

Petrus Resources Announces Third Quarter 2018 Financial & Operating Results

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CALGARY, Nov. 08, 2018 - [Petrus Resources Ltd.](#) ("Petrus" or the "Company") is pleased to report financial and operating results for the third 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 September 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 set out in 2018 to improve its financial position and to increase its light oil weighting in order to increase funds flow per share. In the first half of 2018 the Company directed excess funds flow to debt repayment, targeting debt reduction of \$10 to \$15 million. In the first nine months of 2018, Petrus has reduced its net debt(1) by \$16.5 million or 11%. The second element of the Company's 2018 plan targeted to drill Cardium light oil wells in Ferrier with budgeted capital of \$25 to \$30 million. The Company's development program recommenced during the third quarter as planned and Petrus drilled 5 (2.9 net) wells during the second half of 2018. The Company expects the remaining capital program will be funded by funds flow and working capital and is targeting to end 2018 with net debt(1) no greater than \$135 million(2).

HIGHLIGHTS

- Petrus generated funds flow of \$7.7 million in the third quarter of 2018 which is consistent with the \$7.7 million generated in the third quarter of 2017. The quarterly average light oil price (Edm CAD\$) increased 40% from the prior year which offset the impact of 34% reduced natural gas prices (AECO 7A monthly index) from the prior year. Approximately 70% of the Company's third quarter light oil production was Canadian Condensate. The Canadian Condensate price differential to WTI (C\$) was \$4.76/bbl whereas the Edmonton Light differential to WTI (C\$) was \$15.15/bbl for the third quarter of 2018. During the quarter the Company optimized its natural gas production which resulted in an 18% increase from the prior year in its total liquids weighting which helped to further offset the impact of reduced natural gas pricing.
- The Company has strategically focused on debt repayment in 2018 and has reduced net debt(1) by \$16.5 million or 11% since December 31, 2017. As a result of the current commodity price environment, Petrus continues to focus on Cardium light oil development in Ferrier. Capital investment resumed in August and the Company drilled 5 (2.9 net) wells during the second half of 2018. The completion operations for these wells commenced in early November and the wells are expected to be on stream by year end(2).
- Third quarter average production was 8,338 boe/d in 2018 compared to 10,567 boe/d for the same period in 2017. The 21% decrease is due to certain dry gas production in the Foothills area which was shut-in due to uneconomic gas prices. The production decrease is also attributable to natural production declines. Petrus strategically deferred its capital development until the second half of 2018 in order to permit debt repayment early in the year.
- Total operating expenses for the third quarter were 9% lower at \$4.95 per boe in 2018 compared to \$5.42 per boe in 2017 (3). The Company continues to focus on optimizing its cost structure, particularly in the Ferrier area, through facility ownership and control.
- The 2018 semi-annual review of the Company's Revolving Credit Facility ("RCF") has been completed and the RCF syndicate of lenders maintained the Company's borrowing base at \$110 million. The Company's \$35 million second lien term loan ("Term Loan") also remains unchanged following the semi-annual RCF review. The Term Loan is due October 8, 2020 and bears interest at the Canadian Dealer Offered Rate (CDOR) plus 700 basis points.
- 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. During the third quarter, the Company recognized a \$2.4 million (\$3.18 per boe) realized gain related to natural gas, offset by a \$4.5 million (\$5.87 per boe) realized loss related to light oil. As a percentage of third quarter 2018 production, Petrus has derivative contracts in place for 71% at an average price of \$2.49/mcf and 62% at an average price of \$66.80/bbl of its natural gas and oil and natural gas liquids production, respectively, for the remainder of 2018.

(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 Sept. 30, 2018	Three months ended Sept. 30, 2017	Three months ended Jun. 30, 2018	Three months Mar. 31, 2018
Average Production				
Natural gas (mcf/d)	33,461	45,550	39,126	45,543
Oil (bbl/d)	1,243	1,877	1,484	1,530
NGLs (bbl/d)	1,519	1,098	1,241	1,475
Total (boe/d)	8,338	10,567	9,246	10,596
Total (boe)	767,095	972,140	841,316	953,598
Natural gas sales weighting	67	% 72	% 71	% 72
Realized Prices				
Natural gas (\$/mcf)	1.50	1.66	1.24	2.18
Oil (\$/bbl)	77.24	51.23	75.29	73.91
NGLs (\$/bbl)	45.27	24.79	41.53	46.50
Total realized price (\$/boe)	25.79	18.82	22.92	26.50
Royalty income	0.32	0.01	0.05	0.03
Royalty expense	(3.12)	) (2.73)	) (2.54)	) (4.90)
Net oil and natural gas revenue (\$/boe)	22.99	16.10	20.43	21.63
Operating expense	(4.95)	) (5.42)	) (4.57)	) (4.36)
Transportation expense	(0.98)	) (1.29)	) (1.17)	) (1.26)
Operating netback (1) (\$/boe)	17.06	9.39	14.69	16.01
Realized gain (loss) on derivatives	(2.69)	) 1.88	) (0.74)	) 0.31
Other income	0.08	—	0.12	—
General & administrative expense	(1.72)	) (1.09)	) (1.63)	) (1.50)
Cash finance expense	(2.53)	) (1.99)	) (2.49)	) (1.96)
Decommissioning expenditures	(0.20)	) (0.23)) —) (0.23)
Corporate netback (1) (\$/boe)	10.00	7.96	9.95	12.63

FINANCIAL (\$000s except per share)	Three months ended Sept. 30, 2018	Three months ended Sept. 30, 2017	Three months ended Jun. 30, 2018	Three months Mar. 31, 2018
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Oil and natural gas revenue	20,030 (8,048)	18,299 (50,696)	19,321 (10,615)	25,301 (5,684)
Net loss				
Net loss per share				
Basic	(0.16)	(1.03)	(0.21)	(0.11)
Fully diluted	(0.16)	(1.03)	(0.21)	(0.11)
Funds flow	7,685	7,727	8,364	12,105
Funds flow per share				
Basic				
Fully diluted	0.16	0.16	0.17	0.24
Capital expenditures	0.16	0.16	0.17	0.24
Net acquisitions (dispositions)	3,637	13,055	1,745	6,056
Weighted average shares outstanding	(50)	(4,866)	(269)	(123)
Basic				
Fully diluted	49,492	49,428	49,492	49,492
	49,492	49,428	49,492	49,492
As at period end				
Common shares outstanding (000s)				
Basic				
Fully diluted	49,492	49,428	49,492	49,492
	49,492	49,428	49,492	49,492
Total assets	322,335	409,078	330,359	343,161
Non-current liabilities	170,908	191,145	172,757	174,634
Net debt (1)	131,603	137,531	135,111	142,238

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

OPERATIONS UPDATE

Production

Third quarter average production by area was as follows:

For the three months ended September 30, 2018	Ferrier	Foothills	Central Alberta	Total
Natural gas (mcf/d)	24,458	2,462	6,542	33,462
Oil (bbl/d)	674	164	405	1,243
NGLs (bbl/d)	1,322	8	189	1,518
Total (boe/d)	6,072	582	1,684	8,338
<i>Natural gas sales weighting</i>	67	% 71	% 65	% 67

Third quarter average production was 8,338 boe/d (67% natural gas) in 2018 compared to 10,567 boe/d (72% natural gas) in the third quarter of 2017. The 21% decrease is due to certain dry gas production in the Foothills area which was shut-in due to uneconomic gas prices. The production decrease is also attributable to natural production declines. Petrus strategically deferred its capital development until the second half of 2018 in order to permit debt repayment early in the year.

Capital Development(1)

In response to the commodity price outlook for natural gas, the Company set out in 2018 to improve its financial position and direct excess funds flow to debt repayment, targeting debt reduction of \$10 to \$15 million. In the first nine months of 2018, Petrus reduced its net debt by \$16.5 million or 11%. The second element of the Company's 2018 plan targeted to drill Cardium light oil wells in Ferrier with budgeted capital of \$25 to \$30 million. The Company's development program recommenced during the third quarter as planned and total capital invested in the first nine months of 2018 has been \$11.5 million. Petrus drilled 5 (2.9 net)

wells during the second half of 2018 for a total of 7 (3.6 net) drilled or participated in to date in 2018. The completion operations for the 5 recent wells commenced in early November and the wells are expected to be on stream by year end(2). The Company expects that the remaining capital program will be funded by funds flow and working capital.

Production Optimization

During the third quarter, Petrus initiated additional deep cut processing of certain natural gas production in order to increase its natural gas liquids yield. In the current commodity price environment, the increased NGL yield optimizes the netback. Petrus' total liquids production increased from 29% in the second quarter of 2018 to 33% in the third quarter of 2018 despite no new oil production brought on stream.

CREDIT FACILITY UPDATE

The 2018 semi-annual review of the Company's Revolving Credit Facility ("RCF") has been completed and the RCF syndicate of lenders maintained the Company's borrowing base at \$110 million. The Company's \$35 million second lien term loan ("Term Loan") also remains unchanged following the semi-annual RCF review. The Term Loan is due October 8, 2020 and bears interest at the Canadian Dealer Offered Rate (CDOR) plus 700 basis points. The average Term Loan interest rate for the third quarter of 2018 was 8.8%.

BOARD OF DIRECTORS

Mr. Brian Minnehan and Mr. Jeffrey Zlotky, both nominees of Wingren B.V., have resigned as directors of Petrus. The Board of Directors, management and staff of Petrus would like to thank Messrs. Minnehan and Zlotky for their leadership, hard work, commitment, and service to Petrus and its Board of Directors.

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 the timing for bringing wells on stream; expected year end 2018 net debt; 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 funds flow; 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's future operations and such information may not be appropriate for other purposes. Petrus's 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

<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>

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