

# Petrus Provides Transaction Update

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CALGARY, Sept. 03, 2021 - [Petrus Resources Ltd.](#) ("Petrus" or the "Company") (TSX: PRQ) is pleased to announce that, further to its news release dated August 30, 2021 with respect to its intention to complete a series of transactions (the "Transactions") that will reduce the Company's total debt by approximately \$49 million through the issuance of \$25.8 million of Petrus shares at \$0.55 per share and extend the maturity date of the Company's senior secured credit facility (the "First Lien Loan"), the Toronto Stock Exchange (the "TSX") has consented to Petrus' application for reliance on the "financial hardship" exemption for minority shareholder approval of the Transactions, in accordance with the TSX Company Manual.

As set out in Petrus' news release on August 30, 2021, the Transactions will result in the extension of the term of the Company's first Lien Loan to May 31, 2021, the full settlement of the Company's subordinated secured term loan (the "Second Lien Loan") in the current principal amount of \$39.3 million (the "Second Lien Settlement") for \$15.8 million of equity and a private placement financing for proceeds of \$10.0 million (the "Equity Financing"), which will be applied to outstanding indebtedness under the First Lien Loan, resulting in a substantial reduction of the Company's indebtedness from an aggregate of approximately \$112 million to approximately \$63 million.

In connection with the Second Lien Settlement, Petrus has entered into a shares for debt agreement with Stuart Gray and Glen Gray, who recently took assignment of the Company's Second Lien Loan, pursuant to which Petrus will issue an aggregate of 28,727,273 common shares of Petrus (the "Common Shares") at an issue price of \$0.55 per share (for total consideration of \$15.8 million), in consideration for the full payment and discharge of amounts outstanding under the Second Lien Loan, currently totalling \$39.3 million. Concurrently with entering into the shares for debt agreement in respect to the Second Lien Settlement, Petrus has entered into binding subscription agreements with each of Don Gray and Glen Gray (Don Gray, Glen Gray and Stuart Gray being the "Major Investors") to complete the Equity Financing at an issue price of \$0.55 per share for total proceeds of \$10.0 million. All of the proceeds of the Equity Financing will be used to reduce amounts outstanding under the First Lien Loan, which has approximately \$73 million currently outstanding. The issue price of the Common Shares issuable in the Equity Financing and the Second Lien Settlement represent a 15% premium to the 5-day VWAP of the Common Shares prior to announcing the Transactions.

## *Financial Hardship Exemption*

Don Gray is a director of the Company, who owns or controls (directly or indirectly) 13,022,476 Common Shares (representing 26.3% of the outstanding Common Shares). Glen Gray owns or controls (directly or indirectly) 6,708,867 Common Shares (representing 13.6% of the outstanding Common Shares). In addition to Don Gray and Glen Gray being "insiders" of the Company, each of the Major Investors are siblings of one another and of Ken Gray, the President and a director of Petrus.

It is anticipated that the Second Lien Settlement and the Equity Financing will result in the issuance of Common Shares to the Major Investors in an amount greater than 10% of the number of Common Shares outstanding, such that shareholder approval of such issuance would be required pursuant to subsection 607(g) of the TSX Company Manual. In addition, the issuance of Common Shares pursuant to the Second Lien Settlement and the Equity Financing may be considered by the TSX to materially affect control of the Company as each of the Major Investors will own or control in excess of 20% of the Common Shares after giving effect to the Second Lien Settlement and the Equity Financing, such that shareholder approval of such issuances may also be required pursuant to subsection 604(a)(i) of the TSX Company Manual. Additionally, in accordance with Section 604(a)(ii) of the TSX Company Manual, where a transaction involves consideration paid or received by "insiders" of the issuer in excess of 10% of the issuer's market capitalization in any 6-month period, the TSX requires that the transaction be approved by the issuer's security holders to the exclusion of those security holders who are "insiders" of the Company.

A summary of the current and anticipated Common Share ownerships of each of the Major Investors is set

forth below:

Name of Shareholder	Securities Currently Owned, Controlled or Directed (and % of issued and outstanding)	Securities to be Owned, Controlled or Directed (and % of issued and outstanding) (1)
Don Gray	13,022,476 (26.3%)	28,658,840 (29.7%)(2)
Glen Gray	6,715,867 (13.7%)	22,352,231 (23.2%)(3)
Stuart Gray	4,941,867 (9.9%)	20,578,231 (21.3%)(4)

Notes:

(1) Based on 49,558,622 issued and outstanding Common Shares.

(2) Assumes Mr. Don Gray subscribes for and acquires 15,636,364 Common Shares pursuant to the Equity Financing.

(3) Assumes Mr. Glen Gray subscribes for and acquires 2,545,455 Common Shares pursuant to the Equity Financing and is issued 13,090,909 Common Shares pursuant to the Second Lien Settlement.

(4) Assumes Mr. Stuart Gray is issued 15,636,364 Common Shares pursuant to the Second Lien Settlement.

In addition to the above, the TSX has advised that they may consider each of the Major Investors to be acting jointly in respect of the Transaction, and as such, all Common Shares owned by such persons would be aggregated in determining insider participation in the Transactions as well as any "minority approvals" required by the TSX, absent the financial hardship exemption.

As previously noted in Petrus' August 30, 2021 news release, the Company applied to the TSX for relief from the foregoing shareholder approval requirements on the basis that a committee of independent directors of Petrus (the "Independent Committee") has determined that Petrus is in serious financial difficulty and that the Equity Financing together with the Second Lien Settlement, is designed to improve Petrus' financial situation and the terms of the Equity Financing and the Second Lien Settlement are reasonable for the Company in the circumstances. The Independent Committee also considered the need for a timely completion of the Equity Financing and the Second Lien Settlement, as required by its lenders under the First Lien Loan, and the ability of the Company to complete such transactions in the timelines required by its lenders.

In connection with reliance on the above described "financial hardship" exemption from the TSX's shareholder approval requirements, the TSX will place Petrus under a delisting review, which is normal practice when a listed issuer seeks to rely on this exemption. No assurance can be provided as to the outcome of such review and, therefore, on the Company's continued qualification for listing on the TSX.

Closing of the Second Lien Settlement and Equity Financing remain subject to all conditions to closing, including the receipt of all third party and regulatory approvals, including the TSX's conditional approval and its final acceptance of the Second Lien Settlement and Equity Financing.

For further information on the Transaction, including a summary of the background of the Transactions, Petrus' financial position and the considerations of the Independent Committee, please see Petrus' August 30, 2021 news release.

## ABOUT PETRUS

Petrus is a public Canadian oil and gas company focused on property exploitation, strategic acquisitions and risk-managed exploration in Alberta.

## FOR FURTHER INFORMATION PLEASE CONTACT:

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## CAUTIONARY STATEMENTS:

## Forward-Looking Statements

*This news release contains forward-looking statements regarding the Second Lien Settlement and Equity Financing, closing of the Second Lien Settlement and Equity Financing and the timing of the same and the Company's continued qualification for listing on the TSX. These forward-looking statements are provided as of the date of this news release, or the effective date of the documents referred to in this news release, as applicable, and reflect predictions, expectations or beliefs regarding future events based on the Company's beliefs at the time the statements were made, as well as various assumptions made by and information currently available to them. In making the forward-looking statements included in this news release, the Company has applied several material assumptions, including, but not limited to, the assumption that regulatory approval of the Second Lien Settlement and Equity Financing will be obtained in a timely manner; that all conditions precedent to the completion of the Second Lien Settlement and Equity Financing will be satisfied in a timely manner; and that general economic and business conditions will not change in a materially adverse manner, well production rates and commodity prices,. Although management considers these assumptions to be reasonable based on information available to it, they may prove to be incorrect. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that estimates, forecasts, projections and other forward-looking statements will not be achieved or that assumptions on which they are based do not reflect future experience. We caution readers not to place undue reliance on these forward-looking statements as a number of important factors could cause the actual outcomes to differ materially from the expectations expressed in them. These risk factors may be generally stated as the risk that the assumptions expressed above do not occur, but specifically include, without limitation, risks relating to: general market conditions; the Company's ability to secure financing on favourable terms; the failure to receive all applicable third party and regulatory approvals for the Transaction, and the additional risks described in the Company's latest Annual Information Form, and other disclosure documents filed by the Company on SEDAR. The foregoing list of factors that may affect future results is not exhaustive. When relying on our forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by the Company or on behalf of the Company, except as required by law.*

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