

# Petrus Resources Announces First Quarter 2018 Financial & Operating Results

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CALGARY, Alberta, May 07, 2018 (GLOBE NEWSWIRE) -- [Petrus Resources Ltd.](#) ("Petrus" or the "Company") (TSX:PRQ) is pleased to report financial and operating results for the first quarter of 2018. Petrus is focused on organic growth and infrastructure control in its core area, Ferrier, Alberta. The Company is targeting light oil and liquids rich natural gas in the Cardium formation as well as investing in infrastructure in Ferrier to control operations in order to 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 March 31, 2018 are available on SEDAR (the System for Electronic Document Analysis and Retrieval) at [www.sedar.com](http://www.sedar.com).

- Petrus generated funds flow of \$12.1 million in the first quarter of 2018, a 3% increase relative to the \$11.7 million generated in the first quarter of 2017. The 3% increase in funds flow is attributed to 14% higher production and 3% lower operating expenses (on a per boe basis) from the prior year, despite a 37% decrease in the market price of natural gas (AECO 7A monthly index) over the same period.
- First quarter average production was 10,596 boe/d in 2018 compared to 9,331 boe/d for the same period in 2017. The 14% increase is attributable to the Company's drilling program in Ferrier, where production has grown 126% since the third quarter of 2016 when the Company strategically accelerated its development in the area.
- Total operating expenses for the first quarter were 3% lower at \$4.36 per boe in 2018 compared to \$4.50 per boe in 2017. The Company has strategically focused on lowering its operating cost structure particularly in the Ferrier area through facility ownership and control.
- Petrus utilizes financial derivative contracts to mitigate commodity price risk. The Company's realized gain on financial derivatives in the first quarter of 2018 increased the Company's corporate netback<sup>(1)</sup> by \$0.31 per boe. The realized hedging gain decreased relative to the \$0.57 per boe realized in the first quarter of 2017 primarily due to the increase in the market price for light oil. As a percentage of first quarter 2018 production, Petrus has derivative contracts in place for 54% and 67% of its natural gas and oil and natural gas liquids production, respectively, for the remainder of 2018.
- During the first quarter of 2018, Petrus drilled one (0.5 net) Cardium liquids rich natural gas well in the Ferrier area. Capital was also directed toward the completion and tie-in activities related to two (0.4 net) Cardium oil wells drilled late in the fourth quarter of 2017. The three (0.9 net) wells were all brought on production during the first quarter of 2018. Subsequent to the end of the first quarter Petrus participated in an additional light oil well (0.2 net) in the Ferrier area. This well is expected to be brought on production later in the second quarter.<sup>(2)</sup>
- Petrus' 2018 drilling program will continue after breakup. As a result of the current commodity price environment, Petrus intends to direct 84% of its 2018 capital budget toward Cardium light oil development in Ferrier.<sup>(2)</sup>

<sup>(1)</sup> Refer to "Non-GAAP Financial Measures".

<sup>(2)</sup> Refer to "Advisories - Forward-Looking Statements".

## SELECTED FINANCIAL INFORMATION

OPERATIONS	Three months ended Mar. 31, 2018	Three months ended Mar. 31, 2017	Three months ended Dec. 31, 2017	Three months Sept. 30, 2017
Average Production				
Natural gas (mcf/d)	45,543	40,332	46,625	45,550
Oil (bbl/d)	1,530	1,542	1,854	1,877
NGLs (bbl/d)	1,475	1,067	1,086	1,098
Total (boe/d)	10,596	9,331	10,711	10,567

Total (boe)	953,598		839,746		985,388		972,140
Natural gas sales weighting	72	%	72	%	73	%	72
Realized Prices							
Natural gas (\$/mcf)	2.18		2.85		1.90		1.66
Oil (\$/bbl)	73.91		62.62		66.10		51.23
NGLs (\$/bbl)	46.50		33.18		38.00		24.79
Total realized price (\$/boe)	26.50		26.48		23.56		18.82
Royalty income	0.03		0.05		0.03		0.01
Royalty expense	(4.90)	)	(3.94)	)	(3.04)	)	(2.73)
Net oil and natural gas revenue (\$/boe)	21.63		22.59		20.55		16.10
Operating expense	(4.36)	)	(4.50)	)	(4.81)	)	(5.42)
Transportation expense	(1.26)	)	(1.38)	)	(1.25)	)	(1.29)
Operating netback <sup>(1)</sup> (\$/boe)	16.01		16.71		14.49		9.39
Realized gain on derivatives (\$/boe)	0.31		0.57		1.23		1.88
General & administrative expense	(1.50)	)	(1.05)	)	(0.27)	)	(1.09)
Cash finance expense	(1.96)	)	(2.07)	)	(1.54)	)	(1.99)
Decommissioning expenditures	(0.23)	)	(0.19)	)	(0.62)	)	(0.23)
Corporate netback <sup>(1)</sup> (\$/boe)	12.63		13.97		13.29		7.96

FINANCIAL (000s except per share)	Three months ended Mar. 31, 2018	Three months ended Mar. 31, 2017	Three months ended Dec. 31, 2017	Three months Sept. 30, 2017
Oil and natural gas revenue	25,301	22,274	23,243	18,299
Net income (loss)	(5,684)	) 7,311	(67,095)	) (50,696)
Net income (loss) per share				
Basic	(0.11)	) 0.16	(1.36)	) (1.03)
Fully diluted	(0.11)	) 0.16	(1.36)	) (1.03)
Funds flow	12,105	11,732	13,084	7,727
Funds flow per share				
Basic	0.24	0.25	0.26	0.16
Fully diluted	0.24	0.25	0.26	0.16
Capital expenditures	6,056	18,907	21,885	13,055
Net acquisitions (dispositions)	(123)	) 8,818	789	(4,866)
Weighted average shares outstanding				
Basic	49,492	46,754	49,456	49,428
Fully diluted	49,492	46,989	49,456	49,428
As at period end				
Common shares outstanding				
Basic	49,492	49,428	49,492	49,428
Fully diluted	49,492	52,664	49,492	49,428
Total assets	343,161	460,095	353,445	409,078
Non-current liabilities	174,634	165,104	173,272	191,145
Net debt <sup>(1)</sup>	142,238	130,624	148,066	137,531

<sup>(1)</sup> Refer to "Non-GAAP Financial Measures".

## OPERATIONS UPDATE

### Production

Average first quarter production by area was as follows:

For the three months ended March 31, 2018	Ferrier	Foothills	Central Alberta	Total	
Natural gas (mcf/d)	31,835	6,793	6,915	45,543	
Oil (bbl/d)	942	173	415	1,530	
NGLs (bbl/d)	1,282	21	172	1,475	
Total (boe/d)	7,530	1,326	1,740	10,596	
<i>Natural gas sales weighting</i>	70	% 85	% 66	% 72	%

First quarter average production was 10,596 boe/d (72% natural gas) in 2018 compared to 9,331 boe/d (72% natural gas) in the first quarter of 2017. The 14% increase is attributable to the Company's drilling program in its core operating area, Ferrier, where production has grown 126% since the third quarter of 2016.

#### *Capital Development (1)*

As a result of Petrus' strategic focus on its Ferrier production growth, the Company set a 2017 capital budget of \$50 to \$60 million, which was subsequently increased by \$10 million to participate in additional capital opportunities identified. Petrus achieved year over year annual average production growth of 24% from 2016 to 2017. In response to the current commodity price outlook for natural gas, the Company has shifted its focus for 2018 to prioritize its light oil drilling opportunities and to moderate the Company's growth by setting a reduced capital budget for 2018 of \$25 to \$30 million in order to direct excess funds flow towards debt repayment. Petrus estimates debt repayment between \$10 and \$15 million in 2018, based on a current forecast for commodity futures pricing, anticipated service costs and current activity levels.<sup>(1)</sup>

Assuming capital investment of \$25 million and a current forecast for commodity futures pricing, Petrus estimates the 2018 capital program will increase production year over year by approximately 2% to an average annual 2018 production of approximately 10,350 boe/d. The 2018 capital is expected to be directed primarily to the development of the Company's Ferrier Cardium asset which is comprised of light oil and liquids rich natural gas opportunities. The program is expected to include the drilling of nine gross (4.4 net) Cardium wells with a focus on light oil drilling locations. The 2018 capital program is expected to be funded through funds flow and available capacity from the Company's existing credit facilities.<sup>(1)</sup>

During the first quarter of 2018 Petrus drilled one (0.5 net) Cardium liquids rich natural gas well in the Ferrier area. Capital was also directed toward the completion and tie-in activities related to two (0.4 net) Cardium oil wells drilled late in the fourth quarter of 2017. The three (0.9 net) wells were all brought on production during the first quarter of 2018.

Subsequent to the end of the first quarter, Petrus participated in an additional light oil well (0.2 net) in the Ferrier area. The well is expected to be brought on production later in the second quarter.<sup>(1)</sup> Petrus' 2018 drilling program will continue after breakup and Petrus plans to target Cardium light oil for the remainder of the year.

<sup>(1)</sup> Refer to "Advisories - Forward-Looking Statements".

#### ANNUAL MEETING

The Company's Annual Meeting will be held at the Jamieson Place Conference Centre (3rd floor) 308, 4th Ave SW Calgary, Alberta, on Tuesday May 8, 2018 at 2:00 p.m. (Calgary time). The Information Circular, Annual Information Form, 2017 Annual Report and the First Quarter 2018 Report are available on the SEDAR filing system ([www.sedar.com](http://www.sedar.com)) as well as on the Company's website ([www.petrusresources.com](http://www.petrusresources.com)).

An updated corporate presentation can be found on the Company's website at [www.petrusresources.com](http://www.petrusresources.com).

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#### NON-GAAP FINANCIAL MEASURES

This press release makes reference to the terms "operating netback", "corporate netback," "net debt" and "net debt to funds flow." These indicators 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. Management uses these terms for the reasons set forth below.

#### *Operating Netback*

Operating netback is a common non-GAAP financial measure used in the oil and gas industry which is a useful supplemental measure to evaluate the specific operating performance by product at the oil and gas lease level. The most directly comparable GAAP measure to operating netback is funds flow. Operating netback is calculated as oil and natural gas revenue less royalties, operating and transportation expenses. It is presented on an absolute value and per unit basis.

#### *Corporate Netback*

Corporate netback is also a common non-GAAP financial measure used in the oil and gas industry which evaluates the Company's profitability at the corporate level. Management believes corporate netback provides information to assist a reader in understanding the Company's profitability relative to current commodity prices. It is calculated as the operating netback less general and administrative expense, finance expense, decommissioning expenditures, plus the net realized gain (loss) on financial derivatives. It is presented on an absolute value and per unit basis. The most directly comparable GAAP measure to corporate netback is funds flow.

#### *Net Debt*

Net debt is a non-GAAP financial measure and is calculated as current assets (excluding unrealized financial derivative assets) less current liabilities (excluding unrealized financial derivative liabilities) and long term debt. Petrus uses net debt as a key indicator of its leverage and strength of its balance sheet. There is no GAAP measure that is reasonably comparable to net debt.

#### *Net Debt to Funds Flow*

Net debt to funds flow is calculated as the period ending net debt divided by the trailing quarter funds flow (annualized).

### 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, 2017. 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 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. 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,

expectations regarding the timing for bringing new wells on production; the focus of and timing of capital expenditures; expected debt repayment amounts; 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; the availability of cash flows from operating activities; sources of funding for capital expenditures; the use of funds flow and available credit facilities to address working capital deficiency; 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; 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; Petrus' future operating and financial results; 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 press 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 press 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 press 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 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.

#### *Abbreviations*

*000's thousand dollars*

*\$/bbl dollars per barrel*

*\$/boe dollars per barrel of oil equivalent*

*\$/GJ dollars per gigajoule*

*\$/mcf dollars per thousand cubic feet*

*bbl barrel*

<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>

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