

Petrus Resources Announces Third Quarter 2021 Financial & Operating Results

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CALGARY, Nov. 11, 2021 - [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, 2021. Petrus is focused on generating free cash flow to support further development of its Ferrier Cardium assets to benefit all stakeholders.

HIGHLIGHTS

- Transformative debt reduction - During the quarter Petrus executed certain transactions, transforming its debt situation as follows:
 - Reduced net debt⁽¹⁾ by 46% from \$110.3 million to \$60.1 million during the third quarter of 2021. Debt to annualized funds flow (excluding realized hedge settlements) is now 1.3x;
 - Second Lien Term Loan settled in full;
 - First Lien debt is the only remaining debt and is now fully conforming;
 - interest expense has been reduced by approximately \$5 million annually; and
 - the going concern disclosure in the second quarter 2021 interim consolidated financial statements has been removed with concurrence from the Company's auditors.
- Commodity price improvements - Realized price per boe increased by 70% in the third quarter of 2021 compared to the third quarter of 2020 due to strengthening oil and gas prices which increased by 78% and 61%, respectively.
- Operating netback - Operating netback⁽¹⁾ increased by 87% to \$25.86/boe in the third quarter of 2021 from \$13.83/boe in the third quarter of 2020.
- Funds flow - Petrus generated funds flow⁽¹⁾ and corporate netback of \$7.9 million (\$14.43/boe) in the third quarter of 2021, which was 4% higher than the third quarter of the previous year. Realized derivative losses were the main reason for the smaller increase in corporate netback (4%) relative to the increase in operating netback (87%). Petrus remains significantly hedged at below current market prices through the first quarter of 2022. Hedging contracts beyond that point are reflective of current strip pricing.
- Production - Petrus has held production relatively flat through the first nine months of 2021 with the focus on debt repayment, limiting capital reinvestment. Third quarter 2021 production of 5,937 boe/d was essentially unchanged from the 5,912 boe/d of production in the first quarter of 2021. Production for the first nine months of 2021 averaged 6,053 boe/d.

During the third quarter of 2021, the Company reduced net debt from \$110.3 million to \$60.1 million; a 46% decrease. To achieve this, the Company's subordinated secured term loan (the "Second Lien Loan"), in the principal amount of \$39.4 million, was settled in full (the "Second Lien Settlement") in consideration for the issuance of \$15.8 million of common shares of Petrus ("Common Shares") to the holders of the Second Lien Loan at an issue price of \$0.55 per share. In addition, the Company completed a private placement financing of an aggregate of \$10 million of Common Shares at an issue price of \$0.55 per share (the "Equity Financing") the proceeds from which were applied to outstanding indebtedness under the First Lien Loan. The First Lien Loan is now Petrus' sole credit facility and at September 30, 2021 had \$59.9 million drawn. The maturity date of the Company's First Lien Loan has been extended to May 31, 2022.

2021 OUTLOOK

The completion of the debt restructuring transactions during the third quarter of 2021 transformed Petrus from a company with limited capital resources to one with the ability to create meaningful shareholder value. The substantial debt reduction associated with the Second Lien Settlement and Equity Financing has bolstered the Company's financial position and provides the flexibility required to invest in the development

of its land base and unlock proven value. The Company will start to accelerate its capital program in the fourth quarter of 2021 with the planned drilling of three (3.0 net) wells.

Petrus has a concentrated land base in its core area of Ferrier, where the liquids rich Cardium is one of the leading plays in North America. The asset includes owned and operated infrastructure, which affords optionality, operational efficiency and a low cost structure. The results of recent operated drills in the area show compelling rates of return with payouts of less than 6 months at current commodity prices. The Company also has a material land position and ownership in critical infrastructure in North Ferrier where recent non-operated drilling results have proven to be highly competitive. The Company's premier land position in these areas combined with a strengthened balance sheet make Petrus well positioned for growth. We expect to continue to increase capital spending in 2022. Further details will be communicated once our 2022 budget has been finalized.

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

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

SELECTED FINANCIAL INFORMATION

OPERATIONS	Three months ended Sept. 30, 2021				Three months ended Sept. 30, 2020				Three months ended Jun. 30, 2021				Three months ended Mar. 31, 2021				
	Sept. 30, 2021		Sept. 30, 2020		Jun. 30, 2021		Mar. 31, 2021		Sept. 30, 2021		Sept. 30, 2020		Jun. 30, 2021		Mar. 31, 2021		
Average production																	
Natural gas (mcf/d)	23,942		26,181		24,291		22,985										
Oil (bbl/d)	937		1,103		1,214		923										
NGLs (bbl/d)	1,010		997		1,046		1,158										
Total (boe/d)	5,937		6,463		6,309		5,912										
Total (boe)	546,227		594,599		574,084		532,099										
Light oil weighting	21	%	17		19		15										
Realized Prices																	
Natural gas (\$/mcf)	4.04		2.51		3.28		3.33										
Oil (\$/bbl)	82.56		46.46		75.99		66.61										
NGLs (\$/bbl)	45.10		22.05		39.76		36.79										
Total realized price (\$/boe)	37.00		21.48		33.87		30.55										
Royalty income	0.18		0.12		0.19		0.15										
Royalty expense	(3.94	)	(2.09	)	(4.87	)	(3.74)									
Net oil and natural gas revenue (\$/boe)	33.24		19.51		29.19		26.96										
Operating expense	(5.57	)	(4.05	)	(6.80	)	(6.12)									
Transportation expense	(1.81	)	(1.63	)	(1.84	)	(1.62)									
Operating netback ⁽¹⁾ (\$/boe)	25.86		13.83		20.55		19.22										
Realized gain (loss) on derivatives (\$/boe)	(6.41	)	2.20		(3.21	)	(2.28)									
Other income (cash)	0.02		0.04		1.77		0.04										
General & administrative expense	(1.47	)	(1.07	)	(2.41	)	(1.65)									
Cash finance expense	(3.30	)	(2.16	)	(2.52	)	(1.93)									
Decommissioning expenditures	(0.27	)	(0.13	)	(0.14	)	(0.27)									
Funds flow & corporate netback ⁽¹⁾⁽²⁾ (\$/boe)	14.43		12.71		14.04		13.13										

FINANCIAL (000s except \$ per share)	Three months ended Sept. 30, 2021				Three months ended Sept. 30, 2020				Three months ended Jun. 30, 2021				Three months ended Mar. 31, 2021				
	Sept. 30, 2021		Sept. 30, 2020		Jun. 30, 2021		Mar. 31, 2021		Sept. 30, 2021		Sept. 30, 2020		Jun. 30, 2021		Mar. 31, 2021		
Oil and natural gas revenue	20,306		12,840		19,553		16,339										
Net income (loss)	7,343		(3,678	)	(4,265	)	(3,155)									
Net income (loss) per share																	
Basic	0.14		(0.07	)	(0.09	)	(0.06)									

Fully diluted	0.13	(0.07	) (0.09	) (0.06
Funds flow	7,874	7,551	8,070	6,993
Funds flow per share				
Basic	0.15	0.15	0.16	0.14
Fully diluted	0.14	0.15	0.16	0.14
Capital expenditures	6,101	2,543	663	7,917
Weighted average shares outstanding				
Basic	54,167	49,469	49,513	49,469
Fully diluted	57,638	49,469	49,513	49,469
As at period end				
Common shares outstanding				
Basic	96,603	49,469	49,559	49,469
Fully diluted	100,074	49,469	49,559	49,469
Total assets	173,101	179,895	176,629	177,587
Non-current liabilities	40,200	44,471	40,838	42,028
Net debt ⁽¹⁾	60,071	116,717	110,346	116,634

(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

Third quarter average production by area was as follows:

For the three months ended September 30, 2021	Ferrier	Foothills	Central Alberta	Kakwa	Total
Natural gas (mcf/d)	17,648	1,449	4,603	236	23,936
Oil (bbl/d)	540	100	252	43	935
NGLs (bbl/d)	868	6	128	10	1,012
Total (boe/d)	4,349	348	1,148	92	5,937

Third quarter 2021 production averaged 5,937 boe/d compared to 6,309 boe/d in the second quarter of 2021. Two gross (1.2 net) wells were drilled and brought on production in August, adding 452 boe/d to the third quarter average which largely offset natural declines; however, third party and non-operated downtime resulted in a 6% decrease in production quarter over quarter.

Capital expenditures (net of dispositions) totaled \$6.1 million in the third quarter of 2021, compared to \$2.5 million in the prior year comparative period. Third quarter 2021 capital spending was largely directed toward the drilling, completion and tie-in of two gross (1.2 net) wells in the Ferrier area which accounted for \$4.2 million of the total. Also of note, the Company invested approximately \$1.0 million in the expansion of a third-party processing plant in the North Ferrier area, in which Petrus holds a working interest.

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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 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, 2020. 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 new 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: prospective changes to the terms of the RCF and Term Loan; Petrus' capital program, flexibility and utilization of free cash flow; Petrus' utilization of Federal and Provincial programs; Petrus' expectations regarding second half 2021 production volumes; Petrus' ability to modify its operations, including its ability to adjust liquid volumes and the results thereof; 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.

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

\$000's	<i>thousand dollars</i>
\$/bbl	<i>dollars per barrel</i>
\$/boe	<i>dollars per barrel of oil equivalent</i>
\$/GJ	<i>dollars per gigajoule</i>
\$/mcf	<i>dollars per thousand cubic feet</i>
bbl	<i>barrel</i>
bbl/d	<i>barrels per day</i>
boe	<i>barrel of oil equivalent</i>
mboe	<i>barrel of oil equivalent</i>
mmboe	<i>thousand barrel of oil equivalent</i>
boe/d	<i>million barrel of oil equivalent per day</i>
GJ	<i>gigajoule</i>
GJ/d	<i>gigajoules per day</i>

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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