THIRD QUARTER REPORT | SEPTEMBER 30, 2012

HIGHLIGHTS

- Average third quarter production was 2,571 boe/d, weighted 60% to natural gas, compared to 1,024 boe/d, weighted 85% to natural gas during the second quarter of 2012. The increased volume is attributed to the Peace River asset acquisition which closed June 29, 2012 as well as incremental production from successful light oil drilling in the Alberta foothills.

- Petrus generated $4.5 million in cash flow ($0.05 per share) in the third quarter from $504,515 ($0.02 per share) in the second quarter, an increase of $0.03 per share. Cash flow increased from production growth and improved commodity prices.

- During the nine month period ended September 30, 2012, Petrus invested $89 million of capital in exploration, development and acquisitions. The Peace River asset acquisition contributed production of 1,600 boe/d (weighted 50% to oil) and five wells from the foothills drilling program contributed 429 boe/d (90% oil) at September 30, 2012.

- Petrus exited the third quarter with 2,682 boe/d of production (58% natural gas). Approximately 350 boe/d was shut in (1,080 mcf/d of natural gas attributed to insufficient netbacks and 170 bbl/d attributed to plant turnaround activities).

	Three months ended		
(000s) except per boe amounts	**Sept. 30, 2012**	**June 30, 2012**	**Mar. 31, 2012**
OPERATIONS			
Average Production			
Natural gas (mcf/d)	9,189	5219	6425
Oil (bbl/d)	991	139	77
NGLs (bbl/d)	48	15	28
Total (boe/d)	**2,571**	**1,024**	**1,176**
Natural gas production weighting	***60%***	***85%***	***91%***
Realized Sales Prices			
Natural gas ($/mcf)	2.38	1.92	2.22
Oil ($/bbl)	80.55	74.8	104.97
NGLs ($/bbl)	64.33	67.39	57.52
Total ($/boe)	40.76	20.93	20.38
Hedging gain (loss) ($/boe)	1.15	2.59	0.55
Operating Netback			
Effective realized price ($/boe)	41.91	23.52	20.93
Royalty expense (recovery) ($/boe)	7.12	(5.40)	4.90
Operating expense ($/boe)	14.61	13.54	5.66
Transportation expense ($/boe)	1.28	1.50	0.85
Operating netback ($/boe)	**18.90**	**13.88**	**9.52**
FINANCIAL ($000s except per share)			
Oil and natural gas revenue	9,744	2,011	2,252
Funds from operations	4,485	505	890
Funds from operations per share	0.05	0.02	0.03
Net income (loss)	1,738	(601)	1,459
Net income (loss) per diluted share	0.02	(0.02)	0.05
Capital expenditures	13,169	5,292	10,724
Acquisitions	432	59,198	—
Weighted average common shares	86,124,406	32,173,783	32,033,016
As at quarter end ($000s)			
Working capital (deficit)	17,285	21,652	(2,241)
Shareholder's equity	145,675	138,688	52,293
Total assets	167,438	153,261	62,836

PetrusResources

THIRD QUARTER REVIEW AND ACTIVITY UPDATE

Peace River, Alberta

Following the close of the asset acquisition on June 29, 2012, Petrus assumed operatorship of producing assets in the Peace River area, equally weighted between natural gas and light oil. The new core operating area contributed average quarterly production of 1,264 boe/d. Petrus conducted plant turnaround activities on some of the acquired facilities during the quarter, and as a result, approximately 170 bbl/d was shut in at quarter end.

During the quarter, Petrus spud its first three gross (three net) operated Peace River wells. Preliminary test data on the first two wells indicates economic viability. Completion and testing of the third well is currently underway. The Company plans to drill an additional five to six Peace River wells during the fourth quarter in order to further delineate the new core operating area.

Alberta Foothills

Production from the Company's non-operated interest in its other core operating area, the Alberta Foothills, contributed average quarterly production of 1,307 boe/d. 1,080 mcf/d of natural gas is currently shut in due to insufficient netbacks. Plant turnaround activities were also conducted on jointly owned Foothills facilities. These activities increased third quarter operating costs by $2.13/boe and added capital costs of $500,000.

During the third quarter of 2012 Petrus spud three (0.5 net) additional wells in the foothills area of Alberta. Initial production rates for the one well which was completed by quarter end indicate it is the sixth successful Cardium light oil producer in the foothills development program. The other two wells were not yet complete at quarter end. For the remainder of 2012 Petrus plans to spud and operate two high working interest wells in the Brown Creek area of Alberta, as well as participate in the drilling of three to four additional non-operated wells.

2013 Capital Budget

The Petrus board has approved a $49.3 million capital budget for 2013, which will provide for the drilling of 24 gross wells. The capital program is expected to be evenly split between the Foothills and Peace River areas, and will be funded through cash flow, existing working capital and access to a $40 million credit facility (currently undrawn).

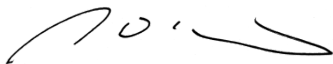
PRESIDENT'S MESSAGE AND OUTLOOK

The third quarter of 2012 was a transitional period for Petrus. With the second quarter closing of the Peace River acquisition, additional successful results in Cordel/Stolberg, and improving commodity prices, Petrus achieved several significant milestones in the company's development. Natural gas weighting decreased from 85% to 60% and is set to achieve a 50% balance in the next few months. Petrus has moved from operating none of its production to currently operating 49% of our production base. Funds from operations increased in the third quarter to $4.5 million from $504,515 in the second quarter – a nine-fold improvement (three-fold on a per share basis).

The third quarter also saw continued improvement in the outlook for natural gas prices. After ending last winter with record levels of gas in storage, most industry commentators expected that storage would be completely full, well before the end of the 2012 injection season. Full storage was expected to lead to very low summer/fall gas prices. Fortunately, increased gas demand largely from the power generation sector lead to a record low refill season where only 1474 BCF was injected into US storage - 26% below the previous 18 year average. Low gas prices have led to a dramatic reduction in gas directed drilling in North America. Reduced drilling should soon begin to impact overall levels of gas production on the continent - further tightening the supply/demand balance.

Petrus welcomed several new employees during the third quarter and opened a field office in Beaverlodge, Alberta. The company is now staffed to operate its new core area and will also begin company operated drilling in our Brown Creek Foothills property.

Petrus has successfully made the transition from a startup micro-cap to a full-cycle operating junior company. With two core areas, our opportunity inventory is greatly expanded with many exciting oil and natural gas prospects. Together with a skilled and motivated staff, a diverse and supportive shareholder base, our core areas and opportunity inventory put the company in a very solid position for profitable growth.



Kevin Adair
President, CEO and Director

MANAGEMENT'S DISCUSSION & ANALYSIS

The following is management's discussion and analysis ("MD&A") of the financial and operating results of the Company as at and for the three and nine month periods ended September 30, 2012. This MD&A should be read in conjunction with the financial statements for the nine month period ended September 30, 2012 and other operating and financial information included in this report.

Readers are directed to the advisories at the end of this report regarding forward-looking statements, BOE presentation and non-IFRS measures. The following MD&A is dated November 9, 2012.

OVERVIEW

Petrus is a private Canadian energy company focused on property exploitation, strategic acquisitions and risk-managed exploration in the Peace River and foothills areas of Alberta. Petrus was incorporated December 13, 2010 in Calgary, Alberta. As at September 30, 2012 the Company had production of 2,682 boe/d from its two core areas, weighted approximately 57% to natural gas.

Petrus has positioned itself in two core areas (Peace River and the Alberta Foothills) through two asset acquisitions. The Company's strategy is now focused on organic growth in these core areas.

2012 THIRD QUARTER FINANCIAL AND OPERATIONAL RESULTS

FINANCIAL AND OPERATIONAL RESULTS OF OIL AND NATURAL GAS ACTIVITIES

	Three months ended		
	Sept. 30, 2012	**June 30, 2012**	**Mar. 31, 2012**
Quarterly average production			
Natural gas (mcf/d)	9,189	5,219	6,425
Oil (bbl/d)	991	139	77
NGLs (bbl/d)	48	15	28
Total (boe/d)	**2,571**	**1,024**	**1,176**
Total (boe)	236,406	93,151	107,027
Quarterly exit production (boe/d)	2,682	2,612	1,152
Quarterly exit gas production weighting	57%	68%	91%
Revenue (000s)			
Natural Gas	2,012	913	1,297
Oil	7,334	946	736
NGLs	290	91	148
Commodity revenue	9,637	1,950	2,181
Gross overriding royalty revenue	107	61	72
Oil and natural gas revenue	9,744	2,011	2,253
Quarterly average realized prices			
Natural gas ($/mcf)	2.38	1.92	2.22
Oil ($/bbl)	80.55	74.80	104.97
NGLs ($/bbl)	64.33	67.39	57.52
Total ($/boe)	40.76	$20.93	$20.38
Hedging gain (loss) ($/boe)	1.15	2.59	0.55
Total effective realized price ($/boe)	41.91	23.52	20.93

Average benchmark prices	Three months ended		
	Sept. 30, 2012	**June 30, 2012**	**Mar. 31, 2012**
Natural gas			
AECO (Cdn $ per mcf)	2.14	1.85	2.11
Crude Oil			
Edmonton Light (Cdn $ per bbl)	84.79	84.38	97.62
Foreign Exchange			
US$/Cdn$	1.01	0.99	0.99

September 30 exit production was 2,682 boe/d compared to June 30, 2012 exit production of 2,612 boe/d. The increase is due to incremental production related to the foothills drilling program, offset by shut ins attributed to insufficient netbacks and plant turnaround activities at a Peace River operated facility. The production weighting was approximately 57% natural gas (June 30, 2012 – 68%) at September 30th.

During the three months ended September 30, 2012, the benchmark natural gas price in Canada (set at the AECO hub) increased by 16 percent from the prior quarter (average price of 2.14 per mcf in the third quarter compared to $1.85 per mcf in the prior quarter). The average realized gas price during the third quarter of 2012 was $2.38 per mcf compared to $1.92 per mcf in the prior quarter, which represents a 24% increase. Petrus sells its natural gas on a combination of daily and monthly indices. Natural gas revenue for the third quarter of 2012 was $2 million and production of 845,121 mcf accounted for approximately 60% of third quarter production volume and 21% of total revenue (compared to $912,930 and production of 474,931 mcf for 85% of production volume and 47% of total revenue in the prior quarter).

Oil prices strengthened from the second quarter of 2012 to the third quarter. The West Texas Intermediate (WTI) averaged $84.79 per bbl for the three months ended September 30, 2012 (compared to an average price of $84.38 per bbl for the three months ended June 30, 2012). The benchmark for crude oil prices in North America is WTI. As with natural gas, there can still be net price differentials due to differences in regional demand and transportation constraints which affect the actual prices received for the commodities. Petrus includes condensate in the oil revenue stream for reporting purposes. The average realized price of Petrus' crude oil and condensate was $80.55 for the third quarter of 2012 (compared to $74.80 per bbl for the second quarter of 2012). The oil and condensate revenue for the third quarter of 2012 was $7.3 million and production of 91,044 boe accounted for approximately 39% of third quarter production volume and 76% of total revenue (compared to $946,869 and production of 12,659 boe for 14% of production volume and 49% of total revenue for the prior quarter).

Petrus' NGL production mix consisted of ethane, butane, propane, pentane and sulphur. The pricing received for Petrus' NGL production is based on the specific product being produced and can therefore vary from period to period depending on the production mix. In the third quarter of 2012, Petrus' overall realized NGL price averaged $64.33 per boe (compared to $67.61/bbl for the prior quarter). The NGL revenue for the third quarter of 2012 was $289,996 and production of 4,508 boe accounted for approximately 2% of the Company's production volume and 3% of total revenue in the second quarter (compared to $90,095 and production of 1,337 boe for 1% of total production and 4% of total revenue for the prior quarter).

	Three months ended					
	Sept. 30, 2012		June 30, 2012		Mar. 31, 2012	
	$000s	**$/boe**	**$000s**	**$/boe**	**$000s**	**$/boe**
Production revenue	9,637	40.76	1,950	20.87	2,181	20.38
Transportation expense	(303)	(1.28)	(140)	(1.50)	(91)	(0.85)
Net production revenue	9,334	39.48	1,810	19.37	2,090	19.53
Royalty recovery (expense)	(1,626)	(6.88)	545	5.85	(524)	(4.90)
Royalty income	107	0.45	61	0.72	72	0.67
Net oil and gas revenue	**7,815**	**33.05**	**2,416**	**25.94**	**1,638**	**15.30**
Operating expense	(3,425)	(14.49)	(1,612)	(17.30)	(977)	(9.12)
Processing income	189	0.80	353	3.79	370	3.46
Hedging gain (loss)	270	1.14	242	2.59	193	1.80
General & administrative	(379)	(1.60)	(658)	(7.06)	(348)	(3.25)
Interest income (expense)	15	0.06	(236)	(2.54)	14	0.12
Funds from operations	**4,485**	**18.97**	**505**	**5.42**	**890**	**8.32**

Crown Royalties by Commodity	Three months ended		
	Sept. 30, 2012	**June 30, 2012**	**Mar. 31, 2012**
Oil and NGLs (000s)	1,486	266	246
% of production revenue	19%	28%	33%
Natural gas (000s)	140	11	234
% of production revenue	7%	1%	18%
Total (000s)	**1,626**	**329**	**524**
% of production revenue	**17%**	**17%**	**24%**

Petrus' overall effective crown royalty rate was 17% in the three months ended September 30, 2012 which is consistent with the prior quartered for the three months ended June 30, 2012. The increase in oil and NGL royalties paid in the third quarter compared to the prior quarter relate to the Peace River properties acquired and successful drilling results which increased the Company's oil production.

Other Income (000s)		Three months ended	
	Sept. 30, 2012	June 30, 2012	Mar. 31, 2012
Processing revenue	189	350	370
Interest income	25	—	16
Total other income	**214**	**350**	**386**
Realized hedging gain	270	222	193
Unrealized hedging gain (loss)	855	(975)	1,678
Total gain (loss) on financial derivatives	**1,125**	**(753)**	**1,871**

Petrus generated processing revenue which relates to fees charged to joint venture partners at jointly owned processing facilities of $188,667 in the third quarter of 2012 (compared to $349,701 in the three months ended June 30, 2012).

Petrus enters into future financial derivative contracts in order to mitigate the effects of depressed commodity prices. As a result, Petrus realized a hedging gain of $270,473 in the third quarter of 2012 compared to a hedging gain of $222,347 in the second quarter of 2012. At September 30, 2012, Petrus recorded a risk management asset of $1.6 million, which represents the value of the future derivative contracts had they settled on that date.

Operating Expenses (000s)		Three months ended	
	Sept. 30, 2012	June 30, 2012	Mar. 31, 2012
Operating expense	3,614	1,612	976
Processing revenue	(189)	(350)	(370)
Operating expense net of processing	3,425	1,247	606
Operating expense, net (per boe)	$14.61	$13.54	$5.66

Operating expenses totalled $3.6 million for the third quarter of 2012 ($1.6 million for the three months ended June 30, 2012). Offset by processing revenue, Petrus' net operating expenses totalled $3.4 million or $14.61 per boe for the reporting period, compared to $1.3 million $13.54 per boe, in the prior period. Petrus incurred significant facility turnaround costs during the quarter which increased normal operating costs by $2.13 per boe.

Transportation Expenses		Three months ended	
(000s)	Sept. 30, 2012	June 30, 2012	Mar. 31, 2012
Transportation expense	303	140	91
$/boe	1.28	1.50	0.85

Petrus pays commodity and demand charges for transporting its gas on the Nova pipeline system. Transportation expenses totalled $303,354 or $1.28 per boe in the third quarter of 2012 ($139,790 or $1.50 per boe for the second quarter of 2012).

G&A Expenses (000s)		Three months ended	
	Sept. 30, 2012	June 30, 2012	Mar. 31, 2012
Gross G&A expense	521	1,342	443
Capitalized G&A	(142)	(382)	(96)
Net G&A expense	**379**	**960**	**348**
Share based compensation, net	377	400	219
Total G&A expense, net	**756**	**1,141**	**567**

The third quarter general and administration ("G&A") expenses, net of capitalized costs directly attributable to exploration and development totalled $755,795 (compared to $1.1 million for the second quarter of 2012). The decrease is attributed to employee bonuses and accrued severance and legal fees incurred during the second quarter arising from the termination of a former employee.

Depletion and Depreciation (000s)		Three months ended	
	Sept. 30, 2012	June 30, 2012	Mar. 31, 2012
Depletion	2,208	739	783
Depreciation	82	84	119
Total	**2,290**	**823**	**902**
Depletion ($/boe)	9.34	7.93	7.87
Depreciation ($/boe)	0.34	0.90	0.11
Total ($/boe)	**9.68**	**8.83**	**7.98**

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

Petrus recorded depletion expense in the third quarter of 2012 of $2.2 million or $9.34 per boe (compared to $738,796 or $7.93 per boe for the second quarter of 2012. The increase is attributed to the Peace River assets which were acquired at the end of the second quarter. For the quarter ended September 30, 2012, depreciation expense totalled $82,331 (compared to $84,128 in the prior quarter).

FUNDS FROM OPERATIONS AND EARNINGS

Funds from operations is commonly used in the oil and gas industry to analyze operating performance. Funds from operations, as presented does not have any standardized meaning prescribed by IFRS. All references to funds from operations throughout this report are based on cash flow from operating activities as per the Statement of Cash Flows before changes in non-cash working capital and decommissioning obligations.

The third quarter of 2012 represents Petrus' first full quarter of production from its Peace River assets. The Company has generated production from its non-operated foothills assets since November 1, 2011.

Petrus generated funds from operations of $4.5 million during the quarter ended September 30, 2012 ($504,515 during the second quarter of 2012) which is a result of production from the assets acquired in the second quarter as well as the increased production and oil weighting of existing assets. Other factors contributed to the improved quarterly cash flow including: improved commodity prices and lower G&A costs relative to the prior quarter.

Net income increased to $1.7 million in the third quarter (compared to a net loss in the second quarter of $601,101). The increased net income is explained by the unrealized hedging gain recognized in the third quarter (compared to an unrealized loss recognized in the prior quarter). In addition, higher G&A costs were recognized in the second quarter which contributed to the net loss.

	Three months ended		
	Sept. 30, 2012	**June 30, 2012**	**Mar. 31, 2012**
Funds from operations	**4,484,560**	**504,515**	**889,970**
Funds from operations per basic/diluted share	0.05	0.02	0.03
Net income (loss)	**1,737,618**	**(601,101)**	**1,459,165**
Net income (loss) per basic/diluted share	0.02	(0.02)	0.05
Common shares outstanding–basic/diluted	83,675,633	83,493,075	32,033,016
Weighted avg common shares-basic/diluted	86,124,406	32,173,783	32,033,016

CAPITAL EXPENDITURES AND ACQUISITIONS

Capital expenditures, excluding acquisitions, totalled $13.2 million in the third quarter of 2012 compared to $5.3 million in the prior quarter. The majority of funds were invested in drilling and completions (6 gross; 4.2 net) wells were drilled during the third quarter of 2012. To date in 2012, $590,000 has been spent to equip and tie in a total of six successful light oil wells in the foothills area.

During the third quarter, Petrus incurred $432,175 on post-closing adjustments related to its second quarter asset acquisition. The Company also invested $3.4 million on additional undeveloped land in its core operating areas to further add to its inventory of drilling locations.

($000s)	Three months ended		
	Sept. 30, 2012	**June 30, 2012**	**Mar. 31, 2012**
Drilling and completions	8,725	4,389	9,517
Oil and gas equipment	200	320	70
Geological and geophysical	2	—	58
Land and lease retention	3,444	—	897
Office	280	59	52
Capitalized G&A, net	518	524	131
Total before acquisitions	**13,169**	**5,292**	**10,724**
Acquisitions	432	59,198	—
Total capital expenditures	**13,601**	**64,490**	**10,724**
Gross (net) wells spud during the quarter	6 (4.2)	4 (1.1)	4 (1.6)

RESERVES

The following table provides a summary of the Company's reserves at December 31, 2011. The reserve values presented do not include any additions from the 2012 drilling program. These additions will be reflected in the 2012 year end reserve evaluation

	Reserve Summary*	
	Petrus as at December 31, 2011	**Acquisition as at April 1, 2012**
Working Interest Reserves (MBoe)		
Proved Producing	2,887	2,686
Total Proved	4,912	3,378
Total Proved +Probable	6,703	5,615
Net Present Value ($000s) Discounted at 10%		
Proved Producing	$38,665	$47,527
Total Proved	$51,968	$53,486
Total Proved +Probable	$67,542	$76,606

*Excerpts of Evaluation Reports prepared by GLJ Petroleum Consultants

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2012, the Company had a demand revolving credit facility of $40 million with a major Canadian lender. At September 30, 2012, the Company has not drawn against the credit facility and the Company had working capital of $17.3 million (excluding non-cash items).

The Company's general capital management policy is to maintain a sufficient capital base in order to manage its business to enable the Company to increase the value of its assets and therefore its underlying share value. The Company's objectives when managing capital are (i) to manage financial flexibility in order to preserve the Company's ability to meet financial obligations; (ii) maintain a capital structure that allows Petrus the ability to finance its growth using internally generated cash flow and (iii) to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk level and provides an optimal return to equity holders.

In the management of capital, Petrus includes share capital and total net debt, which is made up of debt and working capital (current assets less current liabilities). Petrus manages its capital structure and makes adjustments in light of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Petrus may issue new equity, increase or decrease debt, adjust capital expenditures and acquire or dispose of assets.

Petrus anticipates that it will have adequate liquidity to fund future working capital and forecasted capital expenditures in 2012 through a combination of cash flow, current working capital and possible additional use of its credit facility. Petrus is able to modify its capital program in response to changes in commodity prices and cash flows. Should the Company choose to expand its capital program, actual funding alternatives will be influenced by the then current market environment and the ability to access capital on reasonable terms, balanced with the investment opportunities presented.

Impairment Analysis

Under International Accounting Standard (IAS) 36 – Impairment of Assets, impairment testing is performed at the cash generating unit (CGU) level and is a one step process for testing and measuring impairment of assets wherein each CGU's carrying value is compared to the higher of "value in use" and "fair value less costs to sell." Value in use is defined as the present value of future cash flows expected to be derived from the CGU. Impairment tests were performed at June 30, 2012 using future cash flows given a present value using a discount rate of 10%. For the Company's cash generating units at September 30, 2012, no impairments were identified.

Provisions and Contingencies

The Company satisfied the obligation attributed to the flow through share financings which closed in June and July 2012, during the third quarter of 2012.

Commitments

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

Commitments (000s)	**Total**	**< 1 year**	**1-3 years**
Office equipment lease	16	5	11
Capital commitments	7,178	1,778	5,400
Corporate office lease	1,611	481	1,130
Total Commitments	**8,805**	**2,264**	**6,541**

Financial Reporting Update

International Financial Reporting Standards ("IFRS")

Publicly accountable enterprises are required to apply IFRS, in full and without modification, for financial periods beginning on January 1, 2011. Private enterprises are not yet required to apply IFRS, however Petrus has elected to adopt the standards. Given that 2011 was Petrus' first year of operations, Petrus had no financial statement balances to restate as at January 1, 2010. As a result, a reconciliation of Canadian GAAP to IFRS was not required.

These financial statements present the Company's financial results of operations issued under International Financial Reporting Standards ("IFRS") as at and for the period ended September 30, 2012. These financial statements have been prepared by management using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Financial Instruments

Financial instruments are comprised of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The fair values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their carrying amounts due to their short-term maturities.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by Petrus is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosures. Petrus' President and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to Petrus, is made known to them by others within the Company.

Internal Control over Financial Reporting ("ICFR")

Petrus' President and Chief Financial Officer have designed internal controls over financial reporting related to the Company to provide reasonable assurance regarding the reliability of Petrus' financial reporting and preparation of financial statements for external purposes in accordance with GAAP.

It should be noted that while Petrus' President and Chief Financial Officer believe that the Company's disclosure and internal control procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure and internal control procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

ADVISORIES

Basis of Presentation

Financial data presented below have largely been derived from the Company's financial statement, prepared in accordance with International Financial Reporting Standards ("IFRS"). Accounting policies adopted by the Company are set out in Note 3 to the financial statements. The reporting and the measurement currency is the Canadian dollar. All financial information is expressed in Canadian dollars, unless otherwise stated.

Forward Looking Statements

Certain information regarding Petrus set forth in this document, including management's assessment of the Company's future plans and operations, contains forward-looking statements WITHIN THE MEANING OF APPLICABLE SECURITIES LAW, that involve substantial known and unknown risks and uncertainties. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. Such statements represent Petrus' internal projections, estimates or beliefs concerning, among other things, an outlook on the estimated amounts and timing of capital investment, anticipated future debt, production, revenues or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. These statements are only predictions and actual events or results may differ materially. Although Petrus believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause Petrus' actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Petrus.

In particular, forward-looking statements included in this MD&A include, but are not limited to, statements with respect to: the size of, and future net revenues from, crude oil, NGL (natural gas liquids) and natural gas reserves; future prospects; the focus of and timing of capital expenditures; expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; access to debt and equity markets; projections of market prices and costs; the performance characteristics of the Company's crude oil, NGL and natural gas properties; crude oil, NGL and natural gas production levels and product mix; Petrus' future operating and financial results; capital investment programs; supply and demand for crude oil, NGL and natural gas; future royalty rates; drilling, development and completion plans and the results therefrom; future land expiries; dispositions and joint venture arrangements; amount of operating, transportation and general and administrative expenses; treatment under governmental regulatory regimes and tax laws; estimated tax pool balances and anticipated IFRS elections and the impact of the conversion to IFRS. In addition, statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

These forward-looking statements are subject to numerous risks and uncertainties, most of which are beyond the Company's control, including the impact of general economic conditions; volatility in market prices for crude oil, NGL and natural gas; industry conditions; currency fluctuation; imprecision of reserve estimates; liabilities inherent in crude oil and natural gas operations; environmental risks; incorrect assessments of the value of acquisitions and exploration and development programs; competition; the lack of availability of qualified personnel or management; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; stock market volatility; ability to access sufficient capital from internal and external sources; completion of

the financing on the timing planned and the receipt of applicable approvals; and the other risks. With respect to forward-looking statements contained in this MD&A, Petrus has made assumptions regarding: future commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; future exchange rates; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment and services; effects of regulation by governmental agencies; and future operating costs. Management has included the above summary of assumptions and risks related to forward-looking information provided in this MD&A in order to provide shareholders with a more complete perspective on Petrus' future operations and such information may not be appropriate for other purposes. Petrus' actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the Company will derive therefrom. Readers are cautioned that the foregoing lists of factors are not exhaustive.

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

BOE Presentation

The oil and natural gas industry commonly expresses production volumes and reserves on a barrel of oil equivalent ("BOE") basis whereby natural gas volumes are converted at the ratio of 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 equivalency of the two commodities at the burner tip. However, BOE's do not represent an economic value equivalency at the wellhead and therefore may be a misleading measure if used in isolation.

BALANCE SHEETS
(UNAUDITED)

(Expressed in Canadian dollars)

As at	**September 30, 2012**	**December 31, 2011**
ASSETS		
Current		
Cash and cash equivalents	19,820,332	7,786,788
Deposits and prepaid expenses	1,056,046	396,657
Accounts receivable	5,134,553	3,635,358
Risk management asset *(note 9)*	1,560,839	—
	27,571,770	**11,818,803**
Non-current		
Exploration and evaluation assets *(notes 4 and 5)*	37,579,517	7,232,470
Property, plant and equipment *(notes 4 and 6)*	102,286,730	40,089,044
	139,866,247	47,321,514
	167,438,017	**59,140,317**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	8,725,673	4,328,105
Flow-through share premium liability	—	979,856
	8,725,673	**5,307,961**
Non-Current		
Decommissioning obligation *(note 8)*	11,553,375	3,652,999
Deferred income tax liability *(note 14)*	1,484,192	—
	21,763,240	**8,960,960**
Shareholders' Equity		
Share capital *(note 10)*	143,951,036	51,018,159
Contributed surplus	1,458,117	32,391
Retained earnings (deficit)	265,623	(871,193)
	145,674,776	**50,179,357**
	167,438,016	**59,140,317**

See accompanying notes to the financial statements

Commitments *(note 17)*

Approved by the Board of Directors,

(signed) "Don T. Gray"

Don T. Gray
Executive Chairman

(signed) "Patrick Arnell"

Patrick Arnell
Director

PetrusResources

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

(Expressed in Canadian dollars, except for share information)

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
REVENUE				
Oil and natural gas revenue	**9,743,698**	—	**14,006,583**	—
Royalty expense (recovery)	1,626,204	—	1,647,507	—
Oil and natural gas revenue, net of royalties	**8,117,494**	—	**12,359,076**	—
Other income	214,154	16,745	950,505	34,593
Gain (loss) on financial derivative contracts	1,124,976	—	2,262,109	—
	9,456,624	**16,745**	**15,571,690**	**34,593**
EXPENSES				
Operating *(note 15)*	3,425,124	—	6,013,223	—
Transportation expenses	303,354	—	534,076	—
General and administrative *(note 16)*	378,966	155,871	1,339,136	197,701
Share-based compensation *(note 10)*	376,829	—	776,568	—
Finance *(note* 8)	66,831	—	340,059	—
Depletion and depreciation *(note 6)*	2,289,130	269	4,014,745	359
	6,840,234	**156,140**	**13,017,807**	**198,060**
NET INCOME (LOSS) BEFORE INCOME TAXES	**2,616,390**	**(139,395)**	**2,553,883**	**(163,467)**
Current tax expense	—	—	2,660	—
Deferred income tax expense *(note 14)*	**878,472**	—	**1,414,407**	—
	878,472		**1,417,067**	
TOTAL NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**1,737,918**	**(139,395)**	**1,136,816**	**(163,467)**
Net income (loss) per common share *(note 12)*				
Basic and diluted	**0.02**	**(0.01)**	**0.02**	**(0.01)**

See accompanying notes to the financial statements

PetrusResources

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

(Expressed in Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total
Balance, December 31, 2011	**51,018,159**	**32,391**	**(871,193)**	**50,179,357**
Net income (loss)	—	—	1,136,816	1,136,816
Issuance of common shares	95,248,193	—	—	95,248,193
Share issue costs	(3,372,410)	—	—	(3,372,410)
Share-based compensation expensed	—	776,568	—	776,568
Share-based compensation capitalized	—	649,158	—	649,158
Tax benefit of share issue costs	821,878	—	—	821,878
Deferred tax benefits *(note 14)*	235,216	—	—	235,216
Balance, September 30, 2012	**143,951,036**	**1,458,117**	**265,623**	**145,674,776**

See accompanying notes to the financial statements

STATEMENTS OF CASH FLOWS

(UNAUDITED)

(Expressed in Canadian dollars)

Funds generated by (used in):	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
OPERATING ACTIVITIES				
Net income (loss)	**1,737,917**	**(139,395)**	**1,136,816**	**(163,467)**
Adjust items not affecting cash:				
Share-based compensation	376,829	—	776,568	—
Unrealized hedging gains	(854,503)	—	(1,556,939)	—
Finance expenses	56,713	—	93,446	—
Depletion and depreciation	2,289,130	269	4,014,745	359
Deferred income tax recovery	878,474	—	1,414,407	—
	4,484,560	**(139,126)**	**5,879,043**	**(163,108)**
Change in operating non-cash working capital	2,224,858	(11,692)	(782,275)	29,629
Funds generated by operations	**6,709,418**	**(150,818)**	**5,096,768**	**(133,479)**
FINANCING ACTIVITIES				
Issuance of common shares *(note 10)*	3,971,000	400,000	95,248,193	11,050,000
Share issue costs *(note 10)*	(499,375)	(33,197)	(2,687,194)	(417,226)
Change in financing non-cash working capital	110,937	—	139,963	—
Funds generated by financing activities	**3,582,562**	**366,803**	**92,700,963**	**10,632,774**
INVESTING ACTIVITIES				
Property and equipment acquisitions *(note 4)*	(431,775)	—	(60,114,472)	—
Exploration and evaluation asset expenditures *(note 5)*	(12,797,263)	(226,752)	(23,209,817)	(226,752)
Petroleum and natural gas property expenditures *(note 6)*	(101,319)	(60,976)	(5,437,209)	(60,976)
Other capital expenditures *(note 6)*	(279,845)	(58,534)	(390,867)	(60,493)
Change in investing non-cash working capital	5,345,042	(4,342,390)	3,388,177	(4,360,238)
Funds used in investing activities	**(8,265,160)**	**(4,688,652)**	**(85,764,188)**	**(4,708,459)**
Increase (decrease) in cash and cash equivalents	**2,026,820**	**(4,472,667)**	**12,033,544**	**5,790,836**
Cash and cash equivalents, beginning of period	**17,793,511**	**10,263,503**	**7,786,788**	**—**
Cash and cash equivalents, end of period	**19,820,332**	**5,790,826**	**19,820,332**	**5,790,836**

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF THE ORGANIZATION

Petrus Resources Ltd. ("Petrus" or the "Company") is a privately held entity which was incorporated under the laws of the Province of Alberta on December 13, 2010. These financial statements report the nine months ended September 30, 2012. 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. It conducts many of its activities jointly with others. These financial statements reflect only the Company's share of these jointly controlled assets and its proportionate share of the relevant revenue and related costs. The Company's head office is located at 2400, 240 – 4th Avenue SW, Calgary, Alberta Canada.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These financial statements have been prepared by management using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

(b) Measurement Basis

These financial statements were prepared on the basis of historical cost and are presented in Canadian dollars.

(c) Critical Accounting Estimates and Sources of Judgment

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

Depletion and reserve estimates

Petroleum and natural gas assets are depleted on a unit of production basis at a rate calculated by reference to proved and probable reserves determined in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). The calculation incorporates the estimated future cost of developing and extracting those reserves. Proved and probable reserves are estimated using independent reservoir engineering reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. Reserves estimates, although not reported as part of the Company's financial statements, can have a significant effect on net income (loss), assets and liabilities as a result of their impact on depletion and depreciation, decommissioning liabilities, deferred taxes, asset impairments and business combinations. Independent reservoir engineers perform evaluations of the Company's petroleum and natural gas reserves on an annual basis. The estimation of reserves is an inherently complex process requiring significant judgment. Estimates of economically recoverable petroleum and natural gas reserves are based upon a number of variables and assumptions such as geoscientific interpretation, production forecasts, commodity prices, costs and related future cash flows, all of which may vary considerably from actual results. These estimates are expected to be revised upward or downward over time, as additional information such as reservoir performance becomes available or as economic conditions change.

Impairment indicators and cash-generating units

For purposes of impairment testing, petroleum and natural gas assets are aggregated into cash-generating units ("CGU's"), based on separately identifiable and largely independent cash inflows. The determination of the Company's CGU's is subject to judgment.

The recoverable amounts of CGU's and individual assets have been determined based on the higher of the value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions, including the discount rate, future petroleum and natural gas prices, expected production volumes and anticipated recoverable quantities of proved and probable reserves. These assumptions are subject to change as new information becomes available and changes in economic conditions take place. Changes may impact the estimated life of the field and economical reserves recoverable and may require a material adjustment to the carrying value of petroleum and natural gas assets. The Company monitors internal and external indicators of impairment relating to its tangible assets.

Technical feasibility and commercial viability of exploration and evaluation assets

The determination of technical feasibility and commercial viability, based on the presence of proved and probable reserves, results in the transfer of assets from exploration and evaluation assets to property, plant and equipment. As discussed above, the estimate of proved and probable reserves is inherently complex and requires significant judgment. Thus any material change to reserve estimates could affect the technical feasibility and commercial viability of the underlying assets.

Decommissioning obligation

At the end of the operating life of the Company's facilities and properties and upon retirement of its petroleum and natural gas assets, decommissioning costs will be incurred by the Company. This requires judgment regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and discount rates to determine the present value of these cash flows.

Income taxes

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only

to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable income available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in income or loss in the period in which the change occurs. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

Measurement of share-based compensation

Share-based compensation recorded pursuant to share-based compensation plans are subject to estimated fair values, forfeiture rates and the future attainment of performance criteria.

Business combinations

Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of exploration and evaluation assets and petroleum and natural gas assets acquired generally require the most judgment and include estimates of reserves acquired, forecast benchmark commodity prices and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill in the purchase price allocation.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

The Company's cash and cash equivalents consist of deposits held in the Company's chequing accounts and interest bearing savings accounts.

(b) Revenue recognition

Revenue from the sale of petroleum and natural gas is recognized when volumes are delivered and title passes to an external party at contractual delivery points and are recorded gross of transportation charges incurred by the Company.

The costs associated with the delivery, including transportation and production-based royalty expenses, are recognized in the same period in which the related revenue is earned and recorded.

Royalty income is recognized as it accrues in accordance with the terms of the respective overriding royalty agreements.

Other income is recognized as it is earned which includes interest income as well as processing income.

(c) Property, plant and equipment

The Company's property, plant and equipment is comprised of petroleum and natural gas assets and corporate assets.

Capitalization

Petroleum and natural gas assets are measured at cost less accumulated depletion and depreciation and accumulated impairment losses, if any. Petroleum and natural gas assets consists of the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Petroleum and natural gas assets include developing and producing interests such as land acquisitions, geological and geophysical costs, facility and production equipment, other directly attributable costs and the initial estimate of the costs of dismantling and removing an asset and restoring the site on which it was located.

Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability are recognized as developing and producing petroleum and natural gas interests when they increase the future economic benefits embodied in the specific asset to which they relate. Such capitalized petroleum and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The cost of day-to-day servicing of an item of petroleum and natural gas assets is expensed in income or loss as incurred. Petroleum and natural gas assets are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal of an asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in income or loss.

Leased assets

Other leases are capital leases, which are recognized on the Company's balance sheet. Petrus records the payments made in accordance with the lease as a reduction to the obligation recorded.

Depletion and depreciation

The costs related to area cost centres for petroleum and natural gas properties, including related pipelines and facilities, are depleted using a unit-of-production method based on the commercial proved and probable reserves allocated to its CGU.

Petroleum and natural gas assets are not depleted until production commences. This depletion calculation includes actual production in the period and total estimated proved and probable reserves attributable to the assets being depleted, taking into account total capitalized costs plus estimated future development costs necessary to bring those reserves into production. Relative volumes of reserves and production (before royalties) are converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil.

Proved and probable reserves are estimated using independent reservoir engineering reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

Corporate assets are stated in the statement of financial position at cost less accumulated depreciation. Depreciation is calculated on a reducing balance method so as to write off the cost of these assets, less estimated residual values, over their estimated useful lives. The expected useful lives of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

Impairment

The carrying amounts of property, plant and equipment are grouped into CGU's and the CGU's are reviewed quarterly for indicators of impairment. Indicators are events or changes in circumstances that indicate that the carrying amount may not be recoverable. If indicators of impairment exist, the recoverable amount of the CGU is estimated. If the carrying amount of the CGU exceeds the recoverable amount, the CGU is written down with an impairment recognized in net income (loss).

The assessment for impairment entails comparing the carrying value of the CGU with its recoverable amount: that is, the higher of fair value, less costs to sell, and value in use. Each CGU is identified in accordance with IAS 36, *Impairment of Assets*. Petrus' property, plant and equipment are grouped into CGU's based on separately identifiable and largely independent cash inflows considering geological characteristics, shared infrastructure and exposure to market risks. Estimates of future cash flows used in the calculation of the recoverable amount are based on reserve evaluation reports prepared by independent reservoir engineers.

The recoverable amount is the higher of fair value, less costs to sell, and the value-in-use. Fair value, less costs to sell, is derived by estimating the discounted after-tax future net cash flows. Discounted future net cash flows are based on forecasted commodity prices and costs over the expected economic life of the reserves and discounted using market-based rates to reflect a market participant's view of the risks associated with the assets. Value-in-use is assessed using the expected future cash flows discounted at a pre-tax rate.
Impairments of property, plant and equipment are only reversed when there is significant evidence that the impairment has been reversed, but only to the extent of what the carrying amount would have been had no impairment been recognized.

(d) Exploration & evaluation assets

Capitalization

All costs incurred after the rights to explore an area have been obtained, such as geological and geophysical costs, other direct costs of exploration (drilling, testing and evaluating the technical feasibility and commercial viability of extraction) and appraisal and including any directly attributable general and administration costs and share-based payments, are accumulated and capitalized as exploration and evaluation assets.

Certain costs incurred prior to acquiring the legal rights to explore are charged directly to net income (loss).

Amortization

Exploration and evaluation costs are not amortized prior to the conclusion of appraisal activities. At the completion of appraisal activities, if technical feasibility is demonstrated and commercial reserves are discovered, then the carrying value of the relevant exploration and evaluation asset will be reclassified as a petroleum and natural gas asset into the CGU to which it relates, but only after the carrying value of the relevant exploration and evaluation asset has been assessed for impairment and, where appropriate, its carrying value adjusted. Technical feasibility and commercial viability are considered to be demonstrable when proved or probable reserves are determined to exist. If it is determined that technical feasibility and commercial viability have not been achieved in relation to the exploration and evaluation assets appraised, all other associated costs are written down to the recoverable amount in net income (loss).

Expired land leases included as undeveloped land in exploration and evaluation assets are recognized in exploration and evaluation cost in net income (loss) upon expiry.

Impairment

If and when facts and circumstances indicate that the carrying value of an exploration and evaluation asset may exceed its recoverable amount, an impairment review is performed. For exploration and evaluation assets, when there are such indications, an impairment test is carried out by grouping the exploration and evaluation assets with property, plant and equipment CGU's to which they belong for impairment testing. The equivalent combined carrying value of the CGU's is compared against the recoverable amount of the CGU's and any resulting impairment loss is written off to net income (loss). The recoverable amount is the greater of fair value, less costs to sell, or value-in-use.

(e) Business combinations

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in net income (loss). Transaction costs associated with a business combination are expensed as incurred.

(f) Decommissioning obligations

The Company's activities give rise to dismantling, decommissioning and reclamation requirements. Costs related to these abandonment activities are estimated by management in consultation with the Company's engineers based on risk-adjusted current costs which take into consideration current technology in accordance with existing legislation and industry practices.

Decommissioning obligations are measured at the present value of the best estimate of expenditures required to settle the obligations at the reporting date. When the fair value of the liability is initially measured, the estimated cost, discounted using a risk-free rate, is capitalized by increasing the carrying amount of the related petroleum and natural gas assets. The increase in the provision due to the passage of time, or accretion, is recognized as a finance expense. Increases and decreases due to revisions in the estimated future cash flows are recorded as adjustments to the carrying amount of the related petroleum and natural gas assets.

Actual costs incurred upon settlement of the liability are charged against the obligation to the extent that the obligation was previously established. The carrying amount capitalized in petroleum and natural gas assets is depleted in accordance with the Company's depletion and depreciation policy. The Company reviews the obligation at each reporting date and revisions to the estimated timing of cash flows, discount rates and estimated costs will result in an increase or decrease to the obligations. Any difference between the actual costs incurred upon settlement of the obligation and recorded liability is recognized as an increase or reduction in income.

(g) Finance expenses

Finance expense may be comprised of interest expense on borrowings and accretion of the discount on decommissioning obligations.

(h) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, accounts receivables, accounts payable and accrued liabilities and outstanding credit facilities. Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured based on their classification. The Company has made the following classifications:

- Cash and cash equivalents are classified as financial assets at fair value, showing separately (i) those designated as such upon initial recognition and (ii) those classified as held for trading in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.
- Accounts receivable are classified as loans and receivables and are measured at amortized cost using the effective interest method. Typically, the fair value of these balances approximates their carrying value due to their short term to maturity.
- Accounts payable and accrued liabilities and outstanding credit facilities are classified as other liabilities and are measured at amortized cost using the effective interest method. Due to the short term nature of accounts payable and accrued liabilities, their carrying values approximate their fair values. The Company's outstanding credit facilities bear interest at a floating rate and accordingly the fair market value approximates the carrying value.

(i) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a reduction in share capital, net of any tax effects.

(j) Flow-through shares

The resources expenditure deductions for income tax purposes related to exploratory activities funded by flow-through shares are renounced to investors in accordance with tax legislation. Upon issuance of a flow-through share, a liability is recognized representing the premium paid on flow-through common shares over regular common shares. This liability is reduced as the expenditures are incurred and tax attributes are renounced. The difference between the initial liability and the deferred tax liability created is recorded as a deferred tax expense.

(k) Income taxes

The Company's income tax expense is comprised of current and deferred tax. Income tax expense is recognized through income or loss except to the extent that it relates to items recognized directly in equity, in which case the related income taxes are also recognized in equity.

Current tax is the expected tax payable on taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is expected to be settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Petrus expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(l) Joint interests

Significantly all of the Company's activities are conducted jointly with others through unincorporated joint ventures. The Company accounts for its share of the results and net assets of these Joint Ventures as jointly controlled assets. The audited financial statements include Petrus' share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

(m) Share-based compensation

The Company follows the fair value method of valuing stock option and performance warrant grants. Share-based compensation expense is determined based on the estimated fair value of shares on the date of grant. Forfeitures are estimated at the grant date and are subsequently adjusted to reflect actual forfeitures. The expense is recognized over the service period, with a corresponding increase to contributed surplus. The Company capitalizes the qualifying portion of share-based compensation expense directly attributable to the exploration and development activities of exploration and evaluation assets and petroleum and natural gas assets, with a corresponding decrease to share-based compensation expense. At the time the stock options or performance warrants are exercised, the issuance of common shares is recorded as an increase to shareholders' capital and a corresponding decrease to contributed surplus.

(n) Earnings per share

Earnings per share are presented for basic and diluted earnings. Basic per share information is computed by dividing the net income (loss) for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period. The weighted average number of shares for fully diluted earnings per share information is calculated using the treasury stock method whereby it is assumed that proceeds obtained upon exercise of share warrants and stock options issued under the Company's Stock Option Plan would be used to purchase common shares at the average market price during the period. The treasury stock method also assumes that the deemed proceeds related to unrecognized share-based payments expense are used to repurchase shares at the average market price during the period. Under the treasury stock method, stock options and share warrants have a dilutive effect only when the average market price of the common shares during the period exceeds the exercise price of the options or warrants (they are "in-the-money"). Exercise of in-the-money stock options and share warrants is assumed at the beginning of the year or date of issuance, if later. Should the Company have a loss for the period, stock options and share warrants would be anti-dilutive and therefore will have no effect on the determination of loss per share.

4. ACQUISITIONS

On June 29, 2012 Petrus closed an acquisition of petroleum and natural gas properties for cash consideration of $59.7 million, net of adjustments. The transaction was accounted for as a business combination. Petrus recorded $7.1 million in exploration and evaluation assets for the value of undeveloped land and seismic and $52 million in property and equipment. $7.6 million of decommissioning liabilities were recognized in relation to the acquired properties.

5. EXPLORATION AND EVALUATION ASSETS

	$
Balance, December 31, 2011	7,232,470
Cash additions	22,551,576
Acquisitions (note 4)	7,075,000
Capitalized general & administrative	479,606
Change in decommissioning provision	240,865
Transfers to property, plant and equipment	—
Balance, September 30, 2012	**37,579,517**

Depletion

Exploration and evaluation assets consist of Petrus' undeveloped land and exploration and development projects which are pending the determination of technical feasibility. Additions represent the Company's share of costs incurred on these assets during the period. Exploration and evaluation assets are not subject to depletion.

Capitalization of general & administrative expenses

During the nine months ended September 30, 2012 the Company capitalized $479,606 of general & administrative expenses directly attributable to exploration activities. Included in this amount is non-cash related share-based compensation of $324,580.

6. PROPERTY, PLANT AND EQUIPMENT

$	Cost	Accumulated DD&A	Net book value
Balance, December 31, 2011	**40,715,777**	**(626,733)**	**40,089,044**
Cash additions	5,568,793	—	5,568,793
Acquisitions (note 4)	52,555,012		52,555,012
Capitalized general & administrative	479,606	—	479,606
Depletion & depreciation	—	(4,014,745)	(4,014,745)
Change in decommissioning provision	7,609,020	—	7,609,020
Balance, September 30, 2012	**106,928,208**	**(4,641,478)**	**102,286,730**

Depletion and Depreciation

Estimated future development costs of $10.2 million associated with the development of the Company's proved plus probable undeveloped reserves were included with the costs subject to depletion.

Capitalization of general & administrative expenses

During the nine months ended September 30, 2012 the Company capitalized $479,606 of general & administrative expenses directly attributable to development activities. Included in this amount is non-cash related share-based compensation of $324,580.

7. REVOLVING CREDIT FACILITY

The Company has a demand revolving credit facility of $40 million with a major Canadian lender which is undrawn at September 30, 2012.

The credit facility was obtained for general corporate purposes. The facility is available on a revolving basis for a period until June 29, 2013 and then for a further year under the term out provisions. The initial term out date may be extended for further 364 day periods at the request of Petrus, subject to approval by the lender. The credit facility provides that advances may be made by way of direct Canadian advances (at an interest rate equal to the Bank of Canada prime rate

plus 0.75% per annum), U.S. dollar advances (at an interest rate equal to the U.S. Base Rate plus 0.75% per annum), or bankers' acceptances (at a stamping fee calculated on the face amount of the banker's acceptance at a rate equal to 175 basis points per annum).

The amount of the credit facility is subject to a borrowing base test performed on a semi-annual review by the lender, based primarily on reserves and using commodity prices estimated by the lender as well as other factors. The Company has provided security by way of a $100 million debenture over all of the present and after acquired property of the Company. A decrease in the borrowing base could result in a reduction to the available credit facility. The next semi-annual review of the credit facility is to take place on June 29, 2013. At September 30, 2012, the Company has not drawn against the credit facility.

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 three percent and an inflation rate of two percent. The Company has estimated the net present value of the decommissioning obligations to be $11.3 million as at September 30, 2012 based on an undiscounted total future liability of $21 million. These payments are expected to be incurred over the operating lives of the assets. The following table reconciles the decommissioning liability:

Balance, December 31, 2011	**3,652,999**
Acquisitions (note 4)	7,566,065
Liabilities incurred	240,865
Accretion expense	93,446
Balance, September 30, 2012	**11,553,375**

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 has outstanding as at September 30, 2012:

Natural Gas Period Hedged	**Type**	**Daily Volume**	**Price (CAD)**
Oct. 1, 2012 to Dec. 31, 2012	Costless collar	1,500 GJ	$2.70 - $2.95/GJ
Oct. 1, 2012 to Oct. 31, 2012	Fixed price	1,500 GJ	$2.77/GJ
Oct. 1, 2012 to Oct. 31, 2012	Fixed price	2,000 GJ	$2.25/GJ
Nov. 1, 2012 to Mar. 31, 2013	Fixed price	4,000 GJ	$2.25/GJ
Apr. 1, 2013 to Oct. 31, 2013	Costless collar	1,500 GJ	$2.50 - $3.02/GJ
Oct. 1, 2012 to Mar. 31, 2013	Fixed price	2,000 GJ	$2.62/GJ
Nov. 1, 2013 to Mar. 31, 2014	Costless collar	4,000 GJ	$3.25 - $3.53/GJ
Apr. 1, 2013 to Oct. 31, 2013	Costless collar	4,000 GJ	$2.80 - $3.02/GJ
Crude Oil Period Hedged	**Type**	**Daily Volume**	**Price (USD)**
Oct. 1, 2012 to Dec. 31, 2012	Costless collar	75 Bbl	WTI $95.00 - $106.55/Bbl
Oct. 1, 2012 to Dec. 31, 2012	Costless collar	400 Bbl	WTI $82.50 - $90.75/Bbl
Jan 1, 2013 to Dec. 31, 2013	Costless collar	400 Bbl	WTI $82.50 - $92.45/Bbl
Jan 1, 2014 to Dec. 31, 2014	Put Option	200 Bbl	WTI $85.00/Bbl
Jan 1, 2014 to Dec. 31, 2014	Fixed price	200 Bbl	WTI $98.35/Bbl
Total risk management asset (liability)			

For the nine months ended September 30, 2012, Petrus recorded a realized and unrealized gain of $705,170 and $1,556,939, respectively.

10. SHARE CAPITAL

Authorized

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

Issued and Outstanding

Common shares	**Number of Shares**	**Amount**
Balance, December 31, 2011	**32,033,017**	**51,018,159**
Common shares issued under private placement (1)	80,000	160,000
Common shares issued under private placement (2)	50,774,571	88,855,499
Common shares issued under private placement (4)	2,772,557	4,851,975
Flow-through shares issued, net of premium (3)	605,488	1,059,604
Flow-through shares issued, net of premium (4)	10,000	21,000
Share issue costs	—	(2,873,034)
Tax benefit of share issue costs	—	851,833
Balance, September 30, 2012	**86,275,633**	**143,951,036**

Share Issuances

(1) The Company completed a subsequent closing to its November 2011 private equity placement and issued 80,000 common shares at a price of $2.00 per common share for gross proceeds of $160,000.
(2) The Company completed its third significant private equity placement on June 29, 2012. 50,774,571 common shares were issued at a price of $1.75 per share for gross proceeds of $88,855,499. Under National Instrument 45-102, the common shares issued June 29, 2012 are subject to a restricted hold period which expires October 29, 2012.
(3) On June 29, 2012, the Company also issued 605,488 flow through shares at a price of $2.10 per share for total gross proceeds of $1,271,525. Of the issuance price, $0.35 per share or $211,921 was determined to be the premium on the flow-through shares. Petrus is committed to spending $1,059,604 on qualified exploration and development expenditures by December 31, 2013. Under National Instrument 45-102, the flow through shares issued June 29, 2012 are subject to a restricted hold period which expires October 29, 2012.
(4) On 5, July, 2012 the Company issued 2,772,557 common shares at a price of $1.75 per share for gross proceeds of $4.9 million. In addition, the Company issued 10,000 common shares on a flow through basis at a price of $2.10 per share for gross proceeds of $21,000. The issuances were subsequent additional closings related to the June 2012 private equity placement. Under National Instrument 45-102, the common shares issued are subject to a restricted hold period which expires November 5, 2012.

SHARE-BASED COMPENSATION

Performance Warrants

The Company may issue performance warrants to employees, consultants and directors of the Company. Performance warrants are granted for a term of three years and vest based on three criteria, time (one third vest per year), market (one third vest as certain share price hurdles are achieved) and employment or service. Upon exercise of the warrants the Company settles the obligation by issuing common shares of the Company and cash settlements are not required. The shares to be offered consist of common shares of the Company`s authorized by unissued common shares. The aggregate number of shares issuable upon the exercise of all warrants granted shall not exceed 20% of the issued and outstanding shares as at April 30, 2012. At September 30, 2012, 6,322,603 performance warrants were issued.

Stock Options

The Company has a stock option plan in place whereby it may issue stock options to employees, consultants and directors of the Company. The aggregate number of shares that may be acquired upon exercise of all Options granted pursuant to the Plan shall, at any date or time of determination, be equal to ten percent (10%) of the number that is equal to (i) the number of the Corporation’s basic Common shares then issued and outstanding; minus (ii) a number equal to five (5) times the number of Common Shares that are issuable upon exercise of the then outstanding Performance Warrants minus (iii) a number equal to fifty percent (50%) of the number of Common Shares that have previously been issued upon the exercise of Performance Warrants. At September 30, 2012, 3,860,000 stock options were issued. The summary of performance warrant and stock option activity is presented below:

	Number of warrants	Weighted Average Exercise Price ($)
Balance, December 31, 2011	**4,934,000**	**$2.00**
Granted	1,295,603	$2.00
Exercised	—	—
Forfeited or expired	93,000	$2.00
Balance, September 30, 2012	**6,322,603**	**$2.00**
Exercisable, September 30, 2012	**—**	**—**

The following tables summarize information about the performance warrants outstanding at September 30, 2012:

	Warrants Outstanding			Warrants Exercisable	
Grant date	**Number outstanding**	**Weighted average exercise price**	**Weighted average remaining life (years)**	**Number exercisable**	**Weighted average exercise price**
December 19, 2011	4,841,000	$2.00	4.22	—	$2.00
March 20, 2012	400,000	$2.00	4.47	—	$2.00
May 1, 2012	400,000	$2.00	4.59	—	$2.00
June 5, 2012	225,000	$2.00	4.68	—	$2.00
July 10, 2012	56,603	$2.00	4.78	—	$2.00
August 6, 2012	400,000	$2.00	4.85	—	$2.00
	6,322,603	**$2.00**	**4.32**	**—**	**$2.00**

The fair value of each warrant granted of $0.35 per warrant is estimated on the date of grant using the Black-Scholes pricing model with the following weighted average assumptions (at September 30, 2012):

Fair value of warrants	$0.35
Risk free interest rate	1.36%
Expected life (years)	5
Estimated volatility of underlying common shares (%)	65%

Estimated forfeiture rate	20%
Expected dividend yield (%)	0%

Petrus estimated the volatility of their underlying common shares by analyzing the volatility of peer group public companies with similar corporate structure, oil and gas assets and size. With respect to the market condition inherent in the warrants, Petrus estimated the probability of achieving the condition and applied the probability to each individual vesting tranche in order to fairly estimate the fair value of each warrant.

	Number of stock options	Weighted Average Exercise Price ($)
Balance, December 31, 2011	—	—
Granted	3,860,000	$1.75
Exercised	—	—
Forfeited or expired	—	—
Balance, September 30, 2012	**3,860,000**	**$1.75**
Exercisable, September 30, 2012	—	—

The following tables summarize information about the stock options outstanding at September 30, 2012:

	Stock Options Outstanding			Stock Options Exercisable	
Grant date	**Number outstanding**	**Weighted average exercise price**	**Weighted average remaining life (years)**	**Number exercisable**	**Weighted average exercise price**
June 29, 2012	3,600,000	$1.75	4.75	—	$1.75
July 10, 2012	65,000	$1.75	4.78	—	$1.75
August 27, 2012	195,000	$1.75	4.85	—	$1.75
	3,860,000	**$1.75**	**4.75**	—	**$1.75**

The fair value of each stock option granted of $0.35 per option is estimated on the date of grant using the Black-Scholes pricing model with the following weighted average assumptions (at September 30, 2012):

Fair value of options	$0.76
Risk free interest rate	1.36%
Expected life (years)	5
Estimated volatility of underlying common shares (%)	65%
Estimated forfeiture rate	20%
Expected dividend yield (%)	0%

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

The following table summarizes the Company's share-based compensation at September 30, 2012:

Share-based compensation expensed in net income	776,566
Share-based compensation capitalized to exploration and evaluation assets	324,580
Share-based compensation capitalized to property, plant and equipment	324,580
Total share-based compensation	**1,425,726**

11. CAPITAL MANAGEMENT

The Company's general capital management policy is to maintain a sufficient capital base in order to manage its business to enable the Company to increase the value of its assets and therefore its underlying share value. The Company's objectives when managing capital are (i) to manage financial flexibility in order to preserve the Company's ability to meet financial obligations; (ii) maintain a capital structure that allows Petrus the ability to finance its growth using internally generated cashflow and (iii) to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk level and provides an optimal return to equity holders.

In the management of capital, Petrus includes share capital and total net debt, which is made up of debt and working capital (current assets less current liabilities). Petrus manages its capital structure and makes adjustments in light of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Petrus may issue new equity, increase or decrease debt, adjust capital expenditures and acquire or dispose of assets.

12. EARNINGS PER SHARE AMOUNTS

Basic earnings per share amounts are calculated by dividing net income (loss) for the period by the weighted average number of common shares outstanding during the period. The following table shows the calculation of basic and diluted earnings per share for the periods:

	Three months ended September 30, 2012	Nine months ended September 30, 2012
Net income (loss) for the period	**1,737,917**	**1,136,816**
Weighted average number of common shares		
Weighted average number of common shares – basic	86,124,406	53,919,870
Dilutive effect of outstanding options and warrants	—	—
Weighted average number of common shares – diluted	86,124,406	53,919,870
Basic net income (loss) per share	0.02	0.02
Diluted net income (loss) per share	**0.02**	**0.02**

At September 30, 2012, the market price of $1.75 of the Company's shares was used to determine the dilutive effect of performance warrants. For the nine months ended September 30, 2012, all performance warrants and stock options were anti-dilutive. At September 30, 2012 the Company had 86,275,633 common shares outstanding.

13. FINANCIAL INSTRUMENTS

The Company's financial instruments recognized on the financial statements consist of cash and cash equivalents, accounts receivable and accounts payable & accrued liabilities. The fair value of Petrus' financial instruments were assessed and found to approximate their carrying amounts.

Fair Value of Financial Instruments

The fair value of Petrus' financial instruments, approximate their carrying amounts due to their short terms to maturity or the indexed rate of interest on the bank debt:

	As at September 30, 2012	
	Carrying Amount	**Fair Value**
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	19,820,332	19,820,332
Accounts receivable	5,134,553	5,134,553
Financial Liabilities		
Other Financial Liabilities:		
Accounts payable and accrued liabilities	8,725,673	8,725,673

The Company continues to monitor its trade and other receivables and its allowance for doubtful accounts. As at September 30, 2012, there have been no impairment issues.

Risks associated with Financial Instruments

Credit risk

The Company may be exposed to certain losses in the event that counterparties to financial instruments fail to meet their obligations in accordance with agreed terms. The Company mitigates this risk by entering into transactions with highly rated major financial institutions and by routinely assessing the financial strength of its customers.

At September 30, 2012, financial assets on the statement of financial position are comprised of cash and cash equivalents and accounts receivable. The maximum credit risk associated with these financial instruments is the total carrying value.

The Company's accounts receivable are with customers and joint venture partners in the petroleum and natural gas business and are subject to normal credit risk. Concentration of credit risk is mitigated by marketing the majority of the Company's production to reputable and financially sound purchasers under normal industry sale and payment terms. As is common in the petroleum and natural gas industry in western Canada, Petrus' receivables relating to the sale of petroleum and natural gas are received on or about the 25th day of the following month. Of the $5.1 million of accounts receivable outstanding as at September 30, 2012 (all of which is less than 90 days old), $3.5 million is owed from six parties and was received subsequent to the quarter end. No provision has been made for past due receivables as of September 30, 2012 as the Corporation has assessed there are no impaired receivables.

Liquidity risk

Liquidity risk relates to the risk the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The financial liabilities on its statement of financial position consist of accounts payable and accrued liabilities. The Company anticipates it will continue to have adequate liquidity to fund its financial liabilities through its future cash flows.

Market risk

Market risk is the risk of uncertainty arising from movements of the market price of commodities and interest rates. For the period ended September 30, 2012, it is estimated that a $0.25/mcf decrease in the price of natural gas would have decreased the net income by $34,923. For the period ended September 30, 2012, it is estimated that a $5.00/CDN WTI/bbl decrease in the price of oil would have decreased the net income by $476,567.

14. DEFERRED INCOME TAXES

	Nine months ended September 30, 2012
Income (loss) before taxes	**2,553,883**
Combined federal and provincial tax rate	25%
Computed "expected" tax expense (recovery)	638,471
Increase/(decrease) in taxes resulting from:	
Permanent items	563,553
Impact of flow-through shares	597,638
Deferred tax benefits previously not recognized	253,216
Part XXII.6 tax	2,660
Deferred tax expense	**1,417,067**
Effective tax rate	**25.0%**

The Corporation had non-capital losses of approximately $12,814,254 which may be applied against future income for Canadian tax purposes. These non-capital losses expire in 2031 and 2032.

15. OPERATING EXPENSES

The Company's $6 million of operating expenses for the nine month period ended September 30, 2012 consist of $898,000 of processing, gathering and compression charges and $5.1 million of other operating expenses incurred to operate the Company's producing assets.

16. GENERAL AND ADMINISTRATIVE EXPENSES

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

$	Three months ended September 30, 2012	Nine months ended September 30, 2012
Salaries and benefits	293,985	1,197,061
Subscriptions and licenses	5,423	74,934
Office costs	146,688	367,457
Legal, accounting and consulting	74,350	223,371
Capitalized general and administrative	(141,480)	(523,687)
	378,966	**1,339,136**

17. COMMITMENTS AND CONTINGENCIES

Provisions and Contingencies

During the third quarter of 2012, the Company satisfied the obligation attributed to the June and July 2012 flow through share financing.

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

Commitments (000s)	Total	< 1 year	1-3 years
Office equipment lease	16	5	11
Capital commitments	7,178	1,778	5,400
Corporate office lease	1,611	481	1,130
Total commitments	8,805	2,264	6,540

PetrusResources

CORPORATE INFORMATION

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