



Premium Dividend™ and Dividend Reinvestment Plan

Overview

This Premium Dividend™ and Dividend Reinvestment Plan (the "**Plan**") provides Eligible Shareholders of Perpetual Energy Inc. ("**Perpetual**") with the opportunity to reinvest their Dividends in new Shares, which new Shares will, at the Participant's election, either be (i) purchased at a 5% discount to the Average Market Price on the applicable payment date and credited to the Participant's account under the Dividend Reinvestment Component of the Plan, or (ii) purchased at a 5% discount to the Average Market Price and exchanged under the Premium Dividend™ Component of the Plan for a cash payment equal to 102% of the reinvested Dividends. Each component of the Plan, which is explained in greater detail below, is subject to eligibility restrictions, prorating as provided herein, and other limitations on the availability of new Shares in certain events.

Eligible Shareholders are not required to participate in the Plan. An Eligible Shareholder who has not elected to participate in the Plan will continue to receive its regular Dividends in the normal manner.

In order to elect to participate in either the Dividend Reinvestment Component or the Premium Dividend™ Component, an Eligible Shareholder must enroll in the Plan directly or through the broker, investment dealer, financial institution or other nominee who holds Shares on the Eligible Shareholder's behalf. See "Enrollment" below.

Transition from Previous Plan of Paramount Energy Trust

This Plan amends, restates and supersedes the Premium Distribution™ and Distribution Reinvestment Plan of Paramount Energy Trust ("**PET**") dated September 18, 2009 (the "**PET Plan**").

If you were an eligible registered holder of trust units of PET and a participant in either the distribution reinvestment component or the Premium Distribution™ component of the PET Plan prior to June 30, 2010, and as a result of the conversion of PET to a corporation on June 30, 2010 you became an Eligible Shareholder who is a registered holder of Shares and you continue to hold such Shares at the relevant time, then you will be deemed to be a participant in the Dividend Reinvestment Component or the Premium Dividend™ Component of the Plan, as the case may be, without any further action on your part.

If you were an eligible beneficial holder of trust units of PET (*i.e.*, a holder of trust units whose trust units were not registered in their own name, but were instead held through a broker, investment dealer, financial institution or other nominee) and a participant in either the distribution reinvestment component or the Premium Distribution™ component of the PET Plan through the nominee holder through which you held your trust units prior to June 30, 2010, and as a result of the conversion of PET to a corporation on June 30, 2010 you became an eligible beneficial holder of Shares and you continue to hold such Shares at the relevant time, you should contact such nominee holder to confirm your continued participation in

™ denotes trademark of Canaccord Genuity Corp.

the Dividend Reinvestment Component or the Premium Dividend™ Component of the Plan, as the case may be.

Definitions

In this Plan:

"Average Market Price", in respect of a particular Dividend payment date, refers to the arithmetic average (calculated by the Plan Broker to four decimal places) of the daily volume weighted average trading prices of Shares on the TSX for the trading days on which at least one board lot of Shares is traded on the TSX during the corresponding Pricing Period, subject to such adjustments as Perpetual may, in its sole discretion, determine to be appropriate to account for (i) a change in the aggregate number of Shares outstanding into a greater or lesser number of Shares, (ii) a reclassification of the Shares, or (iii) a merger, reorganization or other transaction affecting the Shares.

"Business Day" refers to any day other than a Saturday, Sunday or statutory holiday in the Province of Ontario.

"CDS" refers to CDS Clearing and Depository Services Inc., which acts as a nominee for certain Canadian brokers, investment dealers, financial institutions and other nominees, or its nominee, as applicable.

"CDS Participants" refers to brokers, investment dealers, financial institutions or other nominees in their capacity as participants in the CDS depository service, who hold Shares registered in the name of CDS on behalf of eligible beneficial owners of Shares and who are acting on behalf of such beneficial owners in respect of the Plan.

"Depository" means CDS and, with respect to the Dividend Reinvestment Component only, DTC.

"Depository Participant" means a CDS Participant and, with respect to the Dividend Reinvestment Component only, a DTC Participant.

"Dividend" refers to a cash dividend declared payable by Perpetual on the outstanding Shares.

"Dividend Reinvestment Component" refers to that component of the Plan, as more particularly described herein under the heading "Plan Components – Dividend Reinvestment", pursuant to which Shares are purchased on the reinvestment of Dividends under the Plan but are not exchanged for the Premium Dividend™.

"DTC" means The Depository Trust Company, which acts as nominee for certain United States brokers, investment dealers, financial institutions and other nominees, or its nominee, as applicable.

"DTC Participants" refers to brokers, investment dealers, financial institutions or other nominees in their capacity as participants in the DTC depository service who hold Shares registered in the name of DTC on behalf of eligible beneficial owners of Shares who are acting on behalf of such beneficial owners in respect of the Plan.

"Eligible Shareholders" refers to Shareholders who are permitted to participate in the Plan as described herein under the heading "Eligibility Requirements".

"Enrollment Form" refers to the Reinvestment Enrollment – Participant Declaration Form established by Perpetual and the Plan Agent from time to time for the purpose of enrolling eligible registered holders of Shares (other than a Depository) in the Plan.

"Participants" refers to registered holders of Shares who, on the applicable record date for a Dividend, are Eligible Shareholders and are duly enrolled in the Plan; provided, however, that Depositories and brokers, investment dealers, financial institutions or other nominees, as the case may be, shall be Participants only to the extent that such Depositories or such nominees, respectively, have enrolled in the Plan on behalf of Shareholders who are Eligible Shareholders.

"Plan Agent" refers to Computershare Trust Company of Canada, or such other party as is appointed by Perpetual from time to time to act as "Plan Agent" under the Plan.

"Plan Broker" refers to Canaccord Genuity Corp., or such other qualified investment dealer as is designated from time to time to act as "Plan Broker" under the Plan.

"Premium DividendTM" refers to a cash amount equal to 102% of a Dividend or, as the context may require, 102% of the aggregate Dividends payable by Perpetual on a particular Dividend payment date to Participants enrolled in the Premium DividendTM Component, subject to proration in certain events as described herein.

"Premium DividendTM Component" refers to that component of the Plan, as more particularly described herein under the heading "Plan Components – Premium DividendTM", pursuant to which Shares are purchased on the reinvestment of Dividends under the Plan and exchanged for the Premium DividendTM.

"Pricing Period", in respect of a particular Dividend, refers to the period beginning on the later of the 21st Business Day preceding the Dividend payment date and the second Business Day following the record date applicable to that Dividend payment date, and ending on the second Business Day preceding the Dividend payment date.

"Shareholders" refers to holders of Shares.

"Shares" refers to common shares in the capital of Perpetual.

"TSX" refers to the Toronto Stock Exchange.

Plan Components

Dividend Reinvestment

Under the Dividend Reinvestment Component, the Plan Agent will, on each Dividend payment date, on behalf of Participants enrolled in the Dividend Reinvestment Component, apply the aggregate Dividends payable on the Shares of such Participants towards the purchase from treasury of Perpetual of such number of new Shares (calculated to six decimal places) as is equal to the aggregate amount of such Dividends divided by 95% of the corresponding Average Market Price.

The new Shares so purchased will be held under the Plan by the Plan Agent for the account of the applicable Participants or, in the case of Eligible Shareholders that are enrolled in the Plan indirectly through a Depository, credited through such Depository to the accounts of appropriate Depository Participants on behalf of such Eligible Shareholders.

Any subsequent Dividends paid in respect of Shares purchased under the Dividend Reinvestment Component will be subject to reinvestment under the Plan (i) in the case of Shares held under the Plan for the account of a Participant other than a Depository, pursuant to the current election of the Participant as between the Dividend Reinvestment Component and the Premium DividendTM Component, or (ii) in the case of Shares enrolled in the Plan indirectly through a Depository, pursuant to instructions provided to the Plan Agent by such Depository in the manner described below under the heading "Enrollment".

Premium Dividend™

Under the Premium Dividend™ Component, the Plan Agent will, on each Dividend payment date, on behalf of Participants enrolled in the Premium Dividend™ Component, apply the aggregate Dividends payable on the Shares of such Participants towards the purchase from treasury of Perpetual of such number of new Shares (calculated to six decimal places) as is equal to the aggregate amount of such Dividends divided by 95% of the corresponding Average Market Price. Additionally, a number of Shares approximately equal to that number of new Shares to be purchased under the Premium Dividend™ Component will in turn be pre-sold, through the Plan Broker, in one or more transactions on the TSX.

The new Shares purchased on the reinvestment of Dividends under the Premium Dividend™ Component will not be held under the Plan by the Plan Agent or credited through CDS to the accounts of appropriate CDS Participants on behalf of Eligible Shareholders that are enrolled in the Premium Dividend™ Component, but will instead be credited through CDS or otherwise delivered to the Plan Broker in exchange for the Premium Dividend™ in an amount equal to 102% of the reinvested amount. The Plan Agent will in turn remit payment of the Premium Dividend™ to Participants in the Premium Dividend™ Component in the same manner that regular Dividends are paid by Perpetual.

At the time Shares are delivered to the Plan Broker, each Shareholder for whom Dividends are reinvested under the Premium Dividend™ Component shall be deemed to represent and warrant to Perpetual, the Plan Agent and the Plan Broker that: (i) it holds good and marketable title to such Shares, free and clear of all liens, restrictions, charges, encumbrances, claims and rights of others; (ii) such Shares are not subject to resale restrictions; and (iii) it is an Eligible Shareholder.

Perpetual and the Plan Agent have a commitment from the Plan Broker to pay the Premium Dividend™ to the Plan Agent against delivery of the corresponding Shares on the applicable Dividend payment date. Although Perpetual and the Plan Agent will, if necessary, make claims on this commitment, neither Perpetual nor the Plan Agent has any liability to Participants enrolled in the Premium Dividend™ Component (or to any Shareholder for which the Participant may be acting) for any failure of the Plan Broker to fulfil its obligation to pay the Premium Dividend™ when required. If the Plan Broker does not deliver sufficient funds to pay the Premium Dividend™ on all Shares of Participants enrolled in the Premium Dividend™ Component, Perpetual will deliver the full amount of the regular Dividend to the Plan Agent and such Participants will be entitled to receive the regular Dividend for each such Share in respect of which the Premium Dividend™ is not paid by the Plan Broker. For greater certainty, a Participant who receives the regular Dividend in these circumstances will not be entitled to receive the corresponding Premium Dividend™.

Eligibility Requirements

Shareholders who are resident in Canada may participate in either the Dividend Reinvestment Component or the Premium Dividend™ Component. Unless otherwise announced by Perpetual, Shareholders who are not resident in Canada cannot participate in the Premium Dividend™ Component.

A Shareholder who is a "U.S. person" as that term is defined in Regulation S under the United States *Securities Act of 1933*, as amended (including without limitation any natural person resident in the United States, any partnership or corporation organized or incorporated under the laws of the United States, any estate of which any executor or administrator is a U.S. person and any trust of which any trustee is a U.S. person) may participate in the Dividend Reinvestment Component, but cannot participate in the Premium Dividend™ Component. For greater certainty, neither DTC nor beneficial owners of Shares who hold their Shares through DTC are eligible to participate in the Premium Dividend™ Component.

Shareholders who are resident in any other jurisdiction outside of Canada may participate in the Dividend Reinvestment Component only if their participation is permitted by the laws of the jurisdiction in which

they reside and provided that Perpetual is satisfied, in its sole discretion, that such laws do not subject the Plan or Perpetual to additional legal or regulatory requirements. Any such Shareholder wishing to participate in the Dividend Reinvestment Component should consult legal counsel where they reside to determine their eligibility to participate in either component of the Plan. The amount of any Dividends to be reinvested under the Plan on behalf of Shareholders who are not residents of Canada will be reduced by the amount of any applicable non-resident withholding tax.

Perpetual and the Plan Agent also reserve the right to deny participation in the Plan to, or cancel the participation of, any person or agent of any person who appears to be, or who Perpetual or the Plan Agent has reason to believe is, subject to the laws of any jurisdiction which do not permit participation in the Plan in the manner sought by such person or which will subject the Plan or Perpetual to requirements of the jurisdiction not otherwise applicable to the Plan or Perpetual, or whose participation in the Plan is suspected to be part of a scheme to avoid applicable legal requirements or otherwise engage in unlawful behaviour.

Perpetual further reserves the right to determine, from time to time, a minimum number of Shares that a Shareholder must hold in order to be eligible for, or continue to be enrolled in, the Plan, subject to any applicable legal or regulatory requirements.

Enrollment

Direct Enrollment

An Eligible Shareholder whose Shares are registered in its own name may directly enroll in either the Dividend Reinvestment Component or the Premium Dividend™ Component by delivering to the Plan Agent a duly completed Enrollment Form. A copy of the Enrollment Form is available from the Plan Agent's website at www.computershare.com or by calling the Plan Agent at 1-800-564-6253, or from Perpetual's website at www.perpetualenergyinc.com.

A Participant who delivers an Enrollment Form will be deemed to thereby direct Perpetual to credit the Plan Agent with all Dividends payable in respect of all Shares registered in the name of the Participant or held under the Plan by the Plan Agent for the Participant's account as of the Dividend record date, and the Plan Agent to reinvest such Dividends in new Shares in accordance with the Dividend Reinvestment Component or the Premium Dividend™ Component, as applicable, and otherwise upon and subject to the terms and conditions described herein. See "Deemed Representations, Directions and Authorizations" below.

Indirect Enrollment

An Eligible Shareholder whose Shares are not registered in its own name cannot enroll in the Plan directly but may instead do so indirectly through the broker, investment dealer, financial institution or other nominee who holds their Shares by providing appropriate enrollment instructions to such nominee. Where such nominee holds Shares in its own name (and not through a Depository) on behalf of an Eligible Shareholder, the nominee may enroll in the Plan on behalf of the Eligible Shareholder by delivering to the Plan Agent a duly completed Enrollment Form. Where the Shares are held indirectly through a Depository, enrollment instructions must be communicated to such Depository by the applicable Depository Participant in accordance with the procedures of such Depository's system, and such Depository will in turn provide instructions to the Plan Agent regarding the extent of its participation, on behalf of Eligible Shareholders, in the Dividend Reinvestment Component and, where the Depository is CDS, the Premium Dividend™ Component. The Depository's instructions will advise the Plan Agent of (i) the aggregate number of Shares held through such Depository in respect of which Dividends are to be reinvested under the Dividend Reinvestment Component, and (ii) where the

Depository is CDS, the aggregate number of Shares held through CDS in respect of which Dividends are to be reinvested under the Premium Dividend™ Component.

Continued Participation

Once a Participant (other than a Depository) has enrolled in either the Premium Dividend™ Component or the Dividend Reinvestment Component by delivering to the Plan Agent a duly completed Enrollment Form, participation in the manner elected by the Participant continues automatically with respect to all Shares registered in the name of the Participant or held under the Plan by the Plan Agent for the Participant's account until the Plan or the Participant's participation therein is terminated or until the Participant changes its election.

Eligible Shareholders who participate in the Plan indirectly through a Depository or otherwise through their broker, investment dealer, financial institution or other nominee should consult such nominee to confirm the nominee's policies concerning continued participation following initial enrollment.

See "Termination of Participation" and "Change of Election" below.

Enrollment Deadlines

In order for a particular Dividend payable on Shares of an Eligible Shareholder to be reinvested on the Dividend payment date, the Plan Agent must receive (i) a duly completed Enrollment Form that covers such Shares not later than 5:00 p.m. (Toronto time) on the third (3rd) business day preceding the record date for the Dividend, or (ii) in the case of Shares enrolled indirectly through a Depository, appropriate instructions from such Depository regarding the extent of its participation not later than such time preceding the record date for that Dividend as may be agreed from time to time between such Depository and the Plan Agent in accordance with custom and practice relating to such Depository's system. The Depository must in turn receive appropriate instructions from the nominee holders that are Depository Participants not later than such deadline preceding the record date as may be established by such Depository from time to time. Enrollment Forms or instructions from a Depository, as applicable, received by the Plan Agent after the stipulated pre-record date deadline will not be effective in respect of the corresponding Dividend unless otherwise determined by Perpetual and the Plan Agent in their sole discretion.

Broker Requirements

A Depository Participant or other broker, investment dealer, financial institution or other nominee may require certain information or documentation from an Eligible Shareholder before it will act upon enrollment instructions relating to the Plan. **Eligible Shareholders who wish to participate in the Plan should contact the broker, investment dealer, financial institution or other nominee who holds their Shares to provide instructions regarding their decision to enroll and their election as between the Dividend Reinvestment Component and the Premium Dividend™ Component, to confirm any information or documentation required to give effect to their instructions, to confirm the nominee's policies concerning continued participation following initial enrollment, and to inquire about any applicable deadlines that the nominee may impose or be subject to under the policies of that nominee or a Depository's system.**

Administration

Computershare Trust Company of Canada has been appointed to act as Plan Agent, as agent for and on behalf of Participants. If Computershare Trust Company of Canada ceases to act as Plan Agent for any reason, another qualified party will be designated by Perpetual to act as Plan Agent and Participants will be notified of the change.

All funds credited to the Plan Agent under the Plan on account of the reinvestment of Dividends will be applied to the purchase of new Shares directly from Perpetual on behalf of Participants. In no event will interest be paid to Participants on any funds held for reinvestment under the Plan.

In carrying out its obligations under the Plan on behalf of Participants, the Plan Agent shall only be required to act in accordance with the instructions duly received within the appropriate time periods.

Proration in Certain Events

Perpetual reserves the right to determine, promptly following each Dividend record date, the amount of new equity, if any, to be made available under the Plan on the Dividend payment date to which such record date relates. No assurances can be made that new Shares will be made available under the Plan on a regular basis, or at all.

If, in respect of any Dividend payment date, fulfilling the elections of all Participants under the Plan would result in the issuance of more than the maximum amount of new equity determined to be available under the Plan, then elections for the purchase of new Shares on that Dividend payment date will be accepted (i) first, from Participants electing to reinvest Dividends under the Dividend Reinvestment Component, and (ii) second, to the extent that new equity remains available under the Plan, from Participants electing to receive the Premium Dividend™ under the Premium Dividend™ Component. If Perpetual is not able to accept all elections for a particular component of the Plan, then purchases of new Shares under that component on the applicable Dividend payment date will be prorated among all Participants in that component according to the number of Shares enrolled therein.

If trading of Shares on the TSX, or the trading thereof by the Plan Broker, is for any reason prohibited for an entire day, or if the Premium Dividend™ Component is terminated or suspended for any reason, in any such case during a Pricing Period, then purchases of new Shares under that component on the applicable Dividend payment date will be prorated among all Participants in that component according to the number of Shares enrolled therein.

If on any Dividend payment date Perpetual determines not to issue any equity through the Plan, or the availability of new Shares is prorated in accordance with the terms of the Plan, or for any other reason a Dividend cannot be reinvested under the Plan, in whole or in part, then Participants will be entitled to receive from Perpetual the full amount of the regular Dividend on each Share for which the Dividend is payable but cannot be reinvested under the Plan in accordance with the applicable election.

Price of New Shares

The subscription price of new Shares purchased on a Dividend payment date under the Dividend Reinvestment Component will be 95% of the Average Market Price for that Dividend payment date. Full reinvestment is possible as fractions of Shares (to six decimal places) may be credited to Participants' accounts maintained under the Plan.

The subscription price of new Shares purchased on a Dividend payment date under the Premium Dividend™ Component will be 95% of the Average Market Price for that Dividend payment date.

Costs

No commissions, service charges or brokerage fees are payable by Participants in connection with the purchase of new Shares from treasury under either the Dividend Reinvestment Component or the Premium Dividend™ Component. All administrative costs of the Plan, including the fees and expenses of the Plan Agent, will be paid by Perpetual.

Eligible Shareholders whose Shares are not registered in their own name but wish to participate in the Plan should consult the broker, investment dealer, financial institution or other nominee who holds their Shares to confirm whether the nominee charges any fees to enroll in the Plan on their behalf.

Reports to Participants

The Plan Agent will maintain an account for each Participant respect to purchases of Shares made under the Plan for that Participant's account and will issue an unaudited statement regarding purchases made under the Dividend Reinvestment Component on a monthly basis. These statements are a Participant's continuing record of purchases of Shares made for such Participant's account under the Plan and should be retained for income tax purposes. No statements will be provided to Participants in respect of purchases made under the Premium Dividend™ Component.

Eligible Shareholders who participate in the Plan indirectly through their broker, investment dealer, financial institution or other nominee should consult such nominee to confirm what statements or reports, if any, will be provided by the nominee, whether for tax reporting purposes or otherwise.

Whether or not it receives detailed statements or reports concerning transactions made on its behalf under the Plan, each Shareholder is responsible for calculating and monitoring its own adjusted cost base in Shares for Canadian federal income tax purposes, as certain averaging and other rules may apply and such calculations may depend on the cost of other Shares held by the Shareholder and other factors.

Certificates for Shares

Shares purchased under the Dividend Reinvestment Component and held under the Plan by the Plan Agent for the account of Participants other than a Depository will be registered in the name of the Plan Agent or its nominee or in accounts designated by it for the account of Participants other than such Depository. Certificates for such Shares will only be issued to the Participant if the Plan or the Participant's participation therein is terminated or if the Participant withdraws Shares from its account.

A Participant may, without terminating participation in the Plan, withdraw from its account under the Plan, and have a Share certificate issued and registered in the Participant's name for, any number of whole Shares held for its account under the Plan by delivering to the Plan Agent a duly completed withdrawal portion of the voucher located on the reverse of the statement of account issued by the Plan Agent. A withdrawal request form may also be obtained from the Plan Agent at the address below. The withdrawal of Shares and certificate issuance will be completed within the Plan Agent's ordinary service standards. Any remaining Shares (including any residual fraction of a Share) will continue to be held by the Plan Agent for the Participant's account under the Plan.

Shares held under the Plan by the Plan Agent for the account of a Participant may not be sold, pledged or otherwise disposed of by the Participant while so held.

For Eligible Shareholders enrolled in the Dividend Reinvestment Component indirectly through a Depository, any new Shares issued will not be held under the Plan but instead credited through such Depository's system to the accounts of appropriate Depository Participants on behalf of such Eligible Shareholders.

Termination of Participation

An Eligible Shareholder who is enrolled in the Plan directly as a Participant and wishes to terminate their participation in the Plan may do so voluntarily by delivering to the Plan Agent a duly completed termination portion of the voucher located on the reverse of the statement of account issued by the Plan Agent. A termination request form may also be obtained from the Plan Agent at the address below. In

addition, participation will be terminated automatically following receipt by the Plan Agent of written notice of an individual Participant's death.

If a duly completed termination request (or notice of an individual Participant's death) is not received by the Plan Agent before 5:00 p.m. (Toronto time) on the third (3rd) Business Day preceding a Dividend record date, then the Participant's account will not be closed, and participation in the Plan by such Participant will not be terminated, until after the Dividend payment date to which that record date relates.

An Eligible Shareholder who is enrolled in the Plan indirectly through a Depository or otherwise through its broker, investment dealer, financial institution or other nominee and wishes to terminate its participation in the Plan must contact the nominee who holds its Shares and provide appropriate instructions to do so. The nominee should be consulted to confirm what information or documentation may be required to give effect to the termination instructions, and to inquire about any applicable deadlines that the nominee may impose or be subject to under the policies of that nominee or a Depository's system.

In the event of termination of participation, a Participant (other than a Depository) or a deceased Participant's estate or legal representative, as applicable, will be issued a certificate for the number of whole Shares held under the Plan by the Plan Agent in the Participant's account and payment for any residual fraction of a Share so held based on the last price per Share at which Dividends were reinvested under the Plan.

Change of Election

An Eligible Shareholder who is enrolled in the Plan directly as a Participant and wishes to change its election as between the Dividend Reinvestment Component and the Premium Dividend™ Component may do so by delivering to the Plan Agent a new, duly completed Enrollment Form reflecting the new election.

If a new Enrollment Form is not received by the Plan Agent before 5:00 p.m. (Toronto time) on the third (3rd) Business Day preceding a Dividend record date, then the previous election will apply to the Dividend to which that record date relates and the new election will only become effective for purposes of subsequent Dividends.

An Eligible Shareholder who is enrolled in the Plan indirectly through a Depository or otherwise through its broker, investment dealer, financial institution or other nominee and wishes to change its election as between the Dividend Reinvestment Component and the Premium Dividend™ Component must contact such nominee who holds its Shares and provide appropriate instructions to do so. The nominee should be consulted to confirm what information or documentation may be required to give effect to the change of election instructions, and to inquire about any applicable deadlines that the nominee may impose or be subject to under the policies of that nominee or a Depository's system.

Subdivisions

If Shares are distributed pursuant to a subdivision of Shares, the additional Shares received by the Plan Agent in respect of Shares held under the Plan by the Plan Agent for the account of Participants will be credited proportionately to the accounts of such Participants.

Shareholder Voting

Whole Shares held under the Plan by the Plan Agent for a Participant's account on the record date for a vote of Shareholders will be voted in accordance with the instructions of the Participant given on a form to be furnished to the Participant for this purpose. Shares for which instructions are not received will not

be voted. No voting rights will attach to any fraction of a Share held for a Participant's account under the Plan.

Deemed Representations, Directions and Authorizations

Dividend Reinvestment Component

By enrolling in the Dividend Reinvestment Component, whether directly as a Participant or indirectly through a Depository or otherwise through a broker, investment dealer, financial institution or other nominee, a Shareholder shall be deemed to have: (i) represented and warranted to Perpetual and the Plan Agent that it is an Eligible Shareholder with respect to participation in the Dividend Reinvestment Component; (ii) appointed the Plan Agent to receive from Perpetual, and directed Perpetual to credit the Plan Agent with, all Dividends payable in respect of all Shares registered in the name of the Shareholder or held under the Plan for its account or, in the case of a Shareholder enrolled indirectly through a Depository or otherwise through a broker, investment dealer, financial institution or other nominee, that are enrolled (through a Depository or otherwise) on its behalf in the Dividend Reinvestment Component; and (iii) authorized and directed the Plan Agent to reinvest such Dividends in new Shares, all in accordance with the provisions of the Dividend Reinvestment Component as set forth herein (which provisions include, without limitation, the purchase of new Shares at a 5% discount to the Average Market Price and the holding of such new Shares under the Plan or the crediting of such new Shares to a Depository) and otherwise upon and subject to the terms and conditions described herein.

Premium Dividend™ Component

By enrolling in the Premium Dividend™ Component, whether directly as a Participant or indirectly through CDS or otherwise through a broker, investment dealer, financial institution or other nominee, a Shareholder shall be deemed to have: (i) represented and warranted to Perpetual, the Plan Agent and the Plan Broker that it is an Eligible Shareholder with respect to participation in the Premium Dividend™ Component; (ii) appointed the Plan Agent to receive from Perpetual, and directed Perpetual to credit the Plan Agent with, all Dividends payable in respect of all Shares registered in the name of the Shareholder or held under the Plan for its account or, in the case of a Shareholder enrolled indirectly through CDS or otherwise through a broker, investment dealer, financial institution or other nominee, that are enrolled (through CDS or otherwise) on its behalf in the Premium Dividend™ Component; and (iii) authorized and directed the Plan Agent to reinvest such Dividends in new Shares, all in accordance with the provisions of the Premium Dividend™ Component as set forth herein (which provisions include, without limitation, the purchase of new Shares at the 5% discount to the Average Market Price, the pre-sale of Shares through the Plan Broker and the delivery of new Shares to the Plan Broker in exchange for payment of the Premium Dividend™) and otherwise upon and subject to the terms and conditions described herein.

Responsibilities of Perpetual and the Plan Agent

None of Perpetual, the Plan Agent or the Plan Broker will be liable to any Shareholder, a Depository, any Depository Participant or any other nominee acting on behalf of a Shareholder in respect of the Plan for any act or for any omission to act in connection with the operation of the Plan including, without limitation, any claims or liability with respect to or arising out of:

- (a) any failure by a Depository, a Depository Participant or any other nominee to enroll or not enroll in the Plan any Shareholder (or, as applicable, any Shares held on the Shareholder's behalf) in accordance with the Shareholder's instructions or to not otherwise act upon a Shareholder's instructions;

- (b) the continued enrollment in the Plan of any Shareholder (or, as applicable, any Shares held on the Shareholder's behalf) until receipt of all necessary documentation as provided herein required to terminate participation in the Plan
- (c) the prices and times at which Shares are purchased under the Plan for the account of, or on behalf of, any Shareholder;
- (d) any decision by Perpetual to issue or not issue new equity through the Plan on any given Dividend payment date, or the amount of equity issued (if any);
- (e) any decision to amend or terminate the Plan in accordance with the terms hereof;
- (f) any default by the Plan Broker in delivering the Premium Dividend™ to the Plan Agent on any Dividend payment date;
- (g) a prorating, for any reason, of the amount of equity available under the Plan in the circumstances described herein or otherwise;
- (h) any determination made by Perpetual or the Plan Agent regarding a Shareholder's eligibility to participate in the Plan or any component thereof, including the cancellation of a Shareholder's participation for failure to satisfy eligibility requirements; or
- (i) any income taxes or other liabilities payable by a Shareholder in connection with their participation in the Plan.

None of Perpetual, the Plan Agent or the Plan Broker can assure a Participant (or any beneficial owner of Shares for which the Participant may be acting) a profit or protect a Participant (or such beneficial owner, as applicable) against loss on Shares purchased under the Plan.

The Plan Agent retains the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Plan Agent, in its sole judgment, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist law, regulation or policy or any other law, regulation or policy to which the Plan Agent is now or hereafter becomes subject.

Canadian Federal Income Tax Considerations

The following is a summary of principal Canadian federal income tax considerations generally applicable to Shareholders who participate in the Plan. This summary is of a general nature only, is not exhaustive of all possible tax considerations and is not intended to be legal or tax advice to any particular Shareholder.

This summary is provided by and on behalf of Perpetual and not the Plan Agent or the Plan Broker. The summary is for general information only and is not intended to be legal or tax advice to any particular Shareholder. Shareholders are urged to consult their own tax advisors as to their particular circumstances and tax position.

This summary is based on the provisions of the *Income Tax Act* (Canada) (the "**Tax Act**") and the regulations thereunder (the "**Regulations**"), all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada), and the administrative and assessing practices of the Canada Revenue Agency (the "**CRA**"), all as of June 30, 2010. This summary does not otherwise take into account or anticipate any changes in law or the administrative or assessing practices of the CRA, nor does it take into account any provincial or territorial

laws of Canada or the tax laws of any other country, including, without limitation, any changes which may occur after June 30, 2010.

This summary assumes that all Shares held by a Participant, including Shares purchased pursuant to the Dividend Reinvestment Component or Premium Dividend™ Component, are held by the Participant as capital property for the purposes of the Tax Act. The Shares will generally constitute capital property to a Participant provided the Participant does not hold or use such Shares in the course of carrying on business in which the Participant buys or sell securities, and the Participant did not acquire such Shares in one or more transactions considered to be an adventure in the nature of trade. Certain Participant who might not otherwise be considered to hold their Shares as capital property may, in certain circumstances, be entitled to have their Shares and any other "Canadian security" (as defined in the Tax Act), treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. A Participant contemplating making such an election should first consult its own tax advisors.

This summary is not applicable to: (i) a Participant that is a "financial institution" (as defined in the Tax Act) for the purposes of the "mark-to-market" rules; (ii) a Participant an interest in which would be a "tax shelter investment" (as defined in the Tax Act); (iii) a Participant that is a "specified financial institution" or a "restricted financial institution" (each as defined in the Tax Act); or (iv) a Participant that has made a "functional currency" election under the Tax Act to determine its Canadian tax results in a currency other than Canadian currency.

Canadian Participants

This portion of the summary is applicable to Participants who, at all relevant times and for the purposes of the Tax Act, are or are deemed to be residents of Canada (each, a "**Canadian Participant**").

The reinvestment of Dividends, or the receipt of Premium Dividends™, under the terms of the Plan does not relieve a Canadian Participant from any liability for income taxes that may otherwise be payable on such amounts. In this regard, a Canadian Participant who participates in the Dividend Reinvestment Component or Premium Dividend™ Component will be treated, for tax purposes, as having received, on each Dividend payment date, a taxable dividend equal to the amount of the Dividend payable on such date, which Dividend will be subject to the same tax treatment accorded to taxable dividends received by the Canadian Participant from a taxable Canadian corporation. For example, if the Canadian Participant is an individual, Dividends will be subject to the gross-up and dividend tax credit rules contained in the Tax Act. If the Canadian Participant is a "private corporation" or a "subject corporation" (both as defined in the Tax Act), a refundable tax will apply to the amount of the Dividend. The fact that the Dividends are reinvested pursuant to the Dividend Reinvestment Component or Premium Dividend™ Component will not affect the status of any Dividend as an "eligible dividend" for the purposes of the Tax Act.

A Canadian Participant's reinvestment of Dividends pursuant to the Dividend Reinvestment Component or Premium Dividend™ Component, in such number of newly-issued Shares as is equal to the aggregate amount of the Dividend payable on each Dividend payment date divided by 95% of the corresponding Average Market Price, should not result in the Canadian Participant realizing a taxable benefit under the Tax Act.

Where Shares purchased pursuant to the Dividend Reinvestment Component or Premium Dividend™ Component are held as capital property to a Canadian Participant for the purposes of the Tax Act, the Canadian Participant will generally realize a capital gain (or loss) on the sale of the Shares, whether sold pursuant to the Premium Dividend™ Component or otherwise outside the Plan, equal to the amount by which the proceeds of disposition is greater (or less) than the Canadian Participant's adjusted cost base of such Shares plus any reasonable costs incurred by the Canadian Participant in connection with the sale.

For the purposes of determining the amount of any capital gain (or loss) which may result from the disposition of Shares, the adjusted cost base of the Shares owned by a Canadian Participant at a particular time will be the average cost of all Shares owned by the Canadian Participant at that time, whether purchased through the Dividend Reinvestment Component or the Premium Dividend™ Component or otherwise purchased outside the Plan. Generally, a Canadian Participant's cost of a Share purchased pursuant to the Dividend Reinvestment Component or Premium Dividend™ Component will be equal to 95% of the Average Market Price of the Share for that Dividend payment date.

Generally, one-half of any capital gain realized by a Canadian Participant on a disposition of Shares purchased pursuant to the Dividend Reinvestment Component or Premium Dividend™ Component must be included in the Canadian Participant's income for the year as a taxable capital gain. Subject to certain specific rules in the Tax Act, one-half of any capital loss realized by a Canadian Participant on a disposition of Shares in a taxation year will be an allowable capital loss which must be deducted from any taxable capital gains realized by the Canadian Participant in the year of disposition. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years to the extent and under the circumstances discussed in the Tax Act.

A Canadian Participant that is throughout the relevant taxation year a "Canadian controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 2/3% on its "aggregate investment income" (as defined in the Tax Act) for the year which will include an amount in respect of taxable capital gains. If the Canadian Participant is a corporation, the amount of any capital loss arising from a disposition or deemed disposition of such Shares may be reduced by the amount of dividends received or deemed to have been received by it on such shares to the extent and under circumstances prescribed by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Shares. **Canadian Participants to whom these rules may be relevant should consult their own tax advisors.**

When a Canadian Participant's participation in the Plan is terminated by the Canadian Participant or Perpetual or when the Plan is terminated by Perpetual, the Canadian Participant will receive a cash payment based on the last price per Share at which Dividends were reinvested under the Plan. A deemed dividend may arise if the cash payment for a fractional Share exceeds the paid-up capital in respect of such fractional Share and a capital gain (or loss) may also be realized in certain circumstances. A deemed dividend is treated in the manner described above in respect of dividends.

For the purpose of calculating the alternative minimum tax of a Canadian Participant who is an individual, the actual amount of dividends received (exclusive of the gross-up) and 80% of capital gains should generally be included in the "adjusted taxable income" (as defined in the Tax Act) of that Canadian Participant.

Where a Canadian Participant has not made the irrevocable election permitted under subsection 39(4) of the Tax Act to treat their Shares and any other "Canadian security" (as defined in the Tax Act) as capital property, the CRA may take the position that any Shares purchased and sold by the Canadian Participant pursuant to the Premium Dividend™ Component are not capital property to the Canadian Participant, such that the tax consequences of the Canadian Participant's sale of Shares pursuant to the Premium Dividend™ Component may differ from the consequences described above.

Non-Resident Participants

This portion of the summary is applicable to Participants who, at all relevant times and for the purposes of the Tax Act, are not and are not deemed to be residents of Canada (each, a "**Non-Resident Participant**").

Any Dividends paid or credited to the Plan Agent on a Dividend payment date in respect a Non-Resident Participant's Shares will be subject to a non-resident withholding tax for Canadian income tax purposes. Under the Tax Act, the rate of non-resident withholding tax on dividends is 25%. However, this rate may be subject to reduction under the provisions of any income tax treaty between Canada and the country in which the Non-Resident Participant is resident. For example, under the provisions of the *Canada – United States Income Tax Convention, 1980* (the "**Treaty**"), where a Non-Resident Participant is a resident of the United States, is fully entitled to the benefits of the Treaty, and does not maintain a "permanent establishment" or "fixed base" (each within the meaning of the Treaty) in Canada to which the Non-Resident Participant's Shares are attributable, the rate of Canadian withholding tax will generally not exceed 15% of the Dividend.

Any Dividends paid or credited to the Plan Agent on a Dividend payment date in respect of a Non-Resident Participant's Shares will be reduced by an amount equal to the Non-Resident Participant's Canadian withholding tax obligation prior to reinvestment pursuant to the Dividend Reinvestment Component.

A Non-Resident Participant will not be subject to Canadian income tax under the Tax Act on any capital gains realized on the disposition of Shares acquired pursuant to the Dividend Reinvestment Component unless such Shares constitute "taxable Canadian property" (as defined by the Tax Act) to the Non-Resident Participant. So long as the Shares are listed on a "designated stock exchange" (as defined in the Tax Act and which currently includes the Toronto Stock Exchange) at the time of sale, Shares acquired by a Non-Resident Participant pursuant to the Dividend Reinvestment Component will not be taxable Canadian property to the Non-Resident Participant unless:

- (a) at any time during the 60-month period immediately preceding the disposition, the Non-Resident Participant and/or persons with whom the Non-Resident Participant did not deal at arm's length, held 25% or more of the issued shares of any class of Perpetual's capital stock; or
- (b) the Shares are used by the Non-Resident Participant in carrying on business in Canada.

Where Shares represent taxable Canadian property to a Non-Resident Participant, any capital gains realized on the sale or deemed disposition of the Shares will be subject to taxation in Canada, except as otherwise provided in any tax treaty between Canada and the country in which the Non-Resident Participant is resident.

Amendment or Termination of the Plan

Perpetual reserves the right to amend or terminate the Plan at any time, provided that no such action shall have retroactive effect prejudicial to Participants. Perpetual will publicly announce any material amendments to or termination of the Plan. Generally, no notice will be given to Participants regarding any amendments to the Plan intended to cure, correct or rectify any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions. Amendments to the Plan will be subject to the prior approval of the TSX.

In the event of termination of the Plan, Participants will be issued a certificate for the number of whole Shares held under the Plan by the Plan Agent in the Participant's account and payment for any remaining fraction of a Share so held based on the last price per Share at which Dividends were reinvested under the Plan.

Withholding Taxes

This Plan is subject to any withholding obligations that Perpetual may have with respect to taxes or other charges under applicable laws, and any amounts to be reinvested hereunder shall be net of any amounts required to be so withheld.

Interpretation

Any issues of interpretation arising in connection with the Plan or its application shall be conclusively determined by Perpetual.

Governing Law

The Plan shall be governed by, and administered and construed in accordance with, the laws of the Province of Alberta and the federal laws of Canada applicable therein.

Notices and Inquiries

Any notices, documents (including Share certificates) or payments required under the Plan to be given or delivered to Participants by Perpetual or the Plan Agent shall be validly given or delivered if mailed to Participants at their respective addresses as recorded in the register of Shareholders maintained by or on behalf of Perpetual or, in the case of a Depository, if given in accordance with custom and practice relating to such Depository's system.

Inquiries to the Plan Agent may be directed to:

Computershare Trust Company of Canada
Attention: Dividend Reinvestment Department
100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1

Toll-Free Tel: 1-800-564-6253

Inquiries to Perpetual may be directed to:

Perpetual Energy Inc.
Suite 3200, 605 - 5th Avenue SW
Calgary, Alberta T2P 3H5

Attention: Sue Showers
Tel: (403) 269-4400
Fax: (403) 269-4444

Effective Date

The effective date of the Plan is June 30, 2010.