

Petrus Resources Announces Second Quarter 2018 Financial & Operating Results

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CALGARY, Aug. 09, 2018 - [Petrus Resources Ltd.](#) ("Petrus" or the "Company") is pleased to report financial and operating results for the second quarter of 2018. 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, 2018 are available on SEDAR (the System for Electronic Document Analysis and Retrieval) at www.sedar.com.

In response to the commodity price outlook for natural gas, the Company shifted its focus in the first half of 2018 to improving its financial position and directing excess funds flow towards debt repayment. During the first half of 2018, Petrus reduced its net debt by \$13.0 million or 9%. The Company's focus for the second half of 2018 is to prioritize light oil drilling opportunities in its core area, Ferrier, Alberta. The Company's 2018 capital program is scheduled to recommence in August and Petrus expects to drill an additional 7 (3.7 net) Cardium light oil wells during the second half of 2018. The program is expected to be funded through funds flow and the Company is targeting to end 2018 at its current level of net debt.

HIGHLIGHTS

- Petrus generated funds flow of \$8.4 million in the second quarter of 2018 which is 33% lower than the \$12.5 million generated in the second quarter of 2017. The decrease is primarily due to the 63% reduction in natural gas pricing (AECO 7A monthly index) in the comparable period. The impact of the lower gas price was partially offset by the Company's active hedging program. The quarterly average light oil price (Edm CAD\$) increased 31% from the prior year which further offset the impact of the reduced natural gas prices.
- The Company has strategically focused on debt repayment in 2018 and has reduced net debt⁽¹⁾ by \$13.0 million or 9% since December 31, 2017. As a result of the current commodity price environment, Petrus intends to direct its 2018 capital budget towards Cardium light oil development in Ferrier. Capital investment is expected to recommence in August⁽²⁾.
- Second quarter average production was 9,246 boe/d in 2018 compared to 10,240 boe/d for the same period in 2017. The 10% decrease is attributable to certain dry gas production in the Foothills area which was shut-in due to uneconomic gas prices.
- Total operating expenses for the second quarter were 17% lower at \$4.57 per boe in 2018 compared to \$5.53 per boe in 2017⁽³⁾. The Company continues to focus on lowering its operating costs, particularly in the Ferrier area, through facility ownership and control.
- Petrus utilizes financial derivative contracts to mitigate commodity price risk and provide stability and sustainability to the Company's economic returns, funds flow and capital development plan. The Company realized a net loss on financial derivatives in the second quarter of 2018 of \$0.6 million (\$0.74 per boe) which is made up of a \$3.2 million realized gain related to natural gas, offset by a \$3.8 million net loss related to light oil. The amounts are due to the significant decrease in the price of natural gas and significant increase in the price of light oil, respectively. The Company endeavors to hedge approximately 50 to 70% of its forecast production for the following year, and approximately 30 to 50% of its forecast production for the subsequent year. As a percentage of second quarter 2018 production, Petrus has derivative contracts in place for 63% and 74% of its natural gas and oil and natural gas liquids production, respectively, for the remainder of 2018.
- During the second quarter of 2018, Petrus participated in the drilling of one (0.2 net) Cardium light oil well in the Ferrier area. The completion activities for the well were deferred to July due to spring break-up. The well was brought on production early in the third quarter.

⁽¹⁾ Refer to "Non-GAAP Financial Measures".

⁽²⁾ Refer to "Advisories - Forward-Looking Statements".

⁽³⁾ Refer to "Advisories - BOE Presentation".

SELECTED FINANCIAL INFORMATION

OPERATIONS	Three months ended Jun. 30, 2018	Three months ended Jun. 30, 2017	Three months ended Mar. 31, 2018	Three months Dec. 31, 2017
Average Production				
Natural gas (mcf/d)	39,126	42,392	45,543	46,625
Oil (bbl/d)	1,484	2,015	1,530	1,854
NGLs (bbl/d)	1,241	1,160	1,475	1,086
Total (boe/d)	9,246	10,240	10,596	10,711
Total (boe)	841,316	931,821	953,598	985,388
Natural gas sales weighting	71	% 69	% 72	% 73
Realized Prices				
Natural gas (\$/mcf)	1.24	3.29	2.18	1.90
Oil (\$/bbl)	75.29	59.02	73.91	66.10
NGLs (\$/bbl)	41.53	30.32	46.50	38.00
Total realized price (\$/boe)	22.92	28.69	26.50	23.56
Royalty income	0.05	0.03	0.03	0.03
Royalty expense	(2.54)	) (4.62	) (4.90	) (3.04
Net oil and natural gas revenue (\$/boe)	20.43	24.10	21.63	20.55
Operating expense	(4.57)	) (5.53	) (4.36	) (4.81
Transportation expense	(1.17)	) (1.32	) (1.26	) (1.25
Operating netback ⁽¹⁾ (\$/boe)	14.69	17.25	16.01	14.49
Realized gain (loss) on derivatives	(0.74)	) 0.23	0.31	1.23
Other income	0.12	—	—	—
General & administrative expense	(1.63)	) (1.12	) (1.50	) (0.27
Cash finance expense	(2.49)	) (1.94	) (1.96	) (1.54
Decommissioning expenditures	—	(1.03	) (0.23	) (0.62
Corporate netback ⁽¹⁾ (\$/boe)	9.95	13.39	12.63	13.29
FINANCIAL (\$000s except per share)	Three months ended Jun. 30, 2018	Three months ended Jun. 30, 2017	Three months ended Mar. 31, 2018	Three months Dec. 31, 2017
Oil and natural gas revenue	19,321	26,753	25,301	23,243
Net loss	(10,615)	(781)	(5,684)	(67,095)
Net loss per share				
Basic	(0.21)	(0.02)	(0.11)	(1.36)
Fully diluted	(0.21)	(0.02)	(0.11)	(1.36)
Funds flow	8,364	12,458	12,105	13,084
Funds flow per share				
Basic	0.17	0.25	0.24	0.26
Fully diluted	0.17	0.25	0.24	0.26
Capital expenditures	1,745	18,903	6,056	21,885
Net acquisitions (dispositions)	(269)	—	(123)	789
Weighted average shares outstanding				
Basic	49,492	49,428	49,492	49,456
Fully diluted	49,492	49,428	49,492	49,456
As at period end				
Common shares outstanding (000s)				
Basic	49,492	49,428	49,492	49,492
Fully diluted	49,492	49,428	49,492	49,492
Total assets	330,359	465,794	343,161	353,445
Non-current liabilities	172,757	170,580	174,634	173,272
Net debt ⁽¹⁾	135,111	137,069	142,238	148,066

⁽¹⁾ Refer to "Non-GAAP Financial Measures".

OPERATIONS UPDATE

Production

Average second quarter production by area was as follows:

For the three months ended June 30, 2018	Ferrier Foothills Central Alberta Total
Natural gas (mcf/d)	28,734 3,225 7,167 39,126
Natural gas (boe/d)	8,839 1,561 3,181 13,581
Natural gas sales weighting	72% 71% 66% 71%

Second quarter average production was 9,246 boe/d (71% natural gas) in 2018 compared to 10,240 boe/d (69% natural gas) in the second quarter of 2017. The 10% decrease is attributable to certain production volume in the Foothills area being shut-in due to uneconomic natural gas pricing.

Capital Development

The Company achieved year over year annual average production growth of 24% from 2016 to 2017 as a result of Petrus' strategic focus on its Ferrier production growth. However, in response to the current commodity price outlook for natural gas, the Company shifted its 2018 focus to prioritize light oil drilling opportunities and to direct excess funds flow towards debt repayment. To date in 2018, Petrus has drilled or participated in 2 (0.7 net) Cardium light oil wells in Ferrier and has reduced net debt by \$13.0 million or 9%. The Company's 2018 capital program is scheduled to recommence in August and Petrus expects to drill an additional 7 (3.7 net) Cardium light oil wells during the second half of 2018.

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

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NON-GAAP FINANCIAL MEASURES

This press release makes reference to the terms "operating netback", "corporate netback", and "net debt". 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.

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 focus of and timing of capital expenditures; Petrus' drilling program; and drilling, development and completion plans and the results 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 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

bbl/d barrels per day

boe barrel of oil equivalent

boe/d barrel of oil equivalent per day

GJ gigajoule

GJ/d gigajoules per day

mcf thousand cubic feet

mcf/d thousand cubic feet per day

mmcf/d million cubic feet per day

NGLs natural gas liquids

WTI West Texas Intermediate

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