

# Peyto Exploration & Development Corp.

## Condensed Consolidated Balance Sheet *(unaudited)*

(Amount in \$ thousands)

	June 30 2022	December 31 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash	21,414	5,718
Accounts receivable <i>(Note 11)</i>	171,796	118,948
Prepaid expenses	28,246	19,704
	<b>221,456</b>	144,370
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Property, plant and equipment, net <i>(Note 4)</i>	3,678,537	3,639,825
	<b>3,678,537</b>	3,639,825
	<b>3,899,993</b>	3,784,195
<hr/>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	227,767	168,998
Dividends payable <i>(Note 8)</i>	8,519	8,408
Current portion of lease obligation <i>(Note 7)</i>	1,244	1,123
Derivative financial instruments <i>(Note 12)</i>	242,247	61,091
	<b>479,777</b>	239,620
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Long-term debt <i>(Note 5)</i>	976,544	1,065,712
Long-term derivative financial instruments <i>(Note 12)</i>	57,099	12,280
Decommissioning provision <i>(Note 6)</i>	151,629	204,220
Lease obligation <i>(Note 7)</i>	4,712	5,440
Deferred income taxes	480,507	490,917
	<b>1,670,491</b>	1,778,569
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<b>Equity</b>		
Share capital <i>(Note 8)</i>	1,680,780	1,664,508
Contributed surplus	13,053	13,123
Retained earnings	284,735	143,217
Accumulated other comprehensive loss <i>(Note 8)</i>	(228,843)	(54,842)
	<b>1,749,725</b>	1,766,006
	<b>3,899,993</b>	3,784,195

See accompanying notes to the condensed consolidated financial statements.

Approved by the Board of Directors

(signed) "Michael MacBean"  
Director

(signed) "Darren Gee"  
Director

**Peyto Exploration & Development Corp.**  
**Condensed Consolidated Income Statement** *(unaudited)*  
(Amount in \$ thousands except earnings per share amount)

	Three months ended		Six months ended	
	June 30		June 30	
	2022	2021	2022	2021
<b>Revenue</b>				
Natural gas and natural gas liquid sales <i>(Note 11)</i>	411,951	162,365	752,221	362,748
Royalties	(53,838)	(12,730)	(86,741)	(26,799)
Sales of natural gas from third parties	40,530	-	40,530	-
Natural gas and natural gas liquid sales, net of royalties	<b>398,643</b>	149,635	<b>706,010</b>	335,949
Realized loss on derivative financial instruments <i>(Note 12)</i>	(104,121)	(21,908)	(157,496)	(46,964)
Unrealized loss on derivative financial instruments <i>(Note 12)</i>	-	(3,524)	-	(2,071)
Other Income	386	390	767	768
	<b>294,908</b>	124,593	<b>549,281</b>	287,682
<b>Expenses</b>				
Natural gas purchased from third parties	39,543	-	39,543	-
Operating	21,838	16,808	44,134	33,709
Transportation	15,223	10,653	30,493	18,763
General and administrative	1,029	2,271	2,760	4,255
Performance based compensation	2,500	-	2,500	-
Stock based compensation <i>(Note 10)</i>	2,571	1,435	4,860	2,552
Interest	11,374	16,194	22,957	34,125
Unrealized loss on foreign exchange	1,560	-	832	-
Gain on disposition of capital assets	-	(3,000)	-	(2,581)
Accretion of decommissioning provision <i>(Note 6)</i>	1,645	989	2,841	1,928
Depletion and depreciation <i>(Note 4)</i>	74,071	62,243	147,090	127,596
	<b>171,354</b>	107,593	<b>298,010</b>	220,347
<b>Earnings before taxes</b>	<b>123,554</b>	17,000	<b>251,271</b>	67,335
<b>Income tax</b>				
Deferred income tax expense	29,009	4,240	58,910	16,075
<b>Earnings for the period</b>	<b>94,545</b>	12,760	<b>192,361</b>	51,260
<b>Earnings per share</b> <i>(Note 8)</i>				
<b>Basic</b>	<b>\$0.56</b>	\$0.08	<b>\$1.14</b>	\$0.31
<b>Diluted</b>	<b>\$0.54</b>	\$0.08	<b>\$1.10</b>	\$0.30

See accompanying notes to the condensed consolidated financial statements.

**Peyto Exploration & Development Corp.**  
**Condensed Consolidated Statement of Comprehensive Income** *(unaudited)*

(Amount in \$ thousands)

	<b>Three months ended June 30</b>		<b>Six months ended June 30</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
<b>Earnings for the period</b>	<b>94,545</b>	12,760	<b>192,361</b>	51,260
<b>Other comprehensive income</b>				
Change in unrealized loss on derivative financial instruments	(54,842)	(127,841)	(383,471)	(173,869)
Deferred income tax recovery (expense)	(11,334)	24,519	51,974	29,343
Realized loss on derivative financial instruments	104,121	21,235	157,496	46,290
<b>Comprehensive income (loss)</b>	<b>132,490</b>	(69,327)	<b>18,360</b>	(46,976)

See accompanying notes to the condensed consolidated financial statements.

**Peyto Exploration & Development Corp.**  
**Condensed Consolidated Statement of Changes in Equity (unaudited)**

(Amount in \$ thousands)

	<b>Six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>
<b>Share capital, beginning of period</b>	<b>1,664,508</b>	1,649,635
Private Placement	2,578	-
Common shares issued under stock option plan	13,694	5,885
<b>Share capital, end of period</b>	<b>1,680,780</b>	1,655,520
<b>Contributed surplus, beginning of period</b>	<b>13,123</b>	10,487
Stock based compensation expense	4,860	2,553
Recognized under stock-based compensation plans	(4,930)	(1,327)
<b>Contributed surplus, end of period</b>	<b>13,053</b>	11,713
<b>Retained earnings, beginning of period</b>	<b>143,217</b>	12,727
Earnings for the period	192,361	51,260
Dividends <i>(Note 8)</i>	(50,843)	(3,309)
<b>Retained earnings, end of period</b>	<b>284,735</b>	60,678
<b>Accumulated other comprehensive income (loss), beginning of period</b>	<b>(54,842)</b>	4,624
Other comprehensive loss	(174,001)	(98,236)
<b>Accumulated other comprehensive loss, end of period</b>	<b>(228,843)</b>	(93,612)
<b>Total equity</b>	<b>1,749,725</b>	1,634,299

See accompanying notes to the condensed consolidated financial statements.

**Peyto Exploration & Development Corp.**  
**Condensed Consolidated Statement of Cash Flows** *(unaudited)*

(Amount in \$ thousands)

	<b>Three months ended June 30</b>		<b>Six months ended June 30</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Earnings	94,545	12,760	192,361	51,260
Items not requiring cash:				
Deferred income tax	29,009	4,240	58,910	16,075
Depletion and depreciation	74,071	62,243	147,090	127,596
Gain on disposition of capital assets	-	(3,000)	-	(2,581)
Accretion of decommissioning provision	1,645	989	2,841	1,928
Stock based compensation	2,571	1,435	4,860	2,552
Unrealized loss on derivative financial instruments	-	3,524	-	2,071
Unrealized loss on foreign exchange	1,560	-	832	-
Change in non-cash working capital related to operating activities	17,179	3,723	(523)	6,765
	<b>220,580</b>	<b>85,914</b>	<b>406,371</b>	<b>205,666</b>
<b>Financing activities</b>				
Common shares issued and private placement	6,591	4,077	11,339	4,558
Bank overdraft	-	(93)	-	-
Cash dividends paid	(25,427)	(1,651)	(50,731)	(3,300)
Lease interest <i>(Note 7)</i>	53	63	106	127
Principal repayment of lease <i>(Note 7)</i>	(357)	(338)	(713)	(677)
Decrease in bank debt	(65,000)	(10,000)	(90,000)	(30,000)
	<b>(84,140)</b>	<b>(7,942)</b>	<b>(129,999)</b>	<b>(29,292)</b>
<b>Investing activities</b>				
Additions to property, plant and equipment	(108,089)	(57,086)	(251,420)	(165,937)
Change in prepaid capital	(1,842)	(5,395)	14,931	(4,466)
Corporate Acquisition	-	-	(22,220)	-
Change in non-cash working capital relating to investing activities	(8,669)	(11,958)	(1,967)	(11,748)
	<b>(118,600)</b>	<b>(74,439)</b>	<b>(260,676)</b>	<b>(182,151)</b>
<b>Net increase (decrease) in cash</b>	<b>17,840</b>	<b>3,533</b>	<b>15,696</b>	<b>(5,777)</b>
<b>Cash, beginning of period</b>	<b>3,574</b>	<b>-</b>	<b>5,718</b>	<b>9,310</b>
<b>Cash, end of period</b>	<b>21,414</b>	<b>3,533</b>	<b>21,414</b>	<b>3,533</b>

The following amounts are included in cash flows from operating activities:

Cash interest paid	13,563	13,865	21,780	30,620
Cash taxes paid	-	-	-	-

See accompanying notes to the condensed consolidated financial statements.

**Peyto Exploration & Development Corp.**  
**Notes to Condensed Consolidated Financial Statements** *(unaudited)*  
**As at and for three and six months ended June 30, 2022 and 2021**  
(Amount in \$ thousands, except as otherwise noted)

**1. Nature of operations**

Peyto Exploration & Development Corp and its subsidiary (together “Peyto” or the “Company”) is a Calgary based oil and natural gas company. Peyto conducts exploration, development, and production activities in Canada. Peyto is incorporated and domiciled in the Province of Alberta, Canada. The address of its registered office is 300, 600 – 3<sup>rd</sup> Avenue SW, Calgary, Alberta, Canada, T2P 0G5.

These financial statements were approved and authorized for issuance by the Audit Committee of Peyto on August 10, 2022.

**2. Basis of presentation**

The condensed consolidated financial statements have been prepared by management and reported in Canadian dollars in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. These condensed consolidated financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Company’s consolidated financial statements as at and for the years ended December 31, 2021 and 2020.

**Significant Accounting Policies**

**(a) Significant Accounting Judgments Estimates and Assumptions**

The timely preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the condensed consolidated financial statements.

All accounting policies and methods of computation followed in the preparation of these consolidated financial statements are the same as those disclosed in Note 2 of Peyto’s consolidated financial statements as at and for the years ended December 31, 2021 and 2020.

**3. Corporate Acquisition**

On February 28, 2022, Peyto acquired all the issued and outstanding shares of a private company (“PrivateCo”) in the Brazeau River area of Alberta for cash consideration of \$22.2 million. The acquisition provides for an increase in land, production and infrastructure including a 100% owned and operated 45 MMcf/d sweet natural gas plant. The transaction has been accounted for as a business combination in accordance with IFRS 3 using the acquisition method.

Results from operations for PrivateCo are included in the Company’s consolidated financial statements from the closing date of the transaction. Total transaction costs incurred by Peyto of \$0.6 million associated with this acquisition were expensed in the consolidated statements of income and comprehensive income. The following purchase price allocation is based on Management’s best estimate of the assets acquired and liabilities assumed and is subject to change based upon finalizing the value of the net assets acquired.

**Fair value of net assets acquired:**

Working capital	133
Property, plant and equipment	5,900
Deferred income tax asset	17,344
Decommissioning provision	(1,157)
<b>Total</b>	<b>22,220</b>

**Consideration:**

<b>Cash</b>	<b>22,220</b>
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The acquisition of PrivateCo has contributed revenue of \$4.4 million and earnings of \$3.4 million since February 28, 2022. Had the acquisition of PrivateCo closed on January 1, 2022, estimated contributed revenue and earnings would have been approximately \$5.2 million and \$3.6 million, respectively, for the three and six months ended June 30, 2022.

**4. Property, plant and equipment, net****Cost**

<b>At December 31, 2021</b>	<b>6,537,637</b>
Additions	256,165
Change in Decommissioning provision	(55,432)
Prepaid capital	(14,931)
<b>At June 30, 2022</b>	<b>6,723,439</b>
Accumulated depletion and depreciation	
<b>At December 31, 2021</b>	<b>(2,897,812)</b>
Depletion and depreciation	(147,090)
<b>At June 30, 2022</b>	<b>(3,044,902)</b>
Carrying amount at December 31, 2021	3,639,825
<b>Carrying amount at June 30, 2022</b>	<b>3,678,537</b>

During the three and six month periods ended June 30, 2022, Peyto capitalized \$3.5 million and \$7.0 million (2021-\$1.6 million and 3.5 million) of general and administrative expense directly attributable to exploration and development activities.

As at June 30, 2022, the Company identified no indicators of impairment and therefore a test was not performed.

On February 1, 2021, the Company acquired assets in the Deep Basin for cash consideration of \$35.0 million. The acquisition resulted in an increase in PP&E of approximately \$48.0 million including \$13 million in decommissioning liabilities. The assets acquired include a working interest in production, reserves, and a gas processing facility. The Company applied the optional IFRS 3 concentration test to this acquisition which resulted in the acquired assets being accounted for as an asset acquisition.

On March 5, 2021, the Company acquired assets in the Deep Basin for cash consideration of \$0.75 million. The acquisition resulted in an increase in PP&E of approximately \$1.5 million including \$0.75 million in decommissioning liabilities. The assets acquired include a working interest in production and reserves. The Company applied the optional IFRS 3 concentration test to this acquisition which resulted in the acquired assets being accounted for as an asset acquisition.

## 5. Long-term debt

	June 30, 2022	December 31, 2021
Bank credit facility	560,000	650,000
Long-term senior secured notes	416,544	415,712
Balance, end of the period	976,544	1,065,712

On November 5, 2021, the Company finalized an agreement with its syndicate of lenders and term debt note holders to amend and extend its \$950 million senior secured covenant-based credit facility and note purchase agreements. This new facility has a maturity date of October 13, 2023, is made up of a \$40 million working capital tranche, a \$910 million production line, and is available on a revolving basis. Borrowings under the facility bear interest at Canadian bank prime or US base rate, or, at Peyto's option, Canadian dollar bankers' acceptances or US dollar LIBOR loan rates, plus applicable margin and stamping fees. The total stamping fees range between 175 basis points and 365 basis points on Canadian dollar bankers' acceptance and US dollar LIBOR borrowings. The undrawn portion of the facility is subject to a standby fee in the range of 35 to 73 basis points.

Peyto is subject to the following financial covenants as defined in the credit facility and note purchase agreements:

- Long-term debt and subordinated debt plus bank overdraft and letters of credit not to exceed 4.0 times trailing twelve-month net income before non-cash items, interest and income taxes;
- Long-term debt plus bank overdraft and letters of credit not to exceed 3.5 times trailing twelve-month net income before non-cash items, interest and income taxes.
- Trailing twelve months net income before non-cash items, interest and income taxes to exceed 3.0 times trailing twelve months interest expense.

Outstanding senior notes are as follows:

Senior Secured Notes	Date Issued	Rate*	Maturity Date
\$100 million (CAD)	October 24, 2016	3.70%	October 24, 2023
\$65 million (CAD)	May 1, 2015	4.26%	May 1, 2025
\$100 million (CAD)	January 3, 2012	4.39%	January 3, 2026
\$100 million (CAD)	January 2, 2018	3.95%	January 2, 2028
\$40 million (USD)	October 29, 2021	3.98%	October 29, 2028

Peyto is in compliance with all financial covenants at June 30, 2022.

Total interest expense for the three and six month periods ended June 30, 2022 was \$11.4 million and \$23.0 million (2021 - \$16.1 million and \$34.0 million) and the average borrowing rate for the period was 4.7% and 4.5% (2021– 5.6% and 5.9%).

## 6. Decommissioning provision

The following table reconciles the change in decommissioning provision:

<b>Balance, December 31, 2021</b>	<b>204,220</b>
New provisions	2,543
New provisions relating to corporate acquisitions	3,401
Accretion of decommissioning provision	2,841
Change in discount rate and estimates	(61,376)
<b>Balance, June 30, 2022</b>	<b>151,629</b>
Current	-
Non-current	<b>151,629</b>

The Company has estimated the net present value of its total decommissioning provision to be \$151.6 million as at June 30, 2022 (2021 – \$204.2 million) based on a total escalated future undiscounted liability of \$387 million (2021 – \$374.3 million). At June 30, 2022 management estimates that these payments are expected to be made over the next 50 years (2021 – 50 years) with the majority of payments being made in years 2024 to 2070. The Bank of Canada's long-term bond rate of 3.14 per cent (2021 – 2.00 per cent) and an inflation rate of 2.0 per cent (2021 – 2.0 per cent) were used to calculate the present value of the decommissioning provision.

## 7. Leases

The ROU asset and lease obligation relates to the Company's head office lease in Calgary.

### Right of use Asset

<b>Balance as at December 31, 2021</b>	<b>5,043</b>
Depreciation	(504)
<b>Balance at June 30, 2022</b>	<b>4,539</b>

The ROU asset is included in Property plant & equipment, refer to Note 4.

### Lease Obligation

<b>Lease obligation at December 31, 2021</b>	<b>6,563</b>
Lease interest expense	106
Principal repayment of lease	(713)
<b>Lease obligation at June 30, 2022</b>	<b>5,956</b>
Current portion of lease obligation at June 30, 2022	<b>1,244</b>
Non-current portion of lease obligation at June 30, 2022	<b>4,712</b>

The variable lease payments not included in the measurement of the office lease obligation is \$0.2 million and \$0.4 million for the three and six months ended June 30, 2022 (2021-\$0.2 million and \$0.4 million). The variable lease payments are recognized through general and administration expense.

During the three and six months ended June 30, 2022, \$7.6 million and \$15.9 million (2021- \$4.2 million and \$9.6 million) was capitalized in relation to short-term leases.

The following sets forth future commitments associated with its lease obligation:

	<b>As at June 30, 2022</b>
Less than 1 year	714
1-3 years	4,286
Year 4	1,428
Total lease payment	6,428
Amount representing interest	(472)
Present value of lease payments	5,956
Current portion of lease obligation	1,244
Non-current portion of lease obligation	4,712

## 8. Share capital

**Authorized:** Unlimited number of voting common shares

### Issued and Outstanding

<b>Common Shares (no par value)</b>	<b>Number of Common Shares</b>	<b>Amount \$ 000</b>
<b>Balance, December 31, 2021</b>	<b>168,151,219</b>	<b>1,664,508</b>
Private Placement	247,785	2,578
Common shares issued	1,989,291	13,694
<b>Balance, June 30, 2022</b>	<b>170,388,295</b>	<b>1,680,780</b>

Earnings per common share has been determined based on the following:

	Three Months ended June 30		Six Months ended June 30	
	2022	2021	2022	2021
Weighted average common shares basic	<b>169,896,849</b>	165,343,937	<b>169,479,830</b>	165,207,341
Weighted average common shares diluted	<b>175,040,905</b>	168,635,872	<b>174,248,420</b>	168,110,438

### Dividends

During the three and six month periods ended June 30, 2022, Peyto declared and paid dividends of \$0.05 per common share per month totaling \$25.4 million and \$50.8 million respectively (2021 - \$0.01 and \$0.02 per common share per quarter totaling \$1.7 million and \$3.3 million respectively).

### Comprehensive income

Comprehensive income consists of earnings and other comprehensive income (“OCI”). OCI comprises the change in the fair value of the effective portion of the derivatives used as hedging items in a cash flow hedge. “Accumulated other comprehensive income” is an equity category comprised of the cumulative amounts of OCI.

### Accumulated hedging gains and losses

Gains and losses from financial derivative instruments are accumulated until settled. These outstanding hedging contracts are recognized in earnings on settlement. Further information on these contracts is set out in Note 12.

## 9. Performance-based compensation

### Reserve based component

The reserves value-based component is 4% of the incremental increase in value, if any, as adjusted to reflect changes in debt, dividends, general and administrative expenses and interest expense, of proved producing reserves calculated using a realized price at December 31 of the current year and a discount rate of 8%. For three and six months ended June 30, 2022, \$2.5 million, (2021 - \$nil) was expensed.

## 10. Stock based compensation

The Company has a stock option plan allowing for the granting of stock options to officers, employees, and consultants of the Company. This plan limits the number of options and DSU's that may be granted to 10% of the issued and outstanding common shares.

### Equity compensation arrangements

The following tables summarize the Company's equity compensation arrangements:

		Weighted Average Exercise price \$	Weighted Average Remaining Contractual life- Years
Stock options	10,152,474	6.96	1.19
DSU	196,816	4.42	16.14

### Stock option plans

The following tables summarize the stock options outstanding at June 30, 2022:

		Weighted average exercise price \$
<b>Balance, December 31, 2021</b>	<b>9,173,137</b>	<b>5.05</b>
Stock options granted	2,790,400	11.85
Exercised	(1,810,270)	4.84
Expired	(793)	5.72
<b>Balance, June 30, 2022</b>	<b>10,152,474</b>	<b>6.96</b>

The Company estimates the fair value of options under the stock option plan using the Black-Scholes pricing model.

The following tables summarizes the assumptions used in the Black-Scholes model:

	2022	June 30 2021
Fair value of options granted	\$3.71	\$1.41
Expected volatility	55.63%	60.49%
Average life	2 years	2 years
Risk-free interest rate	1.80%	0.31%
Forfeiture rate	3.89%	5.77%

Options are granted throughout the year and vest 1/3 on each of the first, second and third anniversaries from the date of grant. At the vesting, recipients have thirty days to exercise options after which any unexercised options are expired.

At June 30, 2022, no stock options were exercisable.

## Deferred Share Units (“DSU’s”)

The following tables summarize the DSU’s outstanding at June 30, 2022:

		Weighted average exercise price \$
<b>Balance, December 31, 2021</b>	<b>176,669</b>	<b>3.60</b>
DSU granted	20,147	11.60
<b>Balance June 30, 2022</b>	<b>196,816</b>	<b>4.42</b>

## 11. Revenue and receivables

	Three Months ended June 30		Six Months ended June 30	
	2022	2021	2022	2021
Natural Gas Sales	286,195	99,793	520,541	242,456
Natural Gas Sales from third parties	40,530	-	40,530	-
Natural Gas Liquid sales	125,756	62,572	231,680	120,292
<b>Natural gas and natural gas liquid sales</b>	<b>452,481</b>	<b>162,365</b>	<b>792,751</b>	<b>362,748</b>

	June 30, 2022	December 31, 2021
Accounts receivable from customers	162,247	106,831
Accounts receivable from realized risk management contracts	-	3,481
Accounts receivable from joint venture partners and other	9,549	8,636
	<b>171,796</b>	<b>118,948</b>

A substantial portion of the Company’s accounts receivable is with petroleum and natural gas marketing entities. Industry standard dictates that commodity sales are settled on the 25th day of the month following the month of production.

## 12. Financial instruments and capital management

### Financial instrument classification and measurement

Financial instruments of the Company carried on the condensed consolidated balance sheet are carried at amortized cost with the exception of cash and derivative financial instruments. There are no significant differences between the carrying amount of financial instruments and their estimated fair values as at June 30, 2022 except for derivative financial instruments.

The Company’s areas of financial risk management and risks related to financial instruments remained unchanged from December 31, 2021.

The fair value of the Company’s cash and financial derivative instruments are quoted in active markets. The Company classifies the fair value of these transactions according to the following hierarchy.

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant and significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's cash and financial derivative instruments have been assessed on the fair value hierarchy described above and classified as Level 1.

#### Fair values of financial assets and liabilities

The Company's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, dividend payable, long term debt and derivative financial instruments. At June 30, 2022 and 2021, cash and derivative financial instruments, are carried at fair value. Accounts receivable and current liabilities approximate their fair value due to their short-term nature. The carrying value of the long-term debt approximates its fair value due to the floating rate of interest charged under the credit facility.

#### Commodity price risk management

Peyto uses derivative instruments to reduce its exposure to fluctuations in commodity prices. Peyto considers all these transactions to be effective economic hedges for accounting purposes.

Following is a summary of all risk management contracts in place as at June 30, 2022:

<b>Natural Gas</b>			<b>Price</b>
<b>Period Hedged- Monthly Index</b>	<b>Type</b>	<b>Daily Volume</b>	<b>(AECO CAD/GJ)</b>
April 1, 2022 to October 31, 2022	Fixed Price	90,000 GJ	\$2.07 to \$2.26
November 1, 2022 to March 31, 2023	Fixed Price	195,000 GJ	\$2.30 to \$4.03
April 1, 2023 to October 31, 2023	Fixed Price	180,000 GJ	\$2.05 to \$3.00

<b>Natural Gas</b>			<b>Price</b>
<b>Period Hedged- Daily Index</b>	<b>Type</b>	<b>Daily Volume</b>	<b>(AECO CAD/GJ)</b>
April 1, 2022 to October 31, 2022	Fixed Price	25,000 GJ	\$2.13 to \$2.20

<b>Natural Gas</b>			<b>Price</b>
<b>Period Hedged - NYMEX</b>	<b>Type</b>	<b>Daily Volume</b>	<b>(Nymex USD/mmbtu)</b>
April 1, 2022 to October 31, 2022	Fixed Price	55,000 mmbtu	\$2.56 to \$4.19
November 1, 2022 to December 31, 2022	Fixed Price	70,000 mmbtu	\$3.97 to \$4.78
November 1, 2022 to March 31, 2023	Fixed Price	70,000 mmbtu	\$4.05 to \$5.10
January 1, 2023 to December 31, 2023	Fixed Price	70,000 mmbtu	\$3.42 to \$3.77
April 1, 2023 to October 31, 2023	Fixed Price	40,000 mmbtu	\$3.35 to \$3.90
November 1, 2023 to March 31, 2024	Fixed Price	5,000 mmbtu	\$5.01
January 1, 2024 to March 31, 2024	Fixed Price	70,000 mmbtu	\$4.15 to \$5.03

<b>Natural Gas</b>			<b>Price</b>
<b>Period Hedged - Malin</b>	<b>Type</b>	<b>Daily Volume</b>	<b>(Nymex USD/mmbtu)</b>
April 1, 2022 to October 31, 2022	Fixed Price	40,000 mmbtu	\$2.35 to \$2.40
November 1, 2022, to March 31, 2023	Fixed Price	40,000 mmbtu	\$2.90 to \$3.10

<b>Crude Oil</b>			<b>Price</b>
<b>Period Hedged - WTI</b>	<b>Type</b>	<b>Daily Volume</b>	<b>(WTI USD/bbl)</b>
January 1, 2022 to December 31, 2022	Fixed Price	300 bbl	\$63.75 to \$64.65

<b>Crude Oil</b>			<b>Price</b>
<b>Period Hedged - WTI</b>	<b>Type</b>	<b>Daily Volume</b>	<b>(WTI CDN/bbl)</b>
January 1, 2022 to December 31, 2022	Fixed Price	900 bbl	\$79.75 to \$85.50
July 1, 2022 to September 30, 2022	Fixed Price	1,000 bbl	\$100.15 to \$150.60
July 1, 2022 to December 31, 2022	Fixed Price	1,300 bbl	\$87.75 to \$125.00
October 1, 2022 to December 31, 2022	Fixed Price	400 bbl	\$100.70 to \$134.60
January 1, 2023 to March 31, 2023	Fixed Price	1,700 bbl	\$85.25 to \$133.75
April 1, 2023 to June 30, 2023	Fixed Price	800 bbl	\$111.50 to \$115.85

As at June 30, 2022, Peyto had committed to the future sale of 82,110,000 gigajoules (GJ) of natural gas at an average price of \$2.71 per GJ or \$3.12 per mcf, 73,805,000 mmbtu at an average price of \$3.68 US per mmbtu, 55,200 barrels of crude at an average price of \$64.05 USD per bbl, and 759,400 barrels of crude at an average price of \$102.73 CAD per bbl. Had these contracts closed on June 30, 2022, Peyto would have realized a loss in the amount of \$299.3 million. If the gas price on June 30, 2022, were to increase by \$0.10/GJ, the unrealized loss would increase by approximately \$31.1 million. An opposite change in commodity prices would result in an opposite impact on other comprehensive income.

Subsequent to June 30, 2022, Peyto entered into the following contracts:

Natural Gas			Price
Period Hedged- Monthly Index	Type	Daily Volume	(AECO CAD/GJ)
November 1, 2022 to March 31, 2023	Fixed Price	5,000 GJ	\$6.62
November 1, 2023 to March 31, 2024	Fixed Price	5,000 GJ	\$5.00

Crude Oil			Price
Period Hedged - WTI	Type	Daily Volume	(WTI CDN/bbl)
July 1, 2022 to September 30, 2022	Fixed Price	400 bbl	\$126.50 to \$130.00
October 1, 2022 to December 31, 2022	Fixed Price	100 bbl	\$121.60
January 1, 2023 to March 31, 2023	Fixed Price	100 bbl	\$117.00
April 1, 2023 to June 30, 2023	Fixed Price	100 bbl	\$113.25
July 1, 2023 to September 30, 2023	Fixed Price	100 bbl	\$110.30

### 13. Related party transactions

Certain directors of Peyto are considered to have significant influence over other reporting entities that Peyto engages in transactions with. Such services are provided in the normal course of business and at market rates. These directors are not involved in the day to day operational decision making of the Company. The dollar value of the transactions between Peyto and the related reporting entities is summarized below:

Expense		Accounts Payable	
Three Months ended June 30	Six Months ended June 30	As at June 30	
2022	2022	2022	2021
2021	2021		
<b>110.2</b>	<b>828.4</b>	<b>24.8</b>	<b>(4)</b>
(96.0)	(52.0)		

### 14. Commitments

Following is a summary of Peyto's contractual obligations and commitments as at June 30, 2022:

	2022	2023	2024	2025	2026	Thereafter
Interest payments <sup>(1)</sup>	6,439	16,827	13,127	11,743	8,163	9,962
Transportation commitments	44,364	68,856	43,991	42,432	31,032	357,916
Operating leases	1,100	2,200	2,200	2,200	2,200	-
<b>Total</b>	<b>51,903</b>	<b>87,883</b>	<b>59,318</b>	<b>56,375</b>	<b>41,395</b>	<b>367,878</b>

(1) Fixed interest payments on senior secured notes

**Officers**

Darren Gee  
Chief Executive Officer

Jean-Paul Lachance  
President and Chief Operating Officer

Kathy Turgeon  
Chief Financial Officer

Scott Robinson  
Vice President, Business Development

David Thomas  
Vice President, Exploration

Stephen Chetner  
Corporate Secretary

Lee Curran  
Vice President, Drilling and Completions

Todd Burdick  
Vice President, Production

Derick Czember  
Vice President, Land

Riley Frame  
Vice President, Engineering

Tavis Carlson  
Vice President, Finance

**Directors**

Don Gray, Chairman  
Brian Davis  
Michael MacBean, Lead Independent Director  
Darren Gee  
Gregory Fletcher  
Kathy Turgeon  
John Rossall

**Auditors**

Deloitte LLP

**Solicitors**

Burnet, Duckworth & Palmer LLP

**Bankers**

Bank of Montreal  
Canadian Imperial Bank of Commerce  
ATB Financial  
National Bank of Canada  
Royal Bank of Canada  
The Bank of Nova Scotia  
The Toronto-Dominion Bank  
Wells Fargo Bank, N.A., Canadian Branch  
Canadian Western Bank  
Bank of China (Canada)  
Business Development Bank of Canada

**Transfer Agent**

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