Petrus Resources Announces Disposition of Non-Core Assets and Operations Update

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CALGARY, Dec. 09, 2019 - Petrus Resources Ltd. ("Petrus" or the "Company") (TSX: PRQ) is pleased to announce that it has entered into an agreement for the sale of its oil and natural gas interests in the Foothills area of Alberta to an arm's length private company for total consideration of $1.8 million, subject to customary closing conditions and adjustments (the “Disposition”). The Disposition has an effective date of November 1, 2019 and is expected to close in the first quarter of 2020.

NON-CORE ASSET DISPOSITION

In the third quarter of 2019, production in the Company’s Foothills area averaged approximately 390 boe/d (64% natural gas), which comprised 5% of Petrus’ total production. The Foothills assets include facility interests and 35,127 net acres of undeveloped land. The Disposition is expected to reduce the Company's indebtedness, operating expenses and future abandonment liabilities. It is expected to reduce Petrus’ undiscounted, uninflated decommissioning obligation by $7.5 million or 18%. Following transfer of the non-core assets, Petrus’ liability management ratio (LMR) is expected to improve from 4.6 to approximately 5.2. Excluding the Foothills area assets, Petrus’ third quarter 2019 operating expenses would have been $3.39/boe.

The Company's total net debt at December 31, 2019 is expected to be approximately $124 million, down from $139.2 million and $226.7 million at the end of 2018 and 2015, respectively. The cash proceeds from the Disposition will be used to reduce the borrowings under the Company's revolving credit facility.

OPERATIONS UPDATE

The previously announced drilling activity of 4 gross (1.6 net) Cardium light oil wells in the Company’s core area of Ferrier, Alberta are now on production. The first 3 gross (1.2 net) wells have been producing for approximately 3 months and over the initial 30 days, their average production was approximately 3,100 boe/d (1,200 boe/d net to Petrus) (85% liquids). Cumulative gross light oil production from the 4 gross wells has been approximately 175 mbbl, and the Company expects that two of these wells will have reached economic payout by mid‑December (3.5 months). The Company expects to resume drilling activity in the first quarter of 2020.

Petrus announces that Mr. Brett Booth, Mr. Marcus Schlegel and Mr. Ross Keilly have resigned from their management positions. The Company thanks them for their service and wishes them the best in their future endeavours. The Board of Directors is confident that the Company has sufficient organizational capabilities to achieve the Company’s current business objectives. Petrus 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.

ABOUT PETRUS

Petrus is a public Canadian oil and gas company focused on property exploitation, strategic acquisitions and risk-managed exploration in Alberta.

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ADVISORIES

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. In particular, forward-looking statements in this press release include, but are not limited to, statements with respect to the use of proceeds of the Disposition, expected debt reduction, impact of the Disposition on the Company's indebtedness, future abandonment liabilities, decommissioning obligation, operating expenses and LMR and 2020 capital plan. 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.

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Petrus' expected total net debt at December 31, 2019, which is 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' expected 2019 year end net debt and such information may not be appropriate for other purposes. Petrus disclaims any intention or obligation to update or revise any FOFI statements, whether as a result of new information, future events or otherwise, except as required by law.

These forward-looking statements are subject to certain risks and uncertainties, some 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; any future asset dispositions; and other risks described in Petrus’ annual information form for the year ended December 31, 2018. With respect to forward-looking statements contained in this press release, Petrus has made certain assumptions, including in relation to future borrowing base reviews and Petrus' acquisition and divestiture program. 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.

Advisory Regarding Oil and Gas Information
Where applicable, oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

References herein to average 30-day initial production rates and other short-term production rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long term performance or of ultimate recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating aggregate production for us or the assets for which such rates are provided.

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