



NEWS RELEASE

Perpetual Energy Inc. Announces the Creation of Rubellite Energy Inc., \$73 MM in Equity Financings, Settlement of its Second Lien Term Loan and New Credit Facilities

Calgary, Alberta – July 16, 2021 (TSX:PMT) – Perpetual Energy Inc. (“Perpetual” or the “Company”) is pleased to announce the creation of Rubellite Energy Inc. (“Rubellite”), a new high growth, pure play Clearwater oil company.

Rubellite will: (i) acquire all of Perpetual’s Clearwater lands, wells, roads and related facilities in northeast Alberta (the “Clearwater Assets”) for total consideration of \$60 million, including \$58 million in cash and the issuance of an option to purchase four million common shares (“Rubellite Shares”) of Rubellite (the “Acquisition”); (ii) participate in a proposed plan of arrangement under the *Business Corporations Act (Alberta)* involving Perpetual, the shareholders of Perpetual and Rubellite (the “Plan of Arrangement”); and (iii) raise a minimum of \$72.8 million through a combination of equity financings.

Pursuant to the Plan of Arrangement, Perpetual shareholders will receive Rubellite Shares and arrangement warrants (the “Arrangement Warrants”) of Rubellite. The Arrangement Warrants effectively provide for a “rights offering” whereby all shareholders of Perpetual will have an equal opportunity to purchase Rubellite Shares. Rubellite will raise \$32.3 million, through the fully back-stopped exercise of the Arrangement Warrants at \$2.00 per Arrangement Warrant (the “Arrangement Warrant Financing”).

Rubellite has closed a \$30 million subscription receipt financing, at \$2.00 per subscription receipt (“Subscription Receipt”), to a number of arm's length institutional investors (the “Sub-Receipt Financing”). To complete the capitalization of Rubellite, upon expiry of the Arrangement Warrants, Rubellite intends to close a committed, minimum \$10.5 million non-brokered private placement at \$2.00 per share, which may be expanded to \$20 million (the “Non-Brokered Placement”) (the Arrangement Warrant Financing, Sub-Receipt Financing and the Non-Brokered Placement are collectively, the “Financings” and the Acquisition, the Plan of Arrangement and the Financings are collectively, the “Transactions”).

In connection with the Acquisition, Rubellite has entered into an agreement with Freehold Royalties Ltd. whereby it has sold a 3% to 5% gross overriding royalty on certain lands at Figure Lake (the “Figure Lake GORR Financing”) for gross proceeds of up to \$7.9 million to be paid in accordance with a drilling commitment agreement. It is expected that 100% of Rubellite’s costs for the drilling, completion and equipping of four commitment wells and a portion of the costs for twelve additional wells on the Figure Lake royalty lands will be funded by the Figure Lake GORR Financing. The first of the four Figure Lake commitment wells is expected to spud in mid-July.

Perpetual is also pleased to announce it has entered into a debt settlement arrangement with its second lien lender to settle all outstanding obligations under its term loan, which will eliminate all but \$2.7 million of the Company’s second lien secured debt and extend the remaining second lien secured debt’s maturity to December 31, 2024.

“We are very excited about the creation of Rubellite Energy” said President and CEO Sue Riddell Rose. “Since 2018, the Perpetual team has executed over 30 separate transactions to assemble our Clearwater position. The Transactions position Perpetual shareholders to benefit through Rubellite to unlock the value of these high quality assets while at the same time providing a full capital solution, reducing Perpetual’s leverage and improving its liquidity to surface value from Perpetual’s remaining asset base. The Transactions will put Rubellite in an enviable position of having no debt, cash on the balance sheet and a large inventory of prospective drill ready locations to fuel a robust growth plan.”

"The Transactions we are announcing today are a win-win-win for all of Perpetual's stakeholders. Perpetual receives a substantial amount of cash that it will use to restructure its balance sheet and provide the liquidity for operating subsidiaries in the Perpetual group to invest capital to capture value at Edson, boosting the Company's credit worthiness and thereby improving the position of Perpetual's creditors. Perpetual will remain exposed to value appreciation of the Clearwater Assets through its five-year option to purchase four million Rubellite Shares. Importantly too, Perpetual shareholders, through direct ownership of initial capitalization Rubellite Shares and participation in the Arrangement Warrant "rights offering", will own approximately 45.6% of Rubellite in aggregate." added Sue Riddell Rose.

Strategic Rationale

Over the past number of years, Perpetual has been subject to limited liquidity and imminent debt maturities which have hampered its ability to fund the capital required to further expand and develop its Clearwater lands, offset production declines in its legacy Mannville heavy oil asset and invest in the development of its Wilrich liquids-rich natural gas reserves at East Edson. The sale of the Clearwater Assets deleverages Perpetual's balance sheet and allows the Company to meet its loan obligations. The net cash proceeds from the sale of the Clearwater Assets are intended to settle all but \$2.7 million of Perpetual's existing second lien term loan and repay a substantial portion of the outstanding balance on the first lien credit facility, leading to a normalization of Perpetual's leverage ratios and a significant improvement of its liquidity.

At the close of the Transactions, Perpetual's liquidity will be sufficient to keep pace with its joint venture partner and fund its share of drilling programs at Edson, continue to optimize its Mannville heavy oil assets, pursue other diversifying new ventures and settle its debt and other obligations as they come due. Simultaneously, Rubellite will be well positioned to fund the development capital required to realize the full potential of the Clearwater Assets and further expand its position in the emerging Clearwater heavy oil play.

The Transactions provide for Perpetual and its shareholders to participate directly and indirectly through Rubellite in the value creation opportunities inherent in the Clearwater Assets. This is achieved through the initial capitalization Rubellite Shares received by Perpetual shareholders along with the right to participate in the Arrangement Warrant Financing, and through Perpetual's five-year option to purchase four million Rubellite Shares at \$3.00 per share (the "Rubellite Share Purchase Options").

In addition, Perpetual will manage Rubellite cost-effectively through a Management Services Agreement (the "MSA"), sharing people, office and information technology related general and administrative costs on a relative production split basis. Unique professional fees and expenses, such as public company and legal costs, will be borne separately by each of Perpetual and Rubellite. The MSA provides for optimization of Perpetual's technical, administrative and management capacity which, in conjunction with interest cost savings, serves to establish a more sustainable cost structure.

Rubellite Energy Inc.

Rubellite will initially be exclusively focused on Clearwater oil exploration and development utilizing multi-lateral horizontal drilling technology. The Clearwater is a high rate of return play with compelling economics at current forward market prices for Western Canadian Select crude oil. The Clearwater Assets comprise 104.5 net sections of acreage highly prospective for heavy crude oil in the Clearwater formation with over 370 identified multi-lateral drilling locations. Currently there are seven (7.0 net) producing wells and six (5.0 net) additional wells are expected to have been drilled and on production prior to the anticipated close of the Financings in mid-September 2021. The Acquisition also includes proprietary 2D and 3D seismic and an extensive road network of approximately 40 km. Additionally, there are no asset retirement obligations except those associated with the producing wells. Based on an independent reserve report prepared by McDaniel and Associates Consultants Ltd. effective June 1, 2021, the Clearwater Assets have booked proved and probable heavy crude oil reserves of 3.6 MMbbls with 25 booked undeveloped drilling locations. The remaining 345 identified drilling locations are unbooked. Rubellite will control and operate 100% of the Clearwater Assets.

Drilling activity is planned in three core development areas in the second half of 2021 with two (1.0 net) eight-leg multi-lateral wells recently rig released on July 14 at Marten Hills, four (4.0 net) wells planned at Figure Lake in July and August, 100% funded by the Figure Lake GORR Financing, and eight (8.0 net) wells at Ukalta following the close of the Financings. Preliminary plans include a 20 net well drilling program in 2022 and 24 net wells in 2023. The drilling activity is forecast to drive rapid production growth from current production levels of approximately 350 bbl/d of conventional heavy crude oil to an estimated average of over 2,000 bbl/d in 2022. In the context of current strip

pricing, Rubellite's organic growth business plan is expected to be fully funded, drive material adjusted funds flow growth over the next two years and has the potential to generate significant free funds flow by 2022.

Rubellite also plans to continue exploration activities to pursue additional prospective land and de-risk existing acreage, including the delineation of exploratory lands that have been secured in the West Dawson and Cadotte areas.

Rubellite will not have any staff and will be managed by Perpetual through the MSA and as such, will not have the start-up costs of a new multi-disciplinary operating company. Upon completion of the Plan of Arrangement, Rubellite will have a Board of Directors comprised of a majority of independent directors, each of whom will be unique from Perpetual's board, establishing a strong governance model and clear shareholder and management alignment.

Rubellite is expected to begin operations with zero debt and positive working capital of approximately \$12 million. Rubellite has entered into a commitment with its lead bank for the establishment of a new \$3 million revolving credit facility (subject to usual and customary conditions precedent to closing) with an initial term to May 31, 2022 and which may be extended for a further twelve months subject to approval. If not extended, on or before May 31, 2022, all outstanding advances will be repayable on May 31, 2023.

Perpetual Second Lien Term Loan Repayment and Credit Facility

Perpetual has reached an agreement with Alberta Investment Management Corporation ("AIMCo") for the settlement, upon closing of the Financings, of its \$45 million second lien term loan principal plus outstanding interest for the payment of approximately \$38.5 million in cash, a new second lien term loan of \$2.7 million (the "New Second Lien Term Loan"), delivery by Perpetual of 680,485 shares of Rubellite valued at \$2.00 per share and up to \$4.5 million in contingent payments in the event that Perpetual's annual average realized crude oil and natural gas prices exceed certain thresholds over the three year period ended December 31, 2023 (the "Second Lien Loan Settlement"). The New Second Lien Term Loan will bear interest at 8.1% annually, which Perpetual may elect to pay-in-kind, and will mature on December 31, 2024. Perpetual will have the ability to prepay any or all of the New Second Lien Term Loan at any time without penalty. Closing of the Second Lien Loan Settlement is contingent on the Transactions closing on or before November 30, 2021.

As part of the Second Lien Loan Settlement, AIMCo has committed to fully exercise the Arrangement Warrants it will receive under the Plan of Arrangement associated with its approximately 4.1% equity ownership of Perpetual. In addition, AIMCo has agreed to subscribe for \$4.45 million of the Non-Brokered Placement and upon completion of the Transactions is expected to own approximately 9.5% of the Rubellite Shares.

Perpetual has entered into an agreement with its syndicate of lenders to extend its revolving bank debt facility ("First Lien Credit Facility") upon closing of the Financings. The First Lien Credit Facility will have a borrowing limit of \$17 million, reduced from the current borrowing limit of \$20 million, upon completion of the Financings, with an initial term to November 30, 2022 unless the revolving period is extended for a further six months subject to approval by the syndicate. If not extended on or before November 30, 2022, all outstanding advances will be repayable on May 31, 2023. The next Borrowing Limit redetermination is scheduled on or before November 30, 2021. If the Transactions do not close, the First Lien Credit Facility will cease to revolve and will mature on November 15, 2021.

Perpetual Energy Inc.

With the sale of the Clearwater Assets to Rubellite, Perpetual will receive cash proceeds of approximately \$52 million, net of transaction costs and other payments required under the Plan of Arrangement and non-cash consideration of four million Rubellite Share Purchase Options. Following the closing of the Transactions, the net cash proceeds will be used to settle its second lien term debt under the terms of the Second Lien Loan Settlement and reduce its first lien bank debt. Total outstanding net debt at the close of the Transactions is estimated to be approximately \$59 million, down from \$107.4 million at the end of the first quarter of 2021. As a result of the reduction of the first and second lien loans, Perpetual will decrease its annual cash interest costs by approximately \$4 million. The Transactions materially strengthen Perpetual's overall financial position, stabilizing the balance sheet, reducing debt and improving liquidity.

Perpetual will divest approximately 6% of its current production and 8% of its proved plus probable reserves. However, Perpetual's production will grow as a result of the Company's increased ability to participate as to its 50% interest in the Edson development program in the fourth quarter of 2021. Perpetual will be well positioned to capture the inherent value of its assets by investing in the continued development of the Wilrich and other secondary zones at Edson, optimizing its Mannville heavy oil assets and advancing other diversifying new ventures.

With improved liquidity and reduced debt, Perpetual's business plan will continue to be focused on growing production, reserves, cash flow and value through exploration and development and the application of innovative technologies. The Company's strategic priorities for the remainder of 2021 remain to:

1. Optimize the value of Edson;
2. Maximize adjusted funds flow and the value of Mannville;
3. Stabilize the balance sheet, improve liquidity and reduce debt; and
4. Advance technology-driven diversifying new ventures.

Transaction Details

Plan of Arrangement

Under the terms of the Plan of Arrangement, Perpetual shareholders will receive one Rubellite Share for every 46 common shares of Perpetual held, and for every Rubellite Share received, Perpetual shareholders, under the Plan of Arrangement, will receive 12 Arrangement Warrants. Each Arrangement Warrant will entitle the holder to subscribe for one Rubellite Share at a price of \$2.00 per share.

Perpetual estimates that there will be approximately 1,346,094 Rubellite Shares issued to Perpetual shareholders. In addition, Perpetual will receive 680,485 Rubellite Shares as part of the initial capitalization of Rubellite, which will be delivered to AIMCo as part of the Second Lien Loan Settlement. Only the 1,346,094 Rubellite Shares issued to Perpetual shareholders will receive Arrangement Warrants. At the close of the Plan of Arrangement, there will be an estimated: (i) 2,026,579 Rubellite Shares outstanding; (ii) 16,153,132 Arrangement Warrants outstanding; (iii) 15,000,000 Subscription Receipts outstanding; (iv) a minimum of 5,225,000 to a maximum of 10,000,000 Rubellite Shares to be issued through the Non-Brokered Placement; and (v) Rubellite Share Purchase Options owned by Perpetual providing the option to purchase 4,000,000 Rubellite Shares exercisable at \$3.00 per share for a period of five years. On a pro forma basis after giving effect to the Transactions, Rubellite will have approximately 38.4 to 43.4 million shares outstanding and 4.0 million Rubellite Share Purchase Options owned by Perpetual.

In addition, in connection with the Plan of Arrangement, Perpetual will consolidate its shares at a number between 500 and 1,000 to 1 ("the Ratio") and subsequently will split its shares at the same Ratio. The Ratio will be determined and press released prior to the meeting of Shareholders currently expected to be in late August. Shareholders of Perpetual who own a number of shares less than the Ratio will have their shares acquired by Perpetual for cash, based on the volume weighted average trading price of the Perpetual common shares on the Toronto Stock Exchange ("TSX") for the 20-day period prior to the effective date of the Plan of Arrangement. Perpetual has a large number of shareholders owning less than the Ratio and this odd lot consolidation provides those shareholders with the opportunity for liquidity they would otherwise not have on a cost-efficient basis.

Arrangement Warrant Financing

Rubellite will apply to have the Rubellite Shares and the Arrangement Warrants listed on the TSX. Listing such securities on the TSX is subject to the approval of the TSX and Rubellite satisfying the TSX's listing conditions. The Arrangement Warrants are expected to trade for approximately two to three weeks prior to expiry assuming TSX listing approval is obtained from the TSX. Holders of the Arrangement Warrants may sell or exercise their Arrangement Warrants, or let them expire. Holders of the Arrangement Warrants may also oversubscribe for additional Arrangement Warrants that remain unexercised, subject to pro ration.

Perpetual and Rubellite have entered into a Standby Purchase Agreement with a corporation controlled by Sue Riddell Rose, Perpetual's President and Chief Executive Officer, that ensures that all Arrangement Warrants issued under the Plan of Arrangement are fully exercised (the "Backstop") to the extent they are not otherwise exercised by other Perpetual shareholders. Upon closing, the Arrangement Warrant Financing will raise approximately \$32.3 million cash in consideration for the issuance of 16,153,132 Rubellite Shares.

Subscription Receipt Financing

Pursuant to the terms of an agency agreement entered into by Peters & Co. Limited and Rubellite, the Sub-Receipt Financing for gross proceeds of \$30.0 million at a price of \$2.00 per Subscription Receipt has been completed. The funds are being held by a third-party trustee, as escrow agent, until the earlier of the satisfaction of the Escrow Release Conditions or the Termination Date. On the satisfaction of the Escrow Release Conditions which include, among other things, the completion of the Acquisition, the Plan of Arrangement and the concurrent completion of the Arrangement

Warrant Financing and the Non-Brokered Placement, each Subscription Receipt issued under the Sub-Receipt Financing will automatically be exchanged on a one-to-one basis for common shares of Rubellite concurrently with the other Financings.

If the Escrow Release Conditions are not satisfied on or before November 30, 2021 (the "Outside Time" under the Plan of Arrangement), or if either of the definitive agreements governing the Plan of Arrangement or the Acquisition are terminated at any earlier time pursuant to the terms and conditions thereof (in either case, the "Termination Date"), holders of Subscription Receipts will have the full purchase price of the Subscription Receipts, plus any accrued interest thereon, returned to them.

Non-Brokered Private Placement

In addition, Rubellite will complete the Non-Brokered Placement for a minimum of \$10.5 million, which may be expanded up to \$20 million, at \$2.00 per Rubellite Share. AIMCo has committed to purchase \$4.45 million and pursuant to the Standby Purchase Agreement, Sue Riddell Rose has committed to directly or indirectly purchase a minimum of \$6.0 million of the Non-Brokered Placement, which will close concurrently with the Arrangement Warrant Financing and the release of proceeds from the Sub-Receipt Financing by the escrow agent.

In aggregate, the Financings will raise a minimum of approximately \$72.8 million in equity, all priced at \$2.00 per share. Upon closing of the Plan of Arrangement and the minimum Financings, Rubellite will have approximately 38.4 million shares outstanding. AIMCo will own approximately 9.5% of the Rubellite Shares and Sue Riddell Rose will directly or indirectly own between 27% and 49% of the Rubellite Shares, depending on the degree to which the Backstop is required. Perpetual will own 4,000,000 Rubellite Share Purchase Options.

An Information Circular outlining the transaction details is expected to be mailed to shareholders of Perpetual in advance of a special meeting of Perpetual shareholders to consider the Plan of Arrangement. Completion of the Plan of Arrangement is subject to the requisite approval of the Perpetual shareholders voting at a special meeting scheduled to be held during the last week of August. The Financings are expected to close in mid-September, being two to three weeks after shareholder approval and final Court approval of the Plan of Arrangement. Completion of the proposed Transactions are conditional on, among other things, shareholder approval, closing of the Financings and customary regulatory and Court approvals.

Perpetual Board of Director Recommendation

The Board of Directors of Perpetual, with the unanimous recommendation of Perpetual's Special Committee of independent Board members, has unanimously approved the Transactions. Based in part on the financial advice provided by ATB Capital Markets Inc., the Special Committee of Perpetual's Board of Directors determined that the Transactions are in the best interest of Perpetual and all its stakeholders and is fair from a financial point of view to Perpetual shareholders. The Perpetual Board of Directors has also unanimously resolved to recommend that Perpetual shareholders vote their common shares in favour of the Plan of Arrangement. All the directors and officers of Perpetual, and certain entities controlled by Sue Riddell Rose, holding approximately 44.7% of the outstanding common shares of Perpetual, have indicated their intention to vote their Perpetual common shares in favor of the Plan of Arrangement. In addition, as part of the Second Lien Loan Settlement, AIMCo, holding approximately 4.1% of the outstanding common shares of Perpetual, has committed to vote its Perpetual common shares in favour of the Plan of Arrangement and fully exercise the Arrangement Warrants it receives under the Plan of Arrangement.

Advisors

ATB Capital Markets Inc. is acting as exclusive financial advisor to the Special Committee of the Board of Directors of Perpetual. Peters & Co. Limited. is the exclusive agent for the Subscription Receipt Financing. Burnet Duckworth & Palmer LLP is acting as Perpetual's legal advisors and Felesky Flynn LLP is acting as tax counsel for the Transactions.

Webcast

Perpetual will be hosting a Webcast to discuss the transactions on Monday, July 19, 2021 at 9:00 a.m. Mountain Time.
Webcast Link: <https://78449.themediaframe.com/dataconf/productusers/ppe/mediaframe/46036/index1.html>
Participant Dial-In: 877-407-9221 / 201-689-8597 (dial in only necessary if not attending via the webcast link)

Related presentation materials will be available on Perpetual's website at www.perpetualenergyinc.com. A replay will be made available on the Company's website following the webcast.

ADDITIONAL INFORMATION

About Perpetual

Perpetual is an oil and natural gas exploration, production and marketing company headquartered in Calgary, Alberta. Perpetual owns a diversified asset portfolio, including liquids-rich conventional natural gas assets in the deep basin of West Central Alberta, heavy crude oil and shallow conventional natural gas in Eastern Alberta, including undeveloped bitumen leases in Northern Alberta and prospective undeveloped acreage in the emerging Clearwater play fairway through Rubellite Energy Inc. Additional information on Perpetual can be accessed at www.sedar.com or from the Corporation's website at www.perpetualenergyinc.com.

The Toronto Stock Exchange has neither approved nor disapproved the information contained herein. For additional information please contact:

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Susan L. Riddell Rose President and Chief Executive Officer
Ryan A. Shay Vice President Finance and Chief Financial Officer

Forward-Looking Information

Certain information in this news release may constitute forward-looking information or statements (together "forward-looking information") under applicable securities laws. The forward-looking information includes, without limitation, statements with respect to: the anticipated benefits of the Transactions to Perpetual's shareholders, including the expected ability of the Company to fund its future drilling and development programs and an expected resumption of growth in shareholder value; the planned acquisition by Rubellite of the Clearwater Assets and the consideration and timing related thereto; the characteristics and plans in respect of the Clearwater Assets; the expected terms and conditions and timing with respect to Rubellite's Revolving Credit Facility; the anticipated terms of the extension of Perpetual's revolving bank debt facility and the timing thereof; anticipated terms and steps of the Plan of Arrangement including the consideration to be received by Perpetual shareholders and the timing thereof, the anticipated Ratio and the number of Rubellite Shares and Arrangement Warrants expected to be issued in connection with the Plan of Arrangement; the anticipated terms of the Arrangement Warrants and the expected proceeds with respect to the exercise of such Arrangement Warrants; Rubellite's intention to complete the Non-Brokered Private Placement and the anticipated proceeds and timing thereof; the expected source of funding for Rubellite's operational costs related to drilling commitments in connection with the Figure Lake GORR Financing; the anticipated net cash proceeds from the sale of the Clearwater Assets and the Company's intended use thereof; the anticipated financial position of the Company at the close of the Transactions; expectations respecting Rubellite's future exploration, development and drilling activities; expectations with respect to the Company's management of Rubellite under the MSA; expected composition of the Rubellite Board of Directors; the expected initial working capital of Rubellite; the expected exercise by AIMCo of its Arrangement Warrants and AIMCO's anticipated subscription for \$4.45 million under the Non-Brokered Private Placement (subject to its beneficial ownership restrictions); the anticipated focus of Perpetual's business plan following the completion of the Transactions; the expected listing of the Rubellite Shares and Arrangement Warrants on the TSX, the submission of the related TSX listing application, and the timing, terms and conditions thereof; the expected timing of the issue of the Rubellite Shares underlying the Subscription Receipts pursuant to the Sub-Receipt Financing; expectations with respect to the mailing of an Information Circular to Perpetual's shareholders in connection with the Plan of Arrangement; expected timing of the special meeting of Perpetual Shareholders to be held to consider the Plan of Arrangement; and other similar statements.

Statements relating to "reserves" and "resources" are also deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves or resources described exist in the quantities predicted or estimated and that the reserves or resources can be profitably produced in the future. Actual reserves may be greater than or less than the estimates provided herein. The estimated future net revenue from the production of the disclosed oil, natural gas liquids and natural gas reserves does not represent the fair market value of these reserves.

Forward-looking information is based on current expectations, estimates and projections that involve a number of known and unknown risks, which could cause actual results to vary and in some instances to differ materially from those anticipated by Perpetual and described in the forward-looking information contained in this news release. In particular and without limitation of the foregoing, material factors or assumptions on which the forward-looking information in this news release is based include: the successful completion of each of the Transactions, including obtaining necessary shareholder, Court and regulatory approvals, as applicable, and satisfying all other conditions to completion within expected timelines; completion of the Plan of Arrangement on the expected terms; anticipated benefits to Perpetual's shareholders; the ability of Perpetual to continue as a going concern in the event the Transactions are not completed; the ability of Rubellite to successfully operate the Clearwater Assets; forecast commodity prices and other pricing assumptions; forecast production volumes based on business and market conditions; foreign exchange rates; near-term pricing and continued volatility of the market; Rubellite's and Perpetual's capacity and continued operations; estimates of quantities of crude oil from properties and other sources not currently classified as proved; accounting estimates and judgments; future use and development of technology and associated expected future results; the ability to obtain regulatory approvals; the successful and

timely implementation of capital projects; ability to generate sufficient cash flow to meet current and future obligations; estimated abandonment and reclamation costs, including associated levies and regulations applicable thereto; Rubellite's ability to operate under the management of Perpetual pursuant to the MSA; the ability of Rubellite and Perpetual to obtain and retain qualified staff and equipment in a timely and cost-efficient manner, as applicable; the successful listing of the Rubellite Shares and Arrangement Warrants on the TSX; the retention of key properties; forecast inflation and other assumptions inherent in Perpetual's current guidance and estimates; the continuance of existing tax, royalty, and regulatory regimes; the accuracy of the estimates of reserves volumes; ability to access and implement technology necessary to efficiently and effectively operate assets; and the ongoing and future impact of the coronavirus on commodity prices and the global economy, among others.

Undue reliance should not be placed on forward-looking information, which is not a guarantee of performance and is subject to a number of risks or uncertainties, including without limitation those described herein and under "Risk Factors" in Perpetual's Annual Information Form and MD&A for the year ended December 31, 2020 and in other reports on file with Canadian securities regulatory authorities which may be accessed through the SEDAR website (www.sedar.com) and at Perpetual's website (www.perpetualenergyinc.com). Readers are cautioned that the foregoing list of risk factors is not exhaustive. Forward-looking information is based on the estimates and opinions of Perpetual's management at the time the information is released, and Perpetual disclaims any intent or obligation to update publicly any such forward-looking information, whether as a result of new information, future events or otherwise, other than as expressly required by applicable securities law.

Reserves Data

There are numerous uncertainties inherent in estimating quantities of crude oil, natural gas and natural gas liquids reserves and the future cash flows attributed to such reserves. The reserve information set forth above are estimates only. In general, estimates of economically recoverable crude oil, natural gas and natural gas liquids reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially. For those reasons, estimates of the economically recoverable crude oil, natural gas liquids and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

Certain Abbreviations

The following abbreviations used in this news release have the meanings set forth below:

*bbls barrels
bbl/d barrels per day
MMbbls million barrels*

Oil and Gas Metrics

This news release contains certain oil and gas metrics which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included in this document to provide readers with additional measures to evaluate the Company's performance; however, such measures are not reliable indicators of the Company's future performance and future performance may not compare to the Company's performance in previous periods and therefore such metrics should not be unduly relied upon.

Estimates of Drilling Locations

Unbooked drilling locations are the internal estimates of Perpetual based on the Clearwater Assets prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources (including contingent and prospective). Unbooked locations have been identified by Perpetual's management as an estimation of Rubellite's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Rubellite will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and natural gas reserves, resources or production. The drilling locations on which Rubellite will actually drill wells, including the number and timing thereof is ultimately dependent upon the availability of funding, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While a certain number of the unbooked drilling locations have been de-risked by Perpetual by drilling existing wells in relative close proximity to such unbooked drilling locations, the majority of other unbooked drilling locations are farther away from existing wells where management of Perpetual has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.