



NEWS RELEASE

PERPETUAL ENERGY INC. RECEIVES ALBERTA COURT OF APPEAL JUDGMENT RELATING TO THE SEQUOIA DISPOSITION

Calgary, Alberta – January 26, 2021 (TSX:PMT) – Perpetual Energy Inc. ("Perpetual" or the "Company") today received the Alberta Court of Appeal's (the "Court of Appeal") judgment (the "Court of Appeal Judgment") with respect to the appeals heard by the Court of Appeal on December 10, 2020 relating to the sale by Perpetual of legacy shallow gas properties in October 2016 to an arm's length third party purchaser after an extensive and lengthy marketing, due diligence and negotiation process (the "Sequoia Disposition").

The Court of Appeal Judgment dismissed the appeal filed by Perpetual and granted certain aspects of the appeals filed by PricewaterhouseCoopers Inc. LIT ("PwC"), in its capacity as trustee in bankruptcy of Sequoia Resources Corp. ("Sequoia"), with respect to the Alberta Court of Queen's Bench judgments of August 15, 2019 and August 26, 2020 pertaining to the Sequoia Disposition.

As previously disclosed, on January 14, 2021, the Court of Queen's Bench released its decision with respect to Perpetual's application to strike and summarily dismiss the claim brought under Section 96 of the *Bankruptcy and Insolvency Act* (the "BIA Claim") finding that PwC could not establish a necessary element of the BIA Claim as Sequoia was not insolvent at the time of, nor rendered insolvent by, the Sequoia Disposition. The Court of Queen's Bench therefore concluded there is "no merit" to the BIA Claim and it was summarily dismissed. On January 21, 2021, PwC filed a notice of appeal of this judgment to the Court of Appeal.

Perpetual continues to believe that all of the outstanding claims brought by PwC in relation to the Sequoia Disposition are completely opportunistic and entirely without merit and it will continue to vigorously defend itself against them. The Company remains highly confident that it will be completely successful in defending the outstanding aspects of PwC's claims.

The Memorandum of Judgment of the Court of Appeal has been posted to the Company's website at www.perpetualenergyinc.com. Further information can be obtained by reviewing the public court documents that pertain to appeal numbers 1901-0255-AC, 1901-0262-AC and 2001-0174-AC as filed with the Court of Appeal.

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 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
W. Mark Schweitzer Vice President Finance and Chief Financial Officer

Forward-Looking Information

Certain information regarding Perpetual in this news release including management's assessment of future plans and operations may constitute forward-looking information or statements under applicable securities laws. The forward looking information includes, without limitation, statements made with respect to the Company's ability to successfully defend itself with respect to ongoing litigation. Various assumptions were used in drawing the conclusions or making the forecasts and projections contained 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 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 risks, 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. 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 under "Risk Factors" in Perpetual's Annual Information Form and MD&A for the year ended December 31, 2019 and those included 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). In addition, defence costs of legal claims can be substantial, even with respect to claims that have no merit and due to the inherent uncertainty of the litigation process, the resolution of the legal proceeding to which the Company has become subject could have a material effect on the Company's financial position and results of operations. 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.