Perpetual Energy Inc. Announces $10 Million Non-Core Asset Sale

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CALGARY, May 14, 2018 /CNW/ - (TSX:PMT) - Perpetual Energy Inc. ("Perpetual", or the "Company") is pleased to an it has closed the disposition of non-core royalty interests in eastern Alberta for gross proceeds of $10.0 million. The dis assets were comprised of the 1% gross overriding royalty interest previously retained on 42 net sections (27,722 net ac undeveloped oil sands leases in northeast Alberta sold in June 2015 and March 2016. Approximately 5,700 boe of roya reserve volume representing $0.2 million of reserve value was assigned to the royalty lands in the Company's third-par engineering report prepared by McDaniel and Associates Consultants Ltd. ("McDaniel") as at December 31, 2017. The interests sold contributed less than $0.05 million to adjusted funds flow during the first quarter of 2018. The effective da transaction is May 1, 2018.

Proceeds from the disposition will be used to reduce the outstanding balance of the Company's reserve-based credit fa giving effect to the disposition and the current market value of the Company's Tourmaline Oil Corp. ("TOU") share inves Company had available liquidity at March 31, 2018 of approximately $43.2 million.

About Perpetual

Perpetual is an oil and natural gas exploration, production and marketing company headquartered in Calgary, Alberta. operates a diversified asset portfolio, including liquids-rich natural gas assets in the deep basin of west central Alberta, and shallow natural gas in eastern Alberta, with longer term opportunities through undeveloped oil sands leases in nort Alberta. Additional information on Perpetual can be accessed at www.sedar.com or from the Corporation's website at www.perpetualenergyinc.

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

Forward-Looking Information

Certain information regarding Perpetual in this news release including management's assessment of future plans and o may constitute forward-looking information or statements under applicable securities laws. The forward looking informa includes, without limitation, anticipated amounts and allocation of capital spending; statements pertaining to adjusted fu levels, statements regarding estimated production and timing thereof; statements pertaining to type curves being excee forecast average production; completions and development activities; infrastructure expansion and construction; estima required to convert proved plus probable non-producing and undeveloped reserves to proved producing reserves; pros and natural gas liquids production capability; projected realized natural gas prices and adjusted funds flow; estimated decommissioning obligations; commodity prices and foreign exchange rates; and commodity price management. Vario assumptions were used in drawing the conclusions or making the forecasts and projections contained in the forward-lo information contained in this news release, which assumptions are based on management's analysis of historical trend experience, current conditions and expected future developments pertaining to Perpetual and the industry in which it op well as certain assumptions regarding the matters outlined above. Forward-looking information is based on current exp estimates and projections that involve a number of risks, which could cause actual results to vary and, in some instance materially from those anticipated by Perpetual and described in the forward-looking information contained in this news r Undue reliance should not be placed on forward-looking information, which is not a guarantee of performance and is su number of risks or uncertainties, including without limitation those described under "Risk Factors" in Perpetual's Annual Form and MD&A for the year ended December 31, 2017 and those included in other reports on file with Canadian secu regulatory authorities which may be accessed through the SEDAR website (www.sedar.com) and at Perpetual's websit (www.perpetualenergyinc.com). Readers are cautioned that the foregoing list of risk factors is not exhaustive. Forward- information is based on the estimates and opinions of Perpetual's management at the time the information is released a Perpetual disclaims any intent or obligation to update publicly any such forward-looking information, whether as a resul information, future events or otherwise, other than as expressly required by applicable securities law.

Non-GAAP Measures

This news release contains the term "adjusted funds flow" and "available liquidity" which do not have standardized meanings prescribed by GAAP. Management believes that in addition to net income (loss) and net cash flows from operating activities as defined by GAAP, this term is a useful supplemental measure to evaluate operating performance. Users are cautioned however that this measure should not be construed as an alternative to net income (loss) or net cash flows from operating activities determined in accordance with GAAP as an indication of Perpetual's performance and may not be comparable with the calculation of similar measurements by other entities.

For additional reader advisories in regards to non-GAAP financial measures, including Perpetual's method of calculation and reconciliation of these terms to their corresponding GAAP measures, see the section entitled "Non-GAAP Measures" within the Company's MD&A filed on SEDAR.

Management uses adjusted funds flow and adjusted funds flow per boe as key measures to assess the ability of the Company to generate the funds necessary to finance capital expenditures, expenditures on decommissioning obligations and meet its financial obligations. Adjusted funds flow is calculated based on cash flows from operating activities, excluding changes in non-cash working capital and expenditures on decommissioning obligations since Perpetual believes the timing of collection, payment or incurrence of these items involves a high degree of discretion. Expenditures on decommissioning obligations may vary from period to period depending on capital programs and the maturity of our operating areas. Expenditures on decommissioning obligations are managed through our capital budgeting process which considers available adjusted funds flow. The Company has also deducted the change in gas over bitumen royalty financing from adjusted funds flow in order to present these payments net of gas over bitumen royalty credits. These payments are indexed to gas over bitumen royalty credits and are recorded as a reduction to the Company's gas over bitumen royalty financing obligation in accordance with IFRS. Additionally, the Company has excluded payments of restructuring costs associated with the disposition of the Shallow Gas Properties, which management considers to not be related to cash flow from operating activities. Restructuring costs include employee downsizing costs and surplus office lease obligations. Commencing in the first quarter of 2018, the Company no longer excludes 'exploration and evaluation – geological and geophysical costs' (Q1 2018 and 2017 – nil) from the calculation of adjusted funds flow as these costs are no longer significant to the Company's business. The calculation of adjusted funds flow for comparative periods has been adjusted to give effect to this change. Adjusted funds flow per share is calculated using the same weighted average number of shares outstanding used in calculating earnings per share. Adjusted funds flow is not intended to represent net cash flows from (used in) operating activities calculated in accordance with IFRS. Adjusted funds flow per boe is calculated as adjusted funds flow divided by total production sold in a period.

Available Liquidity: Available Liquidity is defined as Perpetual's Credit Facility Borrowing Limit, plus TOU share investment, less borrowings and letters of credit issued under the Credit Facility and TOU share margin loan. Management uses available liquidity to assess the ability of the Company to finance capital expenditures, expenditures on decommissioning obligations and meet financial obligations.

BOE Equivalents

Perpetual's aggregate proved and probable reserves are reported in barrels of oil equivalent (boe). Boe may be misleading, particularly if used in isolation. In accordance with NI 51-101 a boe conversion ratio for natural gas of 6 Mcf: 1 boe has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not necessarily represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

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

boe	barrels of oil equivalent
Mcf	thousand cubic feet

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Contact

Perpetual Energy Inc., Suite 3200, 605 - 5 Avenue SW Calgary, Alberta, Canada T2P 3H5, Telephone: 403 269-4400, Fax: 403 269-4444, Email: info@perpetualenergyinc.com; Susan L. Riddell Rose, President and Chief Executive Officer; W. Mark Schweitzer, Vice President Finance and Chief Financial Officer