IF YOU ARE A REGISTERED SHAREHOLDER AND RESIDENT IN AN ELIGIBLE JURISDICTION, YOUR RIGHTS CERTIFICATE IS ENCLOSED. PLEASE READ THIS MATERIAL CAREFULLY AS YOU ARE REQUIRED TO MAKE A DECISION PRIOR TO 5:00 P.M. (TORONTO TIME) ON JANUARY 15, 2016.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions and to those persons where, or to whom, they may be lawfully offered for sale and therein only by persons permitted to sell such securities. ***Rights Certificates (as defined herein) will not be issued to Ineligible Holders (as defined herein) and Shareholders (as defined herein) will be presumed to be resident in the place of their registered address, unless the contrary is shown to the satisfaction of the Company (as defined herein). See "Details of the Offering – Ineligible Holders and Approved Eligible Holders".***

*The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or the securities laws of any state of the United States. Accordingly, the securities offered hereby may not be offered, sold or delivered in the United States unless registered under the U.S. Securities Act and applicable U.S. state securities laws, except pursuant to exemptions from registration under the U.S. Securities Act and applicable U.S. state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States.*

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Perpetual Energy Inc. at its head office located at Suite 3200, 605 – 5th Avenue S.W., Calgary, Alberta T2P 3H5, Telephone (403) 269-4400 and are also available electronically at www.sedar.com.*

SHORT FORM PROSPECTUS

Rights Offering December 7, 2015

Perpetual Energy Inc.
$25,000,000
Rights to Acquire Common Shares at an Exercise Price of $0.1630 per Right

This short form prospectus qualifies the distribution (the "**Offering**") of transferable rights (each, a "**Right**") to acquire common shares ("**Common Shares**") in the capital of Perpetual Energy Inc. (the "**Company**" or "**Perpetual**") to the holders (the "**Shareholders**") of the outstanding Common Shares of record at 5:00 p.m. (Toronto time) on December 16, 2015 (the "**Record Date**"). This short form prospectus also qualifies the distribution of Common Shares issuable upon exercise of the Rights. Each Shareholder of record on the Record Date will receive one Right for each Common Share held.

Upon payment of the exercise price of $0.1630 per Right (the "**Exercise Price**") each Right will entitle the holder to receive such number of Common Shares equal to **the greater of**:

(i) 0.3140 of a Common Share; or

(ii) ($0.1630 ÷ B) – 1 Common Share,

where:

B = the Current Market Price (as defined herein) less a discount of 80.70%,

(this calculation is referred to in this short form prospectus as the "**Common Shares Per Right Calculation**")

The number of Common Shares to be received upon exercise of a Right will be known on or about December 22, 2015 once the Current Market Price is determined. See "*Illustrative Example of the Common Shares Per Right Calculation*".

The Common Shares Per Right Calculation has been designed to ensure that holders of Common Shares who exercise their Rights have certainty regarding the percentage of the equity of the Company that they will own after completion of the Equity Transactions (as defined herein). The Company has determined that such a mechanism was needed to enable the Company to raise equity while ensuring holders of Common Shares and holders of Convertible Debentures (as defined herein) are treated fairly in the circumstances. The "Current Market Price" used for the Offering is calculated on the same basis as the "Current Market Price" (as defined in the Convertible Debenture Indenture) used to determine the number of Common Shares to be issued upon the Convertible Debenture Repayment (as defined herein). In addition, the Common Shares Per Right Calculation effectively provides that the number of Common Shares issuable upon exercise of a Right will have an implied price per Common Share of at least a 20% discount to the Current Market Price.

Each Right will entitle the holder thereof (the "**Rightsholder**") to acquire Common Shares equal to the Common Shares Per Right Calculation at the Exercise Price (the "**Basic Subscription Right**") commencing on December 23, 2015 (the "**Commencement Time**") and expiring at 5:00 p.m. (Toronto time) (the "**Rights Expiry Time**") on January 15, 2016 (the "**Rights Expiry Date**"). See "*Plan of Distribution*" and "*Details of the Offering*".

To exercise Rights to acquire Common Shares, a completed Rights Certificate, together with payment in full of the Exercise Price for each Right exercised, must be received by Computershare Investor Services Inc. (the "**Subscription Agent**") by mail at Computershare Investor Services Inc. P.O. Box 7021, 31 Adelaide Street E Toronto, Ontario M5C 3H2 or by hand, courier or registered mail at Computershare Investor Services Inc. 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1 (in each case, the "**Applicable Subscription Office**"), Attention: Corporate Actions, by the Rights Expiry Time on the Rights Expiry Date. Subscriptions for Common Shares made in connection with the Offering will be irrevocable and subscribers will be unable to withdraw their subscriptions for Common Shares once submitted. No fractional Common Shares will be issued and an entitlement to a fractional Common Share will be rounded down to the next lowest whole number of Common Shares without any payment therefor. Rightsholders who exercise their Rights in full are entitled to exercise additional Rights (the "**Additional Rights**") on a pro rata basis, if available, at the Exercise Price pursuant to an additional subscription privilege (the "**Additional Subscription Privilege**"). See "*Details of the Offering – Additional Subscription Privilege*".

A Rightsholder that exercises Rights is deemed to represent and warrant to the Company that the exercise of any of its Rights will not result in a Note Indenture Change of Control (as defined herein) due to it having beneficial ownership, directly or indirectly, or control of more than 49% of the Common Shares. If the representation and warranty is breached by the Rightsholder, the Rightsholder unconditionally agrees that the portion of the Rights exercised that would entitle the Rightsholder to receive more than 49% of the Common Shares will be null and void and result in the cancellation of any such Rights immediately before the Rights Expiry Time. Any Rights cancelled as a result of the foregoing will be taken up in accordance with the Additional Subscription Privilege or the Equity Backstop Agreement, as applicable. See "*Details of the Offering – Subscription Basis*" and "*Details of the Offering – How to Complete a Rights Certificate – To Represent Exercise of Rights Will Not Cause a Change of Control – Form 5*".

The Rights are fully transferable under the laws of Canada.

A Rightsholder is not, by virtue of such Right, a Shareholder and does not have any of the rights of a Shareholder (including the right to receive any dividend or distribution of any nature whatsoever which may be declared payable on the Common Shares).

The Offering is one of a series of transactions involving the Company which are being undertaken to improve the financial condition of the Company (collectively, the "**Recapitalization Transactions**"). The Recapitalization Transactions consist of: (i) the Offering; (ii) the Convertible Debenture Repayment, including the payment in cash of the accrued interest on the Convertible Debentures on December 31, 2015; (iii) the extensions of each of the Credit Facility (as defined herein) and Margin Loan (as defined herein); (iv) the establishment of the New Financing Arrangement (as defined herein); and (v) the Proposed Common Share Consolidation (as defined herein) following completion of the Offering and Convertible Debenture Repayment. See "*Perpetual Energy Inc. – Background to and Reasons for the Recapitalization Transactions*" and "*Perpetual Energy Inc. – Recent Developments*".

The issued and outstanding Common Shares are listed on the Toronto Stock Exchange (the "**TSX**") under the symbol "PMT". On December 4, 2015, the last trading day of the Common Shares on the TSX prior to the filing of this short form prospectus, the closing price of the Common Shares on the TSX was $0.185. The TSX has conditionally approved the listing of the Rights and the Common Shares issuable upon exercise of the Rights and the Equity Backstop Common Shares. Listing is subject only to the Company providing the number of Common Shares issuable per Right and the effective subscription price per Common Share to the TSX. Once the Company provides this information to the TSX, the Rights will be listed for trading on the TSX under the symbol "PMT.RT" and will be posted for trading on the TSX on December 23, 2015, being the first trading day following the date when the Current Market Price is determined. See "*Plan of Distribution*". The Rights will cease trading on the TSX at 12:00 p.m. (Toronto time) on the Rights Expiry Date.

Since the Current Market Price will not be known until December 22, 2015 it will not be possible for an investor to ascertain the number of Common Shares issuable upon the exercise of a Right and the implied subscription price of the Common Shares before this date. Accordingly, the TSX advised the Company that Due Bills (as defined herein) are to be used in connection with this Offering. As a result, ex-rights trading of the Common Shares will only commence when the Rights begin trading (i.e., after the result of the Common Shares Per Right Calculation is known), which will occur on December 23, 2015, being the first trading day following the date when the Current Market Price is determined. The Common Shares will trade on the TSX with Due Bills from December 14, 2015 to and including December 22, 2015. For additional information respecting Due Bills and the trading procedures to be followed, see "*Details of the Offering – Due Bills*". **There is currently no market through which the Rights may be sold and purchasers may not be able to resell the Rights issued under this short form prospectus. This may affect the pricing of the Rights in the secondary market, the transparency and availability of trading prices, the liquidity of the Rights and the extent of issuer regulation. See "*Risk Factors*".**

The Backstopper (as defined herein) has entered into an equity backstop agreement with the Company dated as of November 20, 2015 (the "**Equity Backstop Agreement**") pursuant to which the Backstopper has agreed, subject to certain terms and conditions, to exercise its Basic Subscription Right and Additional Subscription Privilege under the Offering and acquire Equity Backstop Common Shares to the maximum extent possible such that after giving effect to the purchase of Common Shares subscribed for and taken up by holders of Rights pursuant to the Basic Subscription Right and the Additional Subscription Privilege (including any Equity Backstop Common Shares subscribed for and taken up by the Backstopper pursuant to its Basic Subscription Right and Additional Subscription Privilege, as applicable), the Company will have received an aggregate amount in respect of the issuance of such Common Shares that is not less than the amount equal to the number of Common Shares outstanding on the Record Date multiplied by $0.1630, being up to $25 million. See "*Equity Backstop*" and "*Plan of Distribution*". See also "*Risk Factors – Anticipated Proceeds May Not Be Fully Realized*".

The Backstopper is a corporation controlled by the Company's Chairman and also a "control person" of the Company by virtue of owning approximately 22.9% of the outstanding Common Shares on the date of this short form prospectus and as such, the Backstopper is a "related party" (as such term is defined in MI 61-101(as defined herein)) of the Company. In consideration for providing the Equity Backstop (as defined herein), the Company has agreed to pay the Backstopper a fixed fee of $125,000 upon closing of the Offering. See "*MI 61-101 Considerations*".

The Backstopper is not engaged as an underwriter in connection with the Offering and has not been involved in the preparation of, or performed any review of, this short form prospectus in the capacity of an underwriter.

	Exercise Price	Proceeds to the Company(1) (2)
Per Right	$0.1630	$0.1630
Total Offering(3)	$25,000,000	$25,000,000

Notes:

(1) Before deducting expenses of the Offering, estimated to be $2.1 million, which will be paid from the general funds of the Company.
(2) Assumes exercise of all Rights.
(3) The total Offering will equal the number of Common Shares outstanding on the Record Date multiplied by $0.1630, being up to $25 million.

Certificates evidencing the Rights will be issued in: (i) definitive form (a "**Definitive Rights Certificate**") to each Rightsholder who holds Common Shares in definitive certificate form as of the Record Date (a "**Registered Rightsholder**");

and (ii) book-entry form (a "**Global Rights Certificate**" and, together with Definitive Rights Certificates, the "**Rights Certificates**") to each Rightsholder who holds Common Shares in book-entry form through a securities broker or dealer, bank or trust company or other CDS Participant (a "**CDS Participant**") in the book-based system administered by CDS Clearing and Depository Services Inc. ("**CDS**") as of the Record Date (a "**Beneficial Rightsholder**"). In the case of a Registered Rightsholder, such holder may exercise Rights to acquire Common Shares by delivering to the Subscription Agent at the Applicable Subscription Office (as defined herein) the Rights Certificates, duly completed and exercised, together with the Exercise Price for each Right exercised. In the case of a Beneficial Rightsholder, such holder may exercise Rights to acquire Common Shares by instructing the CDS Participant holding its Rights sufficiently in advance of the Rights Expiry Date to exercise all or a specified number of such Rights and forwarding the Exercise Price for each Right exercised to such CDS Participant. A Registered Rightsholder wishing to exercise additional Rights pursuant to the Additional Subscription Privilege must forward to the Subscription Agent at the Applicable Subscription Office the Rights Certificates, duly completed and exercised, together with the Exercise Price for each Additional Right exercised. A Beneficial Rightsholder wishing to exercise Additional Rights pursuant to the Additional Subscription Privilege will be required to withdraw a Definitive Rights Certificate representing their Rights from CDS and deposit the Definitive Rights Certificate directly with Computershare (as defined herein) along with payment for the Basic Subscription Right and Additional Rights. Accordingly, Beneficial Rightsholders wishing to exercise Additional Rights should contact the CDS Participant that holds such holder's Rights sufficiently in advance of the Rights Expiry Date to arrange for such subscription for Additional Rights. Any excess funds will be returned by mail or, in the case of a Beneficial Rightsholder, credited to the holder's account with its CDS Participant, without interest or deduction. **CDS Participants will have an earlier deadline for receipt of instructions and payment than the Rights Expiry Date.** Shareholders should contact their particular CDS Participant for complete details on how to exercise their Basic Subscription Right and the Additional Subscription Privilege. See "*Details of the Offering – Rights Certificates – Common Shares held through CDS*".

Issuance of the certificates representing Common Shares issued on exercise of Rights is expected to occur on or about January 18, 2016 or such earlier or later date as the Company may determine (the "**Closing Date**").

Computershare Investor Services Inc. has been appointed as the Subscription Agent for the Offering pursuant to a rights agency and custodial agreement between the Company and the Subscription Agent. Kingsdale Shareholder Services is acting as the Information Agent for the Offering.

Prospective investors should be aware that the acquisition or disposition of the securities described in this short form prospectus and the expiry of an unexercised Right may have tax consequences depending on each particular prospective investor's specific circumstances. Prospective investors should consult their own tax advisors with respect to such tax considerations.

An investment in the Rights offered hereunder or Common Shares issuable upon exercise of the Rights should be considered speculative due to various factors, including the current conditions of the industry in which the Company operates and its present financial position. The risk factors identified under the headings "*Risk Factors*" and "*Forward-Looking Statements*" or incorporated by reference in this short form prospectus should be carefully reviewed and evaluated by prospective investors before purchasing any Rights or Common Shares being offered hereunder. See "*Plan of Distribution*" and "*Risk Factors*".

The Company's board of directors (the "Board") makes no recommendation to you about whether you should exercise any Rights. You are urged to make an independent investment decision about whether to exercise your Rights based on your own assessment of the Company's business and the Offering.

Rights not exercised before the Rights Expiry Time on the Rights Expiry Date will become void and be of no value. If a Shareholder does not exercise all of its Rights pursuant to the Basic Subscription Right, the Shareholder's equity ownership in the Company will be diluted by the issuance of Common Shares upon the exercise of Rights by other Shareholders and will also be compounded by the Convertible Debenture Repayment, which dilution may be significant. See "*Risk Factors – Dilution to Existing Shareholders*".

This short form prospectus qualifies the distribution of the Rights as well as the Common Shares issuable upon exercise of the Rights (which includes the Equity Backstop Common Shares) in each of the provinces and territories of Canada. The provinces and territories of Canada are collectively referred to in this short form prospectus as the "**Eligible Jurisdictions**". Except under the circumstances described herein, the Rights as well as the Common Shares issuable upon the exercise of the

Rights (which includes the Equity Backstop Common Shares) are not being distributed or offered to Shareholders in any jurisdiction other than the Eligible Jurisdictions (each, an "**Ineligible Jurisdiction**") and, except under the circumstances described herein, Rights may not be exercised by or on behalf of a holder of Rights who appears to be, or whom the Company has reason to believe is, resident in an Ineligible Jurisdiction (an "**Ineligible Holder**"). This short form prospectus is not, and under no circumstances is to be construed as, an offering of any Rights or Common Shares for sale in any Ineligible Jurisdiction or a solicitation therein of an offer to buy any securities. Except under the circumstances described herein, Rights Certificates will not be sent to Shareholders with addresses of record in any Ineligible Jurisdiction. Ineligible Holders who are not Approved Eligible Holders (as defined herein) will be sent a letter advising them that their Rights Certificates will be held by the Subscription Agent, who will hold such Rights as agent for the benefit of all such Ineligible Holders. See *"Details of the Offering – Ineligible Holders and Approved Eligible Holders"*.

The Company is responsible for the information contained in this short form prospectus and the documents incorporated by reference herein. Perpetual has not authorized anyone to provide investors with different information. Perpetual is not offering the Rights in any jurisdiction in which the Offering is not permitted. Investors should not assume that the information contained in this short form prospectus is accurate as of any date other than the date of this short form prospectus. Subject to Perpetual's obligations under applicable securities laws, the information contained in this short form prospectus is accurate only as of the date of this short form prospectus regardless of the time of delivery of this short form prospectus or of any sale of the Rights.

The Company's head office and registered office is located at Suite 3200, 605 – 5th Avenue S.W., Calgary, Alberta T2P 3H5.

All dollar amounts in this short form prospectus are in Canadian dollars unless otherwise stated.

ADVISORY

A Rightsholder should read this entire short form prospectus and the documents incorporated by reference herein and consult the Rightsholder's own professional advisors to assess the income tax, legal, risk factors and other aspects of their investment in the Offering. A Rightsholder should rely only on the information contained in this short form prospectus, and the documents incorporated by reference herein, and is not entitled to rely on parts of the information contained in this short form prospectus or the documents incorporated by reference herein to the exclusion of other parts. The Company has not authorized anyone to provide Rightsholders with additional or different information. If anyone provides a Rightsholder with additional, different or inconsistent information, including statements in the media about the Company, the Rightsholder should not rely on it.

The information contained in this short form prospectus and the documents incorporated by reference herein is accurate only as of the date of this short form prospectus or the particular document incorporated by reference herein, regardless of the time of delivery of this short form prospectus or any sale of the Rights. The Company's business, financial condition, results of operations and prospects may have changed since the date of this short form prospectus.

If a Shareholder does not exercise all of its Rights pursuant to the Basic Subscription Right, the Shareholder's equity ownership in the Company will be diluted by the issuance of Common Shares upon the exercise of Rights by other Shareholders and will also be compounded by the Convertible Debenture Repayment, which dilution may be significant.

RIGHTSHOLDERS ARE URGED TO READ THE INFORMATION UNDER THE HEADINGS "*RISK FACTORS*" AND "*FORWARD-LOOKING STATEMENTS*" HEREIN AND IN THE AIF (AS DEFINED HEREIN).

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SUMMARY OF OFFERING

The following information is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this short form prospectus.

Issuer: Perpetual Energy Inc.

The Offering: Rights to acquire Common Shares at an Exercise Price of $0.1630 per Right. See "*Details of the Offering – Basic Subscription Right*".

A Definitive Rights Certificate will be issued to each Registered Rightsholder and a Global Rights Certificate will be issued to each Rightsholder who holds Common Shares in book-entry form through a securities broker or dealer, bank or trust company or other CDS Participant in the book-based system administered by CDS as of the Record Date.

Record Date: December 16, 2015 (at 5:00 p.m. (Toronto time)).

Rights Expiry Time and Date: 5:00 p.m. (Toronto time) on January 15, 2016. Rights not exercised at or before the Rights Expiry Time on the Rights Expiry Date will be void and have no value.

Closing Date: Issuance of the certificates representing issued Common Shares following the Rights Expiry Date is expected to occur on or about January 18, 2016 or such earlier or later date as the Company may determine.

Exercise Price: $0.1630 per Right exercised (the "**Exercise Price**"), having been calculated by dividing the gross proceeds of the Offering of $25 million by 153,328,390, being the number of Common Shares outstanding as at December 4, 2015.

Entitlement to Rights: Each Shareholder of record as at 5:00 p.m. (Toronto time) on the Record Date is entitled to receive one Right for each Common Share held.

Basic Subscription Right: Upon payment of the Exercise Price of $0.1630 per Right at or before the Rights Expiry Time on the Rights Expiry Date, each Right will entitle the holder to receive such number of Common Shares equal to the greater of: (i) 0.3140 of a Common Share; or (ii) the result when (A) the Exercise Price of $0.1630 is divided by (B) the Current Market Price less a discount of 80.70% and then (C) one Common Share is deducted from the result.

For greater certainty, (B) is calculated as the Current Market Price minus (Current Market Price multiplied by 0.8070).

The following table outlines the results of the Common Shares Per Right Calculation at various Current Market Prices.

If 20-day VWAP Equal to	Cost to Exercise One Right	Shares Issued per Right Exercised	Effective Cost Paid per Share	Implied Discount to 20-day VWAP Based on Effective Cost Paid per Share
$0.10	$0.1630	7.4456	$0.0219	$0.0781
$0.20	$0.1630	3.2228	$0.0506	$0.1494
$0.30	$0.1630	1.8152	$0.0898	$0.2102
$0.40	$0.1630	1.1114	$0.1467	$0.2533
$0.50	$0.1630	0.6891	$0.2365	$0.2635

On December 4, 2015, the last trading day of the Common Shares on the TSX prior to the filing of this short form prospectus, the closing price of the Common Shares on the TSX was $0.185 and the 20-day VWAP of the Common Shares on the TSX was $0.27.

See "*Details of the Offering*" and "*Illustrative Example of the Common Shares Per Right Calculation*".

Additional Subscription Privilege:	Each Rightsholder who has exercised in full his or her Basic Subscription Right may exercise Additional Rights, if available, at a price equal to the Exercise Price for each Additional Right. The number of Additional Rights available will be the difference, if any, between the total number of Rights that were issued pursuant to the Offering and the total number of Rights exercised and paid for pursuant to the Basic Subscription Right at the Rights Expiry Time on the Rights Expiry Date. See "*Details of the Offering – Additional Subscription Privilege*".
Exercise of Rights:	For all Shareholders whose Common Shares are held in registered form and who are resident in an Eligible Jurisdiction as of the Record Date, a Rights Certificate representing the total number of Rights to which such Shareholder is entitled as at the Record Date will be mailed with a copy of this short form prospectus to each such Shareholder. In order to exercise the Rights represented by the Rights Certificate, such Shareholder must complete and deliver the Rights Certificate in accordance with the instructions set out under *"Details of the Offering – How to Complete a Rights Certificate"*. For Common Shares held through a CDS Participant in the book-based system administered by CDS, a Shareholder may exercise its Rights by instructing the CDS Participant holding the Shareholder's Rights to exercise all or a specified number of such Rights and forwarding the Exercise Price for each Right exercised in accordance with the terms of this Offering to such CDS Participant. See *"Details of the Offering – Rights Certificates – Common Shares Held Through CDS"*. All subscriptions for Common Shares made in connection with the Offering will be irrevocable and subscribers will be unable to withdraw their subscriptions for Common Shares once submitted. **A Rightsholder that exercises Rights is deemed to represent and warrant to the Company that the exercise of any of its Rights will not result in a Note Indenture Change of Control due to it having beneficial ownership, directly or indirectly, or control of more than 49% of the Common Shares. If the representation and warranty is breached by the Rightsholder, the Rightsholder unconditionally agrees that the portion of the Rights exercised that would entitle the Rightsholder to receive more than 49% of the Common Shares will be null and void and result in the cancellation of any such Rights immediately before the Rights Expiry Time. Any Rights cancelled as a result of the foregoing shall be taken up in accordance with the Additional Subscription Privilege or the Equity Backstop Agreement, as applicable. See "*Details of the Offering – Subscription Basis*" and "*Details of the Offering – How to Complete a Rights Certificate – To Represent Exercise of Rights Will Not Cause a Change of Control – Form 5*".**
Shareholders in Ineligible Jurisdictions:	This Offering is made in all of the Eligible Jurisdictions. No subscription under the Basic Subscription Right nor under the Additional Subscription Privilege will be accepted from any person, or such person's agent, who appears to be, or whom the Company has reason to believe is, an Ineligible Holder, except that under the circumstances described herein and in certain other circumstances, the Company may accept subscriptions from Approved Eligible Holders. No Rights Certificates will be mailed to persons or such persons' agent who appear to be, or who the Company believes to be, Ineligible Holders. Ineligible Holders will not be permitted to exercise their Rights. Holders of Common Shares who have not received Rights Certificates but are resident in an Eligible Jurisdiction or who have not been but wish to be recognized as Approved Eligible Holders should contact the Subscription Agent at the earliest possible time. Rights of Ineligible Holders will be held by the Subscription Agent until 5:00 p.m. (Toronto time) on January 8, 2016 in order to provide such holders an opportunity to claim the Rights Certificates by satisfying the Company that the exercise of their Rights will not be in violation of the laws of the applicable jurisdiction. After such time, the Subscription Agent will attempt to sell the Rights of registered Ineligible Holders on such date or dates and at such price or prices as the Subscription Agent will determine in its sole discretion. The Subscription Agent will endeavour to effect sales of

	such Rights on the open market and any proceeds received by the Subscription Agent with respect to the sale of Rights, net of reasonable brokerage fees and costs incurred, will be divided on a pro rata basis among such registered Ineligible Holders and delivered by mailing cheques (in Canadian funds) of the Subscription Agent therefor as soon as practicable to such registered Ineligible Holders, net of any amount required to be withheld on account of applicable taxes, at their addresses recorded on the books of the Company. Amounts of less than $10.00 will not be remitted. The Subscription Agent will act in its capacity as agent of the registered Ineligible Holders on a best efforts basis only and the Company and the Subscription Agent do not accept responsibility for the price obtained on the sale of, or the inability to sell, the Rights on behalf of any registered Ineligible Holder. See "*Details of the Offering – Ineligible Holders and Approved Eligible Holders*".
Equity Backstop:	Pursuant to the Equity Backstop Agreement, the Backstopper has agreed, subject to certain terms and conditions, to exercise its Basic Subscription Right and Additional Subscription Privilege, if applicable, under the Offering and acquire Equity Backstop Common Shares to the maximum extent possible such that after giving effect to the purchase of Common Shares subscribed for and taken up by holders of Rights pursuant to the Basic Subscription Right and the Additional Subscription Privilege (including any Equity Backstop Common Shares subscribed for and taken up by the Backstopper pursuant to its Basic Subscription Right and Additional Subscription Privilege, as applicable), the Company will have received an aggregate amount in respect of the issuance of such Common Shares that is not less than the amount equal to the number of Common Shares outstanding on the Record Date multiplied by $0.1630, being up to $25 million. This short form prospectus qualifies the distribution of the Equity Backstop Common Shares issuable upon exercise of the Rights in each province and territory of Canada. See "*Equity Backstop*". The Backstopper is a corporation controlled by the Company's Chairman and also a "control person" of the Company by virtue of owning approximately 22.9% of the outstanding Common Shares on the date of this short form prospectus and as such, the Backstopper is a "related party" (as such term is defined in MI 61-101) of the Company. In consideration for providing the Equity Backstop, the Company has agreed to pay the Backstopper a fixed fee of $125,000 upon closing of the Offering. See "*MI 61-101 Considerations*".
Net Proceeds to the Company:	Approximately $22.9 million, after deduction of the estimated expenses of the Offering, assuming the exercise of all Rights.
Use of Proceeds:	The net proceeds of the Offering will be used to fund the Company's 2016 capital expenditure program. See "*Use of Proceeds*".
Intention of Insiders to Exercise Rights:	The Backstopper has agreed, subject to certain terms, conditions and limitations set out in the Equity Backstop Agreement, to exercise its Basic Subscription Right and Additional Subscription Privilege, if applicable. See "*Equity Backstop*" and "*Risk Factors*". The Company believes that each director and officer of the Company who owns Common Shares intends to exercise all of their Rights to purchase Common Shares under the Basic Subscription Right. See "*Details of the Offering – Intention of Insiders to Exercise Rights*".
Listing:	The TSX has conditionally approved the listing of the Rights and the Common Shares issuable upon exercise of the Rights and the Equity Backstop Common Shares. Listing is subject only to the Company providing the number of Common Shares issuable per Right and the effective subscription price per Common Share to the TSX. Once the Company provides this information to the TSX, the Rights will be listed for trading on the TSX under the symbol "PMT.RT" and will be posted for trading on the TSX on December 23, 2015, being the first trading day following the date when the Current Market Price is

	determined. See "*Plan of Distribution*". The Rights will cease trading on the TSX at 12:00 p.m. (Toronto time) on the Rights Expiry Date.
Due Bills:	Since the Current Market Price will not be known until December 22, 2015 it will not be possible for an investor to ascertain the number of Common Shares issuable upon the exercise of a Right and the implied subscription price of the Common Shares before this date. Accordingly, the TSX advised the Company that Due Bills are to be used in connection with this Offering. As a result, ex-rights trading of the Common Shares will only commence when the Rights begin trading (i.e., after the result of the Common Shares Per Right Calculation is known), which will occur on December 23, 2015, being the first trading day following the date when the Current Market Price is determined. The Common Shares will trade on the TSX with Due Bills from December 14, 2015 to and including December 22, 2015. For additional information respecting Due Bills and the trading procedures to be followed, see "*Details of the Offering – Due Bills*".
Risk Factors:	Investments in Rights and Common Shares are subject to a number of risks. See "*Risk Factors*".
Taxes:	Holders of Rights should refer to the sections "*Certain Canadian Federal Income Tax Considerations*" and "*Eligibility for Investment*".

KEY DATES AND TIMES OF THE RIGHTS OFFERING

	Date
Period during which Common Shares will trade on the TSX with Due Bills	December 14, 2015 to and including December 22, 2015
Record Date for participation in the Offering	December 16, 2015 at 5:00 p.m. (Toronto time)
Mailing date of final short form prospectus and Rights Certificates	December 18, 2015
Determination of Common Shares Per Right Calculation	December 22, 2015
Commencement Time of Offering	December 23, 2015
Date that Rights will be listed for trading on the TSX	December 23, 2015
Date on which Common Shares will trade on an ex-rights basis and Due Bills trading ceases	December 23, 2015
Date on which sale of Rights of Ineligible Holders by Subscription Agent begins	January 8, 2016
End of trading of Rights on the TSX	January 15, 2016 at 12:00 p.m. (Toronto time)
Rights Expiry Time and Rights Expiry Date	January 15, 2016 at 5:00 p.m. (Toronto time)
Expected Closing Date of the Offering	January 18, 2016

QUESTIONS AND ANSWERS RELATING TO THE OFFERING

The following are examples of what the Company anticipates will be common questions about the Offering. The following questions and answers do not contain all of the information that may be important to an investor. This short form prospectus and the documents incorporated by reference herein contain more detailed descriptions of the terms and conditions of the Offering and provide additional information about the Company and its business. The questions and answers are qualified in their entirety by the more detailed information appearing elsewhere in this short form prospectus which investors should read before making an investment decision. Capitalized terms used below are defined under "Definitions".

Q: What is the Offering?

A: The Company is issuing to its Shareholders of record as of 5:00 p.m. (Toronto time) on December 16, 2015, at no charge, one Right for each Common Share held by such Shareholder. See "*Details of the Offering*".

Q: Why have I received this material?

A: These materials are important and require your immediate attention. Shareholders are required to make an important decision regarding whether to exercise their Rights to purchase additional Common Shares of the Company.

Q: What are the subscription terms?

A: Upon payment of the Exercise Price of $0.1630 per Right at or before the Rights Expiry Time on the Rights Expiry Date, each Right will entitle the holder to receive such number of Common Shares equal to the greater of: (i) 0.3140 of a Common Share; or (ii) the result when (A) the Exercise Price of $0.1630 is divided by (B) the Current Market Price less a discount of 80.70% and then (C) one Common Share is deducted from the result.

For greater certainty, (B) is calculated as the Current Market Price minus (Current Market Price multiplied by 0.8070).

The following table outlines the results of the Common Shares Per Right Calculation at various Current Market Prices.

If 20-day VWAP Equal to	Cost to Exercise One Right	Shares Issued per Right Exercised	Effective Cost Paid per Share	Implied Discount to 20-day VWAP Based on Effective Cost Paid per Share
$0.10	$0.1630	7.4456	$0.0219	$0.0781
$0.20	$0.1630	3.2228	$0.0506	$0.1494
$0.30	$0.1630	1.8152	$0.0898	$0.2102
$0.40	$0.1630	1.1114	$0.1467	$0.2533
$0.50	$0.1630	0.6891	$0.2365	$0.2635

On December 4, 2015, the last trading day of the Common Shares on the TSX prior to the filing of this short form prospectus, the closing price of the Common Shares on the TSX was $0.185 and the 20-day VWAP of the Common Shares on the TSX was $0.27.

The Common Shares Per Right Calculation has been designed to ensure that holders of Common Shares who exercise their Rights have certainty regarding the percentage of the equity of the Company that they will own after completion of the Equity Transactions. The Company has determined that such a mechanism was needed to enable the Company to raise equity while ensuring holders of Common Shares and holders of Convertible Debentures are treated fairly in the circumstances. The "Current Market Price" used for the Offering is calculated on the same basis as the "Current Market Price" (as defined in the Convertible Debenture Indenture) used to determine the number of Common Shares to be issued upon the Convertible Debenture Repayment. In addition, the Common Shares Per Right Calculation effectively provides that the number of Common Shares issuable upon exercise of a Right will have an implied price per Common Shares of at least a 20% discount to the Current Market Price.

Q: When are the Commencement and Expiry Dates for the Rights?

A: The Rights will be eligible for exercise commencing on December 23, 2015. Rightsholders will need to exercise their Rights prior to 5:00 p.m. (Toronto time) on January 15, 2016. Any subscription for Common Shares will be irrevocable once submitted and subscribers will be unable to withdraw their subscriptions for Common Shares once submitted.

Q: How much will the Offering raise?

A: The Offering entitles Shareholders to exercise Rights to acquire Common Shares for gross proceeds to the Company of up to $25 million. The proceeds raised by the Offering may be dependent upon the completion of the Equity Backstop. See "*Equity Backstop*".

Q: What will the funds raised from the Offering be used for?

A: The Company intends to use the net proceeds of the Offering to fund the Company's 2016 capital expenditure program. For further details, see *"Use of Proceeds"*.

Q: As a Beneficial Shareholder what should I do if I want to participate in the Offering?

A: If you hold your Common Shares through a CDS Participant, such as a securities broker or dealer, bank, trust company or other intermediary, then the CDS Participant must exercise Rights on your behalf and Shareholders must arrange purchases or transfers of Rights through their own CDS Participant. If you wish to participate in the Offering, please contact the CDS Participant who holds your Common Shares as soon as possible. See *"Details of the Offering – Rights Certificates – Common Shares Held Through CDS"*.

Q: What if I reside in an Ineligible Jurisdiction?

A: The Eligible Jurisdictions for the Offering are the provinces and territories of Canada. Shareholders who do not reside in these Eligible Jurisdictions will generally not be permitted to exercise their Rights. Notwithstanding the foregoing, persons located in certain Ineligible Jurisdictions may be able to exercise the Rights and purchase Common Shares provided that they furnish evidence reasonably satisfactory to the Company that they are permitted under applicable laws to participate in the Offering. See *"Details of the Offering – Ineligible Holders and Approved Eligible Holders"*.

Q: Can I buy additional Common Shares beyond my Basic Subscription Right?

A: Possibly. All Rightsholders have an Additional Subscription Privilege that allows those Rightsholders who exercise in full their Basic Subscription Right to exercise pro rata for Additional Rights, if any, not otherwise exercised by Rightsholders pursuant to the Basic Subscription Right. See *"Details of the Offering – Additional Subscription Privilege"*. Additionally, it is expected that the Rights will be listed and posted for trading on the TSX and, subject to such listing, a Rightsholder will be able to purchase additional Rights through the facilities of the TSX.

Q: Will the Rights trade on a stock exchange?

A: The TSX has conditionally approved the listing of the Rights and the Common Shares issuable upon exercise of the Rights and the Equity Backstop Common Shares. Listing is subject only to the Company providing the number of Common Shares issuable per Right and the effective subscription price per Common Share to the TSX. Once the Company provides this information to the TSX, the Rights will be listed for trading on the TSX under the symbol "PMT.RT" and will be posted for trading on the TSX on December 23, 2015, being the first trading day following the date when the Current Market Price is determined. See "*Plan of Distribution*". The Rights will cease trading on the TSX at 12:00 p.m. (Toronto time) on the Rights Expiry Date. Although the Company expects that the Rights will be listed on the TSX, the Company cannot provide any assurance that the Rights will be so listed, an active or any trading market in the Rights will develop or that the Rights can be sold on the TSX at any time.

Q: Why are Due Bills being used?

Due Bills are used to defer the ex-rights trading of the Common Shares. Since the Current Market Price will not be known until December 22, 2015, the TSX advised the Company that Due Bills were to be used in connection with this Offering such that ex-rights trading of the Common Shares will only commence when the Rights begin trading, which will occur on December 23, 2015, being the first trading day following the date when the Current Market Price is determined. The Common Shares will trade on the TSX with Due Bills from December 14, 2015 to and including December 22, 2015. For additional information respecting Due Bills and the trading procedures to be followed, see "*Details of the Offering – Due Bills*".

Q: What is the Equity Backstop Agreement?

A: The Equity Backstop Agreement provides certainty that the Offering will be fully subscribed for and that the Company will receive gross proceeds of up to $25 million under the Offering. Pursuant to the Equity Backstop Agreement, the Backstopper has agreed, subject to certain terms and conditions, to exercise its Basic Subscription Right and Additional Subscription Privilege, if applicable, under the Offering and acquire Equity Backstop Common Shares to the maximum extent possible such that after giving effect to the purchase of Common Shares subscribed for and taken up by holders of Rights pursuant to the Basic Subscription Right and the Additional Subscription Privilege (including any Equity Backstop Common Shares subscribed for and taken up by the Backstopper pursuant to its Basic Subscription Right and Additional Subscription Privilege, as applicable), the Company will have received an aggregate amount in respect of the issuance of such Common Shares that is not less than the amount equal to the number of Common Shares outstanding on the Record Date multiplied by $0.1630, being up to $25 million. See *"Equity Backstop"*. The Backstopper is a corporation controlled by the Company's Chairman and also a "control person" of the Company by virtue of owning approximately 22.9% of the outstanding Common Shares on the date of this short form prospectus and as such, the Backstopper is a "related party" (as such term is defined in MI

61-101) of the Company. In consideration for providing the Equity Backstop, the Company has agreed to pay the Backstopper a fixed fee of $125,000 upon closing of the Offering. See "*MI 61-101 Considerations*".

Q: When will I be issued my Common Shares if I exercise my Rights?

A: Shareholders who exercise the Rights will be issued Common Shares on the closing of the Offering, which is expected to occur on or about January 18, 2016 or such earlier or later date as the Company may determine.

Q: What will happen to my Rights after the Expiry Date?

A: Rights not exercised before the Rights Expiry Time on the Rights Expiry Date will be void and of no value.

Q: What will happen to my current Common Shares if I do not participate in the Offering?

A: If a Shareholder does not exercise all of its Rights pursuant to the Basic Subscription Right, the Shareholder's equity ownership in the Company will be diluted by the issuance of Common Shares upon the exercise of Rights by other Shareholders and will also be compounded by the Convertible Debenture Repayment, which dilution may be significant. See *"Risk Factors"*.

Q: Who should I contact if I have any further questions?

A: If you have any questions relating to the Offering, you should contact the Information Agent or the Subscription Agent. The Subscription Agent can be reached by telephone at 1-800-564-6253 or by sending an e-mail to corporateactions@computershare.com. The Information Agent can be reached at 1-855-682-2031 (toll-free in North America), 1-416-867-2272 (outside North America), or by email at contactus@kingsdaleshareholder.com. Further contact information for the Information Agent is on the back cover of this short form prospectus.

ABBREVIATIONS AND CONVERSION FACTORS

In this short form prospectus and in the documents incorporated by reference, the following abbreviations have the meanings set forth below.

Natural Gas		Oil	
Mcf	thousand cubic feet	bbl	barrel
Mcf/d	thousand cubic feet per day	bbl/d	barrel or barrels per day
Mscf/d	thousand standard cubic feet per day	Mbbl/d	thousand barrels per day
MMcf	million cubic feet	MMbbl	million barrels
MMcf/d	million cubic feet per day	MMbbl/d	million barrels per day
MMscf/d	million standard cubic feet per day	Bbbl	billion barrels
Bcf	billion cubic feet		
Bcf/d	billion cubic feet per day		
Tcf	trillion cubic feet		

Other	
API	American Petroleum Institute
°API	°API is an indication of the specific gravity of crude oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28°API or higher is generally referred to as light crude oil
BOE	barrels of oil equivalent
BOE/d	barrels of oil equivalent per day
MMBOE	million barrels of oil equivalent
mSS	metres sub-sea
MW	Megawatts
NGL	natural gas liquids
°C	degrees, Celsius
ft	Feet
m	Metre
m^3	cubic metre
km	kilometre
km^2	square kilometre
psi	pounds per square inch
scf	standard cubic feet

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units):

To Convert From	To	Multiply By
ft	m	0.305
m	ft	3.281
miles	km	1.610
km	miles	0.621
acres	km^2	0.004
bbl	m^3	0.158
m^3	bbl	6.292
Mcf	1,000 m^3	0.0281
1,000 m^3	Mcf	35.493

DEFINITIONS

In this short form prospectus, the following terms have the meanings set forth below, unless otherwise indicated:

"**2015 Information Circular**" means the information circular of the Company dated April 1, 2015 in connection with the annual meeting of Shareholders held on May 20, 2015;

"**8.75% Senior Notes**" means, together, the 8.75% senior unsecured notes of Perpetual due March 15, 2018 and the 8.75% senior unsecured notes of Perpetual due July 23, 2019;

"**ABCA**" means the *Business Corporations Act* (Alberta), together with any and all regulations promulgated thereunder, as amended from time to time;

"**Additional Rights**" means the additional Rights for which Rightsholders who exercise their Rights in full under the Basic Subscription Right are entitled to exercise;

"**Additional Subscription Privilege**" means the additional subscription privilege pursuant to which Rightsholders who exercise their Rights in full under the Basic Subscription Right are entitled to exercise Additional Rights on a pro rata basis, if available, at the Exercise Price;

"**Adjusted Consolidated Senior Debt**" means Consolidated Senior Debt excluding the Margin Loan and the Tourmaline Share value;

"**AIF**" means the annual information form of the Company dated March 5, 2015 for the year ended December 31, 2014;

"**Annual Financial Statements**" means the audited consolidated financial statements of the Company, together with the notes thereto and the auditors' report thereon as at and for the years ended December 31, 2014 and 2013;

"**Annual MD&A**" means the management's discussion and analysis of the financial condition and operations of the Company as at and for the year ended December 31, 2014;

"**Applicable Subscription Office**" means for deliveries by mail, Computershare Investor Services Inc., P.O. Box 7021, 31 Adelaide Street E, Toronto, Ontario M5C 3H2 or for deliveries by hand, courier or registered mail, Computershare Investor Services Inc., 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1;

"**Approved Eligible Holders**" means persons in jurisdictions other than Eligible Jurisdictions, from whom the Company has determined to accept subscriptions for Common Shares pursuant to the Offering, following the Company's determination that such offering to and subscription by such persons or their agents is lawful and in compliance with all securities and other laws applicable in the jurisdiction where such persons or agents are resident;

"**Backstopper**" means Dreamworks Investment Holdings Ltd., a corporation controlled by the Company's Chairman;

"**Basic Subscription Right**" means the entitlement to exercise Rights to subscribe for that number of Common Shares equal to the greater of: (i) 0.3140 of a Common Share; or (ii) the result when (A) the Exercise Price of $0.1630 is divided by (B) the Current Market Price less a discount of 80.70% and then (C) one Common Share is deducted from the result;

"**Beneficial Rightsholder**" means a Rightsholder who holds Common Shares in book-based form through a CDS Participant in the book-based system administered by CDS;

"**BMO Capital Markets**" means BMO Nesbitt Burns Inc., financial advisor to the Company;

"**Board**" or "**Board of Directors**" means the board of directors of the Company;

"**business day**" means any day which is not a Saturday, Sunday or statutory holiday in the Province of Alberta on which the principal commercial banks in downtown Calgary are generally open for the transaction of commercial banking business during regular business hours;

"**CDS**" means CDS Clearing and Depository Services Inc.;

"**CDS Participant**" means a securities broker or dealer, bank or trust company or other CDS Participant in the book-based system administered by CDS;

"**Closing Date**" means January 18, 2016 or such earlier or later date as the Company may determine;

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended;

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook;

"**Commencement Time**" means December 23, 2015;

"**Common Shares**" means the outstanding common shares in the capital of the Company;

"**Common Shares Per Right Calculation**" means the calculation used to determine the number of Common Shares to be received upon exercise of a Right as described on the face page of this short form prospectus;

"**Company**" or "**Perpetual**" means Perpetual Energy Inc.;

"**Computershare**" means Computershare Trust Company of Canada;

"**Consolidated Debt**" is defined as the sum of the Company's period end balance of the Margin Loan, Credit Facility, 8.75% Senior Notes and outstanding letters of credit reduced by the lesser of the mark to market value of the Tourmaline Shares or the Tourmaline Share quarterly average value.

"**Consolidated Senior Debt**" is defined as the sum of Consolidated Debt less the period end balance of the 8.75% Senior Notes;

"**Convertible Debenture Indenture**" means the convertible debenture indenture dated as of May 26, 2010 among Paramount Energy Trust (the "**Trust**") (the Company's predecessor), Paramount Energy Operating Corp. ("**PEOC**") and Computershare, as trustee (the "**Trustee**"), as supplemented by the first supplemental trust indenture dated as of June 30, 2010 among the Trust, PEOC, the Company and the Trustee to provide for the assumption by the Company of the rights, covenants and obligations of the Trust and PEOC under the Convertible Debentures pursuant to an arrangement among the Trust, PEOC and the Company effective June 30, 2010;

"**Convertible Debenture Repayment**" means the repayment of the principal amount of the Convertible Debentures by issuing and delivering to holders on December 31, 2015 that number of Freely Tradeable Common Shares (as defined in the Convertible Debenture Indenture) obtained by dividing $34.878 million by 95% of the Current Market Price of the Common Shares on December 31, 2015 pursuant to the Maturity Notice (as defined in the Convertible Debenture Indenture) provided to the registered Convertible Debentureholder on November 20, 2015;

"**Convertible Debentureholder**" means a holder of Convertible Debentures;

"**Convertible Debentures**" means the 7.00% convertible unsecured junior subordinated debentures of the Company due December 31, 2015;

"**CRA**" means the Canada Revenue Agency;

"**Credit Facility**" means the $20 million revolving credit facility which includes a $10 million demand loan and $10 million working capital facility;

"**Current Market Price**" means, generally, the VWAP for the 20 consecutive trading days ending on the fifth trading day preceding the Convertible Debenture maturity date of December 31, 2015, being November 25, 2015 through to and including December 22, 2015;

"**Definitive Rights Certificate**" means a certificate issued in definitive form to each Rightsholder who holds Common Shares in definitive form as of the Record Date;

"**Due Bill**" has the meaning ascribed under "*Details of the Offering – Due Bills*";

"**Eligible Jurisdictions**" means the provinces and territories of Canada;

"**Equity Backstop**" means the commitment of the Backstopper to purchase the Equity Backstop Common Shares in accordance with the terms and conditions of the Equity Backstop Agreement;

"**Equity Backstop Agreement**" means the equity backstop agreement between the Company and the Backstopper dated as of November 20, 2015;

"**Equity Backstop Common Shares**" means Common Shares purchased by the Backstopper pursuant to the exercise of its Basic Subscription Right and the Additional Subscription Privilege, if applicable;

"**Equity Backstop Fee**" means the payment of $125,000 to the Backstopper in consideration of providing the Equity Backstop;

"**Equity Transactions**" means, collectively, the Offering and the Convertible Debenture Repayment;

"**EU Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant EU Member State) and includes any relevant implementing measure in each Relevant EU Member State;

"**Excluded Holders**" has the meaning given to such term under "*Plan of Distribution*";

"**Exercise Price**" means an exercise price of $0.1630 per Right;

"**Final Prospectus**" means this (final) short form prospectus of the Company filed with securities regulators in each province and territory of Canada;

"**FSMA**" means the United Kingdom Financial Services and Markets Act 2000;

"**Global Rights Certificate**" means a certificate issued in book-entry only form to each Rightsholder who holds Common Shares in book-entry only form through a CDS Participant as of the Record Date;

"**Holder**" has the meaning ascribed to it under "*Certain Canadian Federal Income Tax Considerations*";

"**Independent Committee**" means the Independent Committee of the Board overseeing the review of the strategic and financing opportunities available to the Company including the Recapitalization Transactions;

"**Ineligible Holder**" means a holder of Rights who appears to be, or whom the Company has reason to believe is, a resident in an Ineligible Jurisdiction and is not an Approved Eligible Holder;

"**Ineligible Jurisdiction**" means any jurisdiction other than the Eligible Jurisdictions;

"**Information Agent**" means Kingsdale Shareholder Services, in its capacity as information agent under the Offering;

"**Interim Financial Statements**" means the unaudited condensed consolidated interim financial statements of the Company, together with the notes thereto as at and for the three and nine months ended September 30, 2015 and 2014;

"**Interim MD&A**" means the management's discussion and analysis of the financial condition and operations of the Company as at and for the period ended September 30, 2015;

"**March Material Change Report**" means the material change report of the Company dated and filed on March 18, 2015 in connection with the swap with Tourmaline of its joint interest share in its West Edson asset in West Central Alberta in exchange for 6.75 million Tourmaline Shares;

"**Margin Loan**" means the $42 million margin loan by the Company's lenders under its Credit Facility secured by the pledge of 5.5 million Tourmaline Shares;

"**McDaniel**" means McDaniel Associates and Consultants Ltd.;

"**MI 61-101**" means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;

"**New Financing Arrangement**" means the financing arrangement entered into through a series of transactions with a counterparty on November 16, 2015, which is secured by 1.0 million Tourmaline Shares and provides for a loan in the aggregate amount of $21 million. See "*Perpetual Energy Inc. – Recent Developments*";

"**NI 41-101**" means National Instrument 41-101 – *General Prospectus Requirements*;

"**NI 51-101**" means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*;

"**Non-Resident Holder**" means a Holder who, for purposes of the Tax Act and any applicable income tax treaty or convention and at all relevant times, is neither resident nor deemed to be resident in Canada and does not use or hold, and will not be deemed to use or hold, Rights or Common Shares in a business carried on in Canada;

"**Note Indenture**" means, together, the trust indenture dated March 15, 2011 and the trust indenture July 23, 2014 in respect of the 8.75% Senior Notes;

"**Note Indenture Change of Control**" has the meaning ascribed thereto in the Note Indenture, meaning the occurrence of any of the following events:

(a) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger, amalgamation or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets (including Equity Interests (as defined in the Note Indenture) of the Restricted Subsidiaries (as defined in the Note Indenture)) of the Company and its Restricted Subsidiaries, taken as a whole, to any person who is not an affiliate of the Company;

(b) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (other than a Permitted Holder or any combination of Permitted Holders) beneficially owns, directly or indirectly, more than 50% of the Voting Stock (as defined in the Note Indenture and includes the Common Shares) of the Company, measured by voting power rather than number of shares;

(c) the adoption of a plan relating to the liquidation or dissolution of the Issuer which is not permitted by the terms of the Note Indenture; or

(d) the consummation of any transaction, the result of which is that any person or group of persons acting jointly or in concert for the purposes of such transaction has elected to the Board of

Directors such number of its or their nominees as shall constitute a majority of the directors comprising the Board of Directors who were not directors immediately prior thereto.

For purposes of this definition, (i) a person shall not be deemed to have beneficial ownership of securities subject to a stock purchase agreement, merger agreement or similar agreement until the consummation of the transactions contemplated by such agreement; and (ii) to the extent that one or more regulatory approvals are required for any of the transactions or circumstances described in clauses (a), (b) or (c) above to become effective under applicable law and such approvals have not been received before such transactions or circumstances have occurred, such transactions or circumstances shall be deemed to have occurred at the time such approvals have been obtained and become effective under applicable law;

"**November Material Change Report**" means the material change report of the Company dated and filed on November 30, 2015 in connection with the Recapitalization Transactions;

"**November Recapitalization Transactions Presentation**" means the Company's investor presentation titled "*Recapitalization Transactions – November 2015*" dated November 2015 and filed December 7, 2015 prepared in connection with the Recapitalization Transactions;

"**Offering**" means the distribution of Rights to the holders of the Common Shares of record at 5:00 p.m. (Toronto time) on the Record Date;

"**Option Plan**" means the stock option plan of the Company;

"**Options**" means options to purchase Common Shares granted under the Option Plan;

"**Permitted Holder**" means: (a) any of the Chairman of the Company, his spouse, ancestors, siblings, descendants (including children or grandchildren by adoption) and the descendants of any of his siblings; (b) in the event of the incompetence or death of any of the persons described in clause (a), such person's estate, executor, administrator, committee or other personal representative; (c) any trust created for the benefit of any of the persons described in clause (a), (b) or (d) or any trust created for the benefit of any such trust; or (d) any other person controlled by any of the persons described in clause (a), (b) or (c). For purposes of this definition, "control," as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through ownership of voting securities by partnership agreement, by voting agreement or otherwise and "**Permitted Holders**" mean all such persons;

"**person**" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government, government body or agency or other entity;

"**PFIC**" means a Passive Foreign Investment Company under the Code;

"**Proposed Amendments**" means all specific proposals to amend the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof;

"**Proposed Common Share Consolidation**" means the proposed share consolidation of the then outstanding Common Shares on a ratio to be determined by the Board following completion of the Equity Transactions and which is expected to be put before the Shareholders for their consideration at a meeting of the Shareholders following completion of the Offering;

"**Recapitalization Transactions**" means, collectively, (i) the Offering; (ii) the Convertible Debenture Repayment, including the payment in cash of the accrued interest on the Convertible Debentures on December 31, 2015; (iii) the extensions of each of the Credit Facility and Margin Loan; (iv) the establishment of the New Financing Arrangement; and (v) the Proposed Common Share Consolidation following completion of the Offering and Convertible Debenture Repayment;

"**Record Date**" means December 16, 2015;

"**Registered Plans**" means RRSPs, RRIFs, deferred profit sharing plans, registered education savings plans, registered disability savings plans and TFSAs, all as defined under the Tax Act;

"**Registered Rightsholder**" means a Rightsholder who holds Common Shares in definitive certificate form;

"**Relevant EU Member State**" means a Member State of the European Economic Area which has implemented the EU Prospectus Directive;

"**Resident Holder**" means a Holder who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention, is or is deemed to be a resident of Canada;

"**Restricted Rights**" means restricted rights to purchase Common Shares granted under the Restricted Rights Plan;

"**Restricted Rights Plan**" means the restricted rights plan of the Company;

"**Right**" means a transferable right that permits the holder thereof to exercise Rights to acquire Common Shares of the Company on the terms set forth herein;

"**Rights Certificates**" means Definitive Rights Certificates and Global Rights Certificate together;

"**Rights Expiry Date**" means January 15, 2016;

"**Rights Expiry Time**" means 5:00 p.m. (Toronto time) on the Rights Expiry Date;

"**Rightsholder**" means a holder of a Right;

"**RRIFs**" means registered retirement income fund, as defined under the Tax Act;

"**RRSPs**" means registered retirement savings plans, as defined under the Tax Act;

"**Sayer**" means Sayer Energy Advisors, financial advisor to the Independent Committee;

"**SEC**" means the United States Securities and Exchange Commission;

"**Securities**" means the Rights and the Common Shares issuable on the exercise of the Rights (including the Equity Backstop Common Shares);

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

"**Shareholder**" means a holder of Common Shares;

"**Subscription Agent**" means Computershare Investor Services Inc.;

"**Tax Act**" means the *Income Tax Act* (Canada), together with any and all the regulations promulgated thereunder, as amended from time to time;

"**TFSAs**" means tax-free savings accounts, as defined under the Tax Act;

"**Tourmaline**" means Tourmaline Oil Corp.;

"**Tourmaline Shares**" means the 6.5 million common shares of Tourmaline, 5.5 million of which are held by Perpetual Operating Trust, a subsidiary of Perpetual and 1.0 million of which are held by Perpetual;

"**trading days**" means, with respect to the TSX or other market for securities, any day on which such exchange or market is open for trading or quotation;

"**Transferee**" means a transferee of Rights;

"**TSX**" means the Toronto Stock Exchange;

"**U.S. Securities Act**" means the U.S. *Securities Act of 1933*, as amended;

"**United Kingdom**" means the United Kingdom and its territories and possessions (including England, Wales, Scotland and Northern Ireland);

"**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

"**VWAP**" means the volume weighted average trading price of the Common Shares for the applicable period on the TSX (or if the Common Shares are no longer traded on the TSX, on such other exchange as the Common Shares are then traded) or if no such prices are available for such application period, "VWAP" shall be the fair value per Common Share as reasonably determined by the Board; and

"**Working Capital Deficiency**" is defined as the amount that accounts payable and accrued liabilities adjusted to include the interest to be payable on the 8.75% Senior Notes to the maturity date of the Credit Facility on October 31, 2016 exceeds current assets less marketable securities and derivatives.

Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders.

FORWARD-LOOKING STATEMENTS

This short form prospectus and the documents incorporated by reference herein contain certain forward-looking statements and forward-looking information (collectively "**forward-looking statements**") within the meaning of applicable securities laws. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "potential", "predict", "project", "should", "target", "will", "proposed", "theory" or similar words suggesting future outcomes or language suggesting an outlook. This short form prospectus and the documents incorporated by reference herein contain forward-looking statements including, but not limited to, the following:

- use of proceeds from the Offering and the benefits of the Recapitalization Transactions;
- the completion of the Recapitalization Transactions and the timing of the distribution of the Rights and Common Shares pursuant to the Offering;
- the impact of the Equity Transactions on the securityholders of the Company;
- the Proposed Common Share Consolidation;
- consideration of amendments to the Company's security based compensation program;
- compliance with the financial covenants through the maturity of the Credit Facility at current commodity prices;
- operational and financial information;
- future development plans and the timing, funding and estimated costs associated therewith;
- future production capability and capacity of wells and facilities;

- facility capacity for oil and gas processing and transport;
- business plans and strategies;
- future production rates;
- future development plans;
- potential additions to reserves;
- planned expenditures and anticipated financing transactions, including the expected timing thereof and proceeds therefrom;
- the anticipated benefits of retaining the Tourmaline Shares; and
- expectations regarding the outcome and impact of disputes.

In addition, statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities estimated or predicted and can be profitably produced in the future.

Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will in fact be realized. Actual results will differ, and the difference may be material and adverse to Perpetual and Shareholders. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Reliance on such information may not be appropriate for other purposes, such as making investment decisions.

Forward-looking statements are not based on historical facts but rather on management's current expectations as well as assumptions made by, and information currently available to, Perpetual concerning, among other things, matters relating to the Recapitalization Transactions, outcomes of future well operations, completion of planned financing transactions and the ability to obtain all necessary regulatory and shareholder approvals in connection therewith, plans for and results of extended well tests and drilling activity, future capital and other expenditures (including the amount, nature and sources of funding thereof), future economic conditions, future currency and exchange rates, continued political stability, timely receipt of any necessary government or regulatory approvals, the successful resolution of disputes, the Company's continued ability to employ qualified staff and to obtain equipment in a timely and cost efficient manner, the participation of the Company's co-venturers in joint activities, and the ability to sell and market production and the prices to be received in connection therewith. In addition, budgets are based upon Perpetual's current appraisal and development plans and anticipated costs, both of which are subject to change based on, among other things, the actual outcomes of well operations and the installation and commissioning of facilities, unexpected delays, availability of future financing and changes in market conditions.

Although the Company believes the expectations and assumptions reflected in such forward-looking statements are reasonable, they may prove to be incorrect. Forward-looking statements involve significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from those anticipated by Perpetual including, but not limited to, failure to complete the Recapitalization Transactions in all material respects or at all; the risk that any of the conditions set forth in the Equity Backstop Agreement are not satisfied on a timely basis or other termination events under such agreement occur; risks associated with the oil and gas industry (e.g. operational risks in exploration and production; inherent uncertainties in interpreting geological data; changes in plans with respect to capital expenditures; interruptions in operations together with any associated insurance proceedings; the uncertainty of estimates and projections in relation to costs and expenses and health, safety and environmental risks) ; the risk of commodity price and foreign exchange rate fluctuations; the uncertainty associated with any dispute resolution proceedings; the uncertainty associated with negotiating with foreign governments; the risk of trade and economic sanctions or other restrictions being imposed by the Canadian or other governments which impact the Company's operations. See *"Risk Factors"*.

Investors are cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate at the time of preparation, may prove to be incorrect. Accordingly, investors are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Investors are also cautioned that the foregoing list of factors is not exhaustive. Consequently, there is no representation by Perpetual that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements. Furthermore, the forward-looking statements contained in this short form prospectus and the documents incorporated by reference herein are made as of the date of such documents, and Perpetual does not undertake any obligation, except as required by applicable securities legislation, to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this short form prospectus and the documents incorporated by reference herein are expressly qualified by this cautionary statement.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Perpetual at its head office located at 3200, 605 – 5th Avenue S.W., Calgary, Alberta T2P 3H5, telephone (403) 269-4400 and are also available electronically at www.sedar.com.

The following documents of Perpetual are filed with the various securities commissions or similar authorities in Canada and are specifically incorporated by reference into and form an integral part of this short form prospectus:

- the AIF;
- the Annual Financial Statements;
- the Annual MD&A;
- the Interim Financial Statements;
- the Interim MD&A;
- the 2015 Information Circular;
- the March Material Change Report;
- the November Material Change Report; and
- the November Recapitalization Transactions Presentation.

Any documents of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, including any annual information form, annual financial statements and the auditors' report thereon, interim financial statements, management's discussion and analysis of financial conditions and results of operations, material change report (except a confidential material change report), business acquisition report and information circular, filed by Perpetual with the securities commissions or similar authorities in Canada subsequent to the date of this short form prospectus and before the termination of the distribution are deemed to be incorporated by reference in this short form prospectus.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this short form

prospectus to the extent that a statement contained in this short form prospectus or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference into this short form prospectus modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this short form prospectus.

Information contained or otherwise accessed through the Company's website, www.perpetualenergyinc.com or any website, other than those documents specifically incorporated by reference herein and filed on SEDAR at www.sedar.com, does not form part of this short form prospectus.

MARKETING MATERIALS

Any template version of "marketing materials" (as defined in NI 41-101) filed after the date of this final short form prospectus and before the termination of the distribution under this Offering is deemed to be incorporated into this final short form prospectus. Such template version of marketing materials is not part of this final short form prospectus filed in connection with the Offering to the extent that the contents of such template version of marketing materials have been modified or superseded by a statement contained in this final short form prospectus.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, all financial information included and incorporated by reference in this short form prospectus is determined using International Financial Reporting Standards as issued by the International Accounting Standards Board, which is referred to as "IFRS".

PRESENTATION OF OIL AND GAS INFORMATION

All oil and natural gas information, including estimated production rates, contained in this short form prospectus and in the documents incorporated by reference herein has been prepared and presented in accordance with NI 51-101 and the COGE Handbook.

A BOE is determined by converting a volume of natural gas to barrels using the ratio of 6 Mcf to one barrel. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 BOE is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of oil as compared to natural gas 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.

Readers should refer to "*Description of the Business – Statement of Reserves Data and Other Oil and Gas Information*" and "*Other Oil and Gas Information*" in the AIF, to "*Risk Factors*" in the AIF and this short form prospectus for further information on the Company's reserves and other oil and gas information.

PERPETUAL ENERGY INC.

Summary Description of the Business

Perpetual is a publicly traded, Calgary-based, oil and gas company engaged in finding, developing, producing and marketing natural gas, NGLs, oil and bitumen, and creating value through opportunities associated with these activities. Perpetual's business primarily consists of operations in Alberta focused on:

(a) developing the Company's liquids-rich natural gas resource base in the Edson area of west central Alberta;

(b) exploring for and developing oil and liquids-rich natural gas resource-style growth opportunities in the deep basin in west central Alberta;

(c) the exploration for and extraction of heavy oil in eastern Alberta;

(d) the exploration for, development and production of shallow natural gas from mature producing regions in eastern Alberta where the Company has an established gathering and processing infrastructure;

(e) bitumen opportunities in northeast Alberta; and

(f) interest in a commercial gas storage business through the operation and 30% ownership in a gas storage facility at Warwick in east central Alberta.

For further information on the Company, its subsidiaries, and its business activities, see the AIF, which is incorporated herein by reference.

Background to and Reasons for the Recapitalization Transactions

During 2015 Perpetual has remained focused on its five key strategic priorities:

1) Grow greater Edson liquids-rich gas production, cash flow, inventory, reserves and value;
2) Optimize the value of Mannville heavy oil;
3) Maximize the value of shallow gas;
4) Refine the elements of the production growth strategy for 2017 to 2020; and
5) Reduce debt and improve the debt to cash flow ratio.

These five key strategic priorities have been used as cornerstones to ensure that the Company is able to grow and prosper. In light of the recent uncertainty and volatility in commodity prices, Perpetual has taken a number of initiatives to improve balance sheet strength which has involved, among other things, maintaining disciplined spending while balancing its five strategic priorities and levers for optionality, actively managing the Company's asset portfolio to optimize value and positioning the Company to be robust through commodity cycles.

In March 2015, the Company made the strategic decision to swap its West Edson property in west central Alberta for 6.75 million Tourmaline Shares effective April 1, 2015. While this decision resulted in a material reduction in funds flow, it provided the Company with increased liquidity and the opportunity to be exposed to the growth opportunities and value inherent in Tourmaline's larger, attractive resource-style diversified asset base through the Company's nearly 3% ownership in Tourmaline without the direct capital re-investment the West Edson property would have required to optimize value.

While the base assets in the Company continue to perform well operationally, extremely low commodity prices and an uncertain operating environment have persisted and further reduced funds flow available to execute development through capital investment in the asset base. At the same time, the collapsing commodity price environment has also had a negative impact on the market value and volatility of Tourmaline Shares. These factors have contributed to uncertainty in the underlying value of the Company's asset base at this time from the viewpoint of its lenders and as such has reduced the Company's financial flexibility.

Although the Company has been actively managing its debt obligations, the increasingly negative factors in the macro-environment for oil and gas producers have affected the business to such a degree that the Company needed to explore alternatives on an urgent basis. A $58.4 million margin loan under the Credit Facility (reduced over the past several months from $75 million as it is secured on a 3:1 loan to daily market value basis by the Tourmaline Shares pledged and the market value of the Tourmaline Shares has decreased) was due and payable on November 30, 2015. The semi-annual borrowing base redetermination for the remaining $25 million demand loan and working capital reserve-based component of the Credit Facility was also ongoing with reduced value attributed to the underlying assets based on the lenders' view of commodity price risk. Additionally, the Convertible Debentures in the aggregate principal amount of approximately $34.9 million are due to mature on December 31, 2015.

Weak capital markets and poor market conditions for additional asset sales have limited access to capital to manage these pending obligations. While the Company has positioned itself with sufficient liquidity to manage the upcoming maturities through the potential sale of a portion of its Tourmaline Shares, such action at this time is believed to not be in the best interest of all stakeholders of Perpetual. The Recapitalization Transactions ultimately resulted from a thorough process to evaluate alternatives that were executable and in the best interest of all stakeholders of the Company.

The Recapitalization Transactions materially reduce the Company's current indebtedness, extend the term of the shortest dated debt, provide additional liquidity for ongoing capital programs and manages downside risk while allowing for retention of potentially undervalued assets. When completed, the Recapitalization Transactions would materially reduce pro forma debt, increase liquidity and flexibility and Perpetual will not have any debt maturing until October 31, 2016.

The Recapitalization Transactions materially reduce the Company's current indebtedness, extend the term of the earliest maturing debt to October 31, 2016, provide additional liquidity for a focused capital program in 2016 and manage downside risk while allowing for retention of potentially undervalued assets.

The Recapitalization Transactions provide a number of benefits consistent with Perpetual's top strategic priorities by:

(a) providing the Company with a stronger financial foundation and capital structure to operate within the current uncertain commodity price and operating environment;

(b) reducing the Company's total indebtedness and annual interest burden by $55 million and $3.3 million, respectively;

(c) providing new equity capital to be contributed towards Perpetual's 2016 capital program; and

(d) preserving the Company's portfolio of strategic assets for future growth, including its East Edson asset in west central Alberta and the ownership of 6.5 million Tourmaline Shares.

See "*The Independent Committee and Fairness Opinion*" below for a further description of the review and consideration of the Equity Transactions, and other strategic alternatives undertaken by the Company, the Independent Committee and the Board of Directors.

Recent Developments

The Offering is one part of the Recapitalization Transactions involving the Company which are being undertaken to improve the financial condition of the Company. The Recapitalization Transactions consist of: (i) the Offering; (ii) the Convertible Debenture Repayment, including the payment in cash of the accrued interest on the Convertible Debentures on December 31, 2015; (iii) the extensions of each of the Credit Facility and Margin Loan; (iv) the establishment of the New Financing Arrangement; and (v) the Proposed Common Share Consolidation following completion of the Offering and Convertible Debenture Repayment.

The Offering and the calculation outlined in this short form prospectus to determine the number of Common Shares to be received upon exercise of a Right has been designed to ensure that holders of Common Shares who exercise their Rights have certainty regarding the percentage of the equity of the Company that they will own after completion of the Equity Transactions. The Company determined such a mechanism was needed to enable the Company to raise equity while ensuring holders of Common Shares and holders of Convertible Debentures are treated fairly in the circumstances. The "Current Market Price" used for the Offering is calculated on the same basis as the "Current Market Price" (as defined in the Convertible Debenture Indenture) used to determine the number of Common Shares to be issued upon the Convertible Debenture Repayment.

Repayment of Principal Amount of Convertible Debentures in Common Shares

Pursuant to and in accordance with the terms of the Convertible Debenture Indenture, Perpetual has provided notice as of November 20, 2015 that it is exercising its right to repay the outstanding principal amount of the Convertible Debentures by issuing and delivering to holders on the maturity date of December 31, 2015 that number of Common Shares obtained by dividing the principal amount of Convertible Debentures currently outstanding by 95% of the Current Market Price. The Current Market Price will be calculated as the VWAP of the Common Shares for the 20 consecutive trading days ending on the fifth trading day preceding the redemption date of the Convertible Debentures of December 31, 2015. The Company anticipates announcing the Current Market Price that will be used to calculate the number of Common Shares each Convertible Debentureholder will receive on the repayment of the Convertible Debentures on or about December 22, 2015. All accrued and unpaid interest on the Convertible Debentures will be paid in cash. As a consequence of the Offering and in accordance with the Convertible Debenture Indenture governing the terms of the Convertible Debentures, the conversion price of the Convertible Debentures may be adjusted immediately after the Record Date. Any such required adjustments will be made in accordance with the terms and conditions of the Convertible Debenture Indenture. A downward adjustment in the conversion price of the Convertible Debentures will increase the number of Common Shares that the Backstopper is entitled to receive upon conversion thereof. See "*Effect on Convertible Debentures*".

Extensions of the Credit Facility and Margin Loan

In conjunction with the Recapitalization Transactions, Perpetual received a written commitment from an existing lender to extend the maturities of both the Credit Facility and the Margin Loan to October 31, 2016, both previously due on November 30, 2015, with no interim scheduled review until maturity. Availability under the Credit Facility has been set at $20 million, reduced slightly from $25 million due largely to the decrease in commodity prices.

The lending commitment also extended the Margin Loan secured by 5.5 million Tourmaline Shares. Availability under the Margin Loan has been set at $42 million reduced from $58.4 million with the reduction in the number of Tourmaline Shares pledged and payments against the loan made by Perpetual to maintain the required margin coverage. The Margin Loan will continue to require that the daily value of the pledged Tourmaline Shares exceed three times the amount drawn on the Margin Loan.

While the Company's total borrowings under the Credit Facility will be limited to the amounts outlined herein, the covenants under the Credit Facility have been amended to remove the limit on Consolidated Debt to EBITDA ratio while instead restricting the sum of borrowings under the Credit Facility such that the aggregate principal amount of Adjusted Consolidated Senior Debt and the Working Capital Deficiency shall at all times be less than $40 million. For the purpose of calculating this covenant on December 31, 2015, the Company's lenders have permitted that the Adjusted Consolidated Senior Debt be reduced by the amount of proceeds of the Offering. The amount payable on the 8.75% Senior Notes between the date of this short form prospectus and maturity of the Credit Facility on October 31, 2016 will be approximately $22.1 million. The existing covenant limiting the Consolidated Senior Debt to EBITDA ratio remains at 3:1 except in the quarters ended June 30 and September 30, 2016 where the limit has been increased to 3.5:1.

Proposed Common Share Consolidation

Following the closing of the Equity Transactions, Perpetual anticipates to propose a consolidation of the then outstanding Common Shares on a ratio to be determined by the Board following completion of the Equity Transactions and which is expected to be put before the Shareholders for their consideration at a meeting of the Shareholders following completion of the Offering.

New Financing Arrangement

On November 16, 2015, the Company entered into the New Financing Arrangement with a counterparty which resulted in net proceeds of $18.2 million secured by 1.0 million Tourmaline Shares owned by the Company. The proceeds were applied to reduce the Margin Loan by $7.2 million, with the remainder retained in cash. The New Financing Arrangement extends the maturity on the underlying amount of $21.3 million to November 16, 2016. The New Financing Arrangement provides the Company with additional liquidity and preserves the Company's full exposure to increases in the price of Tourmaline Shares with some downside protection for a year. See also "*Recent Developments – Extensions of the Credit Facility and Margin Loan*".

The Independent Committee and Fairness Opinion

The Independent Committee

On November 10, 2015, management reviewed for the Board of Directors the need for and principal elements of a series of transactions that could be undertaken in order to address the Company's near term debt payment obligations and its liquidity position. In this regard, the Board considered the nature, magnitude and timing of the financial obligations and liabilities of the Company and reviewed the assets of the Company, including the potential value to the Company of retaining the Tourmaline Shares.

At this meeting on November 10, 2015, BMO Capital Markets also presented the Board with the concept of a potential rights offering together with the repayment of the Convertible Debentures in Common Shares designed to ensure that holders of Common Shares who exercise their rights pursuant to such an offering have certainty regarding the percentage of the equity of the Company that they will own after completion while treating the holders of the Common Shares and Convertible Debentures equitably and fairly. This concept formed the basis of the Equity Transactions and the Board agreed that the Equity Transactions should be explored to see if it could be developed and modified to meet the Company's needs.

Prior to considering the various elements of the Equity Transactions, the Board of Directors determined that it was appropriate to appoint a committee of directors (the "**Independent Committee**") who are independent of management, including not only the Company's President and Chief Executive Officer but also the Company's Chairman due to their relationship as father and daughter but also of the potential Backstopper as the potential Backstopper was a company controlled by the Company's Chairman.

On November 10, 2015, the Board of Directors established the Independent Committee and appointed Geoffrey C. Merritt (Chair), Karen A. Genoway, Randall E. Johnson, Robert A. Maitland, Donald J. Nelson and Howard R. Ward as its members (collectively, the "**Independent Committee Members**"). The Independent Committee Members are all independent directors of the Company in accordance with National Instrument 58-101 – *Disclosure of Corporate Governance Practices* and each of the Independent Committee Members declared their independence in respect of the Equity Transactions.

The Independent Committee was tasked to consider strategic alternatives that are in the best interests of the Company regarding, among other things: (i) the upcoming maturity of certain debt obligations of the Company, including the Convertible Debentures; and (ii) alternatives available to sell assets or raise capital to fund the Company's potential 2016 capital expenditure program and to pay down debt including, among other things, a potential rights offering described to the Board on November 10, 2015 by BMO Capital Markets, financial advisor to the Company and/or the repayment of the Convertible Debentures in Common Shares (the "**Possible**

Transactions"), and to consider, supervise, negotiate and recommend a course of action to the Board of Directors with respect to any Possible Transactions.

Generally, the responsibilities of the Independent Committee were: (i) to review Possible Transactions and to determine whether any particular Possible Transactions are in the best interest of the Company; (ii) to oversee and supervise the negotiation of the terms and conditions of any Possible Transactions and, if determined appropriate by the Independent Committee, to propose changes to the terms and conditions of the Possible Transactions to address any matters of concern that may be identified by the Independent Committee; (iii) with the assistance of outside advisors retained by the Independent Committee for such purpose, to consider value, fairness and other assessments required in connection with any Possible Transactions; (iv) to make recommendations to the Board as to whether or not, and as to the appropriate terms and conditions under which, the Board should approve any part or all of any Possible Transactions; and (v) if a Possible Transaction is approved by the Board, to review and monitor, on behalf of the Board, the implementation thereof.

As part of its review, the Independent Committee specifically reviewed the Equity Transactions within the context of other alternatives available to the Company.

Since being formed and during the period from November 10, 2015 to November 19, 2015, the Independent Committee formally met 6 times, and additionally has had numerous separate discussions amongst themselves and with legal counsel, financial advisors and others. Neither management of the Company nor representatives of its financial advisors were present at, or participated in, any of the Independent Committee's deliberations, the formulation of its conclusions or the preparation of its report and recommendation to the Board of Directors respecting the Equity Transactions.

To assist it in its mandate, the Independent Committee engaged Sayer as advisors to the Independent Committee to provide an assessment of the value of the equity of the Company on a pre and post Equity Transactions basis as well as provide a public opinion in writing (the "**Fairness Opinion**") as to the fairness, from a financial point of view of the Equity Transactions on holders of Common Shares and holders of the Convertible Debentures.

On November 12, 2015, the Independent Committee, its legal advisors, Sayer and BMO Capital Markets received from management a comprehensive presentation and review of the principal assets of the Company, its liquidity position and the various financial and other obligations of the Company, including the amount and timing of all material payment obligations to which the Company is subject to, either directly or pursuant to security pledge arrangements and other obligations.

The Independent Committee formally engaged Sayer on November 13, 2015 to serve as its financial advisor. Prior to this engagement, the Independent Committee reviewed the credentials and experience of Sayer and examined whether Sayer was "independent" of Perpetual, the Backstopper and its affiliates and of the management of the Company. The Independent Committee determined that Sayer was qualified to provide the advice and assistance which it required and was independent of Perpetual, the Backstopper and its affiliates and of the management of the Company. Sayer confirmed to the Independent Committee that it is independent of Perpetual, the Backstopper and its affiliates and of management of the Company and the Independent Committee is satisfied that Sayer is independent and qualified to provide its services. Accordingly, the Independent Committee concluded that it could appropriately rely on the expert opinions of Sayer.

Following its engagement, representatives of Sayer participated in a number of the meetings of the Independent Committee, other than those dealing with legal or organizational matters.

On November 16, 2015, the preliminary work undertaken by Sayer was presented to the Independent Committee in detail. This work included Sayer's views on a per share basis of the net asset value, operating cash flow multiple value, market price, \$/BOE of reserves (proved and proved plus probable basis) and \$/BOE/d of production under various scenarios and capital assumptions on both a pre and post Equity Transaction basis. The value of the Tourmaline Shares was also assessed by Sayer and Sayer provided the Independent Committee with the metrics for recent transactions for natural gas weighted public companies. During this meeting, the Independent Committee posed a number of questions to Sayer and questioned certain assumptions used by Sayer in their preliminary work.

On November 17, 2015, the Independent Committee met with Sayer to receive a presentation of their updated work and their expert opinions.

Sayer met with the Independent Committee on a number of occasions to present their work and expert opinions and, at the November 19, 2015 meeting of the Independent Committee, subject to all of the assumptions and limitations set forth in the Fairness Opinion and as such other matters as they have considered relevant, it is Sayer's opinion that the Equity Transactions are fair, from a financial point of view, to the Shareholders and to the holders of the Convertible Debentures.

As a part of its deliberations, the Independent Committee considered the detailed presentations made to it by Sayer of the basis for its opinion as to the fairness, from a financial point of view, of the Equity Transactions to the holders of the Common Shares and the Convertible Debentures. The Independent Committee, together with its legal counsel, also reviewed the form and content of the Fairness Opinion expressed by Sayer. Representatives of Sayer answered questions regarding the underlying analysis and the form and content of the Fairness Opinion to the satisfaction of the members of the Independent Committee. Based upon the analysis undertaken and the presentations made to it by Sayer, the Independent Committee concluded that it was appropriate for the Independent Committee to rely upon the work prepared and the opinions expressed.

The Independent Committee also received legal advice from Burnet, Duckworth & Palmer LLP ("**BDP**") in respect of the Independent Committee's fiduciary duties and responsibilities and, with the assistance of BDP and BMO Capital Markets, as financial advisor to the Company and the Board, the Independent Committee considered the terms of various agreements having impact on the Company, its stakeholders and the Possible Transactions (including the Equity Transactions) including, among others: the terms of the Convertible Debenture Indenture governing the Convertible Debentures and their repayment terms; the terms of the Company's 8.75% Senior Notes pursuant to the Note Indenture; the terms of the Credit Facility and Margin Loan with its bankers and other lenders; and the terms of the Equity Backstop Agreement (collectively, the "**Relevant Agreements**"). Legal counsel participated in all of the meetings of the Independent Committee and provided it with legal advice in respect of various matters.

In coming to its conclusions, the Independent Committee considered a number of factors, including the following: (i) the financial condition of the Company, including its near term and intermediate term liquidity issues, its Margin Loan, its Credit Facility and the covenants contained therein, the maturity of the Convertible Debentures, its cash balance and its proposed capital expenditure program; (ii) the expert Fairness Opinion and related advice provided by Sayer; (iii) the strategic process undertaken to date and the results from such process; (iv) various reports, presentations and analysis provided by Sayer, management and legal counsel to the Independent Committee and by BMO Capital Markets as financial advisor to the Company and the Board; (v) the terms of the Convertible Debenture Repayment, the Offering and related transactions; (vi) the strategic alternatives and options available to the Company and BMO Capital Market's advice to the Board in respect of such alternatives; (vii) the terms of the Relevant Agreements and the interplay among such agreements; (viii) the current state of the Canadian capital markets and the viability of the Company to attract capital by any other means than a rights offering on cost effective basis in the short and medium term; (ix) the Company's current indebtedness, sources of financing and requirements for capital going forward in order to effectively exploit its oil and gas properties; (x) the interests of the stakeholders affected by the Equity Transactions, including Shareholders, Convertible Debentureholders, employees, creditors, industry partners, and the uncertain commodity price and operating environment and the interests of the Company; (xi) the positives regarding the Equity Transactions including, among other things, that the Equity Transactions:

(a) provides the Company with a stronger financial foundation and capital structure to operate within the current uncertain commodity price and operating environment;

(b) reduces total indebtedness and annual interest burden respectively by $55 million and $3.3 million;

(c) provides new equity capital to be contributed towards Perpetual's 2016 capital expenditure program;

(d) preserves the Company's portfolio of strategic assets for future growth, including its East Edson asset in west central Alberta and the ownership of the Tourmaline Shares;

(e) provides the Company the opportunity:

   (i) for the Company's personnel to continue to operate and maximize the value of the Company's assets;

   (ii) to meet its obligations to its creditors;

   (iii) to fulfill its environmental reclamation obligations; and

   (iv) to fulfill its ongoing obligations to its industry partners; and

   (v) that the Offering allows all Shareholders as of the Record Date to participate in the Offering and maintain their pro rata position (subject to the dilution caused by the Convertible Debenture Repayment);

(xii) that the repayment of the Convertible Debentures in Common Shares fulfills the Company's contractual commitment to the Convertible Debentureholders in that the terms of the Convertible Debenture Indenture allows for the repayment by the Company in cash or by the issuance of its Common Shares; (xiii) BMO Capital Market's advice to the Board as to the effect on the Shareholders and Convertible Debentureholders and of the structure of the Offering; (xiv) the Company's current financial position and its need to reduce indebtedness and increase liquidity while fulfilling its contractual obligations to various stakeholders; and (xv) the historical results of the Company and prospects for its future.

The Independent Committee also considered at length the effect the Equity Transactions would have on the market price of the Common Shares and its impact on all of the Company's stakeholders, including employees all in the context of whether the Equity Transactions would improve the financial position of the Company and whether the terms of the Equity Transactions are reasonable in the circumstances of the Company. In addition, the Independent Committee, after considering a number of various valuation approaches, assessed the equity value of the Company to be $0.64 per Common Share, which is the average value of the range of the various valuation approaches assessed by the Independent Committee.

The assessment that the equity value of the Company is $0.64 per Common Shares was made by the Independent Committee. In coming to this assessment, the Independent Committee reviewed a number of valuation approaches/methodologies pertaining to the equity value of the Company (per Common Share and total value) on a pre and post Equity Transactions basis that was prepared by the Company's independent financial advisor, Sayer. Sayer utilized various methods of analysis of both a quantitative and qualitative nature that was considered appropriate in the circumstances, based on Sayer's experience as advisors in the oil and natural gas industry. The main considerations and assumptions used in the assessment were net asset value, unit value method based on a $/BOE and $/BOE/d method of valuation, a cash flow multiple approach and analyzing the recent trading of Perpetual. Sayer explored various scenarios utilizing a number of considerations and assumptions on both a risked and unrisked basis and utilizing various commodity pricing and capital assumptions. Sayer also provided the Independent Committee with the metrics for recent transactions involving natural gas weighted assets and public companies.

The Independent Committee determined that ensuring holders of Convertible Debentures receive approximately 22% of the pro forma equity after the Equity Transactions is fair to the holders of the Convertible Debentures. The assessment of total equity value on a pre Equity Transactions basis of $98 million (153 million Common Shares at $0.64 per Common Share) for the existing Shareholders, $34.9 million for the former holders of Convertible Debentures (the principal amount of the Convertible Debentures) and $25 million of new equity from the Offering supports this fairness and provides the basis for the pro forma ownership percentage of approximately 22% for the holders of Convertible Debentures and approximately 78% for holders of Common Shares.

In light of the foregoing, including having regard to the Fairness Opinion by Sayer and the advice of Sayer, BMO Capital Markets and BDP, the Independent Committee determined that the Equity Transactions are in the best interests of the Company and it would recommend to the Board that it: (i) approve the Equity Transactions and determine that the Equity Transactions are in the best interests of the Company and are fair to the Shareholders and Convertible Debentureholders; and (ii) if the Board approves the Equity Transactions, that the Company implement a comprehensive communication plan and shareholder outreach program to ensure that the market and the Company's Shareholders and Convertible Debentureholders properly understand the Equity Transactions and the processes involved and actions required in respect of the Company's securities and the investment decisions available.

The Independent Committee provided its written report, conclusions and recommendations to a meeting of the Board of Directors held in the afternoon of November 19, 2015. At that meeting, the Independent Committee also reviewed with the Board the work conducted by Sayer including the Fairness Opinion, all of which had previously been presented and re-confirmed to the Independent Committee earlier in the day.

Based on, among other things, the report of the Independent Committee, the Fairness Opinion, the advice and opinions of the Company's financial and legal advisors and the views of management of the Company, the Board of Directors (with Mr. Clayton Riddell and Ms. Susan Riddell Rose recusing themselves from voting on the Equity Transactions) approved the Equity Transactions and in doing so determined that the Equity Transactions are fair to the holders of Common Shares and to the holders of the Convertible Debentures and are in the best interests of the Company and its stakeholders.

The Fairness Opinion

On November 19, 2015, Sayer delivered to the Independent Committee its written Fairness Opinion to the effect that based upon and subject to various considerations, qualifications, assumptions and limitations set out therein, the Equity Transactions are fair, from a financial point of view, to the Shareholders and to the holders of the Convertible Debentures.

The full text of the Fairness Opinion, which sets forth a description of the qualifications and assumptions made, general procedures followed, factors considered and limitations of the review undertaken, is attached as Schedule "A" to this short form prospectus and is incorporated herein by reference. Holders of Common Shares and Convertible Debentures are encouraged to read the Fairness Opinion carefully in its entirety, especially with regard to the qualifications and assumptions made and factors considered by Sayer.

The summary of the Fairness Opinion set forth in this short form prospectus is qualified in its entirety by reference to the full text of such opinion.

Pursuant to the terms of the engagement of Sayer by the Independent Committee (the "**Sayer Engagement Contract**"), Sayer was not engaged to prepare (and did not prepare) a formal valuation or appraisal of Perpetual or of any of the assets, liabilities or securities of Perpetual or to express an opinion with respect to the form of the Equity Transactions itself, and the Fairness Opinion should not be construed as such. Sayer was similarly not engaged to review any legal, tax or accounting aspects of the Equity Transactions, however, Sayer did perform research, financial analyses and testing of assumptions that it considered to be appropriate and necessary in the circumstances to support the conclusions reached in the Fairness Opinion.

Pursuant to the terms of the Sayer Engagement Contract, Perpetual agreed to pay Sayer a fee upon the delivery of the Fairness Opinion and this fee is not contingent in any way the completion of the Equity Transactions. In addition, the Sayer Engagement Contract provides for the reimbursement of out-of-pocket expenses incurred by Sayer in respect to the services performed as part of the engagement. The fee received by Sayer in connection with the Sayer Engagement Contract is not material to Sayer. Perpetual has also agreed to indemnify Sayer from and against certain liabilities arising out of the performance of professional services rendered to the Independent Committee by Sayer and its personnel under the Sayer Engagement Contract.

Sayer is a specialized corporate advisory firm that provides capital market and advisory services for oil and natural gas companies, oilfield service companies, governments and financial institutions across Canada and for foreign entities. These services include corporate advisory services in the areas of mergers, acquisitions and divestitures, independent research, valuations and fairness opinions for clients. Sayer and its principals have prepared numerous fairness opinions and have participated in a significant number of transactions involving private and publicly traded oil and natural gas companies.

The Fairness Opinion and the form and content thereof has been approved for release by a group of professionals of Sayer, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

Sayer is not an interested party, meaning it is not an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Alberta)) of Perpetual, or any of its respective associates or affiliates ("**Interested Party**"). Sayer is not acting as an advisor to Perpetual, or any of its associates or affiliates, in connection with any matter, other than as financial advisor to the Independent Committee pursuant to the Sayer Engagement Contract as described above. Sayer, in the 24 months prior to its engagement, has not been engaged by the Interested Party to provide advisory services or to act as agent or underwriter other than being retained by an independent committee of the Board of Directors on March 9, 2015 to provide a fairness opinion relating to a transaction between Perpetual and Tourmaline whereby Perpetual swapped its West Edson property for 6,750,000 Tourmaline Shares. Sayer does not have interests in any of the securities of any Interested Party as such term is defined under MI 61-101. Other than the Sayer Engagement Contract, there are no understandings, agreements or commitments between Sayer and any Interested Party, with respect to any future business dealings.

Sayer acted as the financial advisor to the Independent Committee in respect of the Equity Transactions. In this context, and for the purpose of preparing the Fairness Opinion, Sayer analyzed publicly available and confidential financial, operational and other information relating to Perpetual, including information derived from meetings and discussions with the management of Perpetual. In addition, Sayer has reviewed, considered and relied upon, among other things, the following:

(a) published stock market data relating to both Perpetual and Tourmaline and publicly available information and certain confidential information possessed by Sayer with respect to recent transactions involving the sale of oil and natural gas companies and properties of a comparable nature and considered to be relevant by Sayer in the circumstances;

(b) publicly available information with respect to comparable metrics for publicly traded oil and natural gas entities; and

(c) other publicly available information and documents filed by, or on behalf of Perpetual in compliance with or intended compliance with applicable securities laws.

Sayer also conducted such other analyses, investigations, research and testing of assumptions as deemed by Sayer to be appropriate or necessary in the circumstances. Sayer was granted access to Perpetual's management groups and consultants and were not denied any information that was requested by Sayer.

In delivering the Fairness Opinion, Sayer considered the Equity Transactions to be fair if they would provide the holders of the Common Shares and Convertible Debentures with expected values that are greater than, or in a range consistent with, the values expected to be realized if the Equity Transactions were not implemented.

The Fairness Opinion does not express an opinion as to the price at which the Common Shares will trade after completion of the Equity Transactions and the Fairness Opinion should not be construed as a recommendation to Shareholders to exercise their Rights in relation to the Equity Transactions.

Based upon the analysis and subject to all of the assumptions and limitations and such other matters as Sayer considered relevant, Sayer is of the opinion that the Equity Transactions, as described in this short form prospectus, is fair, from a financial point of view, to the Shareholders and to the holders of the Convertible Debentures.

Bankruptcies

Other than as disclosed below, to the knowledge of Perpetual, except as described above, no director or executive officer of Perpetual (nor any personal holding company of any of such persons) or shareholder holding a sufficient number of securities of Perpetual to affect materially the control of Perpetual: (a) is, as of the date of this short form prospectus, or has been within the ten years before the date of this short form prospectus, a director or executive officer of any company (including Perpetual) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the ten years before the date of this short form prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Mr. Robert Maitland was a director of GasFrac Energy Services Inc. ("**GasFrac**") from April 2008 until GasFrac's annual meeting held on May 27, 2014, at which time he did not stand for re-election to the GasFrac board of directors. GasFrac obtained court approval on January 28, 2015 under the *Companies' Creditors Arrangement Act* (Canada) in respect of a forbearance agreement between GasFrac and its major creditor until March 18, 2015. Substantially all of GasFrac's assets were sold under a court ordered process approving the wind up of GasFrac on March 16, 2015.

USE OF PROCEEDS

The aggregate net proceeds to be received by the Company from the Offering are estimated to be approximately $22.9 million, after deducting the estimated expenses of the Offering of approximately $2.1 million, including deduction of the Equity Backstop Fee of $125,000, and assuming the exercise of all Rights (assuming no Excluded Holders).

The aggregate net proceeds will be used to temporarily reduce bank indebtedness under its Credit Facility, which will be available to be redrawn and applied to fund the Company's 2016 capital expenditure program. Furthermore, the aggregate net proceeds provide downside risk management to allow for retention of potentially undervalued assets.

The 2016 capital expenditure program targets important strategic initiatives and low risk, high capital efficiency investment to enhance the Company's production and funds flow. In West Central Alberta, the Company plans to spend up to $19.5 million, concentrated to drill, complete and tie-in up to four horizontal wells targeting the Wilrich formation at East Edson. Additionally, plans are in place to re-complete an existing vertical well in the West Central Alberta area to evaluate the economic potential for a follow-up horizontal well later in 2016. In the Company's Mannville heavy oil property, waterflood operations have been ongoing in several heavy oil pools, targeting increased recovery through pressure maintenance. Up to $1 million is planned to convert two additional wells for injection to enhance the effectiveness of the waterflood and expand the pipeline network to reduce operating costs related to water handling. Up to $7.5 million of exploration and development capital expenditures are planned in the Company's Eastern Alberta shallow gas properties. High capital efficiency workovers and recompletions will be executed to add production to mitigate natural declines in several of the Company's shallow gas properties. Additional activities to ensure operational compliance are also scheduled. Preparations are also underway to drill, complete and tie-in up to five horizontal wells targeting the Colorado formation in east Central Alberta. The Company's 2016 capital expenditure program is summarized in the table below.

Use of Proceeds[(1)(2)] **Area**	**First Half 2016[(3)]** **($ millions)**	**Second Half 2016[(4)]** **($ millions)**
West Central Alberta	12.5	7.0
Mannville Heavy Oil	0.5	0.5
Eastern Alberta Shallow Gas	3.5	4.0
Total	**16.5**	**11.5**

Notes:

(1) Excludes additional forecast spending of up to $3.5 million to settle asset retirement obligations, primarily in Eastern Alberta.
(2) For the year ending December 31, 2016.
(3) January 1, 2016 to June 30, 2016.
(4) July 1, 2016 to December 31, 2016.

The 2016 capital expenditure program in West Central Alberta is focused on drilling 4 gross (4.0 net) wells at East Edson in the first half of the year, followed by completions and equipping through the remainder of 2016 and is designed to maintain the Company's facilities at optimal throughput. The drilling locations are offsetting currently producing wells and are on lands with undeveloped reserves recognized in the Company's independent McDaniel reserves evaluation. The East Edson activities are contemplated in the Company's independent reserves evaluation and are based on forecasted commodity prices. As such, there are no significant events that must occur for the above objectives to be achieved. The shallow gas recompletion program targets very low risk and low incremental operating cost projects. Investment will be subject to commodity prices as there are no time constraints related to facility capacity, transportation or land tenure.

Perpetual anticipates that the aggregate net proceeds will enable the Company to fund planned capital expenditures through 2016. The Company currently plans to meet its longer term financing requirements into 2017 and beyond through operating cash flow and, if required, through further equity or debt financing and asset sales as appropriate. Prevailing market conditions, together with Perpetual's business performance, will impact the Company's ability to arrange such financing.

The use of the net proceeds of the Offering by the Company is consistent with the accomplishment of Perpetual's stated business objectives as set forth under the heading "*Perpetual Energy Inc.*" in this short form prospectus and in the AIF. There is no one particular significant event or milestone that must occur for Perpetual's business objectives to be accomplished. While Perpetual believes that it has the skills and resources necessary to accomplish its stated business objectives, participation in the exploration for and development of oil and natural gas has a number of inherent risks. See "*Risk Factors*".

While management expects to use the net proceeds as stated above, there may be circumstances as described above or that are not known at this time where a reallocation of the net proceeds may be advisable for business reasons that management believes are in the best interest of the Company. See "*Risk Factors*".

The Company's current indebtedness under its Credit Facility has been incurred in the normal course of business and operations and in connection with previous capital and other expenditures made by the Company. Summaries of Perpetual's capital expenditures for the year ended December 31, 2014 and for the nine months ended September 30, 2015 are contained in the Annual MD&A and the Interim MD&A, respectively, which are incorporated by reference herein.

DETAILS OF THE OFFERING

Issue of Rights and Record Date

Shareholders of record as at 5:00 p.m. (Toronto time) on the Record Date will receive Rights on the basis of one Right for each Common Share held at that time. The Rights permit Rightsholders (provided that such holders are in an Eligible Jurisdiction or are Approved Eligible Holders) to subscribe for and purchase from the Company that number of Common Shares equal to the greater of: (i) 0.3140 of a Common Share; or (ii) the result when (A) the Exercise Price of $0.1630 is divided by (B) the Current Market Price less a discount of 80.70% and then (C) one Common Share is deducted from the result. The Rights are transferable in Canada by holders thereof. See "*Sale or Transfer of Rights*" and "H*ow to Complete a Rights Certificate – To Sell or Transfer Rights – Form 3*" below.

For Shareholders who hold their Common Shares in registered form, a Rights Certificate evidencing the number of Rights issued to the Shareholder as at the Record Date will be mailed with a copy of this short form prospectus to each such Shareholder as at 5:00 p.m. (Toronto time) on the Record Date. See "*Details of the Offering – Rights Certificate – Common Shares Held in Registered Form*".

Shareholders who hold their Common Shares through a CDS Participant will not receive physical certificates evidencing their ownership of Rights. On the Record Date, a global certificate representing such Rights will be issued in registered form to, and in the name of, CDS or its nominee. The Company expects that each beneficial Shareholder will receive a confirmation of the number of Rights issued to such Shareholder from the beneficial Shareholder's CDS Participant. CDS will be responsible for establishing and maintaining book-entry accounts for CDS Participants holding Rights. See "*Details of the Offering – Rights Certificate – Common Shares Held Through CDS*".

Only Shareholders who hold their Common Shares in registered form and who are resident in the Eligible Jurisdictions are entitled to receive Rights Certificates. The Rights and Common Shares are not qualified under the securities laws of any jurisdiction other than the Eligible Jurisdictions and Rights may not be exercised by or on behalf of a Shareholder resident in an Ineligible Jurisdiction. Instead, Ineligible Holders will be sent a copy of this short form prospectus along with a letter advising them that their Rights Certificates will be held by the Subscription Agent, who will hold such Rights as agent for the benefit of all such Ineligible Holders. See "*Details of the Offering – Ineligible Holders and Approved Eligible Holders*".

A Rightsholder is not, by virtue of such Right, a Shareholder and does not have any of the rights of a Shareholder (including the right to receive any dividend or distribution of any nature whatsoever which may be declared payable on the Common Shares).

Subscription Basis

Each Shareholder of record as at 5:00 p.m. (Toronto time) on the Record Date is entitled to receive one Right for each Common Share held. For each Right held (other than by an Ineligible Holder) the Rightsholder is entitled to acquire that number of Common Shares equal to the greater of: (i) 0.3140 of a Common Share; or (ii) the result when (A) the Exercise Price of $0.1630 is divided by (B) the Current Market Price less a discount of 80.70% and then (C) one Common Share is deducted from the result by subscribing and making payment in the manner described herein on or before the Rights Expiry Time on the Rights Expiry Date. One Right will be issued for each Common Share outstanding on the Record Date. Accordingly, the number of Rights ultimately issued will depend on the number of Common Shares outstanding on the Record Date. No fractional Common Shares will be issuable upon the exercise of any Rights, and no cash or other consideration will be paid in lieu thereof. An entitlement to a fractional Common Share will be rounded down to the next lowest whole number of Common Shares. Rights delivered to CDS Participants may not be delivered by such CDS Participants to beneficial holders unless such holders are resident in an Eligible Jurisdiction. CDS Participants may only exercise such Rights on behalf of Rightsholders in Ineligible Jurisdictions if they can demonstrate to the Company that such holders are Approved Eligible Holders as described under "*Details of the Offering – Ineligible Holders and Approved Eligible Holders*" and they have submitted payment in full of the Exercise Price to the Subscription Agent at or prior to the Rights Expiry Time on the Rights Expiry Date.

A Rightsholder that exercises Rights is deemed to represent and warrant to the Company that the exercise of any of its Rights will not result in a Note Indenture Change of Control due to it having beneficial ownership, directly or indirectly, or control of more than 49% of the Common Shares. If the representation and warranty is breached by the Rightsholder, the Rightsholder unconditionally agrees that the portion of the Rights exercised that would entitle the Rightsholder to receive more than 49% of the Common Shares will be null and void and result in the cancellation of any such Rights immediately before the Rights Expiry Time. Any Rights cancelled as a result of the foregoing shall be taken up in accordance with the Additional Subscription Privilege or the Equity Backstop Agreement, as applicable. See "*Details of the Offering – How to Complete a Rights Certificate – To Represent Exercise of Rights Will Not Cause a Change of Control – Form 5*".

Commencement Time and Rights Expiry Time

The Rights will be eligible for exercise on and following the Commencement Time and will expire at the Rights Expiry Time (5:00 p.m. (Toronto time)) on the Rights Expiry Date. A Rightsholder who exercises Rights pursuant to the terms and conditions contained herein will not become a Shareholder of record until the closing of the Offering.

RIGHTS NOT EXERCISED BY THE RIGHTS EXPIRY TIME ON THE RIGHTS EXPIRY DATE WILL BECOME VOID AND BE OF NO VALUE.

Basic Subscription Right

Each Shareholder as at 5:00 p.m. (Toronto time) on the Record Date is entitled to receive one Right for each Common Share held. For each Right held, the Rightsholder (including any Approved Eligible Holder, but other than an Ineligible Holder) is entitled to acquire that number of Common Shares equal to the greater of: (i) 0.3140 of a Common Share; or (ii) the result when (A) the Exercise Price of $0.1630 is divided by (B) the Current Market Price less a discount of 80.70% and then (C) one Common Share is deducted from the result by subscribing and making payment in the manner described herein at or before the Rights Expiry Time on the Rights Expiry Date. A Rightsholder that subscribed for some, but not all, of the Common Shares pursuant to the Basic Subscription Right will be deemed to have elected to waive the unexercised balance of such Rights and such unexercised balance of Rights will be void and of no value unless the Subscription Agent is otherwise specifically advised by such Rightsholder at the time the Rights Certificate is surrendered that the Rights are to be transferred to a third party or are to be retained by the Rightsholder. Rightsholders who exercise in full the Basic Subscription Right for their Rights are also entitled to exercise Additional Rights, if any, that are not otherwise exercised under the Offering on a pro rata basis, prior to the Rights Expiry Time on the Rights Expiry Date pursuant to the Additional Subscription Privilege. See "*Details of the Offering – Additional Subscription Privilege*".

For Common Shares held in registered form, in order to exercise the Rights represented by a Rights Certificate, the Rightsholder must complete and deliver the Rights Certificate to the Subscription Agent in accordance with the terms of this Offering in the manner and upon the terms set out in this short form prospectus and pay the aggregate Exercise Price for all Common Shares subscribed for. All exercises of Rights are irrevocable once submitted.

For Common Shares held through a CDS Participant, a Shareholder may exercise Rights to acquire Common Shares by instructing the CDS Participant holding the Shareholder's Rights to exercise all or a specified number of such Rights and forwarding the aggregate Exercise Price for all Common Shares subscribed for in accordance with the terms of the Offering to such CDS Participant. Subscriptions for Common Shares made in connection with the Offering through a CDS Participant will be irrevocable and Shareholders will be unable to withdraw their subscriptions for Common Shares once submitted.

The Exercise Price is payable in Canadian funds by certified cheque, bank draft or money order drawn to the order of the Subscription Agent. In the case of subscription through a CDS Participant, the Exercise Price is payable by certified cheque, bank draft or money order drawn to the order of such CDS Participant, by direct debit from the subscriber's brokerage account or by electronic funds transfer or other similar payment mechanism. The entire Exercise Price for Common Shares subscribed for must be paid at the time of subscription and must be received by the Subscription Agent at the Applicable Subscription Office prior to the Rights Expiry Time on the Rights Expiry Date. Beneficial Rightsholders who wish to exercise Rights to acquire Common Shares pursuant to the Offering must provide the CDS Participant holding their Rights with instructions and payment sufficiently in advance of the Rights Expiry Time on the Rights Expiry Date to permit the proper exercise of their Rights. CDS Participants will have an earlier deadline for receipt of instructions than the Rights Expiry Date. Subscribers should contact their particular CDS Participant for complete details on how to exercise the Basic Subscription Right. Rights not exercised at or before the Rights Expiry Time on the Rights Expiry Date will be void and will have no value.

Additional Subscription Privilege

Each Rightsholder who has exercised in full his or her Basic Subscription Right may exercise Additional Rights, if available, at a price equal to the Exercise Price for each Additional Right. The number of Additional Rights available will be the difference, if any, between the total number of Rights that were issued pursuant to the Offering and the total number of Rights validly exercised and paid for pursuant to the Basic Subscription Right at the Rights Expiry Time on the Rights Expiry Date. Subscriptions for the exercise Additional Rights will be received subject to allotment only and the number of Additional Rights, if any, that may be allotted to each subscriber will be equal to the lesser of (i) the number of Additional Rights that such subscriber has exercised; and (ii) the product (disregarding fractions, if any) obtained by multiplying the number of Additional Rights available to be issued by a fraction, the numerator of which is the number of Rights previously exercised by the subscriber pursuant to the

Basic Subscription Right and the denominator of which is the aggregate number of Rights previously exercised pursuant to the Basic Subscription Right by all holders of Rights who have exercised and paid for Additional Rights. If any Rightsholder has exercised fewer Additional Rights than such Rightsholder's pro rata allotment of Additional Rights, the excess Additional Rights will be allotted in a similar manner among the Rightsholders who were allotted fewer Additional Rights than they exercised.

To apply for Additional Rights under the Additional Subscription Privilege, each Rightsholder must forward his or her request to the Subscription Agent or their CDS Participant, as applicable, prior to the Rights Expiry Time on the Rights Expiry Date. Payment for Additional Rights, in the same manner as required upon exercise of the Basic Subscription Right, must accompany the request when it is delivered to the Subscription Agent or a CDS Participant, as applicable. Payment of such price must be received by the Subscription Agent prior to the Rights Expiry Time on the Rights Expiry Date, failing which the Rightsholder's entitlement to such Additional Rights will terminate. A Beneficial Rightsholder wishing to exercise Additional Rights pursuant to the Additional Subscription Privilege will be required to withdraw a Definitive Rights Certificate representing their Rights from CDS and deposit the Definitive Rights Certificate directly with Computershare along with payment for the Basic Subscription Right and Additional Rights. Accordingly, Beneficial Rightsholders wishing to exercise Additional Rights should contact the CDS Participant that holds such holder's Rights sufficiently in advance of the Rights Expiry Date to arrange for such exercise for Additional Rights. A Rightsholder exercising Additional Rights will be notified as soon as practicable after the Rights Expiry Date of the number of Additional Rights, if any, allotted to the Rightsholder.

If the Offering is fully exercised, then the funds included for exercises under the Additional Subscription Privilege will be returned by the Subscription Agent or applicable CDS Participant to the relevant subscribers (or credited to the Shareholder's account with its CDS Participant). In addition, the Subscription Agent or applicable CDS Participant will return to any Rightsholder that exercised Additional Rights under the Additional Subscription Privilege, within 30 days of the Rights Expiry Date, any excess funds paid in respect of an exercise for Additional Rights where the number of Additional Rights available to that subscriber is less than the number of Additional Rights exercised. No interest will be payable by the Subscription Agent, CDS Participant or the Company in respect of any excess funds returned to subscribers.

Ineligible Holders and Approved Eligible Holders

Except as set out below, this Offering is made only in the Eligible Jurisdictions. Accordingly, neither a subscription under the Basic Subscription Right nor under the Additional Subscription Privilege will be accepted from any person, or such person's agent, who appears to be, or whom the Company has reason to believe is, an Ineligible Holder, except that the Company may accept subscriptions in certain circumstances from an Approved Eligible Holder.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the EU Prospectus Directive (as defined below) (each, a "**Relevant EU Member State**") with effect from and including the date on which the EU Prospectus Directive is implemented in that Relevant EU Member State, an offer to the public of the Rights and the Common Shares to be issued at any time upon exercise of the Rights may not be made in that Relevant EU Member State, except that such securities may be offered to the public in that Relevant EU Member State at any time under the following exemptions under the EU Prospectus Directive, if it has been implemented in that Relevant EU Member State:

1. to legal entities which are "qualified investors" as defined in the EU Prospectus Directive;

2. to fewer than 100, or, if the Relevant EU Member State has implemented the relevant provisions of the 2010 PD Amending Directive (as defined below), 150, natural or legal persons (other than "qualified investors" as defined in the EU Prospectus Directive) as permitted under the EU Prospectus Directive; or

3. in any other circumstances falling within Article 3(2) of the EU Prospectus Directive,

provided that no such offer of securities shall result in a requirement for, the publication of this short form prospectus pursuant to Article 3 of the EU Prospectus Directive, or supplementing this short form prospectus pursuant to Article 16 of the EU Prospectus Directive, and each person who initially acquires securities or to whom any offer is made will be deemed to have represented, warranted to and agreed with the Company that it is a "qualified investor" within the meaning of the law in that Relevant EU Member State implementing Article 2(1)(e) of the EU Prospectus Directive.

For the purposes of this provision: (i) the expression an "offer to the public" in relation to the Rights and the Common Shares to be issued at any time upon exercise of the Rights in any Relevant EU Member State means the communication in any form and by any means of sufficient information on the terms of the offer and such securities to be offered so as to enable an investor to decide to purchase any of such securities, as the same may be varied in that Relevant EU Member State by any measure implementing the EU Prospectus Directive in that Relevant EU Member State; (ii) the expression "**EU Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant EU Member State) and includes any relevant implementing measure in each Relevant EU Member State; and (iii) the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

United Kingdom

In relation to the United Kingdom, the rights in the securities being offered and represented by the Rights Certificate are only being made to and are directed at persons in the United Kingdom who are both:

1. a "qualified investor" within the meaning of Section 86(7) of the United Kingdom Financial Services and Markets Act 2000, as amended (the "**FSMA**"), acting as principal or in circumstances where Section 86(2) FSMA applies; and

2. also within the categories of persons referred to in Article 19(5) (investment professionals) or Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or persons in the United Kingdom to whom the offering may otherwise be made or to whom the offering may otherwise be directed in the United Kingdom without an approved prospectus having been made available to the public in the United Kingdom before the offering is made and without making an unlawful financial promotion,

all such persons together being referred to as "relevant persons". The securities being offered and represented by the Rights Certificate are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such rights in securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. This document contains no offer of transferable securities to the public in the United Kingdom within the meaning of sections 85(1) and 102B of FSMA. This document is not an "approved prospectus" for the purposes of Section 85(7) of FSMA. Accordingly, this document has not been examined or approved as a prospectus by United Kingdom Financial Conduct Authority (the "**FCA**") under Section 87A FSMA or by the London Stock Exchange and has not been filed with the FCA pursuant to the rules published by the FCA implementing the EU Prospectus Directive nor has it been approved by an "authorised person" for the purposes of Section 21 of FSMA.

Treatment of Rights

Rights Certificates will not be issued and forwarded by the Company to Ineligible Holders who are not Approved Eligible Holders. Ineligible Holders will be presumed to be resident in the place of their registered address unless the contrary is shown to the satisfaction of the Company. Registered Ineligible Holders will be sent a letter advising them that their Rights Certificates will be issued to and held on their behalf by the Subscription Agent. The letter will also set out the conditions required to be met, and procedures that must be followed, by Ineligible Holders wishing to participate in the Offering. Rights Certificates in respect of Rights issued to such Ineligible Holders will be issued to and held by the Subscription Agent as agent for the benefit of such Ineligible Holders. The Subscription Agent will hold the Rights until 5:00 p.m. (Toronto time) on January 8, 2016 in order to provide Ineligible Holders an opportunity to claim a Rights Certificate by satisfying the Company that the issue of Rights and of Common Shares pursuant to the exercise of Rights will not be in violation of the laws of the applicable jurisdiction. Following such date, the Subscription Agent, for the account of registered Ineligible Holders, will, prior to the Rights Expiry Time on the Rights Expiry Date, attempt to sell the Rights of registered Ineligible Holders represented by Rights Certificates in the possession of the Subscription Agent on such date or dates and at such price or prices as the Subscription Agent determines in its sole discretion.

Beneficial owners of Common Shares registered in the name of a resident of an Ineligible Jurisdiction, who are not themselves resident in an Ineligible Jurisdiction, who wish to be recognized as an Approved Eligible Holder and who believe that their Rights Certificates may have been delivered to the Subscription Agent, should contact the Subscription Agent at the earliest opportunity, and in any case in advance of 5:00 p.m. (Toronto time) on January 8, 2016, to request to have their Rights Certificates mailed to them.

The Rights and the Common Shares issuable on the exercise of the Rights have not been qualified for distribution in any Ineligible Jurisdiction and, accordingly, may only be offered, sold, acquired, exercised or transferred in transactions not prohibited by applicable laws in Ineligible Jurisdictions. Notwithstanding the foregoing, persons located in such Ineligible Jurisdictions may be able to exercise the Rights and purchase Common Shares provided that they furnish evidence reasonably satisfactory to the Company on or before January 8, 2016 to the effect that they are permitted under applicable laws of the applicable jurisdiction to participate in the Offering. A holder of Rights in an Ineligible Jurisdiction holding on behalf of a person resident in an Eligible Jurisdiction may be able to exercise the Rights provided the holder certifies in an investor letter that the beneficial purchaser is resident in an Eligible Jurisdiction and otherwise satisfies the Company that such subscription is lawful and in compliance with all securities and other applicable laws.

No charge will be made for the sale of Rights by the Subscription Agent except for a proportionate share of any brokerage commissions incurred by the Subscription Agent and the costs of or incurred by the Subscription Agent in connection with the sale of the Rights. Registered Ineligible Holders will not be entitled to instruct the Subscription Agent in respect of the price or the time at which the Rights are to be sold. The Subscription Agent will endeavour to effect sales of Rights on the open market and any proceeds received by the Subscription Agent with respect to the sale of Rights net of brokerage fees and costs incurred and, if applicable, the Canadian tax required to be withheld, will be divided on a pro rata basis among such registered Ineligible Holders and delivered by mailing cheques (in Canadian funds) of the Subscription Agent therefor as soon as practicable to such registered Ineligible Holders at their addresses recorded on the books of the Company. Amounts of less than $10.00 will not be remitted. The Subscription Agent will act in its capacity as agent of the registered Ineligible Holders on a best efforts basis only and the Company and the Subscription Agent do not accept responsibility for the price obtained on the sale of, or the inability to sell, the Rights on behalf of any registered Ineligible Holder. Neither the Company nor the Subscription Agent will be subject to any liability for the failure to sell any Rights of registered Ineligible Holders or as a result of the sale of any Rights at a particular price or on a particular day. **There is a risk that the proceeds received from the sale of Rights will not exceed the costs of or incurred by the Subscription Agent in connection with the sale of such Rights and, if applicable, the Canadian tax required to be withheld. In such event, no proceeds will be remitted.**

Holders of Rights who are not resident in Canada should be aware that the acquisition and disposition of Rights or Common Shares may have tax consequences in the jurisdiction where they reside, which are not described herein. Accordingly, such holders should consult their own tax advisors about the specific tax consequences in the jurisdiction where they reside of acquiring, holding and disposing of Rights or Common Shares.

Subscription Agent and Subscription Office

Computershare Investor Services Inc. has been appointed to act as the Subscription Agent to: (i) receive subscriptions and payments from Rightsholders for the Common Shares subscribed for under the Basic Subscription Right and, if applicable, the Additional Subscription Privilege; (ii) perform the services relating to the exercise and transfer of the Rights including the issue of Common Shares; and (iii) use its best efforts to sell Rights issued to Ineligible Holders and to deliver the proceeds thereof to such Ineligible Holders. The Company will pay for all such services of the Subscription Agent. The Subscription Agent will accept subscriptions for Common Shares and payment of the Exercise Price from Rightsholders by hand, courier or registered mail at the Applicable Subscription Office:

By Mail:

Computershare Investor Services Inc.
P.O. Box 7021, 31 Adelaide Street E
Toronto, Ontario M5C 3H2

Attention: Corporate Actions

By Hand, by Courier or by Registered Mail:

Computershare Investor Services Inc.
8th Floor, 100 University Avenue
Toronto, Ontario M5J 2Y1

Attention: Corporate Actions

Enquiries relating to the Offering should be addressed to the Subscription Agent by telephone at 1-800-564-6253 or by sending an e-mail to corporateactions@computershare.com.

The method of delivery of Rights Certificates to the Subscription Agent is at the discretion of the Rightsholder. Neither the Subscription Agent nor the Company will be liable for the failure to deliver or the delivery of Rights Certificates or the Exercise Price to an address other than the address set out above. Delivery to an address other than the address set out above may result in a subscription for Common Shares or a transfer of Rights not being accepted. If mail is used, registered mail is recommended.

Information Agent

Kingsdale Shareholder Services has been appointed by the Company to act as the Information Agent with respect to the Offering. The mandate of the Information Agent will be to contact holders of Rights and to outline the steps of the Offering, including the steps required to exercise the Rights as set forth in this short form prospectus, and recommend that Rightsholders consult with their investment dealer or broker if they have any inquiries with respect to whether or not they should exercise their Rights. The Information Agent will not, in any circumstance, provide any investment advice to holders of Rights. The Information Agent will receive customary compensation for its services from the Company.

Questions and requests for assistance relating to the Offering may be directed to the Information Agent. Please see the back page of this short form prospectus for the contact details of the Information Agent.

Delivery of Rights by Intermediaries

Rights delivered to brokers, dealers or other intermediaries may not be delivered by those intermediaries to beneficial Shareholders who are resident in Ineligible Jurisdictions. Intermediaries receiving Rights which would otherwise be deliverable to residents of Ineligible Jurisdictions should attempt to sell those Rights on behalf of an Ineligible Holder.

Rights Certificates

Common Shares Held in Registered Form

For all Rightsholders with an address of record in an Eligible Jurisdiction whose Common Shares are held in registered form, a Rights Certificate representing the total number of Rights to which each such Rightsholder is entitled as at the Record Date will be mailed with a copy of this short form prospectus to each such Rightsholder. In order to exercise the Rights represented by the Rights Certificate, such Rightsholder must complete and deliver the Rights Certificate in accordance with the instructions set out under "*How to Complete a Rights Certificate*" below. Rights not exercised by the Rights Expiry Time on the Rights Expiry Date will become void and be of no value. **All subscriptions for Common Shares made in connection with the Offering will be irrevocable and subscribers will be unable to withdraw their subscriptions for Common Shares once submitted.**

Common Shares Held Through CDS

For all Beneficial Rightsholders who hold their Common Shares through a securities broker or dealer, bank or trust company or other CDS Participant with an address of record in an Eligible Jurisdiction in the book based system administered by CDS, a global certificate representing the total number of Rights to which all such Rightsholders as at the Record Date are entitled will be issued in registered form to CDS and will be deposited with CDS at the Commencement Time. The Company expects that each Beneficial Rightsholder will receive a confirmation of the number of Rights issued to him or her from his or her CDS Participant in accordance with the practices and procedures of that CDS Participant. CDS will be responsible for establishing and maintaining the book-entry accounts for CDS Participants holding Rights.

Neither the Company, the directors or officers of the Company or the Subscription Agent will have any liability for: (i) the records maintained by CDS or CDS Participants relating to the securities offered herein or the book-entry accounts maintained by them; (ii) maintaining, supervising or reviewing any records relating to such securities; or (iii) any advice or representations made or given by CDS or CDS Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or CDS Participants.

The ability of a person having an interest in Rights held through a CDS Participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Beneficial Rightsholders who hold their Common Shares through a CDS Participant must arrange purchases and transfers of Common Shares and Rights through their CDS Participant. It is anticipated by the Company that each such Beneficial Rightsholder will receive a customer confirmation of issuance or purchase, as applicable, from the CDS Participant through which such Right is issued or such Common Share is purchased in accordance with the practices and policies of such CDS Participant.

How to Complete a Rights Certificate

To Exercise Rights to acquire Common Shares Pursuant to the Basic Subscription Right – Form 1

The maximum number of Rights that may be exercised pursuant to the Basic Subscription Right is shown in the box on the upper right hand corner on the face page of the Rights Certificate.

In order to exercise Rights to acquire Common Shares, a holder of a Rights Certificate must complete and sign Form 1 on the Rights Certificate in accordance with the instructions thereon and deliver the completed and signed Rights Certificate, together with the full payment for the number of Rights exercised, to the Applicable Subscription Office in the manner described in this short form prospectus on or before the Rights Expiry Time on the Rights Expiry Date. See "*Basic Subscription Right*" above.

The method of delivery is at the discretion and risk of the Rightsholder and delivery to the Subscription Agent will only be effective when the Rights Certificate and payment is actually received by the Subscription Agent at the Applicable Subscription Office. Rights Certificates and payments received after the Rights Expiry Time on the Rights Expiry Date will not be accepted.

A Rightsholder who completes Form 1 so as to exercise some but not all of the Rights represented by a Rights Certificate will be deemed to have elected not to exercise the balance of the Rights represented thereby unless the Subscription Agent is otherwise specifically advised by such Rightsholder at the time the Rights Certificate is surrendered that the Rights are to be transferred to a third party or are to be retained by the Rightsholder.

Payment for the number of Rights exercised at the Exercise Price must be made in Canadian funds by certified cheque, bank draft or money order payable to the order of "Computershare Investor Services Inc." Under no circumstances will interest accrue or be paid by the Company or the Subscription Agent on any consideration received in connection with the exercise of Rights.

A Rightsholder unsure how to subscribe should contact the Information Agent and/or the Subscription Agent.

To Exercise Rights to acquire Common Shares Pursuant to the Additional Subscription Privilege – Form 2

Complete and sign Form 2 of the Rights Certificate only if you wish to participate in the Additional Subscription Privilege. See "*Additional Subscription Privilege*" above.

To Sell or Transfer Rights – Form 3

Subject to certain restrictions discussed below, Rightsholders who do not wish to exercise their Rights may sell or transfer their Rights through the facilities of the TSX while the Rights are listed or through other investment channels, such as investment dealers and brokers or privately, at the expense of the Rightsholder. Rightsholders may elect to exercise only a part of their Rights and dispose of the remainder of them.

In order to transfer Rights, a Rightsholder must complete and sign Form 3 on the Rights Certificate, have the signature guaranteed by a Canadian Schedule I chartered bank or a member of the acceptable Medallion Signature Guarantee Program, including a member of the Securities Transfer Agents Medallion Program (STAMP), a member of the Stock Exchange Medallion Program (SEMP) or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP) and deliver the Rights Certificate to the purchaser (the "**Transferee**"). Members of these programs are usually a member of a recognized stock exchange in Canada or a member of the Investment Industry Regulatory Organization of Canada. The signature of the guarantor must affix a stamp bearing the actual words "Signature Guaranteed". In the United States, signature guarantees must be done by members of a "Medallion Signature Guarantee Program" only. Signature guarantees are not accepted from Treasury Branches, Credit Unions or Caisses Populaires unless they are members of the Stamp Medallion Program. The signature of the Transferee on any one or more of the forms on the Rights Certificate must correspond exactly with the name of the Transferee shown on Form 3. It is not necessary for the Transferee to obtain a new Rights Certificate to exercise the Rights, however, the signature of the Transferee on any one or more of the forms must correspond in every particular way with the name of the Transferee shown on Form 3. If Form 3 is properly completed, then the Company and the Subscription Agent will treat the Transferee as the absolute owner of the Rights represented by the Rights Certificate for all purposes and will not be affected by any notice to the contrary. The Transferee must also complete Form 1.

The transfer of the Rights or the Common Shares issuable on exercise of the Rights to or within the European Economic Area is restricted. See "*Ineligible Holders and Approved Eligible Holders*" above.

To Divide or Combine Rights Certificates – Form 4

A Rights Certificate may be divided, exchanged or combined with another Rights Certificate by completing and signing Form 4 on the Rights Certificate(s) and delivering such Rights Certificate(s) to the Subscription Agent at the Applicable Subscription Office in the manner specified herein in time for the new Rights Certificate(s) to be issued and used before the Rights Expiry Date. The Subscription Agent will then issue a new Rights Certificate in such denominations (totaling the same number of Rights as represented by the Rights Certificates being divided or combined) as are required by the Rightsholder. Rights Certificates need not be endorsed if the new Rights Certificate(s) is issued in the same name.

To Represent Exercise of Rights Will Not Cause a Change of Control – Form 5

In order to exercise Rights that may be exercised pursuant to the Basic Subscription Right or Additional Subscription Privilege, a holder of a Rights Certificate must complete and sign Form 5 in the middle of the face page of the Rights Certificate. **By completing and signing Form 5 a holder of a Rights Certificate is deemed to represent and warrant to the Company that the exercise of any of its Rights will not result in a Note Indenture Change of Control due to it having beneficial ownership, directly or indirectly, or control of more than 49% of the Common Shares. If the representation and warranty is breached by the Rightsholder, the Rightsholder unconditionally agrees that the portion of the Rights exercised that would entitle the Rightsholder to receive more than 49% of the Common Shares will be null and void and result in the cancellation of any such Rights immediately before the Rights Expiry Time. Any Rights cancelled as a result of the foregoing will be taken up in accordance with the Additional Subscription Privilege or the Equity Backstop Agreement, as applicable**.

If a Rightsholder has any questions with respect to the proper exercise of Rights, such holder should contact the Subscription Agent at (800) 564-6253 or the Information Agent, Kingsdale Shareholder Services, at (855) 682-2031. Please see the back page of this short form prospectus for further contact details pertaining to the Information Agent.

Payment

Enclose payment in Canadian funds by certified cheque, bank draft or money order payable to the order of the Subscription Agent. The amount of payment will be $0.1630 per Right exercised. Payment must also be included for any Additional Rights exercised for under the Additional Subscription Privilege.

Deposit

Deliver or mail the completed Rights Certificate and payment in the enclosed return envelope addressed to the Subscription Agent so that it is received by the Subscription Agent listed above before the Rights Expiry Time on the Rights Expiry Date. If mailing, registered mail is recommended. Please allow sufficient time to avoid late delivery. The signature on the Rights Certificate must correspond, in every particular, with the name that appears on the face of the Rights Certificate.

Signatures by a trustee, executor, administrator, guardian, attorney, officer of a Company or any person acting in a fiduciary or representative capacity should be accompanied by evidence of authority satisfactory to the Subscription Agent. All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any subscription will be determined by the Company, in its sole discretion, and any determination by the Company will be final and binding on the Company and its security holders. Upon delivery or mailing of a completed Rights Certificate to the Subscription Agent, the exercise of the Rights and the subscription for Common Shares is irrevocable. The Company reserves the right to reject any subscription if it is not in proper form or if the acceptance thereof or the issuance of Common Shares pursuant thereto could be unlawful. The Company also reserves the right to waive any defect in respect of any particular subscription. Neither the Company nor the Subscription Agent is under any duty to give any notice of any defect or irregularity in any subscription, nor will they be liable for the failure to give any such notice. **Any Rightsholder who fails to complete his or her subscription in accordance with the foregoing instructions prior to the Rights Expiry Time on the Rights Expiry Date will forfeit his or her Rights under the Basic Subscription Right and the Additional Subscription Privilege attaching to those Rights.**

Registration and Delivery of Certificates

Unless the Subscription Agent is instructed otherwise in writing by a subscriber, Common Shares purchased through the exercise of Rights held by registered Rightsholders will be registered in the name of the person subscribing for those Common Shares and certificates representing the Common Shares will be mailed by ordinary pre paid mail as soon as practicable after the Closing Date to the subscriber at the address appearing on the Rights Certificate.

On the Closing Date, a global certificate representing all the Common Shares subscribed for by Beneficial Rightsholders will be issued in registered form to, and in the name of, CDS or its nominee.

The Subscription Agent will be fully discharged from all responsibility as agent with regard to the funds received when it has forwarded certificates representing Common Shares to the Rightsholders entitled to them and forwarded the proceeds of the Offering to the Company, and in the event of over-subscription exceeding the number of Rights available, returned the excess over-subscription funds to the Rightsholders or CDS Participants, as applicable, so entitled. The Closing Date is expected to occur on or about January 18, 2016.

Undeliverable Rights

Rights Certificates returned to the Subscription Agent as undeliverable will not be sold by the Subscription Agent and no proceeds of sale will be credited to such Rightsholders.

Sale or Transfer of Rights

Rightsholders with Rights Certificates in registered form in Eligible Jurisdictions within Canada may, instead of exercising their Rights to exercise Rights to acquire Common Shares, sell their Rights through the facilities of the TSX or sell or transfer their Rights to any person who is not an Ineligible Holder by completing Form 3 on the Rights Certificate and delivering the Rights Certificate to the Transferee. See "*How to Complete a Rights Certificate – To Sell or Transfer Rights – Form 3*" above. A permitted Transferee of the Rights of a registered holder of a Rights Certificate may exercise the Rights transferred to such permitted transferee without obtaining a new Rights Certificate. If a Rights Certificate is transferred in blank, the Company and the Subscription Agent may thereafter treat the bearer as the absolute owner of the Rights Certificate for all purposes and neither the Company nor the Subscription Agent will be affected by any notice to the contrary.

Rightsholders holding Rights Certificates through CDS Participants in Canada who wish to sell or transfer their Rights must do so in the same manner in which they sell or transfer Common Shares. See "*Rights Certificates – Common Shares Held Through CDS*" above.

See "*How to Complete the Rights Certificate*" above.

The transfer of the Rights or the Common Shares issuable on exercise of the Rights to or within the European Economic Area is restricted. See "*Ineligible Holders and Approved Eligible Holders – European Economic Area*" above.

Due Bills

A due bill is defined in the TSX Company Manual as an instrument used to evidence the transfer of title to any dividend, distribution, interest, security or right to a listed security contracted for, or evidencing, the obligation of a seller to deliver such dividend, distribution, interest, security or right to a subsequent purchaser ("**Due Bill**"). Due Bills are entitlements that can be used to defer the ex-distribution trading (or ex-rights trading in the case of a rights offering) of listed securities undergoing certain material corporate events such as stock-splits, spin-offs or distributions (such as the Offering).

Without the use of Due Bills, trading of the Common Shares on an ex-rights basis would commence two trading days prior to the Record Date, and purchasers would not be entitled to the value of the Rights between the ex-rights date and the date the Rights begin trading on the TSX. The use of Due Bills will also avoid confusion regarding the market value of the Common Shares until the date the Rights begin trading on the TSX.

Any Common Shares traded on or after the date the Rights begin trading on the TSX will represent Common Shares that do not carry any entitlement to receive Rights.

Since the Current Market Price will not be known until December 22, 2015 it will not be possible for an investor to ascertain the number of Common Shares issuable upon the exercise of a Right and the implied subscription price of the Common Shares before this date. Accordingly, the TSX advised the Company that Due Bills are to be used in connection with this Offering. As a result, ex-Rights trading of the Common Shares will only commence when the Rights begin trading (i.e., after the result of the Common Shares Per Right Calculation is known), which will occur on December 23, 2015, being the first trading day following the date when the Current Market Price is determined. The Common Shares will trade on the TSX with Due Bills from December 14, 2015 to and including December 22, 2015.

Shareholders holding Common Shares through brokerage accounts will not be required to take any special action to receive their Rights. The entitlement to Rights will continue to be received into their brokerage accounts on, or immediately after, the date the Rights begin trading on the TSX. Any trades that are executed during the Due Bill period will be automatically flagged to ensure purchasers receive the entitlement to receive the applicable Rights and sellers do not receive the entitlement.

The TSX has conditionally approved the listing of the Rights and the Common Shares issuable upon exercise of the Rights and the Equity Backstop Common Shares. Listing is subject only to the Company providing the number of Common Shares issuable per Right and the effective subscription price per Common Share to the TSX. Once the Company provides this information to the TSX, the Rights will be listed for trading on the TSX under the symbol "PMT.RT" and will be posted for trading on the TSX on December 23, 2015, being the first trading day following the date when the Current Market Price is determined.

Dividing or Combining Rights Certificates

A Rights Certificate may be divided, exchanged or combined. See "*How to Complete a Rights Certificate To Divide or Combine Rights Certificates – Form 4*" above.

Reservation of Common Shares

The Company will, at all times, reserve sufficient unissued Common Shares as will permit the exercise of all the outstanding Rights for Common Shares during the period beginning at the Commencement Time and ending on the Rights Expiry Date at the Rights Expiry Time.

Intention of Insiders to Exercise Rights

The Backstopper has agreed, subject to certain terms, conditions and limitations set out in the Equity Backstop Agreement, to exercise its Basic Subscription Right and Additional Subscription Privilege. See "*Equity Backstop*". The Company believes that each director and officer of the Company who owns Common Shares intends to exercise all of their Rights to purchase Common Shares under the Basic Subscription Right. This reflects the intentions of such insiders as of the date of this short form prospectus to the extent such intentions are reasonably known to the Company, however such insiders may alter their intentions before the Rights Expiry Time on the Rights Expiry Date. No assurance can be given that the respective insiders will exercise their Rights to exercise Rights to acquire Common Shares.

Dilution to Existing Shareholders

If a Shareholder does not exercise all of its Rights pursuant to the Basic Subscription Right, the Shareholder's equity ownership in the Company will be diluted by the issuance of Common Shares upon the exercise of Rights by other Shareholders and will also be compounded by the Convertible Debenture Repayment, which dilution may be significant. See "*Risk Factors – Shareholders May Suffer Significant Dilution*".

No Fractional Common Shares

The Company will not issue fractional Common Shares upon the exercise of the Rights. Where the exercise of Rights would appear to entitle a holder of Rights to fractional Common Shares, the holder's entitlement will be reduced to the next lowest whole number of Common Shares without any payment therefor. See "*Description of Common Shares*" for a summary of the material attributes and characteristics of the Common Shares.

Effect on Options and Restricted Rights

As at December 4, 2015, there were 153,328,390 Common Shares, 14,793,282 Options to acquire 14,793,282 Common Shares and 73,000 Restricted Rights to acquire 73,000 Common Shares outstanding. Of the 14,793,282 Options outstanding, 10,308,814 have vested with an average exercise price of $1.24 per Common Share and the 73,000 Restricted Rights have vested with an exercise price of $0.01 per Common Share. At the present time, the Company is not making any adjustments to either the number of Common Shares that may be issued upon exercise, or to the exercise price, of either the Options or the Restricted Rights. However, in light of the Equity Transactions, the Company intends to review its security based compensation plans, which may include, among other things, proposing amendments to the Options and/or Restricted Rights or implementing a new compensation program to ensure holders of Options and Restricted Rights are treated fairly and equitable in the circumstances and to align compensation practices with the interests of Shareholders. Any material changes or amendments proposed to be made to any outstanding Options or Restricted Rights as result of the Equity Transactions will be communicated to the Shareholders and may be subject to approval by the Shareholders, if required.

ILLUSTRATIVE EXAMPLE OF THE COMMON SHARES PER RIGHT CALCULATION

Upon payment of the Exercise Price of $0.1630 per Right at or before the Rights Expiry Time on the Rights Expiry Date, each Right will entitle the holder to receive such number of Common Shares equal to the greater of: (i) 0.3140 of a Common Share; or (ii) the result when (A) the Exercise Price of $0.1630 is divided by (B) the Current Market Price less a discount of 80.70% and then (C) one Common Share is deducted from the result.

For greater certainty, (B) is calculated as the Current Market Price minus (Current Market Price multiplied by 0.8070).

The following table outlines the results of the Common Shares Per Right Calculation at various Current Market Prices.

If 20-day VWAP Equal to	Cost to Exercise One Right	Shares Issued per Right Exercised	Effective Cost Paid per Share	Implied Discount to 20-day VWAP Based on Effective Cost Paid per Share
$0.10	$0.1630	7.4456	$0.0219	$0.0781
$0.20	$0.1630	3.2228	$0.0506	$0.1494
$0.30	$0.1630	1.8152	$0.0898	$0.2102
$0.40	$0.1630	1.1114	$0.1467	$0.2533
$0.50	$0.1630	0.6891	$0.2365	$0.2635

On December 4, 2015, the last trading day of the Common Shares on the TSX prior to the filing of this short form prospectus, the closing price of the Common Shares on the TSX was $0.185 and the 20-day VWAP of the Common Shares on the TSX was $0.27.

The Common Shares Per Right Calculation has been designed to ensure that holders of Common Shares who exercise their Rights have certainty regarding the percentage of the equity of the Company that they will own after completion of the Equity Transactions. The Company has determined that such a mechanism was needed to enable the Company to raise equity while ensuring holders of Common Shares and holders of Convertible Debentures are treated fairly in the circumstances. The "Current Market Price" used for the Offering is calculated on the same basis as the "Current Market Price" (as defined in the Convertible Debenture Indenture) used to determine the number of Common Shares to be issued upon the Convertible Debenture Repayment. In addition, the Common Shares Per Right Calculation effectively provides that the number of Common Shares issuable upon exercise of a Right will have an implied price per Common Shares of at least a 20% discount to the Current Market Price.

MI 61-101 CONSIDERATIONS

Perpetual is subject to MI 61-101. MI 61-101 is intended to regulate certain transactions to ensure equality of treatment among securityholders, generally requiring enhanced disclosure, approval by a majority of securityholders excluding interested or related parties, independent valuations and, in certain instances, approval and oversight of the transaction by a special committee of independent directors. The protections of MI 61-101 generally apply to "related party transactions" (as such term is defined in MI 61-101) between a corporation and a "related party" (as such term is defined in MI 61-101) of the corporation as a consequence of which the corporation issues a security to the related party.

In considering and approving the Offering, the Board of Directors of the Company noted that, under MI 61-101, the Offering and the payment of the Equity Backstop Fee are "related party transactions" insofar as the Backstopper is, by reasons of either position or shareholdings in the Company, a related party of the Company. Under MI 61-101, related party transactions are, with certain limited exceptions, subject to formal valuation and minority approval requirements unless exemptions from those requirements are available. The Offering is exempt from MI 61-101 under section 5.1(k) thereof applicable to certain rights offerings. The Board of Directors concluded that the payment of the Equity Backstop Fee is exempt from the formal valuation and minority approval requirements of MI 61-101, based on a good faith determination by the Board of Directors that the Equity Backstop Fee will not exceed 25% of the Company's market capitalization as of the date of the Equity Backstop Agreement.

EFFECT ON CONVERTIBLE DEBENTURES

The Company has issued and outstanding $34.9 million principal amount of Convertible Debentures with a current conversion price of $7.00 per Common Share. As a consequence of the Offering and in accordance with the Convertible Debenture Indenture which governs the terms of the Convertible Debentures, if the Exercise Price is less than 95% of the "current market price" on the Record Date, the conversion price of the Convertible Debentures will be adjusted immediately after the Record Date so that it shall equal the price determined by multiplying $7.00 by a fraction, of which the numerator shall be the total number of Common Shares outstanding on the Record Date plus a number of Common Shares equal to the quotient obtained by dividing the aggregate Exercise Price under the Offering (being $25 million) by the "current market price" per Common Share, and of which the denominator shall be the total number of Common Shares outstanding on the Record Date plus the total number of Additional Rights offered for subscription pursuant to the Rights which will be determined in accordance with the Common Shares Per Right Calculation using the "current market price" (the "**Initial Conversion Price Adjustment**"). The "current market price" used to calculate the Initial Conversion Price Adjustment will be the VWAP for the 20 consecutive trading days ending on the fifth trading day preceding the Record Date (the "**Adjustment VWAP**").

In accordance with the Convertible Debenture Indenture, the Board of Directors, subject to the prior written consent of the TSX, may in their sole discretion adjust the conversion price in a manner the Board determines to be equitable in the circumstances where the Company takes actions affecting the Common Shares. As a result of the Offering and its structure, the Board has determined that the conversion price of the Convertible Debentures will be re-adjusted immediately after December 22, 2015 so that it shall equal the price determined by multiplying $7.00 by a fraction, of which the numerator shall be the total number of Common Shares outstanding on the Record Date plus a number of Common Shares equal to the quotient obtained by dividing the aggregate Exercise Price under the Offering (being $25 million) by the Adjustment VWAP, and of which the denominator shall be the total number of Common Shares outstanding on the Record Date plus the total number of Common Shares issuable pursuant to the Rights which will be determined in accordance with the Common Shares Per Right Calculation using the Current Market Price (the "**Final Conversion Price Adjustment**"). The Current Market Price used to calculate the Final Conversion Price Adjustment will be the same for the Offering, being the VWAP for the 20 consecutive trading days ending on the fifth trading day preceding the maturity date of the Convertible Debentures of December 31, 2015.

The Company expects to announce the Final Conversion Price Adjustment, if any, promptly following the calculation of the Current Market Price on December 22, 2015.

As a result of the Due Bill trading procedures to be undertaken in connection with the Offering which has been requested by the TSX, the Company is not permitted by the TSX to issue any Common Shares or any securities convertible into Common Shares (which includes Common Shares to be issued upon conversion of the Convertible Debentures) during the period from December 14, 2015 to December 22, 2015. Accordingly, a Convertible Debentureholder wishing convert any part, being $1,000 or an integral multiple thereof, of their Convertible Debentures into Common Shares at the conversion price in effect on the date of conversion (subject to any re-adjustment to give effect to the Final Conversion Price Adjustment) must do so only during the period commencing December 23, 2015 and ending at the close of business at the offices of Computershare in Calgary, Alberta and Toronto, Ontario, as applicable on December 30, 2015.

See also "*Perpetual Energy Inc. – Recent Developments – Repayment of Principal Amount of Convertible Debentures in Common Shares*".

DESCRIPTION OF COMMON SHARES

The authorized share capital of Perpetual consists of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series. See "*Description of Capital Structure*" in the AIF which is incorporated herein by reference.

As at December 4, 2015, there were 153,328,390 Common Shares issued and outstanding and there were no preferred shares issued and outstanding.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated share and loan capitalization of the Company as at September 30, 2015, September 30, 2015 on a pro forma basis after giving effect to New Financing Arrangement, September 30, 2015 on a pro forma basis after giving effect to the New Financing Arrangement and the Convertible Debenture Repayment and September 30, 2015 on a pro forma basis after giving effect to the New Financing Arrangement, the Convertible Debenture Repayment and the Offering.

The table should be read in conjunction with the Annual Financial Statements and the Interim Financial Statements incorporated by reference in this short form prospectus.

	As at September 30, 2015	**Pro Forma as at September 30, 2015 after giving effect to the New Financing Arrangement**	**Pro Forma as at September 30, 2015 after giving effect to the New Financing Arrangement and the Convertible Debenture Repayment[3]**	**Pro Forma as at September 30, 2015 after giving effect to the New Financing Arrangement, the Convertible Debenture Repayment and the Offering[4] [5]**
		(in thousands of dollars)		
Common Shares	1,259,902 (153,193,928 Common Shares)	1,259,902 (153,193,928 Common Shares)	1,294,780 (289,170,536 Common Shares)	1,317,655 (615,166,980 Common Shares)
Bank Indebtedness (Credit Facility and Margin Loan)[1]	68,590	50,359	50,359	27,484
New Financing Arrangement[2]	-	21,322	21,322	21,322
Convertible Debentures[6]	34,878	34,878	-	-
8.75% Senior Notes[6]	275,000	275,000	275,000	275,000

Notes:

(1) On November 19, 2015, the Company's lenders completed their semi-annual review of the Credit Facility and Margin Loan pursuant to which, among other revisions, the Credit Facility was reduced to $20 million and the Margin Loan reduced to $42 million conditional upon completion of the Recapitalization Transactions. See "*Perpetual Energy Inc. – Recent Developments – Extensions of the Credit Facility and Margin Loan*".

(2) On November 16, 2015, the Company entered into the New Financing Arrangement, pursuant to which proceeds from the New Financing Arrangement were applied to reduce the Margin Loan by $7.2 million, with the remainder initially retained in cash and subsequently applied against bank indebtedness. See "*Perpetual Energy Inc. – Recent Developments – New Financing Arrangement*".

(3) Assumes 135,976,608 Common Shares are issued pursuant to the Convertible Debenture Repayment based on a Current Market Price of $0.27 per Common Share, which is based on the 20 day VWAP ending on December 4, 2015. The actual number of Common Shares to be issued pursuant to the Convertible Debenture Repayment will be calculated following the close of trading on the TSX on December 22, 2015.

(4) Based on the aggregate net proceeds to be received by the Company from the Offering of approximately $22.9 million, after deducting the estimated expenses of the Offering of approximately $2 million, assuming the exercise of all Rights (assuming no Excluded Holders). Assumes 135,976,608 Common Shares are issued pursuant to the Convertible Debenture Repayment based on a Current Market Price of $0.27 per Common Share, which is based on the 20 day VWAP ending on December 4, 2015, and assumes 325,996,444 Common Shares are issued pursuant to the Offering. The actual number of Common Shares to be issued pursuant to the Convertible Debenture Repayment will be calculated following the close of trading on the TSX on December 22, 2015. The actual number of Common Shares to be issued pursuant to the Offering will be calculated immediately following the Rights Expiry Time.

(5) Following the closing of the Equity Transactions, Perpetual anticipates to propose a consolidation of the then outstanding Common Shares on a ratio to be determined by the Board following completion of the Equity Transactions and which is expected to be put before the Shareholders for their consideration at a meeting of the Shareholders following completion of the Offering. See "*Perpetual Energy Inc. – Recent Developments – Proposed Common Share Consolidation*". The actual ratio for the Proposed Common Share Consolidation will be determined by the Board upon completion of the Equity Transactions. As the ratio for the Proposed Common Share Consolidation is not yet known, no pro forma calculation of the number of Common Shares outstanding following the Proposed Common Share Consolidation has been included in the table.

(6) Measured at principal amount.

PRIOR SALES

Prior Sales

The issuances by the Company of Common Shares or securities convertible into Common Shares in the 12-month period prior to the date of this short form prospectus is set forth in the table below.

Date of Issuance/Grant	Number of Securities	Type of Security	Price per Security	Gross Proceeds	Method of Distribution
Between December 4, 2014 and December 4, 2015	29,724	Common Shares	$0.71 (average)	$689[(1)]	Issuance of Common Shares on exercise of outstanding Options
Between December 4, 2014 and December 4, 2015	2,150,000	Options at an average exercise price of $0.69 per Common Share	N/A	N/A	Grant of Options
Between December 4, 2014 and December 4, 2015	3,225,250	Common Shares	$0.01	$9,943[(1)]	Issuance of Common Shares on exercise of outstanding Restricted Rights
Between December 4, 2014 and December 4, 2015	2,726,500	Restricted Rights to purchase Common Shares at an exercise price of $0.01 per Common Share	N/A	N/A	Grant of Restricted Rights

Note:

(1) Gross Proceeds indicates actual amount received by the Company which give effect to any "cashless exercises" in which no proceeds were received by the Company.

Trading Price and Volume

The outstanding Common Shares and Convertible Debentures are listed and posted for trading on the TSX under the trading symbols "PMT" and "PMT.DB.E", respectively. The following tables set forth the closing price range and trading volume of each of these securities as reported by the TSX for the periods indicated. See "*Market for Securities*" in the AIF for the 2014 trading history.

Common Shares

Date	High ($)	Low ($)	Trading Volume
2015			
January	1.11	0.87	1,179,495
February	1.28	0.97	1,449,457
March	1.25	0.96	2,141,878
April	1.22	0.95	3,613,011
May	1.13	0.93	1,538,032
June	1.00	0.88	1,766,961
July	0.98	0.80	1,402,806
August	0.87	0.50	1,360,731
September	0.80	0.63	1,116,300
October	0.80	0.64	957,792
November	0.69	0.19	4,532,404
December (1-4)	0.24	0.18	979,643

Convertible Debentures

Date	High ($)	Low ($)	Trading Volume
2015			
January	101.65	100.00	14,684.00
February	100.40	99.50	4,190.00
March	101.00	100.00	20,320.00
April	101.74	100.50	2,830.00
May	101.05	100.00	2,090.00
June	100.50	99.00	2,620.00
July	100.50	99.52	1,820.00
August	100.15	100.00	4,840.00
September	100.42	100.00	5,994.00
October	100.01	99.00	3,002.00
November	100.01	45.00	28,975.00
December (1-4)	51.00	40.99	5,900.00

DIVIDENDS

See "*Dividends*" in the AIF which is incorporated by reference herein. Perpetual has not declared or paid any dividends on its securities since October 19, 2011. Any decision to pay dividends on the Common Shares or any other outstanding class of shares, from time to time, will be made by the Board on the basis of the Company's earnings, financial requirements and other conditions existing at such future time. At present, Perpetual does not anticipate declaring and paying any dividends in the foreseeable future.

PLAN OF DISTRIBUTION

Each Shareholder on the Record Date will receive one Right for each Common Share held. Each Right will entitle the holder to acquire that number of Common Shares equal to the greater of: (i) 0.3140 of a Common Share; or (ii) the result when (A) the Exercise Price of $0.1630 is divided by (B) the Current Market Price less a discount of 80.70% and then (C) one Common Share is deducted from the result. The simple average of the closing price of the Common Shares on the TSX for each of the trading days on which there was a closing price during the twenty (20) trading days immediately preceding the date of filing of this short form prospectus was $0.38.

The TSX has conditionally approved the listing of the Rights and the Common Shares issuable upon exercise of the Rights and the Equity Backstop Common Shares. Listing is subject only to the Company providing the number of Common Shares issuable per Right and the effective subscription price per Common Share to the TSX. Once the Company provides this information to the TSX, the Rights will be listed for trading on the TSX under the symbol

"PMT.RT" and will be posted for trading on the TSX on December 23, 2015, being the first trading day following the date when the Current Market Price is determined. See "*Plan of Distribution*". The Rights will cease trading on the TSX at 12:00 p.m. (Toronto time) on the Rights Expiry Date.

Since the Current Market Price will not be known until December 22, 2015 it will not be possible for an investor to ascertain the number of Common Shares issuable upon the exercise of a Right and the implied subscription price of the Common Shares before this date. Accordingly, the TSX advised the Company that Due Bills are to be used in connection with this Offering. As a result, ex-rights trading of the Common Shares will only commence when the Rights begin trading (i.e., after the result of the Common Shares Per Right Calculation is known), which will occur on December 23, 2015, being the first trading day following the date when the Current Market Price is determined. The Common Shares will trade on the TSX with Due Bills from December 14, 2015 to and including December 22, 2015.

This short form prospectus qualifies the distribution under applicable Canadian securities laws of the Rights and the Common Shares issuable upon exercise of the Rights (including the Equity Backstop Common Shares) in each province and territory of Canada. The Rights and the Common Shares issuable upon exercise of the Rights may be offered in certain circumstances in the European Economic Area pursuant to an exemption from the Prospectus Directive and in circumstances in which (i) such offer does not constitute an offer to the public and (ii) no obligation arises for the Company to produce a prospectus pursuant to the Prospectus Directive. The Company has not authorized nor does it authorize the making of any offer of the Rights or of the Common Shares issuable on exercise of the Rights through a financial intermediary. Except under the circumstances described herein, neither the Rights, the Common Shares issuable on the exercise of the Rights nor the Equity Backstop Common Shares are qualified under the securities laws of, or being distributed or offered in, any Ineligible Jurisdiction and Rights may not be exercised by or on behalf of an Ineligible Holder who is not an Approved Eligible Holder. This prospectus is not, and under no circumstances is to be construed as, an offering of any Rights or Common Shares in any Ineligible Jurisdiction or a solicitation therein of an offer to buy any securities save in circumstances permitted in accordance with the laws of any such jurisdiction and as described in this short form prospectus. Rights Certificates will not be sent to Shareholders with addresses of record in any Ineligible Jurisdiction unless such Shareholders are Approved Eligible Holders. Instead, such Ineligible Holders will be sent a letter advising them that their Rights Certificates will be held by the Subscription Agent, who will hold such Rights as agent for the benefit of all such Ineligible Holders. See "*Details of the Offering – Ineligible Holders and Approved Eligible Holders*".

EQUITY BACKSTOP

The Company and the Backstopper have entered into an Equity Backstop Agreement dated November 20, 2015 (the "**Equity Backstop Agreement**"). The following is a summary of the Equity Backstop Agreement.

Pursuant to the Equity Backstop Agreement, the Backstopper has agreed, subject to certain terms and conditions, to exercise its Basic Subscription Right and Additional Subscription Privilege, if applicable, under the Offering and acquire Equity Backstop Common Shares to the maximum extent possible such that after giving effect to the purchase of Common Shares subscribed for and taken up by holders of Rights pursuant to the Basic Subscription Right and the Additional Subscription Privilege (including any Equity Backstop Common Shares subscribed for and taken up by the Backstopper pursuant to its Basic Subscription Right and Additional Subscription Privilege, as applicable), the Company will have received an aggregate amount in respect of the issuance of such Common Shares that is not less than the amount equal to the number of Common Shares outstanding on the Record Date multiplied by $0.1630, being up to $25 million.

The Backstopper is a corporation controlled by the Company's Chairman and also a "control person" of the Company by virtue of owning approximately 22.9% of the outstanding Common Shares on the date of this short form prospectus and as such, the Backstopper is a "related party" (as such term is defined in MI 61-101) of the Company. In consideration for providing the Equity Backstop, the Company has agreed to pay the Backstopper a fixed fee of $125,000 upon closing of the Offering. See "*MI 61-101 Considerations*".

Conditions to the Equity Backstop

The respective obligations of the Company and the Backstopper to complete the transactions contemplated by the Equity Backstop Agreement are subject to the conditions set forth below which must be satisfied in order to complete the acquisition of the Equity Backstop Common Shares by the Backstopper.

Mutual Conditions

(a) There shall not be any claims, litigation, investigations or proceedings, including appeals and applications for review, in progress, or to the knowledge of the Company or the Backstopper, pending, commenced or threatened, by any person that have a reasonable likelihood of success in the judgment of the Backstopper and the Company, each acting reasonably, in respect of the Offering that would be material to the Company on a consolidated basis.

(b) There will be no inquiry, investigation (whether formal or informal) or other proceeding pending, commenced or threatened by or before any governmental entity, in relation to the Company or any of its subsidiaries, their respective directors or officers or in relation to the Common Shares, the Offering or the Securities (as defined below), any of which suspends or ceases trading in the Rights or Common Shares or operates to prevent or restrict the lawful distribution of the Rights and the Common Shares issuable upon the exercise of the Rights (including the Equity Backstop Common Shares (collectively, the "**Securities**")) (which suspension, cessation, prevention or restriction, as the case may be, is continuing).

(c) There shall not be any order issued by a governmental entity pursuant to laws, nor shall there be any change of law, in either case which suspends or ceases trading in the Rights or the Common Shares or operates to prevent or restrict the lawful distribution of the Securities (which suspension, cessation, prevention or restriction, as the case may be, is continuing).

(d) The TSX shall have conditionally approved the Offering subject to the filing of customary documents with the TSX.

(e) The TSX shall have conditionally approved the listing of the Rights and the Common Shares issuable upon the exercise of the Rights subject to the filing of customary documents with the TSX.

The foregoing conditions are for the mutual benefit of the Company and the Backstopper and each such condition may only be waived by mutual written consent.

Backstopper Conditions

(a) Other than as permitted in the Equity Backstop Agreement, the terms and conditions of the Offering shall not have been changed in any material respect.

(b) No approvals of the holders of Common Shares, 8.75% Senior Notes or Convertible Debentures are required.

(c) No Material Adverse Change (as such term is defined in the Equity Backstop Agreement) shall have occurred since the date of the Equity Backstop Agreement.

(d) The Company will have made and/or obtained all necessary filings, approvals, orders, rulings and consents of all relevant securities regulatory authorities and other governmental entities required in connection with the Offering and the purchase of the Equity Backstop Common Shares by the Backstopper as contemplated by the Equity Backstop Agreement.

(e) The Offering and other transactions contemplated by the Equity Backstop Agreement will have been conducted in accordance with applicable laws, including securities laws and in accordance with the Equity Backstop Agreement.

(f) The Backstopper has received a legal opinion dated as of the Closing Date, in a form acceptable to the Backstopper, and its legal counsel, acting reasonably, from counsel to the Company addressing securities matters typical for a transaction of the nature contemplated by the Equity Backstop Agreement.

(g) The TSX has not imposed any conditions on the transactions contemplated in the Equity Backstop Agreement, including the Offering, that are not acceptable to the Backstopper, acting reasonably.

(h) The Company shall have performed or complied with, in all material respects, each of its terms, conditions and covenants contained in the Equity Backstop Agreement and each of its representations and warranties shall be true and correct as of the closing time on the Closing Date with the same force and effect as if made at and as of the Closing Date, and the Backstopper shall have received at the closing of the Offering a certificate or certificates dated the Closing Date and signed by the Chief Executive Officer and the Chief Financial Officer of the Company or such other officers of the Company acceptable to the Backstopper, acting reasonably, (on the Company's behalf and without personal liability) in form and content satisfactory to the Backstopper, acting reasonably, addressed to the Backstopper certifying for and on behalf of the Company after having made due enquiry and after having carefully examined this short form prospectus including all documents incorporated by reference that:

   (i) since the dates as of which information is given in the (final) short form prospectus, as amended or supplemented by any prospectus amendment, there has been no material change (actual, anticipated, contemplated or threatened, whether financial or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of the Company and its subsidiaries on a consolidated basis, other than as disclosed in the (final) short form prospectus or any prospectus amendment;

   (ii) no order, ruling or determination having the effect of suspending the sale or ceasing the trading of the Securities or any other securities of the Company or prohibiting the sale of the Securities has been issued by any government entity and is continuing in effect and no proceedings for that purpose have been instituted or are pending or, to the knowledge of such officers, contemplated or threatened under securities laws or by any governmental entity;

   (iii) no Material Adverse Change has occurred or has been disclosed (if previously undisclosed) at any time since the date of the Equity Backstop Agreement;

   (iv) each of the conditions set forth in Section 8.1 of the Equity Backstop Agreement have been satisfied or waived, and each of the conditions set forth in Section 8.3 of the Equity Backstop Agreement, except those that have been waived in writing by the Company, have been satisfied;

   (v) the Company has duly performed or complied with, in all material respects, all terms, conditions and covenants of the Equity Backstop Agreement on its part to be complied with or to be satisfied by it up until closing of the Offering; and

   (vi) the representations and warranties of the Company contained in the Equity Backstop Agreement are true and correct as of the closing time on the Closing Date with the same force and effect as if made at and as of the Closing Date.

The foregoing conditions are for the exclusive benefit of the Backstopper, and thus the satisfaction of such conditions is determined by the Backstopper in its sole and absolute discretion, any of which may be waived, in whole or in part, by the Backstopper, in its sole and absolute discretion.

Perpetual Conditions

(a) The Backstopper has duly performed or complied with, in all material respects, all terms, conditions and covenants of the Equity Backstop Agreement on its part to be complied with or to be satisfied by it up until Closing, and the Company shall have received a certificate of the Backstopper addressed to the Company and dated as of the Closing Date, signed on behalf of the Backstopper by a senior executive officer of the Backstopper (on the Backstopper's behalf and without personal liability), confirming the same as at the closing time on the Closing Date and certifying for and on behalf of the Backstopper that each of the conditions set forth in Section 8.1 of the Equity Backstop Agreement have been satisfied or waived, and each of the conditions set forth in Section 8.2 of the Equity Backstop Agreement, except those that have been waived in writing by the Backstopper, have been satisfied.

(b) The representations and warranties of the Backstopper contained in the Equity Backstop Agreement shall be true and correct as of the closing time on the Closing Date, as though made on and as of the closing time; and the Company shall have received a certificate of the Backstopper addressed to the Company and dated the Closing Date, signed on behalf of the Backstopper by a senior executive officer of the Backstopper (on the Backstopper's behalf and without personal liability), confirming the same as at the time of closing of the Offering.

The foregoing conditions are for the exclusive benefit of the Company, any of which may be waived, in whole or in part, by the Company, in its sole and absolute discretion.

Covenants

Each of the Company and the Backstopper has given usual and customary covenants for a backstop agreement. The Company has covenanted that, among other things: (a) it will provide notice to the Backstopper of any notice, written demand, request or inquiry received by the Company from any securities commission, the TSX or any other Governmental Entity (as defined in the Equity Backstop Agreement), that relates to the affairs of the Company that may affect the Offering or that relates to the issuance or threatened issuance by any such person of any order suspending or preventing the use of this short form prospectus; (b) it will take all action as may be necessary and appropriate so that the Offering and the issuance and sale of the Equity Backstop Common Shares will be effected in accordance with applicable securities laws and will consult with the Backstopper and its advisors regarding the manner in which such transactions will be effected and provide copies of any documents related thereto to the Backstopper and its advisors for review; (c) from the date of the Equity Backstop Agreement until the Closing Date, the Company will not issue any Common Shares or securities convertible or exchangeable or exercisable into Common Shares other than pursuant to the exercise of any Options and other securities outstanding under the Company's current equity incentive plans or upon the exercise of any other convertible, exchangeable securities of the Company that were outstanding on the date of the Equity Backstop Agreement or as contemplated in the Equity Backstop Agreement or this short form prospectus; (d) it will use the net proceeds it receives from the Offering in the manner and for the purposes disclosed in this short form prospectus; and (e) other than as may be required to comply with applicable securities laws, the Company shall not amend the terms of the Offering, including for greater certainty any change to the Exercise Price, without the prior written consent of the Backstopper.

Termination

Either of the Company or the Backstopper, without any liability on its part, may terminate and cancel its obligations under the Equity Backstop Agreement if any of the mutual conditions described above are not satisfied on or before 5:00 p.m. (Toronto time) on February 29, 2016 (the "**Outside Date**").

The Company will also be entitled to terminate and cancel its obligations under the Equity Backstop Agreement, without any liability on its part, if the Backstopper is in default of its obligations under the Equity Backstop Agreement and following receipt by the Backstopper from the Company of written notice of the existence of such default, fails to remedy such breach on or before the Outside Date or if any of the Company's closing conditions (as described above under the heading "*Perpetual Conditions*") have not been satisfied on or before the Closing Date.

The Backstopper will also be entitled to terminate and cancel its obligations under the Equity Backstop Agreement if (a) the Company is in default of its obligations under the Equity Backstop Agreement and, following receipt from the Backstopper of notice of the existence of such default, fails to remedy such breach on or before the Outside Date; (b) if any of the Company's closing conditions (as described above) have not been satisfied on or before the Closing Date; (c) any Material Adverse Change occurs at any time following the execution of the Equity Backstop Agreement; (d) the Company fails to obtain conditional approval from the TSX to the listing of the Rights, the Common Shares issuable on the exercise thereof, the Equity Backstop Common Shares on the terms set forth in the Equity Backstop Agreement, at least two days prior to the date named as the Record Date in the (final) short form prospectus, subject only to documents to be delivered following Closing; (e) the Common Shares or the Rights (other than, in the case of the Rights, following the Rights Expiry Time) are de-listed or suspended or halted for a period greater than two business days for any reason by the TSX at any time period prior to the closing of the Offering; or (f) the Offering is otherwise terminated or cancelled on or before the Outside Date.

Effect of the Offering on the Securityholdings of the Backstopper

The Backstopper currently owns approximately 22.9% of the outstanding Common Shares. After giving effect to the repayment of the Convertible Debentures in Common Shares, the Backstopper is anticipated to own approximately 17.8% of the outstanding Common Shares following the completion of the Offering, assuming all the other holders of Rights exercise their Rights in full. If not all of the holders of Rights exercise their Rights in full then the Backstopper's ownership percentage will increase.

The Backstopper also currently owns $699,000 principal amount of Convertible Debentures. A downward adjustment in the conversion price of the Convertible Debentures will increase the number of Common Shares that the Backstopper is entitled to receive upon conversion thereof. See "*Effect on Convertible Debentures*".

There is no maximum number of Common Shares that may be purchased by the Backstopper under the Offering.

The Backstopper is not engaged as an underwriter in connection with the Offering and has not been involved in the preparation of, or performed any review of, this short form prospectus in the capacity of an underwriter.

RISK FACTORS

An investment in the Rights offered hereunder or Common Shares issuable upon exercise of the Rights should be considered speculative due to various factors, including the nature of the industry in which the Company operates and its financial position. Risk factors relating to Perpetual are discussed in the AIF and Annual MD&A, each of which is incorporated by reference in this short form prospectus. These risk factors, together with all of the other information included or incorporated by reference in this short form prospectus, should be carefully reviewed and considered by an investor before a decision is made to invest in the Rights offered hereunder or Common Shares issuable upon exercise of the Rights. Such risks may not be the only risks facing Perpetual. Additional risks not currently known may also negatively impact Perpetual's business operations and results of operations. In addition to such risk factors, investors should consider the following additional risks related to the Offering:

Volatility of Market Price of Common Shares

There can be no assurance about the trading price of the Common Shares and the market price of the Common Shares may be volatile. The volatility may affect the ability of holders to sell the Rights and/or Common Shares at an advantageous price. Market price fluctuations in the Common Shares may be due to Perpetual's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by Perpetual or its competitors, along with a variety of additional factors, including, without limitation, those set forth under "*Forward-Looking Statements*".

Use of Proceeds

Management of Perpetual will have discretion in how it uses the net proceeds received from the Offering. While the Company currently anticipates that it will use the net proceeds from the Offering as described under "*Use of Proceeds*", management of Perpetual may re-allocate the net proceeds as it determines is necessary.

Shareholders May Suffer Significant Dilution

If a Shareholder does not exercise all of its Rights pursuant to the Basic Subscription Right, the Shareholder's equity ownership in the Company will be diluted by the issuance of Common Shares upon the exercise of Rights by other Shareholders and will be compounded by the Convertible Debenture Repayment, which dilution may be significant.

The completion of the Offering may also result in the triggering of the anti-dilution adjustments to the conversion price of the Convertible Debentures. See "*Effect on Convertible Debentures*".

Even if a Shareholder elects to sell its unexercised Rights or if its Rights are sold on its behalf, the consideration it receives may not be sufficient to compensate it fully for the dilution of its current equity ownership in the Company that will be caused as a result of the exercise of Rights by other Shareholders.

Significant Shareholder

Shareholders should be aware that the Backstopper has agreed to backstop the Offering. See "*Equity Backstop*".

The Backstopper currently owns approximately 22.9% of the outstanding Common Shares. After giving effect to the Convertible Debenture Repayment, the Backstopper is anticipated to own approximately 17.8% of the outstanding Common Shares following the completion of the Offering, assuming all the other holders of Rights exercise their Rights in full. If not all of the holders of Rights exercise their Rights in full then the Backstopper's ownership percentage will increase and this increase may be significant. For instance, if the Current Market Price in the Common Shares Per Right Calculation is $0.20 per Common Share, the Backstopper would own approximately 63.7% of the outstanding Common Shares following the completion of the Convertible Debenture Repayment and the Offering assuming no other holders of Rights exercise any Rights notwithstanding that other insiders have indicated their intention to exercise all of their Rights to purchase Common Shares under the Basic Subscription Right which will cause this ownership percentage to decrease. If the Backstopper's ownership percentage increases significantly as a result of the Equity Transactions, the Backstopper may have, subject to applicable law, the ability to determine the outcome of certain matters submitted to Shareholders for approval in the future, including the election and removal of directors, amendments to the Company's corporate governing documents and certain business combinations. The Company's interests and those of its controlling shareholder may at times conflict, and this conflict might be resolved against the Company's interests. The concentration of control in the hands of a significant shareholder may impact the potential for the initiation, or the success, of an unsolicited bid for the Company's securities.

Anticipated Proceeds May Not Be Fully Realized

The Backstopper's obligation to purchase the Equity Backstop Common Shares is subject to the satisfaction of a number of conditions by the Closing Date (which must occur on or before February 29, 2016). See "*Equity Backstop*".

The Equity Backstop being provided by the Backstopper in connection with the Offering is conditional upon, among other things, receipt of all necessary approvals from securities regulatory authorities. In the event the Company is unable to receive all such necessary approvals on a timely basis, the Backstopper will not be obligated to provide the Equity Backstop and the Offering may not proceed. In addition, if any of the other conditions set forth in the Equity

Backstop Agreement with the Backstopper are not satisfied on a timely basis or other termination events under such agreement occur, the Backstopper will not be obligated to provide the Equity Backstop and the Offering may not proceed. If the conditions to the Backstopper's obligation to purchase the Equity Backstop Common Shares are not satisfied, or the Equity Backstop Agreement is terminated in accordance with its terms and the Backstopper does not purchase the Equity Backstop Common Shares, the Offering may not be fully subscribed. The receipt of net proceeds from the Offering in an amount less than the anticipated proceeds may have a material adverse effect on the Company's ability to fund its allocation of the upcoming capital expenditure program and, as a result, the Company may be required to raise further funds in the near term through the issuance of Common Shares or the issuance of debt instruments or other securities convertible into Common Shares. The Company cannot predict the size of future issuances of Common Shares or the issuance of debt instruments or other securities convertible into Common Shares or the effect, if any, that future issuances and sales of the Company's securities will have on the market price of the Common Shares.

Trading Market for Rights

There is currently no market through which the Rights may be sold and purchasers may not be able to resell the Rights issued under this short form prospectus. This may affect the pricing of the Rights in the secondary market, the transparency and availability of trading prices, the liquidity of the Rights, and the extent of issuer regulation. The listing of the Rights and the Common Shares issuable on the exercise of the Rights on the TSX is subject to the approval of the TSX. Provided conditional approval is obtained, the Company expects that the Rights will be listed and posted for trading on the TSX on an ex-rights basis on or about December 23, 2015 and that the Rights will be posted for trading on the TSX under the symbol "PMT.RT" until 12:00 p.m. (Toronto time) on the Rights Expiry Date, at which time the Rights will cease trading. The Company cannot provide any assurance that the Rights will be so listed, an active or any trading market in the Rights will develop or that the Rights can be sold on the TSX at any time.

Once the Rights have commenced trading on the TSX, the Company will be required to proceed with the Offering absent exceptional circumstances. However, if the Offering were not to proceed for any reason, although any subscription payments paid in connection with the exercise of Rights would be returned promptly to subscribers by the Subscription Agent without interest or deduction, all outstanding Rights would cease to be exercisable for Common Shares and would lose all of their value. In such circumstances, any person who had purchased Rights in the market would lose the entire purchase price paid to acquire such Rights.

Exercise of Rights is Irrevocable

The exercise of Rights may not be revoked prior to the Rights Expiry Time.

Rightsholders are Responsible for Accuracy and Completeness of Subscriptions within Set Time Limits

Rightsholders who wish to purchase Common Shares in this Offering must act promptly to ensure that all required forms and payments are actually received by the Subscription Agent or the CDS Participant holding the subscriber's Rights prior to the Rights Expiry Time on the Rights Expiry Date. If a Rightsholder fails to complete and sign the required subscription forms, sends an incorrect payment amount or otherwise fails to follow the subscription procedures that apply to the transaction in question, the Subscription Agent or the CDS Participant may, depending on the circumstances, reject a subscription or accept it to the extent of the payment received. None of the Company, the Subscription Agent or the CDS Participant undertakes to contact a Rightsholder concerning, or attempt to correct, an incomplete or incorrect payment or subscription form. The Company has the sole discretion to determine whether a subscription properly follows subscription procedures.

Participation in the Rights Offering is not Assured; No Interest on Subscription Funds

If a Shareholder exercises its Rights, it may not revoke the exercise for any reason unless the Company amends the Offering. If the Company decides to terminate the Offering, the Company will not have any obligation with respect to the Rights except to return any subscription payments, without interest. If the Company terminates the Offering, neither the Company nor the Subscription Agent will have any obligation with respect to the Rights, except to return, without interest, any subscription payments to Rightsholders who have exercised Rights.

Liquidity

As at September 30, 2015, the Company had no cash and cash equivalents and had the following near term debt maturities:

(a) $64.3 million Margin Loan due November 30, 2015;

(b) $25.0 million Credit Facility, with a borrowing base redetermination on November 30, 2015 and a maturity date of April 30, 2016; and

(c) $34.9 million of Convertible Debentures due December 31, 2015.

Management believes that the Recapitalization Transactions will provide the Company with improved liquidity.

After giving effect to the Recapitalization Transactions, the Company will have the following sources of capital available:

(a) $62.0 million Credit Facility and Margin Loan due October 31, 2016;

(b) $275.0 million aggregated principal amount of 8.75% Senior Notes due March 15, 2018 ($150 million) and due July 23, 2019 ($125 million); and

(c) $21.3 million pursuant to the New Financing Arrangement due November 16, 2016.

The capital and equity market conditions for companies engaged in the oil and gas business have been depressed in recent months and there can be no assurance as to whether or when a recovery will occur. Such conditions have negatively affected the value of the Company's assets and its ability to raise capital. There can be no assurance that the Company will be able to meet these obligations through asset sales or new financings.

Further, the Company's ability to realize the required proceeds from asset sales remains dependent on many other factors outside of management's control, such as the economic conditions. In the event that the Company is unable to raise proceeds through asset sales, it will be required to secure other sources of funds, and there can be no guarantee that it will be able to secure such other financing, whether from the public or private equity or debt markets. The Company's high level of indebtedness will also have the effect of limiting the Company's ability to obtain additional financing and increasing its vulnerability to general adverse economic and industry conditions, including changes in interest rates. Also see the Interim Financial Statements and the Interim MD&A.

Change of Control

Certain of the Company's financial obligations (including the Credit Facility, 8.75% Senior Notes and Convertible Debentures) contain a change of control clause which, if breached, could result in the acceleration of such financial obligations. The financial obligations which are subject to a change of control are the Credit Facility, the 8.75% Senior Notes and the Convertible Debentures, and represent approximately $370 million in principal amount of indebtedness. In the event that these change of control provisions are triggered, all of the indebtedness mentioned above could be accelerated, potentially causing defaults under other indebtedness of the Company.

In addition to the change of control provisions contained in certain of the Company's financial obligations, the Tax Act contains rules to deny or limit a corporation's ability to carry forward and deduct losses (including unrealized losses) upon an "Acquisition of Control" by a person or group of persons acting or intending to act in concert. Control for this purpose generally means actual ownership of 50.1% or more of the voting shares of the Company at the particular time. In such event, the Company could lose the benefit of capital losses (including unrealized losses) of approximately $159.9 million.

Notwithstanding that one of the central purposes of the Recapitalization Transactions is to prevent triggering a change of control, including a Note Indenture Change of Control, there can be no guarantee that a change of control, including a Note Indenture Change of Control, will not occur.

A Rightsholder that exercises Rights is deemed to represent and warrant to the Company that the exercise of any of its Rights will not result in a Note Indenture Change of Control due to it having beneficial ownership, directly or indirectly, or control of more than 49% of the Common Shares. If the representation and warranty is breached by the Rightsholder, the Rightsholder unconditionally agrees that the portion of the Rights exercised that would entitle the Rightsholder to receive more than 49% of the Common Shares will be null and void and result in the cancellation of any such Rights immediately before the Rights Expiry Time. Any Rights cancelled as a result of the foregoing will be taken up in accordance with the Additional Subscription Privilege or the Equity Backstop Agreement, as applicable. See "*Details of the Offering – Subscription Basis*" and "*Details of the Offering – How to Complete a Rights Certificate – To Represent Exercise of Rights Will Not Cause a Change of Control – Form 5*".

Dependence on Additional Financing

The Company has experienced losses in the past and may incur additional losses in the foreseeable future.

The business of the Company is capital intensive and, in light of anticipated negative free cash flow from operations, will require continuing sources of outside financing to fund additional investments, working capital needs, capital expenditures and other cash requirements.

There can be no assurance that the Company will be able to meet its debt service obligations and covenants under any other financing arrangements that it currently has or may be able to secure. If the Company is unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments or if it otherwise fails to comply with the various covenants in its indebtedness, it would be in default under the terms thereof, which would permit the holders of such indebtedness to accelerate the maturity of the indebtedness and could cause defaults under other indebtedness of the Company. The Company's ability to meet its obligations will depend on its future performance, which will be subject to prevailing economic conditions and to financial, business and other factors, including factors beyond the Company's control.

There May Be Adverse U.S. Federal Income Tax Consequences to U.S. Shareholders if the Company is or Becomes a "Passive Foreign Investment Company" ("PFIC") Under the U.S. Internal Revenue Code.

Shareholders resident in the United States or otherwise subject to United States federal taxation should be aware that they could be subject to certain adverse U.S. federal income tax consequences in the event that the Company is classified as a PFIC for U.S. federal income tax purposes. U.S. Holders should consult their own tax advisors regarding the likelihood and consequences of the Company being treated as a PFIC for U.S. federal income tax purposes, including the advisability of any elections that may help mitigate the tax consequences to a U.S. Holder if the Company is a PFIC.

ADVISORY ARRANGEMENTS

The Company has retained BMO Capital Markets to provide financial advisory services in connection with the Offering and the Recapitalization Transactions. The Company has agreed to pay BMO Capital Markets a fee for its services.

BMO Capital Markets is an indirect majority-owned subsidiary of a Canadian chartered bank which is member of a syndicate of banks which provided the Company with the Credit Facility. However, the decision to undertake the Rights Offering, the structuring of the Recapitalization Transactions and the determination of the use of proceeds thereof were made without the involvement of the aforementioned bank.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Burnet, Duckworth & Palmer LLP, counsel to the Company, the following summary describes as of the date hereof the principal Canadian federal income tax considerations generally applicable to a Shareholder who receives Rights pursuant to this Offering in his, her or its capacity as a Shareholder. This summary is applicable only to a Shareholder who, for purposes of the Tax Act and at all relevant times, acquires and holds as beneficial owner his, her or its Rights and any Common Shares acquired on exercise of Rights as capital property and deals at arm's length with and is not affiliated with the Company (a "**Holder**").

Rights and Common Shares will generally be considered to be capital property to a Holder unless such Rights and/or Common Shares, as the case may be, are held by the Holder in the course of carrying on a business or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade.

Certain Holders who are resident in Canada for the purposes of the Tax Act and who hold Common Shares that do not otherwise qualify as capital property may in certain circumstances make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Common Shares and every "Canadian security" (as defined in the Tax Act) owned by such Holder deemed to be capital property. Rights will not be Canadian securities for this purpose and therefore will not be deemed to be capital property under subsection 39(4) of the Tax Act. Holders should consult their own tax advisors for advice as to whether an election under subsection 39(4) of the Tax Act is available and/or advisable in their particular circumstances.

This summary is not applicable to a Holder: (i) that is a "specified financial institution" for the purposes of the Tax Act; (ii) that is a "financial institution" for the purposes of the mark-to-market rules in the Tax Act; (iii) an interest in which is or would constitute a "tax shelter investment" for the purposes of the Tax Act; (iv) whose "functional currency" for the purposes of the Tax Act is the currency of a country other than Canada; or (v) that has entered into a derivative forward agreement for purposes of the Tax Act in respect of Rights or Common Shares to be acquired on exercise of Rights. Such Holders should consult their own tax advisors with respect to their own circumstances.

This summary is based on the provisions of the Tax Act and the regulations thereunder in force on the date hereof and counsel's understanding of the current administrative policies and assessing practices of the CRA published in writing and publicly available prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and assumes that all such Proposed Amendments will be enacted in the form proposed. However, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative decision or action or changes in the administrative policies and assessing practices of the CRA, nor does it take into account provincial, territorial or foreign income tax legislation or considerations which may differ from those described in this summary.

This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Holders should consult their own tax advisors having regard to their own particular circumstances.

Residents of Canada

This portion of the summary is generally applicable to a Resident Holder.

Pursuant to the terms of this Offering, a Resident Holder that is an Ineligible Holder will not be entitled to exercise Rights but will instead be entitled to proceeds (if any) received on the disposition of such Rights by the Subscription Agent.

Receipt of Rights

Generally, no amount will be required to be included in computing the income of a Resident Holder as a consequence of receiving Rights under this Offering. The cost to a Resident Holder of a Right received under this

Offering will be nil and such cost will be averaged with the adjusted cost base of each other Right held by the Resident Holder as capital property (including any identical rights acquired otherwise than pursuant to this Offering) for the purpose of determining the Resident Holder's adjusted cost base of each Right.

Exercise of Rights

A Resident Holder will not realize a gain or loss upon the exercise of a Right to acquire a Common Share. Where Rights are exercised, the Resident Holder's aggregate cost of the Common Shares acquired thereby will be equal to the aggregate amount of the Exercise Price and the Resident Holder's adjusted cost base (if any) of the Rights so exercised.

A Resident Holder's adjusted cost base of a Common Share will be determined by averaging the cost of such Common Share with the adjusted cost base of all other Common Shares held by the Resident Holder as capital property.

Expiry of Rights

The expiry or termination of an unexercised Right will result in a capital loss to a Resident Holder equal to the adjusted cost base, if any, of the Right immediately before its expiry or termination. Any such capital loss will be subject to the treatment described below under "*Taxation of Capital Gains and Capital Losses*".

Disposition of Rights and Common Shares

A disposition of a Right (including a disposition of a Right by the Subscription Agent on behalf of a Resident Holder that is an Ineligible Holder) or Common Share by a Resident Holder (other than, in the case of a Common Share, a disposition to the Company and, in the case of a Right, a disposition pursuant to the exercise or expiry of a Right), will generally result in the Resident Holder realizing a capital gain (or a capital loss) to the extent that the proceeds of disposition received, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Holder of the Right or Common Share, as the case may be, immediately before the disposition.

The tax treatment of capital gains and capital losses is discussed in greater detail below under "*Taxation of Capital Gains and Capital Losses*".

Taxation of Capital Gains and Capital Losses

Generally, one-half of a capital gain (a "**taxable capital gain**") realized by a Resident Holder in a taxation year must be included in the Resident Holder's income for the year and one-half of a capital loss (an "**allowable capital loss**") realized by a Resident Holder in a taxation year must be deducted from taxable capital gains realized by the Resident Holder in that year (subject to and in accordance with rules contained in the Tax Act). Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

A Resident Holder that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax of 62/3% on its "aggregate investment income" (as defined in the Tax Act), including any taxable capital gains.

If the Resident Holder is a corporation, the amount of any capital loss otherwise realized on a disposition or deemed disposition of a Common Share may be reduced by the amount of dividends received or deemed to have been received by it on such share (and, in certain circumstances a share exchanged for such share) to the extent and under the circumstances prescribed by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns such a share or where a trust or partnership of which a corporation is a beneficiary or a member is a member of a partnership or a beneficiary of a trust that owns any such share. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

Dividends on Common Shares

Dividends received or deemed to be received on Common Shares in a taxation year by a Resident Holder who is an individual (other than certain trusts) will be included in the individual's income for that year and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. Dividends received on Common Shares by a Resident Holder who is an individual will generally be eligible for an enhanced gross-up and dividend tax credit if the Company designates such dividends to be "eligible dividends" in accordance with the provisions of the Tax Act.

Dividends received or deemed to be received on Common Shares in a taxation year by a Resident Holder that is a corporation will be included in the Resident Holder's income for that year and will generally be deductible in computing such Resident Holder's taxable income. A Resident Holder that was, at any time in a taxation year, a "private corporation" as defined in the Tax Act, or a corporation controlled, whether by reason of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), generally will be liable to pay a refundable tax of 33 1/3% under Part IV of the Tax Act on any dividends received or deemed to be received on Common Shares in that year to the extent that such dividends are deductible in computing the Resident Holder's taxable income for that year.

Non-Residents of Canada

This portion of the summary is generally applicable to a Non-Resident Holder. Special considerations, which are not discussed in this summary, may apply to a Holder that is an insurer that carries on an insurance business in Canada and elsewhere. Such Holders should consult their own adviser.

Pursuant to the terms of this Offering, a Non-Resident Holder that is an Ineligible Holder will not be entitled to exercise Rights but will instead be entitled to proceeds (if any) received on the disposition of such Rights by the Subscription Agent.

Receipt of Rights

The issuance of Rights to a Non-Resident Holder will not be subject to Canadian withholding tax and generally no other tax will be payable under the Tax Act by a Non-Resident Holder in respect of the receipt of Rights.

Exercise of Rights

The exercise of Rights by a Non-Resident Holder will not constitute a disposition of Rights for purposes of the Tax Act and, consequently, no gain or loss will be realized by the Non-Resident Holder upon the exercise of the Rights.

Expiry of Rights

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of the expiry or termination of an unexercised Right.

Disposition of Rights and Common Shares

A Non-Resident Holder will generally not be subject to tax under the Tax Act in respect of any capital gain, and will not be able to deduct the allowable portion of any capital loss, realized on a disposition of Rights (including a disposition of a Right by the Subscription Agent on behalf of a Non-Resident Holder that is an Ineligible Holder) or Common Shares unless the Rights and/or Common Shares disposed of constitute "taxable Canadian property" of the Non-Resident Holder and, in respect of any capital gain, the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention.

Provided the Common Shares are listed on a designated stock exchange (which includes the TSX), Rights and Common Shares will generally not constitute taxable Canadian property of a Non-Resident Holder at any particular time unless at any time during the 60-month period immediately preceding such particular time: (a) 25% or more of the issued shares of any class or series of the capital stock of the Company were owned by one or any combination of (i) the Non-Resident Holder, (ii) persons not dealing at arm's length with the Non-Resident Holder, or (iii) partnerships in which the Non-Resident Holder or a person not dealing at arm's length with the Non-Resident Holder held a membership interest directly or indirectly through one or more partnerships; and (b) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties, timber resource properties or an option in respect of, an interest in, or for civil law a right in, any such property.

Notwithstanding the foregoing, in certain circumstances Rights and/or Common Shares could be taxable Canadian property by virtue of deeming rules in the Tax Act. Where Rights and/or Common Shares constitute "taxable Canadian property" of a Non-Resident Holder and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention, a capital gain (or a capital loss) realized on the disposition or deemed disposition of Rights and/or Common Shares will generally be subject to the same Canadian federal income tax consequences discussed above applicable to a Resident Holder under "*Residents of Canada – Taxation of Capital Gains and Capital Losses*".

Dividends on Common Shares

Dividends paid or credited, or deemed under the Tax Act to be paid or credited, on Common Shares to a Non-Resident Holder will generally be subject to Canadian withholding tax at the rate of 25%, unless the rate is reduced under the provisions of an income tax treaty or convention between Canada and the country where the Non-Resident Holder is resident. Where the Non-Resident Holder is a resident of the United States for the purposes of, and is entitled to benefits under, the Canada-United States Income Tax Convention, (1980) and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends is generally reduced to 15%.

ELIGIBILITY FOR INVESTMENT

In the opinion of Burnet, Duckworth & Palmer LLP, counsel to the Company, the Rights and Common Shares, if issued on the date hereof, would be as of the date hereof, qualified investments under the Tax Act for trusts governed by Registered Plans, provided that in the case of Rights, the Company is not an annuitant, a beneficiary, an employer nor a subscriber under, nor a holder of the Registered Plan and deals at arm's length with any such person.

Notwithstanding that Rights and Common Shares may be qualified investments for a trust governed by a RRSP, RRIF or a TFSA, the annuitant under a RRSP or RRIF or the holder of a TFSA may be subject to a penalty tax if such Rights and/or Common Shares are a "prohibited investment" for the RRSP, RRIF or TFSA for purposes of the Tax Act. Rights and Common Shares will generally not, as of the date hereof, be a "prohibited investment" for trusts governed by a TFSA, RRSP or RRIF unless the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, (i) does not deal at arm's length with the Company for purposes of the Tax Act, or (ii) has a "significant interest" (as defined in the Tax Act) in the Company.

Holders should consult their own tax advisors regarding their particular circumstances.

INTEREST OF EXPERTS

Certain legal matters relating to the Offering and Equity Backstop will be passed upon by Burnet, Duckworth & Palmer LLP on behalf of Perpetual. As at the date hereof, Burnet, Duckworth & Palmer LLP and its partners and associates, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding securities of Perpetual and its associates and affiliates.

KPMG LLP are the auditors of Perpetual, and have confirmed with respect to Perpetual, that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

Reserve estimates contained in certain documents incorporated by reference in this short form prospectus have been audited in reports prepared by McDaniel. As at the date hereof, to the knowledge of Perpetual, neither McDaniel nor its officers beneficially own, directly or indirectly, any of the securities of Perpetual.

The Fairness Opinion attached as Schedule "A" to this short form prospectus and described herein has been prepared by Sayer. As at the date hereof, to the knowledge of Perpetual, neither Sayer nor its officers beneficially own, directly or indirectly, any of the securities of Perpetual.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

In an offering of rights, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which the right is offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces and territories, if the purchaser pays additional amounts upon exercise of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces and territories. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of this right of action for damages or consult with a legal advisor.

SCHEDULE "A"
FAIRNESS OPINION

November 19, 2015

The Independent Committee of the Board of Directors of Perpetual Energy Inc.
Suite 3200, 605 – 5th Avenue SW
Calgary, Alberta T2P 3H5

Dear Sirs and Madam:

Sayer Energy Advisors ("Sayer", "we", "us" and "our") understands that Perpetual Energy Inc. (the "Company" or "Perpetual") intends to repay the outstanding 7.00% convertible unsecured junior subordinated debentures due December 31, 2015 ("Convertible Debentures") by issuance of common shares of Perpetual ("Convertible Debenture Repayment") and complete a $25 million rights offering (the "Equity Transactions"). As part of the Equity Transactions, Perpetual will file a short form prospectus (the "Prospectus") to qualify the distribution (the "Offering") of transferable rights (each, a "Right") to subscribe for and purchase common shares ("Common Shares") in the capital of Perpetual to the holders (the Shareholders") of the outstanding Common Shares of record at 5:00 p.m. (Toronto time) on a date to be determined (the "Record Date"). The Company will distribute the Rights to Shareholders of record as at the Record Date. Each Shareholder of record on the Record Date will receive one Right for each Common Share held. Each one Right permits the holder ("Rightsholder") thereof to subscribe for that number of Common Shares equal to the greater of: (i) 0.3140 of a Common Share; or (ii) the result when (A) $0.1630 (the "Subscription Price") is divided by (B) the Current Market Price (as defined in the Prospectus) less a discount of 80.70% and then (C) one Common Share is deducted from the result ("Basic Subscription Right").

Subscriptions for Common Shares made in connection with the Offering will be irrevocable and subscribers will be unable to withdraw their subscriptions for Common Shares once submitted. No fractional Common Shares will be issued and an entitlement to a fractional Common Share will be rounded down to the next lowest whole number of Common Shares without any payment therefor. Rightsholders who exercise their Rights in full are entitled to subscribe for additional Common Shares on a pro rata basis, if available, at the Subscription Price pursuant to an additional subscription privilege (the "Additional Subscription Privilege").

A Rightsholder is not, by virtue of such Right, a Shareholder and does not have any of the rights of a Shareholder (including the right to receive any dividend or distribution of any nature whatsoever which may be declared payable on the Common Shares). The Rights are fully transferable under the laws of Canada.

The Offering is one of a series of transactions ("Recapitalization Transactions") involving the Company which are being undertaken to improve the financial condition of the Company. The Recapitalization Transactions consist of: (i) the Offering; (ii) the Convertible Debenture Repayment including the payment in cash of the accrued interest on the Convertible Debentures on December 31, 2015; (iii) the extensions of each of the credit facility and margin loan; (iv) the establishment of the new financing arrangement; and (v) a proposed Common Share consolidation following completion of the Offering and Convertible Debenture Repayment.

Dreamworks Investment Holdings Ltd., a corporation controlled by the Company's Chairman (the "Backstopper") will enter into an equity backstop agreement with the Company dated as of November 20, 2015 (the "Equity Backstop Agreement") pursuant to which the Backstopper will, subject to certain terms and conditions, to: exercise its Basic Subscription Right and Additional Subscription Privilege, if applicable, under the Offering and acquire Common Shares (the "Equity Backstop Common Shares") to the maximum extent possible such that after giving effect to the purchase of Common Shares subscribed for and taken up by holders of Rights pursuant to the Basic Subscription Right and the Additional Subscription Privilege (including any Equity Backstop Common Shares subscribed for and taken up by the Backstopper pursuant to its Basic Subscription Right and Additional Subscription Privilege, as applicable); the Company will have received an aggregate amount in respect of the issuance of such equity securities that is not less than $25 million.

Approval of the listing of (i) the Rights; and (ii) the Common Shares to be issued upon exercise of the Rights (including the Equity Backstop Common Shares) will be subject to the Company fulfilling all of the listing requirements of the TSX.

To assist the committee of independent directors of Perpetual (the “Independent Committee”) in considering the terms of the Equity Transactions and the making of its recommendation in respect thereof, the Independent Committee engaged Sayer to provide it with financial advice and an assessment of the value of the equity of the Company on a pre and post Equity Transactions basis and our opinion (the “Fairness Opinion”) as to whether the Equity Transactions are fair, from a financial point of view, to the Shareholders and the holders of the Convertible Debentures.

Engagement of Sayer

Sayer was engaged pursuant to an agreement dated November 13, 2015 (the “Engagement Contract”) to review and consider the terms of the Equity Transactions and, if appropriate, to deliver an opinion as to the fairness, from a financial point of view, of the Equity Transactions to the Shareholders and to the holders of the Convertible Debentures.

Pursuant to the terms of the Engagement Contract, we have not been engaged to prepare (and have not prepared) a formal valuation or appraisal of Perpetual or of any of the assets, liabilities or securities of Perpetual or to express an opinion with respect to the form of the Equity Transactions itself, and this Fairness Opinion should not be construed as such. Sayer was similarly not engaged to review any legal, tax or accounting aspects of the Equity Transactions, however, Sayer has performed research, financial analyses and testing of assumptions that it considered to be appropriate and necessary in the circumstances to support the conclusions reached in this Fairness Opinion.

The Engagement Contract provides that Perpetual will pay Sayer a fee upon the delivery of the Fairness Opinion, regardless of whether the Equity Transactions are completed. In addition, the Engagement Contract provides for the reimbursement of out-of-pocket expenses incurred by Sayer in respect to the services performed as part of the engagement. The fee received by Sayer in connection with the Engagement Contract is not material to Sayer. Perpetual has agreed to indemnify Sayer from and against certain liabilities arising out of the performance of professional services rendered to the Independent Committee by Sayer and its personnel under the Engagement Contract.

Our Fairness Opinion may be relied upon by the Independent Committee for the purposes of considering the Equity Transactions and the Independent Committee's recommendation to the Perpetual Board of Directors with respect to the Equity Transactions, and, except as described below, may not be published, reproduced, disseminated, quoted from or referred to in whole or in part, or be used or relied upon by any other person, or for any other purpose, without our express prior written consent. Sayer consents to the reproduction of the Fairness Opinion, and to the inclusion of references thereto and description thereof, in the Prospectus and any press releases, material change reports and other documents required to be prepared or filed with the securities regulatory authorities.

Qualifications of Sayer

Sayer is a specialized corporate advisory firm that provides capital market and advisory services for oil and natural gas companies, oilfield service companies, governments and financial institutions across Canada and for foreign entities. These services include corporate advisory services in the areas of mergers, acquisitions and divestitures, independent research, valuations and fairness opinions for clients. Sayer and its principals have prepared numerous fairness opinions and have participated in a significant number of transactions involving private and publicly traded oil and natural gas companies.

The opinion expressed herein is the opinion of Sayer and the form and content hereof has been approved for release by a group of professionals of Sayer, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

Independence of Sayer

Sayer is not an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Alberta)) of Perpetual, or any of its respective associates or affiliates ("Interested Party"). Sayer is not acting as an advisor to Perpetual, or any of its associates or affiliates, in connection with any matter, other than as financial advisor to the Independent Committee pursuant to the Engagement Contract as outlined above.

Sayer, in the 24 months prior to this engagement, has not been engaged by the Interested Party to provide advisory services or to act as agent or underwriter other than outlined below. Sayer does not have interests in any of the securities of the Interested Party as such term is defined under Multilateral Instrument 61-101 "Protection of Minority Securityholders in Special Transactions."

Sayer was retained by an independent committee of the board of directors of Perpetual on March 9, 2015 to provide a fairness opinion relating to a transaction between Perpetual and Tourmaline Oil Corp. ("Tourmaline") whereby Perpetual swapped its West Edson property for 6,750,000 million common shares of Tourmaline.

Other than the Engagement Contract, there are no understandings, agreements or commitments between Sayer and the Interested Party, with respect to any future business dealings. Sayer may, in the normal course of business, provide advisory services to the Interested Party or its successors in the future.

Scope of Review Conducted by Sayer

Sayer has acted as the financial advisor to the Independent Committee in respect of the Equity Transactions. In this context, and for the purpose of preparing this Fairness Opinion, we have analyzed publicly available and confidential financial, operational and other information relating to Perpetual, including information derived from meetings and discussions with the management of Perpetual. Except as expressly described herein, Sayer has not conducted any independent investigations to verify the accuracy and completeness of such information.

In carrying out this engagement and arriving at our Fairness Opinion, we have reviewed and relied upon, among other things:

A) As pertaining to Perpetual:

i) drafts of the Prospectus up to and including the date hereof;

ii) the unaudited financial statements of Perpetual for the quarters ended September 30, 2015, June 30, 2015 and March 31, 2015;

iii) the management discussion and analysis ("MD&A") of Perpetual for the quarters ended September 30, 2015, June 30, 2015 and March 31, 2015;

iv) the audited comparative financial statements of Perpetual for the year ended December 31, 2014;

v) the MD&A of Perpetual for the year ended December 31, 2014;

vi) the annual information form for Perpetual for the year ended December 31, 2014;

vii) an internal mechanical update of the report of McDaniel & Associates Consultants Ltd., independent engineering consultants of Calgary, Alberta, regarding Perpetual's oil, natural gas liquids and natural gas reserves and the estimated future cash flows from such reserves effective December 31, 2014 mechanically updated by Perpetual to October 1, 2015;

viii) an internal undeveloped land evaluation provided by Perpetual;

ix) due diligence responses provided by Perpetual management;

x) representations contained in certificates addressed to us, dated as of the date hereof, from senior officers and a director of Perpetual as to the completeness and accuracy of the information upon which our Fairness Opinion is based;

xi) certain non-public information regarding Perpetual, its business and projects, including financial and operational projections of Perpetual as provided by Perpetual management;

xii) other information relating to the operations of Perpetual including, but not limited to, lease operating statements, environmental information, production and facilities and all material corporate agreements;

xiii) public information relating to the business, operations, financial performance of Perpetual and stock trading of selected public oil and natural gas exploration and production companies we considered relevant; and

xiv) discussions with Perpetual management with regard to, among other things, the past and future operations of Perpetual, Perpetual's competitive position in the market, its prospects, the information referred to above and other issues deemed relevant.

B) In addition to the information detailed above, Sayer has further reviewed, considered and relied upon, among other things, the following:

i) published stock market data relating to both Perpetual and Tourmaline and publicly available information and certain confidential information possessed by Sayer with respect to recent transactions involving the sale of oil and natural gas companies and properties of a comparable nature and considered to be relevant by Sayer in the circumstances;

ii) publicly available information with respect to comparable metrics for publicly traded oil and natural gas entities; and

iii) other publicly available information and documents filed by, or on behalf of Perpetual and Tourmaline in compliance with or intended compliance with applicable securities laws.

We also conducted such other analyses, investigations, research and testing of assumptions as were deemed by us to be appropriate or necessary in the circumstances. Perpetual granted us access to their management groups and consultants and, to our knowledge, we were not denied any information we requested. In addition, no information of a material nature has been brought to our attention that has not been considered in the preparation of this Fairness Opinion.

In delivering the Fairness Opinion, we considered the Equity Transactions to be fair if they would provide the holders of the Common Shares and Convertible Debentures with expected values that are greater than, or in a range consistent with, the values expected to be realized if the Equity Transactions were not implemented.

Assumptions and Limitations

We have assumed and relied upon but, with the Independent Committee's acknowledgement and in accordance with the terms of our engagement, have not independently verified the accuracy, completeness and fair representation of any of the data, advice, opinions, materials, information, representations, reports and discussion (collectively, the "Information") referred to above and this Fairness Opinion is conditional upon such accuracy, completeness and fair representation. Our assumptions, the procedures we adopted and the conclusions and opinions reached by us are dependent, in part, upon all such facts and Information. With respect to operating and financial forecasts and budgets provided to us and relied upon in our analysis, we have assumed that they have been reasonably prepared on bases reflecting the most reasonable assumptions, estimates and judgments of Perpetual, as appropriate, having regard to the plans, financial condition and prospects of Perpetual, as the case may be. In addition, certain senior officers and a director of Perpetual have made representations to us in certificates dated as of the date hereof that, among other things, the Information provided to us on behalf of Perpetual, respectively, is complete and correct as at the date the Information was provided to us and that, since the date of the Information, there has been no material change, financial or otherwise, in the position of Perpetual, respectively, and there has been no change in any material fact which is of a nature as to render the Information untrue or misleading in any material respect.

We believe that the analyses and factors considered in arriving at our Fairness Opinion must be considered as a whole and are not necessarily amenable to partial analysis or summary description. Selecting portions of the analyses and the factors we considered, without considering all factors and analyses together, could create a misleading view of the process underlying the Fairness Opinion that we employed and the conclusions we reached in the Fairness Opinion. In arriving at our opinion, in addition to the facts and conclusions contained in the Information, we have assumed, among other things, the legality, validity and efficacy of the procedures being followed to implement the Equity Transactions and we express no opinion on such procedures.

We have, with respect to all accounting, legal and tax matters relating to the Equity Transactions and the implementation thereof, relied on advice of accounting advisors and legal and tax counsel to Perpetual, including with respect to information disclosed in the Prospectus, and express no opinion thereon. The Equity Transactions are subject to a number of conditions outside the control of Perpetual and we have assumed all conditions precedent to the completion of the Equity Transactions can be satisfied in due course and all consents, permissions, exemptions or orders of relevant regulatory authorities will be obtained, without adverse conditions or qualifications. In rendering this Fairness Opinion, we express no view as to the likelihood that the conditions respecting the Equity Transactions will be satisfied or waived or that the Equity Transactions will be implemented within the time frame indicated in the Prospectus.

In our analysis in connection with the preparation of the Fairness Opinion, we made numerous assumptions which we believe to be reasonable with respect to the industry performance, general business and economic conditions and other matters, many of which are beyond the control of Sayer or Perpetual.

The Fairness Opinion is rendered as of November 19, 2015 on the basis of securities markets, economic and general business and financial conditions prevailing on that date and the condition and prospects, financial and otherwise, of Perpetual as they were reflected in the Information provided to Sayer and as they were represented to Sayer in its discussions with the senior management of Perpetual. Any changes therein may affect the Fairness Opinion and, although Sayer reserves the right to change or withdraw the Fairness Opinion in such event, it disclaims any undertaking or obligation to advise any person of any such change that may come to its attention, or to update the Fairness Opinion after the date hereof.

While in the opinion of Sayer the assumptions used in preparing this Fairness Opinion are appropriate in the circumstances, some or all of these assumptions may prove to be incorrect.

Sayer is not expressing herein any opinion as to the price at which the Shares will trade after completion of the Equity Transactions. This opinion should not be construed as a recommendation to Shareholders to exercise their Rights in relation to the Equity Transactions.

Conclusion

Based upon our analysis and subject to all of the foregoing assumptions and limitations and such other matters as we have considered relevant, we are of the opinion that the Equity Transactions, as set forth in the Prospectus and as summarized above, is fair, from a financial point of view, to the Shareholders and to the holders of the Convertible Debentures.

Yours truly,

Sayer Energy Advisors

Sayer Energy Advisors

CERTIFICATE OF PERPETUAL ENERGY INC.

Dated: December 7, 2015

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

PERPETUAL ENERGY INC.

(signed) "*Susan L. Riddell Rose*"
President and Chief Executive Officer

(signed) "*Cameron R. Sebastian*"
Vice President, Finance and Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(signed) "*Geoffrey C. Merritt*"
Director

(signed) "*Robert A. Maitland*"
Director

Any questions and requests for assistance may be directed to the Information Agent:

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