

# Peyto Exploration & Development Corp.

## Condensed Consolidated Balance Sheet (unaudited)

(Amount in \$ thousands)

	June 30 2023	December 31 2022
<b>Assets</b>		
<b>Current assets</b>		
Cash	9,319	11,905
Accounts receivable (Note 10)	79,851	188,036
Prepaid expenses	21,534	18,609
Derivative financial instruments (Note 11)	114,938	-
	<b>225,642</b>	218,550
Long-term derivative financial instruments (Note 11)	34,374	15,033
Property, plant and equipment, net (Note 3)	3,833,432	3,778,940
	<b>3,867,806</b>	3,793,973
	<b>4,093,448</b>	4,012,523
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	88,310	215,560
Dividends payable (Note 7)	19,261	8,674
Income tax payable	24,723	20,277
Current portion of lease obligation (Note 6)	1,288	1,266
Decommissioning provision (Note 5)	1,521	-
Current portion of long-term debt (Note 4)	100,000	100,000
Derivative financial instruments (Note 11)	-	126,081
	<b>235,103</b>	471,858
Long-term debt (Note 4)	747,960	759,176
Decommissioning provision (Note 5)	151,002	144,725
Lease obligation (Note 6)	3,424	4,074
Deferred income taxes	646,114	571,024
	<b>1,548,500</b>	1,478,999
<b>Equity</b>		
Share capital (Note 7)	1,709,492	1,697,803
Contributed surplus	20,283	16,274
Retained earnings	463,446	431,443
Accumulated other comprehensive gain (loss) (Note 7)	116,624	(83,854)
	<b>2,309,845</b>	2,061,666
	<b>4,093,448</b>	4,012,523

See accompanying notes to the condensed consolidated financial statements.

Approved by the Board of Directors

(signed) "Michael MacBean"  
Director

(signed) "Jean-Paul Lachance"  
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	
	2023	2022	2023	2022
<b>Revenue</b>				
Natural gas and natural gas liquid sales <i>(Note 10)</i>	171,639	411,951	517,150	752,221
Royalties	(9,695)	(53,838)	(39,261)	(86,741)
Sales of natural gas from third parties	-	40,530	-	40,530
Natural gas and natural gas liquid sales, net of royalties	<b>161,944</b>	398,643	<b>477,889</b>	706,010
Realized gain (loss) on derivative financial instruments <i>(Note 11)</i>	47,770	(104,121)	(19,408)	(157,496)
Other Income	871	386	5,937	767
	<b>210,585</b>	294,908	<b>464,418</b>	549,281
<b>Expenses</b>				
Natural gas purchased from third parties	-	39,543	-	39,543
Operating	25,392	21,838	53,203	44,134
Transportation	15,701	15,223	29,253	30,493
General and administrative	2,819	1,029	4,571	2,760
Performance based compensation	-	2,500	-	2,500
Stock based compensation <i>(Note 9)</i>	3,655	2,571	6,743	4,860
Interest	11,823	11,374	23,870	22,957
Realized loss on foreign exchange	848	-	605	-
Unrealized loss (gain) on foreign exchange	(1,172)	1,560	(1,216)	832
Accretion of decommissioning provision <i>(Note 5)</i>	1,167	1,645	2,247	2,841
Depletion and depreciation <i>(Note 3)</i>	74,784	74,071	151,793	147,090
	<b>135,017</b>	171,354	<b>271,069</b>	298,010
<b>Earnings before taxes</b>	<b>75,568</b>	123,554	<b>193,349</b>	251,271
<b>Income tax</b>				
Current tax	11,648	-	30,745	-
Deferred tax	6,505	29,009	15,208	58,910
<b>Total income taxes</b>	<b>18,153</b>	29,009	<b>45,953</b>	58,910
<b>Earnings for the period</b>	<b>57,415</b>	94,545	<b>147,396</b>	192,361
<b>Earnings per share</b> <i>(Note 7)</i>				
<b>Basic</b>	<b>\$0.33</b>	\$0.56	<b>\$0.84</b>	\$1.14
<b>Diluted</b>	<b>\$0.33</b>	\$0.54	<b>\$0.84</b>	\$1.10

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>2023</b>	2022	<b>2023</b>	2022
<b>Earnings for the period</b>	<b>57,415</b>	94,545	<b>147,396</b>	192,361
<b>Other comprehensive income</b>				
Change in unrealized gain (loss) on derivative financial instruments	47,524	(54,842)	241,129	(383,471)
Deferred income tax recovery (expense)	41	(11,334)	(59,882)	51,974
Realized loss (gain) on derivative financial instruments	(47,703)	104,121	19,231	157,496
<b>Comprehensive income</b>	<b>57,277</b>	132,490	<b>347,874</b>	18,360

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>2023</b>	<b>2022</b>
<b>Share capital, beginning of period</b>	<b>1,697,803</b>	1,664,508
Common shares issued on exercise of stock options and private placement	8,955	11,342
Issued on settlement of DSU's	250	-
Contributed surplus on exercise of stock options	2,484	4,930
<b>Share capital, end of period</b>	<b>1,709,492</b>	1,680,780
<b>Contributed surplus, beginning of period</b>	<b>16,274</b>	13,123
Stock based compensation expense	6,743	4,860
Recognized under stock-based compensation plans	(2,734)	(4,930)
<b>Contributed surplus, end of period</b>	<b>20,283</b>	13,053
<b>Retained earnings, beginning of period</b>	<b>431,443</b>	143,217
Earnings for the period	147,396	192,361
Dividends <i>(Note 7)</i>	(115,393)	(50,843)
<b>Retained earnings, end of period</b>	<b>463,446</b>	284,735
<b>Accumulated other comprehensive loss, beginning of period</b>	<b>(83,854)</b>	(54,842)
Other comprehensive gain (loss)	200,478	(174,001)
<b>Accumulated other comprehensive gain (loss), end of period</b>	<b>116,624</b>	(228,843)
<b>Total equity</b>	<b>2,309,845</b>	1,749,725

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>2023</b>	2022	<b>2023</b>	2022
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Earnings	57,415	94,545	147,396	192,361
Items not requiring cash:				
Deferred income tax	6,505	29,009	15,208	58,910
Depletion and depreciation	74,784	74,071	151,793	147,090
Accretion of decommissioning provision	1,167	1,645	2,247	2,841
Stock based compensation	3,655	2,571	6,743	4,860
Unrealized loss (gain) on foreign exchange	(1,172)	1,560	(1,216)	832
Change in non-cash working capital related to operating activities	6,254	17,179	10,043	(523)
	<b>148,608</b>	220,580	<b>332,214</b>	406,371
<b>Financing activities</b>				
Common shares issued on exercise of stock options and private placement	1,552	6,591	8,955	11,342
Cash dividends paid	(57,682)	(25,427)	(104,806)	(50,734)
Lease interest <i>(Note 6)</i>	42	53	86	106
Principal repayment of lease <i>(Note 6)</i>	(357)	(357)	(714)	(713)
Increase (decrease) in bank debt	15,000	(65,000)	(10,000)	(90,000)
	<b>(41,445)</b>	(84,140)	<b>(106,479)</b>	(129,999)
<b>Investing activities</b>				
Additions to property, plant and equipment	(82,319)	(108,089)	(204,121)	(251,420)
Change in prepaid capital	3,549	(1,842)	3,387	14,931
Corporate Acquisition	-	-	-	(22,220)
Change in non-cash working capital relating to investing activities	(23,301)	(8,669)	(27,587)	(1,967)
	<b>(102,071)</b>	(118,600)	<b>(228,321)</b>	(260,676)
<b>Net increase (decrease) in cash</b>	<b>5,092</b>	17,840	<b>(2,586)</b>	15,696
<b>Cash, beginning of period</b>	<b>4,227</b>	3,574	<b>11,905</b>	5,718
<b>Cash, end of period</b>	<b>9,319</b>	21,414	<b>9,319</b>	21,414
The following amounts are included in cash flows from operating activities:				
Cash interest paid	15,445	13,563	21,926	21,780
Cash taxes paid	6,000	-	26,278	-

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, 2023 and 2022**

(Amount in \$ thousands, except as otherwise noted)

### **1. Nature of operations**

Peyto Exploration & Development Corp and its subsidiaries (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 9, 2023.

### **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, 2022 and 2021.

#### **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 condensed 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, 2022 and 2021.

##### **(b) Adoption of new standards January 1, 2023**

###### **IAS 1 – Disclosure of Accounting Policies**

Effective January 1, 2023, the amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies, while providing guidance on how entities can identify material accounting policy information and examples of when accounting policy information is likely to be material. This does not have a material impact on the consolidated financial statements.

###### **IAS 8 – Definition of Accounting Estimates**

Effective January 1, 2023, the amendments distinguish how an entity should present and disclose different types of accounting changes in its financial statements and provides updated definitions to changes in accounting estimates to

assist issuers in assessing between a change in accounting policy and a change in accounting estimate. This will not have a material impact on the consolidated financial statements.

#### IAS 12 – Income Taxes

Effective January 1, 2023, the amendments clarify that the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24 does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities. This will not have a material impact on the consolidated financial statements.

### 3. Property, plant and equipment, net

<b>Cost</b>	
<b>At December 31, 2022</b>	<b>6,979,099</b>
Additions	200,734
Decommissioning provision additions	5,551
<b>At June 30, 2023</b>	<b>7,185,384</b>
Accumulated depletion and depreciation	
<b>At December 31, 2022</b>	<b>(3,200,159)</b>
Depletion and depreciation	(151,793)
<b>At June 30, 2023</b>	<b>(3,351,952)</b>
Carrying amount at December 31, 2022	
	<b>3,778,940</b>
<b>Carrying amount at June 30, 2023</b>	<b>3,833,432</b>

During the three and six month periods ended June 30, 2023, Peyto capitalized \$2.0 million and \$4.9 million (2022-\$3.5 million and \$7.0 million) of general and administrative expense directly attributable to exploration and development activities.

As at June 30, 2023, the Company identified no indicators of impairment and therefore a test was not performed.

### 4. Long-term debt

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Bank credit facility	430,000	440,000
Current senior secured notes	100,000	100,000
Long-term senior Secured notes	317,960	319,176
<b>Balance, end of the period</b>	<b>847,960</b>	<b>859,176</b>

On October 3, 2022, the Company entered into an agreement with its syndicate of lenders to amend and extend its senior secured covenant-based credit facility to reflect a reduction in credit limit to \$800 million. The facility has a maturity date of October 13, 2025, and is made up of a \$40 million working capital tranche, a \$760 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.

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

Senior secured notes in the amount of \$100 million with a coupon rate of 3.70% mature on October 24, 2023, and are classified as a current liability. Peyto has the ability to repay the senior secured notes with available borrowing from its credit facility.

Peyto is in compliance with all financial covenants at June 30, 2023.

Total interest expense for the three and six month periods ended June 30, 2023, was \$11.8 million and \$23.9 million (2022 - \$11.4 million and \$23.0 million) and the average borrowing rate for the period was 5.6% and 5.7% (2022 - 4.7% and 4.5%).

## 5. Decommissioning provision

The following table reconciles the change in decommissioning provision:

<b>Balance, December 31, 2022</b>	<b>144,725</b>
New provisions	2,039
Accretion of decommissioning provision	2,247
Change in discount rate and estimates	3,512
<b>Balance, June 30, 2023</b>	<b>152,523</b>
Current	<b>1,521</b>
Non-current	<b>151,002</b>

The Company has estimated the net present value of its total decommissioning provision to be \$152.5 million as at June 30, 2023 (December 31, 2022 - \$144.7 million) based on a total escalated future undiscounted liability of \$401.9 million ((December 31, 2022 - \$398.8 million). At June 30, 2023 management estimates that these payments are expected to be made over the next 48 years (December 31, 2022 - 48 years) with the majority of payments being made in years 2024 to 2071. The Bank of Canada's long-term bond rate of 3.09 per cent (December 31, 2022 - 2.00 per cent) and an inflation rate of 2.0 per cent (December 31, 2022 - 2.0 per cent) were used to calculate the present value of the decommissioning provision.



## 6. 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, 2022</b>	<b>4,034</b>
Depreciation	(504)
<b>Balance at June 30, 2023</b>	<b>3,530</b>

The ROU asset is included in Property plant & equipment, refer to Note 3.

### Lease Obligation

<b>Lease obligation at December 31, 2022</b>	<b>5,340</b>
Lease interest expense	86
Principal repayment of lease	(714)
<b>Lease obligation at June 30, 2023</b>	<b>4,712</b>
<b>Current portion of lease obligation at June 30, 2023</b>	<b>1,288</b>
<b>Non-current portion of lease obligation at June 30, 2023</b>	<b>3,424</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, 2023 (2022-\$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, 2023, \$6.8 million and \$14.3 million (2022- \$7.6 million and \$15.9 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, 2023</b>
Less than 1 year	714
1-3 years	4,286
Total lease payment	5,000
Amount representing interest	(288)
Present value of lease payments	<b>4,712</b>
Current portion of lease obligation	<b>1,288</b>
Non-current portion of lease obligation	<b>3,424</b>

## 7. Share capital

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

### Issued and Outstanding

	Number of Common Shares	Amount \$
<b>Common Shares (no par value)</b>		
<b>Balance, December 31, 2022</b>	<b>173,470,242</b>	<b>1,697,803</b>
Common shares issued on exercise of stock options	1,584,701	8,955
Issued on settlement of DSU's	42,994	250
Contributed surplus on exercise of stock options	-	2,484
<b>Balance, June 30, 2023</b>	<b>175,097,937</b>	<b>1,709,492</b>

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

	Three Months ended June 30		Six Months ended June 30	
	2023	2022	2023	2022
Weighted average common shares basic	<b>174,895,215</b>	169,896,849	<b>174,836,955</b>	169,479,830
Weighted average common shares diluted	<b>176,305,942</b>	175,040,905	<b>176,460,770</b>	174,248,420

### Dividends

During the three and six month periods ended June 30, 2023, Peyto declared and paid dividends of \$0.11 per common share per month totaling \$57.7 million and \$115.4 million respectively (2022 - \$0.05 per common share per month totaling \$25.4 million and \$50.8 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 11.

## 8. 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, 2023 is \$nil, (2022 - \$2.5 million) was expensed.

## 9. 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

### Stock option plans

The following tables summarize the stock options outstanding at June 30, 2023:

		Weighted average exercise price \$
<b>Balance, December 31, 2022</b>	<b>9,940,868</b>	<b>9.86</b>
Stock options granted	2,661,600	12.24
Exercised	(1,584,701)	5.65
Forfeited	(1,248,930)	10.22
Expired	(5,467)	14.22
<b>Balance, June 30, 2023</b>	<b>9,763,370</b>	<b>11.14</b>

The Company estimates the fair value of options under the stock option plan using the Black-Scholes pricing model. During the 6 months period ended June 30, 2023, the weighted-average fair value per option was \$3.81. The following tables summarize the assumptions used in the Black-Scholes model:

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

	June 30, 2023	June 20, 2022
Fair value of options granted (weighted average)	\$3.81	\$3.71
Expected volatility	51.74%	55.63%
Average option life	2 years	2 years
Risk-free interest rate	4.19%	1.80%
Forfeiture rate	5.11%	3.89%

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, 2023, no stock options were exercisable.

### Deferred Share Units (“DSU’s”)

The following tables summarize the DSU’s outstanding at June 30, 2023:

<b>Balance, December 31, 2022</b>	<b>217,236</b>
DSU’s granted	32,045
DSU’s settled	(42,994)
<b>Balance June 30, 2023</b>	<b>206,287</b>

## 10. Revenue and receivables

	Three Months ended June 30		Six Months ended June 30	
	2023	2022	2023	2022
Natural Gas Sales	105,527	286,195	367,388	520,541
Natural Gas Sales from third parties	-	40,530	-	40,530
Natural Gas Liquid sales	66,112	125,756	149,762	231,680
<b>Natural gas and natural gas liquid sales</b>	<b>171,639</b>	<b>452,481</b>	<b>517,150</b>	<b>792,751</b>

	June 30, 2023	December 31, 2022
Accounts receivable from customers	60,102	184,207
Accounts receivable from realized risk management contracts	16,942	92
Accounts receivable from joint venture partners and other	2,807	3,737
	<b>79,851</b>	<b>188,036</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.

## 11. 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, 2023 except for derivative financial instruments.

The Company's areas of financial risk management and risks related to financial instruments remained unchanged from December 31, 2022.

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, 2023 and 2022, 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, 2023:

#### Commodity contracts

<b>Natural Gas</b>			<b>Average Price</b>
<b>Period Hedged- Monthly Index</b>	<b>Type</b>	<b>Daily Volume (GJ)</b>	<b>(AECO CAD/GJ)</b>
Q3 2023	Fixed Price	187,500	\$3.31
Q4 2023	Fixed Price	121,196	\$4.06
Q1 2024	Fixed Price	87,500	\$4.89
Q2 2024	Fixed Price	50,000	\$3.42
Q3 2024	Fixed Price	50,000	\$3.42
Q4 2024	Fixed Price	106,359	\$4.02
Q1 2025	Fixed Price	135,000	\$4.13
Q2 2025	Fixed Price	65,000	\$3.53
Q3 2025	Fixed Price	65,000	\$3.53
Q4 2025	Fixed Price	55,054	\$3.89
Q1 2026	Fixed Price	50,000	\$4.12

<b>Natural Gas</b>			<b>Average Price</b>
<b>Period Hedged- Daily Index</b>	<b>Type</b>	<b>Daily Volume (GJ)</b>	<b>(AECO CAD/GJ)</b>
Q3 2023	Fixed Price	60,000	\$2.42
Q4 2023	Fixed Price	20,217	\$2.42
Q2 2024	Fixed Price	45,000	\$2.72
Q3 2024	Fixed Price	45,000	\$2.72
Q4 2024	Fixed Price	15,163	\$2.72
Q2 2025	Fixed Price	25,000	\$3.60
Q3 2025	Fixed Price	25,000	\$3.60
Q4 2025	Fixed Price	8,424	\$3.60

<b>Natural Gas</b>			<b>Average Price</b>
<b>Period Hedged - NYMEX</b>	<b>Type</b>	<b>Daily Volume (MMBtu)</b>	<b>(Nymex USD/MMBtu)</b>
Q3 2023	Fixed Price	130,000	\$3.66
Q4 2023	Fixed Price	202,935	\$3.90
Q1 2024	Fixed Price	240,000	\$4.19
Q2 2024	Fixed Price	115,000	\$3.85
Q3 2024	Fixed Price	115,000	\$3.85
Q4 2024	Fixed Price	58,641	\$3.92
Q1 2025	Fixed Price	30,000	\$4.07
Q2 2025	Fixed Price	25,000	\$3.78
Q3,2025	Fixed Price	25,000	\$3.78
Q4,2025	Fixed Price	8,424	\$3.78

<b>Crude Oil</b>			<b>Average Price</b>
<b>Period Hedged - WTI</b>	<b>Type</b>	<b>Daily Volume (bbl)</b>	<b>(WTI CAD/bbl)</b>
Q3 2023	Fixed Price	3,000	\$104.54
Q4 2023	Fixed Price	1,800	\$101.96
Q1 2024	Fixed Price	800	\$98.28
Q2 2024	Fixed Price	500	\$96.15

<b>Crude Oil Period Hedged - WTI</b>	<b>Type</b>	<b>Daily Volume (bbl)</b>	<b>Average Price (WTI USD/bbl)</b>
Q3 2023	Fixed Price	400	\$71.53
Q4 2023	Fixed Price	400	\$70.80
Q1 2024	Fixed Price	200	\$70.15

<b>Crude Oil Period Hedged - WTI</b>	<b>Type</b>	<b>Daily Volume (bbl)</b>	<b>Put - Call (WTI CAD/bbl)</b>
Q3 2023	Collar	500	\$95.00-\$115.25
Q4 2023	Collar	500	\$90.00-\$116.25
Q1 2024	Collar	500	\$90.00-\$110.20

As at June 30, 2023, Peyto had committed to the future sale of 111,267,500 gigajoules (GJ) of natural gas at an average price of \$3.65 per GJ or \$4.20 per Mcf, 86,960,000 MMBtu at an average price of \$3.93 USD per MMBtu, 559,900 barrels of crude at an average price of \$102.28 CAD per bbl, 91,800 barrels of crude at an average price of \$70.96 USD per bbl and 137,500 barrels of crude with an average collar of \$91.67 -\$113.91 CAD per bbl. Had these contracts closed on June 30, 2023, Peyto would have realized a gain in the amount of \$143.0 million. If the gas price on June 30, 2023 were to increase by \$0.10/GJ, the unrealized gain would decrease by approximately \$20.3 million. An opposite change in commodity prices would result in an opposite impact on other comprehensive income.

#### Foreign exchange contracts

<b>Average Rate Forward</b>	<b>Amount (USD)</b>	<b>Rate (CAD/USD)</b>
Q3 2023	\$30 million	1.3601
Q4 2023	\$34 million	1.3589
Q1 2024	\$36 million	1.3500
Q2 2024	\$36 million	1.3500
Q3 2024	\$6 million	1.3500
Q4 2024	\$2 million	1.3500

Had these contracts closed on June 30, 2023, Peyto would have realized a gain in the amount of \$4.9 million.

#### Interest rate contracts

<b>Term</b>	<b>Notional Amount</b>	<b>Peyto pays fixed rate</b>	<b>Peyto receives floating rate</b>
March 17, 2023 to March 17, 2026	\$50 million	3.565%	1- month CDOR

Had these contracts closed on June 30, 2023, Peyto would have realized a gain in the amount of \$1.5 million.

Subsequent to June 30, 2023, Peyto entered into the following contracts:

<b>Natural Gas Period Hedged- Monthly Index</b>	<b>Type</b>	<b>Daily Volume (GJ)</b>	<b>Average Price (AECO CAD/GJ)</b>
November 1, 2025 to March 31, 2026	Fixed Price	60,000	\$4.16

<b>Natural Gas Period Hedged - NYMEX</b>	<b>Type</b>	<b>Daily Volume (MMBtu)</b>	<b>Average Price (NYMEX USD/MMBtu)</b>
November 1, 2023 to March 31, 2024	Fixed Price	20,000	\$3.54
November 1, 2024 to October 31, 2025	Fixed Price	50,000	\$3.88
November 1, 2024 to March 31, 2025	Fixed Price	5,000	\$4.16

<b>Crude Oil</b>			<b>Average Price</b>
<b>Period Hedged - WTI</b>	<b>Type</b>	<b>Daily Volume (bbl)</b>	<b>(WTI CDN/bbl)</b>
July 1, 2023 to September 30, 2023	Fixed Price	200	\$95.30
October 1, 2023 to December 31, 2023	Fixed Price	600	\$100.15
January 1, 2024 to March 31, 2024	Fixed Price	900	\$98.68
April 1, 2024 to June 30, 2024	Fixed Price	500	\$96.09
July 1, 2024 to September 30, 2024	Fixed Price	400	\$96.48
October 1, 2024 to December 31, 2024	Fixed Price	200	\$97.50

<b>Crude Oil</b>			<b>Put - Call</b>
<b>Period Hedged - WTI</b>	<b>Type</b>	<b>Daily Volume (bbl)</b>	<b>(WTI CAD/bbl)</b>
April 1, 2024 – June 30, 2024	Collar	500	\$90.00–\$100.25
July 1, 2024 – September 30, 2024	Collar	500	\$85.00–\$95.00

#### Foreign exchange contracts

<b>Average Rate Forward</b>	<b>Amount (USD)</b>	<b>Rate (CAD/USD)</b>
Q4 2023	\$10 million	1.3300
Q1 2024	\$30 million	1.3300
Q2 2024	\$10 million	1.3300
Q3 2024	\$24 million	1.3231
Q4 2024	\$30 million	1.3245
Q1 2025	\$18 million	1.3252
Q2 2025	\$18 million	1.3252
Q3 2025	\$18 million	1.3252
Q4 2025	\$12 million	1.3252

## 12. 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:

<b>Expense</b>				<b>Accounts Payable</b>	
<b>Three Months ended June 30</b>		<b>Six Months ended June 30</b>		<b>As at June 30</b>	
<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>32.0</b>	110.2	<b>127.2</b>	828.4	<b>9.2</b>	24.8

## 13. Commitments

Following is a summary of Peyto's contractual obligations and commitments as at June 30, 2023:

	2023	2024	2025	2026	2027	Thereafter
Interest payments <sup>(1)</sup>	6,504	13,258	11,874	8,294	6,099	4,124
Transportation commitments	29,424	58,714	59,690	40,617	30,411	364,017
Operating leases	1,114	2,227	2,227	2,227	-	-
Methanol	585	-	-	-	-	-
<b>Total</b>	<b>37,627</b>	<b>74,199</b>	<b>73,791</b>	<b>51,138</b>	<b>36,510</b>	<b>368,141</b>

(1) Fixed interest payments on senior secured notes

**Officers**

Jean-Paul Lachance  
President and Chief Executive Officer

Kathy Turgeon  
Chief Financial Officer

Lee Curran  
Vice President, Drilling and Completions

Todd Burdick  
Vice President, Production

Derick Czember  
Vice President of Land and Business Development

Riley Frame  
Vice President, Engineering

Tavis Carlson  
Vice President, Finance

Stephen Chetner  
Corporate Secretary

**Directors**

Don Gray, Chairman  
Brian Davis  
Michael MacBean, Lead Independent Director  
Darren Gee  
John Rossall  
Debra Gerlach  
Jean-Paul Lachance  
Jocelyn McMinn

**Auditors**

Deloitte LLP

**Solicitors**

Burnet, Duckworth & Palmer LLP

**Bankers**

Bank of Montreal  
Canadian Imperial Bank of Commerce  
ATB Financial  
China Construction Bank (Canada)  
Canadian Western Bank  
Bank of China (Canada)  
National Bank of Canada  
Business Development Bank of Canada  
The Toronto-Dominion Bank

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