

# Peyto Exploration & Development Corp.

## Monthly Report

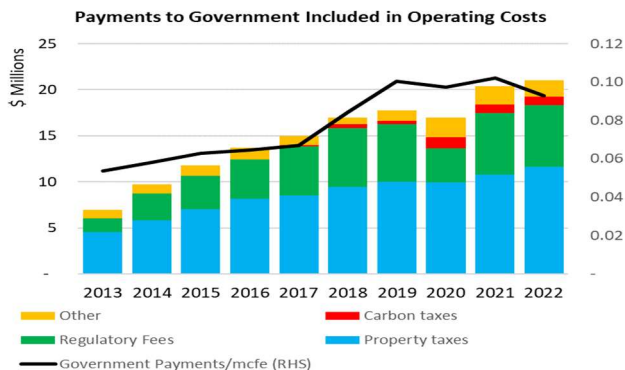
June 2023

By Jean-Paul Lachance, President and Chief Executive Officer

### Peyto's Contribution to Canada's Economy

In October, Peyto will be celebrating its 25<sup>th</sup> anniversary. We mark October 23, 1998 as Peyto's birthday, the day we closed a \$250 thousand financing and the Company emerged with a new management team, led by our first CEO and our Chairman, Don Gray. Since then, we have contributed over \$9 billion to Canada's economy including royalties, taxes, capital expenditures, employment, and dividends. That's an impressive contribution for a former start-up. Not many of our peers started with our humble beginnings and can match our substantial contribution. But Peyto contributes much more to society than just royalties, taxes, jobs and dividends. We produce valuable energy products at low cost that improve peoples' lives—many of whom don't even realize it. Clean, affordable energy is vital to modern society's high standard of living.

Peyto's payments to government benefit Albertans and all Canadians and include Crown royalties, federal and provincial corporate income taxes and payments included in our operating costs (municipal property taxes, provincial mineral lease payments, carbon taxes, and regulatory fees). Over the past decade, payments to government have totaled \$684 million, including \$495 million in Crown royalties, \$20 million in corporate taxes, \$19 million in Well Drilling Equipment Tax (repealed in December 2020) and \$150 million of government payments included in operating costs, which are summarized below. All this helps to fund our schools and keep our hospitals running.



Over the past eight years, 20 to 30 per cent of Peyto's total operating costs are government payments, with property taxes and regulatory fees accounting for approximately 90 per cent. These payments continue to grow and now represent approximately \$0.10/mcfe of our operating costs. Peyto's regulatory fees relate to the Alberta Energy Regulator ("AER") administration fees and the Orphan Well Association ("OWA") levy. Alberta's conventional producers fund the majority of the AER administration costs plus the abandonment and reclamation costs of wells taken over by the OWA from bankrupt companies. **Taxpayers do not pay for the orphaned wells, industry does, based on each producer's deemed liabilities.**

To the end of 2022, Peyto invested \$7.3 billion in capital programs to drill wells, construct facilities, shoot seismic, and buy crown mineral rights in the province of Alberta. This significant investment has provided high quality employment opportunities for many Canadians. Last year alone, Peyto directly employed 60 people in Calgary, another 111 contractors in the field (operating our plants and wells

and supervising our capital program) and indirectly generated approximately 1,100 jobs<sup>1</sup> related to our drilling and activities.

Peyto paid \$20 million in federal and provincial corporate taxes in 2022, and we expect to be taxable going forward under forecasted oil and gas prices. With the closely contested Alberta election on May 29<sup>th</sup> behind us, Peyto expects no increases to the tax rate and/or fees paid by Alberta's energy industry at this time.

Peyto has made substantial contributions to the Alberta and Canadian economy over the past 25 years and continues to do so, while producing low-cost energy products that contribute to Canada's high standard of living.

### Annual General Meeting

A reminder that Peyto's Annual General Meeting will be held at 3:00 p.m. on June 13, 2023, at a different location from last year, *Sheraton Suites Calgary Eau Claire, Wildrose Ballroom, 255 Barclay Parade S.W., Calgary, Alberta T2P 5C2.*

### Operational Highlights

May was a difficult month for Albertans and the energy industry with numerous wildfires spanning a large portion of the province. We were fortunate that the fires did not directly impact any of our facilities; however, we did shut down two gas plants in the Brazeau area for a short period of time as a precaution. Liquids egress was affected as fires burned in nearby areas, so we warmed up our plants and extracted less liquids to mitigate the production impact. This resulted in approximately 4,400 boe/d of curtailment over the month. Fortunately, the fire situation has greatly improved and all gas and liquids production is back to full capability.

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
<i>D,C,E&amp;T<sup>2</sup></i>	271	95	80	98	98	371	30	31	28	89	28
<i>Facilities</i>	50	47	21	16	16	100	11	14	7	32	4
<i>Other<sup>3</sup></i>	44	1	8		1	10			1	1	
<i>Acquisitions<sup>4</sup></i>		22		26		48					
<b>Total</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>	<b>36</b>	<b>122</b>	<b>32</b>

### 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
<i>Sundance</i>	70	78	76	75	75	76	73	71	70	71	69	68
<i>Brazeau</i>	17	19	23	24	26	23	27	27	28	27	28	26
<i>Other</i>	4	5	5	5	4	5	5	5	4	5	4	3
<b>Total</b>	<b>91</b>	<b>101</b>	<b>104</b>	<b>105</b>	<b>105</b>	<b>104</b>	<b>105</b>	<b>103</b>	<b>102</b>	<b>103</b>	<b>101</b>	<b>97</b>
<i>Liquids %</i>	13%	11%	13%	13%	12%	12%	12%	12%	12%	12%	12%	10%

- 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.

i. Source: CAOC State of the Industry 2022 Report and 2023 Forecast

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### FORWARD LOOKING STATEMENTS

*Certain information set forth in this monthly report, including management's expectation that Peyto will be taxable going forward, and expectation of no increases to the tax rate and/or fees paid by Alberta's energy industry at this time, 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.*