



## NEWS RELEASE

### PERPETUAL ENERGY INC. REPORTS THIRD QUARTER 2021 FINANCIAL AND OPERATING RESULTS AND UPDATES 2021 OUTLOOK

**Calgary, Alberta – November 12, 2021 (TSX:PMT)** – Perpetual Energy Inc. (“Perpetual” or the “Company”) is pleased to release its third quarter 2021 financial and operating results. Select financial and operational information is outlined below, and should be read in conjunction with Perpetual’s unaudited condensed interim consolidated financial statements and related Management’s Discussion and Analysis (“MD&A”) for the three and nine months ended September 30, 2021, which are available through the Company’s website at [www.perpetualenergyinc.com](http://www.perpetualenergyinc.com) and SEDAR at [www.sedar.com](http://www.sedar.com).

#### THIRD QUARTER 2021 HIGHLIGHTS

- On July 16, 2021, Perpetual announced the creation of a new wholly owned subsidiary, Rubellite Energy Inc. (“Rubellite”) and the sale of all of Perpetual’s Clearwater lands, wells, roads and related facilities in northeast Alberta (the “Clearwater Assets”) to Rubellite.
- On September 3, 2021, the Plan of Arrangement involving Perpetual, the shareholders of Perpetual, and Rubellite was completed following approval of the plan by the shareholders of Perpetual at its special shareholder meeting held on August 31, 2021 and the receipt of the final order of the Court of Queen’s Bench of Alberta approving the Plan of Arrangement. At this time, Rubellite exchanged 1.4 million Rubellite common shares valued at \$2.8 million and 16.7 million arrangement warrants with Perpetual shareholders for 8.2 million Perpetual common shares. Perpetual’s financial and operating results include the Clearwater Assets up to September 3, 2021, the effective date of the Plan of Arrangement.
- Rubellite acquired the Clearwater Assets from Perpetual for aggregate consideration of \$65.5 million. The consideration consisted of promissory notes totaling \$59.4 million, which were paid in cash on October 5, 2021 upon closing of Rubellite’s private placement and arrangement warrant financings. Additional consideration included the issuance of 680,485 Rubellite common shares valued at \$1.4 million, the return of the 8.2 million Perpetual common shares valued at \$2.8 million and issuance of warrants to purchase 4.0 million Rubellite common shares at a price of \$3.00 per share for a period of five years, valued at \$2.0 million.
- Production averaged 4,876 boe/d (74% conventional natural gas), down 4% sequentially from the second quarter of 2021 reflecting the disposition of the Clearwater Assets as of September 3, 2021, the effective date of the Plan of Arrangement.
- At Perpetual’s 50% working interest East Edson property, the final well of the 8-well carried interest commitment that formed part of the consideration in the East Edson Transaction in April 2020 was drilled, completed and placed on production in mid-September. Perpetual is participating with its joint venture partner in the ongoing six (3.0 net) well drilling program targeting the Wilrich formation. Two (1.0 net) wells were drilled, completed and placed on production at the end of September and are performing in accordance with Perpetual’s type curve. An additional four (2.0 net) well pad has been drilled, completed, frac’d and is commencing flow-back and testing operations, with expectations for production to commence in November to fill the West Wolf gas plant and maximize natural gas and NGL sales through the upcoming winter.
- Adjusted funds flow was \$2.2 million (\$0.03 per share), flat with the \$2.3 million reported in the second quarter of 2021 and a very positive turnaround from the negative \$2.1 million adjusted funds flow recorded the same quarter a year prior.

- Net income of \$51.1 million (\$0.80 per share) was recorded, up from the \$7.5 million net loss reported in the third quarter of 2020. The increase was primarily driven by the gain on the disposition of the Clearwater Assets to Rubellite of \$47.9 million.
- Total net debt outstanding at September 30, 2021 dropped 49% to \$56.4 million, from \$110.0 million at the end of the second quarter of 2021.
- On October 5, 2021, \$53.6 million in promissory notes owing to Perpetual were repaid in cash by Rubellite. Perpetual paid approximately \$38.5 million in cash and delivered 680,485 Rubellite common shares to extinguish all but \$2.7 million of its second lien Term Loan and the remainder of the cash proceeds were used to repay the majority of the Company's outstanding bank debt. The borrowing limit on Perpetual's \$20 million credit facility was reduced to \$17 million, and the maturity was extended to May 31, 2023.

## 2021 OUTLOOK

The Rubellite transactions (the "Rubellite Transactions") provided a "full capital solution" for Perpetual by reducing Perpetual's net debt to \$53.6 million at September 30, normalizing the balance sheet leverage ratios and surfacing incremental value from enhanced ability to fund the future development of its assets. The Rubellite Transactions have materially improved Perpetual's liquidity and 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. Interest cost savings alone will improve Perpetual's adjusted funds flow 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. Additionally, the 4.0 million Rubellite Share Purchase Warrants owned by Perpetual provide an opportunity for Perpetual to participate in value creation from Rubellite's Clearwater Assets over the next five years.

Operationally, at Perpetual's 50% working interest East Edson property, the last of the 8-well carried interest commitment was drilled, completed and tied in during the third quarter and the joint venture partner drilled an additional six (3.0 net) wells targeting the Wilrich formation. Three of these 7 (3.5 net) wells have been completed and are on production while the remaining 4 (2.0 net) wells were completed and frac'd in early November and will be on production in the month of November. Perpetual's fourth quarter 2021 capital spending forecast in West Central Alberta includes funds to participate in the drilling, completion and tie-in of this East Edson program, targeting to fill the West Wolf gas plant to maximize natural gas and NGL sales through next winter.

Activity in Mannville in Eastern Alberta during the fourth quarter of 2021 will continue to be focused on waterflood optimization and battery consolidation projects as well as several shallow gas recompletions. Additionally, the Company has identified a number of horizontal, multi-lateral drilling opportunities targeting heavy oil at Mannville and modest capital spending is budgeted for preparatory work for first quarter 2022 activities.

Upon commencement of production from the four-well pad at East Edson, Perpetual's production is expected to exceed 6,000 boe/d later in the fourth quarter.

Consistent with guidance provided August 12, 2021, exploration and development capital spending for Perpetual for full year 2021 is expected to be \$15 to \$18 million, excluding spending recorded in Perpetual's consolidated third quarter financial statements related to Rubellite's Clearwater Assets prior to the effective date of the Plan of Arrangement. Capital spending will be funded using proceeds from the Rubellite Transactions, adjusted funds flow and the Credit Facility. The table below summarizes anticipated capital spending and drilling activities for Perpetual for the fourth quarter of 2021.

	<b>Q4 2021</b> <b>(\$ millions)</b>	<b># of wells</b> <b>(gross/net)</b>
West Central <sup>(1)</sup>	\$7 - \$9	4/2.0
Eastern Alberta	\$0 - \$1	-
<b>Total<sup>(2)</sup></b>	<b>\$7 - \$10</b>	<b>4/2.0</b>

<sup>(1)</sup> Capital to drill the four-well pad at East Edson was partially spent in the third quarter.

<sup>(2)</sup> Excludes abandonment and reclamation spending.

Perpetual continues its environmental, social, and corporate governance ("ESG") focus, with total abandonment and reclamation expenditures of up to \$2.3 million planned in 2021, with an estimated \$1.2 million to be funded through Alberta's Site Rehabilitation Program ("SRP"). The remaining \$1.1 million will more than satisfy the Company's annual area-based closure spending requirements of \$1.0 million.

<b>Financial and Operating Highlights</b>	<b>Three months ended September 30</b>			<b>Nine months ended September 30</b>		
<i>(Cdn\$ thousands, except volume and per share amounts)</i>	<b>2021</b>	2020	Change	<b>2021</b>	2020	Change
<b>Financial</b>						
Oil and natural gas revenue	<b>14,603</b>	7,089	106%	<b>39,366</b>	21,308	85%
Net income (loss)	<b>51,141</b>	(7,491)	–	<b>75,452</b>	(76,040)	–
Per share – basic <sup>(2)</sup>	<b>0.80</b>	(0.12)	–	<b>1.20</b>	(1.25)	–
Per share – diluted <sup>(2)</sup>	<b>0.72</b>	(0.12)	–	<b>1.08</b>	(1.25)	–
Cash flow from (used in) operating activities	<b>6,655</b>	(2,538)	–	<b>11,192</b>	(8,429)	–
Adjusted funds flow <sup>(1)</sup>	<b>2,174</b>	(2,098)	–	<b>7,020</b>	(9,027)	–
Per share – basic <sup>(2)</sup>	<b>0.03</b>	(0.03)	–	<b>0.11</b>	(0.15)	–
Per share – diluted <sup>(2)</sup>	<b>0.03</b>	(0.03)	–	<b>0.11</b>	(0.15)	–
Total assets	<b>217,665</b>	129,959	68%	<b>217,665</b>	129,959	68%
Revolving bank debt	<b>13,183</b>	15,089	(13)%	<b>13,183</b>	15,089	(13)%
Term loan, principal amount	<b>42,329</b>	45,000	(6)%	<b>42,329</b>	45,000	(6)%
Senior notes, principal amount	<b>34,065</b>	33,580	1%	<b>34,065</b>	33,580	1%
Net working capital deficiency <sup>(1)</sup>	<b>(35,933)</b>	8,383	–	<b>(35,933)</b>	8,383	–
Net debt <sup>(1)</sup>	<b>56,351</b>	102,052	(45)%	<b>56,351</b>	102,052	(45)%
Capital expenditures	<b>9,947</b>	251	3,863%	<b>11,504</b>	5,473	110%
Net proceeds on acquisitions and dispositions	–	133	–	<b>423</b>	(34,528)	–
Net capital expenditures	<b>9,947</b>	384	2,490%	<b>11,927</b>	(29,055)	–
<b>Common shares outstanding (thousands)<sup>(3)</sup></b>						
End of period	<b>63,892</b>	61,253	4%	<b>63,892</b>	61,253	4%
Weighted average – basic	<b>63,801</b>	61,200	4%	<b>62,668</b>	60,896	3%
Weighted average – diluted	<b>71,227</b>	61,200	16%	<b>69,955</b>	60,896	15%
<b>Operating</b>						
Daily average production						
Conventional natural gas (MMcf/d)	<b>21.6</b>	16.3	32%	<b>22.2</b>	22.2	0%
Heavy crude oil (bbl/d)	<b>972</b>	1,193	(19)%	<b>1,047</b>	1,029	2%
NGL (bbl/d)	<b>300</b>	273	10%	<b>309</b>	382	(19)%
Total (boe/d) <sup>(5)</sup>	<b>4,876</b>	4,188	16%	<b>5,061</b>	5,106	(1)%
Average prices						
Realized natural gas price (\$/Mcf) <sup>(4)(5)</sup>	<b>2.59</b>	0.06	4,222%	<b>2.36</b>	0.67	252%
Realized oil price (\$/bbl) <sup>(4)</sup>	<b>65.19</b>	55.71	17%	<b>53.56</b>	48.06	11%
Realized NGL price (\$/bbl) <sup>(4)</sup>	<b>65.37</b>	28.09	132%	<b>58.84</b>	30.01	96%
<b>Wells drilled – gross (net)</b>						
Conventional natural gas	<b>3 (1.5)</b>	2 (1.0)		<b>5 (2.5)</b>	2 (1.0)	
Heavy crude oil	<b>5 (4.5)</b>	– (–)		<b>6 (5.0)</b>	4 (4.0)	
Total	<b>8 (6.0)</b>	2 (1.0)		<b>11 (7.5)</b>	6 (5.0)	

<sup>(1)</sup> These are non-GAAP measures. Please refer to “Non-GAAP Measures” below.

<sup>(2)</sup> Based on weighted average basic and diluted common shares outstanding for the period.

<sup>(3)</sup> All common shares are net of shares held in trust (September 30, 2021 – 0.2 million; September 30, 2020 – 0.6 million). See “Note 14 to the condensed interim consolidated financial statements”.

<sup>(4)</sup> Realized natural gas, oil, and NGL prices included physical forward sales contracts for which delivery was made during the reporting period, along with realized gains and losses on financial derivatives and foreign exchange contracts.

<sup>(5)</sup> Please refer to “Boe volume conversions” below.

## 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 and undeveloped bitumen leases in Northern Alberta. Additional information on Perpetual can be accessed at [www.sedar.com](http://www.sedar.com) or from the Company's website at [www.perpetualenergyinc.com](http://www.perpetualenergyinc.com).

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

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**BOE VOLUME CONVERSIONS:** *Barrel of oil equivalent ("boe") may be misleading, particularly if used in isolation. In accordance with National Instrument 51-101, a conversion ratio for conventional natural gas of 6 Mcf:1 bbl has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, utilizing a conversion on a 6 Mcf:1 bbl basis may be misleading as an indicator of value as the value ratio between conventional natural gas and heavy crude oil, based on the current prices of natural gas and crude oil, differ significantly from the energy equivalency of 6 Mcf:1 bbl. A conversion ratio of 1 bbl of heavy crude oil to 1 bbl of NGL has also been used throughout this news release.*

*The following abbreviations used in this news release have the meanings set forth below:*

<i>bbls</i>	<i>barrels</i>
<i>boe</i>	<i>barrels of oil equivalent</i>
<i>Mcf</i>	<i>thousand cubic feet</i>
<i>MMcf</i>	<i>million cubic feet</i>
<i>NGL</i>	<i>natural gas liquids</i>

### Non-GAAP Measures

*This news release contains the terms "adjusted funds flow", "adjusted funds flow per share", "adjusted funds flow per boe", "available liquidity", "cash costs", "net working capital deficiency", "net debt", "net bank debt", "net debt to adjusted funds flow ratio", "operating netback" and "realized revenue" 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.*

*Adjusted funds flow per share is calculated using the weighted average number of shares outstanding used in calculating net income (loss) per share. Adjusted funds flow is not intended to represent net cash flows from (used in) operating activities calculated in accordance with IFRS.*

*Adjusted funds flow per boe is calculated as adjusted funds flow divided by total production sold in the period.*

*Available Liquidity: Available Liquidity is defined as Perpetual's reserve-based credit facility (the "Credit Facility") borrowing limit (the "Borrowing Limit"), less borrowings and letters of credit issued under the Credit Facility. Management uses available liquidity to assess the ability of the Company to finance capital expenditures and expenditures on decommissioning obligations, and to meet its financial obligations.*

*Cash costs: Cash costs are comprised of royalties, production and operating, transportation, general and administrative, and cash finance expense. Cash costs per boe is calculated by dividing cash costs by total production sold in the period. Management believes that cash costs assist management and investors in assessing Perpetual's efficiency and overall cost structure.*

*Net working capital deficiency: Net working capital deficiency includes total current assets and current liabilities excluding short-term derivative assets and liabilities related to the Company's risk management activities, revolving bank debt, second lien term loan (the "Term Loan"), current portion of royalty obligations, current portion of lease liabilities, and current portion of decommissioning obligations.*

*Net bank debt, net debt, and net debt to adjusted funds flow ratio: 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, net bank debt, and net debt to adjusted funds flow ratios are used by management to assess the Company's overall debt position and borrowing capacity. Net debt to adjusted funds flow ratios are calculated on a trailing twelve-month basis.*

*Operating netback: Operating netback is calculated by deducting royalties, production and operating expenses, and transportation costs from realized revenue. Operating netback is also calculated on a per boe basis using production sold in the period. Operating netback on a per boe basis can vary significantly for each of the Company's operating areas. Perpetual considers operating netback to be an important performance measure as it demonstrates its profitability relative to current commodity prices. Realized revenue is the sum of realized natural gas revenue, realized oil revenue, and realized NGL revenue which includes realized gains (losses) on financial natural gas, crude oil, NGL, and foreign exchange contracts. Realized revenue is used by management to calculate the Company's net realized commodity prices, taking into account the monthly settlements of financial crude oil and natural gas forward sales, collars, basis differentials, and forward foreign exchange sales. These contracts are put in place to protect Perpetual's adjusted funds flow from potential volatility in commodity prices and foreign exchange rates. Any related realized gains or losses are considered part of the Company's realized price.*

### **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 information contained under the heading "2021 Outlook" and including statements relating to: forecast production levels over various periods; the benefits to be derived from the Rubellite Transactions and the Company's ability to capture the inherent value in its asset base by funding investment opportunities to grow and sustain production and adjusted funds flow; future interest cost savings and adjusted funds flow levels; improvements to Perpetual's liquidity; the ability to participate in value creation from Rubellite's Clearwater Assets; the timing for drilling additional wells at East Edson; fourth quarter capital spending levels; plans to fill the West Wolf gas plant to maximize natural gas and NGL sales; activity plans in Mannville in Eastern Alberta during the fourth quarter of 2021 and the focus of such activity; additional horizontal, multi-lateral drilling opportunities targeting heavy oil at Mannville; expectations for exploration and development capital spending for Perpetual for full year 2021 and the planned funding thereof; the continued ESG focus and planned abandonment and reclamation expenditures and annual area-based closure spending requirements; and similar statements 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 receipt of all outstanding required approvals in connection with the Rubellite Transactions, 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 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. In particular and without limitation of the foregoing, the outbreak of COVID-19 has had a negative impact on global financial conditions. Perpetual cannot accurately predict the impact that 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, 2020 and in other reports on file with Canadian securities regulatory authorities which may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) and at Perpetual's website ([www.perpetualenergyinc.com](http://www.perpetualenergyinc.com)).*

*The forward-looking information and statements contained in this news release reflect several material factors, expectations and assumptions of the Company including, without limitation, that it 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 and regulatory approvals 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.*