

Petrus Resources Announces Third Quarter 2023 Financial & Operating Results, Declares First Regular Monthly Dividend

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CALGARY, Nov. 08, 2023 - [Petrus Resources Ltd.](#) ("Petrus" or the "Company") (TSX: PRQ) is pleased to report financial and operating results as at and for the three and nine months ended September 30, 2023.

Q3 2023 HIGHLIGHTS:

- Production up 49% - Production was up 49% from 6,639 boe/d⁽¹⁾ in the third quarter of 2022 to 9,880 boe/d in the third quarter of 2023 as a result of the new wells brought on production in late 2022 and 2023. Consistent with its 2023 revised budget guidance, Petrus has maintained relatively flat production year to date, averaging 10,580 boe/d⁽¹⁾.
- Operating expense down 21% - Operating expense was \$6.70/boe in the third quarter of 2023, a decrease of 21% from \$8.47/boe in the third quarter of 2022. The decrease per boe is due to Petrus' strategic advantage in owning and operating infrastructure.
- Funds flow 18% higher - Petrus generated funds flow⁽²⁾ of \$16.2 million (\$0.13 per share⁽³⁾) for the third quarter of 2023, 18% higher than funds flow of \$13.8 million (\$0.11 per share) during the third quarter of 2022. The increase is mainly due to higher production and was achieved despite significantly lower commodity prices.
- Net debt⁽²⁾ down 12% - Net debt was \$42.6 million at September 30, 2023, 12% lower than \$48.5 million at the end of the third quarter of 2022. The net debt to annualized funds flow ratio⁽³⁾ was 0.7x, well below the target of less than 1.0x.
- Commodity prices stabilize QoQ - Realized price per boe remained relatively flat quarter-over-quarter (Q2 2023 to Q3 2023). Year-over-year, realized pricing decreased by 33% in the third quarter of 2023 (\$31.05/boe) compared to the third quarter of 2022 (\$46.62/boe).

2023 UPDATE⁽⁴⁾

Special & Regular Monthly Dividends

Due to the Company's impressive performance and the resulting free cash flow generated this year, Petrus declared its inaugural dividend, a special cash dividend of \$0.03 per common share, on October 10, 2023. Petrus expects to continue to create sustainable long-term results that will generate considerable free cash flow. As a result, Petrus' Board of Directors has approved the implementation of a regular dividend of \$0.01 per common share per month⁽⁴⁾. The initial regular monthly dividend is payable on January 31, 2024 to shareholders of record at the close of business on January 16, 2024. The dividend has been classified as an eligible dividend for the purpose of the Income Tax Act (Canada). These dividends serve as a tangible reward allowing Petrus' shareholders to realize the value created by the Company's continued success.

Share Buyback

During the third quarter of 2023, the Company initiated its normal course issuer bid ("NCIB") and purchased for cancellation 115,300 shares at an average price of \$1.48 per share. Petrus believes that, at times, the prevailing share price does not reflect the underlying value of the common shares and the repurchase of its common shares for cancellation represents an attractive opportunity to enhance Petrus' shareholder value.

Capital Activity

Drilling resumed during the third quarter of 2023 up to the middle of October; a total of 8 (4.5 net) wells were

drilled. The completion operations for these wells are scheduled for later in the fourth quarter to align with timing of the new North Ferrier pipeline coming into service. Construction on the North Ferrier infrastructure expansion project kicked off in early October and is expected to be completed in late November.

(1) Disclosure of production on a per boe basis consists of the constituent product types and their respective quantities. Refer to "BOE Presentation" and "Production and Product Type Information" for further details.

(2) Non-GAAP measure. Refer to "Non-GAAP and Other Financial Measures" in the Management's Discussion & Analysis attached hereto.

(3) Non-GAAP ratio. Refer to "Non-GAAP and Other Financial Measures" in the Management's Discussion & Analysis attached hereto.

(4) All future dividend payments are subject to the approval of Petrus' Board of Directors at the time of declaration. Refer to "Advisories - Forward-Looking Statements" in the Management's Discussion & Analysis attached hereto.

SELECTED FINANCIAL INFORMATION

OPERATIONS	Three months ended Sept. 30, 2023		Three months ended Sept. 30, 2022		Three months ended Jun. 30, 2023		Three months ended Mar. 31, 2022	
Average Production								
Natural gas (mcf/d)	42,045		28,107		44,010		45,237	
Oil (bbl/d)	1,316		957		1,670		2,192	
NGLs (bbl/d)	1,556		997		1,486		1,654	
Total (boe/d)	9,880		6,639		10,492		11,385	
Total (boe) ⁽¹⁾	908,985		610,722		954,738		1,024,645	
Light oil weighting	13	%	14	%	16	%	19	%
Realized Prices								
Natural gas (\$/mcf)	2.81		5.02		2.64		3.78	
Oil (\$/bbl)	99.33		111.04		91.69		94.63	
NGLs (\$/bbl)	37.09		62.25		34.82		47.55	
Total realized price (\$/boe)	31.05		46.62		30.59		40.16	
Royalty income	0.06		0.37		0.06		0.16	
Royalty expense	(3.37)	)	(11.84)	)	(3.66)	)	(6.38))
Gain (loss) on risk management activities -			(0.81)		0.03		1.45	
Net oil and natural gas revenue (\$/boe)	27.74		34.34		27.02		35.39	
Operating expense	(6.70)	)	(8.47)	)	(5.83)	)	(7.26))
Transportation expense	(1.54)	)	(1.89)	)	(1.40)	)	(2.05))
Operating netback ⁽²⁾ (\$/boe)	19.50		23.98		19.79		26.08	
Realized gain on financial derivatives	1.21		1.00		3.56		1.77	
Other cash income	0.04		0.05		0.04		0.16	
General & administrative expense	(1.27)	)	(1.30)	)	(1.55)	)	(1.20))
Cash finance expense	(1.26)	)	(0.87)	)	(1.33)	)	(1.11))
Decommissioning expenditures	(0.34)	)	(0.29)	)	(0.58)	)	(0.13))
Funds flow & corporate netback ⁽²⁾ (\$/boe)	17.88		22.57		19.93		25.57	
FINANCIAL (000s except \$ per share)								
	Sept. 30, 2023		Sept. 30, 2022		Jun. 30, 2023		Mar. 31, 2022	
Oil and natural gas revenue	28,273		28,701		29,266		41,319	
Net income (loss)	(11,293)		9,822		5,043		17,273	
Net income (loss) per share								
Basic	(0.09)		0.08		0.04		0.14	
Fully diluted	(0.09)		0.08		0.04		0.14	
Funds flow ⁽²⁾	16,243		13,789		19,040		26,216	
Funds flow per share ⁽²⁾								

Basic	0.13	0.11	0.15	0.21
Fully diluted	0.13	0.11	0.15	0.21
Capital expenditures	21,617	49,513	3,380	29,820
Acquisitions (dispositions)	-	16	(100)	-
Weighted average shares outstanding				
Basic	123,743	122,058	123,752	123,416
Fully diluted	123,743	126,822	127,040	127,358
As at period end				
Common shares outstanding				
Basic	123,867	122,197	123,849	123,239
Fully diluted	134,436	131,482	134,423	133,377
Total assets	380,100	356,050	383,231	403,276
Non-current liabilities	59,687	61,778	62,630	68,056
Net debt ⁽²⁾	42,610	48,465	36,857	53,111

⁽¹⁾Disclosure of production on a per boe basis consists of the constituent product types and their respective quantities. Refer to "BOE Presentation" and "Production and Product Type Information" for further details.

⁽²⁾Non-GAAP measure or non-GAAP ratio. Refer to "Non-GAAP and Other Financial Measures".

OPERATIONS UPDATE

Third quarter average production by area was as follows:

For the three months ended September 30, 2023	Ferrier	North Ferrier	Foothills	Central Alberta	Kakwa	Total
Natural gas (mcf/d)	31,545	3,281	2,068	5,033	118	42,045
Oil (bbl/d)	865	106	76	246	23	1,316
NGLs (bbl/d)	1,305	74	11	157	8	1,555
Total (boe/d)	7,428	728	432	1,242	50	9,880

Third quarter average production was 9,880 boe/d in 2023 compared to 6,639 boe/d in 2022. The 49% increase in production was mainly a result of Petrus' capital program during late 2022 and year to date 2023. In the third quarter of 2023, 4 (4.0 net) wells were completed and put on production.

Third quarter production was down from second quarter production of 10,492 boe/d due to a combination of natural decline and production shut-ins for offsetting completion activities.

An updated corporate presentation can be found on the Company's website at www.petrusresources.com.

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NON-GAAP AND OTHER FINANCIAL MEASURES

This press release makes reference to the terms "operating netback" (on an absolute and \$/boe basis), "corporate netback" (on an absolute and \$/boe basis), "funds flow" (on an absolute, per share (basic and fully diluted) and \$/boe basis), "net debt" and "net debt to annualized funds flow ratio". These non-GAAP and other financial measures are not recognized measures under GAAP (IFRS) and do not have a standardized meaning prescribed by GAAP (IFRS). Accordingly, the Company's use of these terms may not be

comparable to similarly defined measures presented by other companies. These non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS as indicators of our performance. Management uses these non-GAAP and other financial measures for the reasons set forth below.

Operating Netback

Operating netback is a common non-GAAP financial measure used in the oil and natural gas industry which is a useful supplemental measure to evaluate the specific operating performance by product type at the oil and natural gas lease level. The most directly comparable GAAP measure to operating netback is oil and natural gas revenue. Operating netback is calculated as oil and natural gas revenue less royalty expenses, gain (loss) on risk management activities, operating expenses and transportation expenses. See below and under "Summary of Quarterly Results" for a reconciliation of operating netback to oil and natural gas revenue.

Operating netback (\$/boe) is a non-GAAP ratio used in the oil and natural gas industry which is a useful supplemental measure to evaluate the specific operating performance by product type at the oil and natural gas lease level. It is calculated as operating netbacks divided by weighted average daily production on a per boe basis. See below.

Corporate Netback and Funds Flow

Corporate netback or funds flow is a common non-GAAP financial measure used in the oil and natural gas industry which evaluates the Company's profitability at the corporate level. Corporate netback and funds flow are used interchangeably. Petrus analyzes these measures on an absolute value and on a per unit (boe) and per share (basic and fully diluted) basis as non-GAAP ratios. Management believes that funds flow and corporate netback provide information to assist a reader in understanding the Company's profitability relative to current commodity prices. They are calculated as the operating netback less general and administrative expense, cash finance expense and decommissioning expenditures, plus other income and the realized gain (loss) on financial derivatives. See below and under "Summary of Quarterly Results" for a reconciliation of funds flow and corporate netback to oil and natural gas revenue.

Corporate netback (\$/boe) or funds flow (\$/boe) is a non-GAAP ratio used in the oil and natural gas industry which evaluates the Company's profitability at the corporate level. Management believes that funds flow (\$/boe) or corporate netback (\$/boe) provide information to assist a reader in understanding the Company's profitability relative to current commodity prices. It is calculated as corporate netbacks or funds flow divided by weighted average daily production on a per boe basis. See below.

Funds flow per share (basic and fully diluted) is comprised of funds flow divided by basic or fully diluted weighted average common shares outstanding.

	Three months ended		Three months ended		Nine months ended		Nine months ended
	Sept. 30, 2023		Sept. 30, 2022		September 30, 2023		September 30, 2022
	\$000s	\$/boe	\$000s	\$/boe	\$000s	\$/boe	\$000s
Oil and natural gas revenue	28,273	31.11	28,701	47.00	98,858	34.23	103,760
Royalty expense	(3,061)	(3.37)	(7,228)	(11.84)	(13,088)	(4.53)	(17,525)
Gain (loss) on risk management activities	-	-	(497)	(0.81)	1,522	0.53	(4,973)
Net oil and natural gas revenue	25,212	27.74	20,976	34.35	87,292	30.23	81,262
Transportation expense	(1,401)	(1.54)	(1,155)	(1.89)	(4,844)	(1.68)	(4,029)
Operating expense	(6,086)	(6.70)	(5,171)	(8.47)	(19,086)	(6.61)	(14,912)
Operating netback	17,725	19.50	14,650	23.99	63,362	21.94	62,321
Realized gain (loss) on financial derivatives	1,102	1.21	610	1.00	6,314	2.19	(4,022)
Other income ⁽¹⁾	34	0.04	30	0.05	240	0.08	105
General & administrative expense	(1,158)	(1.27)	(793)	(1.30)	(3,864)	(1.34)	(2,463)
Cash finance expense	(1,148)	(1.26)	(528)	(0.87)	(3,557)	(1.23)	(2,184)

Decommissioning expenditures	(312)	(0.34)	(180)	(0.29)	(998)	(0.35)	(159)
Funds flow and corporate netback	16,243	17.88	13,789	22.58	61,497	21.29	53,598

(1)Excludes non-cash government grant related to decommissioning expenditures.

Net Debt

Net debt is a non-GAAP financial measure and is calculated as the sum of long term debt and working capital (current assets and current liabilities), excluding the current financial derivative contracts and current portion of the lease obligation. Petrus uses net debt as a key indicator of its leverage and strength of its balance sheet. Net debt is reconciled, in the table below, to long-term debt which is the most directly comparable GAAP measure.

(\$000s)	As at Sept. 30, 2023	As at Jun. 30, 2023	As at Mar. 31, 2023	As at Dec. 31, 2022	As at Sept. 30, 2022
Long-term debt	25,000	25,000	25,000	25,000	22,000
Current assets	(19,375)	(28,150)	(31,309)	(29,849)	(29,905)
Current liabilities	40,636	30,032	50,336	51,395	51,102
Current financial derivatives	(3,397)	10,224	9,328	4,502	5,503
Current portion of lease obligation	(254)	(249)	(244)	(240)	(235)
Net debt	42,610	36,857	53,111	50,808	48,465

Net debt to annualized funds flow ratio is a non-GAAP ratio used as a key indicator of our leverage and strength of our balance sheet. It is calculated as net debt divided by funds flow for the relevant period.

ADVISORIES

Basis of Presentation

Financial data presented above has largely been derived from the Company's financial statements, prepared in accordance with GAAP which require publicly accountable enterprises to prepare their financial statements using IFRS. Accounting policies adopted by the Company are set out in the notes to the audited consolidated financial statements as at and for the twelve months ended December 31, 2022. The reporting and the measurement currency is the Canadian dollar. All financial information is expressed in Canadian dollars, unless otherwise stated.

Forward-Looking Statements

Certain information regarding Petrus set forth in this press release contains forward-looking statements within the meaning of applicable securities law, that involve substantial known and unknown risks and uncertainties. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. Such statements represent Petrus' internal projections, estimates, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. These statements are only predictions and actual events or results may differ materially. Although Petrus believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause Petrus' actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Petrus. In particular, forward-looking statements included in this press release include, but are not limited to, statements with respect to: our target of a net debt to annualized funds flow ratio of less than 1x; that Petrus remains focused on generating strong cash flow and return on capital and believes that concentrating on these fundamentals will translate into value for shareholders in the long run; our belief that the repurchase of our common shares for cancellation under our NCIB represents an attractive opportunity to enhance Petrus' shareholder value; that the completion operations for wells spud in the third quarter are scheduled for later in the fourth quarter to align with timing of the new North Ferrier pipeline coming into service; that construction on the North Ferrier infrastructure expansion project is expected to be completed in late November; that the Company's utilization of financial derivative contracts and physical commodity contracts will mitigate commodity price risk and provide stability and sustainability to the Company's economic returns, funds flow and capital development plan; that the Company does not anticipate entering

any new physical commodity contracts going forward; and our hedging strategy and the benefits that we expect to derive therefrom our target of a net debt to annualized funds flow ratio of less than 1x; that Petrus remains focused on generating strong cash flow and return on capital and believes that concentrating on these fundamentals will translate into value for shareholders in the long run; our belief that the repurchase of our common shares for cancellation under our NCIB represents an attractive opportunity to enhance Petrus' shareholder value; that the completion operations for wells spud in the third quarter are scheduled for later in the fourth quarter to align with timing of the new North Ferrier pipeline coming into service; that construction on the North Ferrier infrastructure expansion project is expected to be completed in late November; that the Company's utilization of financial derivative contracts and physical commodity contracts will mitigate commodity price risk and provide stability and sustainability to the Company's economic returns, funds flow and capital development plan; that the Company does not anticipate entering any new physical commodity contracts going forward; and our hedging strategy and the benefits that we expect to derive therefrom. In addition, statements relating to "reserves" 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.

These forward-looking statements are subject to numerous risks and uncertainties, most of which are beyond the Company's control, including: the risk that we are unable to generate strong cash flow in the future and as a result we have little or no cash to return to shareholders or use to reduce debt; the impact of general economic conditions; volatility in market prices for crude oil, NGL and natural gas; industry conditions; currency fluctuation; changes in interest rates and inflation rates; imprecision of reserve estimates; liabilities inherent in crude oil and natural gas operations; environmental risks; incorrect assessments of the value of acquisitions and exploration and development programs; competition; the lack of availability of qualified personnel or management; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; stock market volatility; ability to access sufficient capital from internal and external sources; and the other risks and uncertainties described in the AIF. With respect to forward-looking statements contained in this press release, Petrus has made assumptions regarding: future commodity prices (including as disclosed herein) and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; future exchange rates; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment and services; effects of regulation by governmental agencies; the effects of inflation on our profitability; future interest rates; and future operating costs. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide investors with a more complete perspective on Petrus' future operations and such information may not be appropriate for other purposes. Petrus' actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the Company will derive therefrom. Readers are cautioned that the foregoing lists of factors are not exhaustive.

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Petrus' prospective results of operations including, without limitation, its target net debt to annualized funds flow ratio, which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on FOFI. Petrus' actual results, performance or achievement could differ materially from those expressed in, or implied by, these FOFI, or if any of them do so, what benefits Petrus will derive therefrom. Petrus has included the FOFI in order to provide readers with a more complete perspective on Petrus' future operations and such information may not be appropriate for other purposes.

These forward-looking statements and FOFI are made as of the date of this press release and the Company disclaims any intent or obligation to update any forward-looking statements and FOFI, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

BOE Presentation

The oil and natural gas industry commonly expresses production volumes and reserves on a barrel of oil equivalent ("boe") basis whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved measurement of results and comparisons with other industry participants. Petrus uses the 6:1 boe measure which is the approximate energy equivalence of the two commodities at the burner tip. Boe's do not

represent an economic value equivalence at the wellhead and therefore may be a misleading measure if used in isolation.

Production and Product Type Information

The Company's year to date average daily production rate disclosed in this press release consists of the following product types, as defined in National Instrument 51-101 and using the conversion ratio described above, where applicable - 10,580 boe/d average daily production for the nine months ended September 30, 2023: 16% light oil and condensate, 15% natural gas liquids and 69% conventional natural gas.

The Company's 2022 exit production rate disclosed in this press release consists of the following product types, as defined in National Instrument 51-101 and using the conversion ratio described above, where applicable - 10,635 boe/d 2022 exit rate: 19% light oil and condensate, 14% natural gas liquids and 67% conventional natural gas.

Abbreviations

<i>\$000's</i>	<i>thousand dollars</i>
<i>\$/bbl</i>	<i>dollars per barrel</i>
<i>\$/boe</i>	<i>dollars per barrel of oil equivalent</i>
<i>\$/GJ</i>	<i>dollars per gigajoule</i>
<i>\$/mcf</i>	<i>dollars per thousand cubic feet</i>
<i>bbl</i>	<i>barrel</i>
<i>bbl/d</i>	<i>barrels per day</i>
<i>boe</i>	<i>barrel of oil equivalent</i>
<i>mboe</i>	<i>thousand barrel of oil equivalent</i>
<i>mmboe</i>	<i>million barrel of oil equivalent</i>
<i>boe/d</i>	<i>barrel of oil equivalent per day</i>
<i>GJ</i>	<i>gigajoule</i>
<i>GJ/d</i>	<i>gigajoules per day</i>
<i>mcf</i>	<i>thousand cubic feet</i>
<i>mcf/d</i>	<i>thousand cubic feet per day</i>
<i>mmcf/d</i>	<i>million cubic feet per day</i>
<i>NGLs</i>	<i>natural gas liquids</i>
<i>WTI</i>	<i>West Texas Intermediate</i>

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