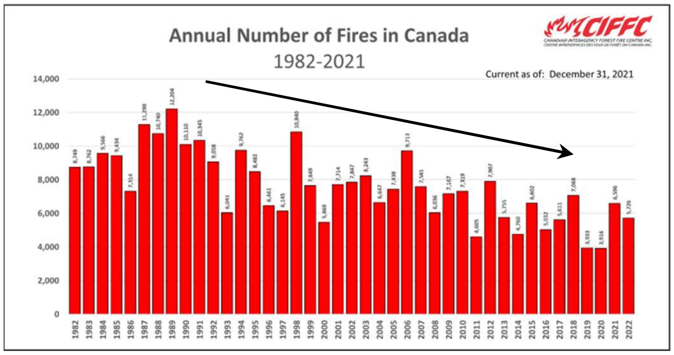
Peyto Exploration & Development Corp.
Monthly Report

August 2023 **By Jean-Paul Lachance, President and Chief Executive Officer**

Wildfires & Flooding. What's Next, Locusts?

Much has been made about the wildfires (a catchall for an unprescribed fire in the forest, grassland, or prairie settings) in Canada this year. Dry, hot, and windy conditions early in the spring aided in the proliferation throughout the country which prompted many to begin finger pointing at climate change and ergo the fossil fuel industry for causing them. Interestingly, fire starts in Canada have generally been on the decline over the last 30 years (see figure below) so its hard to make that connection.



Either way, many Canadians have been and continue to be affected by their ferocity. The town of Edson, AB was evacuated twice over May and June due to a very large wildfire (780 square miles) which is now "under control." On top of that, the folks near Edson received a month's worth of rain over two days to quell the fires causing flooding and more evacuations. Meanwhile other communities continue to be under fire threat and the smoke comes and goes in the larger cities depending on the wind direction as the wildfires continue to burn. Rather than engage in the debate about the cause, I will focus on how it affected Peyto and our industry and what we learned.

Many producers, including Peyto, shut-in production to protect people and our assets from potential damage. The clearing of trees and vegetation around our plant sites and well leases provide a fire break which prevents external fires from damaging equipment.

Not surprisingly, it wasn't direct equipment damage that was the problem, but more about the lack of physical access in and out of key areas where the fires burned out of control. We can safely operate our gas plants and wells remotely using telemetry systems for awhile, but inevitably we need access to these sites to truck water away or get our naturals gas liquids (NGLs) to market. Normally, all but 30 percent of Peyto's NGLs move on pipelines from our plants to market. That saves on trucking costs and lowers emissions. However, our main Sundance NGL sales line was undergoing routine maintenance by the operator in May and we were using trucks to get those products to market during that time. The proximity of fires did not allow the pipeline work to finish and disrupted our routes to transfer liquids by road. Down in the Brazeau area, the uncontrolled fires prevented access into two of our plants for a few days and hindered NGL trucking egress. In response, Peyto modified our refrigeration process to keep as much liquids in the gas phase to minimize NGL production and avoid a prolonged shut-in of raw inlet gas supply. We did this at all our plants and used on site storage for awhile until pipeline and road access could be restored.

Although our process equipment and wellsites were not damaged, the burning of wooden power poles in the path of the wildfires left many rural communities and gas plants without electricity. Where backup gas-fired generation has been installed, plants could continue to run. This is an important reminder about increased reliance on electrification to lower emissions that can decrease reliability, much like Texas experienced from the winter storm in February 2021.

All in all, Peyto managed through the wildfire situation with minimal production impact and was fortunate that our first responders were able to keep our people safe and allow us access back into areas to keep our gas flowing. At the peak of the wildfires, approximately 2.5 bcf/d (14%) of western gas supply was shut-in of the 18 bcf/d of pre-fire supply during periods in May and June.

Peyto's efficient response meant only 1,500 boe/d over the quarter was curtailed or about 1.5%. We often talk about the virtues of owning our plant infrastructure which helps us be the 'lowest cost producer' in the industry, but this situation really demonstrates the value of operational control, too. We re-directed gas volumes away from affected plants, modified our plant processes, and kept as much production flowing as possible to mitigate the production and revenue losses.

Operational Highlights

The month of July started out wet due to the carry over of June flooding but conditions improved later in the month to allow us to get caught up with completions and tie-ins. However, approximately 1,000 boe/d was shut-in during the month due to washed out roads. Peyto continues to constrain capital activity through the summer and is poised to ramp up rigs in the fall for expected higher winter pricing.

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)[1]

	2021	Q1 22	Q2 22	Q3 22	Q4 22	2022	Q1 23	Apr 23	May 23	Jun 23	Q2 23
D,C,E&T[2]	271	95	80	98	98	371	89	28	22	23	72
Facilities	50	47	21	16	16	100	32	4	1	4	9
Other[3]	44	1	8		1	10	1			1	1
Acquisitions[4]		22		26		48					
Total	365	166	108	140	115	529	122	32	23	28	82

Production (mboe/d)[1]

	2021	Q1 22	Q2 22	Q3 22	Q4 22	2022	Q1 23	Apr 23	May 23	Jun 23	Q2 23	Jul 23
Sundance	70	78	76	75	75	76	71	69	68	66	67	67
Brazeau	17	19	23	24	26	23	27	28	26	29	28	29
Other	4	5	5	5	4	5	5	4	3	4	4	4
Total	91	101	104	105	105	104	103	101	97	99	99	100
Liquids %	13%	11%	13%	13%	12%	12%	12%	12%	10%	12%	11%	11%

1. *This estimate is based on real field data, not a forecast, but actual numbers will vary from the estimate due to accruals and adjustments. Such variance may be material. Tables may not add due to rounding.*
2. *Well related costs including Drilling, Completions, Equip and Tie-in.*
3. *Other costs include Land, Seismic, and Miscellaneous.*
4. *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 (mcfe) 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.