



NEWS RELEASE

PERPETUAL ENERGY INC. ANNOUNCES FILING OF INFORMATION CIRCULAR FOR THE PLAN OF ARRANGEMENT INVOLVING RUBELLITE ENERGY INC.

Calgary, Alberta – August 5, 2021 (TSX:PMT) – Perpetual Energy Inc. (“Perpetual” or the “Company”) is pleased to announce the management information circular (the “Information Circular”) with respect to the previously announced Plan of Arrangement involving Rubellite Energy Inc. (“Rubellite”) has been filed on SEDAR at www.sedar.com. On July 16, 2021, Perpetual announced the creation of Rubellite, approximately \$73 million in equity financings, the settlement of the majority of its second lien term loan (the “Second Lien Loan Settlement”) and new credit facilities (the “Rubellite Transactions”). The Special Meeting of Shareholders to consider the Plan of Arrangement and other related matters is scheduled to be held on August 31, 2021. Perpetual shareholders are encouraged to carefully review the Information Circular as it contains important deadlines and information with respect to the exercise of warrants to be received by Perpetual shareholders in connection with the Plan of Arrangement and for Perpetual shareholders to participate in the equity financings.

The Rubellite Transactions offer a “full capital solution” for Perpetual by reducing Perpetual’s net debt, normalizing the balance sheet leverage ratios and surfacing incremental value from the development of its assets. Perpetual believes that the Rubellite Transactions will materially improve its liquidity and significantly improve both its ability to operate as a going concern and meet its obligations as they become due, including the flexibility to make cash payments of second lien and third lien interest which has recently been paid in-kind. At the same time, completion of the Rubellite Transactions will enhance Perpetual’s ability to capture the inherent value in its asset base by funding investment opportunities to grow and sustain production and adjusted funds flow.

Perpetual will realize net cash proceeds from the Rubellite Transactions of approximately \$53.2 million which it will use to reduce net debt. The maturity of the Company’s new \$17 million Credit Facility has been extended to May 31, 2023 subject to the completion of the Rubellite Transactions at which time Perpetual expects to be less than 25% drawn. As part of the Second Lien Loan Settlement, the maturity of a new second lien term loan of approximately \$2.7 million has been extended to December 31, 2024. Total net debt is forecast to decline by 45% from \$107.4 million at March 31, 2021 to approximately \$59 million at closing of the Rubellite Transactions, inclusive of estimated capital spending at East Edson and other forecast corporate revenues and expenses during the third quarter of 2021. Interest cost savings alone will improve Perpetual’s liquidity by approximately \$4 million annually. The general and administrative cost recoveries under the management services agreement with Rubellite will further enhance Perpetual’s liquidity by approximately \$2 to \$3 million annually.

Following completion of the Rubellite Transactions, Perpetual is expected to have sufficient liquidity to invest capital in its assets to grow production and adjusted funds flow and convert proved and probable undeveloped reserves to proved developed producing reserves which serves to support the Company’s borrowing capacity, increases the fair market value of Perpetual’s assets, and generally enhances the Company’s ability to meet its obligations as they become due. In addition, with the committed extension to the first lien credit facility, Perpetual anticipates it will be better positioned to enter into risk management contracts to mitigate commodity price risk.

Rubellite will initially be exclusively focused on Clearwater oil exploration and development utilizing multi-lateral horizontal drilling technology. The Clearwater is a high rate of return play with compelling economics at current forward market prices for Western Canadian Select crude oil. Rubellite is expected to begin operations with zero debt and positive working capital of approximately \$13 million. In the context of current strip pricing, Rubellite’s organic growth business plan is expected to be fully funded, drive material adjusted funds flow growth over the next two years and has the potential to generate significant free funds flow by 2022.

CFO SUCCESSION

Ryan Shay was appointed Vice President Finance and Chief Financial Officer ("CFO") of the Company on May 4, 2021, succeeding Mark Schweitzer. Mr. Schweitzer remained an employee of Perpetual and extended his planned retirement to the end of July to assist Perpetual through the announcement of the Rubellite Transactions.

"We thank Mark for his exceptional leadership and strategic insights that have positioned Perpetual for future success, especially over the past six months during our balance sheet refinancing process through to the creation of Rubellite and wish him well in his retirement." said President and CEO Sue Riddell Rose.

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 conventional natural gas assets in the deep basin of West Central Alberta, heavy crude oil and shallow conventional natural gas in Eastern Alberta, undeveloped bitumen leases in Northern Alberta and prospective undeveloped acreage in the emerging Clearwater play fairway through its wholly owned subsidiary, Rubellite Energy Inc. Additional information on Perpetual can be accessed at www.sedar.com or from the Company's website at www.perpetualenergyinc.com.

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

For additional information please contact:

Perpetual Energy Inc.
Suite 3200, 605 - 5 Avenue SW Calgary, Alberta, Canada T2P 3H5
Telephone: 403 269-4400 Fax: 403 269-4444 Email: info@perpetualenergyinc.com

Susan L. Riddell Rose President and Chief Executive Officer
Ryan A. Shay Vice President Finance and Chief Financial Officer

Non-GAAP Measures

This news release contains the terms "adjusted funds flow", "free funds flow" and "net debt" which do not have standardized meanings prescribed by GAAP. Management believes that in addition to net income (loss) and net cash flows from (used in) operating activities as defined by GAAP, these terms are useful supplemental measures to evaluate operating performance. Users are cautioned however that these measures should not be construed as an alternative to net income (loss) or net cash flows from operating activities determined in accordance with GAAP as an indication of Perpetual's performance and may not be comparable with the calculation of similar measurements by other entities.

For additional reader advisories in regards to non-GAAP financial measures, including Perpetual's method of calculation and reconciliation of these terms to their corresponding GAAP measures, see the section entitled "Non-GAAP Measures" within the Company's MD&A filed on SEDAR.

Adjusted funds flow: Adjusted funds flow is calculated based on cash flows from (used in) operating activities, excluding changes in non-cash working capital and expenditures on decommissioning obligations since Perpetual believes the timing of collection, payment or incurrence of these items is variable. Expenditures on decommissioning obligations may vary from period to period depending on capital programs and the maturity of the Company's operating areas. Expenditures on decommissioning obligations are managed through the capital budgeting process which considers available adjusted funds flow. The Company has added back non-cash oil and natural gas revenue in-kind, equal to retained East Edson royalty obligation payments taken in-kind, to present the equivalent amount of cash revenue generated. The Company has also deducted payments of the gas over bitumen royalty financing from adjusted funds flow to present these payments net of gas over bitumen royalty credits received. These payments are indexed to gas over bitumen royalty credits and are recorded as a reduction to the Company's gas over bitumen royalty financing obligation in accordance with IFRS. Additionally, the Company has excluded payments of restructuring costs associated with employee downsizing costs, which management considers to not be related to cash flow from (used in) operating activities. Management uses adjusted funds flow and adjusted funds flow per boe as key measures to assess the ability of the Company to generate the funds necessary to finance capital expenditures, expenditures on decommissioning obligations, and meet its financial obligations.

Free funds flow: Free funds flow is defined as adjusted funds flow less total net capital expenditures. Total net capital expenditures is defined as total capital expenditures before acquisitions and non-core dispositions.

Net bank debt and net debt: Net bank debt is measured as current and long-term revolving bank debt, including the net working capital deficiency. Net debt includes the carrying value of net bank debt, the principal amount of the term loan, and the principal

amount of senior notes. Net debt and net bank debt are used by management to assess the Company's overall debt position and borrowing capacity.

Forward-Looking Information and Statements

Certain information and statements contained in this news release including management's assessment of future plans and operations, and including the statements relating to the timing for the upcoming special meeting of shareholders and the completion of, and the anticipated benefits to be derived from, the Rubellite Transactions including providing Perpetual with a "full capital solution", materially improving its liquidity and its ability to operate as a going concern, enhancing its ability to capture the inherent value in its assets by funding investment opportunities to grow and sustain production and adjusted funds flow, reductions in total net debt, the ability to convert proved and probable undeveloped reserves to proved developed producing reserves and the benefits to be derived therefrom, the ability to enter into risk management contracts, the timing of Rubellite to commence operations and its business focus and debt and working capital levels and the ability of Rubellite to generate significant free funds flow by 2022 may constitute forward-looking information and statements within the meaning of applicable securities laws. This information and these statements relate to future events or to future performance. All statements other than statements of historical fact may be forward-looking information and statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", "outlook", "guidance", "objective", "plans", "intends", "targeting", "could", "potential", "strategy" and any similar expressions are intended to identify forward-looking information and statements.

Various assumptions were used in drawing the conclusions or making the forecasts and projections in the forward-looking information contained in this news release, which assumptions are based on management's analysis of historical trends, experience, current conditions and expected future developments pertaining to Perpetual and Rubellite, the completion of the Rubellite Transactions and the receipt of all required approvals in connection therewith, and the industry in which it operates as well as certain assumptions regarding the matters outlined above. Forward-looking information is based on current expectations, estimates and projections that involve a number of known and unknown risks, including, without limitation, the ability to continue to operate on a going concern basis if the Rubellite Transactions are not completed in a timely manner or at all, the impact of COVID-19 as further described below, which could cause actual results to vary and in some instances to differ materially from those anticipated by Perpetual and described in the forward-looking information contained in this news release and in the Information Circular. Neither Perpetual nor Rubellite can accurately predict the impact COVID-19 will have on their abilities to execute their business plans in response to government public health efforts to contain COVID-19, to obtain financing or third parties' ability to meet their contractual obligations due to uncertainties relating to the geographic spread of the virus, the length of travel and quarantine restrictions imposed by governments of affected jurisdictions, and on the current and future demand for oil and gas. In the event that the prevalence of COVID-19 increases (or fears in respect of COVID-19 increase), governments may increase regulations and restrictions regarding the flow of labour or products, travel bans, and Perpetual and Rubellite's operations, service providers and customers, and ability to advance their business plans or carry out their 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 and Rubellite'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, in the Information Circular and under "Risk Factors" in Perpetual's Annual Information Form and MD&A for the year ended December 31, 2020 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).

The forward-looking information and statements contained in this news release reflect several material factors, expectations and assumptions of the Company and Rubellite including, without limitation, that the Rubellite Transactions will be completed, that each of Perpetual and Rubellite will conduct its operations in a manner consistent with its expectations and, where applicable, consistent with past practice; the general continuance of current or, where applicable, assumed industry conditions; the ability of Perpetual to obtain equipment, services, and supplies in a timely manner to carry out its activities; the accuracy of the estimates of Perpetual's reserve and resource volumes; certain commodity price and other cost assumptions; the continued availability of adequate debt and/or equity financing and adjusted funds flow to fund the Company's capital and operating requirements as needed; and the extent of Perpetual's liabilities. The Company believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

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.