



NEWS RELEASE

PERPETUAL ENERGY INC. REPORTS FIRST QUARTER 2024 FINANCIAL AND OPERATING RESULTS AND 2024 OUTLOOK

Calgary, Alberta – May 7, 2024 (TSX:PMT) – Perpetual Energy Inc. ("Perpetual", or the "Company") is pleased to report its first quarter 2024 financial and operating results and 2024 outlook. Select financial and operational information is outlined below, and should be read in conjunction with Perpetual's unaudited condensed interim consolidated financial statements and related Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2024, which are available through the Company's website at www.perpetualenergyinc.com and SEDAR+ at www.sedarplus.ca.

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

FIRST QUARTER 2024 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 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 unrealized losses on commodity 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 and cancelled its \$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 the new supplemental indenture 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 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 "Financial and Operating Highlights" for breakdown by product type.

(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's").

(3) Non-GAAP financial measure, non-GAAP ratio or supplementary financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. See "Non-GAAP and Other Financial Measures" in this news release.

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 (\$ millions) ⁽¹⁾⁽²⁾	\$7.0 - \$8.0
# of wells (gross/net)	2 / 1.0
Cash costs (\$/boe) ⁽¹⁾	\$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 financial measure, non-GAAP ratio or supplementary financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. See "Non-GAAP and Other Financial Measures" contained within this news release.

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

SUMMARY OF QUARTERLY RESULTS

(CAD\$ thousands, except volume and per share amounts)	Three months ended March 31,		
	2024	2023	Change
Financial			
Oil and natural gas revenue	8,890	17,811	(50)%
Net (loss) and comprehensive (loss)	(24,564)	(265)	9169 %
Per share – basic ⁽²⁾	(0.36)	0.00	100 %
Per share – diluted ⁽²⁾	(0.36)	0.00	100 %
Cash flow from (used in) operating activities	(5,268)	7,436	(171)%
Adjusted funds flow ⁽¹⁾	2,351	8,876	(74)%
Per share ⁽¹⁾⁽³⁾	0.03	0.13	(77)%
Total assets	192,076	216,206	(11)%
Revolving bank debt	—	10,846	(100)%
Term loan, principal amount	—	2,671	(100)%
Other liability	2,788	3,288	(15)%
Senior Notes, principal amount	33,229	35,647	(7)%
Adjusted working capital (surplus) deficiency ⁽¹⁾	(16,156)	2,977	(643)%
Net debt ⁽¹⁾	19,861	55,429	(64)%
Capital expenditures			
Net capital expenditures, after dispositions ⁽¹⁾	441	9,111	(95)%
Common shares outstanding (thousands) ⁽⁴⁾			
End of period	67,457	66,032	2 %
Weighted average – basic	67,457	65,978	2 %
Weighted average – diluted	67,457	65,978	2 %
Operating			
Daily average production			
Conventional natural gas (MMcf/d)	24.8	30.8	(19)%
Heavy crude oil (bbl/d)	—	1,022	(100)%
NGL (bbl/d)	471	495	(5)%
Total (boe/d) ⁽⁵⁾	4,597	6,655	(31)%
Average realized prices⁽⁶⁾			
Realized natural gas price (\$/Mcf) ⁽¹⁾	2.72	3.13	(13)%
Realized oil price (\$/bbl) ⁽¹⁾	—	63.39	(100)%
Realized NGL price (\$/bbl) ⁽¹⁾	64.35	73.81	(13)%
Wells drilled – gross (net)			
Conventional natural gas	-/-	2/1.0	
Heavy crude oil	-/-	-/-	
Total	-/-	2/1.0	

(1) Non-GAAP financial measure, non-GAAP ratio or supplementary financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. See "Non-GAAP and Other Financial Measures" contained within this news release.

(2) Based on weighted average basic common shares outstanding for the period.

(3) Adjusted funds flows divided by the Company's shares outstanding.

(4) Shares outstanding are net of shares held in trust (2024 – 1.1 million; 2023 – 1.1 million).

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

(6) Average realized prices exclude the impact of the Company's risk management contracts.

About Perpetual

Perpetual is an oil and natural gas exploration, production and marketing company headquartered in Calgary, Alberta. Perpetual owns a diversified asset portfolio, including liquids-rich conventional natural gas assets in the deep basin of West Central Alberta and undeveloped bitumen leases in Northern Alberta. Additional information on Perpetual can be accessed at SEDAR+ at www.sedarplus.ca or from the Company's website at www.perpetualenergyinc.com.

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

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ADVISORIES

VOLUME CONVERSIONS

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

ABBREVIATIONS

The following abbreviations used in this news release have the meanings set forth below:

bbl	barrels
bbl/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
Mcf	thousand cubic feet
MMcf	million cubic feet
MMcf/d	million cubic feet per day

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Non-GAAP Financial Measures:

Capital expenditures or capital spending: Perpetual uses capital expenditures or capital spending related to exploration and development, 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:

	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 ⁽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:

	Three months ended March 31,	
	2024	2023
<i>(\$ thousands, except per share and per boe amounts)</i>		
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

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,	
	2023	2022
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:

	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 (undiscounted amount)	(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.

Non-GAAP Financial Ratios

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

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

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

Supplementary Financial Measures

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

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

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

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

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

Other per boe measures are calculated using the financial measure, as determined in accordance with IFRS, divided by the Company's total sales production.

FORWARD-LOOKING INFORMATION

Certain information in this news release including management's assessment of future plans and operations 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.