FIRST QUARTER REPORT

For the three months ended March 31, 2022

Petrus Resources Ltd. (“Petrus” or the “Company”) (TSX: PRQ) is pleased to report financial and operating results as at and for the three months ended March 31, 2022.

Q1 2022 HIGHLIGHTS:

- **Production up 25% –** Production was up 25% quarter over quarter from 5,880 boe/d in the fourth quarter of 2021 to 7,379 boe/d in the first quarter of 2022 primarily due to the new wells drilled in late 2021. The acquisition (as discussed below) contributed only 90 boe/d to the quarterly average as it closed on March 14, 2022.

- **Funds flow increased 137% –** Generated funds flow of $16.6 million ($0.17 per share) for the first three months of 2022, 137% higher than funds flow of $7.0 million in the first quarter of 2021.

- **Operating netback[1] up 75% –** Operating netback increased by 75% to $33.78/boe in the first quarter of 2022 up from $19.22/boe in the first quarter of 2021.

- **Commodity price improvement –** Realized price per boe increased by 61% in the first quarter of 2022 compared to the first quarter of 2021; from $30.55/boe to $49.31/boe. The realized oil, natural gas and NGL prices increased by 65%, 56% and 63%, respectively.

- **Net debt[2] reduction continues –** Net debt was $50.0 million at March 31, 2022, a decrease of $66.6 million since the first quarter of 2021 ($116.6 million) and a decrease of $11.8 million from the fourth quarter of 2021 ($61.8 million). The Company will continue to strengthen its balance sheet by further reducing net debt and maintaining a net debt to funds flow ratio of under 1x.

- **Reduced cash finance expense –** Cash finance expense has decreased 33% since the first quarter of 2021, totaling $0.7 million during the first quarter of 2022 in comparison to $1.0 million during the first quarter of 2021 due to the elimination of the term loan in the third quarter of 2021 as well as a reduced first lien loan balance.

- **Acquisition –** Completed a strategic acquisition of Cardium assets located in the core Ferrier area, adding an estimated 40 gross drilling locations[3] and stable base production of 425 boe/d.

- **Backstopped rights offering –** Petrus announced a $20 million rights offering that was backstopped by the Company's major shareholders. Subsequent to the first quarter of 2022, the rights offering closed and was oversubscribed by 84%.

DEBT RESTRUCTURING COMPLETE

Subsequent to March 31, 2022, the Company entered into agreements with new lenders, providing two new credit facilities totaling $55 million. Upon closing, which is expected in late May 2022, the new credit facilities, together with the $20 million rights offering, will be used to repay all amounts owing under Petrus' existing revolving credit facility ("RCF"). The refinancing completes the Company’s debt restructuring. Replacing the existing RCF with the new credit facilities is an opportunity for Petrus to move forward with supportive lenders and benefit from a debt structure with greater liquidity and stability.

2022 OUTLOOK[4]

Market conditions have improved dramatically since the release of our initial 2022 budget in December 2021 with 2022 WTI strip prices increasing by approximately US$25/bbl and 2022 AECO strip prices increasing by over C$2.00/GJ. Despite these increases, the Company recognizes the inherent volatility of commodity prices and remains disciplined and flexible from an operational and financial perspective. The capital budget remains unchanged at this time but is constantly reviewed to incorporate the current outlook for pricing and costs and may be adjusted in the future to reflect changing business dynamics. The Company's 2022 capital program will resume during the second quarter following break-up.

[1]Non-GAAP ratio. Refer to "Non-GAAP and Other Financial Measures" in the Management's Discussion & Analysis attached hereto.
[2]Non-GAAP measure. Refer to "Non-GAAP and Other Financial Measures" in the Management's Discussion & Analysis attached hereto.
[3]Refer to "Estimates of Drilling Locations" in the Management's Discussion & Analysis attached hereto.
[4]Refer to "Advisories - Forward-Looking Statements" in the Management's Discussion & Analysis attached hereto.

SELECTED FINANCIAL INFORMATION

OPERATIONS	Three months ended Mar. 31, 2022	Three months ended Mar. 31, 2021	Three months ended Dec. 31, 2021	Three months ended Sept. 30, 2021	Three months ended Jun. 30, 2021
Average Production					
Natural gas (mcf/d)	29,530	22,985	23,494	23,942	24,291
Oil (bbl/d)	1,250	923	1,002	937	1,214
NGLs (bbl/d)	1,207	1,158	962	1,010	1,046
Total (boe/d)	**7,379**	**5,912**	**5,880**	**5,937**	**6,309**
Total (boe)	**664,010**	**532,099**	**540,924**	**546,227**	**574,084**
Light oil weighting	17 %	15 %	20 %	21 %	19 %
Realized Prices					
Natural gas ($/mcf)	5.20	3.33	5.45	4.04	3.28
Oil ($/bbl)	110.12	66.61	89.71	82.56	75.99
NGLs ($/bbl)	60.12	36.79	56.35	45.10	39.76
Total realized price ($/boe)	**49.31**	**30.55**	**46.29**	**37.00**	**33.87**
Royalty income	0.29	0.15	0.06	0.18	0.19
Royalty expense	(6.89)	(3.74)	(6.34)	(3.94)	(4.87)
Net oil and natural gas revenue ($/boe)	**42.71**	**26.96**	**40.01**	**33.24**	**29.19**
Operating expense	(6.76)	(6.12)	(5.02)	(5.57)	(6.80)
Transportation expense	(2.17)	(1.62)	(1.87)	(1.81)	(1.84)
Operating netback[(1)] ($/boe)	**33.78**	**19.22**	**33.12**	**25.86**	**20.55**
Realized gain (loss) on derivatives ($/boe)	(6.98)	(2.28)	(9.52)	(6.41)	(3.21)
Other income	0.07	0.04	0.04	0.02	1.77
General & administrative expense	(0.82)	(1.65)	(2.24)	(1.47)	(2.41)
Cash finance expense	(1.04)	(1.93)	(1.58)	(3.30)	(2.52)
Decommissioning expenditures	(0.02)	(0.27)	(0.56)	(0.27)	(0.14)
Funds flow & corporate netback ($/boe)[(2)]	**24.99**	**13.13**	**19.26**	**14.43**	**14.04**

FINANCIAL (000s except $ per share)	Three months ended Mar. 31, 2022	Three months ended Mar. 31, 2021	Three months ended Dec. 31, 2021	Three months ended Sept. 30, 2021	Three months ended Jun. 30, 2021
Oil and natural gas revenue	32,940	16,339	25,070	20,306	19,553
Net income (loss)	10,903	(3,155)	114,633	7,343	(4,265)
Net income (loss) per share					
Basic	0.11	(0.06)	1.19	0.04	(0.09)
Fully diluted	0.11	(0.06)	1.11	0.03	(0.09)
Funds flow	16,601	6,993	10,418	7,874	8,070
Funds flow per share					
Basic	0.17	0.14	0.11	0.15	0.16
Fully diluted	0.16	0.14	0.10	0.14	0.16
Capital expenditures	5,064	7,917	12,235	6,101	663
Acquisitions	15,200	—	—	—	—
Weighted average shares outstanding					
Basic	99,189	49,469	96,660	54,167	49,513
Fully diluted	103,250	49,469	102,868	57,638	49,513
As at period end					
Common shares outstanding					
Basic	106,907	49,469	96,708	96,603	49,559
Fully diluted	113,883	49,469	103,889	100,074	49,559
Total assets	308,744	177,587	290,492	173,101	176,629
Non-current liabilities	46,702	42,028	42,172	40,200	40,838
Net debt[(1)]	50,044	116,634	61,779	60,071	110,346

[(1)]Non-GAAP ratio or non-GAAP measure. Refer to "Non-GAAP and Other Financial Measures" in the Management's Discussion & Analysis attached hereto.
[(2)]Corporate netback is equal to funds flow which is a comparable additional GAAP measure. Petrus analyzes these measures on an absolute value and per unit basis. Refer to "Non-GAAP and Other Financial Measures" in the Management's Discussion & Analysis attached hereto.

OPERATIONS UPDATE

First quarter average production by area was as follows:

For the three months ended March 31, 2022	Ferrier	North Ferrier	Foothills	Central Alberta	Kakwa	Total
Natural gas (mcf/d)	18,311	3,405	3,036	4,588	195	29,535
Oil (bbl/d)	718	150	87	264	36	1,255
NGLs (bbl/d)	950	102	8	128	13	1,201
Total (boe/d)	**4,720**	**820**	**601**	**1,157**	**81**	**7,379**

First quarter average production was 7,379 boe/d in 2022 compared to 5,912 boe/d in 2021. The increase in production is due to the capital activity in the second half of 2021 as well as certain wells in the Foothills area brought back on-stream due to improved pricing.

DEBT RESTRUCTURING

Subsequent to March 31, 2022, the Company entered into agreements with new lenders, providing two new credit facilities totaling $55 million. Upon closing, which is expected in late May 2022, the new credit facilities, together with the $20 million rights offering, will be used to repay all amounts owing under Petrus' existing revolving credit facility ("RCF"). The refinancing completes the Company's debt restructuring. Replacing the existing RCF with the new credit facilities is an opportunity for Petrus to move forward with supportive lenders and benefit from a debt structure with greater liquidity and stability.

CAPITAL EXPENDITURES

Capital expenditures (excluding acquisitions) totaled $5.1 million in the first quarter of 2022, compared to $7.9 million in the prior year comparative period. The Company participated in the drilling of 2 gross (1.1 net) Cardium light oil wells in Ferrier during the first quarter of 2022, as compared to 4 gross (2.2 net) Cardium light oil wells during the first quarter of 2021. Petrus. The Company's 2022 capital program will resume during the second quarter following break-up.

The following table shows capital expenditures for the reporting periods indicated. All capital is presented before decommissioning obligations.

Capital Expenditures ($000s)	Three months ended March 31, 2022	Three months ended March 31, 2021
Drill and complete	4,005	6,672
Oil and gas equipment	813	837
Land and lease	39	145
Capitalized general and administrative expense	207	263
Total capital expenditures	**5,064**	**7,917**
Gross (net) wells spud	**2 (1.1)**	**4 (2.2)**

During the quarter, Petrus closed an acquisition in its core Ferrier area; included in this acquisition was approximately 425 boe/day of production and 5,120 net acres of undeveloped land. The acquisition was made for total share consideration of 10 million shares ($15.2 million).

The following table shows the acquisitions for the reporting periods indicated.

Acquisitions ($000s)	Three months ended March 31, 2022	Three months ended March 31, 2021
Acquisitions	**15,200**	—

MANAGEMENT'S DISCUSSION & ANALYSIS

March 31, 2022

MANAGEMENT'S DISCUSSION & ANALYSIS

The following is Management's Discussion and Analysis ("MD&A") of the financial and operating results of Petrus Resources Ltd. ("Petrus" or the "Company") as at and for the three months ended March 31, 2022. This MD&A is dated May 10, 2022 and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2021 and 2020 and the Company's interim consolidated financial statements for the three months ended March 31, 2022 and 2021. The Company's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") which require publicly accountable enterprises to prepare their financial statements using International Financial Reporting Standards ("IFRS"). Readers are directed to the "Advisories" section at the end of this MD&A regarding forward-looking statements and boe presentation and to the section "Non-GAAP and Other Financial Measures" herein.

The principal undertaking of Petrus is the investment in energy 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. Additional information on Petrus, including the most recently filed Annual Information Form ("AIF"), are available under the Company's profile on SEDAR (the System for Electronic Document Analysis and Retrieval) at www.sedar.com.

RESULTS OF OPERATIONS

FINANCIAL AND OPERATIONAL RESULTS OF OIL AND NATURAL GAS ACTIVITIES

	Three months ended Mar. 31, 2022	Three months ended Mar. 31, 2021	Three months ended Dec. 31, 2021	Three months ended Sept. 30, 2021	Three months ended Jun. 30, 2021
Average production					
Natural gas (mcf/d)	29,530	22,985	23,494	23,942	24,291
Oil (bbl/d)	1,250	923	1,002	937	1,214
NGLs (bbl/d)	1,207	1,158	962	1,010	1,046
Total (boe/d)	**7,379**	**5,912**	**5,880**	**5,937**	**6,309**
Total (boe)	**664,010**	**532,099**	**540,924**	**546,227**	**574,084**
Revenue ($000s)					
Natural gas	13,830	6,889	11,781	8,902	7,261
Oil	12,387	5,532	8,273	7,120	8,397
NGLs	6,528	3,836	4,985	4,188	3,784
Royalty revenue	195	82	31	96	111
Oil and natural gas revenue	**32,940**	**16,339**	**25,070**	**20,306**	**19,553**
Average realized prices					
Natural gas ($/mcf)	5.20	3.33	5.45	4.04	3.28
Oil ($/bbl)	110.12	66.61	89.71	82.56	75.99
NGLs ($/bbl)	60.12	36.79	56.35	45.10	39.76
Total realized price ($/boe)	49.31	30.55	46.29	37.00	33.87
Hedging gain (loss) ($/boe)	(6.98)	(2.28)	(9.52)	(6.41)	(3.21)
Total price including hedging ($/boe)	**42.33**	**28.27**	**36.77**	**30.59**	**30.66**

Average benchmark prices	Three months ended Mar. 31, 2022	Three months ended Mar. 31, 2021	Three months ended Dec. 31, 2021	Three months ended Sept. 30, 2021	Three months ended Jun. 30, 2021
Natural gas					
AECO 5A (C$/GJ)	4.49	2.98	4.41	3.41	2.93
AECO 7A (C$/GJ)	4.35	2.77	4.68	3.36	2.70
Crude oil					
Mixed Sweet Blend Edm (C$/bbl)	117.57	68.62	92.97	84.17	76.16
Natural gas liquids					
Propane Conway (US$/bbl)	53.69	35.74	54.81	47.04	34.86
Butane Edmonton (C$/bbl)	72.94	26.04	81.90	55.58	34.02
Foreign exchange					
US$/C$	0.79	0.79	0.79	0.79	0.81

FUNDS FLOW AND NET INCOME (LOSS)

Petrus generated funds flow of $16.6 million in the first quarter of 2022 compared to $7.0 million in the first quarter of 2021. The 137% increase is due to improved commodity prices and higher production, despite a realized hedging loss of $4.6 million. In the first quarter Petrus' total realized price (before hedging losses) was $49.31/boe compared to $30.55/boe in the first quarter of 2021.

Petrus reported net income of $10.9 million in the first quarter of 2022, compared to a net loss of $3.2 million in the first quarter of 2021. The net income in the first quarter of 2022 is primarily due to the improved commodity prices and increased production.

($000s except per share)	Three months ended March 31, 2022	Three months ended March 31, 2021
Funds flow	**16,601**	**6,993**
Funds flow per share - basic	0.17	0.14
Funds flow per share - fully diluted	0.16	0.14
Net income (loss)	**10,903**	**(3,155)**
Net income (loss) per share - basic	0.11	(0.06)
Net income (loss) per share - fully diluted	0.11	(0.06)
Common shares outstanding (000s)		
Basic	106,907	49,469
Fully diluted	113,883	49,469
Weighted average shares outstanding (000s)		
Basic	99,189	49,469
Fully diluted	103,250	49,469

OIL AND NATURAL GAS REVENUE

First quarter average production in 2022 was 7,379 boe/d (17% light oil), 25% higher than the first quarter of 2021 (5,912 boe/d; 15% light oil). First quarter oil and natural gas revenue in 2022 was $32.9 million compared to $16.3 million in 2021. The 102% increase is due to higher commodity prices and production.

The following table provides a breakdown of composition of the Company's production volume by product:

Production Volume by Product (%)	Three months ended March 31, 2022	Three months ended March 31, 2021
Natural gas	67 %	65 %
Crude oil and condensate	17 %	15 %
Natural gas liquids	16 %	20 %
Total commodity sales from production	**100 %**	**100 %**

The following table presents oil and natural gas revenue by product and the change from the prior comparative periods:

Oil and Natural Gas Revenue ($000s)	Three months ended March 31, 2022	Three months ended March 31, 2021	% Change
Natural gas	13,830	6,889	101 %
Crude oil and condensate	12,387	5,532	124 %
Natural gas liquids	6,528	3,836	70 %
Royalty income	195	82	138 %
Total oil and natural gas revenue	**32,940**	**16,339**	**102 %**

The following table provides the average benchmark commodity prices and the Company's average realized commodity prices (before hedging losses):

	Three months ended March 31, 2022	Three months ended March 31, 2021	% Change
Average benchmark prices			
Natural gas			
AECO 5A (C$/GJ)	4.49	2.98	51 %
AECO 7A (C$/GJ)	4.35	2.77	57 %
Crude oil			
Mixed Sweet Blend Edm (C$/bbl)	117.57	68.62	71 %
Natural gas liquids			
Propane Conway (US$/bbl)	53.69	35.74	50 %
Butane Edmonton (C$/bbl)	72.94	26.04	180 %
Average realized prices			
Natural gas ($/mcf)	5.20	3.33	56 %
Oil ($/bbl)	110.12	66.61	65 %
NGLs ($/bbl)	60.12	36.79	63 %
Total average realized price	**49.31**	**30.55**	**61 %**

Natural gas

Natural gas revenue for the three months ended March 31, 2022 increased by 101% to $13.8 million, compared to revenue of $6.9 million in the prior year comparative period. This increase is due to the combination of higher nautal gas prices and incrased production. Natural gas accounted for 42% of total oil and gas revenue for the quarter, consistent with the 42% in the first quarter of 2021. First quarter 2022 average realized natural gas price was $5.20/mcf, compared to $3.33/mcf in the first quarter of 2021, a 56% increase. The increase in realized pricing is due to the higher natural gas prices (AECO 5A 51% higher and AECO 7A 57% higher in the first quarter of 2022) and higher production. The realized price includes physical commodity contracts with a fixed volume of 1,898 mcf/d (170,778 mcf) at an average price of $4.47/mcf. Natural gas production was up over the prior year comparative period.

Crude oil and condensate

Oil and condensate revenue for the three months ended March 31, 2022 was up 124% to $12.4 million, compared to revenue of $5.5 million in the prior year comparative period; this increase is due to higher oil prices and increased production. Oil and condensate accounted for 38% of total oil and gas revenue for the quarter. The average realized price of light oil and condensate was $110.12/bbl for the first quarter of 2022 compared to $66.61/bbl in the first quarter of 2021. The increase of 65% is attributable to stronger oil prices; Mixed Sweet Blend Edm was 71% higher during the first quarter of 2022. The realized price includes physical commodity contracts with a fixed volume of 200 bbl/d (18,000 bbl) at an average price of $95.60/bbl. Oil and condensate production was up over the prior year comparative period.

Natural gas liquids (NGLs)

NGL revenue for the three months ended March 31, 2022 was up 70% to $6.5 million, compared to revenue of $3.8 million in the prior year comparative period. The increase is primarily due to higher pricing. NGLs accounted for 20% of total oil and natural gas revenue for the quarter, down from 24% in the first quarter of 2021.

In the first quarter of 2022, the Company's realized blended NGL price averaged $60.12/bbl, compared to $36.79/bbl in the prior year comparative period. The 63% increase is attributed to higher first quarter market pricing for propane at Conway and Edmonton butane, which increased 50% and 180%, respectively, from the prior year comparative period.

The Company's NGL production mix consists of ethane, propane, butane and pentane. The pricing received for NGL production is based on annual contracts effective the first of April each year. The contract prices are based on the product mix, the fractionation process required and the demand for fractionation facilities. NGL production was up from the prior year comparative period.

ROYALTY EXPENSE

Royalties are paid to the Government of Alberta and to gross overriding royalty owners. The following table shows the Company's royalty expense (net of royalty allowances and incentives) for the periods shown:

Royalty Expense ($000s)	Three months ended March 31, 2022	Three months ended March 31, 2021
Crown	2,807	1,032
Percent of production revenue	9 %	6 %
Gross overriding	1,769	957
Total	**4,576**	**1,989**

First quarter royalty expense increased from $2.0 million in 2021 to $4.6 million in 2022 primarily due to Crown royalties doubling as a result of higher pricing and increased production. Gross overriding royalties in the first quarter of 2022 were higher than the prior year comparative period also due to improved pricing and higher production in the first quarter of 2022.

RISK MANAGEMENT

The Company utilizes financial derivative contracts and physical commodity contracts to mitigate commodity price risk and provide stability and sustainability to the Company's economic returns, funds flow and capital development plan. Petrus' risk management program is governed by guidelines approved by its Board of Directors.

The impact of the contracts that were outstanding during the reporting periods are actual cash settlements and are recorded as realized hedging gains (losses). The unrealized gain (loss) is recorded to demonstrate the change in fair value of the outstanding contracts during the financial reporting period for financial statement purposes. 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:

Net Loss on Financial Derivatives ($000s)	Three months ended March 31, 2022	Three months ended March 31, 2021
Realized hedging loss	(4,632)	(1,215)
Unrealized hedging gain (loss)	2,487	(3,365)
Net loss on derivatives	**(2,145)**	**(4,580)**

In the first quarter, the Company recognized a realized hedging loss of $4.6 million in 2022, compared to $1.2 million in the first quarter of 2021. The realized loss is due to improved commodity prices (relative to the respective contracts outstanding). The realized loss in the first quarter of 2022 decreased the Company's total realized price by $6.98/boe, compared to a decrease of $2.28/boe in 2021.

During the first quarter of 2022, the Company recognized an unrealized gain of $2.5 million whereas during the first quarter of 2021 a $3.4 million unrealized loss was recorded. The unrealized gain in the first quarter of 2022 is due to the remaining financial derivative hedge contracts maturing and the difference in their market value as at December 31, 2021 and March 31, 2022. The unrealized loss in the first quarter of 2021 is due to improved commodity prices (relative to the contracts outstanding).

The Company's risk management contracts provide protection from significant changes in crude oil and natural gas commodity prices for 2022 and 2023. The Company endeavors to hedge approximately half of its forecasted production for up to 6 months forward, and approximately 30% of its forecasted production for 6 to 12 months forward. The Company's hedging strategy is intended to provide stability and sustainability to the Company's economic returns, funds flow and capital development plan. A summary of Petrus' risk management contracts is included in note 9 of the Company's interim consolidated financial statements as at and for the period ended March 31, 2022. The table below summarizes Petrus' average crude oil and natural gas hedged volumes (physical commodity contracts). The 14,444 GJ/day average natural gas hedged for the remainder of 2022 represents 52% of first quarter 2022 average natural gas production.

The following table summarizes the average and minimum and maximum cap and floor prices for the 2022 to 2023 oil and natural gas fixed contracts (financial derivative and physical contracts) outstanding as at the date of this MD&A:

	2022					2023				
	Q1	Q2	Q3	Q4	Avg.[1]	Q1	Q2	Q3	Q4	Avg.[1]
Oil hedged (bbl/d)	800	—	—	—	**200**	—	—	—	—	—
Avg. WTI cap price ($C/bbl)	70.95	—	—	—	**70.95**	—	—	—	—	—
Avg. WTI floor price ($C/bbl)	70.95	—	—	—	**70.95**	—	—	—	—	—
Natural gas hedged (GJ/d)	12,000	15,000	14,333	14,000	**13,833**	14,000	—	—	—	**3,500**
Avg. AECO 7A cap price ($C/GJ)	2.96	3.58	3.98	4.17	**3.70**	4.17	—	—	—	**4.17**
Avg. AECO 7A floor price ($C/GJ)	2.96	3.58	3.98	4.17	**3.70**	4.17	—	—	—	**4.17**

[1]The volumes and prices reported are the weighted average volumes and prices for the period.

OPERATING EXPENSE

The following table shows the Company's operating expense for the reporting periods shown:

Operating Expense ($000s)	Three months ended March 31, 2022	Three months ended March 31, 2021
Fixed and variable operating expense	3,735	3,003
Processing, gathering and compression charges	1,016	487
Total gross operating expense	**4,751**	**3,490**
Overhead recoveries	(259)	(236)
Total net operating expense	**4,492**	**3,254**
Operating expense, net ($/boe)	**6.76**	**6.12**

For the three months ended March 31, 2022, net operating expense totaled $4.5 million, a 38% increase from $3.3 million during the prior year comparative period. On a per boe basis, net operating expense was 11% higher at $6.76/boe in the first quarter of 2022 compared to $6.12/boe in 2021. The increase in operating expense is mainly do to the use of third-party infrastructure and the incremental production volumes added from Foothills and North Ferrier which are subject to higher costs than Petrus' core Ferrier area. Operating expense is also higher on a per boe basis due to excess capacity at the Company's Ferrier gas processing plant; however, as operated production increases in Ferrier, the Company expects operating expense on a per boe basis to decrease.

TRANSPORTATION EXPENSE

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

Transportation Expense ($000s)	Three months ended March 31, 2022	Three months ended March 31, 2021
Transportation expense	1,440	863
Transportation expense ($/boe)	2.17	1.62

Petrus pays commodity and demand charges for transporting its gas on pipeline systems. The Company also incurs trucking costs on the portion of its oil and natural gas liquids production that is not pipeline connected. For the three months ended March 31, 2022 transportation expense was $1.4 million or $2.17/boe compared to $0.9 million or $1.62 /boe in the prior year comparative period. The increase in total transportation expense is due to higher production. On a per boe basis, transportation expense is higher due to increased trucking costs in Ferrier, higher fuel surcharges and higher sales gas transportation tolls in North Ferrier. Transportation expense is also higher on a per boe basis due to surplus contracted transportation service on TC Energy's NGTL sales system. As operated production increases in Ferrier, transportation expense on a per boe basis will be reduced.

GENERAL AND ADMINISTRATIVE EXPENSE

The following table illustrates the Company's general and administrative ("G&A") expense which is shown net of capitalized costs directly related to exploration and development activities:

General and Administrative Expense ($000s)	Three months ended March 31, 2022	Three months ended March 31, 2021
Personnel, consultants and directors	736	745
Administrative expenses	405	287
Regulatory and professional expenses	229	297
Gross general and administrative expense	**1,370**	**1,329**
Capitalized general and administrative expense	(207)	(208)
Overhead recoveries	(620)	(245)
General and administrative expense	**543**	**876**
General and administrative expense ($/boe)	**0.82**	**1.65**

For the three months ended March 31, 2022, gross G&A expense was $1.4 million compared to $1.3 million in the prior year comparative period. First quarter G&A expense (net) in 2022 was $0.5 million or $0.82/boe, a significant decrease from the $0.9 million or $1.65/boe in the first quarter of 2021. The net decrease is attributed to higher overhead recoveries as a result of the increase in capital activity of operated wells in comparison to non-operated wells in 2021.

SHARE-BASED COMPENSATION EXPENSE

The following table illustrates the Company's share-based compensation expense which is shown net of capitalized costs directly related to exploration and development activities:

Share-Based Compensation Expense ($000s)	Three months ended March 31, 2022	Three months ended March 31, 2021
Gross share-based compensation expense	188	107
Capitalized share-based compensation expense	(56)	(17)
Share-based compensation expense	**132**	**90**

For the three months ended March 31, 2022, net share-based compensation expense was $0.13 million, which is 47% higher than the $0.09 million in the prior year comparative period.

FINANCE EXPENSE

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

Finance Expense ($000s)	Three months ended March 31, 2022	Three months ended March 31, 2021
Interest expense	576	823
Finance fees	112	206
Deferred financing costs	60	145
Non-cash Term Loan interest payment-in-kind	—	936
Accretion on decommissioning obligations	173	122
Total finance expense	**921**	**2,232**

First quarter total finance expense was $0.9 million in 2022, comprised of $0.1 million of non-cash accretion of its decommissioning obligations, $0.6 million of cash interest expense, $0.1 million of finance fees, and $0.1 million of deferred financing fee amortization (related to the RCF). In the first quarter of 2021, the Company incurred total finance expense of $2.2 million, comprised of $0.2 million in non-cash accretion of its decommissioning obligation, $0.9 million of non-cash interest payment-in-kind on the Term Loan, $0.8 million cash interest expense, $0.2 million of finance fees, and $0.1 million of deferred financing fee amortization. The 59% decrease in finance expense from the prior year comparative period is due to lower interest rates, lower RCF balance outstanding and the repayment of the Term Loan.

DEPLETION AND DEPRECIATION

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

Depletion and Depreciation Expense ($000s)	Three months ended March 31, 2022	Three months ended March 31, 2021
Depletion and depreciation expense	7,644	5,633
Depletion and depreciation expense ($/boe)	11.51	10.59

Depletion and depreciation expense is calculated on a unit-of-production (boe) 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 cost. Such costs are segregated and depleted on an area by area basis relative to the respective underlying proved plus probable reserve base.

For the three months ended March 31, 2022, the Company recorded $7.6 million or $11.51/boe, compared to $5.6 million or $10.59/boe in the prior year comparative period. The increase in depletion and depreciation expense is attributed to higher production volume and the impairment reversal recorded at December 31, 2021 that increased the DD&A per BOE on the Ferrier cash generating unit.

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares . The Company has not issued any preferred shares. The following table details the number of issued and outstanding securities for the periods shown:

Share Capital (000s)	Three months ended March 31, 2022	Three months ended March 31, 2021
Weighted average common shares outstanding		
Basic	99,189	49,469
Fully diluted	103,250	49,469
Common shares outstanding		
Basic	106,907	49,469
Fully diluted	113,883	49,469
Stock options outstanding	5,357	1,988

At March 31, 2022, the Company had 106,906,925 common shares and 5,356,975 stock options outstanding.

The Company has a deferred share unit plan in place whereby it may issue deferred share units ("DSUs") to directors of the Company. At March 31, 2022, 1,618,702 DSUs were issued and outstanding (December 31, 2021 – 1,618,702). Each DSU entitles the participants to receive, at the Company's discretion, either common shares or a cash equivalent to the number of DSUs multiplied by the current trading price of the equivalent number of common shares. All DSUs vest and become payable upon retirement of the director.

Rights Offering

Subsequent to March 31, 2022, the Company completed a rights offering (the “Offering”). Pursuant to the Offering, the Company issued 14.8 million common shares at $1.35 per share for aggregate gross proceeds to the Company of $20 million. The issuance costs were estimated to be $0.4 million and the net proceeds of $19.6 million were utilized for debt repayment and towards working capital.

The Company entered into a standby purchase agreement with each of Don Gray, Stuart Gray and Glen Gray (collectively, the "Stand-By Guarantors"). As a result of the exercise of the basic subscription privilege and additional subscription privilege by the holders of rights (including the Stand-By Guarantors), the Stand-By Guarantors did not acquire any Common Shares in connection with the Rights Offering pursuant to their stand-by commitments. The Company had approximately 121.7 million share outstanding following the rights offering with the Stand-By Guarantors owning approximately 71% of the outstanding shares.

The basic and additional subscriptions totaled 184% of the common shares of the Company available through the Rights Offering.

LIQUIDITY AND CAPITAL RESOURCES

Petrus has one debt instrument outstanding; a reserve-based, senior secured revolving credit facility with a syndicate of lenders, which is comprised of an operating facility and a syndicated facility (together, the "Revolving Credit Facility" or "RCF").

Revolving Credit Facility

At March 31, 2022, the RCF was comprised of a $17.1 million operating facility and a $39.9 million syndicated term-out facility with a maturity date of May 31, 2022. The Company has provided collateral by way of a debenture over all of the present and after acquired property of the Company.

At March 31, 2022, the Company had a $0.6 million letter of credit outstanding against the RCF (December 31, 2021 – $0.6 million) and had drawn $53.2 million against the RCF (December 31, 2021 – $57.7 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 unanimous lender consent. A decrease in the borrowing base could result in a reduction to the available credit under the RCF. During the fourth quarter of 2021, the syndicate of lenders reconfirmed the Company's borrowing base of $64.8 million, which was reduced by $2.75 million on December 31, 2021 and reduced by a further $5.0 million on March 31, 2022. In addition, Petrus and the lenders under the RCF have agreed to a cash sweep provision under which 75% of excess cash flow will be used to accelerate repayment of the Company's RCF. The next scheduled borrowing base redetermination date for the RCF is May 31, 2022.

Debt Settlement - Term Loan

Prior to September 30, 2021, Petrus had a second debt instrument, a subordinated secured term loan (the "Term Loan"). During the third quarter of 2021, the Company settled its Term Loan with a principal amount (carrying value) of $39.4 million in consideration for the issuance of $15.8 million (the settlement amount) of common shares of Petrus ("Common Shares") to the holders of the Term Loan at an issue price of $0.55 per share. The difference between the carrying value and the settlement amount of the debt was added to contributed surplus in the amount of $18.1 million (net of the recovery of income taxes of $5.4 million).

Financial Covenants

The Company's RCF is subject to certain financial covenants. For the financial covenants' definitions and calculation methodology refer to the Company's audited consolidated financial statements as at and for the year ended December 31, 2021. The Company was in compliance with all financial covenants at March 31, 2022.

Liquidity

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 bank indebtedness, accounts payable and long term debt (including current portion thereof).

At March 31, 2022, the Company had a working capital deficiency (excluding non-cash risk management assets and liabilities) of $50.0 million due to the classification of the Company's borrowings under its RCF as a current liability. However, the Company remains in compliance with all financial covenants pertaining to its debt, and based on current available information relating to future production volumes, forward commodity pricing, future costs including capital, operating and general and administrative, forward exchange rates, interest rates and taxes, all of which are subject to measurement uncertainty, management expects to comply with all financial covenants during the subsequent 12 month period. The Company has disclosed a going concern in its interim consolidated financial statements dated March 31, 2022 (see note 2).

Subsequent to March 31, 2022, the Company entered into agreements with new lenders to the Company, providing two new credit facilities (the "New Credit Facilities") totaling $55 million. The New Credit Facilities, together with the net proceeds of the Company's recently closed $20 million rights offering, will be used to repay in full all amounts owing under the Company's existing RCF. The New Credit Facilities are expected to close in late May 2022.

The first credit facility is with an Alberta-based financial institution providing a $30 million secured operating revolving loan facility at the Canadian Prime Rate plus 2.5%, which totals 5.7% per annum at the date of this report. The second credit facility is a $25 million second lien facility ("Second Lien Facility") with a major shareholder owning approximately 21% of the outstanding shares of the Company. The Second Lien Facility is a three-year term facility with an interest rate of 11% per annum and can be repaid at the discretion the Company after the first year.

The following are the contractual maturities of financial liabilities as at March 31, 2022:

$000s	Total	< 1 year	1-5 years
Accounts payable and accrued liabilities	14,200	14,200	—
Current portion of long term debt	53,200	53,200	—
Lease obligations	770	225	545
Total	**68,170**	**67,625**	**545**

[(1)] *Excludes deferred finance fees.*

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

$000s	Total	< 1 year	1-5 years	> 5 years
Firm service transportation	**12,581**	**2,465**	**10,116**	**—**

Risk Management

Petrus is engaged in the acquisition, development, exploration and exploitation of oil and natural gas in western Canada. The Company is exposed to a number of risks, both financial and operational, through the pursuit of its strategic objectives. Actively managing these risks improves the ability to effectively execute Petrus' business strategy. Financial risks associated with the oil and natural gas industry include fluctuations in commodity prices, interest rates, currency exchange rates and the cost of goods and services. Financial risks also include third party credit risk and liquidity risk. Operational risks include reservoir performance uncertainties, competition, regulatory, environment and safety concerns.

For a more in-depth discussion of risk management, see notes 9 and 14 of the Company's March 31, 2022 interim consolidated financial statements.

SUMMARY OF QUARTERLY RESULTS

($000s unless otherwise noted)	Mar. 31, 2022	Dec. 31, 2021	Sept. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020	Sept. 30, 2020	Jun. 30, 2020
Average Production								
Natural gas (mcf/d)	29,530	23,494	23,942	24,291	22,985	26,177	26,181	27,630
Oil (bbl/d)	1,250	1,002	937	1,214	923	980	1,103	867
NGLs (bbl/d)	1,207	962	1,010	1,046	1,158	1,014	997	819
Total (boe/d)	**7,379**	**5,880**	**5,937**	**6,309**	**5,912**	**6,357**	**6,463**	**6,291**
Total (boe)	**664,010**	**540,924**	**546,227**	**574,084**	**532,099**	**584,860**	**594,599**	**572,440**
Financial Results								
Oil and natural gas revenue	32,940	25,070	20,306	19,553	16,339	14,143	12,840	9,041
Royalty expense	(4,576)	(3,429)	(2,150)	(2,794)	(1,989)	(1,183)	(1,245)	(867)
Net oil and natural gas revenue	**28,364**	**21,641**	**18,156**	**16,759**	**14,350**	**12,960**	**11,595**	**8,174**
Transportation expense	(1,440)	(1,010)	(991)	(1,057)	(863)	(983)	(967)	(799)
Operating expense	(4,492)	(2,715)	(3,042)	(3,903)	(3,254)	(3,237)	(2,408)	(2,543)
Operating netback	**22,432**	**17,916**	**14,123**	**11,799**	**10,233**	**8,740**	**8,220**	**4,832**
Realized gain (loss) on derivatives	(4,632)	(5,148)	(3,504)	(1,843)	(1,215)	381	1,308	3,656
Other income	47	21	12	1,018	23	184	23	99
General and administrative expense	(543)	(1,213)	(804)	(1,381)	(876)	(1,059)	(635)	(817)
Cash finance expense	(689)	(856)	(1,803)	(1,444)	(1,029)	(1,456)	(1,286)	(1,831)
Decommissioning expenditures	(14)	(302)	(150)	(79)	(143)	(366)	(79)	(84)
Corporate netback and funds flow	**16,601**	**10,418**	**7,874**	**8,070**	**6,993**	**6,424**	**7,551**	**5,855**
Oil and natural gas revenue	**32,940**	**25,070**	**20,306**	**19,553**	**16,339**	**14,143**	**12,840**	**9,041**
Per share - basic	0.33	0.26	0.37	0.39	0.33	0.29	0.26	0.18
Per share - fully diluted	0.32	0.24	0.35	0.39	0.33	0.29	0.26	0.18
Net income (loss)	**10,903**	**114,633**	**7,343**	**(4,265)**	**(3,155)**	**(151)**	**(3,678)**	**(6,281)**
Per share - basic	0.11	1.19	0.14	(0.09)	(0.06)	—	(0.07)	(0.13)
Per share - fully diluted	0.11	1.11	0.13	(0.09)	(0.06)	—	(0.07)	(0.13)
Common shares outstanding (000s)								
Basic	106,907	96,708	96,603	49,559	49,469	49,469	49,469	49,469
Fully diluted	113,883	103,889	100,074	49,559	49,469	49,469	49,469	49,469
Weighted average shares outstanding (000s)								
Basic	99,189	96,660	54,167	49,513	49,469	49,469	49,469	49,469
Fully diluted	103,250	102,868	57,638	49,513	49,469	49,469	49,469	49,469
Total assets	308,744	290,492	173,101	176,629	177,587	177,914	179,895	184,532
Net debt	(50,044)	(61,779)	(60,071)	(110,346)	(116,634)	(114,361)	(116,717)	(120,570)

The oil and natural gas exploration and production industry is cyclical in nature. Petrus' financial position, results of operations and corporate netback are affected by commodity prices, exchange rates, Canadian commodity price differentials and production levels. Petrus' average quarterly production has increased from 6,291 boe/d in the second quarter of 2020 to 7,379 boe/d in the first quarter of 2022. The 17% production increase is attributable to Petrus' shift in focus back to growing its capital program.

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. The Company's critical accounting estimates can be read in note 2 to the Company's audited consolidated financial statements as at and for the year ended December 31, 2021.

COVID-19 Global Pandemic
In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The rapid outbreak and subsequent measures intended to limit the spread of COVID-19 have contributed to a significant increase in economic uncertainty, with more volatile commodity prices, currency exchange rates and interest rates. The duration and severity of the business disruptions and reduction in consumer activity internationally and the resulting financial effect is difficult to reliably estimate. The result of the potential economic downturn and any potential resulting direct or indirect effect on the Company has been considered in management's estimates at period end; however, there could be a further prospective material effect in future periods.

Russian/Ukrainian Conflict
In February 2022, Russian military forces invaded Ukraine. The outcome of the conflict is uncertain and is likely to have wide-ranging consequences on the peace and stability of the region and the world economy. In addition, certain countries including Canada, have imposed strict financial and trade sanctions against Russia which may have far reaching effects on the global economy. Disruption of supplies of commodities from Russia could have a significant impact on worldwide commodity prices. The long-term impacts of the conflict and the sanctions imposed on Russia remain uncertain. Any negative impact on economic conditions and global markets from these developments could adversely affect our business, financial condition and liquidity including our ability to access capital and the related costs.

The Company does not have sales, production, or operations within Russia or Ukraine, and it is not expected that the conflict will directly impact its operations. Nevertheless, the ongoing war induces greater uncertainties in global financial markets and supply chain systems which could lead to volatility in oil prices, inflation, interest rates, financing costs, and shortage or delays for certain goods or services. The Company continues assessing its exposure.

OTHER FINANCIAL INFORMATION

Significant accounting policies
The Company's significant accounting policies can be read in note 3 of the Company's audited consolidated financial statements as at and for the year ended December 31, 2021.

New standards and interpretations
The Company has not adopted any new standards and interpretations for the period ended March 31, 2022.

Internal Control over Financial Reporting
The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CEO and CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The Company's CEO and CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company is required to disclose herein any change in the Company's internal controls over financial reporting that occurred during the period beginning on January 1, 2022 and ending on March 31, 2022 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. No changes in the Company's internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

NON-GAAP AND OTHER FINANCIAL MEASURES

This MD&A makes reference to the terms "operating netback", "corporate netback" and "net debt". These non-GAAP and other financial measures are not recognized measures under GAAP (IFRS) and do not have a standardized meaning prescribed by GAAP (IFRS). Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. These non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS as indicators of our performance. Management uses these non-GAAP and other financial measures for the reasons set forth below.

Operating Netback

Operating netback is a common non-GAAP financial measure used in the oil and natural gas industry which is a useful supplemental measure to evaluate the specific operating performance by product type at the oil and natural gas lease level. The most directly comparable GAAP measure to operating netback is oil and natural gas revenue. Operating netback is calculated as oil and natural gas revenue less royalty expenses, operating expenses and transportation expenses. It is presented on an absolute value and on a per unit (boe) basis. See below and under "Summary of Quarterly Results" for a reconciliation of operating netback to oil and natural gas revenue.

Corporate Netback

Corporate netback is a common non-GAAP financial measure used in the oil and natural gas industry which evaluates the Company's profitability at the corporate level. Corporate netback is equal to funds flow, which is a directly comparable GAAP measure. Petrus analyzes these measures on an absolute value and on a per unit (boe) basis as a non-GAAP ratio. Management believes that funds flow and corporate netback provide information to assist a reader in understanding the Company's profitability relative to current commodity prices. They are calculated as the operating netback less general and administrative expense, finance expense, decommissioning expenditures, plus other income and the net realized gain (loss) on financial derivatives. See below and under "Summary of Quarterly Results" for a reconciliation of funds flow and corporate netback to oil and natural gas revenue.

	Three months ended March 31, 2022		Three months ended March 31, 2021	
	$000s	**$/boe**	**$000s**	**$/boe**
Oil and natural gas revenue	32,940	49.61	16,339	30.71
Royalty expense	(4,576)	(6.89)	(1,989)	(3.74)
Net oil and natural gas revenue	**28,364**	**42.72**	**14,350**	**26.97**
Transportation expense	(1,440)	(2.17)	(863)	(1.62)
Operating expense	(4,492)	(6.76)	(3,254)	(6.12)
Operating netback	**22,432**	**33.79**	**10,233**	**19.23**
Realized loss on financial derivatives	(4,632)	(6.98)	(1,215)	(2.28)
Other income	47	0.07	23	0.04
General & administrative expense	(543)	(0.82)	(876)	(1.65)
Cash finance expense[1]	(689)	(0.26)	(1,029)	(1.99)
Decommissioning expenditures	(14)	(0.02)	(143)	(0.27)
Funds flow and corporate netback	**16,601**	**25.78**	**6,993**	**13.08**

[1] *Excludes non-cash Term Loan interest payment-in-kind*

Net Debt

Net debt is a non-GAAP financial measure and is calculated as current assets less the current portion of long term debt and accounts payable and accrued liabilities. Petrus uses net debt as a key indicator of its leverage and strength of its balance sheet. See below for the calculation of the Company's net debt.

($000s)	**As at March 31, 2022**	**As at December 31, 2021**
Current assets	17,356	15,611
Less: adjusted current liabilities[1]	(67,400)	(77,390)
Net debt	**(50,044)**	**(61,779)**

[1]Adjusted for unrealized risk management assets, liabilities, lease obligations and unrealized deferred share unit liabilities.

ADVISORIES

Basis of Presentation

Financial data presented above has largely been derived from the Company's audited financial statements, prepared in accordance with GAAP which require publicly accountable enterprises to prepare their financial statements using IFRS. Accounting policies adopted by the Company are set out in the notes to the consolidated financial statements as at and for the twelve months ended December 31, 2021. 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 MD&A 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, 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: that the Company will continue to strengthen its balance sheet by further reducing net debt and maintaining a debt to funds flow ratio of under 1x; the timing for closing on our new credit facilities, the anticipated material terms of such facilities, and that such facilities and the proceeds of our rights offering will be used to repay all amounts owing under Petrus' RCF; that replacing the existing RCF with the new credit facilities is an opportunity for Petrus to move forward with supportive lenders and benefit from a debt structure with greater liquidity and stability; that we may adjust our capital budget; that our capital program will resume during the second quarter following break-up; the Company's hedging strategy and its ability to provide stability and sustainability to the Company's economic returns, funds flow and capital development plan; the Company's approach to managing liquidity risk; and that management expects to comply with all financial covenants under its RCF during the subsequent 12 month period. 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; the ability of the Company to close on its new credit facilities prior to the maturity of the RCF and repay the RCF in full; 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; and the other risks and uncertainties described in the AIF. With respect to forward-looking statements contained in this MD&A, Petrus has made assumptions regarding: future commodity prices (including as disclosed herein) and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; the timing for closing on the Company's new credit facilities and the amount of credit available thereunder; 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; the effects of inflation on our profitability; 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 investors with a more complete perspective on Petrus' future operations and such information may not be appropriate for other purposes. Petrus' actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the Company will derive therefrom. Readers are cautioned that the foregoing lists of factors are not exhaustive.

This MD&A contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Petrus' prospective results of operations including, without limitation, its forecast for net debt levels and net debt to funds flow ratio and ability to repay all amounts owing under Petrus' RCF, which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on FOFI. Petrus' actual results, performance or achievement could differ materially from those expressed in, or implied by, these FOFI, or if any of them do so, what benefits Petrus will derive therefrom. Petrus has included the FOFI in order to provide readers with a more complete perspective on Petrus' future operations and such information may not be appropriate for other purposes.

These forward-looking statements and FOFI are made as of the date of this MD&A and the Company disclaims any intent or obligation to update any forward-looking statements and FOFI, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

BOE Presentation

The oil and natural gas industry commonly expresses production volumes and reserves on a barrel of oil equivalent ("boe") basis whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved measurement of results and comparisons with other industry participants. Petrus uses the 6:1 boe measure which is the approximate energy equivalence of the two commodities at the burner tip. Boe's do not represent an economic value equivalence at the wellhead and therefore may be a misleading measure if used in isolation.

Estimates of Drilling Locations

Unbooked drilling locations are the internal estimates of the Company based on assumptions as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources (including contingent and prospective). Unbooked locations have been identified by Petrus' management as an estimation of the multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Petrus will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and natural gas reserves, resources or production. The drilling locations on which Petrus will actually drill wells, including the number and timing thereof, is ultimately dependent upon the availability of funding, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors.

Abbreviations

$000's	*thousand dollars*
$/bbl	*dollars per barrel*
$/boe	*dollars per barrel of oil equivalent*
$/GJ	*dollars per gigajoule*
$/mcf	*dollars per thousand cubic feet*
bbl	*barrel*
bbl/d	*barrels per day*
boe	*barrel of oil equivalent*
mboe	*thousand barrel of oil equivalent*
mmboe	*million barrel of oil equivalent*
boe/d	*barrel of oil equivalent per day*
GJ	*gigajoule*
GJ/d	*gigajoules per day*
mcf	*thousand cubic feet*
mcf/d	*thousand cubic feet per day*
mmcf/d	*million cubic feet per day*
NGLs	*natural gas liquids*
WTI	*West Texas Intermediate*

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Presented in 000's of Canadian dollars)

As at	March 31, 2022	December 31, 2021
ASSETS		
Current		
Cash	1,109	4,928
Deposits and prepaid expenses	1,084	950
Accounts receivable *(note 14)*	15,163	9,733
Total current assets	**17,356**	**15,611**
Non-current		
Exploration and evaluation assets *(note 4)*	35,513	35,634
Property, plant and equipment *(note 5)*	255,875	239,247
	291,388	**274,881**
Total assets	**308,744**	**290,492**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current portion of long term debt *(note 6)*	53,200	57,700
Accounts payable and accrued liabilities *(note 14)*	14,200	19,690
Risk management liability *(note 9)*	—	2,488
Lease obligations *(note 7)*	225	217
Total current liabilities	**67,625**	**80,095**
Non-current liabilities		
Lease obligations *(note 7)*	545	603
Decommissioning obligation *(note 8)*	46,157	41,569
Total liabilities	**114,327**	**122,267**
Shareholders' equity		
Share capital *(note 10)*	471,033	455,908
Contributed surplus	28,010	27,846
Deficit	(304,626)	(315,529)
Total shareholders' equity	**194,417**	**168,225**
Total liabilities and shareholders' equity	**308,744**	**290,492**

Going concern (note 2)
Commitments (note 18)
See accompanying notes to the interim consolidated financial statements

Approved by the Board of Directors,

(signed) "Don T. Gray"

Don T. Gray
Chairman

(signed) "Donald Cormack"

Donald Cormack
Director

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

(Presented in 000's of Canadian dollars, except per share amounts)

	Three months ended March 31, 2022	Three months ended March 31, 2021
REVENUE		
Oil and natural gas revenue *(note 19)*	**32,940**	**16,339**
Royalty expense	(4,576)	(1,989)
Net oil and natural gas revenue	**28,364**	**14,350**
Other income	47	23
Net loss on risk management *(note 9)*	(2,145)	(4,580)
	26,266	**9,793**
EXPENSES		
Operating *(note 12)*	4,492	3,254
Transportation	1,440	863
General and administrative *(note 13)*	543	876
Share-based compensation *(note 10)*	132	90
Finance *(note 16)*	921	2,232
Exploration and evaluation *(note 4)*	191	—
Depletion and depreciation *(note 5)*	7,644	5,633
Total expenses	**15,363**	**12,948**
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**10,903**	**(3,155)**
Net income (loss) per common share		
Basic *(note 11)*	0.11	(0.06)
Diluted *(note 11)*	0.11	(0.06)

See accompanying notes to the interim consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(Presented in 000's of Canadian dollars)

	Share Capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2020	**430,119**	**9,596**	**(430,085)**	**9,630**
Net income	—	—	(3,155)	(3,155)
Deferred Share Unit settlement *(note 10)*	—	(224)	—	(224)
Issuance of common shares *(note 10)*	—	—	—	—
Share issue costs *(note 10)*	—	—	—	—
Share-based compensation *(note 10)*	—	107	—	107
Balance, March 31, 2021	**430,119**	**9,479**	**(433,240)**	**6,358**
Balance, December 31, 2021	**455,908**	**27,846**	**(315,529)**	**168,225**
Net income	—	—	10,903	10,903
Common shares issued for property acquisition *(note 3)*	15,200	—	—	15,200
Issuance of common shares *(note 10)*	83	(24)	—	59
Share issue costs *(note 10)*	(158)	—	—	(158)
Share-based compensation *(note 10)*	—	188	—	188
Balance, March 31, 2022	**471,033**	**28,010**	**(304,626)**	**194,417**

See accompanying notes to the interim consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Presented in 000's of Canadian dollars)

	Three months ended March 31, 2022	Three months ended March 31, 2021
OPERATING ACTIVITIES		
Net income (loss)	**10,903**	**(3,155)**
Adjust items not affecting cash:		
Share-based compensation *(note 10)*	131	90
Unrealized (gain) loss on financial derivatives *(note 9)*	(2,487)	3,365
Non-cash finance expenses *(note 16)*	233	267
Non-cash term loan interest payment-in-kind *(note 6)*	—	936
Depletion and depreciation *(note 5)*	7,644	5,633
Exploration and evaluation expense *(note 4)*	191	—
Decommissioning expenditures *(note 8)*	(14)	(143)
Funds flow	**16,601**	**6,993**
Change in operating non-cash working capital *(note 17)*	(2,226)	219
Cash flows from operating activities	**14,375**	**7,212**
FINANCING ACTIVITIES		
Deferred Share Unit payment *(note 10)*	—	(59)
Share issue costs *(note 10)*	83	—
Repayment of revolving credit facility	(4,500)	(2,500)
Drawing of bank indebtedness *(note 17)*	—	1,244
Repayment of lease liabilities *(note 7)*	(50)	(46)
Change in financing non-cash working capital *(note 17)*	12	—
Cash flows used in financing activities	**(4,455)**	**(1,361)**
INVESTING ACTIVITIES		
Exploration and evaluation asset expenditures *(note 4)*	(52)	(297)
Petroleum and natural gas property expenditures *(note 5)*	(5,287)	(7,620)
Change in investing non-cash working capital *(note 17)*	(8,400)	2,066
Cash flows used in investing activities	**(13,739)**	**(5,851)**
Decrease in cash	(3,819)	—
Cash, beginning of period	4,928	—
Cash, end of period	**1,109**	**—**
Cash interest paid *(note 16)*	688	1,029

See accompanying notes to the interim consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

For the periods ended March 31, 2022 and 2021

1. NATURE OF THE ORGANIZATION

Petrus Resources Ltd. (the "Company" or "Petrus") was incorporated under the laws of the Province of Alberta on November 25, 2015. 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. These consolidated financial statements reflect only the Company's proportionate interest in such activities and are comprised of the Company and its subsidiaries,

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

These interim consolidated financial statements, for the three months ended March 31, 2022 and prior year comparative period, were approved by the Company's Audit Committee and Board of Directors on May 10, 2022.

2. BASIS OF PRESENTATION

Going Concern

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

As at March 31, 2022, the Company's revolving credit facility ("RCF") was due on May 31, 2022. The borrowing under the RCF is classified as a current liability in the March 31, 2022 interim consolidated financial statements. The Company remains in compliance with each financial covenant. However, the classification of the debt instruments resulted in a working capital deficiency (excluding non-cash risk management assets and liabilities) of $50.0 million as at March 31, 2022.

The Company intends to refinance the RCF; however, there is no assurance that it will be successful in this regard, which results in material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not include adjustments to the recoverability and classification of recorded asset and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

Subsequent to March 31, 2022, the Company entered into agreements with new lenders to the Company, providing two new credit facilities (the "New Credit Facilities") totaling $55 million. The New Credit Facilities, together with the net proceeds of the Company's recently closed $20 million rights offering, will be used to repay in full all amounts owing under the Company's existing RCF. The New Credit Facilities are expected to close in late May 2022.

The first credit facility is with an Alberta-based financial institution providing a $30 million secured operating revolving loan facility at the Canadian Prime Rate plus 2.5%, which totals 5.7% per annum at the date of this report. The second credit facility is a $25 million second lien facility ("Second Lien Facility") with a major shareholder owning approximately 21% of the outstanding shares of the Company. The Second Lien Facility is a three-year term facility with an interest rate of 11% per annum and can be repaid at the discretion the Company after the first year.

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, 2021 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The preparation of these condensed interim consolidated financial statements requires the use of certain critical accounting estimates and also requires management to exercise judgment in applying the Company's accounting policies. In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied to the financial statements for the year ended December 31, 2021. The condensed interim consolidated financial statements have been prepared following the same accounting policies as the financial statements for the year ended December 31, 2021. These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency, except where otherwise noted.

Significant Accounting Policies and Critical Accounting Estimates

The Company's significant accounting policies and critical accounting estimates can be read in note 3 to the Company's audited consolidated financial statements as at and for the year ended December 31, 2021.

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, shareholders' equity, revenue and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are continuously reviewed with the financial statement effect being recognized in the reporting period that the changes to estimates are made.

Business Combinations
The acquisition method of accounting is used to account for acquisitions of entities and assets that meet the definition of a business under IFRS. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets acquired, the difference is recognized immediately in profit or loss. Business combination associated transaction costs are expensed when incurred.

Within the IFRS Business Combinations guidance, there is an optional fair value concentration test. The concentration test is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If an entity chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process, and the acquisition is accounted for as a business combination. The cost of an acquisition that does not meet the definition of a business under IFRS and does not qualify as a business combination is measured as the fair value of the consideration given and liabilities incurred or assumed at the date of exchange. No goodwill arises on an asset acquisition and the cost of the assets acquired and liabilities assumed are allocated to the assets and liabilities on the basis of their relative fair values at the date of purchase. Asset acquisition associated transaction costs are capitalized as a cost of the acquisition

COVID-19 Global Pandemic
In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The rapid outbreak and subsequent measures intended to limit the spread of COVID-19 have contributed to a significant increase in economic uncertainty, with more volatile commodity prices, currency exchange rates and interest rates. The duration and severity of the business disruptions and reduction in consumer activity internationally and the resulting financial effect is difficult to reliably estimate. The result of the potential economic downturn and any potential resulting direct or indirect effect on the Company has been considered in management's estimates at period end; however, there could be a further prospective material effect in future periods.

Russian/Ukrainian Conflict
In February 2022, Russian military forces invaded Ukraine. The outcome of the conflict is uncertain and is likely to have wide-ranging consequences on the peace and stability of the region and the world economy. In addition, certain countries including Canada, have imposed strict financial and trade sanctions against Russia which may have far reaching effects on the global economy. Disruption of supplies of commodities from Russia could have a significant impact on worldwide commodity prices. The long-term impacts of the conflict and the sanctions imposed on Russia remain uncertain. Any negative impact on economic conditions and global markets from these developments could adversely affect our business, financial condition and liquidity including our ability to access capital and the related costs.

The Company does not have sales, production, or operations within Russia or Ukraine, it is not expected that the conflict will directly impact its operations. Nevertheless, the ongoing war induces greater uncertainties in global financial markets and supply chain systems which could lead to volatility in oil prices, inflation, interest rates, financing costs, and shortage or delays for certain goods or services. The Company continues assessing its exposure.

3. PROPERTY ACQUISITION

On March 14, 2022, Petrus completed the acquisition of certain oil and liquids rich natural gas weighted properties within its Ferrier core area from a privately owned limited partnership and its general partner. The acquired partnership was managed and directed by an officer and director of Petrus and two of Petrus' major shareholders owned or controlled, in aggregate, approximately 69.5% and 50% of the acquired partnership's units and shares, respectively.

Given the close proximity of the acquired properties to the Company's existing assets and infrastructure, the acquired properties are synergistic to existing operations and complementary to current development plans. The assets were acquired for share consideration of $15.2 million (10 million common shares of Petrus at $1.52 per share on closing date). The Company applied the optional concentration test permitted under IFRS 3 to the acquisition which resulted in the acquired assets being accounted for as an asset acquisition. As such the purchase price was allocated to the identifiable assets and liabilities based on their relative fair values at the date of acquisition. Assets acquired in the transaction will be included are included in the Ferrier CGU. Asset acquisition transaction costs of $0.4 million were capitalized as a cost of the asset.

The amounts recognized on the date of acquisition to identifiable net assets were as follows:

$000s (except share and per share amounts)	
Net assets acquired:	
Cash & cash equivalents	433
Accounts receivable & other assets	496
Accounts payable & accrued liabilities	(521)
Property, plant and equipment	16,881
Decommissioning obligation	(2,089)
Net assets acquired	**15,200**
Purchase consideration:	
Common shares issued to partners	10,000,000
Price of Petrus common shares ($ per share) on close date	$1.52
Total purchase consideration	**15,200**

4. EXPLORATION AND EVALUATION ASSETS

The components of the Company's exploration and evaluation ("E&E") assets are as follows:

$000s	
Balance, December 31, 2020	**17,568**
Additions	401
Property dispositions	(18)
Exploration and evaluation expense	(108)
Capitalized G&A	220
Capitalized share-based compensation	24
Transfers to property, plant and equipment *(note 5)*	(5,093)
Impairment reversal	22,640
Balance, December 31, 2021	**35,634**
Exploration and evaluation expense	(191)
Capitalized G&A	54
Capitalized share-based compensation *(note 10)*	16
Balance, March 31, 2022	**35,513**

For the three months ended March 31, 2022, the Company incurred exploration and evaluation expense of $0.2 million (which relates to expired and nearly expired undeveloped, non-core land) (three months ended March 31, 2021 – nil).

During the three months ended March 31, 2022, the Company capitalized $0.1 million of general and administrative expenses ("G&A") (three months ended March 31, 2021 – $0.1 million) and $0.02 million of non-cash share-based compensation directly attributable to exploration activities (three months ended March 31, 2021 – $0.004 million).

The Company did not identify any indicators of impairment or impairment reversal for the three months ended March 31, 2022.

Due to the increase in forward benchmark commodity prices during the year ended December 31, 2021, the Company identified indicators of impairment reversal in its Ferrier Cash Generating Unit ("CGU"). As a result, for the Ferrier CGU, the Company recorded an impairment reversal of $22.6 million on its E&E assets, as the recoverable amount exceeded the carrying value. No impairment or impairment reversal for E&E assets was recorded on other CGUs of the Company.

5. PROPERTY, PLANT AND EQUIPMENT

The components of the Company's property, plant and equipment ("PP&E") assets are as follows:

$000s	Cost	Accumulated DD&A	Net book value
Balance, December 31, 2020	**835,583**	**(683,614)**	**151,969**
Additions	25,593	—	25,593
Capitalized G&A	658	—	658
Capitalized share based compensation	72	—	72
Transfer from exploration and evaluation assets *(note 4)*	5,093	—	5,093
Depletion & depreciation	—	(22,996)	(22,996)
Increase in decommissioning expenses	329	—	329
Impairment provision	—	80,580	80,580
Balance, December 31, 2021	**852,834**	**(613,591)**	**239,243**
Additions	4,858	—	4,858
Property acquisition *(note 3)*	16,881	—	16,881
Capitalized G&A	155	—	155
Capitalized share-based compensation *(note 10)*	42	—	42
Depletion & depreciation	—	(7,644)	(7,644)
Increase in decommissioning provision *(note 8)*	2,340	—	2,340
Balance, March 31, 2022	**877,110**	**(621,235)**	**255,875**

At March 31, 2022, estimated future development costs of $441.6 million (December 31, 2021 – $343.5 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 months ended March 31, 2022, the Company capitalized $0.2 million of general and administrative expenses ("G&A") (three months ended March 31, 2021 – $0.3 million) and non-cash share-based compensation of $0.04 million (three months ended March 31, 2021 – $0.01 million), directly attributable to development activities.

The Company did not identify any indicators of impairment or impairment reversal for the three months ended March 31, 2022.

At March 31, 2022, the carrying balance of the right of use asset was $0.9 million.

At December 31, 2021, in its Ferrier CGU, the Company identified indicator of impairment reversal as a result of improved commodity prices. For the Kakwa CGU, the Company identified an indicator of impairment due to the decrease in proved and probable reserve values.

As a result of the above indicators, an impairment test on the Company's PP&E assets was performed. For the Ferrier CGU, the Company recorded an impairment reversal of $84.3 million on its PP&E assets on December 31, 2021, as the recoverable amount exceeded the carrying amount. The impairment reversal amount reflects all of the original impairment charges recorded on March 31, 2020 and December 31, 2014, less associated depletion. In addition, for the Kakwa CGU, the Company recorded an impairment charge of $3.7 million on its PP&E assets.

For the North Ferrier, Central Alberta and Foothills CGUs, the Company did not identify any indicator of impairment or impairment reversal.

The recoverable amount, a level 3 input on the fair value hierarchy, was estimated at its fair value less costs to dispose, using an after--tax discount rate of 11.6% to 13.1%. A 1% increase in the discount rate would have increased impairment by approximately $11.7 million. A 1% decrease in the discount rate would decrease impairment by approximately $0.2 million. The Company used the following forward commodity price estimates:

Year	Canadian Light Sweet $/Bbl	AECO $/MMbtu
2022	86.77	3.55
2023	81.25	3.25
2024	78.75	3.05
2025	80.33	3.13
2026	81.93	3.19
2027	83.57	3.26
2028	85.24	3.32
2029	86.95	3.39
2030	88.69	3.46
2031	90.46	3.52
2032	92.27	3.60

Escalation rate of 2.0% thereafter.

6. DEBT

Petrus has one debt instrument outstanding; a reserve-based, senior secured revolving credit facility with a syndicate of lenders, which is comprised of an operating facility and a syndicated facility (together, the “Revolving Credit Facility” or “RCF”).

Revolving Credit Facility

At March 31, 2022, the RCF was comprised of a $17.1 million operating facility and a $39.9 million syndicated term-out facility with a maturity date of May 31, 2022. The Company has provided collateral by way of a debenture over all of the present and after acquired property of the Company.

At March 31, 2022, the Company had a $0.6 million letter of credit outstanding against the RCF (December 31, 2021 – $0.6 million) and had drawn $53.2 million against the RCF (December 31, 2021 – $57.7 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 unanimous lender consent. A decrease in the borrowing base could result in a reduction to the available credit under the RCF. During the fourth quarter of 2021, the syndicate of lenders reconfirmed the Company's borrowing base of $64.8 million, which was reduced by $2.75 million on December 31, 2021 and reduced by a further $5.0 million on March 31, 2022. In addition, Petrus and the lenders under the RCF have agreed to a cash sweep provision under which 75% of excess cash flow will be used to accelerate repayment of the Company's RCF. The next scheduled borrowing base redetermination date for the RCF is May 31, 2022.

Debt Settlement - Term Loan

Prior to September 30, 2021, Petrus had a second debt instrument, a subordinated secured term loan (the "Term Loan"). During the third quarter of 2021, the Company settled its Term Loan with a principal amount (carrying value) of $39.4 million in consideration for the issuance of $15.8 million (the settlement amount) of common shares of Petrus ("Common Shares") to the holders of the Term Loan at an issue price of $0.55 per share. The difference between the carrying value and the settlement amount of the debt was added to contributed surplus in the amount of $18.1 million (net of the recovery of income taxes of $5.4 million).

Liquidity

At March 31, 2022, the Company had a working capital deficiency (excluding non-cash risk management assets and liabilities) of $50.0 million due to the classification of the Company's borrowings under its RCF as a current liability. However, the Company remains in compliance with all financial covenants pertaining to its RCF, and based on current available information relating to future production volumes, forward commodity pricing, future costs including capital, operating and general and administrative, forward exchange rates, interest rates and taxes, all of which are subject to measurement uncertainty, management expects to comply with all financial covenants under its RCF during the subsequent 12 month period.

Subsequent to March 31, 2022, the Company entered into agreements with new lenders to repay the RCF in full (see note 21).

Financial Covenants

The Company's RCF is subject to certain financial covenants. For the financial covenants' definitions and calculation methodology refer to the Company's audited consolidated financial statements as at and for the year ended December 31, 2021.

The key financial covenants as at March 31, 2022 are summarized in the following table. At March 31, 2022 the Company is in compliance with all financial covenants.

Financial Covenant Description	Required Ratio	As at March 31, 2022
Working Capital Ratio	Over 0.60	1.48

7. LEASES

The Company's lease obligations are as follows:

$000s	
Balance, December 31, 2021	**820**
Finance expense	15
Lease payments	(65)
Balance, March 31, 2022	**770**

The Company's future commitments associated with its lease obligations are as follows:

$000s	As at March 31, 2022
Less than 1 year	275
1 to 3 years	577
Total lease payments	852
Amounts representing finance expense	(82)
Present value of lease obligation	770
Current portion of lease obligation	225
Non-current portion of lease obligation	545

8. 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 2.41 percent and an inflation rate of 3.0 percent (1.66 percent and 2.0 percent, respectively at December 31, 2021). Changes in estimates in 2021 and 2022 are due to the changes in the risk free and inflation rates and changes in the estimated future cash flow to reclaim the wells and facilities. The Company has estimated the net present value of the decommissioning obligations to be $46.2 million as at March 31, 2022 ($41.6 million at December 31, 2021). The undiscounted, uninflated total future liability at March 31, 2022 is $40.3 million ($38.3 million at December 31, 2021). The payments are expected to be incurred over the operating lives of the assets.

The following table reconciles the decommissioning liability:

$000s	
Balance, December 31, 2020	**44,456**
Property dispositions	(2,876)
Other adjustments	(373)
Liabilities incurred	489
Liabilities settled	(674)
Change in estimates	(160)
Accretion expense	707
Balance, December 31, 2021	**41,569**
Property acquisitions *(note 3)*	2,089
Liabilities settled	(14)
Change in estimates or discount rate	2,340
Accretion expense	173
Balance, March 31, 2022	**46,157**

9. 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 physical commodity contracts in place at March 31, 2022:

Contract Period	Type	Total Daily Volume (GJ)	Average Price (CDN$/GJ)
Natural Gas			
Apr. 1, 2022 to Oct. 31, 2022	Fixed price	15,000	$3.59
Nov. 1, 2022 to Mar. 31, 2023	Fixed price	13,000	$4.07

Risk management asset and liability:

$000s At March 31, 2022	**Asset**	**Liability**
Current commodity derivatives	—	—
Non-current commodity derivatives	—	—
	—	—
$000s At December 31, 2021		
Current commodity derivatives	—	2,488
Non-current commodity derivatives	—	—
	—	**2,488**

Earnings impact of realized and unrealized gains (losses) on financial derivatives:

$000s	**Three months ended March 31, 2022**	**Three months ended March 31, 2021**
Realized loss on financial derivatives	(4,632)	(1,215)
Unrealized gain (loss) on financial derivatives	2,487	(3,365)
Net loss on financial derivatives	**(2,145)**	**(4,580)**

10. SHARE CAPITAL

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

Issued and Outstanding

Common shares ($000s)	**Number of Shares**	**Amount**
Balance, December 31, 2020	**49,469,358**	**430,119**
Common shares issued for private placement, equity conversion and debt settlement	46,909,092	25,800
Common shares issued on exercise of stock options	329,462	100
Share issue costs	—	(111)
Balance, December 31, 2021	**96,707,912**	**455,908**
Common shares issued for property acquisition	10,000,000	15,200
Common shares issued on exercise of stock options	199,013	83
Share issue costs	—	(158)
Balance, March 31, 2022	**106,906,925**	**471,033**

SHARE-BASED COMPENSATION

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 plans 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, if any, 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, if any.

At March 31, 2022, 5,356,975 (December 31, 2021 – 5,562,549) stock options were outstanding. The summary of stock option activity is presented below:

	Number of stock options	Weighted average exercise price
Balance, December 31, 2020	**2,276,923**	**$0.40**
Granted	4,637,500	$0.75
Forfeited	(623,513)	$0.36
Expired	(198,780)	$1.68
Exercised	(529,581)	$0.28
Balance, December 31, 2021	**5,562,549**	**$0.67**
Exercised	(199,013)	$0.30
Expired	(6,561)	$0.77
Balance, March 31, 2022	**5,356,975**	**$0.68**
Exercisable, March 31, 2022	**25,603**	**$0.77**

The following table summarizes information about the stock options granted since inception:

Range of Exercise Price	Stock Options Outstanding		
	Number granted	Weighted average exercise price	Weighted average remaining life (years)
$0.23 - $0.50	719,475	$0.25	1.31
$0.51 - $0.80	3,622,500	$0.70	2.55
$0.81 - $0.89	1,015,000	$0.89	2.76
	5,356,975	**$0.68**	**2.42**

No options were granted during the three months ended March 31, 2022.

During the year ended December 31, 2021, the Company granted 4,637,500 options which vest equally over three years, and upon vesting, expire 30 business days thereafter. The weighted average fair value of each option granted during the year ended December 31, 2021 of $0.27 was estimated on the date of grant using the Black-Scholes pricing model with the following weighted average assumptions:

	2021
Risk free interest rate	0.15% - 0.49%
Expected life (years)	1.08 - 3.08
Estimated volatility of underlying common shares (%)	100% to 113%
Estimated forfeiture rate	33%
Expected dividend yield (%)	—%

Petrus estimated the volatility of the underlying common shares by analyzing the Company's volatility as well as the volatility of peer group public companies with similar corporate structure, oil and gas assets and size.

Deferred Share Unit ("DSU") Plan

The Company has a deferred share unit plan in place whereby it may issue deferred share units to directors of the Company. The aggregate number of shares that may be issued from treasury of Petrus pursuant to the plan shall not exceed: (i) five percent (5%) of the number of issued and outstanding common shares of the Company (on a non-diluted basis) at the date of issue; and (ii) ten percent (10%) of the number of issued and outstanding common shares of the Company (on a non-diluted basis) at the date of issue, less the aggregate number of common shares of the Company reserved for issuance under any other share compensation plan.

Each DSU entitles the participants to receive, at the Company's discretion, either shares of the Company or cash equal to the trading price of the equivalent number of shares of the Company. All DSUs granted vest and become payable upon retirement of the director.

The compensation expense was calculated as equity using the fair value method based on the trading price of the Company's shares on the grant date. At March 31, 2022, 1,618,702 DSUs were issued and outstanding (December 2021 – 1,618,702).

Share-based Compensation

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

$000s	Three months ended March 31, 2022	Three months ended March 31, 2021
Expensed	132	90
Capitalized to exploration and evaluation assets	16	4
Capitalized to property, plant and equipment	42	13
Total share-based compensation	**190**	**107**

11. NET INCOME (LOSS) PER SHARE

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

	Three months ended March 31, 2022	Three months ended March 31, 2021
Net income (loss) for the period ($000s)	**10,903**	**(3,155)**
Weighted average number of common shares – basic (000s)	99,189	49,469
Weighted average number of common shares – diluted (000s)	103,250	49,469
Net income (loss) per common share – basic	**$0.11**	**($0.06)**
Net income (loss) per common share – diluted	**$0.11**	**($0.06)**

In computing diluted loss per share for the three months ended March 31, 2022, 5,356,975 outstanding stock options and 1,618,702 DSUs were considered (December 31, 2021 – 2,276,923 and 2,158,270 respectively). 5,356,975 stock options and 1,618,702 DSUs were included in calculating the number of diluted common shares.

12. OPERATING EXPENSES

The Company's operating expenses consisted of the following expenditures:

$000s	Three months ended March 31, 2022	Three months ended March 31, 2021
Fixed and variable operating expenses	3,735	3,003
Processing, gathering and compression charges	1,016	487
Total gross operating expenses	**4,751**	**3,490**
Overhead recoveries	(259)	(236)
Total net operating expenses	**4,492**	**3,254**

13. GENERAL AND ADMINISTRATIVE EXPENSES

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

$000s	Three months ended March 31, 2022	Three months ended March 31, 2021
Gross general and administrative expense	1,370	1,329
Capitalized general and administrative expense	(207)	(208)
Overhead recoveries	(620)	(245)
General and administrative expense	**543**	**876**

14. FINANCIAL INSTRUMENTS

Risks associated with financial instruments

Credit risk

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 $15.2 million of accounts receivable outstanding at March 31, 2022 (December 31, 2021 – $9.7 million), $11.7 million is owed from 3 parties (December 31, 2021 – $7.4 million from 3 parties), and the balances were received subsequent to the quarter end. The Company considers accounts receivable outstanding past 120 days to be 'past due'. At March 31, 2022, the Company had an allowance for doubtful accounts of $0.5 million (December 31, 2021 – $0.5 million). At March 31, 2022, 97% of Petrus' accounts receivable were aged less than 120 days and 3% of Petrus' accounts receivable were aged greater than 120 days. The Company does not anticipate any material collection issues.

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

Liquidity risk

At March 31, 2022, the Company had a $57.0 million RCF, on which $53.2 million was drawn (December 31, 2021 – $77.5 million). While the Company is exposed to the risk of reductions to the borrowing base of the RCF, the Company anticipates it will continue to have adequate liquidity to fund its financial liabilities through funds flow and available credit capacity from its RCF. The Company's RCF's maturity date is May 31, 2022. The Company requires an extension or refinancing of its RCF. The borrowings under the RCF are classified as current liabilities in the March 31, 2022 interim financial statements which has no impact on the debt covenants and the Company remains in compliance with each of its covenants. However, the reclassification of the debt instruments resulted in a working capital deficit of $50.0 million as of March 31, 2022. For the period ended March 31, 2022 the Company generated funds flow of $16.6 million and reduced its debt by $4.5 million from December 31, 2021. Management is actively seeking alternative debt or equity financing to refinance the RCF prior to May 31, 2022.

Subsequent to March 31, 2022, the Company entered into agreements with new lenders to repay the RCF in full. See Note 21.

The following are the contractual maturities of financial liabilities as at March 31, 2022:

$000s	Total	< 1 year	1-5 years
Accounts payable and accrued liabilities	14,200	14,200	—
Current portion of long term debt	53,200	53,200	—
Lease obligations	770	225	545
Total	**68,170**	**67,625**	**545**

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, bank indebtedness and accounts receivable are not exposed to significant interest rate risk. The RCF and Term Loan 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% increase in the Canadian prime interest rate during the three months ended March 31, 2022 would have increased/decreased net income by approximately $0.6 million, which relates to interest expense on the average outstanding RCF during the period assuming that all other variables remain constant (March 31, 2021 – $0.9 million).

15. 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. In the management of capital, the Company includes share capital and total net debt, which is made up of debt and working capital (current assets less current liabilities). The Company 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.

16. FINANCE EXPENSES

The components of finance expenses are as follows:

$000s	Three months ended March 31, 2022	Three months ended March 31, 2021
Cash:		
Interest	576	823
Finance fees	112	206
Total cash finance expenses	688	1,029
Non-cash:		
Deferred financing costs	60	145
Non-cash Term Loan interest payment-in-kind	—	936
Accretion on decommissioning obligations *(note 7)*	173	122
Total non-cash finance expenses	233	1,203
Total finance expenses	**921**	**2,232**

17. 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, 2022	Three months ended March 31, 2021
Source (use) in non-cash working capital:		
Deposits and prepaid expenses	(134)	(159)
Transaction costs on debt	440	(163)
Accounts receivable	(5,430)	(1,340)
Accounts payable and accrued liabilities	(5,490)	3,947
	(10,614)	**2,285**
Operating activities	(2,226)	219
Financing activities	12	—
Investing activities	(8,400)	2,066

The following table reconciles the changes in liability resulting from financing activities:

$000s	Bank Indebtedness	Revolving Credit Facility	Term Loan	Total Liabilities from Financing Activities
Balance, December 31, 2021	—	**57,700**	—	**57,700**
Cash flows	—	(4,500)	—	(4,500)
Balance, March 31, 2022	—	**53,200**	—	**53,200**

18. COMMITMENTS AND CONTINGENCIES

Commitments

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

$000s	Total	< 1 year	1-5 years	> 5 years
Firm service transportation	12,581	2,465	10,116	—

Contingencies

In the normal course of Petrus' operations, the Company may become involved in, named as a party to, or be the subject of, various legal proceedings. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty. Petrus does not anticipate that these claims will have a material impact on its financial position.

19. REVENUE

The following table presents Petrus' oil and natural gas revenue disaggregated by product type:

$000s	Three months ended March 31, 2022	Three months ended March 31, 2021
Production Revenue		
Oil and condensate sales	12,387	5,532
Natural gas sales	13,830	6,889
Natural gas liquids sales	6,528	3,836
Total oil and natural gas production revenue	**32,745**	**16,257**
Royalty revenue	195	82
Total oil and natural gas revenue	**32,940**	**16,339**

20. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2022, the Company closed an asset acquisition that was considered a related party transaction. Refer to note 3 for further details.

21. SUBSEQUENT EVENTS

Rights Offering

Subsequent to March 31, 2022, the Company completed a rights offering (the "Offering"). Pursuant to the Offering, the Company issued 14.8 million common shares at $1.35 per share for aggregate gross proceeds to the Company of $20 million. The issuance costs were estimated to be $0.4 million and the net proceeds of $19.6 million were utilized for debt repayment and towards working capital.

The Company entered into a standby purchase agreement with each of Don Gray, Stuart Gray and Glen Gray (collectively, the "Stand-By Guarantors"). As a result of the exercise of the basic subscription privilege and additional subscription privilege by the holders of rights (including the Stand-By Guarantors), the Stand-By Guarantors did not acquire any Common Shares in connection with the Rights Offering pursuant to their stand-by commitments. The Company had approximately 121.7 million share outstanding following the rights offering with the Stand-By Guarantors owning approximately 71% of the outstanding shares.

The basic and additional subscriptions totaled 184% of the common shares of the Company available through the Rights Offering.

Debt Restructuring

Subsequent to March 31, 2022, the Company entered into agreements with new lenders to the Company, providing two new credit facilities (the "New Credit Facilities") totaling $55 million. The New Credit Facilities, together with the net proceeds of the Company's recently closed $20 million rights offering, will be used to repay in full all amounts owing under the Company's existing RCF. The New Credit Facilities are expected to close in late May 2022.

The first credit facility is with an Alberta-based financial institution providing a $30 million secured operating revolving loan facility at the Canadian Prime Rate plus 2.5%, which totals 5.7% per annum at the date of this report. The second credit facility is a $25 million second lien facility ("Second Lien Facility") with a major shareholder owning approximately 21% of the outstanding shares of the Company. The Second Lien Facility is a three-year term facility with an interest rate of 11% per annum and can be repaid at the discretion the Company after the first year.

CORPORATE INFORMATION

OFFICER & VICE PRESIDENT

Ken Gray, P.Eng
President and
Chief Executive Officer

Mathew Wong, CPA, CFA, CPA (WA, USA)
Vice President, Finance

DIRECTORS

Don T. Gray
Chairman
Scottsdale, Arizona

Ken Gray
Calgary, Alberta

Patrick Arnell
Calgary, Alberta

Donald Cormack
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
InSite Petroleum Consultants Ltd.
Calgary, Alberta

BANKERS
TD Securities (Syndicate Lead Agent)
Calgary, Alberta

TRANSFER AGENT
Odyssey Trust Company
Calgary, Alberta

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

WEBSITE
www.petrusresources.com