PERPETUAL
ENERGY

NEWS RELEASE

PERPETUAL ENERGY INC. REPORTS THIRD QUARTER 2023 FINANCIAL AND OPERATING RESULTS

Calgary, Alberta – November 2, 2023 (TSX:PMT) – Perpetual Energy Inc. ("Perpetual", or the "Company") is pleased to report its third quarter 2023 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, 2023, which are available through the Company's website at www.perpetualenergyinc.com and SEDAR+ at www.sedarplus.ca.

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.

SUBSEQUENT EVENTS

Subsequent to the end of the third quarter and as previously announced, on October 17, 2023, Perpetual entered into a definitive agreement with a private operator 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 1,431 boe/d (66% conventional heavy oil) during the third quarter of 2023. 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.

Concurrent with the announcement of the Mannville Transaction, Perpetual confirmed it had completed the semi-annual borrowing base redetermination for its bank credit facility. Inclusive of the impact of the Mannville Transaction, the borrowing limit on Perpetual's credit facility was reconfirmed at $30.0 million by the Company's bank lending syndicate, with the next borrowing limit redetermination scheduled on or prior to May 31, 2024.

THIRD QUARTER 2023 HIGHLIGHTS

- Third quarter production averaged 6,570 boe/d[(1)] (78% natural gas) with production increases from two (1.0 net) wells drilled and brought on production at East Edson. The Company is on track to achieve its 2023 annual average production guidance, as updated for the previously announced Mannville Transaction, of 6,200 to 6,400 boe/d as a result of strong well performance from the new East Edson wells.

- Adjusted funds flow[(2)] was $9.1 million ($0.14/share) in the third quarter of 2023. On a unit-of-production basis, adjusted funds flow was $15.10/boe. Net cash flows from operating activities were $2.5 million.

- Perpetual invested $7.3 million in the third quarter of 2023 to drill, complete, equip and tie-in a two (1.0 net) well pad at East Edson targeting the Wilrich formation. In addition, $0.9 million was spent on asset retirement obligations ("ARO") during the third quarter to abandon wells that had reached their end of life and execute surface lease reclamation activities.

- Cash costs[(1)] were $9.8 million or $16.16/boe in the third quarter of 2023, inline with expectations for annual cash cost guidance of $16 to $18 per boe for 2023.

- Net income for the third quarter of 2023 was $3.7 million.

- Net debt[(1)] was $55.3 million at September 30, 2023, an decrease of $0.4 million from $55.7 million at December 31, 2022.

- Perpetual had available liquidity[(1)] at September 30, 2023 of $13.6 million, comprised of the $30.0 million borrowing limit of Perpetual's first lien credit facility, less current borrowings and letters of credit of $15.1 million and $1.3 million, respectively.

(1) See "Financial and Operating Highlights" for breakdown by product type.
(2) 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 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 previously allocated for Eastern Alberta will not occur. In addition, with further refinement of the execution timing of the East Edson drilling program, expected capital spending for the remainder of 2023 has been reduced to $5.5 to $6.5 million. These adjustments resulted in forecast annual 2023 exploration and development capital spending[(1)] of $22 - $23 million focused almost exclusively at East Edson, refined from previous guidance announced October 17, 2023.

During the fourth quarter of 2023, Perpetual plans to participate at its 50% working interest in an East Edson drilling program to drill, complete, equip and tie-in an additional two (1.0 net) horizontal Wilrich wells, to offset production declines through the West Wolf gas plant in order to optimize production and operating costs and meet transportation commitments. Additional expenditures are also planned for pad preparation for first quarter 2024 East Edson drilling activity.

The table below summarizes anticipated capital spending and drilling activities for Perpetual for the remainder of 2023.

	Q1-Q3 2023 ($ millions)	# of wells (gross/net)	Q4 2023 ($ millions)	# of wells (gross/net)	2023 ($ millions)	# of wells (gross/net)
West Central	$16.2	4 / 2.0	$5.5 - $6.5	2 / 1.0	$21.7 - $22.7	6 / 3.0
Eastern Alberta	$0.1	- / -	$—	- / -	0.1	0 /0.0
Total[(1)]	**$16.3**	**4 / 2.0**	**$5.5 - $6.5**	**2/ 1.0**	**$21.8 - $22.7**	**6 / 3.0**

(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. Updated 2023 guidance assumptions, adjusted for the Mannville Transaction and refined East Edson capital spending for the remainder of the year, are as follows:

	Updated 2023 Guidance	Previous 2023 Guidance[(1)]
Exploration and development capital expenditures[(2)(3)] (*$ millions*)	$22 - $23	$23 - $28
Cash costs[(2)] (*$/boe*)	$16 - $18	$16 - $18
Royalties (% of revenue)[(2)]	16 - 18%	16 - 18%
Average daily production (*boe/d*)	6,200 - 6,400	6,200 - 6,400
Production mix (%)	20% NGL	20% NGL

(1) Previous guidance dated October 17, 2023.
(2) 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.
(3) Excludes abandonment and reclamation spending and acquisitions or land expenditures.

Perpetual will continue to address end of life ARO, 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").

Financial and Operating Highlights	Three months ended September 30,			Nine months ended September 30,		
(CAD$ thousands, except volume and per share amounts)	**2023**	2022	Change	**2023**	2022	Change
Financial						
Oil and natural gas revenue	**17,477**	22,688	(23)%	**50,455**	80,597	(37)%
Net income (loss) and comprehensive income (loss)	**3,732**	8,234	(55)%	**(706)**	19,866	(104)%
Per share – basic[(2)]	**0.06**	0.13	(54)%	**(0.01)**	0.31	(103)%
Per share – diluted[(2)]	**0.05**	0.11	(55)%	**(0.01)**	0.27	(104)%
Cash flow from operating activities	**2,460**	8,749	(72)%	**18,191**	26,592	(32)%
Adjusted funds flow[(1)]	**9,127**	9,642	(5)%	**21,690**	34,264	(37)%
Per share[(1)(3)]	**0.14**	0.15	(7)%	**0.32**	0.52	(38)%
Total assets	**215,551**	203,431	6 %	**215,551**	203,431	6 %
Revolving bank debt	**15,144**	6,794	123 %	**15,144**	6,794	123 %
Term loan, principal amount	**2,671**	2,671	— %	**2,671**	2,671	— %
Other liability (undiscounted)	**2,788**	3,342	(17)%	**2,788**	3,342	(17)%
Senior Notes, principal amount	**33,519**	35,647	(6)%	**33,519**	35,647	(6)%
Adjusted working capital (surplus) deficiency[(1)]	**1,183**	17,689	(93)%	**1,183**	17,689	(93)%
Net debt[(1)]	**55,305**	66,143	(16)%	**55,305**	66,143	(16)%
Capital expenditures						
Net capital expenditures[(1)]	**7,310**	22,596	(68)%	**18,221**	31,794	(43)%
Common shares outstanding (thousands)[(4)]						
End of period	**66,881**	65,923	1 %	**66,881**	65,923	1 %
Weighted average – basic	**67,204**	65,016	3 %	**66,592**	63,964	4 %
Weighted average – diluted	**74,341**	74,607	— %	**66,592**	74,741	(11)%
Operating						
Daily average production						
Conventional natural gas (*MMcf/d*)	**30.8**	26.9	14 %	**30.8**	30.4	1 %
Heavy crude oil (*bbl/d*)	**942**	1,002	(6)%	**972**	821	18 %
NGL (*bbl/d*)	**493**	390	26 %	**487**	385	26 %
Total (boe/d)[(5)]	**6,570**	5,882	12 %	**6,585**	6,267	5 %
Average realized prices						
Realized natural gas price (*$/Mcf*)[(1)]	**2.34**	4.67	(50)%	**2.54**	5.88	(57)%
Realized oil price (*$/bbl*)[(1)]	**87.83**	87.24	1 %	**74.66**	98.95	(25)%
Realized NGL price (*$/bbl*)[(1)]	**71.00**	85.48	(17)%	**69.71**	92.37	(25)%
Wells drilled – gross (net)						
Conventional natural gas	**2/1.0**	6/3.0		**4/2.0**	7/3.5	
Heavy crude oil	**-/-**	3/3.0		**-/-**	5/5.0	
Total	**2/1.0**	9/6.0		**4/2.0**	12/8.5	

(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 (Q3 2023 – 1.6 million; Q3 2022 – 1.1 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 SEDAR+ at www.sedarplus.ca or from the Company's website at www.perpetualenergyinc.com.

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

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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:

bbl	barrels
bbl/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
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 September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Net cash flows used in investing activities	**3,308**	6,817	**13,387**	23,702
Purchase of marketable securities	**—**	(8)	**—**	(37)
Change in non-cash working capital	**4,002**	15,787	**4,834**	8,129
Capital expenditures	**7,310**	22,596	**18,221**	31,794

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:

	Three months ended September 30,		Nine months ended September 30,	
(*$ thousands, except per share and per boe amounts*)	**2023**	2022	**2023**	2022
Net cash flows from operating activities	**2,460**	8,749	**18,191**	26,592
Change in non-cash working capital	**5,779**	311	**2,049**	7,517
Decommissioning obligations settled (cash)	**888**	582	**1,450**	155
Adjusted funds flow	**9,127**	9,642	**21,690**	34,264
Adjusted funds flow per share	**0.14**	0.15	**0.32**	0.52
Adjusted funds flow per boe	**15.10**	17.82	**12.06**	20.03

Net operating costs: Net operating costs equals operating expenses net of other income, which is made up of processing revenue. Management views net operating costs as an important measure to evaluate its operational performance. The most directly comparable IFRS measure for net operating costs is production and operating expenses.

The following table reconciles net operating costs from production and operating expenses and other income in the Company's consolidated statement of income (loss) and comprehensive income (loss).

	Three months ended September 30,		Nine months ended September 30,	
(*$ thousands, except per share and per boe amounts*)	**2023**	2022	**2023**	2022
Production and operating	**4,507**	4,385	**13,417**	12,167
Processing income				
Other income	**(129)**	(331)	**(552)**	(644)
SRP revenue (1)	**—**	211	**—**	245
Processing income (1)	**(129)**	(120)	**(552)**	(399)
Net operating costs	**4,378**	4,265	**12,865**	11,768
Per boe	**7.25**	7.88	**7.15**	6.88

(1) Processing income is other income less amounts related to Alberta Site Rehabilitation Program ("SRP") revenue.

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

	Three months ended September 30,		Nine months ended September 30,	
(*$ thousands, except per boe amounts*)	**2023**	2022	**2023**	2022
Net operating costs	**4,378**	4,265	**12,865**	11,768
Transportation	**1,102**	1,025	**3,391**	2,649
General and administrative	**3,034**	2,649	**9,812**	7,056
Cash finance expense	**1,253**	1,143	**3,703**	3,353
Cash costs	**9,767**	9,082	**29,771**	24,826
Cash costs per boe	**16.16**	16.78	**16.56**	14.51

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 September 30, 2023	As of December 31, 2022
Accounts and accrued receivable	**13,097**	15,804
Prepaid expenses and deposits	**2,664**	1,564
Marketable securities	**2,522**	1,814
Inventory	**750**	674
Accounts payable and accrued liabilities	**(20,216)**	(18,962)
Adjusted working capital surplus (deficiency)	**(1,183)**	894
Bank indebtedness	**(15,144)**	(14,909)
Term loan (principal)	**(2,671)**	(2,671)
Other liability (undiscounted amount)	**(2,788)**	(3,342)
Senior notes (principal)	**(33,519)**	(35,647)
Net debt	**(55,305)**	(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 basis 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 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 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 NGL price" is comprised of NGL commodity sales from production, as determined in accordance with IFRS, divided by the Company's NGL sales production.

"Royalties (% of revenue)" is comprised of royalties, as determined in accordance with IFRS, divided by oil and natural gas revenue from sales production as determined in accordance with IFRS.

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: the anticipated timing for closing the Mannville Transaction, forecast production and exploration and development capital spending for the remainder of 2023; including its East Edson drilling program and the ability to offset production declines through the West Wolf gas plant in order to optimize production and operating costs and meet transportation commitments; other 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 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) and the war in Ukraine and related sanctions on commodity prices and the global economy, and the Israel-Hamas war, 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.ca) 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.