

# Perpetual Energy Inc. Announces Closing of Rubellite Financings; Second Lien Term Loan Repayment; and Credit Facility Extension and Provides Operations Update

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CALGARY, Oct. 5, 2021 - (TSX: PMT) - [Perpetual Energy Inc.](#) ("Perpetual" or the "Company") is pleased to announce the closing of the previously announced financings of Rubellite Energy Inc. ("Rubellite"), the repayment of its second lien term loan and credit facility extension, and provide an operations update.

## Rubellite Financings

Rubellite has raised \$83.5 million in equity, all priced at \$2.00 per share, through a combination of: (i) a \$33.5 million arrangement warrant financing (the "Arrangement Warrant Financing") whereby shareholders of Perpetual were provided the opportunity to purchase Rubellite common shares ("Rubellite Shares") in addition to those Rubellite Shares issued under the reorganization of the Company, which was approved by the shareholders on August 31, 2021; (ii) the issuance of Rubellite Shares in exchange for subscription receipts previously issued under a \$30 million brokered private placement to a number of arm's length investors, which funds have been held in escrow since closing on July 13, 2021 (the "Brokered Private Placement"); and (iii) a \$20 million non-brokered private placement (the "Non-Brokered Private Placement" and collectively with the Arrangement Warrant Financing and Brokered Private Placement, the "Rubellite Financings"). The Rubellite Financings closed concurrently on October 4, 2021 and approximately 41.7 million Rubellite Shares were issued.

Approximately \$53.6 million in funds from the Rubellite Financings will today repay promissory notes owed to Perpetual in connection with Rubellite's acquisition of its Clearwater assets from Perpetual. Perpetual previously received additional non-cash consideration in the form of a five-year option to purchase 4.0 million Rubellite Shares at \$3.00 per share (the "Rubellite Share Purchase Options"), providing an opportunity for Perpetual to remain exposed to potential value appreciation of the Clearwater assets sold to Rubellite.

With payments enabled through the closing of the Rubellite Financings, Perpetual's total net debt will decline by an estimated 46% from \$110 million at June 30, 2021 to approximately \$59 million, inclusive of estimated capital spending at East Edson and other forecast corporate revenues and expenses during the third quarter of 2021. Interest cost savings will improve Perpetual's liquidity by approximately \$4 million annually. The general and administrative cost recoveries under the management services agreement with Rubellite are expected to further enhance Perpetual's liquidity by approximately \$2 to \$3 million annually.

## Second Lien Term Loan Repayment

Pursuant to the terms of the second lien debt repayment agreement with Alberta Investment Management Corporation, Perpetual has settled its \$45 million second lien term loan principal plus outstanding interest with the payment of approximately \$38.5 million in cash, delivery of 680,485 Rubellite Shares and later today will enter into a new second lien term loan of \$2.7 million (the "New Second Lien Term Loan"). The New Second Lien Term Loan bears interest at 8.1% annually, which Perpetual may elect to pay-in-kind, and will mature on December 31, 2024. Perpetual has the ability to repay any or all of the New Second Lien Term Loan at any time without penalty. Perpetual is also committed to pay up to \$4.5 million in contingent payments in the event that Perpetual's annual average realized crude oil and natural gas prices exceed certain thresholds over the three year period ended December 31, 2023.

## Credit Facility Extension

On July 15, 2021, Perpetual entered into an agreement with its syndicate of lenders to extend its revolving bank debt facility ("First Lien Credit Facility") upon closing of the Rubellite Financings. The First Lien Credit Facility established a borrowing limit of \$17 million, with an initial term to November 30, 2022 unless the revolving period is extended for a further six months subject to approval by the syndicate. If not extended on or before November 30, 2022, all outstanding advances will be repayable on May 31, 2023. The next Borrowing Limit redetermination is scheduled on or before November 30, 2021.

Including cash proceeds received from the sale of the Clearwater assets, Perpetual expects to be less than 25% drawn on the \$17 million First Lien Credit Facility. Furthermore, the First Lien Credit Facility provides Perpetual with an enhanced ability to enter into risk management contracts to mitigate commodity price risk as appropriate.

## Operations Update

The Rubellite transactions provide a full capital solution for Perpetual by reducing Perpetual's net debt, normalizing the balance sheet leverage ratios and enhancing Perpetual's ability to capture the inherent value in its asset base by funding investment opportunities to grow and sustain production and adjusted funds flow.

Operationally, the Company is participating in an active capital program at Perpetual's 50% working interest East Edson property. The last well of the 8-well carried interest commitment that formed part of the consideration in the East Edson transaction in April 2020 was spud on July 26, 2021 and was drilled, completed and brought onstream by our joint venture partner in August. An additional six well (3.0 net) drilling program at East Edson is well advanced with the first two-well pad drilled, completed and on production in mid-September, ahead of previous expectations. Drilling operations are continuing on the final four-well pad, with production start-up expected by early November, targeting to fill the West Wolf gas plant to maximize natural gas and NGL sales through next winter.

Activity in Mannville in Eastern Alberta remains focused on waterflood optimization and battery consolidation projects and preparation for potential drilling projects in 2022.

## ADDITIONAL INFORMATION

### About Perpetual

Perpetual is an oil and natural gas exploration, production and marketing company headquartered in Calgary, Alberta. Perpetual owns a diversified asset portfolio, including liquids-rich conventional natural gas assets in the deep basin of West Central Alberta, heavy crude oil and shallow conventional natural gas in Eastern Alberta, including undeveloped bitumen leases in Northern Alberta and prospective undeveloped acreage in the emerging Clearwater play fairway through Rubellite Energy Inc. Additional information on Perpetual can be accessed at [www.sedar.com](http://www.sedar.com) or from the Corporation's website at [www.perpetualenergyinc.com](http://www.perpetualenergyinc.com).

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

### Forward-Looking Information

Certain information in this news release may constitute forward-looking information or statements pertaining to Perpetual ("forward-looking information") under applicable securities laws. The forward-looking information includes, without limitation, statements with respect to: the Rubellite Share Purchase Options providing an opportunity for Perpetual to remain exposed to potential value appreciation of the Clearwater assets sold to Rubellite; total net debt levels, capital spending at East Edson and other forecast corporate revenues and expenses during the third quarter of 2021; potential interest cost savings and the improvement of Perpetual's liquidity and expected general and administrative cost recoveries under the management services

agreement with Rubellite; the benefits of the Rubellite transactions including providing a full capital solution for Perpetual by reducing Perpetual's net debt, normalizing the balance sheet leverage ratios and enhancing Perpetual's ability to capture the inherent value in its asset base by funding investment opportunities to grow and sustain production and adjusted funds flow; planned drilling operations and the timing for production start-ups and gas plant fills; planned waterflood optimization and battery consolidation projects and preparation for potential drilling projects in 2022; and other similar statements.

Forward-looking information is based on current expectations, estimates and projections that involve a number of known and unknown risks, which could cause actual results to vary and in some instances to differ materially from those anticipated by Perpetual or Rubellite and described in the forward-looking information contained in this news release. In particular and without limitation of the foregoing, material factors or assumptions on which the forward-looking information in this news release is based include: anticipated benefits to Perpetual and Rubellite's shareholders; the ability of Rubellite to successfully operate the Clearwater assets; forecast commodity prices and other pricing assumptions; forecast production volumes based on business and market conditions; foreign exchange rates; near-term pricing and continued volatility of the market; Rubellite's and Perpetual's capacity and continued operations; estimates of quantities of crude oil from properties and other sources not currently classified as proved; accounting estimates and judgments; future use and development of technology and associated expected future results; the ability to obtain regulatory approvals; the successful and timely implementation of capital projects; ability to generate sufficient cash flow to meet current and future obligations; estimated abandonment and reclamation costs, including associated levies and regulations applicable thereto; Rubellite's ability to operate under the management of Perpetual pursuant to the management services agreement; the ability of Rubellite and Perpetual to obtain and retain qualified staff and equipment in a timely and cost-efficient manner, as applicable; the retention of key properties; forecast inflation and other assumptions inherent in Perpetual's current guidance and estimates; the continuance of existing tax, royalty, and regulatory regimes; the accuracy of the estimates of reserves volumes; ability to access and implement technology necessary to efficiently and effectively operate assets; and the ongoing and future impact of the coronavirus on commodity prices and the global economy, among others.

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 herein and under "Risk Factors" in Perpetual's Annual Information Form and MD&A for the year ended December 31, 2020 and 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

accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) and at Perpetual's website ([www.perpetualenergyinc.com](http://www.perpetualenergyinc.com)). In addition, defence costs of legal claims such as the Sequoia litigation 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 Sequoia litigation, which the Company has become subject to, could have a material effect on the Company's financial position and results of operations.

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based on the estimates and opinions of Perpetual's management at the time the information is released, and

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as a result of new information, future events or otherwise, other than as expressly required by applicable law.

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