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 nine months ended September 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 nine months ended September 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 November 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 realized 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 September 30,		Nine months ended September 30,	
(*$ thousands, except per share amounts*)	**2015**	2014	**2015**	2014
Cash flow from operating activities	**2,602**	27,279	**5,831**	64,416
Exploration and evaluation costs[(1)]	**16**	34	**1,619**	265
Payments on financial obligation[(2)]	**(882)**	(1,383)	**(2,878)**	(1,383)
Expenditures on decommissioning obligations	**1,046**	1,451	**5,194**	4,480
Changes in long term Crown receivable	**(2,095)**	–	**–**	(10,997)
Changes in non-cash working capital	**(3,201)**	(6,550)	**(8,124)**	7,298
Funds flow	**(2,514)**	20,831	**1,642**	64,079
Funds flow per share[(3)]	**(0.02)**	0.14	**0.01**	0.43

(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 natural gas and crude oil contracts, and call option premiums received. Realized revenue is used by management to calculate the Corporation's net realized commodity prices taking into account monthly settlements on financial crude oil and natural gas forward sales, collars and basis differentials. 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:1 bbl has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, utilizing a conversion on a 6 Mcf:1 bbl basis may be misleading as an indicator of value as the value ratio between 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 "Remainder of 2015 Outlook" and "2016 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.

THIRD QUARTER 2015 RESULTS

Capital expenditures

	Three months ended September 30,		Nine months ended September 30,	
(*$ thousands*)	**2015**	2014	**2015**	2014
Exploration and development	**14,670**	46,583	**74,625**	90,174
Geological and geophysical costs[1]	**16**	34	**1,619**	265
Dispositions, net of acquisitions	**(2,630)**	(46,998)	**(23,713)**	(49,756)
Other	**584**	347	**885**	530
Total	**12,640**	(34)	**53,416**	41,213

(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 September 30,		Nine months ended September 30,	
(*$ thousands*)	**2015**	2014	**2015**	2014
West Central liquids-rich gas	**11,899**	35,954	**67,128**	61,965
Mannville heavy oil	**808**	9,646	**1,906**	23,403
Panny bitumen	**1,729**	173	**4,160**	708
Shallow gas	**234**	810	**1,431**	4,098
Total	**14,670**	46,583	**74,625**	90,174

Perpetual's exploration and development spending for the third quarter of 2015 totaled $14.7 million, with the majority ($11.9 million) of spending allocated to West Central Alberta. Third quarter spending on West Central liquids-rich gas projects included costs to bring the new East Edson facility online on July 15, 2015, ahead of the September 1 initial timeline, as well as costs to install an additional compression unit in order to expand the East Edson gas plant in September 2015, bringing total capacity to 45 MMcf/d. Total project costs for the plant at the end of the third quarter were $34.5 million which includes $0.9 million for the construction of a ten inch sales pipeline to a newly constructed TransCanada meter station and $1.9 million of construction costs for transmission lines and related facilities to supply power to the gas plant.

Third quarter West Central spending also included $9.1 million to complete and tie-in four wells which were drilled in 2014 and the first quarter of 2015. Two of these wells were brought online concurrent with completion of the expanded East Edson 45 MMcf/d gas plant in mid-September. The two remaining wells were brought online in late October and early November with easing of firm service restriction which had been limiting production through the new East Edson gas plant to 43 MMcf/d and total East Edson area production to 57 MMcf/d. The Corporation achieved a 25 percent reduction in third quarter 2015 completion costs as compared to the prior year, reflecting improved completion techniques and cost savings from suppliers.

At Mannville, the Corporation spent $0.8 million on two injector conversions and pipeline work for waterflood activities to arrest production declines and reduce ongoing operating costs on two heavy oil pools. The Corporation currently has seven injectors online in the Sparky Upper Mannville I2I pool and six injectors online in the Upper Mannville B Lloyd pool.

The Corporation also continued its strategic development at Panny during the third quarter, with spending of $1.7 million to complete construction of a bitumen battery related to the first stage, cyclic heat stimulation ("CHS"), of the Low Pressure Electro Thermally Assisted Drive ("LEAD") pilot project. The project achieved first heat in the ground in mid-October with production expected in the first quarter of 2016 upon flowback after the initial three month heating cycle.

Property transactions

Perpetual undertook two property transactions during the third quarter of 2015, disposing of its interest in certain non-core undeveloped land for proceeds of $0.8 million and executing an asset swap to acquire an increased interest in existing reserves as well as undeveloped acreage in its core East Edson property in exchange for its working interest in certain undeveloped lands and net proceeds of $1.8 million. A total net gain on disposition of $6.3 million was recorded in the third quarter related to these two transactions.

Expenditures on decommissioning obligations

During the third quarter of 2015, as part of a continued focus on cost reductions and value creation, Perpetual initiated a project to redeploy operational personal and internal resources to accelerate progress and drive efficiencies on the Company's abandonment and reclamation projects. Other capital expenditures for 2015 includes $0.8 million for the purchase of equipment to be utilized in compliance as well as abandonment and reclamation work, at a significant cost reduction to third party equipment rentals. Including costs for internal resources, Perpetual spent $1.0 million during the third quarter of 2015 on abandonment and reclamation projects mainly in eastern Alberta.

Production

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	**2015**	2014
Natural gas (*MMcf/d*)				
Eastern – North	**31.2**	36.6	**32.1**	36.5
Eastern – South	**20.1**	23.8	**22.4**	23.2
West Central	**54.2**	37.4	**49.4**	36.4
Total natural gas	**105.5**	97.8	**103.9**	96.1
Crude oil (*bbl/d*)				
Eastern – North	**2**	2	**8**	6
Eastern – South(1)	**1,397**	2,863	**1,702**	2,948
West Central	**27**	29	**33**	42
Total crude oil	**1,426**	2,894	**1,743**	2,996
Total NGL (*bbl/d*) (2)	**741**	430	**659**	507
Total production (*boe/d*)	**19,758**	19,640	**19,722**	19,499

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

Total natural gas, oil and NGL production for the three months ended September 30, 2015 of 19,758 boe/d was consistent with the third quarter of 2014 (19,640 boe/d) despite the West Edson property swap which closed April 1, 2015 that reduced production by 5,750 boe/d. Total production was up 19 percent from the second quarter of 2015 (16,621 boe/d) with production from the new East Edson gas plant effectively replacing lost production volumes associated with the West Edson swap for shares in Tourmaline Oil Corp. ("TOU Shares").

Despite ongoing transportation interruptions and restrictions on the TransCanada pipeline system, Perpetual's natural gas production of 105.5 MMcf/d increased eight percent from the comparable quarter in 2014 (97.8 MMcf/d) and 23 percent from the second quarter of 2015 (86.0 MMcf/d), reflecting production increases related to the 2014 and 2015 development program as well as production through the new East Edson gas plant which came online July 15, 2015. Production through the facility was restricted to firm transportation commitment levels of 30 MMcf/d until completion of the 15 MMcf/d facility expansion in mid-September when firm transportation was shifted to the new plant. Production from the East Edson development program and facilities expansion have more than offset natural declines and volumes associated with the exchange of the West Edson property for TOU Shares effective April 1, 2015.

NGL production of 741 bbl/d in the third quarter of 2015 increased 42 percent from the previous quarter (522 bbl/d) and 72 percent compared to the prior year, primarily as a result of higher liquids yields from production processed through the new East Edson gas plant. Reduced NGL production resulting from the second quarter 2015 West Edson swap and processing changes were offset by a 123 percent increase in East Edson NGL production relative to the comparable period in 2014. Condensate production in the third quarter of 2015 increased 38 percent to 476 bbl/d compared to 346 bbl/d in the third quarter of 2014.

Oil production of 1,426 bbl/d for the third quarter of 2015 was 19 percent lower than the second quarter of 2015 (1,766 bbl/d) and down 51 percent from 2,894 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 the decision to defer crude oil drilling activities and waterflood spending in light of depressed crude oil prices.

Commodity prices

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	**2015**	2014
Reference prices				
AECO Monthly Index (*$/GJ*)	**2.65**	4.00	**2.66**	4.31
AECO Daily Index (*$/GJ*)	**2.75**	3.81	**2.62**	4.56
Alberta Gas Reference Price (*$/GJ*)(1)	**2.56**	3.75	**2.50**	4.17
West Texas Intermediate ("WTI") light oil (*$USD/bbl*)	**46.43**	97.17	**51.00**	99.61
Western Canadian Select ("WCS") differential (*$USD/bbl*)	**(13.27)**	(20.18)	**(13.20)**	(21.12)
Average Perpetual prices				
Natural gas				
Before derivatives (*$/Mcf*)(2)(3)	**2.91**	4.35	**2.92**	4.73
Percent of AECO Monthly Index	**98**	99	**98**	100
Including derivatives (*$/Mcf*)	**2.86**	4.35	**3.03**	4.45
Percent of AECO Monthly Index	**96**	99	**101**	94
Oil				
Before derivatives (*$/bbl*)	**40.58**	78.37	**43.31**	79.78
Including derivatives (*$/bbl*)	**41.40**	74.55	**55.61**	72.88
NGL (*$/bbl*)	**28.07**	77.56	**33.74**	79.72

(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 third quarter 2015 natural gas production is 1.12 GJ:1 Mcf (2014 – 1.10 GJ:1 Mcf).

Significant declines in benchmark prices on all commodities continued to affect Perpetual's realized pricing compared to the prior year. AECO Monthly Index prices of $2.65/GJ in the third quarter of 2015 were 34 percent lower than $4.00/GJ for the same period in 2014 as low demand and stable natural gas production levels have extended the oversupply situation in North America. The decrease of WTI to $46.43USD/bbl in the third quarter of 2015 from $97.17USD/bbl in the comparative period in 2014 was partially offset by a narrowing of WTI to WCS differential pricing and a weaker Canadian dollar. Oversupply in the propane and butane market throughout 2015 has resulted in above average storage levels and amplified downward pressure on market NGL pricing.

Decreased AECO Monthly Index prices were reflected in Perpetual's third quarter natural gas price before derivatives of $2.91/Mcf, down 33 percent from $4.35/Mcf in 2014. Perpetual's average realized gas price, including derivatives, decreased 34 percent to $2.86/Mcf for the three month period ended September 30, 2015 from $4.35/Mcf in 2014. The Corporation's realized third quarter 2015 natural gas price was reduced by realized losses of $0.4 million on natural gas derivatives.

Perpetual's oil price, before derivatives, of $40.58/bbl in the third quarter of 2015 decreased 48 percent compared to 2014 due primarily to the 52 percent decline in global oil pricing and includes adjustments related to the WTI to WCS differential and crude quality. Perpetual's realized oil price of $41.40/bbl, including derivatives, was higher than the price before derivatives due to gains of $0.1 million recorded on financial crude oil derivative contracts.

Perpetual's third quarter realized average NGL price decreased 64 percent from the prior year to $28.07/bbl, reflecting the drop in all NGL component prices as NGL supply growth has been bottlenecked by infrastructure in many regions of North America resulting in excess inventory levels.

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 68 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 September 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**
November 2015	15,000	2.44	2.44	Physical

(1) Average price calculated using weighted average price for net open contracts.
(2) Market prices for November are based on settled AECO Monthly Index prices.

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
October 2015	82,500	2.54	2.70	Financial
November 2015	67,500	2.67	2.44	Financial
December 2015	47,500	2.77	2.40	Financial
January 2016 – December 2016	10,000	2.82	2.46	Financial

(1) Average price calculated using weighted average price for net open contracts.
(2) Market prices for November and December are based on settled AECO Monthly Index prices. Market prices for subsequent months are based on forward AECO prices as of market close on November 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	47,500	(0.70)	(0.64)	Financial

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

Crude Oil

The Corporation had entered into financial oil sales arrangements in $CAD as follows:

Term	Volumes (bbl/d)	Floor price ($CAD/bbl)	Ceiling price ($CAD/bbl)	Market prices ($CAD/bbl)(1)	Type of contract
October 2015 – December 2015	1,000	67.50	76.70	59.30	Collar

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

The Corporation had entered into financial oil sales arrangements in $USD as follows:

Term	Volumes (bbl/d)	Floor price ($USD/bbl)	Ceiling price ($USD/bbl)	Market prices ($USD/bbl)(1)	Type of contract
January 2016 – December 2016	750	45.00	52.10	48.57	Collar

(1) Market prices are based on forward WTI oil prices as of market close on November 10, 2015.

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
October 2015	1,500	(16.23)	(13.51)	Financial
November 2015	1,500	(16.23)	(15.14)	Financial
December 2015	1,500	(16.23)	(14.65)	Financial
January 2016 – December 2016	500	(13.68)	(14.50)	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 October and November 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 November 10, 2015.

Foreign Exchange

The Corporation has the following U.S. dollar forward sales arrangement:

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

For the above contract, the Corporation pays $USD3,500,000 multiplied by the difference between the average monthly exchange rate and 1.127 if the average monthly exchange rate is greater than the exchange rate ceiling. 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.

At November 10, 2015, the Corporation has the following U.S. dollar forward sales arrangement:

Term	**Notional $USD/month**	**Exchange rate ceiling ($CAD/$USD)**	**Type of contract**
January 2016 – March 2018	3,500,000	1.25	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 the exchange rate ceiling.

Revenue

	Three months ended September 30,		Nine months ended September 30,	
(*$ thousands, except as noted*)	**2015**	2014	**2015**	2014
Petroleum and natural gas revenue				
Natural gas[(1)]	**28,220**	39,200	**82,711**	123,901
Oil[(1)]	**5,326**	20,862	**20,612**	65,265
NGL	**1,914**	3,064	**6,070**	11,062
Total petroleum and natural gas revenue	**35,460**	63,126	**109,393**	200,228
Realized gains (losses) on derivatives	**(2,255)**	(963)	**4,237**	(12,815)
Realized revenue	**33,205**	62,163	**113,630**	187,413
Unrealized losses on derivatives	**(1,944)**	8,329	**(14,411)**	2,592
Total revenue	**31,261**	70,492	**99,219**	190,005
Realized revenue *($/boe)*	**18.27**	34.40	**21.10**	35.21
Total revenue *($/boe)*	**17.20**	39.01	**18.43**	35.69

(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 September 30, 2015 of $35.5 million decreased 44 percent from 2014 due to lower commodity prices which more than offset a marginal increase in production.

Natural gas revenue, before derivatives, of $28.2 million for the third quarter of 2015 decreased 28 percent from $39.2 million in 2014 due to lower natural gas prices. Volumes associated with the West Edson asset swap completed on April 1, 2015 were more than offset through the 2014 and 2015 East Edson development program along with commissioning and expansion of the new East Edson gas plant in the third quarter of 2015.

Oil revenues of $5.3 million in the third quarter of 2015 were 74 percent lower than the comparative quarter in 2014 ($20.9 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.

NGL revenue for the third quarter declined 38 percent from the comparative period in 2014 to $1.9 million as lower commodity prices more than offset production increases.

Realized losses on derivatives for the three months ended September 30, 2015 totaled $2.3 million compared to losses of $1.0 million for the same period in 2014. Losses in 2015 were comprised of $0.4 million and $1.9 million related to natural gas and foreign exchange contracts respectively which were partially offset by gains of $0.1 million related to crude oil contracts.

The Corporation recorded unrealized losses on derivatives of $1.9 million during the third quarter of 2015 compared to unrealized gains of $8.3 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

	Three months ended September 30,		Nine months ended September 30,	
(*$ thousands, except as noted*)	**2015**	2014	**2015**	2014
Crown	**1,504**	3,315	**3,782**	13,664
Freehold and overriding	**3,159**	5,158	**9,293**	10,267
Total	**4,663**	8,473	**13,075**	23,931
Crown (*% of P&NG revenue*)	**4.2**	5.3	**3.5**	6.8
Freehold and overriding (*% of P&NG revenue*)	**8.9**	8.2	**8.5**	5.2
Total (*% of P&NG revenue*)	**13.1**	13.5	**12.0**	12.0
$/boe	**2.57**	4.69	**2.43**	4.50

Royalty expenses for the third quarter of 2015 were $4.7 million, representing a slight decrease in the effective combined average royalty rate on P&NG revenue to 13.1 percent from 13.5 percent in 2014. The decrease in the Crown royalty rate to 4.2 percent in the third quarter of 2015 reflects the Crown royalty adjustments on the East Edson deep gas wells brought online in late 2014 and throughout 2015. Lower crown royalties are also attributable to lower Alberta natural gas reference prices combined with declining oil and NGL prices.

Freehold and overriding royalty rates for the nine months ended September 30 increased from 5.2 percent in 2014 to 8.5 percent in 2015 as a result of additional gross overriding 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. Freehold and overriding royalties for the three and nine months ended September 30, include payments of $1.9 million and $5.3 million under the East Edson overriding royalty arrangement, respectively. Excluding royalty payments of $5.3 million under the East Edson overriding royalty arrangement (2014 - $2.5 million), the combined royalty rate for the nine months ended September 30 was 7.1 percent compared to 10.7 percent in 2014.

Production and operating expenses

	Three months ended September 30,		Nine months ended September 30,	
($ thousands, except as noted)	**2015**	2014	**2015**	2014
Production and operating expenses	**15,066**	17,647	**52,612**	57,648
$/boe	**8.29**	9.77	**9.77**	10.83

Total production and operating expenses decreased 15 percent to $15.1 million in the third quarter of 2015 compared to $17.6 million for the same period of 2014, reflecting company-wide cost saving initiatives, the re-deployment of operations personnel to abandonment and reclamation projects, and start-up of the new lower cost Company owned and operated gas plant at East Edson.

Municipal property taxes continue to represent a significant portion of corporate operating costs at $1.56 per boe (16.0 percent of total operating costs) for the nine months ended September 30, 2015. The calculation of property taxes for pipelines and wells is based on a prescribed formula methodology which results in a tax assessment base that is dramatically misrepresentative of value for the Company's mature assets. As a result, property taxes for Perpetual's shallow gas production in Eastern Alberta were $0.46 per Mcf for the nine months ended September 30, 2015, which represents 18.6 percent of operating costs for shallow gas production.

Transportation costs

	Three months ended September 30,		Nine months ended September 30,	
($ thousands, except as noted)	**2015**	2014	**2015**	2014
Transportation costs	**2,823**	3,388	**9,148**	9,291
$/boe	**1.55**	1.87	**1.70**	1.75

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 third quarter of 2015 decreased to $2.8 million from $3.4 million for the same period in 2014 reflecting lower oil sales volumes and lower rates on clean oil trucking.

Operating netbacks

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	**2015**	2014
Operating netback (*$ thousands*)				
Realized revenue[1]	**33,205**	62,163	**113,630**	187,413
Royalties[2]	**(4,663)**	(8,473)	**(13,075)**	(23,931)
Production and operating expenses	**(15,066)**	(17,647)	**(52,612)**	(57,648)
Transportation costs	**(2,823)**	(3,388)	**(9,148)**	(9,291)
Total operating netback	**10,653**	32,655	**38,795**	96,543
Boe operating netback (*$/boe*)				
Realized revenue[1]	**18.27**	34.40	**21.10**	35.21
Royalties[2]	**(2.57)**	(4.69)	**(2.43)**	(4.50)
Production and operating expenses	**(8.29)**	(9.77)	**(9.77)**	(10.83)
Transportation costs	**(1.55)**	(1.87)	**(1.70)**	(1.75)
Total operating netback	**5.86**	18.07	**7.20**	18.13

(1) See "Non-GAAP measures" in this MD&A.
(2) Includes $1.9 million in East Edson Gross Overriding Royalty payments in relation to the East Edson Agreements for the three months ended September 30, 2015 (2014 – $2.5 million) and $5.3 million for the nine months ended September 30, 2015 (2014 - $2.5 million).

Perpetual's third quarter 2015 operating netback of $5.86/boe ($10.7 million) decreased 68 percent from $18.07/boe ($32.7 million) in 2014, primarily as a result of decreased revenue reflecting lower commodity prices despite lower per boe royalties, operating expenses and transportation costs.

Gas over bitumen

	Three months ended September 30,		Nine months ended September 30,	
($ thousands, except as noted)	**2015**	2014	**2015**	2014
Gas over bitumen revenue	**830**	1,792	**2,450**	7,435
Payments on financial obligation	**(882)**	(1,383)	**(2,878)**	(1,383)
Gas over bitumen, net of payments	**(52)**	409	**(428)**	6,052
$/boe	**(0.03)**	0.23	**(0.08)**	1.14

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 third quarter of 2015, Perpetual recorded $0.8 million in GOB revenue; a decrease of $1.0 million from the same period in 2014 attributable to the 32 percent decrease in Alberta gas reference prices, combined with the annual 10 percent decline in deemed production.

GOB revenue earned during the third 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 September 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

	Three months ended September 30,		Nine months ended September 30,	
(*$ thousands*)	**2015**	2014	**2015**	2014
Lease rentals	**904**	943	**2,137**	2,256
Geological and geophysical costs(1)	**16**	34	**1,619**	265
Lease expiries	**260**	345	**6,166**	1,097
Total exploration and evaluation	**1,180**	1,322	**9,922**	3,618

(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 $1.2 million in the third quarter of 2015 were consistent with prior year costs of $1.3 million.

General and administrative expenses

	Three months ended September 30,		Nine months ended September 30,	
(*$ thousands, except as noted*)	**2015**	2014	**2015**	2014
Cash general and administrative expense	**4,314**	3,276	**11,986**	13,417
Share based compensation expense (non-cash)	**1,359**	1,554	**3,653**	4,223
Total general and administrative expense	**5,673**	4,830	**15,639**	17,640
Cash general and administrative expense *($/boe)*	**2.37**	1.81	**2.23**	2.52
Share based compensation expense (non-cash) *($/boe)*	**0.75**	0.86	**0.68**	0.79

Third quarter cash G&A expense increased 32 percent to $4.3 million in 2015 from $3.3 million in 2014. Lower levels of capital spending in 2015 resulted in lower overhead recovered from joint interest partners which were partially offset by reductions in consulting fees and savings related to modified work schedules and on-going cost saving initiatives implemented by the Corporation in response to the depressed commodity price environment.

Non-cash compensation expenses for the nine months ended September 30 decreased $0.5 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

	Three months ended September 30,		Nine months ended September 30,	
(*$ thousands, except as noted*)	**2015**	2014	**2015**	2014
Depletion and depreciation	**23,061**	22,249	**67,507**	69,478
$/boe	**12.69**	12.31	**12.54**	13.05

Perpetual recorded $23.1 million of depletion and depreciation expense in the third quarter of 2015 (2014 - $22.2 million). On a per boe basis, 2015 depletion and depreciation expense of $12.69/boe was three percent higher than depletion and depreciation expense of $12.31/boe recorded in 2014.

Finance expenses

Interest

	Three months ended September 30,		Nine months ended September 30,	
(*$ thousands*)	**2015**	2014	**2015**	2014
Cash interest				
Senior notes	**6,015**	5,148	**18,046**	11,656
Convertible debentures	**610**	2,148	**1,831**	7,865
Bank debt	**1,272**	718	**2,725**	3,322
Total cash interest	**7,897**	8,014	**22,602**	22,843
Non-cash interest				
Amortization of debt issue costs	**513**	1,601	**1,512**	3,486
Total interest	**8,410**	9,615	**24,114**	26,329

Total cash interest expense for the three and nine months ending September 30, 2015 was consistent with the comparative periods of 2014. Increased cash interest on senior notes resulted from the issuance of an additional $125 million 8.75 percent senior notes on July 23, 2014. Higher interest on senior debt was partially offset by reduced 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

	Three months ended September 30,		Nine months ended September 30,	
(*$ thousands*)	**2015**	2014	**2015**	2014
Accretion on decommissioning obligations	**1,026**	1,357	**3,012**	4,041
Accretion and change in estimate on GOB obligation	**126**	111	**373**	330
Change in fair value of marketable securities	**43,283**	–	**48,683**	–
Change in fair value of financial obligation	**22**	(176)	**(752)**	(176)
Other finance expenses	**44,457**	1,292	**51,316**	4,195

Other finance expenses for the nine months ended September 30, 2015 included accretion on decommissioning obligations of $3.0 million (2014 - $4.0 million) and accretion and change in estimate on the GOB obligation of $0.4 million (2014 – $0.3 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 2015 is an unrealized loss of $48.7 million on the change in fair value of marketable securities, which represents the change in value of 6.67 million TOU shares held from closing on April 1 and September 30, 2015.

Gains on dispositions

Perpetual recorded gains of $6.3 million on dispositions and asset swaps in the third quarter of 2015. These transactions include the disposition of the Corporation's interest in certain non-core undeveloped land for proceeds of $0.8 million as well as an asset swap to acquire an increased interest in existing reserves and undeveloped acreage in its core East Edson property in exchange for its interest in certain non-core undeveloped lands.

WGS LP loss and dividends

For the nine months ended September 30, 2015, Perpetual recorded a loss of $0.3 million on its equity investment in WGS LP compared to a loss of $2.8 million for the same period in 2014. There were no dividends declared or received for the nine months ended September 30, 2015 or 2014.

Funds flow

Low commodity prices continued to have a dramatic impact on financial results with third quarter cash expenses exceeding revenue for a negative funds flow of $2.5 million for the period, compared to $20.8 million of positive funds flow recorded in the third quarter of 2014. On a year to date basis, funds flow of $1.6 million has been recorded in 2015 compared to $64.1 million in 2014. Commodity price declines have resulted in minimal 2015 funds flow despite consistent production levels year-over-year and corporate cost-savings initiatives throughout 2015 which have resulted in reduced interest costs, lower operating and transportation costs and lower general and administrative expenses.

			Three months ended September 30,	
		2015		2014
	(*$ thousands*)	**(*$/boe*)**	(*$ thousands*)	(*$/boe*)
Realized revenue[1]	**33,205**	**18.27**	62,163	34.40
Royalties[2]	**(4,663)**	**(2.57)**	(8,473)	(4.69)
Production and operating expenses	**(15,066)**	**(8.29)**	(17,647)	(9.77)
Transportation costs	**(2,823)**	**(1.55)**	(3,388)	(1.87)
Operating netback[1]	**10,653**	**5.86**	32,655	18.07
GOB revenue net of payments	**(52)**	**(0.03)**	409	0.23
Exploration and evaluation[3]	**(904)**	**(0.50)**	(943)	(0.52)
Cash G&A	**(4,314)**	**(2.37)**	(3,276)	(1.81)
Interest[3]	**(7,897)**	**(4.34)**	(8,014)	(4.43)
Funds flow[1]	**(2,514)**	**(1.38)**	20,831	11.54

(1) See "Non-GAAP measures" in this MD&A.
(2) Includes $1.9 million in East Edson Gross Overriding Royalty payments in relation to the East Edson Agreements (2014 – $2.5 million).
(3) Excludes non-cash items.

			Nine months ended September 30,	
		2015		2014
	(*$ thousands*)	**(*$/boe*)**	(*$ thousands*)	(*$/boe*)
Realized revenue[1]	**113,630**	**21.10**	187,413	35.21
Royalties[2]	**(13,075)**	**(2.43)**	(23,931)	(4.50)
Production and operating expenses	**(52,612)**	**(9.77)**	(57,648)	(10.83)
Transportation costs	**(9,148)**	**(1.70)**	(9,291)	(1.75)
Operating netback[1]	**38,795**	**7.20**	96,543	18.13
GOB revenue net of payments	**(428)**	**(0.08)**	6,052	1.14
Exploration and evaluation[3]	**(2,137)**	**(0.40)**	(2,256)	(0.42)
Cash G&A	**(11,986)**	**(2.23)**	(13,417)	(2.52)
Interest[3]	**(22,602)**	**(4.20)**	(22,843)	(4.29)
Funds flow[1]	**1,642**	**0.29**	64,079	12.04

(1) See "Non-GAAP measures" in this MD&A.
(2) Includes $5.3 million in East Edson Gross Overriding Royalty payments in relation to the East Edson Agreements (2014 – $2.5 million).
(3) Excludes non-cash items.

Net Income (Loss)

	2015		Three months ended September 30, 2014	
	(*$ thousands*)	**(*$/boe*)**	(*$ thousands*)	(*$/boe*)
Funds flow[1]	**(2,514)**	**(1.38)**	20,831	11.54
Unrealized gains (losses) on derivatives	**(1,944)**	**(1.07)**	8,329	4.61
Payments on financial obligation	**882**	**0.49**	1,383	0.77
Exploration and evaluation[2]	**(276)**	**(0.15)**	(379)	(0.21)
Compensation expense, non-cash	**(1,359)**	**(0.75)**	(1,554)	(0.86)
Gain on dispositions	**6,260**	**3.44**	33,498	18.54
Depletion and depreciation	**(23,061)**	**(12.69)**	(22,249)	(12.31)
Finance expense, non-cash	**(44,970)**	**(24.74)**	(2,893)	(1.60)
WGS LP net income (loss) and dividends	**(157)**	**(0.09)**	(552)	(0.31)
Net income (loss)	**(67,139)**	**(36.94)**	36,414	20.17

(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.

	2015		Nine months ended September 30, 2014	
	(*$ thousands*)	**(*$/boe*)**	(*$ thousands*)	(*$/boe*)
Funds flow[1]	**1,642**	**0.29**	64,079	12.04
Unrealized gains (losses) on derivatives	**(14,411)**	**(2.68)**	2,592	0.49
Payments on financial obligation	**2,878**	**0.53**	1,383	0.26
Exploration and evaluation[2]	**(7,785)**	**(1.45)**	(1,362)	(0.26)
Compensation expense, non-cash	**(3,653)**	**(0.68)**	(4,223)	(0.79)
Gain on dispositions	**146,271**	**27.17**	39,120	7.35
Depletion and depreciation	**(67,507)**	**(12.54)**	(69,478)	(13.05)
Finance expense, non-cash	**(52,828)**	**(9.81)**	(7,681)	(1.44)
WGS LP net income (loss) and dividends	**(342)**	**(0.06)**	(2,791)	(0.52)
Net income (loss)	**4,265**	**0.77**	21,639	4.08

(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*)	**Q3 2015**	Q2 2015	Q1 2015	Q4 2014
Financial				
Oil and natural gas revenues	**35,460**	32,129	41,804	62,562
Funds flow(1)	**(2,514)**	2,635	1,521	17,316
Per share – basic	**(0.02)**	0.02	0.01	0.12
Net income (loss)	**(67,139)**	104,121	(32,717)	(18,723)
Per share – basic	**(0.44)**	0.70	(0.22)	(0.12)
– diluted	**(0.44)**	0.66	(0.22)	(0.12)
Capital expenditures				
Exploration and development	**14,670**	13,069	46,886	25,639
Geological and geophysical	**16**	105	1,498	379
Acquisitions	**–**	240	3	756
Dispositions	**(2,630)**	(21,337)	11	(21,351)
Other	**584**	280	21	84
Net capital expenditures	**12,640**	(7,643)	48,419	5,507
Common shares (*thousands*)				
Weighted average – basic	**150,980**	149,368	148,531	149,084
Weighted average – diluted	**150,980**	157,594	148,531	149,084
Operating				
Daily average production				
Natural gas (*MMcf/d*)	**105.5**	86.0	120.4	122.5
Oil (*bbl/d*)	**1,426**	1,766	2,045	2,638
NGL (*bbl/d*)	**741**	522	713	624
Total (*boe/d*)	**19,758**	16,621	22,819	23,685
Average prices				
Natural gas – before derivatives (*$/Mcf*)	**2.91**	2.80	3.01	3.96
Natural gas – including derivatives (*$/Mcf*)	**2.86**	3.10	3.14	4.16
Oil – before derivatives (*$/bbl*)	**40.58**	52.35	37.37	59.80
Oil – including derivatives (*$/bbl*)	**41.40**	74.33	49.41	67.05
NGL (*$/bbl*)	**28.07**	38.64	36.15	59.63

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

(*$ thousands, except where noted*)	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Financial				
Oil and natural gas revenues	63,126	72,348	64,754	49,075
Funds flow(1)	20,831	25,864	17,384	12,998
Per share – basic	0.14	0.17	0.12	0.09
Net income (loss)	36,414	2,549	(17,324)	(13,745)
Per share – basic	0.24	0.02	(0.12)	(0.09)
– diluted	0.23	0.02	(0.12)	(0.09)
Capital expenditures				
Exploration and development	46,583	12,251	31,340	24,537
Geological and geophysical	34	218	13	(19)
Acquisitions	–	91	151	418
Dispositions	(46,998)	(3,000)	–	(901)
Other	347	108	75	2
Net capital expenditures	(34)	9,668	31,579	24,037
Common shares (*thousands*)				
Weighted average – basic	149,574	148,835	148,448	148,489
Weighted average – diluted	160,282	157,555	148,448	148,489
Operating				
Daily average production				
Natural gas (*MMcf/d*)	97.8	97.8	92.1	90.3
Oil (*bbl/d*)	2,894	3,185	2,911	2,967
NGL (*bbl/d*)	430	553	540	542
Total (*boe/d*)	19,640	20,053	18,794	18,559
Average prices				
Natural gas – before derivatives (*$/Mcf*)	4.35	4.95	4.90	3.37
Natural gas – including derivatives (*$/Mcf*)	4.35	4.66	4.35	3.62
Oil – before derivatives (*$/bbl*)	78.37	83.20	77.43	65.45
Oil – including derivatives (*$/bbl*)	74.55	73.31	70.71	66.08
NGL (*$/bbl*)	77.56	82.36	79.33	64.81

(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 share capital, bank debt, senior notes, 7.0% Debentures, and adjusted working capital, with value and liquidity enhanced through ownership of TOU Shares. 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.

The Corporation is actively assessing alternatives for repayment of financial obligations which become due in the fourth quarter of 2015, including $58.4 million outstanding under a term loan secured by TOU Shares ("Margin Loan"), which is due on November 30, 2015 and $34.9 million repayable on the Company's 7.00% convertible debentures, which mature on December 31, 2015.

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 Corporation sold 85,000 TOU Shares for total proceeds of $2.9 million ($34.10 per share) during the third quarter of 2015. Subsequent to September 30, 2015 an additional 165,000 TOU Shares were sold for proceeds of $5.7 million ($34.29 per share). The 6.5 million TOU Shares held by the Corporation at November 10, 2015 represent 2.9 percent of 220.8 million outstanding shares of Tourmaline with a market value of 175.4 million ($26.99 per share). 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.

Ownership of the TOU Shares provides Perpetual with exposure to the value creation potential inherent in Tourmaline's reserves and extensive land and drilling inventory, including 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 repayment of $58.4 outstanding under the Margin Loan which is due on November 30, 2015, and 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 including funding development at East Edson. Relative investment merits will be considered along with other leverage and risk management considerations.

Capital Management

(*$ thousands, except as noted*)	**September 30, 2015**	December 31, 2014
Bank indebtedness	**68,590**	–
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	**(207,081)**	–
Adjusted working capital deficiency (surplus)(1)	**8,116**	21,867
Net debt (1)	**179,503**	331,745
Shares outstanding at end of period (*thousands*)	**153,194**	150,077
Market price at end of period (*$/share*)	**0.78**	1.14
Market value of shares	**119,491**	171,088
Total capitalization(1)	**298,994**	502,833
Net debt as a percentage of total capitalization	**60.0**	66.0
Trailing twelve months funds flow(1)	**18,958**	81,395
Net debt to funds flow ratio(2)	**9.5**	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 September 30, 2015, the Corporation's ratio of net debt to TTM funds flow had increased 132 percent from year end 2014, to 9.5 to 1 (December 31, 2014 – 4.1 to 1). The increase reflects the significant impact of declining commodity prices at the end of 2014 and continuing through the first three quarters of 2015; which negatively impacts funds flow and results in higher levels of bank debt. The increase was partially offset with inclusion of the period end value of marketable securities received in exchange for the West Edson assets in the second quarter of 2015. 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 September 30, 2015, Perpetual had total debt net of working capital and the market value of TOU Shares of $179.5 million, down $152.2 million (46 percent) from December 31, 2014. The reduction reflects the inclusion of the period end value of marketable securities, offset by year to date 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 deficit at September 30, 2015 was $8.1 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]	77.1
Dispositions, net of acquisitions	(23.7)
Period end balance of marketable securities	(207.1)
Funds flow[1]	(1.6)
Expenditures on decommissioning obligations	5.2
Proceeds on sale of marketable securities	(2.9)
Other	0.8
Net debt, September 30, 2015[1]	**179.5**

(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

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 the Margin Loan of $75 million secured by the pledge of 6.75 million TOU Shares, and a revolving credit facility of $25 million which includes a $10 million demand loan and $15 million working capital facility.

Revolving Credit Facility

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. At September 30, 2015, the Corporation had drawn $4.3 million on the credit facility (December 31, 2014 – nil) and has outstanding letters of credit in the amount of $5.3 million (December 31, 2014 – $8.8 million). Collateral for the revolving 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.

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 next semi-annual redetermination is set to occur on or before November 30, 2015.

Margin Loan

During the period ended September 30, 2015, the Margin Loan was reduced to $64.3 million. Subsequent to the end of the third quarter, the Margin Loan was further reduced to $58.4 million. These permanent reductions were in conjunction with a decline in the market value of TOU Shares. The Corporation is required to maintain a 1 to 3 lending ratio based on the daily closing market value of TOU shares.

The Margin Loan matures on November 30, 2015 should it not be extended in conjunction with the semi-annual redetermination to occur on or before November 30, 2015. Management is currently pursing repayment options for the Margin Loan including refinancing, asset dispositions, proceeds from the sale of TOU Shares or a combination thereof. Collateral for the Margin 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 Margin 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.

Covenants

The Corporation has maintenance 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 except for 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 Margin Loan, credit facility, senior notes and outstanding letters of credit reduced by the lesser of the mark to market value of the TOU Shares or the TOU Share quarterly average value. 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 September 30, 2015. As a result of the current low commodity price environment, the Corporation has forecasted non-compliance with the maintenance covenants attached to the credit facility beginning with the quarter ended December 31, 2015. The Corporation is in discussions with the Agent bank on alternatives in conjunction with the semi-annual redetermination to occur on or before November 30, 2015. It is within the Corporation's control to use proceeds from the sale of TOU Shares to repay the outstanding balance of the credit facility in order to prevent non-compliance with the maintenance covenants.

Convertible Debentures

At September 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 November 10, 2015 by the quoted market price per debenture at that date.

Senior Notes

At September 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**	**September 30, 2015**	December 31, 2014
2011 senior notes[1]	March 15, 2018	150,000	8.75%	**148,598**	148,223
2014 senior notes[2]	July 23, 2019	125,000	8.75%	**122,813**	122,467
		275,000		**271,411**	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 November 10, 2015 was $198.9 million. The senior notes have a cross-default provision with the Corporation's credit facility which require the Consolidated Debt Ratio and the Consolidated Senior Debt Ratio to be less than 4.0 to 1.0 and 3.0 to 1.0, respectively, except for 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.

The Corporation was in compliance with the lender's covenants at September 30, 2015. As a result of the current low commodity price environment, the Corporation has forecasted non-compliance with the maintenance covenants attached to the credit facility beginning with the quarter ended December 31, 2015. The Corporation is in discussions with the Agent bank on alternatives in conjunction with the semi-annual redetermination to occur on or before November 30, 2015. It is within the Corporation's control to use proceeds from the sale of TOU Shares to repay the outstanding balance of the credit facility in order to prevent non-compliance with the maintenance covenants.

Equity

Perpetual's total capitalization was $299.0 million at September 30, 2015. Net debt to total capitalization decreased to 60 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 September 30, 2015. These reductions were offset by higher net bank debt levels resulting from year to date capital spending which exceeded year to date funds flow.

Weighted average shares outstanding for the nine months ended September 30, 2015 totaled 151.5 million (2014 – 149.1 million). On November 10, 2015 there were 153.3 million shares outstanding.

OUTLOOK

Remainder of 2015

Perpetual expects to generate minimal funds flow over the remainder of 2015 based on current forward commodity prices, despite 2015 oil and liquids production averaging close to 2,350 bbl/d and natural gas sales averaging approximately 105 MMcf/d. Drilling activities will continue to be restricted through the balance of 2015 in the absence of price recovery, with mind and management focused on financial restructuring, cost-reduction and optionality to preserve upside value and inventory with a view to eventual price recovery.

2016 Outlook

Based on current forward commodity prices, Perpetual, with approval of its Board of Directors, will be deferring decisions regarding the 2016 capital expenditure program until there is clarity on commodity prices to generate meaningful corporate funds flow or alternatively, proceeds from asset dispositions, sale of Tourmaline shares or other financing arrangements sufficient to finance debt obligations and exploration and development spending. Management will continue to focus on financial restructuring, cost-reduction and preservation of value throughout 2016.

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 September 30, 2015 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.