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, 2015 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 condensed interim consolidated financial statements and accompanying notes for the three and six months ended June 30, 2015 as well as the audited consolidated financial statements and accompanying notes for the years ended December 31, 2014 and 2013. The MD&A should be read in conjunction with the Corporation's MD&A for the year ended December 31, 2014 as disclosure which is unchanged from the December 31, 2014 MD&A has not been duplicated herein. The Corporation's 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 International Financial Reporting Standards ("IFRS"). Readers are referred to the advisories for additional information regarding forecasts, assumptions and other forward-looking information contained in the "Forward Looking Information and Statements" section of this MD&A. The date of this MD&A is August 10, 2015.

NATURE OF BUSINESS: Perpetual is an oil and natural gas based energy company headquartered in Calgary, Alberta. Over the past five years, Perpetual has transitioned its business from a shallow gas focused cash flow distributing energy trust to a diversified, growth-oriented, exploration, production and marketing company. Perpetual has a spectrum of opportunities in its resource-style portfolio of assets to support its growth strategy, including liquids-rich natural gas ("liquids-rich") assets in the deep basin of west central Alberta, heavy oil in eastern Alberta, oil sands leases in northern Alberta and an interest in a natural gas storage business, all of which complement the Corporation's legacy shallow gas production and resource base. Additional information on Perpetual, including the most recent filed Annual Information Form ("AIF"), can be accessed at www.sedar.com or from the Corporation's website at www.perpetualenergyinc.com.

ADVISORIES

NON-GAAP MEASURES: This document contains the following non-GAAP financial measures which do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-GAAP measures presented in this document should not be viewed as alternatives to measures of financial performance calculated in accordance with GAAP.

Operating netback: Perpetual considers operating netback an important performance measure as it demonstrates its profitability relative to current commodity prices. Operating netbacks are calculated by deducting royalties, operating costs, and transportation from total revenue. Operating netbacks are also calculated on a per boe basis using average boe production for the period. Operating netbacks on a per boe basis can vary significantly for each of the Company's operating areas.

Funds flow: Management uses cash flow from operating activities before changes in non-cash working capital, changes in long term Crown receivable, settlement of decommissioning obligations and certain exploration and evaluation ("E&E") costs, but after payments on the gas over bitumen ("GOB") related financial obligation, as described below ("funds flow"), funds flow per share and annualized funds flow to analyze operating performance and leverage. Funds flow is reconciled to its closest GAAP measure, cash flow from operating activities, as follows:

Funds flow GAAP reconciliation

	Three months ended June 30,		Six months ended June 30,	
(*$ thousands, except per share amounts*)	**2015**	2014	**2015**	2014
Cash flow from operating activities	**1,269**	22,605	**3,229**	37,137
Exploration and evaluation costs(1)	**105**	218	**1,603**	231
Payments on financial obligation(2)	**(891)**	–	**(1,996)**	–
Expenditures on decommissioning obligations	**1,097**	628	**4,148**	3,029
Changes in long term Crown receivable	**2,095**	(8,225)	**2,095**	(10,997)
Changes in non-cash working capital	**(1,040)**	10,638	**(4,923)**	13,848
Funds Flow	**2,635**	25,864	**4,156**	43,248
Funds flow per share(3)	**0.02**	0.17	**0.03**	0.29

(1) The Corporation expenses exploratory dry hole costs, geological and geophysical costs, lease rentals on undeveloped properties and the cost of expired leases in the period incurred. To make reported funds flow in this MD&A more comparable to industry practice the Corporation reclassifies dry hole costs, geological and geophysical costs from operating to investing activities in the funds flow reconciliation.

(2) These payments are indexed to GOB revenue and recorded as a reduction to the Corporations financial obligation in accordance with IFRS. To present GOB revenue net of these payments, the Corporation has reclassified these payments from financing to operating activities in the calculation of funds flow.

(3) Based on weighted average shares outstanding for the period.

Realized revenue: Realized revenue includes oil and natural gas revenue, realized gains (losses) on financial contracts and call option premiums received, and is used by management to calculate the Corporation's net realized commodity prices taking into account monthly settlements on financial forward sales, collars and foreign exchange contracts. These contracts are put in place to protect Perpetual's funds flow from potential volatility in commodity prices, and as such any related realized gains or losses are considered part of the Corporation's realized price.

GOB revenue, net of payments: GOB revenue, net of payments includes GOB revenue less monthly payments on the GOB related financial obligation. This is used by management to calculate the Corporation's net realized GOB revenue to reflect the substantive monetization of the future GOB royalty credits.

Adjusted working capital deficiency (surplus): Adjusted working capital deficiency (surplus) includes total current assets and current liabilities and long term Crown receivables excluding short-term derivative assets and liabilities related to the Corporation's risk management activities, current portion of financial obligation, current portion of provisions, current portion of convertible debentures, assets held for sale, liabilities associated with assets held for sale and current bank indebtedness.

Net debt and net bank debt: Net bank debt is measured as current and long term bank indebtedness including adjusted working capital deficiency (surplus). Net debt includes the carrying value of net bank debt and the principle amount of senior notes and convertible debentures reduced for the mark-to-market value of TOU Shares held. Net bank debt and net debt are used by management to analyze leverage.

Total capitalization: Total capitalization is equal to net debt plus market value of issued equity and is used by management to analyze leverage. Total capitalization is not intended to represent the total funds from equity and debt received by the Corporation upon issuance.

VOLUME CONVERSIONS: Barrel of oil equivalent ("boe") may be misleading, particularly if used in isolation. In accordance with National Instrument 51-101 ("NI 51-101"), a conversion ratio for natural gas of 6 Mcf:1bbl 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 natural gas and crude oil, based on the current prices of natural gas and crude oil, differ significantly from the energy equivalency of 6 Mcf:1 bbl.

FORWARD-LOOKING INFORMATION AND STATEMENTS: Certain information and statements contained in this MD&A including management's assessment of future plans and operations and including the information contained under the heading "2015 Outlook" may constitute forward-looking information and statements within the meaning of applicable securities laws. This information and these statements relate to future events or to future performance. All statements other than statements of historical fact may be forward-looking information and statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", "outlook", "guidance", "objective", "plans", "intends", "targeting", "could", "potential", "strategy" and any similar expressions are intended to identify forward-looking information and statements.

In particular, but without limiting the foregoing, this MD&A contains forward-looking information and statements pertaining to the following: the quantity and recoverability of Perpetual's reserves; the timing and amount of future production; future prices as well as supply and demand for natural gas, natural gas liquids ("NGL") and oil; the existence, operations and strategy of the commodity price risk management program; the approximate amount of forward sales and financial contracts to be employed, and the value of financial forward natural gas, oil and other risk management contracts; the expected impact of cost-savings initiatives on operating and general and administrative expenses; funds flow sensitivities to commodity price, production, foreign exchange and interest rate changes; operating, general and administrative ("G&A"), and other expenses; the costs and timing of future abandonment and reclamation, asset retirement and environmental obligations; the use of exploration and development activity, prudent asset management, and acquisitions to sustain, replace or add to reserves and production or expand the Corporation's asset base; the Corporation's acquisition and disposition strategy and the existence of acquisition and disposition opportunities, the criteria to be considered in connection therewith and the benefits to be derived therefrom; Perpetual's ability to benefit from the combination of growth opportunities and the ability to grow through the capital expenditure program; expected compliance with credit facility covenants in 2015 and 2016; the retention of, and benefits to be received from holding the TOU Shares (as defined below); expected book value and related tax value of the Corporation's assets and prospect inventory and estimates of net asset value; funds flow; ability to fund exploration and development; the corporate strategy; expectations regarding Perpetual's access to capital to fund its acquisition, exploration and development activities; the effect of future accounting pronouncements and their impact on the Corporation's financial results; future income tax and its effect on funds flow; intentions with respect to preservation of tax pools and taxes payable by the Corporation; funding of and anticipated results from capital expenditure programs; renewal of and borrowing costs associated with the credit facility; future debt levels, financial capacity, liquidity and capital resources; future contractual commitments; drilling, completion, facilities, construction and waterflood plans, and the effect thereof; the impact of Canadian federal and provincial governmental regulation on the Corporation relative to other issuers; Crown royalty rates; Perpetual's treatment under governmental regulatory regimes; business strategies and plans of management including future changes in the structure of business operations and debt reduction initiatives; and the reliance on third parties in the industry to develop and expand Perpetual's assets and operations.

The forward-looking information and statements contained in this MD&A reflect several material factors and expectations and assumptions of the Corporation including, without limitation, that Perpetual will conduct its operations in a manner consistent with its expectations and, where applicable, consistent with past practice; the general continuance of current or, where applicable, assumed industry conditions; the continuance of existing, and in certain circumstances, the implementation of proposed tax, royalty and regulatory regimes; the ability of Perpetual to obtain equipment, services, and supplies in a timely manner to carry out its activities; the accuracy of the estimates of Perpetual's reserve and resource volumes; the timely receipt of required regulatory approvals; certain commodity price and other cost assumptions; the timing and costs of storage facility and pipeline construction and expansion and the ability to secure adequate product transportation; the continued availability of adequate debt and/or equity financing and funds flow to fund the Corporation's capital and operating requirements as needed; and the extent of Perpetual's liabilities.

The Corporation believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct. The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: volatility in market prices for oil and natural gas products; supply and demand regarding Perpetual's products; risks inherent in Perpetual's operations, such as production declines, unexpected results, geological, technical, or drilling and process problems; unanticipated operating events that can reduce production or cause production to be shut-in or delayed; changes in exploration or development plans by Perpetual or by third party operators of Perpetual's properties; reliance on industry partners; uncertainties or inaccuracies associated with estimating reserves volumes; competition for, among other things; capital, acquisitions of reserves, undeveloped lands, skilled personnel, equipment for drilling, completions, facilities and pipeline construction and maintenance; increased costs; incorrect assessments of the value of acquisitions; increased debt levels or debt service requirements; industry conditions including fluctuations in the price of natural gas and related commodities; royalties payable in respect of Perpetual's production; governmental regulation of the oil and gas industry, including environmental regulation; fluctuation in foreign exchange or interest rates; the need to obtain required approvals from regulatory authorities; changes in laws applicable to the Corporation, royalty rates, or other regulatory matters; general economic conditions in Canada, the United States and globally; stock market volatility and market valuations; limited, unfavorable, or a lack of access to capital markets, and certain other risks detailed from time to time in Perpetual's public disclosure documents. The foregoing list of risk factors should not be considered exhaustive.

The forward-looking information and statements contained in this MD&A speak only as of the date of this MD&A, and neither the Corporation nor any of its subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, unless expressly required to do so by applicable securities laws.

SECOND QUARTER 2015 RESULTS

Capital expenditures

	Three months ended June 30,		Six months ended June 30,	
(*$ thousands*)	**2015**	2014	**2015**	2014
Exploration and development	**13,069**	12,251	**59,955**	43,591
Geological and geophysical costs(1)	**105**	218	**1,603**	231
Dispositions, net of acquisitions	**(21,097)**	(2,909)	**(21,083)**	(2,758)
Other	**280**	108	**301**	183
Total	**(7,643)**	9,668	**40,776**	41,247

(1) Geological and geophysical expenditures and dry hole costs are expensed directly in the Corporation's statement of income (loss); they are considered by Perpetual to be more closely related to investing activities than operating activities, and therefore are included with capital expenditures for the purposes of this MD&A.

Exploration and development spending by area

	Three months ended June 30,		Six months ended June 30,	
(*$ thousands*)	**2015**	2014	**2015**	2014
West Central liquids-rich gas	**11,936**	6,955	**55,229**	26,011
Mannville heavy oil	**353**	2,850	**1,098**	13,757
Panny bitumen	**571**	–	**2,431**	–
Shallow gas	**209**	2,446	**1,197**	3,823
Total	**13,069**	12,251	**59,955**	43,591

Perpetual's exploration and development spending for the second quarter of 2015 totaled $13.1 million, with the majority ($11.9 million) of spending allocated to West Central Alberta. Perpetual completed construction on the new East Edson 30 MMcf/d gas plant with second quarter spending of $5.7 million. Total project costs for the plant at the end of the second quarter were $31.3 million, including $0.8 million for the construction of a ten inch sales pipeline to a newly constructed metering station and $1.9 million of construction costs to supply power to the facility. Second quarter West Central spending also included $4.3 million to construct the expanded gathering system at East Edson, consisting of a main gathering line along with well site equipping of two wells drilled in the first quarter of 2015 to enable flow to the new facility.

On July 15, 2015, ahead of the September 1 initial timeline, the gas plant was brought online flowing volumes of 31 MMcf/d over the first three weeks of production. The new plant has demonstrated an ability to exceed the design capacity of 30 MMcf/d with high flowing pressures related to the start-up of new wells but is restricted to firm transportation commitment levels of 30 MMcf/d as of the date of this MD&A.

During the second quarter, management also approved capital spending to expand the new East Edson gas plant capacity from 30 MMcf/d to 45 MMcf/d through the addition of another compressor. Perpetual incurred $1.9 million of costs during the second quarter on the plant expansion and expects to incur an additional $1.2 million to complete the expansion by the end of the third quarter. With most of the East Edson wells producing well above their respective proved plus probable independent reserve evaluation type curves, processing facilities during the first half of 2015 were operating at maximum capacity. Wells drilled in 2014 and during the first quarter of 2015 that are currently not on production or restricted due to processing facility constraints are being completed during the third quarter of 2015 and will be tied-in concurrent with the completion of the expanded East Edson 45 MMcf/d gas plant which is expected to be operating at full capacity by the end of September.

At Mannville, the Corporation spent $0.4 million on waterflood activities on two heavy oil pools, which included one injector conversion as well as surface equipment and preliminary pipeline work for future injection conversions. The Corporation currently has six injectors online in the Sparky Upper Mannville I2I pool injecting at a voidage replacement ratio greater than 1.2. The Upper Mannville B Lloyd pool currently has five wells on injection with additional conversions planned through 2015 and 2016.

The Corporation also continued its strategic development at Panny during the second quarter, with spending of $0.6 million on a gas fuel supply line along with equipment procurement, preliminary engineering and site preparation for a bitumen battery related to the LEAD pilot project. The project is on track for first heat in the ground by the end of the third quarter of 2015.

Property disposition and asset swap

On April 1, 2015, Perpetual closed an arrangement with Tourmaline Oil Corp. ("Tourmaline") to swap its joint interest share in its West Edson assets in West Central Alberta in exchange for 6.75 million Tourmaline common shares ("TOU Shares"). Non-monetary gross proceeds of $258.7 million were calculated based on the market value of the TOU Shares determined using the April 1, 2015 closing price on the Toronto Stock Exchange ("TSX"). The transaction included all joint interest lands Perpetual holds with Tourmaline in West Edson, together with the associated wells and infrastructure (the "West Edson Property"). Based on the Company's third party engineering report prepared as at December 31, 2014, the transaction included 7.2 MMboe of recognized proved and probable developed reserves. Also included in the transaction were 9,600 net acres of undeveloped lands without assigned reserves at year-end 2014. The production from the West Edson Properties at the time of the swap was approximately 5,750 boe/d.

On April 10, 2015, Perpetual closed the sale of certain fee simple lands in east central Alberta, along with a working interest in related seismic data, for gross proceeds of $21.0 million, before purchase adjustments. Included in the disposition was 206,712 net acres of fee simple lands, a 75 percent ownership in certain proprietary 2D and 3D seismic and approximately 165 Mboe of reserves (82 percent natural gas) associated with royalty interests. Proceeds from the disposition were applied to reduce outstanding bank indebtedness.

Expenditures on decommissioning obligations

Perpetual spent $1.1 million during the second quarter of 2015 on abandonment and reclamation projects mainly in eastern Alberta as part of the Company's shallow gas operating cost reduction program.

Production

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Natural gas (*MMcf/d*)				
Eastern – North	**32.7**	37.8	**32.5**	36.4
Eastern – South	**22.7**	22.9	**23.6**	22.8
West Central	**30.6**	37.1	**47.0**	35.8
Total natural gas	**86.0**	97.8	**103.1**	95.0
Crude oil (*bbl/d*)				
Eastern – North	**5**	12	**11**	9
Eastern – South(1)	**1,731**	3,121	**1,857**	2,992
West Central	**30**	52	**36**	49
Total crude oil	**1,766**	3,185	**1,904**	3,050
Total NGL (*bbl/d*) (2)	**522**	553	**617**	546
Total production (*boe/d*)	**16,621**	20,053	**19,703**	19,428

(1) Primarily Mannville heavy oil.
(2) Primarily West Central liquids-rich gas.

Total oil, NGL and natural gas production for the three months ended June 30, 2015 of 16,621 boe/d was down 27 percent from the first quarter of 2015 (22,819 boe/d) and 17 percent from the second quarter of 2014 (20,053 boe/d), primarily reflecting the impact of the West Edson swap completed on April 1, 2015.

Perpetual's natural gas production of 86.0 MMcf/d decreased 12 percent from the comparable quarter in 2014 and 29 percent from the first quarter of 2015 (120.4 MMcf/d) reflecting the exchange of the West Edson property for TOU Shares effective April 1, 2015, which, along with natural declines, more than offset production increases related to 2014 development spending at East Edson. Wells drilled in East Edson during 2014 have increased production to fully utilize existing compression and processing facilities which partially offset production declines from the Corporation's shallow gas assets.

NGL production of 522 bbl/d in the second quarter of 2015 decreased 27 percent from the previous quarter (713 bbl/d) and six percent compared to the prior year, largely as a result of the West Edson swap. NGL production in 2015 also reflects processing changes whereby more liquids were sold as part of the natural gas stream at East Edson as gas production was largely processed through the Company's jointly owned shallow cut plant at Rosevear rather than a third party deep cut plant. NGL production volumes associated with second quarter 2015 property swaps and processing changes were offset by a 33 percent increase in East Edson production relative to the comparable period in 2014. Perpetual anticipates liquids production at the new East Edson gas plant, which commenced production in mid-July 2015, to yield 15 to 20 bbl per MMcf with approximately equal parts NGLs and C5+.

Oil production of 1,766 bbl/d declined 45 percent from 3,185 bbl/d in 2014 mainly due to the disposition of non-core Mannville heavy oil assets during the fourth quarter of 2014 combined with natural declines and deferred crude oil drilling activities in light of depressed crude oil prices.

Commodity prices

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Reference prices				
AECO Monthly Index (*$/GJ*)	**2.53**	4.43	**2.66**	4.47
AECO Daily Index (*$/GJ*)	**2.52**	4.44	**2.56**	4.93
Alberta Gas Reference Price (*$/GJ*)(1)	**2.36**	4.20	**2.49**	4.38
West Texas Intermediate ("WTI") light oil (*$USD/bbl*)	**57.94**	102.99	**53.28**	100.84
Western Canadian Select ("WCS") differential (*$USD/bbl*)	**(11.59)**	(20.04)	**(13.16)**	(21.30)
Average Perpetual prices				
Natural gas				
Before derivatives (*$/Mcf*)(2)(3)	**2.80**	4.95	**2.92**	4.93
Percent of AECO Monthly Index	**101**	102	**100**	100
Including derivatives (*$/Mcf*)	**3.10**	4.64	**3.13**	4.50
Percent of AECO Monthly Index	**111**	95	**107**	92
Oil				
Before derivatives (*$/bbl*)	**52.35**	83.20	**44.35**	80.46
Including derivatives (*$/bbl*)	**65.22**	73.72	**52.07**	72.41
NGL (*$/bbl*)	**38.64**	82.36	**37.21**	80.87
Barrel of oil equivalent				
Average realized price (*$/boe*)	**24.20**	36.64	**22.55**	35.62

(1) Alberta Gas Reference Price is the price used to calculate Alberta Crown royalties.
(2) Natural gas price before derivatives includes physical forward sales contracts for which delivery was made during the reporting period but excludes realized gains and losses on financial derivatives.
(3) The average conversion ratio for Perpetual's second quarter 2015 natural gas production is 1.10 GJ:1 Mcf (2014 – 1.10 GJ:1Mcf).

AECO Monthly Index prices of $2.53/GJ for the second quarter ended June 30, 2015 decreased 43 percent from $4.43/GJ for the same period in 2014. A warm start to winter 2014/2015 following lower than average summer temperatures in 2014 and continued increases in North American production drove natural gas into an oversupply situation, resulting in low gas prices during the first half of 2015. In contrast, extreme cold weather during the first quarter of 2014 caused strong heating demand, contributing to natural gas price appreciation resulting in an average first half 2014 AECO Monthly Index price of $4.47/GJ. Decreased AECO Monthly Index prices were reflected in Perpetual's second quarter natural gas price before derivatives of $2.80/Mcf, down 43 percent from $4.95/Mcf in 2014.

Perpetual's average realized gas price, including derivatives, decreased 33 percent to $3.10/Mcf for the three month period ended June 30, 2015 from $4.64/Mcf in 2014. The Corporation's realized second quarter 2015 natural gas price was increased by realized gains of $2.4 million on natural gas derivatives compared to realized losses of $2.7 million during the same period in 2014.

Perpetual's oil price, before derivatives, of $52.35/bbl in the second quarter of 2015 decreased 37 percent compared to 2014 due to global oil price declines which were partially offset by a narrowing of WTI to WCS differential price and a weaker Canadian dollar. Perpetual's realized oil price of $65.22/bbl, including derivatives, was higher than the price before derivatives due to net gains of $2.1 million recorded on financial WTI fixed price contracts and foreign exchange contracts.

Perpetual's realized NGL price decreased 53 percent, reflecting the drop in all NGL component prices as NGL supply growth has been bottlenecked by infrastructure in many regions of North America and inventory levels have exceeded the five year maximum levels. Perpetual's average NGL sales composition for the quarter consisted of 70 percent C5+ as compared to 71 percent C5+ in the comparative quarter of 2014.

Commodity price risk management

Perpetual's commodity price risk management strategy is focused on increasing certainty in funds flow by mitigating the effect of commodity price volatility. Physical forward sales and financial derivatives are used to manage the balance sheet, to lock in economics on capital programs and acquisitions, and to take advantage of perceived anomalies in commodity markets. Perpetual also utilizes foreign exchange swaps and physical or financial swaps 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 realized commodity prices.

Natural Gas

Perpetual has in place natural gas financial contracts on an estimated 61 percent of forecasted natural gas production for the remainder of 2015. The following tables provide a summary of derivative natural gas contracts in place as at June 30, 2015, as well as any additional contracts entered into prior to the date of this MD&A.

The following table provides a summary of physical natural gas sales arrangements at AECO. Settlements on these physical sales contracts are recognized in oil and natural gas revenue.

Term	Volumes sold (bought) at AECO (GJ/d)	Average price ($CAD/GJ)(1)	Market prices ($CAD/GJ)(2)	Type of contract
July 2015	(20,000)	2.43	2.45	Physical
July 2015	90,000	2.52	2.45	Physical
August 2015	97,500	2.50	2.71	Physical
September 2015	10,000	2.87	2.86	Physical

(1) Average price calculated using weighted average price for net open contracts.
(2) Market prices for July and August are based on settled AECO Monthly Index prices. Market prices for subsequent months are based on forward AECO prices as of market close on August 10, 2015.

The Corporation had entered into financial natural gas sales arrangements at AECO as follows:

Term	Volumes sold (bought) at AECO (GJ/d)	Average price ($CAD/GJ)(1)	Market prices ($CAD/GJ)(2)	Type of contract
July 2015	(80,000)	2.53	2.45	Financial
July 2015	82,500	2.54	2.45	Financial
August 2015	(82,500)	2.47	2.71	Financial
August 2015	82,500	2.54	2.71	Financial
September 2015 – October 2015	82,500	2.54	2.86	Financial
November 2015 – December 2015	47,500	2.77	2.95	Financial
January 2016 – December 2016	10,000	2.82	2.92	Financial

(3) Average price calculated using weighted average price for net open contracts.
(4) Market prices for July and August are based on settled AECO Monthly Index prices. Market prices for subsequent months are based on forward AECO prices as of market close on August 10, 2015.

The following table provides a summary of basis differential contracts between AECO and NYMEX trading:

Term	Volumes (MMBTU/d)	AECO-NYMEX differential ($USD/MMBTU)	Market prices ($USD/MMBTU)(1)	Type of contract
January 2016 - December 2016	25,000	(0.76)	(0.74)	Financial

(1) Market prices are based on forward AECO-NYMEX differential prices as of market close on August 10, 2015.

Crude Oil

The following table provides a summary of oil sales arrangements in $CAD in place as at August 10, 2015:

Term	Volumes (bbl/d)	Floor price ($CAD/bbl)	Ceiling price ($CAD/bbl)	Market prices ($CAD/bbl)(1)	Type of contract
July 2015 – December 2015	1,000	67.50	76.70	61.50	Collar

(1) Market prices are based on forward WTI oil prices at a forward foreign exchange rate of 1.30 $CAD/$USD as of market close on August 10, 2015.

The following table provides a summary of sold oil calls with monthly expiries over the contract term:

Term	Volumes at WTI (bbl/d)	Call price ($USD/bbl WTI)	Market prices ($USD/bbl WTI)(1)	Type of contract
January 2016 – December 2016(2)	750	90.00	51.43	Knock out call

(1) Market prices are based on forward WTI oil prices as of market close on August 10, 2015.
(2) If WTI index settles above $USD90.00/bbl in any month, the contract is settled at $USD80.00/bbl for that month.

The following table provides a summary of basis differential contracts between WTI and WCS trading:

Term	Volumes (bbl/d)	WTI-WCS differential ($USD/bbl)(1)	Market prices ($USD/bbl)(2)	Type of contract
July 2015	1,500	(16.23)	(7.44)	Financial
August 2015	1,500	(16.23)	(13.41)	Financial
September 2015 - December 2015	1,500	(16.23)	(15.68)	Financial

(1) Average price calculated using weighted average price for net open contracts; contracts settle at WTI index less a fixed basis amount.
(2) Market prices for July and August are based on settled WTI-WCS differential prices. Market prices for subsequent months are based on forward WTI-WCS differential prices as of market close on August 10, 2015.

Foreign Exchange

Term	Notional floor $USD/month	Notional ceiling $USD/month	Exchange rate floor ($CAD/$USD)	Exchange rate ceiling ($CAD/$USD)	Type of contract
July 2015 – December 2016	2,000,000	3,500,000	1.04	1.18	Financial

If the average monthly exchange rate is greater than the exchange rate ceiling, the Corporation pays $USD3,500,000 multiplied by the difference between the average monthly exchange rate and 1.127. If the monthly average exchange rate settles below the exchange rate floor, the Corporation receives $USD2,000,000 multiplied by the difference between the average monthly exchange rate and the exchange rate floor.

Revenue

($ thousands, except as noted)	Three months ended June 30, **2015**	2014	Six months ended June 30, **2015**	2014
Petroleum and natural gas revenue				
Natural gas[(1)]	**21,884**	44,085	**54,491**	84,701
Oil[(1)]	**8,407**	24,120	**15,286**	44,403
NGL	**1,838**	4,143	**4,156**	7,998
Total petroleum and natural gas revenue	**32,129**	72,348	**73,933**	137,102
Realized gains (losses) on derivatives	**4,471**	(5,478)	**6,492**	(11,852)
Realized revenue	**36,600**	66,870	**80,425**	125,250
Unrealized losses on derivatives	**(2,569)**	6,994	**(12,467)**	(5,737)
Total revenue	**34,031**	73,864	**67,958**	119,513
Realized revenue *($/boe)*	**24.20**	36.64	**22.55**	35.62
Total revenue *($/boe)*	**22.50**	40.48	**19.06**	33.99

(1) Includes revenues related to physical forward sales contracts which settled during the period.

Perpetual's petroleum and natural gas ("P&NG") revenue, before derivatives, for the quarter ended June 30, 2015 of $32.1 million decreased 56 percent from 2014 due to declining commodity prices along with lower production volumes resulting from the West Edson asset swap on April 1, 2015, as well as the sale of non-core Mannville heavy oil assets in the fourth quarter of 2014.

Natural gas revenue, before derivatives, of $21.9 million for the second quarter of 2015 decreased 50 percent from $44.1 million in 2014 due to lower natural gas prices and lower volumes resulting from the swap of the West Edson property. Compared to the prior year, the decrease in volumes was partially offset by increased production from the focused development program at East Edson in the second half of 2014 and first half of 2015.

Oil revenues of $8.4 million in the second quarter of 2015 were 65 percent lower than the comparative quarter in 2014 ($24.1 million) due to lower crude oil prices, reduced production as a result of the fourth quarter 2014 Mannville non-core heavy oil property disposition, natural declines, and the deferral of crude oil drilling programs. Oil index price declines were partially mitigated by a narrowing of WTI-WCS differentials and a lower $CAD to $USD exchange rate.

Second quarter NGL revenue of $1.8 million declined 56 percent from the comparative period in 2014 primarily due to lower commodity prices.

Realized gains on derivatives for the three months ended June 30, 2015 totaled $4.5 million compared to losses of $5.5 million for the same period in 2014. Gains in 2015 were comprised of $2.4 million and $3.5 million related to natural gas and oil contracts respectively which were partially offset by losses of $1.4 million related to foreign exchange contracts.

The Corporation recorded unrealized losses on derivatives of $2.6 million during the second quarter of 2015 compared to unrealized gains of $7.0 million for the same period in 2014. Unrealized gains and losses represent the change in mark-to-market value of derivative contracts as forward commodity prices change. Unrealized gains and losses on derivatives are excluded from the Corporation's calculation of funds flow as they are non-cash. Derivative gains and losses vary depending on the nature and extent of derivative contracts in place, which in turn, vary with the Corporation's assessment of commodity price risk, committed capital spending and other factors.

Royalties

($ thousands, except as noted)	Three months ended June 30, **2015**	2014	Six months ended June 30, **2015**	2014
Crown	**(88)**	5,988	**2,278**	10,367
Freehold and overriding	**3,046**	3,296	**6,134**	5,091
Total	**2,958**	9,284	**8,412**	15,458
Crown (*% of P&NG revenue*)	**(0.3)**	8.3	**3.1**	7.6
Freehold and overriding (*% of P&NG revenue*)	**9.5**	4.6	**8.3**	3.7
Total (*% of P&NG revenue*)	**9.2**	12.9	**11.4**	11.3
$/boe	**1.96**	5.09	**2.36**	4.40

Perpetual recorded royalty expense of $3.0 million during the second quarter of 2015, representing a decrease in the effective combined average royalty rate on P&NG revenue to 9.2 percent from 12.9 percent in 2014. Crown royalty expense for the second quarter was more than offset by a recovery of $0.7 million related to annual adjustments for 2014 capital cost allowance, custom processing and operating costs as well as revised Crown deductions for the first half of 2015. Comparatively, Crown royalties in the second quarter of 2014 included annual adjustments of an additional $2.6 million in Crown royalty expense.

Freehold and overriding royalties increased from 4.6 percent in 2014 to 9.5 percent for the second quarter of 2015 as a result of additional royalties beginning July 1, 2014 under Perpetual's 2014 East Edson royalty disposition and farm-in agreements which, in combination, entitle the partner to a maximum of 5.6 MMcf/d of natural gas from the East Edson property plus oil and associated NGLs on a monthly basis.

Excluding royalty payments of $3.4 million under the East Edson royalty, the combined royalty rate for the six months ended June 30, 2015 was 6.8 percent compared to 11.3 percent in 2014. Lower crown royalty are also attributable to lower Alberta gas reference prices combined with declining oil and NGL prices. These reductions were partially offset by increased rates on certain of the Corporation's Mannville heavy oil wells as they transitioned to higher royalty rates after reaching maximum volume recoveries under initial low royalty rate incentive periods.

Production and operating expenses

	Three months ended June 30,		Six months ended June 30,	
(*$ thousands, except as noted*)	**2015**	2014	**2015**	2014
Production and operating expenses	**15,796**	18,234	**37,546**	40,001
$/boe	**10.44**	9.99	**10.53**	11.38

Total production and operating expenses decreased 13 percent to $15.8 million in the second quarter of 2015 compared to $18.2 million for the same period of 2014, reflecting the reduction in operating costs associated with the West Edson asset swap as well as operating cost savings realized in East Edson due to the re-direction of volumes from a third party deep cut plant to Perpetual's working interest plant at Rosevear. On a boe basis, operating costs have increased over the comparative period as a result of the second quarter asset swap, as West Edson properties had lower average operating costs per unit of production relative to the Corporation's remaining assets. Future per boe cost savings are expected to be realized with the commencement of production through the East Edson facility combined with company-wide cost saving initiatives to increase efficiencies in all operating areas.

Transportation costs

	Three months ended June 30,		Six months ended June 30,	
(*$ thousands, except as noted*)	**2015**	2014	**2015**	2014
Transportation costs	**2,484**	2,905	**6,325**	5,903
$/boe	**1.64**	1.59	**1.77**	1.68

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 2015 decreased to $2.5 million from $2.9 million for the same period in 2014 primarily due to decreased transportation costs related to lower sales volumes.

Operating netbacks

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Operating netback (*$ thousands*)				
Realized revenue[(1)]	**36,600**	66,870	**80,425**	125,250
Royalties[(2)]	**(2,958)**	(9,284)	**(8,412)**	(15,458)
Production and operating expenses	**(15,796)**	(18,234)	**(37,546)**	(40,001)
Transportation costs	**(2,484)**	(2,905)	**(6,325)**	(5,903)
Total operating netback	**15,362**	36,447	**28,142**	63,888
Boe operating netback (*$/boe*)				
Realized revenue[(1)]	**24.20**	36.64	**22.55**	35.62
Royalties[(2)]	**(1.96)**	(5.09)	**(2.36)**	(4.40)
Production and operating expenses	**(10.44)**	(9.99)	**(10.53)**	(11.38)
Transportation costs	**(1.64)**	(1.59)	**(1.77)**	(1.68)
Total operating netback	**10.16**	19.97	**7.89**	18.16

(1) See "Non-GAAP measures" in this MD&A.
(2) Includes $1.8 million in East Edson Gross Overriding Royalty payments in relation to the East Edson Agreements for the three months ended June 30, 2015 (2014 – nil) and $3.4 million for the six months ended June 30, 2015 (2014 - nil).

Perpetual's second quarter 2015 operating netback of $10.16/boe ($15.4 million) decreased 49 percent from $19.97/boe ($36.4 million) in 2014, primarily reflecting decreased revenue due to lower commodity prices and higher per boe operating and transportation costs resulting from the swap of the lower cost West Edson asset, partially offset by lower royalties resulting from Crown adjustments recorded in the second quarter of 2015.

Gas over bitumen

($ thousands, except as noted)	Three months ended June 30, 2015	2014	Six months ended June 30, 2015	2014
Gas over bitumen revenue	**685**	3,018	**1,620**	5,643
Payments on financial obligation	**(891)**	–	**(1,996)**	–
Gas over bitumen, net of payments	**(206)**	3,018	**(376)**	5,643
$/boe	**(0.14)**	1.65	**(0.11)**	1.60

Perpetual records revenue in relation to GOB royalty credits received under the Natural Gas Royalty Regulation as a result of its working interests in a number of natural gas wells which have been shut-in pursuant to shut-in orders issued by the Government of Alberta. During the second quarter of 2015, Perpetual recorded $0.7 million in GOB revenue; a decrease of $2.3 million from the same period in 2014 attributable to the 44 percent decrease in Alberta gas reference prices, combined with the annual 10 percent decline in deemed production.

GOB revenue earned during the second quarter of 2015 has been offset by payments of $0.9 million in relation to the 2014 monetization of Perpetual's future GOB royalty credits. As part of the arrangement, Perpetual makes monthly payments to the purchaser, which from time to time will vary from the actual GOB revenue received in the period due to timing differences. The monthly payment commitment expires concurrent with the GOB Royalty Adjustment entitlements, with final expiries expected to occur in June 2021.

Under IFRS, the monetization of future GOB royalty credits in 2014 was recorded as a financial obligation; however entitlement to future revenue from GOB royalty credits are not recorded as an asset but as revenue with the passage of time as it is earned. As such, GOB revenue will continue to be recognized separately as revenue in accordance with Perpetual's accounting policies with the monthly payments recognized separately as a reduction to the GOB financial obligation. For purposes of this MD&A, the monthly payments have been included as a reduction to GOB revenue to reflect the substantive monetization of the future GOB royalty credits.

Exploration and evaluation

($ thousands)	Three months ended June 30, 2015	2014	Six months ended June 30, 2015	2014
Lease rentals	**620**	661	**1,233**	1,313
Geological and geophysical costs(1)	**105**	218	**1,603**	231
Lease expiries	**5,707**	401	**5,906**	752
Total exploration and evaluation	**6,432**	1,280	**8,742**	2,296

(1) Geological and geophysical expenditures and dry hole costs are expensed directly in the Corporation's statement of income (loss); they are considered by Perpetual to be more closely related to investing activities than operating activities, and therefore are included with capital expenditures for the purposes of this MD&A.

Exploration and evaluation ("E&E") costs include lease rentals on undeveloped acreage, geological and geophysical costs and lease expiries. E&E costs of $6.4 million in the second quarter of 2015 were $5.2 million higher than the prior year with higher lease expiries occurring in the current period.

General and administrative expenses

($ thousands, except as noted)	Three months ended June 30, 2015	2014	Six months ended June 30, 2015	2014
Cash general and administrative expense	**4,091**	5,379	**7,672**	10,141
Share based compensation expense (non-cash)	**1,299**	1,528	**2,294**	2,669
Total general and administrative expense	**5,390**	6,907	**9,966**	12,810
Cash general and administrative expense *($/boe)*	**2.70**	2.95	**2.15**	2.88
Share based compensation expense (non-cash) *($/boe)*	**0.86**	0.84	**0.64**	0.76

Second quarter cash G&A expense decreased 24 percent to $4.1 million in 2015 from $5.4 million in 2014, reflecting lower consulting and professional fees as well as on-going cost saving initiatives implemented by the Corporation in response to the depressed commodity price environment. Non-cash compensation expenses in the second quarter decreased $0.2 million compared to the same period in 2014 as a result of performance multiplier adjustments related to performance share units issued and outstanding.

Depletion and depreciation

($ thousands, except as noted)	Three months ended June 30, 2015	2014	Six months ended June 30, 2015	2014
Depletion and depreciation	**19,496**	24,492	**44,446**	47,229
$/boe	**12.89**	13.42	**12.46**	13.43

Perpetual recorded $19.5 million of depletion and depreciation expense in the second quarter of 2015 (2014 - $24.5 million). The decrease in depletion and depreciation expense is a result of the non-core heavy oil property disposition in the fourth quarter of 2014 and the second quarter 2015 West Edson asset swap. On a per boe basis, 2015 depletion and depreciation expense of $12.89/boe was four percent lower than depletion and depreciation expense of $13.42/boe recorded in 2014.

Finance expenses

Interest

(*$ thousands*)	Three months ended June 30, 2015	2014	Six months ended June 30, 2015	2014
Cash interest				
Senior notes	**6,016**	3,272	**12,031**	6,507
Convertible debentures	**611**	2,859	**1,221**	5,717
Bank debt	**1,183**	1,430	**1,453**	2,605
Total cash interest	**7,810**	7,561	**14,705**	14,829
Non-cash interest				
Amortization of debt issue costs	**499**	954	**999**	1,885
Total interest	**8,309**	8,515	**15,704**	16,714

Cash interest expense of $7.8 million during the second quarter of 2015 increased three percent from the same period in 2014. Increased cash interest was primarily due to higher interest on the higher outstanding balance of senior notes with the issuance of an additional $125 million 8.75 percent senior notes during the third quarter of 2014. Higher interest on senior debt was partially offset by reduced interest on bank debt due to lower levels of bank debt outstanding in the current period and decreased interest on convertible debentures due to the full repayment of the 7.25% convertible debentures in August 2014 and partial repayment of $25 million of the 7.0% Debentures on December 31, 2014. The repayment of debentures also contributed to a reduction in period over period non-cash debt issue cost amortization.

Other finance expenses

(*$ thousands*)	Three months ended June 30, 2015	2014	Six months ended June 30, 2015	2014
Accretion on decommissioning obligations	**898**	1,344	**1,986**	2,684
Accretion and change in estimate on GOB obligation	**124**	219	**247**	219
Change in fair value of marketable securities	**5,400**	–	**5,400**	–
Change in fair value of financial obligation	**(17)**	–	**(774)**	–
Other finance expenses	**6,405**	1,563	**6,859**	2,903

Other finance expenses for the first two quarters of 2015 included accretion on decommissioning obligations of $2.0 million (2014 - $2.7 million) and accretion and change in estimate on the GOB obligation of $0.2 million (2014 – $0.2 million), partially offset by a gain of $0.8 million on the change in fair value of the financial obligation created with the 2014 GOB monetization. Also included in other finance expense during the second quarter of 2015 was an unrealized loss of $5.4 million on the change in fair value of marketable securities, which represents the change in value of the Corporation's 6.75 million TOU shares from closing on April 1 and June 30, 2015.

Gains on dispositions

During the second quarter of 2015, Perpetual recorded gains of $135.7 million on property dispositions and assets swaps.

WGS LP loss and dividends

For the six months ended June 30, 2015, Perpetual recorded a loss of $0.2 million on its equity investment in WGS LP compared to a loss of $2.2 million for the same period in 2014. There were no dividends declared or received during the first half of 2015 or 2014.

Funds flow

	Three months ended June 30, 2015 ($ thousands)	2015 ($/boe)	2014 ($ thousands)	2014 ($/boe)
Realized revenue[1]	**36,600**	**24.20**	66,870	36.64
Royalties[2]	**(2,958)**	**(1.96)**	(9,284)	(5.09)
Production and operating expenses	**(15,796)**	**(10.44)**	(18,234)	(9.99)
Transportation costs	**(2,484)**	**(1.64)**	(2,905)	(1.59)
Operating netback[1]	**15,362**	**10.16**	36,447	19.97
GOB revenue net of payments	**(206)**	**(0.14)**	3,018	1.65
Exploration and evaluation[3]	**(620)**	**(0.41)**	(661)	(0.36)
Cash G&A	**(4,091)**	**(2.70)**	(5,379)	(2.95)
Interest[3]	**(7,810)**	**(5.16)**	(7,561)	(4.14)
Funds flow[1]	**2,635**	**1.75**	25,864	14.17

(1) See "Non-GAAP measures" in this MD&A.
(2) Includes $1.8 million in East Edson Gross Overriding Royalty payments in relation to the East Edson Agreements (2014 – nil).
(3) Excludes non-cash items.

	Six months ended June 30, 2015 ($ thousands)	2015 ($/boe)	2014 ($ thousands)	2014 ($/boe)
Realized revenue[1]	**80,425**	**22.55**	125,250	35.62
Royalties[2]	**(8,412)**	**(2.36)**	(15,458)	(4.40)
Production and operating expenses	**(37,546)**	**(10.53)**	(40,001)	(11.38)
Transportation costs	**(6,325)**	**(1.77)**	(5,903)	(1.68)
Operating netback[1]	**28,142**	**7.89**	63,888	18.16
GOB revenue net of payments	**(376)**	**(0.11)**	5,643	1.60
Exploration and evaluation[3]	**(1,233)**	**(0.35)**	(1,313)	(0.37)
Cash G&A	**(7,672)**	**(2.15)**	(10,141)	(2.88)
Interest[3]	**(14,705)**	**(4.12)**	(14,829)	(4.22)
Funds flow[1]	**4,156**	**1.16**	43,248	12.29

(1) See "Non-GAAP measures" in this MD&A.
(2) Includes $3.4 million in East Edson Gross Overriding Royalty payments in relation to the East Edson Agreements (2014 – nil).
(3) Excludes non-cash items.

Net Income (Loss)

	Three months ended June 30, 2015 ($ thousands)	2015 ($/boe)	2014 ($ thousands)	2014 ($/boe)
Funds flow[1]	**2,635**	**1.75**	25,864	14.17
Unrealized losses on derivatives	**(2,569)**	**(1.70)**	6,994	3.83
Payments on financial obligation	**891**	**0.59**	–	–
Exploration and evaluation[2]	**(5,812)**	**(3.84)**	(619)	(0.34)
Compensation expense, non-cash	**(1,299)**	**(0.86)**	(1,528)	(0.84)
Gain on dispositions	**135,687**	**89.71**	–	–
Depletion and depreciation	**(19,496)**	**(12.89)**	(24,492)	(13.42)
Finance expense, non-cash	**(6,904)**	**(4.56)**	(2,517)	(1.38)
WGS LP net income (loss) and dividends	**988**	**0.65**	(1,153)	(0.63)
Net income (loss)	**104,121**	**68.85**	2,549	1.39

(1) See "Non-GAAP measures" in this MD&A.
(2) Includes non-cash exploration and evaluation expense from expired leases and geological and geophysical costs.

	Six months ended June 30, 2015 ($ thousands)	2015 ($/boe)	2014 ($ thousands)	2014 ($/boe)
Funds flow[1]	**4,156**	**1.16**	43,248	12.29
Unrealized losses on derivatives	**(12,467)**	**(3.50)**	(5,737)	(1.63)
Payments on financial obligation	**1,996**	**0.56**	–	–
Exploration and evaluation[2]	**(7,509)**	**(2.11)**	(983)	(0.28)
Compensation expense, non-cash	**(2,294)**	**(0.64)**	(2,669)	(0.76)
Gain on dispositions	**140,011**	**39.26**	5,622	1.60
Depletion and depreciation	**(44,446)**	**(12.46)**	(47,229)	(13.43)
Finance expense, non-cash	**(7,858)**	**(2.20)**	(4,788)	(1.36)
WGS LP net income (loss) and dividends	**(185)**	**(0.05)**	(2,239)	(0.64)
Net income (loss)	**71,404**	**20.02**	(14,775)	(4.21)

(1) See "Non-GAAP measures" in this MD&A.
(2) Includes non-cash exploration and evaluation expense from expired leases and geological and geophysical costs.

SUMMARY OF QUARTERLY RESULTS

($ thousands, except where noted)	**Q2 2015**	Q1 2015	Q4 2014	Q3 2014
Financial				
Oil and natural gas revenues	**32,129**	41,804	62,562	63,126
Funds flow[1]	**2,635**	1,521	17,316	20,831
Per share – basic	**0.02**	0.01	0.12	0.14
Net income (loss)	**104,121**	(32,717)	(18,723)	36,414
Per share – basic	**0.70**	(0.22)	(0.12)	0.24
– diluted	**0.66**	(0.22)	(0.12)	0.23
Capital expenditures				
Exploration and development	**13,069**	46,886	25,639	46,583
Geological and geophysical	**105**	1,498	379	34
Acquisitions	**240**	3	756	–
Dispositions	**(21,337)**	11	(21,351)	(46,998)
Other	**280**	21	84	347
Net capital expenditures	**(7,643)**	48,419	5,507	(34)
Common shares (*thousands*)				
Weighted average – basic	**149,368**	148,531	149,084	149,574
Weighted average – diluted	**157,594**	148,531	149,084	160,282
Operating				
Daily average production				
Natural gas (*MMcf/d*)	**86.0**	120.4	122.5	97.8
Oil (*bbl/d*)	**1,766**	2,045	2,638	2,894
NGL (*bbl/d*)	**522**	713	624	430
Total (*boe/d*)	**16,621**	22,819	23,685	19,640
Average prices				
Natural gas – before derivatives (*$/Mcf*)	**2.80**	3.01	3.96	4.35
Natural gas – including derivatives (*$/Mcf*)	**3.10**	3.14	4.16	4.35
Oil – before derivatives (*$/bbl*)	**52.35**	37.37	59.80	78.37
Oil – including derivatives (*$/bbl*)	**65.22**	40.60	65.51	74.74
NGL (*$/bbl*)	**38.64**	36.15	59.63	77.56

(1) See "Non-GAAP measures" in this MD&A.

($ thousands, except where noted)	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Financial				
Oil and natural gas revenues	72,348	64,754	49,075	52,555
Funds flow[1]	25,864	17,384	12,998	18,650
Per share – basic	0.17	0.12	0.09	0.13
Net income (loss)	2,549	(17,324)	(13,745)	(6,833)
Per share – basic	0.02	(0.12)	(0.09)	(0.05)
– diluted[2]	0.02	(0.12)	(0.09)	(0.05)
Capital expenditures				
Exploration and development	12,251	31,340	24,537	22,325
Geological and geophysical	218	13	(19)	25
Acquisitions	91	151	418	532
Dispositions	(3,000)	–	(901)	(60)
Other	108	75	2	34
Net capital expenditures	9,668	31,579	24,037	22,856
Common shares (*thousands*)				
Weighted average – basic	148,835	148,448	148,489	148,382
Weighted average – diluted	157,555	148,448	148,489	148,382
Operating				
Daily average production				
Natural gas (*MMcf/d*)	97.8	92.1	90.3	85.3
Oil (*bbl/d*)	3,185	2,911	2,967	3,340
NGL (*bbl/d*)	553	540	542	724
Total (*boe/d*)	20,053	18,794	18,559	18,274
Average prices				
Natural gas – before derivatives (*$/Mcf*)	4.95	4.90	3.37	2.79
Natural gas – including derivatives (*$/Mcf*)	4.66	4.35	3.62	3.31
Oil – before derivatives (*$/bbl*)	83.20	77.43	65.45	85.78
Oil – including derivatives (*$/bbl*)	73.72	70.97	66.40	80.13
NGL (*$/bbl*)	82.36	79.33	64.81	62.83

(1) See "Non-GAAP measures" in this MD&A.

LIQUIDITY, CAPITALIZATION AND FINANCIAL RESOURCES

Perpetual targets to maintain a strong capital base to retain investor, creditor and market confidence, and to sustain the future development of the business. The Corporation strives to manage its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of its underlying oil and natural gas assets. Perpetual's capital structure includes TOU shares, share capital, bank debt, senior notes, 7.0% Debentures and adjusted working capital. In order to manage its capital structure, the Corporation may from time to time issue equity or debt securities, enter into business transactions including the sale of assets and adjust its capital spending to manage current and projected debt levels.

During the second quarter of 2015 Perpetual closed an arrangement with Tourmaline to swap its joint interest share in its West Edson Property in exchange for 6.75 million TOU Shares with a market value of $258.7 million ($38.32 per share) based on the April 1, 2015 closing price on the TSX. The 6.75 million TOU Shares held by Perpetual represent approximately 3.12 percent of the 216 million outstanding shares of Tourmaline with a market value of $253.3 million ($37.52 per share) as at the end of the second quarter of 2015. The TOU Shares are accounted for in the financial statements as a held-for-trading financial instrument with the carrying amount determined using the TSX closing price on the reporting date. The market value of the TOU Shares is $220.8 million ($32.71 per share) as of the date of this MD&A.

Ownership of the TOU Shares provides Perpetual with to exposure to the value creation potential inherent in Tourmaline's extensive land and drilling inventory, along with participation in the ongoing results generated by Tourmaline's investment in its diversified oil and gas asset portfolio, funded by a strong balance sheet. At the same time, the liquidity inherent in the TOU Shares significantly enhances Perpetual's financial position, augmenting the Company's options to manage downside risk and enhancing Perpetual's ability to fund attractive investment opportunities during this period of low commodity prices.

Perpetual intends to retain the TOU Shares and systematically manage its obligations over time, including redemption of $34.9 million in outstanding convertible debentures (PMT.DB.E) which mature on December 31, 2015, as well as other debt obligations. The TOU Shares may also be utilized to capture and evaluate other new high impact opportunities and pursue strategic initiatives. Relative investment merits will be considered along with other leverage and risk management considerations.

Capital Management

(*$ thousands, except as noted*)	**June 30, 2015**	December 31, 2014
Bank indebtedness	**75,000**	–
Senior notes, measured at principal amount	**275,000**	275,000
Convertible debentures, measured at principal amount	**34,878**	34,878
Period end balance of marketable securities	**(253,260)**	–
Adjusted working capital deficiency (surplus)(1)	**(11,598)**	21,867
Net debt	**120,020**	331,745
Shares outstanding at end of period (*thousands*)	**152,371**	150,077
Market price at end of period (*$/share*)	**0.98**	1.14
Market value of shares	**149,324**	171,088
Total capitalization(1)	**269,344**	502,833
Net debt as percentage of total capitalization	**0.45**	66.0
Trailing twelve months funds flow(1)	**42,303**	81,395
Net debt to funds flow ratio(2)	**2.8**	4.1

(1) See "Non-GAAP measures" in this MD&A.
(2) Net debt to funds flow is calculated based on trailing funds flow for the most recent four quarters.

The Corporation monitors capital based on the ratio of net debt to trailing twelve months ("TTM") funds flow. As at June 30, 2015, the Corporation's ratio of net debt to TTM funds flow had decreased 32 percent from year end 2014, to 2.8 to 1 (December 31, 2014 – 4.1 to 1). The decrease reflects the inclusion of the period end value of marketable securities received in exchange for the West Edson assets in the second quarter of 2015. This decrease was partially offset by the significant impact of declining commodity prices at the end of 2014 and continuing through the first half quarter of 2015; which negatively impacts funds flow and results in higher levels of bank debt. This ratio is monitored continuously by the Corporation and the targeted range of net debt to TTM funds flow varies based on such factors as acquisitions or dispositions, commodity prices, forecasts of future commodity prices, price management contracts, projected cash flows, capital expenditure programs and timing of such programs. As part of the management of this ratio, the Corporation prepares annual capital expenditure budgets and monthly funds flow forecasts, which are updated as necessary depending on varying factors including current and forecast prices, successful capital deployment, acquisition and development activities and general industry conditions. Capital spending budgets are approved by the Board of Directors.

At June 30, 2015, Perpetual had total net debt of $120.0 million, down $211.7 million (64 percent) from December 31, 2014, after the inclusion of the period end value of marketable securities offset by first half 2015 capital spending and decommissioning expenditures funded primarily through increased bank indebtedness with limited funds flow during the year as a result of depressed oil, natural gas and NGL prices.

Perpetual's adjusted working capital surplus at June 30, 2015 was $11.6 million compared to a deficit of $21.9 million at December 31, 2014. Accounts payables and restricted cash balances decreased from year-end 2014 due to clearing of unapplied cash calls to fund the remaining portion of the partner's share of drilling activities in East Edson. The decrease in accounts payable was mostly offset by a decrease in accounts receivables as a result of lower commodity prices.

Reconciliation of net debt

($ millions)	
Net debt, December 31, 2014[1]	331.7
Capital expenditures[2]	61.9
Dispositions, net of acquisitions	(21.1)
Period end balance of marketable securities	(253.3)
Funds flow[1]	(4.2)
Expenditures on decommissioning obligations	4.1
Other	0.9
Net debt, June 30, 2015[1]	**120.0**

(1) See "Non-GAAP measures" in this MD&A.
(2) Capital expenditures consist of exploration and development spending including geological and geophysical costs and corporate assets.

Bank indebtedness

At June 30, 2015, Perpetual was undrawn on its credit facility, had a margin loan of $75.0 million and cash and cash equivalents of $20.8 million. Comparatively, at December 31, 2014, Perpetual was undrawn on its credit facility with cash and cash equivalents of $11.5 million and restricted cash of $6.6 million.

The Corporation's credit facility is with a syndicate of Canadian chartered banks. On April 1, 2015, as part of the lender's semi-annual review of the borrowing base and in conjunction with the West Edson swap, total availability was reduced from $105 million to $100 million consisting of a term loan of $75 million, and a revolving credit facility of $25 million which includes a $10 million demand loan and $15 million working capital facility. The revolving feature of the credit facility expires on April 29, 2016 with a 365 day term to maturity should it not be extended. The term loan matures on November 30, 2015 which can be extended to April 29, 2016 should the settlement of the Corporation's 7.00% Convertible Debentures occur prior to October 31, 2015. The next semi-annual redetermination of the Corporation's borrowing base will occur on or before October 31, 2015.

Subsequent to the end of the second quarter, the term loan was permanently reduced to $70.6 million in conjunction with a decrease in the fair market value of TOU shares, which serve as collateral for the term loan. Total availability under the term loan was reduced in accordance with the requirement to maintain the 1 to 3 lending ratio based on the daily closing market value of TOU shares.

The Corporation has covenants that require consolidated debt to trailing twelve month income before interest, taxes, depletion and depreciation and non-cash items ("Consolidated Debt Ratio") to be less than 4.0 to 1.0 with the exception of the quarters ending December 31, 2015 and March 31, 2016 when the Corporation will be required to maintain a Consolidated Debt Ratio not exceeding 5.0 to 1.0. Consolidated debt is defined as the sum of the Corporation's period end balance of the term loan, credit facility, senior notes and outstanding letters of credit less the mark to market value of TOU Shares. The credit facility also contains covenants that require consolidated senior debt to trailing twelve month income before interest, taxes, depletion and depreciation and non-cash items ("Consolidated Senior Debt Ratio") to be less than 3.0 to 1.0. Consolidated senior debt is defined as the sum of consolidated debt less the period end balance of the senior notes.

The Corporation was in compliance with the lender's covenants at June 30, 2015.

Advances under the credit facility are made in the form of Banker's Acceptances ("BA"), prime rate loans or letters of credit at the Corporation's option. The Corporation has outstanding letters of credit in the amount of $7.8 million (December 31, 2014 – $8.8 million) at June 30, 2015. Collateral for the credit facility is provided by a floating-charge debenture covering all existing and acquired property of the Corporation, as well as unconditional full liability guarantees from all subsidiaries in respect of amounts borrowed under the credit facility.

The credit facility bears interest at its lenders' prime rate or BA rates, plus applicable margins and standby fees. The applicable margins range between 1.25% and 4.75% depending on the form of borrowing and changes in the Corporation's Consolidated Debt Ratio for the most recently completed reporting period.

Collateral for the term loan is provided by a securities pledge agreement relating to the TOU Shares obtained in conjunction with the swap of the West Edson assets. The term loan bears interest at its lenders' prime rate plus applicable margins ranging from 1.25% to 4.75% depending on changes in the Corporation's Consolidated Debt Ratio for the most recently completed reporting period.

Convertible Debentures

At June 30, 2015, $34.9 million of the Corporation's 7.0% Debentures, which mature on December 31, 2015, remain outstanding as a short term liability. Management is evaluating repayment options including utilizing excess funds flow and bank indebtedness, asset dispositions, refinancing, or a combination thereof. There is no assurance that the Corporation will be able to raise additional capital to settle all or a portion of the outstanding 7.0% Debentures in cash, in which case, the Corporation would have the option to settle all or a portion with common shares. Additional information on the remaining 7.0% Debentures are as follows:

Principal issued (*$ millions*)	60.0
Principal outstanding (*$ millions*)	34.9
Trading symbol on the Toronto Stock Exchange	PMT.DB.E
Maturity date	December 31, 2015
Conversion price (*$ per share*)	7.00
Fair market value (*$ millions*)(1)	34.9

(1) Fair market value of the 7.0% Debentures are calculated by multiplying the number of debentures outstanding at August 10, 2015 by the quoted market price per debenture at that date.

Senior Notes

At June 30, 2015, Perpetual had $275 million of senior notes outstanding. Additional information on the senior notes are as follows:

				Carrying value	
	Maturity date	**Principal**	**Interest rate**	**June 30, 2015**	December 31, 2014
2011 senior notes(1)	March 15, 2018	150,000	8.75%	**148,474**	148,223
2014 senior notes(2)	July 23, 2019	125,000	8.75%	**122,695**	122,467
		275,000		**271,169**	270,690

(1) Issued March 15, 2011, interest payable semi-annually on September 15 and March 15 of each year.
(2) Issued July 23, 2014, interest payable semi-annually on January 23 and July 23 of each year.

The fair market value of the senior notes at August 10, 2015 was $238.1 million.

Equity

Perpetual's total capitalization was $269.3 million at June 30, 2015. Net debt to total capitalization decreased to 45 percent from 66 percent at December 31, 2014. The decrease in total capitalization is a result of the inclusion of the period end value of marketable securities and the lower market price of Perpetual's shares at June 30, 2015. These reductions were offset by higher net bank debt levels resulting from capital spending on planned first half capital development programs, which exceeded year to date funds flow.

Weighted average shares outstanding for the six months ended June 30, 2015 totaled 149.0 million (2014 – 148.6 million). On August 10, 2015 there were 153.0 million shares outstanding.

2015 OUTLOOK

The Corporation intends to evaluate strategic capital expenditures through the remainder of 2015. Drilling activities will continue to be restricted through the balance of 2015 in the absence of commodity price recovery. The table below summarizes expected capital spending in accordance with Perpetual's 2015 strategic priorities for the remainder of 2015:

(*$ millions*)	**H1**	**Q3 – Q4**	**Total**
West central liquids-rich gas	55	11-21	**66-77**
Mannville heavy oil	1	1	**2**
Shallow gas (1)	1	2-3	**3-4**
Panny bitumen	3	2	**5**
Total exploration and development spending	**60**	**16-27**	**76-87**
Abandonment and reclamation (2)	4	7	**11**
Total capital and decommissioning expenditures	**64**	**23-34**	**87-98**

(1) Includes $1.6 million purchase of equipment in the second and third quarters of 2015 to execute future abandonment and reclamation capital activities.
(2) Second half abandonment and reclamation forecast spending includes $3.5 million in third party costs and $3.5 million in costs related to capital activities executed by operations personnel.

Perpetual estimates that 2015 funds flow for the remainder of 2015 will be minimal based on current forward commodity prices, with oil and liquids production averaging close to 2,400 bbl/d and natural gas sales averaging approximately 110 MMcf/d incorporating volumes brought online with the new East Edson gas plant on July 15, 2015.

Perpetual expects to fund the planned capital program through additional borrowing and further asset dispositions as required.

Sensitivities

The table below highlights the sensitivities of Perpetual's 2015 annual forecast funds flow to commodity index prices:

***Projected 2015 funds flow*[1]** *($millions)*		**AECO gas price (*$/GJ*)[2]**				
		$2.50	**$3.00**	**$3.50**	**$4.00**	**$4.50**
	$45.00	2.3	4.9	7.5	10.1	12.8
	$50.00	3.4	6.0	8.7	11.3	13.9
WTI price	**$55.00**	4.6	7.2	9.8	12.4	15.1
(USD/bbl)[2]	**$60.00**	5.7	8.3	11.0	13.6	16.2
	$65.00	6.9	9.5	12.1	14.7	17.3
	$70.00	8.5	11.1	13.7	16.3	19.0

(1) Funds flow is a non-GAAP measures. Please refer to "Non-GAAP Measures" in this MD&A.

(2) Commodity prices represent average settled and forward price for the second half of 2015. The current settled and forward average AECO and WTI prices for July to December of 2015 as of August 10, 2015 were $2.80 per GJ and $USD47.40 per bbl, respectively.

OFF BALANCE SHEET ARRANGEMENTS

Perpetual has no off balance sheet arrangements.

CORPORATE GOVERNANCE

The Corporation is committed to maintaining high standards of corporate governance. Each regulatory body, including the Toronto Stock Exchange and the Canadian provincial securities commissions, has a different set of rules pertaining to corporate governance. The Corporation fully conforms to the rules of the governing bodies under which it operates.

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. Perpetual's analysis of recent accounting pronouncements is included in the notes to the consolidated financial statements at December 31, 2014.

INTERNAL CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

There were no changes in the Corporation's internal control over financial reporting during the period beginning on January 1, 2015 and ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.