

MATERIAL CHANGE REPORT

1. Name and Address of Company:

Petrus Resources Ltd. ("**Petrus**" or the "**Company**")
2400, 240 - 4th Avenue SW
Calgary, AB
T2P 4H4

2. Date of Material Change:

August 30, 2021

3. News Release:

On August 30, 2021, a news release was issued and disseminated through the facilities of a recognized newswire service.

4. Summary of Material Change:

On August 30, 2021, Petrus announced that it had entered into a series of agreements to effect certain transactions (the "**Transactions**") that will reduce the Company's total debt by approximately \$49 million through the issuance of \$25.8 million of Petrus shares at \$0.55 per share, and extend the maturity date of the Company's senior secured credit facility (the "**First Lien Loan**"). The Transactions will also result in the full settlement of the Company's subordinated secured term loan (the "**Second Lien Loan**") in the current principal amount of \$39.3 million (the "**Second Lien Settlement**") for \$15.8 million of equity. Concurrently with the Second Lien Settlement, Petrus will undertake a private placement financing for proceeds of \$10.0 million (the "**Equity Financing**"), which will be applied to outstanding indebtedness under the First Lien Loan, resulting in a substantial reduction of the Company's indebtedness from an aggregate of approximately \$112 million to approximately \$63 million, and additional stability under its First Lien Loan.

5.1 Full Description of Material Change

The following information is provided in accordance with Section 5.2 of Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**").

a. A description of the transaction and its material terms:

On August 30, 2021, Petrus announced that it had entered into a series of agreements that will reduce the Company's total debt by approximately \$49 million through the issuance of \$25.8 million of Petrus shares at \$0.55 per share, and extend the maturity date of the First Lien Loan. The Transactions will also result in the full settlement of the Second Lien Loan in the current principal amount of \$39.3 million for \$15.8 million of equity. Concurrently with the Second Lien Settlement, Petrus will undertake a private placement financing for proceeds of \$10.0 million, which will be applied to outstanding indebtedness under the First Lien Loan, resulting in a substantial reduction of the Company's indebtedness from an aggregate of approximately \$112 million to approximately \$63 million, and additional stability under its First Lien Loan.

The Transactions are expected to markedly transform Petrus from a company with limited capital resources to a company with the capital required to develop its currently undeveloped land base, for the benefit of shareholders, employees and all other stakeholders. Combined, the Equity Financing and Second Lien Settlement will allow the First Lien Loan to be reduced and the Second Lien Loan to be eliminated, which substantially reduces the Company's overall leverage and interest obligations. This is expected to provide Petrus with an opportunity to direct more cash flow toward the development of its substantial inventory of liquids rich gas wells in its core area in Ferrier, Alberta.

First Lien Extension

Petrus has completed its annual review of its First Lien Loan. The Company's syndicate of lenders under the First Lien Loan have initially reconfirmed the borrowing base at \$77.5 million and the maturity date of such loan has been updated to December 31, 2021, provided that in the event the Second Lien Settlement and the Equity Financing are completed on or before October 1, 2021, the lenders under Petrus' First Lien Loan have agreed to extend the maturity date thereof from December 31, 2021 to May 31, 2022. Petrus currently has approximately \$73 million drawn on the revolving credit facility of \$77.5 million. Under the agreement with its lenders under the First Lien Loan, the borrowing base of the First Lien Loan will be reduced by \$2.75 million on both September 30, 2021 and December 31, 2021 and by a further \$5.0 million on March 31, 2022. In addition, Petrus and the lenders under the First Lien Loan have agreed to a cash sweep provision under which 75% of excess cash flow will be used to accelerate repayment of the Company's First Lien Loan.

Second Lien Debt Settlement

In connection with the Second Lien Settlement, Petrus has entered into a shares for debt agreement (the "**Shares for Debt Agreement**") with Stuart Gray and Glen Gray, who recently took assignment of the Company's Second Lien Loan, pursuant to which Petrus will issue an aggregate of 28,727,273 common shares of Petrus ("**Common Shares**") at an issue price of \$0.55 per share (for total consideration of \$15.8 million), in consideration for the full payment and discharge of amounts outstanding under the Second Lien Loan, currently totalling \$39.3 million. In connection with the Second Lien Settlement, Stuart Gray will be issued 15,636,364 Common Shares and Glen Gray will be issued 13,090,909 Common Shares.

Equity Financing

Concurrently with entering into the Shares for Debt Agreement in respect to the Second Lien Settlement, Petrus has entered into subscription agreements (the "**Subscription Agreements**") with each of Don Gray and Glen Gray (Glen Gray, Don Gray and Stuart Gray being the "**Major Investors**") to complete a private placement of Common Shares at an issue price of \$0.55 per share for total proceeds of \$10.0 million. In connection with the Equity Financing, Don Gray has committed to subscribe for \$8.6 million of Common Shares and Glen Gray has committed to subscribe for \$1.4 million of Common Shares. All of the proceeds of the Equity Financing will be used to reduce amounts outstanding under the First Lien Loan, which has approximately \$73 million currently outstanding.

Each of the Second Lien Settlement and the Equity Financing are subject to customary terms and conditions, including the concurrent closing of each of the Second Lien Settlement and the Equity Financing.

b. The purpose and business reasons for the transaction:

Since May 2021, Petrus and its lenders have entered into a series of short term extensions, extending the maturity dates of each of the First Lien Loan (originally due in May 2021) and the Second Lien Loan (originally due in July 2021) to provide Petrus an opportunity to come to terms with its lenders for a longer term solution to the Company's indebtedness and a general debt reduction strategy. During this period, the original lender under Petrus' Second Lien Loan, Macquarie Bank Limited, notified Petrus that it had assigned its interest in the Second Lien Loan to a new party, Blue Oak Partners (Canada) Inc. ("**Blue Oak**") and that all amounts owing under the Second Lien Loan were payable to Blue Oak.

In the course of discussions with the Company's new creditor under the Second Lien Loan, Blue Oak, Petrus also discussed a number of alternatives in relation to the reduction or settlement of the Second Lien Loan, including various equity conversion alternatives. As part of these discussions, Blue Oak advised the Company that it may also be agreeable to sell, transfer and assign its rights under the Second Lien Loan to a third party. As such, certain of the Major Investors initiated discussions with Blue Oak to acquire the Second Lien Loan. At the same time, Petrus held numerous discussions with the lenders under its First Lien Loan with respect to longer term extensions of the First Lien Loan.

Such discussions have resulted in the agreement of the lenders under the First Lien Loan to provide continued support to Petrus and extend the term of the First Lien Loan, provided that on or before October 1, 2021, the Equity Financing (the proceeds of which would be used to pay down amounts under the First Lien Loan) and the Second Lien Settlement are completed. Further to this, certain of the Major Investors have acquired the Second Lien Loan and have agreed with Petrus to settle the obligations under the Second Lien Loan for Petrus equity. Under the agreement with its lenders under the First Lien Loan, the borrowing base of the First Lien Loan will be reduced by \$2.75 million on both September 30, 2021 and December 31, 2021 and by a further \$5.0 million on March 31, 2022. In addition, Petrus and the lenders under the First Lien Loan have agreed to a cash sweep provision under which 75% of excess cash flow will be used to accelerate repayment of the Company's First Lien Loan.

The Transactions will provide Petrus with improved financial stability as it will allow Petrus to reduce its significant working capital deficiency, settle all amounts owing under its Second Lien Loan (and thereby remove the risk of imminent default under that facility), allow Petrus to operate without the immediate risk of credit maturities, and provide operating capital to Petrus, assisting Petrus to go forward as a going concern.

The Transactions will provide Petrus with immediate balance sheet improvement by reducing \$10 million of outstanding debt under Petrus' First Lien Loan and eliminating \$39 million liability associated with the Second Lien Loan. Under the Transactions, Petrus' net debt will be reduced by nearly half, transforming the Company from a debt-laden organization with non-conforming first and second lien debt to a more financially stable company with a close to conforming debt level and lower interest obligations. Due to the current level of debt, the first lien lenders have forced the Company to apply a substantial portion of its cash flow to repayment of the first lien debt. The lenders under the First Lien Loan have also required Petrus to make interest payments on the Second Lien Loan in kind, which has resulted in a constantly increasing level of high-interest second lien debt. The contemplated Transactions effectively address both of these issues. It will eliminate the Second Lien Loan, removing the continued and compounded growth in high interest second lien debt and substantially reducing the Company's overall leverage. It will also materially reduce the non-conforming tranche of the First Lien Loan so that, when combined with the quarterly debt re-payment from cash flow, the non-conforming tranche of the First Lien Loan will also be eliminated. By eliminating all non-conforming debt pieces and leaving only the conforming tranche of the First Lien Loan, the Transactions are expected to provide for the long-term stability and sustainability of the Company by putting it in a position to refinance under more favorable terms and to invest more of its cash flow into its development and exploration programs. With increased capital investment, the Company expects to be able to return to growth and increase production, cash flow, reserves and shareholder value as a result. The contemplated Transactions are expected to markedly transform Petrus from a debt-ridden company with limited potential for growth to a viable, growing and sustainable company, for the benefit of shareholders, employees and all other stakeholders.

For further information on certain reasons for the Transactions, also see *"A discussion of the review and approval process adopted by the board of directors and the special committee, if any, of Petrus for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee"* below.

c. The anticipated effect of the transaction on Petrus' business and affairs:

See *"The purpose and business reasons for the transaction"* above.

d. A description of:

i. The interest in the transaction of every interested party and of the related parties and associated entities of the interested parties:

Don Gray is a director of the Company, who owns or controls (directly or indirectly) 13,022,476 Common Shares (representing 26.3% of the outstanding Common Shares). Glen Gray owns or controls (directly or indirectly) 6,708,867 Common Shares (representing 13.6% of the outstanding Common Shares).

As such, the Second Lien Settlement and the Equity Financing are each with "related parties" and each constitute a "related party transaction" for the purposes of MI 61-101.

ii. The anticipated effect of the transaction on the percentage of securities of Petrus, or of an affiliated entity of Petrus, beneficially owned, or controlled by each person or company referred to in subparagraph (i) for which there would be a material change in that percentage:

A summary of the current and anticipated Common Share ownerships of each of Don Gray and Glen Gray is set forth below:

Name of Shareholder	Securities Currently Owned, Controlled or Directed (and % of issued and outstanding)	Securities to be Owned, Controlled or Directed (and % of issued and outstanding)⁽¹⁾
Don Gray	13,022,476 (26.3%)	28,658,840 (29.7%) ⁽²⁾
Glen Gray	6,715,867 (13.7%)	22,352,231 (23.2%) ⁽³⁾

Notes:

- (1) Based on 49,558,622 issued and outstanding Common Shares.
- (2) Assumes Mr. Don Gray subscribes for and acquires 15,636,364 Common Shares pursuant to the Equity Financing.
- (3) Assumes Mr. Glen Gray subscribes for and acquires 2,545,455 Common Shares pursuant to the Equity Financing and is issued 13,090,909 Common Shares pursuant to the Second Lien Settlement.

In addition to the forgoing, Stuart Gray, who is not currently an "insider" of Petrus, currently owns 4,941,867 Common Shares (representing approximately 9.9% of the then issued and outstanding Common Shares), and assuming Stuart Gray is issued 15,636,364 Common Shares pursuant to the Second Lien Settlement, Stuart Gray will own 20,578,231 Common Shares after giving effect to the Equity Financing and Second Lien Transaction (representing approximately 21.3% of the then issued and outstanding Common Shares).

e. A discussion of the review and approval process adopted by the board of directors and the special committee, if any, of Petrus for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee:

Given the nature of the relationship of the Major Investors to the Company (certain of the Major Investors being "insiders" of the Company and each of the Major Investors being siblings of one another and of Ken Gray, the President and a director of Petrus), the board of directors of Petrus established a committee of independent and disinterested directors of Petrus (the "**Independent Committee**"), comprised of Don Cormack, Patrick Arnell and Peter Verburg, to consider potential matters in respect of any debt or equity transaction involving Petrus and the Major Investors and to participate in any discussions and negotiations on behalf of the Company in respect of the same.

These directors will not participate in the Transactions and are free from any interest in the Second Lien Loan and are unrelated to the Major Investors and are also "independent directors" for the purposes of MI 61-101. This Independent Committee was formed to consider the financial condition of the Company, to provide independent stewardship and oversight regarding the negotiations of the potential the Transactions and, ultimately, to consider the terms of the Transactions. The Independent Committee met periodically during the period in which negotiations were being undertaken respecting the Transactions, both formally and informally, in order to receive updates from management, provide guidance and input to management and consider relevant matters. In connection with their considerations of the Transactions, the Independent Committee met to consider in detail the terms and conditions of the Transactions, and related matters, including with respect to the status of the First Lien Loan and communications from the lenders thereunder. At this meeting, the Independent Committee concluded that the Company is in serious financial difficulty, the proposed Transactions are designed to considerably improve the Company's financial condition,

and the Transactions are reasonable for the Company in the circumstances. Negotiations with the Major Investors in respect of the Transactions were conducted primarily by management, and were driven in large part by the demands on the lenders under the First Lien Loan. The proposed final terms of the Transactions have been reviewed in detail and approved by the independent directors.

As part of their consideration of the Second Lien Settlement and the Equity Financing, the Independent Committee undertook a review of the Company's reasonable alternatives, prospects and the Company's borrowing arrangements, including the consideration of the factors and matters set forth below:

- the agreement of the lenders under the First Lien Loan to extend the maturity date of the First Lien Loan, provided the Equity Financing and Second Lien Settlement are completed on or before October 1, 2021;
- the relative absence of other alternatives reasonably available to Petrus to refinance (by way of debt, equity or otherwise) its current borrowing arrangements;
- the certainty related to the full elimination of the Second Lien Loan, and the potential for any defaults (which may lead to cross defaults under the First Lien Loan) related thereto;
- the complete elimination of the Second Lien Loan and the repayment of \$10.0 million under the First Lien Loan would reduce total debt from approximately \$112 million to approximately \$63 million, a decrease of approximately 44%;
- the Second Lien Settlement and the Equity Financing, combined with the related extension of the maturity date of the First Lien Loan, would mitigate certain solvency risks associated with the Company's status quo position, including the risk of near immediate debt maturities, and potential creditor or similar proceedings in connection to the same, which may have the effect of reducing or eliminating any value associated with Petrus' equity;
- based on current production and the pricing forecast by the Company's independent reserve evaluator, Petrus anticipates it will generate approximately \$15 to \$17 million in funds flow during Q4 2021 and Q1 2022, much of which Petrus intends to apply to the reduction of outstanding amounts under its First Lien Loan, further de-leveraging the Company's balance sheet and providing potential liquidity to resume drilling and development opportunities;
- the proposed issue price per share in the Transactions is \$0.55 per share, representing a 15% premium to the market price of the Common Shares (based on the five-day VWAP of the Common Shares prior to the initial announcement of the Transactions);
- the elimination of the Second Lien Loan for \$15.8 million in equity is approximately \$23 million less than the amounts outstanding under the Second Lien Loan;
- the effective payoff of the Second Lien Loan in equity, preserves the Company's cash resources which may be used for other expenditures, including further payments under the First Lien Loan and for general investment purposes;
- that since July 2020, all interest under the Second Lien Loan, which currently carries interest at approximately 10% per annum, is capitalized as principal under the Second Lien Loan, which has a compounding effect to increase the principal amount payable thereunder from time to time;
- the advantages of having potential funding available to resume development of the Company's asset base, with a view to increase production, reserve and revenue generating activities for the benefit of all stakeholders;
- the risks associated with trying to secure funding from other third parties, including the risk that such funding may not be available, on any reasonable terms, measured against the relative certainty of the transaction; and

- the current and proposed equity ownership level of each of the Major Investors, noting that based on their current positions and that the Major Investors have invested significant resources into Petrus, including through investment in the Common Shares, and their interest in acquiring additional Common Shares, indicate a strong alignment of interest with the Company's other equity holders.

Given the above and all the relevant circumstances, on the recommendation of the Independent Committee, the Board (with Mr. Don Gray abstaining) has adopted the recommendations and determinations of the Independent Committee (including as it relates to the "financial hardship" matters described above), approved the Transactions, has authorized the Company to enter into the transaction agreements to effect the Transactions and has authorized the Company to make application to the Toronto Stock Exchange (the "TSX") for an exemption from the securityholder approval requirements of the TSX Company Manual, as such requirements relate to the issuance of Common Shares pursuant to the Transactions (including the Second Lien Retirement and the Equity Financing)

All non-abstaining directors of the Company (including the members of the Independent Committee in their capacity as such and in their capacities as members of the board of directors) expressed no contrary view or disagreement with the approvals and recommendations described above.

- f. A summary in accordance with section 6.5 of MI 61-101, of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction:**

Not applicable.

- g. Disclosure, in accordance with section 6.8 of MI 61-101, of every prior valuation in respect of the issuer that relates to the subject matter of or is otherwise relevant to the transaction**

- i. that has been made in the 24 months before the date of the material change report:**

Not applicable.

- ii. the existence of which is known, after reasonable enquiry to Petrus or to any director or officer of Petrus:**

Not applicable.

- h. The general nature and material terms of any agreement entered into by Petrus, or a related party of Petrus, with an interested party or a joint actor with an interested party, in connection with the transaction:**

In connection with the Equity Financing, the Company has entered into a Subscription Agreement with Don Gray for his subscription and agreement to purchase an aggregate of 15,636,364 Common Shares at an issue price of \$0.55 per share (for total proceeds of \$8.6 million) and a Subscription Agreement with Glen Gray for his subscription and agreement to purchase an aggregate of 2,545,455 Common Shares at an issue price of \$0.55 per share (for total proceeds of \$1.4 million). Additionally, the Company has entered into the Shares for Debt Agreement with each of Stuart Gray and Glen Gray with respect to the Second Lien Settlement whereby each of such persons has agreed to accept an aggregate of 28,727,273 Common Shares at an issue price of \$0.55 per share (for total consideration of \$15.8 million) and allocated as to 15,636,364 Common Shares to Stuart Gray and 13,090,909 Common Shares to Glen Gray (representing each person's proportionate interest in the Second Lien Loan) for the full and final settlement of the Second Lien Loan, and all obligations outstanding thereunder.

The Subscription Agreements and the Shares for Debt Agreement are on terms and conditions as are customary for transactions of this nature and the closing of the Equity Financing and the Second Lien Retirement will be subject to the satisfaction or waiver of certain conditions to closing, including the receipt of all regulatory (including TSX) and third party approvals. Each of the Second Lien Settlement and the Equity Financing are also subject the concurrent closing of each of the Second Lien Settlement and the Equity Financing.

i. Disclosure of the formal valuation and minority approval exemptions, if any, on which Petrus is relying under sections 5.5 and 5.7 of MI 61-101 respectively, and the facts supporting reliance on the exemptions:

Each of Don Gray and Glen Gray is a "related party" of the Company pursuant to MI 61-101. Mr. Don Gray, a director of the Company, owns or controls 13,022,476 Common Shares (representing approximately 26.3% of the outstanding Common Shares). Mr. Glen Gray owns or controls 6,715,867 Common Shares (representing approximately 13.7% of the outstanding Common Shares).

The Equity Financing and the Second Lien Settlement each constitute a related party transaction for the purposes of MI 61-101, as it will involve the Company issuing securities to "related parties" (being Don Gray and Glen Gray). While such transactions will constitute a related party transaction for the purposes of MI 61-101, such transactions will be exempt from both the formal valuation requirements and minority approval requirements of MI 61-101 for related party transactions by virtue of Sections 5.5(g) and 5.7(1)(e) of MI 61-101 which provides that a "related party transaction" is exempt from each of the formal valuation and minority shareholder approval requirements of MI 61-101 on the same basis that that the Company is in serious financial difficulty and the transaction is designed to improve the financial position of the Company, and in respect of the minority shareholder approval requirement, there is no other requirement, corporate or otherwise, to hold a meeting to obtain any approval of the holders of any class of affected securities.

As part of their deliberations in respect of the Transactions, the Independent Committee (each of whom are "independent directors" in respect of the Transactions for the purposes of MI 61-101) considered the financial position of the Company and the objectives of the Transactions, and the criteria and conditions with respect to the financial hardship exemptions described above, and in this regard unanimously determined that: (i) Petrus is in serious financial difficulty; (ii) the Transactions are designed to improve the financial position of the Company (including for the reasons set out under "*The anticipated effect of the transaction on Petrus' business and affairs*" above); and (iii) the terms of the Transactions are reasonable in the circumstances of the Company.

Furthermore, the Transactions are not (nor any portion thereof) subject to any court approval or court orders that the Transactions be effected, under bankruptcy or insolvency law, or any equivalent legislation, and based on the Company's application for "financial hardship" under the rules of the TSX for an exemption from securityholders approval, there is no other requirement, corporate or otherwise, to hold a meeting to obtain any approval of the holders of any class of affected securities and Petrus has one or more independent directors in respect of the Transactions (as further set out and described under "*A discussion of the review and approval process adopted by the board of directors and the special committee, if any, of Petrus for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee*" above).

The Company has applied to the TSX for relief from the shareholder approval requirements of the TSX for the Transactions on the basis that the Independent Committee has determined that Petrus is in serious financial difficulty and that the Equity Financing together with the Second Lien Settlement, is designed to improve Petrus' financial situation and the terms of the Equity Financing and the Second Lien Settlement are reasonable for the Company in the circumstances, and the TSX has consented to the Company using such exemption. The Independent Committee also considered the need for a timely completion of the Equity Financing and the Second Lien Settlement, as

required by its lenders under the First Lien Loan, and the ability of the Company to complete such transactions in the timelines required by its lenders.

In connection with reliance on the above described "financial hardship" exemption from the TSX's shareholder approval requirements, it is expected that the TSX will place Petrus under a delisting review, which is normal practice when a listed issuer seeks to rely on this exemption. No assurance can be provided as to the outcome of such review and, therefore, on the Company's continued qualification for listing on the TSX.

In reaching their conclusion that the Company is in serious financial difficulty, the Independent Committee considered, among other things:

- the Company's current debt position;
- that Petrus has been subject to one and two-week extensions to its credit arrangements since May 2021, and that absent support from the Major Investors to facilitate the Transactions, it is unlikely further extensions would be provided;
- that the lenders under the Company's First Lien Loan had indicated that, absent the completion of the Transactions, that the lenders may withdraw their support for the Company's current business plan and operations, which may result in a demand for repayment under the First Lien Loan (or otherwise);
- that since July 2020, all interest under the Second Lien Loan, which currently carries interest 10% per annum, is capitalized as principal under the Second Lien Loan, which has a compounding effect to the increase principal amount payable thereunder from time to time;
- discussions with management with respect to the Company's operations, forecasts, budgets and outlooks;
- the Company's liquidity constraints has resulted in a significant reduction in recent capital activities, thus resulting in current and future anticipated production declines (and related reductions to cash flows, without giving effect to changes in commodity prices);
- as at June 30, 2021, Petrus had a working capital deficiency (excluding non-cash risk management assets and liabilities, and lease obligations) of \$110.3 million; and
- the relative absence of other alternatives reasonably available to Petrus to refinance (by way of debt, equity or otherwise) its current borrowing arrangements.

5.2 *Disclosure of Restructuring Transaction*

Not applicable.

6. *Reliance on subsection 7.1(2) of National Instrument 51-102:*

Not applicable.

7. *Omitted Information:*

Not applicable.

8. Executive Officer:

For further information, contact Mr. Mathew Wong, Vice-President, Finance, by email at MWong@petrusresources.com.

9. Date of Report:

September 8, 2021

Note Regarding Forward-Looking Information and Other Advisories

This material change report contains forward-looking statements regarding the Second Lien Settlement and Equity Financing, closing of the Second Lien Settlement and Equity Financing and the timing of the same, use of proceeds of Equity Financing and the benefits and impacts thereof on Petrus, the Company's ability to continue as a going concern, the payout periods for certain of the Company's new wells and the Company's continued qualification for listing on the TSX. These forward-looking statements are provided as of the date of this material change report, or the effective date of the documents referred to in this material change report, as applicable, and reflect predictions, expectations or beliefs regarding future events based on the Company's beliefs at the time the statements were made, as well as various assumptions made by and information currently available to them. In making the forward-looking statements included in this material change report, the Company has applied several material assumptions, including, but not limited to, the assumption that regulatory approval of the Second Lien Settlement and Equity Financing will be obtained in a timely manner; that all conditions precedent to the completion of the Second Lien Settlement and Equity Financing will be satisfied in a timely manner; and that general economic and business conditions will not change in a materially adverse manner, well production rates and commodity prices,. Although management considers these assumptions to be reasonable based on information available to it, they may prove to be incorrect. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that estimates, forecasts, projections and other forward-looking statements will not be achieved or that assumptions on which they are based do not reflect future experience. We caution readers not to place undue reliance on these forward-looking statements as a number of important factors could cause the actual outcomes to differ materially from the expectations expressed in them. These risk factors may be generally stated as the risk that the assumptions expressed above do not occur, but specifically include, without limitation, risks relating to: general market conditions; the Company's ability to secure financing on favourable terms; the failure to receive all applicable third party and regulatory approvals for the Transaction, and the additional risks described in the Company's latest Annual Information Form, and other disclosure documents filed by the Company on SEDAR. The foregoing list of factors that may affect future results is not exhaustive. When relying on our forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by the Company or on behalf of the Company, except as required by law.

This material change report also contains future-oriented financial information and financial outlook information (collectively, "FOFI") about the Company's estimated funds flow during Q4 2021 and Q1 2022, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on FOFI. Our actual results, performance or achievements, estimated funds flow during Q4 2021 and Q1 2022, could differ materially from those expressed in, or implied by, these FOFI, or if any of them do so, what benefits we will derive therefrom. We have included the FOFI in this material change report in order to provide readers with a more complete perspective on our prospective results of operation, including the Company's estimated funds flow during Q4 2021 and Q1 2022, and such information may not be appropriate for other purposes. The FOFI and other information contained in this material change report are made as of the date hereof and we undertake no obligation to update publicly or revise any FOFI, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

All dollar figures included herein are presented in Canadian dollars, unless otherwise noted.