

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis ("MD&A") of Perpetual Energy Inc.'s ("Perpetual", the "Company" or the "Corporation") operating and financial results for the three months ended March 31, 2024, as well as information and estimates concerning the Corporation's future outlook based on currently available information. This discussion should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements and accompanying notes for the three months ended March 31, 2024 as well as the audited consolidated financial statements and accompanying notes for the year ended December 31, 2023. Disclosure which is unchanged from the December 31, 2023 MD&A has not been duplicated herein. The Corporation's unaudited condensed interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") which require publicly accountable enterprises to prepare their financial statements using IFRS Accounting Standards. The date of this MD&A is May 7, 2024.

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

Perpetual is an oil and natural gas exploration, production and marketing company headquartered in Calgary, Alberta. Additional information on Perpetual, including the most recently filed Annual Information Form, can be accessed at SEDAR+ at www.sedarplus.ca or from the Corporation's website at www.perpetualenergyinc.com.

Q1 2024 OPERATIONAL AND FINANCIAL HIGHLIGHTS

- First quarter average sales production of 4,597 boe/d⁽¹⁾, was down 20% from the fourth quarter of 2023 (Q4 2023 – 5,749 boe/d) and down 31% from the first quarter of 2023 (Q1 2023 – 6,655 boe/d) as a result of the Mannville Disposition⁽²⁾ in the fourth quarter of 2023 and natural declines at East Edson. First quarter average sales production results were at the high end of the first quarter guidance of 4,300 boe/d to 4,600 boe/d.
- Exploration and development capital expenditures⁽³⁾ in the first quarter of 2024 were nominal as there were no wells drilled at East Edson. In addition, \$0.1 million was spent on land purchases at East Edson and \$1.2 million was spent on asset retirement obligations ("ARO") to abandon wells that had reached their end of life and execute surface lease reclamation activities.
- Adjusted funds flow⁽³⁾ in the first quarter of 2024 was \$2.4 million (\$0.03/share) a decrease from \$8.9 million (\$0.13/share) in the first quarter of 2023. Adjusted funds flow on a unit-of-production basis was \$5.62/boe, a 62% decrease from the \$14.82/boe in the first quarter of 2023, driven by lower commodity prices and lower production volumes, partially offset by lower costs in all areas.
- Cash costs⁽³⁾ were \$6.4 million or \$15.32/boe in the first quarter of 2024 (Q1 2023 – \$10.0 million or \$16.65/boe).
- Net loss was \$31.9 million in the first quarter of 2024 (Q1 2023 - \$0.2 million net loss) driven by the \$28.0 million provision expense related to the Sequoia litigation and also included \$2.7 million of unrealized losses on risk management contracts.
- As previously announced on March 22, 2024, after several years of litigation, Perpetual entered into an agreement to resolve the Sequoia litigation without any party involved admitting liability, wrongdoing or violation of law, regulations, public policy or fiduciary duties (the "Settlement Agreement"). Pursuant to the Settlement 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 which was paid into escrow on March 22, 2024 and annual installments of \$3.75 million until the total amount of the Settlement Principal is paid.
- Concurrent with entering into the Settlement Agreement, as of March 22, 2024, Perpetual repaid the \$2.7 million second lien term loan and provided notice for the early redemption of its \$33.2 million 8.75% senior secured third lien notes maturing January 23, 2025. Senior Notes with a face value of \$7.0 million were redeemed for payment of principal and interest of \$7.2 million, while Senior Notes with a face value of \$26.2 million remain outstanding, are subject to amended terms and have a maturity date of January 23, 2025.
- As at March 31, 2024, net debt⁽³⁾ was \$19.9 million, inclusive of \$3.0 million of cash on hand and the \$10.0 million Settlement Agreement deposit held in escrow, a decrease of \$1.7 million from \$21.6 million at December 31, 2023.
- Perpetual had available liquidity (see "Liquidity and Capital Resources - Capital Management") at March 31, 2024 of \$31.7 million, comprised of the \$30.0 million borrowing limit of Perpetual's first lien credit facility ("Credit Facility Borrowing Limit") and cash on hand of \$3.0 million less letters of credit of \$1.3 million.

(1) See "First Quarter Financial and Operating Results - Production" for details of product components that comprise Perpetual's boe production.

(2) On November 22, 2023, the Company closed the disposition of certain assets at Mannville in Eastern Alberta ("the Mannville Disposition"), which comprised substantially all of the production attributed to the Eastern Alberta cash-generating unit ("CGU").

(3) Non-GAAP financial measure and ratio. See "Non-GAAP and Other Financial Measures".

2024 OUTLOOK

Perpetual's Board of Directors have approved annual exploration and development capital spending⁽¹⁾ of \$7.0 to \$8.0 million for 2024, excluding land purchases and acquisitions, if any. Exploration and development capital spending will be focused almost exclusively at East Edson.

During the second half of 2024, Perpetual plans to participate at its 50% working interest in an East Edson drilling program to drill, complete, equip and tie-in an additional two (1.0 net) horizontal Wilrich wells, to partially offset production declines through the West Wolf gas plant in order to optimize production and operating costs and meet transportation commitments.

2024 guidance is as outlined in the table below:

	2024 Guidance
Exploration and development expenditures ⁽¹⁾⁽²⁾ (\$ millions)	\$7.0 - \$8.0
# of wells (gross/net)	2 / 1.0
Cash costs ⁽¹⁾ (\$/boe)	\$13 - \$14
Royalties (% of revenue) ⁽¹⁾	16 - 17%
Average daily production (boe/d)	4,200 - 4,350
Production mix (%)	10% NGL

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

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

Perpetual continues to address end of life ARO, with total abandonment and reclamation of \$1.3 to \$1.5 million planned for 2024, \$1.2 million of which was spent in the first quarter. The Company's area-based mandatory spending requirement for 2024 is \$1.3 million, as calculated by the Alberta Energy Regulator ("AER").

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

FIRST QUARTER FINANCIAL AND OPERATING RESULTS

Cash Flow used in Investing Activities, Capital Expenditures, Acquisitions and Dispositions

Cash flow used in investing activities for the three months ended March 31, 2024 was \$7.2 million (2023 - \$3.2 million cash flow used in investing activities). In addition to cash flow used in investing activities, Perpetual uses capital expenditures to measure its capital investments compared to the Company's annual budgeted expenditures, which excludes acquisition and disposition activities.

The following table summarizes capital expenditures:

(\$ thousands)	Three months ended March 31,	
	2024	2023
Exploration and development	(265)	9,066
Corporate assets	571	45
Capital Expenditures	306	9,111
Land and other	135	—
Capital expenditures, including land and other ⁽¹⁾	441	9,111
Net proceeds from dispositions	—	—
Capital expenditures, after dispositions	441	9,111

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

Exploration and development spending by area

(\$ thousands)	Three months ended March 31,	
	2024	2023
West Central	(265)	8,939
Eastern Alberta ⁽¹⁾	—	127
Total	(265)	9,066

(1) On November 22, 2023, the Company closed the Mannville Disposition, which comprised substantially all of the production attributed to the Eastern Alberta CGU.

Wells drilled by area

(gross/net)	Three months ended March 31,	
	2024	2023
West Central	- / -	2 / 1.0
Eastern Alberta ⁽¹⁾	- / -	- / -
Total	- / -	2 / 1.0

(1) On November 22, 2023, the Company closed on the Mannville Disposition, which comprised substantially all of the production attributed to the Eastern Alberta CGU.

Perpetual's exploration and development spending in the first quarter of 2024 was a nominal amount and offset by accrual reversals in the period (Q1 2023 - nominal amount). There were no new wells drilled at the East Edson property during the quarter and the Mannville Disposition occurred in the fourth quarter of 2023.

Land expenditures of \$0.1 million in the first quarter of 2024 related to crown land purchases at East Edson.

Expenditures on decommissioning obligations

During the first quarter of 2024, Perpetual spent \$1.2 million (Q1 2023 - \$0.3 million) on abandonment and reclamation projects and received one reclamation certificate from the AER (2023 - four reclamation certificates).

Production

	Three months ended March 31,	
	2024	2023
Production		
Conventional natural gas (Mcf/d) ⁽¹⁾	24,755	30,828
Conventional heavy crude oil (bbl/d) ⁽²⁾	—	1,022
NGL (bbl/d) ⁽³⁾	471	495
Total production (boe/d)	4,597	6,655

- (1) Conventional natural gas production yielded a heat content of 1.17 GJ/Mcf for the three months ended March 31, 2024 (three months ended March 31, 2023 - 1.17 GJ/Mcf), resulting in higher realized natural gas prices on a \$/Mcf basis.
- (2) On November 22, 2023, the Company closed on the Mannville Disposition, which comprised substantially all of the heavy oil production attributed to the Eastern Alberta CGU.
- (3) Primarily from West Central which produces liquids-rich conventional natural gas.

	Three months ended March 31,	
	2024	2023
Production by core area		
West Central	4,597	5,122
Eastern Alberta ⁽¹⁾	—	1,533
Total production (boe/d)	4,597	6,655

- (1) On November 22, 2023, the Company closed on the Mannville Disposition, which comprised substantially all of the heavy oil production attributed to the Eastern Alberta CGU.

First quarter production averaged 4,597 boe/d, down 31% from 6,655 boe/d in the first quarter of 2023 driven by the Mannville Disposition. During the first quarter of 2024, there were no new wells brought on production at East Edson. As a result of the disposition, the production mix was comprised of 90% conventional natural gas and 10% NGL, as compared to 77% of conventional natural gas and 23% heavy crude oil and NGL in the first quarter of 2023. First quarter sales production results were at the high end of the first quarter guidance of 4,300 boe/d to 4,600 boe/d.

First quarter conventional natural gas production averaged 24.8 MMcf/d, a decrease of 20% from 30.8 MMcf/d in the first quarter of 2023 primarily as a result of natural declines and the Mannville Disposition. The East Edson drilling program resumed in first quarter of 2023 with two (1.0 net) wells drilled and placed on production early in the second quarter of 2023, two (1.0 net) wells drilled during the third quarter of 2023 and placed on production in late August, and two (1.0 net) wells drilled during the fourth quarter of 2023 and placed on production in late November. There were no new wells brought on production at East Edson in the first quarter of 2024.

First quarter NGL production was 471 bbl/d, 5% lower than the first quarter of 2023. The decrease in NGL production is largely tied to lower natural gas production, partially offset by higher NGL yields of 18.8 bbl per MMcf achieved in the first quarter of 2024 (Q1 2023 – 17.0 bbl per MMcf).

Oil and Natural Gas Revenue

	Three months ended March 31,	
(\$ thousands, except as noted)	2024	2023
Oil and natural gas revenue		
Natural gas	6,129	8,691
Oil ⁽¹⁾	—	5,833
NGL	2,761	3,287
Oil and natural gas revenue	8,890	17,811

- (1) On November 22, 2023, the Company closed on the Mannville Disposition, which comprised substantially all of the heavy oil production.

	Three months ended March 31,	
	2024	2023
Average Benchmark Prices		
AECO 5A Daily Index (\$/GJ)	2.36	3.05
AECO 5A Daily Index (\$/Mcf) ⁽¹⁾	2.49	3.22
West Texas Intermediate ("WTI") (US\$/bbl)	76.96	76.13
Exchange rate (CAD\$/US\$)	1.35	1.35
West Texas Intermediate ("WTI") (CAD\$/bbl)	103.90	102.78
Perpetual Average Realized Prices ⁽²⁾		
Natural gas (\$/Mcf)	2.72	3.13
Oil (\$/bbl)	—	63.39
NGL (\$/bbl)	64.35	73.81
Average realized price (\$/boe)	21.25	29.74

- (1) Converted from \$/GJ using a standard energy conversion rate of 1.06 GJ:1 Mcf.
- (2) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures".

Perpetual's oil and natural gas revenue for the three months ended March 31, 2024 of \$8.9 million was a 50% decrease from \$17.8 million in the comparative period in 2023 due to lower reference prices for all products and the Mannville Disposition which contributed to a 31% decrease in production volumes.

Natural gas revenue of \$6.1 million in the first quarter of 2024 comprised 69% (Q1 2023 – 49%) of total revenue and natural gas production was 90% (Q1 2023 – 77%) of total production. Natural gas revenue was 29% lower than the first quarter of 2023, reflecting the impact of lower AECO Daily Index prices and a 20% decrease in production volumes. Compared to the first quarter of 2023, the AECO 5A Daily index average price decreased 23% to \$2.49/Mcf (Q1 2023 - \$3.22/Mcf), compared with the 13% decrease in Perpetual's realized natural gas price.

NGL revenue for the first quarter of 2024 of \$2.8 million represented 31% (Q1 2023 –18%) of total revenue while NGL production was 10% (Q1 2023 –7%) of total production. NGL revenue decreased 16% from the first quarter of 2023, reflecting lower prices and a 5% decrease in NGL production.

Risk Management Contracts

The Company uses 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 funds 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. As a result, Perpetual's realized prices deviate from the index prices. The Company uses "average realized prices after risk management contracts" which is not a standardized measure, and therefore may not be comparable with the calculation of similar measures by other entities. The measure is used by management to calculate the Company's net realized commodity prices, taking into account the monthly settlements of physical and financial crude oil and natural gas forward sales, collars, basis differentials and forward foreign exchange contracts.

(\$ thousands, except as noted)	Three months ended March 31,	
	2024	2023
Unrealized gain (loss) on risk management contracts		
Unrealized gain (loss) on foreign exchange contracts	(278)	59
Unrealized loss on natural gas contracts	(2,386)	(3,006)
Unrealized loss on oil contracts	—	(454)
Unrealized loss on risk management contracts	(2,664)	(3,401)
Realized gain on risk management contracts		
Realized gain on foreign exchange contracts	114	31
Realized gain on natural gas contracts	1,111	4,289
Realized gain on oil contracts	—	303
Realized gain on risk management contracts	1,225	4,623
Change in fair value of risk management contracts	(1,439)	1,222

The following table calculates average realized prices after risk management contracts, which is not a standardized measure:

	Three months ended March 31,	
	2024	2023
Realized gain on risk management contracts ⁽¹⁾		
Realized gain on natural gas contracts (\$/Mcf)	0.49	1.55
Realized gain on oil contracts (\$/bbl)	—	3.63
Realized gain on risk management contracts (\$/boe)	2.93	7.72
Average realized prices after risk management contracts ⁽¹⁾		
Natural gas (\$/Mcf)	3.21	4.68
Oil (\$/bbl)	—	67.02
NGL (\$/bbl)	64.35	73.81
Average realized price (\$/boe)	24.18	37.46

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

The realized gain on risk management contracts totaled \$1.2 million for the first quarter of 2024, compared to a realized gain of \$4.6 million for the first quarter of 2023. Realized gains or losses on risk management contracts are attributable to reference price fluctuations relative to pricing on commodity contracts driven by changes in AECO, WTI and WCS differential prices as well as fluctuations in foreign exchange rates and the production volumes hedged at any given time.

The unrealized loss on risk management contracts totaled \$2.7 million in the first quarter of 2024 (Q1 2023 – unrealized loss of \$3.4 million). Unrealized gains and losses represent the change in mark-to-market value of risk management contracts as forward commodity prices and foreign exchange rates change. Unrealized gains and losses on risk management contracts are excluded from the Company's calculation of cash flow from (used in) operating activities as non-cash items. Gains and losses vary depending on the nature and extent of risk management contracts in place, which in turn, vary with the Company's assessment of commodity price risk, committed capital spending and other factors.

Royalties

(\$ thousands, except as noted)	Three months ended March 31,	
	2024	2023
Crown royalties		
Natural gas	131	865
Oil	—	156
NGL	295	607
Total Crown royalties	426	1,628
Freehold and overriding royalties		
Natural gas	614	968
Oil	—	591
NGL	308	389
Total freehold and overriding royalties	922	1,948
Total royalties	1,348	3,576
\$/boe	3.22	5.97
Royalties as a percentage of revenue⁽¹⁾		
Crown	4.8	9.1
Freehold and overriding	10.4	10.9
Total (% of oil and natural gas revenue)	15.2	20.0
Natural gas royalties (% of natural gas revenue)	12.2	20.9
Oil royalties (% of oil revenue)	—	12.8
NGL royalties (% of NGL revenue)	21.8	30.3

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

Total royalties for the first quarter of 2024 were \$1.3 million, 62% lower than the first quarter of 2023 primarily due to lower commodity prices and lower production volumes. Freehold and overriding royalties decreased due to the impact of lower AECO Daily Index and NGL prices and the annual 10% step down in the GORR payable at East Edson effective January 1 of each year, reducing the East Edson GORR from 2.5 to 2.3 MMcf/d of natural gas plus associated NGL for 2024. On a unit-of-production basis, royalties were down 46% to \$3.22/boe (Q1 2023 – \$5.97/boe).

Perpetual's royalties consists of Crown royalties payable to the Alberta provincial government and other freehold and gross overriding ("GORR") royalties. The mix between Crown and freehold production as a percentage of total production can change the composition of royalties from one period to the next. Under the Alberta Modernized Royalty Framework ("MRF"), the Company pays a flat Crown royalty of 5% on wells in their early production period. As Perpetual's wells mature and begin to pay higher royalty rates, the amounts owing to the Crown may fluctuate to a greater degree.

Net operating costs⁽¹⁾

(\$ thousands, except as noted)	Three months ended March 31,	
	2024	2023
Net operating costs ⁽¹⁾	1,730	4,117
\$/boe ⁽¹⁾	4.14	6.88

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

Total net operating costs were \$1.7 million, 58% lower than the first quarter of 2023 (Q1 2023 - \$4.1 million) as a result of lower production volumes and the Mannville Disposition which had significantly higher operating costs per boe than Perpetual's West Central Alberta assets. On a unit-of-production basis, net operating costs decreased by 40% to \$4.14/boe in the first quarter of 2024 (Q1 2023 – \$6.88/boe). The Mannville asset contributed higher heavy crude oil production as a percentage of total volumes and the heavy oil production had higher operating costs than the Company's conventional natural gas and NGL production at East Edson.

Transportation costs

(\$ thousands, except as noted)	Three months ended March 31,	
	2024	2023
Transportation costs	674	1,092
\$/boe	1.61	1.82

Transportation costs include clean oil trucking and NGL transportation, as well as costs to transport natural gas from the plant gate to commercial sales points. Transportation costs in the first quarter of 2024 were \$0.7 million, a 38% decrease from the first quarter of 2023 (Q1 2023 - \$1.1 million) due to no longer requiring trucking of heavy oil volumes as a result of the Mannville Disposition.

On a unit-of-production basis, transportation costs decreased by 12% to \$1.61/boe in the first quarter of 2024 on lower costs which more than offset lower production volumes (Q1 2023 – \$1.82/boe).

Operating netbacks

The following table highlights Perpetual's operating netbacks for the three months ended March 31, 2024 and 2023:

(\$/boe) (\$ thousands)	Three months ended March 31,			
	2024		2023	
Production (boe/d)	4,597			6,655
Oil and natural gas revenue	21.25	8,890	29.74	17,811
Royalties	(3.22)	(1,348)	(5.97)	(3,576)
Net operating costs ⁽¹⁾	(4.14)	(1,730)	(6.88)	(4,117)
Transportation costs	(1.61)	(674)	(1.82)	(1,092)
Operating netback ⁽¹⁾	12.28	5,138	15.07	9,026
Realized gain on risk management contracts	2.93	1,225	7.72	4,623
Total operating netback, including risk management contracts ⁽¹⁾	15.21	6,363	22.79	13,649

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

Perpetual's operating netback in the first quarter of 2024 decreased to \$5.1 million, or \$12.28/boe (Q1 2023 - \$9.0 million or \$15.07/boe) as a result of the significant decrease in revenue on lower sales volumes and prices, partially offset by lower royalties and lower costs in all areas as a result of the Mannville Disposition. After the realized gain on risk management contracts of \$1.2 million, or \$2.93/boe (Q1 2023 - gain of \$4.6 million or \$7.72/boe), operating netbacks after risk management contracts were \$6.4 million (\$15.21/boe), down 53% (33% on a unit of production basis) from \$13.6 million (\$22.79/boe) in the first quarter of 2023.

General and administrative ("G&A") expenses

(\$ thousands, except as noted)	Three months ended March 31,	
	2024	2023
G&A before overhead recoveries	5,227	5,255
MSA recoveries ⁽¹⁾	(1,349)	(779)
Overhead recoveries	(642)	(922)
Total G&A expense	3,236	3,554
\$/boe	7.74	5.93

(1) Concurrent with the sale of the Clearwater Assets to Rubellite Energy Inc. ("Rubellite") on September 3, 2021, Perpetual entered into a Management and Operating Services Agreement (the "MSA") with Rubellite whereby Perpetual receives payment for certain technical and administrative services provided to Rubellite split on a relative production basis.

Total G&A expenses were \$3.2 million in the first quarter of 2024, 9% lower than the first quarter of 2023 as a result of higher MSA recoveries, partially offset by lower overhead recoveries. Overhead recoveries will fluctuate from one period to the next based on the amount of capital spent by Perpetual and Rubellite under the MSA.

For the three months ended March 31, 2024, the costs billed under the MSA to Rubellite were \$1.3 million (Q1 2023 - \$0.8 million). MSA recoveries in 2024 increased over the comparative period as a result of Rubellite's increased production relative to Perpetual's production (Q1 2024 - 50%; Q1 2023 - 31%).

Share-based payments

(\$ thousands, except as noted)	Three months ended March 31,	
	2024	2023
Share-based payments	568	679
Total share-based payments	568	679

Share-based payments expense for the three months ended March 31, 2024 decreased to \$0.6 million (Q1 2023 - \$0.7 million). The decrease is due to a reduction in the performance share right multiplier in 2024 and a reduction in the number of equity grants.

During the first quarter of 2024, a nominal amount of deferred shares were granted to Officers, Directors and employees of the Company.

Depletion and depreciation

(\$/boe) (\$ thousands)	Three months ended March 31,			
	2024		2023	
Depletion	8.43	3,525	8.85	5,300
Depreciation and other	1.02	428	0.11	66
Total depletion and depreciation	9.45	3,953	8.96	5,366

The Company calculates depletion using the net book value of the asset, future development costs associated with proved and probable reserves, salvage values on associated production equipment, as well as proved and probable reserves. As at March 31, 2024, depletion was calculated on a \$122.3 million depletable balance and \$97.6 million in future development costs (December 31, 2023 - \$174.2 million depletable balance and \$97.6 million in future development costs). The depletable base excluded an estimated \$1.1 million (December 31, 2023 - \$3.8 million) of salvage value.

Depletion expense for the first quarter of 2024 decreased to \$3.5 million or \$8.43/boe (Q1 2023 - \$5.3 million or \$8.85/boe) as a result of the Mannville disposition. On a unit-of-production basis, depletion expense increased from the comparable period of 2023 due to a higher

depletable base from increased future development costs, partially offset by a reduction in the depletion rate as a result of the Mannville Disposition. Depletion and depreciation expense will fluctuate from one period to the next depending on the amount of capital spent, the amount of reserves added and volumes produced.

Depreciation expense for the first quarter of 2024 increased to \$0.4 million or \$1.02/boe (Q1 2023 – \$0.1 million or \$0.11/boe) as a result of corporate asset additions.

Impairment

There were no indicators of impairment as of March 31, 2024; therefore, an impairment test was not performed. E&E assets are tested for impairment both at the time of any triggering facts and circumstances as well as upon their reclassification to oil and gas properties in PP&E. There were no transfers during 2024 and as such an impairment test was not performed.

Finance expense

(\$ thousands)	Three months ended March 31,	
	2024	2023
Cash finance expense		
Interest (income) on revolving bank debt	(65)	359
Interest on term loan	48	54
Interest on Senior Notes	716	772
Interest on lease liabilities	69	23
Total cash finance expense	768	1,208
Non-cash finance expense		
Amortization of debt issue costs	109	358
Accretion on decommissioning obligations	110	222
Change in fair value of other liability	—	24
Total non-cash finance expense	219	604
Finance expense recognized in net loss	987	1,812

Total cash finance expense was \$0.8 million in the first quarter of 2024, 36% lower than the first quarter of 2023 as the Credit Facility was undrawn during the quarter as a result of proceeds from the fourth quarter Mannville Disposition.

Total non-cash finance expense was \$0.2 million in the first quarter of 2024, a decrease from the first quarter of 2023 due to lower amortization of debt issues costs and lower accretion on decommissioning obligations as a result of the Mannville Disposition.

SEQUOIA LITIGATION

On August 3, 2018, Perpetual received a Statement of Claim that was filed by PricewaterhouseCoopers Inc., LIT 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 entered into the Settlement Agreement on March 22, 2024 with the Trustee to resolve the Sequoia Litigation without any party admitting liability, wrongdoing or violation of law, regulations, public policy or fiduciary duties.

Pursuant to the Settlement Agreement, and subject to Court approval, the Company will make payments of the Settlement Principal of \$30.0 million 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. Amounts owing pursuant to the Settlement Agreement have second lien security behind the Company's Credit Facility. The initial payment of \$10.0 million has been recognized as deposit held in escrow until Court approval has been received.

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.

	March 31, 2024	
Other provisions – current	\$	13,624
Other provisions – non-current		14,335
Total other provisions	\$	27,959

The following assumptions were used to estimate the Company's \$28.0 million provision:

	March 31, 2024	
Undiscounted obligations	\$	30,000
Discount rate		3.5%
Expected timing of settling obligations		6 years

LIQUIDITY AND CAPITAL RESOURCES

Perpetual's strategy targets the maintenance of a strong capital base to retain investor, creditor and market confidence to support the execution of its business plans. The Company manages its capital structure and adjusts its capital spending in light of changes in economic conditions such as depressed commodity prices, available liquidity, and the risk characteristics of its underlying oil and natural gas assets. The

Company considers its capital structure to include share capital, senior notes, the term loan, revolving bank debt, and adjusted net working capital. To manage its capital structure and available liquidity, the Company may from time to time issue equity or debt securities, sell assets, and adjust its capital spending to manage current and projected debt levels. The Company will continue to regularly assess changes to its capital structure and repayment alternatives, with considerations for both short-term liquidity and long-term financial sustainability.

Capital management

<i>(\$ thousands, except as noted)</i>	March 31, 2024	December 31, 2023
Term loan, principal amount ⁽¹⁾	—	2,671
Senior notes, principal amount	33,229	33,229
Other liability	2,788	2,788
Adjusted working capital surplus ⁽²⁾	(16,156)	(17,122)
Net debt ⁽²⁾	19,861	21,566
Shares outstanding at end of period (thousands) ⁽⁴⁾	67,457	67,467
Market price at end of period (\$/share)	0.51	0.43
Market value of shares ⁽²⁾	34,403	29,011
Enterprise value ⁽²⁾	54,264	50,577
Net debt as a percentage of enterprise value ⁽²⁾	37%	43%
Trailing twelve-months adjusted funds flow ⁽³⁾	27,894	34,419
Net debt to trailing twelve-months adjusted funds flow ⁽²⁾	0.7	0.6

(1) During the first quarter of 2024, in concurrence with the settlement of the Sequoia litigation and in an effort to simplify its capital structure, the second lien term loan was repaid and cancelled.

(2) Non-GAAP measure. See "Non-GAAP and Other Financial Measures".

(3) Non-GAAP ratio. See "Non-GAAP and Other Financial Measures".

(4) Shares outstanding are presented net of shares held in trust.

To simplify its capital structure, concurrent with entering into the Settlement Agreement, Perpetual 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.

At March 31, 2024, Perpetual had total net debt of \$19.9 million, down \$1.7 million from December 31, 2023 due primarily to changes in working capital and free funds flow of \$1.9 million. Perpetual had available liquidity at March 31, 2024 of \$31.7 million, comprised of a cash balance of \$3.0 million and the \$30.0 million Credit Facility Borrowing Limit less letters of credit of \$1.3 million.

Revolving bank debt

In March 2024, the Company's existing first lien credit facility (the "Credit Facility") was amended to provide for matters which includes the first lien lenders' consent to resolve the Sequoia Litigation, conditional on completion of the Senior Notes redemption and Court approval.

At March 31, 2024, the Company's Credit Facility had a borrowing limit of \$30.0 million (December 31, 2023 - \$30.0 million) with an initial term to May 31, 2024. The initial term may be extended to May 31, 2025 subject to approval by the syndicate. If the facility is not extended all outstanding balances would be repayable on May 31, 2025. The next semi-annual borrowing base redetermination is scheduled to be completed on or before May 31, 2024.

The maturity date of the Company's third lien Senior Notes (the "Senior Notes") is January 23, 2025. Under the Credit Facility agreement, if by November 30, 2024, the January 23, 2025 maturity date of the Senior Notes has not been extended, by a period of at least two years, or refinanced with the maturity date of the refinanced debt being at least January 23, 2027, the maturity date of the Credit Facility springs to November 30, 2024 and any outstanding balance would become repayable at that time.

As at March 31, 2024, nil was drawn (December 31, 2023 – nil) and \$1.3 million of letters of credit had been issued (December 31, 2023 – \$1.3 million) under the Company's Credit Facility. Borrowings under the Credit Facility bear interest at its lenders' prime rate or Banker's Acceptance rates, plus applicable margins and standby fees. The applicable Banker's Acceptance margins range between 3.0% and 5.5%.

As at March 31, 2024, the Credit Facility was not subject to any financial covenants and the Company was in compliance with all customary non-financial covenants.

Senior notes

<i>(\$ thousands, except as noted)</i>	Maturity date	Interest rate	March 31, 2024		December 31, 2023	
			Principal	Carrying Amount	Principal	Carrying amount
Senior notes	January 23, 2025	8.75%	33,229	33,131	33,229	33,099

The secured third lien Senior Notes have been issued under a trust indenture and are secured on a third lien basis and allow for the semi-annual interest payments to be paid at Perpetual's option, in cash, or in additional Senior Notes. In both 2023 and 2024 the interest payments were made in cash. The Senior Notes are direct senior secured, third lien obligations of the Company and have a cross-default provision with the Company's Credit Facility. The Company may redeem the Senior Notes without any repayment penalty. In addition, the Senior Notes indenture contains restrictions on certain payments including dividends, retirement of subordinated debt, and stock repurchases.

At March 31, 2024, the Senior Notes are recorded at the present value of future cash flows, net of \$0.1 million in issue and principal discount costs which are amortized over the remaining term using a weighted average effective interest rate of 14.0%.

As at March 31, 2024 Senior Notes with a carrying amount of \$7.0 million have been classified as a current liability as the maturity date is less than one year. The remaining carrying amount of \$26.1 million relates to notes held by entities controlled or directed by the Company's Chief Executive Officer who has elected to remain a continuing noteholder. 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 remaining Senior Notes until the settlement agreement has been settled in full and therefore have been classified as a long-term liability.

At March 31, 2024, the Senior Notes were not subject to any financial covenants and the Company was in compliance with all customary non-financial covenants.

On March 22, 2024, the Company provided a 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 was CDN \$1,000 for each \$1,000 principal amount of 2025 Senior Notes including interest paid in kind and all accrued and unpaid interest (the "Redemption Price"). An additional \$22.29 per \$1,000 principal amount of 2025 Senior Notes, representing all accrued and unpaid interest, was paid to 2025 Senior Note holders on the Redemption date.

On the Redemption Date, \$7.2 million has been paid related to the early redemption of the Senior Notes and \$26.2 million in principal remain outstanding. Entities controlled or directed by the President and Chief Executive Officer, holding \$26.2 million of 2025 Senior Notes, have elected 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.

Noteholders that elected 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. These amendments provide the Company with 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. 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.

Equity

At March 31, 2024, there were 67.5 million common shares outstanding, net of 1.1 million shares held in trust for the Company's employee compensation program. During the first quarter of 2024, a nil amount shares were purchased by the independent trustee to be held in trust (Q1 2023 – nil amount). Basic and diluted weighted average shares outstanding for the three months ended March 31, 2024 were 67.5 million (Q1 2023 - 66.0 million basic and diluted).

At May 7, 2024, there were 67.5 million common shares outstanding which is net of 1.1 million shares held in trust for employee compensation programs. In addition, the following potentially issuable common shares were outstanding as at the date of this MD&A:

<i>(millions)</i>	May 7, 2024
Share options	2.9
Performance share rights	1.9
Compensation awards	5.6
Total⁽¹⁾	10.4

(1) 5.6 million compensation awards, 2.9 million share options, and 1.9 million performance share rights have an exercise price below the March 31, 2024 closing price of the Company's common shares of \$0.51 per share.

Commodity price risk management and sales obligations

Perpetual's commodity price risk management strategy is focused on managing downside risk and increasing certainty in adjusted funds flow by mitigating the effect of commodity price volatility. Physical forward sales contracts and financial derivatives are used to increase certainty in adjusted funds flow (see "Non-GAAP and Other Financial Measures"), manage the balance sheet, lock in economics on capital programs, and to take advantage of perceived anomalies in commodity markets. Perpetual also utilizes foreign exchange derivatives and physical or financial derivatives related to the differential between natural gas prices at the AECO and NYMEX trading hubs and oil basis differentials between WTI and WCS in order to mitigate the effects of fluctuations in foreign exchange rates and basis differentials on the Corporation's revenue. Diversification of markets is a further risk management strategy employed by the Company.

As at May 7, 2024, the Company had the following swap commodity contracts in place:

Commodity	Volumes sold	Term	Reference/ Index	Contract Traded Bought/sold	Market Price
Natural gas	15,000 GJ/d	Apr 1 - Apr 30, 2024	AECO 5A (CAD\$/GJ)	Swap - sold	\$2.84
Natural gas	12,500 GJ/d	May 1 - Jun 30, 2024	AECO 5A (CAD\$/GJ)	Swap - sold	\$3.18
Natural gas	15,000 GJ/d	Jul 1 - Oct 31, 2024	AECO 5A (CAD\$/GJ)	Swap - sold	\$2.84
Natural gas	10,000 GJ/d	Nov 1 - Dec 31, 2024	AECO 5A (CAD\$/GJ)	Swap - sold	\$4.26
Natural gas	10,000 GJ/d	Jan 1 - Mar 1, 2025	AECO 5A (CAD\$/GJ)	Swap - sold	\$4.56
Natural gas	15,000 GJ/d	Apr 1 - Oct 31, 2025	AECO 5A (CAD\$/GJ)	Swap - sold	\$3.19
Natural gas	15,000 GJ/d	Nov 1 - Dec 31, 2025	AECO 5A (CAD\$/GJ)	Swap - sold	\$3.61
Natural gas	5,000 GJ/d	Jan 1 - Mar 31, 2026	AECO 5A (CAD\$/GJ)	Swap - sold	\$4.00

As at May 7, 2024, the Company had entered the following CAD\$/USD\$ foreign exchange swaps which settle in CAD\$:

Contract	Notional amount	Term	Price (CAD\$/US\$)
Average rate forward (CAD\$/US\$)	\$264,000 US\$/month	Apr 1 – Oct 31, 2024	1.3710

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

	Apr 1, 2024 to Oct 31, 2024
Market/Pricing Point	Daily sales volume (MMBtu/d)
Malin	5,000
Dawn	2,500
Emerson	2,500
Total sales volume obligation	10,000

OFF BALANCE SHEET ARRANGEMENTS

Perpetual has no other material off balance sheet arrangements not discussed within this MD&A.

RELATED PARTY TRANSACTIONS

Perpetual and Rubellite are considered related parties as certain officers and directors are in a position of control over Perpetual while also having significant influence and being considered key management personnel of Rubellite in addition to there being a relationship under the Management and Operating Services Agreement ("MSA"). During the three months ended March 31, 2024, Perpetual billed and/or incurred on behalf of Rubellite net transactions, which are considered to be normal course of oil and gas operations, totaling \$2.4 million (March 31, 2023 - \$1.6 million). Included within this amount are \$1.3 million (Q1 2023 - \$0.8 million) of costs billed under the MSA. The Company recorded a receivable of \$1.6 million owing from Rubellite as at March 31, 2024 (December 31, 2023 - receivable of \$1.9 million).

Investments made in a private energy technology company, where the Company's CEO is a director, were valued at \$0.4 million at March 31, 2024 (December 31, 2023 - \$0.4 million). There were no amounts outstanding or receivable at March 31, 2024 (December 31, 2023 - nil).

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Non-GAAP Financial Measures

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

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

<i>(\$ thousands)</i>	Three months ended March 31,	
	2024	2023
Net cash flows used in investing activities	7,193	3,177
Change in non-cash working capital	(6,752)	5,934
Capital expenditures, including land and other ⁽¹⁾	441	9,111

(1) Includes exploration and development, corporate, land and other expenditures.

Adjusted funds flow: Adjusted funds flow is calculated based on cash flows from (used in) operating activities, excluding changes in non-cash working capital, payments of deposits held in escrow and expenditures on decommissioning obligations since Perpetual believes the timing of collection, payment or incurrence of these items is variable. Expenditures on decommissioning obligations may vary from period to period depending on capital programs and the maturity of the Company's operating areas. Expenditures on decommissioning obligations are managed through the capital budgeting process which considers available adjusted funds flow and regulatory requirements. Management uses adjusted funds flow and adjusted funds flow per boe as key measures to assess the ability of the Company to generate the funds necessary to finance capital expenditures, expenditures on decommissioning obligations, and meet its financial obligations.

Adjusted funds flow is not intended to represent net cash flows from (used in) operating activities calculated in accordance with IFRS.

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

<i>(\$ thousands, except per share and per boe amounts)</i>	Three months ended March 31,	
	2024	2023
Net cash flows from (used in) operating activities	(5,268)	7,436
Change in non-cash working capital	6,424	1,189
Decommissioning obligations settled (cash)	1,195	251
Adjusted funds flow	2,351	8,876
Adjusted funds flow per share	0.03	0.13
Adjusted funds flow per boe	5.62	14.82

Free funds flow: Free funds flow is an important measure that informs efficiency of capital spent and liquidity. Free funds flow is calculated as adjusted funds flow generated during the period less capital expenditures. Adjusted funds flow and capital expenditures are non-GAAP financial measures which have been reconciled to its most directly comparable GAAP measure previously in this document. By removing the impact of current period capital expenditures from adjusted funds flow, Perpetual monitors its free funds flow to inform decisions such as capital allocation and debt repayment.

The following table shows the calculation of the removal of capital expenditures from adjusted funds flows:

(\$ thousands, except per share and per boe amounts)	Three months ended March 31,	
	2024	2023
Adjusted funds flow	2,351	8,876
Capital Expenditures, including land and other	(441)	(9,111)
Free funds flow	1,910	(235)

Operating netback: Operating netback is calculated by deducting royalties, net operating costs, and transportation costs from oil and natural gas revenue. Operating netback is also calculated on a per boe basis using total production sold in the period and presented before and after realized gains or losses from risk management contracts. Perpetual considers that netback is a key industry performance indicator and one that provides investors with information that is also commonly presented by other crude oil and natural gas producers. Perpetual considers operating netback to be an important performance measure to evaluate its operational performance as it demonstrates its profitability relative to current commodity prices. Refer to reconciliations earlier in the MD&A under the "Operating netbacks" section.

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

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

(\$ thousands, except per share and per boe amounts)	Three months ended March 31,	
	2024	2023
Production and operating	1,769	4,252
Processing income		
Other income	(39)	(135)
Processing income	(39)	(135)
Net operating costs	1,730	4,117
Per boe	4.14	6.88

Cash costs: Cash costs are controllable costs comprised of net operating costs, transportation, general and administrative, and cash finance expense as detailed below. Cash costs per boe is calculated by dividing cash costs by total production sold in the period. Management believes that cash costs assist management and investors in assessing Perpetual's efficiency and overall cost structure.

(\$ thousands, except per boe amounts)	Three months ended March 31,	
	2024	2023
Net operating costs	1,730	4,117
Transportation	674	1,092
General and administrative	3,236	3,554
Cash finance expense	768	1,208
Cash costs	6,408	9,970
Cash costs per boe	15.32	16.65

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

The following table details the composition of net debt:

(\$ thousands)	As of March 31, 2024	As of December 31, 2023
Cash and cash equivalents	3,015	18,272
Deposits held in escrow ⁽¹⁾	10,000	—
Accounts and accrued receivable	10,795	16,489
Prepaid expenses and deposits	1,871	1,886
Marketable securities	2,778	1,663
Accounts payable and accrued liabilities	(12,303)	(21,188)
Adjusted working capital surplus ⁽²⁾	16,156	17,122
Term loan (principal)	—	(2,671)
Other liability	(2,788)	(2,788)
Senior notes (principal)	(33,229)	(33,229)
Net debt	(19,861)	(21,566)

(1) Deposits held in escrow relates to the Settlement Agreement and is earning interest on the Company's behalf until final court approval has been received.

(2) Alternative calculation of current assets less current liabilities adjusted for the removal of the current portion of risk management contracts, decommissioning liabilities and other provisions.

Available Liquidity: Available Liquidity is defined as Perpetual's credit facility borrowing limit, less current borrowings and letters of credit issued under the credit facility. Management uses available liquidity to assess the ability of the Company to finance capital expenditures and expenditures on decommissioning obligations, and to meet its financial obligations.

Enterprise value: Enterprise value is equal to net debt plus the market value of issued equity and is used by management to analyze leverage. Enterprise value is calculated by multiplying the current shares outstanding by the market price at the end of the period and then adjusting it by the net debt. The Company considers enterprise value as an important measure as it normalizes the market value of the Company's shares for its capital structure.

Non-GAAP Financial Ratios

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

Average realized prices after risk management contracts: Average realized prices after risk management contracts are calculated as the average realized price by product type less the realized gain or loss on risk management contracts by production type.

Net debt to adjusted funds flow ratio: Net debt to adjusted funds flow ratios are calculated on a trailing twelve-month basis.

Net debt as a percentage of enterprise value: Net debt as a percentage of enterprise value is calculated by dividing net debt by enterprise value.

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

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

Supplementary Financial Measures

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

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

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

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

"Realized gain (loss) on natural gas contracts per Mcf" is comprised of the realized gain or loss on natural gas contracts, as determined in accordance with IFRS, divided by the Company's total natural gas sales production.

"Realized gain (loss) on oil contracts per boe" is comprised of the realized gain or loss on oil contracts, as determined in accordance with IFRS, divided by the Company's total oil sales production.

"Realized gain (loss) on risk management contracts per boe" is comprised of the realized gain or loss on risk management contracts, as determined in accordance with IFRS, divided by the Company's total sales production.

"Depletion and depreciation expense per boe" is comprised of depletion and depreciation expense, as determined in accordance with IFRS, divided by the Company's total sales production.

"G&A expense per boe" is comprised of G&A expense, as determined in accordance with IFRS, divided by the Company's total sales production.

"Net operating expense per boe" is comprised of net operating expense, divided by the Company's total sales production.

"Realized gain or loss on risk management contract per boe" is comprised of realized gain on risk management contracts, as determined in accordance with IFRS, divided by the Company's total sales production.

"Transportation expense per boe" is comprised of operating expense, as determined in accordance with IFRS, divided by the Company's total sales production.

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

"Royalties per boe" is comprised of royalties, as determined in accordance with IFRS, divided by the Company's total sales production.

"Market value of shares" is comprised of common shares outstanding multiplied by the market price of shares.

"Adjusted funds flow per share" is comprised of adjusted funds flow divided by the Company's shares outstanding.

FUTURE ACCOUNTING PRONOUNCEMENTS

The International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee regularly issue new and revised accounting pronouncements which have future effective dates and therefore are not reflected in Perpetual's financial statements. Once adopted, these new and amended pronouncements may have an impact on Perpetual's consolidated financial statements.

Sustainability Disclosures

On June 26, 2023, the International Sustainability Standards Board ("ISSB") issued IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information" and IFRS S2 "Climate-related Disclosures". IFRS S1 and IFRS S2 are effective for annual reporting

periods beginning on or after January 1, 2024. The sustainability standards as issued by the ISSB provide for transition relief in IFRS S1 that allow a reporting entity to report only on climate-related risks and opportunities, as set out in IFRS S2, in the first year of reporting under the sustainability standards.

The Canadian Securities Administrators ("CSA") are responsible for determining the reporting requirements for public companies in Canada and are responsible for decisions related to the adoption of the sustainability disclosure standards, including the effective annual reporting dates. The CSA issued proposed National Instrument ("NI 51-107 – Disclosure of Climate-related Matters") in October 2021. The CSA has indicated it will consider the ISSB sustainability standards and developments in the United States in its decisions related to developing climate-related disclosure requirements for reporting issuers in Canada. The CSA will involve the Canadian Sustainability Standards Board ("CSSB") for their combined review of the ISSB issued sustainability standards for their suitability for adoption in Canada. Until such time as the CSA and CSSB make decisions on sustainability standard adoption here in Canada, there is no requirement for public companies in Canada to adopt the sustainability standards. The Company is actively evaluating the potential effects of the ISSB issued sustainability standards; however, at this time, the Company is not able to determine the impact on future financial statements, nor the potential costs to comply with these sustainability standards.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company's disclosure controls or procedures or internal controls over financial reporting ("ICFR") during the period beginning on January 1, 2024 and ending March 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived can provide only reasonable, but not absolute assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain information in this MD&A including management's assessment of future plans and operations may constitute forward-looking information or statements (together "forward-looking information") under applicable securities laws. The forward-looking information includes, without limitation, statements with respect to expectations respecting Perpetual's future exploration, development, drilling activities and capital expenditures; and Perpetual's business plan.

Forward-looking information is based on current expectations, estimates and projections that involve a number of known and unknown risks, which could cause actual results to vary and in some instances to differ materially from those anticipated by Perpetual and described in the forward-looking information contained in this news release. In particular and without limitation of the foregoing, material factors or assumptions on which the forward-looking information in this news release is based include: forecast commodity prices and other pricing assumptions; forecast production volumes based on business and market conditions; foreign exchange and interest rates; near-term pricing and continued volatility of the market including inflationary pressures; accounting estimates and judgments; future use and development of technology and associated expected future results; the ability to obtain regulatory approvals; the successful and timely implementation of capital projects; ability to generate sufficient cash flow to meet current and future obligations including those under the Settlement Agreement; the ability of Perpetual to obtain and retain qualified staff and equipment in a timely and cost-efficient manner, as applicable; the retention of key properties; forecast inflation, supply chain access and other assumptions inherent in Perpetual's current guidance and estimates; climate change; severe weather events (including wildfires and drought); the continuance of existing tax, royalty, and regulatory regimes; the accuracy of the estimates of reserves volumes; ability to access and implement technology necessary to efficiently and effectively operate assets; risk of wars or other hostilities or geopolitical events (including the ongoing war in Ukraine and conflicts in the Middle East, civil insurrection and pandemic); risks relating to Indigenous land claims and duty to consult; data breaches and cyber attacks; risks relating to the use of artificial intelligence; changes in legislation, including but not limited to tax laws, royalties and environmental regulations (including greenhouse gas emission reduction requirements and other decarbonization or social policies) and general economic and business conditions and markets, among others.

Undue reliance should not be placed on forward-looking information, which is not a guarantee of performance and is subject to a number of risks or uncertainties, including without limitation those described herein and under "Risk Factors" in Perpetual's Annual Information Form and MD&A for the year ended December 31, 2023 and in other reports on file with Canadian securities regulatory authorities which may be accessed through the SEDAR+ website (www.sedarplus.ca) and at Perpetual's website (www.perpetualenergyinc.com). Readers are cautioned that the foregoing list of risk factors is not exhaustive. Forward-looking information is based on the estimates and opinions of Perpetual's management at the time the information is released, and Perpetual disclaims any intent or obligation to update publicly any such forward-looking information, whether as a result of new information, future events or otherwise, other than as expressly required by applicable securities law.

GLOSSARY

The following is a list of abbreviations that may be used in this MD&A:

Measurement:

bbl	barrel
bbl/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
Mboe	thousands of barrels of oil equivalent
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
GJ	gigajoule

Volume Conversions:

Barrel of oil equivalent ("boe") may be misleading, particularly if used in isolation. In accordance with National Instrument 51-101, a conversion ratio for conventional natural gas of 6 Mcf:1 bbl has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, utilizing a conversion on a 6 Mcf:1 bbl basis may be misleading as an indicator of value as the value ratio between conventional natural gas and heavy crude oil, based on the current prices of natural gas and crude oil, differ significantly from the energy equivalency of 6 Mcf:1 bbl. A conversion ratio of 1 bbl of

heavy crude oil to 1 bbl of NGL has also been used throughout this MD&A. See "Financial and Operating Results" section in this MD&A for details of constituent product components that comprise Perpetual's boe production.

Financial and Business Environment:

AECO	Alberta Energy Company
AER	Alberta Energy Regulator
E&E	Exploration and evaluation
GAAP	Generally accepted accounting principles
G&A	General and administrative
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
NGL	Natural gas liquids
PP&E	Property, plant and equipment
WTI	West Texas Intermediate
WCS	Western Canadian Select

SUMMARY OF QUARTERLY RESULTS

<i>(\$ thousands, except as noted)</i>	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Financial				
Oil and natural gas revenue	8,890	12,770	17,477	15,167
Net income (loss), and comprehensive income (loss)	(24,564)	6,322	3,732	(4,203)
Per share – basic	(0.36)	0.08	0.06	(0.06)
Per share – diluted	(0.36)	0.09	0.05	(0.06)
Cash flow from (used in) operating activities	(5,268)	8,526	2,460	8,295
Adjusted funds flow ⁽¹⁾	2,351	12,729	9,127	3,687
Per share – basic ⁽²⁾	0.03	0.19	0.14	0.05
Capital expenditures, including land ⁽¹⁾	441	9,384	7,310	1,800
Net payments proceeds on dispositions ⁽¹⁾	—	(33,727)	—	—
Common shares (thousands)				
Weighted average – basic	67,457	67,172	67,204	66,551
Weighted average – diluted	67,457	73,472	74,341	66,551
Operating				
Daily average production				
Natural gas (MMcf/d)	24.8	28.4	30.8	30.6
Oil (bbl/d)	—	497	942	953
NGL (bbl/d)	471	519	493	474
Total (boe/d)	4,597	5,749	6,570	6,532
Perpetual average realized prices⁽²⁾				
Natural gas (\$/Mcf)	2.72	2.30	2.34	2.16
Oil (\$/bbl)	—	79.70	87.83	73.46
NGL (\$/bbl)	64.35	65.25	71.00	64.11

<i>(\$ thousands, except as noted)</i>	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Financial				
Oil and natural gas revenue	17,811	28,414	22,856	33,092
Net income (loss), and comprehensive income (loss)	(235)	24,531	8,234	4,470
Per share – basic	—	0.14	0.13	0.07
Per share – diluted	—	0.12	0.11	0.06
Cash flow from operating activities	7,436	8,749	8,749	11,571
Adjusted funds flow ⁽¹⁾	8,876	14,207	9,642	10,505
Per share – basic ⁽²⁾	0.13	0.22	0.15	0.16
Capital expenditures ⁽¹⁾	9,111	115	22,596	4,361
Common shares (thousands)				
Weighted average – basic	65,978	65,883	65,016	63,641
Weighted average – diluted	65,978	75,090	74,067	74,721
Operating				
Daily average production				
Natural gas (MMcf/d)	30.8	33.0	26.9	29.9
Oil (bbl/d)	1,022	1,126	1,002	775
NGL (bbl/d)	495	508	390	364
Total (boe/d)	6,655	7,138	5,882	6,123
Perpetual average realized prices⁽²⁾				
Natural gas (\$/Mcf)	3.13	5.78	4.74	7.92
Oil (\$/bbl)	63.39	71.14	87.24	117.20
NGL (\$/bbl)	73.81	78.36	85.48	104.71

⁽¹⁾ Non-GAAP measure. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.
⁽²⁾ Non-GAAP ratio. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for an explanation of composition.

Oil and natural gas revenue has ranged between \$33.1 million and \$8.9 million over the prior eight quarters largely due to volatility in commodity pricing and the disposition of the Company's Mannville CGU, which comprised substantially all of the Company's oil revenue in the fourth quarter of 2023. Net income (loss) has ranged between a loss of \$31.2 million and income of \$8.6 million primarily due to volatility of commodity prices, dispositions, realized and unrealized risk management gains and losses, deferred income taxes and the expense related to the Sequoia Agreement provision.