



**Management's Discussion and Analysis
For the year ended December 31, 2018**

MANAGEMENT'S DISCUSSION AND ANALYSIS

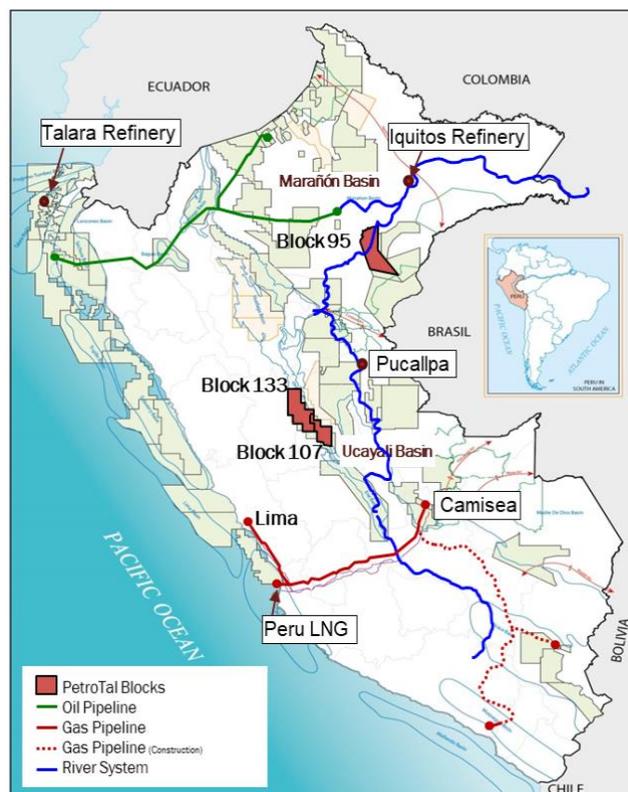
This Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of PetroTal Corp ("PetroTal" or the "Company") for the year ended December 31, 2018, is dated April 24, 2019, and should be read in conjunction with the Company's audited consolidated financial statements (the "financial statements") for the years ended December 31, 2018 and 2017.

Financial figures throughout this MD&A are stated in thousands of United States dollars (\$) 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".

CORPORATE OVERVIEW AND STRATEGY

PetroTal is a publicly-traded (TSX-V:TAL and AIM:PTAL), international oil and gas company incorporated and domiciled in Canada. Through its two subsidiaries in Peru, the Company is currently engaged in the development and exploration for hydrocarbons in Block 95 with a focus on the development of the Bretaña oil field. Additionally, the Company has exploration prospects and leads in Blocks 107 and 133.



On December 18, 2017, the Company:

- Completed a plan of arrangement (the Reverse Takeover "RTO") with Sterling Resources Ltd. pursuant to which Sterling acquired all of the shares of "old" PetroTal and, once amalgamated, continued as one operation under the name of Sterling Resources Ltd. The name of the Company was changed in June 2018 to PetroTal Corp.
- Acquired from Gran Tierra Energy Inc. (NYSE:GTE) 100% of the subsidiaries that held the rights in the exploration blocks in Peru. GTE had 100% working interest in three license contracts (Blocks 95, 107 and 133), and GTE retained a 20% back-in option in Block 107.

After the reverse takeover transaction and the acquisition of GTE Peruvian assets on December 18, 2017, the Company appointed an experienced Board of Directors and retained the prior PetroTal Management team

- Raised \$34M gross proceeds through the issuance of subscription receipts, which have been subsequently converted into common shares.

The Company commenced oil production in H2-2018 at Bretaña via a long-term testing program of the single oil producer drilled by GTE, which is now a major component of our operations. Current production on this well approximates 800 barrels of oil per day (“BOPD”). The Company brought online the second oil producer in the field in mid-April at approximately 2,250 BOPD, bringing total field production to just over 3,000 BOPD.

Capital expenditures are related to exploration, evaluation, development and production of oil assets in Peru. The Board of Directors has approved PetroTal’s capital budget for 2019, with key spending at Block 95 as follows:

- Drilling of three oil wells expected to produce oil at an average cost of \$12.1 million each
- Additional processing facilities to be installed in H2-2019, with an expected total spend in 2019 to approximate \$16.0 million, increasing capacity to 10,000 BOPD
- One water disposal well for approximately \$7.0 million
- Abandonment costs of approximately \$2.0 million associated with a legacy drilling site approximately 4.5 miles south of the Bretaña drill and production pad

The Company does not intend to spend material amounts of capital in Block 107 and Block 133 as the primary effort there is to secure a joint interest partner.

2018 OPERATIONAL AND FINANCIAL HIGHLIGHTS

BRETAÑA OIL FIELD

The Bretaña oil field is located in the Marañon Basin of northern Peru. To date this basin has produced more than one billion barrels of crude oil. Approximately 70% of the oil in the Marañon 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 Bretaña oil field with its estimated 330 million barrels of oil (“MMBO”) in place, as estimated by Netherland, Sewell & Associates, Inc. (“NSAI”), a qualified reserves evaluator as defined in National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* (“NI 51-101”), effective December 31, 2018, is a large oil field in the Marañon Basin. The current estimate of 39.4 MMBO of gross 2P reserves is based on a 12% recovery factor. The net reserves were estimated at 37.5 MMBO with the differential being oil being used to generate power in the field, also assume a 12% recovery factor. Analog fields show that the potential recovery could be two to three times higher.

The initial well, which is currently online, initially tested at a rate of 3,095 BOPD of 18.5 API oil from the horizontal sidetrack in 2013. The well had been shut since that time until the Company put the well on production in June of this year. Current production on this well approximates 800 BOPD as it has declined from peak rates of approximately 2,000 BOPD due to normal declines expected as water is produced from the aquifer that is the main drive mechanism for the Vivian formation. The Company completed the second oil producer, the BN 95-2-2-2XD, in mid-April and the well came online at 2,250 BOPD. Plans are to continue drilling and ramp production to approximately 7,000 BOPD in 2019.

The Company’s operating team has previously worked on the fields in the area, and therefore are familiar with this type of operations. These highly productive oil wells are supported by strong aquifers and require the produced water to be reinjected back into the reservoir. The Company intends to develop the Bretaña oil field on a modular basis, whereby the production and water reinjection facilities are installed as needed.

OSHEKI

PetroTal opened a data room for Block 107 in September 2018 to present the Osheki prospect and other leads to potential partners. Based on an independent assessment completed by Netherland Sewell & Associates, Inc., with an effective date of June 30, 2018, and prepared in accordance with the Canadian Oil and Gas Evaluation Handbook and the standards established by NI 51-101, the Osheki prospect is estimated to have 534 MMBO of mean prospective recoverable oil resources. This estimate is based on a recovery factor of 30 percent of the estimated 1.78 billion barrels of mean prospective original oil in place (“OOIP”), using maps generated from seismic acquired in 2007 and 2014. The mean risked prospective resources figure for the Osheki prospect is 85 MMBO. The prospect was de-risked with a new 3D geologic model supporting Cretaceous age reservoirs with high quality Permian source rocks. Block 107 has four additional leads that, with Osheki, could contain a total of 4.6 billion barrels of recoverable resource in the high estimate

case. Drilling permits for the Osheki prospect have been approved and the Company is seeking joint venture partners to drill the first exploration well and are looking to spud the well by fourth quarter 2019 or early 2020.

FINANCIAL AND OPERATING SUMMARY

(\$ thousands unless otherwise indicated)	Three Months Ended			Years Ended December 31,		
	Dec 31, 2018	Sep 30, 2018	% Change	2018	2017	% Change
Gross revenues	6,186	4,301	44%	10,487	-	-
Royalties	336	157	114%	493	-	-
Net revenues	5,850	4,144	41%	9,994	-	-
Net income (loss)	(2,184)	507	-531%	(4,621)	(2,754)	68%
Oil production - BOPD	1,158	757	53%	958	-	-
Oil sales - BOPD	1,199	730	64%	964	-	-
Netback (\$ per barrel)						
Oil sales	61.73	58.09	6%	59.53	-	-
Royalties	(3.05)	(2.34)	30%	(2.78)	-	-
Operating expenses	(32.13)	(20.16)	59%	(27.60)	-	-
G&A	(22.45)	(21.09)	6%	(34.82)	-	-
Corporate netback	4.10	14.50	-72%	(5.67)	-	-
Capital expenditures	4,673	5,595	-16%	23,207	154	14969%
Assets	96,097	91,322	5%	96,097	98,766	-3%
Liabilities	18,570	11,655	59%	18,570	16,723	11%
Shareholders' equity	77,527	79,667	-3%	77,527	82,043	-6%
Common shares outstanding ('000s)	537,741	537,741	0%	537,741	537,741	0%

On June 1, 2018, five months earlier than anticipated, the Company announced that the Bretaña discovery well was placed on production through long-term testing, allowing for the start of the commissioning of the newly installed oil production facilities. The Company restricted the well flow rates to minimize water production until the required water injection facilities and oil well hydraulic pump was commissioned and installed. The Company was able to increase production as of November 8, 2018 to approximately 2,000 BOPD, and the well has continued to produce as expected at current rates of 800 BOPD due to normal declines expected as water is produced from the aquifer that is the main drive mechanism for the Vivian formation. Current facilities are designed to manage approximately 5,000 BOPD and engineering is complete on the second phase of production facilities to allow the Company to increase production to 10,000 BOPD.

PRODUCTION

	Quarters Ended				Years Ended	
	Dec 31, 2018	Sept 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	2017
Oil - BOPD	1,158	757	-	-	-	958

In addition, the Company has completed refurbishment and construction on the existing drilling pad and is now able to drill additional wells in 2019 without causing material interruptions to production. The Company mobilized a rig and drilled and completed the BN 95-2-2-2XD well in the northern section of the field. This second oil well was drilled down to the Chonta Formation to comply with the current exploration commitment and investigate the potential for light oil but was completed as an oil producer at the top of the target Vivian Formation, having found no new pay in the Chonta formation. The Company has received the permit to drill Bretaña's third oil well, allowing for time to receive the full field environmental impact assessment permit in early May 2019.

The engineering studies for the next phase of production facilities are complete. This expansion is necessary in order to allow the expected increase in future volumes of oil and water.

REVENUES AND ROYALTIES

(\$ thousands unless otherwise indicated)	Quarters Ended					Years Ended	
	Dec 31, 2018	Sept 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	2018	2017
Gross revenues	6,186	4,301	-	-	-	10,487	-
Royalties	336	157	-	-	-	493	-
Net revenues	5,850	4,144	-	-	-	9,994	-
\$ per barrel	61.73	58.09	-	-	-	59.53	-
Average Brent oil price	67.75	75.18	74.52	66.86	58.67	71.19	54.15
Discount from Brent as a %	17%	15%	-	-	-	17%	-
Royalties as a % of revenues	5%	4%	-	-	-	5%	-

Following the Company's July 3, 2018 announcement of first oil production from the Bretaña field, the Company executed an initial oil sales contract with PetroPeru, Peru's state oil company and owner of the Iquitos refinery. The Company successfully negotiated a discount equivalent to approximately 14 percent from Brent; however, the Company does not pay pipeline tariffs during the contract term, as all oil is barged directly to the refinery. The crude oil is currently picked up at the Bretaña field and transported to the refinery by PetroPeru. The Company believes that new contracts for crude oil sales to the Iquitos refinery could average 17 percent discount to Brent, partially offset by the barging tariff being reduced from \$5.50 per barrel to \$3.50 per barrel by securing a long term contract with the barging company.

Through the contract above, the Company has satisfied the performance obligations such that revenue recognition was warranted. Oil sold to PetroPeru has been recorded as revenue during the period commencing July 1st. As such once the oil is loaded on the barge, revenue recognition has been met. The Company has also sent oil to a refinery near Lima where a test is being conducted to determine the discount applicable for future deliveries.

Royalties

The royalty regime in Peru is negotiated on a block by block basis. In our current blocks, we pay a royalty based on production and ranges between five percent and twenty percent. The royalty calculation is five percent based on production of 5,000 BOPD or less and twenty percent when production reaches 100,000 BOPD or more, with a straight-line calculation between. Currently the Company is paying a royalty of five percent, and at peak production will be approximately eight percent once the field has been fully developed. For royalty calculation purposes, PetroPeru subtracts transportation from revenue prior to calculation.

OPERATING EXPENSES

(\$ thousands except \$ per barrel)	Quarters Ended					Years Ended	
	Dec 31, 2018	Sept 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	2018	2017
Operating expenses	3,544	1,354	-	-	-	4,898	-
\$ per barrel	33.27	19.44	-	-	-	27.80	-

Increased operations expenses are primarily due to the change in revenue recognition and the declaration of commerciality in November. The largest expense items affecting the increase in the fourth quarter were diesel and diluent expenses, as well as increased oil transportation charges associated with a trial shipment to the Conchan refinery in Lima.

GENERAL AND ADMINISTRATIVE

(\$ thousands except \$ per barrel)	Quarters Ended					Years Ended	
	Dec 31, 2018	Sept 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	2018	2017
G&A expenses	2,476	1,417	991	1,296	-	6,180	910
\$ per barrel	23.24	20.33	n/a	n/a	n/a	n/a	n/a

Details of general and administrative costs for the years ended December 31, 2018 and 2017 are included in the chart below. The increased in general and administrative costs in the fourth quarter were largely driven by recording bonus and stock-based compensation.

Years Ended December 31, (\$ thousands)	2018	2017
Salary and stock compensation	6,327	676
Office and information technology	1,151	14
Accounting, legal and consultants	943	127
Directors and related insurance	511	73
Travel	322	66
Other	422	32
Total gross G&A	9,676	988
Less recoveries	(3,496)	(78)
Total net G&A	6,180	910

CAPITAL EXPENDITURES

(\$ thousands)	Quarters Ended				Years Ended		
	Dec 31, 2018	Sept 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	2018	2017
Exploration and evaluation	293	966	8,208	4,731	154	14,198	154
Oil and gas properties	4,351	4,385	-	-	-	8,736	-
Furniture and fixtures	29	244	-	-	-	273	-

Capital expenditures in the table above were primarily for production facilities that have allowed the Company to increase oil production rates from the discovery well, originally brought online mid-year at approximately 1,000 BOPD, to approximately 2,000 BOPD in early November. Current production approximates 800 BOPD, in line with expectations due to normal declines expected as water is produced from the aquifer that is the main drive mechanism for the Vivian formation.

With consistent sales of the Bretaña oil being established, and revenues being recognized, the Bretaña exploration asset, in the amount of \$48.2 million, was transferred to Property Plant and Equipment ("PP&E") from Exploration and Evaluation ("E&E") assets in the period. The continuity of the PP&E assets is below:

Property Plant and Equipment

(\$ thousands)	Oil and Gas Properties	Furniture and Fixtures	Total
Balance at December 31, 2017	-	109	109
Transfer of exploration and evaluation assets	48,160	(118)	48,042
Change in estimates - decommissioning obligations	(3,575)		(3,575)
Additions	8,736	273	9,009
DD&A charge in period	(1,492)	(48)	(1,540)
Net book value PP&E December 31, 2018	51,829	216	52,045

The accumulated DD&A on the balance sheet is different to what is recorded in the income statement as there is an allocation to Inventory.

Exploration and Evaluation

(\$ thousands)	2018	2017
Balance, beginning of the year	38,571	-
Additions from Peru asset acquisition	-	38,417
Additions during the period	14,198	154
Impairment of exploration and evaluation assets	(40)	-
Transfer to property plant and equipment	(48,042)	
Balance, end of the year	4,687	38,571

DEPLETION, DEPRECIATION AND AMORTIZATION

(\$ thousands except \$ per barrel)	Quarters Ended				Years Ended		
	Dec 31, 2018	Sept 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	2018	2017
DD&A	815	566	6	17	2	1,404	2
\$ per barrel	7.66	8.12	n/a	n/a	n/a	7.97	n/a

Depletion and amortization are calculated based upon capital expenditures, production rates and proved plus probable reserves. The depletion rate in the fourth quarter of 2018 was lower than the third quarter of 2018 primarily due to a decrease in future development costs. At December 31, 2018, \$251.1mm of future development costs have been included in the depletion calculation.

FINANCING ACTIVITIES AND LIQUIDITY

Working capital was \$26.1 million at December 31, 2018 compared to \$28.3 million at September 30, 2018. The reduction is primarily due to capital expenditures in the period. A breakdown of the Company's net working capital as at December 31, 2018, September 30, 2018, June 30, 2018, and March 31, 2018 is provided below:

(\$ thousands)	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Cash	26,259	27,905	34,986	42,059
VAT receivables	6,848	1,905	2,234	2,155
Trade and other receivables	1,848	1,553	104	402
Inventory	178	539	294	295
Prepaid expenses	502	391	350	241
Trade and other payables	(7,462)	(4,035)	(5,335)	(2,598)
Deferred income taxes	(17)	-	-	-
Decommissioning obligations	(2,103)	-	-	-
Total	26,053	28,258	32,633	42,554

Capital Resources

As of December 31, 2018, the Company holds the following commitments in the exploration blocks in Peru, which are guaranteed by letters of credit:

Block	Beneficiary	Amount - \$000s	Commitment
107	PeruPetro S.A.	1,500	Minimum work – 5th exploratory period - 1st exploratory well (expires December 6, 2021)
107	PeruPetro S.A.	1,500	Minimum work – 5th exploratory period - 1st exploratory well (expires December 6, 2021)
133	PeruPetro S.A.	1,000	Minimum work – 3rd exploratory period - expires November 25, 2019

The Company is working on approval of the work program for Block 133 from the local environmental agency, and once approved the letter of credit for this Block will be extended a further two years.

Decommissioning Obligations

The Company has estimated decommissioning liabilities to be \$15.8 million. The net present value of its estimated decommissioning liabilities is \$11.1 million, which includes an adjustment of \$6.4 million in the period reflecting the revised life of the 2P reserves of Breña to 20 years from 1 year and an adjustment of \$2.8mm reflecting an increase in management's estimate of costs. The present value of the obligations was calculated using a credit-adjusted risk rate of 4.69 percent 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 estimates ranges from 1.9 percent to 2.1 percent. The following table sets out the continuity of decommissioning obligations:

(\$ thousands)	December 31, 2018	December 31, 2017
Balance, beginning of period	14,048	-
Additions from Peru asset acquisition	-	14,023
Changes in estimates	(3,575)	-
Accretion of decommissioning discount	618	25
Balance, end of the period	11,091	14,048
This is represented by:		
Current	2,103	-
Non Current	8,988	14,048

SUMMARY OF QUARTERLY RESULTS

(\$ thousands unless otherwise indicated)	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	5,850	4,144	-	-	-	-	-	-
Net Income (loss)	(2,184)	507	(1,400)	(1,544)	(2,754)	-	-	-
Net Income (loss) per weighted average Common Share – basic and diluted (\$)	(0.00)	0.00	(0.00)	(0.00)	(0.01)	-	-	-
Total assets	96,097	91,322	98,918	97,363	98,766	-	-	-
Total liabilities	18,570	11,655	19,819	16,864	16,723	-	-	-
Shareholders' equity	77,527	79,667	79,099	80,499	82,043	-	-	-
Capital expenditures	4,673	5,595	8,208	4,731	154	-	-	-
Cash, End of Period	26,259	27,905	34,986	42,059	48,783	-	-	-
Common shares outstanding (000's)	537,741	537,741	537,741	537,741	537,741	-	-	-

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 E&E to PPE, 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 and natural gas 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 consolidated financial statements from changes in such estimates could be significant.

RELATED PARTY TRANSACTIONS AND OFF-BALANCE SHEET ARRANGEMENTS

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

TAXATION

Peruvian law requires the Company to pay a two percent tax on gross revenues. Due to prior net operating losses the Company does not anticipate having a tax liability for the next few years. At such time as there is a liability, the amounts pre-paid through the two percent payment will reduce the amount of future tax to be paid.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at the date hereof, there are issued and outstanding:

- 537,740,991 common shares;
- 4,371,361 performance stock units;
- 26,750,000 performance warrants; and
- 2,086,500 compensation warrants.

For a description of the performance warrants and compensation warrants, refer to PetroTal's annual information form available via SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS AND BUSINESS RISKS

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

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

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

ADDITIONAL INFORMATION

Additional information about PetroTal Resources Ltd. and its business activities, including PetroTal's annual information form and audited financial statements for the years ended December 31, 2018 and 2017 are available via SEDAR at www.sedar.com.