Q3 14

Petrus Resources

THIRD QUARTER REPORT

For the three and nine months ended September 30, 2014

HIGHLIGHTS

- Production averaged 4,928 boe per day in the third quarter of 2014, up from 3,162 boe per day in the third quarter of 2013, an increase of 46% per debt-adjusted share. The operating netback was $27.86 per boe in the third quarter of 2014, compared to $30.74 per boe in the same period a year earlier.

- Production growth drove strong funds flow from operations per share. Petrus generated $9.9 million in funds flow from operations during the third quarter, 21% higher than the $8.2 million generated in the same period a year ago. On a debt-adjusted per share basis, third quarter year-over-year funds flow growth was 14%.

- Petrus closed the acquisition of Arriva Energy Inc. late in the third quarter, providing Petrus with a new operating area, 1,000 boe per day of then current production (30% oil and liquids), plus an estimated 700 boe per day of production awaiting tie in, 7,078 net acres of undeveloped land in the Ferrier area of Alberta, 80 Cardium oil and gas drilling locations, and additional upside potential in multiple Mannville intervals.

- In the third quarter Petrus also closed an acquisition of petroleum and natural gas assets in the Ferrier/Strachan area of Alberta which provided Petrus with 160 boe per day of then current production (30% oil and liquids), 10,792 net acres of undeveloped land in its new operating area, and approximately 25 Cardium oil and gas drilling locations.

- On August 29, 2014 Petrus divested of certain gross overriding royalty interests in its Foothills area for cash proceeds of $4.2 million. A $2.2 million gain was recorded on the disposition.

- Over the three month period ended September 30, 2014, Petrus invested $29.0 million in exploration and development activity, in addition to $113.6 million in net acquisition activity. Comparatively, Petrus invested $14.2 million in the same period of 2013 in exploration and development activity. At quarter end, Petrus had 151,178 net acres of undeveloped land, with a large inventory of oil and gas drilling locations in each of its core operating areas.

- During the quarter, Petrus closed a private placement of common shares in multiple tranches. The first tranche of the non-brokered component of the offering closed September 5, 2014, for aggregate gross proceeds of approximately $72 million. The funds were used in part to repay outstanding indebtedness incurred to fund the acquisition of Arriva Energy Inc. The remainder of the offering, for aggregate gross proceeds of approximately $83 million, closed September 23, 2014. Proceeds from the second closing were used subsequent to the end of the third quarter to pay a portion of the purchase price for the outstanding common shares of Ravenwood Energy Corp., the previously announced corporate acquisition that closed in the fourth quarter.

- Petrus had 140.5 million common shares outstanding at September 30, 2014 and access to a $140.0 million credit facility. The Company ended the quarter with positive working capital of $21 million.

- Petrus closed the corporate acquisition of Ravenwood Energy Corp. on October 8, 2014. The acquisition provides Petrus with approximately 3,500 boe/d of production (40% oil and liquids) and 42,352 net acres of undeveloped land in the Thorsby/Pembina area of Alberta. Petrus' October exit production was approximately 10,500 boe per day (59% weighted to natural gas).

September 30, 2014

SELECTED FINANCIAL INFORMATION

(000s) except per boe amounts	Three months ended Sep. 30, 2014	Three months ended Sep. 30, 2013	Three months ended Jun. 30, 2014	Three months ended Mar. 31, 2014	Three months ended Dec. 31, 2013
OPERATIONS					
Average Production					
Natural gas (mcf/d)	17,557	10,405	16,800	12,864	10,848
Oil (bbl/d)	1,799	1,373	2,012	2,134	1,778
NGLs (bbl/d)	203	54	147	95	72
Total (boe/d)	**4,928**	**3,162**	**4,959**	**4,373**	**3,658**
Total (boe)	**453,359**	**290,877**	**451,269**	**393,601**	**336,539**
Natural gas sales weighting	***59%***	***55%***	***56%***	***49%***	***49%***
Exit production (boe/d)	***5,600***	***3,235***	***4,836***	***4,641***	***4,052***
Exit natural gas sales weighting	***63%***	***53%***	***55%***	***57%***	***54%***
Realized Sales Prices					
Natural gas ($/mcf)	4.23	2.54	5.21	6.03	3.78
Oil ($/bbl)	95.51	93.93	100.20	94.13	77.83
NGLs ($/bbl)	51.08	67.20	37.60	60.91	65.17
Total ($/boe)	52.04	50.31	59.42	64.99	50.33
Hedging gain (loss) ($/boe)	(3.00)	(1.46)	(3.32)	(3.64)	(1.21)
Operating Netback ($/boe)					
Effective price	49.04	48.85	56.10	61.35	49.12
Royalty revenue [(1)]	0.28	0.56	0.67	0.73	0.46
Royalty expense [(1)]	(8.90)	(8.02)	(12.76)	(13.69)	(7.05)
Operating expense	(9.69)	(8.46)	(9.29)	(9.47)	(9.88)
Transportation expense	(2.87)	(2.19)	(2.17)	(2.21)	(1.61)
Operating netback [(3)] ($/boe)	**27.86**	**30.74**	**32.55**	**36.71**	**31.04**
G & A expense	(3.19)	(1.96)	(1.77)	(1.61)	(1.73)
Net interest expense [(2)]	(2.88)	(0.74)	(1.36)	(0.85)	(0.75)
Corporate netback [(3)] ($/boe)	**21.79**	**28.04**	**29.42**	**34.25**	**28.56**
FINANCIAL ($000s except per share)					
Oil and natural gas revenue [(1)]	23,592	14,741	26,815	25,581	17,094
Funds flow from operations [(3)]	9,878	8,157	13,278	13,467	9,320
Funds flow from operations per share [(3)]	0.09	0.09	0.15	0.16	0.11
Net income	7,530	2,171	5,505	2,208	2,086
Net income per share	0.07	0.03	0.06	0.03	0.02
Capital expenditures	28,964	14,166	9,275	23,930	9,736
Net acquisitions (dispositions)	113,605	—	—	19,113	—
Common shares outstanding	140,458	86,377	101,748	86,377	86,377
Weighted average shares	108,212	86,332	91,106	86,377	86,377
As at quarter end ($000s)					
Working capital (deficit)	21,014	(21,558)	415	(51,638)	(22,288)
Bank debt outstanding	90,000	17,966	—	51,901	23,380
Bank debt available[(4)]	50,000	42,034	90,000	38,099	36,620
Shareholders' equity	374,070	153,857	213,508	158,655	156,002
Total assets	549,248	201,208	259,110	257,245	211,952

(1) The Company re-classified gross overriding royalty expense from oil and natural gas revenue to royalty expenses in the Consolidated Statement of Net Income. The comparative information has been re-classified to conform to current presentation.
(2) Interest expense is presented net of interest income.
(3) Non-IFRS measures defined on pages 4 and 5 of the MD&A for the period ended June 30, 2014.
(4)On close of the acquisition of Ravenwood Energy Corp. on October 8, 2014 the Company's credit facility increased from $140 million to $200 million.

OPERATIONS UPDATE

Petrus closed two acquisitions late in the third quarter and September exit production was approximately 5,600 boe per day. Subsequent to the end of the third quarter Petrus closed a corporate acquisition which, together with new well additions resulted in October exit production of approximately 10,500 boe per day from its four operating areas as follows:

Field estimated production October 31, 2014	**Foothills**	**Peace River**	**Ferrier**	**Central Alberta**	**Total**
Exit Production					
Natural gas (mcf/d)	11,949	4,627	7,614	12,826	**37,016**
Oil (bbl/d)	954	1,040	302	1,270	**3,566**
NGLs (bbl/d)	84	38	302	341	**765**
Total exit (boe/d)	**3,029**	**1,849**	**1,873**	**3,749**	**10,500**
Exit natural gas sales weighting	***65%***	***42%***	***68%***	***57%***	***59%***

Foothills

In Cordel, Petrus participated in the drilling of four wells (0.8 net) during the third quarter of 2014. Each well had test production rates in line with expectations. The fourth well drilled during the third quarter targeted a different segment of the Cardium structure than previous wells in Cordel. Petrus participated in two sidetracks as well as completion of the lower zone which tested over 350 boe per day (84% light oil).

In Brown Creek, Petrus drilled a Cardium oil well as a farm-in with an industry partner. Petrus also drilled a vertical Cardium oil well during the quarter in the area. Both wells encountered lower reservoir pressure than anticipated and Petrus is incorporating the new well data into its model of the structure before proceeding with additional drilling.

In Marsh, Petrus is currently drilling a horizontal well targeting the Belly River formation. Completion will commence in the fourth quarter.

Production in the Foothills has grown 62% year over year from 1,837 boe per day in the third quarter of 2013 to 2,969 boe per day in the third quarter of 2014. As a result of pad drilling and production facility construction delays, Foothills production was lower than expected in the third quarter of 2014; however, the new facilities were completed early in the fourth quarter which enabled incremental production of 550 boe per day net to Petrus. Petrus is currently participating in two Cardium oil drilling locations (0.5 net) in Cordel. Results from these wells are expected later in the fourth quarter.

Peace River

Petrus drilled eight wells (7.6 net) in the Peace River area during the third quarter. Five wells (5.0 net) were drilled in Berwyn and three (2.6 net) were drilled in Tangent. The two strongest wells in the program were horizontal drills that did not require stimulation. Production test rates for the wells ranged from 150 to 225 boe per day of primarily light oil, exceeding expectations. All but one of the wells drilled during the quarter were put on production mid-September.

Production in Peace River has grown from 1,256 boe per day in the third quarter of 2013 to 1,603 boe per day in the third quarter of 2014. October exit production was 1,849 boe per day. The production growth is attributed to drilling activity at Berwyn and Tangent. Two oil batteries with water disposal capabilities are now fully operational at Tangent and Berwyn contributing to significantly reduced operating costs and increased runtime. Operating expenses on a per boe basis have decreased 38% from $26.88 in the third quarter of 2013 to $16.72 in the third quarter of 2014. Petrus has initiated a pilot waterflood program at Berwyn and expects to expand the waterflood area over the next year.

Ferrier

Petrus closed the corporate acquisition of Arriva Energy Inc. on September 8, 2014 and closed an acquisition of complimentary petroleum and natural gas assets on September 5, 2014 in the Ferrier area of Alberta. The two acquisitions provided Petrus with undeveloped land of 17,839 net acres, production of 1,160 boe per day on close of the acquisitions, in addition to incremental production awaiting tie in. Third quarter exit production was approximately 1,200 boe per day.

In the near term, Petrus expects to encounter third party facility constraints in the Ferrier area. However, the company has secured capacity at a third party production facility for the incremental Arriva volumes, and has initiated a process to build its own production facilities in order to mitigate capacity constraints.

Petrus drilled its first Cardium well in the Ferrier area early in the fourth quarter and the results are encouraging and consistent with expectations. Petrus plans to continue drilling in the Ferrier area, including the drilling of two farm-in wells to earn an interest in seven additional sections.

Central Alberta

Petrus closed the corporate acquisition of Ravenwood Energy Corp. on October 8, 2014. The acquisition provided Petrus with approximately 3,500 boe/d of production (40% oil and liquids) and 42,352 net acres of undeveloped land in the Thorsby/Pembina area of Alberta. Petrus is currently drilling a horizontal well targeting Glauconite light oil in the Thorsby area which was scheduled in conjunction with Ravenwood's 2014 nine well drilling program. The well results of the program have been consistent with expectations and tie in activities have added incremental production of over 250 boe per day to date subsequent to close of the transaction.

PRESIDENT'S MESSAGE

The third quarter was extremely busy for Petrus with two corporate acquisitions substantially completed, a successful $155 million equity financing and a new overall debt financing package providing $290 million of available capacity. In addition to these corporate development activities, the Board continued to monitor private and public capital markets to determine the appropriate path forward for the Company. Through the first eight months of the year, capital inflows to the Canadian resource sector drove strong public equity markets and improved corporate valuations. Since September, with a decline in oil prices and broader concerns over the pace of economic recovery particularly in Europe, equity markets have been very soft and volatile. Given this volatility, Petrus' Board continues to monitor events to determine the appropriate timing for a public listing of Petrus' shares.

The price of WTI declined 10% from $93.03 USD/bbl in September to $84.34 USD/bbl in October and has continued to weaken in November. Lower oil prices will obviously affect all producers although the decline in the Canadian dollar partially mitigates the effect for Canadian companies. Petrus is not immune; however, with the lower decline nature of our conventional and naturally fractured drilling projects, our drilling economics are not as sensitive to a short-term drop in oil prices as are many high initial decline multistage frac resource plays. At flat prices of $80 WTI oil and $3.50 Nymex gas, the majority of Petrus' drilling inventory still generates very attractive rates of return in excess of 50%.

It's been said that the best cure for low prices is low prices and on the bright side, the US economy continues to recover from the recession. Lower oil and gasoline prices for consumers will have a further stimulus effect and a strengthened US economy is an important first step in a global economic recovery. Over time, increased demand from an improving economy and reduced supply from lower prices is expected to bring oil prices back to their longer term trading ranges.

Natural gas prices this year remain significantly higher than recent years. AECO averaged $3.97 CAD/GJ in the third quarter of 2014, up 73% from $2.30 CAD/GJ a year earlier and 83% from $2.17 CAD/GJ in the third quarter of 2012. As a result of the upsized private placement in September and strong cash flows from a balanced oil and gas portfolio, Petrus is well positioned to weather the current oil price downturn. Our initial capital expenditure plan for 2015 is to live within expected cash flow based on average oil prices of $80 to $85 USD/Bbl and average Nymex gas prices between $3.75 and $4.00. At that level, our capex program is anticipated to generate production growth rates of over 20% for the year. Our capex program is largely discretionary providing the flexibility to accelerate or decelerate as industry conditions warrant.

Petrus is in an enviable position with strong support in the equity markets and ample flexibility to adjust its capex plan without unduly hampering future growth. Recent production rates of over 10,000 Boe/d are generating significant cash flow even at reduced oil prices. The board, management, and staff are excited to see what 2015 will bring and we will further update shareholders as our plans progress.

Kevin Adair
President, CEO and Director

MANAGEMENT'S DISCUSSION & ANALYSIS

The following is management's discussion and analysis ("MD&A") of the financial and operating results of the Company as at and for the three and nine month periods ended September 30, 2014. This report is dated November 13, 2014 and should be read in conjunction with the September 30, 2014 interim condensed consolidated financial statements as well as the December 31, 2013 annual financial statements. Readers are directed to the advisories at the end of this report regarding forward-looking statements, BOE presentation and non-IFRS measures.

FINANCIAL AND OPERATIONAL RESULTS OF OIL AND NATURAL GAS ACTIVITIES

	Three months ended Sep. 30, 2014	Three months ended Sept. 30, 2013	Three months ended Jun. 30, 2014	Three months ended Mar. 31, 2014	Three months ended Dec. 31, 2013
Quarterly average production					
Natural gas (mcf/d)	17,557	10,405	16,800	12,864	10,848
Oil (bbl/d)	1,799	1,373	2,012	2,134	1,778
NGLs (bbl/d)	203	54	147	95	72
Total (boe/d)	**4,928**	**3,162**	**4,959**	**4,373**	**3,658**
Total (boe)	453,359	290,877	451,269	393,601	336,539
Exit production (boe/d)	***5,600***	3,235	***4,836***	4,641	4,052
Exit gas weighting	***63%***	53%	***50%***	57%	54%
Revenue (000s)					
Natural Gas	6,830	2,431	7,966	6,980	3,775
Oil	15,811	11,866	18,346	18,081	12,734
NGLs	951	393	503	520	430
Commodity revenue	23,592	14,690	26,815	25,581	16,939
Royalty revenue (1)	128	107	303	288	155
Oil and natural gas revenue (1)	23,720	14,797	27,118	25,869	17,094
Average realized prices					
Natural gas ($/mcf)	4.23	2.54	5.21	6.03	3.78
Oil ($/bbl)	95.51	93.93	100.20	94.13	77.83
NGLs ($/bbl)	51.08	67.20	37.60	60.91	65.17
Total ($/boe)	52.04	50.31	59.42	64.99	50.33
Hedging gain (loss)	(3.00)	(1.46)	(3.32)	(3.64)	(1.21)
Total realized ($/boe)	49.04	48.85	56.10	61.35	49.12
Average benchmark prices	**Three months ended Sep. 30, 2014**	**Three months ended Sep. 30, 2013**	**Three months ended Jun. 30, 2014**	**Three months ended Mar. 31, 2014**	**Three months ended Dec. 31, 2013**
Natural gas					
AECO (C$/mcf)	4.19	2.30	4.68	6.00	3.53
Crude Oil					
Edm Lt. (C$/ bbl)	97.71	105.05	104.48	100.18	86.70
Foreign Exchange					
US$/C$	0.92	0.96	0.92	0.91	0.94

(1) *The Company re-classified gross overriding royalty expense from oil and natural gas revenue to royalty expenses in the Consolidated Statement of Net Income. The comparative information has been re-classified to conform to current presentation.*

OIL AND NATURAL GAS REVENUE

Average production for the third quarter of 2014 was 4,928 boe per day (59% natural gas), compared to 3,162 boe per day (55% natural gas) for the third quarter of the prior year. Total commodity revenue increased from $14.6 million in the third quarter of 2013 to $23.6 million in the comparative period of 2014. Average production for the first nine months of 2014 was 4,755 boe per day (55% natural gas), compared to 3,013 boe per day (53% natural gas) for the prior year comparative period. Total commodity revenue increased from $40.5 million in the first nine months of 2013 to $76.0 million in the comparative period of 2014.

Natural gas

During the three months ended September 30, 2014, the benchmark natural gas price in Canada (set at the AECO hub) increased by 82% from the prior year (average price of $4.19 per mcf in the third quarter of 2014 compared to $2.30 per mcf in the third quarter of the prior year). The Company's average realized gas price during the third quarter of 2014 was $4.23 per mcf compared to $2.54 per mcf in the third quarter of the prior year, which represents a 67% increase. Natural gas revenue for the third quarter of 2014 was $6.8 million and production of 1,615,228 mcf accounted for approximately 59% of third quarter production volume and 29% of commodity revenue (compared to revenue of $2.4 million and production of 957,260 mcf for 55% of production volume and 17% of commodity revenue in the third quarter of the prior year).

Crude oil and condensate

Edmonton Light Sweet ("Edmonton") crude oil prices decreased 7% from the third quarter of 2013 to the third quarter of 2014 ($97.71 per bbl for the third quarter of 2014 compared to an average price of $105.05 per bbl for the prior period). The average realized price of Petrus' crude oil and condensate was $95.51 per bbl for the third quarter of 2014 compared to $93.93 per bbl for the same period in the prior year. Oil and condensate revenue for the third quarter of 2014 was $15.8 million and production of 165,463 bbl accounted for approximately 37% of total production volume and 67% of commodity revenue (compared to revenue of $11.9 million and production of 126,316 bbl for 43% of total production volume and 81% of commodity revenue in the third quarter of the prior year).

Natural gas liquids (NGLs)

Petrus' 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 of 2014, Petrus' overall realized NGL price averaged $51.08 per bbl compared to $67.20 per bbl in the prior year. Petrus realized the sale of sulphur volume during the quarter, which contributed to the lower realized price for its NGL production on a per barrel basis. NGL revenue for the third quarter of 2014 was $951,000 and production of 18,691 bbl accounted for approximately 4% of the Company's production volume and 4% of commodity revenue in the third quarter (compared to revenue of $336,000 and production of 4,968 bbl for 2% of total production and 2% 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 "Oil and Natural Gas Revenue" on the Company's Consolidated Statement of Net Income. Royalty revenue earned in the third quarter was $128,000 compared to $107,000 in the comparative quarter of the prior year. Royalty revenue earned in the nine month period ended September 30, 2014 was $719,000 compared to $466,000 in the comparative period of the prior year. On August 29, 2014 Petrus divested of certain gross overriding royalty interests in its Foothills area for cash proceeds of $4.2 million. Royalty revenue was generated for two months in the third quarter of 2014. A $2.2 million gain was recorded on the disposition.

NON-IFRS MEASURES

Petrus uses key performance indicators and industry benchmarks such as "funds flow from operations," "funds flow from operations per share," "funds flow from operations per debt-adjusted share," and "net debt" to analyze financial and operating performance. These indicators are not defined by IFRS and therefore may not be comparative to performance measures presented by other companies. Management believes that in addition to net income, the aforementioned non-IFRS measurements are useful supplemental measures as they assist in the determination of the Company's operating performance, leverage and liquidity. Investors should be cautioned, however, that these measures should not be construed as an alternative to both net income and net cash from operating activities, which are determined in accordance with IFRS, as indicators of the Company's performance.

Funds Flow from Operations

Funds flow from operations represents cash flow from operating activities prior to changes in non-cash working capital and settlement of decommissioning obligations. Petrus evaluates its financial performance primarily on funds flow from operations and considers it a key performance indicator as it demonstrates the Company's ability to generate sufficient cash flow to fund capital investment and repay debt. The reconciliation between funds flow from operations and cash flow from operating activities, as defined by IFRS, is as follows:

($000s)	**Nine months ended Sep. 30, 2014**	Nine months ended Sep. 30, 2013	**Three months ended Sep. 30, 2014**	Three months ended Sep. 30, 2013
Cash flow from operating activities	36,627	19,058	11,379	19,681
Changes in non-cash working capital	(330)	2,712	(1,501)	(11,523)
Settlement of decommissioning obligations	349	—	—	—
Funds flow from operations	36,646	21,770	9,878	8,158

Net Debt

Working capital (net debt) is a non-IFRS measure and is calculated as current assets (excluding financial derivative assets) less current liabilities (excluding financial derivative liabilities) and bank debt. Petrus uses net debt as a key indicator of its leverage and strength of its balance sheet. The reconciliation of net debt, as defined, is as follows:

($000s)	**As at Sep. 30, 2014**	As at Sep. 30, 2013
Current assets (excluding financial derivative assets)	137,004	5,387
Less: current liabilities (excluding financial derivative liabilities)	(25,990)	(8,979)
Less: bank debt	(90,000)	(17,966)
Working capital (net debt)	**21,014**	**(21,558)**

Debt-adjusted shares

Debt-adjusted shares are calculated by adding the shares outstanding for the relevant period to the share equivalent of the Company's net debt at the end of the period. The calculation assumes the debt is extinguished with a share issuance. Petrus is a privately held company with no public market pricing data. In order to determine the price to convert the Company's debt to shares, Petrus uses the current equity price if a share issuance was completed during the current period. If a share issuance was not completed, a six times debt-adjusted cash flow multiple, on quarterly annualized cash flow, is used to estimate the share price. The multiple calculated does not, in any way, indicate a fair value for Petrus' shares and the sole purpose is to show a comparative metric. Weighted average shares are used for the average quarterly and annual production metrics as well as for cash flow growth; end-of-period shares outstanding are used for exit production and reserves growth performance metrics. The table below reconciles the debt-adjusted shares for the average year-over-year cash flow growth performance metric.

($000s, except per share amounts)	**Three months ended Sep. 30, 2014**	Three months ended Sep. 30, 2013
Weighted average shares outstanding	108,212	86,332
Annualized cash flow from operations before interest	39,512	32,628
Share price to extinguish debt [(1)]	4.00	2.08
Ending net debt	21,014	(21,558)
Share equivalent on ending net debt	(5,254)	10,380
Debt-adjusted shares	**102,958**	**96,749**

[(1)] *Equity price if shares issued during the current quarter, otherwise six times debt-adjusted cash flow multiple on quarterly annualize cash flow is used to estimate the share price.*

FUNDS FLOW FROM OPERATIONS AND EARNINGS

Petrus generated funds flow from operations of $9.9 million during the quarter ended September 30, 2014 ($8.2 million during the third quarter of 2013). On a nine month basis, funds flow from operations was $36.3 million compared to $21.8 million in the prior year. Funds flow growth was fuelled by production growth as well as strengthened commodity prices (natural gas in particular) from the prior year.

Net income increased to $7.5 million in the third quarter of 2014 (compared to net income of $2.2 million in the third quarter of the prior year). On a nine month basis, net income was $6.3 million in 2013 and increased to $15.8 million in 2014. The following table provides detail on the Company's funds flow from operations on a barrel of oil equivalent ("boe") basis.

	Nine months Ended Sep. 30, 2014		Nine months ended Sep. 30, 2013		**Three months Ended Sep. 30, 2014**		Three months ended Sep. 30, 2013	
	$000s	**$/boe**	**$000s**	**$/boe**	**$000s**	**$/boe**	**$000s**	**$/boe**
Oil and natural gas revenue	75,988	58.54	40,497	48.58	23,592	52.04	14,634	50.31
Transportation	(3,153)	(2.43)	(1,593)	(1.91)	(1,303)	(2.87)	(636)	(2.19)
Net revenue	72,835	56.11	38,904	46.67	22,289	49.17	13,998	48.12
Royalty expense (1)	(15,182)	(11.70)	(6,592)	(7.91)	(4,035)	(8.90)	(2,332)	(7.82)
Royalty revenue (1)	719	0.55	465	0.56	128	0.28	107	0.37
Net oil and natural gas revenue	**58,371**	**44.96**	**32,777**	**39.32**	**18,382**	**40.55**	**11,829**	**40.67**
Operating expense (2)	(12,315)	(9.49)	(8,293)	(9.95)	(4,395)	(9.69)	(2,460)	(8.46)
Hedging gain (loss)	(4,287)	(3.30)	(902)	(1.08)	(1,359)	(3.00)	(425)	(1.46)
General & administrative	(2,876)	(2.22)	(1,274)	(1.53)	(1,446)	(3.19)	(571)	(1.96)
Interest expense	(2,248)	(1.74)	(536)	(0.64)	(1,305)	(2.88)	(216)	(0.74)
Funds flow from operations	**36,645**	**28.22**	**21,771**	**26.12**	**9,878**	**21.79**	**8,157**	**28.05**

(1) The Company re-classified gross overriding royalty expense from oil and natural gas revenue to royalty expenses in the Consolidated Statement of Net Income. The comparative information has been re-classified to conform to current presentation.
(2) Operating expenses are presented net of processing income and overhead recoveries.

(000s except per share)	**Nine months Ended Sep. 30, 2014**	Nine months ended Sep. 30, 2013	**Three months Ended Sep. 30, 2014**	Three months ended Sep. 30, 2013
Funds flow from operations	**36,297**	**21,770**	**9,878**	**8,158**
Funds flow from operations/share(1)	**0.38**	0.25	**0.09**	0.09
Net Income (loss)	**15,817**	**6,344**	**7,530**	**2,171**
Net income (loss)/share (basic)	**0.17**	0.07	**0.07**	0.03
Common shares	**140,458**	86,377	**140,458**	86,377
Weighted average shares	**95,311**	86,332	**108,212**	86,369

(1) Petrus issued 54,081,000 common shares during the third quarter of 2014. The proceeds were in part used to finance the Arriva and Ravenwood acquisitions on September 8, 2014 and October 8, 2014, respectively. Readers are advised the dilutive impact of the share issuance is not recognized in the same period as the incremental production and funds from operations.

Performance Metrics

Petrus uses certain performance metrics as key indicators to demonstrate the Company's ability to generate shareholder value. On a debt-adjusted per share basis, Petrus increased funds flow from operations year-over-year for the nine month period ending September 30th by 29%. The same metric for the third quarter-over-third quarter was an increase of 14%. Petrus increased exit production on a per debt-adjusted thousand share basis 24% from the prior year as shown in the table below:

	Nine months ended Sep. 30, 2014	Nine months ended Sep. 30, 2013	**% Change**	**Three months ended Sep. 30, 2014**	Three months ended Sep. 30, 2013	**% Change**
Funds flow from operations per debt-adjusted share(1) ($)	**0.44**	0.34	**29%**	**0.10**	0.08	**14%**
Exit production per debt-adjusted thousand shares (boe per day)	**15.12**	12.20	**24%**	**15.12**	12.20	**24%**

(1) Funds flow from operations per debt-adjusted share is a non-IFRS measure and is reconciled to the nearest IFRS measure on page 4 in the section heading "Non-IFRS" Measures.

RESULTS OF OPERATIONS

Royalty Expenses

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

Royalty Expenses ($000s)	**Nine months Ended Sep. 30, 2014**	Nine months ended Sep. 30, 2013	**Three months Ended Sep. 30, 2014**	Three months ended Sep. 30, 2013
Oil and NGLs ($000s)	**12,616**	7,275	**3,325**	2,633
% of production revenue	**23%**	23%	**20%**	22%
Natural gas (000s)	**3,317**	1,413	**1,193**	298
% of production revenue	**15%**	16%	**17%**	12%
Gas cost (allowance) (000s)	**(1,477)**	(2,215)	**(620)**	(718)
Gross overriding[1]	**726**	120	**137**	63
Total (000s)	**15,182**	6,592	**4,035**	2,332

[1] *The Company re-classified gross overriding royalty expense from oil and natural gas revenue to royalty expenses in the Consolidated Statement of Net Income.*

The increase in total royalties from the third quarter of 2013 ($2.3 million) to the third quarter of 2014 ($4.0 million) is the result of new production and an increased oil royalty rate paid for certain foothills production.

For the nine month period ended September 30, total royalties paid increased from $6.6 million in 2013 to $15.2 million in 2014. The increase is attributed: to new production from an acquisition which closed in February 2014, new production from the Company's development program and lower gas cost allowance realized in the current period.

Financial Instruments

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, 2014:

Natural Gas Contract Period	Type	Daily Volume	Price (CAD$/GJ)
Oct. 1, 2014 to Oct. 31, 2014	Fixed price	1,500 GJ	$3.44/GJ
Oct. 1, 2014 to Oct. 31, 2014	Fixed price	2,500 GJ	$3.61/GJ
Oct. 1, 2014 to Oct. 31, 2014	Fixed price	1,000 GJ	$3.64/GJ
Oct. 1, 2014 to Oct. 31, 2014	Fixed price	1,500 GJ	$3.65/GJ
Oct. 1, 2014 to Oct. 31, 2014	Fixed price	1,000 GJ	$3.99/GJ
Oct. 1, 2014 to Oct. 31, 2014	Fixed price	500 GJ	$4.07/GJ
Oct. 1, 2014 to Oct. 31, 2014	Fixed price	1,000 GJ	$4.32/GJ
Oct. 1, 2014 to Oct. 31, 2014	Fixed price	1,750 GJ	$3.74/GJ
Nov. 1, 2014 to Mar. 31, 2015	Fixed price	2,000 GJ	$3.75/GJ
Nov. 1, 2014 to Mar. 31, 2015	Fixed price	2,000 GJ	$3.81/GJ
Nov. 1, 2014 to Mar. 31, 2015	Fixed price	1,000 GJ	$3.84/GJ
Nov. 1, 2014 to Mar. 31, 2015	Fixed price	1,000 GJ	$4.04/GJ
Nov. 1, 2014 to Mar. 31, 2015	Fixed price	1,000 GJ	$4.10/GJ
Nov. 1, 2014 to Mar. 31, 2015	Fixed price	500 GJ	$4.18/GJ
Nov. 1, 2014 to Mar. 31, 2015	Fixed price	1,000 GJ	$4.43/GJ
Nov. 1, 2014 to Mar. 31, 2015	Fixed price	1,000 GJ	$4.83/GJ

Crude Oil Contract Period	Type	Daily Volume	Price ($/Bbl)
Oct. 1, 2014 to Dec. 31, 2014	Put Option	200 Bbl	WTI $85.00/Bbl
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	300 Bbl	WTI $89.00/Bbl
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	100 Bbl	WTI $92.00/Bbl
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	200 Bbl	WTI $93.80/Bbl
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	300 Bbl	WTI $CAD105.20/Bbl
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	300 Bbl	WTI $92.10/Bbl
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	200 Bbl	WTI $94.05/Bbl
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	300 Bbl	WTI $CAD103.05/Bbl
Jan. 1, 2015 to Dec. 31, 2015	Fixed price	200 Bbl	WTI $CAD100.00/Bbl
Jan. 1, 2015 to Dec. 31,2015	Fixed Price	100 Bbl	WTI $CAD 95.50/Bbl

Electric Power Contract Period	Type	Annual Volume	Price (CAD)
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	12,264 MW	$57.75/MWH
Jan. 1, 2015 to Dec. 31, 2015	Fixed price	12,264 MW	$50.00/MWH

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)	Nine months Ended Sep. 30, 2014	Nine months ended Sep. 30, 2013	Three months Ended Sep. 30, 2014	Three months ended Sep. 30, 2013
Realized hedging gain (loss)	**(4,287)**	(903)	**(1,359)**	(425)
Unrealized hedging gain (loss)	**2,104**	(1,505)	**5,370**	(1,669)
Total gain (loss) on derivatives	**(2,183)**	(2,408)	**4,011**	(2,094)

Strong commodity prices resulted in a third quarter realized hedging loss of $1,359,000, compared to a $425,000 loss realized in the comparative quarter of the prior year. The third quarter realized loss decreased the Company's realized price by $3.00 per boe, compared to a decrease in the prior year comparative period of $1.46 per boe. On a nine month basis the Company recorded a total hedging loss (realized and unrealized) of $2.2 million in 2014 relative to a $2.4 million loss in 2013.

Subsequent to September 30, 2014 the Company entered into the following financial derivative contracts, which includes contracts that were novated to Petrus on close of the acquisition of Ravenwood Energy Corp.:

Natural Gas **Period Hedged**	**Type**	**Daily Volume**	**Price (CAD$/GJ)**
Jan. 1, 2015 to Dec. 31, 2015	Costless Collar	5,000 GJ	$3.50 – 3.63/GJ
Jan. 1, 2015 to Dec. 31, 2015	Fixed price	4,000 GJ	$3.49/GJ
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	2,000 GJ	$3.61/GJ
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	1,000 GJ	$3.56/GJ
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	1,000 GJ	$3.70/GJ
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	2,500 GJ	$3.75/GJ
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	2,000 GJ	$3.80/GJ

Crude Oil **Contract Period**	**Type**	**Daily Volume**	**Price ($/Bbl)**
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	250 Bbl	WTI $90.00/Bbl
Jan. 1, 2015 to Dec. 31, 2015	Fixed Price	500 Bbl	WTI $95.00-104.50/Bbl
Apr. 1, 2015 to Dec. 31, 2015	Fixed Price	250 Bbl	WTI $97.80/Bbl
Apr. 1, 2015 to Dec. 31, 2015	Fixed Price	250 Bbl	WTI $92.50-103.50/Bbl

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 ($000s)	**Nine months Ended Sep. 30, 2014**	Nine months ended Sep. 30, 2013	**Three months Ended Sep. 30, 2014**	Three months ended Sep. 30, 2013
Operating expense, net [1]	**12,315**	8,293	**4,395**	2,460
Operating expense, net ($ per boe)	**9.49**	9.95	**9.69**	8.46

[1] Operating expenses are presented net of processing income and overhead recoveries

Operating expenses totaled $4.4 million for the third quarter of 2014, a 79% increase from the $2.5 million of operating expenses recorded in the third quarter of the prior year. On a per boe basis, operating expenses increased from $8.46 to $9.69 year over year. The increase on a per boe basis for the three month period ending September 30, 2014 is attributed to higher property tax and insurance expenses recorded relative to the prior comparative period. In addition, Petrus received equalization reimbursements in the third quarter of the prior year which contributes to the 15% increase on a per boe basis.

On a nine month basis operating expenses totaled $12.3 million in 2014 ($9.49 per boe) and $8.3 million ($9.95 per boe) in 2013. The reduction on a per boe basis for the nine month period is attributed, in part, to lower water hauling and disposal fees in Berwyn and Tangent. Production in these Peace River operating areas is now tied in to newly constructed water disposal facilities. The cost reductions attributed to new facilities were offset by higher operating costs incurred which related to spring break up conditions and facility turnaround expenditures.

Transportation Expenses

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

Transportation Expenses ($000s)	**Nine months Ended Sep. 30, 2014**	Nine months ended Sep. 30, 2013	**Three months Ended Sep. 30, 2014**	Three months ended Sep. 30, 2013
Transportation expense	**3,153**	1,593	**1,303**	636
Transportation expense ($ per boe)	**2.43**	1.91	**2.87**	2.19

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 totaled $1.3 million or $2.87 per boe in the third quarter of 2014 ($636,000 or $2.19 per boe for the comparative period of the prior year). On a nine month basis transportation expenses totaled $3.2 million in 2014 ($2.43 per boe) and $1.6 million ($1.91 per boe) in 2013. The increase in transportation costs on a three and nine month basis is due to the higher reliance on trucking to deliver liquids production to sales points. Production volume increased and trucking costs on a per unit basis increased (attributed to spring road ban surcharges incurred).

General and 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:

General and Administrative Expenses ($000s)	**Nine months Ended Sep. 30, 2014**	Nine months ended Sep. 30, 2013	**Three months Ended Sep. 30, 2014**	Three months ended Sep. 30, 2013
Gross general and administrative expense	**4,650**	2,877	**2,092**	1,038
Capitalized general and administrative	**(1,775)**	(1,603)	**(647)**	(467)
Net general and administrative expense	**2,876**	1,274	**1,445**	571
Share based compensation expense	**1,024**	1,510	**378**	353
Capitalized share based compensation	**(512)**	(755)	**(189)**	(177)
Total general and administrative expense, net	**3,388**	2,029	**1,634**	748
Total ($ per boe)	**2.61**	2.43	**3.61**	2.57

Third quarter 2014 net general and administration expenses (excluding non-cash share based compensation), totaled $1.4 million or $3.19 per boe (compared to $571,000 or $1.96 per boe for the third quarter of 2013). On a nine month basis net general and administrative expenses totaled $2.9 million ($2.22 per boe) in 2014 (compared to $1.3 million or $1.53 per boe for the comparable period of 2013). The increase for the three and nine month periods compared to the prior year comparable periods is attributed to legal and transaction costs of $708,000 or $1.56 per boe and $827,000 or $0.64 per boe, respectively. The one-time legal and transaction costs relate to the acquisitions in the quarter and work performed on the Ravenwood transaction which closed in the fourth quarter.

Petrus capitalizes and reclassifies those general and administrative expenses which are directly attributable to the acquisition, exploration and development activities of the Company which pertain to salaries and benefits of technical staff responsible for exploration and development activities.

Depletion and Depreciation

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

Depletion and Depreciation ($000s)	**Nine months Ended Sep. 30, 2014**	Nine months ended Sep. 30, 2013	**Three months Ended Sep. 30, 2014**	Three months ended Sep. 30, 2013
Depletion	**18,198**	10,283	**6,858**	3,169
Depreciation	**33**	221	**17**	60
Total	**18,231**	10,504	**6,875**	3,229
Depletion ($ per boe)	**14.02**	12.34	**15.13**	10.90
Depreciation ($ per boe)	**0.02**	0.27	**0.04**	0.20
Total ($ per boe)	**14.04**	12.61	**15.17**	11.10

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 and depreciation expense in the third quarter of 2014 of $6.9 million or $15.17 per boe, compared to the third quarter of 2013, when $3.2 million or $11.10 per boe was recorded. On a nine month basis total depletion and depreciation expense was $18.2 million or $14.04 per boe in 2014 and $10.5 million or $12.61 per boe in 2013. The Company's depletion expense on an absolute basis has increased from the prior year for the three and nine month periods due to increased production levels. Average production increased 56% and 58% on three and nine month period, respectively. On a per boe basis, depletion increased as a result of asset and corporate acquisition investments as well as higher future development costs attributed to the Company's undeveloped reserves. Depreciation expense on a per boe basis from the prior year on a three and nine month basis as the Company's depreciable assets are fully depreciated in most cases.

SHARE CAPITAL

The authorized share capital consists of an unlimited number of common voting shares without par value. The following table details the number of issued and outstanding instruments for the financial periods shown:

(000s)	**Nine months Ended Sep. 30, 2014**	Nine months ended Sep. 30, 2013	**Three months Ended Sep. 30, 2014**	Three months ended Sep. 30, 2013
Weighted average outstanding common shares				
Basic	**95,312**	86,369	**108,212**	86,332
Diluted	**100,172**	86,868	**113,072**	86,831
Outstanding instruments				
Common shares	**140,458**	86,377	**140,458**	86,377
Stock options	**5,955**	4,454	**5,955**	4,454
Warrants	**6,408**	5,991	**6,408**	5,991

As at September 30, 2014 the Company had 5,955,000 and 6,407,603 stock options and performance warrants outstanding, respectively.

On September 5, 2014 the Company issued 17,784,724 common shares at a price of $4.00 per share and 200,000 flow-through shares at a price of $4.80 per share for total gross proceeds of $72,098,896. Of the issuance price, $0.80 per share or $160,000 was determined to be the premium on the flow-through shares. The common shares issued are subject to a restricted hold period which expires January 6, 2015. On September 23, 2014 the Company issued 20,725,276 common shares at a price of $4.00 per share for total gross proceeds of $82,901,104. The common shares issued are subject to a restricted hold period which expires January 24, 2015. At September 30, 2014 Petrus had 140,457,598 common shares outstanding.

On October 9, 2014 the Company granted 100,000 stock options at an exercise price of $4.00. The options vest based on time (one third vest per year) and expire five years from the date of issuance.

On October 15, 2014 the Company issued 135,000 common shares at a price of $4.00 per share for total gross proceeds of $540,000. The common shares issued are subject to a restricted hold period which expires February 15, 2015.

LIQUIDITY AND CAPITAL RESOURCES

On July 31, 2014 the Company syndicated its existing credit facility to five institutions and structured a $100 million, committed, secured 364-day revolving plus one year term-out facility. It was comprised of a $20 million operating facility, as well as an $80 million syndicated facility. The facilities bear interest at Canadian bank prime, or at the Company's option, Canadian bankers' acceptances, plus applicable margin and stamping fee. The stamping fees range, depending on Petrus' debt to cash flow ratio, between 100 bps and 250 bps on Canadian bank prime borrowings and between 200 bps and 350 bps on Canadian dollar bankers' acceptances. The undrawn portion of the facilities, are subject to a standby fee in the range of 50 bps to 87.50 bps.

Concurrent with the closing of the acquisition of Arriva Energy Inc., Petrus obtained commitment from its syndicated lenders to increase its demand credit facility from $80 million to $120 million for a total combined credit facility, inclusive of the $20 million operating facility, of $140 million. At September 30, 2014, the Company has no outstanding letters of credit against the facility (December 31, 2013; Nil) and had drawn $90 million against the facility (December 31, 2013; $23.4 million).

Subsequent to September 30, 2014, concurrent with the closing of the acquisition of Ravenwood Energy Corporation, Petrus has obtained commitment from its syndicated lenders to increase its demand credit facility from $120 million to $180 million for a total combined credit facility, inclusive of the $20 million operating facility, of $200 million.

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 collateral by way of a $600 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. At September 30, 2014 the Company was in compliance with all related covenants.

A scheduled review of the borrowing base took place on October 31, 2014 and no changes were made to the Company's borrowing base. The facilities carry a financial covenant which limits the Company's ability to borrow amounts greater than the facility limit as well as a financial covenant of PV10 to Net Secured Debt Ratio being less than 1.25 to 1.00 whereby Net Secured Debt means all amounts owing under the Credit Facility and any other secured debt of Petrus on a consolidated basis, minus restricted cash and cash equivalents and "PV10" means the discounted net present value (at a discount rate of 10%) of Petrus' proved reserves, as adjusted for commodity swaps then in effect.

Subsequent to the end of the third quarter, concurrent with the closing of the acquisition of Ravenwood Energy Corp., Petrus closed a $90 million second lien term loan facility with Macquarie Bank Limited (the "Macquarie Facility"). The Term Loan matures and is repayable in full 24 months following funding. Interest is due and payable monthly and accrues at a per annum rate of (three-month) the Canadian Dealer offered Rate (CDOR) plus 700 basis points. The Term Loan is subject to three financial covenants: (1) the same financial covenant of PV10 to Net Secured Debt Ratio being less than 1.25 to 1.00 as the Credit Facilities; (2) a covenant that Petrus may not, as of the effective date of each annual independent engineering reserve report and each internally prepared semi-annual internally prepared reserve report, permit the PDP to Net Secured Debt Ratio to be less than 1.00 to 1.00 where "PDP" means the present value (discounted at 10.0%) of future net revenues attributable to Petrus' reserves and (3) Petrus' working capital ratio (current assets to current liabilities) will not be less than 1.0 to 1.0. The Term Loan is secured with a $250 million second lien priority interest on the same collateral as the Credit Facilities and requires a certain level of production volume to be hedged in 2015 and 2016.

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 2014 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.

CAPITAL EXPENDITURES

Petrus invested $142.6 million in capital (inclusive of acquisitions of $113.6 million) in the third quarter of 2014 (compared to $14.2 million of capital (and no acquisitions) in the third quarter of the prior year). During the quarter Petrus drilled 16 wells (11.1 net). The investments were funded by funds flow from operations, the Company's expanded credit facility and the equity offerings that closed during the third quarter. The Company's expenditures were invested in drilling and completions, workovers and tie-ins, in addition to acquisition activity.

Petrus closed the corporate acquisition of Arriva Energy Inc. on September 8, 2014 for proceeds of $103.0 million and closed an acquisition of petroleum and natural gas assets on September 3, 2014 in the Ferrier area of Alberta for proceeds of $14.8 million. The two acquisitions provide Petrus with undeveloped land of 17,839 net acres, production on close of the acquisitions of 1,160 boe per day in addition to 700 boe per day of production awaiting tie in. Refer to discussion in the Company's Operations Update for additional information.

During the nine month period ended September 30, 2014 Petrus invested $194.8 million (inclusive of acquisitions of $132.7 million). In the nine month period ended September 30, 2013, $47.4 million was invested (net of a property disposition of $1.7 million). The following table shows capital expenditures for the reporting periods indicated. All capital is presented before decommissioning obligations and settlements:

($000s)	Nine months ended Sep. 30, 2014	Nine months ended Sep. 30, 2013	Three months ended Sep. 30, 2014	Three months ended Sep. 30, 2013
Drill and complete	**39,005**	40,712	**20,155**	11,533
Oil and gas equipment	**18,044**	4,838	**6,119**	1,046
Geological	**1,428**	20	**1,389**	16
Land and lease	**1,018**	1,439	**397**	738
Office	**272**	31	**68**	2
Capitalized general and administrative	**2,287**	2,075	**836**	832
Total	**62,054**	49,115	**28,964**	14,167
Acquisitions/(dispositions)	**132,719**	(1,701)	**113,605**	—
Total capital	**194,773**	47,414	**142,569**	14,166
Gross (net) wells spud	**29 (18.9)**	19 (9.9)	**16 (11.1)**	10 (5.9)

Subsequent to the end of the third quarter Petrus closed the corporate acquisition of Ravenwood Energy Corp. The acquisition provides Petrus with approximately 3,500 boe/d of production (40% oil and liquids) and 42,352 net acres of undeveloped land in the Thorsby/Pembina area of Alberta. Refer to discussion in the Company's Operations Update for additional information.

SUMMARY OF QUARTERLY RESULTS

	Three months ended							
($000s) except per share amounts	**Sep. 30, 2014**	**Jun. 30, 2014**	**Mar. 31, 2014**	**Dec. 31, 2013**	**Sep. 30, 2013**	**Jun. 30, 2013**	**Mar. 31, 2013**	**Dec. 31, 2012**
Average Production								
Natural gas (mcf/d)	17,557	16,800	12,864	10,848	10,405	9,681	10,315	9,128
Oil (bbl/d)	1,799	2,012	2,134	1,778	1,373	1,300	1,212	1,139
NGLs (bbl/d)	203	147	95	72	54	76	76	75
Total (boe/d)	**4,928**	**4,959**	**4,373**	**3,658**	**3,162**	**2,990**	**3,007**	**2,735**
Average Realized Prices								
Natural gas ($/mcf)	4.23	5.21	6.03	3.78	2.54	3.60	3.29	3.49
Oil ($/bbl)	95.51	100.20	94.13	77.83	93.93	88.13	77.02	76.31
NGLs ($/bbl)	51.08	37.60	60.91	65.17	67.20	45.37	71.55	64.08
Total ($/boe)	**52.04**	**59.42**	**64.99**	**50.33**	**50.31**	**51.14**	**44.15**	**45.19**
Average Benchmark Prices								
Natural gas - AECO ($/mcf)	4.19	4.68	6.00	3.53	2.30	3.35	3.26	3.05
Oil – Edmonton light ($/bbl)	97.71	104.48	100.18	86.70	105.05	92.90	88.54	82.85
Foreign exchange – US$/C$	0.92	0.92	0.91	0.94	0.96	0.98	1.00	1.01
Oil and natural gas revenue	**23,592**	**26,815**	**25,581**	**16,939**	**14,634**	**13,915**	**11,948**	**11,372**
Transportation	(1,303)	(979)	(872)	(543)	(636)	(466)	(491)	(277)
Net revenue	**22,289**	**25,836**	**24,709**	**16,396**	**13,998**	**13,449**	**11,457**	**11,095**
Royalty expense [(1)]	(4,035)	(5,760)	(5,387)	(2,372)	(2,276)	(2,034)	(2,282)	(1,856)
Royalty income	128	303	288	155	107	179	180	134
Net oil and natural gas revenue	**18,382**	**20,379**	**19,610**	**14,179**	**11,829**	**11,594**	**9,355**	**9,374**
Operating expense	(4,395)	(4,194)	(3,727)	(3,716)	(2,460)	(2,753)	(3,080)	(1,998)
Hedging gain (loss)	(1,359)	(1,496)	(1,432)	(409)	(425)	(150)	(328)	(142)
General and administrative expense	(1,446)	(797)	(634)	(582)	(571)	(427)	(276)	(546)
Interest expense	(1,304)	(614)	(335)	(252)	(216)	(216)	(5)	(71)
Funds flow from operations	**9,878**	**13,278**	**13,482**	**9,320**	**8,157**	**8,048**	**5,566**	**6,617**
Per share – basic	0.09	0.15	0.16	0.11	0.09	0.09	0.06	0.08
Net income (loss)	**7,530**	**5,505**	**2,208**	**2,086**	**2,171**	**4,010**	**47**	**(706)**
Per share – basic	0.07	0.06	0.03	0.02	0.03	0.05	0.01	(0.01)
Common shares (000s)	**140,458**	**101,748**	**86,377**	**86,377**	**86,377**	**86,362**	**86,276**	**86,276**
Weighted average shares (000s)	108,212	91,106	86,377	86,377	86,332	86,349	86,276	86,276
Total assets	549,248	259,110	257,245	211,952	201,208	199,507	184,139	181,976
Net working capital (net debt)	**21,014**	**415**	**(51,638)**	**(22,288)**	**(21,558)**	**(15,756)**	**(10,551)**	**2,826**

[(1)] *The Company re-classified gross overriding royalty expense from oil and natural gas revenue to royalty expenses in the Consolidated Statement of Net Income.*

CRITICAL ACCOUNTING ESTIMATES

The timely preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and judgments made by management in the preparation of the financial statements are outlined below.

Depletion and reserve estimates

Petroleum and natural gas assets are depleted on a unit of production basis at a rate calculated by reference to proved and probable reserves determined in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). The calculation incorporates the estimated future cost of developing and extracting those reserves. Proved and probable reserves are estimated using independent reservoir engineering reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. Reserves estimates, although not reported as part of the Company's financial statements, can have a significant effect on net income (loss), assets and liabilities as a result of their impact on depletion and depreciation, decommissioning liabilities, deferred taxes, asset impairments and business combinations. Independent reservoir engineers perform evaluations of the Company's petroleum and natural gas reserves on an annual basis. The estimation of reserves is an inherently complex process requiring significant judgment. Estimates of economically recoverable petroleum and natural gas reserves are based upon a number of variables and assumptions such as geoscientific interpretation, production forecasts, commodity prices, costs and related future cash flows, all of which may vary considerably from actual results. These estimates are expected to be revised upward or downward over time, as additional information such as reservoir performance becomes available or as economic conditions change.

Impairment indicators and cash-generating units

For purposes of impairment testing, petroleum and natural gas assets are aggregated into cash-generating units ("CGU's"), based on separately identifiable and largely independent cash inflows. The determination of the Company's CGU's is subject to judgment.

The recoverable amounts of CGU's and individual assets have been determined based on the higher of the value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions, including the discount rate, future petroleum and natural gas prices, expected production volumes and anticipated recoverable quantities of proved and probable reserves. These assumptions are subject to change as new information becomes available and changes in economic conditions take place. Changes may impact the estimated life of the field and economical reserves recoverable and may require a material adjustment to the carrying value of petroleum and natural gas assets. The Company monitors internal and external indicators of impairment relating to its tangible assets.

Technical feasibility and commercial viability of exploration and evaluation assets

The determination of technical feasibility and commercial viability, based on the presence of proved and probable reserves, results in the transfer of assets from exploration and evaluation assets to property, plant and equipment. As discussed above, the estimate of proved and probable reserves is inherently complex and requires significant judgment. Thus any material change to reserve estimates could affect the technical feasibility and commercial viability of the underlying assets.

Decommissioning obligation

At the end of the operating life of the Company's facilities and properties and upon retirement of its petroleum and natural gas assets, decommissioning costs will be incurred by the Company. This requires judgment regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and discount rates to determine the present value of these cash flows.

Income taxes

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable income available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in income or loss in the period in which the change occurs. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

Measurement of share-based compensation

Share-based compensation recorded pursuant to share-based compensation plans are subject to estimated fair values, forfeiture rates and the future attainment of performance criteria.

Business combinations
Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of exploration and evaluation assets and petroleum and natural gas assets acquired generally require the most judgment and include estimates of reserves acquired, forecast benchmark commodity prices and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill in the purchase price allocation.

Contingencies
By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

ACCOUNTING POLICIES AND NEW STANDARDS

Significant accounting policies
The Company's significant accounting policies can be read in note 3 to the Company's audited financial statements as at and for the year ended December 31, 2013.

New standards and interpretations

On January 1, 2014, the Company adopted the following new standards and amendments which became effective for periods on or after January 1, 2014:

Effective January 1, 2014, the Company adopted amendments to IAS 32, "Financial Instruments: Presentation". The amendments clarify that the right to offset financial assets and liabilities must be available on the current date and cannot be contingent on a future event. IAS 32 does not impact the Company's financial statements.

In 2013, the IASB issued amendments to IAS 36 "Impairment of Assets" which reduces the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarify the disclosures required when an impairment loss has been recognized or reversed in the period. The amendments are to be adopted retrospectively for fiscal years beginning January 1, 2014. Petrus will adopt these amendments effective January 1, 2014. The adoption will impact disclosures in the notes to the financial statements only in periods when an impairment loss or impairment reversal is recognized.

Effective January 1, 2014 the Company adopted IFRIC 21, which clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The adoption of IFRIC 21 did not result in any changes to the accounting for levies by the Company.

IFRS 9 *Financial Instruments* – On July 24, the IASB issued IFRS 9 "Financial Instruments" ("IFRS 9") to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The Company is currently evaluating the impact of adopting IFRS 9 on the consolidated financial statements.

In May, 2014 the IASB published IFRS 15, "Revenue from Contracts with Customers" (IFRS 15") replacing IAS 11, "Construction Contracts", IAS 18, "Revenue" and several revenue related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive when control is transferred to the purchaser. Disclosure requirements have also been expanded. The new standard is effective for annual periods beginning on or after January 1, 2017. The Company is currently evaluating the impact of adopting IFRS 15 on the consolidated financial statements.

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, 2013. 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*
CAD	*Canadian dollar*
GJ	*gigajoule*
GJ/d	*gigajoules per day*
mbbls	*thousand barrels*
mboe	*thousand barrels of oil equivalent*
mcf	*thousand cubic feet*
mmbbls	*million barrels*
mmboe	*millions of barrels of oil equivalent*
mmcf	*million cubic feet*
NGLs	*natural gas liquids*
USD	*United States dollar*
WTI	*West Texas Intermediate*

Cover page photo credit: Alain Sleigher Photography

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Expressed in Canadian dollars)

As at	September 30, 2014	December 31, 2013
ASSETS		
Current		
Cash	121,199,212	—
Deposits and prepaid expenses	999,910	303,101
Accounts receivable	14,805,101	10,880,771
Risk management asset *(note 8)*	972,748	26,418
	137,976,971	**11,210,290**
Non-current		
Exploration and evaluation assets *(notes 3 and 4)*	73,349,937	50,528,518
Property, plant and equipment *(notes 3 and 5)*	337,921,348	150,212,756
	411,271,285	200,741,274
	549,248,256	**211,951,564**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness *(note 6)*	90,000,000	23,379,651
Accounts payable and accrued liabilities	25,990,093	10,092,329
Risk management liability *(note 8)*	1,136,803	2,286,940
	117,126,896	**35,758,920**
Non-Current		
Decommissioning obligation *(note 7)*	30,088,416	15,546,813
Deferred income tax liability	27,963,310	4,644,065
	175,178,622	**55,949,798**
Shareholders' Equity		
Share capital *(note 9)*	345,565,879	144,339,234
Contributed surplus	4,986,251	3,961,972
Retained earnings	23,517,504	7,700,560
	374,069,634	**156,001,766**
	549,248,256	**211,951,564**

See accompanying notes to the financial statements

CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

(Expressed in Canadian dollars, except for share information)

	Three months ended Sept. 30, 2014	**Three months ended Sept. 30, 2013**	**Nine months ended Sept. 30, 2014**	**Nine months ended Sept. 30, 2013**
REVENUE				
Oil and natural gas revenue	23,720,469	14,797,250	76,707,599	40,961,573
Royalty expense	4,034,897	2,332,410	15,182,453	6,592,042
Oil and natural gas revenue, net of royalties	**19,685,572**	**12,464,840**	**61,525,146**	**34,369,531**
Other income	—	—	7,854	—
Gain on disposition *(note 3)*	2,174,788	—	2,174,788	—
Gain (loss) on financial derivatives *(note 8)*	4,011,217	(2,093,920)	(2,182,564)	(2,407,624)
	25,871,577	**10,370,920**	**61,525,224**	**31,961,907**
EXPENSES				
Operating *(note 11)*	4,394,820	2,460,124	12,315,123	8,293,162
Exploration and evaluation expense *(note 4)*	126,171	—	126,171	—
Transportation expenses	1,302,774	636,206	3,153,061	1,593,417
General and administrative	1,445,534	571,048	2,875,957	1,274,245
Share-based compensation *(note 9)*	189,034	176,899	512,139	755,021
Finance	1,466,134	279,337	2,670,995	723,346
Depletion and depreciation *(note 5)*	6,874,777	3,229,400	18,230,636	10,503,816
	15,799,244	**7,353,014**	**39,884,082**	**23,143,007**
NET INCOME BEFORE INCOME TAXES	**10,072,333**	**3,017,906**	**21,641,142**	**8,818,900**
Current tax expense	—	—	—	—
Deferred income tax expense	2,542,542	847,406	5,824,198	2,474,691
	2,542,542	847,406	5,824,198	2,474,691
TOTAL NET INCOME AND COMPREHENSIVE INCOME	**7,529,791**	**2,170,500**	**15,816,944**	**6,344,209**
Net income per common share *(note 10)*				
Basic	**0.07**	**0.03**	**0.17**	**0.07**
Diluted	**0.07**	**0.03**	**0.16**	**0.07**

See accompanying notes to the financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(Expressed in Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total
Balance, December 31, 2012	**144,119,128**	**2,103,466**	**(440,254)**	**145,782,340**
Net income	—	—	6,344,209	6,344,209
Issuance of common shares *(note 9)*	215,540	—	—	215,540
Premium liability of flow-through shares	(13,610)	—	—	(13,610)
Share-based compensation	—	1,510,040	—	1,510,040
Tax effect of share issue costs	18,176	—	—	18,176
Balance, September 30, 2013	**144,339,234**	**3,613,506**	**5,903,955**	**153,856,695**
Balance, December 31, 2013	**144,339,234**	**3,961,972**	**7,700,560**	**156,001,766**
Net income	—	—	15,816,944	15,816,944
Issuance of common shares *(note 9)*	205,030,500	—	—	205,030,500
Premium liability of flow-through shares	(234,750)	—	—	(234,750)
Share-based compensation	—	1,024,279	—	1,024,279
Share issue costs	(4,758,806)	—	—	(4,758,806)
Tax effect of share issue costs	1,189,701	—	—	1,189,701
Balance, September 30, 2014	**345,565,879**	**4,986,251**	**23,517,504**	**374,069,634**

See accompanying notes to the financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Expressed in Canadian dollars)

Funds generated by (used in):	**Three months ended Sept. 30, 2014**	**Three months ended Sept. 30, 2013**	**Nine months ended Sept. 30, 2014**	**Nine months ended Sept. 30, 2013**
OPERATING ACTIVITIES				
Net income (loss)	**7,529,791**	**2,170,500**	**15,816,944**	**6,344,209**
Adjust items not affecting cash:				
Share-based compensation *(note 9)*	189,034	176,899	512,140	755,019
Unrealized hedging (gains) losses *(note 8)*	(5,370,258)	1,669,262	(2,104,907)	1,505,372
Finance expenses	160,748	63,339	415,451	187,169
Depletion and depreciation *(note 5)*	6,874,777	3,229,400	18,230,636	10,503,816
Exploration and evaluation expense *(note 4)*	126,171	—	126,171	—
Gain on disposition *(note 3)*	(2,174,788)	—	(2,174,788)	—
Deferred income tax expense	2,542,542	847,406	5,824,198	2,474,691
Decommissioning expenditures	—	—	(348,938)	—
Funds generated by operations	**9,878,018**	**8,156,806**	**36,296,907**	**21,770,276**
Change in operating non-cash working capital	1,501,368	11,524,623	330,123	(2,712,021)
Cash flow from operating activities	**11,379,386**	**19,681,429**	**36,627,030**	**19,058,255**
FINANCING ACTIVITIES				
Issuance of common shares *(note 9)*	155,000,000	28,572	205,030,500	215,540
Share issue costs *(note 9)*	(2,914,821)	—	(4,758,806)	—
Increase (decrease) in bank indebtedness	90,000,000	(3,002,062)	66,620,349	17,965,646
Cash (used in) generated by financing activities	**242,085,179**	**(2,973,490)**	**266,892,043**	**18,181,186**
INVESTING ACTIVITIES				
Property and equipment (acquisitions) dispositions *(note 3)*	(10,605,291)	—	(29,718,485)	1,701,319
Corporate (acquisitions) dispositions *(note 3)*	(103,000,000)	—	(103,000,000)	—
Exploration and evaluation asset expenditures *(note 4)*	(2,314,335)	(4,378,336)	(3,436,720)	(35,997,353)
Petroleum and natural gas property expenditures *(note 5)*	(26,446,448)	(9,607,159)	(57,910,135)	(11,840,324)
Other capital expenditures	(68,213)	(1,596)	(271,904)	(33,799)
Change in investing non-cash working capital	9,549,731	(2,720,848)	12,017,383	(2,658,317)
Cash used in investing activities	**(132,884,556)**	**(16,707,939)**	**(182,319,861)**	**(48,828,474)**
Increase (decrease) in cash	120,580,009	—	121,199,212	(11,589,033)
Cash, beginning of period	619,203	—	—	11,589,033
Cash, end of period	**121,199,212**	—	**121,199,212**	—
Cash interest paid	50,828	215,999	746,527	536,177
Cash taxes paid	—	—	—	—

See accompanying notes to the financial statements

NOTES TO THE CONSOLIDATED 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. The Company's head office is located at 2400, 240 – 4th Avenue SW, Calgary, Alberta Canada.

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.

On September 8, 2014 Petrus acquired all of the outstanding shares of Arriva Energy Inc. These consolidated financial statements report the financial position and the results of operations for Petrus and its wholly owned subsidiary, Arriva Energy Inc., for the three and nine months ended September 30, 2014 and were approved by the Company's Audit Committee November 13, 2014.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared by management on a historical basis, except for certain financial instruments that have been measured at fair value. These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting." Certain information and disclosures normally included in the notes to the annual financial statements have been condensed. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2013, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The preparation of these condensed interim consolidated financial statements requires the use of certain critical accounting estimates and also requires management to exercise judgment in applying the Company's accounting policies. In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied to the financial statements for the year ended December 31, 2013. The condensed interim consolidated financial statements have been prepared following the same accounting policies as the financial statements for the year ended December 31, 2013 except as noted in note 2(b) to these financial statements. These consolidated financial statements are presented in Canadian dollars, except where otherwise noted.

(b) New standards and interpretations

On January 1, 2014, the Company adopted the following new standards and amendments which became effective for periods on or after January 1, 2014:

Effective January 1, 2014, the Company adopted amendments to IAS 32, "Financial Instruments: Presentation". The amendments clarify that the right to offset financial assets and liabilities must be available on the current date and cannot be contingent on a future event. IAS 32 does not impact the Company's financial statements.

In 2013, the IASB issued amendments to IAS 36 "Impairment of Assets" which reduces the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarifies the disclosures required when an impairment loss has been recognized or reversed in the period. The amendments are to be adopted retrospectively for fiscal years beginning January 1, 2014. Petrus adopted these amendments effective January 1, 2014. The adoption will impact disclosures in the notes to the financial statements only in periods when an impairment loss or impairment reversal is recognized.

Effective January 1, 2014 the Company adopted IFRIC 21, which clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The adoption of IFRIC 21 did not result in any changes to the accounting for levies by the Company.

Future accounting standards and interpretations

IFRS 9 Financial Instruments – IFRS 9 Financial Instruments – On July 24, the IASB issued IFRS 9 "Financial Instruments" ("IFRS 9") to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The Company is currently evaluating the impact of adopting IFRS 9 on the consolidated financial statements.

In May, 2014 the IASB published IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") replacing IAS 11, "Construction Contracts", IAS 18, "Revenue" and several revenue related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive when control is transferred to the purchaser. Disclosure requirements have also been expanded. The new standard is effective for annual periods beginning on or after January 1, 2017. The Company is currently evaluating the impact of adopting IFRS 15 on the consolidated financial statements.

3. ACQUISITIONS

Business combination

On February 28, 2014 Petrus closed an acquisition of petroleum and natural gas assets in the central Alberta foothills, for total cash consideration of $19.1 million, net of adjustments. The transaction was accounted for as a business combination using the acquisition method whereby the net assets acquired and the liabilities assumed are recorded at fair value. The acquisition was financed by way of the Company's revolving credit facility. Acquisition related costs, which relate to professional fees, are charged to finance expenses in the Statement of Net Income.

Petrus obtained resource tax pools equal to the total net assets acquired of $19.1 million. Neither deferred tax nor goodwill was recorded in conjunction with the acquisition.

The following table summarizes the net assets acquired pursuant to the acquisition:

Fair value of net assets acquired	
Exploration and evaluation assets	5,446,050
Petroleum and natural gas properties and equipment	17,058,504
Decommissioning obligations	(3,391,360)
Total net assets acquired	**19,113,194**

From the date of acquisition to September 30, 2014, the assets contributed approximately $5.6 million of revenue and $3.2 million of operating income. If the acquisition had taken place at January 1, 2014, the incremental revenue and operating income of the Company for the nine months ended September 30, 2014 would have been approximately $7.2 million and $4.0 million, respectively.

Royalty interest disposition

On August 29, 2014 Petrus closed the disposition of non-core royalty interest properties for total cash consideration of $4.2 million after post-closing adjustments. The Company recorded a gain of $2.2 million on the divestiture during the quarter ended September 30, 2014.

Business combination

On September 5, 2014 Petrus closed an acquisition of petroleum and natural gas assets in the Ferrier area of Alberta, for total cash consideration of $14.8 million, net of adjustments. The transaction was accounted for as a business combination using the acquisition method whereby the net assets acquired and the liabilities assumed are recorded at fair value. The acquisition was financed by way of the Company's revolving credit facility. Acquisition related costs, which relate to professional fees, are charged to finance expenses in the Statement of Net Income.

Petrus obtained resource tax pools equal to the total net assets acquired of $14.8 million. Neither deferred tax nor goodwill was recorded in conjunction with the acquisition.

The following table summarizes the net assets acquired pursuant to the acquisition:

Fair value of net assets acquired	
Exploration and evaluation assets	5,000,000
Petroleum and natural gas properties and equipment	14,124,208
Decommissioning obligations	(4,280,068)
Total net assets acquired	**14,844,079**

From the date of acquisition to September 30, 2014, the assets contributed approximately $185,000 of revenue and $130,000 of operating income. If the acquisition had taken place at January 1, 2014, the incremental revenue and operating income of the Company for the nine months ended September 30, 2014 would have been approximately $1.7 million and $1.2 million, respectively.

Arriva Energy Inc.

On September 8, 2014 Petrus acquired all of the issued and outstanding shares of Arriva Energy Inc. (“Arriva”) at a price of $2.05 per share. As consideration Petrus paid $103 million in cash by way of its revolving credit facility. Transaction costs of $184,375 were charged to general & administrative expenses. Arriva was a privately held entity with oil and natural gas operations in the Ferrier area of Alberta, Canada. Petrus acquired the business in order to establish a core operating area in this geographic location as well as to provide accretive, liquids rich natural gas weighted petroleum and natural gas assets to Petrus.

Results from Arriva operations are included in the Company’s unaudited interim consolidated financial statements for the three and nine months ended September 30, 2014 from the closing date of the transaction. Petrus obtained the tax base of the identifiable assets and liabilities of Arriva at pre-acquisition amounts and obtained tax basis for the cost of the shares acquired. No goodwill was recorded in connection with the acquisition. The temporary differences gave rise to an $18.5 million deferred tax liability.

The acquisition has been accounted for using the acquisition method based on fair values. The deferred tax liability is based upon information available at the time and may be subject to change in a future period:

Fair value of net assets acquired ($000s)	
Accounts receivable	592,720
Other current assets	1,519,765
Current liabilities	(1,041,604)
Petroleum and natural gas properties and equipment	113,838,518
Exploration and evaluation assets	8,808,750
Bank debt	—
Decommissioning obligations	(2,259,709)
Deferred income tax liability	(18,450,000)
Risk management liability	(8,440)
Total net assets acquired	**103,000,000**

Consideration:	
Cash	**103,000,000**
Excess of net assets acquired over consideration	**—**

From the date of acquisition to September 30, 2014, the acquisition contributed approximately $1.1 million of revenue and $660,000 of operating income. If the acquisition had taken place at January 1, 2014, the incremental revenue and operating income of the Company for the nine months ended September 30, 2014 would have been approximately $11.4 million and $7.4 million, respectively.

4. EXPLORATION AND EVALUATION ASSETS

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

Balance, December 31, 2012	**45,790,854**
Additions	4,441,890
Capitalized G&A and share-based compensation	1,220,230
Transfers to property, plant and equipment	(924,456)
Balance, December 31, 2013	**50,528,518**
Additions	2,549,466
Property acquisitions (dispositions) *(note 3)*	10,446,050
Corporate acquisition *(note 3)*	8,808,750
Exploration and evaluation expense	(126,171)
Capitalized G&A and share-based compensation	1,143,324
Balance, September 30, 2014	**73,349,937**

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. For the three and nine month periods ended September 30, 2014 the Company incurred $126,171 of exploration and evaluation expense in the Consolidated Statement of Net Income which relates to expiring undeveloped land in minor properties (2013 - $Nil).

During the three and nine months ended September 30, 2014 the Company capitalized $417,663 and $1,143,324, respectively, of general & administrative expenses (“G&A”) directly attributable to exploration activities (three and nine months ended September 30, 2013 - $321,725 and $1,178,755). Included in this amount is non-cash share-based compensation for the three and nine months ended September 30, 2014 of $94,518 and $256,070, respectively (three and nine months ended September 30, 2013 $88,450 and $377,510, respectively).

5. PROPERTY, PLANT AND EQUIPMENT

$	Cost	Accumulated DD&A	Net book value
Balance, December 31, 2012	**120,700,567**	**(8,715,422)**	**111,985,145**
Additions	52,168,855	—	52,168,855
Acquisitions (dispositions)	(1,901,319)	200,000	(1,701,319)
Capitalized G&A and share-based compensation	1,220,232	—	1,220,232
Transfers from exploration and evaluation assets	924,456	—	924,456
Depletion & depreciation	—	(17,162,735)	(17,162,735)
Change in decommissioning provision	2,778,122	—	2,778,122
Balance, December 31, 2013	**175,890,913**	**(25,678,157)**	**150,212,756**
Additions	57,294,782	—	57,294,782
Property acquisitions *(note 3)*	23,511,223	—	23,511,223
Property (dispositions) *(note 3)*	(2,880,000)	816,000	(2,064,000)
Corporate acquisition *(note 3)*	111,578,809	—	111,578,809
Capitalized G&A and share-based compensation	1,143,324	—	1,143,324
Depletion & depreciation	—	(18,230,636)	(18,230,636)
Change in decommissioning provision	14,475,090	—	14,475,090
Balance, September 30, 2014	**381,014,141**	**(43,092,793)**	**337,921,348**

Estimated future development costs of $199.6 million (December 31, 2013 - $58.8 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 month periods ended September 30, 2014 the Company capitalized $417,663 and $1,143,324, respectively (three and nine months periods ended September 30, 2013 $321,725 and $1,178,755, respectively) of general & administrative expenses ("G&A") directly attributable to development activities. Included in this amount is non-cash share-based compensation for the three and nine months ended September 30, 2014 of $94,518 and $256,070, respectively (three and nine months ended September 30, 2013 $88,449 and $377,509, respectively).

6. REVOLVING CREDIT FACILITY

On July 31, 2014 the Company syndicated its existing credit facility to five institutions and structured a $100 million, committed, secured 364-day revolving plus one year term-out facility. It was comprised of a $20 million operating facility, as well as an $80 million syndicated facility. The facilities bear interest at Canadian bank prime, or at the Company's option, Canadian bankers' acceptances, plus applicable margin and stamping fee. The stamping fees range, depending on Petrus' debt to EBITDA (which is: earnings before interest, taxes, depreciation and amortization as defined in the banking agreement), between 100 bps and 250 bps on Canadian bank prime borrowings and between 200 bps and 350 bps on Canadian dollar bankers' acceptances. The undrawn portion of the facilities, are subject to a standby fee in the range of 50 bps to 87.50 bps.

Concurrent with the closing of the acquisition of Arriva Energy Inc., Petrus obtained commitment from its syndicated lenders to increase its demand credit facility from $80 million to $120 million for a total combined credit facility, inclusive of the $20 million operating facility, of $140 million. At September 30, 2014, the Company had no outstanding letters of credit against the facility (December 31, 2013; Nil) and had drawn $90 million against the facility (December 31, 2013; $23.4 million).

Subsequent to September 30, 2014, concurrent with the closing of the acquisition of the Ravenwood Energy Corporation, Petrus obtained commitment from its syndicated lenders to increase its demand credit facility from $120 million to $180 million for a total combined credit facility, inclusive of the $20 million operating facility, of $200 million.

The amount of the credit facility is subject to a borrowing base review performed on a semi-annual basis by the lender, based primarily on reserves and commodity prices estimated by the lenders as well as other factors. A decrease in the borrowing base could result in a reduction to the available credit facility. A scheduled review of the borrowing base took place on October 31, 2014 and no changes were made to the Company's borrowing base. The Company has provided collateral by way of a $600 million debenture over all of the present and after acquired property of the Company.

The facilities carry a financial covenant which limits the Company's ability to borrow amounts greater than the facility limit as well as:

(a) a financial covenant of PV10 to Net Secured Debt Ratio being less than 1.25 to 1.00 whereby Net Secured Debt (as defined by the banking agreement) means all amounts owing under the Credit Facility and any other secured debt of Petrus on a consolidated basis, minus restricted cash and cash equivalents and "PV10" means the discounted net present value (at a discount rate of 10%) of Petrus' proved reserves, as adjusted for commodity swaps then in effect and

(b) certain financial covenants only when any indebtedness under the second lien term facility (see subsequent event discussion below) remain outstanding which are:

   a. The Working Capital Ratio will not be less than 1.00 to 1.00;
   b. The Proved Asset Coverage Ratio will not be less than 1.25 to 1.00; and
   c. The PDP Asset Coverage Ratio will not be less than 1.00 to 1.00.

Concurrent with the closing of the acquisition of Ravenwood Energy Corp., Petrus closed a $90 million second lien term loan facility with Macquarie Bank Limited (the "Macquarie Facility"). The Term Loan matures and is repayable in full 24 months following funding. Interest is due and payable monthly and accrues at a per annum rate of (three-month) the Canadian Dealer offered Rate (CDOR) plus 700 basis points. The Term Loan is subject to three financial covenants: (1) the same financial covenant of PV10 to Net Secured Debt Ratio being less than 1.25 to 1.00 as the Credit Facilities; (2) a covenant that Petrus may not, as of the effective date of each annual independent engineering reserve report and each internally prepared semi-annual internally prepared reserve report, permit the PDP to Net Secured Debt Ratio to be less than 1.00 to 1.00 where “PDP” means the present value (discounted at 10.0%) of future net revenues attributable to Petrus’ reserves and (3) Petrus' working capital ratio (current assets to current liabilities) will not be less than 1.0 to 1.0. The Term Loan is secured with a $250 million second lien priority interest on the same collateral as the Credit Facilities and requires a certain level of production volume to be hedged in 2015 and 2016.

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 three percent and an inflation rate of two percent (December 31, 2013; three percent and two percent, respectively). Changes in estimates are due to changes in the Company’s well status and the associated costs to abandon. The Company has estimated the net present value of the decommissioning obligations to be $30.1 million as at September 30, 2014 ($15.6 million at December 31, 2013). The undiscounted, uninflated total future liability at September 30, 2014 is $37.6 million ($19.7 million at December 31, 2013). The payments are expected to be incurred over the operating lives of the assets. The following table reconciles the decommissioning liability:

Balance, December 31, 2012	**12,395,714**
Dispositions	(80,000)
Liabilities incurred	749,308
Change in estimates	2,108,814
Accretion expense	372,977
Balance, December 31, 2013	**15,546,813**
Property acquisitions	7,671,428
Corporate acquisitions	2,259,709
Liabilities incurred	4,373,652
Liabilities settled	(348,938)
Change in estimates	170,301
Accretion expense	415,451
Balance, September 30, 2014	**30,088,416**

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, 2014:

Natural Gas Contract Period	Type	Daily Volume	Price (CAD$/GJ)
Oct. 1, 2014 to Oct. 31, 2014	Fixed price	1,500 GJ	$3.44/GJ
Oct. 1, 2014 to Oct. 31, 2014	Fixed price	2,500 GJ	$3.61/GJ
Oct. 1, 2014 to Oct. 31, 2014	Fixed price	1,000 GJ	$3.64/GJ
Oct. 1, 2014 to Oct. 31, 2014	Fixed price	1,500 GJ	$3.65/GJ
Oct. 1, 2014 to Oct. 31, 2014	Fixed price	1,000 GJ	$3.99/GJ
Oct. 1, 2014 to Oct. 31, 2014	Fixed price	500 GJ	$4.07/GJ
Oct. 1, 2014 to Oct. 31, 2014	Fixed price	1,000 GJ	$4.32/GJ
Oct. 1, 2014 to Oct. 31, 2014	Fixed price	1,750 GJ	$3.74/GJ
Nov. 1, 2014 to Mar. 31, 2015	Fixed price	2,000 GJ	$3.75/GJ
Nov. 1, 2014 to Mar. 31, 2015	Fixed price	2,000 GJ	$3.81/GJ
Nov. 1, 2014 to Mar. 31, 2015	Fixed price	1,000 GJ	$3.84/GJ
Nov. 1, 2014 to Mar. 31, 2015	Fixed price	1,000 GJ	$4.04/GJ
Nov. 1, 2014 to Mar. 31, 2015	Fixed price	1,000 GJ	$4.10/GJ
Nov. 1, 2014 to Mar. 31, 2015	Fixed price	500 GJ	$4.18/GJ
Nov. 1, 2014 to Mar. 31, 2015	Fixed price	1,000 GJ	$4.43/GJ
Nov. 1, 2014 to Mar. 31, 2015	Fixed price	1,000 GJ	$4.83/GJ

Crude Oil Contract Period	Type	Daily Volume	Price ($/Bbl)
Oct. 1, 2014 to Dec. 31, 2014	Put Option	200 Bbl	WTI $85.00/Bbl
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	300 Bbl	WTI $89.00/Bbl
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	100 Bbl	WTI $92.00/Bbl
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	200 Bbl	WTI $93.80/Bbl
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	300 Bbl	WTI $CAD105.20/Bbl
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	300 Bbl	WTI $92.10/Bbl
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	200 Bbl	WTI $94.05/Bbl
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	300 Bbl	WTI $CAD103.05/Bbl
Jan. 1, 2015 to Dec. 31, 2015	Fixed price	200 Bbl	WTI $CAD100.00/Bbl
Jan. 1, 2015 to Dec. 31,2015	Fixed Price	100 Bbl	WTI $CAD 95.50/Bbl

Electric Power Contract Period	Type	Annual Volume	Price (CAD)
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	12,264 MW	$57.75/MWH
Jan. 1, 2015 to Dec. 31, 2015	Fixed price	12,264 MW	$50.00/MWH

Risk Management Asset and Liability

At December 31, 2013	Current Asset	Current Liability
Commodity derivatives	26,418	2,286,940
	26,418	**2,286,940**

At September 30, 2014	Current Asset	Current Liability
Commodity derivatives	972,748	1,136,803
	972,748	**1,136,803**

Earnings Impact of Realized and Unrealized Gains (Losses) on Commodity Financial Instruments

($)	Three months ended Sept. 30, 2014	Three months ended Sept. 30, 2013	Nine months ended Sept. 30, 2014	Nine months ended Sept. 30, 2013
Realized gain (loss)	(1,359,041)	(424,658)	(4,287,471)	(902,252)
Unrealized gain (loss)	5,370,258	(1,669,262)	2,104,907	(1,505,372)
	4,011,217	**(2,093,920)**	**(2,182,564)**	**(2,407,624)**

9. 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
Balance, December 31, 2012	**86,275,633**	**144,119,128**
Common shares issued under private placement (a)	52,655	105,310
Flow-through shares issued, net of premium (a)	34,024	68,048
Tax effect of share issue costs	—	18,176
Common shares issued under private placement (b)	14,286	28,572
Balance, December 31, 2013	**86,376,598**	**144,339,234**
Common shares issued under private placement (c)	15,256,000	49,582,000
Flow-through shares issued, net of premium (c)	115,000	373,750
Common shares issued under private placement (d)	17,784,724	71,138,896
Flow-through shares issued, net of premium (d)	200,000	800,000
Common shares issued under private placement (e)	20,725,276	82,901,104
Share issue costs	—	(4,758,806)
Tax effect of share issue costs	—	1,189,701
Balance, September 30, 2014	**140,457,598**	**345,565,879**

Share Issuances

(a) 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. The common shares issued are subject to a restricted hold period which expired August 27, 2013.

(b) 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. The common shares issued are subject to a restricted hold period which expired December 19, 2013.

(c) On June 2, 2014 the Company issued 15,256,000 common shares at a price of $3.25 per share and 115,000 flow-through shares at a price of $3.90 per share for total gross proceeds of $50,030,500. Of the issuance price, $0.65 per share or $74,750 was determined to be the premium on the flow-through shares. The common shares issued were subject to a restricted hold period which expired October 3, 2014.

(d) On September 5, 2014 the Company issued 17,784,724 common shares at a price of $4.00 per share and 200,000 flow-through shares at a price of $4.80 per share for total gross proceeds of $72,098,896. Of the issuance price, $0.80 per share or $160,000 was determined to be the premium on the flow-through shares. The common shares issued are subject to a restricted hold period which expires January 6, 2015.

(e) On September 23, 2014 the Company issued 20,725,276 common shares at a price of $4.00 per share for total gross proceeds of $82,901,104. The common shares issued are subject to a restricted hold period which expires January 24, 2015.

SHARE-BASED COMPENSATION

Performance Warrants

The Company has issued performance warrants to employees, consultants and directors of the Company. Performance warrants were granted 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 five years from the date of issuance. Upon exercise of the warrants the Company may settle the obligation by issuing common shares of the Company. 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 32,113,016 issued and outstanding shares as at April 30, 2012. At September 30, 2014, 6,407,603 (December 31, 2013; 6,422,603) performance warrants were issued and outstanding.

	Number of warrants outstanding	Weighted Average Exercise Price ($)
Balance, December 31, 2012	**6,422,603**	**$2.00**
Forfeited or expired	(417,000)	$2.00
Granted	417,000	$2.25
Balance, December 31, 2013	**6,422,603**	**$2.02**
Forfeited or expired	(15,000)	$2.00
Balance, September 30, 2014	**6,407,603**	**$2.02**
Exercisable, September 30, 2014	**3,979,704**	**$2.00**

The following tables summarize information about the performance warrants granted since inception:

	Warrants Issued			Warrants Exercisable		
Grant date	Number granted	Weighted average exercise price	Weighted average remaining life (years)	Number exercisable	Weighted average exercise price	Weighted average remaining life (years)
December 19, 2011	4,934,000	$2.00	2.22	2,964,080	$2.00	2.22
March 20, 2012	400,000	$2.00	2.47	268,000	$2.00	2.47
May 1, 2012	400,000	$2.00	2.58	268,000	$2.00	2.58
June 5, 2012	225,000	$2.00	2.68	150,750	$2.00	2.68
July 10, 2012	56,603	$2.00	2.78	27,874	$2.00	2.78
August 6, 2012	400,000	$2.00	2.85	268,000	$2.00	2.85
November 5, 2012	100,000	$2.00	3.10	33,000	$2.00	3.10
November 14, 2013	417,000	$2.25	4.12	—	$2.25	4.12
	6,932,603	**$2.02**	**2.44**	**3,979,704**	**$2.00**	**2.33**

At September 30, 2014 there were 3,979,704 exercisable performance warrants. The weighted average fair value of each warrant granted during the period was Nil as no warrants were granted during the period (2013 - $0.25). The Black-Scholes pricing model uses the following weighted average assumptions (September 30):

	2014	2013
Risk free interest rate	—	1.23%
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. 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. The options vest based on time (one third vest per year) and expire five years from the date of issuance. At September 30, 2014, 5,955,000 (December 31, 2013; 4,355,000) stock options were outstanding. The summary of stock option activity is presented below:

	Number of stock options	Weighted Average Exercise Price ($)
Balance, December 31, 2013	**4,355,000**	**$1.84**
Granted	1,605,000	$3.08
Forfeited or expired	(5,000)	$1.75
Balance, September 30, 2014	**5,955,000**	**$2.17**
Exercisable, September 30, 2014	**2,648,000**	**$2.14**

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

Grant date	Stock Options Issued Number granted	Weighted average exercise price	Weighted average remaining life (years)	Stock Options Exercisable Number exercisable	Weighted average exercise price	Weighted average remaining life (years)
June 29, 2012	3,600,000	$1.75	2.75	2,400,000	$1.75	2.75
July 10, 2012	65,000	$1.75	2.78	43,333	$1.75	2.78
August 27, 2012	175,000	$1.75	2.91	116,667	$1.75	2.91
November 5, 2012	155,000	$1.75	3.10	51,667	$1.75	3.10
March 18, 2013	99,000	$2.00	3.46	33,000	$2.00	3.46
June 3, 2013	10,000	$2.00	3.67	3,333	$2.00	3.67
November 14, 2013	160,000	$2.25	4.12	—	$2.25	4.12
December 31, 2013	315,000	$2.25	4.25	—	$2.25	4.25
February 10, 2014	150,000	$2.25	4.36	—	$2.25	4.36
March 12, 2014	140,000	$2.50	4.45	—	$2.50	4.45
March 31, 2014	165,000	$2.50	4.50	—	$2.50	4.50
April 11, 2014	120,000	$2.75	4.53	—	$2.75	4.53
April 28, 2014	125,000	$3.25	4.58	—	$3.25	4.58
July 9, 2014	325,000	$3.25	4.77	—	$3.25	4.77
July 14, 2014	275,000	$3.25	4.79	—	$3.25	4.79
August 5, 2014	65,000	$3.25	4.85	—	$3.25	4.85
August 11, 2014	25,000	$3.25	4.86	—	$3.25	4.86
September 15, 2014	215,000	$4.00	4.96	—	$4.00	4.96
	6,184,000	**$2.14**	**3.39**	**2,648,000**	**$1.75**	**2.77**

At September 30, 2014 there were 2,648,000 exercisable stock options. The weighted average fair value of each stock option granted in the period of $1.03 (2013 - $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):

	2014	**2013**
Risk free interest rate	1.20%	1.20%
Expected life (years)	5	5
Estimated volatility of underlying common shares (%)	50%	50%
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.

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

Share-based compensation costs ($):	**Three months ended Sept. 30, 2014**	**Three months ended Sept. 30, 2013**	**Nine months ended Sept. 30, 2014**	**Nine months ended Sept. 30, 2013**
Expensed in net income	189,034	176,899	512,139	755,021
Capitalized to exploration and evaluation assets	94,518	88,450	256,070	377,510
Capitalized to property, plant and equipment	94,518	88,449	256,070	377,509
Total share-based compensation	**378,070**	353,798	**1,024,279**	1,510,040

10. EARNINGS PER SHARE

Earnings per share amounts are calculated by dividing the net income for the period attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

	Three months ended Sept. 30, 2014	Three months ended Sept. 30, 2013	Nine months ended Sept. 30, 2014	Nine months ended Sept. 30, 2013
Net income for the period	**7,529,791**	2,170,500	**15,816,944**	6,344,209
Weighted average number of common shares – basic	108,211,674	86,331,807	95,311,452	86,368,834
Weighted average number of common shares - diluted	113,071,683	86,831,182	100,171,461	86,868,209
Net income per common share – basic	**0.07**	0.03	**0.17**	0.07
Net income per common share – diluted	**0.07**	0.03	**0.16**	0.07

In computing diluted earnings per share for the three months and nine months ended September 30, 2014, 1,980,201 warrants and 2,879,808 stock options were added to the basic weighted average common shares outstanding. In computing three and nine months ended September 30, 2013, 499,375 stock options were added to the basic weighted average common shares outstanding.

11. OPERATING EXPENSES

The Company's gross operating expenses for the three and nine months ending September 30, 2014 were $4.7 million and $12.8 million, respectively (September 30, 2013; $3.0 million and $9.1 million). For the three and nine months ended September 30, 2014, this includes $1.4 million and $4.1 million of processing, gathering and compression charges, respectively (September 30, 2013; $609,769 and $2.3 million).

The Company generated processing income recoveries of $251,869 and $499,706 for the three and nine months ending September 30, 2014 respectively (September 30, 2013; $555,610 and $768,087) which reduced the Company's reported operating expenses to $4.4 million and $12.3 million for the three and nine months ending September 30, 2014 (September 30, 2013; $2.4 million and $8.3 million).

12. 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, 2014, financial assets on the consolidated balance sheet are comprised of cash, deposits, 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 $14.8 million of accounts receivable outstanding at September 30, 2014 (December 31, 2013; $10.9 million), $6.5 million was owed from seven parties and was received subsequent to the quarter end (December 31, 2013 - $5.0 million from ten parties). As at September 30, 2014 and December 31, 2013, the majority of Petrus' accounts receivable were all aged less than 90 days and the Company had no past due receivables.

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 balance sheet consist of accounts payable, bank indebtedness, 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, 2014 the Company had a $140 million credit facility, of which $50 million was undrawn (December 31, 2013, the Company had a $60 million credit facility of which $36.6 million was 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 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, 2014 would have changed income by approximately $455,000 and $567,000, respectively, which relates to interest expense on the average outstanding revolving credit facility during the period, assuming that all other variables remain constant (three and nine months ended September 30, 2013; $195,000 and $90,000, respectively). 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, 2014, it is estimated that a $0.25/mcf change in the price of natural gas would have changed net income by $404,000 and $1.1 million, respectively (three and nine months ended September 30, 2013; $238,000 and $689,000, respectively). For the three and nine months ended September 30, 2014, it is estimated that a $5.00/CDN WTI/bbl change in the price of oil would have changed net income by $828,000 and $2.7 million, respectively (three and nine months ended September 30, 2013; $606,000 and $1.7 million, respectively).

13. COMMITMENTS

At September 30, 2014 the commitments for which the Company is responsible are as follows:

Commitments (000s)	Total	< 1 year	1-5 years
Corporate office lease	3,754	658	3,096
Total commitments	**3,754**	**658**	**3,096**

14. SUBSEQUENT EVENTS

Corporate Acquisition

Ravenwood Energy Corp.

On October 8, 2014 Petrus acquired all of the issued and outstanding common shares of Ravenwood for $195 million, inclusive of debt and transaction costs. Ravenwood was a privately held entity with oil and natural gas operations in the Thorsby and Pembina areas of Alberta, Canada and was controlled by a shareholder of Petrus. Petrus acquired the business in order to establish a core operating area in this geographic location as well as to provide accretive, oil weighted petroleum and natural gas assets to Petrus. Transaction costs of $359,000 were incurred in conjunction with the acquisition and relate to professional service fees. These transaction costs will be recorded on the Statement of Net Income as general & administrative expenses. The transaction was accounted for as a business combination using the acquisition method whereby the net assets acquired and the liabilities assumed are recorded at fair value. The acquisition was financed by way of a Term Loan (see below) as well as proceeds from the Company's September 2014 Private Placement (see note 9).

The acquisition has been accounted for using the acquisition method based on the information available at the date of these financial statements. The amounts may be subject to change in a future period:

Fair value of net assets acquired	
Property plant and equipment	216,984,343
Exploration and evaluation assets	12,705,600
Deferred tax liability	(12,500,000)
Accounts receivable	1,789,555
Other current assets	31,064,583
Current liabilities	(34,691,431)
Derivative asset (liability)	742,509
Decommissioning obligations	(21,095,159)
Total net assets acquired	**195,000,000**
Cash consideration	195,000,000
Excess of net assets acquired over consideration	**—**

If the acquisition had taken place at January 1, 2014, the incremental revenue and operating income of the Company for the nine months ended September 30, 2014 would have been approximately $48.7 million and $30.8 million, respectively.

Amalgamation

On October 8, 2014 Petrus amalgamated its two wholly owned subsidiaries, Arriva Energy Inc. and Ravenwood Energy Corp.

Term Loan
Concurrent with the closing of the acquisition of Ravenwood Energy Corp., Petrus closed a $90 million second lien term loan facility with Macquarie Bank Limited (the "Macquarie Facility"). The Term Loan matures and is repayable in full 24 months following funding. Interest is due and payable monthly and accrues at a per annum rate of (three-month) the Canadian Dealer offered Rate (CDOR) plus 700 basis points. The Term Loan is subject to three financial covenants: (1) the same financial covenant of PV10 to Net Secured Debt Ratio being less than 1.25 to 1.00 as the Credit Facilities; (2) a covenant that Petrus may not, as of the effective date of each annual independent engineering reserve report and each internally prepared semi-annual internally prepared reserve report, permit the PDP to Net Secured Debt Ratio to be less than 1.00 to 1.00 where "PDP" means the present value (discounted at 10.0%) of future net revenues attributable to Petrus' reserves and (3) Petrus' working capital ratio (current assets to current liabilities) will not be less than 1.0 to 1.0. The Term Loan is secured with a $250 million second lien priority interest on the same collateral as the Credit Facilities and requires a certain level of production volume to be hedged in 2015 and 2016.

Financial Risk Management

Subsequent to September 30, 2014 the Company entered into the following financial derivative contract:

Natural Gas **Period Hedged**	**Type**	**Daily Volume**	**Price (CAD$/GJ)**
Jan. 1, 2015 to Dec. 31, 2015	Costless Collar	5,000 GJ	$3.50 – 3.63/GJ
Jan. 1, 2015 to Dec. 31, 2015	Fixed price	4,000 GJ	$3.49/GJ
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	2,000 GJ	$3.61/GJ
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	1,000 GJ	$3.56/GJ
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	1,000 GJ	$3.70/GJ
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	2,500 GJ	$3.75/GJ
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	2,000 GJ	$3.80/GJ

Crude Oil **Contract Period**	**Type**	**Daily Volume**	**Price ($/Bbl)**
Oct. 1, 2014 to Dec. 31, 2014	Fixed price	250 Bbl	WTI $90.00/Bbl
Jan. 1, 2015 to Dec. 31, 2015	Fixed Price	500 Bbl	WTI $95.00-104.50/Bbl
Apr. 1, 2015 to Dec. 31, 2015	Fixed Price	250 Bbl	WTI $97.80/Bbl
Apr. 1, 2015 to Dec. 31, 2015	Fixed Price	250 Bbl	WTI $92.50-103.50/Bbl

Share Capital
On October 9, 2014 the Company granted 100,000 stock options at an exercise price of $4.00. The options vest based on time (one third vest per year) and expire five years from the date of issuance.

On October 15, 2014 the Company issued 135,000 common shares at a price of $4.00 per share for total gross proceeds of $540,000. The common shares issued are subject to a restricted hold period which expires February 15, 2015.

15. RELATED PARTY TRANSACTIONS
Included in share issue costs are fees of $325,000 which relate to the Company's September 2014 financing. The fees were paid to a company controlled by a director of Petrus.

CORPORATE INFORMATION

OFFICERS

Kevin L. Adair, P. Eng.
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Neil Korchinski, P. Eng.
Vice President, Engineering and
Chief Operating Officer

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

Peter Verburg
Corporate Secretary

DIRECTORS

Don T. Gray
Chairman
Calgary, Alberta

Kevin L. Adair
Calgary, Alberta

Patrick Arnell
Calgary, Alberta

Donald Cormack
Calgary, Alberta

Joe Looke
Irving, Texas

Peter Verburg
Calgary, Alberta

SOLICITOR
Burnet, Duckworth & Palmer LLP
Calgary, Alberta

AUDITOR
Ernst & Young LLP
Chartered Accountants
Calgary, Alberta

INDEPENDENT RESERVE EVALUATORS
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