



NEWS RELEASE

PERPETUAL ENERGY INC. REPORTS FIRST QUARTER 2023 FINANCIAL AND OPERATING RESULTS AND CONFIRMS 2023 GUIDANCE

Calgary, Alberta – May 4, 2023 (TSX:PMT) – Perpetual Energy Inc. ("Perpetual", or the "Company") is pleased to report its first quarter 2023 financial and operating results and confirm 2023 guidance. 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 months ended March 31, 2023, which are available through the Company's website at www.perpetualenergyinc.com and SEDAR at www.sedar.com.

This news release contains certain specified financial measures that are not recognized by GAAP and used by management to evaluate the performance of the Company and its business. Since certain specified financial measures may not have a standardized meaning, securities regulations require that specified financial measures are clearly defined, qualified and, where required, reconciled with their nearest GAAP measure. See "Non GAAP and Other Financial Measures" in this news release and in the MD&A for further information on the definition, calculation and reconciliation of these measures. This news release also contains forward-looking information. See "Forward-Looking Information". Readers are also referred to the other information under the "Advisories" section in this news release for additional information.

FIRST QUARTER 2023 HIGHLIGHTS

- First quarter production averaged 6,655 boe/d, inline with expectations for 2023 annual production guidance of 6,400 to 6,600 boe/d (22% oil and NGL).
- Adjusted funds flow⁽¹⁾ was \$8.9 million (\$0.13/share) in the first quarter of 2023. On a unit-of-production basis, adjusted funds flow was \$14.82/boe, a 36% decrease from the \$23.06/boe in the first quarter of 2022, driven by a decrease in commodity prices, lower production volumes and higher cash costs⁽¹⁾. Net cash flows from operating activities were \$7.4 million.
- Perpetual invested \$9.1 million in exploration and development spending⁽¹⁾ to drill, complete, equip and tie-in a two (1.0 net) well pad at East Edson, targeting the Wilrich formation, and install related pipeline infrastructure. The one (0.5 net) Notikewin well drilled and completed in the second half of 2022 was also placed on production. In addition, \$0.3 million was spent on asset retirement obligations ("ARO") to abandon wells that had reached their end of life and execute surface lease reclamation activities.
- Cash costs⁽¹⁾ were \$10.1 million or \$16.81/boe in the first quarter of 2023, inline with expectations for annual cash cost guidance of \$16 to \$18 per boe for 2023.
- Net loss for the first quarter of 2023 was \$0.2 million.
- Net debt⁽¹⁾ was \$55.4 million at March 31, 2023, a decrease of \$0.3 million from \$55.7 million at December 31, 2022.
- Perpetual had available liquidity⁽¹⁾ at March 31, 2023 of \$18.0 million, comprised of the \$30.0 million borrowing limit of Perpetual's first lien credit facility, less current borrowings and letters of credit of \$10.8 million and \$1.2 million, respectively.

⁽¹⁾ Non-GAAP financial measure, non-GAAP ratio or supplementary financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. See "Non-GAAP and Other Financial Measures" in this news release.

2023 OUTLOOK

Perpetual's Board of Directors previously approved annual exploration and development capital spending⁽¹⁾ of \$25 - \$32 million for 2023. As planned, two (1.0 net) wells were drilled at East Edson in the first quarter. The remainder of the 2023 capital program is expected to be concentrated in the third quarter of 2023 and focused primarily at East Edson. The 2023 capital program is forecast to be fully funded from the Company's credit facility and adjusted funds flow⁽¹⁾.

During the second half of 2023, Perpetual is planning to participate at its 50% working interest in an East Edson drilling program to drill, complete, equip and tie-in an additional four to six (2.0 to 3.0 net) horizontal wells to fill the West Wolf gas plant in order to optimize production and operating costs, meet transportation commitments and maximize natural gas and NGL sales through next winter.

At Mannville in Eastern Alberta, Perpetual continues to monitor performance of the horizontal, multi-lateral wells drilled in 2022 targeting heavy oil in the Sparky formation, and is operationally prepared to drill up to one follow-up multi-lateral well in the second half of 2023. Perpetual will also continue to focus on waterflood optimization and battery consolidation projects as well as abandonment and reclamation activities at the Mannville property.

Exploration and development capital spending for Perpetual for full year 2023 continues to be forecast at \$25 to \$32 million. The table below summarizes anticipated capital spending and drilling activities for Perpetual for the full year of 2023.

	Q1 2023	# of wells	Q2 - Q4 2023	# of wells	2023	# of wells
	(\$ millions)	(gross/net)	(\$ millions)	(gross/net)	(\$ millions)	(gross/net)
West Central	\$8.9	2 / 1.0	\$14 - \$19	4 - 6 / 2.0 - 3.0	\$23 - \$28	6 - 8 / 3.0 - 4.0
Eastern Alberta ⁽¹⁾	\$0.2	- / -	\$2 - \$4	0 - 1 / 0.0 - 1.0	\$2 - \$4	0 - 1 / 0.0 - 1.0
Total⁽²⁾	\$9.1	2 / 1.0	\$16 - \$23	4 - 7 / 2.0 - 4.0	\$25 - \$32	6 - 9 / 3.0 - 5.0

⁽¹⁾ Oil-based mud load fluid is recycled for future drilling operations to the extent possible, or sold and credited back to drilling capital.

⁽²⁾ Excludes abandonment and reclamation spending and acquisitions or land expenditures, if any.

Total Company average production is expected to be stable year over year at 6,400 to 6,600 boe/d (22% oil and NGL) in 2023. Cash costs⁽¹⁾ are expected to be similar to 2022 levels with an average between \$16 and \$18 per boe for the calendar year.

2023 guidance assumptions, which are unchanged are as follows:

	2023 Guidance
Exploration and development capital expenditures ⁽¹⁾ (<i>\$ millions</i>)	\$25 - \$32
Cash costs ⁽¹⁾ (<i>\$/boe</i>)	\$16 - \$18
Royalties (% of revenue) ⁽¹⁾	16 - 18%
Average daily production (<i>boe/d</i>)	6,400 - 6,600
Production mix (%)	22% oil and NGL

⁽¹⁾ Non-GAAP measure, financial measure, non-GAAP ratio or supplementary financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. See "Non-GAAP and Other Financial Measures" in this news release and in the MD&A.

Perpetual will continue addressing end of life ARO, with total abandonment and reclamation expenditures of approximately \$1.5 to \$2.0 million planned for 2023. This exceeds the Company's annual area-based closure mandatory spending requirement of \$1.4 million as calculated by the Alberta Energy Regulator ("AER").

⁽¹⁾ Non-GAAP measure or ratio. See "Non-GAAP and Other Financial Measures"

Financial and Operating Highlights (\$Cdn thousands except volume and per share amounts)	Three Months Ended March 31,		
	2023	2022	Change
Financial			
Oil and natural gas revenue	17,909	24,953	(28)%
Net income (loss)	(235)	7,162	(103)%
Per share – basic ⁽²⁾	—	0.11	(100)%
Per share – diluted ⁽²⁾	—	0.10	(100)%
Cash flow from operating activities	7,436	6,272	19 %
Adjusted funds flow ⁽¹⁾	8,876	14,117	(37)%
Per share ⁽³⁾	0.13	0.22	(39)%
Total assets	216,206	187,621	15 %
Revolving bank debt	10,846	9,553	14 %
Term loan, principal amount	2,671	2,671	— %
Other liability (undiscounted)	3,288	3,404	(3)%
Senior Notes, principal amount	35,647	36,583	(3)%
Adjusted working capital (surplus) deficiency ⁽¹⁾	2,977	(3,413)	(187)%
Net debt ⁽¹⁾	55,429	48,798	14 %
Capital expenditures			
Net capital expenditures ⁽¹⁾	9,111	4,837	88 %
Common shares outstanding (thousands) ⁽⁴⁾			
End of period	66,032	63,131	5 %
Weighted average – basic	65,978	63,216	4 %
Weighted average – diluted	65,978	74,348	(11)%
Operating			
Daily average production			
Conventional natural gas (MMcf/d)	30.8	34.3	(10)%
Heavy crude oil (bbl/d)	1,022	682	50 %
NGL (bbl/d)	495	400	24 %
Total (boe/d) ⁽⁵⁾	6,655	6,804	(2)%
Average realized prices			
Realized natural gas price (\$/Mcf) ⁽¹⁾	3.17	5.16	(39)%
Realized oil price (\$/bbl) ⁽¹⁾	63.39	95.55	(34)%
Realized NGL price (\$/bbl) ⁽¹⁾	73.81	87.86	(16)%
Wells drilled – gross (net)			
Conventional natural gas	2 (1.0)	(-)	
Heavy crude oil	-/-	1 (1.0)	
Total	2 (1.0)	1 (1.0)	100 %

⁽¹⁾ Non-GAAP financial measure, non-GAAP ratio or supplementary financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. See “Non-GAAP and Other Financial Measures” contained within this news release.

⁽²⁾ Based on weighted average basic common shares outstanding for the period.

⁽³⁾ Adjusted funds flows divided by the Company's shares outstanding.

⁽⁴⁾ Shares outstanding are net of shares held in trust (Q1 2023 – 1.3 million; Q1 2022 – 0.9 million).

⁽⁵⁾ See “Advisories – Volume Conversions” below.

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 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

ADVISORIES

VOLUME CONVERSIONS

Barrel of oil equivalent ("boe") may be misleading, particularly if used in isolation. In accordance with NI 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.

ABBREVIATIONS

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

bbl	barrels
bbl/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
MMboe	million barrels of oil equivalent
Mcf	thousand cubic feet
MMcf	million cubic feet
MMcf/d	million cubic feet per day

NON-GAAP AND OTHER FINANCIAL MEASURES

Throughout this news release and in other materials disclosed by the Company, Perpetual uses certain measures to analyze financial performance, financial position and cash flow. These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net income (loss), cash flow from operating activities, and cash flow from investing activities, as indicators of Perpetual's performance.

Non-GAAP Financial Measures:

Capital expenditures or capital spending: Perpetual uses capital expenditures or capital spending related to exploration and development to measure its capital investments compared to the Company's annual capital budgeted expenditures. Perpetual's capital budget excludes acquisition and disposition activities.

The most directly comparable GAAP measure for capital expenditures or capital spending is cash flow used in investing activities. A summary of the reconciliation of cash flow used in investing activities to capital expenditures or capital spending, is set forth below:

	Three months ended March 31,	
	2023	2022
Net cash flows used in investing activities	3,177	12,350
Purchase of marketable securities	—	(23)
Change in non-cash working capital	5,934	(7,490)
Capital expenditures	9,111	4,837

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 and regulatory requirements. 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. 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 is not intended to represent net cash flows from (used in) operating activities calculated in accordance with IFRS.

The following table reconciles net cash flows from (used in) operating activities as reported in the Company's consolidated statements of cash flows, to adjusted funds flow:

<i>(\$ thousands, except per share and per boe amounts)</i>	Three months ended March 31,	
	2023	2022
Net cash flows from operating activities	7,436	6,272
Change in non-cash working capital	1,189	8,510
Decommissioning obligations settled (cash)	251	(665)
Adjusted funds flow	8,876	14,117
Adjusted funds flow per share	0.13	0.22
Adjusted funds flow per boe	14.82	23.06

Cash costs: Cash costs are controllable costs comprised of production and operating, transportation, general and administrative, and cash finance expense as detailed below. 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.

<i>(\$ thousands, except per boe amounts)</i>	Three months ended March 31,	
	2023	2022
Production and operating	4,215	3,659
Transportation	1,092	692
General and administrative	3,554	2,079
Cash finance expense	1,208	1,052
Cash costs	10,069	7,483
Cash costs per boe	16.81	12.22

Net Debt: Perpetual uses net debt as an alternative measure of outstanding debt. Management considers net debt as an important measure in assessing the liquidity of the Company. Net debt is used by management to assess the Company's overall debt position and borrowing capacity. Net debt is not a standardized measure and therefore may not be comparable to similar measures presented by other entities.

The following table details the composition of net debt:

	As of March 31, 2023	As of December 31, 2022
Accounts and accrued receivable	12,837	15,804
Prepaid expenses and deposits	1,350	1,564
Marketable securities	2,723	1,814
Inventory	654	674
Accounts payable and accrued liabilities	(20,541)	(18,962)
Adjusted working capital surplus (deficiency)	(2,977)	894
Bank indebtedness	(10,846)	(14,909)
Term loan (principal)	(2,671)	(2,671)
Other liability (undiscounted amount)	(3,288)	(3,342)
Senior notes (principal)	(35,647)	(35,647)
Net debt	(55,429)	(55,675)

Available Liquidity: Available Liquidity is defined as Perpetual's credit facility borrowing limit, less current 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.

Non-GAAP Financial Ratios

Perpetual calculates certain non-GAAP measures per boe as the measure divided by weighted average daily production. Management believes that per boe ratios are a key industry performance measure of operational efficiency and one that provides investors with information that is also commonly presented by other crude oil and natural gas producers. Perpetual also calculates certain non-GAAP measures per share as the measure divided by outstanding common shares.

Adjusted funds flow per share: Adjusted funds flow ratios are calculated on a per share as the measure divided by basic shares outstanding.

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

Supplementary Financial Measures

"Average realized price" is comprised of total commodity sales from production, as determined in accordance with IFRS, divided by the Company's total sales production on a boe basis.

"Realized oil price" is comprised of oil commodity sales from production, as determined in accordance with IFRS, divided by the Company's oil sales production.

"Realized natural gas price" is comprised of natural gas commodity sales from production, as determined in accordance with IFRS, divided by the Company's natural gas sales production.

"Realized NGL price" is comprised of NGL commodity sales from production, as determined in accordance with IFRS, divided by the Company's NGL sales production.

Other per boe measures are calculated using the financial measure, as determined in accordance with IFRS, divided by the Company's total sales production.

FORWARD-LOOKING INFORMATION

Certain information in this news release including management's assessment of future plans and operations, and including the information contained under the heading "2023 Outlook" may constitute forward-looking information or statements (together "forward-looking information") under applicable securities laws. The forward-looking information includes, without limitation, statements with respect to: forecast production and exploration and development capital expenditures for 2023 and the expectation that such expenditures will be funded from the credit facility and adjusted funds flow; drilling activities for 2023 including the number of gross and net wells to be drilled; cash costs estimates; projected abandonment and reclamation expenditures and the funding thereof; expectations as to drilling activity plans in various areas and the benefits to be derived from such drilling including the production growth and expectations respecting Perpetual's future exploration, development and drilling activities; and Perpetual's business plan.

Forward-looking information is based on current expectations, estimates and projections that involve a number of known and unknown 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. In particular and without limitation of the foregoing, material factors or assumptions on which the forward-looking information in this news release is based include: forecast commodity prices and other pricing assumptions; forecast production volumes based on business and market conditions; foreign exchange and interest rates; near-term pricing and continued volatility of the market including inflationary pressures; accounting estimates and judgments; future use and development of technology and associated expected future results; the ability to obtain regulatory approvals; the successful and timely implementation of capital projects; ability to generate sufficient cash flow to meet current and future obligations; the ability of Perpetual to obtain and retain qualified staff and equipment in a timely and cost-efficient manner, as applicable; the retention of key properties; forecast inflation, supply chain access and other assumptions inherent in Perpetual's current guidance and estimates; the continuance of existing tax, royalty, and regulatory regimes; the accuracy of the estimates of reserves volumes; ability to access and implement technology necessary to efficiently and effectively operate assets; and the ongoing and future impact of the coronavirus and the war in Ukraine and related sanctions on commodity prices and the global economy, among others.

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, 2022 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.