PEYTO

Exploration & Development Corp.

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Interim Report
for the three and nine months ended September 30, 2022

HIGHLIGHTS

	Three Months Ended Sep 30		%	Nine Months Ended Sep 30		%
	2022	2021	Change	**2022**	2021	Change
Operations						
Production						
Natural gas (Mcf/d)	**544,843**	473,008	*15%*	**540,544**	462,496	*17%*
NGLs (bbl/d)	**13,263**	11,164	*19%*	**12,986**	11,860	*9%*
Thousand cubic feet equivalent (Mcfe/d @ 1:6)	**624,423**	539,990	*16%*	**618,461**	533,655	*16%*
Barrels of oil equivalent (boe/d @ 6:1)	**104,071**	89,998	*16%*	**103,077**	88,943	*16%*
Production per million common shares (boe/d)	**608**	541	*12%*	**608**	537	*13%*
Product prices						
Natural gas ($/Mcf)	**3.68**	2.48	*48%*	**3.94**	2.53	*56%*
NGLs ($/bbl)	**78.07**	55.47	*41%*	**82.54**	49.84	*66%*
Operating expenses ($/Mcfe)	**0.38**	0.35	*9%*	**0.39**	0.35	*11%*
Transportation ($/Mcfe)	**0.26**	0.23	*13%*	**0.27**	0.20	*35%*
Field netback(1) ($/Mcfe)	**3.65**	2.39	*53%*	**3.82**	2.45	*56%*
General & administrative expenses ($/Mcfe)	**0.02**	0.02	*-%*	**0.02**	0.04	*-50%*
Interest expense ($/Mcfe)	**0.21**	0.26	*-19%*	**0.22**	0.32	*-31%*
Financial ($000, except per share)						
Revenue and realized hedging losses (2)	**279,661**	164,777	*70%*	**874,385**	480,561	*82%*
Funds from operations(1)	**197,388**	104,608	*89%*	**606,781**	303,509	*100%*
Funds from operations per share - basic(1)	**1.15**	0.63	*83%*	**3.58**	1.83	*96%*
Funds from operations per share - diluted(1)	**1.13**	0.62	*82%*	**3.48**	1.80	*93%*
Total dividends	**25,686**	1,671	*1437%*	**76,529**	4,979	*1437%*
Total dividends per share	**0.15**	0.01	*1400%*	**0.45**	0.03	*1400%*
Earnings	**84,861**	29,271	*190%*	**277,222**	80,529	*244%*
Earnings per share – basic	**0.50**	0.18	*178%*	**1.63**	0.49	*233%*
Earnings per share – diluted	**0.48**	0.17	*182%*	**1.59**	0.48	*231%*
Total capital expenditures(1)	**140,400**	90,170	*56%*	**391,820**	256,107	*53%*
Corporate acquisition	**-**	-		**22,220**	-	
Total payout ratio(1)	**84%**	88%	*-5%*	**77%**	86%	*-10%*
Weighted average common shares outstanding - basic	**171,230,853**	166,440,704	*3%*	**169,642,562**	165,622,980	*2%*
Weighted average common shares outstanding - diluted	**175,140,910**	169,512,566	*3%*	**174,204,741**	169,112,156	*3%*
Net debt(1)				**970,489**	1,131,600	*-14%*
Shareholders' equity				**1,800,985**	1,574,058	*14%*
Total assets				**3,934,616**	3,735,545	*5%*

(1) This is a Non-GAAP financial measure or ratio. See "non-GAAP and Other Financial Measures" in this news release and in the Q3 2022 MD&A
(2) Excludes revenue from sale of third-party volumes

Report from Management

Peyto Exploration & Development Corp. ("Peyto" or the "Company") is pleased to present its operating and financial results for the third quarter of the 2022 fiscal year. A 71% Operating Margin[1,2] and a 30% Profit Margin[3] in the quarter delivered a 14% Return on Capital[4] and a 19% Return on Equity[4], on a trailing twelve-month basis. Highlights for the quarter included:

- **Funds from operations[5] per share up 83%.** Generated $197 million in Funds from Operations ("FFO") in Q3 2022 ($1.15/share, $1.13/diluted share), up from $105 million in Q3 2021 ($0.63/share) due to higher commodity price realizations combined with higher production, despite a $92 million realized hedging loss in the quarter. FFO in the quarter exceeded capital expenditures, including acquisitions, by $57 million. This represented a free cashflow ratio[6] of 29% of FFO while dividends of $25.7 million in the quarter represented a dividend payout ratio[7] of 13%, and including capital investments, a total payout ratio[7] of 84%.

- **Production per share up 12%.** Third quarter 2022 production of 104,071 boe/d, comprised of 545 MMcf/d of natural gas, 7,903 bbl/d of Condensate and Pentanes, and 5,360 bbl/d of Butane and Propane, was up 16% from 89,998 boe/d in Q3 2021. Total liquid yields remained the same from a year ago.

- **Total cash costs of $1.57/Mcfe (or $0.87/Mcfe excluding royalties).** Industry leading low total cash costs included $0.70/Mcfe royalties, $0.38/Mcfe operating costs, $0.26/Mcfe transportation, $0.02/Mcfe G&A and $0.21/Mcfe interest, which combined with a realized revenue of $5.01/Mcfe to result in a $3.44/Mcfe ($20.62/boe) cash netback, up 63% from $2.11/Mcfe ($12.68/boe) in Q3 2021. Royalties were up 94% due to higher commodity prices, while the remaining cash costs were virtually the same as the $0.86/Mcfe in Q3 2021 as reduced interest costs offset increased transportation.

- **Net debt down 14%.** Net debt was reduced $161 million from Q3 2021 to $970 million which reduced interest charges 19% from $0.26/Mcfe in Q3 2021 to $0.21/Mcfe in Q3 2022, despite increased interest rates. Net debt has now fallen for 8 consecutive quarters.

- **Capital investment of $140 million including a $26 million acquisition**. A total of 23 gross (22 net working interest) wells were drilled in the third quarter, 25 gross (20.25 net) wells were completed, and 25 gross (20.25 net) wells were brought on production. A $26 million acquisition of undeveloped lands, producing wells and infrastructure in the Brazeau area was closed in September 2022. Over the last 12 months new organic production additions accounted for approximately 38,000 boe/d at the end of the quarter, which, when combined with a trailing twelve-month capital investment of $475 million, inclusive of new facilities but excluding $48 million in total acquisitions, equates to an annualized capital efficiency of $12,500/boe/d. Peyto anticipates full year 2022 organic capital efficiency to be approximately $11,500/boe/d, up from $8,000/boe/d in 2021. This increase is primarily due to a 33% increase in infrastructure investments and service cost inflation.

- **Earnings of $0.50/share, Dividends of $0.15/share ($0.05/month).** Earnings of $85 million were generated in the quarter while dividends of $26 million were paid to shareholders.

Third Quarter 2022 in Review

Peyto was active with five drilling rigs in the third quarter, as well as pipeline and infrastructure projects designed to expand existing gathering systems to accommodate incremental production volumes. These projects continue into the fourth quarter. The Company also closed a property acquisition in the Brazeau area in the quarter which added 42 net sections of land, with over 40 internally identified drilling locations, and 12 producing wells. These new lands are expected to provide future production growth by filling the Company's Aurora gas plant which was purchased in Q1 2022. Daily natural gas prices at Henry Hub were 7% higher in Q3, over Q2 2022, while AECO daily price was 43% lower than the previous quarter reflecting the ongoing issues with the NGTL system. Peyto's realized gas price, before hedging, was 7% lower than Q2 2022 but up 39% from Q3 2021 due to increased exposure to non-AECO markets. Year over year realized price increases combined with higher production resulted in the 89% increase in FFO despite hedging losses. Over the first three quarters of 2022, Peyto has accumulated record earnings of $277 million.

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1 *This press release contains certain non-GAAP and other financial measures to analyze financial performance, financial position, and cash flow including, but not limited to "operating margin", "profit margin", "return on capital", "return on equity", "netback", "funds from operations", and "net debt". 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 earnings, cash flow from operating activities, and cash flow used in investing activities, as indicators of Peyto's performance. See "Non-GAAP and Other Financial Measures" included at the end of this press release and in Peyto's most recently filed MD&A for an explanation of these financial measures and reconciliation to the most directly comparable financial measure under IFRS.*

2 *Operating Margin is a non-GAAP financial ratio defined as funds from operations divided by revenue before royalties but including realized hedging gains/losses.*

3 *Profit Margin is a non-GAAP financial ratio defined as net earnings for the quarter divided by revenue before royalties but including realized hedging gains/losses.*

4 *Return on capital and return on equity is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release and in the Q3 2022 MD&A.*

5 *Funds from operations is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q3 2022 MD&A.*

6 *Free cashflow ratio is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release.*

7 *Dividend and Total Payout ratio is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release.*

Exploration & Development

Third quarter 2022 activity was spread out amongst the existing core areas of Greater Sundance (Cecilia, Oldman, Nosehill and Wildhay) as well as the Minehead and Chambers expansion areas. Target formations were also widespread, as summarized in the following table, along with development of a new Deep Basin play in the Dunvegan.

Zone	**Sundance**	**Nosehill**	**Wildhay**	**Field Ansell/ Minehead**	**Whitehorse**	**Kisku/ Kakwa**	**Brazeau**	**Total Wells Drilled**
Dunvegan	4							4
Cardium							1	1
Notikewin	2	1					3	6
Falher	3						2	5
Wilrich	1		1	2			3	7
Bluesky								
Total	10	1	1	2			9	23

Drilling costs per meter were up 4% from the previous quarter while completion costs per meter and stage were up 24% and 28%, respectively, due to service rate increases and increased frac intensities. A typical basket of goods analysis for drilling and completion costs, including rig rates, fuel, tubulars and stimulations, indicates an average increase of 23% for 2022 versus 2021. The Company continued to pursue Extended Reach Horizontal ("ERH") wells in the quarter resulting in an increase in average measured depth and horizontal length, as a means to get more for less. As well, increased stage count and frac size, in order to enhance productivity, contributed to higher year over year completion costs.

	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022 Q1**	**2022 Q2**	**2022 Q3**
Gross Hz Spuds	123	140	126	135	70	61	64	95	29	**23**	**23**
Measured Depth (m)	4,251	4,309	4,197	4,229	4,020	3,848	4,247	4,453	4,291	4,571	**4,994**
Drilling ($MM/well)	$2.66	$2.16	$1.82	$1.90	$1.71	$1.62	$1.68	$1.89	$2.13	$2.56	**$2.90**
$ per meter	$626	$501	$433	$450	$425	$420	$396	$424	$496	$560	**$580**
Completion ($MM/well)	$1.70	$1.21	$0.86	$1.00	$1.13	$1.01*	$0.94	$1.00	$1.22	$1.16	**$1.49**
Hz Length (m)	1,460	1,531	1,460	1,241	1,348	1,484	1,682	1,612	1,529	1,602	**1,654**
$ per Hz Length (m)	$1,166	$792	$587	$803	$835	$679	$560	$620	$801	$727	**$902**
$ '000 per Stage	$168	$115	$79	$81	$51	$38	$36	$37	$44	$40	**$51**

**excluding Peyto's Wildhay Montney well.*

Capital Expenditures

During the third quarter of 2022, Peyto invested $114 million in organic activity with $59 million on drilling (52%), $29 million on completions (25%), $10 million on wellsite equipment and tie-ins (8%), and $16 million on facilities and major pipeline projects (14%). Peyto continues to pre-purchase wellsite equipment and additional pipe, for both casing and well tie-ins, to stay ahead of supply chain disruptions, however, debottlenecking projects in the quarter were delayed due to regulatory approvals.

Additionally, Peyto closed a $26 million acquisition in the Brazeau area that included 49 gross (41.7 net) sections of land, 12 producing wells totalling approximately 600 boe/d (20% liquids), a 15 MMcf/d compressor station and 59 km of pipelines. There are multiple prospective horizons in each section of rights which expand the 49 gross sections into 243 gross (220 net) zonal sections. Initially, Peyto has internally identified over 40 future drilling locations in the Cardium, Notikewin, Upper and Middle Falher, and Wilrich formations on the undeveloped lands that can tie in directly to Peyto's Aurora gas plant that was purchased earlier this year.

Also, during the quarter, $0.7 million was spent acquiring 3 sections of new Crown land ($370/acre), for a total quarterly capital investment of $140 million.

Commodity Prices

Peyto actively marketed all components of its production stream in the quarter including natural gas, condensate, pentane, butane and propane. Natural gas was sold in Q3 2022 at various hubs including AECO, Empress, Malin, Ventura, Emerson 2 and Henry Hub using both physical fixed price and basis transactions to access those locations (diversification activities). Natural gas prices were left to float on daily or monthly pricing or locked in using fixed price swaps at those hubs and Peyto's realized price is benchmarked against those local prices, then adjusted for transportation (either physical or synthetic) to those markets. Peyto expects that the cost of market diversification activities will continue to fall as more expensive basis deals are replaced with current lower cost basis deals.

During Q3 2022, Peyto sold 24% of its natural gas at Henry Hub, 26% at AECO, 34% at Emerson, 7% at Malin, 5% Empress, and the remaining 3% at Ventura. Approximately 45% of AECO sales were at Daily prices while 55% were at Monthly prices. Net of diversification activities of CND$0.79/Mcf, Peyto realized a natural gas price of $5.39/Mcf before commodity risk management reduced this price by $1.71/Mcf, to $3.68/Mcf.

The Company's liquids are also actively marketed with condensate being sold on a monthly index differential linked to West Texas Intermediate ("WTI") oil prices. Peyto's NGLs (a blend of pentanes plus, butane and propane) are fractionated by a third party in Fort Saskatchewan, Alberta and Peyto markets each product separately. Pentanes Plus are sold on a monthly index differential linked to WTI, with some volumes forward sold on fixed differentials to WTI. Butane is sold as a percent of WTI or a fixed differential to Mount Belvieu, Texas markets. Propane is sold on a fixed differential to Conway, Kansas markets. While some products like Butane and Propane require annual term contracts to ensure delivery paths and markets are certain, others can be sold on the daily spot market.

Condensate and Pentane Plus volumes were sold in Q3 2022 for an average price of $107.83/bbl, which is up 29% from $83.60/bbl in Q3 2021, and as compared to Canadian ("CND") WTI oil price that averaged $119.46/bbl. The $11.63/bbl differential from CND WTI light oil price was up from $5.32/bbl in Q3 2021 due to higher condensate differentials primarily caused by the US SPR releasing lighter barrels into the market which competed with CND condensate. Butane and propane volumes were sold in combination at an average price of $46.96/bbl, or 39% of light oil price, up 24% from the $37.97/bbl in Q3 2021, due to continued demand increases and lower NGL supplies. Liquid hedging losses, reduced the combined realized liquids price of $83.24/bbl by $5.17/bbl.

In general, Peyto's commodity risk management program is designed to smooth out the short-term fluctuations in the price of natural gas and natural gas liquids through future sales. This smoothing gives greater predictability of cashflows for the purposes of capital planning and dividend payments. The future sales are meant to be methodical and consistent to avoid speculation. In general, this approach will show hedging losses when short term prices climb and hedging gains when short term prices fall.

Peyto's realized prices and benchmark prices are shown in the following table.

Benchmark Commodity Prices at Various Markets

	Three Months ended Sept 30	
	2022	2021
AECO 7A monthly ($/GJ)	**5.50**	3.36
AECO 5A daily ($/GJ)	**3.95**	3.41
NYMEX (US$/MMBTU)	**7.96**	4.28
Emerson2 (US$/MMBTU)	**6.22**	3.71
Malin (US$/MMbtu)	**7.96**	4.12
Ventura daily (US$/MMbtu)	**7.26**	4.02
CND WTI ($/bbl)	**119.46**	88.92
Conway C3 (US$/bbl)	**44.74**	49.02
CND/USD Exchange rate	**1.31**	1.26

Peyto Realized Commodity Prices		
Natural gas (CND$/Mcf)	**6.18**	4.75
Gas marketing diversification activities (CND$/Mcf)	**(0.79)**	(0.85)
Realized natural gas price before hedging (CND$/Mcf)	**5.39**	3.90
Gas hedging (CND$/Mcf)	**(1.71)**	(1.42)
Realized natural gas price (CND$/mcf)	**3.68**	2.48

Condensate and C5+ ($/bbl)	**107.83**	83.60
Butane and propane ($/bbl)	**46.96**	37.97
NGL price ($/bbl	**83.24**	65.29
Liquid hedging ($/bbl)	**(5.17)**	(9.82)
Realized NGL price (CND$/bbl)	**78.07**	55.47

Peyto realized natural gas prices are at NIT, prior to fuel. Peyto gas has an average heating value of approx. 1.15GJ/Mcf.
Liquids prices are Peyto realized prices in Canadian dollars adjusted for fractionation, transportation, and market differentials.
Details of Peyto's ongoing marketing and diversification efforts are available on Peyto's website at:
http://www.peyto.com/Files/Operations/Marketing/hedges.pdf

Financial Results

The Company's realized price for natural gas in Q3 2022 was $6.18/Mcf, prior to $0.79/Mcf of market diversification activities and a $1.71/Mcf hedging loss, while its realized liquids price was $83.24/bbl, before a $5.17/bbl hedging loss, which yielded a combined revenue stream of $5.01/Mcfe (including $0.11/Mcfe of other income and $0.02/Mcfe realized gain on foreign exchange). This net sales price was 50% higher than the $3.33/Mcfe realized in Q3 2021. Cash costs of $1.57/Mcfe were higher than the $1.22/Mcfe in Q3 2021 due to increased royalties and transportation costs but offset by lower interest costs. Net of royalties, Peyto's controllable cash costs have remained relatively consistent, averaging $0.88/Mcfe for the past four years. These same costs are expected to fall going forward as interest cost fall with reduced debt levels. When the total cash costs of $1.57/Mcfe were deducted from realized revenues of $5.01/Mcfe, it resulted in a cash netback of $3.44/Mcfe or a 70% operating margin. Historical cash costs and operating margins are shown in the following table:

	2019				2020				2021				2022		
($/Mcfe)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
Revenue (1)	**3.20**	**2.60**	**2.50**	**2.76**	**2.30**	**1.73**	**2.15**	**2.71**	**3.70**	**2.92**	**3.33**	**4.42**	**5.25**	**5.48**	**5.01**
Royalties	0.14	0.01	0.03	0.12	0.12	0.06	0.14	0.18	0.29	0.26	0.36	0.53	0.60	0.95	**0.70**
Op Costs	0.35	0.34	0.31	0.34	0.39	0.36	0.32	0.31	0.36	0.35	0.35	0.32	0.41	0.39	**0.38**
Transportation	0.19	0.19	0.19	0.19	0.19	0.17	0.16	0.15	0.17	0.22	0.23	0.23	0.28	0.27	**0.26**
G&A	0.06	0.05	0.05	0.02	0.04	0.04	0.04	0.04	0.04	0.05	0.02	0.02	0.03	0.02	**0.02**
Interest	0.28	0.30	0.31	0.31	0.29	0.33	0.35	0.38	0.38	0.33	0.26	0.22	0.21	0.20	**0.21**
Cash cost pre-royalty	0.88	0.88	0.86	0.86	0.91	0.90	0.87	0.88	0.95	0.95	0.86	0.79	0.93	0.88	0.87
Total Cash Costs	**1.02**	**0.89**	**0.89**	**0.98**	**1.03**	**0.96**	**1.01**	**1.06**	**1.24**	**1.21**	**1.22**	**1.32**	**1.53**	**1.83**	**1.57**
Netback	**2.18**	**1.71**	**1.61**	**1.78**	**1.27**	**0.77**	**1.14**	**1.65**	**2.46**	**1.71**	**2.11**	**3.10**	**3.72**	**3.65**	**3.44**
Operating Margin	68%	66%	64%	65%	55%	45%	53%	61%	67%	59%	63%	70%	71%	67%	**70%**

(1) Revenue includes other income, net third party sales and realized gains on foreign exchange.

Depletion, depreciation, and amortization charges of $1.32/Mcfe, along with a provision for deferred tax and stock-based compensation payments resulted in earnings of $1.53/Mcfe, or a 30% profit margin. Dividends to shareholders totaled $0.45/Mcfe.

Activity Update

While drilling in the fourth quarter 2022 has continued with 5 rigs, Peyto plans to taper activity towards year end and the traditional Christmas break. Production is expected to ramp up from 107,000 boe/d currently to 110,000 boe/d by year end as the Company completes and brings on 17 net new wells. The Company has already commenced drilling on the newly acquired lands in Brazeau which will begin to fill the 45 MMcf/d Aurora facility. This gas plant, which was 10% full upon acquisition, is projected to be filled by the end of Q1 2023.

Peyto now expects that approximately $450 million of total organic capital (before acquisitions) will be invested this year which will exceed the high end of earlier guidance ($350–$400 million) as the Company drills deeper and longer wells than those originally planned, as well as constructs new well pads, pipeline loops and gas plant installations, specifically in the highly successful Chambers area, that will facilitate future growth. Over $25 million will be invested in 2022 in large diameter pipelines in the Chambers area that establishes a core infrastructure position. In total, 2022 facility and major pipeline capital is now expected to account for over 20% of all organic capital, up from 15% in 2021 and 11% in 2020.

2023 Preliminary Budget and Plans

Peyto continues to enjoy increasing economic success with ERH well designs in several formations including the Cardium, Falher and Wilrich which opens up more resource for economic development and adds to future drilling inventory. In addition, during 2022 a new Dunvegan play emerged in the Cecilia area where the first 4 wells, using the latest ERH design, have exceeded initial expectations. These wells have proven up even more drilling inventory that will supply production to the Cecilia, Wildhay and Oldman North gas plants in 2023 and beyond. Applying the latest ERH design to these and other formations will be the focus of the 2023 capital program in the Greater Sundance core area along with a large $9 million pipeline project to connect the Swanson gas plant and Cascade power plant.

Peyto will also be developing a new core area called Whitehorse in 2023 which will involve land acquisition, development drilling and infrastructure investments (roads/pipelines/new gas plant). The development drilling in this area will commence in the first half of 2023 in support of a new 50 MMcf/d gas plant scheduled to be operational in the third quarter 2023. Much of the equipment for this new facility will be relocated from the currently shut-in Peyto Galloway plant site, meaning the Company will only have to spend on relocation and installation, rather than waiting to buy new equipment. As well, Peyto has committed to a multi-well farm-in intended to earn an additional 35 gross sections of Deep Basin rights, which contain over 60 internally identified ERH development locations. These new lands will complement the existing 72 sections, which already have over 120 internally identified Wilrich locations, and combined will help support the long-term utilization of this new facility. This initial development drilling will focus on deeper targets but is also expected to identify multiple shallower zones like in Peyto's Greater Sundance and Brazeau areas.

Meanwhile in the Greater Brazeau area, Peyto plans to continue to fill up remaining plant capacity at both Brazeau and Aurora gas plants throughout 2023 using pre-existing drilling inventory and lands acquired in 2022. The new gas plant and pipelines installed in 2022 in the Chambers area will continue to support additional development there for decades to come.

Peyto is specifically scheduling a larger percentage of 2023 drilling in the summer months to take advantage of lower anticipated service rates, and greater equipment and materials availability. This will help offset service cost inflation pressures and allow Peyto to continue to add production at capital efficiencies less than or similar to those achieved in 2022. While specifics of the 2023 budget are still being finalized, an organic capital program of $425–$475 million is anticipated, which will use between 4 and 5 drilling rigs throughout the year and is estimated to add approximately 35,000 to 40,000 boe/d of new production by the end of the year. This volume addition would be more than sufficient to offset the annual forecast decline of 27% on anticipated 2022 exit production of 110,000 boe/d allowing Peyto's production to grow to a target of approximately 120,000 boe/d by year end 2023. While this is a similar organic capital program to 2022, there may also be opportunities throughout the year for unplanned acquisitions or infrastructure investments that the Company chooses to pursue.

Approximately half of Peyto's forecast 2023 after-tax cashflow will be used to reduce debt and fund the dividend, while the remainder will be used to fund the capital program. Peyto has already fixed pricing on over 50% of its forecast production for 2023 which will help achieve a meaningful debt reduction by year end, while also confidently funding the proposed dividend and planned capital program. As always, Peyto will ensure any capital plans will be nimble with the ability to react to changes in commodity prices, service costs and the global economic environment, which continue to be volatile and uncertain.

2023 Dividend Increase

Profit margins over the past 12 months have returned to historic levels of greater than 30%, and with the current futures strip, are anticipated to continue to increase. Peyto will maintain its ongoing three-year hedging practice to ensure a large portion of revenues for future years are fixed which secures funding for planned debt repayments, dividends and capital programs. The Company anticipates that approximately half of forecast profits for 2023 will be retained to reduce indebtedness, while the remainder will be paid to shareholders as dividends. In keeping with this strategy, the Board of Directors of Peyto is pleased to approve a monthly dividend of $0.11/share starting in January 2023 for shareholders of record as of January 31, 2023 (ex-dividend date January 30, 2023) and paid on February 15, 2023. This new dividend represents a 120% increase over the current $0.05/month dividend.

Outlook

The global market for natural gas is rapidly growing as gas is increasingly recognized as the only affordable, reliable and available fuel that can solve much of the world's energy needs with the least environmental impact. As consuming nations pivot to more reliable and secure sources, it creates new demand for North American natural gas which leads to rising prices. Peyto's assets are well positioned to benefit from increased value as a result of these higher prices while its business can generate superior total returns on new capital invested in its Deep Basin opportunities.

As current, lower priced hedges fall off, Peyto's market diversification activities, along with direct connect industrial sales like the Cascade power plant, which is anticipated to start Q4 2023, allow the Company to look forward to a rising realized natural gas price despite a falling future NYMEX natural gas price curve that settles towards $US4.50/MMBTU in 2025. Despite the backwardated futures curve, this long-term futures price is up over 60% from a year ago. For Peyto, a rising realized price, combined with growing production and reserves, is expected to result in growing FFO, earnings and dividends beyond 2023. At that time Peyto's balance sheet is also expected to be sufficiently robust allowing for earnings, if deemed appropriate, to be exclusively allocated towards dividends. Continued protection of commodity price realizations and revenues will be key to solidifying those increased earnings and increased dividends in future years.

The combination of recent corporate and property acquisitions, farm-ins and successful crown land purchases, along with new gas plant infrastructure has allowed Peyto to significantly expand its Deep Basin position which sets the stage for several years of exciting development opportunities. In addition, Peyto has amassed sufficient take away capacity and market diversification to enable growing production volumes to access those improved commodity prices

Jean-Paul Lachance
President and Chief Operating Officer

Darren Gee
Chief Executive Officer

November 9, 2022

Cautionary Statements

Forward-Looking Statements

This news release contains certain forward-looking statements or information ("forward-looking statements") as defined by applicable securities laws that involve substantial known and unknown risks and uncertainties, many of which are beyond Peyto's control. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. The use of any of the words "plan", "expect", "prospective", "project", "intend", "believe", "should", "anticipate", "estimate", or other similar words or statements that certain events "may" or "will" occur are intended to identify forward-looking statements. The projections, estimates and beliefs contained in such forward-looking statements are based on management's estimates, opinions, and assumptions at the time the statements were made, including assumptions relating to: macro-economic conditions, including public health concerns (including the impact of the COVID-19 pandemic) and other geopolitical risks, the condition of the global economy and, specifically, the condition of the crude oil and natural gas industry, and the ongoing significant volatility in world markets; other industry conditions; changes in laws and regulations including, without limitation, the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; increased competition; the availability of qualified operating or management personnel; fluctuations in other commodity prices, foreign exchange or interest rates; stock market volatility and fluctuations in market valuations of companies with respect to announced transactions and the final valuations thereof; results of exploration and testing activities; and the ability to obtain required approvals and extensions from regulatory authorities. Management of the Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurances 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 from them. As such, undue reliance should not be placed on forward-looking statements. Forward-looking statements contained herein include, but are not limited to, statements regarding: the forecast costs of future abandonment and reclamation liability; expectations regarding future drilling inventory; the future outlook for commodity prices; expectations regarding the Company's margin of profit; the Company's drilling and completion program for 2022 and 2023, including the timing of the drilling program; the Company filling up the remaining capacity in its Brazeau and Aurora gas plants; the 40 future drilling locations identified in the recent Brazeau acquisition; that there are multiple prospective horizons in each section of rights which expand the 49 gross sections into 243 gross locations in the Brazeau Area; the Company's drilling on newly acquired Brazeau lands beginning to fill the Aurora facility; the Aurora facility will be filled by Q1 2023; the cost of market diversification activities continuing to fall and being replaced with current lower cost basis deals; Peyto's risk management program smoothing commodity prices and adding greater predictability in cash flow for the purpose of capital planning and dividend payouts; the Company completing and bringing on 17 net new wells before year end; the Chambers area facilitating future growth; the Company's ERH well design opening up more resources for economic development and future drilling; the drilling in the Company's new Dunvegan play; the development of the new Whitehorse play; the Company's ability to construct and begin to fill a 50 MMcf/d gas plant in Whitehorse; the Company's internal projections of over 60 identified ERH development locations in its recently announced farm-in; that deeper development drilling in the Whitehorse area will identify multiple shallower horizons; the enhanced 2023 summer drilling program taking advantage of reduced service costs; the Company adding production at similar capital efficiencies as 2022; profit margins continuing to increase; the hedging program securing funding for capital programs, dividends and planned debt repayments; the global market for natural gas and the new demand for North American natural gas; the Company realizing a rising natural gas price despite a falling future NYMEX natural gas price curve; the Company's expected capital expenditure program for 2023 of between $425–$475 million and the usage of 4-5 drilling rigs in connection therewith; the Company's adding 35,000 to 40,000 boe/d in new production by the end of 2023; the expected production decline rate of 27% during 2023; the projected year-end production totals in 2022 and 2023 of 110,000 beo/d and 120,000 boe/d, respectively; the Company's expectation of the 2023 capital program being funded from less than half of its after-tax cashflow; that over half of forecast profits will be retained to reduce indebtedness while the remainder will be used to pay dividends; Peyto's market diversification activities and direct industrial connection resulting in rising realized gas prices; rising realized gas prices and rising production resulting in growing FFO, earnings and dividends beyond 2023; Peyto's balance sheet being sufficiently robust in 2023 to allow for earnings to be exclusively allocated towards dividends; the continued protection of commodity price realizations being the key to solidifying increased earnings and dividends in future years; recent corporate and property acquisitions, farm-ins and crown land purchases, along with new gas plant infrastructure setting the stage for several years of exciting development opportunities; Peyto amassing sufficient take away capacity and market diversification to enable growing production to access improving commodity prices; anticipated improvement of costs and profitability; and the Company's overall strategy and focus.

The forward-looking statements contained herein are subject to numerous known and unknown risks and uncertainties that may cause Peyto's actual financial results, performance or achievement in future periods to differ materially from those expressed in, or implied by, these forward looking statements, including but not limited to, risks associated with: continued changes and volatility in general global economic conditions including, without limitations, the economic conditions in North America and public health concerns (including the impact of the COVID-19 pandemic); continued fluctuations and volatility in commodity prices, foreign exchange or interest rates; continued stock market volatility; imprecision of reserves estimates; competition from other industry participants; failure to secure required equipment; increased competition; the lack of availability of qualified operating or management personnel; environmental risks; changes in laws and regulations including, without limitation, the adoption of new environmental and tax laws and regulations and changes in how they are interpreted and enforced; the results of exploration and development drilling and related activities; and the ability to access sufficient capital from internal and external sources. In addition, to the extent that any forward-looking statements presented herein constitutes future-oriented financial information or financial outlook, as defined by applicable securities legislation, such information has been approved by management of Peyto and has been presented to provide management's expectations used for budgeting and planning purposes and for providing clarity with respect to Peyto's strategic direction based on the assumptions presented herein and readers are cautioned that this information may not be appropriate for any other purpose. Readers are encouraged to review the material risks discussed in Peyto's annual information form for the year ended December 31, 2021 under the heading "Risk Factors" and in Peyto's annual management's discussion and analysis under the heading "Risk Management".

The Company cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. 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 Peyto will derive there from. The forward-looking statements, including any future-oriented financial information or financial outlook, contained in this news release speak only as of the date hereof and Peyto does not assume any obligation to publicly update or revise them to reflect new information, future events or circumstances or otherwise, except as may be required pursuant to applicable securities laws.

Barrels of Oil Equivalent

To provide a single unit of production for analytical purposes, natural gas production and reserves volumes are converted mathematically to equivalent barrels of oil (BOE). Peyto uses the industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 bbl). The 6:1 BOE ratio is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on current prices. While the BOE ratio is useful for comparative measures and observing trends, it does not accurately reflect individual *product values and might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.*

Drilling Locations

This news release discloses drilling locations or targets with respect to the Company's assets, all of which are unbooked locations. Unbooked locations are internal estimates based on the Company's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production, and reserves information. There is no certainty that the Company will drill any unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources, or production. The drilling locations on which the Company actually drill wells will ultimately depend upon the availability of capital, receipt of regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations may have been derisked by drilling existing wells in relatively close proximity to such unbooked drilling locations, management has less certainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

Non-GAAP and Other Financial Measures

Throughout this press release, 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 Financial Measures

Funds from Operations

"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.

	Three Months ended September 30		Nine Months ended September 30	
($000)	***2022***	*2021*	***2022***	*2021*
Cash flows from operating activities	***205,464***	*101,982*	***611,835***	*307,648*
Change in non-cash working capital	***(14,155)***	*2,626*	***(13,633)***	*(4,139)*
Decommissioning expenditures	***3,579***	-	***3,579***	-
Performance based compensation	***2,500***	-	***5,000***	-
Funds from operations	***197,388***	*104,608*	***606,781***	*303,509*

Free Funds Flow

Peyto uses free funds flow as an indicator of the efficiency and liquidity of Peyto's business, measuring its funds after capital investment available to manage debt levels, pay dividends, and return capital to shareholders through activities such as share repurchases. Peyto calculates free funds flow as funds from operations generated during the period less additions to property, plant and equipment, included in cash flow from investing activities in the statement of cash flows. By removing the impact of current period additions to property, plant and equipment from funds from operations, Management monitors its free funds flow to inform its capital allocation decisions. The most directly comparable GAAP measure to free funds flow is cash from operating activities. The following table details the calculation of free funds flow and the reconciliation from cash flow from operating activities to free funds flow.

	Three Months ended September 30		Nine Months ended September 30	
($000)	***2022***	*2021*	***2022***	*2021*
Cash flows from operating activities	***205,464***	*101,982*	***611,835***	*307,648*
Change in non-cash working capital	***(14,155)***	*2,626*	***(13,633)***	*(4,139)*
Decommissioning expenditures	***3,579***	-	***3,579***	-
Performance based compensation	***2,500***	-	***5,000***	-
Funds from operations	***197,388***	*104,608*	***606,781***	*303,509*
Total capital expenditures	***(140,400)***	*(90,170)*	***(391,820)***	*(256,107)*
Free funds flow	***56,988***	*14,438*	***214,961***	*47,402*

Total Capital Expenditures

Peyto uses the term total capital expenditures as a measure of capital investment in exploration and production activity, as well as property acquisitions and divestitures, and such spending is compared to the Company's annual budgeted capital expenditures. The most directly comparable GAAP measure for total capital expenditures is cash flow used in investing activities. The following table details the calculation of cash flow used in investing activities to total capital expenditures.

	Three Months ended September 30		*Nine Months ended September 30*	
($000)	***2022***	*2021*	***2022***	*2021*
Cash flows used in investing activities	***140,934***	*69,236*	***401,612***	*251,386*
Change in prepaid capital	***(6,740)***	*(221)*	***8,190***	*(4,687)*
Corporate acquisitions	***-***	*-*	***(22,220)***	*-*
Change in non-cash working capital relating to investing activities	***6,206***	*21,155*	***4,238***	*9,408*
Total capital expenditures	***140,400***	*90,170*	***391,820***	*256,107*

Net Debt

"Net debt" is a non-GAAP financial measure that is the sum of long-term debt and working capital excluding the current financial derivative instruments and current portion of lease obligations. It is used by management to analyze the financial position and leverage of the Company. Net debt is reconciled to long-term debt which is the most directly comparable GAAP measure.

($000)	***As at September 30, 2022***	*As at December 31, 2021*	*As at September 30, 2021*
Long-term debt	***934,828***	*1,065,712*	*1,065,000*
Current assets	***(180,885)***	*(144,370)*	*(133,427)*
Current liabilities	***506,950***	*239,620*	*401,936*
Financial derivative instruments	***(289,149)***	*(61,091)*	*(200,716)*
Current portion of lease obligation	***(1,255)***	*(1,123)*	*(1,193)*
Net debt	***970,489***	*1,098,748*	*1,131,600*

Non-GAAP Financial Ratios

Funds from Operations per Share

Peyto presents funds from operations per share by dividing funds from operations by the Company's diluted or basic weighted average common shares outstanding. "Funds from operations" is a non-GAAP financial measure. Management believes that funds from operations per share provides investors an indicator of funds generated from the business that could be allocated to each shareholder's equity position.

Netback per MCFE and BOE

"Netback" is a non-GAAP measure that represents the profit margin associated with the production and sale of petroleum and natural gas. Peyto computes "field netback per Mcfe" as commodity sales from production, plus net third party sales, if any, plus other income, less royalties, operating, and transportation expense divided by production. "Cash netback" is calculated as "field netback" less interest, less general and administration expense and plus or minus realized gain (loss) on foreign exchange, divided by production. Netbacks are per unit of production measures used to assess Peyto's performance and efficiency. The primary factors that produce Peyto's strong netbacks and high margins are a low-cost structure and the high heat content of its natural gas that results in higher commodity prices.

	Three Months ended September 30		*Nine Months ended September 30*	
($/Mcfe)	***2022***	*2021*	***2022***	*2021*
Gross Sale Price	***6.48***	*4.78*	***6.65***	*4.13*
Realized hedging loss	***(1.60)***	*(1.45)*	***(1.48)***	*(0.82)*
Net Sale Price	***4.88***	*3.33*	***5.17***	*3.31*
Net third party sales	***0.07***	*-*	***0.03***	*-*
Other income	***0.04***	*0.01*	***0.02***	*0.01*
Royalties	***(0.70)***	*(0.36)*	***(0.75)***	*(0.31)*
Operating costs	***(0.38)***	*(0.35)*	***(0.39)***	*(0.35)*
Transportation	***(0.26)***	*(0.23)*	***(0.27)***	*(0.20)*
Field netback[(1)]	***3.61***	*2.39*	***3.79***	*2.45*
Net general and administrative	***(0.02)***	*(0.02)*	***(0.02)***	*(0.04)*
Interest on long-term debt	***(0.21)***	*(0.26)*	***(0.21)***	*(0.32)*
Realized gain on foreign exchange	***0.02***	*-*	***0.01***	*-*
Cash netback[(1)] ($/Mcfe)	***3.44***	*2.11*	***3.59***	*2.09*
Cash netback[(1)] ($/boe)	***20.62***	*12.68*	***21.56***	*12.55*

Return on Equity

Peyto calculates ROE, expressed as a percentage, as Earnings divided by the Equity. Peyto uses ROE as a measure of long- term financial performance, to measure how effectively Management utilizes the capital it has been provided by shareholders and to demonstrate to shareholders the returns generated over the long term.

Return on Capital Employed
Peyto calculates ROCE, expressed as a percentage, as EBIT divided by Total Assets less Current Liabilities per the Financial Statements. Peyto uses ROCE as a measure of long-term financial performance, to measure how effectively Management utilizes the capital (debt and equity) it has been provided and to demonstrate to shareholders the returns generated over the long term.

Total Payout Ratio
"Total payout ratio" is a non-GAAP measure which is calculated as the sum of dividends declared plus additions to property, plant and equipment, divided by funds from operations. This ratio represents the percentage of the capital expenditures and dividends that is funded by cashflow. Management uses this measure, among others, to assess the sustainability of Peyto's dividend and capital program.

	Three Months ended September 30		Nine Months ended September 30	
($000, except total payout ratio)	***2022***	*2021*	***2022***	*2021*
Total dividends declared	***25,686***	*1,671*	***76,529***	*4,979*
Total capital expenditures	***140,400***	*90,170*	***391,820***	*256,107*
Total payout	***166,086***	*91,841*	***468,349***	*261,086*
Funds from operations	***197,388***	*104,608*	***606,781***	*303,509*
Total payout ratio (%)	***84%***	*88%*	***77%***	*86%*

Operating Margin
Operating Margin is a non-GAAP financial ratio defined as funds from operations divided by revenue before royalties but including realized hedging gains/losses.

Profit Margin
Profit Margin is a non-GAAP financial ratio defined as net earnings for the quarter divided by revenue before royalties but including realized hedging gains/losses.

Free Cash flow Ratio
Free Cash Flow Ratio is a non-GAAP financial ratio defined as Free Funds Flow for the quarter divided by Funds From Operations for the quarter. Management monitors its Free Cash Flow Ratio to inform its capital allocation decisions.

Payout ratio
Payout ratio is a non-GAAP measure which is calculated as dividends declared divided by funds from operations. This ratio represents the percentage of dividends that is funded by cashflow. Management uses this measure, among others, to assess the sustainability of Peyto's dividend.

Management's discussion and analysis

This Management's Discussion and Analysis ("MD&A") of Peyto Exploration Development Corp. ("Peyto" or the "Company") is Management's analysis of the financial performance and significant trends and external factors that may affect future performance. This MD&A was prepared using information that is current as of November 9, 2022 and should be read in conjunction with the unaudited condensed consolidated financial statements (the "financial statements") as at and for the three and nine months ended September 30, 2022, and the MD&A and audited consolidated financial statements as at and for the year ended December 31, 2021, as well as Peyto's Annual Information Form, each of which is available at www.sedar.com and on Peyto's website at www.Peyto.com.

The financial statements have been prepared in accordance with the International Accounting Standards Board's ("IASB") most current International Financial Reporting Standards ("IFRS" or "GAAP") and International Accounting Standards ("IAS"). All references are to Canadian dollars unless otherwise indicated.

Throughout this MD&A and in other materials disclosed by the Company, Peyto adheres to GAAP, however the Company also employs certain non-GAAP and other financial measures to analyze financial performance, financial position, and cash flow including, but not limited to "funds from operations", "free funds flow", "total capital expenditures" and "net debt". 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 earnings (loss), cash flow from operating activities, and cash flow used in investing activities, as indicators of Peyto's performance. See "Non-GAAP and Other Financial Measures" included at the end of this MD&A for an explanation of these financial measures and reconciliation to the most directly comparable financial measure under IFRS.

Readers are cautioned that this MD&A contains certain forward-looking information and should be read in conjunction with Peyto's "Forward-Looking Statements" section included at the end of this MD&A.

OVERVIEW

Peyto is a Canadian energy company involved in the development and production of natural gas, oil and natural gas liquids in Alberta's deep basin. At December 31, 2021, the Company's total Proved plus Probable reserves were 5.4 trillion cubic feet equivalent (904 million barrels of oil equivalent) as evaluated by its independent petroleum engineers. Production is weighted approximately 87 per cent to natural gas and 13 per cent to natural gas liquids.

The Peyto model is designed to deliver a superior total return with growth in value, assets, production and income, all on a debt adjusted per share basis. The model is built around three key strategies:

- Use technical expertise to achieve the best return on capital employed through the development of internally generated drilling projects.
- Build an asset base which is made up of high-quality natural gas reserves.
- Over time, balance dividends paid to shareholders with earnings and cash flow, and balance funding for the capital program with cash flow, equity and available credit lines.

Operating results over the last 24 years indicate that these strategies have been successfully implemented. This business model makes Peyto a truly unique energy company.

QUARTERLY FINANCIAL INFORMATION

($000 except per share amounts)	**2022** Q3	Q2	Q1	2021 Q4	Q3	Q2	Q1	2020 Q4
Natural gas and NGL sales, net of royalties and realized hedging losses (1)	**239,637**	253,992	253,991	208,055	146,792	127,727	161,258	116,018
Funds from operations(2)	**197,388**	205,901	203,492	166,165	104,608	82,191	116,709	76,013
Per share – basic (2)	**1.15**	1.21	1.20	0.99	0.63	0.50	0.71	0.46
Per share – diluted (2)	**1.13**	1.18	1.17	0.96	0.62	0.50	0.71	0.46
Earnings	**84,861**	94,545	97,816	71,718	29,271	12,760	38,500	65,951
Per share – basic	**0.50**	0.56	0.58	0.43	0.18	0.08	0.23	0.40
Per share – diluted	**0.48**	0.54	0.56	0.42	0.17	0.08	0.23	0.40
Total dividends	**25,686**	25,485	25,358	16,779	1,671	1,658	1,651	1,649
Per share	**0.15**	0.15	0.15	0.10	0.01	0.01	0.01	0.01
Total capital expenditures(2)	**140,400**	108,089	143,331	108,951	90,170	57,086	108,851	68,250
Corporate Acquisition	**-**	-	22,220	-	-	-	-	-
Total payout ratio (%)(2)	**84%**	65%	83%	76%	88%	71%	95%	92%

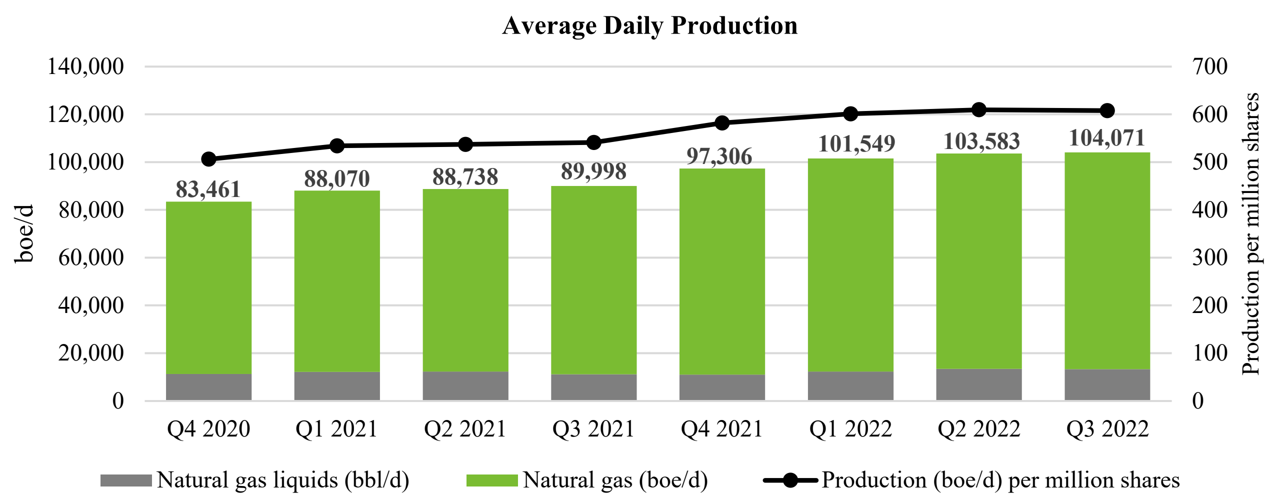
(1) Excludes revenue from sale of natural gas volumes from third parties
(2) This is a non-GAAP financial measure or ratio. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for further information

RESULTS OF OPERATIONS

Production

	Three Months Ended September 30			**Nine Months Ended September 30**		
	2022	2021	% Change	**2022**	2021	% Change
Natural gas (MMcf/d)	**544.8**	473.0	*15%*	**540.5**	462.5	*17%*
NGLs (or "Liquids") (bbl/d)	**13,263**	11,164	*19%*	**12,986**	11,860	*9%*
Total (boe/d)	**104,071**	89,998	*16%*	**103,077**	88,943	*16%*
Total (MMcfe/d)	**624.4**	540.0	*16%*	**618.5**	533.7	*16%*

Peyto's total production in the third quarter of 2022 increased 16 per cent to 104,071 boe/d, compared to 89,998 boe/d in the third quarter of 2021. In the nine months ended September 30, 2022, total production increased to 103,077 boe/d, compared to 88,943 boe/d for the same period in 2021. The production increase in the three and nine months ended September 30, 2022, is primarily attributable to Peyto's increased capital expenditure program over the past year. Additionally, minor production volumes were added in the three and nine months ended September 30, 2022 from acquisitions closed on February 28, 2022 and September 13, 2022.



Natural Gas Liquids Production by Component

	Three Months Ended September 30			Nine Months Ended September 30		
	2022	2021	% Change	**2022**	2021	% Change
Condensate and Pentanes Plus (bbl/d)	**7,903**	6,685	*18%*	**7,707**	6,984	*10%*
Other Natural gas liquids (bbl/d)	**5,360**	4,479	*20%*	**5,279**	4,876	*8%*
Natural gas liquids (bbl/d)	**13,263**	11,164	*19%*	**12,986**	11,860	*9%*
Liquid to gas ratio (bbls/MMcf)	**24.3**	23.6	*3%*	**24.0**	25.6	*-6%*

The liquid to gas ratio increased three per cent to 24.3 bbl/MMcf in the third quarter of 2022 from 23.6 bbl/MMcf in the third quarter of 2021. The liquids to gas ratio fluctuates depending on the mix of rich and lean gas wells drilled as Peyto attempts to maximize overall returns.

Benchmark Commodity Prices

	Three Months Ended September 30			Nine Months Ended September 30		
	2022	2021	% Change	**2022**	2021	% Change
AECO 7A monthly ($/GJ)	**5.50**	3.36	*64%*	**5.27**	2.94	*79%*
AECO 5A daily ($/GJ)	**3.95**	3.41	*16%*	**5.10**	3.11	*64%*
NYMEX (US$/MMBtu)	**7.96**	4.28	*86%*	**6.65**	3.53	*88%*
Emerson2 (US$/MMBtu)	**6.22**	3.71	*68%*	**5.79**	3.12	*86%*
Malin (US$/MMBtu)	**7.96**	4.12	*93%*	**6.82**	3.30	*107%*
Ventura daily (US$/MMBtu)	**7.26**	4.02	*81%*	**6.26**	6.43	*-3%*
Canadian WTI ($/bbl)	**119.46**	88.92	*34%*	**125.77**	81.08	*55%*
Conway C3 (US$/bbl)	**44.74**	49.02	*-9%*	**49.97**	40.81	*22%*
Exchange rate (CDN/USD)	**1.306**	1.260	*4%*	**1.283**	1.251	*3%*

Commodity Prices

	Three Months Ended September 30			Nine Months Ended September 30		
	2022	2021	% Change	**2022**	2021	% Change
Condensate and Pentanes Plus(1) ($/bbl)	**107.83**	83.60	*29%*	**120.78**	76.40	*58%*
Other Natural gas liquids(1) ($/bbl)	**46.96**	37.97	*24%*	**54.92**	31.32	*75%*
NGL price – before hedging ($/bbl)	**83.24**	65.29	*27%*	**94.02**	57.87	*62%*
Hedging ($/bbl)	**(5.17)**	(9.82)	*-47%*	**(11.46)**	(8.03)	*43%*
Realized NGL price – after hedging ($/bbl)	**78.07**	55.47	*41%*	**82.54**	49.84	*66%*
Natural gas(2) ($/Mcf)	**6.18**	4.75	*30%*	**6.11**	4.11	*49%*
Diversification activities ($/Mcf)	**(0.79)**	(0.85)	*-7%*	**(0.75)**	(0.84)	*-11%*
Hedging ($/Mcf)	**(1.71)**	(1.42)	*20%*	**(1.42)**	(0.74)	*92%*
Realized natural gas price – after hedging and diversification ($/Mcf)	**3.68**	2.48	*48%*	**3.94**	2.53	*56%*
Total Hedging ($/Mcfe)	**(1.60)**	(1.45)	*10%*	**(1.48)**	(0.82)	*80%*
Total Hedging ($/boe)	**(9.62)**	(8.70)	*11%*	**(8.87)**	(4.90)	*81%*

(1) Condensate, pentanes plus and other liquids prices are Peyto realized prices in Canadian dollars adjusted for fractionation and transportation
(2) Excludes revenue from sale of natural gas volumes from third parties but includes fixed price physical contracts

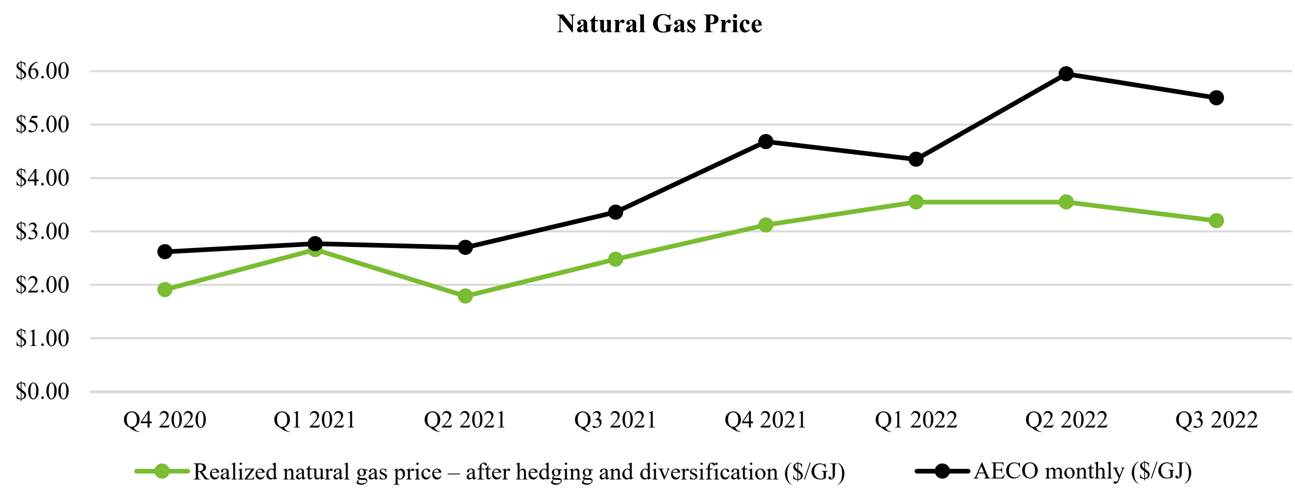
Peyto's natural gas price, before hedging and diversification activities, averaged $6.18/Mcf in the third quarter of 2022, an increase of 30 per cent from $4.75/Mcf in the third quarter of 2021. In the nine months ended September 30, 2022, Peyto's natural gas price, before hedging and diversification activities, increased 49 per cent to 6.11/Mcf from $4.11/Mcf in the same period of 2021.

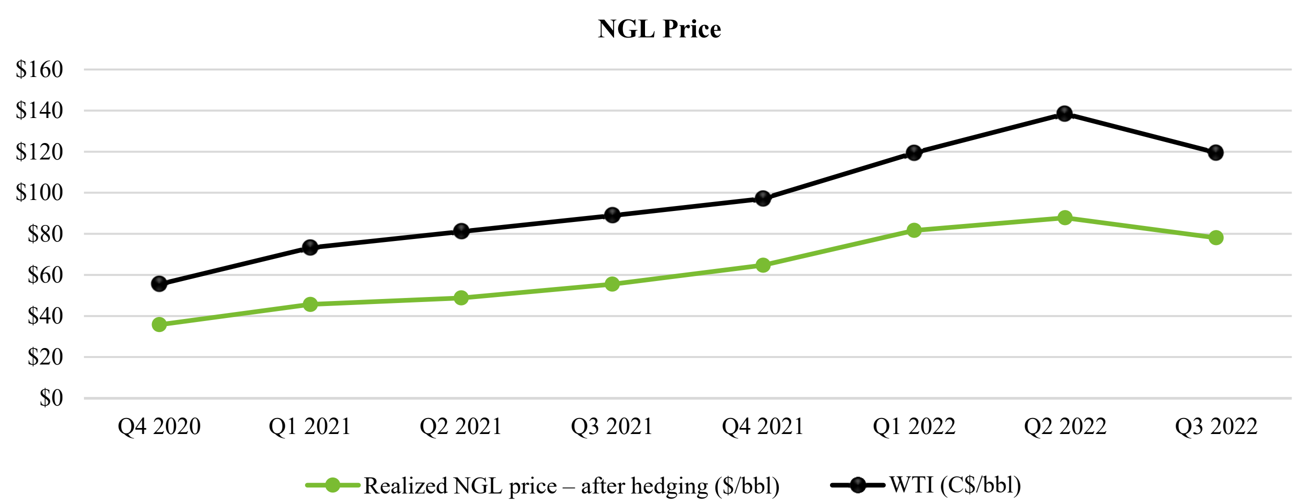
The Company's NGL price, before hedging, averaged $83.24/bbl, in the third quarter of 2022, an increase of 27 per cent from $65.29/bbl in the third quarter of 2021. In the nine months ended September 30, 2022, Peyto's NGL price, before hedging, increased 62 per cent to 94.02/bbl from $57.87/bbl in the same period of 2021.

Increases in Peyto's natural gas and NGL prices in the three and nine months ended September 30, 2022, were driven by the sharp increases in benchmark commodity prices over the past year.

Peyto actively markets all components of its production stream including natural gas, condensate, pentane, butane and propane. Peyto's market diversification activity resulted in natural gas being sold at various hubs including AECO, Ventura, Emerson 2, Malin and Henry Hub using both physical fixed price and temporary basis transactions to access those locations. Natural gas prices were left to float on daily pricing or locked in using fixed price swaps at those hubs and Peyto's realized price was benchmarked against those local prices, then adjusted for marketing arrangements (either physical or short-term synthetic) to those markets. This gas market diversification cost represents the total marketing and synthetic transportation cost, not just the difference between those markets and an AECO equivalent price.

The Company's liquids were also actively marketed with condensate being sold on a monthly index differential linked to West Texas Intermediate ("WTI") oil prices. Peyto's NGLs (a blend of pentanes plus, butane and propane) are fractionated by a third party in Fort Saskatchewan, Alberta however Peyto markets each product separately. Pentanes Plus were sold on a monthly index differential linked to WTI, with some volumes forward sold on fixed differentials to WTI. Butane was sold as a percent of WTI or a fixed differential to the Mount Belvieu, Texas market. Propane was sold on a fixed differential to the Conway, Kansas market. While some products were sold pursuant to annual term contracts to ensure delivery paths remain open, others were marketed on the daily spot market.

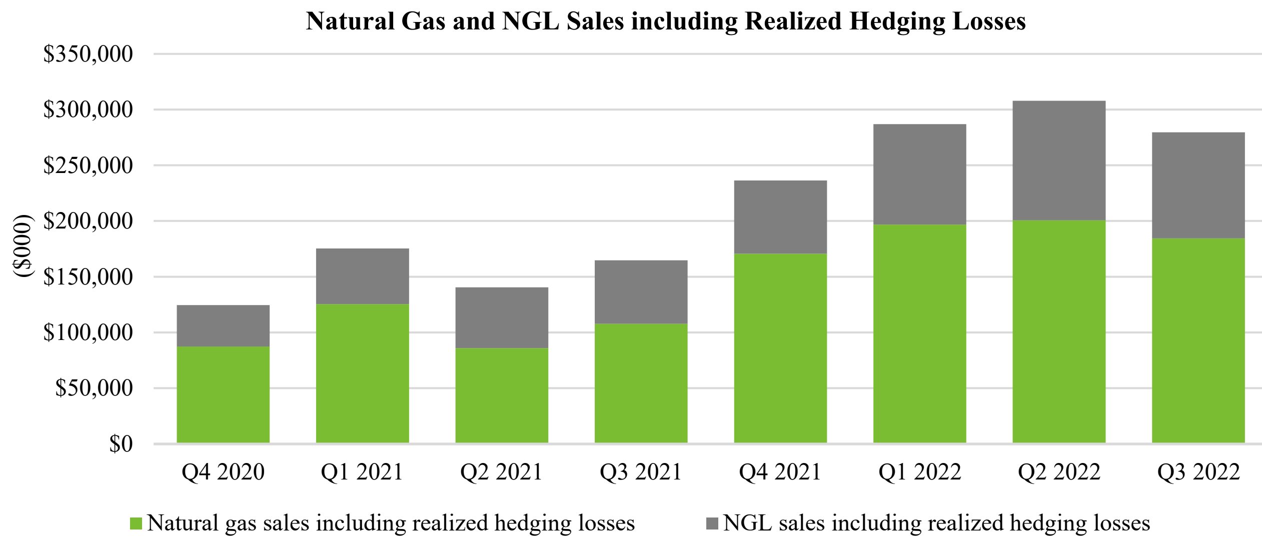




Revenue from Natural Gas and NGL Sales and Realized Hedging Losses

($000)	Three Months Ended September 30 **2022**	2021	% Change	Nine Months Ended September 30 **2022**	2021	% Change
Natural gas sales[1]	**271,219**	169,789	*59%*	**790,760**	412,245	*92%*
Realized hedging losses - gas	**(85,823)**	(61,987)	*38%*	**(208,985)**	(93,046)	*125%*
Natural gas sales including realized hedging losses	**184,396**	107,802	*71%*	**581,775**	319,199	*82%*
NGL sales	**101,567**	67,063	*51%*	**333,246**	187,355	*78%*
Realized hedging losses - NGLs	**(6,302)**	(10,088)	*-38%*	**(40,636)**	(25,993)	*56%*
NGL sales including realized hedging losses	**95,265**	56,975	*67%*	**292,610**	161,362	*81%*
Natural gas and NGL sales	**371,786**	236,852	*57%*	**1,124,006**	599,600	*87%*
Realized hedging losses	**(92,125)**	(72,075)	*28%*	**(249,621)**	(119,039)	*110%*
Natural gas and NGL sales including realized hedging losses	**279,661**	164,777	*70%*	**874,385**	480,561	*82%*

(1) Excludes revenue from sale of natural gas volumes from third parties

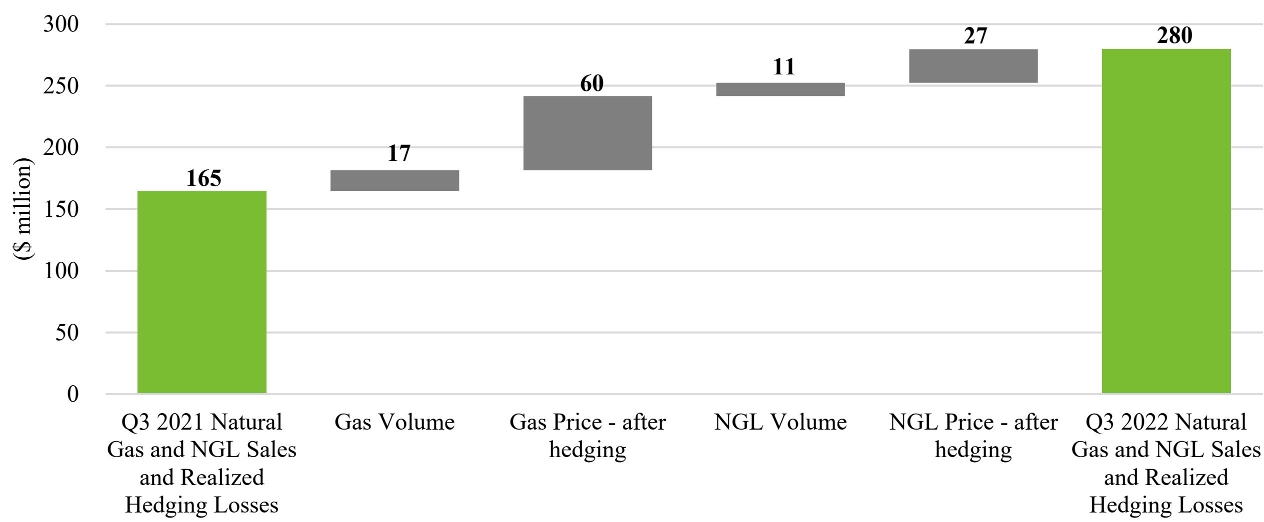


In the third quarter of 2022, natural gas and NGL sales net of realized hedging losses increased 70 per cent to $279.7 million from $164.8 million in the third quarter of 2021. In the nine months ended September 30, 2022, natural gas and NGL sales net of realized hedging losses increased 82 per cent to $874.4 million from $480.6 million for the same period in 2021. The increases for the three and nine months ended September 30, 2022 were a result of increased commodity prices and production volumes, as detailed in the following table and charts:

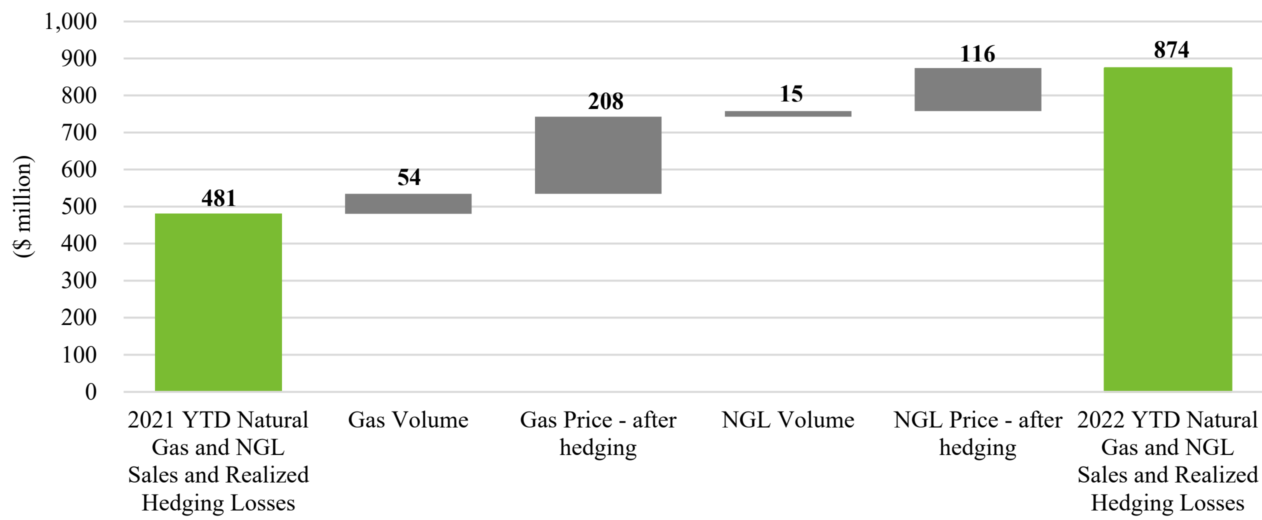
Revenue from Natural Gas and NGL Sales and Realized Hedging Losses

	Three Months ended September 30 2022	2021	**$ million**	Nine Months ended September 30 2022	2021	**$ million**
2021			**165**			**481**
change due to:						
Natural gas						
Volume (MMcf)	50,126	43,517	**17**	147,569	126,261	**54**
Price ($/Mcf)	3.68	2.48	**60**	3.94	2.53	**208**
NGL						
Volume (Mbbl)	1,220	1,027	**11**	3,545	3,238	**15**
Price ($/bbl)	78.07	55.47	**27**	82.54	49.84	**116**
2022			**280**			**874**

Change in Revenue and Realized Hedging Losses
Three Months Ended September 30



Change in Revenue and Realized Hedging Losses
Nine Months Ended September 30



Sales and Purchases of Natural Gas from Third Parties

	Three Months Ended September 30			Nine Months Ended September 30		
($000)	**2022**	2021	% Change	**2022**	2021	% Change
Sales of natural gas from third parties	**42,769**	-		**83,299**	-	
Natural gas purchased from third parties	**(38,657)**	-		**(78,201)**	-	
Net third party sales	**4,112**	-		**5,098**	-	

In the three and nine months ended September 30, 2022, Peyto recorded sales of natural gas from third parties totaling $42.8 million and $83.3 million, which were purchased for $38.7 million and $78.2 million, respectively. The purchased natural gas was required to fulfill physical sales commitments as a portion of the Company's transportation service from AECO to Empress was restricted by delays in the NGTL 2021 expansion program. Peyto's purchase and sales of natural gas from third parties ended on October 31, 2022.

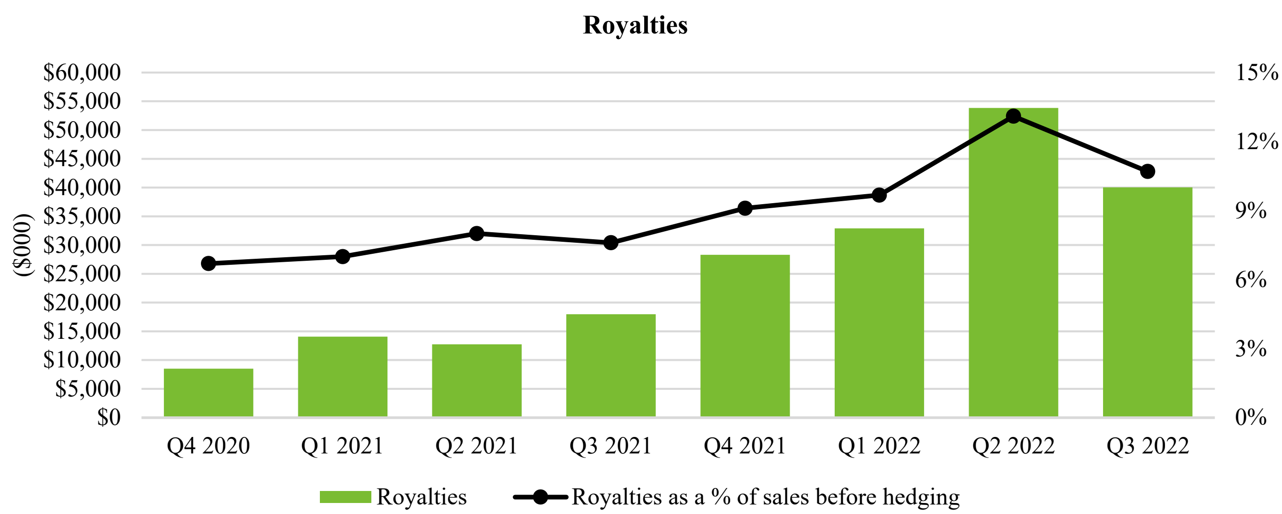
Royalties

Royalties are paid to the owners of the mineral rights with whom leases are held, including the provincial government of Alberta. Alberta Natural Gas Crown royalties are invoiced on the Crown's share of production based on a monthly established Alberta Reference Price. The Alberta Reference Price is a monthly weighted average price of gas consumed in Alberta and gas exported from Alberta reduced for transportation and marketing allowances. All Peyto's new natural gas wells qualify for the Crown's Drilling and Completion Cost Allowance program, which has a 5 per cent initial royalty rate.

	Three Months Ended September 30			Nine Months Ended September 30		
	2022	2021	% Change	**2022**	2021	% Change
Royalties ($000)	**40,024**	17,985	*123%*	**126,764**	44,786	*183%*
per cent of sales before hedging	**10.8**	7.6	*42%*	**11.3**	7.5	*51%*
$/Mcfe	**0.70**	0.36	*94%*	**0.75**	0.31	*142%*
$/boe	**4.18**	2.17	*93%*	**4.50**	1.84	*145%*

For the third quarter of 2022, royalties increased to $0.70/Mcfe or 10.8 per cent of Peyto's natural gas and NGL sales, compared to $0.36/Mcfe or 7.6 per cent in the third quarter of 2021. In the nine months ended September 30, 2022, royalties increased to $0.75/Mcfe or 11.3 per cent of Peyto's natural gas and NGL sales, compared to $0.31/Mcfe or 7.5 per cent in the same period of 2021. The increases in the three and nine months ended September 30, 2022 were due to the increases in AECO and WTI prices over the past year. Based on forward AECO and WTI prices, Peyto's royalty rate for 2022 is expected to range between 11 to 13 per cent of revenue excluding hedging losses.

In its 24 year history, Peyto has invested over $7.1 billion in capital projects, found and developed 4.5 TCFe of natural gas reserves and paid over $1.0 billion in royalties.



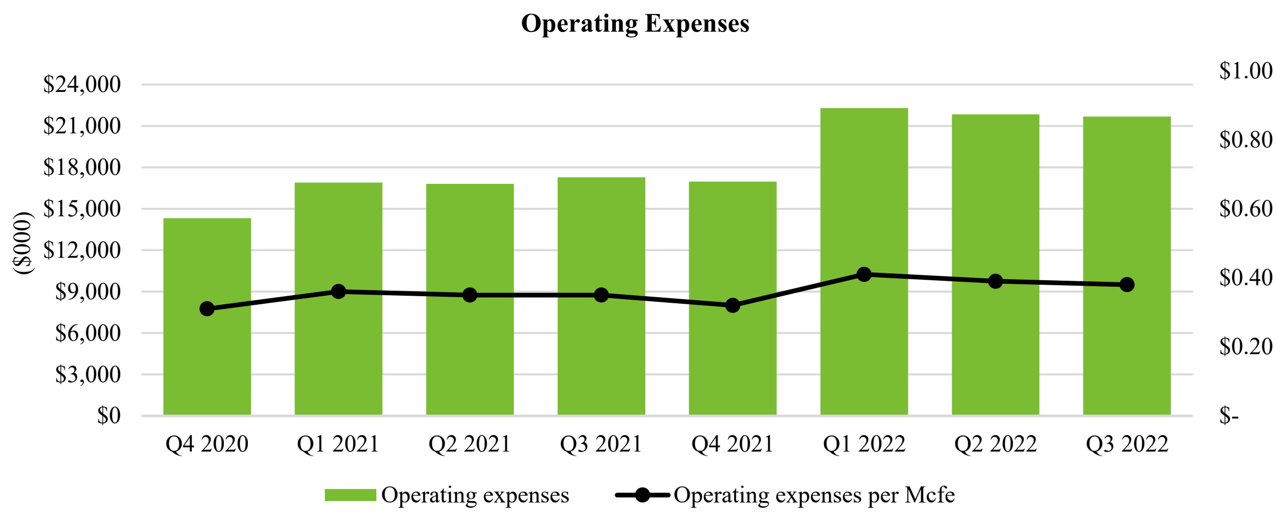
Operating Costs & Transportation

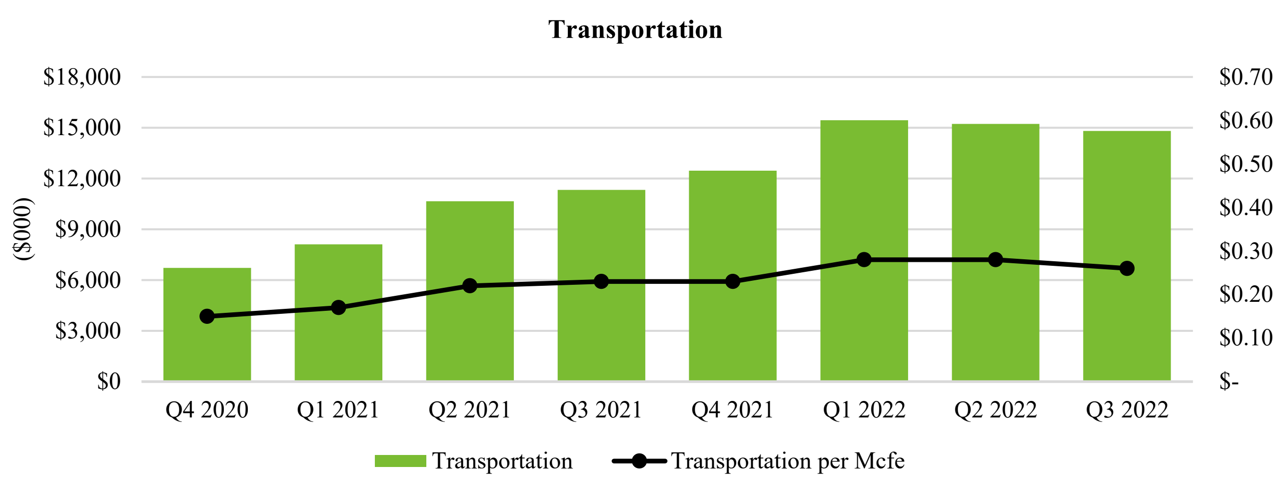
Peyto's operating expenses include all costs with respect to day-to-day well and facility operations.

	Three Months Ended September 30			Nine Months Ended September 30		
	2022	2021	% Change	**2022**	2021	% Change
Payments to Government ($000)	**4,989**	6,226	*-20%*	**15,751**	16,161	*-3%*
Other expenses ($000)	**16,694**	11,056	*51%*	**50,066**	34,831	*44%*
Operating costs ($000)	**21,683**	17,282	*25%*	**65,817**	50,992	*29%*
$/Mcfe	**0.38**	0.35	*9%*	**0.39**	0.35	*11%*
$/boe	**2.26**	2.09	*8%*	**2.34**	2.10	*11%*
Transportation ($000)	**14,807**	11,323	*31%*	**45,301**	30,086	*51%*
$/Mcfe	**0.26**	0.23	*13%*	**0.27**	0.20	*35%*
$/boe	**1.55**	1.37	*13%*	**1.61**	1.24	*30%*

For the three and nine months ended September 30, 2022, operating expenses were $21.7 million and $65.8 million, respectively, compared to $17.3 million and $51.0 million in the same periods in 2021. On a unit-of-production basis, operating costs increased 9 per cent to $0.38/Mcfe in the third quarter of 2022 from $0.35/Mcfe in the third quarter of 2021. In the nine months ended September 30, 2022, operating costs increased 11 per cent to $0.39/Mcfe compared to $0.35/Mcfe in the same period of 2021. The increases in the three and nine months ended September 30, 2022 were due to higher power, chemical, trucking and other operating costs; as suppliers and service providers increased their rates to reflect the impact of the increase in commodity prices. Approximately 20 to 30 per cent of operating expenses are related to government fees, taxes and levies. Peyto focuses on being the industry leader in operating costs and strives to achieve incremental cost reductions on a continuous basis.

Transportation expenses increased 13 per cent on a unit-of production basis to $0.26/Mcfe in the third quarter 2022 from $0.23/Mcfe in the third quarter 2021. In the nine months ended September 30, 2022, transportation expenses increased 35 per cent on a unit-of production basis to $0.27/Mcfe compared to $0.20/Mcfe in the same period of 2021. The increased transportation expenses are due to the addition of Empress and Emerson service, coupled with a January 2022 fee increase on the NGTL system. Physical transportation contracts to Emerson and Empress were entered into as part of Peyto's sales diversification strategy.





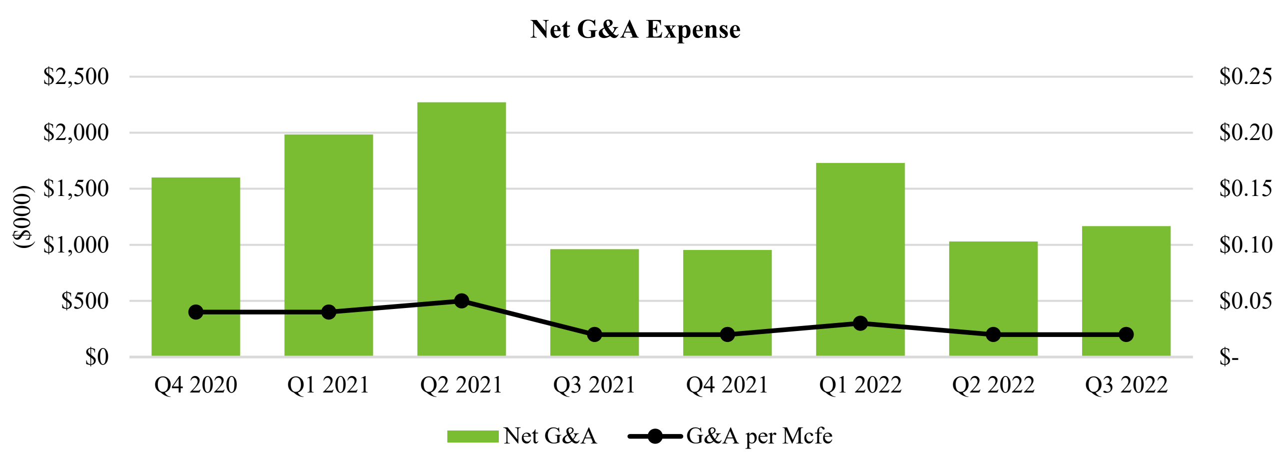
General and Administrative Expenses

	Three Months Ended September 30			Nine Months Ended September 30		
	2022	2021	% Change	**2022**	2021	% Change
G&A expenses ($000)	**4,589**	3,964	*16%*	**14,381**	12,265	*17%*
Overhead recoveries ($000)	**(3,422)**	(3,003)	*14%*	**(10,455)**	(7,049)	*48%*
Net G&A expenses ($000)	**1,167**	961	*21%*	**3,926**	5,216	*-25%*
$/Mcfe	**0.02**	0.02	-	**0.02**	0.04	*-50%*
$/boe	**0.12**	0.12	-	**0.14**	0.22	*-36%*

For the third quarter of 2022, G&A expenses (before overhead recoveries) increased to $4.6 million compared to $4.0 million in the third quarter of 2021, due to increased employment and insurance costs. In the nine months ended September 30, 2022, G&A expenses increased to $14.4 million compared to $12.3 million for the same period of 2021. This increase was due primarily to transaction costs of $0.6 million on the February 2022 corporate acquisition, and increased employment and insurance costs.

G&A expenses averaged $0.08/Mcfe before overhead recoveries of $0.06/Mcfe for net G&A expenses of $0.02/Mcfe in the third quarter of 2022 ($0.08/Mcfe before overhead recoveries of $0.06/Mcfe for net G&A expenses of $0.02/Mcfe in the third quarter of 2021).

In the three and nine months ended September 30, 2022, overhead recoveries increased 14 per cent and 48 per cent, respectively, compared to the same periods of 2021. The increased overhead recoveries are due to Peyto's increased capital investing activities over the same periods of 2021.



Performance and Stock Based Compensation
The Company awards performance-based compensation to employees, key consultants and directors. Performance and stock based compensation is comprised of stock options, deferred share units, and reserve value-based components.

Performance Based Compensation
The reserve value-based component is 4 per cent of the incremental increase in per share value, if any, as adjusted to reflect changes in debt, dividends, general and administrative expenses and interest expense, of proved producing reserves calculated using realized prices at December 31 of the current year and a discount rate of 8 per cent. Peyto accrued $2.5 million and $5.0 million for performance based compensation expense in the three and nine months ended September 30, 2022 (September 30, 2021 - $nil).

Stock Based Compensation
The Company has a stock option plan allowing for the granting of stock options to officers, employees and consultants of the Company. Stock options are to be granted periodically with a three-year vesting period. At the vesting, recipients have thirty days to exercise options after which any unexercised options expire.

Peyto has a deferred share unit plan, whereby DSUs may be issued to members of the Board of Directors. Each DSU is a notional unit equal in value to one Common Share, which entitles the holder to receive a common share upon redemption. DSUs vest immediately but can only be converted to a share upon the holder ceasing to be a Director of the Company. The expense associated with the DSU plan is determined based on the 5-day VWAP of Common Shares at the grant date. The expense is recognized in the income statement in the quarter in which the units are granted, with a corresponding charge to contributed surplus in the balance sheet.

Stock based compensation costs is calculated on 9.8 million non-vested stock options (5.7 per cent of the total number of common shares outstanding) and 0.2 million vested DSU's (0.1 per cent of the total number of common shares outstanding). The stock option plan limits the number of common shares that may be granted to 10 per cent of the outstanding common shares.

Peyto records a non-cash provision for compensation expense over the life of the stock options calculated using a Black-Scholes valuation model. Stock based compensation costs for the three and nine months ended September 30, 2022 were $2.9 million and $7.8 million, respectively (September 30, 2021 - $1.6 million and $4.1 million).

Stock Option Plan

	Number of Options	Weighted average exercise price ($)
Balance, December 31, 2021	9,173,137	5.05
Stock options granted	4,271,200	12.19
Exercised	(3,456,142)	4.30
Forfeited	(204,600)	7.31
Expired	(3,094)	4.38
Balance, September 30, 2022	9,780,501	8.39

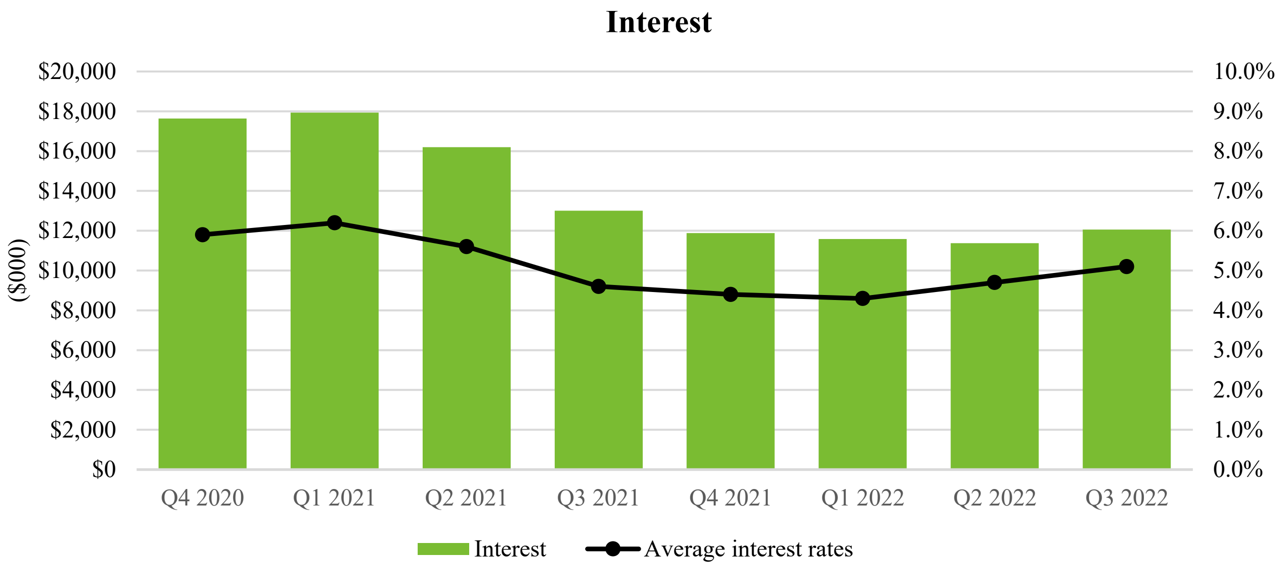
Deferred Share Units

	Number of DSUs	Weighted average exercise price ($)
Balance, December 31, 2021	176,669	3.60
DSU granted	30,251	11.96
Balance, September 30, 2022	206,920	4.83

Interest Expense

	Three Months Ended September 30			Nine Months Ended September 30		
	2022	2021	% Change	**2022**	2021	% Change
Interest expense ($000)	**12,054**	13,009	*-7%*	**35,011**	47,134	*-26%*
$/Mcfe	**0.21**	0.26	*-19%*	**0.22**	0.32	*-31%*
$/boe	**1.26**	1.57	*-20%*	**1.24**	1.94	*-36%*
Average interest rate	**5.1%**	4.6%	*11%*	**4.7%**	5.4%	*-13%*
Average Bank of Canada Rate	**2.55%**	0.25%	*920%*	**1.33%**	0.25%	*432%*

For the three and nine months ended September 30, 2022, interest expense decreased to $12.1 million and $35.0 million, respectively, compared to $13.0 million and $47.1 million for the same periods of 2021. The decrease in both periods is due to lower average debt outstanding on the Company's revolving credit facility. Peyto's average interest rate increased to 5.1 per cent in the third quarter of 2022 from 4.6 per cent in the third quarter of 2021 due to the increase in underlying interest rates, partially offset by lower stamping fees charged on the amounts drawn on the revolving credit facility. For the nine months ended September 30, 2022, the Company's average interest rate decreased to 4.7 percent from 5.4 per cent due to lower stamping fees charged on the amounts drawn on the revolving credit facility, partially offset by an increase in underlying interest rates.



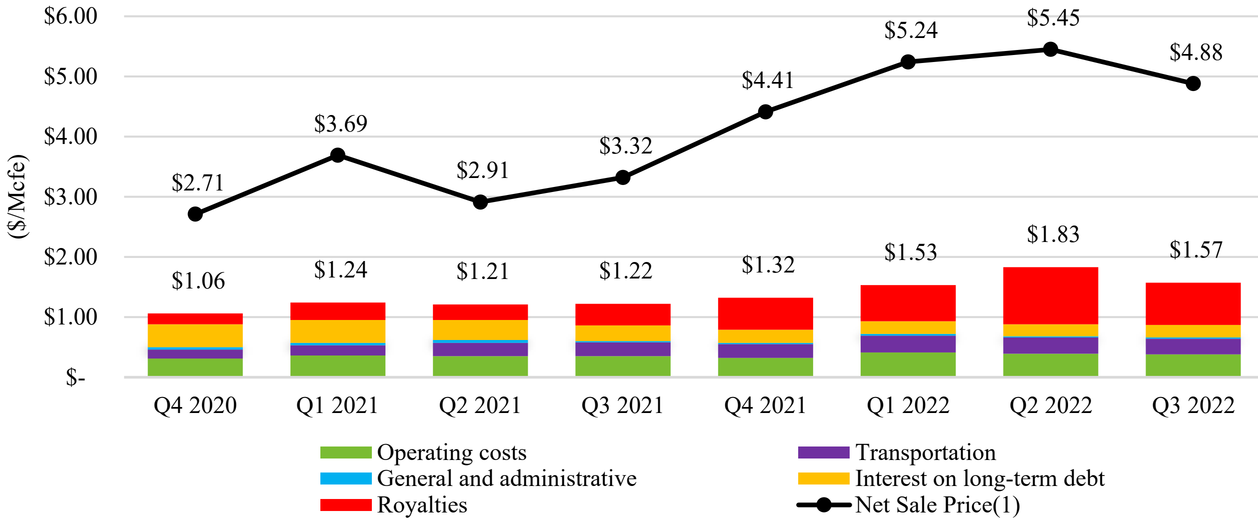
Netbacks

($/Mcfe)	Three Months Ended September 30 **2022**	2021	% Change	Nine Months Ended September 30 **2022**	2021	% Change
Gross Sale Price	**6.48**	4.77	*36%*	**6.66**	4.12	*62%*
Realized hedging loss	**(1.60)**	(1.45)	*10%*	**(1.48)**	(0.82)	*80%*
Net Sale Price	**4.88**	3.32	*47%*	**5.18**	3.30	*57%*
Net third party sales	**0.07**	-		**0.03**	-	
Other income	**0.04**	0.01	*300%*	**0.02**	0.01	*100%*
Royalties	**(0.70)**	(0.36)	*94%*	**(0.75)**	(0.31)	*142%*
Operating costs	**(0.38)**	(0.35)	*9%*	**(0.39)**	(0.35)	*11%*
Transportation	**(0.26)**	(0.23)	*13%*	**(0.27)**	(0.20)	*35%*
Field netback(1)	**3.65**	2.39	*53%*	**3.82**	2.45	*56%*
Net general and administrative	**(0.02)**	(0.02)	-	**(0.02)**	(0.04)	*-50%*
Interest on long-term debt	**(0.21)**	(0.26)	*-19%*	**(0.22)**	(0.32)	*-31%*
Realized gain on foreign exchange	**0.02**	-		**0.01**	-	
Cash netback(1) ($/Mcfe)	**3.44**	2.11	*63%*	**3.59**	2.09	*72%*
Cash netback(1) ($/boe)	**20.62**	12.68	*63%*	**21.56**	12.55	*72%*

(1) This is a non-GAAP ratio. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for further information

Netbacks are a non-GAAP measure that represent the profit margin associated with the production and sale of petroleum and natural gas. Netbacks are per unit of production measures used to assess Peyto's performance and efficiency. The primary factors that produce Peyto's strong netbacks and high margins are a low-cost structure and the high heat content of its natural gas that results in higher commodity prices.

Net Sales Price and Cash Costs



(1) Excludes revenue from sale of natural gas volumes from third parties

Depletion and Depreciation

Under IFRS, Peyto uses proved plus probable reserves as its depletion base to calculate depletion expense. The third quarter 2022 provision for depletion and depreciation totaled $75.9 million ($1.32/Mcfe) compared to $62.2 million ($1.25/Mcfe) in the third quarter 2021. In the nine months ended September 30, 2022, depletion and depreciation totaled $223.0 million ($1.32/Mcfe) compared to $189.8 million ($1.30/Mcfe) in the same period of 2021.

Income Taxes

For the three and nine months ended September 30, 2022, Peyto recognized deferred income tax expense of $26.2 million and $85.1 million, respectively, compared to $9.2 million and $25.3 million for the same periods in 2021. The increase in deferred tax expense in both periods is due to higher net income for tax purposes. Resource pools are generated from Peyto's capital program, which are available to offset current income tax liabilities for the nine months ended September 30, 2022.

MARKETING

Commodity Price Risk Management

Financial Derivative Instruments

The Company is a party to certain derivative financial instruments, including fixed price contracts. The Company enters into these forward contracts with well-established counterparties for the purpose of protecting a portion of its future revenues from the volatility of oil and natural gas prices. To minimize counterparty risk, these marketing contracts are executed with financial institutions which are members of Peyto's banking syndicate.

During the three and nine months ended September 30, 2022, Peyto recorded realized hedging losses of $92.1 million and $249.6 million, respectively, as compared to losses of $72.1 million and $119.0 million in the same periods of 2021. A summary of contracts outstanding in respect of the hedging activities are as follows:

Natural Gas Period Hedged - Monthly Index	Type	Daily Volume	Average Price (AECO CAD/GJ)
October 1, 2022 to December 31, 2022	Fixed Price	166,250 GJ	$3.13
January 1 2023 to March 31, 2023	Fixed Price	205,000 GJ	$3.34
April 1, 2023 to June 30, 2023	Fixed Price	227,500 GJ	$3.00
July 1, 2023 to September 30, 2023	Fixed Price	227,500 GJ	$3.00
October 1, 2023 to December 31, 2023	Fixed Price	101,522 GJ	$3.55
January 1, 2024 to March 31, 2024	Fixed Price	37,500 GJ	$5.26
April 1, 2024 to June 30, 2024	Fixed Price	15,000 GJ	$4.13
July 1, 2024 to September 30, 2024	Fixed Price	15,000 GJ	$4.13
October 1, 2024 to October 31, 2024	Fixed Price	15,000 GJ	$4.13

Natural Gas Period Hedged - Daily Index	Type	Daily Volume	Average Price (AECO CAD/GJ)
October 1, 2022 to October 31, 2022	Fixed Price	55,000 GJ	$3.53

Natural Gas Period Hedged – NYMEX	Type	Daily Volume	Average Price (Nymex USD/MMBtu)
October 1, 2022 to December 31, 2022	Fixed Price	111,359 MMBtu	$4.23
January 1 2023 to March 31, 2023	Fixed Price	140,000 MMBtu	$3.99
April 1, 2023 to June 30, 2023	Fixed Price	120,000 MMBtu	$3.71
July 1, 2023 to September 30, 2023	Fixed Price	120,000 MMBtu	$3.71
October 1, 2023 to December 31, 2023	Fixed Price	90,163 MMBtu	$3.66
January 1, 2024 to March 31, 2024	Fixed Price	75,000 MMBtu	$4.34

Natural Gas Period Hedged – Malin	Type	Daily Volume	Average Price (Nymex USD/MMBtu)
October 1, 2022 to December 31, 2022	Fixed Price	40,000 MMBtu	$2.77
January 1, 2023 to March 31, 2023	Fixed Price	40,000 MMBtu	$2.97

Crude Oil Period Hedged – WTI	Type	Daily Volume	Average Price (WTI USD/bbl)
October 1, 2022 to December 31, 2022	Fixed Price	300 bbl	$64.05

Crude Oil Period Hedged – WTI	Type	Daily Volume	Price (WTI CAD/bbl)
October 1, 2022 to December 31, 2022	Fixed Price	3,400 bbl	$99.79
January 1 2023 to March 31, 2023	Fixed Price	2,300 bbl	$113.44
April 1, 2023 to June 30, 2023	Fixed Price	1,400 bbl	$113.34
July 1, 2023 to September 30, 2023	Fixed Price	500 bbl	$109.06
October 1, 2023 to December 31, 2023	Fixed Price	100 bbl	$103.75

As at September 30 2022, Peyto had committed to the future sale of 93,045,000 gigajoules (GJ) of natural gas at an average price of $3.28 per GJ or $3.77 per Mcf, 67,205,000 MMBtu at an average price of $3.81 US per MMBtu, 27,600 barrels of crude at an average price of $64.05 USD per bbl, and 702,400 barrels of crude at an average price of $106.93 CAD per bbl. Had these contracts closed on September 30, 2022, Peyto would have realized a loss in the amount of $321.3 million. Total hedged volumes represent approximately 6 per cent of Peyto's December 31, 2021 Proved plus Probable Developed reserves.

Subsequent to September 30, 2022, Peyto entered into the following hedging contracts:

Natural Gas **Period Hedged - Daily Index**	**Type**	**Daily Volume**	**Average Price** **(AECO CAD/GJ)**
November 1, 2022 to March 31, 2023	Fixed Price	25,000 GJ	$5.62
April 1, 2023 to October 31, 2023	Fixed Price	5,000 GJ	$4.40

Natural Gas **Period Hedged - Monthly Index**	**Type**	**Daily Volume**	**Average Price** **(AECO CAD/GJ)**
April 1, 2023 to October 31, 2023	Fixed Price	15,000 GJ	$4.12
November 1, 2023 to March 31, 2024	Fixed Price	25,000 GJ	$5.08

Natural Gas **Period Hedged – NYMEX**	**Type**	**Daily Volume**	**Average Price** **(Nymex USD/MMBtu)**
November 1, 2023 to March 31, 2024	Fixed Price	20,000 MMBtu	$5.41
April 1, 2024 to October 31, 2024	Fixed Price	60,000 MMBtu	$4.24

Crude Oil **Period Hedged – WTI**	**Type**	**Daily Volume**	**Price** **(WTI CAD/bbl)**
January 1 2023 to March 31, 2023	Fixed Price	800 bbl	$114.04
April 1, 2023 to June 30, 2023	Fixed Price	200 bbl	$107.73
July 1, 2023 to September 30, 2023	Fixed Price	300 bbl	$107.07
October 1, 2023 to December 31, 2023	Fixed Price	200 bbl	$105.45

Commodity Price Sensitivity
Peyto's earnings are largely determined by commodity prices for crude oil and natural gas including the US/Canadian dollar exchange rate. Volatility in these oil and gas prices can cause fluctuations in Peyto's earnings and cash flow. Low operating costs and a long reserve life reduce Peyto's sensitivity to changes in commodity prices.

Currency Risk Management
The Company is exposed to fluctuations in the Canadian/US dollar exchange ratio since commodities are effectively priced in US dollars and converted to Canadian dollars. Currently, Peyto has not entered into any agreements to further manage its currency risks. The $40 million USD in senior secured notes does provide structural foreign exchange risk mitigation.

Interest Rate Risk Management
The Company is exposed to interest rate risk in relation to interest expense on its revolving credit facility. Currently there are no agreements to manage the risk on the credit facility. At September 30, 2022, the increase or decrease in earnings for each 100 bps (1 per cent) change in weighted average borrowing rate paid on the outstanding revolving demand loan amounts to approximately $1.3 million per quarter. Average debt outstanding for the quarter was $946 million (including $417 million fixed rate debt).

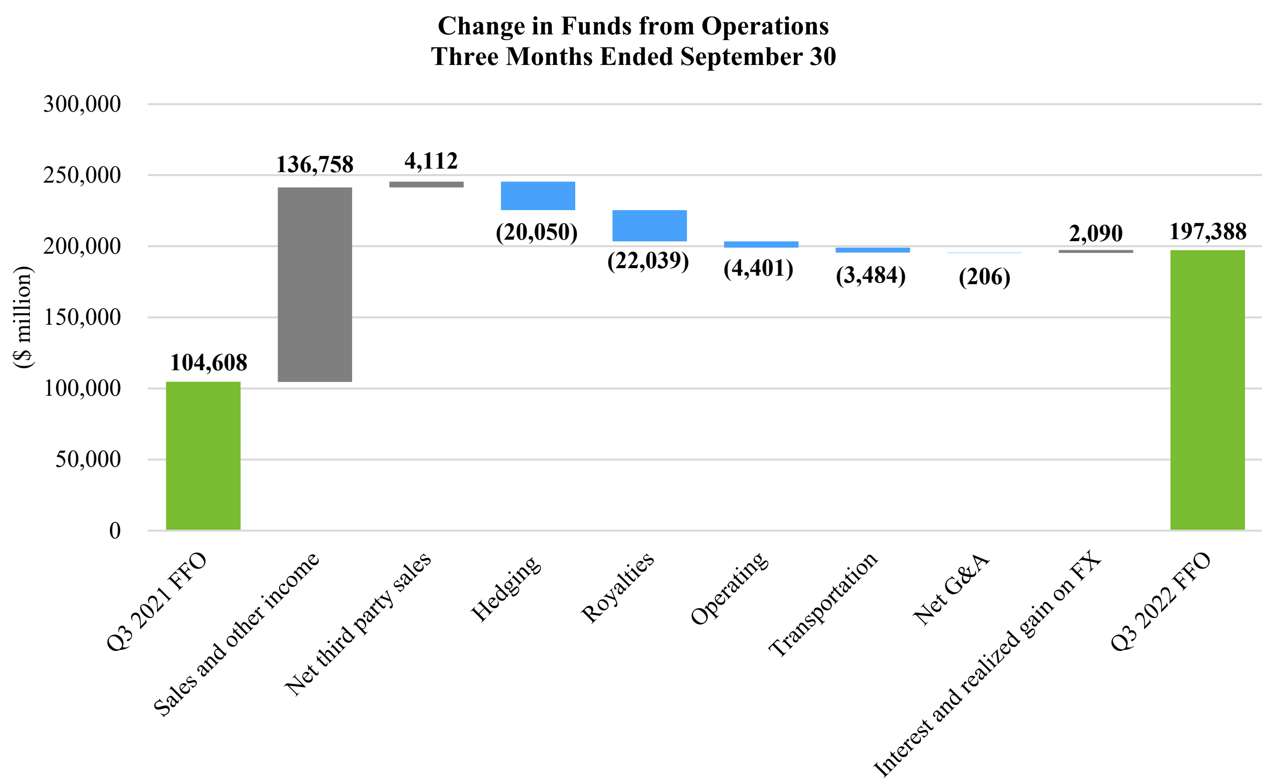
Cash Flow from Operating Activities, Funds from Operations and Earnings

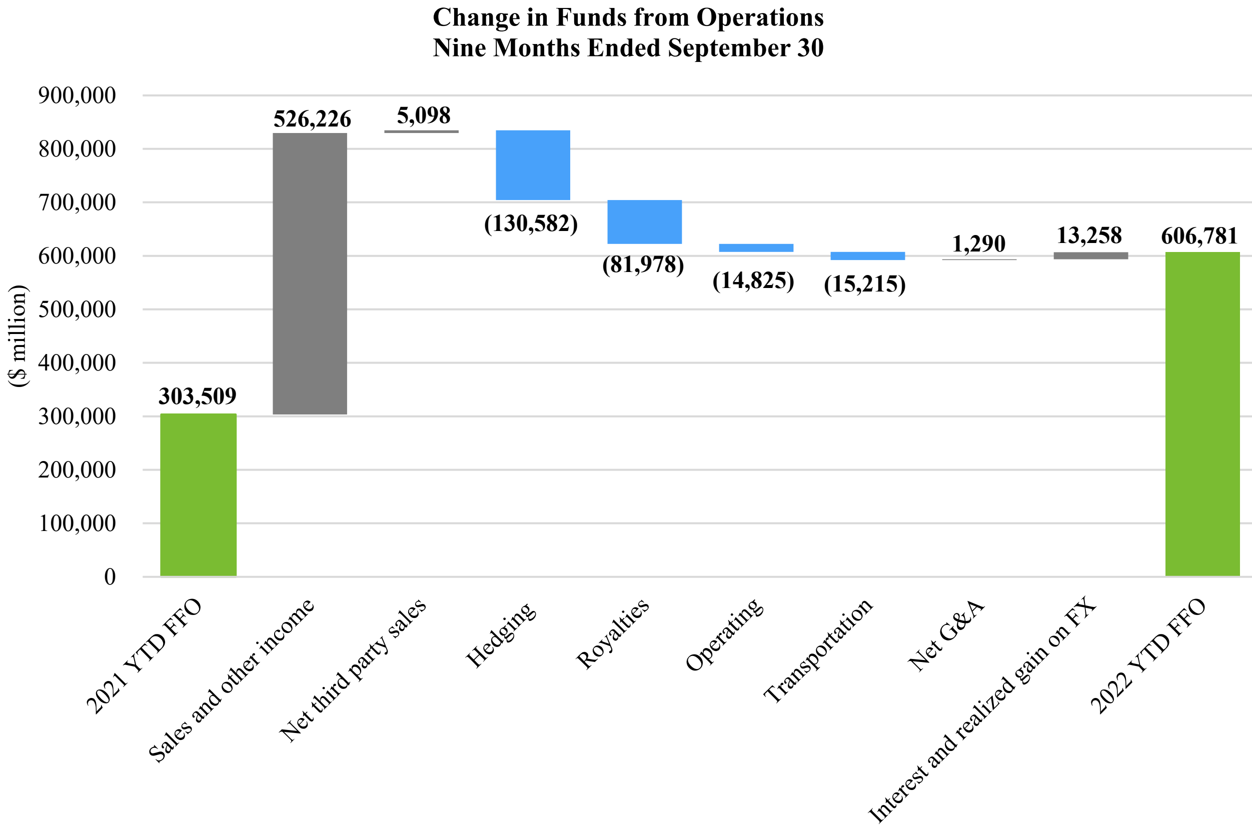
($000, except per share amounts)	Three Months Ended September 30 2022	2021	% Change	Nine Months Ended September 30 2022	2021	% Change
Cash Flow from Operating Activities	**205,464**	101,982	*101%*	**611,835**	307,648	*99%*
Funds from Operations(1)	**197,388**	104,608	*89%*	**606,781**	303,509	*100%*
Funds from operations per share(1) – basic	**1.15**	0.63	*83%*	**3.58**	1.83	*96%*
Funds from operations per share(1) – diluted	**1.13**	0.62	*82%*	**3.48**	1.80	*93%*
Free Funds Flow(1)	**56,988**	14,438	*295%*	**214,961**	47,402	*353%*
Earnings	**84,861**	29,271	*190%*	**277,222**	80,529	*244%*
Earnings per share – basic	**0.50**	0.18	*178%*	**1.63**	0.49	*233%*
Earnings per share – diluted	**0.48**	0.17	*182%*	**1.59**	0.48	*231%*

(1) This is a non-GAAP measure or ratio. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for further information.

Funds from Operations and Cash Flow from Operating Activities

For the third quarter of 2022, funds from operations ("FFO") increased 89 per cent to $197.4 million, compared to $104.6 million in the third quarter of 2021. Cash flow from operating activities increased to $205.5 million in the third quarter of 2022 from $102.0 million in the third quarter of 2021. For the nine months ended September 30, 2022, FFO totaled $606.8 million, compared to $303.5 million for the same period of 2021. Cash flow from operating activities increased to $611.8 million in the nine months ended September 30, 2022 from $307.6 million for the same period of 2021. The increases in FFO and cash flow from operating activities was due to increases in commodity prices and production volumes and lower interest costs, partially offset by an increased realized hedging loss, higher royalties, operating, and transportation expenses. Funds from operations is a non-GAAP financial measure, refer to the section entitled "Non-GAAP and Other Financial Measures" for additional information contained within this MD&A.





Free Funds Flow

Peyto uses free funds flow, defined as funds from operations less additions to property, plant and equipment, as an indicator of the funds available for capital allocation. For the three and nine months ended September 30, 2022, free funds flow increased to $57.0 million and $215.0 million, respectively, from $14.4 million and $47.4 million for the same periods of 2021. Free funds flow is a non-GAAP financial measure, refer to the section entitled "Non-GAAP and Other Financial Measures" for additional information contained within this MD&A.

Earnings

The Company's earnings in the three and nine months ended September 30, 2022 increased to $84.9 million and $277.2 million, respectively, from $29.2 million and $80.5 million for the same periods of 2021. The increased earnings is driven by the increased funds from operations, partially offset by increased depletion and depreciation associated with increased production volumes, and higher deferred tax expense.

Capital Expenditures

Peyto's capital expenditures totaled $140.4 million for the third quarter of 2022. Exploration and development related activity represented $97.9 million (70 per cent), expenditures on facilities and pipelines totaled $15.6 million (11 per cent) and land, seismic and asset acquisitions totaled $26.9 million (19 per cent).

On September 13, 2022, Peyto closed an acquisition in the Brazeau area for $26.1 million that included 49 gross (41.7 net) sections of land, 12 producing wells totaling approximately 600 boe/d (20% NGLs), a 15 MMcf/d compressor station and 59 km of pipelines. Refer to Note 4 of the consolidated financial statements for more details.

The following table summarizes capital expenditures for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30			Nine Months Ended September 30		
($000)	**2022**	2021	% Change	**2022**	2021	% Change
Land	**696**	548	*27%*	**7,064**	1,127	*527%*
Seismic	**66**	1,391	*-95%*	**2,713**	3,229	*-16%*
Drilling	**59,230**	43,288	*37%*	**156,050**	104,700	*49%*
Completions	**29,094**	26,229	*11%*	**87,580**	59,622	*47%*
Equipping & tie-ins	**9,564**	6,902	*39%*	**29,092**	15,791	*84%*
Facilities & pipelines	**15,634**	11,778	*33%*	**83,257**	35,786	*133%*
Additions to property, plant and equipment	**114,284**	90,170	*27%*	**365,756**	220,255	*66%*
Asset acquisitions & dispositions	**26,116**	34		**26,064**	35,852	*-27%*
Total capital expenditures(1)	**140,400**	90,170	*56%*	**391,820**	256,107	*53%*
Corporate acquisition	**-**	-		**22,220**	-	

(1) This is a non-GAAP measure or ratio. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for further information.

Corporate Acquisition

On February 28, 2022, Peyto acquired all the issued and outstanding shares of a private company in the Brazeau River area of Alberta for cash consideration of $22.2 million. The acquisition provides for an increase in land, production and infrastructure including a 100% owned and operated 45 MMcf/d sweet natural gas plant. Total transaction costs incurred by Peyto of $0.6 million associated with this acquisition were expensed. The acquisition resulted in an increase in property, plant and equipment of approximately $5.9 million, deferred tax asset of $17.3 million, working capital of $0.1 million, and which was reduced by a decommissioning provision of $1.1 million. Refer to note 3 in Peyto's consolidated financial statements for additional information on the acquisition.

LIQUIDITY AND CAPITAL RESOURCES

Net Debt

Net debt is a non-GAAP financial measure used by the Company in monitoring and assessing its capital structure. Net debt as at September 30, 2022, December 31, 2021 and September 30, 2021 is summarized as follows:

($000)	**As at September 30, 2022**	As at December 31, 2021	As at September 30, 2021
Long-term debt	**934,828**	1,065,712	1,065,000
Current assets	**(180,885)**	(144,370)	(133,427)
Current liabilities	**506,950**	239,620	401,936
Financial derivative instruments	**(289,149)**	(61,091)	(200,716)
Current portion of lease obligation	**(1,255)**	(1,123)	(1,193)
Net debt(1)	**970,489**	1,098,748	1,131,600

(1) This is a non-GAAP financial measure. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for further information.

Peyto's net debt of $970.5 million as at September 30, 2022 decreased by $128.3 million from December 31, 2021.

The Company's 2022 capital expenditure budget has been increased to approximately $450 million (before acquisitions), from previous guidance of $350 to $400 million as Peyto drills deeper and longer wells than originally planned, as well as new well pads, pipeline loops and facility investments that will facilitate future growth. Peyto’s preliminary budget for 2023 is expected to be $425 to $475 million. Based on current commodity prices, Peyto's cash flow from operating activities is expected to fully fund the 2023 capital program and dividend payment, with the balance being allocated to debt repayment.

The total amount of capital invested in 2023 will be driven by the number and quality of projects generated. Capital will only be invested if it meets the long-term return objectives of the Company. The majority of the capital program will involve drilling, completion and tie-in of lower risk development gas wells. Peyto’s rapidly scalable business model has the flexibility to match planned capital expenditures to actual cash flow.

Long-Term Debt

($000)	**September 30, 2022**	December 31, 2021
Bank credit facility	**515,000**	650,000
Long term senior secured notes	**419,828**	415,712
Balance, end of the period	**934,828**	1,065,712

At September 30, 2022, Peyto had a $950 million senior secured covenant-based credit facility (the “Credit Facility”) with a syndicate of lenders. On October 3, 2022, the Company finalized an agreement with its lenders to amend and extend the Credit Facility. The credit limit was amended to $800 million at Peyto’s request to reduce renewal expenses and standby fees, and the maturity date was extended to October 13, 2025 from October 13, 2023. The Credit Facility includes a $40 million working capital sub-tranche and a $760 million production line and is available on a revolving basis. Borrowings under the Credit Facility bear interest at Canadian bank prime or US base rate, or, at Peyto’s option, Canadian dollar bankers’ acceptances or US dollar LIBOR loan rates, plus applicable margin and stamping fees, which have been reduced from Peyto’s prior credit facility. The undrawn portion of the Credit Facility totaled $435 million at September 30, 2022 ($300 million at December 31, 2021), and is subject to standby fees.

The note purchase agreements for Peyto’s senior secured notes were not amended.

Peyto is subject to financial covenants as defined in the credit facility and note purchase agreements. The Company's financial covenants include financial measures defined within its revolving credit facility agreement that are not defined under IFRS. These financial measures are defined in the amended credit facility agreement as follows:

- Total Debt: includes long-term debt and subordinated debt plus bank overdraft and letters of credit.
- Senior Debt: includes long-term debt plus bank overdraft and letters of credit.
- EBITDA: trailing twelve-month net income before non-cash items, interest, and income taxes.

Financial covenant	Limit	**September 30, 2022**	December 31, 2021
Total Debt to EBITDA	Less than 4.0	**1.16**	2.04
Senior Debt to EBITDA	Less than 3.5	**1.16**	2.04
Interest coverage	Greater than 3.0	**17.30**	8.89

Peyto is in compliance with all financial covenants at September 30, 2022.

Outstanding secured senior notes are as follows:

Senior Secured Notes	**Date Issued**	**Rate**	**Maturity Date**
$100 million (CAD)	October 24, 2016	3.70%	October 24, 2023
$65 million (CAD)	May 1, 2015	4.26%	May 1, 2025
$100 million (CAD)	January 3, 2012	4.39%	January 3, 2026
$100 million (CAD)	January 2, 2018	3.95%	January 2, 2028
$40 million (USD)	October 29, 2021	3.98%	October 29, 2028

Capital

Authorized: Unlimited number of voting common shares

Issued and Outstanding

Common Shares (no par value)	**Number of Common Shares**	**Amount $000**
Balance, December 31, 2021	**168,151,219**	**1,664,508**
Private Placement	247,785	2,586
Common shares issued	3,635,163	14,866
Stock option issuance costs (net of tax)	-	(92)
Contributed surplus on exercised of stock options	-	6,733
Balance, September 30, 2022	**172,034,167**	**1,688,601**

Total Payout Ratio

"Total payout ratio" is a non-GAAP measure which is calculated as the sum of dividends declared plus additions to property, plant and equipment, divided by funds from operations. This ratio represents the percentage of the capital expenditures and dividends that is funded by cashflow. Management uses this measure, among others, to assess the sustainability of Peyto's dividend and capital program. Refer to the section entitled "Non-GAAP and Other Financial Measures" in this MD&A for further information.

	Three Months Ended September 30			Nine Months Ended September 30		
($000, except total payout ratio)	**2022**	2021	% Change	**2022**	2021	% Change
Total dividends declared	**25,686**	1,671	*1437%*	**76,529**	4,979	*1437%*
Total capital expenditures(1)	**140,400**	90,170	*56%*	**391,820**	256,107	*53%*
Total payout(1)	**166,086**	91,841	*81%*	**468,349**	261,086	*79%*
Funds from operations(1)	**197,388**	104,608	*89%*	**606,781**	303,509	*100%*
Total payout ratio(1)	**84%**	88%	*-5%*	**77%**	86%	*-10%*

(1) This is a non-GAAP financial measure. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for further information.

Contractual Obligations

In addition to those recorded on the Company's balance sheet, the following is a summary of Peyto's contractual obligations and commitments at September 30, 2022:

($000)	2022	2023	2024	2025	2026	Thereafter
Interest payments (1)	4,244	16,827	13,127	11,743	8,163	9,962
Transportation commitments	13,636	58,813	61,977	42,435	31,682	358,620
Operating leases	550	2,200	2,200	2,200	2,200	-
Methanol	-	6,356	-	-	-	-
Total	18,430	84,196	77,304	56,378	42,045	368,582

(1) Fixed interest payments on senior secured notes

Related Party Transactions

Certain directors of Peyto are considered to have significant influence over other reporting entities that Peyto engages in transactions with. Such services are provided in the normal course of business and at market rates. These directors are not involved in the day-to-day operational decision making of the Company. The dollar value of the transactions between Peyto and the related reporting entities is summarized below:

Expense				Accounts Payable	
Three Months ended September 30		Nine Months ended September 30		As at September 30	
2022	2021	**2022**	2021	**2022**	2021
113.1	181.1	**941.5**	361.0	**25.8**	207.0

RISK MANAGEMENT

Investors who purchase common shares are participating in the total returns from a portfolio of western Canadian natural gas producing properties. As such, the total returns earned by investors and the value of the shares are subject to numerous risks inherent in the oil and natural gas industry.

Expected returns depend largely on the volume of petroleum and natural gas production and the price received for such production, along with the associated costs. The price received for oil depends on a number of factors, including West Texas Intermediate oil prices, Canadian/US currency exchange rates, quality differentials and Edmonton par oil prices. The price received for natural gas production is dependent on current Alberta, Henry Hub, Malin, Ventura, and Emerson market prices and Canadian/US currency exchange rates. Peyto's marketing strategy is designed to smooth out short term fluctuations in the price of natural gas through future sales. It is meant to be methodical and consistent and to avoid speculation.

Although Peyto's focus is on internally generated drilling programs, any acquisition of oil and natural gas assets depends on an assessment of value at the time of acquisition. Incorrect assessments of value can adversely affect dividends to shareholders and the value of the shares. Peyto employs experienced staff and performs appropriate levels of due diligence on the analysis of acquisition targets, including a detailed examination of reserve reports; if appropriate, re-engineering of reserves for a large portion of the properties to ensure the results are consistent; site examinations of facilities for environmental liabilities; detailed examination of balance sheet accounts; review of contracts; review of prior year tax returns and modeling of the acquisition to attempt to ensure accretive results to the shareholders.

Inherent in development of the existing oil and gas reserves are the risks, among others, of drilling dry holes, encountering production or drilling difficulties or experiencing high decline rates in producing wells. To minimize these risks, Peyto employs experienced staff to evaluate and operate wells and utilize appropriate technology in operations. In addition, prudent work practices and procedures, safety programs and risk management principles, including insurance coverage protect Peyto against certain potential losses.

Peyto routinely monitors its financial forecasts, capital spending, balance sheet and dividend policy and has the ability to make operational and financial changes to help ensure Peyto remains compliant with all financial covenants. If necessary, Peyto can request temporary relief from financial covenants from lenders. In the event Peyto does not comply with it's financial covenants and lenders do not grant covenant relief, Peyto's access to capital could be restricted or repayment required.

The value of Peyto's common shares is based on, among other things, the underlying value of the oil and natural gas reserves. Geological and operational risks can affect the quantity and quality of reserves and the cost of ultimately recovering those reserves. Lower oil and gas prices increase the risk of write-downs on oil and gas property investments. In order to mitigate this risk, proven and probable oil and gas reserves are evaluated each year by a firm of independent reservoir engineers. Both the reserves committee and the Board of Directors reviews and approves the reserve report.

Access to markets may be restricted at times by pipeline or processing capacity. These risks are minimized by controlling as much of the processing and transportation activities as possible and ensuring transportation and processing contracts are in place with reliable cost-efficient counterparties.

The petroleum and natural gas industry is subject to extensive controls, regulatory policies and income and resource taxes imposed by various levels of government. These regulations, controls and taxation policies are amended from time to time. Peyto has no control over the level of government intervention or taxation in the petroleum and natural gas industry. Peyto operates in such a manner to ensure, to the best of its knowledge that it is in compliance with all applicable regulations and are able to respond to changes as they occur.

The petroleum and natural gas industry is subject to both environmental regulations and an increased environmental awareness. Peyto has reviewed its environmental risks and is, to the best of its knowledge, in compliance with the appropriate environmental legislation and have determined that there is no current material impact on operations. Peyto employs environmentally responsible business operations and looks to both Alberta provincial authorities and Canada's federal authorities for direction and regulation regarding environmental and climate change legislation.

Changes to the demand for oil and natural gas products and the rise of petroleum alternatives may negatively affect Peyto's financial condition, results of operations and cash flows. Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas and technological advances in fuel economy and renewable energy generation systems could reduce the demand for oil, natural gas and liquid hydrocarbons. Recently, certain jurisdictions have implemented policies or incentives to decrease the use of hydrocarbons and encourage the use of renewable fuel alternatives, which may lessen the demand for petroleum products and put downward pressure on commodity prices. Advancements in energy efficient products have a similar effect on the demand for oil and natural gas products. Peyto cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on Peyto's business, financial condition, results of operations and cash flow by decreasing Peyto's profitability, increasing its costs, limiting its access to capital and decreasing the value of its assets.

A number of factors, including the effects of the use of hydrocarbons on climate change, the impact of crude oil and natural gas operations on the environment, environmental damage relating to spills of crude oil products during production and transportation, and Indigenous rights, have affected certain investors' sentiments towards investing in the crude oil and natural gas industry. As a result of these concerns, some institutional, retail and governmental investors have announced that they are no longer funding or investing in crude oil and natural gas assets or companies, or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust ESG policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board, Management and employees of Peyto. Failing to implement the policies and practices, as requested by institutional investors, may result in such investors reducing their investment in Peyto, or not investing in Peyto at all. Any reduction in the investor base interested or willing to invest in the crude oil and natural gas industry and more specifically, Peyto, may result in limiting Peyto's access to capital, increasing the cost of capital, and decreasing the price and liquidity of Peyto's securities even if Peyto's operating results, underlying asset values, or cash flows have not changed.

Peyto is subject to financial market risk. In order to maintain substantial rates of growth, Peyto must continue reinvesting in, drilling for or acquiring petroleum and natural gas. The capital expenditure program is funded primarily through funds from operations, debt and, if appropriate, equity.

Breaches of Peyto’s cyber-security and loss of, or unauthorized access to, electronic data may adversely impact Peyto’s operations and financial position. Peyto has become increasingly dependent upon the availability, capacity, reliability, and security of our information technology infrastructure and our ability to expand and continually update this infrastructure to conduct daily operations. Peyto depends on various information technology systems to estimate reserve quantities, process and record financial data, manage Peyto’s land base, manage financial resources, analyze seismic information, administer contracts with operators and lessees, and communicate with employees and third-party partners.

Further, Peyto is subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of Peyto’s information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to business activities, or Peyto’s competitive position. In addition, cyber-phishing attempts, in which a malicious party attempts to obtain sensitive information such as usernames, passwords, credit card and banking details, or approval of wire transfer requests by disguising as a trustworthy entity in an electronic communication, have become more widespread and sophisticated in recent years.

Increasingly, social media is used as a vehicle to carry out cyber-phishing attacks. Information posted on social media sites, for business or personal purposes, may be used by attackers to penetrate Peyto's systems and obtain confidential information. Peyto provides employees with social media guidelines that align with its Code of Business Conduct and Ethics Policy. Despite these efforts, as social media continues to grow in influence and access to social media platforms becomes increasingly prevalent, there are significant risks that Peyto may not be able to properly regulate social media use and preserve adequate records of business activities.

If Peyto becomes a victim to a cyber-phishing attack it could result in a loss or theft of Peyto’s financial resources or critical data and information, or could result in a loss of control of Peyto’s technological infrastructure or financial resources. Peyto’s employees are often the targets of such cyber-phishing attacks, as they are and will continue to be targeted by parties using fraudulent "spoof" emails to misappropriate information or to introduce viruses or other malware through "Trojan horse" programs to Peyto’s computers. These emails appear to be legitimate emails, but direct recipients to fake websites operated by the sender of the email or request recipients to send a password or other confidential information through email or to download malware.

Peyto maintains policies and procedures that address and implement employee protocols with respect to electronic communications and electronic devices and conducts regular cyber-security risk assessments and training and education programs for its employees. Peyto also employs encryption protection of its confidential information on all computers and other electronic devices. Despite Peyto’s efforts to mitigate such cyber-phishing attacks through education and training, cyber-phishing activities remain a serious problem that may damage its information technology infrastructure. Peyto applies technical and process controls in line with industry-accepted standards to protect its information, assets and systems, including a written incident response plan for responding to a cybersecurity incident. However, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a negative effect on Peyto’s performance and earnings, as well as its reputation, and any damages sustained may not be adequately covered by Peyto’s current insurance coverage, or at all. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on Peyto’s business, financial condition, and results of operations.

For a detailed discussion of the risks, uncertainties and industry conditions associated with Peyto’s business, refer to the Company’s Annual Information Form dated March 31, 2022, which is available under Peyto’s SEDAR profile at www.sedar.com and at www.peyto.com.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures at the year end of the Company and have concluded that the Company's disclosure controls and procedures are effective at the financial period end of the Company for the foregoing purposes.

Internal Control over Financial Reporting

The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal control over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal control over financial reporting at the financial period end of the Company and concluded that the Company's internal control over financial reporting is effective, at the financial period end of the Company, for the foregoing purpose.

Peyto is required to disclose herein any change in Peyto's internal control over financial reporting that occurred during the period ended September 30, 2022 that has materially affected, or is reasonably likely to materially affect, Peyto's internal control over financial reporting. No material changes in Peyto's internal control over financial reporting were identified during such period that has materially affected, or are reasonably likely to materially affect, Peyto's internal control over financial reporting.

It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

CRITICAL ACCOUNTING ESTIMATES

Reserve Estimates

Estimates of oil and natural gas reserves, by necessity, are projections based on geologic and engineering data, and there are uncertainties inherent to the interpretation of such data as well as the projection of future rates of production and the timing of development expenditures. Reserve engineering is an analytical process of estimating underground accumulations of oil and natural gas that can be difficult to measure. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment. Estimates of economically recoverable oil and natural gas reserves and future net cash flows necessarily depend upon a number of variable factors and assumptions, such as historical production from the area compared with production from other producing areas, the assumed effects of regulations by governmental agencies and assumptions governing future oil and natural gas prices, future royalties and operating costs, development costs and workover and remedial costs, all of which may in fact vary considerably from actual results. For these reasons, estimates of the economically recoverable quantities of oil and natural gas attributable to any particular group of properties, classifications of such reserves based on risk recovery, and estimates of the future net cash flows expected there from may vary substantially. Any significant variance in the assumptions could materially affect the estimated quantity and value of the reserves, which could affect the carrying value of Peyto's oil and natural gas properties and the rate of depletion of the oil and natural gas properties as well as the calculation of the reserve value based compensation. Actual production, revenues and expenditures with respect to Peyto's reserves will likely vary from estimates, and such variances may be material.

Peyto's estimated quantities of proved and probable reserves at December 31, 2021 were evaluated by independent petroleum engineers GLJ Ltd.

Depletion and Depreciation Estimate

All costs of exploring for and developing petroleum and natural gas reserves, together with the costs of production equipment, are capitalized and then depleted and depreciated on the unit-of-production method based on proved plus probable reserves. Petroleum and natural gas reserves and production are converted into equivalent units based upon estimated relative energy content (6 mcf to 1 barrel of oil). Costs for gas plants and other facilities are capitalized and depreciated on a declining balance basis.

Impairment of Long-Lived Assets
Impairment is indicated if the carrying value of the long-lived asset or oil and gas cash generating unit exceeds its recoverable amount under IFRS. If impairment is indicated, the amount by which the carrying value exceeds the estimated fair value of the long-lived asset is charged to earnings. The determination of the recoverable amount for impairment purposes under IFRS involves the use of numerous assumptions and judgments including future net cash flows from oil and gas reserves, future third-party pricing, inflation factors, discount rates and other uncertainties. Future revisions to these assumptions impact the recoverable amount.

Decommissioning Provision
The decommissioning provision is estimated based on existing laws, contracts or other policies. The fair value of the obligation is based on estimated future costs for abandonment and reclamation discounted at a credit adjusted risk free rate. The liability is adjusted each reporting period to reflect the passage of time and for revisions to the estimated future cash flows, with the accretion charged to earnings. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material.

Reserve Value Performance Based Compensation
The reserve value-based compensation is calculated using the year end independent reserves evaluation which was completed in February 2022. A quarterly provision for the reserve value-based compensation is calculated using estimated proved producing reserve additions adjusted for changes in debt, equity and dividends. Actual proved producing reserves additions and forecasted commodity prices could vary significantly from those estimated and may have a material effect on the calculation.

Income Taxes
The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded.

Accounting Changes
Voluntary changes in accounting policy are made only if they result in financial statements which provide more reliable and relevant information. Accounting policy changes are applied retrospectively unless it is impractical to determine the period or cumulative impact of the change. Corrections of prior period errors are applied retrospectively and changes in accounting estimates are applied prospectively by including these changes in earnings. When the Company has not applied a new primary source of GAAP that has been issued, but is not effective, the Company will disclose the fact along with information relevant to assessing the possible impact that application of the new primary source of GAAP will have on the financial statements in the period of initial application.

ADDITIONAL INFORMATION

Additional information relating to Peyto Exploration & Development Corp. can be found on SEDAR at www.sedar.com and www.Peyto.com.

NON-GAAP AND OTHER FINANCIAL MEASURES

Throughout this MD&A and in other materials disclosed by the Company, 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 Financial Measures

Funds from Operations
"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.

	Three Months ended September 30		Nine Months ended September 30	
($000)	**2022**	2021	**2022**	2021
Cash flows from operating activities	**205,464**	101,982	**611,835**	307,648
Change in non-cash working capital	**(14,155)**	2,626	**(13,633)**	(4,139)
Decommissioning expenditures	**3,579**	-	**3,579**	-
Performance based compensation	**2,500**	-	**5,000**	-
Funds from operations	**197,388**	104,608	**606,781**	303,509

Free Funds Flow

Peyto uses free funds flow as an indicator of the efficiency and liquidity of Peyto's business, measuring its funds after capital investment available to manage debt levels, pay dividends, and return capital to shareholders through activities such as share repurchases. Peyto calculates free funds flow as funds from operations generated during the period less total capital expenditures. By removing the impact of current period total capital expenditures from funds from operations, Management monitors its free funds flow to inform its capital allocation decisions. The most directly comparable GAAP measure to free funds flow is cash from operating activities. The following table details the calculation of free funds flow and the reconciliation from cash flow from operating activities to free funds flow.

	Three Months ended September 30		Nine Months ended September 30	
($000)	**2022**	2021	**2022**	2021
Cash flows from operating activities	**205,464**	101,982	**611,835**	307,648
Change in non-cash working capital	**(14,155)**	2,626	**(13,633)**	(4,139)
Decommissioning expenditures	**3,579**	-	**3,579**	-
Performance based compensation	**2,500**	-	**5,000**	-
Funds from operations	**197,388**	104,608	**606,781**	303,509
Total capital expenditures	**(140,400)**	(90,170)	**(391,820)**	(256,107)
Free funds flow	**56,988**	14,438	**214,961**	47,402

Total Capital Expenditures

Peyto uses the term total capital expenditures as a measure of capital investment in exploration and production activity, as well as property acquisitions and divestitures, and such spending is compared to the Company's annual budgeted capital expenditures. The most directly comparable GAAP measure for total capital expenditures is cash flow used in investing activities. The following table details the calculation of cash flow used in investing activities to total capital expenditures.

	Three Months ended September 30		Nine Months ended September 30	
($000)	**2022**	2021	**2022**	2021
Cash flows used in investing activities	**140,934**	69,236	**401,612**	251,386
Change in prepaid capital	**(6,740)**	(221)	**8,190**	(4,687)
Corporate acquisitions	**-**	-	**(22,220)**	-
Change in non-cash working capital relating to investing activities	**6,206**	21,155	**4,238**	9,408
Total capital expenditures	**140,400**	90,170	**391,820**	256,107

Net Debt
"Net debt" is a non-GAAP financial measure that is the sum of long-term debt and working capital excluding the current financial derivative instruments and current portion of lease obligations. It is used by management to analyze the financial position and leverage of the Company. Net debt is reconciled to long-term debt which is the most directly comparable GAAP measure.

($000)	**As at September 30, 2022**	As at December 31, 2021	As at September 30, 2021
Long-term debt	**934,828**	1,065,712	1,065,000
Current assets	**(180,885)**	(144,370)	(133,427)
Current liabilities	**506,950**	239,620	401,936
Financial derivative instruments	**(289,149)**	(61,091)	(200,716)
Current portion of lease obligation	**(1,255)**	(1,123)	(1,193)
Net debt	**970,489**	1,098,748	1,131,600

Non-GAAP Financial Ratios

Funds from Operations per Share
Peyto presents funds from operations per share by dividing funds from operations by the Company's diluted or basic weighted average common shares outstanding. "Funds from operations" is a non-GAAP financial measure. Management believes that funds from operations per share provides investors an indicator of funds generated from the business that could be allocated to each shareholder's equity position.

Netback per MCFE and BOE
"Netback" is a non-GAAP measure that represents the profit margin associated with the production and sale of petroleum and natural gas. Peyto computes "field netback per Mcfe" as commodity sales from production, plus net third party sales, if any, plus other income, less royalties, operating, and transportation expense divided by production. "Cash netback" is calculated as "field netback" less interest, less general and administration expense and plus or minus realized gain on foreign exchange, divided by production. Netbacks are per unit of production measures used to assess Peyto's performance and efficiency. The primary factors that produce Peyto's strong netbacks and high margins are a low-cost structure and the high heat content of its natural gas that results in higher commodity prices.

	Three Months ended September 30		**Nine Months ended September 30**	
($/Mcfe)	**2022**	2021	**2022**	2021
Gross Sale Price	**6.48**	4.78	**6.65**	4.13
Realized hedging loss	**(1.60)**	(1.45)	**(1.48)**	(0.82)
Net Sale Price	**4.88**	3.33	**5.17**	3.31
Net third party sales	**0.07**	-	**0.03**	-
Other income	**0.04**	0.01	**0.02**	0.01
Royalties	**(0.70)**	(0.36)	**(0.75)**	(0.31)
Operating costs	**(0.38)**	(0.35)	**(0.39)**	(0.35)
Transportation	**(0.26)**	(0.23)	**(0.27)**	(0.20)
Field netback(1)	**3.61**	2.39	**3.79**	2.45
Net general and administrative	**(0.02)**	(0.02)	**(0.02)**	(0.04)
Interest on long-term debt	**(0.21)**	(0.26)	**(0.21)**	(0.32)
Realized gain on foreign exchange	**0.02**	-	**0.01**	-
Cash netback(1) ($/Mcfe)	**3.44**	2.11	**3.59**	2.09
Cash netback(1) ($/boe)	**20.62**	12.68	**21.56**	12.55

Return on Equity
Peyto calculates ROE, expressed as a percentage, as Earnings divided by the Equity. Peyto uses ROE as a measure of long-term financial performance, to measure how effectively Management utilizes the capital it has been provided by shareholders and to demonstrate to shareholders the returns generated over the long term.

Return on Capital Employed
Peyto calculates ROCE, expressed as a percentage, as EBIT divided by Total Assets less Current Liabilities per the Financial Statements. Peyto uses ROCE as a measure of long-term financial performance, to measure how effectively Management utilizes the capital (debt and equity) it has been provided and to demonstrate to shareholders the returns generated over the long term.

Total Payout Ratio
"Total payout ratio" is a non-GAAP measure which is calculated as the sum of dividends declared plus total capital expenditures, divided by funds from operations. This ratio represents the percentage of the capital expenditures and dividends that is funded by cashflow. Management uses this measure, among others, to assess the sustainability of Peyto's dividend and capital program.

	Three Months ended September 30		**Nine Months ended September 30**	
($000, except total payout ratio)	**2022**	2021	**2022**	2021
Total dividends declared	**25,686**	1,671	**76,529**	4,979
Total capital expenditures	**140,400**	90,170	**391,820**	256,107
Total payout	**166,086**	91,841	**468,349**	261,086
Funds from operations	**197,388**	104,608	**606,781**	303,509
Total payout ratio (%)	**84%**	88%	**77%**	86%

Supplementary Financial Measures

"Diversification activities" are the costs of the basis and the gains/losses on the physical fixed price natural gas sales contracts divided the Company's natural gas production.

"DD&A expense per Mcfe and boe" is comprised of DD&A expense, as determined in accordance with IFRS, divided by the Company's total production.

"Funds from operations per basic share" is comprised of funds from operations divided by basic weighted average common shares.

"Funds from operations per diluted share" is comprised of funds from operations divided by diluted weighted average common shares.

"Gross sale price" is comprised of natural gas and natural gas liquids sales, as determined in accordance with IFRS, divided by the Company's total production.

"G&A expense per Mcfe and boe" is comprised of G&A expense, as determined in accordance with IFRS, divided by the Company's total production.

"G&A expense before share-based compensation expense per Mcfe and boe" is comprised of G&A expense as determined in accordance with IFRS, excluding share-based compensation expense, divided by the Company's total production.

"Interest and financing expense per Mcfe and boe" is comprised of interest and financing expense, as determined in accordance with IFRS, divided by the Company's total production.

"Liquids production to sales gas ratio" is comprised of NGLs production, divided by the Company's natural gas production.

"Net sale price" is comprised of natural gas and natural gas liquids sales including hedging gains or losses, as determined in accordance with IFRS, divided by the Company's total production.

"Net third party sales per Mcfe" is comprised of sales of natural gas from third parties less natural gas purchased from third parties, as determined in accordance with IFRS, divided by the Company's total production.

"Operating costs per Mcfe and boe" is comprised of operating expense, as determined in accordance with IFRS, divided by the Company's total production.

"Other income per Mcfe" is comprised of other income, as determined in accordance with IFRS, divided by the Company's total production.

"Production per million common shares" is comprised of the Company's total production divided by the weighted average number of shares outstanding at the end of the period.

"Realized condensate and pentanes plus price" is comprised of condensate and pentanes commodity sales from production, as determined in accordance with IFRS, divided by the Company's condensate and pentanes production.

"Realized gain on foreign exchange per Mcfe" is comprised of realized gain on foreign exchange, as determined in accordance with IFRS, divided by the Company's total production.

"Realized natural gas price" is comprised of natural gas commodity sales from production, as determined in accordance with IFRS, divided by the Company's natural gas production.

"Realized NGLs price" is comprised of NGLs commodity sales from production, as determined in accordance with IFRS, divided by the Company's NGLs production.
Realized gain on foreign exchange and other income

"Royalties as a percentage of sales" is comprised of royalties, as determined in accordance with IFRS, divided by commodity sales from production as determined in accordance with IFRS.

"Royalties per Mcfe and boe" is comprised of royalties, as determined in accordance with IFRS, divided by the Company's total production.

"Sale price" is comprised of total commodity sales from production including hedging gains or losses, as determined in accordance with IFRS, divided by the Company's total production.

"Total dividends per common share" is comprised of dividends declared, as determined in accordance with IFRS, divided by the number of shares outstanding at the dividend record date.

"Transportation per Mcfe and boe" is comprised of transportation expense, as determined in accordance with IFRS, divided by the Company's total production

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements or forward-looking information (collectively, "forward-looking statements") within the meaning of applicable Canadian securities laws. These forward-looking statements relate to future events or Peyto's future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "should", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These statements speak only as of the date of this MD&A.

Forward-looking statements are based on a number of factors and assumptions which have been used to develop such forward-looking statements but which may prove to be incorrect. Although Peyto believes that the expectations reflected in such forward-looking statements are reasonable, undue reliance should not be placed on forward-looking statements because Peyto can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this MD&A, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which Peyto operates; the timely receipt of any required regulatory approvals; the ability of Peyto to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which Peyto has an interest in to operate the field in a safe, efficient and effective manner; the ability of Peyto to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisitions, development and exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of Peyto to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes, environmental and climate change matters in the jurisdictions in which Peyto operates; and the ability of Peyto to successfully market its oil and natural gas products.

In particular, this MD&A contains forward-looking statements pertaining to the following:

- Peyto's expected 2022 royalty rate to range between 11 to 13 per cent of revenue excluding hedging gains or losses;
- The 2022 capital expenditures program of $450 million (before acquisitions);
- Peyto's preliminary budget for 2023 expected to be $425 to $475 million,
- Peyto's ability to fully fund the capital program, and dividend payment with funds from operations, with the balance being allocated to debt repayment;
- the existence, operation and strategy of Peyto's commodity price risk management program; and
- the approximate and maximum amount of forward sales and hedging to be employed by Peyto.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:

- public health risks including the COVID-19 pandemic;
- volatility in market prices for oil and natural gas;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- loss of markets;
- changes to the Corporation's capital budget;
- liabilities inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- risks and uncertainties associated with Peyto's oil and natural gas exploration and development program;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions and exploration and development programs;
- geological, technical, drilling and processing problems;
- restrictions and/or limitations on transportation, including pipeline systems;
- uncertainties associated with changes in legislation, including, but not limited to, changes in income tax laws, oil and natural gas royalty and regulatory frameworks and climate change laws and frameworks; and
- the other factors discussed under "Risk Factors" in Peyto's Annual Information Form for the year ended December 31, 2021.

Statements relating to reserves are deemed to be forward-looking statements as they involve the implied assessment, based on current estimates and assumptions, that the reserves described can be profitably produced in the future. The foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Peyto does not undertake any obligation to publicly update or revise any forward-looking statements, except as required by applicable securities law.

CONVERSION RATIO

Natural gas liquids 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.

GLOSSARY

The following is a list of abbreviations that may be used in this MD&A:

Measurement
bbl barrel
bbl/d barrels per day
Mbbl thousand barrels
MMbbl million barrels
boe (1) barrels of oil equivalent
boe/d (1) barrels of oil equivalent per day
Mboe (1) thousands of barrels of oil equivalent
MMboe (1) millions of barrels of oil equivalent
Mcf thousand cubic feet
Mcf/d thousand cubic feet per day
MMcf million cubic feet
MMcf/d million cubic feet per day
Bcf billion cubic feet
MMBtu million British thermal units
GJ gigajoule

Quarterly information

	2022			2021	
	Q3	Q2	Q1	Q4	Q3
Operations					
Production					
Natural gas (Mcf/d)	**544,843**	541,030	535,660	517,606	473,008
NGLs (bbl/d)	**13,263**	13,411	12,273	11,038	11,164
Total (boe/d @ 6:1)	**104,071**	103,583	101,549	97,306	89,998
Total (Mcfe/d @ 6:1)	**624,426**	621,499	609,294	583,834	539,990
Liquid to gas ratio (bbl per MMcf)	**24.3**	24.8	22.9	21.3	23.6
Average product prices					
Realized natural gas price – after hedging and diversification ($/Mcf)	**3.68**	4.08	4.08	3.58	2.48
Realized NGL price – after hedging ($/bbl)	**78.07**	87.80	81.66	64.71	55.47
$/Mcfe					
Net sale price ($/Mcfe)	**4.88**	5.45	5.24	4.41	3.32
Net third party sales ($/Mcfe)	**0.07**	0.02	-	-	-
Other income ($/Mcfe)	**0.04**	0.01	0.01	0.01	0.01
Royalties ($/Mcfe)	**(0.70)**	0.95	0.60	0.53	0.36
Operating costs ($/Mcfe)	**(0.38)**	0.39	0.41	0.32	0.35
Transportation ($/Mcfe)	**(0.26)**	0.27	0.28	0.23	0.23
Field netback ($/Mcfe) (2)	**3.65**	3.87	3.96	3.34	2.39
General & administrative expense ($/Mcfe)	**(0.02)**	0.02	0.03	0.02	0.02
Interest expense ($/Mcfe)	**(0.21)**	0.20	0.21	0.22	0.26
Realized gain on foreign exchange	**0.02**	-	-	-	-
Cash netback ($/Mcfe) (2)	**3.44**	3.65	3.72	3.10	2.11
Financial ($000 except per share)					
Revenue and realized hedging losses (1)	**279,661**	307,830	286,894	236,360	164,777
Royalties	**40,024**	53,838	32,903	28,304	17,985
Funds from operations(2)	**197,388**	205,901	203,492	166,165	104,608
Funds from operations per share(2)	**1.15**	1.21	1.20	0.99	0.63
Funds from operations per diluted share(2)	**1.13**	1.18	1.17	0.96	0.62
Total dividends	**25,686**	25,485	25,358	16,779	1,671
Total dividends per share(2)	**0.15**	0.15	0.15	0.10	0.01
Earnings	**84,861**	94,545	97,816	71,718	29,271
Earnings per share	**0.50**	0.56	0.58	0.43	0.18
Earnings per diluted share	**0.48**	0.54	0.56	0.42	0.17
Total capital expenditures(2)	**140,400**	108,089	143,331	108,951	90,170
Corporate acquisition	**-**	-	22,220	-	-
Total payout ratio (%)(2)	**84%**	65%	83%	76%	88%
Weighted average shares outstanding (basic)	**171,230,853**	169,896,849	169,058,178	167,546,601	166,440,704
Weighted average shares outstanding (diluted)	**175,140,910**	175,040,905	173,320,559	172,582,450	169,512,566

(1) Excludes revenue from sale of natural gas volumes from third parties
(2) This is a non-GAAP financial measure or ratio. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for further information

Peyto Exploration & Development Corp.

Condensed Consolidated Balance Sheet *(unaudited)*

(Amount in $ thousands)

	September 30 2022	December 31 2021
Assets		
Current assets		
Cash	21,026	5,718
Accounts receivable (*Note 11)*	143,161	118,948
Prepaid expenses	16,698	19,704
	180,885	144,370
Property, plant and equipment, net *(Note 4)*	3,753,731	3,639,825
	3,753,731	3,639,825
	3,934,616	3,784,195
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	207,944	168,998
Dividends payable *(Note 8)*	8,602	8,408
Current portion of lease obligation *(Note 7)*	1,255	1,123
Derivative financial instruments *(Note 12)*	289,149	61,091
	506,950	239,620
Long-term debt *(Note 5)*	934,828	1,065,712
Long-term derivative financial instruments *(Note 12)*	32,119	12,280
Decommissioning provision (Note 6)	153,671	204,220
Lease obligation *(Note 7)*	4,395	5,440
Deferred income taxes	501,668	490,917
	1,626,681	1,778,569
Equity		
Share capital *(Note 8)*	1,688,601	1,664,508
Contributed surplus	14,197	13,123
Retained earnings	343,910	143,217
Accumulated other comprehensive loss (*Note 8)*	(245,723)	(54,842)
	1,800,985	1,766,006
	3,934,616	3,784,195

See accompanying notes to the condensed consolidated financial statements.

Approved by the Board of Directors

(signed) *“Michael MacBean”*
Director

(signed) *“Darren Gee”*
Director

Peyto Exploration & Development Corp.

Condensed Consolidated Income Statement *(unaudited)*

(Amount in $ thousands except earnings per share amount)

	Three months ended September 30		Nine months ended September 30	
	2022	**2021**	**2022**	**2021**
Revenue				
Natural gas and natural gas liquid sales (*Note 11)*	371,786	236,852	1,124,006	599,600
Royalties	(40,024)	(17,985)	(126,764)	(44,786)
Sales of natural gas from third parties	42,769	-	83,299	-
Natural gas and natural gas liquid sales, net of royalties	374,531	218,867	1,080,541	554,814
Realized loss on derivative financial instruments *(Note 12)*	(92,125)	(72,075)	(249,621)	(119,039)
Unrealized loss on derivative financial instruments *(Note 12)*	-	(1,400)	-	(3,471)
Other Income	2,215	391	2,982	1,162
	284,621	145,783	**833,902**	433,466
Expenses				
Natural gas purchased from third parties	38,657	-	78,201	-
Operating	21,683	17,282	65,817	50,992
Transportation	14,807	11,323	45,301	30,086
General and administrative	1,167	961	3,926	5,216
Performance based compensation *(Note 9)*	2,500	-	5,000	-
Stock based compensation *(Note 10)*	2,948	1,570	7,807	4,123
Interest	12,054	13,009	35,011	47,134
Realized gain on foreign exchange	(1,135)	-	(1,135)	-
Unrealized loss on foreign exchange	3,284	-	4,116	-
Gain on disposition of capital assets	-	-	-	(2,582)
Accretion of decommissioning provision (*Note 6)*	1,632	996	4,473	2,925
Depletion and depreciation (*Note 4)*	75,934	62,159	223,025	189,756
	173,531	107,300	**471,542**	327,650
Earnings before taxes	**111,090**	38,483	**362,360**	105,816
Income tax				
Deferred income tax expense	26,229	9,212	85,138	25,287
Earnings for the period	**84,861**	29,271	**277,222**	80,529

Earnings per share (Note 8)				
Basic	**$0.50**	$0.18	**$1.63**	$0.49
Diluted	**$0.48**	$0.17	**$1.59**	$0.48

See accompanying notes to the condensed consolidated financial statements.

Peyto Exploration & Development Corp.

Condensed Consolidated Statement of Comprehensive Income (loss) *(unaudited)*

(Amount in $ thousands)

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Earnings for the period	**84,861**	29,271	**277,222**	80,529
Other comprehensive loss				
Change in unrealized loss on cash flow hedges	(114,047)	(184,877)	(497,518)	(358,748)
Deferred income tax recovery	5,042	27,810	57,016	57,154
Realized loss on cash flow hedges	92,125	63,963	249,621	110,254
Comprehensive income (loss)	**67,981**	(63,833)	**86,341**	(110,811)

See accompanying notes to the condensed consolidated financial statements.

Peyto Exploration & Development Corp.

Condensed Consolidated Statement of Changes in Equity *(unaudited)*

(Amount in $ thousands)

	Nine months ended September 30	
	2022	**2021**
Share capital, beginning of period	**1,664,508**	1,649,635
Private Placement	2,578	-
Common shares issued	21,515	10,749
Share capital, end of period	**1,688,601**	1,660,384

Contributed surplus, beginning of period	**13,123**	10,487
Stock based compensation expense	7,807	4,123
Recognized under share-based compensation plans	(6,733)	(2,497)
Contributed surplus, end of period	**14,197**	12,113

Retained earnings, beginning of period	**143,217**	12,727
Earnings for the period	277,222	80,529
Dividends *(Note 8)*	(76,529)	(4,979)
Retained earnings, end of period	**343,910**	88,277

Accumulated other comprehensive income (loss), beginning of period	**(54,842)**	4,624
Other comprehensive loss	(190,881)	(191,340)
Accumulated other comprehensive loss, end of period	**(245,723)**	(186,716)

Total equity	**1,800,985**	1,574,058

See accompanying notes to the condensed consolidated financial statements.

Peyto Exploration & Development Corp.

Condensed Consolidated Statement of Cash Flows *(unaudited)*

(Amount in $ thousands)

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Cash provided by (used in)				
Operating activities				
Earnings	84,861	29,271	277,222	80,529
Items not requiring cash:				
Deferred income tax	26,229	9,212	85,138	25,287
Depletion and depreciation	75,934	62,159	223,025	189,756
Gain on disposition of capital assets	-	-	-	(2,582)
Accretion of decommissioning provision	1,632	996	4,473	2,925
Stock based compensation	2,948	1,570	7,807	4,123
Unrealized loss on derivative financial instruments	-	1,400	-	3,471
Unrealized loss on foreign exchange	3,284	-	4,116	-
Decommissioning expenditures	(3,579)	-	(3,579)	-
Change in non-cash working capital related to operating activities	14,155	(2,626)	13,633	4,139
	205,464	101,982	**611,835**	307,648
Financing activities				
Common shares issued and private placement	6,101	3,694	17,452	8,252
Stock option issuance costs	(108)	-	(119)	-
Cash dividends paid	(25,604)	(1,658)	(76,335)	(4,958)
Lease interest *(Note 6)*	51	61	158	188
Principal repayment of lease *(Note 6)*	(358)	(338)	(1,071)	(1,016)
Decrease in bank debt	(45,000)	(25,000)	(135,000)	(55,000)
	(64,918)	(23,241)	**(194,915)**	(52,534)
Investing activities				
Additions to property, plant and equipment	(114,284)	(90,136)	(365,756)	(220,255)
Change in prepaid capital	(6,740)	(221)	8,190	(4,687)
Asset acquisitions & dispositions	(26,116)	(34)	(26,064)	(35,852)
Corporate Acquisition	-	-	(22,220)	-
Change in non-cash working capital relating to investing activities	6,206	21,155	4,238	9,408
	(140,934)	(69,236)	**(401,612)**	(251,386)
Net increase (decrease) in cash	**(388)**	9,505	**15,308**	3,728
Cash, beginning of period	**21,414**	3,533	**5,718**	9,310
Cash, end of period	**21,026**	13,038	**21,026**	13,038

The following amounts are included in cash flows from operating activities:				
Cash interest paid	**7,837**	14,654	**30,726**	45,275
Cash taxes paid	**-**	-	**-**	-

See accompanying notes to the condensed consolidated financial statements

1. Nature of operations

Peyto Exploration & Development Corp and its subsidiaries (together "Peyto" or the "Company") is a Calgary based oil and natural gas company. Peyto conducts exploration, development, and production activities in Canada. Peyto is incorporated and domiciled in the Province of Alberta, Canada. The address of its registered office is 300, 600 – 3rd Avenue SW, Calgary, Alberta, Canada, T2P 0G5.

These condensed consolidated financial statements were approved and authorized for issuance by the Audit Committee of Peyto on November 9, 2022.

2. Basis of presentation

The condensed consolidated financial statements have been prepared by management and reported in Canadian dollars in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These condensed consolidated financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Company's consolidated financial statements as at and for the years ended December 31, 2021 and 2020.

Significant Accounting Policies

(a) Significant Accounting Judgments Estimates and Assumptions

The timely preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the condensed consolidated financial statements.

All accounting policies and methods of computation followed in the preparation of these consolidated financial statements are the same as those disclosed in Note 2 of Peyto's consolidated financial statements as at and for the years ended December 31, 2021 and 2020.

3. Corporate Acquisition

On February 28, 2022, Peyto acquired all the issued and outstanding shares of a private company ("PrivateCo") in the Brazeau River area of Alberta for cash consideration of $22.2 million. The acquisition provides for an increase in land, production and infrastructure including a 100% owned and operated 45 MMcf/d sweet natural gas plant. The transaction has been accounted for as a business combination in accordance with IFRS 3 using the acquisition method.

Results from operations for PrivateCo are included in the Company's condensed consolidated financial statements from the closing date of the transaction. Total transaction costs incurred by Peyto of $0.6 million associated with this acquisition were expensed in the condensed consolidated statements of income and comprehensive income. The following purchase price allocation is based on Management's best estimate of the assets acquired and liabilities assumed and is subject to change based upon finalizing the value of the net assets acquired.

Fair value of net assets acquired:	
Working capital	133
Property, plant and equipment	5,900
Deferred income tax asset	17,344
Decommissioning provision	(1,157)
Total	**22,220**

Consideration:	
Cash	**22,220**

The acquisition of PrivateCo has contributed revenue of $6.8 million and earnings of $4.5 million since February 28, 2022. Had the acquisition of PrivateCo closed on January 1, 2022, estimated contributed revenue and earnings would have been approximately $7.6 million and $4.7 million, respectively, for the nine months ended September 30, 2022.

4. Property, plant and equipment, net

Cost	
At December 31, 2021	**6,537,637**
Additions	365,756
Asset acquisitions & dispositions	24,902
Corporate Acquisition	5,900
Change in Decommissioning provision	(51,437)
Prepaid capital	(8,190)
At September 30, 2022	**6,874,568**
Accumulated depletion and depreciation	
At December 31, 2021	**(2,897,812)**
Depletion and depreciation	(223,025)
At September 30, 2022	**(3,120,837)**
Carrying amount at December 31, 2021	3,639,825
Carrying amount at September 30, 2022	**3,753,731**

During the three and nine month periods ended September 30, 2022, Peyto capitalized $3.1 million and $10.1 million (2021 - $2.7 million and $6.2 million) of general and administrative expense directly attributable to exploration and development activities.

As at September 30, 2022, the Company identified no indicators of impairment and therefore a test was not performed.

On February 1, 2021, the Company acquired assets in the Deep Basin for cash consideration of $35.0 million. The acquisition resulted in an increase in PP&E of approximately $48.0 million including $13 million in decommissioning liabilities. The assets acquired include a working interest in production, reserves, and a gas processing facility The Company applied the optional IFRS 3 concentration test to this acquisition which resulted in the acquired assets being accounted for as an asset acquisition.

On March 5, 2021, the Company acquired assets in the Deep Basin for cash consideration of $0.75 million. The acquisition resulted in an increase in PP&E of approximately $1.5 million including $0.75 million in decommissioning liabilities. The assets acquired include a working interest in production and reserves. The Company applied the optional IFRS 3 concentration test to this acquisition which resulted in the acquired assets being accounted for as an asset acquisition.

On September 13, 2022, the Company acquired assets in the Brazeau area for cash consideration of $26.3 million. The acquisition resulted in an increase in PP&E of approximately $24.7 million and the assumption of $1.6 million in decommissioning liabilities. The assets acquired include a working interest in production and reserves. The Company applied the optional IFRS 3 concentration test to this acquisition which resulted in the acquired assets being accounted for as an asset acquisition.

5. Long-term debt

	September 30, 2022	December 31, 2021
Bank credit facility	515,000	650,000
Long-term senior secured notes	419,828	415,712
Balance, end of the period	934,828	1,065,712

At September 30, 2022, the Company had a credit facility with a credit limit of $950 million. The facility has a maturity date of October 13, 2023 and is made up of a $40 million working capital tranche, a $910 million production line, and is available on a revolving basis. Borrowings under the facility bear interest at Canadian bank prime or US base rate, or, at Peyto's option, Canadian dollar bankers' acceptances or US dollar LIBOR loan rates, plus applicable margin and stamping fees.

Peyto is subject to the following financial covenants as defined in the credit facility and note purchase agreements:

- Long-term debt and subordinated debt plus bank overdraft and letters of credit not to exceed 4.0 times trailing twelve-month net income before non-cash items, interest and income taxes;
- Long-term debt plus bank overdraft and letters of credit not to exceed 3.5 times trailing twelve-month net income before non-cash items, interest and income taxes.
- Trailing twelve months net income before non-cash items, interest and income taxes to exceed 3.0 times trailing twelve months interest expense.

Outstanding senior notes are as follows:

Senior Secured Notes	**Date Issued**	**Rate**	**Maturity Date**
$100 million (CAD)	October 24, 2016	3.70%	October 24, 2023
$65 million (CAD)	May 1, 2015	4.26%	May 1, 2025
$100 million (CAD)	January 3, 2012	4.39%	January 3, 2026
$100 million (CAD)	January 2, 2018	3.95%	January 2, 2028
$40 million (USD)	October 29, 2021	3.98%	October 29, 2028

Peyto is in compliance with all financial covenants at September 30, 2022.

Total interest expense for the three and nine month periods ended September 30, 2022, was $12.0 million and $35.0 million (2021 - $13.0 million and $47.1 million) and the average borrowing rate for the periods was 5.1% and 4.7% (2021– 4.6% and 5.4%).

On October 3, 2022, the Company entered into an agreement with its syndicate of lenders to amend and extend its senior secured covenant-based credit facility to reflect a reduction in credit limit to $800 million. This new facility has a maturity date of October 13, 2025 and is made up of a $40 million working capital tranche, a $760 million production line, and is available on a revolving basis. Borrowings under the facility bear interest at Canadian bank prime or US base rate, or, at Peyto's option, Canadian dollar bankers' acceptances or US dollar LIBOR loan rates, plus applicable margin, and stamping fees. There was no change to the financial covenants in the amended agreement.

6. Decommissioning provision

The following table reconciles the change in decommissioning provision:

Balance, December 31, 2021	**204,220**
New provisions	4,244
New provisions relating to corporate and asset acquisitions	2,800
Accretion of decommissioning provision	4,467
Change in discount rate and estimates	(58,481)
Decommissioning expenditures	(3,579)
Balance, September 30, 2022	**153,671**
Current	-
Non-current	**153,671**

The Company has estimated the net present value of its total decommissioning provision to be $153.7 million as at September 30, 2022 (2021 – $204.2 million) based on a total escalated future undiscounted liability of $394 million (2021 – $374.3 million). At September 30, 2022 management estimates that these payments are expected to be made over the next 50 years (2021 – 50 years) with the majority of payments being made in years 2024 to 2070. The Bank of Canada's long-term bond rate of 3.09 per cent (2021 – 2.00 per cent) and an inflation rate of 2.0 per cent (2021 – 2.0 per cent) were used to calculate the present value of the decommissioning provision.

7. Leases

The ROU asset and lease obligation relates to the Company's head office lease in Calgary.

Right of use Asset

Balance as at December 31, 2021	**5,043**
Depreciation	(757)
Balance at September 30, 2022	**4,286**

The ROU asset is included in Property plant & equipment, refer to Note 4.

Lease Obligation

Lease obligation at December 31, 2021	**6,563**
Lease interest expense	158
Principal repayment of lease	(1,071)
Lease obligation at September 30, 2022	**5,650**
Current portion of lease obligation at September 30, 2022	**1,255**
Non-current portion of lease obligation at September 30, 2022	**4,395**

The variable lease payments not included in the measurement of the office lease obligation is $0.2 million and $0.6 million for the three and nine months ended September 30, 2022 (2021-$0.2 million and $0.6 million). The variable lease payments are recognized through general and administration expense.

During the three and nine months ended September 30, 2022, $9.1 million and $25.1 million (2021- $4.2 million and $10.6 million) was capitalized in relation to short-term leases.

The following sets forth future commitments associated with its lease obligation:

	As at September 30, 2022
Less than 1 year	358
1-3 years	4,286
Year 4	1,428
Total lease payment	6,072
Amount representing interest	(422)
Present value of lease payments	5,650
Current portion of lease obligation	1,255
Non-current portion of lease obligation	4,395

8. Share capital

Authorized: Unlimited number of voting common shares

Issued and Outstanding

Common Shares (no par value)	**Number of Common Shares**	**Amount $**
Balance, December 31, 2021	**168,151,219**	**1,664,508**
Private Placement	247,785	2,586
Common shares issued	3,635,163	14,866
Stock option issuance costs (net of tax)	-	(92)
Contributed surplus on exercised stock options	-	6,733
Balance, September 30, 2022	**172,034,167**	**1,688,601**

Earnings per common share has been determined based on the following:

	Three Months ended September 30		Nine Months ended September 30	
	2022	2021	**2022**	2021
Weighted average common shares basic	**171,230,853**	166,440,704	**169,642,562**	165,622,980
Weighted average common shares diluted	**175,140,910**	169,512,566	**174,204,741**	169,112,156

Dividends
During the three and nine month periods ended September 30, 2022, Peyto declared and paid dividends of $0.05 per common share per month $25.6 million and $76.5 million respectively (2021 - $0.01 and $0.03 per common share per month, totaling $1.7 million and $5.0 million respectively).

Comprehensive income
Comprehensive income consists of earnings and other comprehensive income (“OCI”). OCI comprises the change in the fair value of the effective portion of the derivatives used as hedging items in a cash flow hedge. “Accumulated other comprehensive income” is an equity category comprised of the cumulative amounts of OCI.

Accumulated hedging gains and losses
Gains and losses from financial derivative instruments are accumulated until settled. These outstanding hedging contracts are recognized in earnings on settlement. Further information on these contracts is set out in Note 12.

9. Performance-based compensation

Reserve based component

The reserves value-based component is 4% of the incremental increase in value, if any, as adjusted to reflect changes in debt, dividends, general and administrative expenses and interest expense, of proved producing reserves calculated using a realized price at December 31 of the current year and a discount rate of 8%. For three and nine months ended September 30, 2022, $2.5 million and $5 million respectively, (2021 - $nil) was expensed.

10. Stock based compensation

The Company has a stock option plan allowing for the granting of stock options to officers, employees, and consultants of the Company. This plan limits the number of options and DSU's that may be granted to 10% of the issued and outstanding common shares.

The following tables summarize the Company's equity compensation arrangements:

		Weighted Average Exercise price $	**Weighted Average Remaining Contractual life- Years**
Stock options	9,780,501	8.39	1.83
DSU	206,920	4.83	16.14

Stock option plans

The following tables summarize the stock options outstanding at September 30, 2022:

		Weighted average exercise price $
Balance, December 31, 2021	**9,173,137**	**5.05**
Stock options granted	4,271,200	12.19
Exercised	(3,456,142)	4.30
Forfeitures	(204,600)	7.31
Expired	(3,094)	4.38
Balance, September 30, 2022	**9,780,501**	**8.39**

The Company estimates the fair value of options under the stock option plan using the Black-Scholes pricing model.

The following tables summarizes the assumptions used in the Black-Scholes model:

		September 30
	2022	2021
Fair value of options granted	$3.82	$1.61
Expected volatility	54.96%	59.73%
Average life	2 years	2 years
Risk-free interest rate	2.33%	0.36%
Forfeiture rate	3.69%	5.58%

Options are granted throughout the year and vest 1/3 on each of the first, second and third anniversaries from the date of grant. At the vesting, recipients have thirty days to exercise options after which any unexercised options are expired.

Stock based compensation costs for the three and nine months ended September 30, 2022 were $2.9 million and $7.8 million, respectively (September 30, 2021 - $1.6 million and $4.1 million).

At September 30, 2022, no stock options were exercisable.

Deferred Share Units ("DSU's")

The following tables summarize the DSU's outstanding at September 30, 2022:

		Weighted average exercise price $
Balance, December 31, 2021	**176,669**	**3.60**
DSU granted	30,251	11.96
Balance September 30, 2022	**206,920**	**4.83**

11. Revenue and receivables

	Three Months ended September 30		Nine Months ended September 30	
	2022	2021	**2022**	2021
Natural Gas Sales	270,219	169,789	790,760	412,245
Natural Gas Sales from third parties	42,769	-	83,299	-
Natural Gas Liquid sales	101,567	67,063	333,246	187,355
Natural gas and natural gas liquid sales	**414,555**	236,852	**1,207,305**	599,600

	September 30, 2022	December 31, 2021
Accounts receivable from customers	138,527	106,831
Accounts receivable from realized risk management contracts	103	3,481
Accounts receivable from joint venture partners and other	4,531	8,636
	143,161	118,948

A substantial portion of the Company's accounts receivable is with petroleum and natural gas marketing entities. Industry standard dictates that commodity sales are settled on the 25th day of the month following the month of production.

12. Financial instruments

Financial instrument classification and measurement
Financial instruments of the Company carried on the condensed consolidated balance sheet are carried at amortized cost with the exception of cash and derivative financial instruments. There are no significant differences between the carrying amount of financial instruments and their estimated fair values as at September 30, 2022 except for derivative financial instruments.

The Company's areas of financial risk management and risks related to financial instruments remained unchanged from December 31, 2021.

The fair value of the Company's cash and financial derivative instruments are quoted in active markets. The Company classifies the fair value of these transactions according to the following hierarchy.

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant and significant value drivers are observable in active markets.

- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's cash and financial derivative instruments have been assessed on the fair value hierarchy described above and classified as Level 1.

Fair values of financial assets and liabilities

The Company's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, dividend payable, long term debt and derivative financial instruments. At September 30, 2022 and 2021, cash and derivative financial instruments, are carried at fair value. Accounts receivable and current liabilities approximate their fair value due to their short-term nature. The carrying value of the long-term debt approximates its fair value due to the floating rate of interest charged under the credit facility.

Commodity price risk management

Peyto uses derivative instruments to reduce its exposure to fluctuations in commodity prices. Peyto considers all these transactions to be effective economic hedges for accounting purposes.

Following is a summary of all risk management contracts in place as at September 30, 2022:

Natural Gas Period Hedged- Monthly Index	**Type**	**Daily Volume**	**Price (AECO CAD/GJ)**
April 1, 2022 to October 31, 2022	Fixed Price	90,000 GJ	$2.07 to $2.26
November 1, 2022 to March 31, 2023	Fixed Price	205,000 GJ	$2.30 to $6.62
April 1, 2023 to October 31, 2023	Fixed Price	227,500 GJ	$2.05 to $5.00
November 1, 2023 to March 31, 2024	Fixed Price	37,500 GJ	$5.00 to $5.90
April 1, 2024 to October 31, 2024	Fixed Price	15,000 GJ	$4.00 to $4.40

Natural Gas Period Hedged- Daily Index	**Type**	**Daily Volume**	**Price (AECO CAD/GJ)**
April 1, 2022 to October 31, 2022	Fixed Price	25,000 GJ	$2.13 to $2.20
October 1, 2022 to October 31, 2022	Fixed Price	30,000 GJ	$4.65 to $4.70

Natural Gas Period Hedged - NYMEX	**Type**	**Daily Volume**	**Price (Nymex USD/mmbtu)**
April 1, 2022 to October 31, 2022	Fixed Price	55,000 mmbtu	$2.56 to $4.19
November 1, 2022, to December 31, 2022	Fixed Price	70,000 mmbtu	$3.97 to $4.78
November 1, 2022 to March 31, 2023	Fixed Price	70,000 mmbtu	$4.05 to $5.10
January 1, 2023 to December 31, 2023	Fixed Price	70,000 mmbtu	$3.43 to $3.77
April 1, 2023 to October 31, 2023	Fixed Price	50,000 mmbtu	$3.35 to $5.80
November 1, 2023 to March 31, 2024	Fixed Price	5,000 mmbtu	$5.01
January 1, 2024 to March 31, 2024	Fixed Price	70,000 mmbtu	$4.15 to $5.03

Natural Gas Period Hedged - Malin	**Type**	**Daily Volume**	**Price (Nymex USD/mmbtu)**
April 1, 2022 to October 31, 2022	Fixed Price	40,000 mmbtu	$2.35 to $2.40
November 1, 2022, to March 31, 2023	Fixed Price	40,000 mmbtu	$2.90 to $3.10

Crude Oil Period Hedged - WTI	**Type**	**Daily Volume**	**Price (WTI USD/bbl)**
January 1, 2022 to December 31, 2022	Fixed Price	300 bbl	$63.75 to $64.65

Crude Oil Period Hedged - WTI	Type	Daily Volume	Price (WTI CDN/bbl)
January 1, 2022 to December 31, 2022	Fixed Price	900 bbl	$79.75 to $85.50
July 1, 2022 to December 31, 2022	Fixed Price	1,300 bbl	$87.75 to $125.00
October 1, 2022 to December 31, 2022	Fixed Price	1,200 bbl	$100.70 to $134.60
January 1, 2023 to March 31, 2023	Fixed Price	2,300 bbl	$85.25 to $133.75
April 1, 2023 to June 30, 2023	Fixed Price	1,400 bbl	$111.50 to $115.85
July 1, 2023 to September 30, 2023	Fixed Price	500 bbl	$106.20 to $110.60
October 1, 2023 to December 31, 2023	Fixed Price	100 bbl	$103.75

As at September 30 2022, Peyto had committed to the future sale of 93,045,000 gigajoules (GJ) of natural gas at an average price of $3.28 per GJ or $3.77 per Mcf, 67,205,000 MMBtu at an average price of $3.81 US per MMBtu, 27,600 barrels of crude at an average price of $64.05 USD per bbl, and 702,400 barrels of crude at an average price of $106.93 CAD per bbl. Had these contracts closed on September 30, 2022, Peyto would have realized a loss in the amount of $321.3 million. If the gas price on September 30, 2022, were to increase by $0.10/GJ, the unrealized loss would increase by approximately $31.16 million. An opposite change in commodity prices would result in an opposite impact on other comprehensive income.

Subsequent to September 30, 2022, Peyto entered into the following contracts:

Natural Gas Period Hedged - Daily Index	Type	Daily Volume	Average Price (AECO CAD/GJ)
November 1, 2022 to March 31, 2023	Fixed Price	25,000 GJ	$5.46-$5.85
April 1, 2023 to October 31, 2023	Fixed Price	5,000 GJ	$4.40

Natural Gas Period Hedged - Monthly Index	Type	Daily Volume	Average Price (AECO CAD/GJ)
April 1, 2023 to October 31, 2023	Fixed Price	15,000 GJ	$4.05 - $4.15
November 1, 2023 to March 31, 2024	Fixed Price	25,000 GJ	$4.96 - $5.30

Natural Gas Period Hedged – NYMEX	Type	Daily Volume	Average Price (Nymex USD/MMBtu)
November 1, 2023 to March 31, 2024	Fixed Price	20,000 MMBtu	$5.35- $5.48
April 1, 2024 to October 31, 2024	Fixed Price	60,000 MMBtu	$4.17 - $4.35

Crude Oil Period Hedged – WTI	Type	Daily Volume	Price (WTI CAD/bbl)
January 1 2023 to March 31, 2023	Fixed Price	800 bbl	$111.00 - $119.25
April 1, 2023 to June 30, 2023	Fixed Price	200 bbl	$107.25 - $108.20
July 1, 2023 to September 30, 2023	Fixed Price	300 bbl	$104.80 - $111.30
October 1, 2023 to December 31, 2023	Fixed Price	200 bbl	$102.40 - $108.50

13. Related party transactions

Certain directors of Peyto are considered to have significant influence over other reporting entities that Peyto engages in transactions with. Such services are provided in the normal course of business and at market rates. These directors are not involved in the day to day operational decision making of the Company. The dollar value of the transactions between Peyto and the related reporting entities is summarized below:

Expense				Accounts Payable	
Three Months ended September 30		Nine Months ended September 30		As at September 30	
2022	2021	**2022**	2021	**2022**	2021
113.1	181.1	**941.5**	361.0	**25.8**	207.0

14. Commitments

In addition to those recorded on the Company's balance sheet, the following is a summary of Peyto's contractual obligations and commitments as at September 30, 2022:

	2022	2023	2024	2025	2026	Thereafter
Interest payments (1)	4,244	16,827	13,127	11,743	8,163	9,962
Transportation commitments	13,636	58,813	61,977	42,435	31,682	358,620
Operating leases	550	2,200	2,200	2,200	2,200	-
Methanol	-	6,356	-	-	-	-
Total	18,430	84,196	77,304	56,378	42,045	368,582

(1) Fixed interest payments on senior secured notes

Officers

Darren Gee
Chief Executive Officer

Jean-Paul Lachance
President and Chief Operating Officer

Kathy Turgeon
Chief Financial Officer

Scott Robinson
Vice President, Business Development

David Thomas
Vice President, Exploration

Stephen Chetner
Corporate Secretary

Lee Curran
Vice President, Drilling and Completions

Todd Burdick
Vice President, Production

Derick Czember
Vice President, Land

Riley Frame
Vice President, Engineering

Tavis Carlson
Vice President, Finance

Directors

Don Gray, Chairman
Brian Davis
Michael MacBean, Lead Independent Director
Darren Gee
Gregory Fletcher
Kathy Turgeon
John Rossall
Debra Gerlach

Auditors

Deloitte LLP

Solicitors

Burnet, Duckworth & Palmer LLP

Bankers

Bank of Montreal
Canadian Imperial Bank of Commerce
ATB Financial
China Construction Bank (Canada)
Canadian Western Bank
Bank of China (Canada)
National Bank of Canada
Business Development Bank of Canada
The Toronto-Dominion Bank

Transfer Agent

Computershare

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