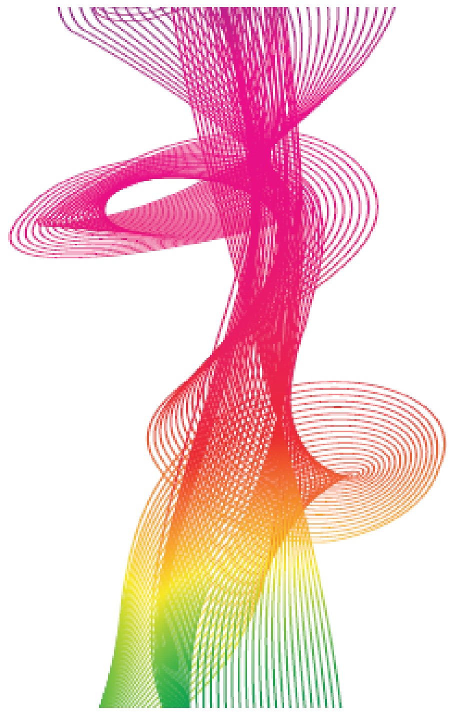
PERPETUAL
ENERGY

ANNUAL INFORMATION FORM



For the year ended
December 31, 2023

March 25, 2024

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ABOUT PERPETUAL

Perpetual Energy Inc. ("Perpetual" or the "Company") 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 and undeveloped bitumen leases in Northern Alberta. Additional information on Perpetual can be accessed on SEDAR+ www.sedarplus.ca or on the Corporation's website at www.perpetualenergyinc.com.

PRESENTATION OF INFORMATION

Throughout this Annual Information Form, the terms "**Perpetual**", the "**Corporation**", the "**Company**", "**we**" or "**our**" refer to Perpetual Energy Inc. and its wholly-owned subsidiaries.

Certain terms used but not defined herein are defined in National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"), CSA Notice 51-324 – *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* ("CSA 51-324") and in the Canadian Oil and Gas Evaluation Handbook Volume I (the "COGE Handbook"). Unless otherwise specified, information in this Annual Information Form is as at the end of the Corporation's most recently completed financial year, being December 31, 2023.

All dollar amounts herein are in Canadian dollars, unless otherwise stated. Words importing the singular also include the plural, and *vice versa*, and words importing one gender include all genders.

Certain portions of Perpetual's audited consolidated financial statements ("Financial Statements") and Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2023 are incorporated by reference into this Annual Information Form as indicated herein. The Financial Statements and MD&A are available on SEDAR+ at www.sedarplus.ca.

All references in this Annual Information Form to management are to the persons who are identified in this Annual Information Form as the executive officers of the Company. See "*Directors and Officers*". All statements in this Annual Information Form made by or on behalf of management are made in such persons' capacities as executive officers of the Company and not in their personal capacities.

This Annual Information Form contains information relating to Perpetual's business as well as historical and projected future performance, Perpetual's expectations, forecasts and guidance and other market data. When considering this data, investors should bear in mind that historical results and market data may not be indicative of the future results that investors should expect from Perpetual.

The information found on, or accessible through, Perpetual's website does not form part of this Annual Information Form.

A reference to an agreement means the agreement, as it may be amended, supplemented or restated from time to time.

Figures, columns and rows presented in tables provided in this Annual Information Form may not add due to rounding.

This Annual Information Form includes a summary description of certain material agreements of the Company. See "*Material Contracts*". The summary description discloses attributes that the Company considers material to an investor in the common shares of the Corporation ("Common Shares") but is not complete and is qualified in its entirety by reference to the terms of the material agreements, which have been filed with the applicable Canadian securities regulatory authorities and available on SEDAR+ at www.sedarplus.ca. Investors are encouraged to read the full text of such material agreements.

Certain market, independent third-party and industry data contained in this Annual Information Form is based upon information from government or other independent industry publications and reports or based on estimates derived from such publications and reports. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but the Company has not conducted its own independent verification of such information. While the Company believes this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Company has not independently verified any of the data from independent third-party sources referred to in this Annual Information Form or ascertained the underlying assumptions relied upon by such sources.

This Annual Information Form contains a number of references to industry specific terminology that is commonly used in the oil and gas business and is also used by the Company in this Annual Information Form.

Certain financial terms and measures contained in, or referred to in the documents incorporated by reference into, this Annual Information Form are "specified financial measures" (as such term is defined in National Instrument 52-112 - *Non-GAAP and Other Financial Measures Disclosure* ("NI 52-112"). The specified financial measures contained in, or referred to in the documents incorporated by reference into, this Annual Information Form are comprised of "non-GAAP financial measures", "non-GAAP ratios", "capital management measures" and "supplementary financial measures" (as such terms are defined in NI 52-112). These measures are defined, qualified, and where required, reconciled with the nearest GAAP measure in the MD&A under the heading "Non-GAAP and Other Financial Measures", which section is incorporated by reference herein.

See also "*Abbreviations*", "*Volume Conversions*" and "*Forward-Looking Information and Statements*".

CORPORATE STRUCTURE

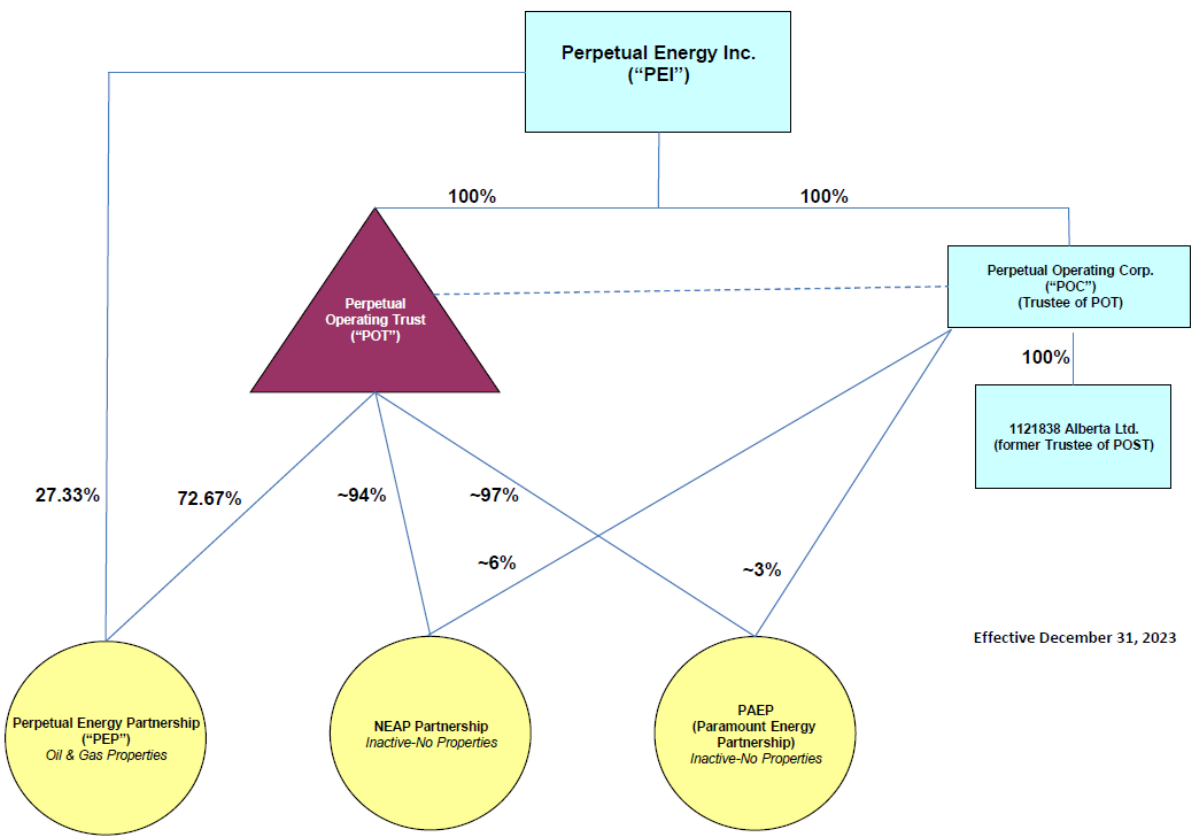
Name, Address and Incorporation

Perpetual Energy Inc., the successor to Paramount Energy Trust, was formed through an amalgamation on June 30, 2010 under the *Business Corporations Act* (Alberta) (the "ABCA") continuing under the name "Perpetual Energy Inc.".

Perpetual's head and registered office is located at Suite 3200, 605 – 5th Avenue S.W., Calgary, Alberta, T2P 3H5.

Inter-Corporate Relationships

The following diagram illustrates the inter-corporate relationship between Perpetual and its material subsidiaries as at January 1, 2024, the percentage of votes attached to all voting securities of such subsidiaries beneficially owned, or controlled or directed, directly or indirectly, by Perpetual and the jurisdiction of incorporation or formation of such subsidiaries.



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

The general development of Perpetual's business over the last three completed financial years is described below.

2021

On January 22, 2021 the Company exchanged all of its 2022 Senior Notes for new 8.75% secured third lien notes due January 23, 2025 (the "2025 Senior Notes") pursuant to a Court approved plan of arrangement (the "Note Exchange Arrangement").

On July 12, 2021, Rubellite Energy Inc. ("Rubellite") was incorporated as a wholly-owned subsidiary of Perpetual.

On September 3, 2021, Perpetual completed a plan of arrangement under the ABCA involving Perpetual, the shareholders of Perpetual, and Rubellite (the "Rubellite Arrangement"). The Rubellite Arrangement resulted in the disposition of all of Perpetual's Clearwater lands and associated wells, roads and facilities in northeast Alberta (the "Clearwater Assets") for consideration of $65.5 million. Consideration included $53.6 million in promissory notes, paid in cash on October 5, 2021, and the assumption of $5.8 million of promissory notes due to 1974918 Alberta Ltd. (a company controlled by the Company's CEO ("CEO"), the issuance of 680,485 Rubellite common shares valued at $1.4 million ("AIMCo Bonus Shares"), the return of 8.2 million Perpetual common shares exchanged in the Arrangement 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.

Pursuant to the Rubellite Arrangement, among other things, each shareholder of Perpetual received Rubellite Shares and warrants to purchase Rubellite Shares at an exercise price of $2.00 per Rubellite Share ("Arrangement Warrants"). Upon completion of the Arrangement the Rubellite Shares and Arrangement Warrants were listed for trading on the Toronto Stock Exchange (the "TSX").

On October 5, 2021, Perpetual settled its $45 million second lien term loan principal plus outstanding interest with the payment of approximately $38.5 million in cash, delivery of 680,485 Rubellite Shares, the AIMCo Bonus Shares, and entered into a new second lien term loan of $2.7 million (the "Second Lien Term Loan" or "Term Loan"). The Second Lien Term Loan bears interest at 8.1% annually, which Perpetual may elect to pay-in-kind, and will mature on December 31, 2024. Perpetual has the ability to repay any or all of the Second Lien Term Loan at any time without penalty. Perpetual also committed to pay up to $4.5 million in contingent payments in the event that Perpetual's annual average realized crude oil and natural gas prices exceed certain thresholds over the three year period ended December 31, 2023.

On July 15, 2021, Perpetual entered into an agreement with its syndicate of lenders to extend its revolving bank debt facility ("First Lien Credit Facility" or "Credit Facility") subject to the successful completion of the Rubellite Arrangement and related financings. The First Lien Credit Facility had a borrowing limit of $17 million, with an initial term to November 30, 2022, unless the revolving period was extended for a further six months subject to approval by the syndicate. If not extended on or before November 30, 2022, all outstanding advances would be repayable on May 31, 2023. The next borrowing limit redetermination was scheduled on or before May 31, 2022.

Three carried interest wells were drilled, completed and tied-in by the purchaser to complete its obligations relative to the East Edson Transaction closed in April 2020. Perpetual participated for its 50% working interest share in a six-well Wilrich drilling program and production was restored to levels which fully utilized the processing infrastructure at year end.

2022

Perpetual invested a total of $31.9 million to drill five horizontal multi-lateral heavy oil wells in the Sparky formation at Mannville and to participate for its 50% working interest share in a seven-well drilling program at East Edson, including six Wilrich locations and one Notikewin location. The Company generated adjusted funds flow in excess of capital spending and other obligations, reducing its total net debt outstanding by 4% at year end 2022.

During the second quarter of 2022, the borrowing limit for Perpetual's First Lien Credit Facility was increased to $30.0 million with an initial term to May 31, 2023. In November 2022, the borrowing base was reviewed and maintained at $30 million.

2023

On November 22, 2023, Perpetual closed the disposition of its assets at Mannville in Eastern Alberta ("the Mannville Disposition") for gross proceeds of $35.8 million before customary purchase price adjustments of $2.1 million for total net consideration of $33.7 million. The properties included in the Mannville Disposition comprise substantially all of the production attributed to Perpetual's Eastern Alberta cash-generating unit.

At East Edson, Perpetual invested a total of $21.5 million to participate for its 50% working interest share in a six-well drilling program and lease construction and pipeline costs relating to the 2023 and 2024 drilling programs.

During 2023, Perpetual's Credit Facility remained at $30.0 million. Perpetual generated adjusted funds flow in excess of capital spending and other obligations, and combined with the proceeds from the Mannville Disposition, reduced total net debt outstanding by 61% at year end 2023.

Recent Developments

Resolution of Sequoia Litigation

On August 3, 2018, Perpetual received a Statement of Claim that was filed by PricewaterhouseCoopers Inc. LIT ("PwC"), in its capacity as trustee in bankruptcy (the "Trustee") of Sequoia Resources Corp. ("Sequoia"), with the Alberta Court of King's Bench (the "Court"), against Perpetual (the "Sequoia Litigation"). The claim related to a transaction when, on October 1, 2016, Perpetual closed the disposition of shallow conventional natural gas assets in Eastern Alberta (the "Sequoia Disposition").

After several years of litigation, Perpetual has entered into an agreement (the "Settlement Agreement") with the Trustee to resolve the Sequoia Litigation without any party admitting liability, wrongdoing or violation of law, regulations, public policy or fiduciary duties. A Special

Committee of Perpetual's Board of Directors has determined that bringing closure to this long-standing contested litigation is in the best interests of all of Perpetual's stakeholders.

Pursuant to an agreement, and subject to Court approval, the Company will make an aggregate payment of $30.0 million (the "Settlement Principal") spread out over several years, consisting of an initial payment of $10.0 million and annual installments of $3.75 million until the total amount of the Settlement Principal is paid. Subject to the payment of all amounts under the Settlement Agreement, interest prior to March 27, 2026 will accrue and be forgiven. As of March 28, 2026, interest will accrue and be payable on the outstanding Settlement Principal at an interest rate equal to the applicable Bank of Canada prime rate on the date of payment. The Company is able to pre-pay all, or any portion, of the outstanding balance of the Settlement Principal at any time without bonus or penalty.

The certainty brought by the execution of the Settlement Agreement, and subsequent Court approval, terminates what has been, and would otherwise continue to be, a lengthy litigation process and allows Perpetual to advance its business plans with significantly improved access to capital, affording the financial flexibility to pursue value enhancing opportunities. The Company and the Board of Directors are pleased to put this matter behind us and move forward to unlock the inherent value potential of its asset base.

Term Loan Repayment

To simplify its capital structure, Perpetual has fully repaid and cancelled its second lien term loan provided by Alberta Investment Management Corporation due December 31, 2024 in the principal amount of $2.7 million, plus all accrued and unpaid interest.

2025 Senior Notes Redemption

The Company has also provided notice for the early redemption of all of the $33.2 million aggregate principal amount of 8.75% senior secured third lien notes maturing January 23, 2025 (the "2025 Senior Notes") on April 25, 2024 (the "Redemption Date").

The redemption amount will be CDN $1,000 for each $1,000 principal amount of 2025 Senior Notes including interest paid in kind ("PIK") and all accrued and unpaid interest (the "Redemption Price"). In connection with this early redemption, a holder may make elect to, in lieu of receiving the Redemption Price on the Redemption Date, continue to hold their 2025 Senior Notes by agreeing to certain amendments to be made to such notes. $22.29 per $1,000 principal amount of 2025 Senior Notes, representing all accrued and unpaid interest, will be paid to 2025 Senior Notes holders on the Redemption Date who do not make such an election to continue as a noteholder. All interest on the principal amount of 2025 Senior Notes that are redeemed shall cease to accrue and be payable from and after the Redemption Date.

Holders of 2025 Senior Notes who make an irrevocable election to amend the terms of their 2025 Senior Notes are required to do so no later than two business days prior to the Redemption Date. These amendments provide the Company with continuation of committed capital and transactional flexibility including the right to convert all or a portion of the 2025 Senior Notes into common shares of the Company at its discretion at any time prior to the maturity date as well as to provide for the second lien security which is required in connection with the resolution of the Sequoia litigation. Entities controlled or directed by the President and Chief Executive Officer, holding $26.2 million of 2025 Senior Notes, have provided written confirmation to Perpetual of their election to agree to the amended terms and to be a continuing holder of 2025 Senior Notes as amended. These entities will be treated identically to, and have the same rights and benefits as, the other holders of 2025 Senior Notes on a per security basis.

The Company's existing first lien credit facility (the "Credit Facility") has been amended to provide for these matters which includes the first lien lenders' consent to resolve the Sequoia litigation, conditional on completion of the Senior Notes redemption and Court approval. The borrowing base under the Credit Facility remains unchanged at $30.0 million, with the next borrowing base redetermination date scheduled for on or before May 31, 2024. The Credit Facility and the second lien security provided in connection with the resolution of the Sequoia Litigation contains certain restrictions on any potential refinancing and cash repayment of the 2025 Senior Notes.

The 2025 Senior Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, or the securities laws of any state of the United States, and may not be offered or sold in the United States of America or any of its territories or possessions or to U.S. Persons (as defined in Regulation S under the United States Securities Act of 1933, as amended). The redemption of 2025 Senior Notes does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States of America or any of its territories or possessions.

Significant Acquisitions

Perpetual did not complete any significant acquisitions during its most recently completed financial year for which disclosure is required under Part 8 of National Instrument 51-102.

DESCRIPTION OF THE BUSINESS

General

Perpetual Energy Inc. is an oil and natural gas exploration, production and marketing company headquartered in Calgary, Alberta. Perpetual owns a 50% non-operated working interest in liquids-rich natural gas assets in the deep basin of West Central Alberta and undeveloped oil sands leases in Northern Alberta.

Employees

At December 31, 2023, Perpetual had 41 full time employees and 8 hourly consultants located in its head office as well as 5 full time field staff.

Business Plan

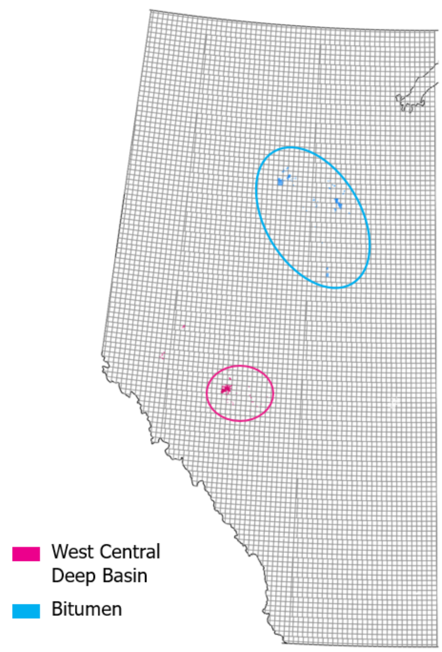
Perpetual's business plan is focused on growing production, reserves, adjusted funds flow and value through exploration and development and the application of innovative technologies. The Company actively manages its diversified portfolio of assets to capture and capitalize on opportunities, manage commodity price risk, and crystallize value as appropriate.

The Company's strategic priorities for 2024 are as follows:

1. Maximize Funds Flow and Value of Edson;
2. Re-ignite Active Exploration Program for Tight Oil and Gas;
3. Advance Technology-Driven Diversifying New Ventures; and
4. Strengthen Balance Sheet, Reduce Corporate Costs and Manage Risk.

Oil and Natural Gas Properties

The following is a description of our principal natural gas and oil properties as at December 31, 2023.



Major Areas	Current Production (1) (boe/d)	Developed and Undeveloped Land (net acres)	Gross Proved plus Probable Reserves(2) (MMboe)	2023 Drilling Program (# of gross locations)
West Central	**4,949**	**42,954**	**26.0**	**6.0 (3.0 net)**
Bitumen and Other	**—**	**164,516**	**—**	**—**
Total	**4,949**	**207,470**	**26.0**	**6.0 (3.0 net)**

1) Average December 2023 production was comprised of 26.4 MMcf/d of conventional natural gas production, 549 bbl/d of natural gas liquids and 1 bbl/d of conventional heavy crude oil. Refer to "Volume Conversions" on page 46 of this Annual Information Form.
2) The reserves data set forth is based upon the figures contained in the report of McDaniel & Associates Consultants Ltd. ("McDaniel") dated effective December 31, 2023, with a preparation date of March 6, 2024 (the "McDaniel Report") evaluating substantially all of Perpetual's oil, natural gas and NGL reserves.

West Central Deep Basin

In the West Central deep basin, core operations have been established in the greater Edson area where the Company owns both vertical, multi-zone commingled wells and horizontal wells producing liquids-rich conventional natural gas primarily from the Wilrich Formation. In 2020, Perpetual sold 50% of its working interest in the East Edson area. Major facilities include 50% of a non-operated, natural gas plant including liquids recovery facilities, a compressor station, a 15.5 km sales pipeline and an extensive gathering system. Additionally, a 7.5% working interest in a second non-operated, natural gas plant provides additional processing and egress options.

East Edson

On April 1, 2020, the Company completed the East Edson Transaction to sell 50% of its working interest in the East Edson property. The East Edson area is located west of Edmonton, Alberta in the Alberta Deep Basin and is comprised of 28,854 net acres (38% undeveloped). The Company holds an average 50% working interest in 89 (44.3 net) producing natural gas wells and an average 50% working interest in 1.0 (0.5 net) producing oil well. This area represented approximately 79% of Perpetual's production for the year 2023. As per the East Edson

Transaction, the Company no longer operates its production in this area. Production averaged 5,149 boe/d in 2023 including 28.3 MMcf/d of conventional natural gas and 434 bbl/d of oil and natural gas liquids ("NGL"). Production in December 2023 averaged 4,949 boe/d as the production from the drilling program was fully online. The primary development in the area is horizontal wells targeting the Wilrich Formation. Secondary targets include liquids-rich conventional natural gas development potential in the Rock Creek, Gething, Fahler, Notikewin, Viking and Second White Specks Formations.

In 2023, the Company participated in the drilling, completion and tie-in of 6.0 (3.0 net) wells targeting the Wilrich Formation which were all on production at December 31, 2023. The Company also participated in the drilling of 1.0 (0.5 net) well targeting the Notikewin Formation in late 2022, which was placed on stream in Q1 2023.

Pursuant to a joint venture arrangement, the East Edson property is subject to a gross overriding royalty to an industry partner up to a maximum of 5.6 MMcf/d of natural gas plus oil and associated NGL payable on a monthly basis through to December 31, 2022, declining thereafter at 10% per year until December 31, 2034 at which time the arrangement terminates. As part of the East Edson Transaction in April 2020, Perpetual retained 100% of this royalty obligation through to December 31, 2022, at which time Perpetual's share of the royalty obligation reverted to 50% thereafter. The current gross overriding royalty on Perpetual's 50% share is 2.3 MMcf/d of natural gas plus oil and associated NGL.

Production is processed through two non-operated facilities, the 50% owned 65 MMcf/d capacity shallow cut West Wolf Lake gas processing facility, and a 7.5% working interest in a 90 MMcf/d capacity facility at Rosevear. An extensive gathering system and 50% Company owned compressor station integrates operations across the field and allows for optimization of throughput. Perpetual's combined working interest capacity through both facilities is approximately 39 MMcf/d. Perpetual's current firm transportation commitments on TC Energy's NGTL natural gas pipeline is 29.7 MMcf/d in 2023. Associated NGL volumes of approximately 15 bbls per MMcf (53% condensate) of conventional natural gas are recovered at the two facilities, with a point of sale delivery point for condensate and unsegregated NGL at the plant gate. Various facilities projects were executed in 2022 with goals to increase liquids recovery, improve plant efficiencies and reduce emissions. The result of this work is evident in the increase in NGL recoveries to 16.5 bbl per MMcf in the last two months of the year as compared to 13.5 bbl per MMcf in Q1 2022.

Other assets in the West Central Deep Basin area are comprised of 2,160 net acres (36% undeveloped) and various gross overriding royalties on 15,920 acres of land (51% undeveloped). The Company has an average 29% working interest in 4.0 (1.2 net) producing natural gas wells at year end 2023 in the West Central Deep Basin outside of the East Edson Area.

Eastern Alberta

<u>*Mannville*</u>

Perpetual closed the Mannville Disposition which included the sale of the majority of the Company's assets at Mannville in Eastern Alberta for gross proceeds of $35.8 million in cash, prior to customary purchase price adjustments with a September 1, 2023 effective date. The properties included in the Mannville Disposition comprise substantially all of the Company's production in Eastern Alberta which averaged 1,431 boe/d (66% conventional heavy oil) during the third quarter of 2023.

Bitumen

Perpetual held 92,162 net acres (97% undeveloped) of oil sands leases at December 31, 2023, in northeast Alberta. The bitumen resource potential on these leases may be developed over the long-term using a variety of recovery techniques, ranging from near cold production technologies to in-situ thermal techniques such as electro-thermal heat generation technology.

In 2013, Perpetual received funding approval through the Alberta government's Innovative Energy Technology Program ("IETP") for the Company's Low-Pressure Electro-Thermally Assisted Drive ("LEAD") pilot project to advance the development of bitumen in the Bluesky reservoir in the Panny area of northeast Alberta. Total capital and operating costs incurred over the 2013 through 2017 period for phase one of the initial pilot project were $11.4 million of which $3.4 million was funded by IETP. The first phase of LEAD, consisting of a single well cyclic heat stimulation ("CHS") pilot, was initiated in 2015. Perpetual drilled two (2.0 net) observation wells, installed a downhole electrical heater and related instrumentation on an existing horizontal well and completed construction of a bitumen battery in 2015. First heat in the ground commenced in mid-October 2015 with positive preliminary results from the first heating phase assessed through detailed data monitoring in near proximity observation wells. Four cycles of heating and production were conducted from start up. The single well CHS phase of the pilot was shut down during the second quarter of 2017. Perpetual continues to evaluate the application of solvent and other technologies, utilizing important learnings from the CHS project, as well as the potential for cold flow from multi-lateral open hole horizontal drilling.

Environmental, Social and Governance ("ESG")

Perpetual is committed to strong ESG performance. Key components of the Corporation's ESG program includes emissions management and an ongoing reclamation program returning the land to original state. The Corporation's social practices include workplace diversity and support of charitable causes. The Corporation remains committed to ensuring that its governance structure is appropriate and having regard to best ethical practices for Perpetuals's size and stage of development.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

MARCH 6, 2024

The reserves data set forth below is based upon the figures contained in the report of McDaniel & Associates Consultants Ltd. ("McDaniel") dated effective December 31, 2023, with a preparation date of March 6, 2024 (the "McDaniel Report") evaluating substantially all of Perpetual's heavy crude oil, NGL and conventional natural gas reserves.

Disclosure of Reserves Data

The Report on Reserves Data by McDaniel in Form 51-101F2 is attached as Appendix B to this Annual Information Form and the Report of Management and Directors on Oil and Gas Disclosure in Form 51-101F3 is attached as Appendix A to this Annual Information Form.

In the McDaniel Report, McDaniel evaluated 100% of the assigned total proved plus probable reserves. McDaniel prepared their reserve report using their own technical assumptions and interpretations, methodologies and cost assumptions and the equal weighting of three consultant (McDaniel, GLJ, Sproule) average price forecasts (the "Consultant Average Price Forecast"). Due to rounding, certain columns set forth below in this section may not add.

The McDaniel Report has been prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101, CSA 51-324, and the COGE Handbook. Additional information not required by NI 51-101 has been presented to provide continuity and additional information which Perpetual believes is important to readers of this Annual Information Form. McDaniel was engaged to provide evaluations of proved and proved plus probable reserves and no attempt was made to evaluate possible reserves.

All of the Corporation's reserves are in Canada and, more specifically, in the province of Alberta.

There are numerous uncertainties inherent in estimating quantities of crude oil, NGL and conventional natural gas reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth in this Annual Information Form are estimates only. In general, estimates of economically recoverable crude oil, NGL and conventional natural gas reserves and the future net revenues therefrom are based upon a number of variable factors and assumptions, such as geological, geophysical, and engineering assessment of hydrocarbons in place on Company lands, historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital and abandonment and reclamation expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For those reasons, estimates of the economically recoverable crude oil, NGL and conventional natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. The Corporation's actual production, revenues, royalties, development, abandonment and reclamation, and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

The information relating to the Corporation's crude oil, NGL and conventional natural gas reserves contains forward-looking statements relating to anticipated production, future net revenues, forecast capital expenditures, future development plans and costs related thereto, forecast operating costs, anticipated production, and abandonment and reclamation costs. See "*Forward-Looking Information and Statement*s" and "*Risk Factors – Reserves Estimates*".

It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained, and variances could be material. Actual reserves and value may be greater than or less than the estimates provided in this Statement of Reserves and Other Oil and Gas Information.

SUMMARY OF RESERVES
TOTAL RESERVES
as at December 31, 2023
FORECAST PRICES AND COSTS[3]

Reserves Categories	Light and Medium Crude Oil		Heavy Crude Oil		Conventional Natural Gas		Natural Gas Liquids		Oil Equivalent	
	Gross[1] (*Mbbl*)	Net[2] (*Mbbl*)	Gross[1] (*Mbbl*)	Net[2] (*Mbbl*)	Gross[1] (*MMcf*)	Net[2] (*MMcf*)	Gross[1] (*Mbbl*)	Net[2] (*Mbbl*)	Gross[1] (*Mboe*)	Net[2] (*Mboe*)
Proved Producing	6	11	—	—	52,682	42,716	919	634	9,705	7,764
Proved Non Producing	—	—	—	—	168	191	3	3	31	35
Proved Undeveloped	—	—	—	—	33,367	30,291	581	476	6,142	5,525
Total Proved	**6**	**11**	**—**	**—**	**86,216**	**73,198**	**1,503**	**1,113**	**15,878**	**13,324**
Probable Producing	2	3	—	—	13,507	11,885	236	174	2,488	2,158
Probable Non Producing	—	—	—	—	2,307	1,862	40	26	425	336
Probable Undeveloped	—	—	—	—	39,053	34,525	680	519	7,188	6,273
Total Probable	**2**	**3**	**—**	**—**	**54,868**	**48,272**	**955**	**719**	**10,101**	**8,767**
Proved plus Probable	**7**	**13**	**—**	**—**	**141,084**	**121,470**	**2,458**	**1,832**	**25,980**	**22,091**

(1) "Gross" refers to working interest reserves before royalty deductions.
(2) "Net" refers to company interest volumes after royalties including the East Edson royalty.
(3) May not add due to rounding.

NET PRESENT VALUE OF FUTURE NET REVENUE
BEFORE TAX as at December 31, 2023
FORECAST PRICES AND COSTS (*$ millions*)[1][4]

Reserves Categories	Before Income Taxes Discounted at (%)					Unit Value Before Income Tax Discounted At 10%/Year[2]
	0%	**5%**	**10%**	**15 %**	**20 %**	**($/Boe)**
Proved Producing[3]	114	88	70	58	49	8.98
Proved Non Producing	0	0	0	0	0	7.61
Proved Undeveloped	87	54	36	24	17	6.43
Total Proved[3]	**201**	**142**	**105**	**82**	**66**	**7.92**
Probable Producing	52	30	19	14	10	8.89
Probable Non Producing	6	3	2	1	0	4.54
Probable Undeveloped	141	81	52	36	27	8.36
Total Probable[3]	**200**	**114**	**73**	**51**	**37**	**8.34**
Total Proved plus Probable[3]	**401**	**256**	**179**	**133**	**104**	**8.09**

(1) January 1, 2024 Consultant Average Price Forecast.
(2) Unit values are based on net reserve volumes.
(3) Inclusive of the East Edson royalty obligation, carbon tax, asset retirement obligations for sites not assigned reserves, and natural gas market diversification contracts.
(4) May not add due to rounding.

NET PRESENT VALUE OF FUTURE NET REVENUE
AFTER TAX
as at December 31, 2023
FORECAST PRICES AND COSTS (*$ millions*)[4]

	After Income Taxes Discounted at (%)[1]					Unit Value After Income Tax Discounted At 10%/Year[2]
Reserves Categories	**0%**	**5%**	**10%**	**15 %**	**20 %**	**($/Boe)**
Proved Producing[3]	114	88	70	58	49	8.98
Proved Non Producing	0	0	0	0	0	7.61
Proved Undeveloped	81	52	35	24	16	6.27
Total Proved[3]	**195**	**140**	**105**	**82**	**66**	**7.85**
Probable Producing	52	30	19	14	10	8.89
Probable Non Producing	6	3	2	1	0	4.54
Probable Undeveloped	95	58	39	29	22	6.29
Total Probable[3]	**154**	**91**	**60**	**43**	**32**	**6.86**
Proved plus Probable[3]	**349**	**231**	**165**	**125**	**98**	**7.46**

(1) After tax net present value of the Corporation's oil and gas properties reflects the tax burden on the properties on a stand-alone basis and utilizes the Corporation's tax pools.
(2) Unit values are based on net reserve volumes.
(3) Inclusive of the East Edson royalty obligation, carbon tax, asset retirement obligations for sites not assigned reserves, and natural gas market diversification contracts.
(4) May not add due to rounding.

FUTURE NET REVENUE
TOTAL RESERVES (UNDISCOUNTED)
as at December 31, 2023
FORECAST PRICES AND COSTS (*$ millions*)

Reserves Categories	**Revenue**	**Royalties**	**Operating Costs**	**Development Costs**	**Abandonment and Reclamation Costs**	**Future Net Revenue Before Income Taxes**	**Income Taxes**	**Future Net Revenue After Income Taxes[1]**
Proved Reserves	523	(84)	(153)	(58)	(27)	201	(6)	195
Proved plus Probable	900	(135)	(237)	(98)	(29)	401	(52)	349

(1) After tax future net revenue after income taxes for the Corporation's oil and gas properties reflects the tax burden on the properties on a stand-alone basis and utilizes the Corporation's tax pools.

FUTURE NET REVENUE
TOTAL RESERVES
BY PRODUCTION TYPE
as at December 31, 2023

Reserve Categories	Production Type	Future Net Revenue Before Income Taxes (discounted at 10%/year) (*$ millions*)	Unit Value (*$/Mcf*) (*$/bbl*)(1)(2)
Proved Reserves	Conventional Natural Gas (including by-products but excluding solution gas and by-products from oil wells)(2)	$ 104.8	$ 1.43
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by products)	$ 0.7	$ 71.32
Proved Reserves	Heavy Crude Oil (including solution gas and other by products)	$ —	$ 63.39
Proved Reserves – Total		$ 105.5	
Proved plus Probable Reserves	Conventional Natural Gas (including by-products but excluding solution gas and by-products from oil wells)(2)	$ 177.8	$ 1.46
Proved plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by products)	$ 0.9	$ 68.80
Proved plus Probable Reserves	Heavy Crude Oil (including solution gas and other by products)	$ —	$ 60.92
Proved plus Probable Reserves – Total		$ 178.6	

(1) Unit values are calculated using the future net revenue discounted at 10% divided by the Major Production Type net reserves for each group.
(2) Inclusive of the East Edson royalty obligation, carbon tax, asset retirement obligations for sites not assigned reserves, and corporate marketing assets.

Forecast Prices and Costs

Pricing Assumptions (Forecast Prices and Costs)

SUMMARY OF PRICING ASSUMPTIONS
as at December 31, 2023
FORECAST PRICES AND COSTS(1)

Year	West Texas Intermediate Crude Oil (*$US/bbl*)	Edmonton Light Crude Oil (*CDN/bbl*)	Alberta Heavy Crude Oil (*CDN/bbl*)	Natural Gas at AECO (*CDN/MMBtu*)	U.S Henry Hub (*$US/MMBtu*)	Foreign Exchange (*$US/CDN*)(2)
2024	73.67	92.91	69.01	2.20	2.75	0.752
2025	74.98	95.04	71.90	3.37	3.64	0.752
2026	76.14	96.07	72.78	4.05	4.02	0.755
2027	77.66	97.99	74.41	4.13	4.10	0.755
2028	79.22	99.95	76.56	4.21	4.18	0.755
2029	80.80	101.94	78.10	4.30	4.27	0.755
2030	82.42	103.98	79.67	4.38	4.35	0.755
2031	84.06	106.06	81.27	4.47	4.44	0.755
2032	85.74	108.18	82.90	4.56	4.53	0.755
2033	87.46	110.35	84.57	4.65	4.62	0.755
2034	89.21	112.56	86.26	4.74	4.71	0.755
2035	90.99	114.81	87.99	4.84	4.81	0.755
2036	92.81	117.10	89.75	4.94	4.90	0.755
2037	94.67	119.45	91.54	5.03	5.00	0.755
2038	96.56	121.83	93.37	5.14	5.10	0.755

(1) Source: Consultant Average Price Forecast.
(2) Exchange rates used to generate the benchmark reference prices in this table.

For comparison purposes, the Corporation's average realized natural gas price for the year ended December 31, 2023 was $2.49/Mcf before realized gains on risk management contracts, and $4.13/Mcf after realized gains of $1.64/Mcf on natural gas risk management contracts. The weighted average AECO daily index gas price for the same 12-month period was $2.64/GJ (1 GJ = 1.06 MMBtu or Mcf. See "Volume Conversions" on page 51). Perpetual's average realized oil price of $75.40/bbl before realized losses on risk management contracts, and $73.93/bbl after realized losses of $1.47/bbl on oil risk management contracts. The Corporation average realized NGL price of $68.53/bbl in 2023 included nil of realized gains or losses on risk management contracts. The WTI average benchmark price for 2023 was US$77.62/bbl.

**RECONCILIATION OF COMPANY GROSS RESERVES
BY PRINCIPAL PRODUCT TYPE
FORECAST PRICES AND COSTS(1)**

Factors	Light and Medium Crude Oil Gross Proved (*Mbbl*)	Light and Medium Crude Oil Gross Probable (*Mbbl*)	Light and Medium Crude Oil Gross Proved plus Probable (*Mbbl*)	Heavy Crude Oil Gross Proved (*Mbbl*)	Heavy Crude Oil Gross Probable (*Mbbl*)	Heavy Crude Oil Gross Proved plus Probable (*Mbbl*)	Total Crude Oil Gross Proved (*Mbbl*)	Total Crude Oil Gross Probable (*Mbbl*)	Total Crude Oil Gross Proved plus Probable (*Mbbl*)
December 31, 2022	**10**	**—**	**11**	**2,859**	**1,128**	**3,987**	**2,869**	**1,128**	**3,997**
Extensions & Improved Recoveries	—	—	—	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—	—	—	—
Technical Revisions	(3)	1	(2)	(13)	—	(13)	(16)	1	(15)
Acquisitions	—	—	—	—	—	—	—	—	—
Dispositions	—	—	—	(2,536)	(1,128)	(3,664)	(2,536)	(1,128)	(3,664)
Production	(1)	—	(1)	(310)	—	(310)	(311)	—	(311)
Economic Factors	—	—	—	—	—	—	—	—	—
December 31, 2023	**6**	**2**	**7**	**—**	**—**	**—**	**6**	**2**	**7**

(1) May not add due to rounding.

**RECONCILIATION OF COMPANY GROSS RESERVES
BY PRINCIPAL PRODUCT TYPE
FORECAST PRICES AND COSTS(1)**

Factors	Conventional Natural Gas Gross Proved (*MMcf*)	Conventional Natural Gas Gross Probable (*MMcf*)	Conventional Natural Gas Gross Proved plus Probable (*MMcf*)	Natural Gas Liquids Gross Proved (*Mbbl*)	Natural Gas Liquids Gross Probable (*Mbbl*)	Natural Gas Liquids Gross Proved plus Probable (*Mbbl*)	Oil Equivalent Gross Proved (*Mboe*)	Oil Equivalent Gross Probable (*Mboe*)	Oil Equivalent Gross Proved plus Probable (*Mboe*)
December 31, 2022	**101,333**	**50,969**	**152,302**	**1,480**	**763**	**2,244**	**21,238**	**10,386**	**31,625**
Extensions & Improved Recoveries	7,698	(2,811)	4,887	134	(49)	85	1,417	(517)	900
Discoveries	—	—	—	—	—	—	—	—	—
Technical Revisions	(4,030)	(1,079)	(5,109)	73	53	125	(615)	(126)	(741)
Acquisitions	—	10,752	10,752	—	187	187	—	1,979	1,979
Dispositions	(7,583)	(3,036)	(10,619)	—	—	—	(3,800)	(1,634)	(5,434)
Production	(10,967)	—	(10,967)	(180)	—	(180)	(2,319)	—	(2,319)
Economic Factors	(235)	73	(162)	(4)	1	(3)	(43)	13	(30)
December 31, 2023	**86,216**	**54,868**	**141,084**	**1,503**	**955**	**2,458**	**15,878**	**10,101**	**25,980**

(1) May not add due to rounding.

Extensions and improved recoveries reserve increase is due to the booking of 2 (1.0 net) Wilrich undeveloped locations in the northern portion of the East Edson property.

The East Edson property recorded a negative technical revision in the conventional natural gas and natural gas liquids categories due to a change in the planned drilling orientation by the operator of two previously booked locations that reduces the Perpetual net share in the gross reserves assigned. The 2023 East Edson Wilrich drilling program delivered as expected on 2 (1.0 net) of the 6 (3.0 net) previously booked Wilrich locations. The remaining 4 (2.0 net) 2023 East Edson Wilrich wells have underperformed expectations and contributed to a negative technical revision for the property.

Lands acquired in East Edson area during 2023 added 4 (2.0 net) additional future drilling locations that were recognized as probable undeveloped reserves.

The disposition change is due the sale of Mannville assets in 2023.

Economic factors changes in reserves was not material.

Additional Information Relating to Reserves Data

Proved Undeveloped Reserves

The following table discloses, for each product type, the volumes of proved undeveloped reserves that were first attributed in each of the most recent three financial years and, in the aggregate, before that time.

	Light and Crude Medium Oil (*Mbbl*)		Heavy Crude Oil (*Mbbl*)		Conventional Natural Gas (*MMcf*)		Natural Gas Liquids (*Mbbl*)	
Year	**First Attributed**	**Cumulative at Year End**	**First Attributed**	**Cumulative at Year End**	**First Attributed**	**Cumulative at Year End**	**First Attributed**	**Cumulative at Year End**
Prior thereto	—	—	1,353	2,283	—	64,989	—	1,217
2022	—	—	115	865	4,151	44,022	64	689
2023	—	—	—	679	11,017	39,887	175	630
2024	—	—	—	—	7,698	33,367	134	581

The Corporation has a large inventory of proved undeveloped reserves associated with its liquids-rich Wilrich conventional natural gas in West Central Alberta. These reserves are booked as per the COGE Handbook to Company lands immediately adjacent to existing producing wells. McDaniel has forecast the development of these proved undeveloped reserves, consisting of 18 (8.3 net) horizontal conventional natural gas wells, over the next five years as part of drilling programs subject to commodity prices.

Proved undeveloped heavy crude oil reserves had been booked for heavy crude oil at Mannville which was sold in late 2023.

Probable Undeveloped Reserves

The following table discloses, for each product type, the volumes of probable undeveloped reserves that were first attributed in each of the most recent three financial years and, in the aggregate, before that time.

	Light and Medium Crude Oil (*Mbbl*)		Heavy Crude Oil (*Mbbl*)		Conventional Natural Gas (*MMcf*)		Natural Gas Liquids (*Mbbl*)	
Year	**First Attributed**	**Cumulative at Year End**	**First Attributed**	**Cumulative at Year End**	**First Attributed**	**Cumulative at Year End**	**First Attributed**	**Cumulative at Year End**
Prior thereto	—	—	1,134	2,095	—	27,058	—	519
2022	—	—	—	1,656	13,561	72,340	214	1,130
2023	—	—	—	581	12,905	34,395	205	542
2024	—	—	—	—	7,941	39,053	138	680

The Corporation has a large inventory of probable undeveloped reserves associated with its liquids-rich Wilrich conventional natural gas in West Central Alberta. These reserves are booked as per the COGE handbook to Company lands. McDaniel has forecast the development of these probable undeveloped reserves, consisting of 12 (5.4 net) horizontal conventional natural gas wells, over the next six years as part of larger drilling programs subject to commodity prices.

Probable undeveloped heavy crude oil reserves had been booked for heavy crude oil at Mannville which was sold in late 2023.

The Corporation uses many factors to determine its annual budgets and all projects, whether booked as undeveloped reserves or unbooked prospect inventory drilling locations. All projects compete for capital, with funding balanced to maximize returns and cash flows from capital investment as well as drive strategic initiatives.

Future Development Costs

The following table sets forth development costs deducted in the estimation of Perpetual's future net revenue attributable to the reserve categories noted below.

FUTURE DEVELOPMENT COSTS
FORECAST PRICES AND COSTS (*$ millions*)

Year	**Proved Reserves**		**Proved plus Probable Reserves**	
Discount Rate	0%	10%	0%	10%
2024	10.2	10.0	13.4	12.9
2025	10.0	8.5	22.0	19.0
2026	19.4	15.1	19.4	15.1
2027	14.8	10.6	18.2	13.1
2028	3.6	2.3	21.0	13.6
Thereafter	0.4	0.2	3.6	2.1
Total	**$58.5**	**$46.8**	**$97.6**	**$75.9**

The Corporation expects to fund future development costs ("FDC") from internally-generated adjusted funds flow, debt or equity financing through the capital markets, or through joint venture arrangements with industry partners. The Corporation does not expect such costs to make development of any properties uneconomic. The McDaniel Report on Reserves Data estimates that FDC of $97.6 million will be required over the life of the Corporation's proved plus probable reserves. Proved plus probable reserve forecast FDC have decreased by $6.9 million (7%) from $104.6 million at December 31, 2022. On a proved basis, forecast FDC have decreased by $12.9 million (18%) from $71.3 million at December 31, 2022 to $58.5 million at December 31, 2023.

FDC for the East Edson property has decreased by $0.8 million in the proved category and is attributable to an increase in costs per well that has been offset by a decrease in the number of net locations. In the proved and probable category, FDC increased by $11.8 million and is attributable to an increase in costs per well that has been marginally offset by a slight decrease in the number of net locations. At year end 2023, proved plus probable locations of 30 (13.7 net) horizontal conventional natural gas wells targeting the Wilrich at East Edson is unchanged from 30 (14.1 net) at year end 2022.

As the Corporation continues to invest capital to bring on additional production, development of the undeveloped reserves will systematically be undertaken over the next several years.

Abandonment and Reclamation Obligations

McDaniel's reserve assessment includes an estimate of the Corporation's total future decommissioning obligations based on net ownership interest in all wells, facilities and pipelines, including estimated costs to abandon the wells, facilities and pipelines and reclaim the sites, and the estimated timing of the costs to be incurred in future periods as summarized in the following table as at December 31, 2023:

	Undiscounted	**Discounted at**			
(*$ millions*, net to Perpetual)	**Uninflated**	**5%**	**10%**	**15%**	**20%**
Estimated abandonment and reclamation obligations associated with existing wells, pipelines and facilities(1)	$17.9	$11.8	$7.9	$6.2	$5.3
Estimated abandonment and reclamation obligations associated with the future development of reserves	1.5	0.5	0.1	—	—
Total estimated abandonment and reclamation obligations	$19.4	$12.3	$8.0	$6.2	$5.3

(1) Estimated internally in accordance with NI 51-101. Includes estimated abandonment and reclamation obligations for wells and related pipelines and facilities with no reserves assigned and for reclamation activities related to abandoned sites.

Significant Factors or Uncertainties

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserves estimates contained herein are based on current production forecasts, prices and economic conditions.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and government restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological, geophysical or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year end oil and gas prices and reservoir performance. Such revisions can be either positive or negative.

OTHER OIL AND GAS INFORMATION

Oil and Gas Properties

A description of Perpetual's important oil and natural gas properties as at December 31, 2023 is included as part of "*Description of the Business – Operations*".

Oil and Gas Wells

The following table sets forth the number and status of wells in which the Corporation had a working interest as at December 31, 2023:

	Producing Gas Wells		Producing Oil Wells		Non Producing Gas Wells(3)(4)		Non Producing Oil Wells(3)(4)	
Property	**Gross(1)**	**Net(2)**	**Gross(1)**	**Net(2)**	**Gross(1)**	**Net(2)**	**Gross(1)**	**Net(2)**
West Central	93	45.4	1	0.5	25	10.7	3	1.1
Eastern	0	0.0	0	0.0	85	82.1	8	8.0
Total	93	45.4	1	0.5	110	92.8	11	9.1

(1) "Gross" refers to the number of wells, respectively, in which a working interest is held by the Corporation. In addition, the Corporation held royalty interests in 34 producing wells at December 31, 2023.
(2) "Net" refers to the aggregate of the numbers obtained by multiplying each gross well by the percentage working interest therein.
(3) "Non-Producing" refers to wells which are not currently producing either due to lack of facilities, markets, regulatory approval or operating netbacks. This includes 34 (30.6 net) wells shut-in as a result of GOB regulatory rulings.
(4) There are 7 (4.7 net) wells that are classified as service wells not included in the gross/net well count.

Acreage Information

The following table sets out Perpetual's developed and undeveloped land holdings as at December 31, 2023:

	Developed Acres		Undeveloped Acres (3)		Royalty Acres		Total Acres	
Property	**Gross(1)**	**Net(2)**	**Gross(1)**	**Net(2)**	**Developed**	**Undeveloped**	**Gross(1)**	**Net(2)**
West Central	76,000	36,135	15,681	6,819	14,720	8,800	115,201	42,954
Eastern	59,719	54,528	27,558	23,586	21,351	2,004	110,632	78,114
Bitumen	2,400	2,400	84,002	84,002	—	—	86,402	86,402
Total	138,119	93,063	127,241	114,407	36,071	10,804	312,235	207,470

(1) "Gross" means the total number of acres in which the Corporation has an interest, including 46,875 acres of royalty lands.
(2) "Net" means the aggregate of the numbers obtained by multiplying each gross acre by the actual percentage working interest therein.
(3) "Undeveloped Acres" refers to land where there are not any existing wells within the rights associated with those lands. An independent third party assigned a value of $4.58 million to undeveloped land at year-end 2023. No undeveloped land value was assigned where proved and/or probable undeveloped reserves have been booked.

The Corporation had 640 net acres reaching expiry in 2023 and all 640 net acres were continued beyond the primary term. During 2024, 29,732 net acres are reaching expiry and the Corporation expects all but 320 net acres to be continued beyond their primary term.

Production Estimates

The following table sets out the volume of Perpetual's future production of 4,798 boe/d estimated by McDaniel on a proved plus probable basis for the year ended December 31, 2024, which is reflected in the estimate of future net revenue disclosed in the tables.

2024 McDaniel Forecast Production(1)	**Light and Medium Crude Oil (*bbl/d*)**	**Heavy Crude Oil (*bbl/d*)**	**Conventional Natural Gas (*MMcf/d*)**	**Natural Gas Liquids (*bbl/d*)**
Proved	6	—	24	428
Probable	—	—	2	28
Total Proved plus Probable	6	—	26	455

(1) Working interest before royalty deductions plus royalty interest share.

Production History

The following tables summarize certain information in respect of production, product prices received, royalties paid, production and operating expenses, transportation and resulting netback for the periods indicated below:

	2023 Quarter Ended			
Production	**Dec 31**	**Sept 30**	**June 30**	**Mar 31**
Average daily conventional natural gas production (*MMcf/d*)	28.4	30.8	30.6	30.8
Average daily heavy crude oil production (*bbl/d*)	497	942	953	1,022
Average daily NGL production *(bbl/d)*	519	493	474	495
Total (*boe/d*)	**5,749**	**6,570**	**6,532**	**6,655**
Perpetual Average Realized Prices (1)				
Average realized natural gas price (*$/Mcf*)	$2.30	$2.34	$2.16	$3.17
Average realized oil price *($/bbl)*	79.70	87.83	73.46	63.39
Average realized NGL price (*$/bbl*)	65.25	71.00	64.11	73.81
Average total realized price (*$/boe*)(1)	24.15	28.91	25.51	29.90
Royalties (*$/boe*)(1)	(3.34)	(4.64)	(2.98)	(5.97)
Production and operating costs ($/boe)(1)	(5.24)	(7.25)	(7.36)	(7.04)
Transportation costs (*$/boe*)(1)	(1.53)	(1.82)	(2.01)	(1.82)
Operating netback (*$/boe*)(1)	**$14.04**	**$15.20**	**$13.16**	**$15.07**

(1) Non-GAAP ratio. Refer to the section entitled "Non-GAAP and Financial Measures" contained in the 2023 MD&A for an explanation of composition.

The following table indicates Perpetual's average daily production from each of the Corporation's core areas for the year ended December 31, 2023:

Property	**Average Annual Daily Production (*boe/d*)**
West Central	5,092
Eastern	1,283
Bitumen	—
Total	**6,375**

Capital Expenditures

The following tables summarize capital expenditures related to Perpetual's activities for the years ended December 31, 2023 and 2022:

($ thousands)	**2023**	2022
Exploration and development	**$ 21,489**	$ 31,772
Corporate assets	**5,141**	137
Capital expenditures	**$ 26,630**	$ 31,909

Exploration and Development Spending by Area

($ thousands)	**2023**	2022
West Central	**$ 21,395**	$ 18,977
Eastern	**94**	12,795
Total	**$ 21,489**	$ 31,772

Exploration and Development Activities

The following table sets forth the gross and net number of exploration wells (nil) and development wells in which the Corporation participated during the year ended December 31, 2023:

Development Wells	Gross	Net
Heavy crude oil	—	—
Conventional natural gas	6	3.0
Total	6	3.0
Success Rate (%)	100 %	100 %
Total Exploration & Development Wells	6	3.0

COMMODITY PRICE RISK MANAGEMENT

Perpetual's commodity price risk management strategy is focused on market diversification, managing downside risk and increasing certainty in adjusted funds flow from operating and acquisition activities to ensure we are achieving an adequate return on invested capital by mitigating the effect of commodity price volatility. The Company uses both financial derivatives, physical delivery contracts and market diversification strategies to manage commodity price risk. Derivative contracts are put in place to manage fluctuations in commodity prices, protecting Perpetual's cash flows from potential volatility. The Company's market diversification strategies balance pricing exposure over multiple markets and are put in place to mitigate market and delivery point risks and dislocations. Perpetual also utilizes foreign exchange swaps and physical or financial swaps related to the differential between natural gas prices at the AECO and New York Mercantile Exchange trading hubs and oil basis differentials between WTI and Western Canadian Select ("WCS") in order to mitigate the effects of fluctuations in foreign exchange rates and basis differentials on the Corporation's revenue.

Refer to note 19 "Revenue" and note 22(c) "Financial Risk Management – Market Risk" in the Financial Statements for further discussion of the Company's risk management activities.

DIVIDENDS

The Corporation currently does not pay a dividend.

The First Lien Credit Facility, Second Lien Term Loan and the terms of the 2025 Senior Notes contain provisions which restrict the ability of the Corporation to pay dividends to shareholders.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of Perpetual consists of an unlimited number of Common Shares and an unlimited number of preferred shares. As at the date hereof, there are 67.5 million Common Shares outstanding, net of shares in trust, and no preferred shares issued and outstanding. Each Common Share entitles the holder thereof to receive notice of and to attend all meetings of shareholders of Perpetual and to one vote per share at such meetings (other than meetings of another class of shares of Perpetual). The Common Shares entitle the holders thereof to receive dividends as and when declared by the Board of Directors of Perpetual on the Common Shares as a class, subject to prior satisfaction of all preferential rights to dividends attached to all shares of other classes of shares of Perpetual ranking in priority to the Common Shares in respect of dividends. Holders of Common Shares will be entitled in the event of any liquidation, dissolution or winding-up of Perpetual, whether voluntary or involuntary, or any other distribution of the assets of Perpetual among its shareholders for the purposes of winding-up its affairs, and subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of shares of Perpetual ranking in priority to the Common Shares in respect of return of capital on dissolution, to share rateably, together with the holders of shares of any other class of shares of Perpetual ranking equally with the Common Shares in respect of return of capital, in such assets of Perpetual as are available for distribution.

Preferred shares may be issuable in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board of Directors of Perpetual. The Board of Directors may from time to time fix, before issuance, the designation, rights, privileges, restrictions and conditions attaching to each series of preferred shares including, without limiting the generality of the foregoing, the amount, if any, specified as being payable preferentially to such series on a distribution, the extent, if any, of further participation on a distribution, voting rights, if any, and dividend rights (including whether such dividends be preferential, or cumulative or non-cumulative), if any.

The holders of each series of preferred shares are entitled to receive any dividends declared by the Board of Directors of Perpetual in priority to the Common Shares and to be paid rateably with holders of each other series of preferred shares, and are entitled to participate in any distribution of the assets of Perpetual upon the liquidation, dissolution, bankruptcy or winding-up of Perpetual or other distribution of its assets among its shareholders for the purpose of winding-up its affairs in priority to the holders of the Common Shares and to share rateably in the distribution with holders of each other series of preferred shares.

Constraints

There are currently no constraints imposed on the ownership of securities of the Corporation.

Ratings

There are currently no credit ratings outstanding with respect to the Corporation or any of its issued securities.

MARKET FOR SECURITIES

Trading Price and Volume

The outstanding Common Shares are listed and posted for trading on the TSX under the trading symbols "PMT". The following tables set forth the closing price range and trading volume of the Common Shares as reported by the TSX for the periods indicated

Common Shares

	Price Range		
2023	**High ($)**	**Low ($)**	**Volume**
January	0.76	0.65	563,204
February	0.71	0.62	390,760
March	0.72	0.57	674,552
April	0.67	0.60	277,160
May	0.63	0.45	663,322
June	0.61	0.41	421,028
July	0.68	0.465	443,829
August	0.69	0.53	345,700
September	0.67	0.54	367,953
October	0.67	0.50	575,605
November	0.54	0.455	369,461
December	0.495	0.36	504,544

Prior Sales

Other than Restricted Rights and Share Options to acquire Common Shares and the 2025 Senior Notes, there is no class of securities of Perpetual that is outstanding and not listed or quoted on a marketplace.

Set forth below are the issue dates, number issued and exercise prices at which Restricted Rights and Share Options were issued during the most recently completed financial year by Perpetual.

Restricted Rights Granted in 2023

Month of Issuance	Number of Restricted Rights	Exercise Price of Restricted Rights
January	20,000	$0.01
February	11,000	$0.01
March	30,000	$0.01
April	5,000	$0.01
May	10,000	$0.01
June	2,100,000	$0.01
December	97,010	$0.01

Share Options Granted in 2023

Month of Issuance	Number of Options	Exercise Price of Options
March	35,000	$0.68
May	150,000	$0.51
October	1,305,000	$0.55

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To the knowledge of the Corporation, none of Perpetual's securities are held in escrow or subject to a contractual restriction on transfer.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The names, province or state, and country of residence, positions and offices held with the Corporation, and principal occupation of the directors and executive officers of the Corporation are set out below and, in the case of directors, the period each has served as a director of the Corporation.

Name, Province or State and Country of Residence	Position Held	Principal Occupation for the Last Five Years	Director Since
Susan L. Riddell Rose[5] Alberta, Canada	Director, President and Chief Executive Officer	President and Chief Executive Officer of Perpetual (and its predecessor) since June 2002	June 28, 2002
Linda Dietsche[1][2][3][4][5][6] British Columbia, Canada	Director	Chief Financial Officer of Tervita Corp from 2019 to 2021. Prior thereto, Executive Vice President and CFO of Newalta Corp.	March 10, 2022
Geoffrey C. Merritt[1][2][3][4][5][6] Alberta, Canada	Director	Independent Businessperson	June 17, 2010
Ryan A. Shay[5] Alberta, Canada	Director, Vice President, Finance and Chief Financial Officer	Independent Businessperson since 2016. Joined as an employee of the Corporation on February 1, 2021 and appointed Vice President, Finance and Chief Financial Officer of Perpetual as of May 4, 2021. Prior thereto, Managing Director, Head of Investment Banking at Cormark Securities Inc.	October 17, 2017
Steven L. Spence[1][2][3][4][5][6] Alberta, Canada	Director	Independent businessperson since 2021. President and CEO of Osum Oil Sands Corp 2010-2021, and VP Projects 2008-2010. Prior to this in various management and technical roles at Shell.	March 2, 2023
Ryan M. Goosen Alberta, Canada	Vice President, Business Development and Land	Vice President, Business Development and Land of Perpetual since 2019. Prior thereto, General Manager, Business Development and Land Negotiations	N/A
Jeffrey R. Green Alberta, Canada	Vice President, Corporate and Engineering Services	Vice President, Corporate and Engineering Services of Perpetual since 2009	N/A
Marcello M. Rapini Alberta, Canada	Vice President, Marketing	Vice President, Marketing of Perpetual since 2007	N/A
Karl H. Rumpf Alberta, Canada	Vice President, Exploration and New Ventures	Vice President, Exploration and New Ventures of Perpetual since 2022	N/A

(1) Member of the Audit Committee.
(2) Member of the Reserves Committee.
(3) Member of the Compensation and Corporate Governance Committee.
(4) Member of the Environmental, Health and Safety Committee.
(5) The terms of office of all directors of the Company will expire on the date of the next annual shareholders' meeting.
(6) Ms. Dietsche, Mr. Merritt and Mr. Spence were independent, non-employee directors as at December 31, 2023.

The directors and officers of Perpetual, as a group, beneficially own or control or direct, directly or indirectly, an aggregate of 29,729,768 voting securities as of March 25, 2024, representing approximately 43.4% of the outstanding Common Shares. In addition, 1,049,316 Common Shares (1.5% of the outstanding Common Shares) are held by an associated entity for which Ms. Riddell Rose has joint authority.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease Trade Orders

To the knowledge of the Corporation, no director or executive officer of the Corporation (nor any personal holding company of any of such persons) is, as of the date of this Annual Information Form, or was within 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including the Corporation), that: (a) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "Order"), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the knowledge of the Corporation, except as disclosed below, no director or executive officer of the Corporation (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation: (a) is, as of the date of this Annual Information Form, or has been within the 10 years before the date of this Annual Information Form, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Mr. Geoffrey Merritt was a director of Zargon Oil and Gas Ltd. ("Zargon"), a corporation engaged in the exploration and production of crude oil and natural gas. Zargon filed for creditor protection under the Bankruptcy and Insolvency Act ("BIA") on September 8, 2020. Mr. Merritt resigned as a director on September 8, 2020 concurrent with Zargon filing the Notice of Intention to make a Proposal under the BIA.

Penalties or Sanctions

To the knowledge of the Corporation, no director or executive officer of the Corporation (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain conflicts of interest could arise as a result of the relationship between Perpetual and Rubellite. Two directors of Perpetual, including the Chair, are directors of Rubellite, and all of the officers of Perpetual are officers of Rubellite. In addition, Rubellite will be dependent on Perpetual for administrative, operating and other services pursuant to the MSA (as defined herein). The directors and officers of Perpetual and Rubellite have fiduciary duties to manage Perpetual and Rubellite, respectively, in a manner beneficial to Perpetual and Rubellite, respectively.

In addition, Dreamworks, a corporation controlled by Susan Riddell Rose, Perpetual's and Rubellite's President and Chief Executive Officer is a significant shareholder of each of Perpetual and Rubellite.

As a result of the above, the duties of the directors and officers of Perpetual and Rubellite may come into conflict. Such conflicts will be resolved in accordance with the ABCA, where applicable. For more information regarding Perpetual's relationship to Rubellite see "*Material Contracts – MSA*". Also see "*Risk Factors – Potential Conflicts of Interest*" in this Annual Information Form.

In addition, certain officers and directors of the Corporation are also officers and/or directors of other entities engaged in the oil and gas business generally. As a result, situations may arise where the interest of such directors and officers conflict with their interests as directors and officers of other companies. The resolution of such conflicts is governed by applicable corporate laws, which require that directors act honestly, in good faith and with a view to the best interests of the Corporation. Conflicts, if any, will be handled in a manner consistent with the procedures and remedies set forth in the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

AUDIT COMMITTEE INFORMATION

Audit Committee Mandate

The mandate and responsibilities of Perpetual's audit committee (the "Audit Committee") are set out in the Audit Committee Mandate which is part of the Corporation's Corporate Governance Directors' Manual. The Audit Committee Mandate is set out in Appendix "C" to this Annual Information Form.

Audit Committee

The Audit Committee reviews and recommends to the Board the approval of the annual and interim financial statements, the associated management's discussion and analysis and related financial disclosure to the public and regulatory authorities. It is responsible for the engagement of Perpetual's external auditors, upon approval by shareholders, including fees paid for the annual audit and interim financial reviews, and pre-approves non-audit services. The Audit Committee communicates directly with the auditors and reviews programs and policies regarding the effectiveness of internal controls over the Corporation's accounting and financial reporting systems. It also reviews insurance coverage and directors' and officers' liability insurance, as well as cybersecurity risks and management of those risks. The Audit Committee must liaise with the Reserves Committee and the Environment, Health and Safety Committee on matters relating to reserves valuations and decommissioning obligations which impact Perpetual's financial statements.

Composition of the Audit Committee

The Audit Committee consists of three members: Linda Dietsche, Geoffrey C. Merritt and Steven L. Spence. Ms. Dietsche is Chair of the Audit Committee. Each of the members of the Audit Committee is independent and financially literate in accordance with the meanings set out in National Instrument 52-110 Audit Committees.

Pre-Approval of Policies and Procedures

Perpetual has adopted policies and procedures with respect to the pre-approval of audit and permitted non-audit services to be provided by KPMG LLP. The Audit Committee establishes a budget for the provision of a specified list of audit and permitted non-audit services that the audit committee believes to be typical, recurring or otherwise likely to be provided by KPMG LLP. The budget generally covers the period between the adoption of the budget and the next meeting of the Audit Committee, but at the option of the Audit Committee it may cover a longer or shorter period. The list of services is sufficiently detailed as to the particular services to be provided to ensure that (i) the Audit Committee knows precisely what services it is being asked to pre-approve and (ii) it is not necessary for any member of management to make a judgment as to whether a proposed service fits within the pre-approved services.

The Audit Committee must pre-approve the provision of permitted services by KPMG LLP which are not otherwise pre-approved by the Audit Committee, including the fees and terms of the proposed services. Prohibited services may not be pre-approved by the Audit Committee.

External Auditor Service Fees

The following table summarizes the fees paid by Perpetual to its auditors, KPMG LLP, for external audit and other services during the periods indicated.

Year	Audit Fees(1) ($)	Audit-Related Fees(2) ($)	Tax Fees(3) ($)	All Other Fees(4) ($)
2022	258,940	nil	nil	nil
2023	269,105	nil	nil	nil

(1) Represents fees billed by our external auditor for audit services that are reasonably related to the performance of the audit or review of the Company's financial statements.
(2) Represents fees billed for assurance related services by our external auditor that are reasonably related to the performance of the audit or review of our financial statements that are not reported under Audit Fees.
(3) Represents fees billed for professional services rendered by our external auditor for tax compliance, tax advice and tax planning.
(4) Represents fees billed for products and services provided by our auditors other than the other services reported.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

There are no legal proceedings Perpetual is or was a party to, or that any of its property is or was the subject of, during Perpetual's financial year, nor are any such legal proceedings known to Perpetual to be contemplated, that involves a claim for damages, exclusive of interest and costs, exceeding 10% of the current assets of Perpetual.

Regulatory Actions

There are no penalties or sanctions imposed against Perpetual by a court relating to securities legislation or by a securities regulatory authority during Perpetual's financial year;other penalties or sanctions imposed by a court or regulatory body against Perpetual that would likely be considered important to a reasonable investor in making an investment decision; and settlement agreements Perpetual entered into before a court relating to securities legislation or with a securities regulatory authority during Perpetual's financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein or in connection with the disposition of the Clearwater Assets to Rubellite, the Rubellite Arrangement or the MSA whereby Perpetual provides administrative and operating services to Rubellite, there is no material interest, direct or indirect, of any: (a) director or executive officer of Perpetual; (b) person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of Perpetual's voting securities; and (c) associate or affiliate of any of the persons or companies referred to in (a) or (b) above in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect Perpetual.

TRANSFER AGENT AND REGISTRAR

Odyssey Trust Company, at its offices in Calgary, Alberta, acts as the transfer agent and registrar for the Common Shares.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts that Perpetual has entered into within the last financial year, or before the last financial year which are still in effect, which can reasonably be regarded as presently material, are the following:

- the MSA;
- the First Lien Credit Facility agreement as described in note 9 to the Financial Statements, which note is incorporated by reference herein;
- the Trust Indenture governing the terms of the 2025 Senior Notes entered into in connection with the Note Exchange Arrangement.

MSA

In connection with the disposition of the Clearwater Assets to Rubellite, on July 15, 2021, Perpetual and Rubellite entered into a management and operating services agreement, as amended (the "MSA") pursuant to which Perpetual is providing management, operating and administrative services (the "Services") to Rubellite in respect of its assets, including the Clearwater Assets. The Services include, but are not limited to, regulatory reporting and submissions, administering land records, geological and geophysical support, executing drilling operations, marketing (arranging transport and risk management contracts), accounting and tax filing, office administration and investor relations.

In consideration for Perpetual's provision of the Services, Rubellite on a monthly basis: (i) reimburses Perpetual for all actual documented out-of-pocket costs and expenses paid to any third party by Perpetual on behalf of Rubellite in relation to the provision of the Services; (ii) reimburses Perpetual the portion of the operating and capital expenses allocated to and relating to Rubellite's assets where incurred by Perpetual; and (iii) pays Perpetual a service fee calculated as the product of (A) shared general and administrative expenses less shared overhead recoveries, multiplied by (B) the proportion that Rubellite's petroleum and natural gas production bears to Perpetual's petroleum and natural gas production for the same month ((iii) defined as the "Services Fees"). Each year the Rubellite board of directors and the board of directors of Perpetual will review and approve the annual budgets for general and administrative expenses and overhead and the annual allocation of production between Rubellite and Perpetual for each calendar quarter. The MSA provides for quarterly and thirteenth month reconciliations to actuals. In addition, in the event that Rubellite undergoes a Change of Control Event (as such term is defined in the MSA), Rubellite must pay a change of control fee to Perpetual equal to the total Services Fees due under the MSA for the twelve month period prior to the Change of Control Event.

Pursuant to the MSA, where and to the extent possible, Rubellite will enter into its own contracts and agreements directly with third parties and, upon providing reasonable notice to Perpetual, Rubellite may assume responsibility for some or all of the Services and the MSA will be deemed to be terminated in respect of such assumed Services.

The MSA is in effect for an initial term of two years and thereafter, shall be automatically renewed for successive one year terms unless terminated on notice not less than 12 months prior to the expiration of the initial or renewal term (provided that the MSA may be terminated by a party without the aforementioned notice periods in certain other circumstances, including upon a continuing breach of a material obligation, an insolvency event or a Change of Control Event of either Perpetual or Rubellite). Termination on a Change of Control Event in respect of Rubellite triggers a termination payment by Rubellite to Perpetual in an amount equal to the total Services Fees due under the MSA for the twelve month period prior to the Change of Control Event.

The board of directors of each of Perpetual and Rubellite set out how business opportunities will be allocated between the two entities and will annually review and approve such business opportunities policy to determine any required amendments, as mutually agreed between the parties.

A copy of the MSA, other material contracts and the Financial Statements have been filed on SEDAR+ at www.sedarplus.ca.

INTERESTS OF EXPERTS

Names of Experts

The only persons or companies who are named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by the Corporation during, or relating to, the Corporation's most recently completed financial year, and whose profession or business gives authority to the report, valuation, statement or opinion made by the person or company, are KPMG LLP, the Corporation's independent auditors, and McDaniel, the Corporation's independent reserve evaluators.

Interests of Experts

To the Corporation's knowledge, no registered or beneficial interests, direct or indirect, in any securities or other property of the Corporation or of one of the Corporation's associates or affiliates (i) were held by the McDaniel or by the "designated professionals" (as defined in Form

51-102F2) of McDaniel, when McDaniel prepared its reports, valuations, statements or opinions referred to herein as having been prepared by McDaniel, (ii) were received by McDaniel or the designated professionals of McDaniel after McDaniel prepared the reports, valuations, statements or opinions in question, or (iii) is to be received by McDaniel or the designated professionals of McDaniel.

Neither McDaniel nor any director, officer or employee of McDaniel is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

KPMG LLP are the auditors of the Company and have confirmed that they are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

OTHER BUSINESS INFORMATION

Specialized Skill and Knowledge

Perpetual employs individuals with various professional skills in the course of pursuing its business plan. These professional skills include, but are not limited to, geology, geophysics, engineering, marketing, legal, capital markets, business development, finance and other business skills. Drawing on significant experience in the oil and gas business, Perpetual believes its management team has a demonstrated track record of bringing together all of the key components to a successful exploration and production company: strong technical and leadership skills; operational and capital project execution expertise; commodity market risk management and optimization excellence; strong exploration and business development initiation, evaluation and negotiating skills; an entrepreneurial spirit that allows Perpetual to effectively identify, evaluate and execute on value added initiatives; expertise in planning and financial controls; and capital markets expertise.

Competitive Conditions

The oil and natural gas industry is intensely competitive, and Perpetual competes with a substantial number of other entities, many of which have greater technical, operational and/or financial resources. With the maturing nature of the Western Canadian Sedimentary Basin, the access to new prospects is becoming more competitive and complex.

Perpetual attempts to enhance its competitive position by operating in areas where it believes its technical personnel are able to reduce some of the risks associated with exploration, production and marketing because the Company has established core competencies in these areas of operation. Management believes that Perpetual will be able to explore for and develop new production and reserves with the objective of increasing its adjusted funds flow and reserve base. See "*Risk Factors – Competition*".

Commodity Price Cycles

The Company's operational results and financial condition are dependent on commodity prices, specifically the prices of oil, natural gas, NGL and seasonal and regional market price spreads. Commodity prices have fluctuated widely during recent years and are determined by supply and demand factors including general economic conditions, weather, environmental regulations and policies, geopolitical risks, oil and gas resource extraction technologies, oil fields equipment and services, local and regional access to markets, refining capacity, as well as operating results and conditions in other oil and natural gas producing regions. See "*Risk Factors – Seasonality*".

Environmental Protection

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. Compliance with such legislation may require significant expenditures or result in operational restrictions. Breach of such requirements may result in suspension or revocation of necessary licences and authorizations, civil liability for pollution damage and the imposition of material fines and penalties, all of which might have a significant negative impact on earnings and overall competitiveness of the Corporation. For a description of the financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of Perpetual see "*Industry Conditions – Environmental Regulation*" and "*Risk Factors – Environmental*".

Reorganizations

Other than as disclosed under "*General Development of the Business*", Perpetual has not completed any material reorganization within the three most recently completed financial years or during the current financial year. No material reorganization is currently proposed for the current financial year.

Environmental, Health and Safety Policies

The Corporation supports environmental protection and worker health and safety through the implementation and communication of the Corporation's environmental management and health and safety policies, practices and procedures. Committees focused on environment, health and safety ("EH&S") issues are established in the Corporation's operations which are designed to drive continuous improvement in policies, practices and procedures which drive accountability for EH&S by the Corporation and its employees. Practices for continuous improvement of EH&S performance management includes providing employees with job orientation, training, instruction, systems and supervision for proactive inspection and hazard assessment and incident reporting and reviews to build competency, skill and accountability in conducting daily activities in a healthy, environmentally responsible and safe manner.

The Corporation develops emergency response practices, procedures and readiness plans in conjunction with local authorities, emergency services and the communities in which it operates in order to effectively respond to an environmental or safety incident should it arise. The effectiveness of these plans is evaluated on a regular basis to ensure preparedness for emergency situations. Environmental and risk assessments are undertaken for new projects, or when acquiring new properties or facilities in order to identify, assess and minimize environmental risks, loss and operational exposures. The Corporation conducts reviews of operations to measure compliance with internal and industry standards, and for continuous improvement in practices and procedures. Documentation is maintained to support internal accountability and measure operational performance against recognized industry and proactive leading indicators to assist in achieving the objectives of the described policies and programs.

The Corporation also faces environmental, health and safety risks in the normal course of its operations due to the handling and storage of hazardous substances. The Corporation's environmental and health and safety management systems are designed to manage such risks in the Corporation's business and allow action to be taken to control the risk of environmental, health or safety impacts from such operations. A key aspect of these systems is the conducting of internal and external inspection and audits of worksites and offices. See "*Risk Factors – Environmental*".

Elements of our Environmental, Health and Safety Management System

System Monitoring

The Corporation defines EH&S performance and identifies action for improvement through measurement and analysis. Perpetual had two reportable spills, one injury and one vehicle incidents in 2023. Continued focus on injury prevention has resulted in improved safety performance. The Workers Compensation Board ("WCB") has ranked Perpetual first out of 250 peer companies in 2023.

Training and Competency

The Corporation ensures that employees and contractors have the necessary skills to work properly, safe and protect the environment. Safety certification is important not only from a regulatory perspective, but also from the confidence it gives a worker to do the job correctly and safely. Competency is the key; that is adequately qualified, suitably trained and sufficiently experienced to do the job without supervision. SOLIS (SAIT Open Learning Instructional System) adds a level of knowledge and proficiency for a worker as he or she moves through his or her career, in a variety of work related subjects. Site specific training is key in incident prevention as each situation has its unique set of hazards that need to be controlled, and uses skilled worker experience and mentoring. Regular safety meetings provide a venue to review incidents, provide training, management direction, critical information and promote two-way communication.

Hazard Assessment

The Corporation identifies items and tasks that have the potential to cause loss or injury and encourages employees to actively identify hazards they recognize and put forth recommendations to reduce risks and eliminate hazards. Hazard reporting is a valuable leading indicator, as it identifies hazards, levels of risk and controls required to do a job safely and efficiently. All hazards are followed up for proper corrective actions.

Risk Management

The Corporation has an inspection and audit program to provide feedback and action items to ensure success, identify hazards and controls, and continuous improvement. Risk assessments are critical, as a hazard by itself cannot hurt you without the risk of exposure. Perpetual has an ongoing Asset Integrity program which includes our Pipeline Integrity Manual, Pipeline Operations Manual, Electrical Quality Management Plan and Pressure Equipment Integrity Program.

Incident Reporting and Investigation

The Corporation has an incident reporting and tracking program which helps to identify training needs and work practice/procedure issues, identifies gaps in the safety management system, and provides information for statistical analysis. It is through the identification and correction of root cause that real change can occur to prevent further loss. Analysis is the crucial step if the "plan-do-check-act" system. What's measured gets done, and, with rigor applied to follow-up, improves performance.

Policy and Management Involvement

The Corporation's EH&S policies clearly articulate the EH&S Vision of Perpetual and provides the tools to promote and enforce an incident free workplace and demonstrates management's leadership in the safety program. They establish responsibilities at each level. Company Policies are senior management's formal and foundational way to endorse and communicate their desire and commitment to being a safety leader thus encouraging positive behavior. The Guiding Principles give employees the framework to develop their behavior around what the Company expects for safety, well-being and environmental performance. These responsibilities are critical for creating accountabilities and reaching company goals.

Emergency Response Management

The Corporation develops, maintains and tests emergency response plans to ensure a safe, prompt and effective response to emergencies, in order to minimize any adverse environmental and other impacts.

Air

The Corporation tracks direct and indirect greenhouse gas ("GHG") emissions, flared and vented gas volumes and fugitive emissions and continuously works to reduce air emissions in conjunction with industry best practices and regulations. Perpetual actively monitors fugitive emissions at all operated wells, pipelines, and facilities in accordance with provincial regulations. Perpetual maintains a Methane Reduction Retrofit Compliance Plan designed to lower methane emissions in accordance with Directive 60 of the Alberta Energy Regulator. Perpetual actively monitors fugitive emissions at all operated wells, pipelines, and facilities in accordance with provincial regulations. Perpetual's West Wolf Plant at East Edson is host to the Natural Gas Investment Fund ("NGIF") Emissions Testing Center, a Canadian Centre of Excellence and hub for cleantech startups validating their methane emissions solutions for natural gas. The testing program for cleantech startups supports the development and testing of clean technologies to reduce methane emissions in the natural gas industry.

Water

The Corporation strives to minimize fresh water usage in all of its operations. Mannville area heavy oil waterflood operations do not use any fresh water as part of the secondary recovery scheme. To the extent possible, recycled water is used by the operator in hydraulic fracturing operations.

Land and Reclamation

The Corporation employs environmental management best practices along with proactive strategies that minimize our impact associated with full cycle environmental alteration and reclamation. Understanding as a tenant of the land, we consciously comply to regulations and employ efficient and proactive strategies to conserve and protect from adverse environmental impact or loss including reducing freshwater use through innovative technologies to recycle and reuse where possible. The Corporation promotes proper waste management, safe handling, use and disposal of chemicals and lubricants, as well as the handling, storage and transportation of our products. Perpetual's robust reclamation process to restore each site to its original state resulted in 142 reclamation certificates received in the last ten years. The Corporation routinely receives reclamation certificates in less than one year from the well abandonment date. At year end 2023, Perpetual had 79 abandonment sites at various stages of assessment and reclamation.

INDUSTRY CONDITIONS

Companies operating in the Canadian oil and gas industry are subject to extensive regulation and control of operations (including with respect to land tenure, exploration, development, production, refining and upgrading, transportation, and marketing) as a result of legislation enacted by various levels of government as well as with respect to the pricing and taxation of petroleum and natural gas through legislation enacted by, and agreements among, the federal and provincial governments of Canada, all of which should be carefully considered by investors in the Corporation. All current legislation is a matter of public record and the Corporation is unable to predict what additional legislation or amendments governments may enact in the future.

The Corporation's assets and operations are regulated by administrative agencies that derive their authority from legislation enacted by the applicable level of government. Regulated aspects of the Corporation's upstream oil and natural gas business include all manner of activities associated with the exploration for and production of oil and natural gas, including, among other matters: (i) permits for the drilling of wells and construction of related infrastructure; (ii) technical drilling and well requirements; (iii) permitted locations and access to operation sites; (iv) operating standards regarding conservation of produced substances and avoidance of waste, such as restricting flaring and venting; (v) minimizing environmental impacts, including by reducing emissions; (vi) storage, injection and disposal of substances associated with production operations; and (vii) the abandonment and reclamation of impacted sites. To conduct oil and natural gas operations and remain in good standing with the applicable federal or provincial regulatory scheme, producers must comply with applicable legislation, regulations, orders, directives and other directions (all of which are subject to governmental oversight, review and revision, from time to time). Compliance in this regard can be costly and a breach of the same may result in fines or other sanctions.

The discussion below outlines some of the principal aspects of the legislation, regulations, agreements, orders, directives and a summary of other pertinent conditions that impact the oil and gas industry in Western Canada, where the Corporation's assets are located. While these matters do not affect the Corporation's operations in any manner that is materially different than the manner in which they affect other similarly-sized industry participants with similar assets and operations, investors should consider such matters carefully.

Pricing and Marketing in Canada

The price of crude oil and natural gas liquids ("NGLs") is negotiated by buyers and sellers. A number of factors may influence prices, including (global, in some instances) supply and demand, quality of product, distance to market, availability of transportation, value of refined products, prices of competing products, price of competing stock, contract term, weather conditions, supply/demand balance and contractual terms of sale.

Transportation Constraints and Market Access

Capacity to transport production from Western Canada to Eastern Canada, the United States and other international markets has been, and continues to be, a major constraint on the exportation of crude oil, natural gas and NGLs. Although certain pipeline and other transportation projects have been announced or are underway, many proposed projects have been cancelled or delayed due to regulatory hurdles, court challenges and economic and sociopolitical factors. Due in part to growing production and a lack of new and expanded pipeline and rail infrastructure capacity, producers in Western Canada have experienced low commodity pricing relative to other markets in the last several years.

Oil Pipelines

Under Canadian Constitutional law, the development and operation of inter-provincial and international pipelines fall within the federal government's jurisdiction and, under the Canadian Energy Regulator Act, new interprovincial and international pipelines require a federal regulatory review and Cabinet approval before they can proceed. However, recent years have seen a perceived lack of policy and regulatory certainty in this regard such that, even when projects are approved, they often face delays due to actions taken by provincial and municipal governments and legal opposition related to issues such as Indigenous rights and title, the government's duty to consult and accommodate Indigenous peoples and the sufficiency of all relevant environmental review processes. Export pipelines from Canada to the United States face additional unpredictability as such pipelines also require approvals from several levels of government in the United States.

Producers negotiate with pipeline operators to transport their products to market on a firm, spot or interruptible basis depending on the specific pipeline and the specific substance. Transportation availability is highly variable across different jurisdictions and regions. This variability can determine the nature of transportation commitments available, the number of potential customers and the price received.

Specific Pipeline Updates

The Trans Mountain Pipeline expansion received Cabinet approval in November 2016. Following a period of political opposition in British Columbia, the federal government-owned Trans Mountain Corp. acquired the Trans Mountain Pipeline in August 2018. Following the resolution of various legal challenges and a second regulatory hearing, construction on the Trans Mountain Pipeline expansion commenced in late 2019. Earlier estimated at $12.6 billion, the project budget has since been increased to $30.9 billion. The budget increase and in service date delay have been attributed to, among other things, high global inflation, global supply chain challenges, the widespread flooding in British Columbia in late 2021, and unexpected major archeological discoveries. On June 1, 2023, Trans Mountain Corp. applied to the Canada Energy Regulator proposing a base toll of $11-12 per barrel, which was met with great opposition; a multiple stage hearing process is underway, and decision has not yet been released. The federal government has been in discussions with Indigenous groups and businesses regarding selling significant equity stakes in the pipeline, however no agreements have yet been reached. The pipeline is 98% complete and is expected to be in service by the end of the first quarter of 2024, an extension from the initial December 2022 estimate.

Natural Gas and Liquefied Natural Gas ("LNG")

Natural gas prices in Western Canada have been constrained in recent years due to increasing North American supply, limited access to markets and limited storage capacity. Companies that secure firm access to infrastructure to transport their natural gas production out of Western Canada may be able to access more markets and obtain better pricing. Companies without firm access may be forced to accept spot pricing in Western Canada for their natural gas, which is generally lower than the prices received in other North American regions.

Required repairs or upgrades to existing pipeline systems in Western Canada have also led to reduced capacity and apportionment of access, the effects of which have been exacerbated by storage limitations. In October 2020, TC Energy Corporation received federal approval to expand the Nova Gas Transmission Line system (the "NGTL System"). The NGTL system is in the midst of implementing a $6.5 billion infrastructure program which added 1.3 billion cubic feet per day of capacity in 2022, and an additional 2.2 billion cubic feet per day of capacity is planned between 2023 and 2026. In January 2024, Shell plc signed a deal to buy LNG from a floating export facility to serve Asian energy markets – a 20-year deal which calls for 2 million metric tons of LNG per year over the course of the agreement.

Land Tenure

Mineral rights

Except for Manitoba, each provincial government in Western Canada owns most of the mineral rights to the oil and natural gas located within their respective provincial borders. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences and permits (collectively,"leases") for varying terms, and on conditions set forth in provincial legislation, including requirements to perform specific work or make payments in lieu thereof. The provincial governments in Western Canada conduct regular land sales where oil and natural gas companies bid for the leases necessary to explore for and produce oil and natural gas owned by the respective provincial governments. These leases generally have fixed terms, but they can be continued beyond their initial terms if the necessary conditions are satisfied.

Private ownership of oil and natural gas (i.e. freehold mineral lands) also exists in Western Canada, as well as rights to explore for and produce privately owned oil and natural gas are granted by a lease or other contract on such terms and conditions as may be negotiated between the owner of such mineral rights and companies seeking to explore for and/or develop oil and natural gas reserves.

An additional category of mineral rights ownership is Canadian federal government ownership of mineral rights on Indian reserves (as designated under the *Indian Act*), which is managed and regulated by a separate government body according to distinct legislation. The Corporation does not have operations on Indian reserve lands.

Surface rights

To develop oil and natural gas resources, producers must also have access rights to the surface lands required to conduct operations. For Crown lands, surface access rights can be obtained directly from the government. For private lands, access rights can be negotiated with the landowner. Where an agreement cannot be reached, however, each province has developed its own process that producers can follow to obtain and maintain the surface access necessary to conduct operations throughout the lifespan of a well, facility or pipeline.

Royalties and Incentives

Each province has legislation and regulations in place to govern Crown royalties and establish the royalty rates that producers must pay in respect of the production of Crown resources. The royalty regime in a given province is in addition to applicable federal and provincial taxes and is a significant factor in the profitability of oil sands projects and oil, natural gas and NGL production. Royalties payable on production from lands where the Crown does not hold the mineral rights are negotiated between the mineral freehold owner and the lessee, though certain provincial taxes and other charges on production or revenues may be payable. Royalties from production on Crown lands are determined by provincial regulation and are generally calculated as a percentage of the value of production.

Producers and working interest owners of oil and natural gas rights may create additional royalties or royalty-like interests, such as overriding royalties, net profits interests and net carried interests, through private transactions, the terms of which are subject to negotiation.

Occasionally, both the federal government and the provincial governments in Western Canada create incentive programs for the oil and gas industry. These programs often provide for volume-based incentives, royalty rate reductions, royalty holidays or royalty tax credits and may be introduced when commodity prices are low to encourage exploration and development activity. Governments may also introduce incentive programs to encourage producers to prioritize certain kinds of development or utilize technologies that may enhance or improve recovery of oil, natural gas and NGLs, or improve environmental performance. In addition, from time-to-time, including during the COVID-19 pandemic, the federal government creates incentives and other financial aid programs intended to assist businesses operating in the oil and gas industry and other industries in Canada.

Regulatory Authorities and Environmental Regulation

The Canadian oil and gas industry is subject to environmental regulation under a variety of Canadian federal, provincial, territorial, and municipal laws and regulations, all of which are subject to governmental review and revision from time to time. Such regulations provide for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide. The regulatory regimes set out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well, facility and pipeline sites. Compliance with such regulations can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licences and authorizations, civil liability, and the imposition of material fines and penalties. In addition, future changes to environmental legislation, including legislation related to air pollution and greenhouse gas ("GHG") emissions (typically measured in terms of their global warming potential and expressed in terms of carbon dioxide equivalent ("CO2e")), may impose further requirements on operators and other companies in the oil and gas industry. Companies that have hydraulic fracturing operations have additional operational regulatory and reporting requirements.

Liability Management

The Alberta Energy Regulator (the "AER") administers several liability management programs to manage liability for most conventional upstream oil and natural gas wells, facilities and pipelines in Alberta. The province is gradually moving from a prescriptive framework toward a more holistic approach to liability management.

Alberta has an orphan fund to help pay the costs to suspend, abandon, remediate and reclaim a well, facility or pipeline included in certain of the AER's programs if a licensee or working interest participant becomes insolvent or is unable to meet its obligations. The orphan fund is funded through a levy and a loan from the provincial government.

The Supreme Court of Canada's decision in *Orphan Well Association v Grant Thornton* (also known as the "Redwater" decision), provides the backdrop for Alberta's evolving approach to liability management. As a result of the Redwater decision, receivers and trustees can no longer avoid the AER's legislated authority to impose abandonment orders against licensees or to require a licensee to pay a security deposit before approving a licence transfer when any such licensee is subject to formal insolvency proceedings. This means that insolvent estates can no longer disclaim assets that have reached the end of their productive lives (and therefore represent a net liability) in order to deal primarily with the remaining productive and valuable assets without first satisfying any abandonment and reclamation obligations associated with the insolvent estate's assets. The burden of a defunct licensee's abandonment and reclamation obligations first falls on the defunct licensee's working interest partners, and second, the AER may order the orphan fund to assume care and custody and accelerate the clean-up of wells or sites which do not have a responsible owner.

To address abandonment and reclamation liabilities in Alberta, the AER also implements, from time to time, programs intended to encourage the decommissioning, remediation and reclamation of inactive or marginal oil and natural gas infrastructure.

Similar to Alberta, the BC regulator has moved away from the formulaic approach to liability management toward a more holistic assessment of a permit holder's ability to meet its abandonment and reclamation obligations. Additionally, similar to Alberta's orphan fund, BC and Saskatchewan have programs to address the abandonment and reclamation costs for orphan sites. The Government of Manitoba has not implemented a liability management rating program like those found in the other Western Canadian provinces, however, the province has a process in place to sell or abandon a well or facility when a licensee or permittee fails to comply with a shutdown order, or to rehabilitate the site of an abandoned well or facility including addressing any adverse effect on property caused by a well or facility.

The British Columbia Dormancy and Shutdown Regulation establishes the first set of legally imposed timelines for the restoration of oil and natural gas wells in Western Canada, with a goal of ensuring that 100% of currently dormant sites are reclaimed by 2036 with additional regulated timelines for sites that have become dormant between 2019 and 2023 and will become dormant during or after 2024.

Climate Change Regulation

Climate change regulation at each of the international, federal and provincial levels has the potential to significantly affect the future of the oil and gas industry in Canada. These impacts are uncertain and it is not possible to predict what future policies, laws and regulations will entail. Any new laws and regulations (or additional requirements to existing laws and regulations) could have a material impact on the Corporation's operations and cash flow.

Federal

Canada has been a signatory to the United Nations Framework Convention on Climate Change (the "UNFCCC") since 1992. Since its inception, the UNFCCC has instigated numerous policy changes with respect to climate governance. In 2016, 195 countries, including Canada, signed the Paris Agreement, committing to prevent global temperatures from rising more than 2° Celsius above pre-industrial levels and to pursue efforts to limit this rise to no more than 1.5° Celsius. In 2016, Canada ratified the Paris Agreement and committed to reducing its emissions by 30% below 2005 levels by 2030. In 2021, Canada updated its original commitment by pledging to reduce emissions by 40–45% below 2005 levels by 2030, and to net-zero by 2050.

During the course of the 2021 United Nations Climate Change Conference, Canada pledged to (i) reduce methane emissions in the oil and gas sector to 75% of 2012 levels by 2030; (ii) cease to export thermal coal by 2030; (iii) impose a cap on emissions from the oil and gas sector; (iv) halt direct public funding to the global fossil fuel sector by the end of 2022; and (v) commit that all new vehicles sold in the country will be zero-emission on or before 2040. During the 2023 United Nations Climate Change Conference, which concluded on December 12, 2023, Canada signed an agreement with nearly 200 other parties which includes renewed commitments to transitioning away from fossil fuels and further cutting GHG emissions.

The Government of Canada released the Pan-Canadian Framework on Clean Growth and Climate Change in 2016, setting out a plan to meet the federal government's 2030 emissions reduction targets. On June 21, 2018, the federal government enacted the Greenhouse Gas Pollution Pricing Act (the "GGPPA"), which came into force on January 1, 2019. This regime has two parts: an output-based pricing system ("OBPS") for large industry (enabled by the Output-Based Pricing System Regulations) and a fuel charge (enabled by the Fuel Charge Regulations), both of which impose a price on CO2e emissions. The GGPPA system applies in provinces and territories that request it and in those that do not have their own equivalent emissions pricing systems in place that meet the federal standards and ensure that there is a uniform price on emissions across the country.

Originally under the federal plans, the price was set to escalate by $10 per year until it reached a maximum price of $50/tonne of CO2e in 2022. However, on December 11, 2020, the federal government announced its intention to continue the annual price increases beyond 2022. As of 2023, the benchmark price per tonne of CO2e will increase by $15 per year until it reaches $170/tonne of CO2e in 2030. Effective January 1, 2024, the minimum price permissible under the GGPPA rose to $80/tonne of CO2e. While several provinces challenged the constitutionality of the GGPPA following its enactment, the Supreme Court of Canada confirmed its constitutional validity in a judgment released on March 25, 2021.

On April 26, 2018, the federal government passed the Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds (Upstream Oil and Gas Sector) (the "Federal Methane Regulations"). The Federal Methane Regulations seek to reduce emissions of methane from the oil and natural gas sector, and came into force on January 1, 2020. By introducing new control measures, the Federal Methane Regulations aim to reduce unintentional leaks and the intentional venting of methane and ensure that oil and natural gas operations use low-emission equipment and processes. Among other things, the Federal Methane Regulations limit how much methane upstream oil and natural gas facilities are permitted to vent. The regulations aim to reduce the oil and gas sector's methane emissions by 40–45% by 2025, relative to 2012, and by 75% below 2012 levels by 2030. In December 2023, the federal government released proposed amendments to the Federal Methane Regulations which would build on the existing requirements and increase stringency by introducing new prohibitions and limits on certain intentional emissions, a new risk-based approach around unintentional emissions, and a new performance-based approach for compliance that relies on continuous emissions monitoring systems, among others. The proposed amendments are expected to come into force in January 2027.

The federal government has enacted the Multi-Sector Air Pollutants Regulation under the authority of the Canadian Environmental Protection Act, 1999, which regulates certain industrial facilities and equipment types, including boilers and heaters used in the upstream oil and gas industry, to limit the emission of air pollutants such as nitrogen oxides and sulphur dioxide.

In the November 23, 2021 Speech from the Throne, the federal government restated its commitment to achieve net-zero emission by 2050. In pursuit of this objective, the government's proposed actions include: (i) moving to cap and cut oil and gas sector emissions; (ii) investing in public transit and mandating the sale of zero-emission vehicles; (iii) increasing the federally imposed price on pollution; (iv) investing in the production of cleaner steel, aluminum, building products, cars, and planes; (v) addressing the loss of biodiversity by continuing to strengthen partnerships with First Nations, Inuit, and Métis to protect nature and the traditional knowledge of those groups; (vi) creating a Canada Water Agency to safeguard water as a natural resource and support Canadian farmers; (vii) strengthening action to prevent and prepare for floods, wildfires, droughts, coastline erosion, and other extreme weather worsened by climate change; and (viii) helping build back communities impacted by extreme weather events through the development of Canada's first-ever National Adaptation Strategy.

The Canadian Net-Zero Emissions Accountability Act (the "CNEAA") received royal assent on June 29, 2021, and came into force on the same day. The CNEAA binds the Government of Canada to a process intended to help Canada achieve net-zero emissions by 2050. It establishes rolling five-year emissions reduction targets and requires the government to develop plans to reach each target and support these efforts by creating a Net-Zero Advisory Body. The CNEAA also requires the federal government to publish annual reports that describe how departments and Crown corporations are considering the financial risks and opportunities of climate change in their decision-making. A comprehensive review of the CNEAA is required every five years from the date the CNEAA came into force.

The Government of Canada introduced its 2030 Emissions Reduction Plan (the "2030 ERP") on March 29, 2022. In the 2030 ERP, the Government of Canada proposes a roadmap to reduce its GHG emissions to 40-45% below 2005 levels by 2030. As the first emissions reduction plan issued under the CNEAA, the 2030 ERP aims to reduce emissions by incentivizing electric vehicles and renewable electricity, and capping emissions from the oil and gas sector, among other measures.

On June 8, 2022, the Canadian Greenhouse Gas Offset Credit System Regulations were published in the Canada Gazette. The regulations establish a regulatory framework to allow certain kinds of projects to generate and sell offset credits for use in the federal OBPS through Canada's Greenhouse Gas Offset Credit System. The system enables project proponents to generate federal offset credits through projects that reduce GHG emissions under a published federal GHG offset protocol. Offset credits can then be sold to those seeking to meet limits imposed under the OBPS or those seeking to meet voluntary targets.

On June 20, 2022, the federal Clean Fuel Regulations came into force and in July 2023 they took effect. The Clean Fuel Regulations aim to discourage the use of fossil fuels by increasing the price of those fuels when compared to lower-carbon alternatives, imposing obligations on primary suppliers of transportation fuels in Canada, and requiring fuels to contain a minimum percentage of renewable fuel content and meet emissions caps calculated over the life cycle of the fuel. The Clean Fuel Regulations also establish a market for compliance credits. Compliance credits can be generated by primary suppliers, among others, through carbon capture and storage, producing or importing low-emission fuel, or through end-use fuel switching (for example, operating an electric vehicle charging network).

Additionally, on December 7, 2023, the Minister of Environment and Climate Change and the Minister of Energy and Natural Resources, introduced Canada's draft cap-and-trade framework to limit emissions from the oil and gas sector. The proposed Regulatory Framework for an Oil and Gas Sector Greenhouse Gas Emissions Cap proposes capping 2030 emissions at 35 to 38 percent below 2019 levels, while providing certain flexibilities to emit up to a level around 20 to 23 percent below 2019 levels. The purpose of the proposed cap is to ensure that Canada is on track to meet its target of achieving net-zero by 2050. The federal government collected feedback from the public on the proposed framework until February 5, 2024. It is expected that the regulations will be finalized and released sometime in 2025 with annual reporting required as early as 2026 and a phasing in period taking place between 2026 and 2030. The form of emissions cap on the oil and gas sector and the overall effect of such a cap remain uncertain.

The Government of Canada is also in the midst of developing a carbon capture utilization and storage ("CCUS") strategy. CCUS is a technology that captures carbon dioxide from facilities, including industrial or power applications, or directly from the atmosphere. The captured carbon dioxide is then compressed and transported for permanent storage in underground geological formations or used to make new products such as concrete. As part of the 2021 budget, the federal government committed to investing $319 million over seven years to ramp up CCUS in Canada, as this will be a critical element of the plan to reach net-zero by 2050. The House of Commons is currently considering legislation pursuant to which it will start paying subsidies for carbon capture and net-zero energy projects; an update is expected in early 2024.

In June 2023, the International Financial Reporting Standards Foundation ("IFRS") issued two international reporting standards on sustainability: IFRS S1, which addresses sustainability-related disclosure, and IFRS S2, which addresses climate-related disclosure. The new standards require issuers, among other things, to include quantitative data regarding their climate change considerations, to use scenario analysis in developing their disclosure, and to disclose Scope 3 GHG emissions. While Canadian companies are not required to follow IFRS S1 and IFRS S2 at this time, the Canadian Securities Administrators is considering amending Canadian reporting requirements to include the new international standards, however to what extent they will be adopted remains unclear.

Provincial

In December 2016, the *Oil Sands Emissions Limit Act* (Alberta) came into force, establishing an annual 100 megatonne limit for GHG emissions from all oil sands sites, but the regulations necessary to enforce the limit have not yet been developed. The delay in drafting these regulations has been inconsequential thus far, as Alberta's oil sands emit roughly 81 megatonnes of GHG emissions per year, well below the 100 megatonne limit.

In June 2019, the fuel charge element of the federal backstop program took effect in Alberta. On January 1, 2024, the carbon tax payable in Alberta increased from $65 to $80 per tonne of CO2e and will continue to increase at a rate of $15 per year until it reaches $170 per tonne in 2030. In December 2019, the federal government approved Alberta's Technology Innovation and Emissions Reduction ("TIER") regulation, which applies to large emitters. The TIER regulation came into effect on January 1, 2020 (as amended January 1, 2023) and replaced the previous Carbon Competitiveness Incentives Regulation. The TIER regulation meets the federal benchmark stringency requirements for emissions sources covered in the regulation, but the federal backstop continues to apply to emissions sources not covered by the regulation.

The GGPPA system applies in part in Saskatchewan for specific industry sectors, and the federal backstop continues to apply to emissions sources not covered by the provincial emissions legislation. In Manitoba, the federal system applies in full, whereas it does not apply in British Columbia, which has its own system altogether.

The Government of Alberta aims to lower annual methane emissions by 45% by 2025. The Government of Alberta enacted the Methane Emission Reduction Regulation on January 1, 2020, and in November 2020, the Government of Canada and the Government of Alberta announced an equivalency agreement regarding the reduction of methane emissions such that the Federal Methane Regulations will not apply in Alberta.

Similarly, the Government of Saskatchewan released its Methane Action Plan in 2019, which sets concrete goals to reduce its methane emissions, and in 2020, BC introduced regulations to reduce methane emissions.

Indigenous Rights

Constitutionally mandated government-led consultation with, and if applicable, accommodation of the rights of, Indigenous groups impacted by regulated industrial activity, as well as proponent-led consultation and accommodation or benefit sharing initiatives, play an increasingly important role in the Western Canadian oil and gas industry. In addition, Canada is a signatory to the United Nations Declaration on the Rights of Indigenous Peoples ("UNDRIP") and the principles set forth therein may continue to influence the role of Indigenous engagement in the development of the oil and gas industry in Western Canada. For example, in November 2019, the *Declaration on the Rights of Indigenous Peoples Act* ("DRIPA") became law in British Columbia. The DRIPA aims to align British Columbia's laws with UNDRIP. In June 2021, the *United Nations Declaration on the Rights of Indigenous Peoples Act* ("UNDRIP Act") came into force in Canada. Similar to British Columbia's DRIPA, the UNDRIP Act requires the Government of Canada to take all measures necessary to ensure the laws of Canada are consistent with the principles of UNDRIP and to implement an action plan to address UNDRIP's objectives. On June 21, 2022, the Minister of Justice and Attorney General issued the First Annual Progress Report on the implementation of the UNDRIP Act (the "Progress Report"). The Progress Report provides that, as of June 2022, the federal government has sought to implement the UNDRIP Act by, among other things, creating a Secretariat within the Department of Justice to support Indigenous participation in the implementation of UNDRIP (the "Implementation Secretariat"), consulting with Indigenous peoples to identify their priorities, drafting an action plan to align federal laws with UNDRIP's, and implementing efforts to educate federal departments on UNDRIP principles. On June 21, 2023, the Implementation Secretariat released The United Nations Declaration on the Rights of Indigenous Peoples Act Action Plan with respect to aligning federal laws with UNDRIP, which has a 2023-2028 implementation timeframe.

Continued development of common law precedent regarding existing laws relating to Indigenous consultation and accommodation as well as the adoption of new laws such as DRIPA and the UNDRIP Act are expected to continue to add uncertainty to the ability of entities operating in the Canadian oil and gas industry to execute on major resource development and infrastructure projects, including, among other projects, pipelines. The Government of Canada has expressed that implementation of the UNDRIP Act has the potential to make meaningful change in how Indigenous peoples collaborate in impact assessment moving forward.

On June 29, 2021, the British Columbia Supreme Court issued a judgement in *Yahey v British Columbia* (the "Blueberry Decision"), in which it determined that the cumulative impacts of industrial development on the traditional territory of the Blueberry River First Nation ("BRFN") in northeast British Columbia had breached the BRFN's rights guaranteed under Treaty 8. The Blueberry Decision may have significant impacts on the regulation of industrial activities in northeast British Columbia and may lead to similar claims of cumulative effects across Canada in other areas covered by numbered treaties, as has been seen in Alberta.

On January 18, 2023 the Government of British Columbia and the BRFN signed the Blueberry River First Nations Implementation Agreement (the "BRFN Agreement"). The BRFN Agreement aims to address cumulative effects of development on BRFN's claim area through restoration work, establishment of areas protected from industrial development, and a constraint on development activities. Such measures will remain in place while a long-term cumulative effects management regime is implemented. Specifically, the BRFN Agreement includes, among other measures, the establishment of a $200-million restoration fund by June 2025, an ecosystem-based management approach for future land-use planning in culturally important areas, limits on new petroleum and natural gas development and a new planning regime for future oil and gas activities. The BRFN will receive $87.5 million over three years, with an opportunity for increased benefits based on petroleum and natural gas revenue sharing and provincial royalty revenue sharing in the next two fiscal years.

The BRFN Agreement has acted as a blueprint for other agreements between the Government of British Columbia and Indigenous groups in Treaty 8 territory. In late January 2023, the Government of British Columbia and four Treaty 8 First Nations — Fort Nelson, Saulteau, Halfway River and Doig River First Nations — reached consensus on a collaborative approach to land and resource planning (the "Consensus Agreement"). The Consensus Agreement implements various initiatives including a "cumulative effects" management system linked to natural resource landscape planning and restoration initiatives, new land-use plans and protection measures, and a new revenue sharing approach to support the priorities of Treaty 8 First Nations communities.

In July 2022, Duncan's First Nation filed a lawsuit against the Government of Alberta relying on similar arguments to those advanced successfully by the BRFN. Duncan's First Nation claims in its lawsuit that Alberta has failed to uphold its treaty obligations by authorizing development without considering the cumulative impacts on the First Nation's treaty rights. Beaver Lake Cree Nation brought a similar lawsuit against the Government of Alberta in 2008, which had stalled, but is scheduled to be heard in 2024. The long-term impacts of the Blueberry Decision and the Duncan's First Nation's and Beaver Lake Cree Nation's lawsuits on the Canadian oil and gas industry remain uncertain.

RISK FACTORS

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Corporation's other public filings before making an investment decision. The risks set out below are not an exhaustive list and should not be taken as a complete summary or description of all the risks associated with the Corporation's business and the oil and natural gas business generally. The risks discussed below are based on certain assumptions made by the Corporation which later may prove to be incorrect or incomplete. Investors are encouraged to perform their own investigation with respect to the business, financial condition and prospects of the Corporation.

The Corporation's business could also be affected by additional risks and uncertainties not currently known to the Corporation or that it currently deems to be immaterial. If any of these risks occur, it could materially harm the Corporation's business, financial condition, results of operations and cash flows, or impair the Corporation's ability to implement business plans or complete development activities as scheduled. In that case, the market price of the Common Shares could decline and you could lose all or part of your investment. Before deciding whether to invest in any equity or debt, investors should carefully consider the risks set out below. If any of the risks described below materialize, our business, financial condition or results of operations could be materially and adversely affected. Additional risks and uncertainties not currently known to us or that we currently view as immaterial may also materially and adversely affect our business, financial condition or results of operations. The information set forth below contains "forward-looking statements", which are qualified by the information contained in the section of this Annual Information Form entitled Forward-Looking Information and Statements.

Exploration, Development and Production Risks

The Corporation's future performance may be affected by the financial, operational, environmental and safety risks associated with the exploration, development and production of oil and natural gas

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, the Corporation's existing reserves, and the production from them, will decline over time as the Corporation produces from such reserves. A future increase in the Corporation's reserves will depend on both the ability of the Corporation to explore and develop its existing properties and its ability to select and acquire suitable producing properties or prospects. There is no assurance that the Corporation will be able to continue to find satisfactory properties to acquire or participate in. Moreover, management of the Corporation may determine that current markets, terms of acquisition, or participation or pricing conditions make potential acquisitions or participation uneconomic. There is also no assurance that the Corporation will discover or acquire further commercial quantities of oil or natural gas.

Future oil and natural gas exploration may involve unprofitable efforts from dry wells or from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, completing (including hydraulic fracturing), operating and other costs. Completion of a well does not ensure a profit on the investment or recovery of drilling, completion and operating costs.

Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. Field operating conditions include, but are not limited to, delays in obtaining governmental approvals or consents, shut-ins of wells resulting from extreme weather conditions, insufficient storage or transportation capacity or geological and mechanical conditions. While diligent well supervision, effective maintenance operations and the development of enhanced oil recovery technologies can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including, but not limited to, fire, explosion, blowouts, cratering, sour gas releases, spills and other environmental hazards. These typical risks and hazards could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment and cause personal injury or threaten wildlife. Particularly, the Corporation may explore for and produce sour gas in certain areas. An unintentional leak of sour gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to the Corporation.

Oil and natural gas production operations are also subject to geological and seismic risks, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

As is standard industry practice, the Corporation is not fully insured against all risks, nor are all risks insurable. Although the Corporation maintains liability insurance and business interruption insurance in an amount that it considers consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. See "*Risk Factors – Insurance*". In either event, the Corporation could incur significant costs.

Prices, Markets and Marketing

Various factors may adversely impact the marketability of oil and natural gas, affecting net production revenue, production volumes and development and exploration activities

Numerous factors beyond the Corporation's control do, and will continue to, affect the marketability and price of oil and natural gas acquired, produced, or discovered by the Corporation. The Corporation's ability to market its oil and natural gas may depend upon its ability to acquire capacity in pipelines that deliver oil and natural gas to commercial markets or contract for the delivery of oil by rail. Deliverability uncertainties related to the distance of the Corporation's reserves from pipelines, railway lines, processing and storage facilities; operational problems affecting pipelines, railway lines and processing and storage facilities; and government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business may also affect the Corporation.

Oil and natural gas prices may be volatile for a variety of reasons including market uncertainties over the supply and demand of these commodities due to the current state of the world economies, actions of the Organization of Petroleum Exporting Countries ("OPEC"), political uncertainties, sanctions imposed on certain oil producing nations by other countries, the Russian Ukrainian war and conflicts in the Middle East, or other adverse economic or political development in the United States, Europe, or Asia. Additionally, the occurrence or threat of terrorist attacks in the United States or other countries could adversely affect the global economy. Prices for oil and natural gas are also subject to the availability of foreign markets and the Corporation's ability to access such markets. In particular, conflict and political uncertainty also continues to progress in the Middle East, including the ongoing military conflict in Israel, the West Bank and Gaza Strip, Yemen and the Red Sea and Yemen. To the extent that certain political actions taken in North America, Europe, the Middle East and elsewhere in the world result in a marked decrease in free trade, access to personnel and freedom of movement, costs for goods and services required for the Company's business could increase and access to skilled labour could decrease, negatively impacting the Company's business, financial condition, results of operations, prospects and the market value of its Common Shares, which negative impact could prove to be material over time.

A material decline in prices could result in a reduction of the Corporation's net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil or natural gas and a reduction in the volumes and the value of the Corporation's reserves. The Corporation might also elect not to produce from certain wells at lower prices. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the Corporation's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. See "*Industry Conditions – Transportation Constraints and Market Access*".

Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for, and project the return on, acquisitions and development and exploitation projects.

Market Price

The trading price of the Corporation's common shares may be adversely affected by factors related and unrelated to the oil and natural gas industry

The trading price of the securities of oil and natural gas issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to the Corporation's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices, current perceptions of the oil and natural gas market and worldwide pandemics. In recent years, the volatility of commodities prices has increased due in part to the implementation of computerized trading and the decrease of discretionary commodity trading. In addition, the volatility, trading volume and share price of issuers have been impacted by increasing investment levels in passive funds that track major indices, as such funds only purchase securities included in such indices. Similarly, the market price of the common shares of the Corporation could be subject to significant fluctuations in response to variations in the Corporation's operating results, financial condition, liquidity and other internal factors. Accordingly, the price at which the common shares of the Corporation will trade cannot be accurately predicted.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The anticipated benefits of acquisitions may not be achieved and the Corporation may dispose of non-core assets for less than their carrying value on the financial statements as a result of weak market conditions

The Corporation considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner and the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of acquired businesses and assets may require substantial management effort, time and resources diverting management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided by third parties and the resources required to provide such services. In this regard, non-core assets may be periodically disposed of so the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Corporation, if disposed of, may realize less on disposition than their carrying value on the financial statements of the Corporation.

Geopolitical Risks

The Corporation's business may be adversely affected by political and social events and decisions made in Canada, the United States, Europe, the Middle East and elsewhere

The Corporation's results can be adversely impacted by political, legal, or regulatory developments in Canada and elsewhere that affect local operations and local and international markets. Changes in government, government policy or regulations, changes in law or interpretation of settled law, third party opposition to industrial activity generally or projects specifically, and duration of regulatory reviews could impact the Corporation's existing operations and planned projects. This includes actions by regulators or other political actors to delay or deny necessary licences and permits for the Corporation's activities or restrict the operation of third party infrastructure on which the Corporation relies. Additionally, changes in environmental regulations, assessment processes or other laws, and increasing and expanding stakeholder consultation (including Indigenous stakeholders), may increase the cost of compliance or reduce or delay available business opportunities and adversely impact the Corporation's results.

Other government and political factors that could adversely affect the Corporation's financial results include increases in taxes or government royalty rates (including retroactive claims) and changes in trade policies and agreements. Further, the adoption of regulations mandating efficiency standards, and the use of alternative fuels or uncompetitive fuel components could affect the Corporation's operations. Many governments are providing tax advantages and other subsidies to support alternative energy sources or are mandating the use of specific fuels or technologies. Governments and others are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources. The success of these initiatives may decrease demand for the Corporation's products.

A change in federal, provincial or municipal governments in Canada may have an impact on the directions taken by such governments on matters that may impact the oil and natural gas industry including the balance between economic development and environmental policy. The oil and natural gas industry has become an increasingly politically polarizing topic resulting in a rise in civil disobedience surrounding oil and natural gas development—particularly with respect to infrastructure projects. Protests, blockades and demonstrations have the potential to delay and disrupt the Corporation's activities. See "***Industry Conditions – Regulatory Authorities and Environmental Regulation" and "Industry Conditions – Transportation Constraints and Market Acces***s".

International Conflicts and Geopolitical Risks

The Corporation's business may be adversely affected by geopolitical conflicts abroad

On October 7, 2023, Hamas terrorists infiltrated Israel's southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Hamas also launched extensive rocket attacks on the Israeli population and industrial centres located along Israel's border with the Gaza Strip and in other areas within the State of Israel. Following the attack, Israel's security cabinet declared war against Hamas and the military campaign against these terrorist organizations has launched a series of responding attacks in Palestine.

The outcome of the conflict has the potential to have wide-ranging consequences on the world economy. Global oil prices have increased since the beginning of the Israel-Palestine war. While neither Israel nor the Gaza Strip are significant oil producers, there is a risk that the conflict could lead to wider regional instability in the Middle East, home to some of the world's biggest oil producers. To date, these events have not impacted the Corporation's ability to carry on business, and there have been no significant delays or direct security issues affecting the Corporation's operations, offices or personnel. The long-term impacts of the conflict remain uncertain and the Corporation continues to monitor the evolving situation.

In February 2022, Russian military forces invaded Ukraine. Ukrainian military personnel and civilians continue to actively resist the invasion. Many countries throughout the world have provided aid to Ukraine in the form of financial aid and in some cases military equipment and weapons to assist in its resistance to the Russian invasion. The North Atlantic Treaty Organization ("NATO") has also mobilized forces to NATO member countries that are close to the conflict as deterrence to further Russian aggression in the region. Additionally, certain countries including Canada have imposed strict financial and trade sanctions against Russia. The outcome of the ongoing conflict remains uncertain and may have wide-ranging consequences on the peace and stability of the region and the world economy.

In addition, attacks by Houthi rebels in the Red Sea has put significant risks on shipping lanes in the area and has resulted in increased shipping costs to various business entities. Continued attacks on shipping in the Middle East may result in further increases in shipping costs and longer transit times and delays in delivering products or procuring supplies. Further escalation of the conflict may spark confrontations in other parts of the Middle East and have further adverse consequences on global markets, commodity prices, supply chains and shipping lanes and the Company's business. The Company continues to monitor these events and will proactively manage the situation, although there is no assurance that the Company's operations will not be adversely affected by current geopolitical tensions and/or associated government sanctions.

Operational Dependence

The successful operation of a portion of the Corporation's properties is dependent on third parties

On a limited basis, other companies operate some of the assets in which the Corporation has an interest. The Corporation has limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect the Corporation's financial performance. The Corporation's return on assets operated by others depends upon a number of factors that may be outside of the Corporation's control, including, but not limited to, the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

In addition, due to volatile commodity prices, many companies, including companies that may operate some of the assets in which the Corporation has an interest, may be in financial difficulty. This could impact their ability to fund and pursue capital expenditures, carry out their operations in a safe and effective manner and satisfy regulatory requirements with respect to abandonment and reclamation obligations. If companies that operate some of the assets in which the Corporation has an or "a working" interest fail to satisfy regulatory requirements with respect to abandonment and reclamation obligations, the Corporation may be required to satisfy such obligations and to seek reimbursement from such companies. To the extent that any such companies go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in such assets being shut-in, the Corporation potentially becoming subject to additional liabilities relating to such assets and the Corporation having difficulty collecting revenue due from such operators or recovering amounts owing to the Corporation from such operators for their share of abandonment and reclamation obligations. Any of these factors could have a material adverse effect on the Corporation's financial and operational results. See "*Risk Factors – Third Party Credit Risk*".

Abandonment and Reclamation Costs

The Corporation may have to pay certain costs associated with abandonment and reclamation

The Corporation will need to comply with the terms and conditions of environmental and regulatory approvals and all legislation regarding the abandonment of its projects and reclamation of the project lands at the end of their economic life, which may result in substantial abandonment and reclamation costs. Any failure to comply with the terms and conditions of the Corporation's approvals and legislation may result in the imposition of fines and penalties, which may be material. Generally, abandonment and reclamation costs are substantial and, while the Corporation accrues a reserve in its financial statements for such costs in accordance with IFRS, such accruals may be insufficient.

It is not possible at this time to estimate abandonment and reclamation costs reliably since they will, in part, depend on future regulatory requirements. In addition, in the future, the Corporation may determine it prudent or be required by applicable laws, regulations or regulatory approvals to establish and fund one or more reclamation funds to provide for payment of future abandonment and reclamation costs. If the Corporation establishes a reclamation fund, its liquidity and cash flow may be adversely affected.

Alberta has developed liability management programs designed to prevent taxpayers from incurring costs associated with suspension, abandonment, remediation and reclamation of wells, facilities and pipelines if a licensee or permit holder is unable to satisfy its regulatory obligations. The implementation of or changes to the requirements of liability management programs may result in significant increases to the security that must be posted by licensees, increased and more frequent financial disclosure obligations or may result in the denial of licence or permit transfers, which could impact the availability of capital to be spent by such licensees which could in turn materially adversely affect the Corporation's business and financial condition. In addition, these liability management programs may prevent or interfere with a licensee's ability to acquire or dispose of assets, as both the vendor and the purchaser of oil and natural gas assets must be in compliance with the liability management programs (both before and after the transfer of the assets) for the applicable regulatory agency to allow for the transfer of such assets.

Reliance on Royalty Payors

A portion of the Corporation's revenues from royalty payors and certain of its operations are dependent on the financial and operational capacity of third party working interest owners to develop and produce from the Corporation's properties, over which it has limited influence

The Corporation relies on other companies drilling and producing from lands in which the Corporation has a royalty interest. The Corporation has very limited ability to exercise influence over the decision of companies to drill and produce from lands in which the Corporation has a royalty interest. The Corporation's return on lands in which it has a royalty interest depends upon a number of factors that may be outside of the Corporation's control, including the capital expenditure budgets and financial resources of the operators who have a working interest in such lands, the ability to efficiently produce the resources from such lands and commodity prices.

In addition, companies that may have a working interest in the lands in which the Corporation has a royalty interest may be in financial difficulty, which could affect their ability to fund and pursue capital expenditures on such lands. Any reduction in the drilling and production from lands in which the Corporation has a royalty interest will negatively affect the Corporation's cash flows and financial results.

Any financial difficulty of companies which have assets in which the Corporation has a royalty interest may affect the Corporation's ability to collect royalty payments, especially if such companies go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency. In addition, to the extent any companies who have assets in which the Corporation has a royalty interest go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency it is possible that the Corporation's royalty interest may not be (or may not be recognized as) an interest in land and as such the Corporation's royalty interest may not survive such bankruptcy or insolvency proceedings.

Take-in-Kind

Most agreements the Corporation has entered into that create new royalties stipulate that the royalty interest so acquired by the Corporation is an interest in land and as such is separate and distinct from the interest of the royalty payor. In addition, all of these new royalty agreements provide the Corporation with the right, but not the obligation, to take its share of production in kind rather than have the royalty payor sell the Corporation's royalty production on behalf of the Corporation as agent for the Corporation. These provisions serve to mitigate the counterparty risk attributable to any financial difficulty of the royalty payors under these agreements. The previously discussed provisions may not exist in certain of the royalty agreements previously entered into by other royalty recipients who subsequently sold their respective interest as a royalty recipient to the Corporation.

Project Risks

The success of the Corporation's operations may be negatively impacted by factors outside of its control resulting in operational delays and cost overruns

The Corporation manages a variety of small and large projects in the conduct of its business. Project interruptions may delay expected revenues from operations. Significant project cost overruns could make a project uneconomic. The Corporation's ability to execute projects and market oil and natural gas depends upon numerous factors beyond the Corporation's control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the availability of, and the ability to acquire, water supplies needed for drilling, hydraulic fracturing, and waterfloods or the Corporation's ability to dispose of water used or removed from strata at a reasonable cost and in accordance with applicable environmental regulations;
- the effects of inclement and severe weather events, including fire, drought, extreme cold and flooding;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- regulatory changes;
- availability and productivity of skilled labour;
- political uncertainty;
- environmental and Indigenous activism that may result in delays or cancellations of projects; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, the Corporation may be unable to execute projects on time, on budget, or at all.

Gathering and Processing Facilities, Pipeline Systems, Trucking and Rail

Lack of capacity and/or regulatory constraints on gathering and processing facilities, pipeline systems and railway lines may have a negative impact on the Corporation's ability to produce and sell its oil and natural gas

The Corporation delivers its products through gathering and processing facilities, pipeline systems and, in certain circumstances, by truck and rail. The amount of oil and natural gas that the Corporation can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering and processing facilities, pipeline systems, trucking and railway lines. Unexpected shutdowns or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators could also affect the Corporation's production, operations and financial results.

A portion of the Corporation's production may, from time to time, be processed through facilities owned by third parties and over which the Corporation does not have control. From time to time, these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could have a material adverse effect on the Corporation's ability to process its production and deliver the same to market. Midstream and pipeline companies may take actions to maximize their return on investment, which may in turn adversely affect producers and shippers, especially when combined with a regulatory framework that may not always align with the interests of particular shippers.

Industry Competition

The Corporation competes with other oil and natural gas companies, some of which have greater financial and operational resources

The petroleum industry is competitive in all of its phases. The Corporation competes with numerous other entities in the exploration for, and the development, production and marketing of, oil and natural gas. The Corporation's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Corporation. Some of these companies not only explore for, develop and produce oil and natural gas, but also carry on refining operations and market oil and natural gas on an international basis. As a result of these complementary activities, some of these competitors may have greater and more diverse competitive resources to draw on than the Corporation. The Corporation's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price, process, methods, and reliability of delivery and storage.

Cost of New Technologies

The Corporation's ability to successfully implement new technologies into its operations in a timely and efficient manner will affect its ability to compete

The petroleum industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other companies may have greater financial, technical and personnel resources that allow them to implement and benefit from technological advantages. There can be no assurance that the Corporation will be able to respond to such competitive pressures and implement such technologies on a timely basis, or at an acceptable cost. If the Corporation does implement such technologies, there is no assurance that the Corporation will do so successfully. One or more of the technologies currently utilized by the Corporation or implemented in the future may become obsolete. If the Corporation is unable to utilize the most advanced commercially available technology, or is unsuccessful in implementing certain technologies, its business, financial condition and results of operations could also be adversely affected, potentially in a material way.

Alternatives to and Changing Demand for Petroleum Products

Changes to the demand for oil and natural gas products and the rise of petroleum alternatives may negatively affect the Corporation's financial condition, results of operations and cash flow

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas and technological advances in fuel economy and renewable energy generation systems could reduce the demand for oil and natural gas. Recently, certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels and encourage the use of renewable fuel alternatives, which may lessen the demand for petroleum products and put downward pressure on commodity prices. Advancements in energy-efficient products have a similar effect on the demand for oil and natural gas products. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flow by decreasing the Corporation's profitability, increasing its costs, limiting its access to capital and decreasing the value of its assets.

Regulatory

Modification to current, or implementation of additional, regulations may reduce the demand for oil and natural gas, increase the Corporation's costs and delay planned operations

The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for oil and natural gas and increase the Corporation's costs, either of which may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. Further, third party challenges to regulatory decisions and orders can reduce the efficiency of the regulatory regime, as the implementation of decisions and orders may be delayed resulting in uncertainty and interruption to the business of the oil and natural gas industry. See "***Industry Conditions – Regulatory Authorities and Environmental Regulation***".

To conduct oil and natural gas operations, the Corporation will require regulatory permits, licences, registrations, approvals and authorizations from various governmental authorities at the municipal, provincial and federal level. There can be no assurance that the Corporation will be able to obtain all of the permits, licences, registrations, approvals and authorizations that may be required to conduct operations that it may wish to undertake. In addition, certain federal legislation such as the *Competition Act* and the *Investment Canada Act* could negatively affect the Corporation's business, financial condition and the market value of its common shares or its assets, particularly when undertaking, or attempting to undertake, acquisition or disposition activity. See "*Industry Conditions – Regulatory Authorities and Environmental Regulation*".

Royalty Regimes

Changes to royalty regimes may negatively impact the Corporation's cash flows

Governments in the jurisdictions in which the Corporation has assets may adopt new royalty regimes, or modify the existing royalty regimes, which may impact the economics of the Corporation's projects. An increase in royalties will reduce the Corporation's earnings and could make future capital investments, or the Corporation's operations, less economic. See "*Industry Conditions – Royalties and Incentives*".

Hydraulic Fracturing

Implementation of new regulations on hydraulic fracturing may lead to operational delays, increased costs and/or decreased production volumes, adversely affecting the Corporation's financial position; the Corporation's operations are dependent upon the availability of water and its ability to dispose of produced water from drilling and production activities

Hydraulic fracturing involves the injection of water, sand, and small amounts of additives under high pressure into tight rock formations to stimulate the production of oil and natural gas. Concerns about seismic activity, including earthquakes, caused by hydraulic fracturing have resulted in regulatory authorities implementing additional protocols for areas that are prone to seismic activity and completely banning hydraulic fracturing in other areas. Any new laws, regulations, or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs, and/or third party or governmental claims, and could increase the Corporation's costs of compliance and doing business, as well as delay the development of oil and natural gas resources from shale formations, which are not commercial without the use of hydraulic fracturing. Restrictions or bans on hydraulic fracturing in the areas where the Corporation operates could result in the Corporation being unable to economically recover its oil and gas reserves, which would result in a significant decrease in the value of the Corporation's assets.

Water is an essential component of the Corporation's drilling and hydraulic fracturing processes. Limitations or restrictions on the Corporation's ability to secure sufficient amounts of water (including limitations resulting from natural causes such as drought), could materially and adversely impact its operations. Severe drought conditions can result in local water authorities taking steps to restrict the use of water in their jurisdiction for drilling and hydraulic fracturing in order to protect the local water supply. If the Corporation is unable to obtain water to use in its operations from local sources, water may need to be obtained from new sources and transported to drilling sites, resulting in increased costs. Cost increases could have a material adverse effect on drilling economics resulting in delays or suspensions of drilling which ultimately would have a detrimental effect on the financial condition, results of operations, and cash flows of the Corporation.
The Corporation must dispose of the fluids produced from oil and natural gas production operations, including produced water. It does so directly or through the use of third party vendors. The legal requirements related to the disposal of produced water into a non-producing geologic formation by means of underground injection wells are subject to change based on concerns of the public or governmental authorities.

Another consequence of seismic events may be lawsuits alleging that disposal well operations have caused damage to neighbouring properties or otherwise violated laws and regulations regarding waste disposal. These developments could result in additional regulation and restrictions on the use of injection wells by the Corporation or by commercial disposal well vendors that the Corporation may use from time to time to dispose of produced water. Increased regulation and attention given to induced seismicity could also lead to greater opposition, including litigation to limit or prohibit oil and natural gas activities utilizing injection wells for produced water disposal. Any one or more of these developments may result in the Corporation or its vendors having to limit disposal well volumes, disposal rates, pressures or locations, or require the Corporation or its vendors to shut down or curtail the injection of produced water into disposal wells, which events could have a material adverse effect on the Corporation's business, financial condition, and results of operations.

Waterflood

Regulatory water use restrictions and/or limited access to water or other fluids may impact the Corporation's production volumes from its waterflood

The Corporation undertakes or intends to undertake certain waterflooding programs, which involve the injection of water or other liquids into an oil reservoir to increase production from the reservoir and to decrease production declines. To undertake such waterflooding activities the Corporation needs to have access to sufficient volumes of water, or other liquids, to pump into the reservoir to increase the pressure in the reservoir. There is no certainty that the Corporation will have access to the required volumes of water. In addition, in certain areas there may be restrictions on water use for activities such as waterflooding. If the Corporation is unable to access such water it may not be able to undertake waterflooding activities, which may reduce the amount of oil and natural gas that the Corporation is ultimately able to produce from its reservoirs. In addition, the Corporation may undertake certain waterflood programs that ultimately prove unsuccessful in increasing production from the reservoir and as a result have a negative impact on the Corporation's results of operations.

Availability of CO_2

Lack of availability of CO_2 may affect the Corporation's ability to implement enhanced oil recovery processes

The Corporation is reliant upon certain key suppliers for CO_2 used in enhanced oil recovery processes and no assurances can be given that there will not be delays or other difficulties in obtaining CO_2. Although the Corporation purchases CO_2 under multi-year contracts, if thereafter such contracts are not renewed or if there is a default or force majeure and current suppliers are unable to provide the CO_2 or otherwise fail to timely deliver the product in the quantities required, any resulting delays could have a material adverse effect on results of operations and the financial condition of the Corporation.

Environmental

Compliance with environmental regulations requires the dedication of a portion of the Corporation's financial and operational resources

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, the initiation and approval of new oil and natural gas projects, restrictions and prohibitions on the spill, release or emission of various substances produced in association with oil and natural gas industry operations. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites. New environmental legislation at the federal and provincial levels may increase uncertainty among oil and natural gas industry participants as the new laws are implemented, and the effects of the new rules and standards are felt in the oil and natural gas industry. See "*Industry Conditions – Regulatory Authorities and Environmental Regulation*".

Compliance with environmental legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liabilities and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge. Although the Corporation believes that it is in material compliance with current applicable environmental legislation, no assurance can be given that environmental compliance requirements will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Climate Change

Climate change concerns could result in increased operating costs and reduced demand for the Corporation's products and shares, while the potential physical effects of climate change could disrupt the Corporation's production and cause it to incur significant costs in preparing for or responding to those effects

Global climate issues continue to attract public and scientific attention. Numerous reports, including reports from the Intergovernmental Panel on Climate Change, have engendered concern about the impacts of human activity, especially fossil fuel combustion, on global climate issues. In turn, increasing public, government, and investor attention is being paid to global climate issues and to emissions of GHG, including emissions of carbon dioxide and methane from the production and use of oil and natural gas. The majority of countries, including Canada and the United States, have agreed to reduce their carbon emissions in accordance with the Paris Agreement. At the 2021 United Nations Climate Change Conference, Canada's Prime Minister Justin Trudeau made several pledges aimed at reducing Canada's GHG emissions and at the 2023 United Nations Climate Change Conference, Canada renewed its commitments to transitioning away from fossil fuels and further cutting GHG emissions. As discussed below, the Corporation faces both transition risks and physical risks associated with climate change and climate change policy and regulations. See "*Industry Conditions – Climate Change Regulation*".

Transition risks

Foreign and domestic governments continue to evaluate and implement policy, legislation, and regulations focused on restricting GHG emissions and promoting adaptation to climate change and the transition to a low-carbon economy. It is not possible to predict what measures foreign and domestic governments may implement in this regard, nor is it possible to predict the requirements that such measures may impose or when such measures may be implemented. However, international multilateral agreements, the obligations adopted thereunder and legal challenges concerning the adequacy of climate-related policy brought against foreign and domestic governments may accelerate the implementation of these measures. Given the evolving nature of climate change policy and the control of GHG emissions and resulting requirements, including carbon taxes and carbon pricing schemes implemented by varying levels of government, it is expected that current and future climate change regulations will have the effect of increasing the Corporation's operating expenses, and, in the long-term, potentially reducing the demand for oil and natural gas and related products, resulting in a decrease in the Corporation's profitability and a reduction in the value of its assets.

Claims have been made against certain energy companies alleging that GHG emissions from oil and natural gas operations constitute a public nuisance under certain laws or that such energy companies provided misleading disclosure to the public and investors of current or future risks associated with climate change. Individuals, governmental authorities, or other organizations may make claims against oil and natural gas companies, including the Corporation, for alleged personal injury, property damage, or other potential liabilities. While the Corporation is not a party to any such litigation or proceedings, it could be named in actions making similar allegations. An unfavourable ruling in any such case could adversely affect the demand for and price of securities issued by the Corporation, impact its operations and have an adverse impact on its financial condition.

Given the perceived elevated long-term risks associated with policy development, regulatory changes, public and private legal challenges, or other market developments related to climate change, there have also been efforts in recent years affecting the investment community, including investment advisors, sovereign wealth funds, banks, public pension funds, universities and other institutional investors, promoting direct engagement and dialogue with companies in their portfolios on climate change action (including exercising their voting rights on matters relating to climate change) and increased capital allocation to investments in low-carbon assets and businesses while decreasing the carbon intensity of their portfolios through, among other measures, divestments of companies with high exposure to GHG-intensive operations and products. Certain stakeholders have also pressured insurance providers and commercial and investment banks to reduce or stop financing and providing insurance coverage to, oil and natural gas and related infrastructure businesses and projects. The impact of such efforts require the Corporation's management to dedicate significant time and resources to these climate change-related concerns, which may adversely affect the Corporation's operations, the demand for and price of the Corporation's securities and the Corporation's cost of capital and access to the capital markets.

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to environmental, social, governance and climate reporting, in June 2023 the International Sustainability Standards Board issued two new international sustainability disclosure standards with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. The Canadian Securities Administrators had previously published for comment Proposed National Instrument 51-107 – *Disclosure of Climate-Related Matters*, intended to introduce climate-related disclosure requirements for reporting issuers in Canada. It is expected that the introduction of the new international standards will instruct how new Canadian sustainability disclosure standards are finalized. If the Corporation is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licences, registrations, approvals, and authorizations from various governmental authorities, and raise capital may be adversely affected. See "*Industry Conditions – Climate Change Regulation*".

Physical risks

Based on the Corporation's current understanding, the potential physical risks resulting from climate change are long-term in nature and associated with a high degree of uncertainty regarding timing, scope, and severity of potential impacts. Many experts believe global climate change could increase extreme variability in weather patterns such as increased frequency of severe weather, rising mean temperature and sea levels, and long-term changes in precipitation patterns. Extreme hot and cold weather, heavy snowfall, heavy rainfall, and wildfires may restrict the Corporation's ability to access its properties and cause operational difficulties, including damage to equipment and infrastructure. Extreme weather also increases the risk of personnel injury as a result of dangerous working conditions.

Indigenous Land and Rights Claims

Opposition by Indigenous groups to the conduct of the Corporation's operations, development or exploratory activities may negatively impact the Corporation

There are Indigenous groups that have established or asserted Indigenous treaty, title and rights to portions of Canada. There are outstanding Indigenous and treaty rights claims, which may include Indigenous title claims, on lands where the Corporation operates. Such claims, if successful, could have a material adverse impact on the Corporation's operations or pace of growth. No certainty exists that any lands currently unaffected by claims brought by Indigenous groups will remain unaffected by future claims.

Some Indigenous groups have established or asserted Indigenous treaty, title and rights to portions of Canada. Although there are no Indigenous and treaty rights claims on lands where the Corporation operates, no certainty exists that any lands currently unaffected by claims brought by Indigenous groups will remain unaffected by future claims. Such claims, if successful, could have a material adverse impact on its operations or pace of growth.

The Canadian federal and provincial governments have a duty to consult with Indigenous people when contemplating actions that may adversely affect asserted or proven Indigenous or treaty rights and, in certain circumstances, accommodate their concerns. The scope of the duty to consult by federal and provincial governments varies with the circumstances and is often the subject of litigation. The fulfillment of the duty to consult Indigenous people and any associated accommodations may adversely affect the Corporation's ability to, or increase the timeline to, obtain or renew, permits, leases, licences and other approvals, or to meet the terms and conditions of those approvals. For example, a recent British Columbia Supreme Court decision determined that the cumulative impacts of government sanctioned industrial development on the traditional territories of a First Nation in northeast British Columbia breached that group's treaty rights. Recently, the Government of British Columbia and the First Nation came to an agreement relating to further industrial activities in the area. The developments in northeastern British Columbia relating to Indigenous rights may lead to similar claims of cumulative effects across Canada in other areas covered by numbered treaties. The long-term impacts and associated risks of the decision on the Canadian oil and natural gas industry and the Corporation remain uncertain.

In addition, the federal government has introduced legislation to implement the UNDRIP. Other Canadian jurisdictions, including British Columbia, have introduced or passed similar legislation and have begun considering the principles and objectives of UNDRIP, or may do so in the future. The means and timelines associated with UNDRIP's implementation by government are uncertain. Additional processes may be created and legislation associated with project development and operations may be amended or introduced, further increasing uncertainty with respect to project regulatory approval timelines and requirements. See "*Industry Conditions – Indigenous Rights*".

Inflation and Rising Interest Rates

A failure to secure the services and equipment necessary to the Corporation's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Corporation's financial performance and cash flows

Recently in Canada, the United States and other countries have experienced high levels of inflation, supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs and commodity prices, and additional government intervention through stimulus spending and additional regulations. These factors have increased the operating costs of the Corporation. The Corporation's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows.

The cost or availability of oil and gas field equipment may adversely affect the Corporation's ability to undertake exploration, development and construction projects. The oil and natural gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects and construction materials generally. These materials and services may not be available at reasonable prices when required. A failure to secure the services and equipment necessary to the Corporation's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Corporation's financial performance and cash flows.

In addition, many central banks including the Bank of Canada and U.S. Federal Reserve have taken steps to raise interest rates in an attempt of combat inflation. The rise in interest rates has impacted the Corporation's borrowing costs. The increase in borrowing costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows of the Corporation. Rising interest rates could also result in a recession in Canada, the United States or other countries. A recession may have a negative impact on demand for oil and natural gas, causing a decrease in commodity prices. A decrease in commodity prices would immediately impact the Corporation's revenues and cash flows and could also reduce drilling activity on the Corporation's properties. It is unknown how long inflation will continue to impact the economies of Canada and the United States and how inflation and rising interest rates will impact oil and gas demand and commodity prices.

Seasonality

Oil and natural gas operations are subject to seasonal weather conditions and the Corporation may experience significant operational delays as a result

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipal and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Road bans and other restrictions generally result in a reduction of drilling and exploratory activities and may also result in the shut-in of some of the Corporation's production. Certain oil and natural gas producing assets are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of muskeg. In addition, extreme cold weather, heavy snowfall and heavy rainfall may restrict access to properties in which the Corporation has an interest and cause operational difficulties. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and corresponding decreases in the demand for the goods and services of the Corporation.

Variations in Foreign Exchange Rates and Interest Rates

Variations in foreign exchange rates and interest rates could adversely affect the Corporation's financial condition

World oil and natural gas prices are quoted in United States dollars. The Canadian/United States dollar exchange rate, which fluctuates over time, consequently affects the price received by Canadian producers of oil and natural gas. Material increases in the value of the Canadian dollar relative to the United States dollar will negatively affect the Corporation's production revenues. Accordingly, exchange rates between Canada and the United States could affect the future value of the Corporation's reserves as determined by independent evaluators. Although a low value of the Canadian dollar relative to the United States dollar may positively affect the price the Corporation receives for its oil and natural gas production, it could also result in an increase in the price for certain goods used in the Corporation's operations, which may have a negative impact on the Corporation's financial results.

To the extent that the Corporation engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which the Corporation may contract.

An increase in interest rates could result in a significant increase in the amount the Corporation pays to service debt, resulting in a reduced amount of funds available to fund its exploration and development activities, and if applicable, the cash available for dividends. Such an increase could also negatively impact the market price of the common shares of the Corporation.

To the extent that the Corporation engages in risk management activities related to foreign exchange and interest rates, there is a credit risk associated with counterparties with which the Corporation may contract.

Substantial Capital Requirements

The Corporation's access to capital may be limited or restricted as a result of factors related and unrelated to it, impacting its ability to conduct future operations and acquire and develop reserves

The Corporation anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. As future capital expenditures will be financed out of cash generated from operations, borrowings, proceeds from asset sales and possible future equity sales, the Corporation's ability to do so is dependent on, among other factors:

- the overall state of the capital markets;
- the Corporation's credit rating (if applicable);
- commodity prices;
- interest rates;
- royalty rates;
- tax burden due to current and future tax laws; and
- investor appetite for investments in the energy industry and the Corporation's securities in particular.

Further, if the Corporation's revenues or reserves decline, it may not have access to the capital necessary to undertake or complete future drilling programs. The conditions in, or those affecting, the oil and natural gas industry have negatively impacted the ability of oil and natural gas companies, including the Corporation, to access financing and/or the cost thereof. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. The Corporation may be required to seek additional equity financing on terms that are highly dilutive to existing Shareholders. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's business financial condition, results of operations and prospects.

Additional Funding Requirements

The Corporation may require additional financing, from time to time, to fund the acquisition, exploration and development of properties and its ability to obtain such financing in a timely fashion and on acceptable terms may be negatively impacted by current economic conditions and global market volatility

The Corporation's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times and, from time to time, the Corporation may require additional financing in order to carry out its oil and natural gas acquisition, exploration and development activities. Failure to obtain financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce its operations.

As a result of global economic and political volatility, the Corporation may, from time to time, have restricted access to capital and increased borrowing costs. Failure to obtain suitable financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Corporation's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Corporation's ability to expend the necessary capital to replace its reserves or to maintain its production. To the extent that external sources of capital become limited, unavailable or available on onerous terms, the Corporation's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future development of the Corporation's petroleum properties may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Alternatively, any available financing may be highly dilutive to existing Shareholders. Failure to obtain any financing necessary for the Corporation's capital expenditure or acquisition plans may result in a delay in development of or production from the Corporation's properties.

Asset Concentration

The Corporation's operations and drilling activities are vulnerable to risks associated with operating in a limited geographic area

The Corporation's producing and undeveloped properties are geographically concentrated in the province of Alberta. Demand for and costs of personnel, equipment, power, services, and resources in such geographic area remain high. This high level of demand could result in a delay or inability to secure such personnel, equipment, power, services, and resources. Any delay or inability to secure the personnel, equipment, power, services or resources could result in oil and natural gas production volumes being below the Corporation's forecasted production volumes. In addition, any such negative effect on production volumes, or significant increases in costs, could have a material adverse effect on the Corporation's financial conditions, results of operations, cash flow, and profitability.

As a result of this geographical concentration, the Corporation may be disproportionately exposed to the impact of delays or interruptions of operations or production in this area caused by external factors such as governmental regulation, provincial politics, Indigenous rights claims, market limitations, supply shortages, or extreme weather-related conditions.

Credit Facility Arrangements

Failing to comply with covenants under the Corporation's credit facility could result in restricted access to additional capital or being required to repay all amounts owing thereunder

The Corporation currently has a credit facility and the amount authorized thereunder is dependent on the borrowing base determined by its lenders. The Corporation is required to comply with covenants under its credit facility which may, in certain cases, include certain financial ratio tests, which, from time to time, either affect the availability, or price, of additional funding. In the event that the Corporation does not comply with these covenants, the Corporation's access to capital could be restricted or repayment could be required. Events beyond the Corporation's control may contribute to the failure of the Corporation to comply with such covenants. A failure to comply with covenants could result in default under the Corporation's credit facility, which could result in the Corporation being required to repay amounts owing thereunder. The acceleration of the Corporation's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross-default or cross-acceleration provisions. The Corporation's current credit facility does not include financial ratio tests. In addition, the Corporation's credit facility may impose operating and financial restrictions on the Corporation that could include restrictions on the payment of dividends, repurchase or making of other distributions with respect to the Corporation's securities, incurring of additional indebtedness, the provision of guarantees, the assumption of loans, making of capital expenditures, entering into of amalgamations, mergers, take-over bids or disposition of assets, among others.

If the Corporation's lenders require repayment of all or a portion of the amounts outstanding under its credit facilities for any reason, including for a default of a covenant or the reduction of a borrowing base, there is no certainty that the Corporation would be in a position to make such repayment. Even if the Corporation is able to obtain new financing in order to make any required repayment under its credit facilities, such financing may not be on commercially reasonable terms, or terms that are acceptable to the Corporation. If the Corporation is unable to repay amounts owing under its credit facilities, the lenders under its credit facilities could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness.

Issuance of Debt

Increased debt levels may impair the Corporation's ability to borrow additional capital on a timely basis to fund opportunities as they arise

From time to time, the Corporation may enter into transactions to acquire assets or shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase the Corporation's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, the Corporation may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time could impair the Corporation's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Hedging

Hedging activities expose the Corporation to the risk of financial loss and counter party risk

From time to time, the Corporation may enter into agreements to receive fixed prices or derivative contracts on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline. However, to the extent that the Corporation engages in price risk management activities to protect itself from commodity price declines, it may also be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk. In addition, the Corporation's hedging arrangements may expose it to the risk of financial loss in certain circumstances, including instances in which:

- production falls short of the hedged volumes;
- there is a widening of price-basis differentials between delivery points for production and the delivery point assumed in the hedge arrangement;
- the counterparties to the hedging arrangements or other price risk management contracts fail to perform under those arrangements; or
- a sudden unexpected event materially impacts oil or natural gas prices.

Similarly, from time to time, the Corporation may enter into agreements to fix the exchange rate of Canadian dollars to United States dollars or other currencies in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to other currencies.

However, if the Canadian dollar declines in value compared to such fixed currencies, the Corporation will not benefit from the fluctuating exchange rate.

Diluent Supply

A decrease in, or restriction in access to, diluent supply may increase the Corporation's operating costs

Heavy oil and bitumen are characterized by high specific gravity or weight and high viscosity or resistance to flow. Diluent is required to facilitate the transportation of heavy oil and bitumen. A shortfall in the supply of diluent, or a restriction in access to diluent, may cause its price to increase, increasing the cost to transport heavy oil and bitumen to market. An increase to the cost of bringing heavy oil and bitumen to market may increase the Corporation's overall operating cost and result in decreased net revenues, negatively impacting the overall profitability of the Corporation's heavy oil and bitumen projects.

Title to and Right to Produce from Assets

Defects in the title or rights to produce the Corporation's properties may result in a financial loss

The Corporation's actual title to and interest in its properties, and its right to produce and sell the oil and natural gas therefrom, may vary from the Corporation's records. In addition, there may be valid legal challenges or legislative changes that affect the Corporation's title to and right to produce from its oil and natural gas properties, which could impair the Corporation's activities and result in a reduction of the revenue received by the Corporation.

If a defect exists in the chain of title or in the Corporation's right to produce, or a legal challenge or legislative change arises, it is possible that the Corporation may lose all or a portion of the properties to which the title defect relates and/or its right to produce from such properties. This may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Reserves Estimates

The Corporation's estimated reserves are based on numerous factors and assumptions which may prove incorrect and which may affect the Corporation

There are numerous uncertainties inherent in estimating reserves and the future cash flows attributed to such reserves. The reserves and associated cash flow information set forth in this document are estimates only. Generally, estimates of economically recoverable oil and natural gas reserves (including the breakdown of reserves by product type) and the future net cash flows from such estimated reserves are based upon a number of variable factors and assumptions, such as:

- historical production from properties;
- production rates;
- information including type curve analogies;
- ultimate reserve recovery;
- timing and amount of capital expenditures;
- marketability of oil and natural gas;
- royalty rates; and
- the assumed effects of regulation by governmental agencies and future operating costs (all of which may vary materially from actual results).

For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. The Corporation's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates and such variations could be material.

In accordance with applicable securities laws, the Corporation's independent reserves evaluator has used forecast prices and costs in estimating the reserves and future net cash flows as summarized herein. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived from the Corporation's oil and natural gas reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation is based in part on the assumed success of activities the Corporation intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom and contained in the reserve evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluation. The reserve evaluation is effective as of a specific effective date and, except as may be specifically stated, has not been updated and therefore does not reflect changes in the Corporation's reserves since that date.

Insurance

Not all risks of conducting oil and natural gas opportunities are insurable and the occurrence of an uninsurable event may have a materially adverse effect on the Corporation

The Corporation's involvement in the exploration for and development of oil and natural gas properties may result in the Corporation becoming subject to liability for pollution, blowouts, leaks of sour gas, property damage, personal injury or other hazards. Although the Corporation maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, certain risks are not, in all circumstances, insurable or, in certain circumstances, the Corporation may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

The Corporation's insurance policies are generally renewed on an annual basis and, depending on factors such as market conditions, the premiums, policy limits and/or deductibles for certain insurance policies can vary substantially. In some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. Significantly increased costs could lead the Corporation to decide to reduce or possibly eliminate, coverage. In addition, insurance is purchased from a number of third party insurers, often in layered insurance arrangements, some of whom may discontinue providing insurance coverage for their own policy or strategic reasons. Should any of these insurers refuse to continue to provide insurance coverage, the Corporation's overall risk exposure could be increased and the Corporation could incur significant costs.

Non-Governmental Organizations

The Corporation's properties may be subject to action by non-governmental organizations or terrorist attack

In addition to the risks outlined above related to geopolitical developments, the Corporation's oil and natural gas properties, wells and facilities could be subject to a terrorist attack, physical sabotage or public opposition. Such public opposition could expose the Corporation to the risk of higher costs, delays or even project cancellations due to increased pressure on governments and regulators by special interest groups including Indigenous groups, landowners, environmental interest groups (including those opposed to oil and natural gas production operations) and other non-governmental organizations, blockades, legal or regulatory actions or challenges, increased regulatory oversight, reduced support from the federal, provincial or municipal governments, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licences, and direct legal challenges, including the possibility of climate-related litigation. There is no guarantee that the Corporation will be able to satisfy the concerns of the special interest groups and non-governmental organizations and attempting to address such concerns may require the Corporation to incur significant and unanticipated capital and operating expenditures. If any of the Corporation's properties, wells or facilities are the subject of terrorist attack or sabotage, it may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. The Corporation does not have insurance to protect against such risks.

Reputational Risk Associated with the Corporation's Operations

The Corporation relies on its reputation to continue its operations and to attract and retain investors and employees

The Corporation's business, operations or financial condition may be negatively impacted by any negative public opinion toward the Corporation or as a result of any negative sentiment toward, or in respect of, the Corporation's reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which the Corporation operates as well as such groups' opposition to certain oil and natural gas projects. Potential impacts of negative public opinion or reputational issues may include delays or interruptions in operations, legal or regulatory actions or challenges, blockades, increased regulatory oversight, reduced support for, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licences and increased costs and/or cost overruns. The Corporation's reputation and public opinion could also be impacted by the actions and activities of other companies operating in the oil and natural gas industry, particularly other producers, over which the Corporation has no control. Similarly, the Corporation's reputation could be impacted by negative publicity related to loss of life, injury or damage to property and the environment caused by the Corporation's operations. In addition, if the Corporation develops a reputation of having an unsafe work site, this may impact the ability of the Corporation to attract and retain the necessary skilled employees and consultants to operate its business. Opposition from special interest groups opposed to oil and natural gas development and the possibility of climate-related litigation against governments and fossil fuel companies may impact the Corporation's reputation. See "***Risk Factors – Climate Change***".

Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, regulatory and legal risks, among others, must all be managed effectively to safeguard the Corporation's reputation. Damage to the Corporation's reputation could result in negative investor sentiment toward the Corporation, which may result in limiting the Corporation's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Corporation's securities.

Changing Investor Sentiment

Changing investor sentiment toward the oil and natural gas industry may impact the Corporation's access to, and cost of, capital

A number of factors, including the concerns of the effects of the use of fossil fuels on climate change, the impact of oil and natural gas operations on the environment, environmental damage relating to spills of petroleum products during production and transportation, and Indigenous rights have affected certain investors' sentiments toward investing in the oil and natural gas industry. As a result of these concerns, some institutional, retail and public investors have announced that they are no longer willing to fund or invest in oil and natural gas properties or companies or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board of Directors, management and employees of the Corporation. Failing to implement the policies and practices as requested by institutional investors may result in such investors reducing their investment in the Corporation, or not investing in the Corporation at all. Any reduction in the investor base interested or willing to invest in the oil and natural gas industry and more specifically, the Corporation, may limit the Corporation's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Corporation's securities even if the Corporation's operating results, underlying asset values or prospects have not changed.

Dilution

The Corporation may issue additional common shares or other dilutive securities, diluting current Shareholders

The Corporation may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation, which may be dilutive to Shareholders.

Management of Growth

The Corporation may not be able to effectively manage the growth of its business

The Corporation may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. To continue to manage growth effectively, the Corporation will need to continue to implement and improve its operational and financial systems and to train and manage and potentially expand its employee base. If the Corporation is unable to deal with this growth, it may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Expiration of Licences and Leases

The Corporation, or its working interest partners, may fail to meet the requirements of a licence or lease, causing its termination or expiry

The Corporation's properties are held in the form of licences and leases and working interests in licences and leases. If the Corporation, or the holder of a licence or lease, fails to meet the specific requirement of the licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Corporation's licences or leases or the working interests relating to a licence or lease and the associated abandonment and reclamation obligations may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Dividends

The Corporation does not pay dividends and there is no assurance that it will do so in the future

The Corporation has not paid any dividends on its outstanding shares. Payment of dividends in the future will be dependent on, among other things, cash flow, results of operations, financial condition of the Corporation, the need for funds to finance ongoing operations and other considerations, as the Board of Directors considers relevant.

Litigation

The Corporation may be involved in litigation in the course of its normal operations and the outcome of the litigation may adversely affect the Corporation and its reputation

In the normal course of the Corporation's operations, it may become involved in, be named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. Potential litigation may develop in relation to personal injuries, including resulting from exposure to hazardous substances, property damage, property taxes, land and access rights, and environmental issues, including claims relating to contamination or natural resource damages and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Corporation and could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results of operations. Even if the Corporation prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from business operations, which could have an adverse effect on the Corporation's financial condition.

Intellectual Property Litigation

Unauthorized use of intellectual property may cause the Corporation to engage in, or be the subject of, litigation

Due to the rapid development of oil and natural gas technology, in the normal course of the Corporation's operations, the Corporation may become involved in, be named as a party to, or be the subject of, various legal proceedings in which it is alleged that the Corporation has infringed the intellectual property rights of others or which the Corporation initiates against others it believes are infringing upon its intellectual property rights. The Corporation's involvement in intellectual property litigation could result in significant expense, adversely affecting the development of its assets or intellectual property or diverting the efforts of its technical and management personnel, whether or not such litigation is resolved in the Corporation's favour. In the event of an adverse outcome as a defendant in any such litigation, the Corporation may, among other things, be required to:

- pay substantial damages and/or cease the development, use, sale or importation of processes that infringe upon other patented intellectual property;
- expend significant resources to develop or acquire non-infringing intellectual property;
- discontinue processes incorporating infringing technology; or
- obtain licences to the infringing intellectual property.

However, the Corporation may not be successful in such development or acquisition, or such licences may not be available on reasonable terms. Any such development, acquisition or licence could require the expenditure of substantial time and other resources and could have a material adverse effect on the Corporation's business and financial results.

Breach of Confidentiality

Breach of confidentiality by a third party could impact the Corporation's competitive advantage or put it at risk of litigation

While discussing potential business relationships or other transactions with third parties, the Corporation may disclose confidential information relating to its business, operations or affairs. Although confidentiality agreements are generally signed by third parties prior to the disclosure of any confidential information, a breach could put the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Corporation would be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Income Taxes

Taxation authorities may reassess the Corporation's tax returns

The Corporation files all required income tax returns and believes that it is in full compliance with the provisions of the *Income Tax Act* and all applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Corporation, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Income tax laws relating to the oil and natural gas industry, such as the treatment of resource taxation or dividends, may in the future be changed or interpreted in a manner that adversely affects the Corporation. Furthermore, tax authorities having jurisdiction over the Corporation may disagree with how the Corporation calculates its income for tax purposes or could change administrative practices to the Corporation's detriment.

Third Party Credit Risk

The Corporation is exposed to credit risk of third party operators or partners of properties in which it has an interest

The Corporation may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In addition, the Corporation may be exposed to third party credit risk from operators of properties in which the Corporation has a working or royalty interest. In the event such entities fail to meet their contractual or other obligations to the Corporation, such failures may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry, generally, and of the Corporation's joint venture partners may affect a joint venture partner's willingness to participate in the Corporation's ongoing capital program, potentially delaying the program and the results of such program until the Corporation finds a suitable alternative partner. To the extent that any of such third parties go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in the Corporation being unable to collect all or a portion of any money owing from such parties. Any of these factors could materially adversely affect the Corporation's financial and operational results.

Conflicts of Interest

Conflicts of interest may arise for the Corporation's directors and officers who are also involved with other industry participants

Certain directors or officers of the Corporation may also be directors or officers of other oil and natural gas companies and as such may, in certain circumstances, have a conflict of interest. Conflicts of interest, if any, will be subject to and governed by procedures prescribed by the *Business Corporations Act* (Alberta) (the "**ABCA**") which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with the Corporation to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

Reliance on a Skilled Workforce and Key Personnel

An inability to recruit and retain a skilled workforce and key personnel may negatively impact the Corporation

The operations and management of the Corporation require the recruitment and retention of a skilled workforce, including engineers, technical personnel and other professionals. The loss of key members of such workforce, or a substantial portion of the workforce as a whole, could result in the failure to implement the Corporation's business plans which could have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. The Corporation does not have any key personnel insurance in place. Contributions of the existing management team to the immediate and near-term operations of the Corporation are likely to be of central importance. In addition, certain of the Corporation's current employees may have significant institutional knowledge that must be transferred to other employees prior to their departure from the workforce. If the Corporation is unable to: (i) retain current employees; (ii) successfully complete effective knowledge transfers; and/or (iii) recruit new employees with the requisite knowledge and experience, the Corporation could be negatively impacted. In addition, the Corporation could experience increased costs to retain and recruit these professionals. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation.

Information Technology Systems and Cyber-Security

Breaches of the Corporation's cyber-security and loss of, or access to, electronic data may adversely impact the Corporation's operations and financial position

The Corporation has become increasingly dependent upon the availability, capacity, reliability and security of its information technology infrastructure, and its ability to expand and continually update this infrastructure, to conduct daily operations. The Corporation depends on various information technology systems to estimate reserve quantities, process and record financial data, manage the Corporation's land base, manage financial resources, analyze seismic information, administer contracts with operators and lessees and communicate with employees and third party partners.

Further, the Corporation is subject to a variety of information technology and system risks as a part of its normal course operations including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Corporation's information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to business activities or the Corporation's competitive position. In addition, cyber phishing attempts, in which a malicious party attempts to obtain sensitive information such as usernames, passwords, and credit card details (and money) by disguising as a trustworthy entity in an electronic communication, have become more widespread and sophisticated in recent years. If the Corporation becomes a victim to a cyber phishing attack it could result in a loss or theft of the Corporation's financial resources or critical data and information or could result in a loss of control of the Corporation's technological infrastructure or financial resources. The Corporation's employees are often the targets of such cyber phishing attacks, as they are and will continue to be targeted by parties using fraudulent "spoof" emails to misappropriate information or to introduce viruses or other malware through "Trojan horse" programs to the Corporation's computers. These emails appear to be legitimate emails, but direct recipients to fake websites operated by the sender of the email, request recipients to send a password or other confidential information through email, or to download malware.

Increasingly, social media is used as a vehicle to carry out cyber phishing attacks. Information posted on social media sites for business or personal purposes may be used by attackers to gain entry into the Corporation's systems and obtain confidential information. The Corporation restricts the social media access of its employees and periodically reviews, supervises, retains and maintains the ability to retrieve social media content. Despite these efforts, there are significant risks that the Corporation may not be able to properly regulate social media use and preserve adequate records of business activities and client communications conducted through the use of social media platforms.

The Corporation maintains policies and procedures that address and implement employee protocols with respect to electronic communications and electronic devices and conducts annual cyber-security risk assessments. The Corporation also employs encryption protection of its confidential information, and all its computers and other electronic devices. Despite the Corporation's efforts to mitigate such cyber phishing attacks through education and training, cyber phishing activities remain a serious problem that may damage its information technology infrastructure. The Corporation applies technical and process controls in line with industry-accepted standards to protect its information, assets and systems, including a written incident response plan for responding to a cyber-security incident. However, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a negative effect on the Corporation's performance and earnings, as well as reputation, and any damages sustained may not be adequately covered by the Corporation's current insurance coverage, or at all. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on the Corporation's business, financial condition and results of operations.

The handling of secure information exposes the Corporation to potential data security risks that could result in monetary damages against the Corporation and could otherwise damage its reputation, and adversely affect its business, financial condition and results of operations

The protection of customer, employee, and company data is critical to the Corporation's business. The regulatory environment in Canada surrounding information security and privacy is increasingly demanding, with the frequent imposition of new and constantly changing requirements. Certain legislation, including the *Personal Information Protection and Electronic Documents Act* in Canada, require documents to be securely destroyed to avoid identity theft and inadvertent disclosure of confidential and sensitive information. A significant breach of customer, employee, or company data could attract a substantial amount of media attention, damage the Corporation's customer relationships and reputation, and result in lost sales, fines, or lawsuits. In addition, an increasing number of countries have introduced and/or increased enforcement of comprehensive privacy laws or are expected to do so. The continued emphasis on information security as well as increasing concerns about government surveillance may lead customers to request the Corporation to take additional measures to enhance security and/or assume higher liability under its contracts. As a result of legislative initiatives and customer demands, the Corporation may have to modify its operations to further improve data security. Any such modifications may result in increased expenses and operational complexity, and adversely affect its reputation, business, financial condition and results of operations.

Additionally, the Corporation's information technology systems may incorporate the use of artificial intelligence ("AI") and development of such capabilities remain ongoing. As with new innovations, AI presents risks, challenges and unintended consequences that could affect its adoption, and therefore the Corporation's business. AI algorithms and training methodologies may be flawed. The use of AI to support business operations of the Corporation, its partners, vendors, suppliers, contractors, or others carries inherent risks related to data privacy and cybersecurity, such as intended, unintended, or inadvertent transmission of proprietary or sensitive information, as well as challenges related to implementing and maintaining AI tools, including the development and maintenance of appropriate datasets for such support. Dependence on AI without adequate safeguards to make certain business decisions may introduce additional operational vulnerabilities, by producing inaccurate outcomes based on flaws or deficiencies in the underlying data or other unintended results. Further, AI tools or software may rely on data sets to produce derivative work which may contain content subject to license, copyright, patent or trademark protection or sensitive personal information and can produce outputs that infringe intellectual property rights or compromise privacy of individuals or organizations, raising concerns about data privacy. As AI is an emerging technology for which the legal and regulatory landscape is not fully developed, including potential liability for breaching intellectual property or privacy rights or laws, new laws and regulations applicable to AI initiatives remains uncertain, and the Corporation's obligation to comply with such laws could entail significant costs, negatively affect the Corporation's business or limit the Corporation's ability to incorporate certain AI capabilities into the Corporation's operations.

Expansion into New Activities

Expanding the Corporation's business exposes it to new risks and uncertainties

The operations and expertise of the Corporation's management are currently focused primarily on oil and natural gas production, exploration and development in Western Canada. In the future, the Corporation may acquire or move into new industry-related activities or new geographical areas and may acquire different energy-related assets. As a result, the Corporation may face unexpected risks or, alternatively, its exposure to one or more existing risk factors may be significantly increased, which may in turn result in the Corporation's future operational and financial conditions being adversely affected.

Forced or Child Labour in Supply Chains

The introduction of new supply chain due diligence and reporting requirements could expose the Corporation to certain risks

In May 2023 *An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff* was passed and came into force on January 1, 2024. Pursuant to the new legislation, any company that is subject to the reporting requirements, including the Corporation, is required to conduct certain due diligence on its supply chains and to file an annual report accordingly. While the Corporation is currently unaware of any forced or child labour in any of its supply chains, the increased scrutiny on the supply chains of Canadian companies could uncover the risk or existence of forced or child labour in a supply chain to which the Corporation has a connection, which could negatively impact the reputation of the Corporation. Additionally, due to the fact that the reporting requirements are new and thus there is no existing 'industry standard', the Corporation is at risk of inadvertently preparing a report that is insufficient.

Pandemics and their Effect on the Global Economy

Pandemics may cause disruptions in economic activity

In the event of a global pandemic, countries around the world may close international borders and order the closure of institutions and businesses deemed non-essential. This could result in a significant reduction in economic activity in Canada and internationally along with a drop in demand for oil and natural gas. Any reduction in economic activity in certain countries resulting from outbreaks, government-imposed lockdowns and other restrictions could have a negative effect on demand for oil and natural gas and could also aggravate the other risk factors identified herein.

Forward-Looking Information May Prove Inaccurate

Forward-looking information may prove inaccurate

Shareholders and prospective investors are cautioned not to place undue reliance on the Corporation's forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumption and uncertainties are found under the heading "*Forward-Looking Information and Statements*" of this Annual Information Form.

ABBREVIATIONS

Natural Gas		**Oil and Liquids**	
Mcf	thousand cubic feet	bbl	barrels
Mcfe	thousand cubic feet equivalent	Mbbl	thousand barrels
MMcf	million cubic feet	MMbbl	million barrels
MMcfe	million cubic feet equivalent	bbl/d	barrels per day
Bcf	billion cubic feet	m^3	cubic metres
Bcfe	billion cubic feet equivalent	boe	barrel of oil equivalent
Mcf/d	thousand cubic feet per day	Mboe	thousand barrels of oil equivalent
MMcf/d	million cubic feet per day	MMboe	million barrels of oil equivalent
Mcfe/d	thousand cubic feet equivalent per day	boe/d	barrels of oil equivalent per day
m^3	cubic metres		
MMBtu	million British thermal units		
GJ	gigajoule		

VOLUME CONVERSIONS

The Corporation reports production and reserves in either Mcf equivalent (Mcfe) or barrels of oil equivalent (boe). Mcfe and boe may be misleading, particularly if used in isolation. In accordance with NI 51-101, a Mcfe and boe conversion ratio for crude oil and natural gas of 1 bbl: 6 Mcf has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not necessarily represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

The following table sets forth certain conversions between Standard Imperial Units and the International System of Units (or metric units).

To Convert From	**To**	**Multiply By**
Mcf	cubic metres	28.174
cubic metres	cubic feet	35.494
bbl	cubic metres	0.159
cubic metres	bbl	6.293
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471
gigajoules	MMBtu or Mcf	0.950

FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain information and statements contained in this Annual Information Form constitute forward-looking information and statements within the meaning of applicable securities laws (collectively, "forward-looking information"). This forward-looking information relates to future events or to Perpetual's future performance. All statements other than statements of historical fact may be forward-looking information. The use of any of the words "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "should", "believe", "outlook", "guidance", "objective", "plans", "intends", "targeting", "could", "potential", "outlook", "strategy" and any similar expressions are intended to identify forward-looking information.

In particular, but without limiting the foregoing, this Annual Information Form contains forward-looking information pertaining to the following:

- the quantity and recoverability of the Corporation's reserves;
- the timing and amount of future production;
- future commodity prices as well as supply and demand for natural gas and oil;
- the existence, operations and strategy of the Corporation's commodity price risk management program including the Corporation's market diversification strategy and contracts;
- the approximate amount of forward sales to be employed, and the value of financial forward oil and natural gas contracts;
- adjusted funds flow sensitivities to commodity price, production, foreign exchange and interest rate changes;
- operating, general and administrative, and other expenses;
- amount and timing of future abandonment and reclamation costs, decommissioning and environmental obligations;
- the use of exploration and development activity, prudent asset management, and acquisitions to sustain, replace or add to reserves and production or expand the Corporation's asset base;
- the Corporation's acquisition strategy and the existence of acquisition opportunities, the criteria to be considered in connection therewith and the benefits to be derived therefrom;
- the Corporation's s divestiture strategy;
- the Corporation's commodity diversification and asset base transformation strategy;
- the Corporation's business plan and strategic priorities;
- future growth in the Corporation's adjusted funds flow;
- the Corporation's ability to benefit from the combination of growth opportunities and the ability to grow through the capital markets;
- expected book value and related tax value of the Corporation's assets and prospect inventory and estimates of net asset value;
- ability to fund exploration and development;
- expectations regarding the Corporation's access to capital to fund its acquisition, exploration and development activities;
- deferred income tax and its effect on funds flow;
- intentions with respect to preservation of tax pools and taxes payable by the Corporation;
- funding of and anticipated results from capital expenditure programs;
- renewal of and borrowing costs associated with the Credit Facility;
- future debt levels, financial capacity, liquidity and capital resources;
- future contractual commitments;
- drilling, completion, facilities and construction plans;
- future drilling, workovers and recompletions estimated in Perpetual's prospect inventory;
- the impact of Canadian federal and provincial governmental regulation on the Corporation relative to other issuers;
- Crown royalty rates;
- cyber-security threats or breaches and risks associated with technology (including artificial intelligence);
- the Corporation's treatment under governmental regulatory regimes;
- business strategies and plans of management, including future changes in the structure of business operations; and
- reliance on third parties in the industry to develop and expand the Corporation's assets and operations.

The forward-looking information contained in this Annual Information Form reflect several material factors and expectations and assumptions of the Corporation including, without limitation, that Perpetual 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 continuance of existing, and in certain circumstances, the implementation of proposed tax, royalty and regulatory regimes; the ability of Perpetual to obtain equipment, services, and supplies in a timely manner to carry out its activities; the accuracy of the estimates of Perpetual's reserve volumes; the timely receipt of required regulatory approvals; certain commodity price and other cost assumptions; the ability to secure adequate product transportation; the continued availability of adequate debt and/or equity financing and funds flow to fund the Corporation's capital and operating requirements as needed; and the extent of Perpetual's liabilities.

Perpetual believes the material factors, expectations and assumptions reflected in the forward-looking information are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct. The forward-looking information included in this Annual Information Form are not guarantees of future performance and should not be unduly relied upon. Such forward-looking information involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information including, without limitation:

- the ability to extend the Credit Facility or to refinance its term debt on favourable terms;
- limited, unfavourable, or a lack of access to capital markets;
- increased debt levels or debt service requirements;
- changes in exploration or development plans by Perpetual or by third party operators of Perpetual's properties;
- reliance on industry partners;
- volatility in market prices for oil, natural gas, NGL, power and other products;
- supply and demand regarding Perpetual's products;
- risks inherent in Perpetual's operations, such as production declines, unexpected results, geological, technical, or drilling and process problems;
- unanticipated operating events that can reduce production or cause production to be shut-in or delayed, including plant upsets, transportation bottlenecks and market disruptions;
- unanticipated well or facility operating performance that impacts storage operations or working gas capacity;
- uncertainties or inaccuracies associated with estimating reserves and resource volumes;

- competition for, among other things, capital, acquisitions of reserves, undeveloped lands, skilled personnel, equipment for drilling, completions, facilities and pipeline construction and maintenance;
- increased service and operational costs;
- incorrect assessments of the value of acquisitions;
- industry conditions including fluctuations in the price of natural gas and related commodities;
- royalties payable in respect of Perpetual's production;
- governmental regulation of the oil and gas industry, including environmental regulation;
- fluctuation in foreign exchange or interest rates;
- the need to obtain required approvals from regulatory authorities;
- changes in laws applicable to the Corporation, royalty rates, or other regulatory matters;
- general economic conditions in Canada, the United States and globally;
- stock market volatility and market valuations; and
- certain other risks detailed from time to time in Perpetual's public disclosure documents including, without limitation, those risks and contingencies described above and under "Risk Factors" in this Annual Information Form. The foregoing list of risk factors should not be considered exhaustive.

The forward-looking information contained in this Annual Information Form speak only as of the date of this Annual Information Form, and none of the Corporation or its subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, unless expressly required to do so by applicable securities laws.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR+ at www.sedarplus.ca including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans which is contained in the Corporation's information circular for the Corporation's most recent annual meeting of security holders that involved the election of directors.

Additional financial information is contained in the Financial Statements and MD&A for the Corporation's most recently completed financial year.

APPENDIX A

REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE IN ACCORDANCE WITH FORM 51-101F3

Management of Perpetual Energy Inc. (the "**Company**") is responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data.

McDaniel & Associates Consultants Ltd., an independent qualified reserves evaluator, has evaluated the Company's reserves data. The report of the independent qualified reserves evaluator is presented below.

The Reserves Committee of the Board of Directors of the Company has:

(a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;

(b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the Board of Directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has, on the recommendation of the Reserves Committee, approved:

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;

(b) the filing of Form 51-102F2 which is the report of the independent qualified reserves evaluator on the reserves data, contingent resources data, or prospective resources data; and

(c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

DATED as of this 25th day of March, 2024.

"*signed by Susan L. Riddell Rose*"	"*signed by Ryan A. Shay*"
Susan L. Riddell Rose President and Chief Executive Officer	Ryan A. Shay Vice President, Finance and Chief Financial Officer
"*signed by Geoffrey Merritt*"	"*signed by Linda Dietsche*"
Geoffrey Merritt Director, Chair of the Reserves Committee	Linda Dietsche Director

APPENDIX B

REPORT ON RESERVES DATA BY MCDANIEL & ASSOCIATES CONSULTANTS LTD. IN ACCORDANCE WITH FORM 51-101F2

To the Board of Directors of Perpetual Energy Inc. (the "**Company**"):

1. We have evaluated the Company's reserves data as at December 31, 2023. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2023 estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "**COGE Handbook**") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).

4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved + probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2023, and identifies the respective portions thereof that we have evaluated and reported on to the Company's Board of Directors:

			Net Present Value of Future Net Revenue $M (before income taxes, 10% discount rate)			
Independent Qualified Reserves Evaluator	**Effective Date of Evaluation Report**	**Location of Reserves**	**Audited**	**Evaluated**	**Reviewed**	**Total**
McDaniel	December 31, 2023	Canada	–	178,619	–	178,619

6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

7. We have no responsibility to update our report referred to in paragraph 5 for events and circumstances occurring after the effective date of our report.

8. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

MCDANIEL & ASSOCIATES CONSULTANTS LTD.

"*signed by B. R. Hamm* "
Brian R Hamm, P. Eng.
President & CEO

Calgary, Alberta, Canada
March 6, 2024

APPENDIX C

AUDIT COMMITTEE MANDATE

The Audit Committee:

- must review and, if appropriate, recommend to the Board the approval of the financial statements, MD&A and annual and interim earnings press releases prior to this information being publicly disclosed;
- must annually review this written mandate (setting out the Audit Committee's mandate and responsibilities) and recommend any changes to the Compensation and Corporate Governance Committee;
- supply for the purposes of this Manual, in consultation with corporate counsel, a list of the laws, rules and regulations that pertain to the operation of the Audit Committee;
- must recommend to the Board the nomination, appointment, retention and compensation of external auditors ("Auditors");
- must oversee the work of Auditors, which oversight may include approval of the Auditor's audit plan, planning report, annual engagement letter, or services related thereto, subject to ratification by the Board
- must review and approve all non-audit services provided by the Auditors prior to the performance of those services;
- communicates directly with the Auditors who must report directly to the Audit Committee;
- must be satisfied that adequate procedures are in place for the review of Perpetual's public disclosure of financial information extracted or derived from the financial statements, and must periodically assess the adequacies of those procedures;
- must establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters, and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- must review and approve Perpetual's hiring policies regarding former and existing partners and employees of past or present Auditors;
- reviews programs and policies regarding the maintenance and effectiveness of disclosure controls and internal controls over the Corporation's accounting and financial reporting systems;
- reviews insurance coverage and Directors' and Officers' liability insurance; and,
- liaises with the reserves committee ("Reserves Committee") on matters relating to reserves valuations which impact the financial statements of Perpetual.

Purpose

The Audit Committee's purpose is to provide assistance to the Board in fulfilling its legal, regulatory and fiduciary obligations with respect to financial accounting, internal control processes, continuous public disclosure, the independent audit function, non-audit services provided by Auditors and such other related matters as may be delegated by the Board of Directors.

Composition, Procedures and Organization

1. The Audit Committee will be comprised of three or more Directors as determined from time to time by resolution of the Board.

2. Each member of the Audit Committee must be independent as defined in NI 52-110 and as such must be free from any material relationship that may interfere with the exercise of his or her independent judgment as a member of the Audit Committee.

3. Consistent with the appointment of other Board committees, the members of the Audit Committee will be appointed by the Board at the first meeting of the Board following each AGM or at such other time as may be determined by the Board.

4. The Committee will designate the Chair of the Audit Committee by majority vote. The presence in person or by telephone of a majority of the Audit Committee's members constitutes a quorum for any meeting.

5. All actions of the Audit Committee will require a vote of the majority of its members present at a meeting of such committee at which a quorum is present.

6. All members of the Audit Committee must be financially literate at the time of their appointment or have become financially literate within a reasonable period of time after such appointment. NI 52-110 sets out that an individual is "financially literate" if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Perpetual's financial statements.

Accountability and Reporting

The Audit Committee is accountable to the Board. The Audit Committee must provide the Board with a summary of all meetings and its recommendations together with a copy of the minutes of each such meeting. If applicable, the Chair will provide oral reports as requested.

All information reviewed and discussed by the Audit Committee at any meeting must be retained and made available for examination by the Board. The Audit Committee will review its mandate annually, and will forward to the Compensation and Corporate Governance Committee any recommended alterations to that mandate.

Meetings

The Committee will meet with such frequency and at such intervals as it determines is necessary to carry out its duties and responsibilities.

The Audit Committee will meet to review and recommend for approval to the Board of Directors the interim and year-end financial statements and MD&A; related financial public disclosure and regulatory filings including the Annual Information Form; other continuous disclosure documentation ("Continuous Disclosure Documents") as described in NI 52-101 (which is incorporated herein by reference); and to report to the Board on same. The Audit Committee may meet on other occasions with the Auditors in order to be advised of current practices in the industry and to discuss and review other matters including the annual work plans, processes and procedures. The Audit Committee must meet at least quarterly, and with the Auditors at least annually in the absence of Perpetual's management and Officers and employees to discuss any matters that the Committee or a committee member believes should be discussed privately.

The Chair of the Audit Committee will appoint a Director, Officer or employee of Perpetual to act as secretary for the purposes of recording the minutes of each meeting.

Responsibilities

The Audit Committee must:

- review and approve the Audit Committee Mandate annually;
- review and recommend to the Board the appointment, termination and retention of, and the compensation to be paid to, the Auditors;
- evaluate the performance of the Auditors;
- review and consider the Auditors' audit plan and annual engagement letter including the proposed fees and the proposed work plan;
- consider and make recommendations to the Board or otherwise pre-approve, all non-audit services provided by the Auditors to Perpetual or its subsidiaries;
- oversee the work and the performance of the Auditors, review the independence of the Auditors and report to the Board on these matters;
- review the annual and quarterly financial statements, MD&A and financial press releases, Annual Information Form and other related Continuous Disclosure Documents as appropriate, prior to their public disclosure;
- review the Auditors' report on the annual audited financial statements and the Auditor's review letters on interim financial statements;
- provide oral or written reports to the Board when necessary;
- resolve disagreements between management and the Auditors regarding financial reporting;
- receive periodic certificates and reports from management with respect to compliance with financial, regulatory, taxation and continuous disclosure requirements, and satisfy itself (a) that adequate procedures are in place to ensure timely and full public disclosure of Continuous Disclosure Documents; and, (b) that a system of internal controls over financial reporting has been implemented and is being maintained, in accordance with both the Disclosure Policy and the Management Responsibility For Internal Control Policy; and additionally, must consider whether any identified deficiencies in internal controls are significant or are material weaknesses;
- meet with the Auditors, without management being present, at each time the interim and annual audited financial statements are being considered, to ensure that no management restrictions have been placed on the scope of the Auditors' work and to discuss the working relationship between the Auditors and management and other matters that the Audit Committee or the Auditors may wish to raise;
- review and monitor the implementation and adequacy of disclosure policies;
- review insurance coverage including Directors' and Officers' liability insurance;
- be notified in writing within three business days of any fraud, litigation or regulatory investigation which, in the opinion of the Corporation's management, is material. Confirmation of receipt of such notification by each member of the Audit Committee will additionally be required. Any fraud, material litigation or regulatory investigation not reported as outlined above will be reported quarterly to the Board of Directors at the March, May, August, and November meetings immediately following the discovery of such occurrence;
- review and monitor the implementation and adequacy of hedging policies and controls, with reference to the Corporation's Hedging and Risk Management Policy, which is attached to this Manual in Section 7;
- review compliance with applicable laws, regulations and policies;
- be advised of and review the results of any internal audits of Perpetual and report on same to the Board;
- establish procedures for:
    (a) the receipt, retention and treatment of complaints received by Perpetual regarding accounting, internal accounting controls, or auditing matters; and

    (b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters; (together with (a), a "Whistleblower Process")
- ensure that Perpetual management regularly advises employees of the existence of a Whistleblower Process;
- receive regular reports respecting complaints made under the Whistleblower Process;
- inform the Auditors of whether the Audit Committee has knowledge of any actual, suspected or alleged fraud affecting Perpetual, including complaints regarding financial reporting and confidential submissions by employees;
- review and validate Perpetual management's annual review of fraud risk assessment;
- review and monitor the implementation and adequacy of cyber-security policies and procedures;
- review and approve annual ESTMA report;

- review and recommend, if appropriate, continuation of management services agreement ("MSA") contracts with related entities;
- review enterprise risk management project;
- review and approve Perpetual's hiring policies regarding partners, employees and former partners and employees of the present and former Auditor of the issuer; and
- monitor the selection and application of proper accounting principles and practices and to review the status of all relevant financial and related fiduciary aspects of Perpetual.