losses ("NOLs") during the quarter;
- During Q2 2024, the Company reversed a previously recorded provision liability of $10.4 million affecting Deferred Income Tax Expense and Deferred Tax Asset due to revision of tax forecast assumptions;
- On May 29, 2024, the Company filed the Modern Slavery Report following the Canadian Bill S-211, Fighting Against Forced Labor in Supply Chains, that went into effect January 1, 2024; and,
- In June 2024, the Company received $4.8M in cash in true-up derivative gain from a physical sale of 221.6K bbls at Bayovar.

Q2 2024 Subsequent Events

- On August 7, 2024, the Company declared a cash dividend of $0.015 per common share to be paid September 13, 2024.

4. OUTLOOK AND GROWTH STRATEGY

STRATEGY OUTLOOK

One of the Company's strategic priorities is to secure new transportation routes throughout Peru which will allow execution of PetroTal's full 2P and 3P development plans over the next three to four years. PetroTal has identified four potential new sales routes in Peru, which could increase sales capacity by up to 20,000 bopd. Commercially, this is a priority for the Company in 2024 and 2025 to allow the Company to expand at its intended pace. Subsequent to the end of the quarter, PetroTal initiated barge loading for its pilot shipment on the OCP in Ecuador, which the near-term goal is to commence recurring shipments through this route at a competitive netback.

PetroTal continues to develop its flagship Bretana Norte field with current 2P estimates of 100 mmbbls and 3P of 200 mmbbls. Cumulative production as of June 30, 2024 surpassed 20 mmbbls. PetroTal continues to analyze alternative development strategies leading to incremental recovery factors and/or acceleration of undeveloped reserves including, the drilling of short laterals, infill drilling, extended reach, and multilateral drilling. This involves the use of reservoir simulation techniques leading to an accelerated understanding of physics-based production forecasting and the need to drill additional water injection wells and expanded water handling facilities.

The 2024 capital program prioritizes drilling new wells and expansion of water disposal capacity during 2024. Although PetroTal has drilled 19 of its 32 2P locations, more than 80% of the estimated ultimate recovery ("EUR") remains unproduced with variable F&A metrics and operating cost structure.

From an operations standpoint, completion of production facilities and infrastructure activities which includes optimization of existing facilities, wells and some improvements aimed at lowering operating costs. Continued investment in environmental remediation and social initiatives as part of a sustained long-term effort to improve the physical environment and to provide training programs and other community initiatives for the residents near the Company's operations.

PetroTal preventive riverbank erosion control program aims to protect the Bretana oilfield and nearby community. PetroTal has completed detailed engineering work and expects to commence project construction in Q4 2024; long lead items have been already procured and permitting is ongoing. The estimated total project cost has a range of $65 to $75 million and to be allocated approximately 60% to Opex and 40% to Capex

Finally, as part of PetroTal's unique value proposition to investors, the Company is committed to returning a competitive level of its free cash flow to investors in the form of dividend and buybacks. Driven by accelerated payback periods on newly drilled wells, PetroTal can generate a free cash flow yield that can fund its organic growth program and support dividends and buybacks to investors that have averaged between 11% and 18% on an annualized basis.

The 2024 capital budget is based on an estimated average annual Brent oil price forecast of $77/bbl.

Growth Strategy

PetroTal's growth strategy is focused on owning and growing petroleum assets that have long-life reserves with production growth potential that is highly economic and accretive. Employing its knowledge base and technical expertise in Latin America, the Company is executing its current growth strategy through drilling new oil wells at the Bretana field and sourcing organic and inorganic M&A opportunities to create long-term value for shareholders. This will be accomplished through the attainment of its main objectives: increasing production, reserves, funds generated from operations, net asset value ("NAV") all on a per share basis.

To achieve these objectives, the Company's has prioritized balance sheet flexibility. At current cash flow levels, the Company has the ability to source debt capital options in favorable economic conditions that will allow for strategic capital outlays for projects the Company deems robust at well below peer leverage levels.

PetroTal's strategic priorities are to:

- Increase reserves and production;
- Maintain a strong balance sheet by controlling and managing capital expenditures;
- Control costs through efficient management of operations;
- Pursue new and proven technology applications to improve operations and assist exploration endeavors;
- Expand infrastructure (pipelines, storage, treating capacity) to increase production capacity in a cost-effective manner; and,
- Explore undeveloped acreage to identify and create development opportunities.

Throughout the period, PetroTal focused on achieving its priorities and implementing its capital programs in Peru. The Company will fund its capital development program using funds generated from operations and existing cash. Strategic allocation of the work program and budget is designated to provide additional recoverable reserves at the Peruvian oilfields and achieve production growth.

Environmental and Social Governance ("ESG") Strategy

PetroTal believes in creating long-term value for our shareholders, employees, suppliers, communities, customers, financial entities, industry associations, international certification bodies and organizations, media, and the government, as well as ensuring economic value, safety for people and the environment, and creating a better future for all. Therefore, our sustainability strategy towards year 2030 rests on our shoulders. PetroTal's ESG vision is: "To create value and generate more opportunities for the benefit of all". The steps to measure our success are:

- Develop measurable goals for 2025 and 2030 that will be built and reviewed with the participation of each department throughout the Company;
- Initiatives will be continually updated to achieve our goals;

- The Sustainable Development Goals ("SDGs") will be included, to which PetroTal contributes through its Sustainability Plan to 2030;
- We are committed to reducing our carbon and water footprints, which means reducing emissions, waste, preventing oil spills as much as possible, efficiently managing our use of water, focusing on the protection and conservation of biodiversity, managing our impact positively, innovating where possible and doing all of the above safely;
- We are implementing an effective due diligence process to prevent possible human rights violations;
- To materialize the aforementioned initiatives, we develop and promote talent in PetroTal, the community, and within our suppliers; and,
- We maintain a constant and respectful dialogue with our stakeholders to inform and prevent conflicts.

Exploratory Block 107 – Osheki-Kametza

PetroTal has a 100% working interest in this 623,280 acre block. There are several prospective features, the largest being the Osheki-Kametza prospect. Osheki-Kametza has the potential to contain in place volumes of 970.7 million barrels of oil equivalent ("mmboe") according to the Company's independent reservoir engineers, Netherland Sewell and Associates, Inc. ("NSAI"). Resource estimates are based on maps generated from modern seismic acquired in 2007 and 2014 and partially de-risked with a new 3D geologic model supporting Cretaceous age reservoirs with high quality Permian source rocks. Additional reprocessing of existing seismic data to enhance structural interpretation is in progress and expected to be completed in 2024. The Company continues to work on the necessary permits and complete further technical work for the Osheki-Kametza prospect which will allow PetroTal to consider progressing towards a drilling recommendation. On January 6, 2023, Perupetro extended the Company's Block 107 exploratory license to April 2026.

5. SELECTED FINANCIAL INFORMATION

5.1 FINANCIAL SUMMARY

		Q2-2024		Q1-2024		Q4-2023		Q3-2023	
($ thousands)		$/bbl		$/bbl		$/bbl		$/bbl	
PRODUCTION:	Average Production (bopd) [1]		18,290		18,518		14,865		10,909
SALES:	Average sales (bopd)		18,050		18,347		15,033		11,553
	Total sales (bbls) [2]		1,642,578		1,669,537		1,383,061		1,062,851
	Average Brent price	$83.87		$81.01		$82.21		$84.65	
	Weighted contracted sales price, gross	$83.92		$81.14		$81.05		$84.31	
LESS:	Tariffs, fees and differentials	($21.15)		($20.89)		($20.28)		($19.25)	
	Realized sales price, net	$62.76		$60.25		$60.77		$65.05	
REVENUES:	Oil revenue [3]	$62.76	$103,086	$60.25	$100,583	$60.77	$84,046	$65.05	$69,142
LESS:	Royalties [4]	$6.08	$9,991	$5.69	$9,500	$7.00	$9,676	$5.49	$5,835
	Operating expense	$6.10	$10,023	$5.56	$9,278	$7.24	$10,010	$8.45	$8,982
	Direct Transportation:								
	Diluent	$1.16	$1,898	$0.94	$1,567	$1.46	$2,020	$1.72	$1,829
	Barging	$0.58	$951	$0.60	$1,005	$0.60	$828	$0.80	$845
	Diesel	$0.11	$186	$0.05	$80	$0.10	$142	$0.13	$141
	Dry Season Freight/Storage/Inv.	$0.01	$12	($0.27)	($457)	$1.45	$2,001	$1.99	$2,114
	Total Transportation	$1.86	$3,047	$1.32	$2,195	$3.61	$4,991	$4.64	$4,929
NET OPERATING INCOME		$48.72	$80,025	$47.68	$79,610	$42.92	$59,369	$46.47	$49,396
	Netback as % of Revenue		*77.6%*		*79.1%*		*70.6%*		*71.4%*
General and administrative expense		$6.41	$10,528	$4.83	$8,071	$6.21	$8,588	$6.92	$7,355
Commodity price derivative loss (gain)		$2.01	$3,306	($6.97)	($11,638)	$8.43	$11,662	($11.95)	($12,701)
Financial expense		$0.62	$1,018	$0.21	$353	$2.28	$3,150	$1.12	$1,187
Income tax expense		$8.81	$14,471	$11.74	$19,603	$2.95	$4,076	$18.30	$19,445
Depletion, depreciation and amortization		$9.32	$15,311	$9.19	$15,338	$8.33	$11,527	$7.49	$7,962
Foreign exchange loss (gain)		($0.01)	($14)	$0.16	$264	($0.84)	($1,163)	$0.74	$789
NET INCOME			$35,405		$47,619		$21,529		$25,359
FREE FUNDS FLOW			$36,334		$41,696		$19,767		$26,560

(1) bopd = barrels of oil per day

(2) bbls = barrels

(3) Tariff and marketing fees are expenses usually recorded by reducing revenues in the financial statements.

(4) Royalties include 2.5% community social trust initiative.

Note: Free Funds Flow calculation methodology was changed in Q2 2024 and for prior periods to include adjustments for foreign exchange and share based compensation to better measure the Company's generated cash

($ thousands)		Q2-2023 $/bbl		Q1-2023 $/bbl		Q4-2022 $/bbl		Q3-2022 $/bbl	
PRODUCTION:	Average Production (bopd) (1)		19,031		12,193		10,374		12,229
SALES:	Average sales (bopd)		18,483		12,618		10,420		12,186
	Total sales (bbls) (2)		1,681,962		1,135,611		958,624		1,121,132
	Average Brent price	$77.29		$82.51		$88.61		$97.89	
	Weighted contracted sales price, gross	$77.88		$80.32		$88.22		$97.21	
LESS:	Tariffs, fees and differentials	($21.26)		($20.01)		($21.71)		($22.14)	
	Realized sales price, net	$56.61		$60.31		$66.51		$75.07	
REVENUES:	Oil revenue (3)	$56.61	$95,229	$60.31	$68,494	$66.51	$63,755	$75.07	$84,164
LESS:	Royalties(4)	$5.29	$8,899	$5.49	$6,238	$6.08	$5,824	$10.43	$11,689
	Operating expense	$4.22	$7,100	$5.60	$6,354	$7.42	$7,115	$6.62	$7,423
	Direct Transportation:								
	Diluent	$0.98	$1,641	$1.20	$1,368	$1.33	$1,274	$1.23	$1,374
	Barging	$0.53	$896	$0.80	$906	$0.86	$824	$1.05	$1,172
	Diesel	$0.07	$120	$0.10	$113	$0.15	$144	$0.10	$110
	Dry Season Freight/Storage/Inv.	$—	$—	$—	$—	$0.16	$152	$0.06	$63
	Total Transportation	$1.58	$2,657	$2.10	$2,387	$2.50	$2,394	$2.44	$2,719
NET OPERATING INCOME		$45.53	$76,573	$47.12	$53,515	$50.51	$48,422	$55.60	$62,333
	Netback as % of Revenue		*80.4%*		*78.1%*		*76.0%*		*74.1%*
General and administrative expense		$3.89	$6,548	$4.90	$5,559	$5.57	$5,339	$4.18	$4,689
Commodity price derivative loss (gain)		$3.73	$6,272	$6.38	$7,247	($13.95)	($13,373)	$29.15	$32,686
Financial expense		$1.22	$2,046	$7.89	$8,958	$2.49	$2,387	$5.17	$5,792
Income tax expense		$1.64	$2,751	$5.93	$6,730	$9.36	$8,975	$7.49	$8,392
Depletion, depreciation and amortization		$7.23	$12,154	$7.18	$8,158	$7.42	$7,116	$7.06	$7,920
Other expenses		$—	$—	$—	$—	$1.02	$978	$—	$—
Foreign exchange (gain) loss		$0.10	$167	($0.10)	($116)	($0.18)	($176)	$0.23	$260
NET INCOME			$46,635		$16,979		$37,176		$2,594
FREE FUNDS FLOW			$45,044		$15,821		($2,298)		$64,057

(1) bopd = barrels of oil per day

(2) bbls = barrels

(3) Tariff and marketing fees are expenses usually recorded by reducing revenues in the financial statements.

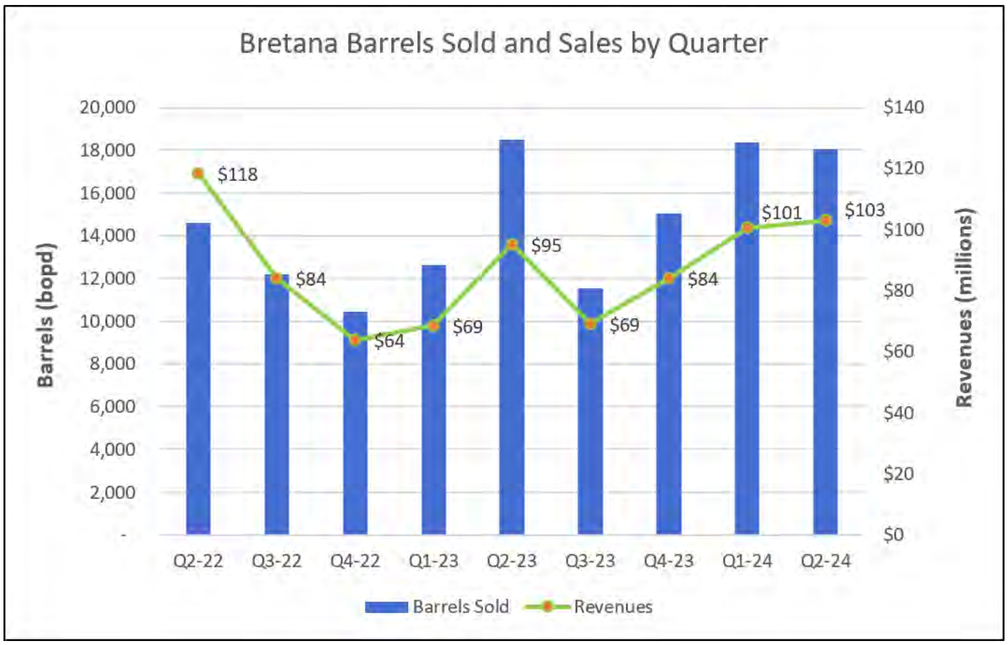
(4) Royalties in Q3 2022 include the value since January 1, 2022 inception for the 2.5% community social trust initiative. Subsequent social trust contributions are recorded in the corresponding quarter incurred.

EARNINGS STATEMENT INFORMATION

Revenue

Oil sales in Q2 2024 decreased by 1.6% to 1,642,578 barrels 18,050 bopd, compared to 1,669,537 barrels (18,347 bopd) in Q1 2024. Sales were 1,681,962 barrels (18,483 bopd) in Q2 2023.

The Company sells oil at three sales points: the local Iquitos refinery, exports through Brazil, and the Northern Peruvian Pipeline ("ONP"). In Q2 2024, 89% of oil sales were through the Brazil export route and 11% to the Iquitos refinery. Sales to the ONP (Saramuro pump station) have been curtailed since February 2022, pursuant to Petroperu's ability to fulfill terms of the sales agreement. Sales to the Iquitos refinery are priced at the prevailing Brent oil price less a quality differential discount and barge transportation charges. Oil sales exported through Brazil are on a freight on board ("FOB") Bretana basis, at the forecasted Brent oil price in three months, less a fixed amount to cover all transportation and sales costs, including the quality differential. Sales to Petroperu at the Saramuro for transportation through the ONP and onward to the Bayovar port, are priced based on the forecasted Brent oil price in eight months, less a quality differential, and is net of all pipeline and marketing fees. When the oil is ultimately sold by Petroperu at Bayovar, PetroTal is subject to a valuation adjustment based on the actual price achieved by Petroperu, whether higher or lower than the original forecasted price.



Oil Royalties and social fund balance increased to $10.0 million ($6.08/bbl) in Q2 2024 from $9.5 million ($5.69/bbl) in Q1 2024 and increased from $8.9 million ($5.29/bbl) in Q2 2023. Beginning in Q3 2022, the 2.5% community social trust initiative is included in royalties. Royalties for the Bretana oilfield are calculated on production, less transportation costs, starting at 5% based on production of 5,000 bopd or less and 20% when production reaches 100,000 bopd or more, increasing on a straight-line basis. Royalty determination is calculated on an individual block basis, based either on production scales or on economic results.

Operating expenses in Q2 2024 were $10.0 million ($6.10/bbl), as compared to $9.3 million ($5.56/bbl) in Q1 2024 and in Q2 2023 were $7.1 million ($4.22/bbl). Higher cost operations in Q2 2024 mainly due from integral maintenance service for production facilities performed during the quarter.

Direct Transportation expenses in Q2 2024 totaled $3.0 million ($1.86/bbl), representing barging and diluent blending costs, as compared to $2.2 million ($1.32/bbl) in Q1 2024 and $2.7 million ($1.58/bbl) in Q2 2023. Direct transportation costs in Q2 2024 mainly increased due to additional diluent required during the quarter and $0.5 million non-recurring storage credit received in Q1 2024. Diluent is a light hydrocarbon mixture that is blended with heavy crude oil to make the crude oil thinner and easier to discharge. Mixture of the diluent with the crude oil at the Bretana field tanks increases the American Petroleum Institute (API) gravity and decreases its viscosity to meet the Iquitos refinery pumping system requirements. Diluent costs fluctuate as a result of diluent prices and blending requirements for oil delivered to the Iquitos refinery.

	June 30, 2024	March 31, 2024
Diluent	1,898	1,567
Barging	951	1,005
Diesel	186	80
Dry season freight and storage	12	(457)
Total Direct Transportation	3,047	2,195

General and administrative ("G&A") expenses in Q2 2024 were $10.5 million ($6.41/bbl), as compared to $8.1 million ($4.83/bbl) in Q1 2024 and $6.5 million ($3.89/bbl) in Q2 2023.

	June 30, 2024	March 31, 2024
Salaries and benefits	7,108	6,377
Legal, audit and consulting fees	3,309	2,454
Community support	422	358
Office rent and administrative	1,773	1,168
Share-based compensation plans	916	509
Costs directly attributable to PP&E and operating expenses	(3,000)	(2,794)
Total	10,528	8,071

Included in G&A are expenditures related to various community project initiatives for Bretana and neighboring communities. PetroTal recognizes the importance of community alignment and support over the areas in which it operates.

The Company allocated $3.0 million of G&A in Q2 2024 to capital projects and operating expenses, compared to $2.8 million in Q1 2024 and $1.7 million Q2 2023.

Depletion, Depreciation and Amortization ("DD&A") for Q2 2024 was $15.3 million ($9.32/bbl) as compared to $15.3 million ($9.19/bbl) in Q1 2024 and $12.2 million ($7.23/bbl) in Q2 2023. DD&A is determined using the annual reserve report information prepared by NSAI at December 31, 2023. DD&A is calculated based on capital invested, future capital, abandonment provision, production and 2P reserves.

Commodity price derivative loss of $3.3 million in Q2 2024 is the net fair value change of outstanding embedded derivatives mainly driven by oil price futures, compared to $11.6 million derivative gain in Q1 2024 and $6.3 million loss in Q2 2023. The oil sales agreement with Petroperu for sales into the ONP are subject to oil price variations when sold by Petroperu upon arrival at the Bayovar port.

Foreign exchange gain in Q2 2024 was $14 thousand gain compared to a $264 thousand loss in Q1 2024, and a $167 thousand loss in Q2 2023, due to fluctuations in relative currency positions and transactions.

Income tax expenses of $14.5 million was recorded in Q2 2024 compared to $19.6 million in Q1 2024 and $2.8 million in Q2 2023. See related tax note No.9.

Financial expense was $1.0 million in Q2 2024, mainly related to lease financial expense, factoring expense and accretion of decommissioning obligation expense, as compared to $353 thousand in Q1 2024 and $2.0 million in Q2 2023.

5.2 BALANCE SHEET INFORMATION

BALANCE SHEET - SUMMARIZED

	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023
($ thousands)					
Current Assets					
Cash	$84,116	$62,498	$90,568	$94,109	$75,256
Restricted cash	$5,743	$16,653	$14,731	$12,718	$11,296
VAT receivable	$12,376	$9,034	$9,709	$9,634	$19,830
Trade and other receivables	$93,325	$93,402	$58,602	$65,591	$100,806
Inventory	$14,960	$16,525	$12,792	$16,028	$13,215
Prepaid expenses	$19,933	$15,867	$7,462	$6,445	$7,036
Derivative assets	$6,963	$18,065	$9,318	$20,017	$10,510
Total Current Assets	$237,416	$232,044	$203,182	$224,542	$237,949
Restricted cash	$6,000	$6,000	$6,000	$6,000	$6,000
Trade Receivable long-term	$19,985	$20,514	$20,370	$—	$—
VAT receivables and taxes	$2,769	$14,659	$15,271	$8,436	$12,200
PPE and E&E, net	$446,563	$422,559	$408,537	$373,251	$361,230
Derivative assets	$7,967	$4,584	$4,926	$5,971	$2,666
Total Non-current Assets	$483,284	$468,316	$455,104	$393,658	$382,096
Total Assets	$720,700	$700,360	$658,286	$618,200	$620,045
Current Liabilities					
Trade and other payables	$71,271	$85,446	$79,328	$58,696	$59,302
Income tax payable	$18,133	$8,260	$—	$—	$—
Lease liabilities	$3,879	$1,866	$4,555	$2,888	$2,398
Short-term debt	$—	$—	$—	$—	$20,259
Total Current Liabilities	$93,283	$95,572	$83,883	$61,584	$81,959
Leases and other long-term	$25,304	$28,083	$26,373	$15,884	$16,459
Deferred income tax liabilities	$65,762	$62,633	$55,109	$51,548	$35,820
Long-term derivative liabilities	$3,974	$3,599	$6,832	$6,914	$6,803
Decommissioning liabilities	$22,456	$21,556	$22,147	$19,713	$16,891
Total Non-current Liabilities	$117,496	$115,871	$110,461	$94,059	$75,973
Total Equity	$509,921	$488,917	$463,942	$462,557	$462,113
Total Liabilities and Equity	$720,700	$700,360	$658,286	$618,200	$620,045

Cash and liquidity

At June 30, 2024, the Company held cash of $84.1 million and restricted cash of $11.7 million, totaling $95.9 million, compared to $85.2 million at March 31, 2024 and $111.3 million at December 31, 2023. During the quarter, the Company paid $13.4 million to the social trust fund of which $12.6 million was from restricted cash. Working capital was $144.1million at June 30, 2024 as compared to $136.5 million at March 31, 2024 and $121.6 million at December 31, 2023.

	June 30, 2024	December 31, 2023
Cash	84,116	90,568
Restricted cash current	5,743	14,731
Restricted cash non-current	6,000	6,000
Total Cash	95,859	111,299

Current restricted cash of $5.7 million, is primarily related to the social fund and letters of credit bank guarantees for Block 107 exploration wells. The $6 million of non-current restricted cash is related to permitted hedging programs. During the quarter, the Company paid $13.4 million to the social trust fund of which $12.6 million was from restricted cash.

VAT receivable

	June 30, 2024	December 31, 2023
VAT receivable - current	12,376	9,709
VAT receivable - non-current	2,175	2,226
Total VAT receivables	14,551	11,935

Valued Added Tax ("VAT") in Peru is levied on the purchase of goods and services and is recoverable on contracted oil sales. As a result of capital activity and oil sales during the period, the Company recovered $14.1 million during the six months ended June 30, 2024 and expects to recover $12.4 million in the short-term.

Trade and other receivables

	June 30, 2024	December 31, 2023
Trade receivables	113,234	76,163
Other receivables	76	2,809
Total trade and other receivables	113,310	78,972
Represented as:		
Current receivables	93,325	58,602
Non-current receivables	19,985	20,370

At June 30, 2024, trade receivables represent revenue related to the sale of oil. The balance is comprised of $23.2 million due from Petroperu ($3.2 million is short term and $20.0 million is long term) and $90.0 million from export sales through Brazil (all of which is due short term). In Q4 2023, the company reclassified a $22.6 million Petroperu receivable from short-term receivables to long-term receivables. The long-term receivable was discounted to a present value of $20 million that resulted in a charge to finance expense.

No credit losses on the Company's trade receivables have been incurred and all short-term receivables are current.

Capital expenditures

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Drilling Program	28,863	18,174	51,471	41,966
Field Infrastructure	8,579	4,949	14,530	9,800
Fluid Handling Facilities (CPF)	408	1,194	986	3,273
Erosion Control	50	924	122	1,842
Block 95	293	533	521	1,025
Block 107	68	406	177	1,094
Other	734	187	1,412	286
Total	38,995	26,367	69,219	59,286

The Company's primary focus is to increase oil production from existing wells, build on the success of drilling new wells and ensure sufficient production facilities. The Company invested $69.2 million in capital programs in the six months ended June 30, 2024, compared to $59.3 million for the comparable 2023 period.

The Company continues to invest in a variety of community, social and regulatory ("CSR") initiatives. A strong emphasis on ESG is prevalent throughout all areas of our operations.

At June 30, 2024, the Company has $9.2 million of exploration and evaluation assets related to Block 95 and Block 107.

Inventory

	June 30, 2024	December 31, 2023
Oil inventory	1,268	813
Materials, parts and supplies	13,692	11,979
Total inventory	14,960	12,792

Oil inventory consists of stored oil barrels, which are valued at the lower of cost or net realizable value. Costs include operating expenses, royalties, transportation, and depletion associated with production. Costs capitalized as inventory will be expensed when the inventory is sold. At June 30, 2024, the oil inventory balance of $1.3 million consists of 59,231 barrels of oil valued at $21.40/bbl (December 31, 2023: $0.8 million, based on 35,320 barrels of oil at $23.01/bbl). Materials, parts, and supplies, including diluent, are expected to be consumed in the short-term.

	Barrels
Oil inventory at January 1, 2024	35,320
Production	3,349,536
Diluent added	29,703
Internal use (power generation) and other	(43,214)
Sales	(3,312,115)
Oil inventory at June 30, 2024	59,231

Trade and other payables

	June 30, 2024	December 31, 2023
Trade payables	22,493	25,037
Accrued payables and other obligations	48,778	54,291
Total trade and other payables	71,271	79,328

At June 30, 2024 and December 31, 2023, trade payables and other payables are primarily related to the drilling and completion of wells and construction of production processing facilities. The other obligations are mainly related to the 2.5% social fund for the benefit of local communities, which totaled to $3.3 million at June 30, 2024 ($12.2 million at December 31, 2023).

Commodity Price Derivatives

The derivative asset is classified as a Level 2 fair value measurement. The ONP Saramuro agreement, signed with Petroperu during 2021, includes a clause for the purchase price adjustment. The initial sales price is based on the arithmetic average of the ICE Brent 8-month forward price. The realized price is based on the tender price of the oil that is sold at the Bayovar terminal. The purchase price adjustment represents the realized price less the initial sales price, and if negative, the Company will compensate Petroperu the amount, multiplied by the volume sold or arranged by Petroperu. If the purchase price adjustment is positive, the Company will be compensated by Petroperu in a similar manner.

The fair value change of the embedded derivative, considering an average future ICE Brent price marker differential, was recorded as a loss on commodity price derivatives at June 30, 2024.

	Three Months Ended June 30		Six Months Ended June 30	
	2024	**2023**	**2024**	**2023**
Net derivative asset at beginning of period	19,050	13,123	7,412	20,370
Cash settlements	(4,788)	(262)	(4,788)	(225)
Cash to be received	—	(253)	—	(253)
Realized gain	33	478	33	478
Unrealized gain (loss)	(3,339)	(6,713)	8,299	(13,997)
Net derivative asset at end of period	10,956	6,373	10,956	6,373
Represented as:				
Short-term derivative assets			6,963	10,510
Long-term derivative assets			7,967	2,666
Long-term derivative liabilities			(3,974)	(6,803)

Sales delivery / Executed month	Expected settlement month	Volume mbbls	Price range $/bbl	Hedged range $/bbl	Net Derivative Asset
Peru Embedded Derivatives [(a)]					
Jan-21 to Feb-22	Aug-24 to May-27	2,200	55.32 to 85.26	73.30 to 84.19	10,956
				Net Derivative Asset	**10,956**

a) Embedded derivative related to original Petroperu sales agreement.

In June 2024 the Company collected $4.8M in cash in true-up derivative gain from a physical sale of 221,600 bbls at Bayovar. At June 30, 2024, 2.2 million barrels remain in the pipeline or storage tanks, awaiting final sale by Petroperu. A 1% change to the hedged range price would result in a $1.6 million change to the net derivative asset.

Decommissioning liabilities

The undiscounted uninflated value of its estimated decommissioning liabilities is $41.6 million ($39.0 million in 2023). The present value of the obligations was calculated using an average risk-free rate of 5.8% (December 31, 2023: 5.3%) to reflect the market assessment of the time value of money as well as risks specific to the liabilities that have not been included in the cash flow estimates. The inflation rate used in determining the cash flow estimate was 2.1%. The table below sets out the continuity of decommissioning obligations.

Balance at January 1, 2023	13,393
Additions	5,390
Revisions to decommissioning liabilities	2,370
Accretion	994
Balance at December 31, 2023	22,147
Additions	1,403
Revisions to decommissioning liabilities	(1,709)
Accretion	615
Balance at June 30, 2024	22,456

Short and long-term debt

At June 30, 2024, the Company had a $20 million unsecured line of credit fully available with an interest rate of 8.97% with Banco de Credito del Peru. The term of the line of credit is for two months with renewal options. No debt covenants were set forth by the lender in the loan agreement. The funds are to be used to fund short-term working capital needs.

In April 2024, PetroTal obtained a $2 million unsecured line of credit with BanBif at an interest rate determined by the prevailing market rate at the time of borrowing. The line of credit is for a term of 90 days with payment due in full at the end of the term. No debt covenants were set forth by the lender in the loan agreement.

In April 2024, PetroTal obtained a $5 million line of credit with Scotia Bank, requiring $5M as cash collateral, at an interest rate determined by the prevailing market rate at the time of borrowing. The line of credit is for a term of 360 days with payment due in full at the end of the term.

In May 2024, PetroTal obtained a $20 million unsecured line of credit with JP Morgan Bank at an interest rate determined by the prevailing market rate at the time of borrowing. The line of credit is for a term of 120 days with payment due in full at the end of the term. No debt covenants were set forth by the lender in the loan agreement.

During the quarter the Company did not borrow from any of the line of credits for working capital and there was $0 in short term and long term debt at June 30, 2024.

Leases

In prior years, PetroTal commenced a service lease arrangement with a supplier that provides turnkey power generation equipment services. The lease term ends September 2031.

The lease liabilities also include two office leases, one in Houston, Texas and one in Lima, Peru. The Houston lease is for a term of 6.2 years with an incremental borrowing rate of 6.5% and the Lima lease is for 5 years with an incremental borrowing rate of 8.5%.

Lease liabilities at January 1, 2023	19,642
Revisions	12,389
Payments	(4,465)
Interest on leases	1,304
Lease liabilities at December 31, 2023	28,870
Payments	(3,325)
Interest on leases	1,078
Lease liabilities at June 30, 2024	26,623
Represented as:	
Current liability	3,879
Non-current liability	22,744

As of June 30, 2024, total lease liabilities have the following minimum undiscounted payments per year:

Year	
2024	2,514
2025	5,056
Thereafter	26,293
Total	33,863

In the preparation of the Financial Statements, we identified as of December 31, 2023 a misclassification of $2.3M between the lease payments due in the short and long-term. As a result, we revised the balances as of December 31, 2023, to properly reflect the classification of lease payments with no impact to the total lease liability balance.

Share capital

Authorized share capital consists of an unlimited number of common shares without nominal or par value. The holders of common shares have one vote per share and are entitled to receive dividends as recommended by the Board of Directors.

As of August 6, 2024, PetroTal has the following securities outstanding (in thousands):

Common shares	914,196	98%
Performance share units	17,051	2%
Total	931,247	100%

Dividends

During the three and six months ended June 30, 2024, the Company paid dividends to shareholders in the amount of $14.5 million and $32.9 million, respectively. The Company paid dividends in the amount of $0.015 per share during the quarter. The Company's dividend policy is to pay dividends based on current liquidity exceeding $60 million.

Normal course issuer bid

On May 16, 2023, the Company announced that the Toronto Stock Exchange approved a notice of intention to commence a normal course issuer bid ("NCIB"). The NCIB allows the Company to purchase up to 44,230,205 common shares (representing approximately 5% of outstanding common shares as at May 12, 2023) beginning May 18, 2023 and ending no later than May 17, 2024. Common shares purchased under the NCIB will be cancelled.

During the six months ended June 30, 2024 and 2023, the Company purchased 6,401,204 and 582,708 common shares under the NCIB for total consideration of $3.7 million and $0 million, respectively. The surplus between the total consideration and the carrying value of the shares repurchased was recorded against retained earnings.

5.3 NON-GAAP TERMS

This report contains financial terms that are not considered measures under GAAP such as operating netback, operating netback per bbl, revenues and transportation expense adjusted, funds flow provided by operations, funds flow provided by operations per bbl, funds flow netback per bbl, free funds flow and diluted funds flow per share that do not have any standardized meaning under GAAP and may not be comparable to similar measures presented by other companies. Management uses these non-GAAP measures for its own performance measurement and to provide shareholders and investors with additional measurements of the Company's efficiency and its ability to fund a portion of its future capital expenditures.

NON-GAAP FINANCIAL MEASURES

Revenue and transportation expense adjustment

Revenue and transportation expense adjustment are a non-GAAP measure that includes transportation ONP pipeline tariff, marketing fee, barging and diluent expenses. Tariff and marketing fees are expenses usually recorded by reducing revenues in the financial statements.

Funds flow information

Funds flow provided by operations ("FFO"), is a non-GAAP measure that includes all cash generated from operating activities and changes in non-cash working capital. The Company considers funds flow from operations to be a key measure as it demonstrates Company's profitability. A reconciliation from cash provided by operating activities to funds flow provided by operations is as follows:

	Q2 2024	Q1 2024	Q2 2023
Cash flow from operating activities			
Net income	35,409	47,619	46,635
Adjustments for:			
Depletion, depreciation and amortization	15,308	15,338	12,256
Accretion of decommissioning obligation	311	304	230
Equity based compensation expense	1,181	(1,062)	909
Financial interest expense	1,061	402	761
Deferred income tax expense	14,967	8,138	2,751
Commodity price unrealized derivatives loss	3,339	(11,638)	6,713
Funds flow provided by operations before non-cash working capital	**71,576**	**59,101**	**70,256**
Changes in non-cash working capital:			
Receivables and restricted cash	(3,212)	(34,127)	(11,712)
Advances and prepaid expenses	(4,066)	(8,405)	(7)
Inventory	1,709	(3,636)	(1,590)
Trade and other payables	(12,902)	(2,230)	1,602
Income tax payable	9,873	8,260	—
Commodity price realized derivatives gain	4,755	—	(189)
Cash (paid) received for income taxes	—	—	(206)
Net cash provided by operating activities	**67,733**	**18,963**	**58,154**

	Q2 2024	Q1 2024	Q2 2023
Cash flow from investing activities			
Exploration and evaluation asset additions	(24)	(238)	(374)
Property, plant and equipment additions	(38,843)	(30,114)	(25,993)
Non-cash changes in working capital	(1,274)	8,349	(2,630)
Net cash used in investing activities	**(40,141)**	**(22,003)**	**(28,997)**
Net cash provided by operating and investing activities	**27,592**	**(3,040)**	**29,157**

CAPITAL MANAGEMENT MEASURES

Adjusted EBITDA

Adjusted EBITDA means earnings before interest, taxes, depreciation and amortization, derivatives, foreign exchange, adjusted for realized derivatives gain (loss) and share based compensation.

	Q2 2024	Q1 2024	Q2 2023
Net income	35,409	47,619	46,635
Adjustments to reconcile net income:			
Depletion, depreciation and amortization	15,309	15,338	12,154
Financial expense	1,018	353	2,046
Income tax expense	14,471	19,603	2,751
Commodity price derivatives loss (gain)	3,306	(11,638)	6,272
Foreign exchange loss (gain)	(14)	264	167
EBITDA (non-GAAP)	**69,499**	**71,539**	**70,025**
Commodity price derivatives realized (loss) gain	4,788	—	478
Share based compensation	916	509	908
Adjusted EBITDA (non-GAAP)	**75,201**	**72,048**	**71,411**
Capital expenditures	(38,868)	(30,352)	(26,367)
Free funds flow (non-GAAP)	**36,334**	**41,696**	**45,044**

Note: The EBITDA and Adjusted EBITDA calculation methodology was changed in Q2 2024 and for prior periods to include adjustments for foreign exchange and share based compensation to better measure the Company's generated cash.

Free funds flow after investing activities is a non-GAAP measure and the Company considers free funds flow or free cash flow to be a key measure as it demonstrates the Company's ability to fund a return of capital without accessing outside funds.

Operating netback

The Company considers operating netbacks to be a key measure that demonstrates the Company's profitability relative to current commodity prices. Netback is calculated by dividing net operating income by total revenue.

6. SIGNIFICANT JUDGEMENTS AND ESTIMATES

Management is required to make judgments, assumptions and estimates that have a significant impact on the Company's financial results. Significant judgments in the Financial Statements include going concern, financing arrangements, impairment indicators, assessment of transfers from Exploration and Evaluation ("E&E") to Property, Plant and Equipment ("PP&E"), leases, derivatives, asset acquisition and joint arrangements. Significant estimates in the Financial Statements include commitments, provision for future decommissioning obligations, recoverable amounts for exploration and evaluation assets and accruals. In addition, the Company uses estimates for numerous variables in the assessment of its assets for impairment purposes, including oil prices, exchange rates, discount rates, cost estimates and production profiles. By their nature, all of these estimates are subject to measurement uncertainty, may be beyond management's control, and the effect on future Financial Statements from changes in such estimates could be significant.

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are included in the Financial Statements and the accompanying notes as of December 31, 2023 and 2022. Additional information about significant judgements and estimates are included in PetroTal's audited Financial Statements for the years ended December 31, 2023 and 2022.

USES OF CRITICAL ACCOUNTING ASSUMPTIONS, ESTIMATES AND JUDGEMENTS

The Company's critical estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Such estimates and assumptions affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from estimates.

The critical estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the same period if the revision affects only that period or in the period of the revision and future periods if the revision affects current and future periods.

Critical estimates and judgements in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are summarized below:

Functional Currency

The functional currency of each of the Company's entities is the United States dollar, which is the currency of the primary economic environment in which the entities operate.

Exploration and Evaluation Assets

The accounting for E&E assets requires management to make certain estimates and assumptions, including whether exploratory wells have discovered economically recoverable quantities of reserves. Designations are sometimes revised as new information becomes available. If an exploratory well encounters hydrocarbons, but further appraisal activity is required in order to conclude whether the hydrocarbons are economically recoverable, the well costs remain capitalized as long as sufficient progress is being made in assessing the economic and operating viability of the well. Criteria used in making this determination include evaluation of the reservoir characteristics and hydrocarbon properties, expected additional development activities, commercial evaluation and regulatory matters. The concept of "sufficient progress" is an area of judgement, and it is possible to have exploratory costs remain capitalized for several years while additional drilling is performed, or the Company seeks government, regulatory or partner approval of development plans.

Petroleum and natural gas assets are grouped into cash generating units ("CGUs") identified as having largely independent cash flows and are geographically integrated. The determination of the CGUs was based on management's interpretation and judgement.

Decommissioning Obligations

Decommissioning obligations will be incurred by the Company at the end of the operating life of wells or supporting infrastructure. The ultimate asset decommissioning costs and timing are uncertain and cost estimates can vary in response to many factors including changes to relevant legal and regulatory requirements, the emergence of new restoration techniques, and experience at other production sites. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The expected amount of expenditure is estimated using a discounted cash flow calculation with a risk-free discount rate. Liabilities for environmental costs are recognized in the period in which they are incurred, normally when the asset is developed, and the associated costs can be estimated.

Deferred Tax Assets & Liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to the expiration of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of oil and gas reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected. The measurement of deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities.

Provisions, Commitments and Contingent Liabilities

Amounts recorded as provisions and amounts disclosed as commitments and contingent liabilities are estimated based on the terms of the related contracts and management's best knowledge at the time of issuing the Financial Statements. The actual results ultimately may differ from those estimates as future confirming events occur.

The Company has one reportable business segment which did not have any critical accounting estimate changes during the past two financial years.

7. DISCLOSURE PRONOUNCEMENTS NOT YET ADOPTED

Issuance of IFRS Sustainability Standards - IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information" and IFRS S2 "Climate-related Disclosures"

In June 2023 the International Sustainability Standards Board ("ISSB") issued its inaugural standards - IFRS S1 and IFRS S2. The ISSB was formed as a new standard-setting board within the IFRS Foundation to issue standards that deliver a comprehensive global baseline of sustainability-related financial disclosures, operating alongside the International Accounting Standards Board. IFRS S1 and IFRS S2 are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, as long as both standards are applied. IFRS S1 provides a set of disclosure requirements designed to enable companies to communicate to investors about the sustainability-related risks and opportunities, while IFRS S2 sets out specific climate-related disclosures and is designed to be used in conjunction with IFRS S1. Canadian regulators have not yet mandated these standards; however, the Company is continuing to review the impact of the standards on its financial reporting.

8. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

GUARANTEES

As at June 30, 2024, the Company holds the following letters of credit guaranteeing its commitments for exploration blocks to Perupetro S.A.:

Block	Beneficiary	Amount	Commitment	Expiration
107	Perupetro S.A.	$1,500	1st exploration well, minimum work 5th exploratory period	May 2026
107	Perupetro S.A.	$1,500	2nd exploration well, minimum work 5th exploratory period	May 2026
		$3,000		

CONTRACTUAL OBLIGATIONS

Refer to "Short and long-term debt" in section "5.2 Balance Sheet Information" for material changes to the Company's contractual obligations.

9. TAXES

The Company's effective tax rate is impacted each quarter by the relative pre-tax income earned by the Company's operations in Canada, U.S., and Peru. The Company is subject to statutory tax rates of 23% in Canada, 21% in the U.S. and 32% in Peru (activities of the Company in Peru are subject to a 30% statutory tax rate plus 2% in accordance with Law 27343). The Company files federal income tax returns and local income tax returns in the various jurisdictions.

The tax at the effective rate differed from the tax at the statutory rate as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Earnings before income taxes	49,876	49,386	117,102	73,096
Canadian corporate tax rate	23.00 %	23.00 %	23.00 %	23.00 %
Expected income tax expense	11,471	11,359	26,933	16,812
Increase (decrease) in taxes resulting from:				
Non-deductible expenses and other	(321)	(3,080)	(1,075)	(4,124)
Tax differential on foreign jurisdictions	3,321	3,283	8,216	5,604
Provision for income taxes	**14,471**	**2,751**	**34,074**	**9,481**

The Company recognized the net tax amount related to NOLs and deferred tax liabilities in Canada, Peru and the US. As of June 30, 2024, the Company consumed all losses in Canada (December 31, 2023: $17 million), and losses in Peru related to Block 95 have also been consumed with $0.3 million in available tax losses related to Block 107 (December 31, 2023: $7 million). The US has $1 million tax losses remaining (December 31, 2023: $2 million). The US non-capital losses can be carried forward indefinitely.

The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized as of June 30, 2024 is approximately $18 million (December 31, 2023: $29 million).

10. FORWARD-LOOKING STATEMENTS AND BUSINESS RISKS

FOREIGN EXCHANGE RATE RISK

The Company's functional currency is the United States dollar. Foreign exchange gains or losses can occur on translation of working capital denominated in currencies other than the functional currency of the jurisdiction which holds the working capital item. Excluding the impact of changes in the cross-rates, a 1% fluctuation in translation rates would have nil impact on net income or loss, based on foreign currency balances held at June 30, 2024.

LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's approach to managing liquidity risk is to have sufficient cash and/or credit facilities to meet its obligations when due. Liquidity is managed through short and long-term cash, debt and equity management strategies. The Company's liquidity risk is impacted by current and future commodity prices. If required, the Company will also consider additional short-term financing or issuing equity in order to meet its future liabilities. Declines in future commodity prices could affect the Company's ability to fund ongoing operations. The current economic environment may have a significant impact on the Company including, but not exclusively:

- material declines in revenue and cash flows as a result of the decline in commodity prices;
- declines in revenue and operating activities due to reduced capital programs and the shut-in of production;
- inability to access financing sources;
- increased risk of non-performance by the Company's customers and suppliers;
- interruptions in operations as the Company adjusts personnel to the dynamic environment; and,
- delivery and transportation of oil at the Bayovar port and sale swap price risk.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time. Estimates and judgments made by management in the preparation of the financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

CREDIT RISK

Credit risk is the risk that a customer or counterparty will fail to perform an obligation or fail to pay amounts due causing a financial loss to the Company. The Company's VAT is primarily for sales tax credits on exploration and drilling expenses incurred in prior years. These credits will be applied to future oil development activities or recovered as per the sales tax recovery legislation currently in effect. The majority of the Company's trade receivable balance relates to oil sales and purchase price adjustments to two customers, being Petroperu, a state-owned company and Novum, an oil trading company. The Company has a long-term sales agreement for oil exports through Brazil, whereby sales are FOB Bretana. Sales through the ONP pipeline are due and payable 240 days after the final delivery of the oil to the Bayovar terminal. During the six months ended June 30, 2024, 88% of oil sales were to Novum (Brazil export route) and 12% were to Petroperu (Iquitos refinery). The Company has not experienced any material credit losses in the collection of its trade receivables.

Impairment to a financial asset is only recorded when there is objective evidence of impairment and the loss event has an impact on future cash flow and can be reliably estimated. Evidence of impairment may include default or delinquency by a debtor or indicators that the debtor may enter bankruptcy. Management believes that there is no risk on the recoverability and/or applicability of the sales tax credits. Therefore, no impairment to the carrying value of these assets has been estimated. The Company has deposited its cash and cash equivalents with reputable financial institutions, with which management believes the risk of loss to be remote. The maximum credit exposure associated with financial assets is their carrying value. At June 30, 2024, the cash and cash equivalents were held with six different institutions from three countries, mitigating the credit risk of a collapse of one particular bank.

WORKFORCE MAY BE EXPOSED TO WIDESPREAD PANDEMIC

PetroTal's operations are located in areas relatively remote from local towns and villages and represent a concentration of personnel working and residing in close proximity to one another. Should an employee or visitor become infected with a serious illness that has the potential to spread rapidly, this could place the workforce at risk. The 2020/2021 outbreak of the novel coronavirus in China and other countries around the world is one example of such an illness. The Company takes every precaution to strictly follow industrial hygiene and occupational health guidelines. There can be no assurance that this virus or another infectious illness will not impact the Company's personnel and ultimately its operations.

Additional information regarding risk factors including, but not limited to, risks related to political developments in Peru and environmental risks is available in the Company's Annual Information Form ("AIF"), a copy of which may be accessed through the SEDAR+ website (www.sedarplus.ca).

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance, including, but not limited to: PetroTal's business strategy, objectives, strength, focus and outlook, drilling, completions, workovers and other activities including expanding infrastructure and exploring undeveloped acreage and the anticipated costs and results of such activities, environmental remediation and social initiatives, the ability of the Company to achieve drilling success consistent with management's expectations, anticipated future production and revenue, oil production levels, the 2025 capital program and budget, including drilling plans, balance sheet strength, COVID-19 surveillance and control process, hedging program and the terms thereof, and future development and growth prospects. All statements other than statements of historical fact may be forward-looking statements. In addition, statements relating to expected production, reserves, prospective resources, recovery, costs and valuation are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "intend", "could", "might", "should", "believe" and similar expressions.

The forward-looking statements are based on certain key expectations and assumptions made by the Company, including, but not limited to, expectations and assumptions concerning the ability of existing infrastructure to deliver production and the anticipated capital expenditures associated therewith, reservoir characteristics, recovery factor, exploration upside, prevailing commodity prices and the actual prices received for PetroTal's products, including pursuant to hedging arrangements, the availability and performance of drilling rigs, facilities, pipelines, other oilfield services and skilled labor, royalty regimes and exchange rates, the application of regulatory and licensing requirements, the accuracy of PetroTal's geological interpretation of its drilling and land opportunities, current legislation, receipt of required regulatory approval, the success of future drilling and development activities, the performance of new wells, the Company's growth strategy, general economic conditions and availability of required equipment and services. Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

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. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of reserve estimates, the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price volatility, price differentials and the actual prices received for products, exchange rate fluctuations, legal, political and economic instability in Peru, access to transportation routes and markets for the Company's production, changes in legislation affecting the oil and gas industry and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. In addition, the Company cautions that current global uncertainty with respect to the spread of the COVID-19 virus and its effect on the broader global economy may have a significant negative effect on the Company. While the precise impact of the COVID-19 virus on the Company remains unknown, rapid spread of the COVID-19 virus may continue to have a material adverse effect on global economic activity, and may continue to result in volatility and disruption to global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to the Company. Please refer to the risk factors identified in the AIF which is available on SEDAR+ at www.sedarplus.ca.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Company cannot guarantee future results, levels of activity, performance, or achievements. The risks and other factors, some of which are beyond the Company's control, could cause results to differ materially from those expressed in the forward-looking statements contained in this MD&A.

The forward-looking statements contained in this MD&A are expressly qualified by the foregoing cautionary statement. Subject to applicable securities laws, the Company is under no duty to update any of the forward-looking statements after the date hereof or to compare such statements to actual results or changes in the Company's expectations. Financial outlook information contained in this MD&A about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information should not be used for purposes other than for which it is disclosed herein.

Prospective resources are the quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Estimates of prospective resources included in this document relating to the Osheki prospect are based upon an independent assessment completed by NSAI with an effective date of September 30, 2018 and prepared in accordance with Canadian Oil and Gas Evaluation Handbook ("COGE") and the standards established by NI 51-101. For additional information about the Company's prospective resources, see the Company's website for the most current press release.

ADDITIONAL INFORMATION

Additional information about PetroTal Corp. and its business activities, including PetroTal's audited Financial Statements for the years ended December 31, 2023 and 2022 are available on the Company's website at www.petrotal-corp.com, and at www.sedarplus.ca, or below:

DIRECTORS

Mark McComiskey (1)(4)(5)
Chair of the Board

Felipe Arbelaez (3)(4)

Eleanor Barker (4)(5)

Jon Harris (1)(2)(5)

Emily Morris(5)

Roger Tucker (2)(3)

Gavin Wilson (1)(2)(3)

Manuel Pablo Zuniga-Pflucker (2)

OFFICERS AND SENIOR EXECUTIVES

Manuel Pablo Zuniga-Pflucker
President and Chief Executive Officer

Camilo McAllister
Executive VP and Chief Financial Officer

Jose Contreras
Senior VP of Operations

Glen Priestley
VP Finance and Treasurer

Emilio Acin Daneri
Vice President of Business Development

Guillermo Florez
General Manager Peru

CORPORATE HEADQUARTERS

PetroTal Corp.
16200 Park Row, Suite 310
Houston, Texas 77084
Office: 713.609.9101
info@petrotal-corp.com
www.petrotal-corp.com

REGISTERED OFFICE

PetroTal Corp.
4200 Bankers Hall West, 888-3rd Street
Calgary, Alberta, Canada

OPERATING OFFICE

PetroTal Peru SRL
144 Dionisio Derteano, Suite 1200
San Isidro
Lima, Peru

STOCK EXCHANGES

TSX Exchange
Toronto, Ontario, Canada
TSX: TAL

AIM Stock Exchange
London, United Kingdom
AIM: PTAL

OTCQX Stock Exchange
New York, USA
OTCQX: PTALF

LEGAL COUNSEL

Stikeman Elliott LLP
Calgary, Alberta, Canada

AUDITORS

Deloitte LLP
Calgary, Alberta, Canada

NOMINATED & FINANCIAL ADVISER

Strand Hanson Limited
London, United Kingdom

JOINT BROKERS

Stifel Nicolaus Europe Limited
London, United Kingdom

Peel Hunt LLP
London, United Kingdom

RESERVES EVALUATORS

Netherland, Sewell & Associates, Inc.
Dallas, Texas, USA

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada
Calgary, Alberta, Canada
London, United Kingdom
Massachusetts, USA and New Jersey, USA

(1) Member of the Corporate Governance and Compensation Committee.
(2) Member of the Reserves Committee.
(3) Member of the HSES Committee.
(4) Member of the Audit Committee.
(5) Member of the Technical Committee.

GLOSSARY / ABBREVIATIONS

1P	Proved
2P	Proved plus Probable
3P	Proved plus Probable and Possible
AIF	Annual Information Form
bbl	Barrel
bopd	Barrels of Oil per Day
CGUs	Cash Generating Units
COGE	Canadian Oil and Gas Evaluation Handbook
COVID-19	SARS-CoV-2
CSR	Community, Social and Regulatory
DD&A	Depletion, Depreciation and Amortization
E&E	Exploration and Evaluation
EIA	Environmental Impact Assessment
ESG	Environmental and Social Governance
FOB	Freight on board
FFO	Funds Flow Provided by Operations
G&A	General and Administrative
GAAP	Generally Accepted Accounting Principles
IFRS	International Financial Reporting Standards
ISSB	International Sustainability Standards Board
MD&A	Management's Discussion and Analysis
mmbbls	Million Barrels
mmboe	Million Barrels of Oil Equivalent
NAV	Net Asset Value
NCIB	Normal Course Issuer Bid
Netback	Benchmark to assess the profitability based on revenues less royalties, operating and transportation costs
NI 51-101	National Instruments - Standards of Disclosure for Oil and Gas Activities
NOI	Net Operating Income
NSAI	Netherland Sewell and Associates, Inc.
OCP	OCP Ecuador Pipeline
ONP	Northern Peruvian Pipeline
OOIP	Original Oil in Place
PP&E	Property, Plant and Equipment
RLI	Reserve Life Index
SDGs	Sustainable Development Goals
VAT	Value Added Tax

PetroTal

Condensed Interim Consolidated Financial Statements
For the six months ended June 30, 2024 and 2023

TSX: TAL
AIM: PTAL
OTCQX: PTALF

TABLE OF CONTENTS

MANAGEMENT'S REPORT

The accompanying unaudited condensed interim consolidated Financial Statements and all information in the management discussion and analysis and notes to the unaudited condensed interim consolidated Financial Statements are the responsibility of management. The unaudited condensed interim consolidated Financial Statements were prepared by management in accordance with International Accounting Standards ("IAS") 34–Interim Financial Reporting outlined in the notes to the unaudited condensed interim consolidated Financial Statements. Other financial information appearing throughout the report is presented on a basis consistent with the unaudited condensed interim consolidated Financial Statements.

Management maintains appropriate systems of internal controls. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the presentation of unaudited condensed interim consolidated Financial Statements.

The Audit Committee reviewed the unaudited condensed interim consolidated Financial Statements with management and with the auditors. The Board of Directors has approved the unaudited condensed interim consolidated Financial Statements on the recommendation of the Audit Committee.

Signed "Manuel Pablo Zuniga-Pflucker"
Manuel Pablo Zuniga-Pflucker
President and Chief Executive Officer

Signed "Camilo McAllister"
Camilo McAllister
Executive VP and Chief Financial Officer

August 6, 2024

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

($ thousands of US Dollars, unaudited)	Note	June 30 2024	December 31 2023
ASSETS			
Current Assets			
Cash	4	84,116	90,568
Restricted cash	4	5,743	14,731
VAT receivable	5	12,376	9,709
Trade and other receivables	6	93,325	58,602
Inventory	7	14,960	12,792
Prepaid expenses	8	19,933	7,462
Derivative assets	9	6,963	9,318
Total Current Assets		237,416	203,182
Non-current Assets			
Restricted cash	4	6,000	6,000
Trade receivable	6	19,985	20,370
Exploration and evaluation assets	10	9,235	8,973
Property, plant and equipment	11	437,328	399,564
Deferred income tax asset	18	594	13,045
VAT receivable	5	2,175	2,226
Derivative assets	9	7,967	4,926
Total Non-current Assets		483,284	455,104
Total Assets		**720,700**	**658,286**
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	13	71,271	79,328
Income tax payable	18	18,133	—
Lease liabilities	15	3,879	4,555
Total Current Liabilities		93,283	83,883
Non-current Liabilities			
Long-term derivative liabilities	9	3,974	6,832
Lease liabilities	15	22,744	24,315
Decommissioning liabilities	14	22,456	22,147
Deferred income tax liabilities	18	65,762	55,109
Other long-term obligations		2,560	2,058
Total Non-current Liabilities		117,496	110,461
Total Liabilities		210,779	194,344
Equity			
Share capital	16	139,608	140,672
Contributed surplus		9,470	9,853
Retained earnings		360,843	313,417
Total Equity		509,921	463,942
Total Liabilities and Equity		**720,700**	**658,286**

See accompanying notes to the condensed interim consolidated Financial Statements

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS AND OTHER COMPREHENSIVE INCOME

($ thousands of US Dollars, except per share amounts, unaudited)		Three Months Ended June 30		Six Month Ended June 30	
	Note	2024	2023	2024	2023
REVENUES					
Oil revenues, net of royalties and social fund	17	93,095	86,330	184,178	148,586
Total revenue		93,095	86,330	184,178	148,586
EXPENSES					
Operating		10,023	7,100	19,301	13,454
Direct transportation		3,047	2,657	5,243	5,044
General and administrative		10,528	6,548	18,597	12,107
Finance expense		1,018	2,046	1,371	11,004
Commodity price derivatives loss (gain)	9	3,306	6,272	(8,332)	13,518
Depletion, depreciation and amortization		15,311	12,154	30,646	20,312
Foreign exchange (gain) loss		(14)	167	250	51
Total expenses		43,219	36,944	67,076	75,490
Income before income taxes		**49,876**	**49,386**	**117,102**	**73,096**
Current income tax (recovery) expense	18	(496)	—	10,969	—
Deferred income tax expense	18	14,967	2,751	23,105	9,481
Net income and comprehensive income		**35,405**	**46,635**	**83,028**	**63,615**
Basic earnings per share		0.04	0.05	0.09	0.07
Diluted earnings per share		0.04	0.05	0.09	0.07
Weighted average number of common shares outstanding (000's)					
Basic		914,731	891,239	916,065	881,985
Diluted		936,558	911,927	935,062	902,746

See accompanying notes to the condensed interim consolidated Financial Statements

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

($ thousands of US Dollars, unaudited)		Six Months Ended June 30	
	Note	2024	2023
Share capital			
Balance, beginning of year		140,672	130,196
Repurchase of shares	16	(1,064)	(96)
Exercise of warrants	16	—	12,316
Balance, end of period		139,608	142,416
Contributed surplus			
Balance, beginning of year		9,853	6,262
Share-based compensation plan		(383)	1,609
Balance, end of period		9,470	7,871
Retained earnings			
Balance, beginning of year		313,417	262,873
Dividends paid	16	(32,949)	(14,431)
Net income and comprehensive income		83,028	63,615
Repurchase of shares	16	(2,654)	(231)
Balance, end of period		360,843	311,826
Total Equity		509,921	462,113

See accompanying notes to the condensed interim consolidated Financial Statements

PetroTal

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

($ thousands of US Dollars, unaudited)		Six Months Ended June 30	
	Note	2024	2023
Cash flows from operating activities			
Net income		83,028	63,615
Adjustments for:			
Depletion, depreciation and amortization		30,646	20,414
Accretion of decommissioning obligations	14	615	443
Share-based compensation plan		119	1,693
Commodity price unrealized derivatives loss	9	(8,299)	13,997
Finance expenses		1,463	7,474
Deferred income tax expense	18	23,105	9,481
Changes in working capital:			
- Receivables and taxes		(37,339)	(2,796)
- Prepaid expenses		(12,471)	(184)
- Inventory		(1,927)	507
- Trade and other payables		(15,132)	(13,475)
- Commodity price realized derivatives	9	4,755	(226)
- Current income tax payable	18	18,133	(1,377)
Cash paid for income taxes		—	(1,377)
Net cash provided by operating activities		86,696	99,566
Cash flows from investing activities			
Property, plant and equipment additions	11	(68,957)	(58,192)
Exploration and evaluation asset additions	10	(262)	(1,094)
Non-cash changes in working capital		7,075	5,583
Net cash used in investing activities		(62,144)	(53,703)
Cash flows from financing activities			
Interest and fees paid		—	(8,022)
Net proceeds from exercise of warrants	16	—	12,316
Repayment of debt principal	12	—	(80,000)
Funds received from credit facility	12	—	20,000
Payments of dividends to shareholders		(32,949)	(14,431)
Repurchase of shares		(3,719)	(327)
Payment of current lease liabilities	15	(3,325)	(2,816)
Net cash used in financing activities		(39,993)	(73,280)
Decrease in cash		(15,441)	(27,417)
Cash, beginning of period		90,568	104,340
Restricted cash	4	8,989	(1,667)
Cash, end of the period		**84,116**	**75,256**

See accompanying notes to the condensed interim consolidated Financial Statements

1. CORPORATE INFORMATION

PetroTal Corp. (the "Company" or "PetroTal") is a publicly-traded energy company incorporated and domiciled in Canada. The Company is engaged in the exploration, appraisal and development of oil and natural gas in Peru, South America. The Company's registered office is located at 4300 Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta, Canada.

These unaudited Condensed Interim Consolidated Financial Statements (the "Financial Statements") have been prepared on a going concern basis, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date that the Financial Statements were issued.

These Financial Statements were approved for issuance by the Company's Board of Directors on August 6, 2024, on the recommendation of the Audit Committee.

2. BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

These Financial Statements were prepared in accordance with International Accounting Standards ("IAS") 34–Interim Financial Reporting. They do not contain all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements and, accordingly, should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2023, which outline the Company's material accounting policies in Note 2 thereto, and have been applied consistently in these Financial Statements, except as disclosed in Note 3, as well as the Company's critical accounting judgements and key sources of estimation uncertainty which are also set out in Note 2 thereto.

BASIS OF MEASUREMENT

These Financial Statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting.

PRINCIPLES OF CONSOLIDATION

The Company's Financial Statements include the accounts of the Company and its subsidiaries. The Financial Statements of the subsidiaries are prepared for the same reporting period as the parent Company's, using consistent accounting practices.

Inter-company balances and transactions, and any unrealized gains arising from inter-company transactions with the Company's subsidiaries, are eliminated on consolidation.

The entities included in the Company's Financial Statements are PetroTal Corp. and its 100% owned subsidiaries PetroTal USA Corp., PetroTal LLC, PetroTal Energy International (Peru) Holdings B.V., PetroTal Peru B.V., Petrolifera Petroleum Del Peru S.R.L. and PetroTal Peru S.R.L.

Prior Year Reclassification

In the preparation of the Financial Statements, we identified as of December 31, 2023 a misclassification of $2.3M between the lease payments due in the short and long-term. As a result, we revised the balances as of December 31, 2023, to properly reflect the classification of lease payments with no impact to the total lease liability balance.

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

NEW ACCOUNTING STANDARDS ISSUED

New accounting standards and interpretations were issued and are mandatory for accounting periods starting on or after January 1, 2024. The new accounting standards and interpretations, which did not have a significant impact on the Company's Financial Statements upon adoption, are as follows:

- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current - In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. An Additional requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and must be applied retrospectively.

- Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback - In September 2022, the IASB issued amendments to, Leases ("IFRS 16") to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

- Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements - In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024.

NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE

New accounting standards and interpretations were issued and are mandatory for future accounting periods. The new accounting standards and interpretations, which are not expected to have a significant impact on the Company's Financial Statements upon adoption, are as follows:

- IFRS 18 - Presentation and Disclosure in Financial Statements - In April 2024, the IASB issued IFRS 18 - Presentation and Disclosure in Financial Statements which will replace IAS 1 - Presentation of Financial Statements. Retrospective application of the standard is mandatory for annual reporting periods starting from January 1, 2027 onwards with earlier application permitted. PetroTal is assessing the impacts of the standard on its financial reporting.

4. CASH AND RESTRICTED CASH

The following table sets out cash and restricted cash balances held in different currencies:

	June 30 2024	December 31 2023
Balances held in:		
US dollars	92,471	100,996
Peruvian soles	1,867	3,296
English pounds	449	3,270
Canadian dollars	1,072	3,737
Total	95,859	111,299
Represented as:		
Cash	84,116	90,568
Restricted cash current	5,743	14,731
Restricted cash non-current	6,000	6,000

Current restricted cash of $5.7 million, is primarily related to the social fund and letters of credit bank guarantees for Block 107 exploration wells. The $6 million of non-current restricted cash is related to permitted hedging programs (see Note 9).

The social fund was formally recognized in 2022 where 2.5% of the value of the monthly oil produced in Bretana's Block 95, less transportation, is set aside for the benefit of local communities. In March 2023, Peru's President signed the Supreme Decree authorizing Perupetro S.A. ("Perupetro") to execute the amendment incorporating the 2.5% social trust fund into the Block 95 license contract, effective and retroactive to January 1, 2022. For the three and six months ended June 30, 2024, the Company accrued social fund expense of $2.5 million and $4.5 million, respectively (see Note 17) of which $13.4 million was paid to the community during the quarter.

5. VAT RECEIVABLES

	June 30 2024	December 31 2023
VAT receivable - current	12,376	9,709
VAT receivable - non-current	2,175	2,226
Total VAT receivables	14,551	11,935

Valued Added Tax ("VAT") in Peru is levied on the purchase of goods and services and is recoverable on sales of goods and services. The Company recovered $14.1 million during the six months ended June 30, 2024 and expects to recover $12.4 million in the short-term.

6. TRADE AND OTHER RECEIVABLES SHORT AND LONG TERM

	June 30 2024	December 31 2023
Trade receivables	113,234	76,163
Other receivables	76	2,809
Total trade and other receivables	113,310	78,972
Represented as:		
Current receivables	93,325	58,602
Non-current receivables	19,985	20,370

At June 30, 2024, trade receivables represent revenue related to the sale of oil. The balance is comprised of $23.2 million due from Petroperu ($3.2 million is short term and $20.0 million is long term) and $90.0 million from export sales through Brazil (all of which is due short term). No credit losses on the Company's trade receivables have been incurred and all short-term receivables are current.

7. INVENTORY

	June 30 2024	December 31 2023
Oil inventory	1,268	813
Materials, parts and supplies	13,692	11,979
Total inventory	14,960	12,792

Oil inventory consists of the Company's oil barrels, which are valued at the lower of cost or net realizable value. Costs include operating expenses, royalties, transportation, and depletion associated with production. Costs capitalized as inventory will be expensed when the inventory is sold. At June 30, 2024, the oil inventory balance of $1.3 million consists of 59,231 barrels of oil valued at $21.40/bbl (December 31, 2023: $0.8 million, based on 35,320 barrels at $23.01/bbl). Materials, parts and supplies, including diluent, are expected to be consumed in the short-term.

8. PREPAID EXPENSES

	June 30 2024	December 31 2023
Advances to contractors	12,582	507
Prepaid expenses and other	7,351	6,955
Total advances and prepaid expenses	19,933	7,462

At June 30, 2024, advances to contractors increase was mainly related to prepayments and advances to contractors for the Company's power plant generator and erosion control costs. Prepaid expenses and others were comprised of $5.5 million in Peruvian income tax prepaid and $1.8 million in insurance, prepaid services for consultants, and other related services.

On May 7, 2024, the Company signed a sale and purchase agreement to acquire 100% of the shares of CEPSA Peruana S.A.C., who owns a 100% working interest in Peru's Block 131 ("License Contract"). The single asset, Los Angeles field which has 4 oil producing wells, is located in the remote Ucayali basin in Peru. The purchase price is $5.0 million cash subject to adjustments, and at the time of signing the agreement, the Company has prepaid $0.28M.

The transaction as of June 30, 2024 has not closed as it is subject to meeting certain conditions, including the approval from PeruPetro S.A. for the indirect transfer of the License Contract as evidenced though the publication in the official gazette of the corresponding supreme decree. This is expected to happen in late 2024.

9. RISK MANAGEMENT

	June 30, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and restricted cash	95,859	95,859	111,299	111,299
Trade and other receivables	93,325	93,325	58,602	58,602
Short-term derivative assets	6,963	6,963	9,318	9,318
Trade receivable	19,985	19,985	20,370	20,370
Long-term derivative assets	7,967	7,967	4,926	4,926
Trade and other payables	71,271	71,271	79,328	79,328
Long-term derivative liabilities	3,974	3,974	6,832	6,832

The table above details the Company's carrying value and fair value of financial instruments including cash and restricted cash, trade and other receivables, derivatives and trade and other payables, all of which are classified as financial assets and liabilities and reported at amortized cost or fair value. The Company is exposed to various financial risks arising from normal-course business exposure. These risks include market risks relating to foreign exchange rate fluctuations and commodity price risk as well as liquidity.

PetroTal

COMMODITY PRICE DERIVATIVES

The derivative asset is classified as a Level 2 fair value measurement. The Petroperu Saramuro agreement, signed with Petroperu during 2021, includes a clause for the purchase price adjustment. The initial sales price is based on the arithmetic average of the ICE Brent Crude 8-month forward price. The realized price is based on the tender price of the oil that is sold at the Bayovar terminal. The purchase price adjustment is the realized price less the initial sales price. If the purchase price adjustment is negative, the Company will compensate Petroperu for the amount, multiplied by the volume sold or arranged by Petroperu. If the purchase price adjustment is positive, the Company will be compensated by Petroperu.

The fair value of the embedded derivative, considering an average future Brent price marker differential, was recorded as a gain (loss) on commodity price derivatives at June 30, 2024 and 2023.

	Three Months Ended June 30		Six Months Ended June 30	
	2024	**2023**	**2024**	**2023**
Net derivative asset at beginning of period	19,050	13,123	7,412	20,370
Cash settlements	(4,788)	(262)	(4,788)	(225)
Cash to be received	—	(253)	—	(253)
Realized gain	33	478	33	478
Unrealized gain (loss)	(3,339)	(6,713)	8,299	(13,997)
Net derivative asset at end of period	10,956	6,373	10,956	6,373
Represented as:				
Short-term derivative assets			6,963	10,510
Long-term derivative assets			7,967	2,666
Long-term derivative liabilities			(3,974)	(6,803)

Sales delivery / Executed month	Expected settlement month	Volume mbbls	Price range $/bbl	Hedged range $/bbl	Net Derivative Asset
Peru Embedded Derivatives [(a)]					
Jan-21 to Feb-22	Aug-24 to May-27	2,200	55.32 to 85.26	73.30 to 84.19	10,956
				Net Derivative Asset	**10,956**

a) Embedded derivative related to original Petroperu sales agreement.

In June 2024 the Company collected $4.8M in cash in true-up derivative gain from a physical sale of 221,600 bbls at Bayovar. At June 30, 2024, 2.2 million barrels (2.4 million at December 31, 2023) remain in the pipeline or storage tanks, awaiting final sale by Petroperu. A 1% change to the hedged range price would result in a $1.5 million change to the net derivative asset.

FOREIGN EXCHANGE RATE RISK

The Company's functional currency is the United States dollar. Foreign exchange gains or losses can occur on translation of working capital denominated in currencies other than the functional currency of the jurisdiction which holds the working capital item. Excluding the impact of changes in the cross-rates, a 1% fluctuation in translation rates would have nil impact on net income or loss, based on foreign currency balances held at June 30, 2024.

LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's liquidity risk is impacted by current and future commodity prices. If required, the Company will also consider additional short-term financing or issuing equity in order to meet its future liabilities. Declines in future commodity prices could affect the Company's ability to fund ongoing operations. The current economic environment may have significant adverse impacts on the Company including, but not exclusively:

- material declines in revenue and cash flows as a result of the decline in commodity prices;
- declines in revenue and operating activities due to reduced capital programs and constrained oil production;
- inability to access financing sources;
- increased risk of non-performance by the Company's customers and suppliers;
- interruptions in operations as the Company adjusts personnel to the dynamic environment; and,
- delivery and transportation of oil at Bayovar port and sale swap price risk.

Estimates and judgements made by management in the preparation of the Financial Statements are subject to a certain degree of measurement uncertainty during this volatile period.

CREDIT RISK

Credit risk is the risk that a customer or counterparty will fail to perform an obligation or fail to pay amounts due causing a financial loss to the Company. The Company's VAT is primarily for sales tax credits on exploration and drilling expenses incurred in prior years. These credits will be applied to future oil development activities or recovered as per the sales tax recovery legislation currently in effect. The Company's trade receivable balance relates to oil sales and purchase price adjustments to two customers, being Petroperu, a state-owned company and Novum, an oil trading company. The Company has a long-term sales agreement for oil exports through Brazil, whereby sales are FOB Bretana. Sales through the ONP pipeline are due and payable 240 days after the final delivery of the oil to the Bayovar terminal. During the six months ended June 30, 2024, 88% of oil sales were to Novum (Brazil export route) and 12% were to Petroperu (Iquitos refinery). The Company has not experienced any material credit losses in the collection of its trade receivables. The Company periodically assesses the recoverability of all trade receivables through discussions with its customers, review of credit rating agency reports or review of other third-party information.

Impairment to a financial asset is only recorded when there is objective evidence of impairment and the loss event has an impact on future cash flow and can be reliably estimated. Evidence of impairment may include default or delinquency by a debtor or indicators that the debtor may enter bankruptcy. Management believes that there is no risk on the recoverability and or applicability of the sales tax credits. Therefore, no impairment to the carrying value of these assets has been estimated. The Company has deposited its cash, cash equivalents and restricted cash with reputable financial institutions, with which management believes the risk of loss to be remote. The maximum credit exposure associated with financial assets is their carrying value. At June 30, 2024, the cash, cash equivalents and restricted cash were held with six different institutions from three countries, mitigating the credit risk of a collapse of one particular bank.

10. EXPLORATION AND EVALUATION ASSETS

The following table sets out a continuity of Exploration and Evaluation Assets:

Balance at January 1, 2023	7,342
Additions	1,631
Balance at December 31, 2023	8,973
Additions	262
Balance at June 30, 2024	9,235

The Company determined there were no impairment indicators of the exploration and evaluation assets balance at June 30, 2024 and December 31, 2023.

11. PROPERTY, PLANT AND EQUIPMENT

	Petroleum Interests	Right of Use Asset (Power Plant)	Other Assets	Total
Balance at January 1, 2023	288,279	20,712	2,919	311,910
Additions	105,151	—	1,671	106,822
Revisions to decommissioning obligations	7,760	—	—	7,760
Revisions to right of use asset	—	12,389	—	12,389
Depletion, depreciation and amortization	(36,964)	(1,328)	(1,025)	(39,317)
Balance at December 31, 2023	364,226	31,773	3,565	399,564
Additions	67,500	—	1,457	68,957
Additions and revisions to decommissioning obligations	(306)	—	—	(306)
Depletion, depreciation and amortization	(29,149)	(1,208)	(530)	(30,887)
Balance at June 30, 2024	402,271	30,565	4,492	437,328

At June 30, 2024, $0.5 million of the depreciation, depletion and amortization expense was recorded as inventory (December 31, 2023: $0.3 million).

The Company determined there were no impairment indicators of the property, plant and equipment balance at June 30, 2024 and December 31, 2023.

12. SHORT AND LONG-TERM DEBT

At June 30, 2024, the Company had a $20 million unsecured line of credit fully available with an interest rate of 8.97% with Banco de Credito del Peru. The term of the line of credit is for two months with renewal options. No debt covenants were set forth by the lender in the loan agreement. The funds are to be used to fund short-term working capital needs.

In April 2024, PetroTal obtained a $2 million unsecured line of credit with BanBif at an interest rate determined by the prevailing market rate at the time of borrowing. The line of credit is for a term of 90 days with payment due in full at the end of the term. No debt covenants were set forth by the lender in the loan agreement.

In April 2024, PetroTal obtained a $5 million line of credit with Scotia Bank, requiring $5M as cash collateral, at an interest rate determined by the prevailing market rate at the time of borrowing. The line of credit is for a term of 360 days with payment due in full at the end of the term.

In May 2024, PetroTal obtained a $20 million unsecured line of credit with JP Morgan Bank at an interest rate determined by the prevailing market rate at the time of borrowing. The line of credit is for a term of 120 days with payment due in full at the end of the term. No debt covenants were set forth by the lender in the loan agreement.

During the quarter the Company did not borrow from any of the line of credits for working capital and there was $0 in short term debt at June 30, 2024.

13. TRADE AND OTHER PAYABLES

	June 30 2024	December 31 2023
Trade payables	22,493	25,037
Accrued payables and other obligations	48,778	54,291
Total trade and other payables	71,271	79,328

At June 30, 2024 and December 31, 2023, trade payables and other payables are primarily related to the drilling and completion of wells and construction of production processing facilities. The other obligations are mainly related to the 2.5% social fund for the benefit of local communities, which totaled to $3.3 million at June 30, 2024 ($12.2 million at December 31, 2023).

PetroTal

14. DECOMMISSIONING LIABILITIES

Balance at January 1, 2023	13,393
Additions	5,390
Revisions to decommissioning liabilities	2,370
Accretion	994
Balance at December 31, 2023	22,147
Additions	1,403
Revisions to decommissioning liabilities	(1,709)
Accretion	615
Balance at June 30, 2024	22,456

The undiscounted uninflated value of estimated decommissioning liabilities is $41.6 million ($39.0 million in 2023). The present value of the obligations was calculated using an average risk-free rate of 5.8% (December 31, 2023: 5.3%) to reflect the market assessment of the time value of money as well as risks specific to the liabilities that have not been included in the cash flow estimates. The inflation rate used in determining the cash flow estimate was 2.1%.

15. CURRENT AND NON-CURRENT LEASE LIABILITIES

In prior years, PetroTal commenced a service lease arrangement with a supplier that provides turnkey power generation equipment services. The lease term ends September 2031.

The lease liabilities also includes two office leases, one in Houston, Texas and one in Lima, Peru. The Houston lease is for a term of 6.2 years with an incremental borrowing rate of 6.5% and the Lima lease is for 5 years with an incremental borrowing rate of 8.5%.

Lease liabilities at January 1, 2023	19,642
Revisions	12,389
Payments	(4,465)
Interest on leases	1,304
Lease liabilities at December 31, 2023	28,870
Payments	(3,325)
Interest on leases	1,078
Lease liabilities at June 30, 2024	26,623
Represented as:	
Current liability	3,879
Non-current liability	22,744

At June 30, 2024, total lease liabilities have the following minimum undiscounted annual payments:

Year	
2024	2,514
2025	5,056
Thereafter	26,293
Total	33,863

16. SHARE CAPITAL

Authorized share capital consists of an unlimited number of common shares without nominal or par value. The holders of common shares are entitled to one vote per share and are entitled to receive dividends as recommended by the Board of Directors.

	Thousands of Common Shares	Share Capital
Balance at January 1, 2023	862,209	130,196
Vesting of performance share units	1,557	—
Repurchase of shares	(11,327)	(1,839)
Warrants exercised	59,875	12,315
Balance at December 31, 2023	912,314	140,672
Vesting of performance share units	8,283	—
Repurchase of shares	(6,401)	(1,064)
Balance at June 30, 2024	914,196	139,608

DIVIDENDS

During the three and six months ended June 30, 2024, the Company paid dividends to shareholders in the amount of $14.5 million and $32.9 million, respectively. The Company paid dividends in the amount of $0.015 per share during the quarter. The Company's dividend policy is to pay dividends based on current liquidity exceeding $60 million.

NORMAL COURSE ISSUER BID

On May 16, 2023, the Company announced that Toronto Stock Exchange approved the notice of intention to commence a normal course issuer bid ("NCIB"). The NCIB allows the Company to purchase up to 44,230,205 common shares (representing approximately 5% of outstanding common shares at May 12, 2023) beginning May 18, 2023 and ending no later than May 17, 2024. Common shares purchased under the NCIB will be cancelled. On May 22,2024, the Company announced that it intends to renew the NCIB which would end no later than May 23, 2025. This renewal includes the intention to purchase up to 14,600,000 common shares (representing approximately 2% of its outstanding common shares at May 10, 2024).

During the three and six months ended June 30, 2024, the Company purchased 1,232,133 and 6,401,204 common shares under the NCIB for total consideration of $0.7 million and $3.7 million, respectively. The surplus between the total consideration and the carrying value of the shares repurchased was recorded against retained earnings.

SHARE-BASED COMPENSATION

The Company has granted performance share units ("PSUs") to employees and deferred share units ("DSUs") to directors. The grant date fair value of PSUs granted to employees is recognized as share-based compensation expense with a corresponding increase in contributed surplus over the vesting period. The Company granted PSUs to employees in accordance with the provisions of the Company's PSU plan. The PSUs either vest after three years or equally over three years and each PSU will entitle the holder to acquire between zero and two common shares of the Company, subject to the achievement of performance conditions relating to the Company's total shareholder return, net asset value and certain production, environmental, safety and operational milestones. The fair value of the PSUs is determined through a combination of Black-Scholes and probability weighted models. The following table details the terms of the PSUs outstanding at June 30, 2024:

	2024 Plan Share Units	2023 Plan Share Units
Vest date 3 years from grant date, exchangeable for up to 2 shares	3,526,270	3,685,322
Vests equally over 3 years from grant date, exchangeable for up to 2 shares	699,408	347,000
Vests equally over 3 years from grant date, exchangeable for up to 1-1.5 shares	2,147,297	1,206,983
Total units	6,372,975	5,239,305

The following assumptions were used for the Black-Scholes valuation of the PSUs granted:

	2024 Plan	2023 Plan
Risk-free interest rate	4.5 %	3.8 %
Expected Life	1-3 years	1-3 years
Annualized volatility	50 %	50 %

For the six months ended June 30, 2024, the Company recognized $1.4 million of share-based compensation expense in general and administrative expense, capital expenditures and operating expense (June 30, 2023: $1.7 million).

The Company issued DSUs to directors of the Company, pursuant to the Company's DSU plan and has 4,754,494 DSUs outstanding at June 30, 2024. The DSUs are fully vested and are redeemable upon a holder ceasing to be a director of PetroTal. No common shares will be issued under the DSU plan, as they are settled in cash at the prevailing market price and valued at the closing share price on the reporting date. For the six months ended June 30, 2024, the Company recognized $0.2 million of DSU expense in general and administrative expense and contributed surplus (June 30, 2023: $0.1 million).

The following table details the PSU and DSU activity:

	Performance Share Units	Deferred Share Units
Balance at January 1, 2023	19,727,168	2,651,754
Additions	9,038,663	1,292,000
Issued	(7,707,440)	—
Forfeited	(256,471)	—
Exercised/settled	—	(151,260)
Balance at December 31, 2023	20,801,920	3,792,494
Additions	7,492,280	962,000
Issued	(9,910,872)	—
Forfeited	(1,331,912)	—
Balance at June 30, 2024	17,051,416	4,754,494

17. REVENUE NET OF ROYALTIES AND SOCIAL FUND

The Company's oil revenue is determined pursuant to the terms of various sales agreements. The transaction price for crude is based on the commodity price in the production month, adjusted for quality, allowable deductions and other factors. Commodity prices are based on market indices.

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Oil revenue	103,086	95,229	203,669	163,723
Royalty	(7,484)	(7,023)	(14,999)	(11,652)
Social fund (see Note 4)	(2,507)	(1,876)	(4,492)	(3,485)
Oil Revenue Net of Royalties and Social Fund	93,095	86,330	184,178	148,586

18. TAXES

The Company's effective tax rate is impacted each quarter by the relative pre-tax income earned by the Company's operations in Canada, U.S., and Peru. The Company is subject to statutory tax rates of 23% in Canada, 21% in the U.S. and 32% in Peru (activities of the Company in Peru are subject to a 30% statutory tax rate plus 2% in accordance with Law 27343). The Company files federal income tax returns and local income tax returns in the various jurisdictions.

The tax at the effective rate differed from the tax at the statutory rate as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2024	**2023**	**2024**	**2023**
Earnings before income taxes	49,876	49,386	117,102	73,096
Canadian corporate tax rate	23.00 %	23.00 %	23.00 %	23.00 %
Expected income tax expense	11,471	11,359	26,933	16,812
Increase (decrease) in taxes resulting				
Non-deductible expenses and other	(321)	(3,080)	(1,075)	(4,124)
Tax differential on foreign jurisdictions	3,321	3,283	8,216	5,604
Provision for income taxes	**14,471**	**2,751**	**34,074**	**9,481**

The Company recognized the net tax amount related to Net Operating Losses ("NOLs") and deferred tax liabilities in Canada, Peru and the US. As of June 30, 2024, the Company consumed all losses in Canada (December 31, 2023: $17 million). All losses in Peru related Block 95 have also been consumed with $0.3 million in available tax losses related to Block 107 (December 31, 2023: $7 million). The US has $1 million tax losses remaining (December 31, 2023: $2 million). The US non-capital losses can be carried forward indefinitely.

The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized as of June 30, 2024 is approximately $18 million (December 31, 2023: $29 million).

19. COMMITMENTS

At June 30, 2024, the Company holds the following letters of credit guaranteeing its commitments in exploration block 107:

Block	Beneficiary	Amount	Commitment	Expiration
107	Perupetro S.A.	$1,500	1st exploration well, minimum work 5th exploratory period	May 2026
107	Perupetro S.A.	$1,500	2nd exploration well, minimum work 5th exploratory period	May 2026
		$3,000		

20. COMMITMENTS

On August 7, 2024, the Company declared a cash dividend of $0.015 per common share to be paid September 13, 2024.