THIRD QUARTER REPORT

For the three and nine months ended September 30, 2017

Petrus Resources Ltd. ("Petrus" or the "Company") (TSX: PRQ) is pleased to report financial and operating results for the third quarter of 2017. Petrus is focused on organic growth and infrastructure control in its core area, Ferrier, Alberta. The Company is targeting liquids rich natural gas in the Cardium formation as well as investing in infrastructure in Ferrier to control operations in order to maximize the Company's return on investment.

HIGHLIGHTS

- Petrus generated funds flow of $7.7 million in the third quarter of 2017, a 30% increase relative to the $5.9 million generated in the third quarter of 2016. The 30% increase in funds flow is attributed to 49% higher production and 11% lower operating expenses (on a per boe basis) from the prior year. This production growth and lower cost structure reflects the Company's strategic shift to focus on developmental drilling and facility ownership and control in the Ferrier area.

- Third quarter average production was 10,567 boe/d in 2017 compared to 7,100 boe/d for the same period in 2016. The 49% increase is attributable to the Company's drilling program at Ferrier, where production has grown 110% since the third quarter of 2016.

- Total operating expenses have decreased 11% from $6.04 per boe in the third quarter of 2016 to $5.42 per boe in the third quarter of 2017. Due to facility constraints, a portion of the Company's Ferrier production was processed through third party facilities during the third quarter of 2017. Ferrier operating expenses are expected to decrease further in the fourth quarter as the Ferrier gas plant expansion is now complete(1).

- Petrus utilizes financial derivative contracts to mitigate commodity price risk. The Company's realized gain on financial derivatives in the third quarter of 2017 increased the Company's corporate netback(2) by $1.88 per boe. The realized hedging gain increased significantly from the $0.23 per boe realized in the second quarter of 2017 to $1.88 per boe in the third quarter of 2017. The increase is attributed to the recent volatility in commodity prices, natural gas in particular. As a percentage of third quarter 2017 production, Petrus has derivative contracts in place for 60% and 70% of its natural gas and oil and natural gas liquids production, respectively, up to the end of the next fiscal year.

- During the third quarter Petrus entered into a farm-in agreement (the "Farm-in Agreement") to drill two extended reach horizontal ("ERH") Cardium wells in Ferrier. Upon completion of these wells, Petrus will also earn a working interest in three additional sections of land in Ferrier. Subsequent to the end of the third quarter, the ERH wells were each drilled with a lateral length of approximately 2 sections. The Company estimates the Farm-in Agreement will contribute 16 gross (5.2 net) Cardium locations to its drilling inventory(1).

- In order to accommodate for the Farm-in Agreement, Petrus' Board of Directors approved a $10 million increase to the Company's capital budget for 2017 to a range of $60 to $70 million, from the $50 to $60 million previously approved. The budget increase is expected to be funded through availability under the Company's existing credit facilities(1).

- During the third quarter of 2017, Petrus participated in or spud 6 gross (4.7 net) Cardium wells in the Ferrier area. The Ferrier gas plant expansion, increasing the plant's capacity from 30 mmcf/d to 60 mmcf/d, was completed in early October. With the new processing capacity available at the plant, the fracture stimulation operations for the new wells were scheduled for the fourth quarter. The wells are expected to be brought onstream later in the fourth quarter(1).

- Subsequent to the end of the third quarter of 2017 Petrus completed the semi-annual review of its revolving credit facility ("RCF"). The RCF syndicate of lenders increased the borrowing base from $120 million to $130 million. In addition, the Company's total debt borrowing limit was increased from $141 million to $155 million. Petrus' second lien term loan ("Term Loan") has $35 million outstanding therefore lender consent, from both the RCF syndicate and Petrus' Term Loan lender, is required for total borrowings against the RCF that exceed $120 million.

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

SELECTED FINANCIAL INFORMATION

OPERATIONS	Three months ended Sept. 30, 2017	Three months ended Sept. 30, 2016	Three months ended Jun. 30, 2017	Three months ended Mar. 31, 2017	Three months ended Dec. 31, 2016
Average Production					
Natural gas (mcf/d)	45,550	30,009	42,392	40,332	37,327
Oil (bbl/d)	1,877	1,419	2,015	1,542	1,452
NGLs (bbl/d)	1,098	680	1,160	1,067	922
Total (boe/d)	**10,567**	**7,100**	**10,240**	**9,331**	**8,595**
Total (boe)	**972,140**	**653,215**	**931,821**	**839,746**	**790,806**
Natural gas sales weighting	72%	70%	69%	72%	72%
Realized Prices					
Natural gas ($/mcf)	1.66	2.53	3.29	2.85	3.29
Oil ($/bbl)	51.23	44.50	59.02	62.62	59.42
NGLs ($/bbl)	24.79	15.56	30.32	33.18	24.56
Total realized price ($/boe)	**18.82**	**21.06**	**28.69**	**26.48**	**26.97**
Royalty income	0.01	0.07	0.03	0.05	0.10
Royalty expense	(2.73)	(2.99)	(4.62)	(3.94)	(3.52)
Net oil and natural gas revenue ($/boe)	**16.10**	**18.14**	**24.10**	**22.59**	**23.55**
Operating expense	(5.42)	(6.04)	(5.53)	(4.50)	(3.63)
Transportation expense	(1.29)	(1.49)	(1.32)	(1.38)	(1.50)
Operating netback [1][2] ($/boe)	**9.39**	**10.61**	**17.25**	**16.71**	**18.42**
Realized gain on derivatives ($/boe) [2]	1.88	4.06	0.23	0.57	0.99
General & administrative expense	(1.09)	(1.69)	(1.12)	(1.05)	(3.78)
Cash finance expense	(1.99)	(3.85)	(1.94)	(2.07)	(2.58)
Decommissioning expenditures [3]	(0.23)	(0.04)	(1.03)	(0.19)	(0.64)
Corporate netback [1][2] ($/boe)	**7.96**	**9.09**	**13.39**	**13.97**	**12.41**

FINANCIAL (000s except per share)	Three months ended Sept. 30, 2017	Three months ended Sept. 30, 2016	Three months ended Jun. 30, 2017	Three months ended Mar. 31, 2017	Three months ended Dec. 31, 2016
Oil and natural gas revenue	18,299	13,805	26,753	22,274	21,409
Net income (loss)	(50,696)	(4,702)	(781)	7,311	(11,842)
Net income (loss) per share					
Basic	(1.03)	(0.10)	(0.02)	0.16	(0.26)
Fully diluted	(1.03)	(0.10)	(0.02)	0.16	(0.26)
Funds flow [3]	7,727	5,938	12,458	11,732	9,809
Funds flow per share [3]					
Basic	0.16	0.13	0.25	0.25	0.22
Fully diluted	0.16	0.13	0.25	0.25	0.22
Capital expenditures	13,055	7,231	18,903	18,907	10,026
Net acquisitions (dispositions)	(4,866)	(29,718)	—	8,818	—
Weighted average shares outstanding					
Basic	49,428	45,349	49,428	46,754	45,349
Fully diluted	49,428	45,349	49,428	46,989	45,349
As at period end					
Common shares outstanding					
Basic	49,428	45,349	49,428	49,428	45,349
Fully diluted	49,428	45,349	49,428	52,664	45,349
Total assets	409,078	448,404	465,794	460,095	439,967
Non-current liabilities	191,145	169,714	170,580	165,104	118,934
Net debt [1]	137,531	124,310	137,069	130,624	124,915

[1] *Refer to "Non-GAAP Financial Measures" in the Management's Discussion & Analysis attached hereto.*
[2] *In prior periods Petrus included realized gain on derivatives (hedging gain (loss)) in the calculation of operating netback. The amount is included in the calculation of corporate netback. The comparative information has been re-classified to conform to current presentation.*
[3] *In prior periods Petrus excluded decommissioning expenditures from the calculation of funds flow. The comparative information has been re-classified to conform to current presentation.*

OPERATIONS UPDATE

Production

Average third quarter production by area was as follows:

For the three months ended September 30, 2017	Ferrier	Foothills	Central Alberta	Total
Natural gas (mcf/d)	30,014	8,123	7,413	45,550
Oil (bbl/d)	1,157	237	483	1,877
NGLs (bbl/d)	846	28	223	1,097
Total (boe/d)	**7,007**	**1,627**	**1,933**	**10,567**
Natural gas sales weighting	***71%***	***83%***	***64%***	***72%***

Third quarter average production was 10,567 boe/d (72% natural gas) in 2017 compared to 7,100 boe/d (70% natural gas) in the third quarter of 2016. The 49% increase is attributable to the Company's drilling program in its core operating area, Ferrier, where production has grown 110% since the third quarter of 2016.

Commodity Pricing

During the third quarter of 2017, Petrus realized high volatility in the market price of its natural gas revenue as a result of weakness and volatility in the Alberta natural gas commodity price market. In particular, there was high volatility in the daily average natural gas spot price (AECO 5A index) which is the index on which Petrus sold all of its natural gas in the third quarter of 2017. Due to market factors outside the Company's control, the AECO 5A natural gas price averaged $1.38 per GJ during the third quarter of 2017, which is 28% lower than the third quarter 2017 average forward monthly (AECO 7A index) natural gas price of $1.93 per GJ. During the third quarter of 2017 Petrus' realized natural gas price was $1.66 per mcf which is 50% lower than the $3.29 per mcf realized in the second quarter of 2017. Beginning in November 2017, Petrus has elected for approximately half of its natural gas production to be paid on the forward monthly natural gas price (AECO 7A index) in an attempt to reduce the Company's exposure to daily natural gas price volatility.

Ferrier Farm-In

During the third quarter Petrus entered into a farm-in agreement (the “Farm-in Agreement”) to drill two extended reach horizontal (“ERH”) Cardium wells in Ferrier, the Company’s core operating area. Upon completion of these wells, Petrus will earn a working interest in three additional sections of land in Ferrier. Subsequent to the end of the third quarter, the ERH wells were drilled with a lateral length of approximately two sections. The Company estimates that the Farm-in Agreement will contribute 16 gross (5.2 net) Cardium locations to its drilling inventory[(1)].

Capital Development

In order to accommodate for the Farm-in Agreement, Petrus’ Board of Directors approved a $10 million increase to the Company’s capital budget for 2017 to $60 to $70 million, from the $50 to $60 million previously approved. The budget increase is expected to be funded through availability under the Company’s existing credit facilities. The Company’s capital expenditure program anticipates drilling 16 gross (11.8 net) Cardium wells in Ferrier. The capital expenditure program also provides for investment in facility expansion[(1)].

Petrus has spud or participated in 6 gross (4.7 net) Cardium wells in the Ferrier area since the end of the second quarter of 2017. The Ferrier gas plant expansion, increasing the plant's capacity from 30 mmcf/d to 60 mmcf/d, was completed in early October. With the new processing capacity available at the plant, the fracture stimulation operations for the new wells were scheduled for the fourth quarter. The wells are expected to be brought onstream later in the fourth quarter[(1)].

Property Acquisition & Disposition Activity

On August 15, 2017 Petrus closed the disposition of its working interest in certain non-core oil and natural gas properties in the Company’s Foothills area for cash consideration of $4.9 million. The assets disposed of included approximately 150 boe/d of production along with related land and infrastructure. The proceeds were utilized to repay indebtedness under the Company’s credit facilities.

Petrus has initiated a non-core asset divestiture process for its Central Alberta (Thorsby) and Foothills areas, and has engaged GMP Securities L.P. (“GMP FirstEnergy”) as its exclusive financial advisor to assist with the process. Through the divestiture process, the Company's Board of Directors determined its Foothills assets’ characteristics do not fit within the strategic objectives of the Company. As a result, Petrus recognized an impairment loss of $45.0 million related to the Foothills Cash Generating Unit ("CGU") for the three and nine month periods ended September 30, 2017. The divestiture of these non-core assets is expected to further enhance Petrus’ balance sheet and continue to strengthen the focus on the Company’s core operating area, Ferrier[(1)].

Credit Review

Subsequent to the end of the third quarter of 2017 Petrus completed the semi-annual review of its revolving credit facility ("RCF"). The RCF syndicate of lenders increased the borrowing base from $120 million to $130 million. In addition, the Company's total debt borrowing limit was increased from $141 million to $155 million. Petrus’ second lien term loan (“Term Loan”) has $35 million outstanding therefore lender consent, from both the RCF syndicate and Petrus' Term Loan lender, is required for total borrowings against the RCF that exceed $120 million.

[(1)] *Refer to "Advisories - Forward-Looking Statements" in the Management's Discussion & Analysis attached hereto.*

MANAGEMENT'S DISCUSSION & ANALYSIS

The following is management's discussion and analysis ("MD&A") of the financial and operating results of Petrus Resources Ltd. ("Petrus" or "the Company") as at and for the three and nine months ended September 30, 2017. The report is dated November 8, 2017 and should be read in conjunction with the Company's September 30, 2017 interim consolidated financial statements and the December 31, 2016 annual consolidated financial statements. The Company's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") which require publicly accountable enterprises to prepare their financial statements using International Financial Reporting Standards ("IFRS"). Readers are directed to the advisories at the end of this report regarding forward-looking statements and boe presentation and to the section "Non-GAAP Financial Measures" herein.

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

RESULTS OF OPERATIONS

FINANCIAL AND OPERATIONAL RESULTS OF OIL AND NATURAL GAS ACTIVITIES

	Three months ended Sept. 30, 2017	Three months ended Sept. 30, 2016	Three months ended Jun. 30, 2017	Three months ended Mar. 31, 2017	Three months ended Dec. 31, 2016
Average production					
Natural gas (mcf/d)	45,550	30,009	42,392	40,332	37,327
Oil (bbl/d)	1,877	1,419	2,015	1,542	1,452
NGLs (bbl/d)	1,098	680	1,160	1,067	922
Total (boe/d)	**10,567**	**7,100**	**10,240**	**9,331**	**8,595**
Total (boe)	972,140	653,215	931,821	839,746	790,806
Revenue ($000s)					
Natural Gas	6,939	6,975	12,708	10,359	11,304
Oil	8,848	5,809	10,822	8,690	7,939
NGLs	2,504	973	3,199	3,186	2,084
Royalty revenue	8	47	24	39	82
Oil and natural gas revenue	18,299	13,804	26,753	22,274	21,409
Average realized prices					
Natural gas ($/mcf)	1.66	2.53	3.29	2.85	3.29
Oil ($/bbl)	51.23	44.50	59.02	62.62	59.42
NGLs ($/bbl)	24.79	15.56	30.32	33.18	24.56
Total ($/boe)	18.82	21.06	28.69	26.48	26.97
Hedging gain ($/boe)	1.88	4.06	0.23	0.57	0.99
Total realized ($/boe)	20.70	25.12	28.92	27.05	27.96

Average benchmark prices	Three months ended Sept. 30, 2017	Three months ended Sept. 30, 2016	Three months ended Jun. 30, 2017	Three months ended Mar. 31, 2017	Three months ended Dec. 31, 2016
Natural gas					
AECO 5A ($/GJ)	1.38	2.20	2.64	2.55	2.93
AECO 7A ($/GJ)	1.93	2.09	2.63	2.79	2.67
Crude Oil					
Edm Lt. ($/bbl)	57.08	54.26	60.36	64.76	60.70
Foreign Exchange					
US$/C$	0.80	0.76	0.74	0.76	0.75

FUNDS FLOW AND NET LOSS

Petrus generated funds flow of $7.7 million in the third quarter of 2017; a 30% increase relative to the $5.9 million generated in the third quarter of 2016. The increase is due to 49% higher production and 11% lower operating expenses (on a per boe basis). On a nine month basis, funds flow was 77% higher, $31.9 million in 2017 compared to $18.0 million in the prior year. The increase is due to 24% higher production and 31% lower operating expenses (on a per boe basis).

Petrus reported a net loss of $50.7 million in the third quarter of 2017, compared to a net loss of $4.7 million in the third quarter of the prior year. On a nine month basis, the Company realized a net loss of $44.2 million in 2017 compared to a net loss of $55.1 million in the comparable period of 2016. The increase in net loss for the three month period ended September 30, 2017 compared to the same period in the prior year is mainly attributed to the impairment loss recorded in 2017.

($000s except per share)	**Three months ended Sept. 30, 2017**	Three months ended Sept. 30, 2016	**Nine months ended Sept. 30, 2017**	Nine months ended Sept. 30, 2016
Funds flow [(1)]	**7,727**	**5,938**	**31,918**	**18,002**
Funds flow per share - basic [(1)]	0.16	0.13	0.66	0.28
Funds flow per share - fully diluted [(1)]	0.16	0.13	0.65	0.28
Net loss	**(50,696)**	**(4,702)**	**(44,167)**	**(55,146)**
Net loss per share - basic	(1.03)	(0.10)	(0.92)	(1.25)
Net loss per share - fully diluted	(1.03)	(0.10)	(0.92)	(1.25)
Common shares outstanding (000s)				
Basic	49,428	45,349	49,428	45,349
Fully diluted	49,428	45,349	49,428	45,349
Weighted average shares outstanding (000s)				
Basic	49,428	45,349	48,098	44,158
Fully diluted	49,428	45,349	49,098	44,158

[(1)] In prior periods Petrus excluded decommissioning expenditures from the calculation of funds flow. The comparative information has been re-classified to conform to current presentation.

OIL AND NATURAL GAS REVENUE

Average production for the third quarter of 2017 was 10,567 boe/d (72% natural gas), 49% higher than the 7,100 boe/d (70% natural gas) average production for the third quarter of the prior year. The increase is attributable to the Company's drilling program at Ferrier which was funded by funds flow as well as utilization of the Company's revolving credit facility. Total oil and natural gas revenue for the third quarter of 2017 increased from $13.8 million in 2016 to $18.3 million in 2017 which represents a 33% increase, due to higher production offset by lower realized commodity prices.

Average production for the first nine months of 2017 was 10,050 boe per day (71% natural gas), compared to 8,115 boe per day (67% natural gas) for the prior year comparative period, which represents a 24% increase. Total oil and natural gas revenue increased 55% from $43.4 million in the first nine months of 2016 to $67.3 million in the nine months ended September 30, 2017 due to increased production and improved oil prices.

Natural gas

During the three and nine months ended September 30, 2017, the average benchmark natural gas price in Canada (AECO 5A) decreased by 38% and increased by 25%, respectively, from prior year comparative periods (average price of $1.45 per mcf in the third quarter of 2017 compared to $2.32 per mcf in the third quarter of the prior year and $2.31 per mcf for the first nine months of 2017, compared to $1.85 per mcf for the comparative period in 2016).

The Company's average realized natural gas price during the third quarter of 2017 was $1.66 per mcf, compared to $2.53 per mcf in the third quarter of 2016, which represents a 34% decrease. Natural gas revenue for the third quarter of 2017 was $6.9 million and production of 4,190,541 mcf accounting for approximately 72% of third quarter production volume and 38% of oil and natural gas revenue (compared to revenue of $7.0 million and production of 2,760,858 mcf accounting for approximately 70% of third quarter production volume and 51% of commodity revenue in the prior year comparative period). Natural gas revenue decreased slightly from the prior year due to lower natural gas prices during the third quarter of 2017 partially offset by continued growth in production in the Ferrier area.

Natural gas revenue for the first nine months of 2017 was $30.0 million and production of 11,678,072 mcf accounted for approximately 72% of production volume in the period and 45% of commodity revenue (compared to revenue of $18.4 million and production of 8,996,864 mcf accounting for approximately 67% of production volume and 43% of commodity revenue in the prior year comparative period). The increase is due to increased production and improved realized natural gas prices.

Crude oil and condensate

Edmonton Light Sweet crude oil prices increased 5% from the third quarter of 2016 to the third quarter of 2017 (an average price of $57.08 per bbl for the third quarter of 2017 compared to an average price of $54.26 per bbl for the prior year comparative period). Prices increased 21% from the first nine months of 2016 to the first nine months of 2017 ($60.73 per bbl in 2017 compared to an average of $50.19 per bbl in the prior year comparative period).

Similarly, the average realized price of Petrus' crude oil and condensate was $51.23 per bbl for the third quarter of 2017 compared to $44.50 per bbl for the same period in the prior year. Petrus' realized oil price was lower than the corresponding marker due to changes in oil quality and quantity, which resulted in changes in pricing differentials.

Oil and condensate revenue for the third quarter of 2017 was $8.8 million and production of 172,705 bbl accounted for approximately 18% of total production volume and 48% of oil and natural gas revenue, compared to revenue of $5.8 million and production of 130,529 bbl accounted for approximately 20% of total production volume and 42% of commodity revenue in the third quarter of the prior year.

Oil and condensate revenue for the first nine months of 2017 was $28.4 million and production of 494,826 accounted for approximately 18% of total production volume and 42% of commodity revenue, compared to revenue of $22.1 million and production of 532,524 bbl accounted for approximately 24% of total production volume and 51% of commodity revenue in the first nine months of the prior year.

Natural gas liquids (NGLs)

The Company's NGL production mix consists of ethane, propane, butane, pentane and sulphur. The pricing received for NGL production is based on the product mix, the fractionation process required and the demand for fractionation facilities. In the third quarter of 2017, the overall realized NGL price averaged $24.79 per bbl, compared to $15.56 per bbl in the prior year. The increase is attributed to improved commodity prices as well as a change in the composition of the Company's NGLs.

NGL revenue for the third quarter of 2017 was $2.5 million and production of 101,010 bbl accounted for approximately 10% of production volume and 14% of oil and natural gas revenue, compared to revenue of $1.0 million and production of 62,544 bbl accounted for approximately 10% of production volume and 7% of commodity revenue for the third quarter of the prior year. NGL revenue for the first nine months of 2017 was $8.9 million and production of 302,535 bbl accounted for approximately 11% of production volume and 13% of oil and natural gas revenue in the period, compared to revenue of $2.7 million and production of 191,543 bbl accounted for approximately 9% of production volume and 6% in the first nine months of the prior year. The increase in NGL revenue is due to the increase in production and commodity prices.

ROYALTY EXPENSES

Royalties are paid to the Government of Alberta and to gross overriding royalty owners. The following table shows the Company's royalty expenses for the periods shown:

Royalty Expenses ($000s)	**Three months ended September 30, 2017**	Three months ended September 30, 2016	**Nine months ended September 30, 2017**	Nine months ended September 30, 2016
Crown	**819**	555	**4,315**	3,201
% of production revenue	**5%**	4%	**6%**	7%
Gross overriding	**1,836**	1,396	**5,955**	2,959
Total	**2,655**	**1,951**	**10,270**	**6,160**

Total royalty expense (net of royalty allowances and incentives) increased from $2.0 million in the third quarter of 2016 to $2.7 million in the third quarter of 2017. On a nine month basis, total royalties paid increased from $6.2 million to $10.3 million. The increases are attributable to increased production.

Gross overriding royalties increased from $3.0 million for the nine months ended September 30, 2016, to $6.0 million for the nine months ended September 30, 2017. Gross overriding royalties increased from $1.4 million in the third quarter of 2016 to $1.8 million in the third quarter of 2017. The increases are due to additional wells being drilled on land with gross overriding royalty burdens.

RISK MANAGEMENT

The Company utilizes commodity contracts as a risk management technique to mitigate exposure to commodity price volatility, increase the certainty of cash flows from operating activities and to protect acquisition and development economics. Petrus' risk management program is governed by guidelines approved by its Board of Directors. Petrus aims to hedge approximately 50 to 70% of its annual production forecast and approximately 30 to 40% of the following year production forecast.

The impact of the contracts that were outstanding during the reporting periods are actual cash settlements and are recorded as realized hedging gains (losses). These affect the Company's realized commodity price. The unrealized gain (loss) is recorded to demonstrate the change in fair value of the outstanding contracts during the financial reporting period for financial statement purposes. Petrus does not follow hedge accounting for any of its

risk management contracts in place. Petrus considers all of its risk management contracts to be effective economic hedges of its underlying business transactions.
The table below shows the realized and unrealized gain or loss on risk management contracts for the periods shown:

Net Gain (Loss) on Financial Derivatives ($000s)	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Realized hedging gain	**1,829**	2,652	**2,523**	14,220
Unrealized hedging gain (loss)	**3,715**	(796)	**12,139**	(12,307)
Net gain on derivatives	**5,544**	**1,856**	**14,662**	**1,913**

The Company recognized a realized hedging gain of $1.8 million during the third quarter of 2017, compared to a $2.7 million gain realized in the same quarter of the prior year. The lower realized gain in the current period is due to strengthened crude oil prices offset by lower natural gas prices. The third quarter realized gain increased the Company's total realized price by $1.88 per boe, compared to an increase of $4.06 per boe in the third quarter of the prior year.

The Company recognized a realized hedging gain of $2.5 million during the nine months ended September 30, 2017, compared to a $14.2 million gain realized in the same period of the prior year. The lower gain in the current year is due to strengthened crude oil prices.

The unrealized hedging gain of $3.7 million for the three months ended September 30, 2017 represents the change in the unrealized risk management net asset position during the quarter. The unrealized hedging gain of $12.1 million for the nine months ended September 30, 2017 represents the change in the unrealized risk management net asset position during the first nine months of 2017. The changes are the result of both the realization of hedging gains in the period, changes related to contracts entered into during the period as well as changes to commodity prices. On September 30, 2017, the unrealized risk management net asset mark-to-market value was $4.6 million.

The Company's risk management contracts provide protection from crude oil and natural gas prices in 2017, 2018 and 2019. For a complete listing of Petrus' risk management contracts see the Company's interim consolidated financial statements as at and for the period ended September 30, 2017 (note 8). The table below summarizes Petrus' average crude oil and natural gas hedged volumes. The 1,550 bbl/d of oil hedged in the third quarter of 2017 represents 52% of third quarter average liquids (oil and NGL) production. The 24,650 GJ/day of natural gas hedged in the third quarter of 2017 represents 54% of third quarter average natural gas production.

The following table summarizes the average cap and floor prices for the 2017 to 2019 oil and natural gas contracts in place as at the date of this report :

	2017					**2018**					**2019**				
	Q1	**Q2**	**Q3**	**Q4**	**Avg.**	**Q1**	**Q2**	**Q3**	**Q4**	**Avg.**	**Q1**	**Q2**	**Q3**	**Q4**	**Avg.**
Oil hedged (bbl/d)	1,500	1,400	1,550	2,550	**1,750**	2,300	1,950	1,950	1,600	**1,950**	1,350	1,100	800	800	**1,013**
Avg. WTI cap price ($/bbl)	74.99	71.69	65.68	66.08	**69.61**	65.80	66.24	66.44	64.20	**65.67**	62.39	63.25	63.54	63.46	**63.16**
Avg. WTI floor price ($/bbl)	68.42	65.74	62.03	62.19	**64.60**	62.16	65.06	66.10	63.89	**64.30**	62.03	63.25	63.54	63.46	**63.07**
Natural gas hedged (GJ/d)	23,000	24,650	24,650	30,550	**25,713**	35,500	27,000	27,000	24,333	**28,458**	19,000	10,000	10,000	3,333	**10,583**
Avg. AECO 7A cap price ($/GJ)	3.18	2.66	2.66	2.80	**2.83**	2.77	2.26	2.26	2.38	**2.42**	2.52	1.85	1.85	1.85	**2.01**
Avg. AECO 7A floor price ($/GJ)	2.96	2.64	2.64	2.77	**2.75**	2.74	2.26	2.26	2.38	**2.41**	2.52	1.85	1.85	1.85	**2.01**

OPERATING EXPENSE

The following table shows the Company's operating expense for the reporting periods shown:

Operating Expense ($000s)	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Operating expense, net [1]	**5,271**	3,945	**14,206**	16,655
Operating expense, net ($/boe)	**5.42**	6.04	**5.18**	7.49

[1] *Operating expense is presented net of processing income and overhead recoveries*.

Operating expense (presented net of processing income and overhead recoveries) totaled $5.3 million for the third quarter of 2017, a 34% increase from the $3.9 million recorded in the third quarter of the prior year. The increase is attributable to the significant growth in production (49%).

Ferrier production has grown 110% since the third quarter of 2016. Petrus has transformed its operating cost structure through the construction of a natural gas processing plant in Ferrier and the divestiture of higher cost assets. As a result, total operating expenses have decreased 11% from $6.04 per boe in the third quarter of 2016 to $5.42 per boe in the third quarter of 2017. Due to facility constraints, a portion of the Company's Ferrier production is currently being processed through third party facilities. Ferrier operating expenses are expected to decrease in the fourth quarter of 2017 as the Ferrier gas plant expansion is now complete.

For the nine months ended September 30, 2017, operating expenses (presented net of processing income and overhead recoveries) totaled $14.2 million, a 15% decrease from the $16.7 million incurred in the comparable period of the prior year. The decrease is attributable to the divestiture of the Peace River assets which closed in July 2016, and processing income generated from third party operators.

TRANSPORTATION EXPENSE

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

Transportation Expense ($000s)	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Transportation expense	**1,255**	971	**3,647**	3,270
Transportation expense ($/boe)	**1.29**	1.49	**1.33**	1.47

Petrus pays commodity and demand charges for transporting its gas on various pipeline systems. The Company also incurs trucking costs on the portion of its oil and natural gas liquids production that is not pipeline connected. Transportation expense totaled $1.3 million or $1.29 per boe in the third quarter of 2017 ($1.0 million or $1.49 per boe for the prior year comparative period).

On a nine month basis, transportation expense totaled $3.6 million, or $1.33 per boe, which is 12% higher or 10% lower, respectively, than the costs incurred ($3.3 million or $1.47 per boe) in the prior year comparative period.

Overall, total transportation expense was higher during the third quarter of 2017 than the prior year comparative period due to increased production and trucking costs. Transportation expense on a per boe basis was lower in the third quarter and during the first nine months of 2017 in comparison to the same prior year periods due to reduced transportation costs as firm service volume commitments were met.

GENERAL AND ADMINISTRATIVE EXPENSE

The following table illustrates the Company's general and administrative ("G&A") expense which is shown net of capitalized costs directly related to exploration and development activities:

General and Administrative Expense ($000s)	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Gross general and administrative expense	**2,388**	1,477	**7,108**	5,882
Capitalized general and administrative	**(579)**	(370)	**(1,670)**	(1,167)
Overhead recoveries	**(750)**	—	**(2,450)**	—
General and administrative expense	**1,059**	**1,107**	**2,988**	**4,715**
General and administrative ($/boe)	**1.09**	**1.83**	**1.09**	**2.26**

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

General and Administrative Expense ($000s)	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Personnel, consultants and directors	1,514	1,003	4,488	3,308
Office costs	804	474	2,092	1,656
Public company expenses	—	—	58	248
Regulatory expenses	70	—	470	641
Transaction costs	—	—	—	29
Capitalized general and administrative and overhead recoveries	(1,329)	(370)	(4,120)	(1,167)
General and administrative expense	**1,059**	**1,107**	**2,988**	**4,715**

Third quarter 2017 G&A expense totaled $1.1 million or $1.09 per boe, compared to $1.1 million or $1.83 per boe in the third quarter of 2016. The decrease was due to higher overhead recoveries.

On a nine month basis, G&A expense for the period ended September 30, 2017 totaled $3.0 million or $1.09 per boe compared to $4.7 million or $2.26 per boe for the prior year comparative period. The decrease in 2017 is attributed to higher overhead recoveries and lower regulatory expenses, offset by higher compensation costs attributed to accrued annual incentive compensation. The higher overhead recoveries are attributed to increased capital activity. The Company's capital expenditures increased from $19.2 million for the nine months ended September 30, 2016 to $49.8 million for the nine month period ended September 30, 2017.

SHARE-BASED COMPENSATION EXPENSE

The following table illustrates the Company's share-based compensation expense which is shown net of capitalized costs directly related to exploration and development activities:

Share-Based Compensation Expense ($000s)	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Gross share-based compensation expense	209	142	545	523
Capitalized share-based compensation	(84)	(57)	(218)	(209)
Share-based compensation expense	125	85	327	314

Share-based compensation expense (net of capitalized portion) was $0.1 million for the third quarter of 2017, which is consistent with the $0.1 million recognized in the third quarter of the prior year.

On a nine month basis, share-based compensation expense (net of capitalized portion) was $0.3 million which is also consistent with the prior year comparative period ($0.3 million).

FINANCE EXPENSE

The following table illustrates the Company's finance expense which includes cash and non-cash expenses:

Finance Expense ($000s)	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Interest expense	1,936	2,512	5,478	8,545
Foreign exchange loss (gain)	—	—	1	49
Total cash finance expense	1,936	2,512	5,479	8,594
Accretion on decommissioning obligations	240	44	724	251
Total finance expense	2,176	2,556	6,203	8,845

The Company incurred total finance expense of $2.2 million in the third quarter of 2017, comprised of $0.2 million of non-cash accretion of its decommissioning obligations and $1.9 million of cash interest expense related to its revolving credit facility and term loan. In the third quarter of 2016, the Company incurred total finance expense of $2.6 million, comprised of $0.04 million in non-cash accretion of its decommissioning obligation and $2.5 million cash interest expense

The Company incurred total finance expense of $6.2 million for the nine month period ended September 30, 2017, compared to $8.8 million for the prior year comparative period. The significant decrease in 2017 are due to lower debt outstanding as a result of financing proceeds and the Peace River asset disposition proceeds used to repay bank indebtedness.

DEPLETION AND DEPRECIATION

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

Depletion and Depreciation ($000s)	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Depletion and depreciation expense	15,029	12,207	39,960	34,496
Depletion and depreciation ($/boe)	15.46	15.28	14.56	15.51

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

Petrus recorded depletion and depreciation expense in the third quarter of 2017 of $15.0 million or $15.46 per boe, compared to the third quarter of 2016, when $12.2 million or $15.28 per boe was recorded. For the nine month period ended September 30, 2017, the Company recorded $40.0 million or $14.56 per boe, compared to $34.5 million or $15.51 per boe for the prior year. The Company's depletion and depreciation expense decreased on a per boe basis from the prior year comparative periods due to higher production as a result of organic growth in the Ferrier area. In addition, the decrease is attributed to the disposition of the Peace River assets which had a higher depletion rate per boe.

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

Impairment ($000s)	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Impairment	45,000	—	45,000	25,000
Total	45,000	—	45,000	25,000

Petrus recognized an impairment loss of $45.0 million for the three and nine months ended September 30, 2017, compared to the prior year comparative periods where an impairment loss of $nil and $25.0 million, respectively, was recorded.

At the end of the third quarter of 2017, management determined that certain CGUs were no longer considered to be core to the Company. As such, a process was initiated to potentially divest of the Company's Foothills and Central Alberta CGUs. Based on interest in the Foothills assets and information obtained through the divestiture process to date, the Company determined there were indicators of impairment. The Company recorded an impairment loss of $45.0 million on its property, plant and equipment and exploration and evaluation assets related to the Foothills CGU during the three and nine months ended September 30, 2017. At September 30, 2017, management has not identified any indicators of impairment on its Ferrier and Central Alberta CGUs.

Petrus recorded an impairment loss of $25.0 million during the nine months ended September 30, 2016 in conjunction with classification of certain assets located in the Peace River area of Alberta as assets held for sale. The disposition closed during the third quarter of 2016.

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of common shares ("Common Shares") and an unlimited number of preferred shares ("Preferred Shares"). The Company has not issued any Preferred Shares. The following table details the number of issued and outstanding securities for the periods shown:

Share Capital (000s)	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Weighted average common shares outstanding				
Basic	49,428	45,349	48,098	44,158
Fully diluted	49,428	45,349	48,098	44,158
Common shares outstanding				
Basic	49,428	45,349	49,428	45,349
Fully diluted	49,428	45,349	49,429	45,349
Stock options outstanding	2,772	1,454	2,772	1,454
Performance warrants outstanding	86	1,569	86	1,569

At September 30, 2017, the Company had 49,427,900 Common Shares, 2,772,070 stock options and 86,000 performance warrants outstanding. On February 28, 2017, the Company closed a non-brokered private placement of 4,078,708 Common Shares at a purchase price of $2.53 per Common Share, for aggregate gross proceeds of $10.3 million. The Chairman of the Company acquired 1,585,000 Common Shares at a price of $2.53 per Common Share, pursuant to the private placement (see note 9 of the Company's interim consolidated financial statements as at and for the period ended September 30, 2017). The total consideration paid by the Chairman for the acquisition of the 1,585,000 Common Shares was $4,010,050.

The Company issued a total of 1,470,900 stock options during the nine months ended September 30, 2017 as follows:

(a) 999,900 stock options were issued on March 17, 2017 at an exercise price of $2.25.
(b) 450,000 stock options were issued on June 22, 2017 at an exercise price of $2.22.
(c) 21,000 stock options were issued on August 17, 2017 at an exercise price of $2.19.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2017, Petrus had two debt instruments outstanding. The first is a reserve-based, revolving credit facility with a syndicate of lenders. The total facility is comprised of an operating facility and a syndicated term-out facility (together, the "Revolving Credit Facility" or "RCF"). The second is a subordinated term loan (the "Term Loan").

(a) Revolving Credit Facility

At September 30, 2017, the Company's RCF was comprised of a $20 million operating facility and an $100 million syndicated term-out facility. Lender consent is required for total borrowings against the RCF exceeding $106 million. The term-out facility has a revolving period that ends May 31, 2018 at which time it will either be renewed or converted to a one-year term facility. The Company has provided collateral by way of a debenture over all of the present and after acquired property of the Company.

At September 30, 2017, the Company had a $0.3 million letter of credit outstanding against the RCF (December 31, 2016 – $0.3 million) and had drawn $92.9 million against the RCF (December 31, 2016 – $73.8 million).

The amount of the RCF is subject to a borrowing base review performed on a semi-annual basis by the lenders, based primarily on reserves and commodity prices estimated by the lenders as well as other factors. In addition, asset dispositions require majority lender consent. A decrease in the borrowing base could result in a reduction to the available credit under the RCF.

(b) Term Loan

At September 30, 2017, the Company had a $35 million (December 31, 2016 – $42 million) Term Loan outstanding (excluding $0.8 million of deferred finance fees), which is due October 8, 2019. The Term Loan bears interest which is due and payable monthly and accrues at a per annum rate of the (three-month) Canadian Dealer offered Rate (CDOR) plus 700 basis points.

Covenants

The RCF and the Term Loan carry covenants that are described in note 6 of the Company's September 30, 2017 interim consolidated financial statements. The Company was in compliance with all covenants at September 30, 2017.

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 balance sheet consist of accounts payable, long term debt and risk management liabilities. The Company anticipates it will continue to have adequate liquidity to fund its financial liabilities through its future funds flow.

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.

As at September 30, 2017, the Company had a working capital deficiency of $6.0 million, primarily related to the $16.3 million in accounts payable. The Company plans to address this working capital deficiency by using its funds flow and available credit facilities.

Petrus anticipates it will continue to have adequate liquidity to fund its financial liabilities through cash flows from operating activities and available credit capacity from its RCF. In addition, Petrus completed the semi-annual review of its revolving credit facility subsequent to the end of the third quarter, whereby the syndicate of lenders increased the facility from $120 to $130 million. In addition, the Company's total debt borrowing limit was increased from $141 million to $155 million. Petrus' second lien term loan ("Term Loan") has $35 million outstanding therefore lender consent, from both the RCF syndicate and Petrus' Term Loan lender, is required for total borrowings against the RCF that exceed $120 million. The next scheduled borrowing base redetermination date for the RCF is on or before May 31, 2018. The Company believes that it will have adequate cash flows from operating activities to satisfy its financial liabilities with respect to its bank debt.

The following are the contractual maturities of financial liabilities as at September 30, 2017:

$000s	Total	< 1 year	1-5 years
Accounts payable	16,325	16,325	—
Risk management liability	24	0	23
Bank indebtedness and long term debt	131,144	4,036	127,900
Total	**147,493**	**20,361**	**127,131**

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

$000s	Total	< 1 year	1-5 years	> 5 years
Corporate office lease	1,670	716	954	—
Firm service transportation	24,799	1,180	11,576	12,043
Total commitments	**26,469**	**1,896**	**12,530**	**12,043**

Risk Management
Petrus is engaged in the development, acquisition, exploration and production of oil and natural gas in western Canada. The Company is exposed to a number of risks, both financial and operational, through the pursuit of its strategic objectives. Actively managing these risks improves the ability to effectively execute Petrus' business strategy. Financial risks associated with the oil and natural gas industry include fluctuations in commodity prices, interest rates, currency exchange rates and the cost of goods and services. Financial risks also include third party credit risk and liquidity risk. Operational risks include reservoir performance uncertainties, competition, regulatory, environment and safety concerns.

For a more in-depth discussion of risk management, see notes 8 and 13 of the Company's September 30, 2017 interim consolidated financial statements.

CAPITAL EXPENDITURES

Capital expenditures (excluding acquisitions and dispositions) totaled $13.1 million in the third quarter of 2017, compared to $7.2 million in the third quarter of the prior year. For the nine month period ended September 30, capital expenditures totaled $49.8 million in 2017 and $19.2 million in 2016. The increase in capital spending in both the three and nine month periods of 2017 is related to increased capital activity, all in the Company's core operating area Ferrier. In the nine month period ended September 30, 2017, Petrus drilled 16 gross (11.8 net) wells (September 30, 2016 – 6 gross (4.7 net) wells) and invested in the expansion of the Ferrier gas plant. The following table shows capital expenditures for the reporting periods indicated. All capital is presented before decommissioning obligations.

Capital Expenditures ($000s)	**Three months ended September 30, 2017**	Three months ended September 30, 2016	**Nine months ended September 30, 2017**	Nine months ended September 30, 2016
Drill and complete	7,672	4,003	33,946	11,389
Oil and gas equipment	4,872	2,838	13,905	6,505
Geological	225	—	225	—
Land and lease	22	20	317	159
Capitalized general and administrative	264	370	1,448	1,167
Total Capital Expenditures	**13,055**	**7,231**	**49,841**	**19,220**
Gross (net) wells spud	**5 (3.7)**	**2 (2.0)**	**16 (11.8)**	**6 (4.7)**

On August 15, 2017, Petrus closed the disposition of its working interest in certain non-core oil and natural gas properties in the Company's Foothills area for cash consideration of $4.9 million. The assets disposed of included approximately 150 boe/d of production along with related land and infrastructure.

On February 28, 2017, Petrus closed an acquisition of oil and natural gas interests in the Ferrier area for total consideration of $8.8 million after post-closing adjustments. Petrus acquired a minor amount of production as well as a 100% working interest in a drilled and completed Cardium horizontal well which had been tied in during the second quarter of 2017. In addition, Petrus acquired a 100% working interest in approximately 3,360 net acres (5.25 net sections) of undeveloped Cardium land in its Ferrier core area.

On July 8, 2016 Petrus closed the disposition of its oil and gas interests in the Peace River area of Alberta for total consideration of $29.4 million after post-closing adjustments, comprised of $28.4 million in cash and 1.0 million shares of the purchaser. Also during the third quarter of 2016, Petrus closed other dispositions of non-core exploration and evaluation assets and petroleum and natural gas properties and equipment for total cash consideration of $0.5 million.

The following table summarizes the acquisitions and dispositions for the reporting periods indicated.

Acquisitions and Dispositions ($000s)	**Three months ended September 30, 2017**	Three months ended September 30, 2016	**Nine months ended September 30, 2017**	Nine months ended September 30, 2016
Acquisitions	—	—	8,818	—
Dispositions	(4,866)	(29,718)	(4,866)	(29,718)
Total Acquisitions/(Dispositions)	**(4,866)**	**(29,718)**	**3,952**	**(29,718)**

SUMMARY OF QUARTERLY RESULTS

($000s unless otherwise noted)	Sept. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015
Average Production								
Natural gas (mcf/d)	45,550	42,392	40,332	37,327	30,009	33,071	35,456	31,217
Oil (bbl/d)	1,877	2,015	1,542	1,452	1,419	2,200	2,218	2,380
NGLs (bbl/d)	1,098	1,160	1,067	922	680	723	694	590
Total (boe/d)	**10,567**	**10,240**	**9,331**	**8,595**	**7,100**	**8,435**	**8,821**	**8,172**
Total (boe)	**972,140**	**931,821**	**839,746**	**790,806**	**653,215**	**767,585**	**802,744**	**751,845**
Financial Results								
Oil and natural gas revenue	18,299	26,753	22,274	21,409	13,805	14,926	14,698	20,459
Royalty expense [(1)]	(2,656)	(4,306)	(3,309)	(2,787)	(1,951)	(1,734)	(2,475)	(2,809)
Net oil and natural gas revenue	**15,643**	**22,447**	**18,965**	**18,622**	**11,854**	**13,192**	**12,223**	**17,650**
Transportation expense	(1,255)	(1,235)	(1,157)	(1,187)	(971)	(1,000)	(1,298)	(986)
Operating expense	(5,271)	(5,155)	(3,780)	(2,867)	(3,945)	(5,872)	(6,837)	(8,269)
Operating netback [(2)]	**9,117**	**16,057**	**14,028**	**14,568**	**6,938**	**6,320**	**4,088**	**8,395**
Realized gain on derivatives	1,829	212	482	783	2,652	5,273	6,294	5,020
General & administrative expense	(1,059)	(1,047)	(882)	(2,991)	(1,107)	(1,426)	(2,183)	(2,318)
Cash finance expense	(1,936)	(1,807)	(1,736)	(2,043)	(2,512)	(2,442)	(3,641)	(4,510)
Decommissioning expenditures	(224)	(957)	(160)	(508)	(28)	(74)	(146)	(236)
Corporate netback [(2)]	**7,727**	**12,458**	**11,732**	**9,809**	**5,943**	**7,651**	**4,412**	**6,351**
Oil and natural gas revenue	**18,299**	**26,753**	**22,274**	**21,409**	**13,805**	**14,926**	**14,698**	**20,459**
Per share - basic	0.37	0.54	0.48	0.48	0.30	0.33	0.35	0.58
Per share - fully diluted	0.37	0.54	0.47	0.48	0.30	0.33	0.35	0.58
Net income (loss)	**(50,696)**	**(781)**	**7,311**	**(11,842)**	**(4,702)**	**(46,334)**	**(4,110)**	**(36,425)**
Per share - basic	(1.03)	(0.02)	0.15	(0.27)	(0.10)	(1.02)	(0.10)	(1.04)
Per share - fully diluted	(1.03)	(0.02)	0.16	(0.27)	(0.10)	(1.02)	(0.10)	(1.04)
Common shares outstanding (000s)								
Basic	49,428	49,428	49,428	45,349	45,349	45,349	45,349	35,148
Fully diluted	49,428	49,428	52,664	45,349	45,349	45,349	45,349	35,148
Weighted avg. shares outstanding (000s)								
Basic	49,428	49,428	46,754	44,429	45,349	45,349	41,762	35,148
Fully diluted	49,428	49,428	46,989	44,429	45,349	45,349	41,762	35,148
Total assets	409,078	465,794	460,095	439,967	448,404	493,535	544,548	555,145
Net debt [(2)]	**(137,531)**	**(137,069)**	**(130,624)**	**(124,915)**	**(124,310)**	**(152,935)**	**(157,675)**	**(226,742)**

[(1)] *The Company re-classified gross overriding royalty expense from other income to royalty expenses in the Statement of Net Loss and Comprehensive Loss. The comparative information has been re-classified to conform to current presentation.*

[(2)] *See "Non-GAAP Financial Measures". Note in prior periods Petrus excluded decommissioning expenditures from the calculation of corporate netback. The comparative information has been re-classified to conform to current presentation.*

The oil and natural gas exploration and production industry is cyclical in nature. Petrus' financial position, results of operations and cash flows are affected by commodity prices, exchange rates, Canadian price differentials and production levels. Petrus' average quarterly production increased from 8,172 boe/d in the fourth quarter of 2015 to 10,567 boe/d in the third quarter of 2017. This 29% production increase is attributable to the Company's drilling program in the Ferrier area, partially offset by the disposition of the Company's assets in the Peace River area during the third quarter of 2016.

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

CRITICAL ACCOUNTING ESTIMATES

The timely preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and judgments made by management in the preparation of the financial statements are outlined below. The Company's critical accounting estimate can be read in note 2 to the Company's audited consolidated financial statements as at and for the year ended December 31, 2016.

OTHER FINANCIAL INFORMATION

Significant accounting policies
The Company's significant accounting policies can be read in note 3 of the Company's audited consolidated financial statements as at and for the year ended December 31, 2016.

New standards and interpretations
The Company's discussion on new standards and interpretations can be read in note 2 of the Company's interim financial statements as at and for the period ended September 30, 2017.

Internal Control over Financial Reporting
The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CEO and CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The Company's CEO and CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company is required to disclose herein any change in the Company's internal controls over financial reporting that occurred during the period beginning on July 1, 2017 and ended on September 30, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. No changes in the Company's internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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

NON-GAAP FINANCIAL MEASURES

This MD&A makes reference to the terms "operating netback", "corporate netback," "net debt" and "net debt to funds flow." These indicators are not recognized measures under GAAP (IFRS) and do not have a standardized meaning prescribed by GAAP (IFRS). Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Management uses these terms for the reasons set forth below.

Operating Netback
Operating netback is a common non-GAAP financial measure used in the oil and gas industry which is a useful supplemental measure to evaluate the specific operating performance by product at the oil and gas lease level. The most directly comparable GAAP measure to operating netback is funds flow. Operating netback is calculated as oil and natural gas revenue less royalties, operating and transportation expenses. It is presented on an absolute value and per unit basis.

Corporate Netback
Corporate netback is also a common non-GAAP financial measure used in the oil and gas industry which evaluates the Company's profitability at the corporate level. Management believes corporate netback provides information to assist a reader in understanding the Company's profitability relative to current commodity prices. It is calculated as the operating netback less general and administrative expense, finance expense, decommissioning expenditures, plus the net realized gain (loss) on financial derivatives. It is presented on an absolute value and per unit basis. The most directly comparable GAAP measure to corporate netback is funds flow.

	Three months ended Sept. 30, 2017		Three months ended Sept. 30, 2016		Nine months ended Sept. 30, 2017		Nine months ended Sept. 30, 2016	
	$000s	$/boe	$000s	$/boe	$000s	$/boe	$000s	$/boe
Oil and natural gas revenue	18,299	18.83	13,805	21.13	67,326	24.54	43,429	19.53
Royalty expense	(2,656)	(2.73)	(1,951)	(2.99)	(10,270)	(3.74)	(6,160)	(2.77)
Net oil and natural gas revenue	**15,643**	**16.10**	**11,854**	**18.14**	**57,056**	**20.80**	**37,269**	**16.76**
Transportation expense	(1,255)	(1.29)	(971)	(1.49)	(3,647)	(1.33)	(3,270)	(1.47)
Operating expense	(5,271)	(5.42)	(3,945)	(6.04)	(14,206)	(5.18)	(16,655)	(7.49)
Operating netback	**9,117**	**9.39**	**6,938**	**10.61**	**39,203**	**14.29**	**17,344**	**7.80**
Realized gain on financial derivatives	1,829	1.88	2,652	4.06	2,523	0.92	14,220	6.40
General & administrative expense	(1,059)	(1.09)	(1,107)	(1.69)	(2,988)	(1.09)	(4,715)	(2.12)
Cash finance expense	(1,936)	(1.99)	(2,517)	(3.85)	(5,479)	2.00	(8,599)	(3.87)
Decommissioning expenditures	(224)	(0.23)	(28)	(0.04)	(1,341)	(0.48)	(248)	(0.11)
Corporate netback and funds flow	**7,727**	**7.96**	**5,938**	**9.09**	**31,918**	**15.64**	**18,002**	**8.10**

Net Debt

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

($000s)	**As at September 30, 2017**	As at September 30, 2016
Current assets adjusted for unrealized financial instruments	**9,938**	17,334
Less: current liabilities adjusted for unrealized financial instruments	**(20,361)**	(14,377)
Less: long term debt	**(127,108)**	(127,267)
Net debt	**(137,531)**	**(124,310)**

Net Debt to Funds Flow

Net debt to funds flow is calculated as the period ending net debt divided by the trailing quarter funds flow (annualized).

OIL AND GAS DISCLOSURES

Our oil and gas reserves statement for the year ended December 31, 2016, which includes disclosure of our oil and gas reserves and other oil and gas information in accordance with NI 51-101, is contained in the AIF. The recovery and reserve estimates contained herein are estimates only and there is no guarantee that the estimated reserves will be recovered.

ADVISORIES

Basis of Presentation

Financial data presented above has largely been derived from the Company's financial statements, prepared in accordance with GAAP which require publicly accountable enterprises to prepare their financial statements using IFRS. Accounting policies adopted by the Company are set out in the notes to the audited financial statements as at and for the twelve months ended December 31, 2016. The reporting and the measurement currency is the Canadian dollar. All financial information is expressed in Canadian dollars, unless otherwise stated.

Forward-Looking Statements

Certain information regarding Petrus set forth in this MD&A contains forward-looking statements within the meaning of applicable securities law, that involve substantial known and unknown risks and uncertainties. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. Such statements represent Petrus' internal projections, estimates 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 availability of cash flows from operating activities; expected timing of completion of the expansion of the Ferrier gas plant and the resulting processing and compression capacity at the Ferrier gas plant and expectations of decreased operating expense; sources of financing and the requirement therefor; the growth of Petrus and the availability of the full amount of the revolving credit facility; the treatment of the revolving credit facility following the end of the revolving period; Petrus' ability to fund its financial liabilities; 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 timing for bringing new wells on production; 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 including estimated production; 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; and treatment under governmental regulatory regimes and tax laws. In addition, statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

This MD&A discloses drilling locations, which are unbooked locations based on Petrus' prospective acreage and internal estimates as to the number of wells that can be drilled per section. Unbooked locations do not have attributed reserves or resources (including contingent and prospective). Unbooked locations have been identified by management as an estimation of the Company's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information.

There is no certainty that the Company will drill any unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which the Company will actually drill wells, including the number and timing thereof is ultimately dependent upon the availability of funding, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, the majority of other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

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.

There are no assurances or guarantees that the non-core asset divestiture process will result in a sale of such assets or, if a sale is undertaken, what the terms or timing of such a sale will be.

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 equivalence of the two commodities at the burner tip. Boe's do not represent an economic value equivalence at the wellhead and therefore may be a misleading measure if used in isolation.

Abbreviations

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