THIRD QUARTER REPORT

For the three and nine months ended September 30, 2023

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, 2023.

Q3 2023 HIGHLIGHTS:

- **Production up 49% –** Production was up 49% from 6,639 boe/d[1] in the third quarter of 2022 to 9,880 boe/d in the third quarter of 2023 as a result of the new wells brought on production in late 2022 and 2023. Consistent with its 2023 revised budget guidance, Petrus has maintained relatively flat production year to date, averaging 10,580 boe/d[1].

- **Operating expense down 21% –** Operating expense was $6.70/boe in the third quarter of 2023, a decrease of 21% from $8.47/boe in the third quarter of 2022. The decrease per boe is due to Petrus' strategic advantage in owning and operating infrastructure.

- **Funds flow 18% higher –** Petrus generated funds flow[2] of $16.2 million ($0.13 per share[3]) for the third quarter of 2023, 18% higher than funds flow of $13.8 million ($0.11 per share) during the third quarter of 2022. The increase is mainly due to higher production and was achieved despite significantly lower commodity prices.

- **Net debt[2] down 12% –** Net debt was $42.6 million at September 30, 2023, 12% lower than $48.5 million at the end of the third quarter of 2022. The net debt to annualized funds flow ratio[3] was 0.7x, well below the target of less than 1.0x.

- **Commodity prices stabilize QoQ –** Realized price per boe remained relatively flat quarter-over-quarter (Q2 2023 to Q3 2023). Year-over-year, realized pricing decreased by 33% in the third quarter of 2023 ($31.05/boe) compared to the third quarter of 2022 ($46.62/boe).

2023 UPDATE[4]

Special & Regular Monthly Dividends

Due to the Company's impressive performance and the resulting free cash flow generated this year, Petrus declared its inaugural dividend, a special cash dividend of $0.03 per common share, on October 10, 2023. Petrus expects to continue to create sustainable long-term results that will generate considerable free cash flow. As a result, Petrus' Board of Directors has approved the implementation of a regular dividend of $0.01 per common share per month[4]. The initial regular monthly dividend is payable on January 31, 2024 to shareholders of record at the close of business on January 16, 2024. The dividend has been classified as an eligible dividend for the purpose of the Income Tax Act (Canada). These dividends serve as a tangible reward allowing Petrus' shareholders to realize the value created by the Company's continued success.

Share Buyback

During the third quarter of 2023, the Company initiated its normal course issuer bid ("NCIB") and purchased for cancellation 115,300 shares at an average price of $1.48 per share. Petrus believes that, at times, the prevailing share price does not reflect the underlying value of the common shares and the repurchase of its common shares for cancellation represents an attractive opportunity to enhance Petrus' shareholder value.

Capital Activity

Drilling resumed during the third quarter of 2023 up to the middle of October; a total of 8 (4.5 net) wells were drilled. The completion operations for these wells are scheduled for later in the fourth quarter to align with timing of the new North Ferrier pipeline coming into service. Construction on the North Ferrier infrastructure expansion project kicked off in early October and is expected to be completed in late November.

[1] Disclosure of production on a per boe basis consists of the constituent product types and their respective quantities. Refer to "BOE Presentation" and "Production and Product Type Information" for further details.
[2] Non-GAAP measure. Refer to "Non-GAAP and Other Financial Measures" in the Management's Discussion & Analysis attached hereto.
[3] Non-GAAP ratio. Refer to "Non-GAAP and Other Financial Measures" in the Management's Discussion & Analysis attached hereto.
[4] All future dividend payments are subject to the approval of Petrus' Board of Directors at the time of declaration. Refer to "Advisories - Forward-Looking Statements" in the Management's Discussion & Analysis attached hereto.

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, 2023. This MD&A is dated November 7, 2023 and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2022 and 2021 and the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2023 and 2022. The Company's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") which require publicly accountable enterprises to prepare their financial statements using International Financial Reporting Standards ("IFRS"). Readers are directed to the "Advisories" section at the end of this MD&A regarding forward-looking statements and boe presentation and to the section "Non-GAAP and Other Financial Measures" herein.

The principal undertaking of Petrus is the investment in energy assets. The operations of the Company consist of the acquisition, development, exploration and exploitation of these assets. The Company's head office is located at 2400, 240 - 4th Avenue SW, Calgary, Alberta, Canada. Additional information on Petrus, including the most recently filed Annual Information Form ("AIF"), are available under the Company's profile on SEDAR+ (the System for Electronic Document Analysis and Retrieval) at www.sedarplus.ca.

SELECTED FINANCIAL INFORMATION

OPERATIONS	Three months ended Sept. 30, 2023	Three months ended Sept. 30, 2022	Three months ended Jun. 30, 2023	Three months ended Mar. 31, 2023	Three months ended Dec. 31, 2022
Average Production					
Natural gas (mcf/d)	42,045	28,107	44,010	45,237	33,201
Oil (bbl/d)	1,316	957	1,670	2,192	2,458
NGLs (bbl/d)	1,556	997	1,486	1,654	1,121
Total (boe/d)	**9,880**	**6,639**	**10,492**	**11,385**	**9,113**
Total (boe)[1]	**908,985**	**610,722**	**954,738**	**1,024,645**	**838,375**
Light oil weighting	13 %	14 %	16 %	19 %	27 %
Realized Prices					
Natural gas ($/mcf)	2.81	5.02	2.64	3.78	6.04
Oil ($/bbl)	99.33	111.04	91.69	94.63	106.85
NGLs ($/bbl)	37.09	62.25	34.82	47.55	56.90
Total realized price ($/boe)	**31.05**	**46.62**	**30.59**	**40.16**	**57.81**
Royalty income	0.06	0.37	0.06	0.16	0.15
Royalty expense	(3.37)	(11.84)	(3.66)	(6.38)	(7.92)
Gain (loss) on risk management activities	—	(0.81)	0.03	1.45	(1.26)
Net oil and natural gas revenue ($/boe)	**27.74**	**34.34**	**27.02**	**35.39**	**48.78**
Operating expense	(6.70)	(8.47)	(5.83)	(7.26)	(6.86)
Transportation expense	(1.54)	(1.89)	(1.40)	(2.05)	(2.08)
Operating netback[2] ($/boe)	**19.50**	**23.98**	**19.79**	**26.08**	**39.84**
Realized gain on financial derivatives	1.21	1.00	3.56	1.77	2.89
Other cash income	0.04	0.05	0.04	0.16	0.22
General & administrative expense	(1.27)	(1.30)	(1.55)	(1.20)	(1.10)
Cash finance expense	(1.26)	(0.87)	(1.33)	(1.11)	(1.18)
Decommissioning expenditures	(0.34)	(0.29)	(0.58)	(0.13)	0.03
Funds flow & corporate netback[2] ($/boe)	**17.88**	**22.57**	**19.93**	**25.57**	**40.70**

FINANCIAL (000s except $ per share)	Three months ended Sept. 30, 2023	Three months ended Sept. 30, 2022	Three months ended Jun. 30, 2023	Three months ended Mar. 31, 2023	Three months ended Dec. 31, 2022
Oil and natural gas revenue	28,273	28,701	29,266	41,319	48,590
Net income (loss)	(11,293)	9,822	5,043	17,273	22,097
Net income (loss) per share					
Basic	(0.09)	0.08	0.04	0.14	0.18
Fully diluted	(0.09)	0.08	0.04	0.14	0.17
Funds flow[2]	16,243	13,789	19,040	26,216	34,117
Funds flow per share[2]					
Basic	0.13	0.11	0.15	0.21	0.28
Fully diluted	0.13	0.11	0.15	0.21	0.27
Capital expenditures	21,617	49,513	3,380	29,820	37,792
Acquisitions (dispositions)	—	16	(100)	—	—
Weighted average shares outstanding					
Basic	123,743	122,058	123,752	123,416	122,545
Fully diluted	123,743	126,822	127,040	127,358	127,600
As at period end					
Common shares outstanding					
Basic	123,867	122,197	123,849	123,239	123,239
Fully diluted	134,436	131,482	134,423	133,377	133,377
Total assets	380,100	356,050	383,231	403,276	381,057
Non-current liabilities	59,687	61,778	62,630	68,056	63,021
Net debt[2]	42,610	48,465	36,857	53,111	50,808

[1] Disclosure of production on a per boe basis consists of the constituent product types and their respective quantities. Refer to "BOE Presentation" for further details.

[2] Non-GAAP measure or non-GAAP ratio. Refer to "Non-GAAP and Other Financial Measures".

OPERATIONS UPDATE

Third quarter average production by area was as follows:

For the three months ended September 30, 2023	Ferrier	North Ferrier	Foothills	Central Alberta	Kakwa	Total
Natural gas (mcf/d)	31,545	3,281	2,068	5,033	118	42,045
Oil (bbl/d)	865	106	76	246	23	1,316
NGLs (bbl/d)	1,305	74	11	157	8	1,555
Total (boe/d)	**7,428**	**728**	**432**	**1,242**	**50**	**9,880**

Third quarter average production was 9,880 boe/d in 2023 compared to 6,639 boe/d in 2022. The 49% increase in production was mainly a result of Petrus' capital program during late 2022 and year to date 2023. In the third quarter of 2023, 4 (4.0 net) wells were completed and put on production.

Third quarter production was down from second quarter production of 10,492 boe/d due to a combination of natural decline and production shut-ins for offsetting completion activities.

CAPITAL EXPENDITURES

Total capital expenditures (excluding acquisitions and dispositions) were $21.6 million in the third quarter of 2023, compared to $49.5 million in the prior year comparative period. The majority of the capital spent in the third quarter of 2023 is related to the completion of the remaining wells drilled in the first quarter of 2023, and the drilling of 6 (3.4 net) wells that were spud during the quarter. Also included in third quarter capital were preliminary expenses related to the North Ferrier pipeline construction, connecting the North Ferrier wells to the Company's Ferrier gas plant. Construction has commenced and is expected to be completed in late November 2023.

The following table shows total capital expenditures (excluding acquisitions and dispositions) for the reporting periods indicated. All capital is presented before decommissioning obligations.

Capital Expenditures ($000s)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Drill and complete	17,058	44,171	41,768	49,880
Oil and gas equipment	4,200	3,138	11,277	6,932
Geological	—	—	545	—
Land and lease	—	1,419	217	1,468
Office	7	—	109	—
Capitalized general and administrative expense	352	785	898	1,233
Total capital expenditures	**21,617**	**49,513**	**54,814**	**59,513**
Gross (net) wells spud	**6 (3.4)**	**9 (8.4)**	**13 (10.4)**	**15 (10.3)**

During the first quarter of 2022, Petrus closed an acquisition in its core Ferrier area; included in this acquisition was approximately 425 boe/day of production and 5,120 net acres of undeveloped land. The acquisition was made for total consideration of 10 million shares ($15.2 million).

RESULTS OF OPERATIONS

FINANCIAL AND OPERATIONAL RESULTS OF OIL AND NATURAL GAS ACTIVITIES

	Three months ended Sept. 30, 2023	Three months ended Sept. 30, 2022	Three months ended Jun. 30, 2023	Three months ended Mar. 31, 2023	Three months ended Dec. 31, 2022
Average production					
Natural gas (mcf/d)	42,045	28,107	44,010	45,237	33,201
Oil (bbl/d)	1,316	957	1,670	2,192	2,458
NGLs (bbl/d)	1,556	997	1,486	1,654	1,121
Total (boe/d)	**9,880**	**6,639**	**10,492**	**11,385**	**9,113**
Total (boe)	**908,985**	**610,722**	**954,738**	**1,024,645**	**838,375**
Revenue ($000s)					
Natural gas	10,882	12,990	10,569	15,407	18,434
Oil	12,031	9,776	13,930	18,666	24,163
NGLs	5,308	5,708	4,710	7,077	5,869
Royalty revenue	52	227	57	169	124
Oil and natural gas revenue	**28,273**	**28,701**	**29,266**	**41,319**	**48,590**
Average realized prices					
Natural gas ($/mcf)	2.81	5.02	2.64	3.78	6.04
Oil ($/bbl)	99.33	111.04	91.69	94.63	106.85
NGLs ($/bbl)	37.09	62.25	34.82	47.55	56.90
Total realized price ($/boe)	**31.05**	**46.62**	**30.59**	**40.16**	**57.81**
Realized gain on financial derivatives	1.21	1.00	3.56	1.77	2.89
Gain (loss) on risk management	—	(0.81)	0.03	1.45	(1.26)
Total price including hedging ($/boe)	**32.26**	**46.81**	**34.18**	**43.38**	**59.44**

Average benchmark prices	Three months ended Sept. 30, 2023	Three months ended Sept. 30, 2022	Three months ended Jun. 30, 2023	Three months ended Mar. 31, 2023	Three months ended Dec. 31, 2022
Natural gas					
AECO 5A (C$/GJ)	2.46	3.95	2.32	3.05	4.85
AECO 7A (C$/GJ)	2.26	5.29	2.22	4.12	5.29
Crude oil and NGLs					
Mixed Sweet Blend Edm (C$/bbl)	107.47	115.94	95.07	99.87	108.14
WTI (US$/bbl)	82.26	91.56	73.78	76.13	82.65
Foreign exchange					
US$/C$	0.74	0.77	0.74	0.74	0.74

FUNDS FLOW AND NET INCOME (LOSS)

Petrus generated funds flow of $16.2 million in the third quarter of 2023 compared to $13.8 million in the third quarter of 2022. The 18% increase is due to the increase in production despite a decline in commodity prices, as well as lower royalty expenses. In the third quarter Petrus' total realized price (before realized hedging and risk management) was $31.05/boe compared to $46.62/boe in the third quarter of 2022.

Petrus reported a net loss of $11.3 million in the third quarter of 2023, compared to net income of $9.8 million in the third quarter of 2022. The net loss in the third quarter of 2023 is primarily due to the non-cash unrealized hedging loss of $15.9 million on the Company's financial derivative contracts. The unrealized hedging loss is a non-cash accounting mark-to-market adjustment due to the increase in the price of oil (WTI) and natural gas (AECO 7A) on September 30, 2023, as compared to June 30, 2023. Petrus also recognized lower royalty expenses in the third quarter of 2023 due to a decrease in royalty rates (specifically on new wells) and higher depletion and depreciation expense in the third quarter of 2023 ($11.1 million in comparison to $7.4 million in the third quarter of 2022) due to the capital activity during the second half of 2022 and year to date 2023.

($000s except per share)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Funds flow	**16,243**	**13,789**	**61,497**	**53,598**
Funds flow per share - basic	0.13	0.11	0.50	0.48
Funds flow per share - fully diluted	0.13	0.11	0.48	0.46
Net income (loss)	**(11,293)**	**9,822**	**11,023**	**38,771**
Net income (loss) per share - basic	(0.09)	0.08	0.09	0.34
Net income (loss) per share - fully diluted	(0.09)	0.08	0.09	0.33
Common shares outstanding (000s)				
Basic	123,867	122,197	123,867	122,197
Fully diluted	134,436	131,482	134,436	131,482
Weighted average shares outstanding (000s)				
Basic	123,743	122,058	123,740	112,710
Fully diluted	123,743	126,822	127,208	117,525

OIL AND NATURAL GAS SALES

Third quarter average production in 2023 was 9,880 boe/d (13% light oil), 49% higher than the third quarter of 2022 (6,639 boe/d; 14% light oil). Third quarter oil and natural gas sales in 2023 was $28.3 million compared to $28.7 million in 2022. The 1% decrease is due to significantly lower commodity prices, more than offsetting the higher 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, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Natural gas	71 %	71 %	69 %	69 %
Crude oil and condensate	16 %	14 %	16 %	16 %
Natural gas liquids	13 %	15 %	15 %	15 %
Total commodity sales from production	**100 %**	**100 %**	**100 %**	**100 %**

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

Average Production	Three months ended September 30, 2023	Three months ended September 30, 2022	% Change	Nine months ended September 30, 2023	Nine months ended September 30, 2022	% Change
Natural gas (mcf/d)	42,045	28,107	50 %	43,752	29,511	48 %
Oil (bbl/d)	1,316	957	38 %	1,723	1,092	58 %
NGLs (bbl/d)	1,556	997	56 %	1,565	1,085	44 %
Total (boe/d)	**9,880**	**6,639**	**49 %**	**10,581**	**7,096**	**49 %**

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

Oil and Natural Gas Sales ($000s)	Three months ended September 30, 2023	Three months ended September 30, 2022	% Change	Nine months ended September 30, 2023	Nine months ended September 30, 2022	% Change
Natural gas	10,882	12,990	(16)%	36,858	48,591	(24)%
Crude oil and condensate	12,031	9,776	23 %	44,627	35,185	27 %
Natural gas liquids	5,308	5,708	(7)%	17,095	19,398	(12)%
Royalty income	52	227	(77)%	278	586	(53)%
Total oil and natural gas sales	**28,273**	**28,701**	**(1)%**	**98,858**	**103,760**	**(5)%**

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

	Three months ended September 30, 2023	Three months ended September 30, 2022	% Change	Nine months ended September 30, 2023	Nine months ended September 30, 2022	% Change
Average benchmark prices						
Natural gas						
AECO 5A (C$/GJ)	2.46	3.95	(38)%	2.61	5.10	(49)%
AECO 7A (C$/GJ)	2.26	5.29	(57)%	2.87	5.20	(45)%
Crude oil and NGLs						
Mixed Sweet Blend Edm (C$/bbl)	107.47	115.94	(7)%	100.80	123.17	(18)%
WTI (US$/bbl)	82.26	91.56	(10)%	77.39	98.09	(21)%
Average realized prices						
Natural gas ($/mcf)	2.81	5.02	(44)%	3.09	6.03	(49)%
Oil ($/bbl)	99.33	111.04	(11)%	94.89	118.00	(20)%
NGLs ($/bbl)	37.09	62.25	(40)%	40.02	65.48	(39)%
Total average realized price	**31.05**	**46.62**	**(33)%**	**34.13**	**53.26**	**(36)%**

Natural gas

Natural gas revenue for the three months ended September 30, 2023 decreased by 16% to $10.9 million, compared to revenue of $13.0 million in the prior year comparative period. This decrease is due to lower natural gas prices. Natural gas accounted for 39% of total oil and gas revenue for the quarter, lower than the 46% in the third quarter of 2022. Third quarter 2023 average realized natural gas price was $2.81/mcf, compared to $5.02/mcf in the third quarter of 2022, a 44% decrease. The decrease in realized price is due to the significant decline in natural gas prices (AECO 5A 38% lower and AECO 7A 57% lower in the third quarter of 2023). Natural gas production of 42,045 mcf/d was up 50% over the prior year comparative period production of 28,107 mcf/d.

Crude oil and condensate

Oil and condensate revenue for the three months ended September 30, 2023 was up 23% to $12.0 million, compared to revenue of $9.8 million in the prior year comparative period; this increase is due to higher production, despite lower oil pricing. Oil and condensate accounted for 43% of total oil and gas revenue for the quarter. The average realized price of light oil and condensate was $99.33/bbl for the third quarter of 2023 compared to $111.04/bbl in the third quarter of 2022, a decrease of 11%. Oil and condensate production of 1,316 bbl/d was up 38% over the prior year comparative period production of 957 bbl/d.

Natural gas liquids (NGLs)

NGL revenue for the three months ended September 30, 2023 was down 7% to $5.3 million, compared to revenue of $5.7 million in the prior year comparative period. The decrease is primarily due to lower pricing. NGLs accounted for 19% of total oil and natural gas revenue for the quarter, down from 20% in the third quarter of 2022. In the third quarter of 2023, the Company's realized blended NGL price averaged $37.09/bbl, compared to $62.25/bbl in the prior year comparative period. NGL production was up 56% in the third quarter of 2023; 1,556 bbl/d, in comparison to 997 bbl/d in the prior year comparative period.

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

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, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Crown	1,507	5,330	7,625	11,269
Percent of production revenue	5 %	19 %	8 %	11 %
Gross overriding	1,555	1,898	5,463	6,255
Total	**3,062**	**7,228**	**13,088**	**17,524**

Third quarter royalty expense decreased from $7.2 million in 2022 to $3.1 million in 2023. On a nine month basis, total royalty expense (net of royalty allowances and incentives) decreased from $17.5 million in 2022 to $13.1 million in 2023. The Crown royalties have decreased for each comparative period mainly as a result of lower pricing and royalty rates and a higher than anticipated 2022 gas cost allowance recorded in the second quarter of 2023.

Gross overriding royalties decreased from $1.9 million in the third quarter of 2022 to $1.6 million in the third quarter of 2023 also due to lower pricing, despite increased production. For the nine months ended September 30, 2023, gross overriding royalties decreased from $6.3 million in 2022 to $5.5 million in 2023.

RISK MANAGEMENT

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

The impact of the contracts that were settled during the reporting periods are actual cash settlements and are recorded as realized hedging gains (losses) for financial derivatives and premium (loss) on risk management activities for physical commodity contracts. The unrealized hedging gain (loss) is a non-cash accounting adjustment recorded to demonstrate the change in fair value of the outstanding financial derivative 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 financial derivative contracts for the periods shown:

Net Gain (Loss) on Financial Derivatives ($000s)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Realized hedging gain (loss)	1,102	610	6,314	(4,022)
Unrealized hedging gain (loss)	(15,864)	4,014	(10,295)	9,568
Net gain (loss) on financial derivatives	**(14,762)**	**4,624**	**(3,981)**	**5,546**

For the third quarter of 2023, the Company recognized a realized hedging gain of $1.1 million compared to a realized hedging gain of $0.6 million in the third quarter of 2022. For the nine months ended September 30, 2023, the Company recognized a realized hedging gain of $6.3 million in comparison to a loss of $4.0 million in 2022. The realized gains are due to the decline in average commodity prices (relative to the respective contracts that settled during the quarter). The realized gain in the third quarter of 2023 increased the Company's corporate netback by $1.21/boe.

During the third quarter of 2023, the Company recognized an unrealized hedging loss of $15.9 million in comparison to an unrealized gain of $4.0 million in the third quarter of 2022. The unrealized hedging loss in the third quarter of 2023 is due to the decrease in fair value of the outstanding financial derivative contracts from June 30, 2023 to September 30, 2023 for financial statement purposes.

The table below shows the net gain (loss) on risk management activities related to physical commodity contracts for the periods shown:

Net Gain (Loss) on Risk Management Activities ($000s)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Gain (loss) on physical commodity contracts	—	(497)	1,522	(4,973)
Net gain (loss) on risk management activities	**—**	**(497)**	**1,522**	**(4,973)**

During the third quarter of 2023 the Company recorded no gain or loss on risk management activities. The Company recorded a loss of $0.50 million or $0.81/boe in the third quarter of 2022 related to the settlement of its physical commodity contracts. For the nine months ended September 30, 2023, the Company recorded a gain of $1.5 million or $0.53/boe in comparison to a loss of $5.0 million or $2.57/boe in the prior year comparative period. As of March 31, 2023, all physical commodity contracts had matured and settled and the Company does not anticipate entering any new physical commodity contracts going forward.

The Company’s risk management contracts provide protection from significant changes in crude oil and natural gas commodity prices for 2023, 2024 and 2025. The Company endeavors to hedge approximately half of its forecasted production for up to 12 months forward, and approximately 10% to 25% of its forecasted production for 12 to 24 months forward. The Company's hedging strategy is intended to provide stability and sustainability to the Company's economic returns, funds flow and capital development plan. A summary of Petrus’ risk management contracts as at September 30, 2023 is included in note 9 of the Company’s interim condensed consolidated financial statements as at and for the three and nine months ended September 30, 2023.

The table below summarizes Petrus’ quarterly average crude oil and natural gas hedged volumes and average prices through financial derivative contracts as at the date of this MD&A:

	2023			2024					2025				
	Q3	Q4	Avg.[1]	Q1	Q2	Q3	Q4	Avg.[1]	Q1	Q2	Q3	Q4	Avg.[1]
Oil hedged (bbl/d)	1,900	1,900	**1,900**	2,000	1,700	1,000	1,000	**1,425**	700	500	100	—	**325**
Avg. WTI price ($C/bbl)	103.76	103.58	**103.67**	96.19	96.35	95.25	95.39	**95.93**	93.78	93.38	95.25	—	**93.74**
Natural gas hedged (GJ/d)	18,500	19,500	**19,000**	20,000	14,000	14,000	10,667	**14,667**	9,000	6,000	6,000	2,000	**5,750**
Avg. AECO 7A price ($C/GJ)	3.75	4.01	**3.88**	4.14	2.82	2.82	3.43	**3.38**	3.73	3.14	3.14	3.14	**3.37**

[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 ($000s)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Fixed and variable operating expense	5,256	4,203	16,569	11,782
Processing, gathering and compression charges	1,196	1,271	3,611	3,974
Total gross operating expense	**6,452**	**5,474**	**20,180**	**15,756**
Overhead recoveries	(366)	(303)	(1,094)	(844)
Total net operating expense	**6,086**	**5,171**	**19,086**	**14,912**
Operating expense, net ($/boe)	**6.70**	**8.47**	**6.61**	**7.70**

For the three months ended September 30, 2023, net operating expense totaled $6.1 million, a 17% increase from $5.2 million during the prior year comparative period. The increase in total net operating expense is due to 49% higher production. On a per boe basis, net operating expense was 21% lower at $6.70/boe in the third quarter of 2023 compared to $8.47/boe in the third quarter of2022.

For the nine months ended September 30, 2023, net operating expense totaled $19.1 million, a 28% increase from the prior year comparative period ($14.9 million). The increase in total net operating expense is due to 49% higher production. On a per boe basis, net operating expense was 14% lower at $6.61/boe in the nine months ended September 30, 2023 compared to $7.70/boe in 2022.

The decrease in operating expense per boe, for both periods, is mainly due to higher production and utilizing more of the existing capacity at the Company's Ferrier gas processing plant.

TRANSPORTATION EXPENSE

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

Transportation Expense ($000s)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Transportation expense	1,401	1,155	4,844	4,029
Transportation expense ($/boe)	1.54	1.89	1.68	2.08

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, 2023, transportation expense was $1.4 million or $1.54/boe compared to $1.2 million or $1.89/boe in the prior year comparative period.

For the nine months ended September 30, 2023, transportation expense was $4.8 million or $1.68/boe compared to $4.0 million or $2.08 / boe in the prior year comparative period. The increase in total transportation expense is due to higher production. On a per boe basis, transportation expense is lower due to a higher percentage of liquids produced, which have lower transportation costs, the utilization of a higher percentage of contracted firm service, and lower fuel gas charges.

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 ($000s)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Personnel, consultants and directors	847	777	2,652	2,354
Administrative expenses	511	569	1,477	1,326
Regulatory and professional expenses	135	159	879	655
Gross general and administrative expense	**1,493**	**1,505**	**5,008**	**4,335**
Capitalized general and administrative expense	(240)	(238)	(745)	(672)
Overhead recoveries	(95)	(474)	(399)	(1,200)
General and administrative expense	**1,158**	**793**	**3,864**	**2,463**
General and administrative expense ($/boe)	**1.27**	**1.30**	**1.34**	**1.27**

For the three months ended September 30, 2023, gross G&A expense (before capitalization and overhead recoveries) was $1.5 million consistent with the $1.5 million in the prior year comparative period. Third quarter G&A expense (net) in 2023 was $1.2 million compared to $0.8 million in the prior year comparative period due to the reduced overhead recoveries.

For the nine months ended September 30, 2023, gross G&A expense (before capitalization and overhead recoveries) was $5.0 million compared to $4.3 million in the prior year comparative period. Net G&A expense on a nine month basis was $3.9 million or $1.34/boe, an increase from the $2.5 million or $1.27/boe in the first nine months of 2022. The net G&A increase is attributed to lower overhead recoveries (due to lower rates on Petrus operated wells). In addition, personnel expense was higher during the three and nine months ended September 30, 2023 as the Company has added more staff to support its increased capital activity.

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, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Gross share-based compensation expense	702	521	2,080	1,016
Capitalized share-based compensation expense	(211)	(156)	(624)	(305)
Share-based compensation expense	**491**	**365**	**1,456**	**711**

For the three months ended September 30, 2023, net share-based compensation expense was $0.49 million compared to $0.37 million in the prior year comparative period. For the nine months ended September 30, 2023, net share based compensation expense was $1.46

million, compared to $0.71 million in 2022. The increases are due to the increased number of stock options outstanding and the higher share price at grant date.

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, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Interest expense	1,015	290	3,089	1,366
Finance fees	132	239	467	816
Foreign exchange	—	1	—	3
Deferred financing costs	60	142	309	293
Accretion on decommissioning obligations	299	306	956	757
Total finance expense	**1,506**	**978**	**4,821**	**3,235**

Third quarter total finance expense was $1.5 million in 2023, comprised of $0.3 million of non-cash accretion of its decommissioning obligations, $1.0 million of cash interest expense, $0.1 million of finance fees, and $0.1 million of deferred financing fee amortization (related to the Company's revolving loan facility). In the third quarter of 2022, the Company incurred total finance expense of $1.0 million, comprised of $0.3 million in non-cash accretion of its decommissioning obligation, $0.3 million cash interest expense, $0.2 million of finance fees, and $0.1 million of deferred financing fee amortization. For the nine months ended September 30, 2023, total finance expense was $4.8 million compared to $3.2 million in the prior year comparative period. The increase in total finance expense from the prior year comparative periods is due to higher loan balances (from the capital activity during late 2022 and 2023) and higher interest rates (applicable to the revolving loan facility).

DEPLETION AND DEPRECIATION

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

Depletion and Depreciation Expense ($000s)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Depletion and depreciation expense	11,134	7,411	36,331	22,619
Depletion and depreciation expense ($/boe)	12.25	12.13	12.58	11.68

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 relevant reserve base.

For the three months ended September 30, 2023, the Company recorded depletion and depreciation of $11.1 million or $12.25/boe, compared to $7.4 million or $12.13/boe in the prior year comparative period. For the nine months ended September 30, 2023, the Company recorded depletion and depreciation of $36.3 million or $12.58/boe, compared to $22.6 million or $11.68/boe in the prior year comparative period. The increase in depletion and depreciation expense is attributed to higher production volumes and an increase in asset value due to the Company's active capital program.

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, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Weighted average common shares outstanding				
Basic	123,743	122,058	123,740	112,710
Fully diluted	123,743	126,822	127,208	117,525
Common shares outstanding				
Basic	123,867	122,197	123,867	122,197
Fully diluted	134,436	131,482	134,436	131,482
Stock options outstanding	8,951	8,507	8,951	8,507
Deferred share units outstanding	1,619	1,619	1,619	1,619

At September 30, 2023 and as of the date of this MD&A, the Company had 123,867,062 common shares and 8,950,729 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, 2023 and the date of this MD&A, 1,618,702 DSUs were issued and outstanding (December 31, 2022 – 1,618,702). Each DSU entitles the participants to receive, at the Company's discretion, either common shares or a cash equivalent to the number of DSUs multiplied by the current trading price of the equivalent number of common shares. All DSUs vest and become payable upon retirement of the director.

Normal Course Issuer Bid ("NCIB")

On June 21, 2023, the Company announced the approval of its NCIB by the Toronto Stock Exchange ("TSX"). The NCIB allows the Company to purchase up to 6,192,426 common shares over a period of twelve months commencing June 28, 2023.

Purchases are made on the open market through the TSX or alternative platforms at the market price of such common shares. All common shares purchased under the NCIB are cancelled. The total cost paid, including commissions and fees, is first charged to share capital to the extent of the average carrying value of the Company's common shares and the excess paid is recorded to retained earnings and any shortfall is recorded to contributed surplus.

During the three months ended September 30, 2023, the Company repurchased 115,300 shares for cancellation at $1.48 per share.

Rights Offering

During the second quarter of 2022, the Company completed a rights offering (the "Rights Offering") where the Company issued approximately 14.8 million common shares at $1.35 per share for aggregate gross proceeds to the Company of approximately $20.0 million. The issuance costs were estimated to be $0.4 million and the net proceeds of $19.6 million were utilized for debt repayment and working capital.

The Company entered into a standby purchase agreement with each of Don Gray, Stuart Gray and Glen Gray (collectively, the "Stand-By Guarantors"). The Rights Offering was oversubscribed by 84% and as a result, the Stand-By Guarantors did not acquire any common shares in connection with the Rights Offering pursuant to their stand-by commitments. The Company had approximately 121.7 million shares outstanding following the Rights Offering with the Stand-By Guarantors owning approximately 71% of the outstanding shares.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2023, Petrus had two debt instruments outstanding; a reserve-based, secured operating revolving loan facility with an Alberta-based financial institution (the "Revolving Loan Facility" or "RLF") and a second lien secured term facility (the "Second Lien Facility").

Revolving Loan Facility

At September 30, 2023, the RLF was comprised of a $45.0 million operating facility payable on demand by the lender. The amount of the RLF is subject to a borrowing base review performed on a semi-annual basis by the lender, based primarily on reserves and commodity prices estimated by the lenders as well as other factors. The next semi-annual review is due on November 30, 2023.

At September 30, 2023, the Company had a $0.6 million letter of credit outstanding against the RLF (December 31, 2022 – $0.6 million) and had drawn $11.7 million against the RLF (December 31, 2022 – $4.6 million).

Second Lien Facility

At September 30, 2023 the Company had $25.0 million outstanding on the $25 million Second Lien Facility. The Second Lien Facility is a three-year term facility (maturity date May 31, 2025 with an option to the borrower to extend by an additional two years) with a fixed interest rate of 11% per annum and can be repaid at the discretion of the Company after the first year. The Second Lien Facility is a related party transaction with a major shareholder who owns approximately 21% of the outstanding shares of the Company (see note 20 of the Company's September 30, 2023 condensed interim consolidated financial statements).

Debt Settlement - Term Loan & Revolving Credit Facility

During 2022, the Company entered into agreements with new lenders to the Company, providing two new credit facilities, as described above (the "New Credit Facilities") totaling $55 million at the time. The New Credit Facilities, together with the net proceeds of the Company's Rights Offering, were used to repay in full all amounts owing under the Company's then existing revolving credit facility. The New Credit Facilities closed in May 2022.

Financial Covenants

The Company's RLF is subject to certain financial covenants. For the financial covenants' definitions and calculation methodology refer to the Company's audited consolidated financial statements as at and for the year ended December 31, 2022.

The key financial covenants as at September 30, 2023 are summarized in the following table. At September 30, 2023 the Company is in compliance with all financial covenants.

Financial Covenant Description	Required Ratio	As at September 30, 2023
Working Capital Ratio	Over 1.0	1.41

Liquidity

The following are the contractual maturities of financial liabilities as at September 30, 2023:

$000s	Total	< 1 year	1-5 years
Accounts payable and accrued liabilities	21,576	21,576	—
Long term debt	29,355	2,758	26,597
Bank indebtedness	3,610	3,610	—
Revolving loan facility	12,876	12,876	—
Lease obligations	438	277	161
Total	**67,855**	**41,097**	**26,758**

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

$000s	Total	< 1 year	1-5 years
Firm service transportation	10,086	2,799	7,287

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, inflation 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, 2023 condensed interim consolidated financial statements.

SUMMARY OF QUARTERLY RESULTS

($000s unless otherwise noted)	Sept. 30, 2023	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sept. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021
Average Production								
Natural gas (mcf/d)	42,045	44,010	45,237	33,201	28,107	30,913	29,530	23,494
Oil (bbl/d)	1,316	1,670	2,192	2,458	957	1,073	1,250	1,002
NGLs (bbl/d)	1,556	1,486	1,654	1,121	997	1,055	1,207	962
Total (boe/d)	**9,880**	**10,492**	**11,385**	**9,113**	**6,639**	**7,280**	**7,379**	**5,880**
Total (boe)	**908,985**	**954,738**	**1,024,645**	**838,375**	**610,722**	**662,456**	**664,010**	**540,924**
Financial Results								
Oil and natural gas revenue	28,273	29,266	41,319	48,590	28,701	42,119	32,940	25,070
Royalty expense	(3,061)	(3,492)	(6,534)	(6,636)	(7,228)	(5,721)	(4,576)	(3,429)
Gain (loss) on risk management activities	—	32	1,490	(1,056)	(497)	(4,476)	—	—
Net oil and natural gas revenue	**25,212**	**25,806**	**36,275**	**40,898**	**20,976**	**31,922**	**28,364**	**21,641**
Transportation expense	(1,401)	(1,341)	(2,102)	(1,743)	(1,155)	(1,434)	(1,440)	(1,010)
Operating expense	(6,086)	(5,566)	(7,434)	(5,753)	(5,171)	(5,249)	(4,492)	(2,715)
Operating netback[1]	**17,725**	**18,899**	**26,739**	**33,402**	**14,650**	**25,239**	**22,432**	**17,916**
Realized gain (loss) on financial derivatives	1,102	3,398	1,814	2,421	610	—	(4,632)	(5,148)
Other income	34	37	169	186	30	28	47	21
General and administrative expense	(1,158)	(1,476)	(1,230)	(926)	(793)	(1,127)	(543)	(1,213)
Cash finance expense	(1,148)	(1,269)	(1,140)	(987)	(528)	(969)	(689)	(856)
Decommissioning expenditures	(312)	(549)	(136)	21	(180)	37	(14)	(302)
Corporate netback and funds flow[1]	**16,243**	**19,040**	**26,216**	**34,117**	**13,789**	**23,208**	**16,601**	**10,418**
Oil and natural gas revenue	**28,273**	**29,266**	**41,319**	**48,590**	**28,701**	**42,119**	**32,940**	**25,070**
Per share - basic	0.23	0.24	0.33	0.40	0.24	0.38	0.33	0.26
Per share - fully diluted	0.23	0.23	0.32	0.38	0.23	0.36	0.32	0.24
Net income (loss)	**(11,293)**	**5,043**	**17,273**	**22,097**	**9,822**	**18,046**	**10,903**	**114,633**
Per share - basic	(0.09)	0.04	0.14	0.18	0.08	0.16	0.11	1.19
Per share - fully diluted	(0.09)	0.04	0.14	0.17	0.08	0.15	0.11	1.11
Common shares outstanding (000s)								
Basic	123,867	123,849	123,711	123,239	122,197	122,017	106,907	96,708
Fully diluted	134,436	134,423	133,916	133,377	131,482	131,302	113,883	103,889
Weighted average shares outstanding (000s)								
Basic	123,743	123,752	123,416	122,545	122,058	111,795	99,189	96,660
Fully diluted	123,743	127,040	127,358	127,600	126,822	117,203	103,250	102,868
Total assets	**380,100**	**383,231**	**403,276**	**381,057**	**356,050**	**302,472**	**308,744**	**290,492**

[1]Non-GAAP measure. Refer to "Non-GAAP and Other 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 commodity price differentials and production levels. Petrus' average quarterly production has increased from 5,880 boe/d in the fourth quarter of 2021 to 9,880 boe/d in the third quarter of 2023. The 68% production increase is attributable to Petrus' shift in focus back to production growth and an increased capital program.

CRITICAL ACCOUNTING ESTIMATES

The timely preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and judgments made by management in the preparation of the financial statements are outlined below. The Company’s critical accounting estimates can be read in note 2 to the Company’s audited consolidated financial statements as at and for the year ended December 31, 2022.

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, 2022.

New standards and interpretations
The Company has not adopted any new standards and interpretations for the period ended September 30, 2023.

Internal Controls 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, 2023 and ending on September 30, 2023 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. No changes in the Company's internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Operating Netback
Operating netback is a common non-GAAP financial measure used in the oil and natural gas industry which is a useful supplemental measure to evaluate the specific operating performance by product type at the oil and natural gas lease level. The most directly comparable GAAP measure to operating netback is oil and natural gas revenue. Operating netback is calculated as oil and natural gas revenue less royalty expenses, gain (loss) on risk management activities, operating expenses and transportation expenses. See below and under "Summary of Quarterly Results" for a reconciliation of operating netback to oil and natural gas revenue.

Operating netback ($/boe) is a non-GAAP ratio used in the oil and natural gas industry which is a useful supplemental measure to evaluate the specific operating performance by product type at the oil and natural gas lease level . It is calculated as operating netbacks divided by weighted average daily production on a per boe basis. See below.

Corporate Netback and Funds Flow

Corporate netback or funds flow 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 and funds flow are used interchangeably. Petrus analyzes these measures on an absolute value and on a per unit (boe) and per share (basic and fully diluted) basis as non-GAAP ratios. Management believes that funds flow and corporate netback provide information to assist a reader in understanding the Company's profitability relative to current commodity prices. They are calculated as the operating netback less general and administrative expense, cash finance expense and decommissioning expenditures, plus other income and the realized gain (loss) on financial derivatives. See below and under "Summary of Quarterly Results" for a reconciliation of funds flow and corporate netback to oil and natural gas revenue.

Corporate netback ($/boe) or funds flow ($/boe) is a non-GAAP ratio used in the oil and natural gas industry which evaluates the Company's profitability at the corporate level. Management believes that funds flow ($/boe) or corporate netback ($/boe) provide information to assist a reader in understanding the Company's profitability relative to current commodity prices. It is calculated as corporate netbacks or funds flow divided by weighted average daily production on a per boe basis. See below.

Funds flow per share (basic and fully diluted) is comprised of funds flow divided by basic or fully diluted weighted average common shares outstanding.

	Three months ended Sept. 30, 2023		Three months ended Sept. 30, 2022		Nine months ended September 30, 2023		Nine months ended September 30, 2022	
	$000s	**$/boe**	**$000s**	**$/boe**	**$000s**	**$/boe**	**$000s**	**$/boe**
Oil and natural gas revenue	28,273	31.11	28,701	47.00	98,858	34.23	103,760	53.55
Royalty expense	(3,061)	(3.37)	(7,228)	(11.84)	(13,088)	(4.53)	(17,525)	(9.05)
Gain (loss) on risk management activities	—	—	(497)	(0.81)	1,522	0.53	(4,973)	(2.57)
Net oil and natural gas revenue	**25,212**	**27.74**	**20,976**	**34.35**	**87,292**	**30.23**	**81,262**	**41.93**
Transportation expense	(1,401)	(1.54)	(1,155)	(1.89)	(4,844)	(1.68)	(4,029)	(2.08)
Operating expense	(6,086)	(6.70)	(5,171)	(8.47)	(19,086)	(6.61)	(14,912)	(7.70)
Operating netback	**17,725**	**19.50**	**14,650**	**23.99**	**63,362**	**21.94**	**62,321**	**32.15**
Realized gain (loss) on financial derivatives	1,102	1.21	610	1.00	6,314	2.19	(4,022)	(2.08)
Other income(1)	34	0.04	30	0.05	240	0.08	105	0.05
General & administrative expense	(1,158)	(1.27)	(793)	(1.30)	(3,864)	(1.34)	(2,463)	(1.27)
Cash finance expense	(1,148)	(1.26)	(528)	(0.87)	(3,557)	(1.23)	(2,184)	(1.13)
Decommissioning expenditures	(312)	(0.34)	(180)	(0.29)	(998)	(0.35)	(159)	(0.08)
Funds flow and corporate netback	**16,243**	**17.88**	**13,789**	**22.58**	**61,497**	**21.29**	**53,598**	**27.64**

(1)Excludes non-cash government grant related to decommissioning expenditures.

Net Debt

Net debt is a non-GAAP financial measure and is calculated as the sum of long term debt and working capital (current assets and current liabilities), excluding the current financial derivative contracts and current portion of the lease obligation. Petrus uses net debt as a key indicator of its leverage and strength of its balance sheet. Net debt is reconciled, in the table below, to long-term debt which is the most directly comparable GAAP measure.

($000s)	**As at Sept. 30, 2023**	**As at Jun. 30, 2023**	**As at Mar. 31, 2023**	**As at Dec. 31, 2022**	**As at Sept. 30, 2022**
Long-term debt	25,000	25,000	25,000	25,000	22,000
Current assets	(19,375)	(28,150)	(31,309)	(29,849)	(29,905)
Current liabilities	40,636	30,032	50,336	51,395	51,102
Current financial derivatives	(3,397)	10,224	9,328	4,502	5,503
Current portion of lease obligation	(254)	(249)	(244)	(240)	(235)
Net debt	**42,610**	**36,857**	**53,111**	**50,808**	**48,465**

Net debt to annualized funds flow ratio is a non-GAAP ratio used as a key indicator of our leverage and strength of our balance sheet. It is calculated as net debt divided by funds flow for the relevant period.

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 audited consolidated financial statements as at and for the twelve months ended December 31, 2022. The reporting and the measurement currency is the Canadian dollar. All financial information is expressed in Canadian dollars, unless otherwise stated.

Forward-Looking Statements

Certain information regarding Petrus set forth in this MD&A contains forward-looking statements within the meaning of applicable securities law, that involve substantial known and unknown risks and uncertainties. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. Such statements represent Petrus' internal projections, estimates, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. These statements are only predictions and actual events or results may differ materially. Although Petrus believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause Petrus' actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Petrus. In particular, forward-looking statements included in this MD&A include, but are not limited to, statements with respect to: our target of a net debt to annualized funds flow ratio of less than 1x; that Petrus remains focused on generating strong cash flow and return on capital and believes that concentrating on these fundamentals will translate into value for shareholders in the long run; our belief that the repurchase of our common shares for cancellation under our NCIB represents an attractive opportunity to enhance Petrus' shareholder value; that the completion operations for wells spud in the third quarter are scheduled for later in the fourth quarter to align with timing of the new North Ferrier pipeline coming into service; that construction on the North Ferrier infrastructure expansion project is expected to be completed in late November; that the Company's utilization of financial derivative contracts and physical commodity contracts will mitigate commodity price risk and provide stability and sustainability to the Company's economic returns, funds flow and capital development plan; that the Company does not anticipate entering any new physical commodity contracts going forward; and our hedging strategy and the benefits that we expect to derive therefrom our target of a net debt to annualized funds flow ratio of less than 1x; that Petrus remains focused on generating strong cash flow and return on capital and believes that concentrating on these fundamentals will translate into value for shareholders in the long run; our belief that the repurchase of our common shares for cancellation under our NCIB represents an attractive opportunity to enhance Petrus' shareholder value; that the completion operations for wells spud in the third quarter are scheduled for later in the fourth quarter to align with timing of the new North Ferrier pipeline coming into service; that construction on the North Ferrier infrastructure expansion project is expected to be completed in late November; that the Company's utilization of financial derivative contracts and physical commodity contracts will mitigate commodity price risk and provide stability and sustainability to the Company's economic returns, funds flow and capital development plan; that the Company does not anticipate entering any new physical commodity contracts going forward; and our hedging strategy and the benefits that we expect to derive therefrom. In addition, statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

These forward-looking statements are subject to numerous risks and uncertainties, most of which are beyond the Company's control, including: the risk that we are unable to generate strong cash flow in the future and as a result we have little or no cash to return to shareholders or use to reduce debt; the impact of general economic conditions; volatility in market prices for crude oil, NGL and natural gas; industry conditions; currency fluctuation; changes in interest rates and inflation rates; imprecision of reserve estimates; liabilities inherent in crude oil and natural gas operations; environmental risks; incorrect assessments of the value of acquisitions and exploration and development programs; competition; the lack of availability of qualified personnel or management; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; stock market volatility; ability to access sufficient capital from internal and external sources; and the other risks and uncertainties described in the AIF. With respect to forward-looking statements contained in this MD&A, Petrus has made assumptions regarding: future commodity prices (including as disclosed herein) and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; future exchange rates; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment and services; effects of regulation by governmental agencies; the effects of inflation on our profitability; future interest rates; and future operating costs. Management has included the above summary of assumptions and risks related to forward-looking information provided in this MD&A in order to provide investors with a more complete perspective on Petrus' future operations and such information may not be appropriate for other purposes. Petrus' actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the Company will derive therefrom. Readers are cautioned that the foregoing lists of factors are not exhaustive.

This MD&A contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Petrus' prospective results of operations including, without limitation, its target net debt to annualized funds flow ratio, 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.

Production and Product Type Information

The Company's year to date average daily production rate disclosed in this MD&A consists of the following product types, as defined in National Instrument 51-101 and using the conversion ratio described above, where applicable – 10,580 boe/d average daily production for the nine months ended September 30, 2023: 16% light oil and condensate, 15% natural gas liquids and 69% conventional natural gas.

The Company's 2022 exit production rate disclosed in this MD&A consists of the following product types, as defined in National Instrument 51-101 and using the conversion ratio described above, where applicable – 10,635 boe/d 2022 exit rate: 19% light oil and condensate, 14% natural gas liquids and 67% conventional natural gas.

Abbreviations

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

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Presented in 000's of Canadian dollars)

As at	September 30, 2023	December 31, 2022
ASSETS		
Current		
Cash	113	40
Inventory *(note 21)*	1,842	1,197
Deposits and prepaid expenses *(note 22)*	2,940	1,862
Accounts receivable *(note 14)*	14,458	22,248
Risk management asset *(note 9)*	22	4,502
Total current assets	**19,375**	**29,849**
Non-current		
Risk management asset *(note 9)*	—	619
Exploration and evaluation assets *(note 4)*	30,923	34,837
Property, plant and equipment *(note 5)*	329,802	315,752
Total non-current assets	**360,725**	**351,208**
Total assets	**380,100**	**381,057**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness	3,291	658
Revolving loan facility *(note 6)*	11,737	3,949
Accounts payable and accrued liabilities *(note 14)*	21,576	45,191
Risk management liability *(note 9)*	3,419	—
Lease obligations *(note 7)*	254	240
Current portion of decommissioning obligation *(note 8)*	359	1,357
Total current liabilities	**40,636**	**51,395**
Non-current liabilities		
Long term debt *(note 6)*	25,000	25,000
Lease obligations *(note 7)*	171	363
Decommissioning obligation *(note 8)*	32,739	37,658
Risk management liability *(note 9)*	1,777	—
Total liabilities	**100,323**	**114,416**
Shareholders' equity		
Share capital *(note 10)*	492,179	492,241
Contributed surplus	31,236	29,061
Deficit	(243,638)	(254,661)
Total shareholders' equity	**279,777**	**266,641**
Total liabilities and shareholders' equity	**380,100**	**381,057**

Commitments (note 18)
See accompanying notes to the condensed interim consolidated financial statements

Approved by the Board of Directors,

(signed) "Don T. Gray"

Don T. Gray
Chairman

(signed) "Donald Cormack"

Donald Cormack
Director

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

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

	Three months ended Sept. 30, 2023	Three months ended Sept. 30, 2022	Nine months ended Sept. 30, 2023	Nine months ended Sept. 30, 2022
REVENUE				
Oil and natural gas sales *(note 19)*	**28,273**	**28,701**	**98,858**	**103,760**
Royalty expense	(3,062)	(7,227)	(13,088)	(17,524)
Gain (loss) on risk management activities *(note 19)*	—	(497)	1,522	(4,973)
Net revenue	**25,211**	**20,977**	**87,292**	**81,263**
Other income *(note 23)*	34	30	1,463	105
Net gain (loss) on financial instruments *(note 9)*	(14,762)	4,624	(3,981)	5,546
Total income	**10,483**	**25,631**	**84,774**	**86,914**
EXPENSES				
Operating *(note 12)*	6,086	5,171	19,086	14,912
Transportation	1,401	1,155	4,844	4,029
General and administrative *(note 13)*	1,158	793	3,864	2,463
Share-based compensation *(note 10)*	491	365	1,456	711
Finance *(note 16)*	1,506	978	4,821	3,235
Exploration and evaluation *(note 4)*	—	65	3,349	303
Depletion and depreciation *(note 5)*	11,134	7,411	36,331	22,619
(Gain) on sale of assets	—	(129)	—	(129)
Total expenses	**21,776**	**15,809**	**73,751**	**48,143**
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**(11,293)**	**9,822**	**11,023**	**38,771**
Net income (loss) per common share				
Basic *(note 11)*	(0.09)	0.08	0.09	0.34
Diluted *(note 11)*	(0.09)	0.08	0.09	0.33

See accompanying notes to the condensed 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, 2021	**455,908**	**27,846**	**(315,529)**	**168,225**
Net income	—	—	38,771	38,771
Common shares issued for property acquisition *(note 3)*	15,200	—	—	15,200
Common shares issued for rights offering	20,003	—	—	20,003
Issuance of common shares	370	(118)	—	252
Share issue costs	(297)	—	—	(297)
Share-based compensation *(note 10)*	—	1,016	—	1,016
Balance, September 30, 2022	**491,184**	**28,744**	**(276,758)**	**243,170**
Balance, December 31, 2022	**492,241**	**29,061**	**(254,661)**	**266,641**
Net income	—	—	11,023	11,023
Common shares repurchased *(note 10)*	(459)	—	—	(459)
Issuance of common shares *(note 10)*	470	95	—	564
Share issue costs *(note 10)*	(73)	—	—	(73)
Share-based compensation *(note 10)*	—	2,080	—	2,080
Balance, September 30, 2023	**492,179**	**31,236**	**(243,638)**	**279,777**

See accompanying notes to the condensed interim consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Presented in 000's of Canadian dollars)	Three months ended Sept. 30, 2023	Three months ended Sept. 30, 2022	Nine months ended Sept. 30, 2023	Nine months ended Sept. 30, 2022
OPERATING ACTIVITIES				
Net income (loss)	**(11,293)**	**9,822**	**11,023**	**38,771**
Adjust items not affecting cash:				
Share-based compensation *(note 10)*	491	365	1,456	711
Unrealized loss (gain) on financial derivatives *(note 9)*	15,864	(4,013)	10,295	(9,568)
Non-cash finance expenses *(note 16)*	359	448	1,265	1,050
Depletion and depreciation *(note 5)*	11,134	7,411	36,331	22,619
Exploration and evaluation expense *(note 4)*	—	65	3,349	303
Other income *(note 23)*	—	—	(1,222)	—
Gain on sale of assets	—	(129)	—	(129)
Decommissioning expenditures *(note 8)*	(312)	(180)	(998)	(159)
Funds flow	**16,243**	**13,789**	**61,499**	**53,598**
Change in operating non-cash working capital *(note 17)*	2,624	22,089	(16,390)	15,789
Cash flows from operating activities	**18,867**	**35,878**	**45,109**	**69,387**
FINANCING ACTIVITIES				
Shares repurchased *(note 10)*	(172)	—	(172)	—
Net proceeds from share issuance *(note 10)*	47	83	452	20,076
Draw down (repayment) of revolving loan facility	(7,005)	(6,915)	7,788	(57,700)
Increase in bank indebtedness	2,572	—	2,633	—
Transaction costs on debt	—	173	(240)	(335)
Repayment of lease liabilities *(note 7)*	(91)	(57)	(208)	(160)
Proceeds from long term debt *(note 6)*	—	10,000	—	22,000
Change in financing non-cash working capital *(note 17)*	75	476	—	—
Cash flows from (used in) financing activities	**(4,574)**	**3,760**	**10,253**	**(16,119)**
INVESTING ACTIVITIES				
Property, plant and equipment acquisitions *(note 5)*	—	607	(50)	243
Property, plant and equipment dispositions	—	—	150	—
Exploration and evaluation asset acquisitions *(note 4)*	—	—	(138)	—
Petroleum and natural gas property expenditures *(note 5)*	(21,550)	(48,166)	(54,302)	(58,214)
Exploration and evaluation asset expenditures *(note 4)*	(60)	(1,314)	(186)	(1,423)
Other capital expenditures	(7)	(48)	(109)	(161)
Change in investing non-cash working capital *(note 17)*	7,406	16,237	(654)	8,547
Cash flows used in investing activities	**(14,211)**	**(32,684)**	**(55,289)**	**(51,008)**
Increase (decrease) in cash	82	6,954	73	2,260
Cash, beginning of period	31	234	40	4,928
Cash, end of period	**113**	**7,188**	**113**	**7,188**
Cash interest paid *(note 16)*	1,147	530	3,556	2,185

See accompanying notes to the condensed interim consolidated financial statements

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the periods ended September 30, 2023 and 2022

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 condensed interim 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 T2P 4H4.

These condensed interim consolidated financial statements, for the three and nine months ended September 30, 2023 and prior year comparative periods, were approved by the Company's Audit Committee and Board of Directors on November 7, 2023.

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed interim consolidated financial statements have been prepared by management on a historical basis, except for certain financial instruments that have been measured at fair value. These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting). Certain information and disclosures normally included in the notes to the annual financial statements have been condensed. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2022 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, 2022. The condensed interim consolidated financial statements have been prepared following the same accounting policies as the financial statements for the year ended December 31, 2022. 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, 2022.

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.

3. PROPERTY ACQUISITION

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

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

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

$000s (except share and per share amounts)	
Net assets acquired:	
Cash & cash equivalents	433
Accounts receivable & other assets	496
Accounts payable & accrued liabilities	(405)
Property, plant and equipment	16,765
Decommissioning obligation	(2,089)
Net assets acquired	**15,200**
Purchase consideration:	
Common shares issued to partners	10,000,000
Price of Petrus common shares ($ per share) on close date	$1.52
Total purchase consideration	**15,200**

4. EXPLORATION AND EVALUATION ASSETS

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

$000s	
Balance, December 31, 2021	**35,634**
Property acquisitions	1,349
Exploration and evaluation expense	(421)
Capitalized G&A	295
Capitalized share-based compensation	122
Transfers to property, plant and equipment *(note 5)*	(2,142)
Balance, December 31, 2022	**34,837**
Additions	138
Exploration and evaluation expense	(3,349)
Capitalized G&A	186
Capitalized share-based compensation *(note 10)*	156
Transfers to property, plant and equipment *(note 5)*	(1,045)
Balance, September 30, 2023	**30,923**

During the three and nine months ended September 30, 2023, the Company incurred exploration and evaluation expenses of nil and $3.35 million, respectively, which relates to expired and nearly expired undeveloped, non-core land (three and nine months ended September 30, 2022 – $0.07 million and $0.30 million).

During the three and nine months ended September 30, 2023, the Company capitalized $0.06 million and $0.19 million, respectively, of general and administrative expenses ("G&A") (three and nine months ended September 30, 2022 – $0.06 million and $0.17 million) and $0.05 million and $0.16 million of non-cash share-based compensation directly attributable to exploration activities (three and nine months ended September 30, 2022 – $0.04 million and $0.08 million).

The Company did not identify any indicators impairment of its E&E assets for the three and nine months ended September 30, 2023.

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, 2021	**852,834**	**(613,587)**	**239,247**
Additions	94,145	—	94,145
Property acquisitions	16,765	—	16,765
Property dispositions	(71)	—	(71)
Capitalized G&A	884	—	884
Capitalized share based compensation	367	—	367
Transfer from exploration and evaluation assets *(note 4)*	2,142	—	2,142
Depletion & depreciation	—	(33,277)	(33,277)
Decrease in decommissioning expenses	(4,450)	—	(4,450)
Balance, December 31, 2022	**962,616**	**(646,864)**	**315,752**
Additions	54,284	—	54,284
Property acquisitions *(note 3)*	50	—	50
Property dispositions	(150)	—	(150)
Capitalized G&A	559	—	559
Capitalized share-based compensation *(note 10)*	468	—	468
Transfers from exploration and evaluation assets *(note 3)*	1,045	—	1,045
Depletion & depreciation	—	(36,331)	(36,331)
Decrease in decommissioning provision *(note 8)*	(5,875)	—	(5,875)
Balance, September 30, 2023	**1,012,997**	**(683,195)**	**329,802**

At September 30, 2023, estimated future development costs of $396.5 million (December 31, 2022 – $396.5 million) associated with the development of the Company's proved plus probable undeveloped reserves were included with the costs subject to depletion. During the three and nine months ended September 30, 2023, 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, 2022 – $0.2 million and $0.5 million) and non-cash share-based compensation of $0.16 million and $0.47 million, respectively, (three and nine months ended September 30, 2022 – $0.16 million and $0.23 million), directly attributable to development activities.

The Company did not identify any indicators of impairment or impairment reversal of it's PP&E assets for the three and nine months ended September 30, 2023.

At September 30, 2023, the carrying balance of the right of use asset was $0.4 million.

6. DEBT

At September 30, 2023, Petrus had two debt instruments outstanding; a reserve-based, secured operating revolving loan facility with an Alberta-based financial institution (the "Revolving Loan Facility" or "RLF") and a second lien secured term facility (the "Second Lien Facility").

Revolving Loan Facility

At September 30, 2023, the RLF was comprised of a $45.0 million operating facility payable on demand by the lender. The amount of the RLF is subject to a borrowing base review performed on a semi-annual basis by the lender, based primarily on reserves and commodity prices estimated by the lenders as well as other factors. The next semi-annual review is due on November 30, 2023.

At September 30, 2023, the Company had a $0.6 million letter of credit outstanding against the RLF (December 31, 2022 – $0.6 million) and had drawn $11.7 million against the RLF (December 31, 2022 – $4.6 million).

Second Lien Facility

At September 30, 2023 the Company had $25.0 million outstanding on the $25 million Second Lien Facility. The Second Lien Facility is a three-year term facility (maturity date May 31, 2025 with an option to the borrower to extend by an additional two years) with a fixed interest rate of 11% per annum and can be repaid at the discretion of the Company after the first year. The Second Lien Facility is a related party transaction with a major shareholder who owns approximately 21% of the outstanding shares of the Company (see note 20). The total interest paid in 2022 to the major shareholder, related to the Second Lien facility, was $1.1 million.

Debt Settlement - Term Loan & Revolving Credit Facility

During 2022, the Company entered into agreements with new lenders to the Company, providing two new credit facilities, as described above, (the "New Credit Facilities") totaling $55 million. The New Credit Facilities, together with the net proceeds of the Company's $20 million rights offering, were used to repay in full all amounts owing under the Company's previous revolving credit facility (the "Revolving Credit Facility" or "RCF"). The New Credit Facilities closed in May 2022.

Financial Covenants

The Company's RLF is subject to certain financial covenants. For the financial covenants' definitions and calculation methodology refer to the Company's audited consolidated financial statements as at and for the year ended December 31, 2022.

The key financial covenants as at September 30, 2023 are summarized in the following table. At September 30, 2023 the Company is in compliance with all financial covenants.

Financial Covenant Description	Required Ratio	As at September 30, 2023
Working Capital Ratio	Over 1.00	1.41

7. LEASES

The Company's lease obligations are as follows:

$000s	
Balance, December 31, 2022	**603**
Finance expense	30
Lease payments	(208)
Balance, September 30, 2023	**425**

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

$000s	As at September 30, 2023
Less than 1 year	277
1 to 3 years	161
Total lease payments	438
Amounts representing finance expense	(13)
Present value of lease obligation	425
Current portion of lease obligation	254
Non-current portion of lease obligation	171

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 3.88% and an inflation rate of 2.5% (3.31% and 3.0%, respectively at December 31, 2022). Changes in estimates in 2022 and 2023 are due to the changes in the risk free and inflation rates. The Company has estimated the net present value of the decommissioning obligations to be $33.1 million as at September 30, 2023 ($39.0 million at December 31, 2022). The undiscounted, uninflated total future liability at September 30, 2023 is $44.1 million ($41.7 million at December 31, 2022). 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, 2021	**41,569**
Property acquisitions	2,089
Property dispositions	(681)
Other adjustments	(441)
Liabilities incurred	1,231
Liabilities settled	(137)
Change in estimates	(5,681)
Accretion expense	1,066
Balance, December 31, 2022	**39,015**
Liabilities incurred	454
Liabilities settled	(998)
Change in estimates or discount rate	(6,329)
Accretion expense	956
Balance, September 30, 2023	**33,098**
Current portion of decommissioning obligation	359
Non-current portion of decommissioning obligation	32,739

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 at September 30, 2023:

Contract Period	**Type**	**Total Daily Volume (GJ)**	**Average Price (CDN$/GJ)**
Natural Gas Swaps			
Oct. 1, 2023 to Oct. 31, 2023	Fixed price	18,500	$3.75
Nov. 1, 2023 to Mar. 31, 2024	Fixed price	20,000	$4.14
Apr. 1, 2024 to Oct. 31, 2024	Fixed price	14,000	$3.14
Nov. 1, 2024 to Mar. 31, 2025	Fixed price	9,000	$3.73
Apr. 1, 2025 to Oct. 31, 2025	Fixed price	5,000	$3.08

Contract Period	**Type**	**Total Daily Volume (Bbl)**	**Average Price (CDN$/Bbl)**
Crude Oil Swaps			
Oct. 1, 2023 to Jun. 30, 2024	Fixed price	1,300	$101.77
Oct. 1, 2023 to Dec. 31, 2023	Fixed price	100	$102.15
Oct. 1, 2023 to Jun. 30, 2024	Fixed price	200	$90.03
Jan. 1, 2024 to Mar. 31, 2024	Fixed price	300	$95.30
Jan. 1, 2024 to Jun. 30, 2024	Fixed price	1,100	$97.75
Jan. 1, 2024 to Dec. 31, 2024	Fixed price	300	$92.13
Jul. 1, 2024 to Dec. 31, 2024	Fixed price	400	$94.83
Oct. 1, 2024 to Dec. 31, 2024	Fixed price	100	$90.40
Jan. 1, 2025 to Mar. 31, 2025	Fixed price	100	$87.85
Jan. 1, 2025 to Jun. 30, 2025	Fixed price	400	$91.36
Jul. 1, 2025 to Sept. 30, 2025	Fixed price	100	$95.25

The following table summarizes the physical commodity contracts in place at September 30, 2023:

Contract Period	Type	Total Daily Volume (GJ)	Average Price (CDN$/GJ)
Crude Oil Collars			
Oct. 1, 2023 to Dec. 31, 2023	Costless collar	300	$90.00-120.95

Risk management asset and liability:

$000s At September 30, 2023	**Asset**	**Liability**
Current commodity derivatives	22	3,419
Non-current commodity derivatives	—	1,777
	22	**5,196**
$000s At December 31, 2022		
Current commodity derivatives	4,502	—
Non-current commodity derivatives	619	—
	5,121	—

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

$000s	**Three months ended Sept. 30, 2023**	**Three months ended Sept. 30, 2022**	**Nine months ended Sept. 30, 2023**	**Nine months ended Sept. 30, 2022**
Realized gain (loss) on financial derivatives	1,102	610	6,314	(4,022)
Unrealized gain (loss) on financial derivatives	(15,864)	4,014	(10,295)	9,568
Net gain (loss) on financial derivatives	**(14,762)**	**4,624**	**(3,981)**	**5,546**

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 except share amounts)	**Number of Shares**	**Amount**
Balance, December 31, 2021	**96,707,912**	**455,908**
Common shares issued for property acquisition	10,000,000	15,200
Common shares issued in a rights offering	14,817,347	20,003
Common shares issued on exercise of stock options	1,713,269	1,427
Share issue costs	—	(297)
Balance, December 31, 2022	**123,238,528**	**492,241**
Common shares repurchased	(115,300)	(459)
Common shares issued on exercise of stock options	743,834	469
Share issue costs	—	(72)
Balance, September 30, 2023	**123,867,062**	**492,179**

Normal Course Issuer Bid ("NCIB")

On June 21, 2023, the Company announced the approval of its NCIB by the Toronto Stock Exchange ("the TSX"). The 2023 NCIB allows the Company to purchase up to 6,192,426 common shares over a period of twelve months commencing June 28, 2023.

Purchases are made on the open market through the TSX or alternative platforms at the market price of such common shares. All common shares purchased under the NCIB are cancelled. The total cost paid, including commissions and fees, is first charged to share capital to the extent of the average carrying value of the Company's common shares and the excess paid is recorded to retained earnings and any shortfall is recorded to contributed surplus.

During the three months ended September 30, 2023, the Company repurchased 115,300 shares for cancellation at $1.48 per share.

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, 2023, 8,950,729 (December 31, 2022 – 8,519,709) stock options were outstanding. The summary of stock option activity is presented below:

	Number of stock options	Weighted average exercise price
Balance, December 31, 2021	**5,562,549**	**$0.67**
Granted	4,677,500	$2.27
Expired	(7,071)	$0.74
Exercised	(1,713,269)	$0.60
Balance, December 31, 2022	**8,519,709**	**$0.68**
Granted	2,205,000	$1.81
Exercised	(906,480)	$0.54
Expired	(867,500)	$2.25
Balance, September 30, 2023	**8,950,729**	**$1.46**
Exercisable, September 30, 2023	**—**	**$0.00**

The following table summarizes information about the stock options granted and outstanding:

Range of Exercise Price	Stock Options Outstanding		
	Number granted	Weighted average exercise price	Weighted average remaining life (years)
$0.24	94,054	$0.24	0.29
$0.53 - $0.75	2,159,402	$0.72	0.86
$0.89	682,273	$0.89	0.88
$1.51 - $1.78	2,645,000	$1.63	1.09
$2.09	580,000	$2.09	1.67
$2.25	1,735,000	$2.25	0.92
$2.81	1,055,000	$2.81	1.38
	8,950,729	**$1.46**	**0.99**

During the nine months ended September 30, 2023 the Company granted 2,205,000 options which vest equally over three years, and upon vesting, expire within 90 days thereafter. The weighted average fair value of each option granted during the three and nine months ended September 30, 2023 of $0.63 was estimated on the date of grant using the Black-Scholes pricing model with the following weighted average assumptions:

	2023	2022
Risk free interest rate	3.54% - 5.04%	2.46% - 4.34%
Expected life (years)	1.25 - 3.25	1.08 - 3.25
Estimated volatility of underlying common shares (%)	92% - 106%	100% - 113%
Estimated forfeiture rate	33%	33%
Expected dividend yield (%)	—%	—%

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

Deferred Share Unit ("DSU") Plan

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

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

The compensation expense was calculated as equity using the fair value method based on the trading price of the Company's shares on the grant date. At September 30, 2023, 1,618,702 DSUs were issued and outstanding (December 2022 – 1,618,702).

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

$000s	Three months ended Sept. 30, 2023	Three months ended Sept. 30, 2022	Nine months ended Sept. 30, 2023	Nine months ended Sept. 30, 2022
Expensed	491	365	1,456	711
Capitalized to exploration and evaluation assets	53	39	156	76
Capitalized to property, plant and equipment	158	159	468	229
Total share-based compensation	**702**	**563**	**2,080**	**1,016**

11. NET INCOME (LOSS) PER SHARE

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

	Three months ended Sept. 30, 2023	Three months ended Sept. 30, 2022	Nine months ended Sept. 30, 2023	Nine months ended Sept. 30, 2022
Net income (loss) for the period ($000s)	**(11,293)**	**9,822**	**11,023**	**38,771**
Weighted avg. number of common shares – basic (000s)	123,743	122,058	123,740	112,710
Weighted avg. number of common shares – diluted (000s)	123,743	126,822	127,208	117,525
Net income (loss) per common share – basic	**($0.09)**	**$0.08**	**$0.09**	**$0.34**
Net income (loss) per common share – diluted	**($0.09)**	**$0.08**	**$0.09**	**$0.33**

In computing diluted income (loss) per share for the three and nine months ended September 30, 2023, 7,420,017 and 7,101,576 outstanding stock options, respectively, were excluded (December 31, 2022 – 3,657,500).

12. OPERATING EXPENSES

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

$000s	Three months ended Sept. 30, 2023	Three months ended Sept. 30, 2022	Nine months ended Sept. 30, 2023	Nine months ended Sept. 30, 2022
Fixed and variable operating expenses	5,256	4,203	16,569	11,782
Processing, gathering and compression charges	1,196	1,271	3,611	3,974
Total gross operating expenses	**6,452**	**5,474**	**20,180**	**15,756**
Overhead recoveries	(366)	(303)	(1,094)	(844)
Total net operating expenses	**6,086**	**5,171**	**19,086**	**14,912**

13. GENERAL AND ADMINISTRATIVE EXPENSES

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

$000s	Three months ended Sept. 30, 2023	Three months ended Sept. 30, 2022	Nine months ended Sept. 30, 2023	Nine months ended Sept. 30, 2022
Gross general and administrative expense	1,493	1,505	5,008	4,335
Capitalized general and administrative expense	(240)	(238)	(745)	(672)
Overhead recoveries	(95)	(474)	(399)	(1,200)
General and administrative expense	**1,158**	**793**	**3,864**	**2,463**

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 $14.5 million of accounts receivable outstanding at September 30, 2023 (December 31, 2022 – $22.2 million), $7.4 million is owed from 2 parties (December 31, 2022 – $15.3 million from 2 parties), and the balances were received subsequent to the quarter end. The Company considers accounts receivable outstanding past 120 days to be 'past due'. At September 30, 2023, the Company had an allowance for doubtful accounts of $0.1 million (December 31, 2022 – $0.1 million). At September 30, 2023, 100% of Petrus' accounts receivable were aged less than 120 days. The Company does not anticipate any material collection issues.

The Company's risk management assets and cash are with a financial institution that is owned by the Government of Alberta and the Company does not consider these assets to carry material credit risk.

Liquidity risk

At September 30, 2023, the Company had a $45.0 million RLF, of which $11.7 million was drawn (December 31, 2022 – $4.6 million). For the three and nine months ended September 30, 2023, the Company generated cash flow from operating activities of $18.9 million and $45.1 million, respectively.

The following are the contractual maturities of financial liabilities as at September 30, 2023:

$000s	Total	< 1 year	1-5 years
Accounts payable and accrued liabilities	21,576	21,576	—
Long term debt	29,355	2,758	26,597
Bank indebtedness	3,610	3,610	—
Revolving loan facility	12,876	12,876	—
Lease obligations	438	277	161
Total	**67,855**	**41,097**	**26,758**

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 RLF is exposed to interest rate cash flow risk as the instrument is priced on a floating interest rate subject to fluctuations in market interest rates. The remainder of Petrus' financial assets and liabilities are not exposed to interest rate risk. A 1% increase in the Canadian prime interest rate during the three and nine months ended September 30, 2023 would have increased/decreased net income (loss) by approximately $0.1 million for both periods, which relates to interest expense on the average outstanding RLF balance during the periods assuming that all other variables remain constant (September 30, 2022 – $0.03 million).

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 RLF 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.

At September 30, 2023, it was estimated that a $0.25/GJ decrease in the price of natural gas would have increased net income/reduced net loss by $2.3 million (September 30, 2022 – $1.0 million). An opposite change in commodity prices would result in an opposite impact on net income (loss). At September 30, 2023, it was estimated that a $5.00/CDN WTI/bbl decrease in the price of oil would have increased net income by $3.7 million (September 30, 2022 – $2.5 million). An opposite change in commodity prices would result in an opposite impact on net income (loss).

Foreign Exchange Risk

The Company is exposed to the risk of changes in the U.S./Canadian dollar exchange rate on crude oil sales based on U.S. dollar benchmark prices and commodity contracts that are settled in U.S. dollars. Foreign exchange risk is mitigated by entering into Canadian dollar denominated commodity risk management contracts.

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, 2023	Three months ended Sept. 30, 2022	Nine months ended Sept. 30, 2023	Nine months ended Sept. 30, 2022
Cash:				
Interest	1,015	290	3,089	1,366
Finance fees	132	239	467	816
Foreign exchange	—	1	—	3
Total cash finance expenses	1,147	530	3,556	2,185
Non-cash:				
Deferred financing costs	60	142	309	293
Accretion on decommissioning obligations *(note 8)*	299	306	956	757
Total non-cash finance expenses	359	448	1,265	1,050
Total finance expenses	**1,506**	**978**	**4,821**	**3,235**

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, 2023	Three months ended Sept. 30, 2022	Nine months ended Sept. 30, 2023	Nine months ended Sept. 30, 2022
Source (use) in non-cash working capital:				
Deposits and prepaid expenses	45,199	239	45,199	(1,141)
Transaction costs on debt	351	(843)	(918)	(653)
Inventory and other	60	—	69	—
Accounts receivable	98	(1,028)	(370)	(5,390)
Accounts payable and accrued liabilities	(2,334)	39,228	7,790	31,177
	43,374	**37,596**	**51,770**	**23,993**
Operating activities	2,624	22,089	(16,390)	15,789
Financing activities	75	476	—	—
Investing activities	7,406	16,237	(654)	8,547

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, 2022	**658**	**3,949**	**25,000**	**29,607**
Cash flows	2,633	7,788	—	10,421
Balance, September 30, 2023	**3,291**	**11,737**	**25,000**	**40,028**

18. COMMITMENTS AND CONTINGENCIES

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

$000s	Total	< 1 year	1-5 years
Firm service transportation	10,086	2,799	7,287

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, 2023	Three months ended Sept. 30, 2022	Nine months ended Sept. 30, 2023	Nine months ended Sept. 30, 2022
Oil and condensate sales	12,031	9,776	44,627	35,185
Natural gas sales	10,882	12,990	36,858	48,591
Natural gas liquids sales	5,308	5,708	17,095	19,398
Royalty revenue	52	227	278	586
Oil and natural gas sales	**28,273**	**28,701**	**98,858**	**103,760**
Royalty expense	(3,061)	(7,228)	(13,088)	(17,524)
Gain (loss) on risk management activities	—	(497)	1,522	(4,973)
Net revenue	**25,212**	**20,976**	**87,292**	**81,263**

20. RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2022, the Company completed its debt restructuring transactions, which included the Second Lien Facility in the form of a promissory note held by a major shareholder owning approximately 21% of the outstanding shares of the Company (see note 6).

During the nine months ended September 30, 2022, the Company closed an asset acquisition that was considered a related party transaction (see note 3).

During the nine months ended September 30, 2022, the Company entered into a standby purchase agreement with three investors (collectively, the "Stand-By Guarantors") who each own more than 20% of the outstanding shares of the Company. The Company entered into a standby purchase agreement with each of Don Gray, Stuart Gray and Glen Gray (collectively, the "Stand-By Guarantors"). The Rights Offering was oversubscribed by 84% and as a result, the Stand-By Guarantors did not acquire any Common Shares in connection with the Rights Offering pursuant to their stand-by commitments. The Company had approximately 121.7 million shares outstanding following the Rights Offering with the Stand-By Guarantors owning approximately 71% of the outstanding shares.

21. INVENTORY

The components of the Company's inventory for the periods indicated are as follows:

$000s	As at September 30, 2023	As at December 31, 2022
Oil and gas equipment inventory	—	578
Carbon credits	1,842	619
Inventory	**1,842**	**1,197**

22. DEPOSITS AND PREPAID EXPENSES

The components of the Company's deposits and prepaid expenses for the periods indicated are as follows:

$000s	As at September 30, 2023	As at December 31, 2022
Prepaid interest and bank fees	160	229
Prepaid insurance	80	414
Prepaid operating expenses	—	19
Prepaid property tax	285	—
Prepaid software	423	172
Deposits	1,992	1,028
Deposits and prepaid expenses	**2,940**	**1,862**

23. OTHER INCOME

The following table presents Petrus' other income by category:

$000s	Three months ended Sept. 30, 2023	Three months ended Sept. 30, 2022	Nine months ended Sept. 30, 2023	Nine months ended Sept. 30, 2022
Carbon credits	—	—	1,222	—
Other	34	30	241	105
Other income	**34**	**30**	**1,463**	**105**

CORPORATE INFORMATION

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President and
Chief Executive Officer

Mathew Wong, CPA, CFA, CPA (WA, USA)
Chief Financial Officer

Matt Skanderup
Chief Operating Officer

Lindsay Hatcher
Vice President, Commercial & Corporate Development

DIRECTORS

Don T. Gray
Chairman
Scottsdale, Arizona

Ken Gray
Calgary, Alberta

Patrick Arnell
Calgary, Alberta

Donald Cormack
Calgary, Alberta

Peter Verburg
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SOLICITOR

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AUDITOR
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Chartered Professional Accountants
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