

# Peyto Exploration & Development Corp.

## Monthly Report

May 2023

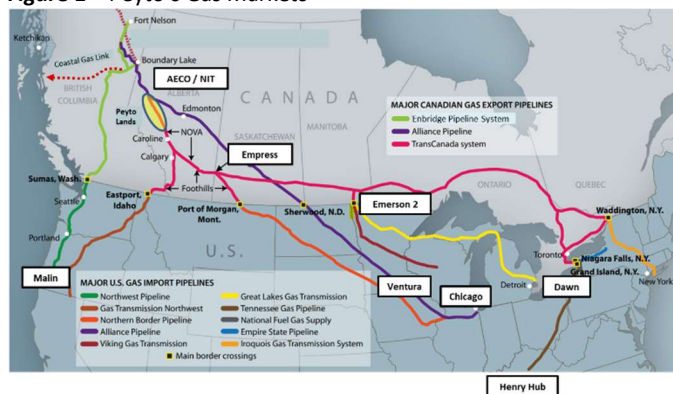
By Jean-Paul Lachance, President and Chief Executive Officer

### Gas Market Diversification

In January 2018, Peyto announced a gas marketing diversification strategy in response to significant and prolonged lower pricing at the local Alberta market (AECO), which had become disconnected from the rest of the North American market, particularly during the busy summer maintenance season. This strategy included the desire to gain exposure to both US markets and local Alberta (“AB”) markets like power, petrochemical, or other industrial users. The diversification strategy was intended to reduce the risk of dependency on just one market and ultimately drive a higher overall realized price for Peyto’s gas. The market diversification strategy compliments Peyto’s hedging policy which aims to fix prices at these various hubs to smooth gas price volatility and secure revenues.

Figure 1 shows where Peyto currently has gas volumes directed including Malin in California, Ventura and Chicago, Henry Hub, Dawn, Emerson, and Empress. The Malin market traded at a premium to other markets this past winter and although Peyto had pre-hedged last winter, we still have 40,000 mmbtu/d exposed to monthly Malin index prices from April 2023 to October 2024. We expect with fundamentals in the western US, prices will remain elevated relative to other hubs this summer. As in past winters, Chicago and Ventura pricing can really soar with cold weather, which is why Peyto recently added Chicago market exposure to its mix, starting in November 2024. Ultimately, Peyto’s exposure to markets across North America helps capture price upside due to volatility and diversifies risk to achieve a North American basket price.

Figure 1 – Peyto’s Gas Markets

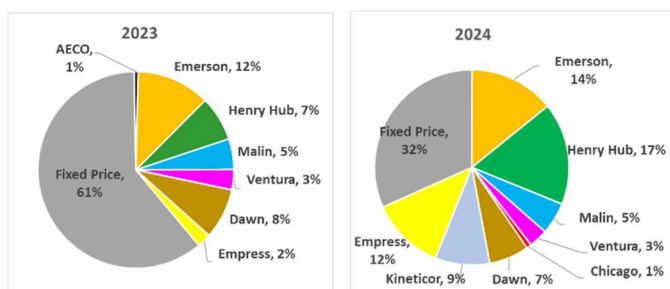


Peyto has also secured a gas supply agreement to the 900 MW Cascade combined cycle power plant currently under construction near Edson, AB. We have just finished construction of our own large diameter pipeline that will supply 60,000 GJ/d under a 15-year gas supply agreement. Peyto expects to yield a substantial gas price premium over AECO (if power prices over the last two years are any indication going forward) under our confidential pricing agreement. Stay tuned for further updates on this project later in the year as we move closer to start-up. Another key feature of Peyto’s diversification strategy is our Empress service (AB export point to the TC Energy Canadian Mainline). This firm delivery service provides Peyto the option to sell gas outside of AB into downstream markets for relatively low costs (~\$0.19/GJ) to protect us against the typical AECO disconnect during the summer maintenance season. We finally received our additional Empress service (delayed from 2021) so that

we now have more than we currently need but which could become quite valuable to others this summer. If firm receipt service on the NGTL system is restricted this summer for maintenance, Peyto has that covered too, with approximately 20% excess service cushioning the impact of system curtailments. **This means Peyto has no exposure to AECO pricing this summer—unless we want to.**

Figure 2 shows the share of gas volume exposure to each of the major markets, including volumes which have currently been fixed through hedging, for 2023 and 2024.

Figure 2 – Peyto’s Current Gas Market Exposure (by volume)



Refer to Peyto’s website at [www.peyto.com](http://www.peyto.com) for hedging and diversification updates.

### Operational Highlights

Spring break-up has arrived in Alberta with road bans and night-hauls only. Naturally, rig count in western Canada is down from winter highs of 244 to under 90 now. Peyto has parked 1 rig for the season and plans to continue with 3 rigs for the rest of spring. Gas price futures for the coming winter are encouraging with Henry Hub at approximately \$US3.50/MMBtu (AECO \$C3.00/GJ). A nice hot summer would be great to set up the back half of 2023!

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	Q2	Q3	Q4	2021	Q1	Q2	Q3	Q4	2022	Jan	Feb	Mar
	21	21	21	21		22	22	22	22		23	23	23
<b>D,C,E&amp;T<sup>2</sup></b>	57	47	76	90	271	95	80	98	98	371	30	31	28
<b>Facilities</b>	16	8	12	14	50	47	21	16	16	100	11	14	7
<b>Other<sup>3</sup></b>	37	1	2	5	44	1	8		1	10			1
<b>Acquisitions<sup>4</sup></b>						22		26		48			
<b>Total</b>	109	57	90	109	365	166	108	140	115	529	41	45	36

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

	2021	Q1	Q2	Q3	Oct	Nov	Dec	Q4	2022	Jan	Feb	Mar	Apr
		22	22	22	22	22	22	22		23	23	23	23
<b>Sundance</b>	70	78	76	75	75	75	75	75	76	73	71	70	69
<b>Brazeau</b>	17	19	23	24	25	26	26	26	23	27	27	28	28
<b>Other</b>	4	5	5	5	4	4	5	4	5	5	5	4	4
<b>Total</b>	91	101	104	105	105	105	106	105	104	105	103	102	101
<b>Liquids %</b>	13%	11%	13%	13%	13%	12%	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.*