Perpetual Energy Inc. Reports Third Quarter 2019 Financial and Operating Results

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CALGARY, Nov. 7, 2019 - (TSX:PMT) – Perpetual Energy Inc. ("Perpetual" or the "Company") is pleased to rele
quarter 2019 financial and operating results. Highlights include:

- Exploration and development spending for the third quarter of 2019 was $4.5 million and was primarily directed to
drilling and completion of two (2.0 net) exploratory six-leg multi-lateral heavy oil wells in the Ukalta area of Easter
The two wells were brought on-stream late in the third quarter and are currently producing approximately 160 boe
clean-up.
- Production averaged 8,383 boe/d in the third quarter of 2019, down 12% from the comparable period in 2018. Pe
temporarily shut-in an average 925 boe/d of East Edson production (11% of third quarter production) to take adva
short-term situations when natural gas could be purchased at minimal cost to satisfy pre-sold volume commitmen
attractive margins, resulting in an increase in realized revenue of $0.17/Mcf ($0.6 million) while retaining reserves
production.
- Perpetual's market diversification contract enabled the Company to sell over 90% of its natural gas production (ad
heat content) to markets priced at five pricing hubs outside of Alberta, providing a 101% uplift over average AECO
Index prices during the third quarter (Q3 2018 – 98%).
- Realized revenue was $24.34/boe in the third quarter of 2019, and included $2.7 million ($3.50/boe or $0.77/Mcf)
gains on derivatives received from the monetization of the market diversification contract for the December 2019
2020 period. Excluding the impact of the market diversification contract monetization, realized revenue in the third
2019 was $20.84/boe, down 11% from the prior year period, due to lower prices for all products despite an increa
proportion of higher value oil and natural gas liquids ("NGL") in the production mix (Q3 2019 – 24%; Q3 20
19%).
- Cash flow from operating activities in the third quarter of 2019 was $5.5 million ($0.09/share) and adjusted funds
$4.2 million ($0.07/share).
- On August 15, 2019, the Company received the oral decision related to the Statement of Claim filed on August 3,
respect to the Company's disposition of shallow gas assets in Eastern Alberta to an unrelated third party on Octo
(the "Sequoia Litigation"). The oral decision dismissed and struck all but one of the claims filed by PwC. The Cou
find that the test for summary dismissal relating to whether the transaction was an arm's length transfer for purpo
section 96(1) of the Bankruptcy and Insolvency Act (the "BIA") was met, on the balance of probabilities. Accordin
claim was not dismissed or struck and only that part of the claim can continue against Perpetual. On August 23, 2
filed a notice of appeal with the Court of Appeal of Alberta, contesting the entire August 15, 2019 oral decision, an
26, 2019, Perpetual filed a similar notice of appeal contesting the BIA claim portion of the decision. The appeal pr
will be scheduled following receipt of the written decision and are anticipated to take place during the first half of 2
September 24, 2019, Perpetual filed an application for security for costs of the appeal. Management expects that
Company is more likely than not to be successful in defending against the claim such that no damages will be aw
against it, and therefore, no amounts have been accrued as a liability in Perpetual's financial statements.

A complete copy of Perpetual's unaudited condensed interim consolidated financial statements and related Manageme
Discussion and Analysis ("MD&A") for the three and nine months ended September 30, 2019 can be obtained through
Company's website at www.perpetualenergyinc.com and SEDAR at www.sedar.com.

THIRD QUARTER 2019 HIGHLIGHTS

Capital Spending, Production and Operations

- Perpetual's exploration and development spending in the third quarter of 2019 was $4.5 million, focused on the dr completion of two (2.0 net) exploratory six-leg multi-lateral heavy oil wells and associated production facilities in th area of Eastern Alberta. The two wells were brought on-stream late in the third quarter and are currently producin clean-up at 160 boe/d, and will contribute to the recognition of new reserves and additional drilling locations. Third spending in West Central Alberta was minimal, as the Company continued to defer liquids-rich gas drilling in resp Western Canadian natural gas prices.
- Perpetual also spent $0.5 million (Q3 2018 – $0.3 million) on abandonment and reclamation projects. The aggregate AER Licensee Liability Rating ("LLR") was 4.4 at September 30, 2019 (September 30, 2018 – 5
- Third quarter production averaged 8,383 boe/d, down 12% from 9,569 boe/d in the comparative period of 2018 ar lower than the second quarter of 2019. Perpetual temporarily shut-in an average 925 boe/d of East Edson produc total production) during the quarter to take advantage of short-term situations when natural gas could be purchas cost to satisfy pre-sold volume commitments at attractive margins, resulting in an increase in realized revenue of ($0.6 million) while retaining reserves for future production. The Company also shut-in 1.8 MMcf/d (300 boe/d) of its Panny property in Eastern Alberta during the quarter and expects this production to remain offline indefinitely, property tax assessments more accurately reflect the value of the assets.

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    - Third quarter natural gas production averaged 38.2 MMcf/d, down 19% from 46.9 MMcf/d in the comparativ 2018. While the base assets have performed well, natural gas production was impacted by shut-ins of 6.8 M as limited capital investment throughout 2018 and 2019 in response to low AECO natural gas prices.
    - Crude oil production in Eastern Alberta was 28% higher than the third quarter of 2018, reflecting increased from the drilling program conducted during the second and third quarters of 2019 and lower base declines a due to positive waterflood performance. Compared to the second quarter of 2019, Eastern Alberta crude oil was 8% higher. Crude oil production in Eastern Alberta is expected to increase in the final quarter of 2019 a continues to ramp up from the two new wells which came onstream at Ukalta late in the third quarter.
- Production and operating costs were down by $1.0 million (20% decrease), exceeding the 12% decrease in produ the prior year period due primarily to the absence of $0.8 million of remediation costs incurred in the third quarter associated with a produced water spill at Mannville. Total production and operating expenses were down 8% on a unit-of-production basis to $5.53/boe for the third quarter of 2019, compared to $6.02/boe for the comparable peri

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    - West Central operating costs increased by 2% to $2.49/boe in the third quarter of 2019 (Q3 2018 – $ due to the impact of declining natural gas production against a relatively fixed cost base.
    - Eastern Alberta operating costs decreased 23% to $16.06/boe over the same period in 2018 (Q3 2018 &nd $20.75/boe) and declined 3% from $16.49/boe in the second quarter of 2019.

Financial Highlights

- Perpetual's petroleum and natural gas ("P&NG") revenue, before derivatives, for the three months ended Septem of $17.1 million decreased 17% from the third quarter of 2018, due to the 12% decrease in average daily producti with the impact of lower benchmark prices for all products. This was partially offset by the higher proportion of oil the production mix for 2019.

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    - Natural gas revenue, before derivatives, of $8.2 million in the third quarter of 2019 comprised 48% (Q3 201 55%) of total P&NG revenue while natural gas production was 76% (Q3 2018 – 81%) of total produc gas revenue decreased 28% from $11.3 million in the third quarter of 2018, reflecting lower NYMEX-based AECO prices, and tighter average basis differentials to the five market hubs used to price the market divers contract, combined with the impact of the 19% decrease in natural gas production volumes driven by tempo and natural declines following deferred capital investment in East Edson during 2018 and 2019. Perpetual's diversification contract contributed $3.2 million or $0.92/Mcf of incremental revenue over the AECO Daily In the quarter (Q3 2018 – $5.0 million or $1.17/Mcf)
    - Oil revenue of $6.3 million represented 37% (Q3 2018 – 26%) of total P&NG revenue while oil produ 15% (Q3 2018 – 11%) of total production. Oil revenue was 17% higher than the same period in 201 26% increase in crude oil production offset by the 6% decrease in the WCS average price to $58.36/bbl. Th decrease in the WTI light oil price was partially mitigated by a tightening of the WCS differential by US$10.0 US$12.24/bbl in response to the Government of Alberta's introduction of production quotas effective Januar Perpetual did not fully participate in the improved WCS differential, as hedges were in place protecting a W of US$23.31/bbl on 1,000 bbl/d for the third quarter of 2019.
    - NGL revenue for the third quarter of 2019 was $2.6 million, representing 15% (Q3 2018 – 19%) of to revenue while NGL production was just 9% (Q3 2018 – 8%) of total Company production. NGL rever decreased by 32% from the prior year period while NGL production was flat at 731 bbl/d (Q3 2018 – reflecting the 33% decrease in Perpetual's realized NGL price relative to the third quarter of 2018. Compare second quarter of 2019, realized NGL prices decreased 27% to $37.34/bbl, as prices for propane and butar lower compared to second quarter levels. Propane and butane prices remain disconnected from WTI light o reflecting excess supply produced from Western Canada and the United States.
- Perpetual's operating netback was $10.7 million ($13.91/boe) in the third quarter of 2019. After adjusting for the $ ($3.50/boe) received from the monetization of the market diversification contract, Perpetual's operating netback fo quarter of 2019 was $8.0 million ($10.41/boe), down $3.0 million ($2.08/boe) or 27% from the comparative period This decrease was due to lower realized revenue per boe for all products combined with production declines of 1 offset by lower costs. The impact of the higher percentage of oil and NGL in the production mix was muted during quarter of 2019, as realized oil prices were 9% lower than the prior year period due to realized hedging losses on derivatives of $1.1 million ($8.83/boe).
- Net loss for the third quarter of 2019 was $20.3 million ($0.34/share), compared to a net loss of $12.3 million ($0. the comparative period of 2018. The increase in net loss from the prior year period was driven by a $7.5 million d the fair value of derivatives, a $5.9 million decrease in the fair value of the TOU share investment, and a $1.5 mill restructuring provision associated with the reduction in Perpetual's employee head count undertaken in the third c Partially offsetting these third quarter 2019 amounts was the absence of a $7.2 million non-cash impairment char in the prior year period associated with the Company's Waskahigan Duvernay prospect.
- Cash flow from operating activities in the third quarter of 2019 was $5.5 million ($0.09/share), down $1.2 million fr year period of $6.7 million ($0.11/share) due to the impact of lower prices and production, as the change in fair va derivatives and the TOU share investment that impacted net loss did not impact cash flow from operating activitie
- Adjusted funds flow in the third quarter of 2019 was $4.2 million ($0.07/share), down $1.0 million (19%) from the p period of $5.2 million ($0.09/share) and reflective of the lower cash flow from operating activities. On a unit-of-pro basis, adjusted funds flow was $5.42/boe in the third quarter of 2019, down 8% from the prior year period of $5.8
- At September 30, 2019, Perpetual had total net debt of $118.3 million, 5% higher than both June 30, 2019 and D 2018, mainly attributable to the $5.9 million decrease in the fair value of TOU shares during the third quarter of 2
- As at September 30, 2019, 66% of net debt outstanding was repayable in 2021 or later. Perpetual's net debt to tra twelve-months adjusted funds flow at the end of the third quarter increased to 5.3 times (December 31, 2018 &nd times; June 30, 2019 – 4.8 times), due to the impact of both lower adjusted funds flow and increasing net d
- Perpetual had available liquidity at September 30, 2019 of $22.5 million, comprised of an unutilized revolving ban Borrowing Limit of $11.2 million and the market value of its TOU share investment, net of the principal amount of associated TOU share margin demand loan, of $11.3 million.

OUTLOOK

2019 Guidance

Perpetual has reduced its 2019 adjusted funds flow guidance from a range of $18 to $21 million, provided in a press re

July 31, 2019 (the "Previous Guidance") to $14 to $16 million, due to the impact of lower realized prices in the third qua lower forward market prices for all products and the market diversification contract for the remainder of 2019. Capital ex guidance for 2019 is forecast at $12 to $13 million, as compared to Previous Guidance of $18 to $21 million. Minimal ca expenditures are planned for the fourth quarter in response to lower price expectations and to improve the Company's l The previously planned fourth quarter two well drilling program at East Edson has been deferred. With annual abandon reclamation activities to address decommissioning obligations associated with non-producing wells largely complete, 20 spending of $2.0 million is expected to provide future surface lease rental and property tax expense reductions, while m regulatory compliance.

In late September, Perpetual expected significant continued tightening in AECO basis relative to other North American result from proposed changes to TC Energy's NGTL natural gas maintenance operating protocols that were implemente October. In response, Perpetual modified its 40,000 MMBtu/d market diversification contract to shift its pricing point bac for the December 2019 to October 2020 period. The market diversification contract will continue to provide Perpetual w based pricing from November 2020 to October 2024.

The table below summarizes actual and anticipated capital spending and drilling activities for the first three quarters an quarter of 2019.

2019 Exploration and Development Forecast Capital Expenditures

	Q1 to Q3 2019 ($ millions)	# of wells (gross/net)	Q4 2019 ($ millions)	# of wells (gross/net)
West Central liquids-rich gas	1.2	-/-	0.2	-/-
Eastern Alberta	9.7	5/5.0(2)	1.5	-/-
Total(1)	10.9	5/5.0(2)	1.7	-/-

(1) Excludes forecast abandonment and reclamation spending of $2.0 million in 2019 (2019 year to date - $1.2 million).

(2) Excludes the re-entry of one existing well bore in Mannville.

Average 2019 production of 9,000 to 9,200 boe/d is anticipated, down from Previous Guidance of 9,200 to 9,500 boe/d guidance reflects third quarter production shut-ins at East Edson averaging 925 boe/d in response to weak AECO natu prices, as well as 300 boe/d that was shut-in at Panny and will remain offline indefinitely or until the property tax burden Production guidance also reflects lower anticipated fourth quarter production due to the deferral of drilling at East Edso quarter production is expected to decrease marginally from third quarter levels as increased heavy oil production from t quarter drilling program at Ukalta is anticipated to be more than offset by natural production declines at East Edson. Oil production is forecast to comprise approximately 25% of the production mix in the fourth quarter.

Cash costs of $17.50 to $18.50/boe are forecast for 2019, up 3% from the mid-point of Previous Guidance of $17.00 to as decreased cash cost expenditure levels are more than offset by the impact of lower production. Commencing in the quarter, general and administrative costs have been reduced by approximately $3.5 million annually following a 25% re the Company's corporate employee head count and a reduction in compensation for remaining employees.

2019 annual guidance assumptions are as follows:

	Current Guidance	Previous Guidance
2019 exploration and development expenditures ($ millions)	$12 - $13	$18 - $21
2019 cash costs ($/boe)	$17.50 - $18.50	$17.00 - $18.00
2019 average daily production (boe/d)	9,000 - 9,200	9,200 - 9,500
2019 average production mix (% oil and NGL)	21% - 23%	20% - 24%
2019 adjusted funds flow ($ millions)	$14 - $16	$18 - $21
2019 adjusted funds flow ($/share)	$0.23 - $0.26	$0.30 - $0.34

Commodity price assumptions reflect forward market price levels as follows:

Market Prices(1)	Current Guidance	Previous Guidance
2019 average NYMEX natural gas price (US$/MMBtu)	$2.60	$2.68
2019 average AECO natural gas price ($/GJ)	$1.49	$1.42
2019 average AECO-NYMEX basis differential (US$/MMBtu)	($1.42)	($1.54)
2019 average West Texas Intermediate ("WTI") oil price (US$/bbl)	$56.01	$58.67
2019 average Western Canadian Select ("WCS") differential (US$/bbl)	($12.48)	($14.18)
2019 average exchange rate(2)	1.33	1.32

(1) Reflects settled and forward market prices.

(2) US$1.00 = Cdn$

Year-end 2019 net debt is forecast at $120 - $123 million, up $5 million from Previous Guidance due to the decrease in the TOU share price during the third quarter. Current guidance is based on the following assumptions:

- Net debt at September 30, 2019 of $118.3 million;
- Reduction in the market value of the TOU share investment by $2 million;
- Forecast adjusted funds flow for the fourth quarter of 2019 of $1 to $2 million;
- Forecast capital spending for the fourth quarter of 2019 of $1 to $2 million;
- Forecast decommissioning expenditures for the fourth quarter of 2019 of $0.8 million; and
- Payment of restructuring costs of $0.6 million.

2020 Guidance

Perpetual's reserve-based credit facility is currently undergoing its semi-annual borrowing limit redetermination which is likely to reduce the current $55 million borrowing limit effective November 30, 2019 due to reductions in bank lending commodity price forecasts. Any reductions in the credit facility borrowing limit will reduce the Company's available liquidity. To preserve liquidity, the Company will defer further capital spending until the credit facility borrowing limit redetermination has been completed. The Company will issue its 2020 Guidance once the borrowing limit redetermination is known and capital spending plans have been determined.

Financial and Operating Highlights	Three months ended			Nine months (
	September 30			September 3
(Cdn$ thousands,	2019	2018	Change	2019
except volume and per share amounts)				
Financial				
Oil and natural gas revenue	17,097	20,504	(17%)	58,531
Net loss	(20,349)	(12,259)	66%	(61,517)
Per share – basic and diluted(2)	(0.34)	(0.20)	70%	(1.02)
Cash flow from operating activities	5,509	6,729	(18%)	19,096
Adjusted funds flow(1)	4,183	5,155	(19%)	14,194
Per share – basic and diluted (2)	0.07	0.09	(22%)	0.24
Total assets	283,923	332,677	(15%)	283,923
Revolving bank debt	40,856	42,431	(4%)	40,856
Term loan, principal amount	45,000	45,000	–	45,000
TOU share margin demand loan, principal amount	10,416	15,681	(34%)	10,416
Senior notes, principal amount	33,580	32,490	3%	33,580
TOU share investment	(21,720)	(37,675)	(42%)	(21,720)
Net working capital deficiency(1)	10,191	7,484	36%	10,191
Net debt(1)	118,323	105,411	12%	118,323
Capital expenditures	4,506	4,343	4%	10,944
Net payments (proceeds) on acquisitions and dispositions	–	4,341	(100%)	–
Net capital expenditures	4,506	8,684	(48%)	10,944
Common shares outstanding (thousands)(3)				
End of period	60,425	60,524	–	60,425
Weighted average – basic and diluted	60,317	60,468	–	60,195
Operating				
Daily average production				
Natural gas (MMcf/d)	38.2	46.9	(19%)	44.1
Oil (bbl/d)	1,292	1,022	26%	1,207
NGL (bbl/d)	731	730	–	757
Total (boe/d)	8,383	9,569	(12%)	9,324

Average prices				
Realized natural gas price ($/Mcf)	3.13	2.83	11%	2.99
Realized oil price ($/bbl)	44.31	48.57	(9%)	45.23
Realized NGL price ($/bbl)	37.34	56.02	(33%)	40.22
Wells drilled – gross (net)				
Natural gas	– (–)	– (–)		– (&nd
Oil	2 (2.0)	3 (3.0)		5 (5.0)
Total	2 (2.0)	3 (3.0)		5 (5.0)

(1) These are non-GAAP measures. Please refer to "Non-GAAP Measures" below.

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

(3) All common shares are net of shares held in trust (September 30, 2019 – 0.9 million; September 30, 2018 – 0.4 million). See "Note 15 to the condensed interim consolidated financial statements".

ADDITIONAL INFORMATION

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 and operations may constitute forward-looking information or statements under applicable securities laws. The forward looking information includes, without limitation, anticipated amounts and allocation of capital spending; statements pertaining to adjusted funds flow levels, statements regarding estimated production and timing thereof; statements pertaining to type curves being exceeded, forecast average production; completions and development activities; infrastructure expansion and construction; estimated FDC required to convert proved plus probable non-producing and undeveloped reserves to proved producing reserves; prospective oil 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. 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, 2018 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 law.

Financial Outlook

Also included in this news release are estimates of Perpetual's 2019 adjusted funds flow and year-end 2019 net debt, which is based on, among other things, the various assumptions as to production levels, capital expenditures, and other assumptions disclosed in this news release. To the extent such estimate constitutes a financial outlook, it was approved by management and the Board of Directors of Perpetual on November 7, 2019 and is included to provide readers with an understanding of Perpetual's anticipated adjusted funds flow and sensitivities based on the capital expenditure, production, and other assumptions described herein and readers are cautioned that the information may not be appropriate for other purposes.

Non-GAAP Measures

This news release contains the terms "adjusted funds flow", "adjusted funds flow per share", "adjusted funds flow per boe", "available liquidity", "cash costs", "net working capital deficiency (surplus)", "net debt", "net bank debt", "net debt to adjusted funds flow ratio", "operating netback", "realized revenue" and "enterprise value" 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, these terms are useful supplemental measures to evaluate operating performance. Users are cautioned however that these measures 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.

Adjusted funds flow: 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 (used in) 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 is variable. Expenditures on decommissioning obligations may vary from period to period depending on capital programs and the maturity of the Company's operating areas. Expenditures on decommissioning obligations are managed through the 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 to present these payments net of gas over bitumen royalty credits received. These payments are indexed to gas over bitumen royalty credits and are recorded as a reduction to the Corporation's gas over bitumen royalty financing obligation in accordance with IFRS. Additionally, the Company has excluded payments of restructuring costs associated with surplus office lease obligations, which management considers to not be related to cash flow from operating activities.

Adjusted funds flow per share is calculated using the same weighted average number of shares outstanding used in calculating net income (loss) 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 the period.

Available Liquidity: Available Liquidity is defined as Perpetual's reserve-based credit facility borrowing limit (the "Borrowing Limit"), plus the fair value of the Tourmaline Oil Corp. ("TOU") share investment, less borrowings and letters of credit issued under the reserve-based credit facility (the "Credit Facility") and the TOU share margin demand loan. Management uses available liquidity to assess the ability of the Company to finance capital expenditures and expenditures on decommissioning obligations, and to meet its financial obligations.

Cash costs: Management believes that cash costs assist management and investors in assessing Perpetual's efficiency and overall cost structure. Cash costs are comprised of royalties, production and operating, transportation, general and administrative, and cash finance expense. Cash costs per boe is calculated by dividing cash costs by total production sold in the period.

Realized revenue: Realized revenue is the sum of realized natural gas revenue, realized oil revenue and realized natural gas liquids ("NGL") revenue which includes realized gains (losses) on financial natural gas, crude oil, NGL and foreign exchange contracts but excludes any realized gains (losses) resulting from marketing contracts associated with the disposition of the shallow gas assets on October 1, 2016 (the "Shallow Gas Disposition") to Sequoia Resources Corp. ("Sequoia"). Realized revenue, including foreign exchange and the market diversification contract, is used by management to calculate the Corporation's net realized commodity prices, taking into account monthly settlements of financial crude oil and natural gas forward sales, collars, basis differentials, and forward foreign exchange sales. These contracts are put in place to protect Perpetual's adjusted funds flow from potential volatility in commodity prices and foreign exchange rates. Any related realized gains or losses are considered part of the Corporation's realized commodity price.

Operating netback: Perpetual considers operating netback to be an important performance measure as it demonstrates its profitability relative to current commodity prices. Operating netback is calculated by deducting royalties, production and operating expenses, and transportation costs from realized revenue. Operating netback is also calculated on a per boe basis using production sold for the period. Operating netback on a per boe basis can vary significantly for each of the Company's operating areas.

Net working capital deficiency (surplus): Net working capital deficiency (surplus) includes total current assets and current liabilities excluding short-term derivative assets and liabilities related to the Corporation's risk management activities, current portion of gas over bitumen royalty financing, TOU share investment, TOU share margin demand loan, current portion of lease liabilities, and current portion of provisions.

Net bank debt, net debt and net debt to adjusted funds flow ratio: Net bank debt is measured as current and long-term revolving bank debt including net working capital deficiency (surplus). Net debt includes the carrying value of net bank debt, the principal amount of the term loan, the principal amount of the TOU share margin demand loan and the principal amount of senior notes, reduced for the fair value of the TOU share investment. Net debt, net bank debt, and net debt to adjusted funds flow ratios are used by management to assess the Corporation's overall debt position and borrowing capacity. Net debt to adjusted funds flow ratios are calculated on a trailing twelve-month basis.

Enterprise value: Enterprise value is equal to net debt plus the market value of issued equity, and is used by management to analyze leverage. Enterprise value is not intended to represent the total funds from equity and debt received by the Corporation upon issuance.

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.

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:

bbls	barrels
boe	barrels of oil equivalent
Mcf	thousand cubic feet
MMcf	million cubic feet
MMBtu	million British Thermal Units
GJ	gigajoules

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