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FIRST QUARTER REPORT

For the three months ended March 31, 2015

Petrus Resources Ltd. ("Petrus" or the "Company") is pleased to report operating and financial results for the first quarter of 2015.

- Average production of 9,333 boe per day (44% oil and liquids) in the first quarter was double the 4,373 boe per day (51% oil and liquids) reported for the first quarter of 2014. Late April production was estimated at 9,700 boe per day. Since mid-January, Petrus sales volumes have been partially restricted due to transportation curtailments on TransCanada Pipelines Limited ("TCPL") infrastructure on the western side of the province. Sales volumes have been curtailed primarily at Ferrier but also at Cordel and other Foothills and Peace River areas. In mid-April TCPL restored interruptible transportation services in the Ferrier area and Petrus is working to restore our sales volumes to normal levels.

- Petrus generated $14.5 million in cash flow from operations during the first quarter, compared to $13.5 million in the first quarter of 2014. Commodity prices have declined significantly from the prior year. The average benchmark natural gas price in Canada (AECO) decreased by 54% first quarter over first quarter ($2.74 per mcf from $6.00 per mcf in the first quarter of 2014). The average price of Edmonton Light Sweet crude oil decreased 47% for the same period ($52.81 per bbl from $100.18 per bbl). Since early April oil prices have started to recover with WTI up from approximately $50 USD/Bbl to near $60 USD/Bbl and the WTI to Edmonton differential shrinking from $5.00 USD/Bbl to approximately $1.00 USD/Bbl.

- Operating costs declined 18%, from $9.47 per boe in the first quarter of 2014 to $7.78 per boe in the first quarter of 2015. The decrease is attributed to new water disposal facilities in the Peace River area, and efficiencies of scale as a result of the Company's growth. The Company's total cash costs in the first quarter totaled $18.89 per boe, resulting in a corporate netback of $17.28 and a 57% operating margin. Petrus continues to work to reduce operating expenses and completed well tie-ins in the Tangent area during the quarter to eliminate significant infield trucking expenses.

- Over the three month period ended March 31, 2015, Petrus invested $25.4 million in exploration and development activity, up from $23.9 million in the first quarter of 2014. Petrus also invested $1.1 million in acquisitions (net of dispositions), down from $19.1 million in acquisitions in the first quarter of 2014. The investments were funded by cash flow and available credit lines.

- At March 31, 2015 Petrus had 140.6 million common shares outstanding and was 58% drawn against its $200.0 million credit facility. The Company ended the quarter with net debt of $228.1 million.

- At the end of the first quarter Petrus had 240,390 net acres of undeveloped land, a two-fold increase over the undeveloped land position a year earlier.

- During the quarter Petrus closed two acquisitions in the Ferrier area of Alberta; included in these acquisitions were approximately 815 boe per day of production and 1,759 net acres of undeveloped land. The acquisitions were made for total cash consideration of approximately $8.9 million (before post-closing adjustments). Petrus also disposed of its working interest in a non-core property in the Pembina area of Alberta in the first quarter for net proceeds of $8.2 million (before post-closing adjustments).

- The Petrus Board of Directors has approved a base capital budget of $50 million for 2015, excluding acquisitions. The capital budget includes the drilling of 10 gross (six net) wells and the construction of a gas plant in the Ferrier area to reduce future third-party processing fees. The capital budget over the remainder of the year will be funded through cash flow from operating activities. Petrus remains flexible to adjust its ongoing capital program in response to prevailing industry conditions.

March 31, 2015

SELECTED FINANCIAL INFORMATION

(000s) except per boe amounts	Three months ended Mar. 31, 2015	Three months ended Mar. 31, 2014	Three months ended Dec. 31, 2014	Three months ended Sept. 30, 2014	Three months ended June 30, 2014
OPERATIONS					
Average Production					
Natural gas (mcf/d)	31,525	12,864	34,626	17,557	16,800
Oil (bbl/d)	3,559	2,134	2,998	1,799	2,012
NGLs (bbl/d)	519	95	1,053	203	147
Total (boe/d)	**9,333**	4,373	**9,822**	4,928	4,959
Total (boe)	**839,927**	393,601	**903,620**	453,359	451,269
Natural gas sales weighting	***56%***	49%	***59%***	59%	56%
Realized Sales Prices					
Natural gas ($/mcf)	3.12	6.03	3.97	4.23	5.21
Oil ($/bbl)	47.38	94.13	67.47	95.51	100.20
NGLs ($/bbl)	29.77	60.91	47.52	51.08	37.60
Total ($/boe)	30.27	64.99	39.37	52.04	59.42
Hedging gain (loss) ($/boe)	5.81	(3.64)	3.73	(3.00)	(3.32)
Operating Netback ($/boe)					
Effective price	36.08	61.35	43.10	49.04	56.10
Royalty income	0.09	0.73	0.47	0.28	0.67
Royalty expense	(4.55)	(13.69)	(4.38)	(8.90)	(12.76)
Operating expense	(7.78)	(9.47)	(6.43)	(9.69)	(9.29)
Transportation expense	(1.86)	(2.21)	(1.25)	(2.87)	(2.17)
Operating netback (2) ($/boe)	**21.98**	36.71	**31.51**	27.86	32.55
G & A expense (1)	(1.98)	(1.61)	(2.34)	(3.19)	(1.77)
Net interest expense	(2.72)	(0.85)	(1.93)	(2.88)	(1.36)
Corporate netback (2) ($/boe)	**17.28**	34.25	**27.24**	21.79	29.42
FINANCIAL ($000s except per share)					
Oil and natural gas revenue	25,495	25,581	35,998	23,592	26,815
Cash flow from operations (2)	14,535	13,467	24,627	9,878	13,278
Cash flow from operations per share (2)	0.10	0.16	0.18	0.09	0.15
Net income (loss)	(6,312)	2,208	(63,308)	7,530	5,505
Net income (loss) per share	(0.05)	0.03	(0.45)	0.07	0.06
Capital expenditures	25,383	23,930	53,049	28,964	9,275
Net acquisitions (dispositions)	1,063	19,113	195,028	113,605	—
Common shares outstanding	140,493	86,377	140,593	140,458	101,748
Weighted average shares	140,493	86,377	140,571	108,212	91,106
As at quarter end ($000s)					
Net debt (3)	227,607	(51,638)	(215,049)	21,014	415
Bank debt outstanding	115,000	51,901	190,000	90,000	—
Bank debt available	85,000	38,099	100,000	50,000	90,000
Shareholders' equity	305,912	158,655	311,760	374,070	213,508
Total assets	641,547	257,245	647,304	549,248	259,110

(1) G&A expenses are shown net of capitalized general & administrative costs. Please refer to the G&A section on page 11 in the March 31, 2015 MD&A.
(2) Non-GAAP measures, including the methodology used to calculate debt-adjusted share amounts, are defined on page 6 of the March 31, 2015 MD&A.
(3) Net debt includes working capital (deficiency).

OPERATIONS UPDATE

The Company's production is diversified as a result of acquisition activities in 2014 that provided Petrus with new core areas in Ferrier and Central Alberta. In late April production was estimated at 9,700 boe per day, with some volumes shut in due to an interruption in service on a major TransCanada pipeline. Average first quarter production from the Company's four operating areas was as follows:

Average production for the quarter ended March 31, 2015	Foothills	Peace River	Ferrier[1]	Central Alberta[2]	Total
Average Production					
Natural gas (mcf/d)	9,298	4,384	5,073	12,770	**31,525**
Oil (bbl/d)	1,065	899	350	1,245	**3,559**
NGLs (bbl/d)	56	40	123	300	**519**
Total (boe/d)	**2,670**	**1,669**	**1,321**	**3,673**	**9,333**
Natural gas sales weighting	***58%***	***44%***	***64%***	***58%***	***56%***

(1) Petrus closed a property acquisition in Ferrier September 5, 2014 and the corporate acquisition of Arriva Energy Inc. on September 8, 2014.Petrus amalgamated Arriva on October 8, 2014.
(2) Petrus closed the acquisition of Ravenwood Energy Corp. on October 8, 2014. Petrus amalgamated Ravenwood on October 8, 2014.

Foothills

Petrus invested $11.5 million in the Foothills area in the first quarter of 2015 to drill two (1.8 net) well and for the construction of production facilities.

Drilling operations to date in 2015 in the Foothills were part of two farm-in deals, one in Cordel and one in Brown Creek. The first well is a twin of an existing well in Brown Creek for a Notikewin gas target, and has earned Petrus a 100% working interest in two sections of land. It was drilled and multi stage fractured during the first quarter but encountered liner integrity issues on flowback. It is currently shut in to record reservoir pressure build up and Petrus is evaluating go forward plans for the completion operation. The second well is a stepout offset location to a producing well in Cordel in which Petrus will earn a 75% working interest. Drilling operations are currently underway.

Petrus has encountered third party pipeline constraints in the Foothills area and estimates that approximately 39% of the quarterly average production rate was curtailed at quarter end. Petrus anticipates that the sales will be return to normal levels later in the year.

Peace River

Petrus invested $2.9 million in the Peace River area in the first quarter of 2015 to construct and tie in production and water disposal facilities. 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 costs per boe in the Company's Peace River area have declined 50% from $18.98 in the first quarter of 2014 to $9.60 in the first quarter of 2015. Petrus has initiated a pilot waterflood program at Berwyn and expects to expand the waterflood area over the next year.

Petrus has encountered third party pipeline constraints in the Peace River area and estimates that approximately 11% of the quarterly average production rate was curtailed at quarter end. Petrus anticipates that the sales will be return to normal levels later in the year.

Ferrier

Petrus invested $16.2 million (including acquisitions of $8.5 million) in the Ferrier area in the first quarter of 2015. Petrus drilled three (3.0 net) wells in Ferrier during the first quarter of 2015. Two of the wells were drilled under a farm-in arrangement which earned Petrus a new working interest in three sections of land. One of the wells was completed and placed on production. In light of the TCPL restrictions, and to take advantage of expected reductions in service costs, completion of the other two wells has been deferred to summer. The well results have been consistent with expectations and Petrus plans to drill at least three additional wells in Ferrier in 2015.

During the quarter, Petrus closed two acquisitions in the Ferrier area of Alberta; included in these acquisitions were approximately 815 boe per day of production and 1,759 net acres of undeveloped land. The acquisitions were made for total cash consideration of approximately $8.9 million (before post-closing adjustments).

Petrus has encountered third party facility constraints in the Ferrier area. The Company has initiated a process to build its own gas processing plant in order to mitigate capacity constraints and reduce exposure to operations outside our control. In addition, rolling transportation curtailments on major TCPL infrastructure since January resulted in many producers being required to reduce sales volumes. Petrus was required to shut in approximately half of its Ferrier volumes during the first quarter and estimates that approximately half of its quarterly average production rate was restricted at quarter end. TransCanada recently announced the removal of transportation restrictions in the Ferrier area and Petrus is currently in the process of restoring sales to normal levels.

Central Alberta

Petrus invested $3.0 million in the Central Alberta area in the first quarter of 2015 to complete the fall drilling program. Petrus does not plan to invest additional capital in Central Alberta until commodity prices improve; however Petrus is evaluating waterflood expansion opportunities to optimize the assets in the near term.

Petrus disposed of working interest in a non-core property in the Pembina area of Alberta in the first quarter, for net proceeds of $8.2 million (before post-closing adjustments).

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will be held at the Jamieson Place Conference Centre, 3rd floor, 308-4th Ave SW Calgary, Alberta, on Friday May 15, 2015 at 9:00 a.m. (Calgary time). The Information Circular and Annual Report for 2014 is available on the Company's website, www.petrusresources.com.

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 month period ended March 31, 2015. The report is dated May 14, 2015. This MD&A should be read in conjunction with the March 31, 2015 condensed interim financial statements as well as the December 31, 2014 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 Mar. 31, 2015	Three months ended Mar. 31, 2014	Three months ended Dec. 31, 2014	Three months ended Sept. 30, 2014	Three months ended June 30, 2014
Quarterly average production					
Natural gas (mcf/d)	31,525	12,864	34,626	17,557	16,800
Oil (bbl/d)	3,559	2,134	2,998	1,799	2,012
NGLs (bbl/d)	519	95	1,053	203	147
Total (boe/d)	**9,333**	4,373	**9,822**	4,928	4,959
Total (boe)	839,927	393,601	**903,620**	453,359	451,269
Revenue (000s)					
Natural Gas	8,857	6,980	12,639	6,830	7,966
Oil	15,176	18,081	19,742	15,811	18,346
NGLs	1,391	520	3,194	951	503
Commodity revenue	25,424	25,581	35,575	23,592	26,815
Royalty revenue	72	288	423	128	303
Oil and natural gas revenue	25,496	25,869	35,998	23,720	27,118
Average realized prices					
Natural gas ($/mcf)	3.12	6.03	3.97	4.23	5.21
Oil ($/bbl)	47.38	94.13	67.47	95.51	100.20
NGLs ($/bbl)	29.77	60.91	47.52	51.08	37.60
Total ($/boe)	30.27	64.99	39.37	52.04	59.42
Hedging gain (loss)	5.81	(3.64)	3.73	(3.00)	(3.32)
Total realized ($/boe)	36.08	61.35	43.10	49.04	56.10
Average benchmark prices	**Three months ended Mar. 31, 2015**	**Three months ended Mar. 31, 2014**	**Three months ended Dec. 31, 2014**	**Three months ended Sept. 30, 2014**	**Three months ended Jun. 30, 2014**
Natural gas					
AECO (C$/mcf)	2.74	6.00	3.61	4.19	4.68
Crude Oil					
Edm Lt. (C$/ bbl)	52.81	100.18	75.44	97.71	104.48
Foreign Exchange					
US$/C$	0.81	0.91	0.88	0.92	0.92

OIL AND NATURAL GAS REVENUE

Average production for the first quarter of 2015 was 9,333 boe per day (56% natural gas), compared to 4,373 boe per day (49% natural gas) for the first quarter of the prior year. Total commodity revenue decreased from $25.6 million in the first quarter of 2014 to $25.4 million in the three months ended March 31, 2015.

Natural gas

During the first quarter of 2015, the benchmark natural gas price in Canada (set at the AECO hub) decreased by 54% from the prior year (average price of $2.74 per mcf in the first quarter compared to $6.00 per mcf in the prior year).

The Company's average realized gas price during the first quarter of 2015 was $3.12 per mcf compared to $6.03 per mcf in the prior year, which represents a 48% decrease. Natural gas revenue for the first quarter of 2015 was $8.9 million and production of 2,837,248 mcf accounted for approximately 56% of first quarter production volume and 35% of commodity revenue (compared to revenue of $7.0 million and production of 1,167,485 mcf for 49% of production volume and 27% of commodity revenue in the prior year).

Crude oil and condensate

Edmonton Light Sweet ("Edmonton") crude oil prices decreased 47% from the first quarter of 2014 to the first quarter of 2015 ($52.81 per bbl for the first quarter of 2015 compared to an average price of $100.18 per bbl in the first quarter of the prior year).

The average realized price of Petrus' crude oil and condensate was $47.38 per bbl for the first quarter of 2015 compared to $94.13 per bbl for the same period in the prior year. Petrus realized an average negative differential of $6.12 per bbl in the first quarter of 2015 compared to an average negative differential of $7.93 per bbl in the first quarter of the prior year.

Oil and condensate revenue for the first quarter of 2015 was $15.2 million and production of 320,310 bbl accounted for approximately 38% of total production volume and 60% of commodity revenue (compared to revenue of $18.1 million and production of 192,088 bbl for 49% of total production volume and 71% of commodity revenue in the first quarter of the prior year). First quarter production increased from the prior year primarily as a result of the acquisitions of Arriva and Ravenwood. Oil and condensate revenue decreased from the prior year as a result of the decline in commodity prices.

Natural gas liquids (NGLs)

The Company's NGL production mix consists of ethane, propane, butane, pentane and sulphur. The pricing received for NGL production is based on the product mix, the fractionation process required and the demand for fractionation facilities. In the first quarter, Petrus' combined realized NGL price averaged $29.77 per bbl compared to $60.91 per bbl in the prior year. NGL revenue for the first quarter of 2015 was $1.4 million and production of 46,702 bbl accounted for approximately 6% of the Company's production volume and 5% of commodity revenue in the first quarter (compared to revenue of $0.5 million and production of 8,550 bbl for 2% of total production and 2% of commodity revenue for the first quarter of the prior year). The increase in NGL production is directly attributed to the property and corporate acquisitions completed late in the third quarter and early in the fourth quarter of 2014.

Royalty Revenue

Petrus records gross overriding royalty revenue for production related to land or mineral rights owned. The revenue is included in "Other Income" on the Company's Statement of Net Income (Loss) and Comprehensive Income (Loss). Royalty revenue received in the first quarter was $0.07 million compared to $0.3 million in the same quarter of the prior year. The decrease is attributed to lower commodity prices.

NON-GAAP MEASURES

Petrus uses key performance indicators and industry benchmarks such as "cash flow from operations," "cash flow from operations per share," "cash 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 comparable 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.

Cash Flow from Operations

Cash 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 cash 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 cash flow from operations and cash flow from operating activities, as defined by IFRS, is as follows:

($000s)	**Three months ended Mar 31, 2015**	Three months ended Mar 31, 2014
Cash flow from operating activities	**1,588**	10,912
Changes in non-cash working capital	**12,578**	2,553
Decommissioning expenditures	**369**	17
Cash flow from operations	**14,535**	13,482

Net Debt

Working capital (net debt) is a non-GAAP 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 Mar 31, 2015**	As at Mar 31, 2014
Current assets (excluding financial derivative assets)	**27,890**	15,202
Less: current liabilities (excluding financial derivative liabilities)	**(49,991)**	(14,939)
Less: bank debt	**(205,506)**	(51,901)
Working capital (net debt)	**(227,607)**	(51,638)

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 period. If a share issuance was not completed, a six times debt-adjusted cash flow multiple is used. The cash flow multiple is based upon trailing quarter annualized funds flow from operations which represents the annualized cash flow from operating activities prior to changes in non-cash working capital and settlement of decommissioning obligations. The sole purpose of the calculation is to show a comparative metric on a consistent basis. 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 Mar 31, 2015**	Three months ended Mar 31, 2014
Weighted average shares outstanding	**140,493**	86,377
Annualized trailing cash flow from operations before interest	**68,416**	55,008
Ending net debt	**(227,607)**	(51,638)
Share equivalent on ending net debt	**175,808**	16,021
Debt-adjusted shares	**316,401**	102,398

CASH FLOW FROM OPERATIONS AND EARNINGS

Petrus generated cash flow from operations of $14.5 million during the quarter ended March 31, 2015 ($13.5 million during the first quarter of 2014). Natural gas (AECO C$/mcf) decreased 54% from the first quarter of 2014 to the first quarter of 2015, and Edmonton crude (Edm. Lt. C$/bbl) decreased 47% for the same period.

Petrus reported a net loss of $6.3 million in the first quarter of 2015 (compared to net income of $2.2 million in the first quarter of the prior year). The loss was incurred due to weaker commodity prices. The following table provides detail on the Company's cash flow from operations on a barrel of oil equivalent ("boe") basis.

	Three months ended Mar. 31, 2015		Three months ended Mar. 31, 2014	
	$000s	**$/boe**	**$000s**	**$/boe**
Oil and natural gas revenue	25,423	30.27	25,581	64.99
Transportation	(1,560)	(1.86)	(872)	(2.21)
Net revenue	23,863	28.41	24,709	62.78
Royalty expense	(3,825)	(4.55)	(5,387)	(13.69)
Royalty income	72	0.09	288	0.73
Net oil and natural gas revenue	**20,110**	**23.95**	**19,610**	**49.82**
Operating expense (1)	(6,536)	(7.78)	(3,727)	(9.47)
Hedging gain (loss)	4,881	5.81	(1,433)	(3.64)
General & administrative(2)	(1,664)	(1.98)	(633)	(1.61)
Interest expense (3)	(2,256)	(2.69)	(335)	(0.85)
Cash flow from operations	**14,535**	**17.31**	**13,482**	**34.25**

(1) Operating expenses are presented net of processing income and overhead recoveries.
(2) G&A expenses are shown net of capitalized general & administrative costs. Please see the G&A section on page 11 in the MD&A for more detail.
(3) Interest expense is presented net of interest and other income.

(000s except per share)	**Three months ended Mar. 31, 2015**	**Three months ended Mar. 31, 2014**
Cash flow from operations	**14,535**	**13,482**
Cash flow from operations/share	**0.10**	**0.16**
Net Income (loss)	**(6,312)**	**2,208**
Net income (loss)/share	**(0.05)**	0.03
Common shares	140,593	86,377
Weighted average shares	140,593	86,377

Performance Metrics

Petrus uses certain performance metrics as key indicators to demonstrate the Company's ability to generate shareholder value. Petrus increased cash flow from operations 7% quarter-over-quarter from 2014. From the first quarter of 2014, on a debt-adjusted per share basis, cash flow from operations and average production decreased 65% and 31%, respectively. Weakened commodity prices and production curtailments directly impacted these metrics.

	Three months ended Mar. 31, 2015	**Three months ended Mar. 31, 2014**	**% Change(2)**
Cash flow from operations per debt-adjusted share(1) ($)	**$0.05**	$0.13	**(65)%**
Production per debt-adjusted thousand shares(1) (boe per day)	**10.277**	15.59	**(31)%**

(1) Cash flow from operations per debt-adjusted share is a non-GAAP measure and is reconciled to the nearest GAAP measure on page 6 in the section heading "Non-GAAP" Measures. Debt adjusted calculation uses period ending debt.
(2) Variance percentages may not recalculate due to rounding.

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)	Three months ended Mar. 31, 2015	Three months ended Mar. 31, 2014
Oil and NGLs ($000s)	**2,195**	5,000
% of production revenue	**13%**	27%
Natural gas (000s)	**1,072**	714
% of production revenue	**12%**	10%
Gas cost (allowance) (000s)	**(1,339)**	(625)
Gross overriding and other	**1,897**	299
Total (000s)	**3,825**	**5,388**

For the quarter ended March 31, 2015 Petrus recorded total royalties of $3.8 million compared to $5.4 million in the first quarter of 2014. The decrease is attributed to decreased commodity prices compared to the prior year. Gross overriding royalty expense incurred in 2015 ($1.9 million) was significantly higher than the prior year ($0.3 million) due to the overriding royalty structure attributed to acquired properties. In addition the Company incurred out of the ordinary costs of $0.5 million in the first quarter, which were prior period freehold royalty adjustments on assets in the Central Alberta area.

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 March 31, 2015:

Natural Gas Contract Period	Type	Daily Volume	Price (CAD$/GJ)
Apr. 1, 2015 to Oct. 31, 2015	Fixed price	3,000 GJ	$3.35/GJ
Apr. 1, 2015 to Oct. 31, 2015	Fixed price	2,000 GJ	$2.52/GJ
Apr. 1, 2015 to Oct. 31, 2015	Fixed price	6,000 GJ	$2.37/GJ
Apr. 1, 2015 to Oct. 31, 2015	Fixed price	4,000 GJ	$2.46/GJ
Apr. 1, 2015 to Dec. 31, 2015	Fixed price	4,000 GJ	$3.49/GJ
Apr. 1, 2015 to Dec. 31, 2015	Costless Collar	5,000 GJ	$3.50 – 3.63/GJ
Nov. 1, 2015 to Mar. 31, 2016	Fixed price	6,000 GJ	$3.74/GJ
Nov. 1, 2015 to Mar. 31, 2016	Fixed price	6,000 GJ	$2.87/GJ
Nov. 1, 2015 to Mar. 31, 2016	Fixed price	4,000 GJ	$2.96/GJ
Nov. 1, 2015 to Mar. 31, 2016	Fixed price	2,000 GJ	$3.03/GJ
Jan. 1, 2016 to Mar. 31, 2016	Fixed price	5,000 GJ	$3.26/GJ
Apr. 1, 2016 to Oct. 31, 2016	Fixed price	2,000 GJ	$2.93/GJ
Apr. 1, 2016 to Oct. 31, 2016	Fixed price	6,000 GJ	$2.75/GJ
Apr. 1, 2016 to Oct. 31, 2016	Fixed price	2,000 GJ	$2.85/GJ
Apr. 1, 2016 to Oct. 31, 2016	Fixed price	5,000 GJ	$2.91/GJ
Apr. 1, 2016 to Oct. 31, 2016	Costless collar	5,000 GJ	$2.50 – 3.15/GJ
Nov. 1, 2016 to Mar. 31, 2017	Fixed price	2,000 GJ	$3.38/GJ
Nov. 1, 2016 to Mar. 31, 2017	Fixed price	2,000 GJ	$3.31/GJ
Nov. 1, 2016 to Mar. 31, 2017	Fixed price	6,000 GJ	$3.21/GJ
Nov. 1, 2016 to Mar. 31, 2017	Costless collar	5,000 GJ	$2.75 – 3.75/GJ

Crude Oil Contract Period	Type	Daily Volume	Price ($/Bbl)
Apr. 1, 2015 to Jun. 30, 2015	Costless collar	2,000 Bbl	WTI $USD45.00-60.10/Bbl
Apr. 1, 2015 to Dec. 31, 2015	Fixed price	200 Bbl	WTI $CAD100.00/Bbl
Apr. 1, 2015 to Dec. 31,2015	Fixed Price	100 Bbl	WTI $CAD 95.50/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
Jul. 1, 2015 to Sep. 31, 2015	Costless collar	2,000 Bbl	WTI $USD45.00-66.00/Bbl
Oct. 1, 2015 to Dec. 31, 2015	Costless collar	700 Bbl	WTI $CAD39.00-70.00/Bbl
Jan. 1, 2016 to Dec. 31, 2016	Costless collar	700 Bbl	WTI $CAD70.00-75.75/Bbl

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

Subsequent to March 31, 2015 the Company entered into the following financial derivative contracts:

Crude Oil Contract Period	Type	Daily Volume	Price ($/Bbl)
Oct. 1, 2015 to Dec. 31, 2015	Costless collar	500 Bbl	WTI $USD40.05-70.00/Bbl
Oct. 1, 2015 to Dec. 31, 2015	Costless collar	250 Bbl	WTI $USD40.00-71.00/Bbl
Jan. 1, 2016 to Mar. 31, 2016	Costless collar	250 Bbl	WTI $USD40.00-75.00/Bbl
Jan. 1, 2016 to Jun. 30, 2016	Fixed Price	250 Bbl	WTI $CAD77.70/Bbl
Jan. 1, 2016 to Jun. 30, 2016	Costless collar	250 Bbl	WTI $CAD70.00-83.40/Bbl
Jan. 1, 2016 to Dec. 31, 2016	Costless collar	250 Bbl	WTI $CAD70.00-82.30/Bbl

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

Other Income ($000s)	**Three months ended Mar. 31, 2015**	**Three months ended Mar. 31, 2014**
Realized hedging gain (loss)	**4,881**	(1,432)
Unrealized hedging gain (loss)	**(3,613)**	(4,360)
Total gain (loss) on derivatives	**1,268**	**(5,792)**

Weakened commodity prices resulted in a realized hedging gain of $4.8 million during the first quarter of 2015, compared to a $1.4 million loss realized in the same quarter of the prior year. The first quarter realized gain increased the Company's realized price by $5.81 per boe, compared to a decrease in the realized price of $3.64 per boe in the first quarter of the prior year.

The unrealized hedging loss of $3.6 million represents the change in the unrealized risk management net asset position during the quarter. This change is the result of both the realization of hedging gains in the quarter and reductions in unrealized future risk management asset value due to improving commodity price forecasts during the quarter. At quarter end, the unrealized risk management net asset mark-to-market value is $10.8 million.

Operating Expenses

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

Operating Expenses ($000s)	**Three months ended Mar. 31, 2015**	**Three months ended Mar. 31, 2014**
Operating expense, net	**6,536**	3,727
Operating expense, net ($ per boe)	**7.78**	9.47

Operating expenses totaled $6.5 million for the first quarter of 2015, a 75% increase from $3.7 million recorded in the same quarter of the prior year. The increase in aggregate net operating expenses is due to the change in first quarter production from the prior year. In the first quarter of 2015, Petrus produced 9,333 boe per day (44% oil and liquids), compared to 4,373 boe per day (51% oil and liquids).

For the first quarter of 2015, operating costs on a per boe basis were 18% lower than the comparable period of 2014. The decrease is attributed to an increase in the proportion of natural gas in the Company's asset mix, new water disposal facilities in the Peace River contributed to operating cost reductions and efficiencies of scale as a result of the Company's growth.

Transportation Expenses

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

Transportation Expenses ($000s)	**Three months ended Mar. 31, 2015**	**Three months ended Mar. 31, 2014**
Transportation expense	**1,560**	872
$ per boe	**1.86**	2.21

Petrus pays commodity and demand charges for transporting and marketing 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 and marketing expenses totaled $1.6 million or $1.86 per boe in the first quarter of 2015 ($0.8 million or $2.21 per boe for the comparative period in the prior year). The increase in aggregate costs is attributed to the increased asset base and production from the previous year. During the quarter Petrus incurred $0.4 million in out of the ordinary marketing charges paid as a result of imbalances in its gas balance account. The imbalances are a function of inaccurate volume estimates used by third party operators combined with declining commodity prices and pipeline curtailments, both factors out of the Company's control. Petrus does not expect to incur these charges in future periods as measures have been taken to improve the production estimation process.

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)	Three months ended Mar. 31, 2015	Three months ended Mar. 31, 2014
Gross general and administrative expense	**2,270**	1,079
Capitalized general and administrative	**(606)**	(445)
Net general and administrative expense	**1,664**	**634**
Share based compensation expense	**464**	445
Capitalized share based compensation	**(185)**	(222)
Total general and administrative expense, net	**1,943**	**857**

First quarter 2015 gross general and administration expenses (before capitalized G&A and share based compensation), totaled $2.3 million or $2.70 per boe (compared to $1.1 million or $2.74 per boe for the first quarter of 2014). The increase in aggregate G&A expenses is attributed to the Company's growth and increased staff relative to the previous year. Petrus capitalizes a portion of G&A costs attributed to exploration & development activity. In 2015 the Company reduced the percentage of capitalized costs to reflect reduced activity given the weakened commodity price environment.

Depletion and Depreciation

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

Depletion and Depreciation ($000s)	Three months ended Mar. 31, 2015	Three months ended Mar. 31, 2014
Depletion	**15,335**	5,223
Depreciation	**26**	501
Total	**15,361**	**5,724**
Depletion ($ per boe)	**18.26**	13.27
Depreciation ($ per boe)	**0.03**	1.27
Total ($ per boe)	**18.29**	**14.54**

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

Petrus recorded depletion expense in the first quarter of 2015 of $15.3 million or $18.26 per boe, compared to the first quarter of 2014, when $5.2 million or $13.27 per boe was recorded. The Company's depletion and depreciation have increased from the prior year due to the increased production and reserves base (primarily attributed to acquisitions).

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)	Three months ended Mar. 31, 2015	Three months ended Mar. 31, 2014
Weighted average outstanding common shares		
Basic	**140,593**	86,377
Diluted	**140,593**	87,548
Outstanding instruments		
Common shares	**140,593**	86,377
Stock options	**6,620**	4,810
Warrants	**6,408**	6,423

At March 31, 2015 the Company had 140,592,598 common shares, 6,620,000 stock options and 6,407,603 performance warrants outstanding, respectively.

LIQUIDITY AND CAPITAL RESOURCES

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 March 31, 2015, the Company had a $2.4 million letter of credit outstanding against the facility (December 31, 2014; Nil) and had drawn $115 million against the facility (December 31, 2014; $100.0 million). Included in the Company's bank indebtedness number is $0.9 million of overdraft cash.

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. The next scheduled review of the borrowing base is to take place on May 31, 2015. 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 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.

At March 31, 2015 the Company was in compliance with all covenants under the revolving credit facility.

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 the (three-month) 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.

Under the agreement, current assets are the current assets under IFRS plus any undrawn availability under the Revolving Credit Facility, less any non-cash amount required to be included in current assets as the result of the application of IFRS including non-cash commodity and interest rate hedges assets and liabilities. Current liabilities are the current liabilities under IFRS, excluding (a) non-cash obligations under GAAP including non-cash commodity and interest rate hedges assets and liabilities, and (b) the current portion of long-term Debt, including the term loan debt. 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. At March 31, 2015 the Company was in compliance with all covenants under the term loan agreement.

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

Capital expenditures, excluding acquisitions and dispositions, totaled $25.4 million in the first quarter of 2015 compared to $23.9 million in the first quarter of the prior year. The majority of funds were invested in drilling and completions, construction of production facilities and tie-ins. During the quarter Petrus drilled 7 wells (6.7 net). Petrus invested $1.1 million in acquisitions net of dispositions in the first quarter of 2015, funded by cash flow from operations, compared to $19.1 million in the prior year comparative period. The following table shows capital expenditures for the reporting periods indicated. All capital is presented before decommissioning obligations:

($000s)	**Three months ended Mar. 31, 2015**	**Three months ended Mar. 31, 2014**
Drill and complete	**17,854**	17,008
Oil and gas equipment	**6,644**	4,935
Geological	**157**	658
Land and lease	**—**	1,605
Office	**122**	56
Capitalized general and administrative	**606**	668
Total	**25,383**	**23,930**
Acquisitions/(dispositions)	**1,063**	19,113
Total capital	**26,446**	**43,043**
Gross (net) wells spud	**6 (5.9)**	10 (7.0)

SUMMARY OF QUARTERLY RESULTS

	Three months ended							
($000s) except per share amounts	**Mar. 31, 2015**	**Dec. 31, 2014**	**Sep. 30, 2014**	**Jun. 30, 2014**	**Mar. 31, 2014**	**Dec. 31, 2013**	**Sep. 30, 2013**	**Jun. 30, 2013**
Oil and natural gas revenue	25,423	35,574	23,592	26,815	25,581	16,939	14,634	13,915
Transportation	(1,560)	(1,126)	(1,303)	(979)	(872)	(543)	(636)	(466)
Net revenue	**23,863**	**34,448**	**22,289**	**25,836**	**24,709**	**16,396**	**13,998**	**13,449**
Royalty expense (1)	(3,825)	(3,958)	(4,035)	(5,760)	(5,387)	(2,372)	(2,276)	(2,034)
Royalty income (1)	72	423	128	303	288	155	107	179
Net oil and natural gas revenue	20,110	30,913	18,382	20,379	19,610	14,179	11,829	11,594
Operating expense (2)	(6,536)	(5,815)	(4,395)	(4,194)	(3,727)	(3,716)	(2,460)	(2,753)
Hedging gain (loss)	4,881	3,371	(1,359)	(1,496)	(1,432)	(409)	(425)	(150)
General and administrative expense (3)	(1,664)	(2,117)	(1,446)	(797)	(634)	(582)	(571)	(427)
Interest expense (4)	(2,256)	(1,725)	(1,304)	(614)	(335)	(252)	(216)	(216)
Cash flow from operations	**14,535**	**24,627**	**9,878**	**13,278**	**13,482**	**9,220**	**8,157**	**8,048**
Per share – basic	0.10	0.18	0.09	0.15	0.16	0.11	0.09	0.09
Net income (loss)	**(6,312)**	**(63,308)**	**7,530**	**5,505**	**2,208**	**2,086**	**2,171**	**4,010**
Per share – basic	(0.05)	(0.45)	0.07	0.06	0.03	0.02	0.03	0.05
Common shares (000s)	**140,593**	**140,593**	**140,458**	**101,748**	**86,377**	**86,377**	**86,377**	**86,362**
Weighted average shares (000s)	140,593	140,571	108,212	91,106	86,377	86,377	86,332	86,349
Total assets	641,547	647,304	549,248	259,110	257,245	211,952	201,208	199,507
Net working capital (net debt)	**(227,607)**	**(215,049)**	**21,014**	**415**	**(51,638)**	**(22,288)**	**(21,558)**	**(15,756)**

(1) The Company re-classified gross overriding royalty expense from other income to royalty expenses in the Statement of Net Income and Comprehensive 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.
(3) General and administrative expense is presented net of capitalized G&A.
(4) Interest expense is presented net of interest and other income.

The oil and natural gas exploration and production industry is cyclical in nature. Petrus' financial position, results of operations and cash flows are affected by commodity prices and production levels.

Petrus' production has continually grown over the last two years. Average quarterly production has increased, from 2,990 boe per day in the second quarter of 2013 to 9,333 boe per day in the first quarter of 2015. The production growth was equally attributable to the Corporation's exploration and development activities and acquisitions of producing properties.

The Corporation's funds flow from operations was $8.0 million in the second quarter of 2013 and $14.5 million in the first quarter of 2015. Funds flow from operations increased with higher production levels despite weakened commodity prices in the current quarter. Commodity price improvements can enable higher reinvestment in exploration, development and acquisition activities in future periods as they increase the funds received from operations. Commodity price reductions reduce revenues received and can challenge the economics of the Corporation's development program as the quantity of reserves may not be economically recoverable. Petrus' reinvestment in future reserves will be dependent on its ability to obtain debt and equity financing as well as the funds it receives from operations.

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, 2014.

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

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BALANCE SHEETS
(UNAUDITED)

(Expressed in 000's of Canadian dollars)

As at	March 31, 2015	December 31, 2014
ASSETS		
Current		
Cash	—	19,524
Deposits and prepaid expenses	931	1,042
Accounts receivable *(note 13)*	26,959	23,336
Risk management asset *(note 8)*	11,606	14,609
	39,496	**58,511**
Non-current		
Exploration and evaluation assets *(notes 3 and 4)*	92,560	94,073
Property, plant and equipment *(notes 3 and 5)*	509,491	494,720
	602,051	588,793
	641,547	**647,304**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness *(note 6)*	115,928	99,710
Accounts payable and accrued liabilities	49,992	69,831
Risk management liability *(note 8)*	806	197
	166,726	**169,738**
Non-Current		
Long term debt *(note 6)*	89,577	89,409
Decommissioning obligation *(note 7)*	62,979	58,634
Deferred income tax liability	16,353	17,763
	335,635	**335,544**
Shareholders' Equity		
Share capital *(note 9)*	346,106	346,106
Contributed surplus	5,909	5,445
(Deficit)	(46,103)	(39,791)
	305,912	**311,760**
	641,547	**647,304**

See accompanying notes to the financial statements

Approved by the Board of Directors,

(signed) "Don T. Gray"

Don T. Gray
Chairman

(signed) "Donald Cormack"

Donald Cormack
Director

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

(Expressed in 000's of Canadian dollars, except for share information)

	Three months ended March 31, 2015	Three months ended March 31, 2014
REVENUE		
Oil and natural gas revenue	**25,495**	**25,869**
Royalty expense	(3,825)	(5,387)
Oil and natural gas revenue, net of royalties	**21,670**	**20,482**
Other income	28	—
Gain (loss) on financial derivatives *(note 8)*	1,268	(5,792)
	22,966	**14,690**
EXPENSES		
Operating *(note 11)*	6,536	3,727
Transportation expenses	1,560	872
General and administrative *(note 12)*	1,664	633
Share-based compensation *(note 9)*	279	222
Finance	2,572	448
Exploration and evaluation expense *(note 4)*	2,664	—
Depletion and depreciation *(note 5)*	15,361	5,725
Loss on sale of assets *(note 3)*	52	
	30,688	**11,627**
NET INCOME (LOSS) BEFORE INCOME TAXES	**(7,722)**	**3,063**
Current tax expense	—	—
Deferred income tax expense (recovery)	(1,410)	855
	(1,410)	**855**
TOTAL NET INCOME (LOSS) AND COMPREHENSIVE INCOME(LOSS)	**(6,312)**	**2,208**
Net income (loss) per common share Basic and diluted	**(0.05)**	**0.03**

See accompanying notes to the financial statements

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(Expressed in 000's of Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total
Balance, December 31, 2013	**144,339**	**3,962**	**7,701**	**156,002**
Net income (loss)	—	—	2,208	2,208
Share-based compensation	—	445	—	445
Balance, March 31, 2014	**144,339**	**4,407**	**9,909**	**158,655**
Balance, December 31, 2014	**346,106**	**5,445**	**(39,791)**	**311,760**
Net income (loss)	—	—	(6,312)	(6,312)
Share-based compensation *(note 9)*	—	464	—	464
Balance, March 31, 2015	**346,106**	**5,909**	**(46,103)**	**(305,912)**

See accompanying notes to the financial statements

STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Expressed in 000's of Canadian dollars)

Funds generated by (used in):	**Three months ended March 31, 2015**	**Three months ended March 31, 2014**
OPERATING ACTIVITIES		
Net income (loss)	**(6,312)**	**2,208**
Adjust items not affecting cash:		
Share-based compensation	279	222
Unrealized hedging losses *(note 8)*	3,613	4,360
Finance expenses	288	112
Depletion and depreciation *(note 5)*	15,361	5,725
Exploration and evaluation expense *(note 4)*	2,664	—
Loss on sale of assets *(note 3)*	52	—
Deferred income tax expense (recovery)	(1,410)	855
Decommissioning expenditures	(369)	(16)
	14,166	**13,466**
Change in operating non-cash working capital	(12,578)	(2,554)
Funds generated by operations	**1,588**	**10,912**
FINANCING ACTIVITIES		
Increase in bank indebtedness	16,218	28,521
Increase in long term debt	169	—
Funds generated by financing activities	**16,387**	**28,521**
INVESTING ACTIVITIES		
Property and equipment (acquisitions) *(note 5)*	(8,711)	(19,113)
Property and equipment dispositions *(note 5)*	7,648	—
Exploration and evaluation asset expenditures *(note 4)*	(337)	(4,455)
Petroleum and natural gas property expenditures *(note 5)*	(25,199)	(19,190)
Other capital expenditures	(122)	(57)
Change in investing non-cash working capital	(10,778)	3,382
Funds used in investing activities	**(37,499)**	**(39,433)**
Increase (decrease) in cash	(19,524)	—
Cash, beginning of period	19,524	—
Cash, end of period	—	—
Cash interest paid	2,570	286
Cash taxes paid	—	—

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF THE ORGANIZATION

Petrus Resources Ltd. ("Petrus" or the "Company") is a privately held entity which was incorporated under the laws of the Province of Alberta on December 13, 2010. On October 8, 2014 Petrus amalgamated its two wholly owned subsidiaries, Arriva Energy Inc. and Ravenwood Energy Corp.

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

These financial statements report the three months ended March 31, 2015 and prior year comparative periods and were approved by the Company's Audit Committee on May 14, 2015.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These condensed interim 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 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 financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2014, 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 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, 2014. The condensed interim financial statements have been prepared following the same accounting policies as the financial statements for the year ended December 31, 2014. These condensed interim financial statements are presented in Canadian dollars, except where otherwise noted.

3. ACQUISITIONS

Business combination

On January 20, 2015 Petrus closed an acquisition of petroleum and natural gas assets in the Ferrier area of Alberta, for total cash consideration of $4.4 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 (Loss).

Petrus obtained resource tax pools equal to the total net assets acquired of $4.4 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 $000s	
Exploration and evaluation assets	1,136
Petroleum and natural gas properties and equipment	3,313
Decommissioning obligations	(91)
Total net assets acquired	**4,358**

Property disposition

On February 6, 2015 Petrus closed the disposition of non-core petroleum and natural gas assets in the Pembina area of Alberta for total cash consideration of $7.7 million after post-closing adjustments. The Company recorded a loss of $0.05 million on the divestiture during the three months ended March 31, 2015.

The following table summarizes the net assets disposed pursuant to the disposition:

Fair value of net assets disposed $000s	
Exploration and evaluation assets	(92)
Petroleum and natural gas properties and equipment	(8,125)
Decommissioning obligations	517
Loss on sale of assets	52
Total net assets disposed	**(7,648)**

Business combination

On February 6, 2015 Petrus closed an acquisition of petroleum and natural gas assets in the Ferrier area of Alberta for total cash consideration of $4.4 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 were recorded at fair value. The acquisitions were 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 (Loss).

Petrus obtained resource tax pools equal to the total net assets acquired of $4.4 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 $000s	
Exploration and evaluation assets	1,063
Petroleum and natural gas properties and equipment	3,921
Decommissioning obligations	(631)
Total net assets acquired	**4,353**

From the date of acquisition to March 31, 2015, the assets contributed approximately $0.1 million of revenue and $0.03 million of operating income. If the acquisition had taken place at January 1, 2015, the proforma incremental revenue and operating income (defined as revenue, net of royalties, less operating and transportations costs) of the Company for the three months ended March 31, 2015 would have been approximately $0.2 million and $0.05 million, respectively. The proforma information is not necessarily indicative of the results of operations that would have resulted had the acquisitions been effective on the dates indicated, or future results.

4. EXPLORATION AND EVALUATION ASSETS

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

Balance, December 31, 2013	**50,529**
Additions	5,753
Property acquisitions	16,310
Corporate acquisitions	21,514
Exploration and evaluation expense	(1,158)
Capitalized G&A and share-based compensation	1,272
Transfers to property, plant and equipment	(147)
Balance, December 31, 2014	**94,073**
Additions	34
Property acquisitions *(note 3)*	2,199
Property (dispositions) *(note 3)*	(92)
Exploration and evaluation expense	(2,664)
Capitalized G&A and share-based compensation	396
Transfers to property, plant and equipment	(1,386)
Balance, March 31, 2015	**92,560**

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 month period ended March 31, 2015 the Company incurred exploration and evaluation expense in the Statement of Net Income and Comprehensive Income of $2.7 million which relates to expiring undeveloped land in minor properties (March 31, 2014 - $Nil).

During the three month period ended March 31, 2015 the Company capitalized $0.4 million (March 31, 2014 - $0.3 million) of general & administrative expenses ("G&A") directly attributable to exploration activities. Included in this amount is non-cash share-based compensation of $0.09 million (March 31, 2014 - $0.1 million).

5. PROPERTY, PLANT AND EQUIPMENT

$000s	Cost	Accumulated DD&A	Net book value
Balance, December 31, 2013	**175,891**	**(25,678)**	**150,213**
Additions	107,662	—	107,662
Property acquisitions	17,675	—	17,675
Property (dispositions)	(2,880)	816	(2,064)
Corporate acquisitions	317,935	—	317,935
Capitalized G&A and share-based compensation	1,272	—	1,272
Transfers from exploration and evaluation assets	147	—	147
Depletion & depreciation	—	(36,850)	(36,850)
Increase in decommissioning provision	43,492	—	43,492
Impairment loss	—	(104,762)	(104,762)
Balance, December 31, 2014	**661,194**	**(166,474)**	**494,720**
Additions	25,019	—	25,019
Property acquisitions *(note 3)*	6,512	—	6,512
Property (dispositions) *(note 3)*	(10,781)	3,173	(7,608)
Capitalized G&A and share-based compensation	396	—	396
Transfers from exploration and evaluation assets	1,386	—	1,386
Depletion & depreciation	—	(15,361)	(15,361)
Increase in decommissioning provision *(note 7)*	4,427	—	4,427
Balance, March 31, 2015	**688,153**	**(178,662)**	**509,491**

Estimated future development costs of $199.4 million (December 31, 2014 - $199.4 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 month period ended March 31, 2014 the Company capitalized $0.4 million (March 31, 2014 - $0.3 million) of general & administrative expenses ("G&A") directly attributable to development activities. Included in this amount is non-cash share-based compensation of $0.09 million (March 31, 2014 - $0.1 million).

6. DEBT

(a) 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 demand 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. 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. At March 31, 2015, the Company had a $2.4 million in letter of credit outstanding against the facility (December 31, 2014; Nil) and had drawn $115 million against the facility (December 31, 2014; $100.0 million). Included in the Company's bank indebtedness is $0.9 million of overdraft cash.

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. The next scheduled review of the borrowing base is to take place on May 31, 2015. 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 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.

Under the facility agreement, for purposes of the Working Capital Ratio, current assets are the current assets under IFRS plus any undrawn availability under the Revolving Credit Facility, less any non-cash amount required to be included in current assets as the result of the application of IFRS including non-cash commodity and interest rate hedges assets and liabilities. Current liabilities are the current liabilities under IFRS, excluding (a) non-cash obligations under IFRS including non-cash commodity and interest rate hedges assets and liabilities, and (b) the current portion of long-term debt, including the term loan debt.

At March 31, 2015 the Company was in compliance with all covenants under the revolving credit facility.

(b) 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 (October 1, 2016). 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’ PDP reserves and (3) Petrus' working capital ratio (current assets to current liabilities will not be less than 1.0 to 1.0.

Under the agreement, current assets are the current assets under IFRS plus any undrawn availability under the Revolving Credit Facility, less any non-cash amount required to be included in current assets as the result of the application of IFRS including non-cash commodity and interest rate hedges assets and liabilities. Current liabilities are the current liabilities under IFRS, excluding (a) non-cash obligations under IFRS including non-cash commodity and interest rate hedges assets and liabilities, and (b) the current portion of long-term debt, including the term loan debt.

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. At March 31, 2015 the Company was in compliance with all covenants of the term loan.

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 1.97 percent and an inflation rate of 2 percent (December 31, 2014; 2.33 percent and 2 percent, respectively). Changes in estimates in 2015 are due to the decrease in discount rate from 2.33 percent to 1.97 percent (change in estimates in 2014 due to the decrease in discount rate from 3 percent to 2.33 percent and changes in estimated well life). The Company has estimated the net present value of the decommissioning obligations to be $63.0 million as at March 31, 2015 ($58.6 million at December 31, 2014). The undiscounted, uninflated total future liability at March 31, 2015 is $61.1 million ($61.8 million at December 31, 2014). The payments are expected to be incurred over the operating lives of the assets. The following table reconciles the decommissioning liability:

Balance, December 31, 2013	**15,547**
Property acquisitions	7,086
Corporate acquisitions	22,498
Liabilities incurred	7,009
Liabilities settled	(1,096)
Change in estimates	6,899
Accretion expense	691
Balance, December 31, 2014	**58,634**
Property acquisitions (note 3)	723
Property dispositions (note 3)	(517)
Liabilities incurred	509
Liabilities settled	(370)
Change in estimates	3,712
Accretion expense	288
Balance, March 31, 2015	**62,979**

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 March 31, 2015:

Natural Gas Contract Period	Type	Daily Volume	Price (CAD$/GJ)
Apr. 1, 2015 to Oct. 31, 2015	Fixed price	3,000 GJ	$3.35/GJ
Apr. 1, 2015 to Oct. 31, 2015	Fixed price	2,000 GJ	$2.52/GJ
Apr. 1, 2015 to Oct. 31, 2015	Fixed price	6,000 GJ	$2.37/GJ
Apr. 1, 2015 to Oct. 31, 2015	Fixed price	4,000 GJ	$2.46/GJ
Apr. 1, 2015 to Dec. 31, 2015	Fixed price	4,000 GJ	$3.49/GJ
Apr. 1, 2015 to Dec. 31, 2015	Costless Collar	5,000 GJ	$3.50 – 3.63/GJ
Nov. 1, 2015 to Mar. 31, 2016	Fixed price	6,000 GJ	$3.74/GJ
Nov. 1, 2015 to Mar. 31, 2016	Fixed price	6,000 GJ	$2.87/GJ
Nov. 1, 2015 to Mar. 31, 2016	Fixed price	4,000 GJ	$2.96/GJ
Nov. 1, 2015 to Mar. 31, 2016	Fixed price	2,000 GJ	$3.03/GJ
Jan. 1, 2016 to Mar. 31, 2016	Fixed price	5,000 GJ	$3.26/GJ
Apr. 1, 2016 to Oct. 31, 2016	Fixed price	2,000 GJ	$2.93/GJ
Apr. 1, 2016 to Oct. 31, 2016	Fixed price	6,000 GJ	$2.75/GJ
Apr. 1, 2016 to Oct. 31, 2016	Fixed price	2,000 GJ	$2.85/GJ
Apr. 1, 2016 to Oct. 31, 2016	Fixed price	5,000 GJ	$2.91/GJ
Apr. 1, 2016 to Oct. 31, 2016	Costless collar	5,000 GJ	$2.50 – 3.15/GJ
Nov. 1, 2016 to Mar. 31, 2017	Fixed price	2,000 GJ	$3.38/GJ
Nov. 1, 2016 to Mar. 31, 2017	Fixed price	2,000 GJ	$3.31/GJ
Nov. 1, 2016 to Mar. 31, 2017	Fixed price	6,000 GJ	$3.21/GJ
Nov. 1, 2016 to Mar. 31, 2017	Costless collar	5,000 GJ	$2.75 – 3.75/GJ

Crude Oil Contract Period	Type	Daily Volume	Price ($/Bbl)
Apr. 1, 2015 to Jun. 30, 2015	Costless collar	2,000 Bbl	WTI $USD45.00-60.10/Bbl
Apr. 1, 2015 to Dec. 31, 2015	Fixed price	200 Bbl	WTI $CAD100.00/Bbl
Apr. 1, 2015 to Dec. 31,2015	Fixed Price	100 Bbl	WTI $CAD 95.50/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
Jul. 1, 2015 to Sep. 31, 2015	Costless collar	2,000 Bbl	WTI $USD45.00-66.00/Bbl
Oct. 1, 2015 to Dec. 31, 2015	Costless collar	700 Bbl	WTI $CAD39.00-70.00/Bbl
Jan. 1, 2016 to Dec. 31, 2016	Costless collar	700 Bbl	WTI $CAD70.00-75.75/Bbl

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

Risk Management Asset and Liability

$000s At December 31, 2014	Current Asset	Current Liability
Commodity derivatives	14,609	197
	14,609	**197**

$000s At March 31, 2015	Current Asset	Current Liability
Commodity derivatives	11,606	806
	11,606	**806**

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

$000s	Three months ended Mar. 31, 2015	Three months ended Mar. 31, 2014
Realized gain (loss)	4,881	(1,432)
Unrealized gain (loss)	(3,613)	(4,360)

	1,268	(5,792)

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 $000s *except share amounts*	Number of Shares	Amount
Balance, December 31, 2013	**86,376,598**	**144,339**
Common shares issued under private placement (a)	15,256,000	49,582
Flow-through shares issued, net of premium (a)	115,000	374
Common shares issued under private placement (b)	17,784,724	71,139
Flow-through shares issued, net of premium (b)	200,000	800
Common shares issued under private placement (c)	20,725,276	82,901
Common shares issued under private placement (d)	135,000	540
Share issue costs	—	(4,759)
Tax effect of share issue costs	—	1,190
Balance, December 31, 2014	**140,592,598**	**346,106**
Balance, March 31, 2015	**140,592,598**	**346,106**

Share Issuances

(a) 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 $50.0 million. Of the issuance price, $0.65 per share or $0.1 million was determined to be the premium on the flow-through shares. The common shares issued were subject to a restricted hold period which expired on October 3, 2014.

(b) 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 $72.1 million. Of the issuance price, $0.80 per share or $0.2 million was determined to be the premium on the flow-through shares. The common shares issued are subject to a restricted hold period which expired on January 6, 2015.

(c) 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 $82.9 million. The common shares issued are subject to a restricted hold period which expired on January 24, 2015.

(d) On October 15, 2014 the Company issued 135,000 common shares at a price of $4.00 per share for total gross proceeds of $0.5 million. The common shares issued are subject to a restricted hold period which expired on February 15, 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 March 31, 2015, 6,407,603 (December 31, 2014; 6,407,603) performance warrants were issued and outstanding.

	Number of warrants outstanding	Weighted Average Exercise Price ($)
Balance, December 31, 2013	**6,422,603**	**$2.02**
Forfeited or expired	(15,000)	$2.00
Balance, December 31, 2014	**6,407,603**	**$2.02**
Balance, March 31, 2015	**6,407,603**	**$2.02**
Exercisable, March 31, 2015	**3,799,564**	**$2.01**

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

Range of Exercise Price	Warrants Outstanding			Warrants Exercisable		
	Number granted	Weighted average exercise price	Weighted average remaining life (years)	Number exercisable	Weighted average exercise price	Weighted average remaining life (years)
$2.00 - $2.25	6,407,603	$2.02	2.09	3,799,564	$2.01	2.03
	6,407,603	**$2.02**	**2.09**	**3,799,564**	**$2.01**	**2.03**

At March 31, 2015 there were 3,799,564 exercisable performance warrants. The weighted average fair value of each warrant granted during the current year was Nil as no warrants were granted (2014 - Nil).

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 starting on the date of grant) and expire five years from the date of issuance. At March 31, 2015, 6,620,000 (December 31, 2014; 6,115,000) stock options were outstanding. The summary of stock option activity is presented below:

	Number of stock options	Weighted Average Exercise Price ($)
Balance, December 31, 2012	**3,995,000**	**$1.75**
Forfeited or expired	(224,000)	$1.75
Granted	584,000	$2.20
Balance, December 31, 2013	**4,355,000**	**$1.84**
Granted	1,805,000	$3.18
Forfeited or expired	(45,000)	$1.75
Balance, December 31, 2014	**6,115,000**	**$2.21**
Granted	505,000	$3.50
Balance, March 31, 2015	**6,620,000**	**$2.30**
Exercisable, March 31, 2015	**2,889,999**	**$1.81**

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

Range of Exercise Price	**Stock Options Outstanding**			**Stock Options Exercisable**		
	Number granted	**Weighted average exercise price**	**Weighted average remaining life (years)**	**Number exercisable**	**Weighted average exercise price**	**Weighted average remaining life (years)**
$1.75 - $2.00	3,875,000	$1.75	2.22	2,580,000	$1.75	2.22
$2.01 - $2.75	1,050,000	$2.38	3.85	309,999	$2.33	3.82
$2.76 - $4.00	1,695,000	$3.50	4.49	—	—	—
	6,620,000	**$2.30**	**3.06**	**2,889,999**	**$1.81**	**2.39**

The weighted average fair value of each stock option granted of $1.24 (2014 - $1.12) per option is estimated on the date of grant using the Black-Scholes pricing model with the following weighted average assumptions (at March 31):

	2015	**2014**
Risk free interest rate	1.40%	1.20% - 1.40%
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:

$000s	**Three months ended Mar. 31, 2015**	**Three months ended Mar. 31, 2014**
Expensed in net income	279	222
Capitalized to exploration and evaluation assets	92	112
Capitalized to property, plant and equipment	93	111
Total share-based compensation	**464**	**445**

10. EARNINGS PER SHARE

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

	Three months ended March 31, 2015	Three months ended March 31, 2014
Net income (loss) for the period ($000s)	**(6,312)**	**2,208**
Weighted average number of common shares – basic (000s)	140,593	86,377
Weighted average number of common shares – diluted (000s)	140,593	87,601
Net income (loss) per common share – basic	**(0.05)**	**0.03**
Net income (loss) per common share – diluted	**(0.05)**	**0.03**

In computing diluted earnings per share for the three months ended March 31, 2015, 1,611,244 warrants and 2,331,072 stock options were considered however no instruments were added to the calculation as their impact is anti-dilutive. In computing diluted earnings per share for the three months ended March 31, 2014, 1,224,000 stock options were added to the calculation as their impact is dilutive.

11. OPERATING EXPENSES

The Company's gross operating expenses for the three months ending March 31, 2015 were $6.9 million (March 31, 2014; $3.7 million) which includes $2.3 million, of processing, gathering and compression charges (March 31, 2014; $1.0 million).

The Company generated processing income recoveries of $0.4 million (March 31, 2014; $nil) which reduced the Company's gross operating expenses to $6.5 million for the three months ended March 31, 2015 ($3.7 million for the three months ended March 31, 2014).

12. GENERAL AND ADMINISTRATIVE EXPENSES

The Company's general and administrative expenses consisted of the following expenditures:

$000s	**Three months ended March 31, 2015**	**Three months ended March 31, 2014**
Salaries and benefits	1,179	792
Subscriptions and licenses	58	—
Office costs	583	286
Legal, accounting and consulting	450	—
Capitalized general and administrative	(606)	(445)
	1,664	**633**

13. 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 March 31, 2015, financial assets on the 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 $27.0 million of accounts receivable outstanding at March 31, 2015 (December 31, 2014; $23.3 million), $22.8 million is owed from 20 parties (December 31, 2014 - $16.6 million from 19 parties), and the majority of the balance was received subsequent to quarter end. The remaining amounts are expected to be collected and no allowance has been recorded. As at March 31, 2015 and December 31, 2014, 90% of Petrus' accounts receivable were all aged less than 90 days and the Company does not anticipate any significant collection issues.

The Company's risk management assets are with chartered Canadian banks and the Company does not consider the assets to carry material credit risk.

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, long term debt, 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 March 31, 2015, the Company had a $200 million credit facility, of which $85 million was available (December 31, 2014, the Company had a $200 million credit facility of which $100 million was available). Petrus anticipates it will continue to have adequate liquidity to fund its financial liabilities through its future funds from operations and available bank debt. The Company is exposed to the risk of reductions to its borrowing base for purposes of the revolving credit facility or term loan.

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 and long term debt are exposed to interest rate cash flow risk as the instruments are 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 months ended March 31, 2015 would have changed income by approximately $0.5 million, which relates to interest expense on the average outstanding revolving credit facility and long term debt during the period, assuming that all other variables remain constant (three months ended March 31, 2014 – $0.1 million). 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 months ended March 31, 2015, it is estimated that a $0.25/mcf change in the price of natural gas would have changed net income by $0.7 million (three months ended March 31, 2014 - $0.3 million). For the three month period ended March 31, 2015, it is estimated that a $5.00/CDN WTI/bbl change in the price of oil would have changed net income by $1.6 million (three months ended March 31, 2014 - $0.9 million).

14. COMMITMENTS

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

$000s	Total	< 1 year	1-5 years
Corporate office lease	3,441	697	2,744
Total commitments	**3,441**	**697**	**2,744**

15. SUBSEQUENT EVENTS

Financial Risk Management

Subsequent to March 31, 2015 the Company entered into the following financial derivative contracts:

Crude Oil Contract Period	Type	Daily Volume	Price ($/Bbl)
Oct. 1, 2015 to Dec. 31, 2015	Costless collar	500 Bbl	WTI $USD40.05-70.00/Bbl
Oct. 1, 2015 to Dec. 31, 2015	Costless collar	250 Bbl	WTI $USD40.00-71.00/Bbl
Jan. 1, 2016 to Mar. 31, 2016	Costless collar	250 Bbl	WTI $USD40.00-75.00/Bbl
Jan. 1, 2016 to Jun. 30, 2016	Fixed Price	250 Bbl	WTI $CAD77.70/Bbl
Jan. 1, 2016 to Jun. 30, 2016	Costless collar	250 Bbl	WTI $CAD70.00-83.40/Bbl
Jan. 1, 2016 to Dec. 31, 2016	Costless collar	250 Bbl	WTI $CAD70.00-82.30/Bbl

CORPORATE INFORMATION

OFFICERS

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

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

Brian Minnehan
Irving, Texas

Peter Verburg
Calgary, Alberta

SOLICITOR
Burnet, Duckworth & Palmer LLP
Calgary, Alberta

AUDITOR
Ernst & Young LLP
Chartered Accountants
Calgary, Alberta

INDEPENDENT RESERVE EVALUATORS
Sproule and Associates
Calgary, Alberta

BANKERS
Toronto Dominion Bank
Canadian Imperial Bank of Commerce
Royal Bank of Canada
HSBC Bank Canada
Union Bank, Canada Branch

Macquarie Bank Limited

TRANSFER AGENT
Valiant Trust Company
Calgary, Alberta

HEAD OFFICE
2400, 240 – 4th Avenue S.W.
Calgary, Alberta T2P 5H4
Phone: 403-984-9014
Fax: 403-984-2717

WEBSITE
www.petrusresources.com