

Perpetual Energy Inc. Announces Defence of Opportunistic Claims Relating to Sequoia Resources Corp. and Seeks Summary Dismissal of All Claims

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CALGARY, Aug. 27, 2018 - (TSX:PMT) - [Perpetual Energy Inc.](#) ("Perpetual" or the "Company") announces that it has filed a Statement of Defence and Application for Summary Dismissal with the Alberta Court of Queen's Bench (the "Court") in response to the opportunistic Statement of Claim filed by PricewaterhouseCoopers Inc. LIT ("PwC"), in its capacity as trustee in bankruptcy of Sequoia Resources Corp. ("Sequoia"), as previously announced by Perpetual on August 6, 2018. All allegations made by PwC have been denied and an application to the Court to dismiss all claims has been made on the basis that there is no merit to any of them and that they constitute an abuse of process.

In the Statement of Defence, the Company outlines the details and facts surrounding an arm's length and fair market value sale transaction that PwC seeks to set aside (the "Transaction"). Perpetual acted in good faith, lawfully and appropriately in all aspects of the Transaction and was fully compliant with the regulatory regime and public policy reflected therein.

The Transaction involved the sale by Perpetual of legacy shallow gas properties (the "Shallow Gas Properties") almost two years ago to an unrelated third party after an extensive and lengthy marketing, due diligence and negotiation process. The Transaction included terms that were adequate to enable Sequoia to efficiently and profitably operate and manage the Shallow Gas Properties on a go forward basis. The Shallow Gas Properties were producing approximately 35 MMcf/d (5,835 boe/d) of natural gas at that time. A key component of the consideration included a gas marketing contract with a commercial counter-party that guaranteed Sequoia would receive a minimum natural gas price of \$2.58/GJ for 23 months on approximately 90% of the base production from the Shallow Gas Properties (the "Gas Marketing Agreement").

With the benefit of the Gas Marketing Agreement and other valuable consideration provided to Sequoia pursuant to the Transaction, Sequoia had a revenue stream for 23 months and a cost structure that ensured Sequoia's financial stability to meet its obligations and execute its business plan. Perpetual had no dealings with Sequoia after the completion of the Transaction but understands that Sequoia acquired significant additional assets and related liabilities, including acquisitions from bankrupt entities. Further, the Gas Marketing Agreement was sold for cash by Sequoia more than one year prior to its expiry, thereby exposing Sequoia to the natural gas price collapse that began in the summer of 2017 and has continued into 2018.

The Transaction was not the cause of Sequoia's bankruptcy. Rather, Sequoia was subsequently rendered insolvent and became bankrupt on March 23, 2018 as a result of its own conduct, including a lack of risk management, and market forces as described in its Letter to Stakeholders dated March 26, 2018. This Letter to Stakeholders is available for review on Sequoia's website at <http://www.sequoiares.ca>. This letter describes that Sequoia executed its intended business plan successfully, acquiring significant additional assets, investing in workovers and recompletions and efficiently retiring liabilities with its in-house operations and environmental team. According to this letter, from October 1, 2016 to December 31, 2017, Sequoia abandoned 150 wells and received reclamation certificates for 91 wells, ranking fifth in Alberta in terms of reclamation certificates received.

The full text of the Statement of Defence and Application for Summary Dismissal as well as other related documents filed with the Court have been posted to the Company's website at <http://www.perpetualenergyinc.com>. Further information can be obtained by reviewing the public court documents that pertain to the action number 1801-10960, as filed with the Court, Calgary Judicial Centre.

About Perpetual

Perpetual is an oil and natural gas exploration, production and marketing company headquartered in Calgary, Alberta. Perpetual operates a diversified asset portfolio, including liquids-rich natural gas assets in the deep basin of west central Alberta, heavy oil and shallow natural gas in eastern Alberta, with longer term opportunities through undeveloped oil sands leases in northern Alberta. 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.

Forward-Looking Information

Certain information regarding Perpetual in this news release including management's assessment of future plans, outcomes and operations may constitute forward-looking information or statements under applicable securities laws. The forward-looking information includes, without limitation, statements relating to the claim and the Company's defence of the claim and the expected outcome of the claim. Various assumptions were used in drawing the conclusions or making the forecasts and projections contained in the forward-looking information contained in this news release, which assumptions are based on management's 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 news 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, 2017 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). In addition, defense costs of legal claims can be substantial, even with respect to claims that have no merit and due to the inherent uncertainty of the litigation process, the resolution of the legal proceeding to which the Company has become subject could have a material effect on the Company's financial position and results of operations. 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.

BOE Equivalents

Barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. In accordance with National Instrument 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
boe/d	barrels of oil equivalent per day
Mcf	thousand cubic feet
MMcf	million cubic feet
GJ	gigajoules

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

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