Petrus Resources

THIRD QUARTER REPORT

For the three and nine months ended September 30, 2020

Petrus Resources Ltd. ("Petrus" or the "Company") (TSX: PRQ) is pleased to report financial and operating results as at and for the three and nine months ended September 30, 2020. Petrus is focused on the profitable development of its Ferrier Cardium asset to generate free cash flow for debt repayment.

In the third quarter of 2020 Canadian natural gas forward prices experienced significant gains. The improved pricing in conjunction with Petrus' 70% natural gas weighting have contributed to a materially improved revenue outlook for Petrus for the remainder of 2020 and into 2021. Petrus' realized natural gas price was $2.51/mcf in the third quarter of 2020 compared to $1.12/mcf in the third quarter of 2019. Management continues to utilize financial derivative contracts to protect revenue streams to support planned debt repayments.

Combined with an improved revenue outlook, the efforts Petrus has made to decrease both operating and general and administrative costs have generated increased free cash flow available for debt repayment. The Company reduced net debt[1] levels by $3.9 million in the third quarter; over the last two quarters Petrus has repaid $9.3 million in total net debt. Over the past two quarters, debt reduction has exceeded the bank's required repayment targets by 70%.

Third quarter production was supported by increased volumes from the two Cardium wells drilled in the first quarter of the year. These wells were intentionally restricted late in the first quarter due to depressed commodity prices but were returned to higher production rates in July. Third quarter production was 6,463 boe/d compared to 6,291 boe/d in the second quarter of 2020. Third quarter production volumes were impacted by the scheduled 2.5 day turnaround at the Ferrier 2-25 gas plant in late September as well as turnaround work at a partner operated facility in the Foothills area; management estimates the impact on third quarter volumes to be approximately 170 boe/d.

HIGHLIGHTS:

- **Debt repayment** - Reduced net debt by $3.9 million during the quarter. Net debt repayment totals $31 million since the start of 2018.

- **Strong funds flow** - Generated funds flow[1] of $7.6 million ($0.15 per share) for the third quarter of 2020 with net capital expenditures of $2.5 million.

- **Improving natural gas pricing** - November 2020 to October 2021 AECO forward strip price increased 33% from June 30, 2020 to October 30, 2020 - $2.19/GJ to $2.91/GJ (Source: CIBC Energy Update).

- **Credit facility** - The Company completed the fall borrowing base review subsequent to quarter end with terms consistent to the 2020 annual review.

- **Low operating costs** - Operating expense for the three months ended September 30, 2020 was $4.05/boe. This is one of the lowest since inception and Petrus' management believes its operating expense is consistently among the best in its peer group. The Company continues to focus on optimizing its cost structure, particularly in the Ferrier area, through facility ownership and control.

- **Commodity price risk mitigation -** Petrus utilizes financial derivative contracts to mitigate commodity price risk and provide stability and sustainability to funds flow. Petrus achieved a gain of $2.20/boe in the third quarter as a result of these contracts.

CREDIT FACILITY

Subsequent to the end of the third quarter, the Company completed its fall borrowing base review of the Revolving Credit Facility ("RCF"). At the end of the third quarter of 2020, the Company was drawn $80.3 million against the RCF. Petrus has continued to exceed mandated debt repayment targets of $2.75 million per quarter as required under the terms of the RCF. The RCF maturity date is May 31, 2021. Petrus' management believes it has adequate liquidity to execute the Company's business plan over the coming year. The Company continues its efforts to divest certain non-core assets and evaluate other sources of capital to improve its balance sheet. Reduction of debt remains the Company's top priority. Since December 31, 2015 Petrus has repaid 49% or $110 million of its net debt[1].

THIRD QUARTER REPORT

For the three and nine months ended September 30, 2020

Q4 2020 OUTLOOK

Petrus intends to remain flexible to adjust quarterly capital spending as the year progresses. The Company did resume drilling activity late in the third quarter as management accelerated a planned fourth quarter drilling operation to take advantage of favorable fall weather conditions. The completion and tie in of this well will comprise the majority of the $2.5 million in capital spending planned for the remainder of the year. With the high level of control afforded by operated assets and ownership of key infrastructure, the Company can adjust liquids content in the natural gas stream to maximize profitability of all products as well as adjust production rates quickly to respond to changing market conditions.

(1)*Refer to "Non-GAAP Financial Measures" in the Management's Discussion & Analysis attached hereto.*
(2)*Refer to "Advisories - Forward-Looking Statements" in the Management's Discussion & Analysis attached hereto.*

SELECTED FINANCIAL INFORMATION

OPERATIONS	Three months ended Sept. 30, 2020	Three months ended Sept. 30, 2019	Three months ended Jun. 30, 2020	Three months ended Mar. 31, 2020	Three months ended Dec. 31, 2019
Average Production					
Natural gas (mcf/d)	26,181	30,998	27,630	30,604	32,641
Oil (bbl/d)	1,103	1,247	867	1,134	1,834
NGLs (bbl/d)	997	1,372	819	1,088	1,018
Total (boe/d)	**6,463**	**7,785**	**6,291**	**7,323**	**8,292**
Total (boe)	**594,599**	**716,220**	**572,440**	**666,361**	**762,874**
Light oil weighting	17 %	16 %	14 %	15 %	22 %
Realized Prices					
Natural gas ($/mcf)	2.51	1.12	2.35	2.40	2.65
Oil ($/bbl)	46.46	65.64	27.18	50.02	65.16
NGLs ($/bbl)	22.05	11.49	12.87	23.19	20.62
Total realized price ($/boe)	**21.48**	**16.99**	**15.73**	**21.23**	**27.39**
Royalty revenue	0.12	0.48	0.06	0.30	0.13
Royalty expense	(2.09)	(1.65)	(1.51)	(2.85)	(2.91)
Net oil and natural gas revenue ($/boe)	**19.51**	**15.82**	**14.28**	**18.68**	**24.61**
Operating expense	(4.05)	(4.44)	(4.44)	(4.55)	(4.47)
Transportation expense	(1.63)	(1.25)	(1.40)	(1.05)	(1.30)
Operating netback[1] ($/boe)	**13.83**	**10.13**	**8.44**	**13.08**	**18.84**
Realized gain (loss) on derivatives ($/boe)	2.20	0.50	6.39	1.76	(1.86)
Other income	0.04	0.03	0.17	0.07	—
General & administrative expense	(1.07)	(1.08)	(1.43)	(1.35)	(1.91)
Cash finance expense	(2.16)	(3.11)	(3.20)	(3.13)	(2.54)
Decommissioning expenditures	(0.13)	(0.29)	(0.15)	(0.56)	(0.41)
Funds flow & corporate netback[1][2] ($/boe)	**12.71**	**6.18**	**10.22**	**9.87**	**12.12**

FINANCIAL (000s except $ per share)	Three months ended Sept. 30, 2020	Three months ended Sept. 30, 2019	Three months ended Jun. 30, 2020	Three months ended Mar. 31, 2020	Three months ended Dec. 31, 2019
Oil and natural gas revenue	12,840	12,517	9,041	14,344	20,998
Net loss	(3,678)	(29,569)	(6,281)	(87,444)	(3,332)
Net loss per share					
Basic	(0.07)	(0.60)	(0.13)	(1.77)	(0.06)
Fully diluted	(0.07)	(0.60)	(0.13)	(1.77)	(0.06)
Funds flow	7,551	4,427	5,855	6,566	9,260
Funds flow per share					
Basic	0.15	0.09	0.12	0.13	0.19
Fully diluted	0.15	0.09	0.12	0.13	0.19
Capital expenditures	2,543	2,734	305	8,655	4,351
Net dispositions	—	651	—	—	—
Weighted average shares outstanding					
Basic	49,469	49,469	49,469	49,469	49,469
Fully diluted	49,469	49,469	49,469	49,469	49,469
As at period end					
Common shares outstanding					
Basic	49,469	49,469	49,469	49,469	49,469
Fully diluted	49,469	49,469	49,469	49,469	49,469
Total assets	179,895	296,367	184,532	193,679	289,225
Non-current liabilities	44,471	82,650	43,017	38,533	42,346
Net debt[1]	116,717	128,553	120,570	125,974	123,744

[1] *Refer to "Non-GAAP 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.*

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 and nine months ended September 30, 2020. This MD&A is dated November 10, 2020 and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2019 and 2018 as well as the Company's interim consolidated financial statements as at September 30, 2020. The Company's audited 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 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.

OPERATIONS UPDATE

Third quarter average production by area was as follows:

For the three months ended September 30, 2020	Ferrier	Foothills	Central Alberta	Total
Natural gas (mcf/d)	20,028	1,251	5,194	26,473
Oil (bbl/d)	717	100	245	1,062
NGLs (bbl/d)	839	5	145	989
Total (boe/d)	4,894	313	1,256	6,463

Third quarter production averaged 6,463 boe/d compared to 6,291 boe/d in the second quarter of 2020. The increase is due to additional volumes from the two Cardium wells drilled in the first quarter of the year. These wells were intentionally restricted late in the first quarter due to depressed commodity prices but were returned to higher production rates in July. Third quarter production volumes were impacted by the scheduled 2.5 day turnaround at the Ferrier 2-25 gas plant in late September as well as turnaround work at a partner operated facility in the Foothills area; management estimates the impact on third quarter volumes to be approximately 170 boe/d.

Petrus' ownership and control of critical processing facilities enables the Company to respond and continually optimize its production revenue streams. To improve operating netback, during 2019, Petrus ceased sending certain natural gas for additional third party deepcut processing to extract additional NGLs. This resulted in lower NGL production volume, however, the heating value of natural gas sales increased and processing fees decreased. Petrus continues to monitor NGL market pricing and is able to modify its operations accordingly.

The Company did resume drilling activity late in the third quarter as management accelerated a planned fourth quarter drilling operation to take advantage of favorable fall weather conditions. The completion and tie in of this well will comprise the majority of the $2.5 million in capital spending planned for the remainder of the year. With the high level of control afforded by operated assets and ownership of key infrastructure, the Company can adjust liquids content in the natural gas stream to maximize profitability of all products as well as adjust production rates quickly to respond to changing market conditions. With current pricing, new wells drilled in Petrus' core area of Ferrier can deliver payouts in under one year.

Petrus received support benefits from the Canada Emergency Wage Subsidy program and has made successful applications for grants under the Alberta Site Rehabilitation Program. The Company will continue to pursue programs announced by the Federal and Provincial Governments to support Canadian businesses, and the oil and gas industry specifically through the COVID-19 pandemic.

CAPITAL EXPENDITURES

Capital expenditures (excluding acquisitions and dispositions) totaled $2.5 million in the third quarter of 2020, which is consistent with the $2.7 million spent in the prior year comparative period. The Company participated in the drilling of 4 gross (3.0 net) light oil wells during the first nine months of 2020, compared to 7 gross (3.1 net) light oil wells during the first nine months of 2019.

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

Capital Expenditures ($000s)	**Three months ended September 30, 2020**	**Three months ended September 30, 2019**	**Nine months ended September 30, 2020**	**Nine months ended September 30, 2019**
Drill and complete	**2,250**	2,305	**9,881**	9,736
Oil and gas equipment	**—**	40	**765**	2,855
Land and lease	**5**	—	**35**	19
Capitalized general and administrative expense	**288**	389	**820**	1,146
Total capital expenditures	**2,543**	**2,734**	**11,501**	**13,756**
Gross (net) wells spud	**1 (1.0)**	**4 (1.2)**	**4 (3.0)**	**7 (3.1)**

RESULTS OF OPERATIONS

FINANCIAL AND OPERATIONAL RESULTS OF OIL AND NATURAL GAS ACTIVITIES

	Three months ended Sept. 30, 2020	Three months ended Sept. 30, 2019	Three months ended Jun. 30, 2020	Three months ended Mar. 31, 2020	Three months ended Dec. 31, 2019
Average production					
Natural gas (mcf/d)	26,181	30,998	27,630	30,604	32,641
Oil (bbl/d)	1,103	1,247	867	1,134	1,834
NGLs (bbl/d)	997	1,372	819	1,088	1,018
Total (boe/d)	**6,463**	**7,785**	**6,291**	**7,323**	**8,292**
Total (boe)	**594,599**	**716,220**	**572,440**	**666,361**	**762,874**
Revenue ($000s)					
Natural gas	6,035	3,192	5,903	6,690	7,970
Oil	4,714	7,529	2,143	5,161	10,995
NGLs	2,022	1,450	959	2,296	1,931
Royalty revenue	69	346	36	197	102
Oil and natural gas revenue	**12,840**	**12,517**	**9,041**	**14,344**	**20,998**
Average realized prices					
Natural gas ($/mcf)	2.51	1.12	2.35	2.40	2.65
Oil ($/bbl)	46.46	65.64	27.18	50.02	65.16
NGLs ($/bbl)	22.05	11.49	12.87	23.19	20.62
Total realized price ($/boe)	21.48	16.99	15.73	21.23	27.39
Hedging gain (loss) ($/boe)	2.20	0.50	6.39	1.76	(1.86)
Total price including hedging ($/boe)	**23.68**	**17.49**	**22.12**	**22.99**	**25.53**

Average benchmark prices	Three months ended Sept. 30, 2020	Three months ended Sept. 30, 2019	Three months ended Jun. 30, 2020	Three months ended Mar. 31, 2020	Three months ended Dec. 31, 2019
Natural gas					
AECO 5A (C$/GJ)	2.02	0.87	1.89	1.93	2.35
AECO 7A (C$/GJ)	2.04	0.99	1.81	2.03	2.21
Crude oil					
Mixed Sweet Blend Edm (C$/bbl)	48.96	69.21	32.17	52.28	66.81
Natural gas liquids					
Propane Conway (US$/bbl)	19.78	15.56	14.54	15.40	19.78
Butane Edmonton (C$/bbl)	19.04	24.78	14.56	42.42	36.96
Foreign exchange					
US$/C$	0.74	0.76	0.74	0.74	0.76

FUNDS FLOW AND NET LOSS

Petrus generated funds flow of $7.6 million in the third quarter of 2020 compared to $4.4 million in the third quarter of 2019. The 71% increase is due to higher natural gas prices and lower operating costs. In the third quarter Petrus' total realized price was $21.48/boe compared to $16.99/boe in the third quarter of 2019.

Petrus reported a net loss of $3.7 million in the third quarter of 2020, compared to $29.6 million in the third quarter of 2019. The net loss in the third quarter of 2020 is primarily due to decreased production and lower oil prices primarily due to the ongoing COVID-19 pandemic.

On a nine month basis, the Company generated a net loss of $97.4 million for the nine months ended September 30, 2020 compared to a net loss of $38.8 million for the nine months ended September 30, 2019. The increase in net loss is due to the $98 million impairment charge booked during the first quarter of 2020.

($000s except per share)	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Funds flow	**7,551**	**4,427**	**19,974**	**24,365**
Funds flow per share - basic	0.15	0.09	0.40	0.49
Funds flow per share - fully diluted	0.15	0.09	0.40	0.49
Net loss	**(3,678)**	**(29,569)**	**(97,403)**	**(38,844)**
Net loss per share - basic	(0.07)	(0.60)	(1.97)	(0.79)
Net loss per share - fully diluted	(0.07)	(0.60)	(1.97)	(0.79)
Common shares outstanding (000s)				
Basic	49,469	49,469	49,469	49,469
Fully diluted	49,469	49,469	49,469	49,469
Weighted average shares outstanding (000s)				
Basic	49,469	49,469	49,469	49,472
Fully diluted	49,469	49,469	49,469	49,472

OIL AND NATURAL GAS REVENUE

Third quarter average production in 2020 was 6,463 boe/d (68% natural gas), 17% lower than the third quarter of 2019 (7,785 boe/d; 66% natural gas). Third quarter oil and natural gas revenue in 2020 was $12.8 million compared to $12.5 million in 2019. The 3% increase is due to higher natural gas prices partially offset by lower production.

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

Production Volume by Product (%)	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Natural gas	**68 %**	66 %	**70 %**	64 %
Crude oil and condensate	**17 %**	16 %	**15 %**	19 %
Natural gas liquids	**15 %**	18 %	**15 %**	17 %
Total commodity sales from production	**100 %**	**100 %**	**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 September 30, 2020	Three months ended September 30, 2019	% Change	Nine months ended September 30, 2020	Nine months ended September 30, 2019	% Change
Natural gas	**6,035**	3,192	89 %	**18,628**	14,082	32 %
Crude oil and condensate	**4,714**	7,529	(37)%	**12,018**	26,820	(55)%
Natural gas liquids	**2,022**	1,450	39 %	**5,277**	8,986	(41)%
Royalty revenue	**69**	346	(80)%	**302**	512	(41)%
Total oil and natural gas revenue	**12,840**	**12,517**	**3 %**	**36,225**	**50,400**	**(28)%**

The following table provides the average benchmark and the Company's average realized commodity prices:

	Three months ended September 30, 2020	Three months ended September 30, 2019	% Change	Nine months ended September 30, 2020	Nine months ended September 30, 2019	% Change
Average benchmark prices						
Natural gas						
AECO 5A (C$/GJ)	**2.02**	0.86	135 %	**1.95**	1.44	35 %
AECO 7A (C$/GJ)	**2.04**	0.99	106 %	**1.96**	1.31	50 %
Crude oil						
Mixed Sweet Blend Edm (C$/bbl)	**48.96**	69.21	(29)%	**44.47**	69.78	(36)%
Natural gas liquids						
Propane Conway (US$/bbl)	**19.78**	15.56	27 %	**16.57**	20.52	(19)%
Butane Edmonton (C$/bbl)	**19.04**	24.78	(23)%	**25.34**	16.61	53 %
Average realized prices						
Natural gas ($/mcf)	**2.51**	1.12	124 %	**2.42**	1.62	49 %
Oil ($/bbl)	**46.46**	65.64	(29)%	**42.39**	63.69	(33)%
NGLs ($/bbl)	**22.05**	11.49	92 %	**19.90**	22.49	(12)%
Total average realized price	**21.48**	**16.99**	**26 %**	**19.59**	**21.99**	**(11)%**

Natural gas

Natural gas revenue for the nine months ended September 30, 2020 was $18.6 million which accounted for 52% of oil and natural gas revenue, compared to revenue of $14.1 million, which accounted for 28% in the prior year comparative period. The increase is due to 135% higher natural gas pricing (AECO 5A), partially offset by lower natural gas production.

Third quarter 2020 average realized natural gas price was $2.51/mcf, compared to $1.12/mcf in the third quarter of 2019 (124% increase). Due to low NGL pricing during the third quarter of 2020, Petrus modified the processing conditions at its gas plant in order to maximize profitability and received a premium in comparison to index prices due to the higher heat content of its natural gas.

Crude oil and condensate

Oil and condensate revenue for the nine months ended September 30, 2020 was $12.0 million, which accounted for approximately 33% of oil and natural gas revenue, compared to revenue of $26.8 million, which accounted for 54% in the prior year comparative period.

The average realized price of Petrus' light oil and condensate was $46.46/bbl for the third quarter of 2020 compared to $65.64/bbl in the third quarter of 2019. The decrease of 29% is attributable to the decrease in oil prices primarily due to the COVID-19 global pandemic.

Natural gas liquids (NGLs)

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. In the third quarter of 2020, the Company's realized NGL price averaged $22.05/bbl, compared to $11.49/bbl in the prior year. The 92% increase is attributed to higher contract prices for the NGL byproducts. Third quarter market pricing for propane at Conway increased 27% from the prior year. Petrus' butane production is priced as a function of WTI (oil) which also increased in the third quarter compared to the prior year.

Petrus' ownership and control of critical processing facilities enables the Company to respond and continually optimize its production revenue streams. To improve operating netback, during 2019, Petrus ceased sending certain natural gas for additional third party deepcut processing to extract additional NGLs. This resulted in lower NGL production volume, however, the heating value of natural gas sales increased and processing fees decreased. Petrus continues to monitor NGL market pricing and is able to modify its operations accordingly.

NGL revenue for the nine months ended September 30, 2020 was $5.3 million and accounted for 15% of oil and natural gas revenue, compared to revenue of $9.0 million accounting for 18% in the prior year comparative period. The decrease was due to lower NGL prices.

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 September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Crown	**498**	599	**1,340**	2,066
Percent of production revenue	**4 %**	5 %	**4 %**	4 %
Gross overriding	**747**	583	**2,671**	2,830
Total	**1,245**	**1,182**	**4,011**	**4,896**

Third quarter royalty expense of $1.2 million in 2020 was consistent with the prior year comparative period. On a nine month basis, total royalty expense (net of royalty allowances and incentives) decreased from $4.9 million in 2019 to $4.0 million in 2020. The decrease is due to lower oil prices and more favorable royalty rates.

Gross overriding royalties increased from $0.6 in the third quarter of 2019 to $0.7 million in the third quarter of 2020, due to higher natural gas and NGL pricing. Gross overriding royalties decreased from $2.8 million for the nine months ended September 30, 2019 to $2.7 million for the nine months ended September 30, 2020, due to decreased production and oil prices.

RISK MANAGEMENT

The Company utilizes financial derivative 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. 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 Gain (Loss) on Financial Derivatives ($000s)	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Realized hedging gain	**1,308**	360	**6,138**	73
Unrealized hedging gain (loss)	**(4,183)**	1,368	**1,170**	(7,605)
Net gain (loss) on derivatives	**(2,875)**	**1,728**	**7,308**	**(7,532)**

In the third quarter of 2020, the Company recognized a realized hedging gain of $1.3 million, compared to a $0.4 million gain in the third quarter of 2019. The realized gain was due to lower oil prices (relative to the respective contracts outstanding). The realized gain in the third quarter of 2020 increased the Company's total realized price by $2.20/boe, compared to a decrease of $0.50/boe in 2019. The Company recognized a realized hedging gain of $6.1 million during the nine months ended September 30, 2020, in comparison to the $0.1 million gain realized in the same period of the prior year. The realized gain is due to lower oil prices than active hedging contracts.

During the third quarter of 2020, the Company recognized an unrealized loss of $4.2 million whereas during the third quarter of 2019 a $1.4 million unrealized gain was recorded. The unrealized loss recognized in the third quarter of 2020 is due to higher market natural gas prices than the prices on Petrus' hedge contracts.

The unrealized hedging gain of $1.2 million for the nine months ended September 30, 2020 (unrealized loss of $7.6 million for the nine months ended September 30, 2019) represents the change in the unrealized risk management net asset position during the first nine months of 2020. This change is a result of both the realization of hedging gains in the period, changes related to contracts entered into during the period as well as changes to commodity prices.

The Company's risk management contracts provide protection from significant changes in crude oil and natural gas commodity prices for 2020, 2021 and 2022. The Company endeavors to hedge approximately half of its forecast production for the following year. 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 September 30, 2020. The table below summarizes Petrus' average crude oil and natural gas hedged volumes. The average volume of oil hedged for the remainder of 2020 (750 bbl/d) represents 36% of third quarter 2020 average oil and natural gas liquids production. The 15,500 GJ/day average natural gas hedged for the remainder of 2020 represents 62% of third quarter 2020 average natural gas production.

The following table summarizes the average and minimum and maximum cap and floor prices for the 2020 to 2022 oil and natural gas contracts outstanding as at September 30, 2020:

	2020					2021					2022				
	Q1	Q2	Q3	Q4	Avg.[1]	Q1	Q2	Q3	Q4	Avg.[1]	Q1	Q2	Q3	Q4	Avg.[1]
Oil hedged (bbl/d)	1,450	1,150	950	750	**1,075**	500	300	300	300	**350**	—	—	—	—	—
Avg. WTI cap price ($C/bbl)	73.23	76.33	76.71	75.12	**75.16**	72.83	74.02	72.80	72.80	**73.07**	—	—	—	—	—
Avg. WTI floor price ($C/bbl)	73.23	76.33	76.71	75.12	**75.16**	72.83	74.02	72.80	72.80	**73.07**	—	—	—	—	—
Natural gas hedged (GJ/d)	15,500	15,167	15,022	15,500	**15,297**	15,000	11,000	9,000	5,667	**10,167**	4,000	—	—	—	**1,000**
Avg. AECO 7A cap price ($C/GJ)	1.76	1.58	1.61	1.91	**1.72**	2.05	1.98	1.84	2.27	**2.02**	2.48	—	—	—	**2.48**
Avg. AECO 7A floor price ($C/GJ)	1.76	1.58	1.61	1.91	**1.72**	2.05	1.98	1.84	2.27	**2.02**	2.48	—	—	—	**2.48**

[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 ($000s)	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Fixed and variable operating expense	**2,010**	2,456	**6,669**	7,860
Processing, gathering and compression charges	**631**	980	**1,983**	2,340
Total gross operating expense	**2,641**	**3,436**	**8,652**	**10,200**
Overhead recoveries	**(233)**	(255)	**(666)**	(734)
Total net operating expense	**2,408**	**3,181**	**7,986**	**9,466**
Operating expense, net ($/boe)	**4.05**	**4.44**	**4.36**	**4.17**

For the three months ended September 30, 2020, net operating expense totaled $2.4 million, a 24% decrease from $3.2 million during the prior year comparative period. The decrease is attributable to Petrus' improved operating cost structure and decreased activity related to well workover projects. On a per boe basis it was 9% lower at $4.05/boe in the third quarter of 2020 compared to $4.44/boe in 2019.

For the nine months ended September 30, 2020, net operating expense totaled $8.0 million, a 16% decrease from the $9.5 million incurred in the comparable period of the prior year. On a per boe basis, operating expense for the nine months ended September 30, 2020 was 5% higher at $4.36/boe in the third quarter of 2020 compared to $4.17/boe in 2019 due to lower production in 2020.

TRANSPORTATION EXPENSE

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

Transportation Expense ($000s)	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Transportation expense	**967**	893	**2,469**	2,823
Transportation expense ($/boe)	**1.63**	1.25	**1.35**	1.24

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 September 30, 2020 transportation expense was $1.0 million or $1.63/boe compared to $0.9 million or $1.25/boe in the prior year comparative period. The increase in total transportation expense is attributed to the pipeline firm transportation contract that began in the second quarter of 2020.

On a nine month basis, transportation expense totaled $2.5 million, or $1.35/boe for 2020, which is 13% lower and 9% higher, respectively, than the costs incurred ($2.8 million or $1.24/ boe) in the prior year comparative period. The decrease in total transportation expense is attributed to decreased tolls on midstream pipelines, decreased NGL volume transported by trucking and lower production.

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 ($000s)	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Personnel, consultants and directors	**569**	706	**1,989**	2,643
Administrative expenses	**335**	268	**802**	933
Regulatory and professional expenses	**33**	264	**792**	671
Gross general and administrative expense	**937**	**1,238**	**3,583**	**4,247**
Capitalized general and administrative expense	(214)	(336)	(739)	(1,067)
Overhead recoveries	(88)	(126)	(494)	(995)
General and administrative expense	**635**	**776**	**2,350**	**2,185**
General and administrative expense ($/boe)	**1.07**	**1.08**	**1.28**	**0.96**

G&A expense (net of capitalized G&A expense and overhead recoveries) for the third quarter of 2020 totaled $0.6 million or $1.07/boe, compared to $0.8 million or $1.08/boe in the third quarter of 2019. Gross G&A expense (before capitalized G&A expense and overhead recoveries) was 24% lower than the prior year ($0.9 million in the third quarter of 2020 compared to $1.2 million in the third quarter of 2019). G&A expense is lower due to lower staffing levels and the federal wage subsidy program.

For the nine months ended September 30, 2020, gross G&A expense was $3.6 million compared to $4.2 million in the prior year comparative period, which represents a 16% decrease. Third quarter G&A expense in 2020 was $2.4 million or $1.28/boe which is higher than the $2.2 million or $0.96/boe in the third quarter of 2019 (33% increase on a per boe basis due to 17% lower production).

The net increases are attributed to lower overhead recoveries while the gross G&A decreases are due to lower office rent expense and staffing costs as a result of lower staffing levels and the federal wage subsidy program.

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 September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Gross share-based compensation expense	**163**	113	**320**	404
Capitalized share-based compensation expense	**(19)**	(45)	**(82)**	(162)
Share-based compensation expense	**144**	**68**	**238**	**242**

Share-based compensation expense (net of capitalized portion) was $0.14 million for the third quarter of 2020, which is 111% higher than the $0.07 million recognized in the third quarter of the prior year.

For the nine months ended September 30, 2020, net share-based compensation expense was $0.24 million, which is consistent with 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 September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Interest expense	**1,286**	2,230	**5,205**	6,302
Deferred financing costs	**236**	117	**480**	374
Non-cash term loan interest payment-in-kind	**877**	—	**877**	—
Accretion on decommissioning obligations	**95**	189	**387**	601
Total finance expense	**2,494**	**2,536**	**6,949**	**7,277**

Third quarter total finance expense was $2.5 million in 2020, comprised of $0.1 million of non-cash accretion of its decommissioning obligations, $1.3 million of cash interest expense, $0.2 million of deferred financing fee amortization and $0.9 million of non-cash term loan interest payment-in-kind, all of which are related to the RCF and Term Loan (as such terms terms are defined below). In the third quarter of 2019, the Company incurred total finance expense of $2.5 million, comprised of $0.2 million in non-cash accretion of its decommissioning obligation, $2.2 million cash interest expense and $0.1 million of deferred financing fee amortization. The decrease in total finance expense from the prior year comparative period is due to a lower RCF balance outstanding.

The Company incurred total finance expense of $6.9 million for the nine months ended September 30, 2020, which is lower than the $7.3 million for the prior year comparative period. This is due to a lower RCF balance outstanding.

DEPLETION AND DEPRECIATION

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

Depletion and Depreciation Expense ($000s)	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Depletion and depreciation expense	**5,759**	8,895	**19,110**	27,829
Depletion and depreciation expense ($/boe)	**9.69**	12.42	**10.42**	12.27

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.

Petrus recorded depletion and depreciation expense in the third quarter of 2020 of $5.8 million or $9.69 per boe, compared to the third quarter of 2019, when $8.9 million or $12.42 per boe was recorded. For the nine months ended September 30, 2020, the Company recorded $19.1 million or $10.42 per boe, compared to $27.8 million or $12.27 per boe for the prior year. The decreases are due to lower production volume and the impairment charge recorded in the first quarter of 2020 that reduced the depreciation expense per boe.

IMPAIRMENT

The following table illustrates impairment losses recorded in the reporting periods:

Impairment ($000s)	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Impairment	—	24,655	**98,000**	24,655
Total	—	**24,655**	**98,000**	**24,655**

Petrus recognized an impairment loss of $98.0 million in the Ferrier CGU during the nine months ended September 30, 2020, compared to $24.7 million in the prior year comparative period. The impairment booked in the first quarter of 2020 was due to the significant decrease in forward benchmark commodity prices at March 31, 2020 compared to December 31, 2019. For more information, refer to notes 4 and 5 of the September 30, 2020 interim consolidated financial statements.

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 September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Weighted average common shares outstanding				
Basic	**49,469**	49,469	**49,469**	49,472
Fully diluted	**49,469**	49,469	**49,469**	49,472
Common shares outstanding				
Basic	**49,469**	49,469	**49,469**	49,469
Fully diluted	**49,469**	49,469	**49,469**	49,469
Stock options outstanding	**1,908**	2,343	**1,908**	2,343

At September 30, 2020, the Company had 49,469,358 common shares and 1,907,826 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 September 30, 2020, 1,673,164 DSUs were issued and outstanding (December 31, 2019 – 1,177,510). 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.

LIQUIDITY AND CAPITAL RESOURCES

Petrus has two debt instruments outstanding. The first is a reserve-based, senior secured revolving credit facility with a syndicate of lenders, which is comprised of an operating facility and a syndicated term-out facility (together, the "RCF"). The second is a subordinated secured term loan (the "Term Loan").

(a) Revolving Credit Facility

At September 30, 2020, the RCF was comprised of a $20 million operating facility and a $65.8 million syndicated term-out facility. The Company has provided collateral by way of a debenture over all of the present and after acquired property of the Company. The RCF's maturity date is May 31, 2021.

At September 30, 2020, the Company had a $0.6 million letter of credit outstanding against the RCF (December 31, 2019 – $0.7 million) and had drawn $80.3 million against the RCF (December 31, 2019 – $92.3 million).

In July 2020, the Company completed its annual RCF review. The borrowing base of the RCF was updated to $88.5 million, with a maturity date of May 31, 2021. The borrowing base of the RCF is required to reduce by $2.75 million at the end of each fiscal quarter. The RCF extension includes the removal of the Total Debt to Adjusted EBITDA ratio as well as the Proved and PDP Asset Coverage Ratios from the financial covenants, and the Working Capital ratio covenant has been updated to a minimum test of 0.6:1.0 (or such lower amount as agreed to by the majority of the lenders under the RCF which shall not be less than 0.5:1.0). As part of the RCF extension the Bankers Acceptance Stamping fees will range between 350 bps and 600 bps which will result in an increase in the RCF interest rate of between 150 bps and 250 bps.

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. In the event that the lenders reduce the borrowing base below the amount drawn at the time of redetermination, the Company has 30 days to eliminate any shortfall by repaying amounts in excess of the new re-determined borrowing base.

Subsequent to September 30, 2020, the lenders reconfirmed the Company's borrowing base at $85.8 million.

(b) Term Loan

At September 30, 2020 the Company had a $36 million (December 31, 2019 – $35 million) Term Loan outstanding (excluding $0.4 million of unamortized deferred financing costs), which is due July 31, 2021. The Company has provided collateral by way of a debenture over all of the present and after acquired property of the Company.

In July 2020, the Company extended the maturity of the Term Loan to July 31, 2021. The Term Loan bears interest that accrues at a per annum rate of the (three-month) Canadian Dealer Offered Rate plus 975 basis points. All of the interest will be made by way of payment-in-kind ("PIK") and added to the outstanding balance of the Term Loan in lieu of monthly payment of cash interest. The Term Loan extension also includes the removal of the Total Debt to EBITDA ratio as well as the Proved and PDP Asset Coverage Ratios from the financial covenants. The Working Capital ratio covenant has been updated to a minimum test of 0.6:1.0 (or such lower amount as agreed to by the lenders under the Term Loan which shall not be less than 0.5:1.0).

Liquidity

At September 30, 2020, the Company had a working capital deficiency (excluding non-cash risk management assets and liabilities) of $116.7 million due to the classification of the Company's borrowings under its RCF and Term Loan as current liabilities. See note 2 of the Company's September 30, 2020 interim consolidated financial statements. However, the Company remains in compliance with all financial covenants pertaining to its debt.

Financial Covenants

The Company's RCF and Term Loan are 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, 2019.

The key financial covenants as at September 30, 2020 are summarized in the following table. At September 30, 2020 the Company is in compliance with all financial covenants.

Financial Covenant Description	Required Ratio	As at September 30, 2020
Working Capital Ratio	Over 0.60	1.49

The following are the contractual maturities of financial liabilities as at September 30, 2020:

$000s	Total	< 1 year	1-5 years
Accounts payable and accrued liabilities	7,978	7,978	—
Risk management liability	2,494	1,872	622
Bank indebtedness and current portion of long term debt[1]	116,178	116,178	—
Lease obligations	1,248	262	986
Total	**127,898**	**126,290**	**1,608**

[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	**14,211**	**2,152**	**10,364**	**1,695**

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 September 30, 2020 interim consolidated financial statements.

SUMMARY OF QUARTERLY RESULTS

($000s unless otherwise noted)	Sept. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018
Average Production								
Natural gas (mcf/d)	26,181	27,630	30,604	32,641	30,998	32,350	32,145	30,480
Oil (bbl/d)	1,103	867	1,134	1,834	1,247	1,679	1,704	1,358
NGLs (bbl/d)	997	819	1,088	1,018	1,372	1,576	1,444	1,496
Total (boe/d)	**6,463**	**6,291**	**7,323**	**8,292**	**7,785**	**8,647**	**8,505**	**7,934**
Total (boe)	**594,599**	**572,440**	**666,361**	**762,874**	**716,220**	**786,819**	**765,488**	**730,819**
Financial Results								
Oil and natural gas revenue	12,840	9,041	14,344	20,998	12,517	17,652	20,231	16,064
Royalty expense	(1,245)	(867)	(1,899)	(2,218)	(1,182)	(1,355)	(2,359)	(2,436)
Net oil and natural gas revenue	**11,595**	**8,174**	**12,445**	**18,780**	**11,335**	**16,297**	**17,872**	**13,628**
Transportation expense	(967)	(799)	(703)	(991)	(893)	(959)	(971)	(855)
Operating expense	(2,408)	(2,543)	(3,035)	(3,407)	(3,181)	(3,405)	(2,880)	(3,851)
Operating netback	**8,220**	**4,832**	**8,707**	**14,382**	**7,261**	**11,933**	**14,021**	**8,922**
Realized gain (loss) on derivatives	1,308	3,656	1,174	(1,417)	360	(800)	513	(573)
Other income	23	99	48	7	21	78	—	268
General and administrative expense	(635)	(817)	(898)	(1,459)	(776)	(530)	(879)	(1,065)
Cash finance expense	(1,286)	(1,831)	(2,089)	(1,939)	(2,230)	(2,126)	(1,945)	(2,370)
Decommissioning expenditures	(79)	(84)	(376)	(314)	(209)	(189)	(137)	(152)
Corporate netback and funds flow	**7,551**	**5,855**	**6,566**	**9,260**	**4,427**	**8,366**	**11,573**	**5,030**
Oil and natural gas revenue	**12,840**	**9,041**	**14,344**	**20,998**	**12,517**	**17,652**	**20,231**	**16,064**
Per share - basic	0.26	0.18	0.29	0.42	0.25	0.36	0.41	0.32
Per share - fully diluted	0.26	0.18	0.29	0.42	0.25	0.36	0.41	0.32
Net income (loss)	**(3,678)**	**(6,281)**	**(87,444)**	**(3,176)**	**(29,569)**	**2,863**	**(12,138)**	**21,063**
Per share - basic	(0.07)	(0.13)	(1.77)	(0.06)	(0.60)	0.06	(0.25)	0.43
Per share - fully diluted	(0.07)	(0.13)	(1.77)	(0.06)	(0.60)	0.06	(0.25)	0.43
Common shares outstanding (000s)								
Basic	49,469	49,469	49,469	49,469	49,469	49,469	49,469	49,492
Fully diluted	49,469	49,469	49,469	49,469	49,469	49,469	49,469	49,492
Weighted average shares outstanding (000s)								
Basic	49,469	49,469	49,469	49,469	49,469	49,469	49,483	49,492
Fully diluted	49,469	49,469	49,469	49,469	49,469	49,469	49,483	49,492
Total assets	179,895	184,532	193,679	289,225	296,367	328,912	336,974	341,820
Net debt(1)	(116,717)	(120,570)	(125,974)	(123,744)	(128,553)	(130,619)	(136,382)	(139,214)

(1) Refer to "Non-GAAP Financial Measures".

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 price differentials and production levels. Petrus' average quarterly production decreased from 7,934 boe/d in the fourth quarter of 2018 to 6,463 boe/d in the third quarter of 2020. The 19% production decrease is attributable to Petrus' shift in focus to liquids production growth in order to maximize value in light of the current natural gas commodity price environment as well as certain development activity postponed to prioritize debt repayment.

Commodity price improvements enable higher reinvestment in exploration, development and acquisition activities as they increase the cash flows from operating activities. Commodity price reductions reduce revenues received and can challenge the economics of the Company's development program as the quantity of reserves may not be economically recoverable. Petrus' investment in its assets, and its ability to replace and grow reserve volumes, will be dependent on its ability to obtain debt and equity financing as well as the funds it receives from operations.

CRITICAL ACCOUNTING ESTIMATES

The timely preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and judgments made by management in the preparation of the financial statements are outlined below. 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, 2019.

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 nationally and internationally and the resulting financial effect is difficult to reliably estimate. The results 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.

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, 2019.

New standards and interpretations

The Company has not adopted any new standards and interpretations for the period ended September 30, 2020.

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 July 1, 2020 and ending on September 30, 2020 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 FINANCIAL MEASURES

This MD&A makes reference to the terms "operating netback", "funds flow and corporate netback" and "net debt". These indicators 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. Management uses these terms 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 at the oil and natural gas lease level. The most directly comparable

GAAP measure to operating netback is funds flow. Operating netback is calculated as oil and natural gas revenue less royalties, operating and transportation expenses. It is presented on an absolute value and per unit basis.

Funds Flow and 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 per unit basis. 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. It is calculated, in the following table, 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.

	Three months ended Sept. 30, 2020		Three months ended Sept. 30, 2019		Nine months ended September 30, 2020		Nine months ended September 30, 2019	
	$000s	**$/boe**	**$000s**	**$/boe**	**$000s**	**$/boe**	**$000s**	**$/boe**
Oil and natural gas revenue	12,840	21.59	12,517	17.47	36,225	19.76	50,400	22.22
Royalty expense	(1,245)	(2.09)	(1,182)	(1.65)	(4,011)	(2.19)	(4,896)	(2.16)
Net oil and natural gas revenue	**11,595**	**19.50**	**11,335**	**15.82**	**32,214**	**17.57**	**45,504**	**20.06**
Transportation expense	(967)	(1.63)	(893)	(1.25)	(2,469)	(1.35)	(2,823)	(1.24)
Operating expense	(2,408)	(4.05)	(3,181)	(4.44)	(7,986)	(4.36)	(9,466)	(4.17)
Operating netback	**8,220**	**13.82**	**7,261**	**10.13**	**21,759**	**11.86**	**33,215**	**14.65**
Realized gain (loss) on financial derivatives	1,308	2.20	360	0.50	6,138	3.35	73	0.03
Other income	23	0.04	21	0.03	170	0.09	99	0.04
General & administrative expense	(635)	(1.07)	(776)	(1.08)	(2,350)	(1.28)	(2,185)	(0.96)
Cash finance expense	(1,286)	(2.16)	(2,230)	(3.11)	(5,205)	(2.84)	(6,302)	(2.78)
Decommissioning expenditures	(79)	(0.13)	(209)	(0.29)	(538)	(0.29)	(535)	(0.24)
Funds flow and corporate netback	**7,551**	**12.70**	**4,427**	**6.18**	**19,974**	**10.89**	**24,365**	**10.74**

Net Debt

Net debt is a non-GAAP financial measure and is calculated as current assets (excluding unrealized financial derivative assets) less current liabilities (excluding unrealized financial derivative liabilities, right-of-use lease obligations, and deferred share unit liabilities) and long term debt. Petrus uses net debt as a key indicator of its leverage and strength of its balance sheet. There is no GAAP measure that is reasonably comparable to net debt.

($000s)	**As at September 30, 2020**	**As at December 31, 2019**
Adjusted current assets[1]	**7,030**	14,620
Less: adjusted current liabilities[1]	**(123,747)**	(138,364)
Net debt	**(116,717)**	**(123,744)**

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

OIL AND GAS DISCLOSURES

Our oil and gas reserves statement for the year ended December 31, 2019, which includes disclosure of our oil and natural gas reserves and other oil and natural gas information in accordance with NI 51-101, is contained in the AIF. The recovery and reserve estimates contained herein are estimates only and there is no guarantee that the estimated reserves will be recovered.

Management uses oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare Petrus' operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this MD&A, should not be relied upon for investment or other purposes.

While the references in this document to initial production rates are useful in confirming the presence of hydrocarbons, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Company. In all cases in this document, initial production results are not necessarily indicative of long-term performance of the relevant wells or of ultimate recovery of hydrocarbons.

ADVISORIES

Basis of Presentation

Financial data presented above has largely been derived from the Company's 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, 2019. The reporting and the measurement currency is the Canadian dollar. All financial information is expressed in Canadian dollars, unless otherwise stated.

Forward-Looking Statements

In particular, forward-looking statements included in this MD&A include, but are not limited to, statements with respect to: revenue outlook for Petrus for the remainder of 2020 and into 2021; Petrus having adequate liquidity to execute the Company's business plan over the coming year; the Company continuing its efforts to divest certain non-core assets and evaluate other sources of capital to improve its balance sheet; capital spending planned for the remainder of 2020; the Company's ability to adjust liquids content in the natural gas stream to maximize profitability of all products as well as adjust production rates quickly to respond to changing market conditions; planned debt repayments; the Company's continued pursuit programs announced by the Federal and Provincial Governments; the Company's ability to modify its operations; expectations regarding the adequacy of Petrus' liquidity and the funding of its financial liabilities; the impact of the current economic environment on Petrus; the performance characteristics of the Company's crude oil, NGL and natural gas properties; future prospects; the focus of and timing of capital expenditures; access to debt and equity markets; Petrus' future operating and financial results; capital investment programs; supply and demand for crude oil, NGL and natural gas; future royalty rates; drilling, development and completion plans and the results therefrom; and treatment under governmental regulatory regimes and tax laws.

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.

This MD&A contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Petrus' prospective results of operations including, without limitation, its revenue outlook for Petrus for the remainder of 2020 and into 2021, liquidity to execute the Company's business plan over the coming year and ability to repay debt, 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.

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	*barrel of oil equivalent*
mmboe	*thousand barrel of oil equivalent*
boe/d	*million 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	September 30, 2020	December 31, 2019
ASSETS		
Current		
Cash	67	256
Deposits and prepaid expenses	1,312	1,328
Accounts receivable *(note 14)*	5,651	13,036
Risk management asset *(note 9)*	1,639	—
Total current assets	**8,669**	**14,620**
Non-current		
Risk management asset *(note 9)*	284	11
Exploration and evaluation assets *(note 4)*	12,932	36,116
Property, plant and equipment *(note 5)*	158,010	238,478
	171,226	**274,605**
Total assets	**179,895**	**289,225**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current portion of long term debt *(note 6)*	115,769	127,002
Accounts payable and accrued liabilities *(note 14)*	7,978	11,362
Risk management liability *(note 9)*	1,872	1,679
Lease obligations *(note 7)*	188	136
Total current liabilities	**125,807**	**140,179**
Non-current liabilities		
Lease obligations *(note 7)*	870	1,013
Decommissioning obligation *(note 8)*	42,979	41,259
Risk management liability *(note 9)*	622	74
Total liabilities	**170,278**	**182,525**
Shareholders' equity		
Share capital *(note 10)*	430,119	430,119
Contributed surplus	9,432	9,112
Deficit	(429,934)	(332,531)
Total shareholders' equity	**9,617**	**106,700**
Total liabilities and shareholders' equity	**179,895**	**289,225**

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 LOSS AND COMPREHENSIVE LOSS (UNAUDITED)

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

	Three months ended Sept. 30, 2020	Three months ended Sept. 30, 2019	Nine months ended Sept. 30, 2020	Nine months ended Sept. 30, 2019
REVENUE				
Oil and natural gas revenue *(note 19)*	**12,840**	**12,517**	**36,225**	**50,400**
Royalty expense	(1,245)	(1,182)	(4,011)	(4,896)
Net oil and natural gas revenue	**11,595**	**11,335**	**32,214**	**45,504**
Other income	23	21	170	99
Net gain (loss) on financial derivatives *(note 9)*	(2,875)	1,728	7,308	(7,532)
	8,743	**13,084**	**39,692**	**38,071**
EXPENSES				
Operating *(note 12)*	2,408	3,181	7,986	9,466
Transportation	967	893	2,469	2,823
General and administrative *(note 13)*	635	776	2,350	2,185
Share-based compensation *(note 10)*	144	68	238	242
Finance *(note 16)*	2,494	2,536	6,949	7,277
Exploration and evaluation *(note 4)*	14	1,180	18	1,957
Depletion and depreciation *(note 5)*	5,759	8,895	19,110	27,829
Loss (gain) on sale of assets	—	469	(25)	481
Impairment *(notes 4 and 5)*	—	24,655	98,000	24,655
Total expenses	**12,421**	**42,653**	**137,095**	**76,915**
NET LOSS AND COMPREHENSIVE LOSS	**(3,678)**	**(29,569)**	**(97,403)**	**(38,844)**
Net loss per common share **Basic and diluted *(note 11)***	**(0.07)**	**(0.60)**	**(1.97)**	**(0.79)**

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, 2018	**430,119**	**8,384**	**(290,355)**	**148,148**
Net loss	—	—	(38,844)	(38,844)
Share-based compensation *(note 10)*	—	406	—	406
Balance, September 30, 2019	**430,119**	**8,790**	**(329,199)**	**109,710**
Balance, December 31, 2019	**430,119**	**9,112**	**(332,531)**	**106,700**
Net loss	—	—	(97,403)	(97,403)
Share-based compensation *(note 10)*	—	320	—	320
Balance, September 30, 2020	**430,119**	**9,432**	**(429,934)**	**9,617**

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 Sept. 30, 2020	Three months ended Sept. 30, 2019	Nine months ended Sept. 30, 2020	Nine months ended Sept. 30, 2019
OPERATING ACTIVITIES				
Net income loss	**(3,678)**	**(29,569)**	**(97,403)**	**(38,844)**
Adjust items not affecting cash:				
Share-based compensation *(note 10)*	144	68	238	242
Unrealized (gain) loss on financial derivatives (*note 9)*	4,183	(1,368)	(1,170)	7,605
Non-cash finance expenses *(note 16)*	331	306	867	975
Non-cash term loan interest payment-in-kind *(note 6)*	877	—	877	—
Depletion and depreciation *(note 5)*	5,759	8,895	19,110	27,829
Impairment *(notes 4 and 5)*	—	24,655	98,000	24,655
Exploration and evaluation expense *(note 4)*	14	1,180	18	1,957
Gain (loss) on sale of assets *(note 3)*	—	469	(25)	481
Decommissioning expenditures *(note 8)*	(79)	(209)	(538)	(535)
Funds flow	**7,551**	**4,427**	**19,974**	**24,365**
Change in operating non-cash working capital *(note 17)*	958	(3,301)	4,364	824
Cash flows from operating activities	**8,509**	**1,126**	**24,338**	**25,189**
FINANCING ACTIVITIES				
Repayment of revolving credit facility	(5,850)	500	(11,950)	(7,531)
Repayment of bank indebtedness	(186)	—	—	—
Repayment of lease liabilities *(note 7)*	(45)	(69)	(91)	(232)
Change in financing non-cash working capital *(note 17)*	(405)	(127)	(248)	(119)
Cash flows used in financing activities	**(6,486)**	**304**	**(12,289)**	**(7,882)**
INVESTING ACTIVITIES				
Exploration and evaluation asset dispositions (acquisition) *(note 5)*	—	651	—	651
Exploration and evaluation asset expenditures *(note 4)*	(54)	(102)	(185)	(284)
Petroleum and natural gas property expenditures *(note 5)*	(2,489)	(2,628)	(11,314)	(13,457)
Other capital expenditures	—	(4)	—	(15)
Change in investing non-cash working capital *(note 17)*	587	751	(739)	(3,695)
Cash flows used in investing activities	**(1,956)**	**(1,332)**	**(12,238)**	**(16,800)**
Increase (decrease) in cash	67	98	(189)	507
Cash, beginning of period	—	472	256	63
Cash, end of period	**67**	**570**	**67**	**570**
Cash interest paid *(note 16)*	1,286	2,230	5,205	6,302

See accompanying notes to the interim consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at and for the three and nine months ended September 30, 2020

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, Petrus Resources Corp. and Petrus Resources Inc.

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

These interim consolidated financial statements, for the three and nine months ended September 30, 2020 and prior year comparative period, were approved by the Company's Audit Committee and Board of Directors on November 10, 2020.

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 September 30, 2020, the Company's revolving credit facility ("RCF") and Term Loan was due on May 31, 2021 and July 31, 2021, respectively. The borrowings under the RCF and the Term Loan are classified as current liabilities in the September 30, 2020 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 $116.9 million as at September 30, 2020. For three months ended September 30, 2020, the Company generated funds flow of $7.6 million and reduced the amounts owing on its RCF by $5.9 million. The RCF syndicates of lenders had completed the semi-annual borrowing base review and reconfirmed the Company's borrowing base at $85.8 million.

The Company is actively engaging with the RCF syndicate of lenders and the Term Loan lender to extend the RCF and Term Loan. However, there can be no certainty as to the ability of the Company to successfully extend its RCF and Term Loan. There is a 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.

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, 2019 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, 2019. The condensed interim consolidated financial statements have been prepared following the same accounting policies as the financial statements for the year ended December 31, 2019. 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, 2019.

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.

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 results 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.

3. ACQUISITIONS AND DISPOSITIONS

Acquisition and disposal
During the nine months ended September 30, 2020, the Company disposed of certain exploration and evaluation assets for nominal consideration, in which the purchaser assumed $0.03 of decommissioning liabilities. The Company recorded a net loss of $0.03 million from this disposition.

4. EXPLORATION AND EVALUATION ASSETS

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

$000s	
Balance, December 31, 2018	**42,410**
Additions	18
Property acquisitions *(note 3)*	(1,177)
Exploration and evaluation expense	(2,004)
Capitalized G&A	376
Capitalized share-based compensation	32
Transfers to property, plant and equipment *(note 5)*	(453)
Impairment loss	(3,086)
Balance, December 31, 2019	**36,116**
Disposition *(note 3)*	(5)
Exploration and evaluation expense	(18)
Capitalized G&A	185
Capitalized share-based compensation *(note 10)*	21
Impairment	(23,000)
Transfers to property, plant and equipment *(note 5)*	(367)
Balance, September 30, 2020	**12,932**

During the three and nine months ended September 30, 2020, the Company capitalized $0.05 million and $0.19 million, respectively, of general and administrative expenses ("G&A") (three and nine months ended September 30, 2019 – $0.01 million and $0.3 million) and nil and $0.02 million, respectively, of non-cash share-based compensation directly attributable to exploration activities (three and nine months ended September 30, 2019 – Nil).

The Company did not identify any indicators of impairment in any of the Company's CGUs as at September 30, 2020.

For the three months ended March 31, 2020, as a result of the significant decrease in forward benchmark commodity prices during the quarter, the Company identified indicators of impairment and conducted an impairment test on all of the Company's Cash Generating Units ("CGUs"). For the Ferrier CGU, the Company recorded an impairment loss of $23.0 million on its E&E assets. No impairment was recorded for the Foothills and Central Alberta CGUs.

As at December 31, 2019, the book value of the Company's net assets was greater than its market capitalization. The Company considered this to be an indicator of impairment and performed an impairment test on all CGUs. The Company determined the fair value less costs of disposal for its two non-core CGUs based on interest expressed during the sales process for its Foothills and Central Alberta assets. The Company recorded an impairment loss of $3.1 million on its E&E assets in the Foothills and Central Alberta CGU during the year ended December 31, 2019. For the Ferrier CGU, no impairment charge was required.

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, 2018	**801,090**	**(525,250)**	**275,840**
Additions	16,550	—	16,550
Initial transition adjustment to right of use asset[1]	742	—	742
Increase in right of use asset[1]	709	—	709
Capitalized G&A	1,129	—	1,129
Capitalized share based compensation	97	—	97
Transfer from exploration and evaluation assets (note 4)	453	—	453
Depletion & depreciation	—	(36,564)	(36,564)
Increase in decommissioning expenses	1,091	—	1,091
Impairment provision	—	(21,569)	(21,569)
Balance, December 31, 2019	**821,861**	**(583,383)**	**238,478**
Additions	10,760	—	10,760
Capitalized G&A	554	—	554
Capitalized share-based compensation *(note 10)*	61	—	61
Transfers from exploration and evaluation assets *(note 4)*	367	—	367
Depletion & depreciation	—	(19,110)	(19,110)
Increase in decommissioning provision *(note 8)*	1,900	—	1,900
Impairment	—	(75,000)	(75,000)
Balance, September 30, 2020	**835,503**	**(677,493)**	**158,010**

[1] *Right of use asset pertains to corporate office lease.*

At September 30, 2020, estimated future development costs of $256.9 million (December 31, 2019 – $267.7 million) associated with the development of the Company's proved plus probable undeveloped reserves were included with the costs subject to depletion. During the three and nine months ended September 30, 2020, the Company capitalized $0.2 million and $0.6 million, respectively, of general and administrative expenses ("G&A") (three and nine months ended September 30, 2019 – $0.3 million and $0.8 million) and non-cash share-based compensation of $0.01 million and $0.06 million, respectively (three and nine months ended September 30, 2019 – $0.03 million and $0.1 million), directly attributable to development activities.

The Company did not identify any indicators of impairment in any of its CGUs as at September 30, 2020.

For the three months ended March 31, 2020, as a result of the significant decrease in forward benchmark commodity prices during the quarter, the Company identified indicators of impairment and conducted an impairment test on all of the Company's CGUs.

The Company recorded an impairment loss of $75.0 million on the Ferrier CGU PP&E assets during the three months ended March 31, 2020, as the carrying amounts exceeded its recoverable amount. The recoverable amount, a level 3 input on the fair value hierarchy, was estimated at fair value less costs of disposal based on proved plus probable reserves and applying an after-tax discount rate of 13.5% on the estimated future cash flow. The Company uses the following forward commodity price estimates:

Year	Canadian Light Sweet 40 API $/Bbl	AECO $/MMbtu
2020	24.29	1.43
2021	43.15	2.05
2022	58.67	2.33
2023	59.84	2.41
2024	61.04	2.48
2025	62.26	2.56
2026	63.50	2.64
2027	64.77	2.71
2028	66.07	2.80
2029	67.39	2.88
2030	68.74	2.96

Escalation rate of 2.0% thereafter.

No impairment was recorded for the Foothills and Central Alberta CGUs for the three months ended March 31, 2020.

As at December 31, 2019, the book value of the Company's net assets was greater than its market capitalization. The Company considered this to be an indicator of impairment and performed an impairment test of each of its CGUs. The Company determined the fair value less costs of disposal for its two non-core CGUs based on interest expressed during the sales process for its Foothills and Central Alberta assets. The Company recorded an impairment loss of $21.6 million on its PP&E assets in the Foothills and Central Alberta CGUs during the year ended December 31, 2019. For the Ferrier CGU, the recoverable amount exceeded the carrying value therefore no impairment was recorded. The recoverable amount, a level 3 input on the fair value hierarchy, was estimated at fair value less costs of disposal based on proved plus probable reserves and applying an after-tax discount rate ranging from 9% to 10% on the estimated future cash flow.

At September 30, 2020, the carrying balance of the right of use asset was $1.1 million.

6. DEBT

Petrus has two debt instruments outstanding. The first is a reserve-based, senior secured revolving credit facility with a syndicate of lenders, which is comprised of an operating facility and a syndicated term-out facility (together, the "Revolving Credit Facility" or "RCF"). The second is a subordinated secured term loan (the "Term Loan").

(a) Revolving Credit Facility

At September 30, 2020, the RCF was comprised of a $20 million operating facility and a $65.8 million syndicated term-out facility. The Company has provided collateral by way of a debenture over all of the present and after acquired property of the Company. The RCF's maturity date is May 31, 2021.

At September 30, 2020, the Company had a $0.6 million letter of credit outstanding against the RCF (December 31, 2019 – $0.7 million) and had drawn $80.3 million against the RCF (December 31, 2019 – $92.3 million).

In July 2020, the Company completed its annual RCF review. The borrowing base of the RCF was updated to $88.5 million, with a maturity date of May 31, 2021. The borrowing base of the RCF is required to reduce by $2.75 million at the end of each fiscal quarter. The RCF extension includes the removal of the Total Debt to Adjusted EBITDA ratio as well as the Proved and PDP Asset Coverage Ratios from the financial covenants, and the Working Capital ratio covenant has been updated to a minimum test of 0.6:1.0 (or such lower amount as agreed to by the majority of the lenders under the RCF which shall not be less than 0.5:1.0). As part of the RCF extension the Bankers Acceptance Stamping fees will range between 350 bps and 600 bps which will result in an increase in the RCF interest rate of between 150 bps and 250 bps.

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. In the event that the lenders reduce the borrowing base below the amount drawn at the time of redetermination, the Company has 30 days to eliminate any shortfall by repaying amounts in excess of the new re-determined borrowing base.

Subsequent to September 30, 2020, the lenders reconfirmed the Company's borrowing base at $85.8 million.

(b) Term Loan

At September 30, 2020 the Company had a $35.9 million (December 31, 2019 – $35 million) Term Loan outstanding (excluding $0.4 million of unamortized deferred financing costs), which is due July 31, 2021. The Company has provided collateral by way of a debenture over all of the present and after acquired property of the Company.

In July 2020, the Company extended the maturity of the Term Loan to July 31, 2021. The Term Loan bears interest that accrues at a per annum rate of the (three-month) Canadian Dealer Offered Rate plus 975 basis points. All of the interest will be made by way of payment-in-kind ("PIK") and added to the outstanding balance of the Term Loan in lieu of monthly payment of cash interest. The Term Loan extension also includes the removal of the Total Debt to EBITDA ratio as well as the Proved and PDP Asset Coverage Ratios from the financial covenants. The Working Capital ratio covenant has been updated to a minimum test of 0.6:1.0 (or such lower amount as agreed to by the lenders under the Term Loan which shall not be less than 0.5:1.0).

Liquidity

At September 30, 2020, the Company had a working capital deficiency (excluding non-cash risk management assets and liabilities) of $116.7 million due to the classification of the Company's borrowings under its RCF and Term Loan as current liabilities. See note 2. However, the Company remains in compliance with all financial covenants pertaining to its debt.

Financial Covenants

The Company's RCF and Term Loan are 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, 2019.

The key financial covenants as at September 30, 2020 are summarized in the following table. At September 30, 2020 the Company is in compliance with all financial covenants.

Financial Covenant Description	Required Ratio	As at September 30, 2020
Working Capital Ratio	Over 0.60	1.49

7. LEASES

The Company's lease obligations are as follows:

$000s	
Balance, December 31, 2019	**1,149**
Finance expense	63
Lease payments	(154)
Balance, September 30, 2020	**1,058**

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

$000s	As at September 30, 2020
Less than 1 year	262
1 to 3 years	824
4 to 5 years	162
After 5 years	—
Total lease payments	1,248
Amounts representing finance expense	(190)
Present value of lease obligation	1,058
Current portion of lease obligation	188
Non-current portion of lease obligation	870

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 1.00 percent and an inflation rate of 1.15 percent (1.76 percent and 1.75 percent, respectively at December 31, 2019). Changes in estimates in 2019 and 2020 are due to the changes in the risk free rate 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 $43.0 million as at September 30, 2020 ($41.3 million at December 31, 2019). The undiscounted, uninflated total future liability at September 30, 2020 is $41.5 million ($41.6 million at December 31, 2019). 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, 2018	**40,224**
Property dispositions	(24)
Liabilities incurred	729
Liabilities settled	(849)
Change in estimates	402
Accretion expense	777
Balance, December 31, 2019	**41,259**
Property dispositions	(29)
Liabilities incurred	321
Liabilities settled	(538)
Change in estimates	1,579
Accretion expense	387
Balance, September 30, 2020	**42,979**

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 financial derivative contracts Petrus had outstanding as at September 30, 2020:

Contract Period	Type	Total Daily Volume (GJ)	Average Price (CDN$/GJ)
Natural Gas Swaps			
Oct. 1, 2020 to Oct. 31, 2020	Fixed price	10,500	$1.65
Oct. 1, 2020 to Mar. 31, 2021	Fixed price	4,000	$1.48
Oct. 1, 2020 to May. 31, 2021	Fixed price	1,000	$2.43
Oct. 1, 2020 to Oct. 31, 2021	Fixed price	1,000	$1.53
Nov. 1, 2020 to May. 31, 2021	Fixed price	2,000	$2.79
Nov. 1, 2020 to Mar. 31, 2021	Fixed price	7,000	$2.18
Apr. 1, 2021 to Oct. 31, 2021	Fixed price	8,000	$1.88
Nov. 1, 2021 to Mar. 31, 2022	Fixed price	4,000	$2.48

Contract Period	Type	Total Daily Volume (Bbl)	Average Price (CDN$/Bbl)
Crude Oil Swaps			
Oct. 1, 2020 to Dec. 31, 2020	Fixed price	750	$75.12
Jan. 1, 2021 to Mar. 31, 2021	Fixed price	200	$71.06
Jan. 1, 2021 to Jun. 30, 2021	Fixed price	300	$74.02
Jul. 1, 2021 to Dec. 31, 2021	Fixed price	300	$72.80

Contract Period	Type	Average Rate (%)	Notional Amount (000s CDN$)
Interest Rate Swaps			
Oct. 1, 2020 to Dec. 31, 2022	Fixed rate	2.34	$20,000

Risk management asset and liability:

$000s At September 30, 2020	Asset	Liability
Current derivatives	1,639	1,872
Non-current derivatives	284	622
	1,923	**2,494**
$000s At December 31, 2019		
Current derivatives	—	1,679
Non-current derivatives	11	74
	11	**1,753**

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

$000s	Three months ended Sept. 30, 2020	Three months ended Sept. 30, 2019	Nine months ended Sept. 30, 2020	Nine months ended Sept. 30, 2019
Realized gain on financial derivatives	1,308	360	6,138	73
Unrealized gain (loss) on financial derivatives	(4,183)	1,368	1,170	(7,605)
Net gain (loss) on financial derivatives	**(2,875)**	**1,728**	**7,308**	**(7,532)**

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, 2018	**49,491,840**	**430,119**
Cancelled[1]	(22,482)	—
Balance, December 31, 2019 and September 30, 2020	**49,469,358**	**430,119**

[1] On February 4, 2019, 22,482 shares were cancelled pursuant to the Arrangement Agreement between Phoscan Chemical Corp. and Petrus Resources Ltd (and the 3 year sunset clause therein).

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 September 30, 2020, 1,907,826 (December 31, 2019 – 2,361,958) stock options were outstanding. The summary of stock option activity is presented below:

	Number of stock options	Weighted average exercise price
Balance, December 31, 2018	**3,082,880**	**$2.87**
Granted	1,386,357	$0.33
Cancelled/forfeited	(707,069)	$1.74
Expired	(1,400,210)	$4.20
Balance, December 31, 2019	**2,361,958**	**$1.19**
Granted	748,179	$0.23
Forfeited	(353,320)	$1.06
Expired	(848,991)	$2.16
Balance, September 30, 2020	**1,907,826**	**$0.43**
Exercisable, September 30, 2020	**—**	**$0.00**

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)
$0.26 - $0.86	1,757,826	$0.31	2.43
$1.49 - $2.33	150,000	$1.92	0.56
	1,907,826	**$0.33**	**2.16**

During the three and nine months ended September 30, 2020 and the year ended December 31, 2019, the Company granted options which vest equally over three (3) years, and upon vesting, expire 30 business days thereafter. The weighted average fair value of each option granted during the nine months ended September 30, 2020 of $0.11 (2019 – $0.11) was estimated on the date of grant using the Black-Scholes pricing model with the following weighted average assumptions:

	2020	2019
Risk free interest rate	0.20% - 0.29%	1.57% - 1.83%
Expected life (years)	1.08 - 3.08	1.08 - 3.08
Estimated volatility of underlying common shares (%)	124%	73% - 81%
Estimated forfeiture rate	20 %	20 %
Expected dividend yield (%)	0 %	0 %

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 using the fair value method based on the trading price of the Company's shares on the grant date. At September 30, 2020, 1,673,164 DSUs were issued and outstanding (December 2019 – 1,177,510).

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

$000s	**Three months ended Sept. 30, 2020**	**Three months ended Sept. 30, 2019**	**Nine months ended Sept. 30, 2020**	**Nine months ended Sept. 30, 2019**
Expensed	144	68	238	242
Capitalized to exploration and evaluation assets	4	12	21	41
Capitalized to property, plant and equipment	15	34	61	123
Total share-based compensation	**163**	**114**	**320**	**406**

11. LOSS PER SHARE

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

	Three months ended Sept. 30, 2020	**Three months ended Sept. 30, 2019**	**Nine months ended Sept. 30, 2020**	**Nine months ended Sept. 30, 2019**
Net loss for the period ($000s)	**(3,678)**	**(29,569)**	**(97,403)**	**(38,844)**
Weighted average number of common shares – basic (000s)	49,469	49,469	49,469	49,472
Weighted average number of common shares – diluted (000s)	49,469	49,469	49,469	49,472
Net loss per common share – basic	**($0.07)**	**($0.60)**	**($1.97)**	**($0.79)**
Net loss per common share – diluted	**($0.07)**	**($0.60)**	**($1.97)**	**($0.79)**

In computing diluted loss per share for the three and nine months ended September 30, 2020, 1,907,826 outstanding stock options and 1,673,164 DSUs were considered (December 31, 2019 – 2,361,958 and 1,177,510 respectively), which were excluded from the calculation as their impact was anti-dilutive.

12. OPERATING EXPENSES

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

$000s	Three months ended Sept. 30, 2020	Three months ended Sept. 30, 2019	Nine months ended Sept. 30, 2020	Nine months ended Sept. 30, 2019
Fixed and variable operating expenses	2,010	2,456	6,669	7,860
Processing, gathering and compression charges	631	980	1,983	2,340
Total gross operating expenses	**2,641**	**3,436**	**8,652**	**10,200**
Overhead recoveries	(233)	(255)	(666)	(734)
Total net operating expenses	**2,408**	**3,181**	**7,986**	**9,466**

13. GENERAL AND ADMINISTRATIVE EXPENSES

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

$000s	Three months ended Sept. 30, 2020	Three months ended Sept. 30, 2019	Nine months ended Sept. 30, 2020	Nine months ended Sept. 30, 2019
Gross general and administrative expense	937	1,238	3,583	4,247
Capitalized general and administrative expense	(214)	(336)	(739)	(1,067)
Overhead recoveries	(88)	(126)	(494)	(995)
General and administrative expense	**635**	**776**	**2,350**	**2,185**

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 $5.7 million of accounts receivable outstanding at September 30, 2020 (December 31, 2019 – $13.0 million), $3.1 million is owed from 3 parties (December 31, 2019 – $5.7 million from 3 parties), and the balances were received subsequent to September 30, 2020. The Company considers accounts receivable outstanding past 120 days to be 'past due'. At September 30, 2020, the Company had an allowance for doubtful accounts of $0.4 million (December 31, 2019 – $0.4 million). At September 30, 2020, 90% of Petrus' accounts receivable were aged less than 120 days and 10% 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 September 30, 2020, the Company had a $86 million RCF, on which $80.3 million was drawn (December 31, 2019 – $97.0 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 next scheduled borrowing base redetermination date for the RCF is on or before May 31, 2021. See additional discussion in note 6.

The following are the contractual maturities of financial liabilities as at September 30, 2020:

$000s	Total	< 1 year	1-5 years
Accounts payable and accrued liabilities	7,978	7,978	—
Risk management liability	2,494	1,872	622
Bank indebtedness and current portion of long term debt[(1)]	116,178	116,178	—
Lease obligations	1,248	262	986
Total	**127,898**	**126,290**	**1,608**

[(1)] Excludes deferred finance fees.

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. To manage exposure to interest rate volatility, the Company entered into interest rate swap contracts (note 9). A 1% increase in the Canadian prime interest rate during the three and nine months ended September 30, 2020 would have increased net loss by approximately $1.0 million per year, which relates to interest expense on the average outstanding RCF and Term Loan, net of any interest rate swaps to fix the interest rate on loans, during the period assuming that all other variables remain constant (September 30, 2019 – $1.0 million). A 1% decrease in the Canadian prime interest rate during the year would result in an opposite impact on net loss.

Commodity Price Risk

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

The Company manages the risks associated with changes in commodity prices by entering into a variety of financial derivative contracts (see note 9). The Company assesses the effects of movement in commodity prices on net loss. When assessing the potential impact of these commodity price changes, the Company believes a $5/CDN WTI/bbl change in the price of oil and a $0.25/GJ change in the price of natural gas are reasonable measures.

As at September 30, 2020, it was estimated that a $0.25/GJ decrease in the price of natural gas would have decreased net loss by $1.4 million (September 30, 2019 – $1.7 million). An opposite change in commodity prices would result in an opposite impact on net loss. As at September 30, 2020, it was estimated that a $5.00/CDN WTI/bbl decrease in the price of oil would have decreased net loss by $0.9 million (September 30, 2019 – $3.4 million). An opposite change in commodity prices would result in an opposite impact on net loss.

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 Sept. 30, 2020	Three months ended Sept. 30, 2019	Nine months ended Sept. 30, 2020	Nine months ended Sept. 30, 2019
Cash:				
Total cash finance expenses	1,286	2,230	5,205	6,302
Non-cash:				
Deferred financing costs	236	117	480	374
Non-cash term loan interest payment-in-kind	877	—	877	—
Accretion on decommissioning obligations *(note 8)*	95	189	387	601
Total non-cash finance expenses	1,208	306	1,744	975
Total finance expenses	**2,494**	**2,536**	**6,949**	**7,277**

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 Sept. 30, 2020	Three months ended Sept. 30, 2019	Nine months ended Sept. 30, 2020	Nine months ended Sept. 30, 2019
Source (use) in non-cash working capital:				
Deposits and prepaid expenses	42	(79)	16	(215)
Transaction costs on debt	(559)	(129)	(638)	(119)
Accounts receivable	281	2,000	7,385	4,998
Accounts payable and accrued liabilities	1,378	(4,471)	(3,386)	(7,655)
	1,142	**(2,679)**	**3,377**	**(2,991)**
Operating activities	958	(3,301)	4,364	824
Financing activities	(405)	(127)	(248)	(119)
Investing activities	587	751	(739)	(3,695)

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, 2019	**—**	**92,250**	**34,752**	**127,002**
Cash flows	—	(11,950)	—	(11,950)
Payment-in-kind	—	—	877	877
Non-cash changes	—	(160)	—	(160)
Balance, September 30, 2020	**—**	**80,140**	**35,629**	**115,769**

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	14,211	2,152	10,364	1,695

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 Sept. 30, 2020	Three months ended Sept. 30, 2019	Nine months ended Sept. 30, 2020	Nine months ended Sept. 30, 2019
Production Revenue				
Oil and condensate sales	4,714	7,529	12,018	26,820
Natural gas sales	6,035	3,192	18,628	14,082
Natural gas liquids sales	2,022	1,450	5,277	8,986
Total oil and natural gas production revenue	**12,771**	**12,171**	**35,923**	**49,888**
Royalty revenue	69	346	302	512
Total oil and natural gas revenue	**12,840**	**12,517**	**36,225**	**50,400**

CORPORATE INFORMATION

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