



POLICIES & PROCEDURES

EMPLOYEE WHISTLEBLOWER POLICY

1. INTRODUCTION

Perpetual Energy Inc. (“Perpetual” or the “Corporation” or the “Company”) is committed to the highest standards of openness, honesty and accountability. The integrity of the financial and other information of the Corporation is vital as it guides the decisions of Perpetual’s Board of Directors and is relied upon by our shareholders, financial markets and other stakeholders. Furthermore, the Company is compelled to the highest level of integrity in all aspects of our business and operations.

To that end, the Employee Whistleblower Policy establishes a mechanism whereby individuals can confidentially and anonymously raise concerns and report complaints regarding questionable business practices without fear of reprisal. This requires a process by which the appropriate body within the organization can become aware of concerns and receive, retain and investigate all reports of complaints regarding unethical conduct, perceived or otherwise.

2. POLICY

Reportable Conduct

This process is designed to encourage the reporting of complaints and concerns regarding questionable business practices including, but not limited to:

- suspect, questionable, unethical, and unlawful accounting and auditing policy, practices or procedures;
- intentional breach of or failure to implement accounting and auditing policy, practices and procedures approved by the Board of Directors;
- inadequate internal accounting controls;
- the misleading or coercion of auditors;
- disclosure of fraudulent or misleading financial information;
- instances of corporate fraud; and
- any perceived violation of a Perpetual policy or law.

Who is protected?

Any person who makes a disclosure or raises a concern under this program will be protected if the person:

- discloses the information in good faith;
- believes it to be substantially true;
- does not act maliciously or make false allegations, and,
- does not seek any personal or financial gain.

Reporting a Concern

Concerns can be reported to your supervisor or any member of the Executive Team, anonymously or otherwise, by mail, telephone, fax or e-mail. In instances where a satisfactory response is not received from your immediate supervisor or a member of the Executive Team, or in the event of an anonymous report, where responsive action is not evident, or if you are uncomfortable addressing your concerns to the Chief Financial Officer or President, a Whistleblower Report can be made to the Chairman of the Audit Committee by mail, telephone or e-mail as follows:

Attention: Mr. Robert Maitland – Private and Confidential
3200, 605 – 5th Avenue S.W.
Calgary, Alberta T2P 3H5

Office Telephone: (403) 612-3936
E-mail: robamait@telus.net

Employees are encouraged to provide as much specific information as possible including names, dates, places and events that took place, the employee's perception of why the incident(s) may be improper, what action the employee recommends be taken and any specific details for follow-up communication.

Investigating a Report

The Company will investigate all concerns identified through Whistleblower Reports received and respond to concerns in accordance with this Policy. Reporting parties should remember that investigating concerns is not the same as either accepting or rejecting them.

Where appropriate, the matters raised may:

- be investigated by senior management, the Audit Committee, internal audit, or legal counsel;
- be referred to the police;
- be referred to the external auditor; and/or,
- form the subject of an independent inquiry.

In order to protect reporting parties, those accused of misdeeds or possible malpractice, and third parties, initial inquiries may be made to determine whether an investigation is appropriate and if so, what form it should take.

The overriding principle which the Company will have in mind is the best interests of the Corporation and its shareholders in congruence with Perpetual's values.

Some concerns may be resolved by mutually-agreeable action without the need for further investigation. If urgent action is deemed to be required, such action may be taken before an investigation is completed.

Within fifteen (15) working days of a concern being raised through a Whistleblower Report the reporting party will receive a letter:

- acknowledging that the concern has been received;
- reciting the reporting party's suggestion as to how the matter should be dealt with;
- giving an estimate of how long it will take to provide a final response;
- telling the reporting party whether any initial inquiries have been made; and,
- telling the reporting party whether further investigations will take place and if not, why not.

The amount of contact between the persons considering the issues and the reporting party will depend on the nature of the matters raised, the potential difficulties involved, and the clarity of the information provided. If necessary, the Company will seek further information from the reporting party, and will do so discreetly.

The Company will take steps to minimize any difficulties which the reporting party may experience as a result of raising a concern. For instance, if the reporting party is required to give evidence in criminal or disciplinary proceedings, the Company will arrange for the reporting party to receive independent advice about the procedure.

In determining what further actions to take, considerations include, but are not limited to:

- the alleged wrongdoer;
- the seriousness of the allegation;
- the credibility of the allegation; and,
- the urgency of an investigation and resolution.

Confidentiality

The investigating body will respect the confidentiality of any reporting party who so requests, but can only do so to the extent permitted by the law. Reporting parties should recognize, however, that it is easier to follow up and verify complaints if the reporting party is prepared to give his or her name.

Victimization, Discrimination and Harassment

The Company will not tolerate any attempts, to any degree, on the part of anyone, to in any way sanction a reporting party who reported a complaint or concern in good faith. Any such attempt should be reported immediately to a member of the Audit Committee or the Chairman of the Committee.

False, Malicious and Bad Faith Reports

The sensitive nature of corporate and professional reputation demands that the Company view very seriously any report that proves to be unsubstantiated or which proves to have been submitted knowing it to be false, or with malicious intent, or in bad faith. The Company regards the making of such reports as a serious disciplinary offence which may result in disciplinary action up to and including dismissal for cause.

Records

The Audit Committee shall retain for a period of three (3) years all records relating to Whistleblower Reports submitted under this process.