

CORPORATE HIGHLIGHTS

Petrus Resources Ltd. (“Petrus” or the “Company”) is pleased to report its financial and operating results for the three months ending June 30, 2013. Cash flow from operations for the second quarter of 2013 increased to \$8.0 million (\$0.09 per share) from \$0.5 million (\$0.02 per share) in the second quarter of 2012. Petrus exited the second quarter with net debt of \$15.8 million and \$39.0 million of available borrowing capacity under its \$60.0 million credit facility. Other highlights for the period include:

- Petrus has strategically increased its liquids weighting to increase cash flow. Average sales in the second quarter of 2013 were 2,990 boe/d, weighted 46% to oil and liquids. Comparatively, second quarter sales in 2012 averaged 1,024 boe/d, weighted 15% oil and liquids. Operating netbacks doubled to \$31.37/boe from \$14.30/boe in the same period.
- The Company’s capital program continues to generate value. Several prolific Cardium light oil wells have been drilled in the Alberta foothills by Petrus and its joint interest partner. A multi-well pad will contribute incremental net production of 800 boe/d (91% oil) when it is brought on stream later in the year.
- During the quarter, Petrus received prior period fee recoveries of \$400,000, as well as a 2012 gas royalty rebate of \$1.1 million. Petrus also disposed of a non-core facility interest during the quarter which generated proceeds of \$1.7 million.
- Operating costs (net of processing income) declined from \$13.51 per boe in the second quarter of 2012 to \$10.12 in the second quarter of 2013 due to increased fee recoveries generated on jointly owned facilities as well as lower unit operating costs attributed to new Cardium oil wells. The Company is continuously working to improve operational efficiencies, including the installation of facilities to reduce trucked water volumes in the Peace River area.
- The WTI/Brent differential decreased in the second quarter of 2013 as financial markets priced in a narrowed future spread between WTI and Brent crude oil prices. The average realized price of Petrus’ crude oil and condensate was \$88.13 for the second quarter of 2013, compared to \$74.80 per bbl for the prior year comparable period, an 18% increase. The average realized gas price during the second quarter of 2013 was \$3.60 per mcf, compared to \$1.92 per mcf in the prior year, which represents an 88% increase.
- Petrus has 86.4 million common shares outstanding at June 30, 2013 and access to a \$60.0 million credit facility, of which \$21.0 million was drawn at quarter end.
- In July 2013, Rick Braund, co-founder and director of Petrus announced his retirement from the board. The Board of Directors and management of Petrus would like to thank Mr. Braund for his contributions and wish him success with his new business opportunities.

QUARTERLY FINANCIAL INFORMATION

(000s) except per boe amounts	Three months ended				
	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012
Average Sales					
Natural gas (mcf/d)	9,681	10,315	9,128	9,189	5,219
Oil (bbl/d)	1,300	1,212	1,139	991	139
NGLs (bbl/d)	76	76	75	48	15
Total (boe/d)	2,990	3,007	2,735	2,571	1,024
Total (boe)	272,090	270,638	251,621	236,406	93,151
Natural gas sales weighting	54%	57%	56%	60%	85%
Exit production (boe/d)					
<i>Exit production (boe/d)</i>	3,065	3,071	2,853	2,682	2,612
<i>Natural gas exit weighting</i>	53%	53%	58%	57%	68%
Realized Sales Prices					
Natural gas (\$/mcf)	3.60	3.29	3.49	2.38	1.92
Oil (\$/bbl)	88.13	77.02	76.31	80.55	74.8
NGLs (\$/bbl)	45.37	71.55	64.08	64.33	67.39
Total (\$/boe)	51.14	44.15	45.19	40.76	20.87
Hedging gain (loss) (\$/boe)	(0.55)	(1.21)	(0.56)	1.14	2.59
Operating Netback					
Effective price (\$/boe)	50.59	42.94	44.63	41.90	23.46
Royalty expense (recovery) (\$/boe)	7.39	8.31	7.22	6.88	(5.85)
Operating expense (\$/boe)	10.12	11.38	7.94	13.69	13.55
Transportation expense (\$/boe)	1.71	1.82	1.10	1.28	1.50
Operating netback (\$/boe)	31.37	21.43	28.37	20.05	14.26
General and administrative (\$/boe)	1.57	1.02	2.17	1.60	6.58
Interest expense (income) (\$/boe)	0.79	0.39	1.02	(0.13)	2.54
Corporate netback (\$/boe)	29.01	20.02	25.18	18.58	5.14
FINANCIAL (\$000s except per share)					
Oil and natural gas revenue	14,069	12,096	11,468	9,742	2,011
Funds from operations	8,049	5,566	6,268	4,502	505
Funds from operations per share	0.09	0.06	0.07	0.05	0.02
Net income (loss)	4,010	46	551	1,352	(601)
Net income (loss) per share	0.05	0.01	0.01	0.02	(0.02)
Capital expenditures	15,416	19,533	21,457	14,471	5,507
Net acquisitions (dispositions) ⁽¹⁾	(1,701)	—	—	432	59,198
Common shares outstanding (000s)	86,362	86,276	86,276	86,276	83,493
Weighted average common shares (000s)	86,349	86,276	86,276	86,124	32,174
As at quarter end (\$000s)					
Working capital (deficit)	(15,756)	(10,551)	2,793	17,285	21,652
Bank debt outstanding	20,968	11,304	—	—	—
Bank debt available	39,032	28,696	40,000	40,000	40,000
Shareholder's equity	151,304	146,432	145,782	145,675	138,688
Total assets	199,508	184,139	181,976	167,438	153,261

(1) Net acquisitions (dispositions) exclude non-cash items for decommissioning liability and deferred taxes and are net of post-closing adjustments.



MANAGEMENT'S DISCUSSION & ANALYSIS

Petrus Resources Ltd. ("Petrus" or the "Company") is a private Canadian energy company focused on property exploitation, strategic acquisitions and risk-managed exploration in the Peace River area and the Alberta foothills. Additional information is available electronically on the Company's website at www.petrusresources.com.

The following is management's discussion and analysis ("MD&A") of the financial and operating results of the Company for the three month period ended June 30, 2013. This MD&A should be read in conjunction with the interim financial statements for the three months ended June 30, 2013 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 August 27, 2013.

OVERVIEW

Second quarter exit production was 3,065 boe/d (47% oil and liquids) and quarterly cashflow was \$8.0 million. At quarter end Petrus had net debt of \$15.8 million and \$39.0 million available through its credit facilities to fund capital investment. Petrus has all of the attributes of a well-positioned junior in the Canadian energy industry: operational success, conservative capital discipline, a balanced portfolio of drilling locations with commodity and geographic diversity, a strong commodity pricing environment and a focused management team with a track record of execution success.

OPERATIONAL UPDATE

Foothills

Cordel

Drilling success continues to add new oil weighted production in the foothills. Average production from the Cordel area increased 100 boe/d (net) from the first quarter to the second quarter of 2013.

To date in 2013, four wells have been drilled from a multi-well pad in Cordel where Petrus has a 33% working interest. The first three wells were swabbed and tested before being suspended in order to continue drilling operations. The fourth well was tested in July at a gross rate of 700 boe/d (95% oil). The four wells (1.3 net to Petrus) are expected to contribute production of 800 net boe/d when they are brought onstream later in the third quarter. Based upon test results from the fourth well, a new Cardium sheet was identified in the Cordel structure and could lead to additional wells drilled on the pad as well as on offsetting working interest land. A gas pipeline has been completed to the pad and construction of a multi-well battery is currently underway.

Petrus will participate with a 21% working interest in another multi-well pad in Section 29 once the drilling rig is released. Three wells have been drilled to date on this section and current production from the three wells is 1,900 boe/d (399 boe/d net).

Cabin Creek

During the second quarter, Petrus participated in the first earning well of a 6 section farm-in (plus rolling option) targeting Cardium oil. The well produced approximately 80 boe/d (weighted 60% oil) over the initial test period. Two separate Cardium sheets, similar to the structures identified at Cordel, were observed on open-hole logs. Longer term production testing equipment is required and once installed, the well will be further tested in order to determine whether production enhancement techniques will be used.

Brown Creek

In Brown Creek, Petrus continued to evaluate two operated wells which were drilled earlier in 2013. The first, a Cardium oil well, was brought onto production with lower than expected deliverability. In order to enhance inflow it was recently recompleted and fracture stimulated and is currently undergoing testing. The second, a Cardium gas well, was tied in and brought onto production in June. The non-operated production facilities currently limit the well's production to 1,000 mcf/d.

Solomon

Petrus closed a facility working interest disposition in June for proceeds of \$1.7 million. Management did not consider the facility to be core to its business and the proceeds were used to reduce bank debt.



Peace River

Petrus continued to experience sales pipeline constraints in the Peace River area during the second quarter. Crude oil differentials were partially alleviated in the first half of 2013 due to increased refinery utilization and rail capacity. This enabled Petrus to move the pipeline restricted oil inventory to market at a strong netback. Midstream infrastructure projects are underway which will further alleviate sales constraints. Petrus will continue to market its production through a number of sources which will provide broad access to sales and prevent inventory accumulation.

Production in the Peace River area was 5% lower in the second quarter compared to the first quarter due to limited access to wet leases in the Tangent area. Road ban surcharges and increased wait times attributed to pipeline constraints which led to higher operating costs on a boe basis. In the third quarter Petrus will drill two water disposal wells and will construct new facilities in order to optimize operations and decrease costs.

Petrus has developed a 2013 summer drilling program targeting Montney oil which includes drilling four (3.7 net) production wells and two (2.0 net) water disposal wells. Construction of two water reinjection facilities will reduce trucking and disposal costs thereby optimizing operating netbacks. Continued refinement of the drilling and completion operations is providing material capital cost savings. Petrus expects that the completion and stimulation techniques it will use will lead to lower producing water cuts and therefore significantly reducing operating costs in the Peace River area.



QUARTERLY FINANCIAL AND OPERATIONAL RESULTS OF OIL AND NATURAL GAS ACTIVITIES

	Three months ended				
	June 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012
Quarterly average sales					
Natural gas (mcf/d)	9,681	10,315	9,128	9,189	5,219
Oil (bbl/d)	1,300	1,212	1,139	991	139
NGLs (bbl/d)	76	76	75	48	15
Total (boe/d)	2,990	3,007	2,735	2,571	1,024
Total (boe)	272,090	270,638	251,621	236,406	93,151
Exit production (boe/d) ⁽¹⁾	3,065	3,071	2,853	2,682	2,612
Exit gas weighting	53%	53%	58%	57%	68%
Revenue (000s)					
Natural Gas	3,174	3,058	2,935	2,012	913
Oil	10,426	8,399	8,000	7,248	946
NGLs	315	491	437	376	91
Commodity revenue	13,915	11,948	11,372	9,636	1,950
Royalty revenue	154	148	95	107	61
Oil and natural gas revenue	14,069	12,096	11,467	9,744	2,011
Average realized prices					
Natural gas (\$/mcf)	3.60	3.29	3.49	2.38	1.92
Oil (\$/bbl)	88.13	77.02	76.31	80.55	74.80
NGLs (\$/bbl)	45.37	71.55	64.08	64.33	67.39
Total (\$/boe)	51.14	44.15	45.19	40.76	20.93
Hedging gain (loss)	(0.55)	(1.21)	(0.56)	1.14	2.59
Total realized (\$/boe)	50.59	42.94	44.63	41.90	23.52
Average benchmark prices					
Three months ended					
	June 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012
Natural gas					
AECO (C\$/mcf)	3.35	3.09	3.05	2.14	1.85
Crude Oil					
Edm Lt. (C\$/ bbl)	92.90	88.54	82.85	84.79	84.38
Foreign Exchange					
US\$/C\$	0.98	1.00	1.01	1.01	0.99



OIL AND NATURAL GAS REVENUE

Commodity Revenue

Exit production for the second quarter of 2013 was 3,065 boe/d, compared to 2,612 boe/d for the second quarter of the prior year. The increase is due to incremental production related to the Company's drilling program. The exit production weighting was approximately 53% natural gas at June 30, 2013 (June 30, 2012 – 68%).

During the three months ended June 30, 2013, the benchmark natural gas price in Canada (set at the AECO hub) increased by 81% from the prior year (average price of \$3.35 per mcf in the second quarter compared to \$1.85 per mcf in the prior year). Natural gas inventories increased through the second quarter of 2013 relative to the first quarter of 2013 due to strong production and lower demand resulting from reduced power consumption and mild weather in the United States. Over the long-term, the export of liquefied natural gas and new uses of natural gas for the transportation and industrial sectors should lead to an increase in the demand for natural gas.

The average realized gas price during the second quarter of 2013 was \$3.60 per mcf compared to \$1.92 per mcf in the prior year, which represents an 88% increase. Natural gas revenue for the second quarter of 2013 was \$3.2 million and production of 880,991 mcf accounted for approximately 54% of second quarter production volume and 23% of commodity revenue (compared to revenue of \$912,930 and production of 474,931 mcf for 85% of production volume and 47% of commodity revenue in the prior year).

Edmonton Light Sweet ("Edmonton") crude oil prices increased 5% from the second quarter of the prior year to the second quarter of 2013 (\$93.15 per bbl for the second quarter of 2013 compared to an average price of \$88.54 per bbl for the second quarter of 2012). Brent crude prices weakened during the second quarter due to decreased oil demand in Europe and China. The WTI/Brent differential decreased in the second quarter of 2013 as financial markets priced in a narrowed future spread between WTI and Brent crude oil prices. The average realized price of Petrus' crude oil and condensate was \$88.13 for the second quarter of 2013 compared to \$74.80 per bbl for the prior year comparable period. The oil and condensate revenue for the second quarter of 2013 was \$10.4 million and production of 118,300 bbl accounted for approximately 43% of second quarter production volume and 75% of second quarter commodity revenue (compared to revenue of \$946,869 and production of 12,659 bbl for 14% of production volume and 49% of commodity revenue in the second quarter of the prior year).

Petrus' natural gas liquids (NGL) production mix consists of ethane, propane, butane, pentane and sulphur. The pricing received for Petrus' NGL production is based on the product mix, the fractionation process required and the demand for fractionation facilities. In the second quarter Petrus' realized price decreased as a result of higher fractionation and trucking costs. Fractionation facilities in close proximity to Petrus' Peace River assets are over-utilized due to increased producer activity. Petrus' overall realized NGL price averaged \$45.37 per bbl compared to \$67.39 per bbl in the prior year. The NGL revenue for the second quarter of 2013 was \$315,000 and production of 6,948 bbl accounted for approximately 3% of the Company's production volume and 2% of commodity revenue in the second quarter (compared to revenue of \$90,095 and production of 1,337 bbl for 1% of total production and 5% of commodity revenue for the second quarter of the prior year).

Royalty Revenue

Petrus receives gross overriding royalty revenue for production from which it owns land or mineral rights. The revenue is included in "Other Income" on the Company's Income Statement. Royalty revenue received in the second quarter increased to \$154,000 from \$61,000 in the same quarter of the prior year. The revenue has increased as a result of stronger commodity prices and successful drilling activity.



FUNDS FROM OPERATIONS AND EARNINGS

“Funds from operations” is commonly used in the oil and gas industry to analyze operating performance and Petrus is focused on this key measure in order to facilitate growth and shareholder returns. 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 before changes in non-cash working capital and decommissioning obligations as per the Statement of Cash Flows.

Petrus generated funds from operations of \$8.0 million during the quarter ended June 30, 2013 (\$505,000 during the second quarter of 2012). Petrus closed its second major property acquisition in June 2012 and has increased its oil and liquids weighting with strategic and successful drilling. Commodity prices improved drastically from the second quarter of 2012. Natural gas (AECO) increased 81% from the second quarter of 2012 to the second quarter of 2013, and Edmonton crude increased 5% for the comparable period.

Net income increased to \$4.0 million in the second quarter of 2013 (compared to a net loss of \$2.1 million in the second quarter of the prior year). The increase is due to an increase in production and commodity prices relative to the prior year. In addition, Petrus recorded significant processing income and gas royalty rebates in the second quarter of 2013.

The following table provides detail on the Company’s funds from operations on a barrel of oil equivalent (“boe”) basis.

	Three months ended									
	Jun. 30, 2013		Mar. 31, 2013		Dec. 31, 2012		Sept. 30, 2012		Jun. 30, 2012	
	\$000s	\$/boe	\$000s	\$/boe	\$000s	\$/boe	\$000s	\$/boe	\$000s	\$/boe
O&G revenue	13,915	51.14	11,948	44.15	11,372	45.19	9,637	40.76	1,950	20.87
Transportation	(466)	(1.71)	(491)	(1.82)	(277)	(1.10)	(303)	(1.28)	(140)	(1.50)
Net revenue	13,449	49.43	11,457	42.33	11,095	44.09	9,334	39.48	1,810	19.37
Royalty expense	(2,010)	(7.39)	(2,250)	(8.31)	(1,818)	(7.22)	(1,626)	(6.88)	503	5.85
Royalty income	154	0.57	148	0.55	96	0.38	106	0.46	61	0.72
Net O&G revenue	11,593	42.61	9,355	34.57	9,373	37.25	7,816	33.06	2,416	25.94
Operating exp ⁽¹⁾	(2,753)	(10.12)	(3,080)	(11.38)	(1,998)	(7.94)	(3,236)	(13.69)	(1,262)	(13.55)
Hedging gain (loss)	(150)	(0.55)	(327)	(1.21)	(142)	(0.56)	270	1.14	242	2.59
G&A expense	(427)	(1.57)	(276)	(1.02)	(546)	(2.17)	(379)	(1.60)	(613)	(6.58)
Interest expense	(214)	(0.79)	(106)	(0.39)	(71)	(1.02)	32	0.13	(236)	(2.54)
Funds from operations	8,049	29.58	5,566	20.57	6,616	25.56	4,502	19.04	505	5.86

⁽¹⁾ Operating expenses are presented net of processing income and overhead recoveries.

(000s)	Three months ended				
	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012
Funds from operations	8,049	5,566	6,616	4,502	505
Funds from operations/share	0.09	0.06	0.07	0.05	0.02
Net income (loss)	4,010	46	(706)	1,738	(2,060)
Net income (loss)/share	0.05	0.01	(0.01)	0.02	(0.06)
Common shares outstanding (000s)	86,362	86,276	86,276	86,276	83,493
Weighted average shares (000s)	86,349	86,276	86,276	86,124	32,174



RESULTS OF OPERATIONS

Crown Royalties

Royalties are paid to the Government of Alberta. The following table shows the Corporation's quarterly royalty expenses by product category, based upon the primary product produced at the well.

Crown Royalties	Three months ended			Mar. 31, 2013
	Jun. 30, 2013	Jun. 30, 2012	Q2 Change	
Oil and NGLs (\$000s)	2,443	304	2,138	2,100
% of production revenue	23%	29%	—	24%
Natural gas (000s)	593	100	374	621
% of production revenue	19%	11%	—	20%
Gas cost cost (allowance) (000s)	(1,026)	(907)	(119)	(471)
Total (000s)	2,010	(503)	2,512	2,250
% of production revenue	14%	(26)%	—	20%

The significant increase in total royalties from the second quarter of 2012 (recovery of \$503,000) to the second quarter of 2013 (\$2.0 million) is the result of new production brought on-stream during the year, as well as the assets acquired in the Peace River area in 2012.

The Corporation received past due gas cost allowance credits in the second quarter of 2013 of \$1.0 million (2012 - \$907,000) calculated by the Government of Alberta. These credits relate to the natural gas production and facilities acquired in each of the Company's core operating areas.

Petrus has recognized benefits of the existing Alberta crown royalty incentive program on its new light oil production. A number of the prolific Cordel wells have already exceeded the volume maximum of 50,000 bbls of oil and as a result are subject to the maximum royalty rate of 40%. The high oil royalties, combined with the lucrative gas royalty rebates led to total royalties paid in the quarter of \$2.0 million, or 14% of production revenue.

Financial Instruments

The Company utilizes derivative 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 June 30, 2013:

Natural Gas Period Hedged	Type	Daily Volume	Price (CAD)
Jul. 1, 2013 to Oct. 31, 2013	Costless collar	1,500 GJ	\$2.50 - \$3.02/GJ
Nov. 1, 2013 to Mar. 31, 2014	Costless collar	4,000 GJ	\$3.25 - \$3.53/GJ
Jul. 1, 2013 to Oct. 31, 2013	Costless collar	4,000 GJ	\$2.80 - \$3.02/GJ
Nov. 1, 2013 to Mar. 31, 2014	Fixed price	1,000 GJ	\$3.55/GJ
Apr. 1, 2014 to Oct. 31, 2014	Fixed price	1,500 GJ	\$3.44/GJ
Crude Oil Period Hedged	Type	Daily Volume	Price (USD)
Jul. 1, 2013 to Dec. 31, 2013	Costless collar	400 Bbl	WTI \$82.50 - \$92.45/Bbl
Jul. 1, 2013 to Dec. 31, 2013	Fixed price	200 Bbl	WTI \$98.35/Bbl
Jul. 1, 2013 to Dec. 31, 2013	Fixed price	100 Bbl	WTI \$90.73/Bbl
Jan. 1, 2014 to Dec. 31, 2014	Put Option	200 Bbl	WTI \$85.00/Bbl
Jul. 1, 2013 to Dec. 31, 2013	Fixed price	100 Bbl	WTI \$95.85/Bbl
Jan. 1, 2014 to Dec. 31, 2014	Fixed price	100 Bbl	WTI \$92.00/Bbl
Jan. 1, 2014 to Dec. 31, 2014	Fixed price	300 Bbl	WTI \$89.00/Bbl



Subsequent to June 30, 2013 Petrus entered into the following derivative commodity contracts:

Crude Oil Period Hedged	Type	Daily Volume	Price (USD)
Jan. 1, 2014 to Dec. 31, 2014	Fixed price	300 Bbl	WTI \$95.90/Bbl
Jan. 1, 2014 to Dec. 31, 2014	Fixed price	200 Bbl	WTI \$93.80/Bbl
Jan. 1, 2014 to Jun. 30, 2014	Fixed price	100 Bbl	WTI \$96.05/Bbl

The impact of the contracts which were outstanding during the reporting periods are recorded as realized hedging gains (losses) and affect the Company's realized commodity price. The unrealized gain (loss) is recorded to demonstrate the impact of the outstanding contracts had they settled on the relative financial reporting period date. The contracts entered had the following impact on net income:

Other Income (\$000s)	Three months ended			
	Jun. 30, 2013	Jun. 30, 2012	Q2 Change	Mar. 31, 2013
Realized hedging gain (loss)	(150)	222	(255)	(328)
Unrealized hedging gain (loss)	1,639	(975)	2,614	(1,475)
Total gain (loss) on derivatives	1,489	(753)	2,359	(1,803)

Improvements in commodity prices resulted in a second quarter realized hedging loss of \$149,693, compared to a \$222,000 gain realized in the same quarter of the prior year. The second quarter loss decreased the Company's realized price by \$0.55 per boe, compared to an increase in the prior year comparable period of \$2.59/boe.

Operating Expenses

The following table shows the Company's operating expenses for the reporting periods which are shown net of processing income and overhead recoveries:

Operating Expenses (\$000s)	Three months ended			
	Jun. 30, 2013	Jun. 30, 2012	Q2 Change	Mar. 31, 2013
Operating expense, net ⁽¹⁾	2,753	1,262	1,491	3,080
Operating expense, net (\$ per boe)	\$10.12	\$13.55	\$(3.43)	\$11.38

⁽¹⁾ Operating expenses are presented net of processing income and overhead recoveries.

The increase in aggregate net operating expenses from the second quarter of 2012 is due to the growth in the underlying asset base and production volumes. Operating expenses totalled \$2.8 million for the second quarter of 2013, a 118% increase from \$1.3 million recorded in the same quarter of the prior year.

Operating costs net of recoveries and processing income were \$10.12 per boe for the second quarter, as compared to \$13.55 per boe for the second quarter of 2012. The decrease in net operating costs on a per boe basis is attributed to new prolific wells drilled in the Cordel area.

Petrus will install new facilities in 2013 to dispose of water which will reduce operating costs. Net operating costs decreased from \$11.38/boe in the first quarter to \$10.12/boe in the second quarter of 2013 as a result of throughput adjustments from prior periods which reduced current operating costs by \$1.26/boe.

Transportation Expenses

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

Transportation Expenses (\$000s)	Three months ended			
	Jun. 30, 2013	Jun. 30, 2012	Q2 Change	Mar. 31, 2013
Transportation expense	466	140	326	491
\$ per boe	\$1.71	\$1.50	\$0.21	\$1.82

Petrus pays commodity and demand charges for transporting its gas on various pipeline systems. The Company also incurs trucking costs on a portion of its oil and natural gas liquids production. Transportation expenses totalled \$465,980 or \$1.71 per boe (\$140,100 or \$1.50 per boe for the comparative period in the prior year). The increase is due to the significant increase in production volumes. Crude oil transportation costs are higher on a per boe basis and Petrus realized a \$0.21/boe increase from the prior year due to the increased oil and liquids weighting of its production.



General & Administrative Expenses

The following table illustrates the Company's general and administrative expenses which are shown net of capitalized costs directly related to exploration and development activities:

G&A Expenses (\$000s)	Three months ended			
	Jun. 30, 2013	Jun. 30, 2012	Q2 Change	Mar. 31, 2013
Gross G&A expense	1,096	959	137	744
Capitalized G&A	(669)	(347)	(322)	(467)
Net G&A expense	427	613	(186)	276
Share based compensation, net	286	177	109	293
Total G&A expense, net	713	790	(77)	569

Second quarter 2013 net general and administration expenses (excluding non-cash share based compensation) totalled \$427,000 or \$1.57/boe (compared to \$613,000 or \$6.58/boe for the second quarter of 2012). The decrease in expenses on a per boe basis is due to increased production from the Peace River asset acquisition and new volumes brought on stream from successful drilling.

Depletion and Depreciation

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

Depletion and Depreciation (\$000s)	Three months ended			
	Jun. 30, 2013	Jun. 30, 2012	Q2 Change	Mar. 31, 2013
Depletion	3,622	739	2,883	3,492
Depreciation	56	84	(28)	105
Total	3,678	823	2,855	3,597
Depletion (\$ per boe)	\$13.31	\$7.93	\$5.38	\$12.90
Depreciation (\$ per boe)	\$0.21	\$0.90	\$(0.69)	\$0.39
Total (\$ per boe)	\$13.52	\$8.83	\$4.69	\$13.29

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

Petrus recorded depletion expense in the second quarter of 2013 of \$3.6 million or \$13.31 per boe, compared to the second quarter of 2012, when \$739,000 or \$7.93 per boe was recorded. The increase is due to the increased depletable base. For the quarter ended June 30, 2013, depreciation expense totalled \$56,270 (compared to \$84,000 in the comparable quarter of the prior year).



CAPITAL EXPENDITURES

Capital expenditures, excluding acquisitions and dispositions, totalled \$15.4 million in the second quarter of 2013 compared to \$5.5 million in the second quarter of the prior year. The majority of funds were invested in drilling and completions as well as processing facilities and tie-ins. During the quarter Petrus drilled four (1.3 net) wells, all in the Foothills. Petrus' drilling program will resume in the Peace River area during the third quarter. During the second quarter Petrus divested of a non-core facility interest for \$1.7 million. The proceeds were used to reduce bank debt. Petrus is on track to spend at least \$60 million on capital expenditures in 2013, which will be funded by cash flow and use of the Company's revolving credit facility.

(\$000s)	Three months ended				
	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012	Jun. 30, 2012
Drilling and completion	13,768	15,411	16,578	9,166	4,389
Oil and gas equipment	1,134	2,658	2,569	188	320
Geological	2	2	19	710	—
Land and lease	28	673	1,174	3,609	—
Office	1	28	374	280	274
Capitalized G&A	483	760	742	518	524
Total	15,416	19,533	21,457	14,471	5,507
Acquisitions/(dispositions)	(1,701)	—	—	432	59,198
Total capital	13,714	19,533	21,457	14,903	64,705
Gross (net) well	4 (1.3)	5 (2.7)	10 (9.1)	5 (3.2)	4 (1.1)

LIQUIDITY AND CAPITAL RESOURCES

The Company has a credit facility of \$60 million with a major Canadian lender. The credit facility consists of a \$55 million demand revolver and a \$5 million development line. 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 \$120 million debenture over all of the present and future 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 December 31, 2013. At June 30, 2013, the Company has a letter of credit of \$180,000 against the facility (June 30, 2012; \$180,000) and has drawn \$21 million against the facility (June 30, 2012; nil).

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 2013 through a combination of cash flow, current working capital and 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.



ADVISORIES

Basis of Presentation

Financial data presented below have largely been derived from the Company's financial statement, prepared in accordance with International Financial Reporting Standards ("IFRS"). Accounting policies adopted by the Company are set out in the notes to the audited financial statements as at and for the twelve months ended December 31, 2012. 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.



Abbreviations

<i>000's</i>	<i>thousand dollars</i>
<i>bbl</i>	<i>barrel</i>
<i>bbl/d</i>	<i>barrels per day</i>
<i>bcf</i>	<i>billion cubic feet</i>
<i>boe/d</i>	<i>barrel of oil equivalent per day</i>
<i>CAD</i>	<i>Canadian dollar</i>
<i>GJ</i>	<i>gigajoule</i>
<i>GJ/d</i>	<i>gigajoules per day</i>
<i>mbbls</i>	<i>thousand barrels</i>
<i>mboe</i>	<i>thousand barrels of oil equivalent</i>
<i>mcf</i>	<i>thousand cubic feet</i>
<i>mcf/d</i>	<i>thousand cubic feet per day</i>
<i>mmbbls</i>	<i>million barrels</i>
<i>mmboe</i>	<i>millions of barrels of oil equivalent</i>
<i>mmcf</i>	<i>million cubic feet</i>
<i>mmcf/d</i>	<i>million cubic feet per day</i>
<i>NGLs</i>	<i>natural gas liquids</i>
<i>USD</i>	<i>United States dollar</i>
<i>WTI</i>	<i>West Texas Intermediate</i>



BALANCE SHEETS (UNAUDITED)

(Expressed in Canadian dollars)

As at	June 30, 2013	December 31, 2012
ASSETS		
Currents		
Cash and cash equivalents (note 3)	—	11,589,033
Deposits and prepaid expenses	486,680	589,566
Accounts receivable	14,818,793	11,649,891
Risk management asset (note 8)	590,984	371,574
	15,896,457	24,200,064
Non-current		
Exploration and evaluation assets (note 4)	48,313,079	45,790,854
Property, plant and equipment (note 5)	135,297,928	111,985,145
	183,611,007	157,775,999
	199,507,464	181,976,063
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Bank indebtedness	20,967,708	—
Accounts payable and accrued liabilities	10,093,979	21,002,078
Risk management liability (note 8)	1,193,082	1,137,562
	32,254,769	22,139,640
Non-Current		
Decommissioning obligation (note 7)	12,667,781	12,395,714
Deferred income tax liability	3,398,103	1,658,369
	48,320,653	36,193,723
Shareholders' Equity		
Share capital (note 10)	144,310,662	144,119,128
Contributed surplus	3,259,708	2,103,466
Retained earnings (deficit)	3,616,441	(440,254)
	151,186,811	145,782,340
	199,507,464	181,976,063

See accompanying notes to the financial statements

Commitments (note 13)

Approved by the Board of Directors,

(signed) "Don T. Gray"

Don T. Gray
Executive Chairman

(signed) "Patrick Arnell"

Patrick Arnell
Director

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

(Expressed in Canadian dollars, except for share information)

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
REVENUE				
Oil and natural gas revenue	14,068,687	2,010,460	26,164,324	4,262,885
Royalty expense (recovery)	2,009,603	(502,728)	4,259,632	21,303
Oil and natural gas revenue, net of royalties	12,059,084	2,513,188	21,904,692	4,241,582
Other income	—	—	—	16,923
Gain (loss) on financial derivatives (note 8)	1,489,539	(733,514)	(313,704)	1,137,133
Total revenue, net of royalties	13,548,623	1,779,674	21,590,988	5,395,638
EXPENSES				
Operating	2,753,401	1,262,357	5,833,038	1,868,671
Transportation expenses	465,980	139,789	957,211	230,722
General and administrative	427,106	612,626	703,197	960,169
Share-based compensation (note 10)	285,404	176,773	578,122	399,739
Finance	277,369	265,461	444,009	273,228
Depletion and depreciation (note 5)	3,677,597	823,045	7,274,416	1,725,615
	7,886,857	3,280,051	15,789,993	5,458,144
NET INCOME (LOSS) BEFORE INCOME TAXES	5,661,766	(1,500,377)	5,800,995	(62,506)
Current tax expense	—	2,660	—	2,660
Deferred income tax expense	1,651,453	557,229	1,744,299	535,935
	1,651,453	559,889	1,744,909	538,595
TOTAL NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	4,010,313	(2,060,266)	4,056,695	(601,101)
Net income (loss) per common share				
Basic and diluted (note 11)	0.05	(0.06)	0.05	(0.02)

See accompanying notes to the financial statements



STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(Expressed in Canadian dollars)

	Share Capital (note 10)	Contributed Surplus (note 10)	Retained Earnings (Deficit)	Total
Balance, December 31, 2011	51,018,159	32,391	(871,193)	50,179,357
Net income	—	—	(601,101)	(601,101)
Issuance of common shares	90,287,024	—	—	90,287,024
Premium liability of flow-through shares	(211,921)	—	—	(211,921)
Share-based compensation expensed	—	399,739	—	399,739
Share-based compensation capitalized	—	272,329	—	272,329
Share issue costs	(2,373,658)	—	—	(2,373,658)
Tax benefit of share issue costs	697,034	—	—	697,034
Deferred tax benefits	39,455	—	—	39,455
Balance, June 30, 2012	139,456,093	704,459	(1,472,294)	138,688,258

	Share Capital (note 10)	Contributed Surplus (note 10)	Retained Earnings (Deficit)	Total
Balance, December 31, 2012	144,119,128	2,103,466	(440,254)	145,782,340
Net income	—	—	4,056,695	4,056,695
Issuance of common shares	186,968	—	—	186,968
Premium liability of flow-through shares	(13,610)	—	—	(13,610)
Share-based compensation expensed	—	578,122	—	578,122
Share-based compensation capitalized	—	578,120	—	578,120
Tax benefit of share issue costs	18,176	—	—	18,176
Balance, June 30, 2013	144,310,662	3,259,708	3,616,441	151,186,811

See accompanying notes to the financial statements



STATEMENTS OF CASH FLOWS (UNAUDITED)

(Expressed in Canadian dollars)

Funds generated by (used in):	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
OPERATING ACTIVITIES				
Net income (loss)	4,010,313	(2,060,266)	4,056,695	(601,101)
Adjust items not affecting cash:				
Share-based compensation (note 10)	285,404	180,482	578,122	399,739
Unrealized hedging (gain)/loss (note 8)	(1,639,232)	975,059	(163,890)	(702,436)
Accretion (note 7)	61,852	28,966	123,830	36,733
Depletion and depreciation (note 5)	3,677,597	823,045	7,274,416	1,725,615
Deferred income tax expense	1,651,453	557,227	1,744,299	535,933
	8,047,386	504,513	13,613,472	1,394,483
Change in operating non-cash working capital	(7,391,371)	(1,267,986)	(3,229,905)	(2,016,966)
Funds generated by (used in) operations	656,015	(763,473)	10,383,567	(622,483)
FINANCING ACTIVITIES				
Issuance of common shares (note 10)	186,968	90,287,024	186,968	90,287,024
Share issue costs	—	(2,180,318)	—	(2,187,818)
Issuance of bank indebtedness	9,663,536	29,026	20,967,708	29,026
Funds generated by financing activities	9,850,504	88,135,732	21,154,676	88,128,232
INVESTING ACTIVITIES				
(Acquisitions)/dispositions (note 5)	1,701,319	(59,682,697)	1,701,319	(59,682,697)
Exploration and evaluation asset expenditures (note 4)	—	(5,187,989)	(12,618,280)	(5,335,890)
Petroleum and natural gas property expenditures (note 5)	(12,650,140)	—	(21,270,014)	(10,412,554)
Other capital expenditures (note 5)	(15,413)	(59,138)	(32,202)	(111,022)
Change in investing non-cash working capital	457,714	(5,385,143)	(10,908,099)	(1,956,865)
Funds used in investing activities	(10,506,520)	(70,314,967)	(43,127,276)	(77,499,028)
Increase (decrease) in cash and cash equivalents	—	17,057,294	(11,589,033)	10,006,723
Cash and cash equivalents, beginning of period	—	736,217	11,589,033	7,786,788
Cash and cash equivalents, end of period	—	17,793,511	—	17,793,511
Cash interest paid	213,684	—	268,271	236,495
Cash taxes paid	—	—	—	2,660

See accompanying 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 were approved by the Company's Board of Directors on August 27, 2013.

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 condensed interim financial statements have been prepared by management on a historical cost basis, except for certain financial instruments that have been measured at fair value, using accounting policies that have been prepared in accordance with "International Accounting Standard" 34 "Interim Financial Reporting" ("IAS34").

Certain information and disclosures normally included in the notes to the annual financial statements have been condensed. Accordingly, these condensed interim financial statements should be read in conjunction with the audited financial statements and accompanying notes for the year ended December 31, 2012 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The interim financial statements have been prepared following the same basis of preparation, accounting policies and methods of computation as the audited financial statements for the year ended December 31, 2012, except as noted below.

(b) Changes in presentation

From January 1, 2012 the Company re-classified processing income from interest and other income to operating expenses in the Statement of Net Income (Loss) and Comprehensive Income (Loss). The comparative information has been re-classified to conform to current presentation. Processing income re-classified from interest and other income which was net against operating expenses for the three and six months ended June 30, 2012 was \$350,000 and \$720,000, respectively.

(c) New standards and interpretations not yet adopted

On January 1, 2013, the Company adopted the following new standards and amendments which became effective for periods on or after January 1, 2013:

IFRS 10 *Consolidated Financial Statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where it is difficult to assess. IFRS 10 replaces those parts of IAS 27 *Consolidated and Separate Financial Statements* (revised 2011) that address when and how an entity should prepare consolidated financial statements and replaces SIC 12.

IFRS 11 *Joint Arrangements* provides for a more substance based reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Ventures*. IAS 28 *Investments in Associates and Joint Ventures* (revised 2011) has been amended to conform to changes based on the issuance of IFRS 10 and IFRS 11.

IFRS 12 *Disclosure of Interests in Other Entities* requires extensive disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. An entity is required to disclose information that help users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements. The effective date of IFRS 12 is January 1, 2013.

IFRS 13 *Fair Value Measurement* establishes a single framework for measuring fair values. This standard applies to all transactions and balances (whether financial or non-financial) for which IFRS requires or permits fair value measurements, with the exception of share-based payment transactions accounted for under IFRS 2 *Share-based Payment* and leasing transactions within the scope of IAS 17 *Leases*. IFRS 13 defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurements.

Petrus has assessed the impact of adopting these pronouncements and has determined these standards will not have a material impact on the Company's financial statements.



NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

3. CASH AND CASH EQUIVALENTS

The components of the Company's cash and cash equivalents are as follows:

	June 30, 2013	December 31, 2012
Cash in chequing accounts	—	1,510,260
Cash in interest bearing savings accounts	—	10,078,773
Balance	—	11,589,033

4. EXPLORATION AND EVALUATION ASSETS

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

Balance, December 31, 2011	7,232,470
Additions	42,693,416
Acquisitions	5,612,500
Capitalized G&A and share-based compensation	957,661
Decommissioning costs incurred	919,996
Transfers to property, plant and equipment	(11,625,189)
Balance, December 31, 2012	45,790,854
Additions	12,050,310
Capitalized G&A and share-based compensation	857,030
Decommissioning costs incurred	—
Transfers to property, plant and equipment	(10,385,115)
Balance, June 30, 2013	48,313,079

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. During the six months ended June 30, 2013 the Company established technical feasibility and commercial viability on certain projects and transferred \$10.4 million of costs to property, plant and equipment (six months ended June 30, 2012 – Nil). For the three and six months ended June 30, 2013 the Company did not incur exploration and evaluation expense in the Statement of Net Income (Loss) and Comprehensive Income (Loss) (2012 - \$Nil).

During the three and six months ended June 30, 2013 the Company capitalized \$476,969 and \$857,030, respectively, of general & administrative expenses ("G&A") directly attributable to exploration activities (three and six months ended June 30, 2012 - \$523,540 and \$654,536). Included in this amount is non-cash related share-based compensation for the three and six months ended June 30, 2013 of \$142,701 and \$289,060, respectively (three and six months ended June 30, 2012 \$88,386 and \$136,165, respectively).

5. 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	5,647,482	—	5,647,482
Acquisitions	61,754,458	—	61,754,458
Capitalized G&A and share-based compensation	957,661	—	957,661
Transfers from exploration and evaluation assets	11,625,189	—	11,625,189
Depletion & depreciation	—	(8,088,689)	(8,088,689)
Balance, December 31, 2012	120,700,567	(8,715,422)	111,985,145
Cash additions	20,898,135	—	20,898,135
Capitalized G&A and share-based compensation	857,030	—	857,030
Transfers from exploration and evaluation assets	10,385,115	—	10,385,115
Dispositions	(1,901,319)	200,000	(1,701,319)
Change in decommissioning obligations	148,237	—	148,237
Depletion & depreciation	—	(7,274,416)	(7,274,416)
Balance, June 30, 2013	151,087,765	(15,789,837)	135,297,928



NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

On June 6, 2013 the Company closed the disposition of a non-core facility interest for proceeds of \$1.7 million. The sale proceeds approximated the net carrying value and as a result no gain or loss was recorded with respect to the disposition.

Estimated future development costs of \$20.7 million (December 31, 2012 \$42.8 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 six months ended June 30, 2013, the Company capitalized \$476,969 and \$857,030, respectively, of general & administrative expenses ("G&A") directly attributable to development activities (three and six months ended June 30, 2012 \$523,540 and \$654,536). Included in this amount is non-cash related share-based compensation of \$142,701 and \$289,060, respectively (three and six months ended June 30, 2012 \$88,386 and \$136,165, respectively).

6. REVOLVING CREDIT FACILITY

The Company has a credit facility of \$60 million with a major Canadian lender. The credit facility consists of a \$55 million demand revolver and a \$5 million development line. The facility is available on a revolving basis for a period until June 29, 2014 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 \$120 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 December 31, 2013. At June 30, 2013, the Company has a letter of credit of \$180,000 against the facility (December 31, 2012; \$180,000) and has drawn \$21 million against the facility (December 31, 2012; nil).

7. DECOMMISSIONING OBLIGATION

The decommissioning liability was estimated based on the Company's net ownership interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods. The estimated future cash flows have been discounted using an average risk free rate of two percent and an inflation rate of two percent (December 31, 2012; two percent and two percent, respectively). The Company has estimated the net present value of the decommissioning obligations to be \$12.7 million as at June 30, 2013 (\$12.4 million at December 31, 2012) which is equal to the undiscounted, uninflated total future liability of \$12.7 million (\$12.4 million at December 31, 2012). These payments are expected to be incurred over the operating lives of the assets (10 years). The following table reconciles the decommissioning liability:

Balance, December 31, 2011	3,652,999
Acquisitions	7,652,684
Liabilities incurred	919,996
Accretion expense	170,035
Balance, December 31, 2012	12,395,714
Dispositions	(80,000)
Liabilities incurred	228,237
Accretion expense	123,830
Balance, June 30, 2013	12,667,781



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8. FINANCIAL RISK MANAGEMENT

The Company utilizes commodity contracts as a risk management technique to mitigate exposure to commodity price volatility. The following table summarizes the financial derivative contracts Petrus has outstanding as at June 30, 2013:

Natural Gas Period Hedged	Type	Daily Volume	Price (CAD)
Jul. 1, 2013 to Oct. 31, 2013	Costless collar	1,500 GJ	\$2.50 - \$3.02/GJ
Nov. 1, 2013 to Mar. 31, 2014	Costless collar	4,000 GJ	\$3.25 - \$3.53/GJ
Jul. 1, 2013 to Oct. 31, 2013	Costless collar	4,000 GJ	\$2.80 - \$3.02/GJ
Nov. 1, 2013 to Mar. 31, 2014	Fixed price	1,000 GJ	\$3.55/GJ
Apr. 1, 2014 to Oct. 31, 2014	Fixed price	1,500 GJ	\$3.44/GJ

Crude Oil Period Hedged	Type	Daily Volume	Price (USD)
Jul. 1, 2013 to Dec. 31, 2013	Costless collar	400 Bbl	WTI \$82.50 - \$92.45/Bbl
Jul. 1, 2013 to Dec. 31, 2013	Fixed price	200 Bbl	WTI \$98.35/Bbl
Jul. 1, 2013 to Dec. 31, 2013	Fixed price	100 Bbl	WTI \$90.73/Bbl
Jan. 1, 2014 to Dec. 31, 2014	Put Option	200 Bbl	WTI \$85.00/Bbl
Jul. 1, 2013 to Dec. 31, 2013	Fixed price	100 Bbl	WTI \$95.85/Bbl
Jan. 1, 2014 to Dec. 31, 2014	Fixed price	100 Bbl	WTI \$92.00/Bbl
Jan. 1, 2014 to Dec. 31, 2014	Fixed price	300 Bbl	WTI \$89.00/Bbl
Total risk management asset			\$590,984
Total risk management liability			\$1,193,082

For the three and six months ended June 30, 2013, Petrus recorded a realized loss of \$149,692 and \$477,594, respectively (three and six months ended June 30, 2012 realized gain of \$241,545 and \$434,697, respectively). For the three and six months ended June 30, 2013, Petrus recorded an unrealized gain of \$1,639,232 and \$163,890, respectively (three months ended June 30, 2012 unrealized loss of \$975,059 and six months ended June 30, 2012 unrealized gain of \$702,436).

9. FINANCIAL INSTRUMENTS

Risks associated with Financial Instruments

Credit risk

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

At June 30, 2013, financial assets on the statement of financial position are comprised of cash and cash equivalents, prepaid expenses, risk management assets and accounts receivable. The maximum credit risk associated with these financial instruments is the total carrying value.

The Company's accounts receivable are with customers and joint venture partners in the petroleum and natural gas business and are subject to normal credit risk. Concentration of credit risk is mitigated by marketing the majority of the Company's production to reputable and financially sound purchasers under normal industry sale and payment terms. As is common in the petroleum and natural gas industry in western Canada, Petrus' receivables relating to the sale of petroleum and natural gas are received on or about the 25th day of the following month. Of the \$14.8 million of accounts receivable outstanding at June 30, 2013 (December 31, 2012; \$11.7 million), \$8.6 million is owed from eight parties and was received subsequent to the quarter end (December 31, 2012 - \$6.1 million from six parties). As at June 30, 2013 and December 31, 2012, Petrus' accounts receivable were all aged less than 90 days and the Company had no past due receivables.

Liquidity risk

Liquidity risk relates to the risk the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by cash as they become due. The Company's approach to managing liquidity risk is to ensure, as much as possible, that it will have sufficient liquidity to meet its short-term and long-term financial obligations when due, under both normal and unusual conditions without incurring unacceptable losses or risking harm to the Company's reputation. The financial liabilities on its statement of financial position consist of accounts payable, risk management liabilities and accrued liabilities. The Company anticipates it will continue to have adequate liquidity to fund its financial liabilities through its future cash flows.

NOTES TO THE FINANCIAL STATEMENTS
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Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a normal period. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on operated and non-operated projects to further manage capital expenditures. The Company also attempts to match its payment cycle with collection of oil and natural gas revenue on the 25th day of each month.

At June 30, 2013, the Company had a \$60 million credit facility, of which \$39 million was undrawn (December 31, 2012, the Company had a \$40 million credit facility which was entirely undrawn). Petrus anticipates it will continue to have adequate liquidity to fund its financial liabilities through its future funds from operations and available bank debt.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's cash and cash equivalents and accounts receivable are not exposed to significant interest rate risk. The revolving credit facility is exposed to interest rate cash flow risk as it 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% change in the Canadian prime interest rate in the three and six months ended June 30, 2013 would have changed income by approximately \$32,384 and \$52,565, respectively, which relates to interest expense on the outstanding revolving credit facility assuming that all other variables remain constant (three and six months ended June 30, 2012 – nil). The Company considers this risk to be limited.

Commodity Price Risk

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

For the three and six months ended June 30, 2013, it is estimated that a \$0.25/mcf change in the price of natural gas would have changed net income by \$220,243 and \$452,331, respectively (three and six months ended June 30, 2012 - \$118,732 and \$263,295, respectively). For the three and six months ended June 30, 2013, it is estimated that a \$5.00/CDN WTI/bbl change in the price of oil would have changed net income by \$591,500 and \$1.1 million, respectively (three and six months ended June 30, 2012 - \$63,245 and \$97,895, 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 (a)	80,000	160,000
Common shares issued under private placement (b)	50,774,571	88,855,499
Common shares issued under private placement (d)	2,772,557	4,851,975
Flow-through shares issued, net of premium (c)	605,488	1,059,604
Flow-through shares issued, net of premium (d)	10,000	17,500
Share issue costs	—	(2,914,580)
Tax benefit of share issue costs	—	876,400
Deferred tax benefits	—	194,570
Balance, December 31, 2012	86,275,633	144,119,128
Common shares issued under private placement (e)	52,655	105,310
Flow-through shares issued, net of premium (e)	34,024	68,048
Tax benefit of share issue costs	—	18,176
Balance, June 30, 2013	86,362,312	144,310,662

Share Issuances

- (a) In April 2012 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.
- (b) 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.
- (c) 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 spent \$1,059,604 on qualified exploration and development expenditures to satisfy the obligation.



NOTES TO THE FINANCIAL STATEMENTS
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- (d) On July 5, 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. Of the issuance price, \$0.35 per share or \$3,501 was determined to be the premium on the flow-through shares. The issuances were subsequent additional closings related to the June 2012 private equity placement.
- (e) On April 26, 2013 the Company issued 52,655 common shares at a price of \$2.00 per share and 34,024 flow-through shares at a price of \$2.40 per share for total gross proceeds of \$186,968. Of the issuance price, \$0.40 per share or \$13,610 was determined to be the premium on the flow-through shares. The issuance was made pursuant to an Exempt Offering which provided employees and key consultants an opportunity to purchase common and flow-through shares of the Company. Under National Instrument 45-102, the common shares issued are subject to a restricted hold period which expires August 27, 2013.

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 but 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 June 30, 2013, 6,422,603 (December 31, 2012; 6,422,603) performance warrants were issued.

	Number of warrants	Weighted Average Exercise Price (\$)
Balance, December 31, 2011	4,934,000	\$2.00
Granted	1,581,603	\$2.00
Exercised	—	—
Forfeited or expired	93,000	\$2.00
Balance, December 31, 2012	6,422,603	\$2.00
Balance, June 30, 2013	6,422,603	\$2.00
Exercisable, June 30, 2013	—	—

At June 30, 2013 there are no exercisable performance warrants given the market (one third vest as certain share price hurdles are achieved) criteria has not yet been met.

The following tables summarize information about the performance warrants outstanding at June 30, 2013:

Grant date	Warrants Issued			Warrants Exercisable	
	Number outstanding	Weighted average exercise price	Weighted average remaining life (years)	Number exercisable	Weighted average exercise price
December 19, 2011	4,934,000	\$2.00	3.55	—	\$2.00
March 20, 2012	400,000	\$2.00	3.72	—	\$2.00
May 1, 2012	400,000	\$2.00	3.84	—	\$2.00
June 5, 2012	225,000	\$2.00	3.93	—	\$2.00
July 10, 2012	56,603	\$2.00	4.06	—	\$2.00
August 6, 2012	400,000	\$2.00	4.10	—	\$2.00
November 5, 2012	100,000	\$2.00	4.80	—	\$2.00
	6,515,603	\$2.00	3.64	—	\$2.00

The fair value of each warrant granted of \$0.25 per warrant is estimated on the date of grant using the Black-Scholes pricing model with the following weighted average assumptions (at June 30):

	2013	2012
Risk free interest rate	1.23%	1.36%
Expected life (years)	5	5
Estimated volatility of underlying common shares (%)	50%	65%
Estimated forfeiture rate	20%	20%
Expected dividend yield (%)	0%	0%



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Petrus estimated the volatility of the underlying common shares by analyzing the volatility of peer group private 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.

Stock Options

The Company has a stock option plan in place whereby it may issue stock options to employees, consultants and directors of the Company. The aggregate number of shares that may be acquired upon exercise of all Options granted pursuant to the plan shall, at any date or time of determination, be equal to ten percent (10%) of the number that is equal to (i) the number of the Company's basic Common shares then issued and outstanding; minus (ii) a number equal to five (5) times the number of Common Shares that are issuable upon exercise of the then outstanding Performance Warrants minus (iii) a number equal to fifty percent (50%) of the number of Common Shares that have previously been issued upon the exercise of Performance Warrants. At June 30, 2013, 4,104,000 stock options were issued. The summary of stock option activity is presented below:

	Number of stock options	Weighted Average Exercise Price (\$)
Balance, December 31, 2011	—	—
Granted	3,995,000	\$1.75
Balance, December 31, 2012	3,995,000	\$1.75
Granted	109,000	\$2.00
Balance, June 30, 2013	4,104,000	\$1.76
Exercisable, June 30, 2013	3,600,000	\$1.75

The following tables summarize information about the stock options outstanding at June 30, 2013:

Stock Options Issued				
Grant date	Number outstanding	Weighted average exercise price	Weighted average remaining life (years)	Weighted average exercise price
June 29, 2012	3,600,000	\$1.75	3.92	\$1.75
July 10, 2012	65,000	\$1.75	4.17	\$1.75
August 27, 2012	175,000	\$1.75	4.28	\$1.75
November 5, 2012	155,000	\$1.75	4.38	\$1.75
March 18, 2013	99,000	\$2.00	4.48	\$2.00
June 3, 2013	10,000	\$2.00	4.55	\$2.00
	4,104,000	\$1.75	3.97	\$1.76

The fair value of each stock option granted of \$0.77 per option is estimated on the date of grant using the Black-Scholes pricing model with the following weighted average assumptions (at June 30):

	2013	2012
Risk free interest rate	1.20%	—
Expected life (years)	5	—
Estimated volatility of underlying common shares (%)	50%	—
Estimated forfeiture rate	20%	—
Expected dividend yield (%)	0%	—

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



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

Share-based compensations costs (\$):	For the three months ended		For the six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Expensed in net income	285,404	176,773	578,122	399,739
Capitalized to exploration and evaluation assets	142,701	88,386	289,060	136,165
Capitalized to property, plant and equipment	142,701	88,386	289,060	136,165
Total share-based compensation	570,806	353,545	1,156,242	672,069

11. PER SHARE INFORMATION

	For the three months ended		For the six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net income (loss)	4,010,313	(2,060,266)	4,056,695	(601,101)
Weighted average Petrus shares outstanding – basic (000s)	86,350	32,174	86,313	32,354
Weighted average Petrus shares outstanding – diluted (000s)	86,350	32,174	86,313	32,354
Net income (loss) per share – basic (\$/share)	0.05	(0.06)	0.05	(0.02)
Net income (loss) per share – diluted (\$/share)	0.05	(0.06)	0.05	(0.02)

At June 30, 2013 the Company has 4,104,000 stock options that could be dilutive in future periods (December 31, 2012 – 3,995,000).

12. COMMITMENTS

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

Commitments (000s)	Total	< 1 year	1-5 years
Office equipment lease	11	3	8
Capital commitments	5,400	5,400	—
Corporate office lease	1,326	502	824
Total commitments	6,737	5,905	832

13. SUBSEQUENT EVENTS

Subsequent to June 30, 2013, the Company entered into the following commodity financial derivative contracts:

Crude Oil Period Hedged	Type	Daily Volume	Price (USD)
Jan. 1, 2014 to Dec. 31, 2014	Fixed price	300 Bbl	WTI \$95.90/Bbl
Jan. 1, 2014 to Dec. 31, 2014	Fixed price	200 Bbl	WTI \$93.80/Bbl
Jan. 1, 2014 to Jun. 30, 2014	Fixed price	100 Bbl	WTI \$96.05/Bbl

Subsequent to June 30, 2013 Mr. Rick Braund, co-founder and director of Petrus, announced his retirement from the board of the Company in order to pursue other business interests. As a result, 125,000 stock options and 417,000 performance warrants were cancelled effective July 11, 2013.

NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

CORPORATE INFORMATION

OFFICERS

Kevin L. Adair, P. Eng.
President and Chief Executive Officer

DIRECTORS

Don T. Gray
Executive Chairman
Calgary, Alberta

SOLICITOR

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

Neil Korchinski, P. Eng.
Vice President, Engineering

Kevin L. Adair
Calgary, Alberta

AUDITOR

Ernst & Young LLP
Chartered Accountants
Calgary, Alberta

Cheree Stephenson, CA
Vice President, Finance and
Chief Financial Officer

Joe Locke
Irving, Texas

INDEPENDENT RESERVE EVALUATOR

GLJ Petroleum Consultants
Calgary, Alberta

Peter Verburg
Corporate Secretary

Patrick Arnell
Calgary, Alberta

BANKERS

Canadian Imperial Bank of Commerce
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Peter Verburg
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