

CALGARY, ALBERTA--(Marketwired - Aug. 10, 2017) - [Petrus Resources Ltd.](#) ("Petrus" or the "Company") (TSX:PRQ) is pleased to report financial and operating results for the second quarter of 2017. Petrus is focused on organic growth and infrastructure control in its core area, Ferrier, Alberta. The Company is targeting liquids rich natural gas in the Cardium formation as well as investing in infrastructure in Ferrier to control operations and maximize the Company's return on investment. The Company's Management's Discussion and Analysis ("MD&A") and interim consolidated financial statements dated as at and for the period ended June 30, 2017 are available on SEDAR (the System for Electronic Document Analysis and Retrieval) at [www.sedar.com](#).

- Petrus generated funds flow of \$12.5 million in the second quarter of 2017, a 63% increase relative to the \$7.7 million generated in the second quarter of 2016. The second quarter marked a milestone for the Company as its first fiscal quarter to exceed production of 10,000 boe/d. The 63% increase in funds flow is attributed to 21% higher production, 28% lower operating expenses (on a per boe basis) and improved commodity prices. This production growth and lower cost structure reflects the Company's strategic shift to focus on developmental drilling, including facility ownership and control in the Ferrier area, and divest non-core assets.
- Petrus' second quarter funds flow of \$12.5 million is 6% higher than the \$11.7 million generated in the first quarter of 2017. Production increased by 10% since the prior quarter which is attributed to the Company's drilling program in the Ferrier area. During the second quarter, Petrus recognized two non-routine reductions to funds flow; a \$0.8 million decommissioning expenditure as well as a \$0.9 million royalty adjustment related to its Gas Cost Allowance.
- Petrus reduced its net debt by 10% from the second quarter of 2016 to the second quarter of 2017, including a \$15 million reduction in the Company's second lien term loan, from \$50 million to \$35 million. Net debt to funds flow⁽²⁾ was 2.7 times for the second quarter of 2017 and has decreased 45% since the second quarter of 2016. The Company continues to focus on decreasing its leverage and is targeting net debt to funds flow⁽²⁾ of less than 2.3 times by the end of 2017⁽¹⁾.
- Second quarter average production was 10,240 boe/d in 2017 compared to 8,435 boe/d in 2016. The 21% increase is attributable to the Company's drilling program at Ferrier, where production has grown 98% since the second quarter of 2016.
- In the second quarter of 2017, 3 gross (2.2 net) wells were drilled in the Ferrier area. All new wells are now on production and have contributed to the 10% increased production since the first quarter of 2017. Due to facility constraints, Petrus' current productive capability in the Ferrier area is higher than the Company's current production. These facility constraints are expected to be alleviated later in 2017 with the expansion of the Company's gas processing facilities.
- Petrus has transformed its operating cost structure through the construction of a natural gas processing plant in Ferrier and the divestiture of higher cost assets. As a result, total operating expenses have decreased 28% from \$7.65 per boe in the second quarter of 2016 to \$5.53 per boe in the second quarter of 2017. Due to facility constraints, a portion of the Company's Ferrier production is currently being processed through third party facilities. Ferrier operating expenses are expected to decrease once the Ferrier gas plant expansion is complete which is scheduled for the fourth quarter of 2017⁽¹⁾.
- Petrus utilizes financial derivative contracts to mitigate commodity price risk. The Company's realized gain on financial derivatives in the second quarter of 2017 increased the Company's corporate netback⁽²⁾ by \$0.23 per boe. As a percentage of second quarter 2017 production, Petrus has derivative contracts in place for 60% and 54% of its natural gas and oil & natural gas liquids production, respectively, for the remainder of fiscal 2017.

⁽¹⁾ Refer to "Advisories - Forward Looking Statements" attached hereto.

⁽²⁾ Refer to "Non-GAAP Financial Measures" in the Management's Discussion & Analysis as at and for the three and six months ended June 30, 2017.

SELECTED FINANCIAL INFORMATION

OPERATIONS	Three months ended Jun. 30, 2017	Three months ended Jun. 30, 2016	Three months ended Mar. 31, 2017	Three months ended Dec. 31, 2016	Three months ended Sept. 30, 2016
Average Production					
Natural gas (mcf/d)	42,392	33,071	40,332	37,327	30,009
Oil (bbl/d)	2,015	2,200	1,542	1,452	1,419
NGLs (bbl/d)	1,160	723	1,067	922	680
Total (boe/d)	10,240	8,435	9,331	8,595	7,100
Total (boe)	931,821	767,585	839,746	790,806	653,215
Natural gas sales weighting	69	% 65	% 72	% 72	% 70
Realized Prices					
Natural gas (\$/mcf)	3.29	1.64	2.85	3.29	2.53
Oil (\$/bbl)	59.02	46.68	62.62	59.42	44.50
NGLs (\$/bbl)	30.32	8.47	33.18	24.56	15.56
Total realized price (\$/boe)	28.69	19.32	26.48	26.97	21.06

Royalty income	0.03	0.12	0.05	0.10	0.07	
Royalty expense	(4.62	) (2.26	) (3.94	) (3.52	) (2.99)
Net oil and natural gas revenue (\$/boe)	24.10	17.18	22.59	23.55	18.14	
Operating expense	(5.53	) (7.65	) (4.50	) (3.63	) (6.04)
Transportation expense	(1.32	) (1.30	) (1.38	) (1.50	) (1.49)
Operating netback ⁽¹⁾⁽²⁾ (\$/boe)	17.25	8.23	16.71	18.42	10.61	
Realized gain on derivatives (\$/boe) ⁽²⁾	0.23	6.87	0.57	0.99	4.06	
General & administrative expense	(1.12	) (1.86	) (1.05	) (3.78	) (1.69)
Cash finance expense	(1.94	) (3.18	) (2.07	) (2.58	) (3.85)
Decommissioning expenditures ⁽³⁾	(1.03	) (0.10	) (0.19	) (0.64	) (0.04)
Corporate netback ⁽¹⁾⁽²⁾ (\$/boe)	13.39	9.96	13.97	12.41	9.09	
FINANCIAL (000s except per share)	Three months ended	Three months ended	Three months ended	Three months ended	Three months ended	
	Jun. 30, 2017	Jun. 30, 2016	Mar. 31, 2017	Dec. 31, 2016	Sept. 30, 2016	
Oil and natural gas revenue	26,753	14,926	22,274	21,409	13,805	
Net income (loss)	(781	) (46,334	) 7,311	(11,842	) (4,702)
Net income (loss) per share						
Basic	(0.02	) (1.02	) 0.16	(0.26	) (0.10)
Fully diluted	(0.02	) (1.02	) 0.16	(0.26	) (0.10)
Funds flow ⁽³⁾	12,458	7,652	11,732	9,809	5,938	
Funds flow per share ⁽³⁾						
Basic	0.25	0.17	0.25	0.22	0.13	
Fully diluted	0.25	0.17	0.25	0.22	0.13	
Capital expenditures	18,903	2,712	18,907	10,026	7,231	
Net acquisitions (dispositions)	-	-	8,818	-	(29,718)
Weighted average shares outstanding						
Basic	49,428	45,349	46,754	45,349	45,349	
Fully diluted	49,428	45,349	46,989	45,349	45,349	
As at period end						
Common shares outstanding						
Basic	49,428	45,349	49,428	45,349	45,349	
Fully diluted	49,428	45,349	52,664	45,349	45,349	
Total assets	465,794	493,535	460,095	439,967	448,404	
Non-current liabilities	170,580	225,962	165,104	118,934	169,714	
Net debt ⁽¹⁾	137,069	152,935	130,624	124,915	124,310	

⁽¹⁾ Refer to "Non-GAAP Financial Measures" in the Management's Discussion & Analysis as at and for the three and six months ended June 30, 2017.

⁽²⁾ In prior periods Petrus included realized gain on derivatives (hedging gain (loss)) in the calculation of operating netback. The amount is included in the calculation of corporate netback. The comparative information has been re-classified to conform to current presentation.

⁽³⁾ In prior periods Petrus excluded decommissioning expenditures from the calculation of funds flow. The comparative information has been re-classified to conform to current presentation.

OPERATIONS UPDATE

Production

Average second quarter production by area was as follows:

Average production for the three months ended June 30, 2017	Ferrier	Foothills	Central Alberta	Total
Natural gas (mcf/d)	27,803	7,025	7,564	42,392
Oil (bbl/d)	1,288	252	475	2,015
NGLs (bbl/d)	953	18	189	1,160
Total (boe/d)	6,875	1,441	1,924	10,240
<i>Natural gas sales weighting</i>	67	% 81	% 66	% 69
				%

Second quarter average production was 10,240 boe/d (69% natural gas) in 2017 compared to 8,435 boe/d (65% natural gas) in the 2016. The 21% increase is attributable to the Company's drilling program at Ferrier, where production has grown 98% since the second quarter of 2016. The second quarter marked a milestone for the Company as its first fiscal quarter to exceed production of 10,000 boe/d.

The Company's natural gas sales weighting was higher in the second quarter of 2017 relative to the second quarter of 2016 due to the divestiture of the Peace River assets in 2016, and the timing of its Ferrier development.

In the second quarter of 2017, 3 gross (2.2 net) wells were drilled in the Ferrier area. Each of those wells came on production during the second quarter.

Capital Development

Petrus' Board of Directors approved a \$50 to \$60 million capital budget for 2017 (excluding acquisitions and dispositions) which provides for the drilling of 16 gross (11.7 net) Cardium wells in the Ferrier area. The Company's 2017 capital program also provides for investment in facilities. Petrus expects the processing and compression capability of the Ferrier gas plant to double, reaching a capacity of approximately 60 mmcfd by the fourth quarter of 2017.⁽¹⁾

Credit Review

On May 31, 2017 Petrus completed the annual review of its revolving credit facility ("RCF"). The RCF syndicate of lenders unanimously agreed to increase the borrowing base from \$106 million to \$120 million. Lender consent from the RCF syndicate as well as the second lien term loan lender, is required for total borrowings against the RCF exceeding \$106 million.

⁽¹⁾ Refer to "Advisories - Forward Looking Statements" attached hereto.

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

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 financial statements as at and for the twelve months ended December 31, 2016. 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 news 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 or beliefs concerning, among other things, an outlook on the estimated amounts and timing of capital investment, anticipated future debt, production, revenues or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance, including targets for debt to funds flow. 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 news release include, but are not limited to, statements with respect to: the availability of cash flows from operating activities; expected timing of completion of the expansion of the Ferrier gas plant and the resulting processing and compression capacity at the Ferrier gas plant and expectations of decreased operating expense; sources of financing and the requirement therefor; the growth of Petrus and the availability of the full amount of the revolving credit facility; the treatment of the revolving credit facility following the end of the revolving period; Petrus' ability to fund its financial liabilities; the size of, and future net revenues from, crude oil, NGL (natural gas liquids) and natural gas reserves; future prospects; the focus of and timing of capital expenditures; expectations regarding the timing for bringing new wells on production; expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; access to debt and equity markets; projections of market prices and costs; the performance characteristics of the Company's crude oil, NGL and natural gas properties including estimated production; crude oil, NGL and natural gas production levels and product mix; Petrus' future operating and financial results; capital investment programs; supply and demand for crude oil, NGL and natural gas; future royalty rates; drilling, development and completion plans and the results therefrom; and treatment under governmental regulatory regimes and tax laws. 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 impact of general economic conditions; volatility in market prices for crude oil, NGL and natural gas; industry conditions; currency fluctuation; 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; completion of the financing on the timing planned and the receipt of applicable approvals; and the other risks. With respect to forward-looking statements contained in this news release, Petrus has made assumptions regarding: future commodity prices 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; and future operating costs. Management has included the above summary of assumptions and risks related to forward-looking information provided in this news release in order to provide shareholders 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.

These forward-looking statements are made as of the date of this news release and the Company disclaims any intent or obligation to update any forward-looking statements, 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 & 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 equivalency of the two commodities at the burner tip. Boe's do not represent an economic value equivalency at the wellhead and therefore may be a misleading measure if used in isolation.

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>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>

Contact

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