

Petrus Resources Announces First Quarter 2021 Financial & Operating Results

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CALGARY, May 13, 2021 - [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, 2021. Petrus is focused on generating free cash flow for debt repayment and further development of its Ferrier Cardium asset.

Following extreme market volatility throughout 2020, the first quarter of 2021 brought encouraging signs of rebalancing. Global economies continue to recover, bolstering demand and improving market conditions, which has translated to higher oil and natural gas prices. Petrus generated funds flow of \$7.0 million during the first quarter of 2021. This was 9% higher than the previous quarter despite the Company's first quarter production of 5,912 boe/d (65% natural gas) being 7% lower than production in the fourth quarter of 2020. This increase in funds flow is entirely due to commodity price improvement. The decrease in production quarter over quarter is a result of the natural declines of previously drilled wells coupled with an intentionally restrained approach to capital spending.

In light of the continued uncertainty associated with the COVID-19 pandemic and the Company's sustained commitment to debt repayment, Petrus executed a disciplined capital strategy throughout the first quarter. Petrus' Board of Directors approved a first quarter capital budget of \$9.0 million, of which \$7.9 million was deployed with the majority being directed toward the drilling of four (2.2 net) Cardium wells in the Company's core area in Ferrier. Petrus continues to focus capital investment in Ferrier where ownership of critical infrastructure supports low operating costs and high rates of return.

Balance sheet strength remains Petrus' top priority. Between the first quarter of 2020 and 2021, Petrus reduced net debt⁽¹⁾ by \$9.3 million; a 7% decrease. Since December 31, 2015 the Company has repaid 49% or \$110 million of net debt. Petrus' revolving credit facility ("RCF") matures May 31, 2021, and the second lien loan matures July 31, 2021. Management is currently working with the lenders on extension terms and continues to focus on its disciplined debt reduction strategy.

HIGHLIGHTS:

- **Commodity price improvements** - Realized price per boe increased by 27% in the first quarter of 2021 compared to the fourth quarter of 2020; from \$24.05/boe to \$30.55/boe. The increase was largely associated with the improvement in the realized pricing of oil and NGLs, which increased by 33% and 59%, respectively, quarter over quarter.
- **Funds flow** - Generated funds flow of \$7.0 million (\$0.14 per share) for the first three months of 2021, 9% higher than the previous quarter.
- **Capital activity** - During the quarter, Petrus drilled 4 gross (2.2 net) wells with capital expenditures of \$7.9 million.
- **Low operating costs** - Corporate operating expense for the three months ended March 31, 2021 was \$6.12/boe. The Company continues to focus on optimizing its cost structure through facility ownership and control, particularly in the Ferrier area where first quarter 2021 operating expense was \$3.00/boe.

2021 OUTLOOK

Consistent with the company's strategy of financial flexibility and balance sheet strength, Petrus will determine and provide guidance around quarterly capital spending as the year progresses. Petrus' second quarter 2021 capital budget is forecasted to be \$1.3 million and consists of mostly maintenance capital with no drilling planned for the quarter. Management continues to review pricing regularly and the Company has

the financial and operational flexibility to adjust capital spending plans quickly in response to changing market conditions. Throughout 2021, Petrus plans on continuing to take a controlled approach to capital investments while reducing the amount drawn on the RCF.

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

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

SELECTED FINANCIAL INFORMATION

	Three months ended		Three months ended		Three months ended		Three months ended	
OPERATIONS	Mar. 31, 2021		Mar. 31, 2020		Dec. 31, 2020		Sept. 30, 2020	
Average Production								
Natural gas (mcf/d)	22,985		30,604		26,177		26,181	
Oil (bbl/d)	923		1,134		980		1,103	
NGLs (bbl/d)	1,158		1,088		1,014		997	
Total (boe/d)	5,912		7,323		6,357		6,463	
Total (boe)	532,099		666,361		584,860		594,599	
Light oil weighting	15	%	15	%	15	%	17	%
Realized Prices								
Natural gas (\$/mcf)	3.33		2.40		3.07		2.51	
Oil (\$/bbl)	66.61		50.02		49.64		46.46	
NGLs (\$/bbl)	36.79		23.19		23.52		22.05	
Total realized price (\$/boe)	30.55		21.23		24.05		21.48	
Royalty income	0.15		0.30		0.13		0.12	
Royalty expense	(3.74)	)	(2.85)	)	(2.02)	)	(2.09))
Net oil and natural gas revenue (\$/boe)	26.96		18.68		22.16		19.51	
Operating expense	(6.12)	)	(4.55)	)	(5.53)	)	(4.05))
Transportation expense	(1.62)	)	(1.05)	)	(1.68)	)	(1.63))
Operating netback ⁽¹⁾ (\$/boe)	19.22		13.08		14.95		13.83	
Realized gain (loss) on derivatives (\$/boe)	(2.28)	)	1.76	)	0.65	)	2.20)
Other income	0.04		0.07		0.31		0.04	
General & administrative expense	(1.65)	)	(1.35)	)	(1.81)	)	(1.07))
Cash finance expense	(1.93)	)	(3.13)	)	(2.49)	)	(2.16))
Decommissioning expenditures	(0.27)	)	(0.56)	)	(0.63)	)	(0.13))
Funds flow & corporate netback ⁽¹⁾⁽²⁾ (\$/boe)	13.13		9.87		10.98		12.71	

	Three months ended		Three months ended		Three months ended		Three months ended	
FINANCIAL (000s except \$ per share)	Mar. 31, 2021		Mar. 31, 2020		Dec. 31, 2020		Sept. 30, 2020	
Oil and natural gas revenue	16,339		14,344		14,143		12,840	
Net loss	(3,155)	)	(87,444)	)	(151)	)	(3,678))
Net loss per share								
Basic	(0.06)	)	(1.77)	)	-	)	(0.07))
Fully diluted	(0.06)	)	(1.77)	)	-	)	(0.07))
Funds flow	6,993		6,566		6,423		7,551	
Funds flow per share								
Basic	0.14		0.13		0.13		0.15	
Fully diluted	0.14		0.13		0.13		0.15	
Capital expenditures	7,917		8,655		2,797		2,543	

Weighted average shares outstanding				
Basic	49,469	49,469	49,469	49,469
Fully diluted	49,469	49,469	49,469	49,469
As at year end				
Common shares outstanding				
Basic	49,469	49,469	49,469	49,469
Fully diluted	49,469	49,469	49,469	49,469
Total assets	177,587	193,679	177,914	179,895
Non-current liabilities	42,028	38,533	45,321	44,471
Net debt ⁽¹⁾	116,634	125,974	114,361	116,717

⁽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, 2021	Ferrier	Foothills	Central Alberta	Total
Natural gas (mcf/d)	16,660	1,346	4,978	22,984
Oil (bbl/d)	532	115	273	920
NGLs (bbl/d)	1,020	5	138	1,163
Total (boe/d)	4,328	343	1,241	5,912

First quarter average production was 5,912 boe/d in 2021 compared to 7,323 boe/d in 2020. The decrease in production can be attributed to natural declines and reduced capital activity as the Company continues to strategically restrain capital spending and focus on debt reduction.

In the first quarter of 2021, the Company invested capital of \$7.9 million, which was largely directed to the drilling of one (1.0 net) Petrus operated well and three (1.2 net) non-operated wells in Ferrier. As all four of these wells began producing late in the quarter, production increases will not be fully realized until the second quarter.

CREDIT FACILITY UPDATE

Petrus' revolving credit facility ("RCF") matures May 31, 2021, and the second lien loan matures July 31, 2021. Management is currently working with the lenders on extension terms and continues to focus on its disciplined debt reduction strategy.

ANNUAL GENERAL MEETING

The Corporation currently intends to hold its Annual General Meeting ("Meeting") on Tuesday, June 15, 2021 at 2:00 p.m. (Calgary time). Due to the COVID-19 pandemic and restrictions on indoor gatherings implemented by the Government of Alberta in response thereto, and out of concern for the wellbeing of all participants, access to the Meeting may be limited. The Company does not plan to have a formal presentation at the conclusion of the Meeting. We encourage all shareholders and proxyholders not to attend the meeting in person, particularly if they are experiencing any of the described COVID-19 symptoms. Shareholders and guests can listen to the Meeting via teleconference at 1-888-433-2192 (participant code 9350829) however shareholders and proxyholders will not be able to vote their shares via teleconference. We encourage all shareholders to submit their proxies in advance of the Meeting.

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

For further information, please contact:

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(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: Petrus having adequate liquidity to execute the Company's business plan over the coming year; Petrus' contemplated second quarter budget and expected drilling plans; Petrus' ability to fund capital investments and pay down its long term debt within cash flow; the Company's ability to 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; planned debt repayments; anticipated production increases and the timing thereof; the Company's ability to modify its operations; expectations regarding the adequacy of Petrus' liquidity and the funding of its financial liabilities; 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.

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Petrus' prospective results of operations including, without limitation, its revenue outlook for Petrus for the remainder of 2021, liquidity to execute the Company's business plan over the coming year and 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'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>mmbae</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>

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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