CALGARY, Aug. 10, 2015 /CNW/ - (TSX:PMT) - Perpetual Energy Inc. ("Perpetual", the "Corporation" or the "Company") is pleased to report its financial and operating results for the three and six months ended June 30, 2015. A complete copy of Perpetual's unaudited interim consolidated financial statements and related Management's Discussion and Analysis ("MD&A") for the three and six months ended June 30, 2015 can be obtained through the Corporation's website at www.perpetualenergyinc.com and SEDAR at www.sedar.com.

SECOND QUARTER HIGHLIGHTS

Production and Operations

- On April 1, 2015, Perpetual closed an arrangement with Tourmaline Oil Corp. to swap the Company's joint interest in its West Edson assets in exchange for 6.75 million Tourmaline common shares ("TOU Shares"). The transaction included all joint interest lands in West Edson, together with the associated wells and infrastructure (the "West Edson Property"), representing approximately 5,750 boe/d of natural gas and NGL production at the time of the swap.

- Second quarter average production of 16,621 boe/d reflected the impact of the West Edson Property swap, down 27 percent from the first quarter of 2015 (22,819 boe/d). Compared to the prior year, second quarter production was down 17 percent (Q2 2014 - 20,053 boe/d), with new production from the Company's East Edson development program partially offsetting the impact of the West Edson swap.

- Perpetual's natural gas production of 86.0 MMcf/d decreased 29 percent from the first quarter of 2015 (120.4 MMcf/d) reflecting the exchange of the West Edson Property for TOU Shares, which, along with natural declines, more than offset the 106 percent production growth at East Edson related to accelerated development spending in the second half of 2014 and the first quarter of 2015. Production at East Edson was still constrained by compression and processing facilities' capacity during the second quarter, awaiting start-up of the Company's newly constructed East Edson gas plant which commenced on schedule on July 15, 2015.

- Second quarter 2015 natural gas liquids ("NGL" or "liquids") production of 522 bbl/d was only marginally lower than the prior year (553 bbl/d), with 2015 NGL production from East Edson up 33 percent as a result of recent development activity. NGL production was 27 percent lower than the previous quarter (713 bbl/d) largely as a result of the West Edson Property swap. Perpetual's average NGL sales composition for the quarter consisted of 70 percent C5+ as compared to 71 percent C5+ in the comparative quarter in 2014.

- Crude oil production of 1,766 bbl/d declined 14 percent from the previous first quarter and was 45 percent lower than the second quarter of 2014 (3,185 bbl/d), reflecting the fourth quarter 2014 disposition of non-core Mannville heavy oil properties as well as the Company's decision to continue to defer crude oil drilling activities in light of depressed crude oil prices.

- Perpetual's exploration and development spending for the second quarter of 2015 totaled $13.1 million, with the majority ($11.9 million) of spending allocated to west central Alberta, where spending was concentrated on operations to complete construction of the Company's new East Edson gas plant, along with the required gathering systems and well equipping and tie-in operations to flow to the new plant.

- On April 10, 2015, Perpetual closed the sale of certain fee simple lands in east central Alberta, along with a working interest in related seismic data, for gross proceeds of approximately $21.0 million. Proceeds from the disposition were applied to reduce outstanding bank indebtedness.

- Subsequent to the end of the second quarter, on July 15, 2015 the East Edson gas plant was brought online, performing exceptionally well with very little downtime, flowing at an average rate of 31 MMcf/d over the first three weeks of production. The new plant has demonstrated an ability to exceed the design capacity of 30 MMcf/d with high flowing pressures related to the start-up of new wells but is currently restricted to firm transportation commitment levels. Total project costs for the gas plant to the end of the second quarter were $31.3 million.

- With the start-up of the new East Edson gas plant, Perpetual has now effectively replaced lost production volumes associated with the West Edson Property swap. Perpetual estimates total current production is approximately 20,950 boe/d with approximately 112 MMcf/d of natural gas as of August 10, 2015.

Financial Highlights

- Funds flow reflected the West Edson property swap for TOU Shares as well as the dramatic impact of low commodity prices throughout the second quarter of 2015, with a corresponding 90 percent drop to $2.6 million ($0.02 per share) compared to $25.9 million in the second quarter of 2014. Compared to the first quarter of 2015, cost-saving initiatives, including reduced interest costs, lower operating costs and lower general and administrative expenses, had a positive impact on second quarter funds flow which was 73 percent higher than the first quarter ($1.5 million), despite the impact of the West Edson Property swap in the second quarter.

- Operating netbacks of $10.16/boe were 64 percent higher than the first quarter ($6.21/boe) reflecting per boe cost-saving initiatives in operating and transportation costs, along with a short period of recovery in crude oil and NGL prices during the second quarter and a positive annual Crown royalty adjustment which reduced second quarter crown royalties. Compared to the prior year, the second quarter operating netback was down 49 percent, primarily reflecting decreased revenue due to lower commodity prices as well as the impact of the swap of the relatively high netback West Edson Property.

- Perpetual's second quarter average realized gas price, before derivatives, of $2.80/Mcf was down 43 percent from $4.95/Mcf in 2014 reflecting decreased AECO Index prices. Perpetual's average realized gas price, including derivatives, of $3.10/Mcf was increased by gains of $2.4 million on natural gas derivatives realized during the second quarter.

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

- Perpetual's second quarter realized average NGL price of $38.64/bbl was 53 percent lower than 2014, reflecting the drop in all NGL component prices as NGL supply growth has been bottlenecked by infrastructure in many regions of North America and inventory levels have exceeded the five year maximum levels.

- Perpetual recorded gains of $135.7 million on asset swaps and property dispositions during the second quarter. These gains were reflected in second quarter net income of $104.1 million (Q2 2014 - $2.5 million).

- Total net debt on June 30, 2015 was down 67 percent to $120.0 million relative to the 2014 period end, including the market value for 6.75 million TOU Shares held of $253.3 million.

- Subsequent to the end of the quarter, in response to a reduction in the market price of TOU Shares, the Company's term loan, which is secured by the TOU Shares, was reduced from $75 million to $70.6 million, bringing the total availability under the credit facility to $95.4 million.

2015 STRATEGIC PRIORITIES

Perpetual's top strategic priorities for 2015 remain:

1. Reduce debt and improve debt to cash flow ratio;
2. Grow greater Edson liquids-rich gas production, cash flow, inventory, reserves and value;
3. Optimize value of Mannville heavy oil;
4. Maximize value of shallow gas; and
5. Refine elements of production growth strategy for 2017 to 2020.

Significant progress has been made to advance these strategic priorities as outlined below.

Reduce debt and improve debt to cash flow ratio

- Perpetual closed the swap of 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 Toronto Stock Exchange. The transaction included all joint interest lands held by Perpetual with Tourmaline in West Edson, together with the associated wells and infrastructure. Based on the Company's third party engineering report prepared as at December 31, 2014 (the "Reserve Report"), the disposition included 7.2 MMboe of recognized proved and probable developed reserves as well as 9,600 net acres of undeveloped lands and production of approximately 5,750 boe/d. The value of the TOU Shares at closing approximated the net asset value of the property in Reserve Report on a proved and probable basis.

- The 6.75 million TOU Shares held by Perpetual represents 3.12 percent of the 216 million outstanding shares of Tourmaline with a market value of $253.3 million ($37.52 per share) as at the end of the second quarter of 2015. The TOU Share investment is 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. TOU shares closed at a market price of $32.71 per share on August 10, 2015, translating into a current market value for Perpetual's share ownership of $220.8 million.

- Ownership of the TOU Shares provides Perpetual with exposure to the value creation potential inherent in Tourmaline's land and drilling inventory, along with participation in the ongoing results generated by Tourmaline's investment in its diversified oil and gas asset portfolio, funded by a strong balance sheet. At the same time, the liquidity inherent in the TOU Shares significantly enhances Perpetual's financial position, augmenting Perpetual'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 debt obligations over time, including redemption of $35 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 fund the Company's development plans at East Edson as appropriate and will provide greater financial flexibility to capture and evaluate other new high impact opportunities and pursue strategic initiatives. Relative investment merits will be considered along with other leverage and risk management considerations.

- The following is a summary of Tourmaline's key financial and operating results as disclosed in their Press release dated August 5, 2015. Perpetual has not attempted to verify, review or audit any of the below information.

Tourmaline Oil Corp

Financial and Operating Highlights[1]	Three Months Ended	Six Months Ended
($ thousands, except where noted)	June 30, 2015	June 30, 2015
Cash flow	203,029	410,769
Per share – diluted	0.95	1.96
Earnings	(5,197)	16,962
Per share – diluted	(0.02)	0.08
Capital expenditures	290,629	788,011
Common shares outstanding (thousands)	216,629	216,378
Daily average production		
Natural gas (MMcf/d)	764.9	757.8
Oil and NGL (bbl/d)	16,149	17,385
Total (boe/d)	143,634	143,679

[1] This information contained in the table above and elsewhere in this press release concerning Tourmaline has been derived and/or reproduced from public documents filed by Tourmaline. Although Perpetual has no knowledge that would indicate that any of such information is untrue or incomplete, Perpetual does not assume any responsibility for the accuracy or completeness of such information or the failure by Tourmaline to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to Perpetual.

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

- Perpetual's 2015 capital program was heavily weighted to the first half of the year to complete the East Edson development program which included drilling, completions and construction of the new processing facility along with the associated gathering and sales pipelines. For the balance of 2015 capital spending is limited to strategic spending in light of the uncertain commodity price environment.

- Perpetual continues to focus on cost-reduction strategies to preserve funds flow in a continuing depressed and uncertain commodity price environment. In addition to restricting capital spending and undertaking initiatives to reduce operating and administrative costs, the Company is also re-deploying operations personnel and utilizing Company-owned equipment to undertake outstanding pipeline and well abandonment projects, at an expected cost below third party costs.

- Perpetual monetized certain natural gas commodity price contracts during the second quarter for proceeds of $2.0 million. Remaining contracts provide downside protection on revenue, with physical and financial contracts in place from July through October 2015 on approximately 83,750 GJ/d at an average price of $2.55/GJ, followed by contracts to fix the average price on 47,500 GJ/d at $2.77/GJ for November and December 2015. For 2016, Perpetual has contracts in place on 10,000 GJ/d at an average price of $2.82/GJ.

- Perpetual also monetized certain crude oil costless collar contracts receiving cash proceeds of $3.7 million, with crude oil contracts remaining on 1,000 bbl/d in place from May through December 2015, protecting an average WTI index floor price of Cdn$67.50/bbl with an average ceiling price of Cdn$76.70/bbl. The Corporation also has financial contracts in place for the remainder of 2015 on 1,500 bbl/d to fix the basis differential between the WTI and WCS trading hubs at an average of US$(16.23)/bbl. For 2016, Perpetual has a knock-in call in place on 750 bbl/d where Perpetual receives a price of US$80.00/bbl if WTI exceeds the call price of US$90.00/bbl.

Grow greater Edson liquids-rich gas production, cash flow, inventory, reserves and value

- Perpetual's exploration and development spending in the East Edson area during the second quarter of 2015 totaled $11.9 million, which was concentrated on costs to complete the new gas plant as well as construct a ten inch sales pipeline, bring power to the new facility and construct the expanded gathering system at East Edson, including the main gathering line. In addition, well site equipment was installed on two wells drilled in the first quarter of 2015 to enable these wells to flow to the new facility.

- Second quarter capital of $5.7 million was spent to complete the new East Edson 30 MMcf/d gas plant, bringing total project costs at the end of the second quarter to $31.3 million. On July 15, 2015, ahead of the September 1 initial timeline, the gas plant was fully commissioned and brought online, performing exceptionally well with very little downtime, flowing at an average rate of 31 MMcf/d over the first three weeks of production. The new plant has demonstrated an ability to exceed the design capacity of 30 MMcf/d with high flowing pressures related to the start-up of new wells but is currently restricted to firm transportation commitment levels.

- During the second quarter, management also approved capital spending to expand the new East Edson gas plant capacity from 30 MMcf/d to 45 MMcf/d through the addition of another compressor. Perpetual incurred $1.9 million of costs during the second quarter on the plant expansion and expects to incur an additional $1.2 million to complete the expansion by the end of the third quarter.

- Two of four East Edson wells drilled during the first quarter and awaiting completion were completed and fracture stimulated in early July. Both wells tested at initial flow rates well above the East Edson proved plus probable type curve at approximately 10 MMcf/d at flowing pressures in excess of expected plant inlet pressures. The remaining two wells awaiting completion are expected to be fracture stimulated and tested in August.

- With most of the East Edson wells producing above their respective proved plus probable independent reserve evaluation type curves, processing facilities during the first half of 2015 were operating at maximum capacity. Wells drilled in 2014 and during the first quarter of 2015 that have not been on production or restricted due to processing facility constraints will be brought onstream concurrent with the completion of the expanded East Edson 45 MMcf/d gas plant which is expected to be operating at full capacity by the end of third quarter of 2015.

- Plans are also underway to evaluate several capital cost reducing initiatives further reduce drill, complete and tie-in future development costs. Capital has tentatively been designated to evaluate these strategic initiatives through the drilling of an additional two well pad at East Edson later in the third quarter. If successful, Perpetual has approximately 87 gross (79 net) remaining undeveloped drilling locations recognized in the Company's independent reserve report at East Edson as well as a minimum of 22 unbooked future development locations identified internally in the prospect inventory, thereby translating into material value for shareholders.

Optimize value of Mannville heavy oil

- The Corporation allocated $0.4 million of second quarter capital to its Mannville heavy oil property for waterflood activities, which included one injector conversion on the Upper Mannville B pool as well as surface equipment and preliminary pipeline work for future injection conversions.

- Perpetual currently has six injectors online in the Sparky Upper Mannville I2I pool injecting at a voidage replacement ratio greater than 1.2. The Upper Mannville B pool has five wells currently on injection with plans to convert one additional well to injection in 2015. Further waterflood expansions are planned in 2016, including initiation of waterflood in the Upper Mannville T8T pool.

- Drilling activities for Mannville heavy oil continue to be deferred until crude oil prices recover to preserve value of the Company's drilling inventory.

Maximize value of shallow gas

- Perpetual continues to limit capital spending on eastern Alberta shallow gas properties with $0.2 million incurred during the second quarter of 2015 on optimization projects designed to mitigate production declines.

- Extensive operating cost reduction initiatives have been implemented in eastern Alberta to improve netbacks. A shift in operating philosophy has allowed for the reduction of contract operating manpower in several of the Company's northeast Alberta assets.

- Additionally, significant activity is underway by company operations personnel to accelerate the abandonment and reclamation of inactive sites, thereby reducing maintenance costs, surface lease rentals and municipal taxes as well as future liabilities. Costs relating directly to abandonment and reclamation activities are recorded as asset retirement obligation expenditures.

Refine elements of production growth strategy for 2017 to 2020

- Following promising initial test results from a restricted flow rate over a ten day production test period in the first quarter, averaging 332 bbl/d of 45° API oil with 334 Mcf/d of liquids-rich gas of an estimated 114 bbl/MMcf C3+ at 13 to 20 MPa flowing pressure, Perpetual's non-operated Duvernay formation horizontal volatile oil well (35 percent working interest) at Waskahigan remained shut-in during the second quarter, pending availability of takeaway capacity for the associated natural gas. Future production performance will be closely monitored to establish longer term liquids content, gas ratios and production capability as well as other operational and capital execution parameters to inform the future development and value potential of the Company's 6,240 contiguous gross acres in the play.

- Exploration evaluation and development planning is ongoing for Perpetual's approximately 10,000 net acres of land prospective for horizontal development in multiple zones in the deep basin in the Columbia area in West Central Alberta.

- The Corporation continued its strategic development at Panny during the second quarter, with spending of $0.6 million on a gas fuel supply line along with equipment procurement, preliminary engineering and site preparation for a bitumen battery related to the LEAD (Low-Pressure Electro-Thermal Assisted Drive) pilot project. In July, the downhole electrical coil heater and related instrumentation was successfully installed in the existing horizontal pilot well. Construction work is currently underway to install the oil battery and required processing and power generation related facilities. The project is on track for the first heating phase of the pilot to commence in September 2015 with first oil production anticipated during the first quarter of 2016.

- Encouraging technical work continued on the Company's extensive shallow shale gas resource play in the Colorado formation in eastern Alberta. Plans are underway to test several hypotheses regarding reservoir capability with modest spending for completions in existing vertical wells in the fourth quarter of 2015.

2015 OUTLOOK

Perpetual expects the remainder of 2015 to be impacted by depressed commodity prices, generating minimal funds flow over the second half of 2015 based on current forward commodity prices, with oil and liquids production averaging close to 2,400 bbl/d and natural gas sales averaging approximately 110 MMcf/d. The Corporation intends to evaluate strategic capital expenditures through the remainder of the year. Drilling activities will continue to be restricted through the balance of 2015 in the absence of price recovery. The table below summarizes expected capital spending for the remainder of 2015.

Capital expenditures for 2015 ($ millions)	H1	Q3-Q4	Total
West central liquids-rich gas	55	11-21	66-77
Mannville heavy oil	1	1	2
Shallow gas (1)	1	2-3	3-4
Panny bitumen	3	2	5
Total exploration and development spending	60	16-27	76-87
Abandonment and reclamation (2)	4	7	11
Total capital and decommissioning expenditures	64	23-34	87-98

(1) Includes $1.6 million purchase of equipment in the second and third quarters of 2015 to execute future abandonment and reclamation capital activities.

(2) Second half abandonment and reclamation forecast spending includes $3.5 million in third party costs and $3.5 million in costs related to capital activities executed by operations personnel.

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

Financial and Operating Highlights	Three Months Ended June 30		Six Months Ended June 30		
(Cdn$ thousands except as noted)	2015	% Change	2015	2014	% Change
Financial					
Oil and natural gas revenue	32,149	(56)	73,933	137,102	(46)
Funds flow (1)	25,864	(90)	4,156	43,248	(90)
Per share (1) (2)	0.02	(88)	0.03	0.29	(90)
Net earnings (loss)	104,121	3,985	71,404	(14,775)	(583)
Per share – basic (2)	0.70	3,400	0.48	(0.10)	(580)
Per share – diluted (2)	0.66	3,200	0.46	(0.10)	(560)
Total assets	845,812	13	845,812	747,708	13
Net bank debt outstanding (1)	63,402	27	63,402	50,020	27
Senior notes, at principal amount	275,000	83	275,000	150,000	83
Convertible debentures, at principal amount	34,878	(78)	34,878	159,779	(78)
Period end balance of marketable securities	(253,260)	(100)	(253,260)	–	(100)
Total net debt (1)	120,020	(67)	120,020	359,799	(67)
Capital expenditures					
Exploration and development (3)	13,470	6	61,558	43,822	40
Dispositions, net of acquisitions	(21,097)	625	(21,083)	(2,758)	664
Other	208	159	301	183	64
Net capital expenditures	(7,643)	(183)	40,776	41,247	(2)
Common shares outstanding (thousands)					
End of period	152,371	2	152,371	149,636	2
Weighted average - basic	149,868	-	148,952	148,642	-
Weighted average - diluted	157,596	-	157,681	148,642	6
Operating					
Average production					
Natural gas (MMcf/d) (4)	96.8	(12)	103.1	95.0	9
Oil (bbl/d) (4)	1,765	(45)	1,904	3,050	(38)
NGL (bbl/d) (4)	523	(6)	617	546	13
Total (boe/d)	16,053	(17)	19,703	19,428	1
Average prices					
Natural gas, before derivatives ($/Mcf)	2.95	(43)	2.92	4.93	(41)
Natural gas, including derivatives ($/Mcf)	3.10	(33)	3.13	4.50	(31)
Oil, before derivatives ($/bbl)	53.20	(37)	44.35	80.46	(45)
Oil, including derivatives ($/bbl)	65.72	(12)	52.07	72.41	(28)
NGL ($/bbl)					

38.64

80.87

Barrel of oil equivalent, including derivatives ($/boe)	24.00	36.20	(34)	22.55	35.62	(37)
Drilling (wells drilled gross/net)						
Gas	1/0.5	-/-		6/4.5	4/2.5	
Oil	2/2.0	-/-		-/-	13/11.7	
Observation	-/-			2/2.0	-/-	
Total	3/2.5	-/-		8/6.5	17/14.2	
Success rate (%)	100/100			100/100	100/100	

(1) These are non-GAAP measures. Please refer to "Non-GAAP Measures" in this News Release.

(2) Based on weighted average basic or diluted common shares outstanding for the period.

(3) Exploration and development costs include geological and geophysical expenditures.

(4) Production amounts are based on the Corporation's interest before royalty expense.

Forward-Looking Information

Certain information regarding Perpetual in this news release including management's assessment of future plans and operations and including the information contained under the heading "2015 Outlook" may constitute forward-looking statements under applicable securities laws. The forward-looking information includes, without limitation, statements regarding capital expenditure levels for 2015; capital cost reduction initiatives; prospective drilling activities; forecast production, production type, operations, funds flows, and timing thereof; facility construction and pilot project plans and timing thereof; the planned retention of the TOU Shares and the benefits of retaining such shares and the indirect exposure to Tourmaline's business; forecast and realized commodity prices; expected funding, allocation and timing of capital expenditures; projected use of funds flow and anticipated funds flow; planned drilling and development and the results thereof; expected dispositions, anticipated proceeds therefrom and the use of proceeds therefrom; and commodity prices. Various assumptions were used in drawing the conclusions or making the forecasts and projections contained in the forward-looking information contained in this press release, which assumptions are based on management analysis of historical trends, experience, current conditions, and expected future developments pertaining to Perpetual and the industry in which it operates as well as certain assumptions regarding the matters outlined above. Forward-looking information is based on current expectations, estimates and projections that involve a number of 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 press release. 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 under "Risk Factors" in Perpetual's Annual Information Form and MD&A for the year ended December 31, 2014 and those included 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 laws.

Also included in this press release are estimates of Perpetual's 2015 funds flow, which are based on the various assumptions as to production levels, including estimated average production of approximately 19,000 boe/d for 2015, capital expenditures, and other assumptions disclosed in this press release including the commodity price assumptions and sensitivities. To the extent any such estimate constitutes a financial outlook, it was approved by management and the Board of Directors of Perpetual on August 10, 2015 and is included to provide readers with an understanding of Perpetual's anticipated funds flows based on the capital expenditure and other assumptions described herein and readers are cautioned that the information may not be appropriate for other purposes.

Volume Conversions

Barrel of oil equivalent ("boe") may be misleading, particularly if used in isolation. In accordance with National Instrument 51-101 ("NI 51-101"), a conversion ratio for natural gas of 6 Mcf:1bbl has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, utilizing a conversion on a 6 Mcf:1 bbl basis may be misleading as an indicator of value as the value ratio between natural gas and crude oil, based on the current prices of natural gas and crude oil, differ significantly from the energy equivalency of 6 Mcf:1 bbl.

Production Tests

Any references in this release to initial production rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue to produce and decline thereafter and are not necessarily indicative of long-term performance or ultimate recovery. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Company. Such rates are based on field estimates and may be based on limited data available at this time.

Non-GAAP Measures

This news release contains financial measures that may not be calculated in accordance with generally accepted accounting principles in Canada ("GAAP"). Readers are referred to advisories and further discussion on non-GAAP measures contained in the "Significant Accounting Policies and non-GAAP Measures" section of management's discussion and analysis.

About Perpetual

Perpetual Energy Inc. is a Canadian energy company with a spectrum of resource-style opportunities spanning heavy oil, NGL and bitumen along with a large base of shallow gas assets. Perpetual's shares and convertible debentures are listed on the Toronto Stock Exchange under the symbol "PMT" and "PMT.DB.E", respectively. Further information with respect to Perpetual can be found at its website at www.perpetualenergyinc.com.

The Toronto Stock Exchange has neither approved nor disapproved the information contained herein.

SOURCE Perpetual Energy Inc.

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