



NEWS RELEASE

Perpetual Energy Inc. Completes Note Exchange and Makes PIK Interest Payment

Calgary, Alberta – January 22, 2021 (TSX:PMT) – Perpetual Energy Inc. ("Perpetual" or the "Company") announced today that it has completed its previously announced arrangement involving the exchange of its 8.75% senior unsecured notes due January 23, 2022 (the "Old 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 have been issued under a new trust indenture that contains substantially the same terms as the Old Notes other than the New Notes are 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 Company has elected to make a PIK Interest Payment on the New Notes for the January 23, 2021 interest payment. 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 includes all accrued and unpaid interest on the Notes.

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 has not resulted in any dilution to the Company's shareholders as no shares were issued in connection with the Note Exchange Arrangement and shareholders continue to own the same number of shares, nor will the security granted under the New Notes negatively affect shareholders.

At a special meeting of noteholders and a special meeting of shareholders held today, the Note Exchange Arrangement was overwhelmingly approved by 99.85% of votes cast by noteholders and 99.77% of votes cast by shareholders. Following the meetings, Perpetual obtained the final order of the Court approving the Note Exchange Arrangement.

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 expected benefits of the exchange of the Old 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 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.