



NEWS RELEASE

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

Calgary, Alberta – August 1, 2024 (TSX:PMT) – Perpetual Energy Inc. ("Perpetual", or the "Company") is pleased to report its second 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 and six months ended June 30, 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.

SECOND QUARTER 2024 HIGHLIGHTS

- Second quarter average sales production of 4,039 boe/d⁽¹⁾, was down 12% from the first quarter of 2024 (Q1 2024 – 4,597 boe/d) and down 38% from the second quarter of 2023 (Q2 2023 – 6,532 boe/d) as a result of the Mannville Disposition⁽²⁾ in the fourth quarter of 2023 and natural declines at East Edson as no new wells were placed on stream during the first half of 2024.
- Exploration and development capital expenditures⁽³⁾ in the second quarter of 2024 were \$2.7 million, of which \$2.0 million was spent to drill one gross (0.5 net) well at East Edson with an additional gross well (0.5 net) drilling over quarter end. Additional spending in the quarter related to facility overhauls and lease construction to support the drilling program, \$0.8 million on crown land purchases and \$0.1 million 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 second quarter of 2024 was \$2.5 million (\$0.04/share) an 8% increase from the first quarter of 2024 (Q1 2024 - \$2.4 million; \$0.03/share) driven by a reduction in G&A expenses. Adjusted funds flow decreased 31% from the second quarter of 2023 driven by lower commodity prices and lower production volumes as a result of the Mannville Disposition and natural declines, partially offset by lower costs.
- Cash costs⁽³⁾ were \$4.0 million or \$11.01/boe in the second quarter of 2024 (Q2 2023 – \$10.0 million or \$16.88/boe). On a per boe basis, the reduction in costs were driven by changes in the cost structure due to the difference in the production mix after the sale of mature heavy oil-focused production with the Mannville Disposition which historically recorded higher operating costs on a per boe basis.
- Net income was \$3.3 million in the second quarter of 2024 (Q2 2023 - \$4.2 million net loss) driven by lower depletion as a result of the Mannville Disposition and \$2.0 million of unrealized gains on risk management contracts.
- As previously announced, on May 16, 2024, the Alberta Court of King's Bench approved the 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, on March 22, 2024, Perpetual 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 registered its second lien security for the Settlement obligations and the Company entered into a new inter-creditor agreement between its existing Credit Facility lenders, the Trustee, and the trustee for the holders of the 2025 Senior Notes. The \$10.0 million initial payment held in escrow since the execution of the Settlement agreement, plus all accrued interest, was released to the Trustee and applied against the Settlement amount owing, with a remaining obligation outstanding of \$19.9 million to fund end-of-life obligations related to the assets of Sequoia.
- During Q2 2024, the Company paid the \$2.8 million other liability in full and partially redeemed Senior Notes with a face value of \$7.0 million for payment of principal and interest of \$7.2 million.
- As at June 30, 2024, net debt⁽³⁾ was \$24.7 million, an increase of \$3.1 million from \$21.6 million at December 31, 2023 and an increase of \$4.8 million from \$19.9 million at March 31, 2024. Net debt as at June 30, 2024 was inclusive of \$26.2 million of Senior Notes and reflected the release of the \$10.1 million initial payment plus accrued interest related to the Settlement previously held in escrow.
- Perpetual had available liquidity at June 30, 2024 of \$27.2 million, comprised of the \$30.0 million borrowing limit of Perpetual's first lien credit facility less borrowings of \$1.5 million and letters of credit of \$1.3 million.

(1) See "Summary of Quarterly Results" 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.

(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 the remainder of the two-well (1.0 net) East Edson drilling program to finish drilling operations on the second well, and to complete, fracture stimulate, equip, and tie-in the horizontal Wilrich wells. Production additions from the new wells are expected 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 relatively unchanged from the Company's guidance contained in its May 7, 2024 news release is included 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⁾⁽³⁾	\$12 - \$13
Royalties (% of revenue) ⁽¹⁾⁽⁴⁾	15 - 16%
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.

(3) Updated from previous guidance of \$13/bbl - \$14/bbl.

(4) Updated from previous guidance of 16% - 17%.

Perpetual continues to address end of life ARO, with total abandonment and reclamation of \$1.5 to \$1.6 million planned for 2024, \$1.3 million of which was spent in the first half of 2024. 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 June 30,			Six months ended June 30,		
	2024	2023	Change	2024	2023	Change
Financial						
Oil and natural gas revenue	4,855	15,167	(68)%	13,745	32,978	(58)%
Net income (loss) and comprehensive income (loss)	3,336	(5,115)	(165)%	(21,228)	(5,380)	295 %
Per share – basic ⁽²⁾	0.05	(0.06)	(182)%	(0.31)	(0.07)	343 %
Per share – diluted ⁽²⁾	0.05	(0.06)	(175)%	(0.31)	(0.07)	343 %
Cash flow from (used in) operating activities	9,354	8,295	13 %	4,086	15,731	(74)%
Adjusted funds flow ⁽¹⁾	2,547	3,687	(31)%	4,898	12,563	(61)%
Per share ⁽¹⁾⁽³⁾	0.04	0.05	(25)%	0.07	0.19	(63)%
Total assets	175,655	208,840	(16)%	175,655	208,840	(16)%
Revolving bank debt	1,478	12,927	(89)%	1,478	12,927	(89)%
Term loan, principal amount	—	2,671	(100)%	—	2,671	(100)%
Other liability	—	2,563	(100)%	—	2,563	(100)%
Senior Notes, principal amount	26,181	34,390	(24)%	26,181	34,390	(24)%
Adjusted working capital (surplus) deficiency ⁽¹⁾	(3,008)	4,157	(172)%	(3,008)	4,157	(172)%
Net debt ⁽¹⁾	24,651	56,708	(57)%	24,651	56,708	(57)%
Capital expenditures						
Net capital expenditures, after dispositions ⁽¹⁾	1,008	1,800	(44)%	1,449	10,911	(87)%
Common shares outstanding (thousands)⁽⁴⁾						
End of period	67,706	67,503	— %	67,457	67,503	— %
Weighted average – basic	67,557	66,578	1 %	67,557	66,280	2 %
Weighted average – diluted	73,651	66,578	11 %	73,651	66,280	11 %
Operating						
Daily average production						
Conventional natural gas (MMcf/d)	21.9	30.6	(29)%	23.3	30.7	(24)%
Heavy crude oil (bbl/d)	—	953	(100)%	—	988	(100)%
NGL (bbl/d)	397	474	(16)%	434	484	(10)%
Total (boe/d) ⁽⁵⁾	4,039	6,532	(38)%	4,318	6,594	(35)%
Average realized prices⁽⁶⁾						
Realized natural gas price (\$/Mcf) ⁽¹⁾	1.26	2.16	(42)%	2.03	2.65	(23)%
Realized oil price (\$/bbl) ⁽¹⁾	—	73.46	(100)%	—	68.28	(100)%
Realized NGL price (\$/bbl) ⁽¹⁾	65.30	64.11	2 %	64.78	69.04	(6)%
Wells drilled – gross (net)						
Conventional natural gas	1 / 0.5	- / -		1 / 0.5	2 / 1.0	
Heavy crude oil	- / -	- / -		- / -	- / -	
Total	1 / 0.5	- / -		1 / 0.5	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 – 0.9 million; 2023 – 1.0 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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Net cash flows used in investing activities	3,667	6,902	10,860	10,079
Proceeds from dispositions	2,832	—	2,832	—
Change in non-cash working capital	(2,659)	(5,102)	(9,411)	832
Capital expenditures, including land and other ⁽¹⁾	3,840	1,800	4,281	10,911
Net proceeds from dispositions	(2,832)	—	(2,832)	—
Capital expenditures after dispositions ⁽¹⁾	1,008	1,800	1,449	10,911

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

Adjusted funds flow: Adjusted funds flow is calculated based on cash flows from operating activities, excluding changes in non-cash working capital and expenditures on decommissioning obligations since Perpetual believes the timing of collection, payment or incurrence of these items is variable. Expenditures on decommissioning obligations may vary from period to period depending on capital programs and the maturity of the Company's operating areas. Expenditures on decommissioning obligations are managed through the capital budgeting process which considers available adjusted funds flow and regulatory requirements. 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 operating activities calculated in accordance with IFRS.

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

(\$ thousands, except per share and per boe amounts)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Net cash flows from (used in) operating activities	9,354	8,295	4,086	15,731
Change in non-cash working capital	(12,055)	(4,919)	(5,631)	(3,730)
Decommissioning obligations settled (cash)	123	311	1,318	562
Payment of other provision	10,000	—	10,000	—
Other ⁽¹⁾	(4,875)	—	(4,875)	—
Adjusted funds flow	2,547	3,687	4,898	12,563
Adjusted funds flow per share	0.04	0.05	0.07	0.19
Adjusted funds flow per boe	6.93	6.20	6.23	10.53

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

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

(\$ thousands, except per share and per boe amounts)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Production and operating	930	4,658	2,699	8,910
Processing income	(21)	(288)	(60)	(423)
Net operating costs	909	4,370	2,639	8,487
Per boe	2.47	7.36	3.35	7.12

(1) Includes recovery of costs related to other provision.

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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Net operating costs	909	4,370	2,639	8,487
Transportation	648	1,197	1,322	2,289
General and administrative	1,713	3,224	4,949	6,778
Cash finance expense	776	1,242	1,544	2,450
Cash costs	4,046	10,033	10,454	20,004
Cash costs per boe	11.01	16.88	13.30	16.76

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 June 30, 2024	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	9,939	10,795	16,489
Prepaid expenses and deposits	1,616	1,871	1,886
Marketable securities	2,041	2,778	1,663
Accounts payable and accrued liabilities	(10,588)	(12,303)	(21,188)
Adjusted working capital surplus ⁽²⁾	3,008	16,156	17,122
Bank indebtedness	(1,478)	—	—
Term loan (principal)	—	—	(2,671)
Other liability (undiscounted amount)	—	(2,788)	(2,788)
Senior notes (principal)	(26,181)	(33,229)	(33,229)
Net debt ⁽³⁾	(24,651)	(19,861)	(21,566)

(1) Deposits held in escrow as at March 31, 2024 relates to the Settlement Agreement and earned interest on the Company's behalf. On May 16, 2024, Court approval was granted and the deposit was released from escrow and applied against the other provision.

(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.

(3) Excludes 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 press 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; Perpetual's business plan; and the statements contained under the heading "2024 Outlook".

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 laws and regulations, including but not limited to tax laws, royalties and environmental regulations (including greenhouse gas emission reduction requirements and other decarbonization or social policies and including uncertainty with respect to the interpretation of omnibus Bill C-59 and related amendments to the Competition Act (Canada), and the interpretation of such changes to the Company's business); 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.