

# Peyto Exploration & Development Corp.

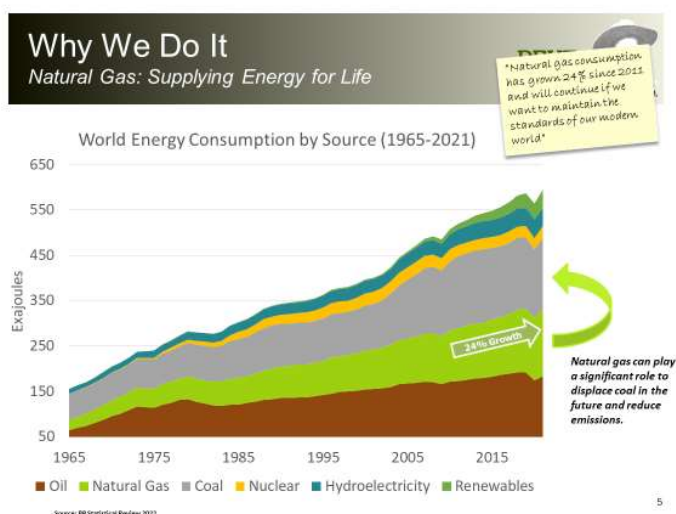
## Monthly Report

July 2023

By Jean-Paul Lachance, President and Chief Executive Officer

### Natural Gas – Fuel for the Planet

Natural Gas has played a major role in the development of our modern lifestyle, and it will continue to be instrumental in the future, if we are to sustain our way of life and bring other developing nations up to our standard of living. This important fuel is used as an ingredient or in the process to make steel, glass, cement, chemicals, plastics, fertilizers, and in the generation of electricity and heat. The need for natural gas is apparent if we examine the 24% percent growth of the world's consumption since 2011 in the slide below. The demand for fossil carbon (in total) recently exceeded 10 billion tons per year, over twice the mass of water consumed by the nearly 8 billion people on our planet<sup>1</sup>.



Natural gas is a major source of energy for electricity generation around the world. Power plants fueled by natural gas are widely used due to their efficiency and lower greenhouse gas emissions compared to coal or oil. They help meet the energy demand of homes, businesses, and industries, ensuring a reliable and accessible energy supply. China and India's gas consumption grew 161 percent and 78 per cent,<sup>2</sup> respectively, between 2010 to 2020, as both countries strive to meet their rapidly growing energy demand while combating severe pollution. Natural gas contributed 37 per cent of the U.S.' 2021 power generation and 21 per cent of Europe's 2020 power generation.<sup>2</sup> In fact, the U.S. owes its 269 million tonnes of CO<sub>2</sub> emissions reductions from 2009 to 2019, in large part, to coal-to-gas switching for power generation<sup>3</sup>. And the opportunity to further reduce CO<sub>2</sub> emissions across the world lies in the significant conversion of coal fired plants still being used in China and India which make up approximately 70%<sup>3</sup> of those large nations' power generation. Natural gas is the key fuel to reduce pollution and greenhouse gas emissions, providing a lower-carbon alternative to coal and oil while providing a reliable back-up to the growing renewable sources of wind and solar power.

Beyond steady power supply, natural gas is also important for heating. Canada and other northern climates can be bitterly cold in the winter and gas provides an efficient and dependable heat source.

The good news is that natural gas can now be moved around the world with the development of liquified natural gas (LNG) facilities to compress, ship in large LNG containers and then re-gasify at their destination. The continued buildout of LNG facilities in the U.S. and the construction of LNG Canada means we should be able to move about 22 bcf/d off the coasts of North America by the end of 2025.

While the near-term supply of natural gas currently outstrips demand causing lower prices, the longer-term demand outlook for the *fuel for the planet* remains strong. If we want to continue and share our modern way of life, we need to support the responsible development of natural gas. Peyto has been efficiently providing natural gas for close to 25 years and takes the long view with the development of our 100% owned and operated gas processing plants. We price protect our volumes with hedges to secure revenues, while smoothing volatile price periods, so we can confidently plan capital programs and make returns to our shareholders in the form of dividends. And we plan to supply natural gas to the world for another 25 years!

### Operational Highlights

June was another difficult month for Albertans and especially people in the Edson area. The wildfires continued and then rains that were so desperately needed to quench them, came with a vengeance. The wet weather in our Greater Sundance Area hampered our ability to move drilling and completion equipment around. As a result, there were no wells tied in in June which means we have 12 (11 net) wells stacked up for completion and tie-in in July. Despite these challenges, June production was only curtailed or delayed by an estimated 2,000 boe/d. Peyto will continue with a conservative approach to capital spending this summer as we keep a close eye on gas prices.

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>

	2021	Q1 22	Q2 22	Q3 22	Q4 22	2022	Jan 23	Feb 23	Mar 23	Q1 23	Apr 23	May 23
<b>D,C,E&amp;T<sup>2</sup></b>	271	95	80	98	98	371	30	31	28	89	28	22
<b>Facilities</b>	50	47	21	16	16	100	11	14	7	32	4	1
<b>Other<sup>3</sup></b>	44	1	8	1	1	10			1	1		
<b>Acquisitions<sup>4</sup></b>		22		26		48						
<b>Total</b>	365	166	108	140	115	529	41	45	36	122	32	23

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

	2021	Q1 22	Q2 22	Q3 22	Q4 22	2022	Jan 23	Feb 23	Mar 23	Q1 23	Apr 23	May 23	Jun 23
<b>Sundance</b>	70	78	76	75	75	76	73	71	70	71	69	68	66
<b>Brazeau</b>	17	19	23	24	26	23	27	27	28	27	28	26	29
<b>Other</b>	4	5	5	5	4	5	5	5	4	5	4	3	4
<b>Total</b>	91	101	104	105	105	104	105	103	102	103	101	97	99
<b>Liquids %</b>	13%	11%	13%	13%	12%	12%	12%	12%	12%	12%	12%	10%	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.

1. How the World Really Works, Vaclav Smil, page 42  
 2. Source: IEA Gas Information 2022 <https://www.iea.org/data-and-statistics/data-product/natural-gas-information>  
 3. BP Statistical Review of World Energy <https://www.bp.com/en/global/corporate/energy-economics/statistical-review-of-world-energy.html>

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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.*