FIRST QUARTER REPORT

For the three months ended March 31, 2016

Petrus Resources Ltd. ("Petrus" or the "Company") (TSX: PRQ) is pleased to report operating and financial results for the first quarter of 2016. During the first quarter Petrus focused its business strategy on efficiently deploying a modest level of capital, reducing operating costs, mitigating exposure to commodity prices and reducing debt.

- Average production was 8,821 boe per day (33% oil and liquids) in the first quarter of 2016 compared to 8,172 boe per day (36% oil and liquids) reported for the fourth quarter of 2015. First quarter production is 8% higher than the previous quarter due to alleviation of transportation curtailments on TransCanada Pipelines Limited's ("TCPL") infrastructure as well as new production volumes attributed to the Company's capital program. Incremental production from two wells drilled later in the first quarter were brought on stream in April 2016.

- Petrus has invested in operated processing facilities and pipelines in order to reduce operating costs as well as reliance on third parties. Operating costs decreased from $11.00 per boe in the fourth quarter of 2015 to $8.52 per boe in the first quarter of 2016. The Company generated incremental processing fees and reduced third party processing fees in the first quarter as the new gas plant was operational beginning in December 2015. The new plant contributed to a $0.63 per boe reduction in operating expenses for the first quarter. Petrus is on track to recognize continued cost reductions.

- Commodity prices fell dramatically in the first quarter which reinforced the Company's need to protect funds flow through risk management contracts. Petrus aims to hedge 60 to 70% of its 12 month production forecast and 30 to 40% of the following year production forecast. Petrus' hedging approach has resulted in a strong hedge position ($18.8 million mark to market at quarter end) and in the first quarter of 2016, the realized hedging gain increased the Company's effective realized commodity price by $7.84 per boe which is 35% higher than the $5.81 per boe realized in the first quarter of the prior year. The Company currently has oil hedges in place for 2016 for an average 1,500 bbl per day at an average floor price of C$67.77 per bbl. Similarly, gas hedges are in place for 2016 for approximately 26,455 GJ per day at an average gas floor price of $2.80 per GJ. Additional information related to the Company's risk management strategy is available in the Company's MD&A for the first quarter of 2016.

- The Company generated funds from operations in the first quarter of $4.6 million compared to $6.7 million in the prior quarter. The corporate netback for the first quarter was $5.59 per boe compared to $8.94 per boe in the previous quarter. The differences are attributed to commodity price fluctuations and one time transaction costs which contributed $0.62 per boe to the decrease.

- To-date in 2016, Petrus has conducted a modest drilling program in order to preserve capital. The low decline nature of our diversified asset base permits moderate capital spending to maintain current production levels. In the first quarter Petrus invested $9.3 million of its $11.0 million first half budget. Petrus invested $6.4 million on drilling and completion to drill 2.3 net wells in the Ferrier area. Drilling and completion costs were significantly lower than the prior year due to lower demand for services and operational efficiencies achieved. Petrus estimates that total capital costs for the operated drilling projects were 15% lower than the previous year and cycle time improved significantly. The new wells were on production in early April and well performance has been consistent with expectations. Subsequent to quarter end the Board approved the participation by Petrus in a non-operated Ferrier Cardium drill (40% WI) which increased the first half capital budget to $12.2 million. Petrus invested $2.4 million on tie-in, facility and well equipment costs which optimize the Company's new gas plant in the Ferrier area to reduce future third-party processing fees.

- The Company is working toward closing of the previously announced cashless property swap transaction whereby Petrus will dispose of non-core assets with production of approximately 250 boe per day, associated land and a working interest in non-operated production facilities. In exchange Petrus expects to acquire production of approximately 400 boe per day and approximately 40% working interest in eight sections of predominantly undeveloped land in its Ferrier core area. Petrus expects to close the transaction later in the second quarter.

- During the quarter the Company closed certain financing transactions which raised total gross proceeds of $75.5 million. Petrus was successful in the listing of its shares on the Toronto Stock Exchange ("TSX") under the symbol "PRQ" and commenced trading on the TSX on February 8, 2016. In Q1 Petrus incurred $0.5 million or $0.62 per boe in one-time transaction costs associated with financing activities.

- On March 22, 2016, Petrus reduced its total debt by $80 million and extended the maturity of its term loan to October 2017 at the same terms which include zero cost prepayment privilege and an annual interest rate of the Canadian Dealer Offered Rate (CDOR) plus 700 basis points. Annual interest costs are expected to decrease by approximately $5 million as a result of the debt reductions. The Company ended the quarter with net debt of $157.7 million.

- At the end of the first quarter of 2016, Petrus had 244,714 net acres of undeveloped land, and a diverse drilling inventory, including more than 100 economic projects at current strip pricing.

SELECTED FINANCIAL INFORMATION

(000s) except per boe amounts	Three months ended Mar. 31, 2016	Three months ended Mar. 31, 2015	Three months ended Dec. 31, 2015	Three months ended Sept. 30, 2015	Three months ended June 30, 2015
OPERATIONS					
Average Production					
Natural gas (mcf/d)	35,456	31,525	31,217	32,505	31,103
Oil (bbl/d)	2,218	3,559	2,380	2,616	2,811
NGLs (bbl/d)	694	519	590	634	560
Total (boe/d)	**8,821**	9,333	**8,172**	8,668	8,890
Total (boe)	**802,744**	839,927	**751,845**	797,439	808,947
Natural gas sales weighting	***67%***	*56%*	***64%***	62%	62%
Realized Sales Prices					
Natural gas ($/mcf)	2.01	3.12	2.79	2.92	2.90
Oil ($/bbl)	34.52	47.38	48.27	50.91	64.76
NGLs ($/bbl)	18.18	29.77	30.52	16.14	24.99
Total ($/boe)	18.18	30.27	26.90	27.48	32.85
Hedging gain ($/boe)	7.84	5.81	6.68	4.72	3.58
Operating Netback ($/boe)					
Effective price	26.02	36.08	33.58	32.20	36.43
Royalty income	0.13	0.09	0.32	0.10	0.08
Royalty expense	(3.08)	(4.55)	(3.74)	(2.89)	(3.73)
Operating expense	(8.52)	(7.78)	(11.00)	(7.87)	(9.14)
Transportation expense	(1.62)	(1.86)	(1.31)	(1.43)	(1.93)
Operating netback (2) ($/boe)	**12.93**	21.98	**17.85**	20.11	21.71
G & A expense (1)	(2.72)	(1.98)	(3.08)	(2.10)	(2.28)
Net interest expense	(4.53)	(2.72)	(5.83)	(4.41)	(3.91)
Corporate netback (2) ($/boe)	**5.59**	17.28	**8.94**	13.60	15.52
FINANCIAL ($000s except per share)					
Oil and natural gas revenue	14,698	25,495	20,460	21,991	26,641
Funds flow from operations (2)	4,558	14,535	6,717	10,838	12,549
Funds flow from operations/share (2)	0.11	0.41	0.19	0.31	0.36
Net loss	(4,110)	(6,312)	(36,425)	(19,055)	(7,239)
Net loss per share	(0.10)	(0.18)	(1.04)	(0.54)	(0.21)
Capital expenditures	9,277	25,383	6,757	9,041	13,288
Net acquisitions (dispositions)	—	1,063	—	—	(125)
Common shares outstanding	45,349	35,148	35,148	35,148	35,148
Weighted average shares	41,762	35,148	35,148	35,148	35,148
As at quarter end ($000s)					
Net debt (3)	157,675	227,607	226,742	226,809	228,562
Bank debt outstanding	105,000	115,000	235,000	233,000	232,000
Bank debt available	12,300	85,000	12,600	34,600	35,600
Shareholders' equity	313,936	305,912	243,904	280,118	299,061
Total assets	544,548	641,547	555,145	595,890	627,808

(1) G&A expenses are shown net of capitalized general & administrative costs. Please refer to the G&A section on page 8 of the March 31, 2016 MD&A.
(2) Non-GAAP measures are defined on page 5 of the March 31, 2016 MD&A.
(3) Net debt includes working capital (deficiency).

OPERATIONS UPDATE

The Petrus Board of Directors has approved a capital budget of $12.2 million for the first half of 2016. The capital budget includes the drilling of four gross (2.7 net) wells and some tie-in and pipeline costs to optimize the Company's new gas plant in the Ferrier area to reduce future third-party processing fees. The capital budget will be funded through a portion of cash flow.

The Company's production was significantly impacted in 2015 as a result of third party pipeline restrictions which limited production. To date in 2016, Petrus has been largely unaffected by these curtailments. Average first quarter production from the Company's four operating areas was as follows:

Average production for the quarter ended March 31, 2016	**Foothills**	**Peace River**	**Ferrier**	**Central Alberta**	**Total**
Average Production					
Natural gas (mcf/d)	9,188	3,227	13,640	9,401	**35,456**
Oil (bbl/d)	500	598	475	645	**2,218**
NGLs (bbl/d)	58	25	382	229	**694**
Total (boe/d)	**2,089**	**1,162**	**3,129**	**2,441**	**8,821**
Natural gas sales weighting	***73%***	***46%***	***73%***	***64%***	***67%***

During the first quarter Petrus invested $9.3 million of its $12.2 million first half budget, which was funded by funds flow and working capital. The Company's capital development plan for the first half of 2016 is focused on the Ferrier area, where Petrus invested $6.4 million on drilling and completion costs to drill three wells (2.3 net) during the first quarter. The drilling and completion operations were planned for the first quarter in advance of spring break up. The new wells were on production in early April and well performance has been consistent with expectation. Capital costs were significantly lower than the prior year due to efficiencies achieved as well as cost reductions due to lower demand for services. Total capital costs for the two operated Ferrier drilling projects were approximately 15% lower than comparable projects completed in 2015. In addition, Petrus reduced total cycle time by drilling on a multi-well pad which contributed to cost savings and efficiency.

Petrus invested $2.4 million on tie-in, facility and well equipment costs to further increase operational control and reduce operating expenses.

Petrus will continue to monitor commodity prices and can opportunistically increase capital development as industry conditions warrant. Petrus currently has a diverse drilling inventory, including more than 100 economic projects at current strip pricing.

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will be held at the Riverview Room, International Hotel, 35th floor, 220 – 4th Ave SW Calgary, Alberta, on Thursday May 12, 2016 at 9:00 a.m. (Calgary time). The Information Circular, Annual Information Form, 2015 Annual Report and the First Quarter 2016 Report are all available on the SEDAR filing system (www.sedar.com) as well as 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, 2016. The report is dated May 11, 2016. This MD&A should be read in conjunction with the March 31, 2016 condensed interim consolidated financial statements as well as the December 31, 2015 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.

FINANCING TRANSACTIONS AND RECENT DEVELOPMENTS

To improve liquidity and refinance a portion of the Company's long term debt, Petrus completed the following financing transactions:

Plan of Arrangement and Equity Financing

On November 29, 2015 Petrus entered into an arrangement agreement (the "Arrangement Agreement") with a company formerly named PhosCan Chemical Corp. (TSX: FOS) ("PhosCan"), Petrus Acquisition Corp. ("New Petrus") and a wholly-owned subsidiary of PhosCan ("Fox River Resources Corp.") whereby New Petrus will acquire all of the outstanding shares of each of Petrus and PhosCan by way of a plan of arrangement (the "Arrangement") under the Business Corporations Act (Alberta) (the "ABCA"). The consideration for the PhosCan shares was approximately $51 million of cash and cash equivalents ($45.5 million after adjusting for PhosCan shareholders who exercised dissent rights). Petrus announced a concurrent $30 million bought deal financing on November 29, 2015.

On February 2, 2016 Petrus closed the Arrangement Agreement which provided $45.5 million in incremental cash and cash equivalents, concurrent, the equity financing provided Petrus with an additional $30 million, for total gross proceeds of $75.5 million.

Pursuant to the Arrangement Agreement, Petrus Acquisition Corp. ("New Petrus") acquired all of the issued and outstanding common shares of Petrus ("Old Petrus") ("Old Petrus Shares") on the basis of 0.25 of a common share of New Petrus ("New Petrus Shares") for each Old Petrus Share, reflecting a notional 4 to 1 consolidation of the Old Petrus Shares. All share capital instruments have been adjusted to reflect the Arrangement Agreement which closed February 2, 2016. On close, the Company was renamed Petrus Resources Corp., New Petrus was renamed Petrus Resources Ltd., and PhosCan was renamed Petrus Resources Inc.

Public Listing

Petrus was successful in the listing of its shares on the Toronto Stock Exchange ("TSX") under the symbol "PRQ" and commenced trading on the TSX on February 8, 2016. In the first quarter of 2016, Petrus incurred $0.5 million or $0.62 per boe in one-time transaction costs associated with financing activities.

Term Loan Extension

On March 22, 2016 Petrus amended and restated the credit agreement with the holder of the $90 million term loan. Concurrent with a $40 million pay down of the term loan, the instrument was extended to October 2017 at the same terms which include no prepayment penalty and an annual interest rate of the Canadian Dealer offered Rate (CDOR) plus 700 basis points.

These financing transactions reduced and extended the term of the Company's second lien debt to October 8, 2017, reduced the first lien borrowings and provide Petrus with improved liquidity.

FINANCIAL AND OPERATIONAL RESULTS OF OIL AND NATURAL GAS ACTIVITIES

	Three months ended Mar. 31, 2016	Three months ended Mar. 31, 2015	Three months ended Dec. 31, 2015	Three months ended Sept. 30, 2015	Three months ended June 30, 2015
Quarterly average production					
Natural gas (mcf/d)	35,456	31,525	31,217	32,505	33,103
Oil (bbl/d)	2,218	3,559	2,379	2,616	2,811
NGLs (bbl/d)	694	519	590	634	560
Total (boe/d)	**8,821**	**9,333**	**8,172**	**8,668**	**8,890**
Total (boe)	802,744	839,927	751,845	797,439	808,947
Revenue (000s)					
Natural Gas	6,476	8,857	7,999	8,718	8,734
Oil	6,967	15,176	10,566	12,254	16,568
NGLs	1,148	1,391	1,655	942	1,274
Commodity revenue	14,591	25,424	20,220	21,914	26,576
Royalty revenue	107	72	239	77	65
Oil and natural gas revenue	14,698	25,496	20,459	21,991	26,641
Average realized prices					
Natural gas ($/mcf)	2.01	3.12	2.79	2.92	2.90
Oil ($/bbl)	34.52	47.38	48.27	50.91	64.76
NGLs ($/bbl)	18.18	29.77	30.52	16.14	24.99
Total ($/boe)	18.18	30.27	26.90	27.48	32.85
Hedging gain	7.84	5.81	6.68	4.72	3.58
Total realized ($/boe)	26.02	36.08	33.58	32.20	36.43
Average benchmark prices	**Three months ended Mar. 31, 2016**	**Three months ended Mar. 31, 2015**	**Three months ended Dec. 31, 2015**	**Three months ended Sept. 30, 2015**	**Three months ended Jun. 30, 2015**
Natural gas					
AECO (C$/mcf)	1.84	2.74	2.47	2.91	2.64
Crude Oil					
Edm Lt. (C$/bbl)	41.22	52.81	52.52	54.95	69.66
Foreign Exchange					
US$/C$	0.73	0.81	0.75	0.76	0.81

OIL AND NATURAL GAS REVENUE

Average production for the first quarter of 2016 was 8,821 boe per day (33% oil and liquids), compared to 9,333 boe per day (44% oil and liquids) for the first quarter of the prior year. Total commodity revenue decreased from $25.4 million in the first quarter of 2015 to $14.6 million in the three months ended March 31, 2016.

Natural gas

During the first quarter of 2016, the benchmark natural gas price in Canada (set at the AECO hub) decreased by 33% from the prior year (average price of $1.84 per mcf in the first quarter compared to $2.74 per mcf in the prior year).

The Company's average realized gas price during the first quarter of 2016 was $2.01 per mcf compared to $3.12 per mcf in the prior year, which represents a 36% decrease. Natural gas revenue for the first quarter of 2016 was $6.5 million and production of 3,226,541 mcf accounted for approximately 67% of first quarter production volume and 44% of commodity revenue (compared to revenue of $8.9 million and production of 2,837,248 mcf for 56% of production volume and 35% of commodity revenue in the prior year). Natural gas revenue decreased from the prior year due to decreased commodity prices offset by production increases.

Crude oil and condensate

Edmonton Light Sweet ("Edmonton") crude oil prices decreased 22% from the first quarter of 2015 to the first quarter of 2016 ($41.22 per bbl for the first quarter of 2016 compared to an average price of $52.81 per bbl in the first quarter of the prior year).

The average realized price of Petrus' crude oil and condensate was $34.52 per bbl for the first quarter of 2016 compared to $47.38 per bbl for the same period in the prior year. Petrus realized an average negative differential of $6.70 per bbl in the first quarter of 2016 compared to an average negative differential of $6.12 per bbl in the first quarter of the prior year.

Oil and condensate revenue for the first quarter of 2016 was $7 million and production of 201,812 bbl accounted for approximately 25% of total production volume and 48% of commodity revenue (compared to revenue of $15.2 million and production of 320,310 bbl for 38% of total production volume and 60% of commodity revenue in the first quarter of the prior year). Oil and condensate revenue decreased from the prior year as a result of the decline in commodity prices and production volumes.

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 $18.18 per bbl compared to $29.77 per bbl in the prior year. NGL revenue for the first quarter of 2016 was $1.1 million and production of 63,175 bbl accounted for approximately 8% of the Company's production volume and 8% of commodity revenue in the first quarter (compared to revenue of $1.4 million and production of 46,702 bbl for 6% of total production and 5% 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.

NON-GAAP MEASURES

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

Funds Flow from Operations

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

($000s)	Three months ended Mar 31, 2016	Three months ended Mar 31, 2015
Funds flow from operating activities	10,108	1,588
Changes in non-cash working capital	(5,696)	12,578
Decommissioning expenditures	146	369
Funds flow from operations	**4,558**	**14,535**

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, 2016	As at Mar 31, 2015
Current assets (excluding financial derivative assets)	13,085	27,890
Less: current liabilities (excluding financial derivative liabilities)	(15,760)	(49,991)
Less: bank debt	(155,000)	(205,506)
Working capital (net debt)	**(157,675)**	**(227,607)**

FUNDS FLOW FROM OPERATIONS AND EARNINGS

Petrus generated funds flow from operations of $4.6 million during the quarter ended March 31, 2016 ($14.5 million during the first quarter of 2015). Natural gas (AECO C$/mcf) decreased 33% from the first quarter of 2015 to the first quarter of 2016, and Edmonton crude (Edm. Lt. C$/bbl) decreased 22% for the same period.

Petrus reported a net loss of $4.1 million in the first quarter of 2016 (compared to net loss of $6.3 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, 2016		Three months ended Mar. 31, 2015	
	$000s	**$/boe**	**$000s**	**$/boe**
Commodity revenue	14,591	18.18	25,423	30.27
Transportation	(1,298)	(1.62)	(1,560)	(1.86)
Net revenue	13,293	16.56	23,863	28.41
Royalty expense	(2,475)	(3.08)	(3,825)	(4.55)
Royalty income	107	0.13	72	0.09
Net oil and natural gas revenue	**10,925**	**13.61**	**20,110**	**23.95**
Operating expense (1)	(6,837)	(8.52)	(6,536)	(7.78)
Hedging gain	6,294	7.84	4,881	5.81
General & administrative (2)	(2,183)	(2.72)	(1,664)	(1.98)
Interest expense (3)	(3,641)	(4.53)	(2,256)	(2.69)
Funds flow from operations	**4,558**	**5.68**	**14,535**	**17.31**

(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 8 for more detail.

(3) Interest expense is presented net of interest income and other income.

(000s except per share)	**Three months ended Mar. 31, 2016**	**Three months ended Mar. 31, 2015**
Funds flow from operations	**4,558**	**14,535**
Funds flow from operations/share	**0.11**	**0.41**
Net loss	**(4,110)**	**(6,312)**
Net loss/share	**(0.10)**	**(0.18)**
Common shares	45,349	35,148
Weighted average shares	41,762	35,148

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, 2016**	**Three months ended Mar. 31, 2015**
Oil and NGLs crown ($000s)	**1,219**	2,195
% of oil and NGL production revenue	**15%**	13%
Natural gas crown (000s)	**468**	1,072
% of production revenue	**7%**	12%
Gas cost (allowance) (000s)	**(149)**	(1,339)
Gross overriding and other	**937**	1,897
Total (000s)	**2,475**	3,825

For the quarter ended March 31, 2016 Petrus recorded total royalties of $2.5 million compared to $3.8 million in the first quarter of 2015. The decrease is attributed to decreased commodity prices compared to the prior year. Gross overriding royalty expense incurred in 2016 ($0.9 million) was significantly lower than the prior year ($1.9 million) due to the lower commodity prices.

Risk Management

The Company utilizes commodity contracts as a risk management technique to mitigate exposure to commodity price volatility, increase the certainty of funds from operations and to protect acquisition and development economics. Petrus' risk management program is governed by guidelines approved by the Board of Directors. Petrus aims to hedge 60 to 70% of its 12 month production forecast and 30 to 40% of the following year production forecast. Petrus' hedging approach has resulted in a strong hedge position ($18.8 million mark to market at quarter end) and in the first quarter of 2016, the realized hedging gain increased the Company's effective realized commodity price by $7.84 per boe which is 35% higher than $5.81 per boe realized in the first quarter of the prior year.

The impact of the contracts which were outstanding during the reporting periods are actual cash settlements and are recorded as realized hedging gains (losses). These affect the Company's realized commodity price. The unrealized gain (loss) is recorded to demonstrate the change in fair value of the outstanding contracts during the financial reporting period. Petrus does not follow hedge accounting for any of its risk management contracts in place. Petrus considers all of its risk management contracts to be effective economic hedges of its underlying business transactions.

The table below shows the realized and unrealized gain or loss on risk management contracts for the periods shown:

Other Income ($000s)	**Three months ended Mar. 31, 2016**	**Three months ended Mar. 31, 2015**
Realized hedging gain	6,294	4,881
Unrealized hedging gain (loss)	4,886	(3,613)
Total gain on derivatives	**11,180**	1,268

Weakened commodity prices resulted in a realized hedging gain of $6.3 million during the first quarter of 2016, compared to a $4.9 million gain realized in the same quarter of the prior year. The first quarter realized gain increased the Company's total realized price by $7.84 per boe, compared to an increase of $5.81 per boe in the first quarter of the prior year.

The unrealized hedging gain of $6.3 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, changes related to contracts entered into during the quarter as well as changes to the commodity prices. At quarter end, the unrealized risk management net asset mark-to-market value is $18.8 million.

The Company's risk management contracts provide protection from crude oil and natural gas prices for 2016 to 2018. For a complete listing of Petrus' risk management contracts see the Company's March 31, 2016 interim consolidated financial statements (Note 8). The table below summarizes Petrus' average crude oil and natural gas hedged volumes. The 1,700 bbl per day of oil hedged in Q1 2016 represents 58% of first quarter 2016 average liquids (oil and NGL) production. The 28,785 GJ per day of natural gas hedged in Q1 2016 represents 77% of first quarter 2016 average natural gas production.

	2016					**2017**					**2018**
	Q1	**Q2**	**Q3**	**Q4**	**Avg.**	**Q1**	**Q2**	**Q3**	**Q4**	**Avg.**	**Q1**
Oil hedged (bbl/d)	1,700	1,600	1,350	1,350	**1,500**	1,100	1,200	1,100	700	**1,025**	300
Average WTI cap price (C$/bbl)	82.15	76.97	76.94	77.13	**78.27**	77.55	71.71	66.35	70.78	**71.25**	64.02
Average WTI floor price (C$/bbl)	68.93	68.39	66.67	66.67	**67.77**	69.55	65.65	62.16	60.71	**64.92**	55.00
Natural gas hedged (GJ/d)	28,785	27,634	27,200	22,200	**26,455**	21,000	16,650	16,650	6,500	**15,200**	6,500
Average AECO cap price (C$/GJ)	3.07	2.76	2.76	3.02	**2.91**	3.20	2.67	2.67	2.85	**2.84**	2.94
Average AECO floor price (C$/GJ)	3.07	2.64	2.64	2.83	**2.80**	2.96	2.67	2.67	2.85	**2.79**	2.94

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 ($000s)	**Three months ended Mar. 31, 2016**	**Three months ended Mar. 31, 2015**
Operating expense, net	**6,837**	6,536
Operating expense, net ($ per boe)	**8.52**	7.78

Operating expenses totaled $6.8 million for the first quarter of 2016, a 5% increase from $6.5 million recorded in the same quarter of the prior year. The increase in aggregate net operating expenses is due to higher workover expenses incurred in the first quarter of 2016.

For the first quarter of 2016, operating costs on a per boe basis were 10% higher than the comparable period of 2015. The increase is attributed to operating expense workover projects performed during the quarter ($0.6 million or $0.80 per boe in the first quarter of 2016 compared to $0.2 million or $0.30 per boe in the prior year). Workover projects are performed as required in order to repair and maintain oilfield operating equipment.

Transportation Expenses

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

Transportation Expenses ($000s)	Three months ended Mar. 31, 2016	Three months ended Mar. 31, 2015
Transportation expense	**1,298**	**1,560**
$ per boe	**1.62**	**1.86**

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 $1.3 million or $1.62 per boe in the first quarter of 2016 ($1.6 million or $1.86 per boe for the comparative period in the prior year). The decrease in aggregate costs is attributed to the increased gas weighting of Petrus' production compared to the prior year. Petrus incurred reduced trucking costs as a result of lower oil and natural gas liquids production (4,078 boe per day in the first quarter of 2015 compared to 2,912 boe per day in the first quarter of 2016).

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, 2016	Three months ended Mar. 31, 2015
Gross general and administrative expense	2,584	2,270
Capitalized general and administrative	(401)	(606)
Net general and administrative expense	**2,183**	**1,664**
Share based compensation expense	209	464
Capitalized share based compensation	(84)	(185)
Total general and administrative expense, net	**2,308**	**1,943**

First quarter 2016 gross general and administration expenses (before capitalized G&A and share based compensation), totaled $2.6 million or $3.22 per boe (compared to $2.3 million or $2.70 per boe for the first quarter of 2015). The increase in aggregate G&A expenses is attributed to transaction costs incurred during the quarter related to the equity issuance and plan of arrangement with PhosCan. One-time costs attributed to financing and public listing activities totaled $0.5 million or $0.59 per boe. Petrus capitalizes a portion of G&A costs attributed to exploration & development activity. In 2016 the Company reduced the percentage of capitalized costs to reflect reduced exploration and development activity attributed to the weakened commodity price environment.

Finance Expenses

The following table illustrates the Company's finance expenses which include cash and non-cash expenses:

Finance Expenses ($000s)	Three months ended Mar. 31, 2016	Three months ended Mar. 31, 2015
Interest expense	3,605	2,871
Foreign exchange loss (gain)	36	(587)
Total cash finance expenses	**3,641**	**2,284**
Accretion on decommissioning obligations	67	288
Total finance expense	**3,708**	**2,572**

The Company incurred total finance expenses of $3.7 million in the first quarter of 2016, comprised of $0.07 million of non-cash accretion of its decommissioning liability and $3.6 million of cash interest expense related to its credit facilities and term loan. In the first quarter of 2015, Petrus incurred total finance expenses of $2.6 million, comprised of $0.3 million of accretion expense, $2.9 million cash interest expense, offset by a foreign exchange gain of $0.6 million. The increase in interest expense is attributed to higher interest rates charged on first lien debt.

Depletion and Depreciation

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

Depletion and Depreciation ($000s)	Three months ended Mar. 31, 2016	Three months ended Mar. 31, 2015
Depletion	**12,537**	15,335
Depreciation	**27**	26
Total	**12,564**	**15,361**
Depletion ($ per boe)	**15.62**	18.26
Depreciation ($ per boe)	**0.03**	0.03
Total ($ per boe)	**15.65**	**18.29**

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 2016 of $12.5 million or $15.62 per boe, compared to the first quarter of 2015, when $15.3 million or $18.26 per boe was recorded. The Company's depletion and depreciation has decreased from the prior year due to a lower depletable asset base. The asset base has decreased due to reduced exploration and development activity (spending) as well as impairment losses recognized in 2015.

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 periods shown:

(000s)	Three months ended Mar. 31, 2016	Three months ended Mar. 31, 2015
Weighted average outstanding common shares		
Basic	**41,762**	35,148
Diluted	**41,762**	35,148
Outstanding instruments		
Common shares	**45,349**	35,148
Stock options	**1,454**	1,454
Warrants	**1,569**	1,569

At March 31, 2016 the Company had 45,349,192 common shares, 1,453,750 stock options and 1,568,568 performance warrants outstanding, respectively.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2016 Petrus has two debt instruments outstanding. The first is a reserve-based, revolving credit facility with a syndicate of lenders. The total facility is comprised of an operating facility and a syndicated term-out facility (altogether the "Revolving Credit Facility" or "RCF"). The second is a second lien term loan (the "Term Loan").

(a) Revolving Credit Facility

At March 31, 2016 the Company's RCF is comprised of a $20 million operating facility and a $140 million syndicated term-out facility, however, borrowings by the Company under the RCF in an aggregate amount exceeding $120 million shall require consent of the first lien lenders up to the annual borrowing base redetermination date (May 31, 2016). The term-out facility has a revolving period that ends July 29, 2016 at which time it will either be renewed or converted to a one-year term facility. At May 31, 2016 the syndicated term-out facility will reduce to $100 million and the $20 million operating facility will remain unchanged. At May 31, 2016 the revolving period will be extended to July 29, 2017. The Company has provided collateral by way of a $600 million debenture over all of the present and after acquired property of the Company.

At March 31, 2016, the Company had a $2.7 million letter of credit outstanding against the RCF (December 31, 2015 - $2.4 million) and had drawn $15 million against the operating facility and $90 million against the syndicated term-out facility (December 31, 2015 - $145 million).

The RCF carries certain financial covenants which are described in Note 6 of the Company's financial statements as at March 31, 2016. At March 31, 2016 the Company was not in breach of the covenants.

(b) Long Term Debt

At March 31, 2016 the Company had a $50.0 million (December 31, 2015 - $90.0 million) Term Loan outstanding which is repayable on October 8, 2017. 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 carries certain financial covenants which are described in Note 6 of the Company's financial statements as at March 31, 2016. At March 31, 2016 the Company was not in breach of the covenants.

CAPITAL EXPENDITURES

Capital expenditures, excluding acquisitions and dispositions, totaled $9.3 million in the first quarter of 2016 compared to $25.4 million in the first quarter of the prior year. Petrus invested in the drilling, completion and tie-in of three (2.3 net) wells in the Ferrier area. Petrus divested $0.06 million in non-core assets in the first quarter of 2016, compared to $1.1 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:

Capital Expenditures ($000s)	**Three months ended Mar. 31, 2016**	**Three months ended Mar. 31, 2015**
Drill and complete	**6,423**	17,854
Oil and gas equipment	**2,423**	6,644
Geological	**—**	157
Land and lease	**30**	—
Office	**—**	122
Capitalized general and administrative	**401**	606
Total	**9,277**	**25,383**
Acquisitions	**—**	1,063
Total capital	**9,277**	**26,446**
Gross (net) wells spud	**3 (2.3)**	**6 (5.9)**

SUMMARY OF QUARTERLY RESULTS

	Three months ended							
($000s) except per share & boe amounts	**Mar. 31, 2016**	**Dec. 31, 2015**	**Sep. 30, 2015**	**Jun. 30, 2015**	**Mar. 31, 2015**	**Dec. 31, 2014**	**Sep. 30, 2014**	**Jun. 30, 2014**
Average Production								
Natural gas (mcf/d)	35,456	31,217	32,505	31,103	31,525	34,626	17,557	16,800
Oil (bbl/d)	2,218	2,380	2,616	2,811	3,559	2,998	1,799	2,012
NGLs (bbl/d)	694	590	634	560	519	1,053	203	147
Total (boe/d)	**8,821**	**8,172**	**8,668**	**8,890**	**9,333**	**9,822**	**4,928**	**4,959**
Total (boe)	**802,744**	**751,845**	**797,439**	**808,947**	**839,927**	**903,620**	**453,359**	**451,269**
Financial Results								
Oil and natural gas revenue	14,591	20,221	21,914	26,576	25,423	35,574	23,592	26,815
Transportation	(1,298)	(986)	(1,142)	(1,561)	(1,560)	(1,126)	(1,303)	(979)
Net revenue	**13,293**	**19,235**	**20,772**	**25,015**	**23,863**	**34,448**	**22,289**	**25,836**
Royalty expense (1)	(2,475)	(2,809)	(2,308)	(3,020)	(3,825)	(3,958)	(4,035)	(5,760)
Royalty income (1)	107	238	77	65	72	423	128	303
Net oil and natural gas revenue	10,925	16,664	18,541	22,060	20,110	30,913	18,382	20,379
Operating expense (2)	(6,837)	(8,269)	(6,277)	(7,396)	(6,536)	(5,815)	(4,395)	(4,194)
Hedging gain (loss)	6,294	5,020	3,767	2,894	4,881	3,371	(1,359)	(1,496)
General and administrative expense (3)	(2,183)	(2,318)	(1,674)	(1,843)	(1,664)	(2,117)	(1,446)	(797)
Interest expense (4)	(3,641)	(4,380)	(3,519)	(3,166)	(2,256)	(1,725)	(1,304)	(614)
Funds flow from operations	**4,558**	**6,717**	**10,838**	**12,549**	**14,535**	**24,627**	**9,878**	**13,278**
Per share – basic	0.11	0.19	0.31	0.36	0.41	0.70	0.37	0.58
Net income (loss)	**(4,110)**	**(36,425)**	**(19,055)**	**(7,239)**	**(6,312)**	**(63,308)**	**7,530**	**5,505**
Per share – basic	(0.10)	(1.04)	(0.54)	(0.21)	(0.18)	(1.80)	0.28	0.24
Common shares (000s)	**45,349**	**35,148**	**35,148**	**35,148**	**35,148**	**35,148**	**35,115**	**25,437**
Weighted average shares (000s)	41,762	35,148	35,148	35,148	35,148	35,148	27,043	22,777
Total assets	544,548	555,145	595,890	627,808	641,547	647,304	549,248	259,110
Net working capital (net debt)	**(157,675)**	**(226,742)**	**(226,809)**	**(228,562)**	**(227,607)**	**(215,049)**	**21,014**	**415**

(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 income and other income.

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

Petrus’ production has grown over the last two years. Average quarterly production has increased, from 4,959 boe per day in the second quarter of 2014 to 8,821 boe per day in the first quarter of 2016. The production growth was equally attributable to the Corporation's exploration and development activities and its acquisitions of producing properties.

The Company's funds from operations were $13.3 million in the second quarter of 2014 and $4.6 million in the first quarter of 2016. Funds flow from operations decreased despite higher production levels due to a significant reduction in commodity prices over the two year period. 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 proven 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.

OTHER FINANCIAL INFORMATION
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, 2015.

New standards and interpretations
In July 2014, the IASB completed the final elements of IFRS 9 "Financial Instruments". The Standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9, as amended, includes a principle-based approach for classification and measurement of financial assets, a single 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The Standard will come into effect for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. IFRS 9 will be applied by Petrus on January 1, 2018 and the Company is currently evaluating the impact of the standard on its financial statements.

In May 2014, the IASB issued IFRS 15"Revenue from Contracts with Customers" which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts", and related interpretations. The standard is required to be adopted for fiscal years beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 15 will be applied by Petrus on January 1, 2018 and the Company is currently evaluating the impact of the standard on Petrus's statements.

In January 2016, the IASB issued IFRS 16 Leases, which replaces IAS 17 Leases. For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company is currently evaluating the impact of the standard on the Company's financial statements.

Internal controls over financial reporting
Petrus' internal control over financial reporting has been established to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. During the period of January 1, 2016 to March 31, 2016, no material changes were identified in the Company's internal control over financial reporting which materially affected, or likely expected to materially affect, the Company's internal control over financial reporting.

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, 2015. 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*

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Expressed in 000's of Canadian dollars)

As at	March 31, 2016	December 31, 2015
ASSETS		
Current		
Cash	1,892	1,234
Deposits and prepaid expenses	996	1,109
Accounts receivable *(note 13)*	10,198	17,754
Risk management asset *(note 8)*	16,704	13,978
	29,790	**34,075**
Non-current		
Risk management asset *(note 8)*	2,191	—
Exploration and evaluation assets *(notes 3 and 4)*	87,530	88,178
Property, plant and equipment *(notes 3 and 5)*	425,037	432,892
	514,758	**521,070**
	544,548	**555,145**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Current portion of long term debt *(note 6)*	—	130,000
Accounts payable and accrued liabilities *(note 13)*	15,760	11,839
Risk management liability *(note 8)*	76	45
	15,836	**141,884**
Non-Current		
Long term debt *(note 6)*	155,000	105,000
Decommissioning obligation *(note 7)*	59,776	64,357
	230,612	**311,241**
Shareholders' Equity		
Share capital *(note 9)*	420,039	346,106
Contributed surplus	6,829	6,620
(Deficit)	(112,932)	(108,822)
	313,936	**243,904**
	544,548	**555,145**

See accompanying notes to the consolidated financial statements

Commitments (note 17)

Approved by the Board of Directors,

(signed) "Don T. Gray"

Don T. Gray
Chairman

(signed) "Donald Cormack"

Donald Cormack
Director

CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS (UNAUDITED)

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

	Three months ended March 31, 2016	Three months ended March 31, 2015
REVENUE		
Oil and natural gas revenue	**14,698**	**25,495**
Royalty expense	(2,475)	(3,825)
Oil and natural gas revenue, net of royalties	**12,223**	**21,670**
Other income	—	28
Net gain on financial derivatives *(note 8)*	11,180	1,268
	23,403	**22,966**
EXPENSES		
Operating *(note 11)*	6,837	6,536
Transportation	1,298	1,560
General and administrative *(note 12)*	2,183	1,664
Share-based compensation *(note 9)*	125	279
Finance (note 15)	3,708	2,572
Exploration and evaluation *(note 4)*	798	2,664
Depletion and depreciation *(note 5)*	12,564	15,361
Loss on sale of assets *(note 3)*	—	52
	27,513	**30,688**
NET LOSS BEFORE INCOME TAXES	**4,110**	**7,722**
Deferred income tax recovery	—	1,410
TOTAL NET LOSS AND COMPREHENSIVE LOSS	**4,110**	**6,312**
Net loss per common share Basic and diluted *(note* 10)	**0.10**	**0.18**

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

(Expressed in 000's of Canadian dollars)

	Share Capital	Contributed Surplus	(Deficit)	Total
Balance, December 31, 2014	**346,106**	**5,445**	**(39,791)**	**311,760**
Net loss	—	—	(6,312)	(6,312)
Share-based compensation	—	464	—	464
Balance, March 31, 2015	**346,106**	**5,909**	**(46,103)**	**305,912**
Balance, December 31, 2015	**346,106**	**6,620**	**(108,822)**	**243,904**
Net loss	—	—	(4,110)	(4,110)
Issuance of common shares *(note* 9)	75,488	—	—	75,488
Share issue costs (*note* 9)	(1,555)	—	—	(1,555)
Share-based compensation *(note 9)*	—	209	—	209
Balance, March 31, 2016	**420,039**	**6,829**	**(112,932)**	**313,936**

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Expressed in 000's of Canadian dollars)

Funds generated by (used in):	**Three months ended March 31, 2016**	**Three months ended March 31, 2015**
OPERATING ACTIVITIES		
Net loss	**(4,110)**	**(6,312)**
Adjust items not affecting cash:		
Share-based compensation	125	279
Unrealized (gains) losses on financial derivatives *(note 8)*	(4,886)	3,613
Finance expenses (*note* 15)	67	288
Depletion and depreciation *(note 5)*	12,564	15,361
Exploration and evaluation expense *(note 4)*	798	2,664
Loss on sale of assets *(note 3)*	—	52
Deferred income tax (recovery)	—	(1,410)
Decommissioning expenditures (*note* 7)	(146)	(369)
	4,412	**14,166**
Change in operating non-cash working capital (*note* 16)	5,696	(12,578)
Funds generated by operations	**10,108**	**1,588**
FINANCING ACTIVITIES		
Issue of common shares (*note* 9)	75,488	—
Share issue costs (*note* 9)	(1,555)	—
Increase (decrease) in bank indebtedness	(40,000)	16,218
Increase (decrease) in long term debt	(40,000)	169
Funds generated by (used in) financing activities	**(6,067)**	**16,387**
INVESTING ACTIVITIES		
Property and equipment (acquisitions) *(note 5)*	—	(8,711)
Property and equipment dispositions *(note 5)*	—	7,648
Exploration and evaluation asset expenditures *(note 4)*	(129)	(337)
Petroleum and natural gas property expenditures *(note 5)*	(9,148)	(25,199)
Other capital expenditures	—	(122)
Change in investing non-cash working capital (*note* 16)	5,894	(10,778)
Funds used in investing activities	**(3,383)**	**(37,499)**
Increase (decrease) in cash	658	(19,524)
Cash, beginning of period	1,234	19,524
Cash, end of period	**1,892**	**—**
Cash interest paid	3,483	2,570
Cash taxes paid	—	—

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. NATURE OF THE ORGANIZATION

Petrus Acquisition Corp. ("New Petrus") was incorporated under the laws of the Province of Alberta on November 25, 2015. On February 2, 2016, New Petrus changed its name to Petrus Resources Ltd. ("Petrus" or the "Company"). The Company has two subsidiaries, Petrus Resources Corp. (formerly Petrus Resources Ltd. ("Old Petrus")) and Petrus Resources Inc. (formerly PhosCan Chemical Corp. ("PhosCan")).

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.

On February 2, 2016, New Petrus closed an equity financing involving a $30 million private placement and an arrangement agreement (the "Arrangement Agreement") with PhosCan and Old Petrus. Pursuant to the Arrangement Agreement, Old Petrus shareholders exchanged their Old Petrus common shares for New Petrus common shares on the basis of 0.25 New Petrus common shares for each Old Petrus common share held, resulting in the issuance of approximately 4.1 million New Petrus shares.

At the time of the Arrangement Agreement, PhosCan did not have any assets or liabilities other than $45.5 million in cash. PhosCan shareholders exchanged their PhosCan common shares for New Petrus common shares on the basis of 0.0452672 New Petrus common shares for each PhosCan common share held, resulting in the issuance of approximately 6.1 million New Petrus common shares. This resulted in an increase to New Petrus' cash and shareholders' equity on a consolidated basis.

While New Petrus is the continuing legal entity, the economic substance of the Arrangement Agreement was two financings executed by Old Petrus. Accordingly Old Petrus is the continuing accounting entity following the Arrangement Agreement. These financial statements have therefore been presented on a continuity of interest basis, with the financial position, results of operations and cash flows for all periods before February 2, 2016 being those of Old Petrus.

Petrus' legal share capital is that of Old Petrus to February 2, 2016 and continues as that of Petrus after that date. Common shares, performance warrants and stock options have been adjusted retrospectively for all periods presented for the 0.25 to 1 consolidation of shares referred to above.

These financial statements report the three months ended March 31, 2016 and prior year comparative periods and were approved by the Company's Audit Committee on May 11, 2016.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared by management on a historical basis, except for certain financial instruments that have been measured at fair value. These condensed interim 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 consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2015, 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, 2015. The condensed interim consolidated financial statements have been prepared following the same accounting policies as the financial statements for the year ended December 31, 2015. These condensed interim consolidated financial statements are presented in Canadian dollars, except where otherwise noted.

3. ACQUISITIONS AND DISPOSITIONS

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 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.

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 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 their respective acquisitions to March 31, 2015, the above business combinations 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.

Property disposition

On May 7, 2015 Petrus closed the disposition of non-core exploration and evaluation assets in the Ferrier area of Alberta for total cash consideration of $0.1 million.

4. EXPLORATION AND EVALUATION ASSETS

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

Balance, December 31, 2014	**94,073**
Additions	941
Property acquisitions (note 3)	2,199
Corporate acquisitions	(217)
Exploration and evaluation expense	(6,275)
Capitalized G&A	417
Capitalized share-based compensation	130
Transfers to property, plant and equipment	(3,090)
Balance, December 31, 2015	**88,178**
Additions	29
Capitalized G&A	100
Capitalized share-based compensation	21
Exploration and evaluation expense	(798)
Balance, March 31, 2016	**87,530**

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, 2016 the Company incurred exploration and evaluation expense in the Consolidated Statements of Net Loss and Comprehensive Loss of $0.8 million which relates to expiring undeveloped land in minor properties (March 31, 2015 – $2.7 million).

During the three month period ended March 31, 2016 the Company capitalized $0.1 million of general & administrative expenses ("G&A") (March 31, 2015 – $0.4 million) directly attributable to exploration activities. Included in this amount is non-cash share-based compensation of $0.02 million (March 31, 2015 – $0.09 million).

5. PROPERTY, PLANT AND EQUIPMENT

$000s	Cost	Accumulated DD&A	Net book value
Balance, December 31, 2014	**661,194**	**(166,474)**	**494,720**
Additions	51,860	—	51,860
Property acquisitions (note 3)	6,512	—	6,512
Property (dispositions) (note 3)	(10,781)	3,173	(7,608)
Capitalized G&A	1,251	—	1,251
Capitalized share-based compensation	390	—	390
Transfers from exploration and evaluation assets	3,090	—	3,090
Depletion & depreciation	—	(54,627)	(54,627)
Increase in decommissioning provision	4,798	—	4,798
Impairment loss	—	(67,494)	(67,494)
Balance, December 31, 2015	**718,314**	**(285,422)**	**432,892**
Additions	9,021	—	9,021
Capitalized G&A	301	—	301
Capitalized share-based compensation	63	—	63
Depletion & depreciation	—	(12,564)	(12,564)
Decrease in decommissioning provision *(note 7)*	(4,676)	—	(4,676)
Balance, March 31, 2016	**723,023**	**(297,986)**	**425,037**

Estimated future development costs of $325.8 million (December 31, 2015 – $325.3 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, 2016 the Company capitalized $0.4 million (March 31, 2015 – $0.4 million) of general & administrative expenses ("G&A") directly attributable to development activities. Included in this amount is non-cash share-based compensation of $0.06 million (March 31, 2015 – $0.09 million).

For the year ended December 31, 2015, the Company recorded property, plant and equipment impairments of $67.5 million, resulting from a decline in oil and natural gas price forecasts on three of its four CGUs; Central Alberta – $5.0 million; Peace River – $8.8 million; and Foothills – $53.7 million (2014 – $104.8; Central Alberta – $60.3 million; Ferrier - $26.1 million; Peace River – $13.6 million; and Foothills – $4.8 million). The recoverable amounts of the Company's CGUs were estimated at fair value less costs of disposal, based on the net present value of pre-tax cash flows from oil and natural gas reserves, using reserve values estimated by independent reserve evaluators. The recoverable amount for each of the Company's four CGUs was as follows: Central Alberta – $128.7 million; Ferrier – $139.9 million; Peace River – $51.3 million; and Foothills – $74.6 million (2014 – Central Alberta – $155.2 million; Ferrier – $100.2 million; Peace River – $59.7 million; and Foothills – $120.8 million).

6. DEBT

At March 31, 2016 Petrus had two debt instruments outstanding. The first is a reserve-based, revolving credit facility with a syndicate of lenders. The total facility is comprised of an operating facility and a syndicated term-out facility (altogether the "Revolving Credit Facility" or "RCF"). The second is a second lien term loan (the "Term Loan").

(a) Revolving Credit Facility

At March 31, 2016 the Company's RCF was comprised of a $20 million operating facility and a $140 million syndicated term-out facility; however borrowings by the Company under the RCF in an aggregate amount exceeding $120 million requires consent of the first lien lenders up to the annual borrowing base redetermination date (May 31, 2016). The term-out facility has a revolving period that ends July 29, 2016 at which time it will either be renewed or converted to a one-year term facility. At May 31, 2016 the syndicated term-out facility will reduce to $100 million and the $20 million operating facility will remain unchanged. At May 31, 2016 the revolving period will be extended to July 29, 2017. The Company has provided collateral by way of a $600 million debenture over all of the present and after acquired property of the Company.

At March 31, 2016, the Company had a $2.7 million letter of credit outstanding against the RCF (December 31, 2015 – $2.4 million) and had drawn $105 million against the RCF (December 31, 2015 – $145 million).

The amount of the RCF is subject to a borrowing base review performed on a semi-annual basis by the lenders, based primarily on reserves and commodity prices estimated by the lenders as well as other factors. In addition, asset dispositions require majority lender consent. A decrease in the borrowing base could result in a reduction to the available credit under the RCF.

(b) Long Term Debt

At March 31, 2016 the Company had a $50 million (December 31, 2015 – $90 million) Term Loan outstanding which is repayable on October 8, 2017. 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.

Covenants

The following definitions are used in the covenant calculations for both debt instruments:

Debt to EBITDA Ratio

Debt is defined as Petrus' total debt outstanding of the borrower and EBITDA means trailing earnings before interest, taxes, depreciation and amortization.

PV10 to Net Secured Debt Ratio

Net Secured Debt means all amounts owing under the RCF and any other secured debt of Petrus, 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 in effect.

Working Capital

Working Capital means Current Assets to Current Liabilities whereby Current Assets means on any date of determination, the current assets of Petrus that would, in accordance with IFRS, be classified as of that date as current assets plus any undrawn availability under the RCF, 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 and whereby Current Liabilities means, on any date of determination, the liabilities of Petrus that would, in accordance with IFRS, be classified as of that date as current liabilities, 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.

Working Capital Ratio

Means the ratio of Current Assets to Current Liabilities as defined above.

Proved Asset and PDP Asset Coverage Ratio

Means the ratio of (a) Total Adjusted Present Value or (b) PDP Present Value depending on the reserve category, to Total Debt
Whereby Total Adjusted or PDP reserve value means the present value (discounted at 10.0%) of future net revenues attributable to the respective reserve category based on the reserve report most recently delivered to the lender.

The RCF carries the following covenants:

(a) The Company is unable to borrow amounts greater than the RCF limit;
(b) PV10 to Net Secured Debt Ratio will not be less than 1.25 to 1.00 and must be reported at each borrowing base redetermination date, using the most current reserve report and the Net Secured Debt at the date of the borrowing base redetermination

The RCF and the Term Loan carry the following covenants:

a. Working Capital Ratio at the end of each fiscal quarter will not be less than 1.00 to 1.00;
b. Proved Asset Coverage Ratio will not be less than 1.25 to 1.00; and
c. PDP Asset Coverage Ratio will not be less than 1.00 to 1.00 whereby the asset coverage ratios must be reported at each borrowing base redetermination date, using the most current reserve report and the Total Debt at the date of the borrowing base redetermination.

When any indebtedness under the Term Loan remains outstanding the following covenants apply to both instruments:

a. Total Debt to EBITDA Ratio shall not exceed (i) 4.0:1.0 for the period beginning April 1, 2016 and ending December 31, 2016, and (ii) 3.5:1.0 for the period beginning January 1, 2017 and thereafter; and
b. Total Debt of Petrus shall not exceed $190 million, provided that, prior written consent of all of the lenders is required for any drawdown in excess of the total RCF.

At March 31, 2016 the Company was not in breach of any covenants.

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 1.86 percent and an inflation rate of 1.40 percent (December 31, 2015; 2.04 percent and 2.00 percent, respectively). Changes in estimates in 2016 are due to the decrease in discount rate from 2.04 percent to 1.86 percent as well as the change in inflation rate from 2.00 percent to 1.40 percent (change in estimates in 2015 due to the decrease in discount rate from 2.33 percent to 2.04 percent and changes in estimated well life). The Company has estimated the net present value of the decommissioning obligations to be $59.8 million as at March 31, 2016 ($64.4 million at December 31, 2015). The undiscounted, uninflated total future liability at March 31, 2016 is $65.3 million ($64.8 million at December 31, 2015). The payments are expected to be incurred over the operating lives of the assets. The following table reconciles the decommissioning liability:

Balance, December 31, 2014	**58,634**
Property acquisitions (*note* 3)	723
Property dispositions (*note* 3)	(517)
Liabilities incurred	543
Liabilities settled	(335)
Change in estimates	4,048
Accretion expense	1,261
Balance, December 31, 2015	**64,357**
Liabilities incurred	174
Liabilities settled	(146)
Change in estimates	(4,676)
Accretion expense	67
Balance, March 31, 2016	**59,776**

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 had outstanding as at March 31, 2016:

Natural Gas Contract Period	Type	Daily Volume	Price (CAD$/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	2,000 GJ	$2.28/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
Apr. 1, 2016 to Dec. 31, 2016	Fixed price	1,200 GJ	$1.77/GJ
Nov. 1, 2016 to Dec. 31, 2016	Fixed price	1,200 GJ	$2.33/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
Nov. 1, 2016 to Mar. 31, 2017	Fixed price	2,000 GJ	$2.80/GJ
Jan. 1, 2016 to Mar. 31, 2017	Fixed price	4,000 GJ	$2.54/GJ
Apr. 1, 2017 to Oct. 31, 2017	Fixed price	5,000 GJ	$2.64/GJ
Apr. 1, 2017 to Oct. 31, 2017	Fixed price	7,000 GJ	$2.84/GJ
Apr. 1, 2017 to Oct. 31, 2017	Fixed price	2,650 GJ	$2.27/GJ
Apr. 1, 2017 to Oct. 31, 2017	Fixed price	2,000 GJ	$2.65/GJ
Nov. 1, 2017 to Mar. 31, 2018	Fixed price	5,000 GJ	$3.02/GJ
Nov. 1, 2017 to Mar. 31, 2018	Fixed price	1,500 GJ	$2.69/GJ

Crude Oil Contract Period	Type	Daily Volume	Price ($/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
Jan. 1, 2016 to Dec. 31, 2016	Costless Collar	700 Bbl	WTI $CAD70.00-75.75/Bbl
Apr. 1, 2016 to Dec. 31, 2016	Costless collar	150 Bbl	WTI $CDN40.00-61.80/Bbl
Jul. 1, 2016 to Sep. 30, 2016	Costless Collar	250 Bbl	WTI $CAD70.00-84.00/Bbl
Oct. 1, 2016 to Dec. 31, 2016	Costless Collar	250 Bbl	WTI $CAD70.00-85.00/Bbl
Jan. 1, 2017 to Mar. 31, 2017	Costless Collar	500 Bbl	WTI $CAD70.00-78.00/Bbl
Jan. 1, 2017 to Mar. 31, 2017	Costless Collar	100 Bbl	WTI $CAD65.00-71.00/Bbl
Jan. 1, 2017 to Jun. 30, 2017	Costless Collar	500 Bbl	WTI $CAD70.00-78.40/Bbl
Apr. 1, 2017 to Jun. 30, 2017	Costless Collar	400 Bbl	WTI $CAD65.00-72.70/Bbl
Apr. 1, 2017 to Jun 30, 2017	Fixed price	300 Bbl	WTI $CDN59.25/Bbl
Jul. 1, 2017 to Sep. 30, 2017	Costless Collar	500 Bbl	WTI $CAD65.00-74.20/Bbl
Jul. 1, 2017 to Sep. 30, 2017	Fixed price	600 Bbl	WTI $CDN59.80/Bbl
Oct. 1, 2017 to Dec. 31, 2017	Costless Collar	400 Bbl	WTI $CAD65.00-75.85/Bbl
Oct. 1, 2017 to Mar. 31, 2018	Costless collar	300 Bbl	WTI $CDN55.00-64.02/Bbl

Risk Management Asset and Liability

$000s At December 31, 2015	Current Asset	Non-Current Asset	Current Liability
Commodity derivatives	13,978	—	45
	13,978	**—**	**45**

$000s At March 31, 2016	Current Asset	Non-Current Asset	Current Liability
Commodity derivatives	16,704	2,191	76
	16,704	**2,191**	**76**

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

$000s	Three months ended Mar. 31, 2016	Three months ended Mar. 31, 2015
Realized gain	6,294	4,881
Unrealized gain (loss)	4,886	(3,613)
	11,180	**1,268**

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, 2014 and 2015	**35,148,150**	**346,106**
Common shares issued under equity financing (a)	4,054,250	30,000
Common shares issued under the arrangement agreement (b)	6,146,792	45,488
Share issue costs	—	(1,555)
Balance, March 31, 2016	**45,349,192**	**420,039**

Share Issuances

(a) On February 2, 2016 the Company issued 4,054,250 common shares at a price of $7.40 per share.

(b) On February 2, 2016 the Company issued 6,146,792 common shares at a price of $7.40 in conjunction with the Arrangement Agreement with PhosCan Chemical Corp. *(note 1)*

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, 2016, 1,568,568 (December 31, 2015; 1,568,568) performance warrants were issued and outstanding.

	Number of warrants outstanding	**Weighted Average Exercise Price ($)**
Balance, December 31, 2014	**1,601,901**	**$8.07**
Forfeited or expired	(33,333)	$8.00
Balance, December 31, 2015 and March 31, 2016	**1,568,568**	**$8.07**
Exercisable, March 31, 2016	**916,558**	**$8.33**

The following table summarizes 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)**
$8.00 - $9.00	1,568,568	$8.07	1.01	916,558	$8.33	0.81
	1,568,568	**$8.07**	**1.01**	**916,558**	**$8.33**	**0.81**

No warrants were issued in the first quarter of 2016 or during the year 2015.

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, 2016, 1,453,750 (December 31, 2015; 1,453,750) stock options were outstanding. The summary of stock option activity is presented below:

	Number of stock options	Weighted Average Exercise Price ($)
Balance, December 31, 2014	**1,528,750**	**$8.79**
Granted	126,250	$14.00
Forfeited or expired	(201,250)	$8.50
Balance, December 31, 2015 and March 31, 2016	**1,453,750**	**$9.19**
Exercisable, March 31, 2016	**1,018,750**	**$7.51**

The following table summarizes 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)
$7.00 - $8.00	918,750	$7.00	1.22	917,917	$7.00	1.21
$8.01 - $11.00	147,500	$9.61	2.84	44,583	$9.71	2.79
$11.01 - $16.00	387,500	$14.01	3.51	56,250	$14.04	3.41
	1,453,750	**$9.19**	**3.06**	**1,018,750**	**$7.51**	**1.40**

No options were granted during the three month period ended March 31, 2016. The weighted average fair value of each stock option granted in 2015 of $4.96 per option is estimated on the date of grant using the Black-Scholes pricing model with the following weighted average assumptions:

	2016	2015
Risk free interest rate	—	1.20% - 1.40%
Expected life (years)	—	5
Estimated volatility of underlying common shares (%)	—	50%
Estimated forfeiture rate	—	20%
Expected dividend yield (%)	—	0%

Petrus estimated the volatility of the underlying common shares by analyzing the volatility of peer group private companies (as Petrus was at the time) 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, 2016	Three months ended Mar. 31, 2015
Expensed in net income	125	279
Capitalized to exploration and evaluation assets	21	92
Capitalized to property, plant and equipment	63	93
Total share-based compensation	**209**	**464**

10. EARNINGS PER SHARE

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

	Three months ended March 31, 2016	Three months ended March 31, 2015
Net loss for the period ($000s)	**(4,110)**	**(6,312)**
Weighted average number of common shares – basic (000s)	41,762	35,148
Weighted average number of common shares – diluted (000s)	41,762	35,148
Net loss per common share – basic	**(0.10)**	**(0.18)**
Net loss per common share – diluted	**(0.10)**	**(0.18)**

In computing diluted earnings per share for the three months ended March 31, 2016, 916,558 (March 31, 2015 – 402,811) warrants and 1,018,750 (March 31, 2015 – 582,768) exercisable stock options were considered, however no instruments were added to the calculation as their impact is anti-dilutive.

11. OPERATING EXPENSES

The Company's gross operating expenses for the three months ending March 31, 2016 were $7.8 million (March 31, 2015 – $6.9 million) which includes $1.2 million, of processing, gathering and compression charges (March 31, 2015 – $2.3 million).

The Company generated processing income recoveries of $1.0 million (March 31, 2015 – $0.4 million) which reduced the Company's gross operating expenses to $6.8 million for the three months ended March 31, 2016 ($6.5 million for the three months ended March 31, 2015).

12. GENERAL AND ADMINISTRATIVE EXPENSES

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

$000s	Three months ended March 31, 2016	Three months ended March 31, 2015
Salaries, benefits and consultants	1,091	1,359
Public company expenses	369	—
Office costs	670	633
Legal	197	121
Audit	98	85
Reserve report	159	72
Capitalized general and administrative	(401)	(606)
	2,183	**1,664**

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, 2016, 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 $10.2 million of accounts receivable outstanding at March 31, 2016 (December 31, 2015 – $17.8 million), $6.9 million is owed from 23 parties (December 31, 2015 – $15.7 million from 21 parties), and the majority of the balance was received subsequent to quarter end. At March 31, 2016 Petrus recorded a $0.2 million (December 31, 2015 – $0.2 million) allowance for doubtful accounts. As at March 31, 2016 and December 31, 2015, 90% of Petrus' accounts receivable were 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. 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, 2016, the Company had a $120 million RCF (note 6), of which $12.3 million was undrawn (December 31, 2015, the Company had a $160 million credit facility of which $12.6 million was undrawn). On March 22, 2016 Petrus reduced its RCF borrowings by $40 million using equity proceeds therefore the total amount drawn was $105 million. The banking agreement related to the RCF was amended and as of March 22, 2016, the Company requires lender consent to borrow in excess of $120 million. Petrus anticipates it will continue to have adequate liquidity to fund its financial liabilities through its future funds from operations and available bank room on its RCF. The Company is exposed to the risk of reductions to its borrowing base for purposes of the RCF or Term Loan. The next scheduled borrowing base redetermination date for the RCF is May 31, 2016.

The following are the contractual maturities of financial liabilities as at March 31, 2016:

$000s	**Total**	**< 1 year**	**1-5 years**
Accounts payable	15,760	15,760	—
Bank indebtedness	105,000	105,000	—
Long term debt	50,000	—	50,000
Total	**170,760**	**120,760**	**50,000**

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, 2016 would have changed net loss 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, 2015 – $0.5 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, 2016, it is estimated that a $0.25/mcf change in the price of natural gas would have changed net loss by $0.8 million (three months ended March 31, 2015 – $0.7 million). For the three month period ended March 31, 2016, it is estimated that a $5.00/CDN WTI/bbl change in the price of oil would have changed net loss by $1.3 million (three months ended March 31, 2015 – $1.6 million).

14. CAPITAL MANAGEMENT

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 cashflow 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 (refer to Note 6 for restrictions).

15. FINANCE EXPENSES

The components of finance expenses are as follows:

$000s	Three months ended March 31, 2016	Three months ended March 31, 2015
Cash:		
Interest	3,605	2,871
Foreign exchange	36	(587)
	3,641	**2,284**
Non cash:		
Accretion on decommissioning obligations *(note 7)*	67	288
Total finance expenses	**3,708**	**2,572**

16. SUPPLEMENTAL CASH FLOW INFORMATION

The following table reconciles the changes in non-cash working capital as disclosed in the statements of cash flows:

$000s	Three months ended March 31, 2016	Three months ended March 31, 2015
Source (use) in non-cash working capital:		
Accounts receivable	7,556	(3,628)
Deposits and prepaid expenses	113	111
Accounts payable and accrued liabilities	3,921	(19,839)
	11,590	**(23,356)**
Operating activities	5,696	(12,578)
Investing activities	5,894	(10,778)

17. COMMITMENTS

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

$000s	Total	< 1 year	1-5 years
Corporate office lease	2,923	895	2,028
Total commitments	**2,923**	**895**	**2,028**

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

DIRECTORS

Don T. Gray
Chairman
Calgary, Alberta

Kevin L. Adair
Calgary, Alberta

Patrick Arnell
Calgary, Alberta

Donald Cormack
Calgary, Alberta

Brian Minnehan
Irving, Texas

Jeff Zlotky
Irving, Texas

Stephen White
Calgary, Alberta

Peter Verburg
Calgary, Alberta

SOLICITOR

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

AUDITOR

Ernst & Young LLP
Chartered Professional Accountants
Calgary, Alberta

INDEPENDENT RESERVE EVALUATORS

Sproule and Associates
Calgary, Alberta

BANKERS

TD Securities
Calgary, Alberta

Macquarie Bank Limited
Houston, Texas

TRANSFER AGENT

Computershare 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