Petrus Resources

Monthly Update from the Petrus Team August 26, 2016

The following tables provide selected historical results as well as estimated monthly results based upon field data:

Capital Investment* ($K CAD)	Q2 '15	Q3 '15	Q4 '15	2015	Q1 '16	Q2 '16	Jul '16
Acq/Disp	(125)	-	-	938	-	-	(28,955)
Drill & Complete	5,407	4,045	2,117	30,313	6,423	963	20
Equip & Facility	7,360	4,127	4,262	21,853	2,423	1,244	660
Geological	267	1	-	302	-	-	-
Land & Lease	50	56	-	106	30	109	-
Other	204	812	378	1,895	401	396	140
Total	**13,163**	**9,041**	**6,757**	**55,407**	**9,277**	**2,712**	**(28,135)**

Daily Sales *	Q2 '15	Q3 '15	Q4 '15	2015	Q1 '16	Q2 '16	Jul '16
Gas (mcf/d)	31,103	32,505	31,217	32,088	35,456	33,071	28,916
Oil (bbl/d)	2,811	2,616	2,380	2,838	2,218	2,200	1,555
NGLs (bbl/d)	560	634	590	576	694	723	686
Total (BOE_6/d)	**8,890**	**8,668**	**8,172**	**8,762**	**8,821**	**8,435**	**7,210**

Benchmark Prices *	Q2 '15	Q3 '15	Q4 '15	2015	Q1 '16	Q2 '16	Jul '16
AECO (C$/mcf)	2.64	2.91	2.47	2.69	1.84	1.45	2.37
Edm Light (C$/Bbl)	69.66	54.95	52.52	57.48	41.22	53.30	55.04

* Tables above include estimates based upon field data. Actual financial results may vary from these estimates and such variances may be material.
Tables may not add due to rounding.

July sales reflect the Peace River asset disposition which closed July 8th. Three of the four new Ferrier Cardium wells are now on-stream, with the final non-operated well (40% WI) expected to commence production in late Q3. Sales in the month were negatively impacted by short term maintenance curtailments on TCPL, and downtime related to third party plants. Most of the TCPL related downtime was eliminated by the end of July with the final volumes relating to third party plant issues expected to be back on-stream in September.

AECO gas prices rebounded in June and July from the extreme lows of March through May. Wide Nymex differentials are persisting however, especially near term as a result of TCPL maintenance restrictions at the East Gate. Overall higher than normal storage levels in the province continue to weigh on gas prices although weaker storage injections in the US so far this summer have shrunk the US storage surplus. Edmonton light oil price has retreated approximately 11% in July versus the $60/bbl June average.

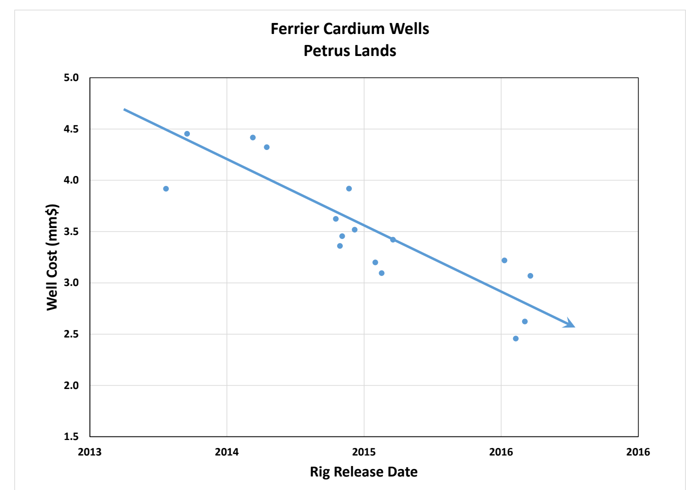
Petrus released its Q2 2016 results on August 11 reporting $7.73 million in cash flow ($0.68/share annualized) an increase of 67% from Q1. Operationally, we continue to focus on reducing operating costs, interest expense, and G&A. Operating costs in Q2 were $6.87 per boe down 16% from Q2 of 2015. With the Peace River sale, per unit operating costs on the remaining assets should continue to decrease. The $80 million repayment of debt in late Q1 has dropped our interest cost by 30% and the further paydown in July will result in additional savings. G&A in the quarter showed a 32% improvement over Q1 coming in at $1.86 per boe.

Our strong hedge book continues to protect our cashflows with realized hedging gains in Q2 of $6.87 per boe; largely reflecting the low gas prices in the quarter.

Petrus continues to reduce overall debt levels with an additional paydown in July of $8 million against our 2nd Lien Term Loan and approximately $20 million against our 1st Lien borrowings. Year to date, Petrus has reduced its overall net debt by about 46% representing a very substantial improvement in our balance sheet.

In July, the Petrus Board approved a 2016 second half budget of $17.5 million; an increase relative to the $12.2 million first half budget. The budget is primarily focused on organic growth in the Ferrier area targeting the Cardium formation.

Petrus has continued to optimize our well design and together with savings in drilling and completion cost resulting from lower industry activity levels, we've seen an 18% reduction in well costs each year over the last three years. Wells that cost $4.5 million in 2013 are now drilled and onstream for approximately $2.5 million.



Historically, Petrus had elected to set intermediate casing at the end of the build section then continued to drill the lateral to TD. Following drilling, we would install a frac liner with external casing packers and frac the lateral in approximately 17 stages using ball-drop frac ports. In the upcoming program, Petrus plans to change our well design to monobore drills and cemented liners equipped with sliding sleeve frac ports. This well design should allow us to approximately double the number of effective frac stages without increasing overall well cost. These lower well costs, potentially improved well performance from the additional fracs, together with the low operating expenses through our operated facilities will continue to dramatically improve the rates of return achievable at current strip pricing.

Our second half drilling program is expected to kick off immediately following the Labour Day weekend.