

Petrus Resources Announces First Quarter 2020 Financial & Operating Results

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CALGARY, May 05, 2020 - [Petrus Resources Ltd.](#) (Petrus; or the Company) (TSX: PRQ) is pleased to report financial and operating results as at and for the three months ended March 31, 2020. Petrus is focused on generating free cash flow for debt repayment and further development of its Ferrier Cardium asset.

The severe impact of the oil demand destruction caused by the COVID-19 pandemic combined with excess oil supplies, has led to extreme volatility in global oil markets, including the first ever negative West Texas Intermediate ("WTI") oil pricing, as storage levels approach capacity. Over the past four years, Petrus has made significant efforts to reduce debt levels, decrease costs through ownership of key infrastructure and balance the production base between natural gas and light oil and liquids. These measures, combined with a consistent commodity price risk mitigation program, allow the Company to manage the current volatile commodity price environment. To prioritize the protection of its balance sheet, Petrus continues a flexible approach to planned capital expenditures. Petrus' Board of Directors approved a second quarter 2020 capital budget of \$0.5 million, which allows for non-discretionary maintenance capital only. No drilling activity is currently planned for the second or third quarters of 2020, as the Company focuses on debt repayment and balance sheet preservation at a time of extreme volatility in commodity prices⁽²⁾.

While oil prices have recently experienced all-time lows, natural gas futures pricing has been relatively constructive and many analysts believe the outlook is improving due to lower volumes of associated gas from shut-in oil wells alongside reduced drilling activity. Petrus received an average price of \$2.40/mcf in the first quarter of 2020⁽²⁾. Since late January 2020, AECO natural gas futures contracts for the balance of 2020 increased by approximately 35%. As part of the Company's ongoing risk mitigation strategy, Petrus continues to enter into additional financial derivatives contracts on a portion of forecast production volumes through to 2022⁽²⁾.

During the first quarter of 2020, Petrus executed an operated capital program with the drilling and completion of two gross wells (2.0 net) in its core area of Ferrier. Both wells are tied in, though one is currently shut in to best manage value considering the current pricing environment; the second well is on production at a significantly reduced rate. Since the completion operations of the two wells took place near the end of the first quarter, the two wells only contributed approximately 185 boe/d to the average quarterly production. Before being restricted, the wells combined produced approximately 1,500 boe/d, including approximately 900 bbl/d of light oil during the week ended March 20, 2020⁽²⁾.

Reduction of debt remains the Company's top priority. Since December 31, 2015 Petrus has repaid 45% or \$101 million of its net debt⁽¹⁾. This includes a \$55 million reduction of the Company's second lien term loan ("Term Loan"), which was \$90 million in 2014 and currently has \$35 million outstanding. The Company's revolving credit facility ("RCF") and Term Loan are due in 2020 and therefore, were reclassified to current liabilities in the December 31, 2019 consolidated financial statements. The RCF maturity date is May 31, 2020, which was set prior to the Term Loan maturity of October 8, 2020 due to the inter-creditor relationship between the RCF and the Term Loan. The Company requires an extension of the Term Loan before its syndicate of lenders will contemplate an extension to the RCF. Management is currently in discussion with the RCF lending syndicate and Term Loan lender and continues to focus on its disciplined debt reduction strategy.

HIGHLIGHTS:

- Funds flow - Generated funds flow⁽¹⁾ of \$6.6 million (\$0.13 per share) for the first three months of 2020 with net capital expenditures of \$8.7 million.

- Low operating costs - Operating expense for the three months ended March 31, 2020 was \$4.55/boe. The Company continues to focus on optimizing its cost structure, particularly in the Ferrier area, through facility ownership and control.
- Credit facility - The Company continues discussions on an extension with the syndicate of lenders in the RCF and the lender of the Term Loan.
- Commodity price risk mitigation - Petrus utilizes financial derivative contracts to mitigate commodity price risk and provide stability and sustainability. Petrus achieved a gain of \$1.76/boe in the first quarter as a result of these contracts. For the balance of 2020, as a percentage of first quarter 2020 oil production, the Company has hedges in place for 84% of net oil volume at an average price of \$76 CAD/bbl.

2020 Outlook

Petrus intends to determine and provide guidance around its quarterly capital spending as the year progresses. The Company anticipates that the 2020 capital plan will be funded by funds flow, and will continue to systematically reduce debt with excess cash flow. For the balance of the year, the Company continues to target debt repayment of approximately \$2 million per quarter⁽²⁾. Despite the recent fall in oil pricing, the Company forecasts it will continue to have positive corporate netback⁽¹⁾ due to its low cost structure, higher natural gas weighting and strong hedging position. Petrus continues its discussions with its lenders in order to extend the upcoming 2020 debt maturity dates. The Company will pursue programs recently announced by the Federal and Provincial Governments to support Canadian businesses, and the oil and gas industry specifically, through the COVID-19 pandemic⁽²⁾.

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

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

SELECTED FINANCIAL INFORMATION

OPERATIONS	Three months ended Mar. 31, 2020	Three months ended Mar. 31, 2019	Three months ended Dec. 31, 2019	Three months ended Sept. 30, 2019	Three months ended Jun. 30, 2019
Average Production					
Natural gas (mcf/d)	30,604	32,145	32,641	30,998	32,145
Oil (bbl/d)	1,134	1,704	1,834	1,247	1,634
NGLs (bbl/d)	1,088	1,444	1,018	1,372	1,532
Total (boe/d)	7,323	8,505	8,292	7,785	8,661
Total (boe)	666,361	765,488	762,874	716,220	780,361
Light oil weighting	15	% 20	% 22	% 16	% 19
Realized Prices					
Natural gas (\$/mcf)	2.40	2.44	2.65	1.12	1.32
Oil (\$/bbl)	50.02	55.10	65.16	65.64	70.00
NGLs (\$/bbl)	23.19	36.02	20.62	11.49	19.00
Total realized price (\$/boe)	21.23	26.36	27.39	16.99	22.00
Royalty income	0.30	0.06	0.13	0.48	0.10
Royalty expense	(2.85	) (3.08	) (2.91	) (1.65	) (1.10
Net oil and natural gas revenue (\$/boe)	18.68	23.34	24.61	15.82	20.80
Operating expense	(4.55	) (3.76	) (4.47	) (4.44	) (4.00
Transportation expense	(1.05	) (1.27	) (1.30	) (1.25	) (1.00
Operating netback ⁽¹⁾ (\$/boe)	13.08	18.31	18.84	10.13	15.80
Realized gain (loss) on derivatives (\$/boe)	1.76	0.67	(1.86	) 0.50	(1.00
Other income	0.07	—	—	0.03	0.10
General & administrative expense	(1.35	) (1.15	) (1.91	) (1.08	) (0.80
Cash finance expense	(3.13	) (2.54	) (2.54	) (3.11	) (2.50

Decommissioning expenditures	(0.56	)	(0.18	)	(0.41	)	(0.29	)	(0.10
Funds flow & corporate netback ⁽¹⁾⁽²⁾ (\$/boe)	9.87		15.11		12.12		6.18		10.00
FINANCIAL (000s except \$ per share)									
Oil and natural gas revenue	14,344		20,231		20,998		12,517		17,652
Net income (loss)	(87,444	)	(12,138	)	(3,332	)	(29,569	)	2,863
Net income (loss) per share									
Basic	(1.77	)	(0.25	)	(0.06	)	(0.60	)	0.06
Fully diluted	(1.77	)	(0.25	)	(0.06	)	(0.60	)	0.06
Funds flow	6,566		11,573		9,260		4,427		8,366
Funds flow per share									
Basic	0.13		0.23		0.19		0.09		0.17
Fully diluted	0.13		0.23		0.19		0.09		0.17
Capital expenditures	8,655		8,483		4,351		2,734		2,505
Net dispositions	—		—		—		651		—
Weighted average shares outstanding									
Basic	49,469		49,483		49,469		49,469		49,469
Fully diluted	49,469		49,483		49,469		49,469		49,469
As at year end									
Common shares outstanding									
Basic	49,469		49,469		49,469		49,469		49,469
Fully diluted	49,469		49,469		49,469		49,469		49,469
Total assets	193,679		336,974		289,225		296,367		328,912
Non-current liabilities	38,533		176,093		42,346		82,650		81,249
Net debt ⁽¹⁾	125,974		136,382		123,744		128,553		130,619

(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.

OPERATIONS UPDATE

First quarter average production by area was as follows:

For the three months ended March 31, 2020	Ferrier	Foothills	Central Alberta	Total
Natural gas (mcf/d)	23,631	1,412	5,561	30,604
Oil (bbl/d)	716	111	307	1,134
NGLs (bbl/d)	923	5	159	1,087
Total (boe/d)	5,579	352	1,392	7,323

First quarter average production was 7,323 boe/d in 2020 compared to 8,505 boe/d in 2019. The decrease in production can be attributed to natural declines due to lower capital activities in the second half of 2019 as the Company focused on debt reduction.

In the first quarter of 2020, the Company invested capital of \$8.7 million to fund the drilling of two operated wells (2.0 net) and one non-operated well (0.015 net). The two operated wells have been tied in but are currently producing at restricted rates in order to conserve value in light of low oil prices. One well is shut in and the second has been significantly restricted. Since the completion operations of the two wells took place near the end of the first quarter, the two wells only contributed approximately 185 boe/d to the average

quarterly production. Before being restricted, the wells combined produced approximately 1,500 boe/d, including approximately 900 bbl/d of light oil during the week ended March 20, 2020

Petrus^{’} Board of Directors approved a second quarter 2020 capital budget of \$0.5 million, which allows for non-discretionary maintenance capital only. No drilling activity is currently planned for the second or third quarters of 2020, as the Company focuses on debt repayment and balance sheet preservation at a time of extreme volatility in commodity prices. Management continues to review pricing on a daily basis to adjust production levels to maximize value of the reserve base. With the high level of control afforded by operated assets and ownership of key infrastructure, the Company can adjust liquids content in the natural gas stream to maximize profitability of all products as well as adjust production rates quickly to respond to changing market conditions⁽¹⁾.

Subsequent to the first quarter, the Company announced the termination of its previously announced disposition of oil and gas assets in the Foothills area. Petrus will continue to pursue non-core asset dispositions to further reduce debt when market conditions allow⁽¹⁾.

CREDIT FACILITY UPDATE

During the fourth quarter of 2019, Petrus completed its semi-annual review of the RCF where its \$100 million facility was reconfirmed with reductions to \$98 million as of December 31, 2019 and \$96 million as of March 31, 2020. During the first quarter of 2020, Petrus reduced its outstanding balance under the RCF by \$4.0 million, from \$93 million to \$89 million. The Company's RCF maturity date is May 31, 2020, which was set prior to the Term Loan maturity date of October 8, 2020, due to the inter-creditor relationship between the RCF and the Term Loan. The Company requires an extension of the Term Loan before the syndicate of lenders will contemplate an extension to the RCF. Management is actively engaged in discussions with its lenders in order to extend the upcoming 2020 maturity dates.

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

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 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 consolidated financial statements as at and for the twelve months ended December 31, 2019. 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 2020 and the anticipated results thereof; the Closing of the Disposition, including the timing and results thereof; Petrus' expected drilling and operations activities in 2020; 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; impact of the economic crisis on the Company's lenders; willingness of the company's lenders to negotiate; 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; willingness of its lenders to negotiate; the impact of the current financial crisis; 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

<i>\$000&#8217;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>mboe</i>	<i>barrel of oil equivalent</i>
<i>mmboe</i>	<i>thousand barrel of oil equivalent</i>
<i>boe/d</i>	<i>million 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>

NGLs *natural gas liquids*
WTI *West Texas Intermediate*

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