



NEWS RELEASE

PERPETUAL ENERGY INC. ANNOUNCES COURT APPROVAL OF SEQUOIA LITIGATION SETTLEMENT AGREEMENT

Calgary, Alberta – May 16, 2024 (TSX:PMT) – Perpetual Energy Inc. (“Perpetual”, or the “Company”) is pleased to announce that the Alberta Court of King’s Bench has approved the previously announced settlement agreement with PricewaterhouseCoopers Inc., LIT in its capacity as trustee in bankruptcy (the “Trustee”) of Sequoia Resources Corp. (“Sequoia”) related to the Sequoia litigation (the “Settlement”). After several years of litigation, Perpetual previously announced that it had entered into the Settlement to resolve the Sequoia litigation without any party admitting liability, wrongdoing or violation of law, regulations, public policy or fiduciary duties.

The Trustee has registered its second lien security for the Settlement obligations and the Company has entered into a new inter-creditor agreement between its existing first lien lenders, the Trustee, and the trustee for the holders of the third lien 2025 Senior Notes. The \$10.0 million initial payment held in escrow since the execution of the Settlement agreement on March 22, 2024 has been released to the Trustee, plus all accrued interest has been applied against the Settlement amount owing, with a remaining obligation outstanding of \$19.9 million.

The Company currently has available liquidity⁽¹⁾ of \$29.7 million, comprised of the \$30.0 million borrowing limit of Perpetual's first lien credit facility and cash on hand of \$1.0 million less letters of credit of \$1.3 million, which compares to the available liquidity as at March 31, 2024 of \$31.7 million.

The Settlement 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 Board of Directors are pleased to put this matter behind us and move forward to unlock Perpetual’s inherent value potential.

(1) Available Liquidity is a non-GAAP financial measure and 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. This non-GAAP financial measure does not have a standardized meaning prescribed under IFRS Accounting Standards and therefore may not be comparable to similar measures presented by other entities. This measure 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.

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.

For additional information please contact:

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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: the benefits of resolution of the Sequoia litigation including the ability of the Company to advance its business plans with significantly improved access to capital, affording the financial flexibility to pursue value enhancing opportunities and the ability to unlock Perpetual's inherent value potential; 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; risks of wars or other hostilities or geopolitical events (including the ongoing war in Ukraine and conflicts in the Middle East), civil insurrection and pandemics; 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.