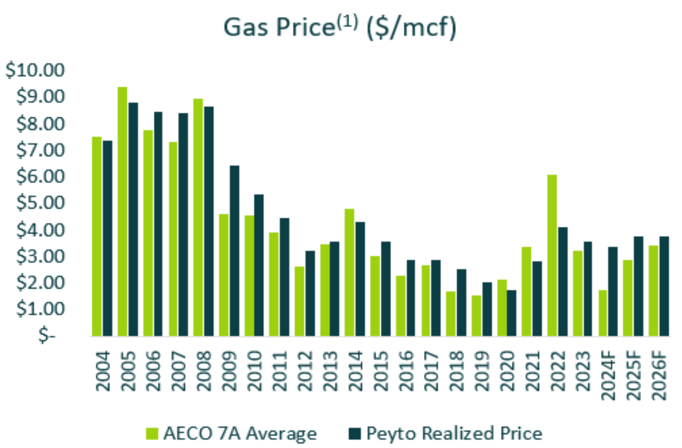
Peyto Exploration & Development Corp.
Monthly Report

October 2024 **By Jean-Paul Lachance, President and Chief Executive Officer**

Power Supply Update

At Peyto, we have a long history of smoothing out the impact of natural gas price volatility on our business by taking a disciplined approach to hedging future prices and diversifying to multiple markets to reduce risk. While the aim with our gas hedging program is to provide security of revenues to fund a steady capital program, pay our shareholders dividends, and manage the balance sheet, the strategy has also proven to be lucrative. Our mechanistic approach, which avoids price speculation, has successfully beat the monthly AECO price 11 of the last 15 years (see Figure 1) and has realized a cumulative gain of $357 million to end of Q2 2024 since inception in 2004. Peyto's strong hedge book in 2024 has allowed us to navigate through a tough year of low natural gas prices, limiting our exposure to AECO, and our systematic hedging policy (up to 3 years ahead) has captured approximately 454 MMcfd and 260 MMcfd of natural gas production at prices over $4/mcf for 2025 and 2026, respectively. Together, with our liquids hedges, we have fixed over $750 million of revenue for 2025, more than enough to cover our current dividend and anticipated capital program. This, coupled with our industry leading cash costs, provides confidence in our ability to run our business if commodity prices remain lower and provides our shareholders a healthy return while they wait for the supply/demand imbalance to return.

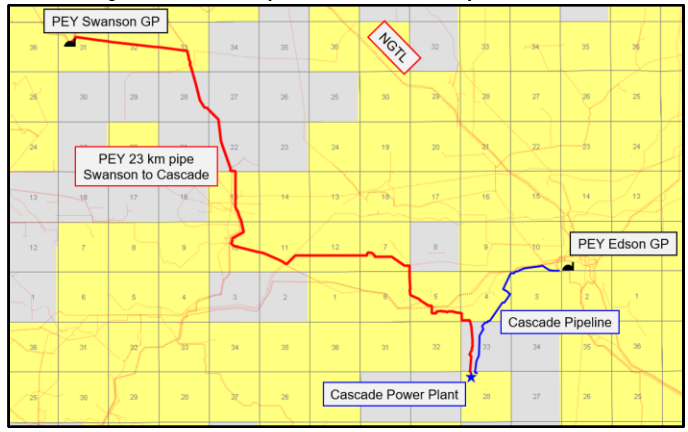
Figure 1: Realized and Historical AECO Gas Prices



(1) Forecasted prices are based on Sep 4, 2024 strip price forecast

One piece of our diversification strategy is our gas supply agreement ("GSA") to deliver 60,000 GJ/day over the next 15 years to the Cascade 900 MWh Combined Cycle Power Plant, 12 km west of Edson. Our GSA officially went live on August 31st, 2024. Back in early 2018, Peyto recognized the need to diversify its gas sales markets to avoid a fragile, disconnected AECO market and began seeking out projects where we could directly supply gas. While many ideas and options presented themselves, it was the GSA to the Cascade power plant that took root, effectively tying our natural gas sales to Cascade's realized power prices. In winter 2023, to take advantage of frozen ground conditions and to meet an expected startup in Q3 2023, we completed the 23 km large diameter pipeline connecting our Swanson Gas Plant directly to the Cascade site. After some delays not uncommon with large projects, Peyto began supplying natural gas directly from our Swanson plant to help with the testing, commissioning and start up of the facility.

Figure 2: Area Map of Cascade and Peyto Infrastructure



Peyto is excited to have the project completed and running smoothly. Had the GSA started in January 2024, Peyto estimates it would have realized an average price just under $4/GJ for its natural gas in the first nine months of 2024, based on average monthly power prices. Far better than the average monthly AECO price of $1.36/GJ over the same period. But it's the future power demand, coupled with potential data centre buildout that makes our GSA exciting, as it should positively influence Peyto's netback prices going forward.

Operational Highlights

In September, Peyto safely completed the second (and final) phase of the Edson Gas Plant turnaround. We were able to mitigate some of the associated downtime by redirecting gas to other interconnected facilities; however, with low gas prices during the month we prudently curtailed approximately 5,500 BOE/d, including shut-ins when AECO's gas price traded near negative territory. Peyto will continue to manage production to avoid exposure to low gas prices during the fall until prices recover. We caught up on some completions in August to prepare for winter prices. With an increase in facility projects in the back half of the year, Peyto remains on track to spend to the low end of guidance of $450 – $500 million in 2024.

Capital Investment ($C millions)[1]

	2022	Q1 23	Q2 23	Q3 23	Q4 23	2023	Q1 24	Apr 24	May 24	Jun 24	Q2 24	Jul 24	Aug 24
D,C,E&T [2]	371	89	72	81	91	333	94	28	22	37	87	19	41
Facilities	100	32	9	11	12	64	18	5	6	2	13	9	6
Other [3]	10	1	1	1	12	16	2		1		1	1	
Acquisitions [4]	48				699	699							-1
Total	529	122	82	94	814	1112	114	33	29	39	101	29	46
ARO Activities [5]	5			1	2	3	4				-	1	1

Production (mboe/d)[1]

	2022	Q1 23	Q2 23	Q3 23	Q4 23	2023	Q1 24	Apr 24	May 24	Jun 24	Q2 24	Jul 24	Aug 24	Sept 24	Q3 24
Sundance	76	71	67	66	87	73	93	91	91	93	92	92	93	87	91
Brazeau	23	27	28	28	29	28	27	27	26	24	26	24	24	24	24
Other	5	5	4	4	4	4	5	6	5	5	5	5	5	6	5
Total	104	103	99	98	120	105	125	124	122	122	122	121	122	117	120
liquids %	12%	12%	11%	11%	13%	12%	13%	12%	12%	12%	12%	11%	12%	11%	11%

1. *This estimate is based on field data, actual numbers will vary from the estimate due to accruals and adjustments.*
2. *Well related costs including Drilling, Completions, Equip and Tie-in.*
3. *Other costs include Land, Seismic, and Miscellaneous.*
4. *Acquisitions costs include asset and corporate deals.*
5. *Asset Retirement Obligations (ARO) spending is decommissioning expenditures incurred in the period.*

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FORWARD LOOKING STATEMENTS

Certain information set forth in this monthly report, including management's expectation of future natural gas prices, and the reasons therefore and management's estimate of monthly capital spending, field estimate of production, current fixed revenue projections for 2024, production decline rates, future power demand growth and impact on forecasted netbacks, contains forward-looking statements. Reserves disclosures are also forward-looking information, including the volumes and the life of Peyto's reserves, production estimates, project economics including NPV, IRR, netback and recycle ratio. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Peyto's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Peyto's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Peyto will derive there from. The forward-looking statements contained in this monthly report are made as of the date of this monthly report. Except as required by applicable securities law, we assume no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing risks and assumptions affecting such forward-looking statements, whether as a result of new information, future events or otherwise.

All references are to Canadian dollars unless otherwise indicated. Natural gas liquids and oil volumes are recorded in barrels of oil (bbl) and are converted to a thousand cubic feet equivalent (mcfe) using a ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Natural gas volumes recorded in thousand cubic feet (mcf) are converted to barrels of oil equivalent (boe) using the ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based in an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of oil as compared with natural gas is significantly different from the energy equivalent of six to one, utilizing a boe conversion ratio of 6 mcf:1 bbl may be misleading as an indication of value.

NON-GAAP AND OTHER FINANCIAL MEASURES

Peyto employs certain measures to analyze financial performance, financial position, and cash flow. These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as long-term debt, net income (loss), cash flow from operating activities, and cash flow used in investing activities, as indicators of Peyto's performance.