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NEWS RELEASE

Perpetual Energy Inc. Announces Arrangement Involving its Senior Unsecured Notes

Calgary, Alberta – December 15, 2020 (TSX:PMT) – Perpetual Energy Inc. ("Perpetual" or the "Company") announced today that, in furtherance of its strategic priority of improving the Company's balance sheet and liquidity, it proposes to exchange its outstanding 8.75% senior unsecured notes due January 23, 2022 (the "Notes") for new 8.75% secured third-lien notes due January 23, 2025 (the "New Notes") pursuant to a Court-approved plan of arrangement (the "Note Exchange Arrangement").

The New Notes will be issued under a new trust indenture that will contain substantially the same terms as the Notes other than the New Notes will be secured on a third-lien basis subordinate to the Company's senior indebtedness and allow for semi-annual interest payments to be paid either in cash, in additional New Notes (a "PIK Interest Payment"), or a combination thereof, at the Company's election.

The Note Exchange Arrangement is designed to strengthen the Company's overall financial position and maximize value for all stakeholders including noteholders and shareholders. In addition to providing the noteholders with security over the Company's assets, it is also anticipated to provide noteholders with greater certainty that the Company will continue to make regular semi-annual interest payments on the Notes and will be able to repay the New Notes when due. The Note Exchange Arrangement will not result in any dilution to the Company's shareholders as there will be no shares issued in connection with the Note Exchange Arrangement and shareholders will continue to own the same number of shares, nor will the security proposed to be granted under the New Notes negatively affect shareholders.

In addition, the ability of the Company to make PIK Interest Payments on the New Notes (which it intends to do for the January 23 and July 23, 2021 interest payments) and the maturity date of the New Notes is expected to enhance the Company's current liquidity. In particular, holders of New Notes will receive \$43.75 per \$1,000 principal amount of New Notes in a PIK Interest Payment, representing all accrued and unpaid interest outstanding from July 23, 2020 up to, but excluding, January 23, 2021, being the first interest payment of the New Notes, which, for greater certainty, such amount will include all accrued and unpaid interest on the Notes.

Pursuant to an interim order of the Court received today, Perpetual is authorized to hold a special meeting of noteholders and a special meeting of shareholders via live audio cast on Friday, January 22, 2021 at 9:00 a.m. and 9:30 a.m. (Calgary time), respectively, to consider and vote upon the approval of the Note Exchange Arrangement. Details regarding these meetings, voting information and the Note Exchange Arrangement will be set forth in an information circular to be provided to noteholders and shareholders and will be available under the Company's profile on SEDAR at www.sedar.com. If the Note Exchange Arrangement is approved at each meeting by the requisite special resolution approval, the Company will attend a hearing before the Court, currently scheduled for January 22, 2021, to ask the Court to grant a final order in respect of the Note Exchange Arrangement. The Note Exchange Arrangement is also subject to customary conditions, including the entering into of an inter creditor agreement with the Company's first and second lien lenders. The Company's first and second lien lenders have each provided the Company with their consent to the Note Exchange Arrangement.

The Note Exchange Arrangement is the result of a process undertaken by Perpetual, with the assistance of its legal and financial advisors overseen by an independent special committee (the "Special Committee") of the Board of Directors. Peters & Co. Limited ("Peters & Co."), an independent financial advisor to the Special Committee and the Board of Directors, has provided its opinion to the Special Committee and the Board of Directors that, as at December 15, 2020 and subject to the assumptions, limitations, qualifications and other matters contained therein, the Note Exchange Arrangement, is fair from a financial point of view, to the Noteholders. The Board of Directors has reviewed the terms and conditions of the Note Exchange Arrangement and has unanimously concluded that they are fair and

reasonable to, and are in the best interests of, the Company and the Noteholders. The Board of Directors recommends that the noteholders and shareholders each vote in favour of the Note Exchange Arrangement.

The New Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities law of any other state of the United States and are being issued in reliance on the exemption from registration set forth in Section 3(a)(10) of the U.S. Securities Act on the basis of the approval of the Note Exchange Arrangement by the Court.

This press release shall not constitute an offer or a solicitation in any jurisdiction where such offer or solicitation would be unlawful.

ADDITIONAL INFORMATION

About Perpetual

Perpetual is an oil and natural gas exploration, production and marketing company headquartered in Calgary, Alberta. Perpetual owns a diversified asset portfolio, including liquids-rich natural gas assets in the deep basin of west central Alberta, heavy oil and shallow natural gas in eastern Alberta, with longer term opportunities through undeveloped oil sands leases in northern Alberta. Additional information on Perpetual can be accessed at www.sedar.com or from the Corporation's website at www.perpetualenergyinc.com.

The Toronto Stock Exchange has neither approved nor disapproved the information contained herein.

For additional information please contact:

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Susan L. Riddell Rose President and Chief Executive Officer
W. Mark Schweitzer Vice President Finance and Chief Financial Officer

Forward-Looking Information

Certain information regarding Perpetual in this news release may constitute forward-looking information or statements under applicable securities laws. The forward looking information includes, without limitation, information regarding the Company's beliefs and expectations regarding the completion and/or timing of the transactions contemplated under the Note Exchange Arrangement; the terms and conditions of the New Notes; future PIK Interest Payments; and the expected benefits of the exchange of the outstanding Notes for the New Notes for the Company and its stakeholders, including noteholders and shareholders. Users of forward-looking information are cautioned that actual results may vary from the forward-looking information disclosed in this news release. The material risk factors that could cause actual results to differ materially from the forward-looking information contained in this press release include: the risk that the Company will be unable to obtain all necessary court, noteholder and shareholder, regulatory or other approvals for the Note Exchange Arrangement; no market may develop for trading the New Notes or such market may lack liquidity; the trustee under the indenture to govern the New Notes may fail to efficiently administer the New Notes or effectively act on behalf of the holders thereof; and other risks and uncertainties described under the heading "Risk Factors" and elsewhere in the Company's most recent Annual Information Form and other documents filed with Canadian securities regulators at www.sedar.com. In particular and without limitation of the foregoing, the COVID-19 pandemic has had a negative impact on global financial conditions. Perpetual cannot accurately predict the impact COVID-19 will have on its ability to execute its business plans in response to government public health efforts to contain COVID-19 and to obtain financing or third parties' ability to meet their contractual obligations with Perpetual including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected jurisdictions; and the current and future demand for oil and gas. In the event that the prevalence of COVID-19 continues to increase (or fears in respect of COVID-19 continue to increase), governments may increase regulations and restrictions regarding the flow of labour or products, and travel bans, and Perpetual's operations, service providers and customers, and ability to advance its business plan or carry out its top strategic priorities, could be adversely affected. In particular, should any employees, consultants or other service providers of Perpetual become infected with COVID-19 or similar pathogens, it could have a material negative impact on Perpetual's operations, prospects, business, financial condition and results of operations. Undue reliance should not be placed on forward-looking information, which is not a guarantee of performance and is subject to a number of risks or uncertainties, including without limitation those described herein and under "Risk Factors" in Perpetual's Annual Information Form and MD&A for the year ended December 31, 2019 and in other reports on file with Canadian securities regulatory authorities which may be accessed through the SEDAR website (www.sedar.com) and at Perpetual's website (www.perpetualenergyinc.com). Readers are cautioned that the foregoing list of risk factors is not exhaustive. Forward-looking information is based on the estimates and opinions of Perpetual's management at the time the information is released, and Perpetual disclaims any intent or obligation to update publicly any such forward-looking information, whether as a result of new information, future events or otherwise, other than as expressly required by applicable securities law.