

## 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 and six months ended June 30, 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 and six months ended June 30, 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 August 1, 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](http://www.sedarplus.ca) or from the Corporation's website at [www.perpetualenergyinc.com](http://www.perpetualenergyinc.com).

### Q2 2024 OPERATIONAL AND FINANCIAL HIGHLIGHTS

- Second quarter average sales production of 4,039 boe/d<sup>(1)</sup>, 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<sup>(2)</sup> 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<sup>(3)</sup> 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<sup>(3)</sup> 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<sup>(3)</sup> 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<sup>(3)</sup> 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 (see "Liquidity and Capital Resources - Capital Management") 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 (see "Liquidity and Capital Resources - Capital Management") 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 "Second 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<sup>(1)</sup> 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:

	<b>2024 Guidance</b>
Exploration and development expenditures <sup>(1)(2)</sup> (\$ millions)	\$7.0 - \$8.0
# of wells (gross/net)	2 / 1.0
Cash costs <sup>(1)(3)</sup> (\$/boe)	\$12 - \$13
Royalties (% of revenue) <sup>(1)(4)</sup>	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 measure or ratio. See "Non-GAAP and Other Financial Measures".

## SECOND 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 and six months ended June 30, 2024 was \$3.7 million and \$10.9 million (2023 - \$6.9 million and \$10.1 million). 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. "Capital Expenditures" is not a standardized measure and, therefore, may not be comparable with the calculation of similar measures by other entities.

For a reconciliation of cash flow used in investing activities to capital expenditures, refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A.

The following table summarizes capital expenditures:

(\$ thousands)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Exploration and development	<b>2,737</b>	1,469	<b>2,473</b>	10,535
Corporate assets <sup>(1)</sup>	<b>342</b>	331	<b>912</b>	376
Capital Expenditures	<b>3,079</b>	1,800	<b>3,385</b>	10,911
Land and other	<b>761</b>	—	<b>896</b>	—
Capital expenditures, including land and other <sup>(2)</sup>	<b>3,840</b>	1,800	<b>4,281</b>	10,911
Net proceeds from dispositions	<b>(2,832)</b>	—	<b>(2,832)</b>	—
Capital expenditures, after dispositions <sup>(2)</sup>	<b>1,008</b>	1,800	<b>1,449</b>	10,911

(1) Perpetual has a Management and Operating Services Agreement ("MSA") in place with Rubellite Energy Inc. ("Rubellite") whereby Rubellite makes payments for certain technical, capital and administrative services provided to Rubellite on a cost sharing basis. Corporate assets include costs reimbursed by Rubellite under the MSA for shared office leasehold improvements.

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

### Exploration and development spending by area

(\$ thousands)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
West Central	<b>2,737</b>	1,524	<b>2,473</b>	10,463
Eastern Alberta <sup>(1)</sup>	—	(55)	—	72
Total	<b>2,737</b>	1,469	<b>2,473</b>	10,535

(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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
West Central	<b>1 / 0.5</b>	- / -	<b>1 / 0.5</b>	2 / 1.0
Total	<b>1 / 0.5</b>	- / -	<b>1 / 0.5</b>	2 / 1.0

Perpetual's exploration and development spending in the second quarter of 2024 was \$2.7 million (Q2 2023 -\$1.5 million), of which \$2.0 million was spent to drill one gross (0.5 net) well at East Edson. A portion of capital to drill an additional gross well (0.5 net) was spent during the second quarter and the well finished drilling and was rig released at the beginning of the third quarter. The remaining spending related to facility overhauls and lease construction to support the drilling program.

During the first six months of 2024, the Company spent \$2.5 million (2023 - \$10.5 million). Perpetual's exploration and development spending in the first quarter of 2024 was a nominal amount and offset by accrual reversals. There were no new wells drilled at East Edson during the first quarter of 2024.

Land expenditures were \$0.8 million in the second quarter of 2024, with total land purchases in 2024 of \$0.9 million related to crown land purchases.

Corporate spending in the second quarter of 2024 was a credit of \$0.3 million and included \$2.8 million related to the reimbursement of leasehold improvements by Rubellite under the MSA for the shared office space. The remainder of the spend for 2024 related to other leasehold improvements spending, offset by the reimbursement.

### **Expenditures on decommissioning obligations**

During the first six months of 2024, Perpetual spent \$1.3 million (Q2 2023 – \$0.5 million) on abandonment and reclamation projects. There were three reclamation certificates received from the AER during the six month period ended June 30, 2024 (2023 - 1 reclamation certificate). Abandonment and reclamation spending eventually leads to the cessation of associated property tax and surface lease expenses, reducing future production and operating costs.

### **Production**

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Production				
Conventional natural gas (Mcf/d) <sup>(1)</sup>	21,854	30,632	23,304	30,729
Conventional heavy crude oil (bbl/d) <sup>(2)</sup>	—	953	—	988
NGL (bbl/d) <sup>(3)</sup>	397	474	434	484
<b>Total production (boe/d)</b>	<b>4,039</b>	<b>6,532</b>	<b>4,318</b>	<b>6,594</b>

- (1) Conventional natural gas production yielded a heat content of 1.17 GJ/Mcf for the three months ended June 30, 2024 (three months ended June 30, 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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Production by core area				
West Central	4,039	5,083	4,318	5,102
Eastern Alberta <sup>(1)</sup>	—	1,449	—	1,492
<b>Total production (boe/d)</b>	<b>4,039</b>	<b>6,532</b>	<b>4,318</b>	<b>6,594</b>

- (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.

Second quarter production averaged 4,039 boe/d, down 38% from 6,532 boe/d in the second quarter of 2023, driven by the Mannville Disposition in the fourth quarter of 2023 and natural declines at East Edson with limited capital activity. During the second quarter of 2024, there were no new wells brought on production at East Edson. As a result of the Mannville Disposition, the percentage of natural gas in Perpetual's production mix increased and was comprised of 90% conventional natural gas and 10% NGL, as compared to 78% of conventional natural gas and 22% heavy crude oil and NGL in the second quarter of 2023.

Second quarter conventional natural gas production averaged 21.9 MMcf/d, a decrease of 29% from 30.6 MMcf/d in the second quarter of 2023 primarily as a result of natural declines as well as the disposition of the Company's shallow gas assets in Mannville. There were no new wells brought on production at East Edson in the first or second quarter of 2024.

Second quarter NGL production was 397 bbl/d, 16% 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 18.2 bbl per MMcf achieved in the second quarter of 2024 (Q2 2023 – 17.3 bbl per MMcf).

For the six months ended June 30, 2024, production decreased 35% to 4,318 boe/d from 6,594 boe/d in the comparative period as a result of the Mannville Disposition and natural declines at East Edson.

## Oil and Natural Gas Revenue

(\$ thousands, except as noted)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Oil and natural gas revenue				
Natural gas	2,497	6,029	8,626	14,720
Oil <sup>(1)</sup>	—	6,373	—	12,206
NGL	2,358	2,765	5,119	6,052
Oil and natural gas revenue	4,855	15,167	13,745	32,978

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

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Average Benchmark Prices				
AECO 5A Daily Index (\$/GJ)	1.12	2.32	1.74	2.69
AECO 5A Daily Index (\$/Mcf) <sup>(1)</sup>	1.18	2.45	1.84	2.83
West Texas Intermediate ("WTI") (US\$/bbl)	80.57	73.78	78.77	74.95
Exchange rate (CAD\$/US\$)	1.37	1.34	1.36	1.35
West Texas Intermediate ("WTI") (CAD\$/bbl)	110.38	98.87	107.13	101.18
Perpetual Average Realized Prices <sup>(2)</sup>				
Natural gas (\$/Mcf)	1.26	2.16	2.03	2.65
Oil (\$/bbl)	—	73.46	—	68.28
NGL (\$/bbl)	65.30	64.11	64.78	69.04
Average realized price (\$/boe)	13.21	25.51	17.49	27.63

(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 and six months ended June 30, 2024 decreased by \$10.3 million (68%) and \$19.2 million (58%), respectively, from the comparative periods of 2023, attributable to the decrease in sales volumes and lower average realized prices.

Natural gas revenue of \$2.5 million in the second quarter of 2024 comprised 51% (Q2 2023 – 40%) of total revenue while natural gas production was 90% of total production (Q2 2023 – 78%). Natural gas revenue was 59% lower than the second quarter of 2023, reflecting the impact of lower AECO Daily Index prices and a 29% decrease in production volumes. Compared to the second quarter of 2023, the AECO 5A Daily index average price decreased 52% to \$1.18/Mcf (Q2 2023 - \$2.83/Mcf), compared with the 42% decrease in Perpetual's realized natural gas price. For the six months ended June 30, 2024, natural gas revenue decreased by \$6.1 million or 41% compared to the prior period, as a result of lower benchmark gas prices and 24% lower production.

NGL revenue for the second quarter of 2024 of \$2.4 million represented 49% (Q2 2023 –18%) of total revenue while NGL production was 10% of total production (Q2 2023 –7%). NGL revenue decreased 15% from the second quarter of 2023, reflecting a 16% decrease in NGL production, partially offset by higher prices. For the six months ended June 30, 2024, NGL revenue decreased by \$0.9 million or 15% compared to the prior period, as a result of lower prices and 10% lower 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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Unrealized gain (loss) on risk management contracts				
Unrealized gain (loss) on foreign exchange contracts	(29)	158	(307)	217
Unrealized gain (loss) on natural gas contracts	2,037	165	(349)	(2,373)
Unrealized gain (loss) on oil contracts	—	113	—	(809)
Unrealized gain (loss) on risk management contracts	2,008	436	(656)	(2,965)
Realized gain (loss) on risk management contracts				
Realized gain (loss) on foreign exchange contracts	(23)	51	91	82
Realized gain (loss) on natural gas contracts	2,337	(21)	3,448	4,268
Realized gain on oil contracts	—	305	—	608
Realized gain on risk management contracts	2,314	335	3,539	4,958
Change in fair value of risk management contracts	4,322	771	2,883	1,993

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

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Realized gain on risk management contracts <sup>(1)</sup>				
Realized gain (loss) on natural gas contracts (\$/Mcf)	1.18	(0.01)	0.81	0.77
Realized gain on oil contracts (\$/bbl)	—	4.10	—	3.86
Realized gain on risk management contracts (\$/boe)	6.30	0.56	4.50	4.15
Average realized prices after risk management contracts <sup>(1)</sup>				
Natural gas (\$/Mcf)	2.44	2.15	2.84	3.42
Oil (\$/bbl)	—	77.56	—	72.14
NGL (\$/bbl)	65.30	64.11	64.78	69.04
Average realized price (\$/boe)	19.51	26.07	21.99	31.78

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

The realized gain on risk management contracts totaled \$2.3 million for the second quarter of 2024, compared to a realized gain of \$0.3 million for the second quarter of 2023. The realized gain on risk management contracts totaled \$3.5 million for the first six months of 2024 (2023 - \$5.0 million). 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 gain on risk management contracts totaled \$2.0 million in the second quarter of 2024 (Q2 2023 – unrealized gain of \$0.4 million) and \$0.7 million unrealized loss in the six months ended June 30, 2024 (2023 - unrealized loss of \$3.0 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 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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Crown royalties				
Natural gas	262	(461)	393	404
Oil	—	275	—	431
NGL	(295)	336	—	943
Total Crown royalties	(33)	150	393	1,778
Freehold and overriding royalties				
Natural gas	254	611	868	1,579
Oil	—	832	—	1,423
NGL	344	179	652	568
Total freehold and overriding royalties	598	1,622	1,520	3,570
Total royalties	565	1,772	1,913	5,348
\$/boe	1.54	2.98	2.43	4.48

## Royalties as a percentage of revenue<sup>(1)</sup>

Crown	(0.7)	1.0	2.9	5.4
Freehold and overriding	12.3	10.7	11.1	10.8
Total (% of oil and natural gas revenue)	11.6	11.7	14.0	16.2
Natural gas royalties (% of natural gas revenue)	20.7	2.5	14.6	13.5
Oil royalties (% of oil revenue)	—	17.4	—	15.2
NGL royalties (% of NGL revenue)	2.1	18.6	12.7	25.0

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

Total royalties for the second quarter of 2024 were \$0.6 million, 68% lower than the second quarter of 2023 and for the first half of 2024 were \$1.9 million, 64% lower than 2023 primarily due to lower commodity prices, lower production volumes and crown royalty adjustments. Crown royalties were lower in the quarter due to crown royalty adjustments relating to prior periods of \$0.6 million. During the quarter, the annual gas cost allowance ("GCA") adjustment resulted in amounts owing of \$0.2 million as compared to a credit of \$0.7 million in the comparative period of 2023. 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 for the second quarter of 2024 were down 48% to \$1.54/boe (Q2 2023 – \$2.98/boe) and for the first half of 2024 were down 46% to \$2.43/boe (2023 - \$4.48/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 <sup>(1)</sup>

(\$ thousands, except as noted)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Net operating costs <sup>(1)</sup>	<b>909</b>	4,370	<b>2,639</b>	8,487
\$/boe <sup>(1)</sup>	<b>2.47</b>	7.36	<b>3.35</b>	7.12

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

Total net operating costs were \$0.9 million, 79% lower than the second quarter of 2023 (Q2 2023 - \$4.4 million) and \$2.6 million, 69% lower than the six months ended June 30, 2023 as a result of lower production volumes, the Mannville Disposition which had significantly higher operating costs per boe than Perpetual's West Central East Edson assets and a one-time adjustment related to carbon taxes.

On a unit-of-production basis, net operating costs decreased by 66% to \$2.47/boe in the second quarter of 2024 (Q2 2023 - \$7.36/boe) and by 53% to \$3.35/boe in the first half of 2024 (2023 - \$7.12/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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Transportation costs	<b>648</b>	1,197	<b>1,322</b>	2,289
\$/boe	<b>1.76</b>	2.01	<b>1.68</b>	1.92

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 second quarter of 2024 were \$0.6 million, a 46% decrease from the second quarter of 2023 (Q2 2023 - \$1.2 million) and in the first half of 2024 were \$1.3 million, a 42% decrease from the comparative period (2023 - \$2.3 million) due to no longer requiring trucking of heavy oil volumes as a result of the Mannville Disposition.

On a per boe basis, transportation costs decreased by 12% to \$1.76/boe in the second quarter of 2024 and by 13% to \$1.68/boe in the first half of 2024 on lower costs which more than offset lower production volumes.

### Operating netbacks

The following table highlights Perpetual's operating netbacks for the three months ended June 30, 2024 and 2023:

(\$/boe) (\$ thousands)	Three months ended June 30,				Six months ended June 30,			
	2024	2023	2024	2023	2024	2023	2024	2023
Production (boe/d)	<b>4,039</b>	6,532	<b>4,318</b>	6,594				
Oil and natural gas revenue	<b>13.21</b>	<b>4,855</b>	25.51	15,167	<b>17.49</b>	<b>13,745</b>	27.63	32,978
Royalties	<b>(1.54)</b>	<b>(565)</b>	(2.98)	(1,772)	<b>(2.43)</b>	<b>(1,913)</b>	(4.48)	(5,348)
Net operating costs <sup>(1)</sup>	<b>(2.47)</b>	<b>(909)</b>	(7.36)	(4,370)	<b>(3.35)</b>	<b>(2,639)</b>	(7.12)	(8,487)
Transportation costs	<b>(1.76)</b>	<b>(648)</b>	(2.01)	(1,197)	<b>(1.68)</b>	<b>(1,322)</b>	(1.92)	(2,289)
Operating netback <sup>(1)</sup>	<b>7.44</b>	<b>2,733</b>	13.16	7,828	<b>10.03</b>	<b>7,871</b>	14.11	16,854
Realized gain on risk management contracts	<b>6.30</b>	<b>2,314</b>	0.56	335	<b>4.50</b>	<b>3,539</b>	4.15	4,958
Total operating netback, including risk management contracts <sup>(1)</sup>	<b>13.74</b>	<b>5,047</b>	13.72	8,163	<b>14.53</b>	<b>11,410</b>	18.26	21,812

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

For the second quarter of 2024, Perpetual's operating netback, including risk management contracts, was \$5.0 million (\$13.74/boe), down from \$8.2 million (\$13.72/boe) in the second quarter of 2023. For the six months ended June 30, 2024, the operating netback, including risk management contracts, was \$11.4 million (\$14.53/boe) a decrease from \$21.8 million (\$18.26/boe) in the comparative period. The decrease was due to 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.

Realized gains on risk management contracts in both the three and six month periods of 2024 and the comparative periods of 2023 increased operating netbacks after risk management contracts. On a unit of production basis, total operating netbacks including risk management contracts of \$13.74/boe were consistent with the second quarter of 2023 (Q2 2023 - \$13.72) and decreased by 20% to \$14.53/boe from the six months ended June 30, 2023 (2023 - \$18.26/boe).

## General and administrative ("G&A") expenses

(\$ thousands, except as noted)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
G&A before overhead recoveries	4,061	4,424	9,288	9,679
MSA recoveries <sup>(1)</sup>	(1,531)	(833)	(2,880)	(1,612)
Overhead recoveries	(817)	(367)	(1,459)	(1,289)
Total G&A expense	1,713	3,224	4,949	6,778
\$/boe	4.66	5.42	6.30	5.68

(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. Effective June 1, 2024, the MSA was amended to split shared costs on a 80% Rubellite and 20% Perpetual basis.

For the three and six months ended June 30, 2024, G&A before recoveries were \$4.1 million and \$9.3 million, a decrease from \$4.4 million and \$9.7 million in the comparative periods of 2023 on lower professional fees. Total G&A expenses, after recoveries, were \$1.7 million and \$4.9 million in the three and six months ended June 30, 2024, 47% and 27% lower than the comparative periods of 2023 as a result of higher MSA and 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 and six months ended June 30, 2024, the costs billed under the MSA to Rubellite were \$1.5 million and \$2.9 million (2023 - \$0.8 million and \$1.6 million). As expected, MSA costs in 2024 increased as a result of Rubellite's increased production relative to Perpetual's production (Q2 2024 - 50%; Q2 2023 - 30%) and the amendment of the MSA, effective June 1, 2024, which changed to a fixed cost sharing basis of 80% Rubellite and 20% Perpetual.

On a unit of production basis, total G&A expense decreased 14% to \$4.66/boe (Q2 2023 - \$5.42/boe) on lower costs which more than offset the decrease in sales volumes. For the six months ended June 30, 2024, total G&A expense per boe increased by 11% to \$6.30/boe as a result of lower production volumes (2023 - \$5.68/boe).

## Share-based payments

(\$ thousands, except as noted)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Share-based payments	594	1,604	1,162	2,283
Total share-based payments	594	1,604	1,162	2,283

Share-based payments expense for the three and six months ended June 30, 2024 decreased slightly to \$0.6 million and \$1.2 million (2023 - \$1.6 million and \$2.3 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, offset by a fair value adjustment related to the modification of the Company's deferred options, deferred shares, share options and performance share rights compensation plans from equity settled to cash settled.

During the second quarter of 2024, 0.1 million deferred shares, 1.6 million performance share rights and 0.1 million restricted rights were granted to Officers, Directors and employees of the Company.

## Depletion and depreciation

(\$/boe) (\$ thousands)	Three months ended June 30,		Six months ended June 30,					
	2024	2023	2024	2023				
Depletion	8.33	3,061	9.33	5,543	8.38	6,586	9.04	10,787
Depreciation and other	0.78	288	0.21	126	0.91	716	0.21	248
Total depletion and depreciation	9.11	3,349	9.54	5,669	9.29	7,302	9.25	11,035

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 June 30, 2024, depletion was calculated on a \$214.9 million depletable balance and \$93.6 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 second quarter of 2024 decreased to \$3.1 million or \$8.33/boe (Q2 2023 - \$5.5 million or \$9.33/boe) and in the first half of 2024 decreased to \$6.6 million or \$8.38/boe (2023 - \$10.8 million or \$9.04/boe) as a result of the Mannville disposition. On a unit-of-production basis, depletion expense decreased from the comparable periods of 2023 due to 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 increased to \$0.3 million or \$0.78/boe and \$0.7 million or \$0.91/boe for the three and six months ended June 30, 2024 respectively (2023 - \$0.1 million or \$0.21/boe and \$0.2 million or \$0.21/boe) as a result of corporate asset additions related to leasehold improvements.

## Impairment

There were no indicators of impairment as of June 30, 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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Cash finance expense				
Interest on revolving bank debt	120	339	55	699
Interest on term loan	—	54	49	108
Interest on Senior Notes	573	809	1,289	1,580
Interest on lease liabilities	83	40	151	63
Total cash finance expense	776	1,242	1,544	2,450
Non-cash finance expense				
Gain on senior note maturity extension	—	(104)	—	(104)
Amortization of debt issue costs	35	375	144	733
Accretion on decommissioning obligations	112	204	222	426
Accretion on other provision <sup>(1)</sup>	108	—	108	—
Change in fair value of other liability	—	91	—	115
Total non-cash finance expense	255	566	474	1,170
<b>Finance expense recognized in net loss</b>	<b>1,031</b>	<b>1,808</b>	<b>2,018</b>	<b>3,620</b>

(1) Accretion on other provision with an balance of \$18.1 million (undiscounted - \$19.9 million) as at June 30, 2024 (December 31, 2023 - nil) (See "Other provision").

Total cash finance expense was \$0.8 million and \$1.5 million in the three and six months ended June 30, 2024, lower than the comparable periods of 2023 (\$1.2 million and \$2.5 million) as a result of using the proceeds from the fourth quarter Mannville Disposition to reduce credit facility borrowings, repay the Term Loan and partially redeem the Senior Notes.

Total non-cash finance expense was \$0.3 million and \$0.5 million in the three and six months ended June 30, 2024, lower than the comparable period of 2023 (\$0.6 million and \$1.2 million) as a result of lower accretion on decommissioning obligations as a result of the Mannville Disposition, lower debt issuance amortization as a result of the repayment of term loan and Senior Notes partial redemption, and repayment of the other liability, partially offset by the addition of accretion on other provision.

## 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

(\$ thousands, except as noted)	June 30, 2024	December 31, 2023
Revolving bank debt	1,478	—
Term loan, principal amount <sup>(1)</sup>	—	2,671
Senior notes, principal amount	26,181	33,229
Other liability <sup>(2)</sup>	—	2,788
Adjusted working capital surplus <sup>(3)</sup>	(3,008)	(17,122)
Net debt <sup>(2)</sup>	24,651	21,566
Shares outstanding at end of period (thousands) <sup>(5)</sup>	67,706	67,467
Market price at end of period (\$/share)	0.44	0.43
Market value of shares <sup>(3)</sup>	29,791	29,011
Enterprise value <sup>(3)</sup>	54,442	50,577
Net debt as a percentage of enterprise value <sup>(3)</sup>	45%	43%
Trailing twelve-months adjusted funds flow <sup>(4)</sup>	26,754	34,419
Net debt to trailing twelve-months adjusted funds flow <sup>(3)</sup>	0.9	0.6

(1) During the first quarter of 2024, the second lien term loan was repaid and cancelled.

(2) During the second quarter of 2024, the other liability was paid in full.

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

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

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



At June 30, 2024, Perpetual had total net debt of \$24.7 million, up \$3.1 million from December 31, 2023 due primarily to the repayment of debt and other obligations, partially offset by free funds flow of \$0.6 million.

In the second quarter of 2024, Perpetual recovered \$5.0 million of fees incurred which is recognized as other income in the statement of income (loss) and comprehensive income (loss).

Perpetual had available liquidity at June 30, 2024 of \$27.2 million, comprised of the \$30.0 million credit facility less borrowings of \$1.5 million and letters of credit of \$1.3 million.

### Revolving bank debt

During the period ended June 30, 2024, the semi-annual review of the Company's Credit Facility was completed and the borrowing limit was confirmed at \$30.0 million (December 31, 2023 - \$30.0 million) with an initial term to May 31, 2025. The initial term may be extended for a further twelve months to May 31, 2026 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 November 30, 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 two years or more after the date of such extension, or refinanced with the maturity date of the refinanced debt that is two years or more after the incurrence of such refinanced debt, the maturity date of the Credit Facility is November 30, 2024 and any outstanding balance would become repayable at that time.

The Credit Facility is secured by general first lien security agreements covering all present and future property of the Company and its subsidiaries.

As at June 30, 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

(\$ thousands, except as noted)	Maturity date	Interest rate	June 30, 2024		December 31, 2023	
			Principal	Carrying Amount	Principal	Carrying amount
Senior notes	January 23, 2025	8.75%	26,181	26,117	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.

On March 22, 2024, the Company provided a notice for the early redemption of all of the \$33.2 million aggregate principal amount of the 8.75% senior secured third lien notes maturing January 23, 2025 (the "2025 Senior Notes"). On April 25, 2024, (the "Redemption Date"), \$7.2 million was paid relating to the early redemption of the Senior Notes and \$26.2 million in principal remained outstanding. 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.

Entities controlled or directed by the President and Chief Executive Officer, holding all of the remaining \$26.2 million of 2025 Senior Notes, elected to agree to the amended terms and to be a continuing holder of 2025 Senior Notes. No other holders of 2025 Senior Notes elected to be continuing holders of the 2025 Senior Notes. The 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 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 until all payments required under the Settlement Agreement have been made in full and therefore the 2025 Senior Notes have been classified as a long-term liability as at June 30, 2024.

At June 30, 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 7.9%.

At June 30, 2024, the Senior Notes were not subject to any financial covenants and the Company was in compliance with all customary non-financial covenants.

### Equity

At June 30, 2024, there were 67.7 million common shares outstanding, net of 0.9 million shares held in trust for the Company's employee compensation program. During the second quarter of 2024, no shares were purchased by the independent trustee to be held in trust (Q2 2023 - 0.2 million). Basic and diluted weighted average shares outstanding for the three months ended June 30, 2024 were 67.6 million and 73.7 million and for the six months ended June 30, 2024 were 67.5 million (three and six months ended June 30, 2023 - 66.6 million basic and 66.3 million diluted).

At August 1, 2024, there were 67.7 million common shares outstanding which is net of 0.9 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>	<b>August 1, 2024</b>
Share options	<b>2.8</b>
Performance share rights	<b>2.7</b>
Compensation awards	<b>5.7</b>
<b>Total<sup>(1)</sup></b>	<b>11.2</b>

(1) 5.7 million compensation awards, 2.8 million share options, and 2.7 million performance share rights have an exercise price below the June 30, 2024 closing price of the Company's common shares of \$0.44 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 August 1, 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	Jul 1 - Oct 31, 2024	AECO 5A (CAD\$/GJ)	Swap - sold	\$2.84
Natural gas	12,500 GJ/d	Nov 1 - Dec 31, 2024	AECO 5A (CAD\$/GJ)	Swap - sold	\$3.96
Natural gas	12,500 GJ/d	Jan 1 - Mar 31, 2025	AECO 5A (CAD\$/GJ)	Swap - sold	\$4.20
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 August 1, 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	Jul 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.

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

### OTHER PROVISIONS

On March 22, 2024, Perpetual entered into an agreement (the "Settlement Agreement") with the Trustee to resolve the Sequoia Litigation without any party admitting liability, wrongdoing or violation of laws, regulations, public policy or fiduciary duties. The Settlement Agreement was approved by the Alberta Court of King's Bench on May 16, 2024.

Pursuant to the Settlement Agreement, the Company will make an aggregate payment of \$30.0 million (the "Settlement Principal") spread out over multiple years. The \$10.0 million initial payment held in escrow since the execution of the Settlement Agreement, plus all accrued interest, was released on May 16, 2024 to the Trustee and applied against the Settlement amount owing, with a remaining obligation outstanding to fund end-of-life obligations related to the assets of Sequoia. Installments of \$3.75 million are to be paid annually prior to March 27 of each calendar year 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.

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.

	<b>June 30, 2024</b>
Other provisions – current	<b>\$ 3,750</b>
Other provisions – non-current	<b>14,317</b>
<b>Total other provisions<sup>(1)</sup></b>	<b>\$ 18,067</b>

(1) Includes accretion expense of \$0.1 million in the three and six months ended June 30, 2024..

The following assumptions were used to estimate the other provision:

	<b>June 30, 2024</b>	
Undiscounted obligations	\$	<b>19,941</b>
Average risk-free rate		<b>3.5%</b>
Expected timing of settling obligations		<b>5.75 years</b>

In the second quarter of 2024, Perpetual recovered \$5.0 million of fees incurred and is recognized as other income in the statement of income (loss) and comprehensive income (loss).

## 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"). Under the MSA Perpetual receives payment from for certain technical and administrative services provided to Rubellite split on a relative production basis. Effective June 1, 2024, the MSA was amended to split shared costs on a 80% Rubellite and 20% Perpetual basis. During the three and six months ended June 30, 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 \$5.9 million and \$8.3 million (2023 - \$1.6 million and \$3.1 million). Included within this amount are \$4.3 million and \$5.7 million (2023 - \$0.9 million and \$1.6 million) of costs billed under the MSA. The Company recorded a receivable of \$4.6 million owing from Rubellite as at June 30, 2024 (December 31, 2023 - receivable of \$1.9 million), which included the reimbursement of \$2.8 million leasehold improvement capital.

Investments made in a private energy technology company, where the Company's CEO is a director, were valued at \$0.4 million at June 30, 2024 (December 31, 2023 - \$0.4 million). There were no amounts outstanding or receivable at June 30, 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 income (loss) and comprehensive income (loss), cash flow from 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 June 30,		Six months ended June 30,	
	<b>2024</b>	2023	<b>2024</b>	2023
Net cash flows used in investing activities	<b>3,667</b>	6,902	<b>10,860</b>	10,079
Proceeds from dispositions	<b>2,832</b>	—	<b>2,832</b>	—
Change in non-cash working capital	<b>(2,659)</b>	(5,102)	<b>(9,411)</b>	832
Capital expenditures, including land and other <sup>(1)</sup>	<b>3,840</b>	1,800	<b>4,281</b>	10,911
Net proceeds from dispositions	<b>(2,832)</b>	—	<b>(2,832)</b>	—
Capital expenditures after dispositions <sup>(1)</sup>	<b>1,008</b>	<b>1,800</b>	<b>1,449</b>	<b>10,911</b>

(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 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 <sup>(1)</sup>	(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

(1) Includes recovery of fees incurred related to the Other Provision and other nonrecurring expenses.

**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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Adjusted funds flow	2,547	3,687	4,898	12,563
Capital Expenditures, including land and other	(3,840)	(1,800)	(4,281)	(10,911)
Free funds flow	(1,293)	1,887	617	1,652

**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 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

**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:

(\$ thousands)	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 <sup>(1)</sup>	—	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 <sup>(2)</sup>	3,008	16,156	17,122
Bank indebtedness	(1,478)	—	—
Term loan (principal)	—	—	(2,671)
Other liability	—	(2,788)	(2,788)
Senior notes (principal)	(26,181)	(33,229)	(33,229)
Net debt <sup>(3)</sup>	(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.

**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.

## **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.

During the six months ended June 30, 2024 the deferred options, deferred shares, share options, and performance share rights have been modified from equity settled to cash settled. This modification was accounted for following the guidance of IFRS 2 *share based payments*. See note 14.

### **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 April 1, 2024 and ending June 30, 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; 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 MD&A. In particular and without limitation of the foregoing, material factors or assumptions on which the forward-looking information in this MD&A 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](http://www.sedarplus.ca)) and at Perpetual's website ([www.perpetualenergyinc.com](http://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>	Q2 2024	Q1 2024	Q4 2023	Q3 2023
<b>Financial</b>				
Oil and natural gas revenue	4,855	8,890	12,770	17,477
Net income (loss), and comprehensive income (loss)	3,336	(24,564)	6,322	3,732
Per share – basic	0.05	(0.36)	0.08	0.06
Per share – diluted	0.05	(0.36)	0.09	0.05
Cash flow from (used in) operating activities	9,354	(5,268)	8,526	2,460
Adjusted funds flow <sup>(1)</sup>	2,547	2,351	12,729	9,127
Per share – basic <sup>(2)</sup>	0.04	0.03	0.19	0.14
Capital expenditures, including land <sup>(1)</sup>	3,840	441	9,384	7,310
Net payments proceeds on dispositions <sup>(1)</sup>	(2,832)	—	(33,727)	—
<b>Common shares</b> (thousands)				
Weighted average – basic	67,557	67,457	67,172	67,204
Weighted average – diluted	73,651	67,457	73,472	74,341
<b>Operating</b>				
Daily average production				
Natural gas (MMcf/d)	21.9	24.8	28.4	30.8
Oil (bbl/d)	—	—	497	942
NGL (bbl/d)	397	471	519	493
Total (boe/d)	4,039	4,597	5,749	6,570
<b>Perpetual average realized prices<sup>(2)</sup></b>				
Natural gas (\$/Mcf)	1.26	2.72	2.30	2.34
Oil (\$/bbl)	—	—	79.70	87.83
NGL (\$/bbl)	65.30	64.35	65.25	71.00

<i>(\$ thousands, except as noted)</i>	Q2 2023	Q1 2023	Q4 2022	Q3 2022
<b>Financial</b>				
Oil and natural gas revenue	15,167	17,811	28,414	22,856
Net income (loss), and comprehensive income (loss)	(4,203)	(235)	24,531	8,234
Per share – basic	(0.06)	—	0.14	0.13
Per share – diluted	(0.06)	—	0.12	0.11
Cash flow from operating activities	8,295	7,436	8,749	8,749
Adjusted funds flow <sup>(1)</sup>	3,687	8,876	14,207	9,642
Per share – basic <sup>(2)</sup>	0.05	0.13	0.22	0.15
Capital expenditures <sup>(1)</sup>	1,800	9,111	115	22,596
<b>Common shares</b> (thousands)				
Weighted average – basic	66,551	65,978	65,883	65,016
Weighted average – diluted	66,551	65,978	75,090	74,067
<b>Operating</b>				
Daily average production				
Natural gas (MMcf/d)	30.6	30.8	33.0	26.9
Oil (bbl/d)	953	1,022	1,126	1,002
NGL (bbl/d)	474	495	508	390
Total (boe/d)	6,532	6,655	7,138	5,882
<b>Perpetual average realized prices<sup>(2)</sup></b>				
Natural gas (\$/Mcf)	2.16	3.13	5.78	4.74
Oil (\$/bbl)	73.46	63.39	71.14	87.24
NGL (\$/bbl)	64.11	73.81	78.36	85.48

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

<sup>(2)</sup> 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 \$28.4 million and \$4.9 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) and comprehensive income (loss) has ranged between a loss of \$24.6 million and income of \$24.5 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 other provision.