

FINANCIAL AND OPERATING HIGHLIGHTS

(\$Cdn thousands except volume and per share amounts)	Three Months Ended June 30			Six Months Ended June 30		
	2023	2022	Change	2023	2022	Change
Financial						
Oil and natural gas revenue	15,167	33,092	(54)%	32,978	57,909	(43)%
Net income (loss) and comprehensive income (loss)	(4,203)	4,470	(194)%	(4,438)	11,632	(138)%
Per share – basic ⁽²⁾	(0.06)	0.07	(186)%	(0.07)	0.18	(139)%
Per share – diluted ⁽²⁾	(0.06)	0.06	(200)%	(0.07)	0.16	(144)%
Cash flow from operating activities	8,295	11,571	(28)%	15,731	17,843	(12)%
Adjusted funds flow ⁽¹⁾	3,687	10,505	(65)%	12,563	24,622	(49)%
Per share ⁽³⁾	0.05	0.16	(66)%	0.19	0.38	(50)%
Total assets	208,840	188,906	11 %	208,840	188,906	11 %
Revolving bank debt	12,927	5,248	146 %	12,927	5,248	146 %
Term loan, principal amount	2,671	2,671	— %	2,671	2,671	— %
Other liability (undiscounted)	2,563	3,342	(23)%	2,563	3,342	(23)%
Senior Notes, principal amount	34,390	36,583	(6)%	34,390	36,583	(6)%
Adjusted working capital (surplus) deficiency ⁽¹⁾	4,158	(572)	(827)%	4,158	(572)	(827)%
Net debt ⁽¹⁾	56,709	47,272	20 %	56,709	47,272	20 %
Capital expenditures						
Net capital expenditures ⁽¹⁾	1,800	4,361	(59)%	10,911	9,198	19 %
Common shares outstanding (thousands)⁽⁴⁾						
End of period	67,503	64,582	5 %	67,503	64,582	5 %
Weighted average – basic	66,578	63,642	5 %	66,280	63,383	5 %
Weighted average – diluted	66,578	74,721	(11)%	66,280	74,837	(11)%
Operating						
Daily average production						
Conventional natural gas (MMcf/d)	30.6	29.9	2 %	30.7	32.1	(4)%
Heavy crude oil (bbl/d)	953	775	23 %	988	728	36 %
NGL (bbl/d)	474	364	30 %	484	382	27 %
Total (boe/d) ⁽⁵⁾	6,532	6,123	7 %	6,594	6,461	2 %
Average realized prices						
Realized natural gas price (\$/Mcf) ⁽¹⁾	2.16	7.85	(72)%	2.65	6.39	(59)%
Realized oil price (\$/bbl) ⁽¹⁾	73.46	117.20	(37)%	68.28	107.13	(36)%
Realized NGL price (\$/bbl) ⁽¹⁾	64.11	104.71	(39)%	69.04	95.94	(28)%
Wells drilled – gross (net)						
Conventional natural gas	-/-	1/0.5		2/1.0	1/0.5	
Heavy crude oil	-/-	1/1.0		-/-	2/2.0	
Total	-/-	2/1.5		2/1.0	3/2.5	

(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 (Q2 2023 – 1.0 million; Q2 2022 – 0.7 million).

(5) See "Advisories – Volume Conversions" below.

c) Per share information

<i>(thousands, except per share amounts)</i>	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net income (loss) – basic and diluted	\$ (4,203)	\$ 4,470	\$ (4,438)	\$ 11,632
Weighted average shares				
Issued common shares	66,852	64,302	66,422	64,117
Effect of the change in shares held in trust	(274)	(660)	(142)	(734)
Weighted average common shares outstanding – basic ⁽¹⁾	66,578	63,642	66,280	63,383
Weighted average common shares outstanding – diluted ⁽¹⁾⁽²⁾	66,578	74,721	66,280	74,837
Net income (loss) per share – basic	\$ (0.06)	\$ 0.07	\$ (0.07)	\$ 0.18
Net income (loss) per share – diluted	\$ (0.06)	\$ 0.06	\$ (0.07)	\$ 0.16

- (1) Shares outstanding are presented net of 1.0 million shares held in trust (Q2 2022 - 0.7 million).
(2) For the three and six months ended June 30, 2023, 13.7 million potentially issuable common shares through the share-based compensation plan (three and six months ended June 30, 2022 - 1.1 million) were excluded as the Company had a net loss.

15. SHARE-BASED PAYMENTS

The components of share-based payment expense are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Compensation awards	\$ 263	\$ 20	\$ 505	\$ 41
Share options	86	558	176	997
Performance share rights	1,255	3,017	1,602	3,171
Share-based payments⁽¹⁾	\$ 1,604	\$ 3,595	\$ 2,283	\$ 4,209

- (1) For the three and six months ended June 30, 2023, the Company recorded nil (three and six months ended June 30, 2022 - \$0.4 million and 0.8 million, respectively) related to equity settled transactions that settled in cash.

The following tables summarize information about options, rights, and awards outstanding:

<i>(thousands)</i>	Compensation awards					Total
	Deferred options	Deferred shares	Share options	Performance share rights ⁽¹⁾	Restricted rights	
December 31, 2021	5,476	3,158	4,077	3,065	—	15,776
Granted	1,457	792	1,298	833	—	4,380
Exercised for common shares	—	—	(49)	—	—	(49)
Exercised for shares held in trust	(780)	(280)	—	—	—	(1,060)
Exercised for restricted rights	—	(760)	—	(2,365)	—	(3,125)
Performance adjustment ⁽⁵⁾	—	—	—	1,014	—	1,014
Cancelled/forfeited	(267)	(42)	(1,725)	—	—	(2,034)
December 31, 2022	5,886	2,868	3,601	2,547	—	14,902
Granted ⁽²⁾⁽³⁾	—	59	185	1,116	2,176	3,536
Exercised for common shares ⁽⁴⁾	(50)	—	(49)	(1,330)	(2,176)	(3,605)
Exercised for shares held in trust	(55)	(553)	—	—	—	(608)
Exercised for restricted rights	—	(76)	—	(2,100)	—	(2,176)
Performance adjustment ⁽⁵⁾	—	—	—	1,715	—	1,715
Cancelled/forfeited	—	(20)	(60)	—	—	(80)
June 30, 2023	5,781	2,278	3,677	1,948	—	13,684

- (1) Certain performance share rights contain monetary awards that may be settled in cash, in common shares of the Company, or a combination thereof at the discretion of the Board of Directors, equal to the monetary amount at the time of vesting. These awards are accounted for as cash-settled share-based payments in which the fair value of the amounts payable under the plan are recognized incrementally as an expense over the vesting period, with a corresponding change in liabilities. As at June 30, 2023, nil has been accrued pursuant to cash-settled share-based payment awards (Q2 2022 – \$1.0 million).
(2) Share options granted during the three and months ended June 30, 2023 have a weighted average exercise price of \$0.64 and vest evenly over four years, with expiry occurring five years after issuance. The Company used the Black Scholes option pricing model to calculate the estimated fair value of the outstanding deferred options and share options at the date of grant. Expected volatility of 60% and forfeiture rates of 5% were used to value the share options.
(3) During the six months ended June 30, 2023, 0.1 million deferred shares, 0.2 million share options, 1.1 million performance share rights, 2.2 million restricted share rights, and a nominal amount of deferred options were granted to Officers, Directors, and employees of the Company.
(4) 2.4 million performance share rights were exercised during the three and six months ended June 30, 2023 for a cash payment of \$1.5 million (Q2 2022 - nil).
(5) Performance share rights are subject to a performance multiplier of 0.5 to 2.0.

16. REVENUE

The Company sells its production pursuant to fixed or variable price contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location, or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Under the contracts, the Company is required to deliver fixed or variable volumes of conventional natural gas, heavy crude oil or NGL as may be applicable to the contract counterparty. Revenue is recognized when a unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed transaction price, whereby any variability in revenue relates specifically to the Company's efforts to transfer production, and therefore the resulting revenue is allocated to the production delivered in the period during which the variability occurs. As a result, none of the variable revenue is considered constrained. Conventional natural gas, heavy crude oil and NGL are mostly sold under contracts of varying price and volume terms of up to one year. Revenues are typically collected on the 25th day of the month following production.

Natural gas volumes sold pursuant to the Company's market diversification contract are sold at fixed volume obligations and priced at daily index prices, less transportation costs from AECO, to each market price point as detailed in the table below.

Market/Pricing Point	July 1, 2023 to July 31, 2023 Daily sales volume (MMBtu/d)	August 1, 2023 to October 31, 2023 Daily sales volume (MMBtu/d)	November 1, 2023 to October 31, 2024 Daily sales volume (MMBtu/d)
Malin	—	—	15,000
Dawn	10,000	15,000	15,000
Emerson	5,000	10,000	10,000
Total sales volume obligation	15,000	25,000	40,000

The following table presents the Company's oil and natural gas sales disaggregated by revenue source:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Oil and natural gas revenue				
Natural gas	\$ 6,029	\$ 21,353	\$ 14,720	\$ 37,146
Oil	6,373	8,264	12,206	14,125
NGL	2,765	3,475	6,052	6,638
Total oil and natural gas revenue	\$ 15,167	\$ 33,092	\$ 32,978	\$ 57,909

Included in accounts receivable at June 30, 2023 is \$5.3 million of accrued oil and natural gas revenue related to June 2023 production (December 31, 2022 – \$10.0 million related to December 2022 production).

17. FINANCE EXPENSE

The components of finance expense are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Cash finance expense				
Interest on revolving bank debt	\$ 339	\$ 276	\$ 699	\$ 437
Interest on term loan	54	52	108	107
Interest on senior notes	809	800	1,580	1,604
Interest on lease liabilities (note 12)	40	30	63	62
Total cash finance expense	1,242	1,158	2,450	2,210
Non-cash finance expense				
Gain on senior note extinguishment (note 11)	(104)	—	(104)	—
Amortization of debt issue costs	375	452	733	966
Accretion on decommissioning obligations (note 13)	204	176	426	312
Change in fair value of other liability (note 10)	91	57	115	1,559
Change in fair value of royalty obligations ⁽¹⁾	—	585	—	2,180
Total non-cash finance expense	566	1,270	1,170	5,017
Finance expense recognized in net income (loss)	\$ 1,808	\$ 2,428	\$ 3,620	\$ 7,227

(1) The retained East Edson royalty obligation ended on December 31, 2022.

18. FINANCIAL RISK MANAGEMENT

The following table summarizes the mark to market value of outstanding risk management contracts by type:

	June 30, 2023	December 31, 2022
Natural gas contracts	\$ 468	\$ 2,841
Foreign exchange contracts	247	30
Oil contracts	167	976
Risk management contracts	882	3,847
Risk management contracts – current asset	1,146	3,847
Risk management contracts – non-current asset	208	—
Risk management contracts – current liability	(472)	—
Risk management contracts	882	3,847

The following table details the gains (losses) on risk management contracts:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Unrealized gain on foreign exchange contracts	\$ 158	\$ —	\$ 217	\$ —
Unrealized gain (loss) on natural gas contracts	165	2,358	(2,373)	(2,580)
Unrealized gain (loss) on oil contracts	113	1,559	(809)	(4,497)
Unrealized gain (loss) on fair value of derivatives	436	3,917	(2,965)	(7,077)
Realized gain on foreign exchange contracts	51	—	82	—
Realized gain (loss) on natural gas contracts	(21)	(5,082)	4,268	(3,815)
Realized gain (loss) on oil contracts	305	(2,027)	608	(3,014)
Realized gain (loss) on financial derivatives	335	(7,109)	4,958	(6,829)
Change in fair value of derivatives	\$ 771	\$ (3,192)	\$ 1,993	\$ (13,906)

Natural gas contracts

At June 30, 2023, the Company had entered into the following natural gas risk management contracts at AECO:

Commodity	Volumes sold	Term	Reference/Index	Contract Traded Bought/sold	Market Price
Natural gas	2,500 GJ/d	Jul 1, 2023 - Oct 31, 2023	AECO 5A (CAD\$/GJ)	Swap - sold	\$1.91
Natural gas	5,000 GJ/d	Nov 1, 2023 - Mar 31, 2024	AECO 5A (CAD\$/GJ)	Swap - sold	\$3.42
Natural gas	5,000 GJ/d	Apr 1, 2024 - Oct 31, 2024	AECO 5A (CAD\$/GJ)	Swap - sold	\$3.00

Subsequent to June 30, 2023, the Company has entered into the following risk management contracts:

Commodity	Volumes sold	Term	Reference/Index	Contract Traded Bought /sold	Market Price
Natural gas	5,000 GJ/d	Nov 1, 2023 - Mar 31, 2024	AECO 5A (CAD\$/GJ)	Swap - sold	\$3.16
Natural gas	2,500 GJ/d	Nov 1, 2023 - Mar 31, 2024	AECO 5A (CAD\$/GJ)	Swap - sold	\$3.22
Natural gas	2,500 GJ/d	Apr 1, 2024 - Oct 31, 2024	AECO 5A (CAD\$/GJ)	Swap - sold	\$2.78

Natural gas contracts - sensitivity analysis

At June 30, 2023, if future natural gas prices changed by \$0.25 per GJ with all other variables held constant, net income (loss) for the period would change by \$0.5 million due to changes in the fair value of risk management contracts. Fair value sensitivity was based on published forward AECO prices.

Oil contracts

At June 30, 2023, the Company had entered the following oil risk management contracts:

Commodity	Volumes sold	Term	Reference/ Index	Contract Traded Bought /sold	Market Price
Crude oil	100 bbl/d	Jul 1 - Dec 31, 2023	WTI (US\$/bbl)	Swap - sold	\$89.15
Crude oil	200 bbl/d	Jul 1 - Dec 31, 2023	WTI (US\$/bbl)	Swap - sold	\$78.95
Crude oil	200 bbl/d	Jul 1 - Dec 31, 2023	WTI (US\$/bbl)	Swap - sold	\$77.40
Crude oil	200 bbl/d	Jul 1 - Dec 31, 2023	WCS (US\$/bbl)	Differential	(\$17.40)
Crude oil	250 bbl/d	Jul 1 - Dec 31, 2023	WCS (US\$/bbl)	Differential	(\$17.45)
Crude oil	100 bbl/d	Jul 1 - Dec 31, 2023	WCS (US\$/bbl)	Differential	(\$16.20)
Crude oil	100 bbl/d	Jul 1 - Dec 31, 2023	WCS (CAD\$/bbl)	Differential	(\$17.30)
Crude oil	100 bbl/d	Jan 1 - Dec 31 2024	WCS (US\$/bbl)	Differential	(\$17.30)
Crude oil	250 bbl/d	Jan 1 - Dec 31, 2024	WCS (US\$/bbl)	Differential	(\$17.50)

Subsequent to June 30, 2023, the Company has entered into the following oil risk management contracts:

Commodity	Volumes sold	Term	Reference/ Index	Contract Traded Bought /sold	Market Price
Crude oil	100 bbl/d	Aug 1 - Dec 31, 2023	WTI (US\$/bbl)	Swap - sold	\$74.97
Crude oil	50 bbl/d	Aug 1 - Dec 31, 2023	WTI (US\$/bbl)	Swap - sold	\$77.25
Crude oil	100 bbl/d	Aug 1 - Dec 31, 2023	WTI (CAD\$/bbl)	Swap - sold	\$101.50
Crude oil	100 bbl/d	Aug 1 - Dec 31, 2023	WCS (CAD\$/bbl)	Differential	(\$21.50)
Crude oil	100 bbl/d	Jan 1, 2024 - Dec 31, 2024	WTI (CAD\$/bbl)	Swap - sold	\$100.40
Crude oil	100 bbl/d	Jan 1, 2024 - Dec 31, 2024	WCS (CAD\$/bbl)	Differential	(\$19.48)

Oil contracts - sensitivity analysis

As at June 30, 2023, if future WTI oil prices changed by CAD\$5.00 per bbl with all other variables held constant, net income (loss) for the period would change by \$0.5 million due to changes in the fair value of risk management contracts.

Foreign exchange contracts

At June 30, 2023, the Company had entered the following USD/CAD foreign exchange swaps which settle in CAD\$:

Contract	Notional amount	Term	Price (US\$/CAD\$)
Average rate forward (US\$/CAD\$)	\$250,000 US\$/month	Jul 1 - Dec 31, 2023	1.3700
Average rate forward (US\$/CAD\$)	\$250,000 US\$/month	Jul 1 - Dec 31, 2023	1.3600
Average rate forward (US\$/CAD\$)	\$200,000 US\$/month	Jul 1 - Dec 31, 2023	1.3029
Average rate forward (US\$/CAD\$)	\$500,000 US\$/month	Jul 1 - Dec 31, 2023	1.3710

Foreign exchange contracts - sensitivity analysis

As at June 30, 2023, if future US\$/CAD\$ exchange rates changed by CAD\$0.05 with all other variables held constant, net income (loss) for the period would change by \$0.4 million due to changes in the fair value of risk management contracts.

Fair value of financial assets and liabilities

The Company's fair value measurements are classified into one of the following levels of the fair value hierarchy:

Level 1 – inputs represent unadjusted quoted prices in active markets for identical assets and liabilities. An active market is characterized by a high volume of transactions that provides pricing information on an ongoing basis.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These valuations are based on inputs that can be observed or corroborated in the marketplace, such as market interest rates or forecasted commodity prices.

Level 3 – inputs for the asset or liability are not based on observable market data.

The Company aims to maximize the use of observable inputs when preparing calculations of fair value. Classification of each measurement into the fair value hierarchy is based on the lowest level of input that is significant to the fair value calculation.

The fair value of cash and cash equivalents, accounts receivable, prepaid expenses and deposits, and accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity. The Credit Facility bears interest at a floating market rate, and accordingly, the fair market value approximates the carrying amount.

The fair value of the other liability is estimated by discounting future cash payments based on Perpetual's annual average realized oil and natural gas prices exceeding certain thresholds. This fair value measurement is classified as level 3 as significant unobservable inputs, including the discount rate and Perpetual's forecasted annual average realized oil and natural gas prices, are used in determination of the carrying amount. A discount rate of 8.1% was determined on inception of the agreement based on the characteristics of the instrument.

The fair value of financial assets and liabilities, excluding working capital, is attributable to the following fair value hierarchy levels:

As at June 30, 2023	Gross	Netting ⁽¹⁾	Carrying Amount	Fair value		
				Level 1	Level 2	Level 3
Financial assets						
Fair value through profit and loss						
Marketable securities	\$ 1,324	\$ —	\$ 1,324	\$ —	\$ 1,324	\$ —
Risk management contracts	1,884	(531)	1,353	—	1,353	—
Financial liabilities						
Financial liabilities at amortized cost						
Revolving bank debt	(12,927)	—	(12,927)	(12,927)	—	—
Senior notes	(34,018)	—	(34,018)	—	(34,018)	—
Term loan	(2,558)	—	(2,558)	—	—	(2,558)
Fair value through profit and loss						
Other liability	(2,563)	—	(2,563)	—	—	(2,563)
Risk management contracts	(1,003)	531	(472)	—	(472)	—

(1) Risk management contract assets and liabilities presented in the condensed interim consolidated statements of financial position are shown net of offsetting assets or liabilities where the arrangement provides for the legal right, and intention for net settlement exists.

19. RELATED PARTIES

Perpetual and Rubellite are considered related parties as certain officers and directors are in a position of control over Perpetual while also having significant influence and being considered key management personnel of Rubellite in addition to there being a relationship under the Management and Operating Services Agreement ("MSA"). During the three and six months ended June 30, 2023, Perpetual billed and/or incurred on behalf of Rubellite net transactions, which are considered to be normal course of oil and gas operations, totaling \$1.6 million and \$3.1 million, respectively (three and six months ended June 30, 2022 - \$1.3 million and \$1.9 million, respectively). Included within this amount are \$0.9 million and \$1.6 million (three and six months ended June 30, 2022 - \$0.4 million and \$0.7 million, respectively) of costs billed under the MSA. The Company recorded an accounts receivable of \$0.6 million owing from Rubellite as at June 30, 2023 (December 31, 2022 - accounts receivable of \$0.6 million).

Investments made in a private energy technology company, where the Company's CEO is a director, were valued at \$0.4 million at June 30, 2023, (December 31, 2022 - \$0.4 million). There were no amounts outstanding or receivable at June 30, 2023 (December 31, 2022 - nil).

DIRECTORS

Susan L. Riddell Rose

President, Chief Executive Officer and Director

Linda A. Dietsche

Independent Director⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

Geoffrey C. Merritt

Independent Director⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

Ryan A. Shay

Vice President, Finance and Chief Financial Officer and Director

Steven L. Spence

Independent Director⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

⁽¹⁾ Member of Audit Committee

⁽²⁾ Member of Reserves Committee

⁽³⁾ Member of Compensation and Corporate Governance Committee

⁽⁴⁾ Member of Environmental, Health & Safety Committee

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Vice President, Finance and Chief Financial Officer and Director

Ryan M. Goosen

Vice President, Business Development and Land

Jeffrey R. Green

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