

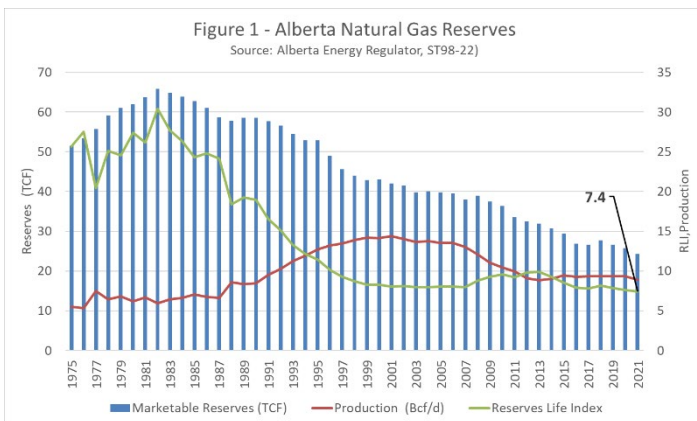
# Peyto Exploration & Development Corp. Monthly Report

April 2023

By Jean-Paul Lachance, President and Chief Executive Officer

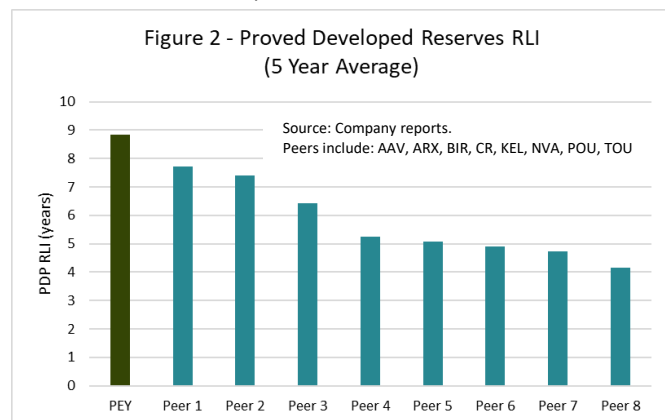
## Fast Gas

Since the advent of horizontal multi-stage drilling, producers continue to push the limits of technology by drilling longer wells and increasing stimulation intensity to maximize ultimate recovery in order to create incremental value from unconventional reservoirs. One would think that with these increased efforts, Alberta's reserves would be increasing alongside new production, but not so. Instead, Figure 1 shows how the province's assessment of gas reserves and reserves life has been decreasing with time while production in the province has remained relatively flat. This "fast gas" means significant re-investment is required by Alberta's gas producers if we are to meet long-term LNG contracts, increasing power demand, and the world's thirst for responsibly developed, secure natural gas.



Alberta natural gas reserves in this case refers to the remaining volume of natural gas that could be recovered from a known resource that is either already being produced or could begin production within about five years. That would compare closest to Peyto's Total Proved reserves which have a reserve life index ("RLI") of 15 years.

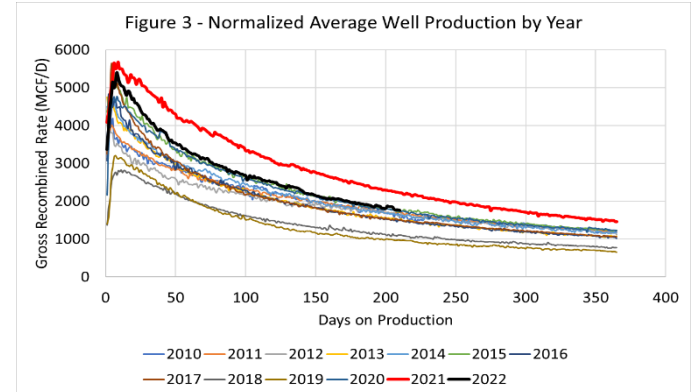
If we take a closer look at some of our gas peers' average RLI, a ratio that measures the length of time that current production will deplete those reserves, it shows how Peyto's reserves compare (Figure 2). Peyto maintains that our long reserves life, low-cost reserves differentiate us from our peers.



However, despite having one of the longest RLI's in the industry today, Peyto is not immune to the "fast gas" treadmill and we have seen an increase in our production decline rate over the last year as shown in

Figure 3. We had anticipated our 2022 drilling program would decline like our 2021 program, but it was slightly steeper, causing us to come up a little short on our year-end target. Notwithstanding the steeper decline profile, 2022 was still a very successful year for Peyto's capital program, which generated a full cycle internal rate of return of 53%\*. That was our primary focus, ensuring returns not just production growth, and the by-product was record earnings and record funds from operations along with a 14% growth in average production volumes.

\*See non-GAAP and Other Financial Measures



## Operational Highlights

Wells brought on production in Q1 2023 have been consistent with the 2022 production profiles, but the timing of new production has been lumpy as we focus on cost saving multi-well pads. We completed 4.6 wells late in March and have 7.3 net fracs scheduled for April that should be onstream later in the month or first week of May. We plan to run 3 rigs during spring break-up (weather permitting) as we manage spending during this current low gas price environment to ensure profitable deployment of shareholder's capital.

As in the past, this report includes an estimate of monthly capital spending as well as our field estimate of production for the most recent month (see Capital Investment and Production tables below).

### Capital Investment (\$C millions)<sup>1</sup>

	Q1 21	Q2 21	Q3 21	Q4 21	2021	Q1 22	Q2 22	Q3 22	Q4 22	2022	Jan 23	Feb 23
D,C,E&T <sup>2</sup>	57	47	76	90	271	95	80	98	98	371	30	31
Facilities	16	8	12	14	50	47	21	16	16	100	11	14
Other <sup>3</sup>	37	1	2	5	44	1	8		1	10		
Acquisitions <sup>4</sup>						22		26		48		
<b>Total</b>	<b>109</b>	<b>57</b>	<b>90</b>	<b>109</b>	<b>365</b>	<b>166</b>	<b>108</b>	<b>140</b>	<b>115</b>	<b>529</b>	<b>41</b>	<b>45</b>

### Production (mboe/d)<sup>1</sup>

	2021	Q1 22	Q2 22	Q3 22	Oct 22	Nov 22	Dec 22	Q4 22	2022	Jan 23	Feb 23	Mar 23
Sundance	70	78	76	75	75	75	75	75	76	73	71	70
Brazeau	17	19	23	24	25	26	26	26	23	27	27	28
Other	4	5	5	5	4	4	5	4	5	5	5	4
<b>Total</b>	<b>91</b>	<b>101</b>	<b>104</b>	<b>105</b>	<b>105</b>	<b>105</b>	<b>106</b>	<b>105</b>	<b>104</b>	<b>105</b>	<b>103</b>	<b>102</b>
Liquids %	13%	11%	13%	13%	13%	12%	12%	12%	12%	12%	12%	12%

- This estimate is based on real field data, not a forecast, and actual numbers will vary from the estimate due to accruals and adjustments. Such variance may be material. Tables may not add due to rounding.
- Well related costs including Drilling, Completions, Equip and Tie-in.
- Other costs include Land, Seismic, and Miscellaneous.
- Acquisitions include asset and corporate deals.

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### FORWARD LOOKING STATEMENTS

Certain information set forth in this monthly report, including management's expectation of future natural gas prices and the reasons therefore and management's estimate of monthly capital spending, field estimate of production, production decline rates and forecast netbacks, contains forward-looking statements. Reserves disclosures are also forward-looking information, including the volumes and the life of Peyto's reserves, production estimates, project economics including NPV, IRR, netback and recycle ratio. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Peyto's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Peyto's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Peyto will derive there from. The forward-looking statements contained in this monthly report are made as of the date of this monthly report. Except as required by applicable securities law, we assume no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing risks and assumptions affecting such forward-looking statements, whether as a result of new information, future events or otherwise.

All references are to Canadian dollars unless otherwise indicated. Natural gas liquids and oil volumes are recorded in barrels of oil (bbl) and are converted to a thousand cubic feet equivalent (mcf) using a ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Natural gas volumes recorded in thousand cubic feet (mcf) are converted to barrels of oil equivalent (boe) using the ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based in an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of oil as compared with natural gas is significantly different from the energy equivalent of six to one, utilizing a boe conversion ratio of 6 mcf:1 bbl may be misleading as an indication of value.

### NON-GAAP AND OTHER FINANCIAL MEASURES

Peyto employs certain measures to analyze financial performance, financial position, and cash flow. These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net income (loss), cash flow from operating activities, and cash flow used in investing activities, as indicators of Peyto's performance. Non-GAAP and other financial measures used herein include funds from operations, IRR and RLI.

Funds from operations is a non-GAAP measure which represents cash flows from operating activities before changes in non-cash operating working capital and provision for future performance-based compensation. Management considers funds from operations and per share calculations of funds from operations to be key measures as they demonstrate the Company's ability to generate the cash necessary to pay dividends, repay debt and make capital investments. Management believes that by excluding the temporary impact of changes in non-cash operating working capital, funds from operations provides a useful measure of Peyto's ability to generate cash that is not subject to short-term movements in operating working capital. The most directly comparable GAAP measure is cash flows from operating activities.

RLI is a non-GAAP financial ratio and is calculated by dividing remaining reserves by annual production. In the case of PDP RLI comparison in Figure 2, Q4 2022 production was annualized. For more information on Peyto's reserves and reserves metrics, refer to the press release dated February 16, 2023, announcing the Year End Reserve Report which is available on the website at [www.peyto.com](http://www.peyto.com).

Internal Rate of Return is a non-GAAP financial ratio and the calculation is based on GLJ Proved Developed Producing forecasted production reserves, total capital expenditures for 2022 excluding acquisitions and realized unhedged 2022 prices combined with 3CA forecasted prices consistent with those used in the Company's year end 2022 reserves filings.