

Petrus Resources Announces Third Quarter 2019 Financial & Operating Results

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CALGARY, Nov. 13, 2019 - [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, 2019. Petrus is focused on generating free funds flow for debt repayment and further development of its Ferrier Cardium asset to increase light oil and total liquids weighting. The Company's Management's Discussion and Analysis ("MD&A") and interim consolidated financial statements dated as at and for the period ended September, 2019 are available on SEDAR (the System for Electronic Document Analysis and Retrieval) at www.sedar.com.

Throughout the third quarter of 2019, Petrus continued to execute its business plan. In the first nine months of 2019 we have generated funds flow of \$24.4 million (\$0.49 per share) with net capital expenditures of \$13.1 million. This resulted in net debt⁽¹⁾ reduction of \$10.7 million (8%) to date in 2019. During the third quarter of 2019, Petrus generated funds flow of \$4.4 million; \$2.1 million of which was directed to net debt reduction. Third quarter development activity was postponed to prioritize debt repayment and the Company has not brought on new production since the first quarter of 2019. The Company's drilling activity resumed late in the third quarter of 2019 with 4 gross (1.6 net) Cardium light oil wells drilled. The completion, tie-in and production attributed to these wells commenced early in the fourth quarter. Estimated production from the first 3 (1.2 net) wells over the first few weeks, net to Petrus, was approximately 800 bbl/d of light oil and approximately 1,000 mcf/d of natural gas.

The average benchmark natural gas price in Canada (AECO 5A monthly index) was \$0.91/mcf in the third quarter of 2019. This was the lowest quarterly average benchmark natural gas price since the Company's inception in 2011. In late September, TC Energy announced implementation of a revised operating protocol for balancing the NGTL pipeline during periods of planned system maintenance. This Temporary Service Protocol ("TSP") came into effect September 30, 2019 and applies to April to October maintenance periods. Following the announcement, AECO prices increased to average over \$2.60/mcf for the second half of October, with the average monthly price settling at \$2.21/mcf. Forward AECO strip pricing for calendar 2020 has been improving and is currently approximately \$2.00/mcf. Petrus anticipates the impacts of the TSP, continued expansion of the NGTL system in 2020 and 2021 and low Alberta natural gas storage levels will all aid in reducing price volatility and improving support for Canadian natural gas.⁽²⁾

Natural gas liquids ("NGLs") have also been subject to pricing pressure in 2019. Spot market pricing for propane and butane was approximately 35% lower than the prior year for the first nine months of 2019. Petrus' ownership and control of critical processing facilities enables the Company to respond and continually optimize its production revenue streams. To improve operating netback, during the third quarter, Petrus ceased sending certain natural gas for additional third party deep-cut processing to extract additional NGLs. This resulted in lower NGL production volume, however, the heating value of natural gas sales increased and processing fees decreased. Petrus continues to monitor NGL market pricing and is able to modify its operations accordingly.

Highlights for the first nine months and third quarter of 2019

- Free funds flow - Generated funds flow of \$24.4 million (\$0.49 per share) for the first nine months of 2019 with net capital expenditures of \$13.1 million, resulting in net debt⁽¹⁾ reduction of \$10.7 million. During the third quarter of 2019, Petrus generated funds flow of \$4.4 million; \$2.1 million of which was directed to net debt⁽¹⁾ reduction.
- Increased light oil weighting - Delivered total light oil production of 1,544 boe/d for the first nine months of 2019 (increased its light oil weighting 23% from the beginning of 2018) with third quarter 2019 light oil production of 1,247 boe/d.

- Low operating costs - Operating expense for the nine months ended September 30, 2019 was \$4.17/boe and for the third quarter was \$4.44/boe. The Company continues to focus on optimizing its cost structure, particularly in the Ferrier area, through facility ownership and control.
- Reconfirmed credit facility - Subsequent to September 30, 2019, Petrus completed its semi-annual credit facility review where its \$100 million facility was reconfirmed. Lender consent is still required for borrowings above \$95 million.
- Commodity price risk mitigation - Petrus utilizes financial derivative contracts to mitigate commodity price risk and provide stability and sustainability. As a percentage of third quarter 2019 production, we have derivative contracts in place for 50%, at an average price of \$1.85/mcf and 63% at an average price of \$70.45 (C\$/bbl) of natural gas and oil and natural gas liquids production, respectively, for the balance of 2019.

Fourth Quarter Outlook

In the fourth quarter we plan to continue the execution of our 2019 business plan and estimate capital investment of approximately \$5.5 million and further net debt⁽¹⁾ reduction of \$2 to \$4 million.

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

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

⁽³⁾Refer to "Oil and Gas Disclosures".

SELECTED FINANCIAL INFORMATION

OPERATIONS	Three months ended Sept. 30, 2019	Three months ended Sept. 30, 2018	Three months ended Jun. 30, 2019	Three months ended Mar. 31, 2019
Average Production				
Natural gas (mcf/d)	30,998	33,461	32,350	32,145
Oil (bbl/d)	1,247	1,243	1,679	1,704
NGLs (bbl/d)	1,372	1,519	1,576	1,444
Total (boe/d)	7,785	8,338	8,647	8,505
Total (boe)	716,220	767,095	786,819	765,488
Light oil weighting	16 %	15 %	19 %	20 %
Realized Prices				
Natural gas (\$/mcf)	1.12	1.50	1.30	2.44
Oil (\$/bbl)	65.64	77.24	70.96	55.10
NGLs (\$/bbl)	11.49	45.27	19.91	36.02
Total realized price (\$/boe)	16.99	25.79	22.29	26.36
Royalty income	0.48	0.32	0.15	0.06
Royalty expense	(1.65)	(3.12)	(1.72)	(3.08)
Net oil and natural gas revenue (\$/boe)	15.82	22.99	20.72	23.34
Operating expense	(4.44)	(4.95)	(4.33)	(3.76)
Transportation expense	(1.25)	(0.98)	(1.22)	(1.27)
Operating netback ⁽¹⁾ (\$/boe)	10.13	17.06	15.17	18.31
Realized gain (loss) on derivatives (\$/boe)	0.50	(2.69)	(1.02)	0.67
Other income	0.03	0.08	0.10	—
General & administrative expense	(1.08)	(1.72)	(0.67)	(1.15)
Cash finance expense	(3.11)	(2.53)	(2.70)	(2.54)
Decommissioning expenditures	(0.29)	(0.20)	(0.24)	(0.18)
Funds flow & corporate netback ⁽¹⁾⁽²⁾ (\$/boe)	6.18	10.00	10.64	15.11
FINANCIAL (000s except \$ per share)	Three months ended Sept. 30, 2019	Three months ended Sept. 30, 2018	Three months ended Jun. 30, 2019	Three months ended Mar. 31, 2019

Oil and natural gas revenue	12,517		20,030		17,652	20,231
Net income (loss)	(29,569)	(8,048)	2,863	(12,138
Net income (loss) per share						
Basic	(0.60)	(0.16)	0.06	(0.25
Fully diluted	(0.60)	(0.16)	0.06	(0.25
Funds flow	4,427		7,685		8,366	11,573
Funds flow per share						
Basic	0.09		0.16		0.17	0.23
Fully diluted	0.09		0.16		0.17	0.23
Capital expenditures	2,734		3,637		2,505	8,483
Net dispositions	651		50		—	—
Weighted average shares outstanding						
Basic	49,469		49,492		49,469	49,483
Fully diluted	49,469		49,492		49,469	49,483
As at period end						
Common shares outstanding						
Basic	49,469		49,492		49,469	49,469
Fully diluted	49,469		49,492		49,469	49,469
Total assets	296,367		322,335		328,912	336,974
Non-current liabilities	82,650		170,908		81,249	176,093
Net debt ⁽¹⁾	128,553		131,603		130,619	136,382

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

⁽²⁾Corporate netback is equal to funds flow which is a directly comparable GAAP measure. Petrus analyzes these measures on an absolute value and per unit basis.

CREDIT FACILITY UPDATE

Subsequent to September 30, 2019 Petrus completed its semi-annual credit facility review where the \$100 million facility was reconfirmed. Lender consent is still required for borrowings above \$95 million.

The Company's revolving credit facility's ("RCF") maturity date is May 31, 2020 which was set prior to the Company's term loan maturity of October 8, 2020 ("Term Loan"), due to the inter-creditor relationship between the RCF and the Term Loan. The Company requires an extension or refinancing of its Term Loan before the syndicate of lenders will contemplate an extension to the RCF. The borrowings under the RCF are classified as a current liability in the September 30, 2019 interim consolidated financial statements which has no impact on the debt covenants and the Company remains, and expects to continue to be, in compliance with each of its covenants. Management is actively engaged with the RCF syndicate of lenders and the Term Loan lender and we believe that the RCF and Term Loan will each be extended prior to May 31, 2020. The Company continues its efforts to divest certain non-core assets to improve its balance sheet.

During the third quarter the Company determined there were indicators of impairment of its non-core assets through information obtained through the divestiture process to date. Petrus recognized an impairment loss of \$24.7 million for the three and nine months ended September 30, 2019.

OPERATIONS UPDATE

Production

Third quarter average production by area was as follows:

For the three months ended September 30, 2019	Ferrier	Foothills	Central Alberta	Total
Natural gas (mcf/d)	23,488	1,513	5,997	30,998
Oil (bbl/d)	729	133	385	1,247

NGLs (bbl/d)	1,200	6	166	1,372
Total (boe/d)	5,844	391	1,550	7,785

Third quarter average production was 7,785 boe/d in 2019 compared to 8,647 boe/d in the second quarter of 2019. Third quarter development activity was postponed to prioritize debt repayment and the Company has not brought on new production since the first quarter of 2019. The Company's drilling activity resumed late in the third quarter of 2019 with 4 gross (1.6 net) Cardium light oil wells drilled. The completion, tie-in and production attributed to these wells commenced early in the fourth quarter. Estimated production from the first 3 (1.2 net) wells over the first few weeks, net to Petrus, was approximately 800 bbl/d of light oil and approximately 1,000 mcf/d of natural gas. The Company's development plan is strategically balanced between increasing its Cardium light oil weighting in the Ferrier area and continuing to improve its balance sheet. To date in 2019, Petrus drilled 7 gross (3.1 net) Cardium light oil wells, increased its light oil weighting 23% from the beginning of 2018 and reduced net debt \$10.7 million or 8% since December 31, 2018.

The average benchmark natural gas price in Canada (AECO 5A monthly index) was \$0.91/mcf in the third quarter of 2019. This was the lowest quarterly average benchmark natural gas price since the Company's inception in 2011. In late September, TC Energy announced implementation of a revised operating protocol for balancing the NGTL pipeline during periods of planned system maintenance. This Temporary Service Protocol ("TSP") came into effect September 30, 2019 and applies to April to October maintenance periods. Following the announcement, AECO prices increased to average over \$2.60/mcf for the second half of October, with the average monthly price settling at \$2.21/mcf. Forward AECO strip pricing for calendar 2020 has been improving and is currently approximately \$2.00/mcf. Petrus anticipates the impacts of the TSP, continued expansion of the NGTL system in 2020 and 2021 and low Alberta natural gas storage levels will all aid in reducing price volatility and improving support for Canadian natural gas.

Natural gas liquids ("NGLs") have also been subject to pricing pressure in 2019. Spot market pricing for propane and butane was approximately 35% lower than the prior year for the first nine months of 2019. Petrus' ownership and control of critical processing facilities enables the Company to respond and continually optimize its production revenue streams. To improve operating netback, during the third quarter, Petrus ceased sending certain natural gas for additional third party deep-cut processing to extract additional NGLs. This resulted in lower NGL production volume, however the heating value of natural gas sales increased and processing fees decreased. Petrus continues to monitor NGL market pricing and is able to modify its operations accordingly.

Petrus' Board of Directors has approved a fourth quarter 2019 capital budget of \$5.5 million, based on a current forecast for commodity futures pricing, anticipated service costs and current activity levels. The fourth quarter budget is expected to include the drilling and completion activities for 3 gross (0.1 net) Cardium light oil wells as well as the completion and tie-in activities for the 1.6 net wells drilled in the third quarter. Excess cash flow of \$2 to \$3 million will be directed toward debt repayment.

Petrus estimates the 2019 capital plan will maintain production year over year, increase its light oil and liquids weighting, and reduce debt. Approximately 90% of the capital plan will be directed to development of Cardium light oil wells in the Ferrier area of Alberta, which we estimate will have payouts of less than one year and achieve the objective of increasing the Company's light oil weighting and funds flow.

Petrus believes that it is unique in the junior E&P company space, as few gas-weighted companies are able to repay debt and grow production and cash flow all within cash from operations. Over the past four years, Petrus has dramatically improved its business in order to increase its sustainability as well as mitigate commodity price risk. Operating costs have been reduced by 50% since 2015 and Petrus' total cash costs of \$9.85/boe are consistently one of the lowest amongst its peers. The Company intends to continue its disciplined focus on balance sheet improvement and capital deployment in 2020. The capital plan targets modest cash flow and production growth while directing in excess of \$10 million toward debt reduction in 2020.

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

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

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. Please see the Company's September 30, 2019 MD&A for a reconciliation of such measures to the most directly comparable GAAP (IFRS) measures.

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 at the oil and natural 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.

Funds Flow and Corporate Netback

Corporate netback 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 is equal to funds flow which is a directly comparable GAAP measure. Petrus analyzes these measures on an absolute value and per unit basis. 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. It is calculated, in the following table, as the operating netback less general and administrative expense, finance expense, decommissioning expenditures, plus other income and the net realized gain (loss) on financial derivatives.

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, right-of-use lease obligations, and deferred share unit 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, 2018. 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, statements with respect to: the anticipated impacts of TSP; continued expansion of the NGTL system and low Alberta natural gas storage levels; Petrus' ability to modify its operations; Petrus' business plan and expected debt repayment in the fourth quarter of 2019 and the anticipated results thereof; Petrus' expected drilling and operations activities in the fourth quarter of 2019; the results of Petrus' 2019 capital plan and the targets thereof; Petrus' 2020 capital plan and the expected results thereof; expectations regarding the

adequacy of Petrus' liquidity and the funding of its financial liabilities; Petrus' ability to extend the RCF and Term Loan and the timing thereof; the impact of the current economic environment on Petrus; the performance characteristics of the Company's crude oil, NGL and natural gas properties; future prospects; the focus of and timing of capital expenditures; access to debt and equity markets; 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 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.

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Petrus' prospective results of operations including, without limitation, its ability to repay debt, 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.

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
mboe	barrel of oil equivalent
mmboe	thousand barrel of oil equivalent
boe/d	million 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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