

## CORPORATE HIGHLIGHTS

Petrus Resources Ltd. (“Petrus” or the “Company”) is pleased to report its financial and operating results for the three months ended September 30, 2013. Cash flow from operations for the third quarter of 2013 increased to \$8.2 million (\$0.09 per share) from \$4.5 million (\$0.05 per share) in the third quarter of 2012. Petrus exited the third quarter with net debt of \$21.6 million and \$42.0 million of available borrowing capacity under its \$60.0 million credit facility. Other highlights for the period include:

- Third quarter sales averaged 3,162 boe/d (45% oil and liquids), up from 2,571 boe/d (40% oil and liquids) in the third quarter of 2012. The average operating netback was \$30.74 per boe in the third quarter of 2013, compared to \$20.51 per boe in the same period a year earlier.
- The Company invested \$4.0 million to drill and complete four (3.7 net) Montney light oil wells in the Peace River area during the summer of 2013; Petrus anticipates the wells will add net production of 285 boe/d (90% oil), when they are brought on stream in the fourth quarter.
- During the third quarter Petrus participated in the construction of permanent production facilities for wells drilled in the foothills during the second quarter with a 33% working interest; these wells were tied in during the month of October, adding net production of 770 boe/d (88% oil).
- Petrus also participated in drilling a three-well pad during the third quarter, with a 21% working interest; the wells are expected to add incremental net production of 290 boe/d (95% oil) when they are brought on stream in the fourth quarter.
- Net operating costs declined from \$13.69 per boe in the third quarter of 2012 to \$8.46 in the third quarter of 2013 due to lower unit operating costs attributed to new Cardium oil wells.
- WTI prices rallied and held a range above \$100/bbl throughout the course of the summer, driven in part by new U.S. pipeline infrastructure and heightened international geopolitical risk. The average realized price of Petrus’ crude oil and condensate was \$93.93 for the third quarter of 2013, compared to \$80.55 per bbl for the prior year comparable period, a 17% increase. The average realized gas price during the third quarter of 2013 was \$2.54 per mcf, compared to \$2.38 per mcf in the prior year, a 7% increase.
- Petrus has 86.4 million common shares outstanding at September 30, 2013 and access to a \$60.0 million credit facility, of which \$18.0 million was drawn at quarter end.

**QUARTERLY FINANCIAL INFORMATION**

(000s) except per boe amounts	Three months ended				
	Sept. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012
<b>Average Sales</b>					
Natural gas (mcf/d)	10,405	9,681	10,315	9,128	9,189
Oil (bbl/d)	1,373	1,300	1,212	1,139	991
NGLs (bbl/d)	54	76	76	75	48
<b>Total (boe/d)</b>	<b>3,162</b>	<b>2,990</b>	<b>3,007</b>	<b>2,735</b>	<b>2,571</b>
<b>Total (boe)</b>	<b>290,877</b>	<b>272,090</b>	<b>270,638</b>	<b>251,621</b>	<b>236,406</b>
<b>Natural gas sales weighting</b>	<b>55%</b>	<b>54%</b>	<b>57%</b>	<b>56%</b>	<b>60%</b>
<i>Exit production (boe/d)</i>	<i>3,235</i>	<i>3,065</i>	<i>3,071</i>	<i>2,853</i>	<i>2,682</i>
<i>Natural gas exit weighting</i>	<i>53%</i>	<i>53%</i>	<i>53%</i>	<i>58%</i>	<i>57%</i>
<b>Realized Sales Prices</b>					
Natural gas (\$/mcf)	2.54	3.60	3.29	3.49	2.38
Oil (\$/bbl)	93.93	88.13	77.02	76.31	80.55
NGLs (\$/bbl)	67.20	45.37	71.55	64.08	64.33
Total (\$/boe)	50.31	51.14	44.15	45.19	40.76
Hedging gain (loss) (\$/boe)	(1.46)	(0.55)	(1.21)	(0.56)	1.14
<b>Operating Netback</b>					
Effective price (\$/boe)	48.85	50.59	42.94	44.63	41.90
Royalty income (\$/boe)	0.56	0.57	0.55	0.38	0.46
Royalty expense (\$/boe)	(8.02)	(7.39)	(8.31)	(7.22)	(6.88)
Operating expense (\$/boe)	(8.46)	(10.12)	(11.38)	(7.94)	(13.69)
Transportation expense (\$/boe)	(2.19)	(1.71)	(1.82)	(1.10)	(1.28)
<b>Operating netback (\$/boe)</b>	<b>30.74</b>	<b>31.94</b>	<b>21.98</b>	<b>28.75</b>	<b>20.51</b>
General and administrative expense (\$/boe)	(1.96)	(1.57)	(1.02)	(2.17)	(1.60)
Interest (expense)/income (\$/boe)	(0.74)	(0.79)	(0.39)	(1.02)	0.13
<b>Corporate netback (\$/boe)</b>	<b>28.04</b>	<b>29.58</b>	<b>20.57</b>	<b>25.56</b>	<b>19.04</b>
<b>FINANCIAL (\$000s except per share)</b>					
Oil and natural gas revenue	14,797	14,069	12,096	11,468	9,742
Funds from operations	8,158	8,049	5,566	6,268	4,502
Funds from operations per share	0.09	0.09	0.06	0.07	0.05
Net income (loss)	2,171	4,010	46	551	1,738
Net income (loss) per share	0.03	0.05	0.01	0.01	0.02
Capital expenditures	14,166	15,416	19,533	21,457	14,471
Net acquisitions (dispositions) <sup>(1)</sup>	—	(1,701)	—	—	432
Common shares outstanding (000s)	86,377	86,362	86,276	86,276	86,276
Weighted average common shares (000s)	86,369	86,349	86,276	86,276	86,124
<b>As at quarter end (\$000s)</b>					
Working capital (deficit)	(21,558)	(15,756)	(10,551)	2,793	17,285
Bank debt outstanding	17,966	20,968	11,304	—	—
Bank debt available	42,034	39,032	28,696	40,000	40,000
Shareholder's equity	153,857	151,304	146,432	145,782	145,675
Total assets	201,208	199,508	184,139	181,976	167,438

(1) Net acquisitions (dispositions) exclude non-cash items for decommissioning liability and deferred taxes and are net of post-closing adjustments.



## MANAGEMENT'S DISCUSSION & ANALYSIS

Petrus Resources Ltd. ("Petrus" or the "Company") is a private Canadian energy company focused on property exploitation, strategic acquisitions and risk-managed exploration in the Peace River area and the Alberta foothills. Additional information is available electronically on the Company's website at [www.petrusresources.com](http://www.petrusresources.com).

The following is management's discussion and analysis ("MD&A") of the financial and operating results of the Company for the three month period ended September 30, 2013. This MD&A should be read in conjunction with the interim financial statements for the three months ended September 30, 2013 and other operating and financial information included in this report. Readers are directed to the advisories at the end of this report regarding forward-looking statements, BOE presentation and non-IFRS measures. The following MD&A is dated November 14, 2013.

## OVERVIEW

Third quarter exit production was 3,235 boe/d (47% oil and liquids) and quarterly cash flow was \$8.2 million. At quarter end Petrus had net debt of \$21.6 million and \$42.0 million available through its credit facilities to fund capital investment. Petrus has invested \$49.1 million to date in 2013: \$5.1 million to construct new production facilities, \$1.4 million on land and \$42.6 million to drill, complete and equip 20.0 (11.1 net) wells in its two operating areas. Petrus is on track to invest an additional \$10.0 to \$15.0 million in the fourth quarter of 2013 which will be funded by cash flow and its existing credit facility. Petrus anticipates its 2013 exit production to be between 4,000 and 4,200 boe/d (51% oil and liquids).

## OPERATIONAL UPDATE

### Foothills

#### *Cordel*

Drilling success continues to add new oil weighted production in the foothills. Average production in the third quarter of 2013 from the Cordel area increased approximately 180 boe/d from the prior quarter of 2013 as new wells were put on production using temporary facilities. Facility and tie-in construction continued during the third quarter on a four-well pad in Cordel where Petrus has a 33% working interest. A gas pipeline was completed to the pad and construction of a multi-well battery was completed subsequent to the end of the third quarter. The permanent facilities are now complete and the wells were brought on stream early in October.

Petrus participated with a 21% working interest in drilling and completion of another multi-well pad in Cordel during the third quarter. Test rates from the three wells total 1,380 boe/d (95% light oil). Three wells were drilled in 2012 on the same section and the third quarter 2013 average production from those wells was approximately 1,700 boe/d (357 boe/d net).

### Peace River

#### *Tangent*

During the third quarter Petrus completed its 2013 summer drilling program which targeted Montney oil. One horizontal and three vertical production wells were drilled. Oil was successfully tested in each of the wells and the combined net production rate for the four wells tested at 285 boe/d (90% light oil). Two (2.0 net) water disposal wells were also drilled. Construction of two water reinjection facilities is currently underway. The production will be brought on stream in the fourth quarter. The new production facilities will reduce costs incurred on trucking and water disposal. Petrus is currently planning to drill 10.0 (9.3 net) Montney oil wells during the winter of 2014.



**QUARTERLY FINANCIAL AND OPERATIONAL RESULTS OF OIL AND NATURAL GAS ACTIVITIES**

	Sept. 30, 2013	Three months ended			
		June 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012
<b>Quarterly average sales</b>					
Natural gas (mcf/d)	<b>10,405</b>	9,681	10,315	9,128	9,189
Oil (bbl/d)	<b>1,373</b>	1,300	1,212	1,139	991
NGLs (bbl/d)	<b>54</b>	76	76	75	48
<b>Total (boe/d)</b>	<b>3,162</b>	2,990	<b>3,007</b>	<b>2,735</b>	<b>2,571</b>
Total (boe)	<b>290,877</b>	272,090	270,638	251,621	236,406
Exit production (boe/d) <sup>(1)</sup>	<b>3,235</b>	3,065	3,071	2,853	2,682
Exit gas weighting	<b>53%</b>	53%	53%	58%	57%
<b>Revenue (000s)</b>					
Natural Gas	<b>2,431</b>	3,174	3,058	2,935	2,012
Oil	<b>11,866</b>	10,426	8,399	8,000	7,248
NGLs	<b>336</b>	315	491	437	376
Commodity revenue	<b>14,634</b>	13,915	11,948	11,372	9,636
Royalty revenue	<b>163</b>	154	148	95	107
Oil and natural gas revenue	<b>14,797</b>	14,069	12,096	11,467	9,744
<b>Average realized prices</b>					
Natural gas (\$/mcf)	<b>2.54</b>	3.60	3.29	3.49	2.38
Oil (\$/bbl)	<b>93.93</b>	88.13	77.02	76.31	80.55
NGLs (\$/bbl)	<b>67.20</b>	45.37	71.55	64.08	64.33
Total (\$/boe)	<b>50.31</b>	51.14	44.15	45.19	40.76
Hedging gain (loss)	<b>(1.46)</b>	(0.55)	(1.21)	(0.56)	1.14
Total realized (\$/boe)	<b>48.85</b>	50.59	42.94	44.63	41.90
		Three months ended			
<b>Average benchmark prices</b>	Sept. 30, 2013	June 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012
Natural gas					
AECO (C\$/mcf)	<b>2.30</b>	3.35	3.09	3.05	2.14
Crude Oil					
Edm Lt. (C\$/ bbl)	<b>105.05</b>	92.90	88.54	82.85	84.79
Foreign Exchange					
US\$/C\$	<b>0.96</b>	0.98	1.00	1.01	1.01



## OIL AND NATURAL GAS REVENUE

### Commodity Revenue

Average production for the third quarter of 2013 was 3,162 boe/d, weighted 55% natural gas, compared to 2,571 boe/d, weighted 60% natural gas, for the third quarter of the prior year.

During the three months ended September 30, 2013, the benchmark natural gas price in Canada (set at the AECO hub) increased by 8% from the prior year (average price of \$2.30 per mcf in the third quarter compared to \$2.14 per mcf in the prior year). While demand and pricing for natural gas peaked in February 2013 and normalized later in April, current prices have approximated their five year average. Moderate weather conditions throughout the summer of 2013 resulted in lower than expected demand. Over the long-term, the export of liquefied natural gas and new uses of natural gas for the transportation and industrial sectors should lead to an increase in the demand for natural gas.

The average realized gas price during the third quarter of 2013 was \$2.54 per mcf compared to \$2.38 per mcf in the prior year, which represents a 7% increase. Natural gas revenue for the third quarter of 2013 was \$2.4 million and production of 957,260 mcf accounted for approximately 55% of third quarter production volume and 17% of commodity revenue (compared to revenue of \$2.0 million and production of 845,388 mcf for 60% of production volume and 21% of commodity revenue in the prior year).

Edmonton Light Sweet ("Edmonton") crude oil prices increased 24% from the third quarter of the prior year to the third quarter of 2013 (\$105.05 per bbl for the third quarter of 2013 compared to an average price of \$84.79 per bbl for the third quarter of 2012). In July WTI prices began to rally and held a range above \$100/bbl throughout the course of the summer. This increase in prices was driven in part by new pipeline infrastructure which connected the U.S. Gulf Coast to Cushing. The infrastructure expansion enabled a significant draw from storage. In addition, prices were driven higher near the end of the third quarter by conflict in Syria and an oil worker strike in Libya. Subsequent to the end of the third quarter, oil prices have receded as geopolitical risk has decreased and the turnaround season has begun.

The average realized price of Petrus' crude oil and condensate was \$93.93 for the third quarter of 2013 compared to \$80.55 per bbl for the prior year comparable period. The oil and condensate revenue for the third quarter of 2013 was \$11.9 million and production of 126,316 bbl accounted for approximately 43% of third quarter production volume and 81% of third quarter commodity revenue (compared to revenue of \$7.3 million and production of 91,172 bbl for 39% of production volume and 76% of commodity revenue in the third quarter of the prior year).

Petrus' natural gas liquids (NGL) production mix consists of ethane, propane, butane, pentane and sulphur. The pricing received for Petrus' NGL production is based on the product mix, the fractionation process required and the demand for fractionation facilities. In the third quarter Petrus' NGL production decreased as a result of the operated Peace River facility turnaround. Petrus' overall realized NGL price averaged \$67.20 per bbl compared to \$64.33 per bbl in the prior year. The NGL revenue for the third quarter of 2013 was \$336,000 and production of 4,968 bbl accounted for approximately 2% of the Company's production volume and 2% of commodity revenue in the third quarter (compared to revenue of \$289,996 and production of 4,508 bbl for 2% of total production and 3% of commodity revenue for the third quarter of the prior year).

### Royalty Revenue

Petrus records gross overriding royalty revenue for production related to land or mineral rights owned. The revenue is included in "Other Income" on the Company's Income Statement. Royalty revenue received in the third quarter was \$156,000 compared to \$107,000 in the same quarter of the prior year.



## FUNDS FROM OPERATIONS AND EARNINGS

“Funds from operations” is commonly used in the oil and gas industry to analyze operating performance and Petrus is focused on this key measure in order to facilitate growth and shareholder returns. Funds from operations as presented, does not have any standardized meaning prescribed by IFRS. All references to funds from operations throughout this report are based on cash flow from operating activities before changes in non-cash working capital and decommissioning obligations as per the Statement of Cash Flows.

Petrus generated funds from operations of \$8.2 million during the quarter ended September 30, 2013 (\$4.5 million during the third quarter of 2012). Commodity prices, oil in particular, improved materially from the third quarter of 2012. Natural gas (AECO) increased 7% from the third quarter of 2012 to the third quarter of 2013, and Edmonton crude increased 24% for the comparable period.

Net income increased to \$2.2 million in the third quarter of 2013 (compared to net income of \$1.7 million in the third quarter of the prior year). The increase is due to an increase in production and commodity prices relative to the prior year.

The following table provides detail on the Company’s funds from operations on a barrel of oil equivalent (“boe”) basis.

	Sept. 30, 2013		Jun. 30, 2013		Three months ended Mar. 31, 2013		Dec. 31, 2012		Sept. 30, 2012	
	\$000s	\$/boe	\$000s	\$/boe	\$000s	\$/boe	\$000s	\$/boe	\$000s	\$/boe
O&G revenue	14,634	50.31	13,915	51.14	11,948	44.15	11,372	45.19	9,637	40.76
Transportation	(636)	(2.19)	(466)	(1.71)	(491)	(1.82)	(277)	(1.10)	(303)	(1.28)
Net revenue	13,998	48.12	13,449	49.43	11,457	42.33	11,095	44.09	9,334	39.48
Royalty expense	(2,332)	(8.02)	(2,010)	(7.39)	(2,250)	(8.31)	(1,818)	(7.22)	(1,626)	(6.88)
Royalty income	163	0.56	154	0.57	148	0.55	96	0.38	106	0.46
<b>Net O&amp;G revenue</b>	<b>11,830</b>	<b>40.66</b>	<b>11,593</b>	<b>42.61</b>	<b>9,355</b>	<b>34.57</b>	<b>9,373</b>	<b>37.25</b>	<b>7,816</b>	<b>33.06</b>
Operating exp <sup>(1)</sup>	(2,460)	(8.46)	(2,753)	(10.12)	(3,080)	(11.38)	(1,998)	(7.94)	(3,236)	(13.69)
Hedging gain (loss)	(425)	(1.46)	(150)	(0.55)	(327)	(1.21)	(142)	(0.56)	270	1.14
G&A expense	(571)	(1.96)	(427)	(1.57)	(276)	(1.02)	(546)	(2.17)	(379)	(1.60)
Interest expense	(216)	(0.74)	(214)	(0.79)	(106)	(0.39)	(71)	(1.02)	32	0.13
<b>Funds from operations</b>	<b>8,158</b>	<b>28.04</b>	<b>8,049</b>	<b>29.58</b>	<b>5,566</b>	<b>20.57</b>	<b>6,616</b>	<b>25.56</b>	<b>4,502</b>	<b>19.04</b>

<sup>(1)</sup> Operating expenses are presented net of processing income and overhead recoveries.

(000s)	Three months ended				
	Sept. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012
<b>Funds from operations</b>	<b>8,158</b>	<b>8,049</b>	<b>5,566</b>	<b>6,616</b>	<b>4,502</b>
Funds from operations/share	0.09	0.09	0.06	0.07	0.05
<b>Net income (loss)</b>	<b>2,171</b>	<b>4,010</b>	<b>46</b>	<b>551</b>	<b>1,738</b>
Net income (loss)/share	0.03	0.05	0.01	0.01	0.02
Common shares outstanding (000s)	86,377	86,362	86,276	86,276	86,276
Weighted average shares (000s)	86,369	86,349	86,276	86,276	86,124



## RESULTS OF OPERATIONS

### Royalty Expenses

Royalties are paid to the Government of Alberta and to mineral rights owners. The following table shows the Corporation's quarterly royalty expenses by product category, based upon the primary product produced at the well.

Royalty Expenses	Three months ended			June 30, 2013
	Sept. 30, 2013	Sept. 30, 2012	Q3 Change	
Oil and NGLs (\$000s)	2,688	1,486	1,146	2,443
% of production revenue	22%	19%	3%	23%
Natural gas (000s)	298	140	158	593
% of production revenue	12%	7%	5%	19%
Gas cost (allowance) (000s)	(718)	—	(718)	(1,026)
Gross overriding	64	—	64	—
<b>Total (000s)</b>	<b>2,332</b>	<b>1,626</b>	<b>586</b>	<b>2,010</b>

The increase in total royalties from the third quarter of 2012 (\$1.6 million) to the third quarter of 2013 (\$2.3 million) is the result of new production brought on stream during the year.

Petrus has recognized benefits of the existing Alberta crown royalty incentive program on its new light oil production. A number of the prolific Cordel wells have already exceeded the volume maximum of 50,000 bbls of oil and as a result are subject to the maximum royalty rate of 40%. The high oil royalties, combined with gas royalty rebates led to total royalties paid in the quarter of \$2.3 million, approximately 15% of production revenue.

### Financial Instruments

The Company utilizes derivative commodity contracts as a risk management technique to mitigate exposure to commodity price volatility. The following table summarizes the financial derivative contracts Petrus has outstanding as at September 30, 2013:

Natural Gas Period Hedged	Type	Daily Volume	Price (CAD)
Oct. 1, 2013 to Oct. 31, 2013	Costless collar	1,500 GJ	\$2.50 - \$3.02/GJ
Nov. 1, 2013 to Mar. 31, 2014	Costless collar	4,000 GJ	\$3.25 - \$3.53/GJ
Oct. 1, 2013 to Oct. 31, 2013	Costless collar	4,000 GJ	\$2.80 - \$3.02/GJ
Nov. 1, 2013 to Mar. 31, 2014	Fixed price	1,000 GJ	\$3.55/GJ
Apr. 1, 2014 to Oct. 31, 2014	Fixed price	1,500 GJ	\$3.44/GJ

  

Crude Oil Period Hedged	Type	Daily Volume	Price (USD)
Oct. 1, 2013 to Dec. 31, 2013	Costless collar	400 Bbl	WTI \$82.50 - \$92.45/Bbl
Oct. 1, 2013 to Dec. 31, 2013	Fixed price	200 Bbl	WTI \$98.35/Bbl
Oct. 1, 2013 to Dec. 31, 2013	Fixed price	100 Bbl	WTI \$90.73/Bbl
Jan. 1, 2014 to Dec. 31, 2014	Put Option	200 Bbl	WTI \$85.00/Bbl
Oct. 1, 2013 to Dec. 31, 2013	Fixed price	100 Bbl	WTI \$95.85/Bbl
Jan. 1, 2014 to Dec. 31, 2014	Fixed price	100 Bbl	WTI \$92.00/Bbl
Jan. 1, 2014 to Dec. 31, 2014	Fixed price	300 Bbl	WTI \$89.00/Bbl
Oct. 1, 2013 to Jun. 30, 2014	Fixed price	300 Bbl	WTI \$95.90/Bbl
Jan. 1, 2014 to Dec. 31, 2014	Fixed price	200 Bbl	WTI \$93.80/Bbl
Jan. 1, 2014 to Jun. 30, 2014	Fixed price	100 Bbl	WTI \$96.05/Bbl
Jul. 1, 2014 to Dec. 31, 2014	Fixed price	200 Bbl	WTI \$94.05/Bbl



The impact of the contracts which were outstanding during the reporting periods are recorded as realized hedging gains (losses) and affect the Company's realized commodity price. The unrealized gain (loss) is recorded to demonstrate the impact of the outstanding contracts had they settled on the relative financial reporting period date. The contracts entered had the following impact on net income:

Other Income (\$000s)	Three months ended			
	Sept. 30, 2013	Sept. 30, 2012	Q3 Change	June 31, 2013
Realized hedging gain (loss)	(425)	270	(695)	(150)
Unrealized hedging gain (loss)	(1,669)	855	(2,524)	1,639
<b>Total gain (loss) on derivatives</b>	<b>(2,094)</b>	<b>1,125</b>	<b>(3,219)</b>	<b>1,489</b>

Strong commodity prices resulted in a third quarter realized hedging loss of \$424,658, compared to a \$270,000 gain realized in the same quarter of the prior year. The third quarter loss decreased the Company's realized price by \$1.46 per boe, compared to an increase in the prior year comparable period of \$1.14/boe.

### Operating Expenses

The following table shows the Company's operating expenses for the reporting periods which are shown net of processing income and overhead recoveries:

Operating Expenses (\$000s)	Three months ended			
	Sept. 30, 2013	Sept. 30, 2012	Q3 Change	Jun. 30, 2013
Operating expense, net <sup>(1)</sup>	2,460	3,236	(776)	2,753
Operating expense, net (\$ per boe)	8.46	13.69	(523)	\$10.12

<sup>(1)</sup> Operating expenses are presented net of processing income and overhead recoveries.

The decrease in aggregate net operating expenses from the third quarter of 2012 is due to significant third party facility turnaround costs incurred in the third quarter of the prior year which contributed \$2.13 per boe of costs in the prior year. Petrus incurred turnaround costs during the third quarter which were deemed to be capital in nature. Operating expenses totalled \$2.5 million for the third quarter of 2013, a 24% decrease from \$3.2 million recorded in the same quarter of the prior year.

### Transportation Expenses

The following table shows transportation expenses paid in the reporting periods:

Transportation Expenses (\$000s)	Three months ended			
	Sept. 30, 2013	Sept. 30, 2012	Q3 Change	June 30, 2013
Transportation expense	636	303	333	466
\$ per boe	2.19	1.28	0.91	\$1.71

Petrus pays commodity and demand charges for transporting its gas on various pipeline systems. The Company also incurs trucking costs on the portion of its oil and natural gas liquids production that is not pipeline connected. Transportation expenses totalled \$636,206 or \$2.19 per boe (\$303,100 or \$1.28 per boe for the comparative period in the prior year). The increase in transportation costs is due to higher trucking costs. Production volume increased and trucking costs on a per unit basis increased. Wait times at third party facilities continue to rise as operators are faced with capacity constraints and operational shut-ins.

### General & Administrative Expenses

The following table illustrates the Company's general and administrative expenses which are shown net of capitalized costs directly related to exploration and development activities:

G&A Expenses (\$000s)	Three months ended			
	Sept. 30, 2013	Sept. 30, 2012	Q3 Change	June 30, 2013
Gross G&A expense	1,038	521	517	1,048
Capitalized G&A	(467)	(142)	(325)	(669)
<b>Net G&amp;A expense</b>	<b>571</b>	<b>379</b>	<b>192</b>	<b>379</b>
Share based compensation, net	153	377	(224)	286
<b>Total G&amp;A expense, net</b>	<b>724</b>	<b>756</b>	<b>(32)</b>	<b>665</b>





Third quarter 2013 net general and administration expenses (excluding non-cash share based compensation) totalled \$571,000 or \$1.96/boe (compared to \$379,000 or \$1.60/boe for the third quarter of 2012). The increase in expenses on a per boe basis is due to increased corporate costs for professional services, as well as increased overhead costs attributed to staff additions.

### Depletion and Depreciation

The following table compares depletion and depreciation expenses recorded in the reporting periods:

Depletion and Depreciation (\$000s)	Three months ended			
	Sept. 30, 2013	Sept. 30, 2012	Q3 Change	June 30, 2013
Depletion	3,169	2,208	961	3,622
Depreciation	60	82	(22)	56
<b>Total</b>	<b>3,229</b>	<b>2,290</b>	<b>939</b>	<b>3,678</b>
Depletion (\$ per boe)	10.90	9.34	1.56	\$13.31
Depreciation (\$ per boe)	0.20	0.34	(0.14)	\$0.21
<b>Total (\$ per boe)</b>	<b>11.10</b>	<b>9.68</b>	<b>1.42</b>	<b>\$13.52</b>

Depletion and depreciation expense is calculated on a unit-of-production basis. This fluctuates period to period primarily as a result of changes in the underlying proved plus probable reserve base and in the amount of costs subject to depletion and depreciation, including future development costs. Such costs are segregated and depleted on an area by area basis relative to the respective underlying proved plus probable reserve base.

Petrus recorded depletion expense in the third quarter of 2013 of \$3.2 million or \$10.90 per boe, compared to the third quarter of 2012, when \$2.3 million or \$9.34 per boe was recorded. The increase is due to the increased depletable base. For the quarter ended September 30, 2013, depreciation expense totalled \$60,437 (compared to \$82,000 in the comparable quarter of the prior year).

### CAPITAL EXPENDITURES

Capital expenditures, excluding acquisitions and dispositions, totalled \$14.2 million in the third quarter of 2013 compared to \$14.5 million in the third quarter of the prior year. The majority of funds were invested in drilling and completions, construction of production facilities and tie-ins. During the quarter Petrus drilled 10 (5.9 net) wells. Petrus' drilling program will resume in the Peace River area during the first quarter of 2014. Petrus is on track to invest \$60.0 to \$65.0 million in 2013, funded by cash flow and use of the Company's revolving credit facility.

(\$000s)	Three months ended				
	Sept. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012
Drilling and completion	11,533	13,768	15,411	16,578	9,166
Oil and gas equipment	1,046	1,134	2,658	2,569	188
Geological	16	2	2	19	710
Land and lease	738	28	673	1,174	3,609
Office	2	1	28	374	280
Capitalized G&A	832	483	760	742	518
<b>Total</b>	<b>14,166</b>	<b>15,416</b>	<b>19,533</b>	<b>21,457</b>	<b>14,471</b>
Acquisitions/(dispositions)	—	(1,701)	—	—	432
<b>Total capital</b>	<b>14,166</b>	<b>13,714</b>	<b>19,533</b>	<b>21,457</b>	<b>14,903</b>
Gross (net) well	10 (5.9)	4 (1.3)	5 (2.7)	10 (9.1)	5 (3.2)

### LIQUIDITY AND CAPITAL RESOURCES

The Company has a credit facility of \$60 million with a major Canadian lender. The credit facility consists of a \$55 million demand revolver and a \$5 million development line. The amount of the credit facility is subject to a borrowing base test performed on a semi-annual review by the lender, based primarily on reserves and using commodity prices estimated by the lender as well as other factors. The Company has provided security by way of a \$120 million debenture over all of the present and future acquired property of the Company. A decrease in the borrowing base could result in a reduction to the available credit facility. The next semi-annual review of the credit facility is to take place on December 31, 2013. At September 30, 2013, the Company has a letter of credit of \$180,000 against the facility (September 30, 2012; \$nil) and had drawn \$18 million against the facility (September 30, 2012; nil).



The Company's general capital management policy is to maintain a sufficient capital base in order to manage its business to enable the Company to increase the value of its assets and therefore its underlying share value. The Company's objectives when managing capital are (i) to manage financial flexibility in order to preserve the Company's ability to meet financial obligations; (ii) maintain a capital structure that allows Petrus the ability to finance its growth using internally generated cash flow, and (iii) to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk level and provides an optimal return to equity holders.

In the management of capital, Petrus includes share capital and total net debt, which is made up of debt and working capital (current assets less current liabilities). Petrus manages its capital structure and makes adjustments in light of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Petrus may issue new equity, increase or decrease debt, adjust capital expenditures and acquire or dispose of assets. Petrus anticipates that it will have adequate liquidity to fund future working capital and forecasted capital expenditures in 2013 through a combination of cash flow, current working capital and use of its credit facility. Petrus is able to modify its capital program in response to changes in commodity prices and cash flows. Should the Company choose to expand its capital program, actual funding alternatives will be influenced by the then current market environment and the ability to access capital on reasonable terms, balanced with the investment opportunities presented.

## ADVISORIES

### **Basis of Presentation**

*Financial data presented below have largely been derived from the Company's financial statement, prepared in accordance with International Financial Reporting Standards ("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, 2012. 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 document, including management's assessment of the Company's future plans and operations, 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 MD&A include, but are not limited to, statements with respect to: the size of, and future net revenues from, crude oil, NGL (natural gas liquids) and natural gas reserves; future prospects; the focus of and timing of capital expenditures; expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; access to debt and equity markets; projections of market prices and costs; the performance characteristics of the Company's crude oil, NGL and natural gas properties; crude oil, NGL and natural gas production levels and product mix; 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; future land expiries; dispositions and joint venture arrangements; amount of operating, transportation and general and administrative expenses; treatment under governmental regulatory regimes and tax laws; estimated tax pool balances and anticipated IFRS elections and the impact of the conversion to IFRS. 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 MD&A, 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 MD&A 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 MD&A 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.

#### **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 nine 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 equivalency of the two commodities at the burner tip. However, BOE's do not represent an economic value equivalency at the wellhead and therefore may be a misleading measure if used in isolation.

#### **Abbreviations**

000's	thousand dollars
bbl	barrel
bbl/d	barrels per day
bcf	billion cubic feet
boe/d	barrel of oil equivalent per day
CAD	Canadian dollar
GJ	gigajoule
GJ/d	gigajoules per day
mbbls	thousand barrels
mboe	thousand barrels of oil equivalent
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmbbls	million barrels
mmboe	millions of barrels of oil equivalent
mmcf	million cubic feet
mmcf/d	million cubic feet per day
NGLs	natural gas liquids
USD	United States dollar
WTI	West Texas Intermediate



## BALANCE SHEETS (UNAUDITED)

(Expressed in Canadian dollars)

As at	September 30, 2013	December 31, 2012
<b>ASSETS</b>		
<b>Currents</b>		
Cash and cash equivalents (note 3)	—	11,589,033
Deposits and prepaid expenses	109,038	589,566
Accounts receivable	5,277,941	11,649,891
Risk management asset (note 8)	672,837	371,574
	<b>6,059,816</b>	<b>24,200,064</b>
<b>Non-current</b>		
Exploration and evaluation assets (note 4)	58,008,688	45,790,854
Property, plant and equipment (note 5)	137,139,826	111,985,145
	<b>195,148,514</b>	<b>157,775,999</b>
	<b>201,208,330</b>	<b>181,976,063</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>Current</b>		
Bank indebtedness	17,965,646	—
Accounts payable and accrued liabilities	8,979,260	21,002,078
Risk management liability (note 8)	2,944,197	1,137,562
	<b>29,889,103</b>	<b>22,139,640</b>
<b>Non-Current</b>		
Decommissioning obligation (note 7)	13,334,037	12,395,714
Deferred income tax liability	4,128,495	1,658,369
	<b>47,351,635</b>	<b>36,193,723</b>
<b>Shareholders' Equity</b>		
Share capital (note 10)	144,339,234	144,119,128
Contributed surplus	3,613,506	2,103,466
Retained earnings (deficit)	5,903,955	(440,254)
	<b>153,856,695</b>	<b>145,782,340</b>
	<b>201,208,330</b>	<b>181,976,063</b>

See accompanying notes to the financial statements

### Commitments (note 12)

Approved by the Board of Directors,

(signed) "Don T. Gray"

**Don T. Gray**  
Chairman

(signed) "Patrick Arnell"

**Patrick Arnell**  
Director

## STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(Expressed in Canadian dollars, except for share information)

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
<b>REVENUE</b>				
Oil and natural gas revenue	14,797,249	9,743,698	40,961,573	14,006,583
Royalty expense	2,332,410	1,626,204	6,592,042	1,647,507
<b>Oil and natural gas revenue, net of royalties</b>	<b>12,464,839</b>	<b>8,117,494</b>	<b>34,369,531</b>	<b>12,359,076</b>
Other income	—	214,154	—	950,505
Gain (loss) on financial derivatives (note 8)	(2,093,920)	1,124,976	(2,407,624)	2,262,109
<b>Total revenue, net of royalties</b>	<b>10,370,920</b>	<b>9,456,624</b>	<b>31,961,907</b>	<b>15,571,690</b>
<b>EXPENSES</b>				
Operating	2,460,124	3,425,124	8,293,162	6,013,223
Transportation expenses	636,206	303,354	1,593,417	534,076
General and administrative	571,048	378,966	1,274,245	1,339,136
Share-based compensation (note 10)	176,899	376,829	755,021	776,568
Finance	279,338	66,831	723,346	340,059
Depletion and depreciation (note 5)	3,229,400	2,289,130	10,503,816	4,014,745
	<b>7,353,014</b>	<b>6,840,234</b>	<b>23,143,007</b>	<b>13,017,807</b>
<b>NET INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>3,017,906</b>	<b>2,616,390</b>	<b>8,818,900</b>	<b>2,553,883</b>
Current tax expense	—	—	—	2,660
Deferred income tax expense	847,406	878,472	2,474,691	1,414,407
	<b>847,406</b>	<b>878,472</b>	<b>2,474,691</b>	<b>538,595</b>
<b>TOTAL NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>	<b>2,170,500</b>	<b>1,737,918</b>	<b>6,344,209</b>	<b>1,136,816</b>
<b>Net income (loss) per common share</b>				
Basic and diluted (note 11)	<b>0.03</b>	<b>0.02</b>	<b>0.07</b>	<b>0.02</b>

See accompanying notes to the financial statements



## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(Expressed in Canadian dollars)

	Share Capital (note 10)	Contributed Surplus (note 10)	Retained Earnings (Deficit)	Total
<b>Balance, December 31, 2011</b>	<b>51,018,159</b>	<b>32,391</b>	<b>(871,193)</b>	<b>50,179,357</b>
Net income	—	—	1,136,816	1,136,816
Issuance of common shares	95,248,193	—	—	95,248,193
Share-based compensation expensed	—	776,568	—	776,568
Share-based compensation capitalized	—	649,158	—	649,158
Share issue costs	(3,372,410)	—	—	(3,372,410)
Tax benefit of share issue costs	821,878	—	—	821,878
Deferred tax benefits	235,216	—	—	235,216
<b>Balance, September 30, 2012</b>	<b>139,456,093</b>	<b>1,458,117</b>	<b>265,623</b>	<b>145,674,776</b>

	Share Capital (note 10)	Contributed Surplus (note 10)	Retained Earnings (Deficit)	Total
<b>Balance, December 31, 2012</b>	<b>144,119,128</b>	<b>2,103,466</b>	<b>(440,254)</b>	<b>145,782,340</b>
Net income	—	—	6,344,209	6,344,209
Issuance of common shares	215,540	—	—	215,540
Premium liability of flow-through shares	(13,610)	—	—	(13,610)
Share-based compensation expensed	—	755,021	—	755,021
Share-based compensation capitalized	—	755,019	—	755,019
Tax benefit of share issue costs	18,176	—	—	18,176
<b>Balance, September 30, 2013</b>	<b>144,339,234</b>	<b>3,613,506</b>	<b>5,903,955</b>	<b>153,856,695</b>

See accompanying notes to the financial statements



## STATEMENTS OF CASH FLOWS (UNAUDITED)

(Expressed in Canadian dollars)

Funds generated by (used in):	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
<b>OPERATING ACTIVITIES</b>				
Net income (loss)	2,170,500	1,737,917	6,344,209	1,136,816
Adjust items not affecting cash:				
Share-based compensation (note 10)	176,899	376,829	755,019	776,568
Unrealized hedging (gain)/loss (note 8)	1,669,262	(854,503)	1,505,372	(1,556,939)
Accretion (note 7)	63,339	56,713	187,169	93,446
Depletion and depreciation (note 5)	3,229,400	2,289,130	10,503,816	4,014,745
Deferred income tax expense	847,406	878,474	2,474,691	1,414,407
	8,156,806	4,484,560	21,770,276	5,879,043
Change in operating non-cash working capital	11,524,623	2,224,858	(2,712,021)	(782,275)
<b>Funds generated by (used in) operations</b>	<b>19,681,429</b>	<b>6,709,418</b>	<b>19,058,255</b>	<b>5,096,768</b>
<b>FINANCING ACTIVITIES</b>				
Issuance of common shares (note 10)	28,572	3,971,000	215,540	95,248,193
Share issue costs	—	(499,375)	—	(2,687,194)
Issuance (repayment) of bank indebtedness	(3,002,062)	110,937	17,965,646	139,963
<b>Funds generated by financing activities</b>	<b>(2,973,490)</b>	<b>3,582,562</b>	<b>18,181,186</b>	<b>92,700,963</b>
<b>INVESTING ACTIVITIES</b>				
(Acquisitions)/dispositions (note 5)	—	(431,775)	1,701,319	(60,114,472)
Exploration and evaluation asset expenditures (note 4)	(4,378,336)	(12,797,263)	(35,997,353)	(23,209,817)
Petroleum and natural gas property expenditures (note 5)	(9,607,159)	(101,319)	(11,840,324)	(5,437,209)
Other capital expenditures (note 5)	(1,597)	(279,845)	(33,799)	(390,867)
Change in investing non-cash working capital	(2,720,848)	5,345,042	(2,658,317)	3,388,177
<b>Funds used in investing activities</b>	<b>(16,707,939)</b>	<b>(8,265,160)</b>	<b>(48,828,474)</b>	<b>(85,764,188)</b>
Increase (decrease) in cash and cash equivalents	—	2,026,820	(11,589,033)	12,033,544
Cash and cash equivalents, beginning of period	—	17,793,511	11,589,033	7,786,788
Cash and cash equivalents, end of period	—	19,820,332	—	19,820,332
Cash interest paid	215,999	—	536,177	236,495
Cash taxes paid	—	—	—	2,660

See accompanying notes to the financial statements



## **1. NATURE OF THE ORGANIZATION**

Petrus Resources Ltd. ("Petrus" or the "Company") is a privately held entity which was incorporated under the laws of the Province of Alberta on December 13, 2010. These financial statements were approved by the Company's Board of Directors on November 14, 2013.

The principal undertaking of Petrus is the investment in energy business-related assets. The operations of the Company consist of the acquisition, development, exploration and exploitation of these assets. It conducts many of its activities jointly with others. These financial statements reflect only the Company's share of these jointly controlled assets and its proportionate share of the relevant revenue and related costs. The Company's head office is located at 2400, 240 – 4<sup>th</sup> Avenue SW, Calgary, Alberta Canada.

## **2. BASIS OF PRESENTATION**

### **(a) Statement of Compliance**

These condensed interim financial statements have been prepared by management on a historical cost basis, except for certain financial instruments that have been measured at fair value, using accounting policies that have been prepared in accordance with "International Accounting Standard" 34 "Interim Financial Reporting ("IAS34").

Certain information and disclosures normally included in the notes to the annual financial statements have been condensed. Accordingly, these condensed interim financial statements should be read in conjunction with the audited financial statements and accompanying notes for the year ended December 31, 2012 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The interim financial statements have been prepared following the same basis of preparation, accounting policies and methods of computation as the audited financial statements for the year ended December 31, 2012, except as noted below.

### **(b) Changes in presentation**

From January 1, 2012 the Company re-classified processing income from interest and other income to operating expenses in the Statement of Net Income (Loss) and Comprehensive Income (Loss). The comparative information has been re-classified to conform to current presentation.

### **(c) New standards and interpretations not yet adopted**

On January 1, 2013, the Company adopted the following new standards and amendments which became effective for periods on or after January 1, 2013:

IFRS 10 *Consolidated Financial Statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where it is difficult to assess. IFRS 10 replaces those parts of IAS 27 *Consolidated and Separate Financial Statements* (revised 2011) that address when and how an entity should prepare consolidated financial statements and replaces SIC 12.

IFRS 11 *Joint Arrangements* provides for a more substance based reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Ventures*. IAS 28 *Investments in Associates and Joint Ventures* (revised 2011) has been amended to conform to changes based on the issuance of IFRS 10 and IFRS 11.

IFRS 12 *Disclosure of Interests in Other Entities* requires extensive disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. An entity is required to disclose information that help users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements. The effective date of IFRS 12 is January 1, 2013.

IFRS 13 *Fair Value Measurement* establishes a single framework for measuring fair values. This standard applies to all transactions and balances (whether financial or non-financial) for which IFRS requires or permits fair value measurements, with the exception of share-based payment transactions accounted for under IFRS 2 *Share-based Payment* and leasing transactions within the scope of IAS 17 *Leases*. IFRS 13 defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurements.

Petrus has assessed the impact of adopting these pronouncements and has determined these standards will not have a material impact on the Company's financial statements.





**NOTES TO THE FINANCIAL STATEMENTS  
(UNAUDITED)**

**3. CASH AND CASH EQUIVALENTS**

The components of the Company's cash and cash equivalents are as follows:

	September 30, 2013	December 31, 2012
Cash in chequing accounts	—	1,510,260
Cash in interest bearing savings accounts	—	10,078,773
<b>Balance</b>	<b>—</b>	<b>11,589,033</b>

**4. EXPLORATION AND EVALUATION ASSETS**

The components of the Company's Exploration and Evaluation assets are as follows:

<b>Balance, December 31, 2011</b>	<b>7,232,470</b>
Additions	42,693,416
Acquisitions	5,612,500
Capitalized G&A and share-based compensation	957,661
Decommissioning costs incurred	919,996
Transfers to property, plant and equipment	(11,625,189)
<b>Balance, December 31, 2012</b>	<b>45,790,854</b>
Additions	26,424,194
Capitalized G&A and share-based compensation	1,178,755
Decommissioning costs incurred	—
Transfers to property, plant and equipment	(15,385,115)
<b>Balance, September 30, 2013</b>	<b>58,008,688</b>

Exploration and evaluation assets consist of Petrus' undeveloped land and exploration and development projects which are pending the determination of technical feasibility. Additions represent the Company's share of costs incurred on these assets during the period. Exploration and evaluation assets are not subject to depletion. During the nine months ended September 30, 2013 the Company established technical feasibility and commercial viability on certain projects and transferred \$15.4 million of costs to property, plant and equipment (nine months ended September 30, 2012 – Nil). For the three and nine months ended September 30, 2013 the Company did not incur exploration and evaluation expense in the Statement of Net Income (Loss) and Comprehensive Income (Loss) (2012 - \$Nil).

During the three and nine months ended September 30, 2013 the Company capitalized \$321,725 and \$1.2 million, respectively, of general & administrative expenses ("G&A") directly attributable to exploration activities (three and nine months ended September 30, 2012 - \$523,540 and \$654,536). Included in this amount is non-cash related share-based compensation for the three and nine months ended September 30, 2013 of \$88,450 and \$377,510, respectively (three and nine months ended September 30, 2012 \$88,386 and \$136,165, respectively).

**5. PROPERTY, PLANT AND EQUIPMENT**

	Cost	Accumulated DD&A	Net book value
<b>Balance, December 31, 2011</b>	<b>40,715,777</b>	<b>(626,733)</b>	<b>40,089,044</b>
Cash additions	5,647,482	—	5,647,482
Acquisitions	61,754,458	—	61,754,458
Capitalized G&A and share-based compensation	957,661	—	957,661
Transfers from exploration and evaluation assets	11,625,189	—	11,625,189
Depletion & depreciation	—	(8,088,689)	(8,088,689)
<b>Balance, December 31, 2012</b>	<b>120,700,567</b>	<b>(8,715,422)</b>	<b>111,985,145</b>
Cash additions	20,044,792	—	20,044,792
Capitalized G&A and share-based compensation	1,178,754	—	1,178,754
Transfers from exploration and evaluation assets	15,385,115	—	15,385,115
Dispositions	(1,901,319)	200,000	(1,701,319)
Change in decommissioning obligations	751,154	—	751,154
Depletion & depreciation	—	(10,503,816)	(10,503,816)
<b>Balance, September 30, 2013</b>	<b>156,159,063</b>	<b>(19,019,237)</b>	<b>137,139,826</b>



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On June 6, 2013 the Company closed the disposition of a non-core facility interest for proceeds of \$1.7 million. The sale proceeds approximated the net carrying value and as a result no gain or loss was recorded with respect to the disposition.

Estimated future development costs of \$20.7 million (December 31, 2012 \$42.8 million) associated with the development of the Company's proved plus probable undeveloped reserves were included with the costs subject to depletion.

During the three and nine months ended September 30, 2013, the Company capitalized \$321,724 and \$1.2 million, respectively, of general & administrative expenses ("G&A") directly attributable to development activities (three and nine months ended September 30, 2012 \$523,540 and \$654,536). Included in this amount is non-cash related share-based compensation of \$88,449 and \$377,509, respectively (three and nine months ended September 30, 2012 \$88,386 and \$136,165, respectively).

**6. REVOLVING CREDIT FACILITY**

The Company has a credit facility of \$60 million with a major Canadian lender. The credit facility consists of a \$55 million demand revolver and a \$5 million development line. The facility is available on a revolving basis for a period until June 29, 2014 and then for a further year under the term out provisions. The initial term out date may be extended for further 364 day periods at the request of Petrus, subject to approval by the lender. The credit facility provides that advances may be made by way of direct Canadian advances (at an interest rate equal to the Bank of Canada prime rate plus 0.75% per annum), U.S. dollar advances (at an interest rate equal to the U.S. Base Rate plus 0.75% per annum), or bankers' acceptances (at a stamping fee calculated on the face amount of the banker's acceptance at a rate equal to 175 basis points per annum).

The amount of the credit facility is subject to a borrowing base test performed on a semi-annual review by the lender, based primarily on reserves and using commodity prices estimated by the lender as well as other factors. The Company has provided security by way of a \$120 million debenture over all of the present and after acquired property of the Company. A decrease in the borrowing base could result in a reduction to the available credit facility. The next semi-annual review of the credit facility is to take place on December 31, 2013. At September 30, 2013, the Company has a letter of credit of \$180,000 against the facility (December 31, 2012; \$180,000) and had drawn \$18 million against the facility (December 31, 2012; nil).

**7. DECOMMISSIONING OBLIGATION**

The decommissioning liability was estimated based on the Company's net ownership interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods. The estimated future cash flows have been discounted using an average risk free rate of two percent and an inflation rate of two percent (December 31, 2012; two percent and two percent, respectively). The Company has estimated the net present value of the decommissioning obligations to be \$12.8 million as at September 30, 2013 (\$12.4 million at December 31, 2012) which is equal to the undiscounted, uninflated total future liability of \$12.7 million (\$12.4 million at December 31, 2012). These payments are expected to be incurred over the operating lives of the assets (10 years). The following table reconciles the decommissioning liability:

<b>Balance, December 31, 2011</b>	<b>3,652,999</b>
Acquisitions	7,652,684
Liabilities incurred	919,996
Accretion expense	170,035
<b>Balance, December 31, 2012</b>	<b>12,395,714</b>
Dispositions	(80,000)
Liabilities incurred	831,154
Accretion expense	187,169
<b>Balance, September 30, 2013</b>	<b>13,334,037</b>



**NOTES TO THE FINANCIAL STATEMENTS  
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**8. FINANCIAL RISK MANAGEMENT**

The Company utilizes commodity contracts as a risk management technique to mitigate exposure to commodity price volatility. The following table summarizes the financial derivative contracts Petrus has outstanding as at September 30, 2013:

<b>Natural Gas Period Hedged</b>	<b>Type</b>	<b>Daily Volume</b>	<b>Price (CAD)</b>
Oct. 1, 2013 to Oct. 31, 2013	Costless collar	1,500 GJ	\$2.50 - \$3.02/GJ
Nov. 1, 2013 to Mar. 31, 2014	Costless collar	4,000 GJ	\$3.25 - \$3.53/GJ
Oct. 1, 2013 to Oct. 31, 2013	Costless collar	4,000 GJ	\$2.80 - \$3.02/GJ
Nov. 1, 2013 to Mar. 31, 2014	Fixed price	1,000 GJ	\$3.55/GJ
Apr. 1, 2014 to Oct. 31, 2014	Fixed price	1,500 GJ	\$3.44/GJ

  

<b>Crude Oil Period Hedged</b>	<b>Type</b>	<b>Daily Volume</b>	<b>Price (USD)</b>
Oct. 1, 2013 to Dec. 31, 2013	Costless collar	400 Bbl	WTI \$82.50 - \$92.45/Bbl
Oct. 1, 2013 to Dec. 31, 2013	Fixed price	200 Bbl	WTI \$98.35/Bbl
Oct. 1, 2013 to Dec. 31, 2013	Fixed price	100 Bbl	WTI \$90.73/Bbl
Jan. 1, 2014 to Dec. 31, 2014	Put Option	200 Bbl	WTI \$85.00/Bbl
Oct. 1, 2013 to Dec. 31, 2013	Fixed price	100 Bbl	WTI \$95.85/Bbl
Jan. 1, 2014 to Dec. 31, 2014	Fixed price	100 Bbl	WTI \$92.00/Bbl
Jan. 1, 2014 to Dec. 31, 2014	Fixed price	300 Bbl	WTI \$89.00/Bbl
Oct. 1, 2013 to Jun. 30, 2014	Fixed price	300 Bbl	WTI \$95.90/Bbl
Jan. 1, 2014 to Dec. 31, 2014	Fixed price	200 Bbl	WTI \$93.80/Bbl
Jan. 1, 2014 to Jun. 30, 2014	Fixed price	100 Bbl	WTI \$96.05/Bbl
Jul. 1, 2014 to Dec. 31, 2014	Fixed price	200 Bbl	WTI \$94.05/Bbl
<b>Total risk management asset</b>			<b>\$672,837</b>
<b>Total risk management liability</b>			<b>\$2,944,197</b>

For the three and nine months ended September 30, 2013, Petrus recorded a realized loss of \$424,653 and \$902,252, respectively (three and nine months ended September 30, 2012 realized gain of \$241,545 and \$434,697, respectively). For the three and nine months ended September 30, 2013, Petrus recorded an unrealized loss of \$1.7 million and \$1.5 million, respectively (three months ended September 30, 2012 unrealized loss of \$975,059 and nine months ended September 30, 2012 unrealized gain of \$702,436).

**9. FINANCIAL INSTRUMENTS**

**Risks associated with Financial Instruments**

**Credit risk**

The Company may be exposed to certain losses in the event that counterparties to financial instruments fail to meet their obligations in accordance with agreed terms. The Company mitigates this risk by entering into transactions with highly rated major financial institutions and by routinely assessing the financial strength of its customers.

At September 30, 2013, financial assets on the statement of financial position are comprised of cash and cash equivalents, prepaid expenses, risk management assets and accounts receivable. The maximum credit risk associated with these financial instruments is the total carrying value.

The Company's accounts receivable are with customers and joint venture partners in the petroleum and natural gas business and are subject to normal credit risk. Concentration of credit risk is mitigated by marketing the majority of the Company's production to reputable and financially sound purchasers under normal industry sale and payment terms. As is common in the petroleum and natural gas industry in western Canada, Petrus' receivables relating to the sale of petroleum and natural gas are received on or about the 25th day of the following month. Of the \$5.3 million of accounts receivable outstanding at September 30, 2013 (December 31, 2012; \$11.7 million), \$5.0 million is owed from ten parties and was received subsequent to the quarter end (December 31, 2012 - \$6.1 million from nine parties). As at September 30, 2013 and December 31, 2012, Petrus' accounts receivable were all aged less than 90 days and the Company had no past due receivables.



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**Liquidity risk**

Liquidity risk relates to the risk the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by cash as they become due. The Company's approach to managing liquidity risk is to ensure, as much as possible, that it will have sufficient liquidity to meet its' short-term and long-term financial obligations when due, under both normal and unusual conditions without incurring unacceptable losses or risking harm to the Company's reputation. The financial liabilities on its statement of financial position consist of accounts payable, risk management liabilities and accrued liabilities. The Company anticipates it will continue to have adequate liquidity to fund its financial liabilities through its future cash flows.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a normal period. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on operated and non-operated projects to further manage capital expenditures. The Company also attempts to match its payment cycle with collection of oil and natural gas revenue on the 25th day of each month.

At September 30, 2013, the Company had a \$60 million credit facility, of which \$42 million was undrawn (December 31, 2012, the Company had a \$40 million credit facility which was entirely undrawn). Petrus anticipates it will continue to have adequate liquidity to fund its financial liabilities through its future funds from operations and available bank debt.

**Interest Rate Risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's cash and cash equivalents and accounts receivable are not exposed to significant interest rate risk. The revolving credit facility is exposed to interest rate cash flow risk as it is priced on a floating interest rate subject to fluctuations in market interest rates. The remainder of Petrus' financial assets and liabilities are not exposed to interest rate risk. A 1% change in the Canadian prime interest rate in the three and nine months ended September 30, 2013 would have changed income by approximately \$48,667 and \$67,371, respectively, which relates to interest expense on the outstanding revolving credit facility assuming that all other variables remain constant (three and nine months ended September 30, 2012 – nil). The Company considers this risk to be limited.

**Commodity Price Risk**

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. A significant change in commodity prices can materially impact the Company's borrowing base limit under its revolving credit facility and may reduce the Company's ability to raise capital. Commodity prices for petroleum and natural gas are not only influenced by Canadian and United States demand, but also by world events that dictate the levels of supply and demand.

For the three and nine months ended September 30, 2013, it is estimated that a \$0.25/mcf change in the price of natural gas would have changed net income by \$239,315 and \$691,645, respectively (three and nine months ended September 30, 2012 - \$118,732 and \$263,295, respectively). For the three and nine months ended September 30, 2013, it is estimated that a \$5.00/CDN WTI/bbl change in the price of oil would have changed net income by \$631,580 and \$1.8 million, respectively (three and nine months ended September 30, 2012 - \$63,245 and \$97,895, respectively).

**10. SHARE CAPITAL**

**Authorized**

The authorized share capital consists of an unlimited number of common voting shares without par value.

**Issued and Outstanding**

Common shares	Number of Shares	Amount
<b>Balance, December 31, 2011</b>	<b>32,033,017</b>	<b>51,018,159</b>
Common shares issued under private placement (a)	80,000	160,000
Common shares issued under private placement (b)	50,774,571	88,855,499
Common shares issued under private placement (d)	2,772,557	4,851,975
Flow-through shares issued, net of premium (c)	605,488	1,059,604
Flow-through shares issued, net of premium (d)	10,000	17,500
Share issue costs	—	(2,914,580)
Tax benefit of share issue costs	—	876,400
Deferred tax benefits	—	194,570
<b>Balance, December 31, 2012</b>	<b>86,275,633</b>	<b>144,119,128</b>
Common shares issued under private placement (e)	52,655	105,310
Flow-through shares issued, net of premium (e)	34,024	68,048
Tax benefit of share issue costs	—	18,176
Common shares issued under private placement (f)	14,286	28,572
<b>Balance, September 30, 2013</b>	<b>86,376,598</b>	<b>144,339,234</b>



**Share Issuances**

- (a) In April 2012 the Company completed a subsequent closing to its November 2011 private equity placement and issued 80,000 common shares at a price of \$2.00 per common share for gross proceeds of \$160,000.
- (b) The Company completed its third significant private equity placement on June 29, 2012. 50,774,571 common shares were issued at a price of \$1.75 per share for gross proceeds of \$88,855,499.
- (c) On June 29, 2012, the Company also issued 605,488 flow-through shares at a price of \$2.10 per share for total gross proceeds of \$1,271,525. Of the issuance price, \$0.35 per share or \$211,921 was determined to be the premium on the flow-through shares. Petrus spent \$1,059,604 on qualified exploration and development expenditures to satisfy the obligation.
- (d) On July 5, 2012 the Company issued 2,772,557 common shares at a price of \$1.75 per share for gross proceeds of \$4.9 million. In addition, the Company issued 10,000 common shares on a flow-through basis at a price of \$2.10 per share for gross proceeds of \$21,000. Of the issuance price, \$0.35 per share or \$3,501 was determined to be the premium on the flow-through shares. The issuances were subsequent additional closings related to the September 2012 private equity placement.
- (e) On April 26, 2013 the Company issued 52,655 common shares at a price of \$2.00 per share and 34,024 flow-through shares at a price of \$2.40 per share for total gross proceeds of \$186,968. Of the issuance price, \$0.40 per share or \$13,610 was determined to be the premium on the flow-through shares. The issuance was made pursuant to an Exempt Offering which provided employees and key consultants an opportunity to purchase common and flow-through shares of the Company. Under National Instrument 45-102, the common shares issued are subject to a restricted hold period which expired August 27, 2013.
- (f) On August 19, 2013 the Company issued 14,286 common shares at a price of \$2.00 per share for gross proceeds of \$28,572. The issuance was made pursuant to an Exempt Offering which provided employees and key consultants an opportunity to purchase common and flow-through shares of the Company. Under National Instrument 45-102, the common shares issued are subject to a restricted hold period which expires December 19, 2013.

**SHARE-BASED COMPENSATION**

**Performance Warrants**

The Company may issue performance warrants to employees, consultants and directors of the Company. Performance warrants are granted for a term of three years and vest based on three criteria, time (one third vest per year), market (one third vest as certain share price hurdles are achieved) and employment or service. The warrants expire after five years from the date of issuance. Upon exercise of the warrants the Company settles the obligation by issuing common shares of the Company and cash settlements are not required. The shares to be offered consist of common shares of the Company's authorized but unissued common shares. The aggregate number of shares issuable upon the exercise of all warrants granted shall not exceed 20% of the issued and outstanding shares as at April 30, 2012. At September 30, 2013, 6,422,603 (December 31, 2012; 6,422,603) performance warrants were issued.

	Number of warrants	Weighted Average Exercise Price (\$)
<b>Balance, December 31, 2011</b>	<b>4,934,000</b>	<b>\$2.00</b>
Granted	1,581,603	\$2.00
Exercised	—	—
Forfeited or expired	93,000	\$2.00
<b>Balance, December 31, 2012</b>	<b>6,422,603</b>	<b>\$2.00</b>
Forfeited or expired	417,000	\$2.00
<b>Balance, September 30, 2013</b>	<b>6,005,603</b>	<b>\$2.00</b>
<b>Exercisable, September 30, 2013</b>	<b>—</b>	<b>—</b>

At September 30, 2013 there are no exercisable performance warrants given the market (one third vest as certain share price hurdles are achieved) criteria has not yet been met.



**NOTES TO THE FINANCIAL STATEMENTS  
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The following tables summarize information about the performance warrants granted since inception:

Grant date	Warrants Issued			Warrants Exercisable	
	Number granted	Weighted average exercise price	Weighted average remaining life (years)	Number exercisable	Weighted average exercise price
December 19, 2011	4,934,000	\$2.00	3.50	—	\$2.00
March 20, 2012	400,000	\$2.00	3.67	—	\$2.00
May 1, 2012	400,000	\$2.00	3.79	—	\$2.00
September 5, 2012	225,000	\$2.00	3.88	—	\$2.00
July 10, 2012	56,603	\$2.00	4.01	—	\$2.00
August 6, 2012	400,000	\$2.00	4.05	—	\$2.00
November 5, 2012	100,000	\$2.00	4.75	—	\$2.00
	<b>6,515,603</b>	<b>\$2.00</b>	<b>3.59</b>	<b>—</b>	<b>\$2.00</b>

The fair value of each warrant granted of \$0.25 per warrant is estimated on the date of grant using the Black-Scholes pricing model with the following weighted average assumptions (at September 30):

	2013	2012
Risk free interest rate	1.23%	1.36%
Expected life (years)	5	5
Estimated volatility of underlying common shares (%)	50%	65%
Estimated forfeiture rate	20%	20%
Expected dividend yield (%)	0%	0%

Petrus estimated the volatility of the underlying common shares by analyzing the volatility of peer group private companies with similar corporate structure, oil and gas assets and size. With respect to the market condition inherent in the warrants, Petrus estimated the probability of achieving the condition and applied the probability to each individual vesting tranche in order to fairly estimate the fair value of each warrant.

**Stock Options**

The Company has a stock option plan in place whereby it may issue stock options to employees, consultants and directors of the Company. The aggregate number of shares that may be acquired upon exercise of all Options granted pursuant to the plan shall, at any date or time of determination, be equal to ten percent (10%) of the number that is equal to (i) the number of the Company's basic Common shares then issued and outstanding; minus (ii) a number equal to five (5) times the number of Common Shares that are issuable upon exercise of the then outstanding Performance Warrants minus (iii) a number equal to fifty percent (50%) of the number of Common Shares that have previously been issued upon the exercise of Performance Warrants. At September 30, 2013, 3,979,000 stock options were issued. The summary of stock option activity is presented below:

	Number of stock options	Weighted Average Exercise Price (\$)
<b>Balance, December 31, 2011</b>	—	—
Granted	3,995,000	\$1.75
<b>Balance, December 31, 2012</b>	<b>3,995,000</b>	<b>\$1.75</b>
Granted	109,000	\$2.00
Forfeited or expired	125,000	\$1.75
<b>Balance, September 30, 2013</b>	<b>3,979,000</b>	<b>\$1.76</b>
<b>Exercisable, September 30, 2013</b>	<b>3,475,000</b>	<b>\$1.75</b>



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The following tables summarize information about the stock options granted since inception:

<b>Stock Options Issued</b>				
<b>Grant date</b>	<b>Number granted</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining life (years)</b>	<b>Weighted average exercise price</b>
September 29, 2012	3,600,000	\$1.75	3.87	\$1.75
July 10, 2012	65,000	\$1.75	4.11	\$1.75
August 27, 2012	175,000	\$1.75	4.23	\$1.75
November 5, 2012	155,000	\$1.75	4.33	\$1.75
March 18, 2013	99,000	\$2.00	4.43	\$2.00
June 3, 2013	10,000	\$2.00	4.50	\$2.00
	<b>4,104,000</b>	<b>\$1.75</b>	<b>3.92</b>	<b>\$1.76</b>

The fair value of each stock option granted of \$0.77 per option is estimated on the date of grant using the Black-Scholes pricing model with the following weighted average assumptions (at September 30):

	<b>2013</b>	<b>2012</b>
Risk free interest rate	1.20%	—
Expected life (years)	5	—
Estimated volatility of underlying common shares (%)	50%	—
Estimated forfeiture rate	20%	—
Expected dividend yield (%)	0%	—

Petrus estimated the volatility of the underlying common shares by analyzing the volatility of peer group private companies with similar corporate structure, oil and gas assets and size.

The following table summarizes the Company's share-based compensation costs:

<b>Share-based compensations costs (\$):</b>	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30, 2013</b>	<b>September 30, 2012</b>	<b>September 30, 2013</b>	<b>September 30, 2012</b>
Expensed in net income	176,899	376,829	755,021	776,568
Capitalized to exploration and evaluation assets	88,450	188,414	377,510	324,079
Capitalized to property, plant and equipment	88,449	188,415	377,509	324,079
<b>Total share-based compensation</b>	<b>353,798</b>	<b>753,658</b>	<b>1,510,040</b>	<b>1,424,726</b>

**11. PER SHARE INFORMATION**

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30, 2013</b>	<b>September 30, 2012</b>	<b>September 30, 2013</b>	<b>September 30, 2012</b>
<b>Net income (loss)</b>	<b>2,170,500</b>	<b>(1,737,918)</b>	<b>6,344,209</b>	<b>1,136,816</b>
Weighted average Petrus shares outstanding – basic (000s)	86,369	86,124	86,332	53,920
Weighted average Petrus shares outstanding – diluted (000s)	86,369	86,124	86,332	53,920
Net income (loss) per share – basic (\$/share)	0.03	0.02	0.07	0.02
Net income (loss) per share – diluted (\$/share)	0.03	0.02	0.07	0.02

At September 30, 2013 the Company has 3,979,000 stock options that could be dilutive in future periods (December 31, 2012 – 3,995,000).



## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

### 12. COMMITMENTS

The commitments for which the Company is responsible are as follows:

<b>Commitments (000s)</b>	<b>Total</b>	<b>&lt; 1 year</b>		<b>1-5 years</b>
Office equipment lease	10		3	7
Capital commitments	5,400		5,400	—
Corporate office lease	1,202		502	700
<b>Total commitments</b>	<b>6,612</b>		<b>5,905</b>	<b>707</b>

### 13. SUBSEQUENT EVENTS

On November 1, 2013 the Company cancelled 99,000 non-vested stock options which had an exercise price of \$2.00. On November 14, 2013 the Company granted 160,000 stock options at an exercise price of \$2.25 and 417,000 performance warrants with an exercise price of \$2.25.





**NOTES TO THE FINANCIAL STATEMENTS  
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**CORPORATE INFORMATION**

**OFFICERS**

**Kevin L. Adair, P. Eng.**  
President and Chief Executive Officer

**DIRECTORS**

**Don T. Gray**  
Chairman  
Calgary, Alberta

**SOLICITOR**

Burnet, Duckworth & Palmer LLP  
Calgary, Alberta

**Neil Korchinski, P. Eng.**  
Vice President, Engineering

**Kevin L. Adair**  
Calgary, Alberta

**AUDITOR**

Ernst & Young LLP  
Chartered Accountants  
Calgary, Alberta

**Cheree Stephenson, CA**  
Vice President, Finance and  
Chief Financial Officer

**Joe Locke**  
Irving, Texas

**INDEPENDENT RESERVE EVALUATOR**

GLJ Petroleum Consultants  
Calgary, Alberta

**Peter Verburg**  
Corporate Secretary

**Patrick Arnell**  
Calgary, Alberta

**BANKERS**

Canadian Imperial Bank of Commerce  
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**Peter Verburg**  
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**TRANSFER AGENT**

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