



PERPETUAL
ENERGY

NEWS RELEASE

PERPETUAL ENERGY INC. ANNOUNCES ASSET DISPOSITION AND UPDATED 2023 GUIDANCE

Calgary, Alberta – October 17, 2023 (TSX:PMT) – Perpetual Energy Inc. (“Perpetual”, or the “Company”) is pleased to announce that it has entered into a Definitive Agreement (the “Agreement”) with Canadian private operator Pointbreak Resources Inc. to sell certain assets at Mannville in Eastern Alberta for gross proceeds of \$35.8 million in cash, prior to customary purchase price adjustments (the “Mannville Transaction”). The Mannville Transaction is expected to close on or about November 22, 2023 with a September 1, 2023 effective date. The properties included in the Mannville Transaction comprise substantially all of the production attributed to the Company’s Eastern Alberta cash-generating-unit which averaged 1,449 boe/d (65% conventional heavy oil) of sales production during the second quarter of 2023.

Perpetual is also pleased to announce it has completed the semi-annual borrowing base redetermination for its bank credit facility. The borrowing limit on Perpetual’s credit facility has been reconfirmed at \$30 million by the Company’s bank lending syndicate, with the next borrowing limit redetermination scheduled on or prior to May 31, 2024.

Proceeds from the Mannville Transaction will be used to reduce bank debt and manage future maturities on the Company’s Term Loan and Senior Notes and other obligations as they come due, as well as provide Perpetual with the liquidity to invest in its remaining assets at East Edson and pursue other new venture opportunities.

2023 UPDATED OUTLOOK

Perpetual’s Board of Directors previously approved annual exploration and development capital spending⁽¹⁾ of \$25 to \$32 million for 2023, prior to acquisitions and dispositions, if any, of which \$2 to \$4 million was allocated for potential spending in Eastern Alberta in the second half of 2023. As a result of the Mannville Transaction, the \$2 to \$4 million of spending allocated for Eastern Alberta will not occur, resulting in annual exploration and development capital spending⁽¹⁾ of \$23 - \$28 million focused primarily at East Edson, unchanged from previous guidance.

During the second half of 2023, Perpetual planned 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 2.8 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.

The table below summarizes anticipated exploration and development capital spending and drilling activities for Perpetual for the full year of 2023.

	H1 2023	# of wells	H2 2023	# of wells	2023	# of wells
	(\$ millions)	(gross/net)	(\$ millions)	(gross/net)	(\$ millions)	(gross/net)
West Central	\$10.4	2 / 1.0	\$12 - \$18	4 - 6 / 2.0 - 2.8	\$23 - \$28	6 - 8 / 3.0 - 3.8
Eastern Alberta	\$0.1	- / -	-	0 / 0.0	\$0.1	0 / 0.0
Total⁽¹⁾	\$10.5	2 / 1.0	\$12 - \$18	4 - 6 / 2.0 - 2.8	\$23.1 - \$28.1	6 - 8 / 3.0 - 3.8

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

Prior to giving effect to the Mannville Transaction, the Company was on track to deliver results in line with previous 2023 guidance. 2023 updated guidance assumptions, adjusted for the Mannville Transaction, are as follows:

	Updated 2023 Guidance	Previous 2023 Guidance
Exploration and development capital spending ⁽¹⁾ (\$ millions)	\$23 - \$28	\$25 - \$32
Cash costs ⁽¹⁾ (\$/boe)	\$16 - \$18	\$16 - \$18
Royalties (% of revenue) ⁽¹⁾	16 - 18%	16 - 18%
Average daily production (boe/d)	6,200 - 6,400	6,400 - 6,600
Production mix (%)	20% NGL	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 to address end of life asset retirement obligations, with total abandonment and reclamation expenditures of approximately \$1.5 to \$1.6 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).

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 SEDAR+ at www.sedarplus.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:

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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:

boe	barrels of oil equivalent
boe/d	barrels of oil equivalent 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.

Non-GAAP Financial Measures:

Exploration and development capital spending: Perpetual uses exploration and development 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.

Cash costs: Cash costs are controllable costs comprised of net operating costs, 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.

Supplementary Financial Measures

"Royalties (% of revenue)" is comprised of royalties, as determined in accordance with IFRS, divided by total Company sales production on a boe basis.

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 Updated 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: the benefits to be derived from the Mannville Transaction; the anticipated timing for closing the Mannville Transaction, the anticipated use of proceeds from the Mannville Transaction including to reduce bank debt and manage future maturities on the Company's Term Loan and Senior Notes and other obligations as they come due, as well as provide Perpetual with the liquidity to invest in its remaining assets at East Edson and pursue other new venture opportunities; forecast production and exploration and development capital spending for 2023; 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; climate change; severe weather events (including wild fires); 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 pandemics (including COVID-19), the war in Ukraine and related sanctions on commodity prices and the global economy, and the Israel-Palestinian conflict, 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.sedarplus.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.