

CALGARY, Dec. 12, 2016 /CNW/ - (TSX: PMT) &#8211; [Perpetual Energy Inc.](#) ("Perpetual" or the "Company") announces a proposal to exchange all of its 8.75% senior notes due March 15, 2018 (the "2018 Senior Notes") and its 8.75% senior notes due July 23, 2019 (the "2019 Senior Notes" and together with the 2018 Senior Notes, the "Existing Senior Notes") for new 8.75% senior notes (the "Exchange Senior Notes") having an extended maturity date of December 23, 2021 (the "Note Exchange Proposal"). The Note Exchange Proposal is open for acceptance by holders of Existing Senior Notes until 5:00 p.m. (Toronto time) (the "Expiry Time") on December 23, 2016, or such later time and date on which the Note Exchange Proposal may be extended by Perpetual (the "Expiry Date").

Holders of Existing Senior Notes who elect to participate in the Note Exchange Proposal will receive \$1,000 principal amount of Exchange Senior Notes for each \$1,000 principal amount of Existing Senior Notes properly tendered to the Note Exchange Proposal. The Exchange Senior Notes will contain the same terms as the Existing Senior Notes other than having: (i) an extended maturity date to December 23, 2021 (being five years from the Expiry Date of the Note Exchange Proposal); (ii) an increased annual interest rate for the first year, and only for the first year, that the Exchange Senior Notes are outstanding of 9.75% instead of 8.75%, which is equal to the equivalent of \$10 per \$1,000 principal amount of Existing Senior Notes validly tendered under the Note Exchange Proposal; and (iii) consequential changes to the interest payment dates and optional redemption provisions to give effect to the extended maturity date and increased annual interest rate for the first year that the Exchange Senior Notes are outstanding.

Holders of Existing Senior Notes who accept and validly tender their Existing Senior Notes to the Note Exchange Proposal will also receive accrued and unpaid interest outstanding up to, but excluding, the Expiry Date. In particular, holders of 2018 Senior Notes who tender their 2018 Senior Notes to the Note Exchange Proposal will receive \$23.73 per \$1,000 principal amount of 2018 Senior Notes in cash and holders of 2019 Senior Notes who tender their 2019 Senior Notes to the Note Exchange Proposal will receive \$36.68 per \$1,000 principal amount of 2019 Senior Notes in cash, in each case representing all accrued and unpaid interest outstanding up to, but excluding, the Expiry Date of December 23, 2016.

The Board of Directors and management of Perpetual believe the Note Exchange Proposal will enhance the Company's strategy of long term value creation for securityholders as well as its assets and operations. The Note Exchange Proposal will improve the Company's liquidity beyond the current maturity dates of the Existing Senior Notes, enabling Perpetual to pursue strategic growth and value-enhancing opportunities important to its corporate strategy. Directing capital to further develop the Company's asset base and augment the profitability of its operations is expected to generate greater short and long term value for securityholders than would the retirement of its Existing Senior Notes.

Upon the successful completion of the Note Exchange Proposal, Noteholders who participate in the Note Exchange Proposal will continue to own a security on substantially the same terms (including the 8.75% coupon rate) as the Existing Senior Notes with the additional benefit of having a longer maturity date of five years from the Expiry Date and an increased annual interest rate for the first year the Exchange Senior Notes are outstanding without incurring any additional transaction costs. In addition, in the event that a significant amount of the outstanding aggregate principal amount of the Existing Senior Notes are properly tendered to the Note Exchange Proposal, holders of the Exchange Senior Notes are anticipated to benefit from improved liquidity in the market for Exchange Senior Notes, which is typically associated with a larger overall issued and outstanding principal amount.

Perpetual currently intends to repay any 2018 Senior Notes and 2019 Senior Notes not tendered to the Note Exchange Proposal on or prior to their respective maturity dates of March 15, 2018 and July 23, 2019 through proceeds from excess funds flow, asset sales, refinancing or a combination thereof.

The completion of the Note Exchange Proposal is conditional upon holders of Existing Senior Notes holding in the aggregate at least \$20 million aggregate principal amount of the issued and outstanding Existing Senior Notes accepting the Note Exchange Proposal and tendering their Existing Senior Notes prior to the Expiry Time on the Expiry Date.

There is currently outstanding \$36,013,000 aggregate principal amount of 2018 Senior Notes and \$24,560,000 aggregate principal amount of 2019 Senior Notes. Assuming all outstanding Existing Senior Notes are properly tendered to the Note Exchange Proposal before the Expiry Time on the Expiry Date there will be no Existing Senior Notes outstanding and \$60,573,000 aggregate principal amount of Exchange Senior Notes outstanding upon completion of the Note Exchange Proposal. The directors and officers of Perpetual, as a group, own approximately \$854,000 principal amount of the Existing Senior Notes (approximately \$73,000 of 2018 Senior Notes and approximately \$781,000 of 2019 Senior Notes) and intend to tender their Existing Senior Notes to the Note Exchange Proposal.

Scotia Capital Inc. has been engaged to act as sole dealer manager and solicitation agent, Kingsdale Shareholder Services has been appointed the information agent and Computershare Investor Services Inc. has been appointed as depositary for the Note Exchange Proposal.

The Note Exchange Proposal is anticipated to be sent to holders of Existing Senior Notes on or about December 12, 2016 and holders of Existing Senior Notes are urged to evaluate carefully all information regarding the Existing Senior Notes and the Exchange Senior Notes and to consult their own investment, legal, tax and other professional advisors and to make their own decision whether to accept the Note Exchange Proposal.

Noteholders who have any questions or require further information are encouraged to contact Scotia Capital Inc., the sole dealer manager and solicitation manager, at 1-888-776-3666 or email [michael.lay@scotiabank.com](mailto:michael.lay@scotiabank.com), Kingsdale Shareholder Services, the information agent, at 1-855-682-2031 or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com), or Computershare Investor Services Inc., the depositary, at 1-800-564-6253 or email [corporateactions@computershare.com](mailto:corporateactions@computershare.com).

## Notice to United States Noteholders

The solicitation described herein is made for the securities of a Canadian entity and is subject to Canadian disclosure requirements that are different from those of the United States. Financial statements included or incorporated by reference in the Note Exchange Proposal related to the solicitation have been prepared in accordance with Canadian generally accepted accounting principles and are subject to Canadian auditing and auditor independence standards, which differ from United States generally accepted accounting principles and United States auditing and auditor independence standards. As a result, such financial statements may not be comparable to the financial statements of United States companies.

Perpetual Energy Inc. exists under the laws of the Province of Alberta, Canada. It may be difficult for U.S. Noteholders to enforce their rights and any claim that they may have arising under United States federal or state securities laws, as Perpetual is incorporated under the laws of Alberta, Canada, all or most of its assets are located in Canada, and all or most of its officers and directors are residents of Canada. You may not be able to sue a foreign entity or its officers or directors in a foreign court for violations of U.S. federal or state securities laws. It may be difficult to compel a foreign entity and its affiliates to subject themselves to a U.S. court's judgment.

You should be aware that Perpetual may purchase securities otherwise than under the Note Exchange Proposal, such as in open market or privately negotiated purchases.

## Forward-Looking Information

Certain information regarding Perpetual in this news release including management's assessment of future plans and operations may constitute forward-looking statements under applicable securities laws. The forward-looking information includes, without limitation, statements regarding the Note Exchange Proposal and the timing for its completion and the anticipated benefits to Perpetual and its securityholders. 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, 2015 and those included in other reports on file with Canadian securities regulatory authorities which may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) and at Perpetual's website ([www.perpetualenergyinc.com](http://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.

## About Perpetual

Perpetual Energy Inc. is a Canadian energy company with a spectrum of resource-style opportunities spanning liquids-rich natural gas in the Alberta deep basin, shallow gas, heavy oil and bitumen. Perpetual's shares are listed on the Toronto Stock Exchange under the symbol "PMT". Further information with respect to Perpetual can be found at its website at [www.perpetualenergyinc.com](http://www.perpetualenergyinc.com).

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

SOURCE [Perpetual Energy Inc.](http://Perpetual Energy Inc.)

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