PEYTO

Exploration & Development Corp.

3

Interim Report
for the three and nine months ended September 30, 2024

HIGHLIGHTS

	Three Months Ended Sep 30		%	Nine Months Ended Sep 30		%
	2024	2023	Change	**2024**	2023	Change
Operations						
Production						
Natural gas (Mcf/d)	**638,433**	520,504	*23%*	**642,791**	530,418	*21%*
NGLs (bbl/d)	**13,626**	11,231	*21%*	**15,309**	11,471	*33%*
Thousand cubic feet equivalent (Mcfe/d @ 1:6)	**720,186**	587,888	*23%*	**734,643**	599,245	*23%*
Barrels of oil equivalent (boe/d @ 6:1)	**120,031**	97,981	*23%*	**122,441**	99,874	*23%*
Production per million common shares (boe/d)	**612**	558	*10%*	**627**	570	*10%*
Product prices						
Realized natural gas price – after hedging and diversification ($/Mcf)	**2.95**	3.33	*-11%*	**3.29**	3.46	*-5%*
Realized NGL price – after hedging ($/bbl)	**69.61**	70.25	*-1%*	**66.11**	73.02	*-9%*
Net Sales Price ($/Mcfe)	**3.93**	4.29	*-8%*	**4.25**	4.46	*-5%*
Royalties ($/Mcfe)	**0.18**	0.29	*-38%*	**0.23**	0.33	*-30%*
Operating expenses ($/Mcfe)	**0.54**	0.44	*23%*	**0.54**	0.47	*15%*
Transportation ($/Mcfe)	**0.31**	0.29	*7%*	**0.30**	0.27	*11%*
Field netback(1) ($/Mcfe)	**2.96**	3.29	*-10%*	**3.22**	3.42	*-6%*
General & administrative expenses ($/Mcfe)	**0.03**	0.04	*-25%*	**0.05**	0.04	*25%*
Interest expense ($/Mcfe)	**0.38**	0.28	*36%*	**0.37**	0.24	*54%*
Financial ($000, except per share)						
Natural gas and NGL sales including realized hedging gains (losses)(2)	**260,608**	231,938	*12%*	**856,982**	729,679	*17%*
Funds from operations(1)	**154,343**	147,980	*4%*	**513,802**	470,152	*9%*
Funds from operations per share - basic(1)	**0.79**	0.84	*-6%*	**2.63**	2.69	*-2%*
Funds from operations per share - diluted(1)	**0.78**	0.84	*-7%*	**2.62**	2.66	*-2%*
Total dividends	**64,707**	59,802	*8%*	**193,229**	175,195	*10%*
Total dividends per share	**0.33**	0.33	*0%*	**0.99**	0.99	*0%*
Earnings	**51,029**	57,444	*-11%*	**202,341**	204,840	*-1%*
Earnings per share – basic	**0.26**	0.33	*-21%*	**1.04**	1.17	*-11%*
Earnings per share – diluted	**0.26**	0.33	*-21%*	**1.03**	1.16	*-11%*
Total capital expenditures(1)	**125,869**	93,579	*35%*	**340,082**	297,701	*14%*
Decommissioning expenditures	**2,013**	1,026	*96%*	**6,610**	1,026	*544%*
Total payout ratio(1)	**125%**	104%	*20%*	**105%**	101%	*4%*
Weighted average common shares outstanding - basic	**196,077,193**	175,573,752	*12%*	**195,183,132**	175,085,253	*11%*
Weighted average common shares outstanding - diluted	**197,051,764**	176,732,946	*11%*	**196,395,465**	176,589,394	*11%*
Net debt(1)				**1,362,947**	877,011	*55%*
Shareholders' equity				**2,735,586**	2,290,511	*19%*
Total assets				**5,589,573**	4,325,691	*29%*

(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 2024 MD&A

(2) Excludes revenue from sale of third-party volumes

Report from President

Peyto Exploration & Development Corp. ("Peyto" or the "Company") is pleased to report its operating and financial results for the third quarter of 2024 and a preliminary capital plan for 2025.

Highlights:

- Delivered $154.3 million in funds from operations[1,2] ("FFO"), or $0.78/diluted share, generated earnings of $51.0 million, or $0.26/diluted share, and returned $64.7 million of dividends to shareholders.
- Production volumes averaged 120,031 boe/d (638.4 MMcf/d of natural gas, 13,626 bbls/d of NGLs), a 23% increase year over year, mainly due to the Repsol Canada Energy Partnership acquisition that closed in the fourth quarter of 2023 (the "Repsol Acquisition" or "Repsol Assets").
- The 2024 drilling program on the Repsol Assets continued to deliver strong well results in the quarter including sustained increases to average well productivity of approximately 40% above Peyto's recent annual drilling programs. Production from the Repsol Assets has doubled from 23,000 to 46,000 Boe/d since the acquisition.
- The Company's disciplined hedging and diversification program protected third quarter revenues from the continued decline in AECO natural gas prices. Peyto's realized natural gas price for the quarter of $2.95/Mcf (or $2.57/GJ) was nearly 4 times the average AECO daily price of $0.65/GJ.
- The Company exited the quarter with a strong hedge position, which currently protects approximately 436 MMcf/d, 455 MMcf/d and 273 MMcf/d of gas production for the fourth quarter of 2024, calendar 2025, and calendar 2026, respectively, at an average gas price near $4/Mcf. The securing of future revenues supports the sustainability of the Company's capital program, dividends, and continued strengthening of the balance sheet. Currently Peyto's fixed revenue for 2025 is approximately $790 million.
- Quarterly cash costs[3] totaled $1.44/Mcfe, including royalties of $0.18/Mcfe, operating costs of $0.54/Mcfe, transportation of $0.31/Mcfe, G&A of $0.03/Mcfe and interest expense of $0.38/Mcfe. Peyto's operating costs increased 4% from the second quarter of 2024 due to curtailed production volumes in the quarter and turnaround expenses but are on target to achieve a 10% reduction in the fourth quarter of 2024 from $0.55/Mcfe in the first quarter of 2024. Peyto continues to have the lowest cash costs of producers in the Canadian oil and natural gas industry.
- Total capital expenditures were $125.9 million in the quarter. Peyto drilled 21 wells (21.0 net), completed 19 wells (18.8 net), and brought 21 wells (19.3 net) on production. Facilities and pipeline projects totaled $26.1 million in the quarter, which included $7.5 million of turnaround costs, and multiple plant and gathering system optimization projects.
- Peyto delivered a 64% operating margin[4] and a 19% profit margin[5], resulting in a 9% return on capital employed[6] ("ROCE") and an 11% return on equity[8] ("ROE"), on a trailing 12-month basis.
- The Company has set preliminary plans to spend $450 to $500 million in capital for 2025 and expects to add between 43,000 to 48,000 Boe/d of new production from the development program to offset base production decline estimated between 26–28%.

Third Quarter 2024 in Review

Peyto maintained a steady drilling and completion program through the third quarter but managed its production levels in response to weak natural gas prices by curtailing new production and shutting in base production at times when prices were weakest. While this resulted in a total payout ratio[7] greater than 100%, Peyto believes running a consistent program is an important factor that drives lower costs and improved capital efficiencies. Early in the quarter, the Company shut down the sour gas processing and Sulphur recovery units at the Edson Gas Plant ("EGP") which is expected to yield lower plant operating costs and increased reliability. Peyto also successfully completed a major turnaround at the EGP on the remaining sweet gas processing facilities to improve the life of this strategic asset. During the quarter, Peyto realized a natural gas price of $2.57/GJ, nearly 4 times the AECO daily average benchmark price of $0.65/GJ. Peyto's operating costs of $0.54/Mcfe were slightly higher in the third quarter due to the curtailment of production and non-capitalized costs associated with the EGP turnaround.

---

[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", "free funds flow", "total cash costs", 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] *Funds from operations is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q3 2024 MD&A.*
[3] *Cash costs is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release.*
[4] *Operating Margin is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release.*
[5] *Profit Margin is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release.*
[6] *Return on capital employed and return on equity are non-GAAP financial ratios. See "non-GAAP and Other Financial Measures" in this news release and in the Q3 2024 MD&A.*
[7] *Total Payout Ratio is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release.*

The Company remains committed to its goal of reducing operating costs by 10% from first quarter levels by the end of 2024. Peyto's disciplined hedging strategy, natural gas market diversification and low cash costs combined to deliver FFO of $154.3 million and earnings of $51.0 million in the quarter.

Capital Expenditures

Peyto drilled 21 wells (21.0 net), completed 19 wells (18.8 net) and brought 21 wells (19.3 net) on production for total drilling, completion, equipping and tie-in costs of $99.9 million in the quarter. Facilities and pipeline projects totaled $26.1 million in the quarter, which included $7.5 million for the second and final phase of the Edson Gas Plant turnaround, and several pipeline and plant debottlenecking projects across Peyto's core areas. Peyto's drilling program featured 13 Notikewin (62%), 3 Wilrich (14%), 3 Dunvegan (14%) and 2 Falher (10%) wells including 10 wells (48%) drilled on the acquired Repsol lands. The results of the overall drilling program in 2024 show an average 25% sustained production improvement over recent past years. The improvement of productivity outcomes is partially attributable to the continued successful drilling program on the acquired Repsol lands which exhibit an average 40% increase over average legacy results. Production from the Repsol Assets has doubled from an initial 23,000 to 46,000 boe/d, the result of an active drilling program, despite the shut-in of approximately 2,000 net boe/d of low value Ethane recovery in the second quarter and the recent shut-in of 1,500 net boe/d of uneconomic sour gas production processed at the EGP. The Company's focus on the more prolific Notikewin formation in the quarter led to a 10% reduction in overall well lengths. This lowered total average drilling costs per well by 3% but increased the average per meter costs by 8%. The better reservoir quality of the Notikewin allows for reduced stimulation requirements, lowering average well completion costs by 11% and average unit costs per horizontal meter by 6%. Drilling and completion cost history is summarized in the following table.

	2017	2018	2019	2020	2021	2022	2023	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	**2024 Q3[1]**
Gross Hz Spuds	135	70	61	64	95	95	72	19	15	19	19	18	20	**21**
Measured Depth (m)	4,229	4,020	3,848	4,247	4,453	4,611	4,891	5,198	4,768	4,728	4,868	5,220	5,364	**4,804**
Drilling ($MM/well)	$1.90	$1.71	$1.62	$1.68	$1.89	$2.56	$2.85	$3.05	$2.74	$2.64	$2.94	$3.05	$2.89	**$2.81**
$ per meter	$450	$425	$420	$396	$424	$555	$582	$587	$574	$559	$603	$585	$539	**$585**
Completion ($MM/well)	$1.00	$1.13	$1.01[2]	$0.94	$1.00	$1.35	$1.54	$1.73	$1.64	$1.38	$1.48	$1.80	$1.75	**$1.56**
Hz Length (m)	1,241	1,348	1,484	1,682	1,612	1,661	1,969	1,947	2,140	1,853	1,949	2,223	2,350	**2,224**
$ per Hz Length (m)	$803	$751	$679	$560	$620	$813	$781	$888	$776	$743	$759	$809	$744	**$703**
$ '000 per Stage	$81	$51	$38	$36	$37	$47	$52	$59	$50	$46	$53	$55	$49	**$48**

(1) Based on field estimates and may be subject to minor adjustments going forward.
(2) Peyto's Montney well is excluded from drilling and completion cost comparison.

In addition to the capital program, Peyto incurred $2.0 million on decommissioning expenditures in the quarter as part of the Company's responsible 2024 asset retirement plan, bringing the total to $6.6 million for the year to date. The Company also divested non-core land in Saskatchewan, which was acquired in the Repsol acquisition, for $1.0 million.

Commodity Prices and Realizations

In the third quarter, Peyto realized a natural gas price after hedging and diversification of $2.95/Mcf, or $2.57/GJ, 3.95 times higher than the average AECO daily benchmark of $0.65/GJ. Peyto's natural gas hedging activity resulted in a realized gain of $1.31/Mcf ($76.8 million) in the quarter, due to the low-price environment at AECO and Henry Hub.

Condensate and pentanes averaged $101.18/bbl in the quarter, up 1% year over year, while Canadian dollar WTI ("WTI CAD") decreased 7% to $102.45/bbl over the same period. The Q3 2024 condensate and pentanes price included an adjustment for component balancing on shipped volumes in 2024, which increased the realized price in the quarter by approximately $4.50/bbl. Butane, and propane volumes were sold in combination at an average price of $28.73/bbl, or 28% of WTI CAD, down 12% from $32.47/bbl in Q3 2023. Peyto's combined realized NGL price in the quarter was $69.60/bbl before hedging, and $69.61/bbl including a hedging gain of $0.01/bbl.

Netbacks

The Company's realized natural gas and NGL sales yielded a combined revenue stream of $2.77/Mcfe before hedging gains of $1.16/Mcfe, resulting in a quarterly net sales price of $3.93/Mcfe. Peyto's net sales price was 8% lower than the $4.29/Mcfe realized in Q3 2023 due to the continued decline in natural gas prices, partially offset by increased realized hedging gains. Cash costs totaled $1.44/Mcfe in the quarter, 4% lower than the $1.50/Mcfe in Q2 2024 due to lower royalties and G&A, which offset higher operating, transportation and interest costs. Operating and transportation costs increased to $0.54/Mcfe and $0.31/Mcfe in the quarter, respectively, from $0.52/Mcfe and $0.30/Mcfe in the second quarter of 2024, mainly due to Peyto curtailing production volumes in response to low natural gas prices. Peyto's cash netback (net sales price including other income, third-party sales net of purchases, realized gain on foreign exchange, less total cash costs), in a quarter with extremely weak natural gas prices, was $2.55/Mcfe resulting in a strong 64% operating margin. Historical cash costs and operating margins are shown in the following table:

	2021				2022				2023				2024		
($/Mcfe)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
Revenue (1)	3.70	2.92	3.33	4.42	5.25	5.48	5.01	5.74	5.10	4.07	4.32	4.83	4.92	3.97	**3.99**
Royalties	0.29	0.26	0.36	0.53	0.60	0.95	0.70	0.72	0.53	0.18	0.29	0.30	0.24	0.26	**0.18**
Op Costs	0.36	0.35	0.35	0.32	0.41	0.39	0.38	0.41	0.50	0.47	0.44	0.55	0.55	0.52	**0.54**
Transportation	0.17	0.22	0.23	0.23	0.28	0.27	0.26	0.22	0.24	0.29	0.29	0.26	0.30	0.30	**0.31**
G&A	0.04	0.05	0.02	0.02	0.03	0.02	0.02	0.02	0.03	0.05	0.04	0.06	0.06	0.06	**0.03**
Interest	0.38	0.33	0.26	0.22	0.21	0.20	0.21	0.21	0.22	0.22	0.28	0.40	0.36	0.36	**0.38**
Cash cost pre-royalty	0.95	0.95	0.86	0.79	0.93	0.88	0.87	0.86	0.99	1.03	1.05	1.27	1.27	1.24	**1.26**
Total Cash Costs[8]	1.24	1.21	1.22	1.32	1.53	1.83	1.57	1.58	1.52	1.21	1.34	1.57	1.51	1.50	**1.44**
Cash Netback[9]	2.46	1.71	2.11	3.10	3.72	3.65	3.44	4.16	3.58	2.86	2.98	3.26	3.41	2.47	**2.55**
Operating Margin	67%	59%	63%	70%	71%	67%	69%	72%	71%	70%	69%	67%	69%	62%	**64%**

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

Depletion, depreciation, and amortization charges of $1.40/Mcfe, along with provisions for current tax, deferred tax and stock-based compensation payments resulted in earnings of $0.77/Mcfe, or a 19% profit margin. Dividends to shareholders totaled $0.98/Mcfe.

Hedging and Marketing

The Company has been active in hedging future production with financial and physical fixed price contracts to protect a portion of its future revenue from commodity price and foreign exchange volatility. The following table summarizes Peyto's hedge position for the fourth quarter of 2024, calendar 2025, and calendar 2026.

	Q4 2024	2025	2026
Natural Gas			
Volume (MMcf/d)	436	455	273
Average Fixed Price ($/Mcf)	4.09	4.14	3.99
WTI Swaps			
Volume (bbls/d)	4,350	2,466	197
Average Fixed Price ($/bbl)	101.11	97.91	92.59
WTI Collars			
Volume (bbls/d)	750	623	123
Put–Call ($/bbl)	90.00–103.05	88.75–103.34	85.00–100.00
Propane			
Volume (bbls/d)	500	123	-
Average Fixed Price (US$/bbl)	33.86	33.86	-
USD FX Contracts			
Amount sold (USD 000s)	62,000	245,000	116,000
Rate (CAD/USD)	1.3421	1.3509	1.355

In the third quarter, Peyto commenced its 15-year, 60,000 GJ/day gas supply agreement with the Cascade Power Plant and added 50,000 GJ/day of firm transportation service on the TC Energy mainline from Empress to Union Parkway Belt ("Parkway") in Ontario. This additional service uses a portion of Peyto's existing Empress service and provides market exposure to a strong demand region. The service commenced on November 1, 2024 and has a 10 year term. The additional cost to access the Parkway market is approximately $1.00/GJ.

[8] *Total Cash costs is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release.*
[9] *Cash netback is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release and in the Q3 2024 MD&A.*

The Company's fixed price contracts combined with its diversification to the Cascade power plant and other premium market hubs in North America allow for revenue security and support Peyto's capital expenditure program, continued shareholder returns through dividends and debt reduction. Details of Peyto's ongoing marketing and diversification efforts are available on Peyto's website at https://www.peyto.com/Marketing.aspx.

Activity Update

Since the start of the fourth quarter, Peyto has continued with an active drilling program across all core areas with 9 wells (9.0 net) drilled, 8 wells (8.0 net) completed, and 12 wells (12.0 net) brought on production. The Company believes a steady capital program is a key factor in running efficient operations and reducing costs rather than starting and stopping activity during low commodity periods. Peyto reached a new monthly milestone of 130,000 boe/d for the month of October and continues to have minimal exposure to the AECO market with increased volumes diversified to other markets. The Company will continue, if prices weaken, to manage production and avoid exposure to low natural gas prices by restricting new well rates or delaying onstream timing.

In October, Peyto completed a second well in a newly discovered Falher channel that has recently been mapped across the Company's legacy land position. The results to date from these wells have been excellent and the team has identified at least another 20 locations on Peyto lands. The discovery of this exciting new trend in the heart of an established development area serves as a reminder of the value of the stacked potential found in the Deep Basin and across Peyto's lands.

Private Placement Issuance of Senior Secured Notes

Peyto is pleased to announce that it issued $75 million of senior secured notes on October 17, 2024. The notes have a coupon rate of 5.638% and mature on October 17, 2034. The notes were issued by way of a private placement pursuant to a note purchase agreement and rank equally with Peyto's obligations under its credit facilities and existing note purchase and private shelf agreement. Interest will be paid semi-annually in arrears. Proceeds from the notes have been used to repay the $65 million, 4.26% notes that were due May 1, 2025.

2025 Preliminary Budget and Plans

Peyto's preliminary capital budget for 2025 includes a lower-risk development program targeting multiple formations across all core areas but with a larger portion expected in the Greater Sundance area. Peyto will continue to leverage successful drilling results in 2024 and pursue a balanced program between Peyto's legacy lands and acquired Repsol lands. The Company expects to utilize an average of 4 drilling rigs for this capital program and drill between 70–80 horizontal wells, with well-related costs representing approximately 80% of the 2025 budget.

Major facility spending planned for 2025 includes a field compressor project in the greater Sundance area to direct low pressure liquids rich gas to the EGP for better liquids recovery while freeing up space in existing pipelines for new development. Other facility projects include a turnaround at the Oldman plant and multiple pipeline optimization and debottlenecking initiatives to take advantage of Peyto's operated 1.4 Bcf/d net gas processing capacity. Additionally, the Company plans to spend approximately $10 million on closure related activities to proactively reduce abandonment retirement obligations.

While specific details of the 2025 budget are still being finalized, a capital program between $450–$500 million is anticipated and is estimated to add approximately 43,000 to 48,000 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 between 26–28% on anticipated 2024 exit production of 135,000 boe/d. The slight increase in expected annual decline is due to a large portion of production being brought on at the end of this year, but is offset by improved expected capital efficiencies, based on Peyto's recent results. The program will be designed to add production in the back half of 2025, timed with expected improved market fundamentals as LNG projects and other demand sources mature. 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.

Outlook

The Company remains on track to execute a 2024 capital program targeting the lower end of Peyto's guidance of $450 - 500 million and exit at production volumes at or greater than 135,000 boe/d. The Company's disciplined hedging program has secured revenue of approximately $790 million for 2025 which supports the capital program and future dividends while Peyto's industry leading cash costs provide insulation from low prices and allows for continued strengthening of the balance sheet. Over the balance of 2024, the Company expects to reduce net debt despite a challenging natural gas price environment.

Peyto remains bullish on the outlook for natural gas as significant LNG egress is completed in North America and the continued increase in power demand for further electrification, coal to gas switching for power generation and new technologies including data centers. Peyto's market diversification to Eastern Canada, US Midwest, the Gulf Coast, and the Alberta power market is well positioned to provide multiple sources of revenue and reduce risk of relying on a single market.

Jean-Paul Lachance
President & Chief Executive Officer
November 12, 2024

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 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: management's assessment of Peyto's future plans and operations, including the 2024 and 2025 capital expenditure programs; Peyto's expectation to add between 43,000 to 48,000 Boe/d of new production from the 2025 development program and the volume addition will be more than sufficient to offset the annual forecast decline of between 26–28% on anticipated 2024 exit production of 135,000 boe/d; the sustainability of the Company's dividend; the Company's target of at least a 10% reduction in per unit operating costs by the end of 2024; the Company's expectation to reduce net debt over the balance of 2024; Peyto's outlook on natural gas as significant LNG egress is completed in North America and the continued increase in power demand; 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; 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 latest annual information form 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.

Thousand Cubic Feet Equivalent (Mcfe)

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). Natural gas liquids and oil volumes in barrel of oil (bbl) are converted to thousand cubic feet equivalent (Mcfe) using a ratio of one (1) barrel of oil to six (6) thousand cubic feet. This could be misleading, particularly if used in isolation as it is based on an energy equivalency conversion method primarily applied at the burner tip and does not represent a value equivalency at the wellhead.

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, decommissioning expenditure, provision for future performance-based compensation and transaction costs. 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)	2024	2023	2024	2023
Cash flows from operating activities	147,485	139,406	486,250	471,621
Change in non-cash working capital	2,345	6,352	15,942	(3,691)
Decommissioning expenditures	2,013	1,026	6,610	1,026
Performance based compensation	2,500	-	5,000	-
Transaction costs	-	1,196	-	1,196
Funds from operations	154,343	147,980	513,802	470,152

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. In reporting for prior periods, decommissioning expenditures incurred were excluded from the Company's free funds flow non-GAAP financial measure as they were insignificant. Peyto has changed the reporting of free funds flow to no longer exclude decommissioning expenditures in the non-GAAP financial measure as the Company expects an increase in abandonment and reclamation projects going forward associated with the Repsol Assets. Peyto calculates free funds flow as cash flows from operating activities before changes in non-cash operating working capital less total capital expenditures, allowing Management to monitor 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)	2024	2023	2024	2023
Cash flows from operating activities	147,485	139,406	486,250	471,621
Change in non-cash working capital	2,345	6,352	15,942	(3,691)
Performance-based compensation	2,500	-	5,000	-
Transaction costs	-	1,196	-	1,196
Total capital expenditures	(125,869)	(93,579)	(340,082)	(297,701)
Free funds flow	26,461	53,375	167,110	171,425

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)	2024	2023	2024	2023
Cash flows used in investing activities	119,439	350,780	297,974	579,104
Change in prepaid capital	2,612	(4,051)	3,470	(664)
Deposit for acquisition	-	(63,303)	-	(63,303)
Subscription receipt funds in escrow	-	(201,307)	-	(201,307)
Corporate acquisitions	-	-	-	-
Change in non-cash working capital relating to investing activities	3,818	11,460	38,638	(16,129)
Total capital expenditures	125,869	93,579	340,082	297,701

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, current portion of lease obligations and current portion of decommissioning provision. 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, 2024	As at December 31, 2023	As at September 30, 2023
Long-term debt	1,235,275	1,340,881	818,080
Current assets	(423,803)	(490,936)	(481,090)
Current liabilities	330,049	279,903	449,048
Financial derivative instruments - current	231,266	238,865	94,213
Current portion of lease obligation	(900)	(1,310)	(1,300)
Decommissioning provision - current	(8,940)	(4,626)	(1,940)
Net debt	1,362,947	1,362,777	877,011

Third-Party Sales Net of Purchases

Peyto uses the term "third-party sales net of purchases" to evaluate the profitability of natural gas and NGLs purchased from third parties. Third-party sales net of purchases is calculated as sales of natural gas and NGLs from third parties less natural gas and NGLs purchased from third parties.

	Three Months Ended September 30		Nine Months Ended September 30	
($000)	2024	2023	2024	2023
Sales of natural gas and NGLs from third parties	8,729	-	42,984	-
Natural gas and NGLs purchased from third parties	(6,925)	-	(41,016)	-
Third-party sales net of purchases	1,804	-	1,968	-

Third party sales net of purchases per Mcfe

"Third party sales net of purchases 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.

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 third party sales net of purchases, 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 before tax, 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	
($/Mcfe)	2024	2023	2024	2023
Gross Sale Price	2.77	3.67	3.07	4.37
Realized hedging gain (loss)	1.16	0.62	1.18	0.09
Net Sale Price	3.93	4.29	4.25	4.46
Third party sales net of purchases	0.03	-	0.01	-
Other income	0.03	0.02	0.03	0.03
Royalties	(0.18)	(0.29)	(0.23)	(0.33)
Operating costs	(0.54)	(0.44)	(0.54)	(0.47)
Transportation	(0.31)	(0.29)	(0.30)	(0.27)
Field netback[1]	2.96	3.29	3.22	3.42
Net general and administrative	(0.03)	(0.04)	(0.05)	(0.04)
Interest on long-term debt	(0.38)	(0.28)	(0.37)	(0.24)
Realized loss on foreign exchange	0.00	(0.01)	0.00	-
Cash netback[1] ($/Mcfe)	2.55	2.96	2.80	3.14
Cash netback[1] ($/boe)	15.26	17.85	16.90	18.85

Total Payout Ratio

"Total payout ratio" is a non-GAAP measure which is calculated as the sum of dividends declared plus total capital expenditures and decommissioning expenditures, divided by funds from operations. In reporting for prior periods, decommissioning expenditures incurred were excluded from the Company's total payout ratio as they were insignificant. Peyto has changed the reporting of total payout ratio to no longer exclude decommissioning expenditures in the non-GAAP financial ratio as the Company expects an increase in abandonment and reclamation projects going forward associated with the Repsol Assets. This ratio represents the percentage of the capital expenditures, decommissioning 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)	2024	2023	2024	2023
Total dividends declared	64,707	59,802	193,229	175,195
Total capital expenditures	125,869	93,579	340,082	297,701
Decommissioning expenditures	2,013	1,026	6,610	1,026
Total payout	192,589	154,407	539,921	473,922
Funds from operations	154,343	147,980	513,802	470,152
Total payout ratio (%))	125%	104%	105%	101%

Operating Margin

Operating Margin is a non-GAAP financial ratio defined as funds from operations, before current tax, divided by revenue before royalties but including realized hedging gains/losses and third-party sales net of purchases.

Profit Margin

Profit Margin is a non-GAAP financial ratio defined as net earnings divided by revenue before royalties but including realized hedging gains/losses and third-party sales net of purchases.

Cash Costs

Cash costs is a non-GAAP financial ratio defined as the sum of royalties, operating expenses, transportation expenses, G&A and interest, on a per Mcfe basis. Peyto uses total cash costs to assess operating margin and profit margin.

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 12, 2024 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, 2024 and the MD&A and audited consolidated financial statements as at and for the year ended December 31, 2023, as well as Peyto's Annual Information Form, each of which is available at www.sedarplus.ca 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"). 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, 2023, the Company's total Proved plus Probable reserves were 7.8 trillion cubic feet equivalent (1.3 billion barrels of oil equivalent) as evaluated by its independent petroleum engineers. Production is weighted approximately 89 per cent to natural gas and 11 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 26 years indicate that these strategies have been successfully implemented.

QUARTERLY FINANCIAL INFORMATION

	2024			2023				2022
($000 except per share amounts)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Natural gas and NGL sales, net of royalties and including realized hedging gains/losses (1)	**248,913**	246,392	315,893	297,647	216,456	209,714	248,766	282,999
Funds from operations(2)	**154,343**	154,835	204,622	200,319	147,980	142,354	179,817	220,815
Per share – basic (2)	**0.79**	0.79	1.05	1.05	0.84	0.81	1.03	1.28
Per share – diluted (2)	**0.78**	0.79	1.05	1.05	0.84	0.81	1.02	1.26
Earnings	**51,029**	51,437	99,875	87,795	57,444	57,415	89,981	113,441
Per share – basic	**0.26**	0.26	0.51	0.46	0.33	0.33	0.51	0.66
Per share – diluted	**0.26**	0.26	0.51	0.46	0.33	0.33	0.51	0.64
Total dividends declared	**64,707**	64,365	64,158	63,811	59,802	57,715	57,678	25,908
Dividend per share	**0.33**	0.33	0.33	0.33	0.33	0.33	0.33	0.15
Total capital expenditures(2)	**125,869**	100,451	113,762	115,218	93,579	82,319	121,802	115,040
Corporate Acquisition	**-**	-	-	699,358	-	-	-	-
Total payout ratio (%)(2)	**125%**	107%	89%	89%	104%	98%	100%	64%

(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.

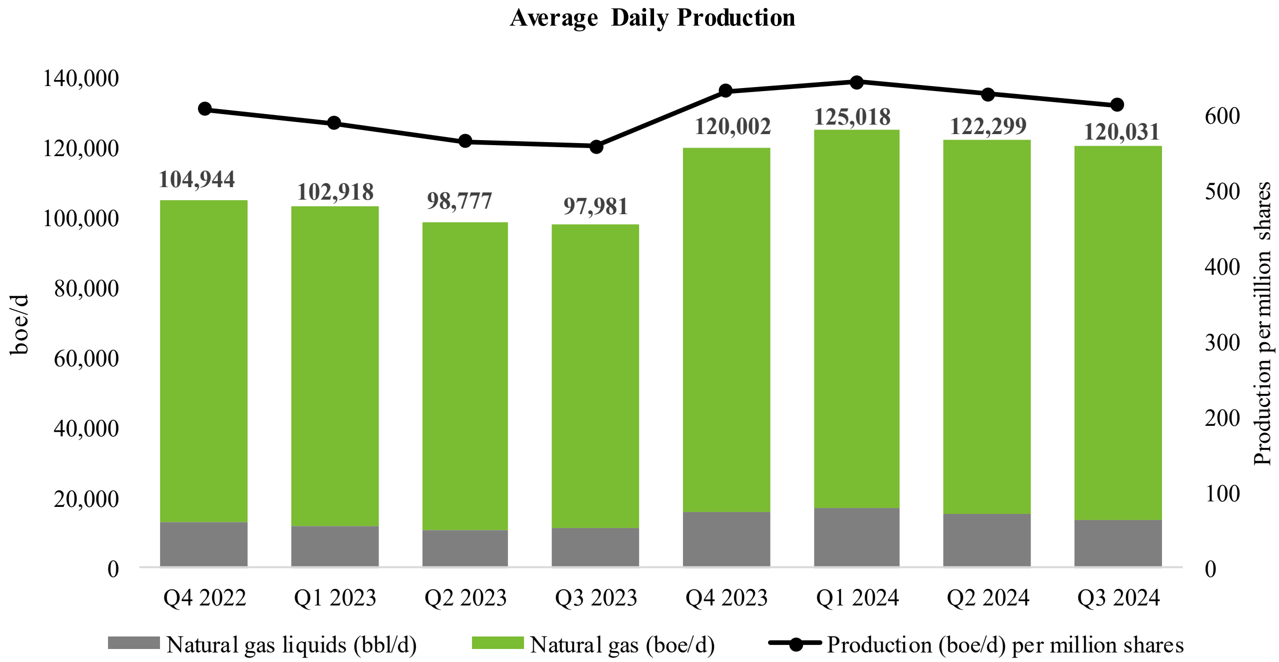
RESULTS OF OPERATIONS

Production

	Three Months Ended September 30			Nine Months Ended September 30		
	2024	2023	% Change	**2024**	2023	% Change
Natural gas (MMcf/d)	**638.4**	520.5	*23%*	**642.8**	530.4	*21%*
NGLs (or "Liquids") (bbl/d)	**13,626**	11,231	*21%*	**15,309**	11,471	*33%*
Total (boe/d)	**120,031**	97,981	*23%*	**122,441**	99,874	*23%*
Total (MMcfe/d)	**720.2**	587.9	*23%*	**734.6**	599.2	*23%*

Peyto's total production in the third quarter of 2024 increased 23 per cent to 120,031 boe/d, compared to 97,981 boe/d in the third quarter of 2023. In the nine months ended September 30, 2024, total production increased to 122,441 boe/d, compared to 99,874 boe/d in the same period of 2023. The production increase in the three and nine months ended September 30, 2024, is mainly due to the acquisition of Repsol Canada Energy Partnership (the "Acquisition" or "Repsol Assets") completed in the fourth quarter of 2023.

Total production in the third quarter of 2024 decreased 2,268 boe/d, or two per cent, from 122,299 boe/d in the second quarter of 2024. The decrease in quarter-over-quarter production reflected Peyto's strategy of managing production volumes in the summer when natural gas spot prices were weak.



Natural Gas Liquids Production by Component

	Three Months Ended September 30			Nine Months Ended September 30		
	2024	2023	% Change	**2024**	2023	% Change
Condensate and Pentanes Plus (bbl/d)	**7,686**	6,628	*16%*	**7,999**	6,777	*18%*
Other Natural gas liquids (bbl/d)	**5,940**	4,603	*29%*	**7,310**	4,694	*56%*
Natural gas liquids (bbl/d)	**13,626**	11,231	*21%*	**15,309**	11,471	*33%*
Liquid to gas ratio (bbls/MMcf)	**21.3**	21.6	*-1%*	**23.8**	21.6	*10%*

Peyto's liquid to gas ratio was 21.3 bbls/MMcf in the third quarter of 2024, consistent with 21.6 bbls/MMcf in the same period of 2023. In the nine months ended September 30, 2024, the liquid to gas ratio increased 10 per cent to 23.8 bbls/MMcf from the same period in 2023. The increased year-to-date liquids recovery is mainly due to higher ethane production in the first quarter of 2024 related to the Repsol Assets, prior to Peyto terminating the third-party, deep-cut gas processing contract to lower operating costs. See Peyto's Second Quarter 2024 MD&A for additional information on the ethane rejection.

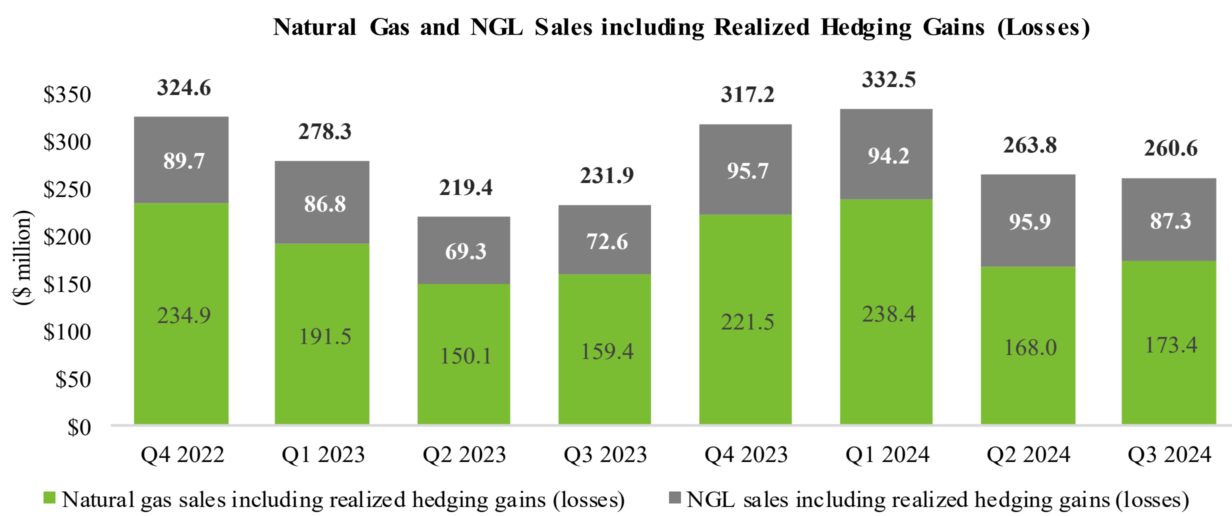
Revenue from Natural Gas and NGL Sales and Realized Hedging Gains (Losses)

($000)	Three Months Ended September 30 **2024**	2023	% Change	Nine Months Ended September 30 **2024**	2023	% Change
Natural gas sales[1]	**96,540**	123,191	*-22%*	**337,886**	490,580	*-31%*
Realized hedging gains - gas	**76,813**	36,159	*112%*	**241,777**	10,428	*2219%*
Natural gas sales including realized hedging gains	**173,353**	159,350	*9%*	**579,663**	501,008	*16%*
NGL sales	**87,242**	75,050	*16%*	**280,855**	224,812	*25%*
Realized hedging gains (losses) - NGLs	**13**	(2,462)	*-101%*	**(3,537)**	3,859	*-192%*
NGL sales including realized hedging gains (losses)	**87,255**	72,588	*20%*	**277,318**	228,671	*21%*
Natural gas and NGL sales	**183,782**	198,241	*-7%*	**618,741**	715,392	*-14%*
Realized hedging gains	**76,826**	33,697	*128%*	**238,240**	14,287	*1568%*
Natural gas and NGL sales including realized hedging gains (losses)	**260,608**	231,938	*12%*	**856,981**	729,679	*17%*

(1) Excludes revenue from sale of natural gas and NGLs purchased from third parties

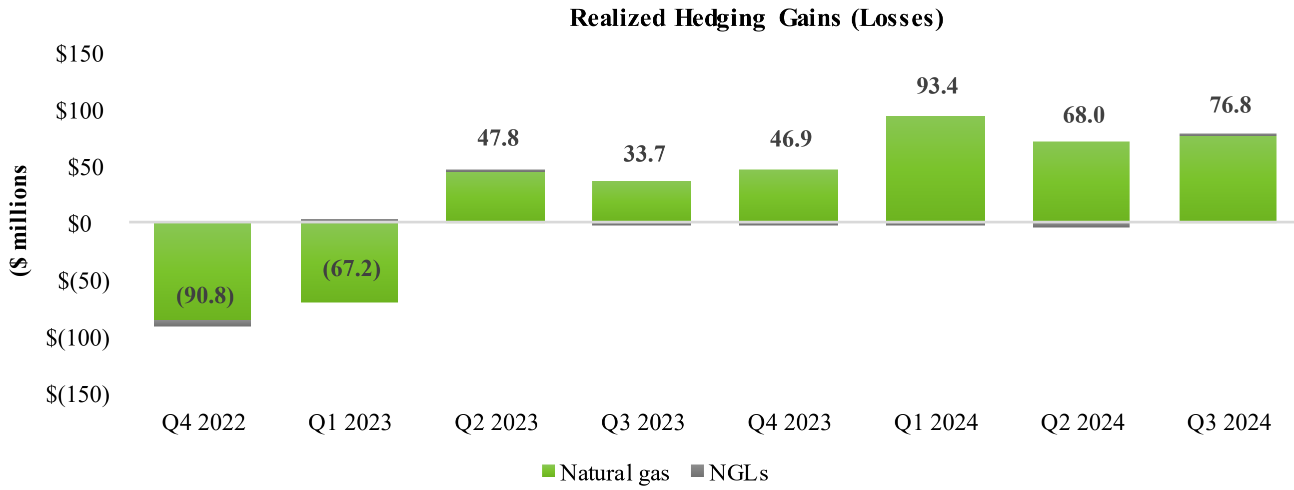
In the third quarter of 2024, natural gas and NGL sales including realized hedging gains increased 12 per cent to $260.6 million from $231.9 million in the third quarter of 2023. For the nine months ended September 30, 2024, natural gas and NGL sales including realized hedging gains increased 17 per cent to $857.0 million from $729.7 million in the same period of 2023. The increases in the three and nine months ended September 30, 2024 were mainly a result of higher production volumes coupled with increased realized hedging gains on natural gas volumes, partially offset by lower realized natural gas prices.

Peyto's natural gas and NGL sales including realized hedging gains (losses) over the past eight quarters is summarized below.

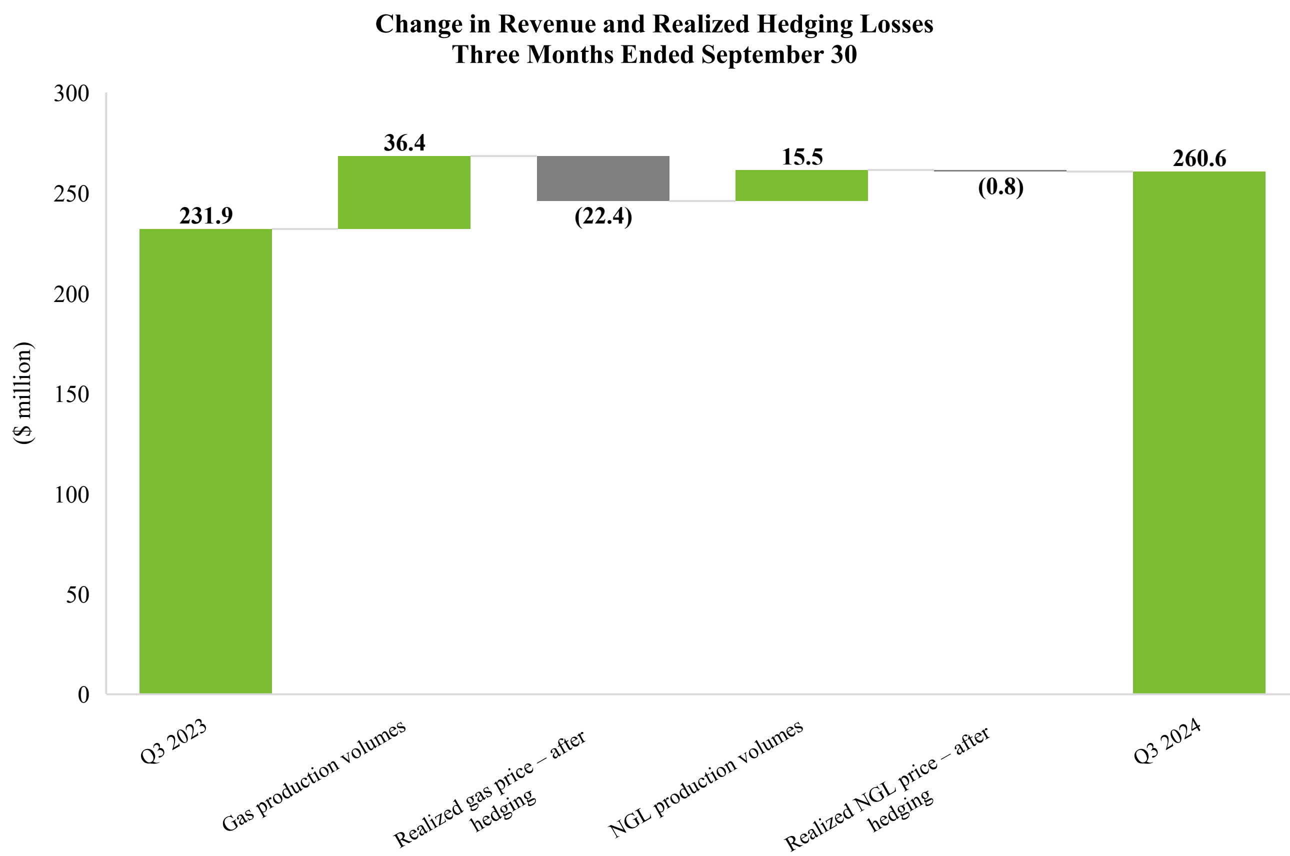


Peyto enters into risk management contracts with well-established counterparties for the purpose of protecting a portion of its future revenues from the volatility of oil and natural gas prices. In periods of increasing commodity prices, Peyto expects to realize hedging losses and in periods of falling commodity prices, Peyto expects to realize hedging gains. Peyto's hedging program since inception in 2003 has generated cumulative realized gains of $434 million.

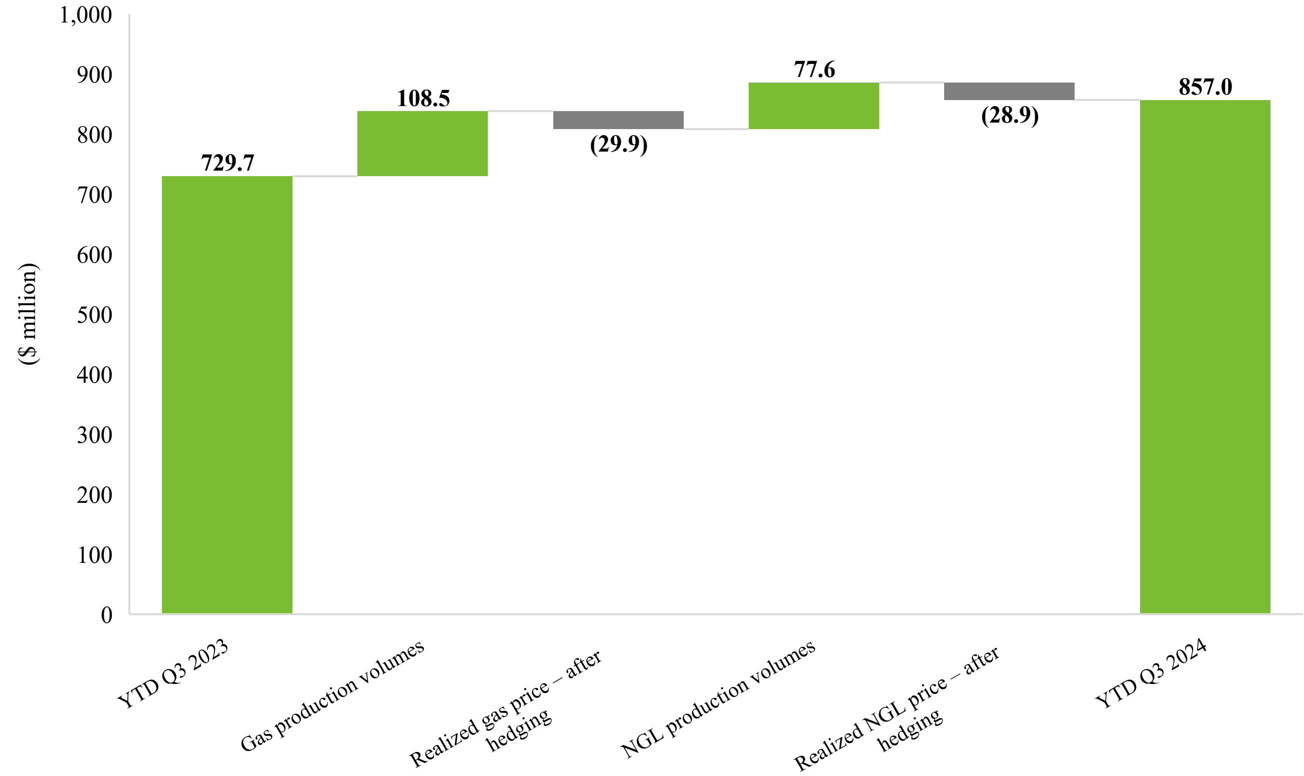
Realized hedging gains (losses) over the past eight quarters are summarized below.



The change in revenue from natural gas and NGL sales including realized hedging gains (losses) in the three and nine months ended September 30, 2024 from the same periods of 2023, are detailed in the following charts:



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



Benchmark Commodity Prices

	Three Months Ended September 30			Nine Months Ended September 30		
	2024	2023	% Change	**2024**	2023	% Change
AECO 7A monthly ($/GJ)	**0.77**	2.26	*-66%*	**1.36**	2.87	*-53%*
AECO 5A daily ($/GJ)	**0.65**	2.46	*-73%*	**1.38**	2.61	*-47%*
Henry Hub daily (US$/MMBtu)	**2.09**	2.58	*-19%*	**2.18**	2.46	*-11%*
Emerson2 (US$/MMBtu)	**0.68**	2.17	*-68%*	**1.34**	2.26	*-41%*
Malin monthly (US$/MMBtu)	**1.96**	3.50	*-44%*	**2.26**	8.48	*-73%*
Dawn (US$/MMBtu)	**1.70**	2.17	*-22%*	**1.87**	2.35	*-20%*
Ventura daily (US$/MMBtu)	**1.73**	2.25	*-23%*	**2.21**	2.31	*-4%*
Canadian WTI ("WTI CAD") ($/bbl)	**102.45**	110.36	*-7%*	**105.50**	104.12	*1%*
Conway C3 (US$/bbl)	**30.22**	27.97	*8%*	**31.24**	29.57	*6%*
AESO power pool price ($/KWh)	**55.23**	151.18	*-63%*	**66.46**	150.82	*-56%*
Exchange rate (CDN/USD)	**1.364**	1.341	*2%*	**1.360**	1.345	*1%*

Commodity Prices

	Three Months Ended September 30			Nine Months Ended September 30		
	2024	2023	% Change	**2024**	2023	% Change
Condensate and Pentanes Plus[1] ($/bbl)	**101.18**	100.52	1%	**98.86**	98.27	*1%*
Other Natural gas liquids[1] ($/bbl)	**28.73**	32.47	-12%	**32.05**	33.56	*-4%*
Realized NGL price – before hedging ($/bbl)	**69.60**	72.63	-4%	**66.96**	71.79	*-7%*
Realized hedging gain (loss) ($/bbl)	**0.01**	(2.38)	-100%	**(0.84)**	1.23	*-168%*
Realized NGL price – after hedging ($/bbl)	**69.61**	70.25	-1%	**66.12**	73.02	*-9%*
Natural gas[2] ($/Mcf)	**2.29**	3.28	-30%	**2.60**	4.06	*-36%*
Diversification activities ($/Mcf)	**(0.65)**	(0.71)	-8%	**(0.68)**	(0.67)	*1%*
Realized natural gas price ($/Mcf)	**1.64**	2.57	-36%	**1.92**	3.39	*-43%*
Realized hedging gain (loss) ($/Mcf)	**1.31**	0.76	72%	**1.37**	0.07	*1857%*
Realized natural gas price – after hedging and diversification ($/Mcf)	**2.95**	3.33	-11%	**3.29**	3.46	*-5%*
Total realized hedging gain (loss) ($/Mcfe)	**1.16**	0.62	87%	**1.18**	0.09	*1211%*
Total realized hedging gain (loss) ($/boe)	**6.96**	3.74	86%	**7.10**	0.52	*1265%*

(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 actively markets all components of its production stream including natural gas, condensate, pentane, butane and propane.

Natural Gas Marketing

Peyto's realized natural gas price, before hedging, averaged $1.64/Mcf during the third quarter of 2024, a decrease of 36 per cent from $2.57/Mcf in the third quarter of 2023 due to the decline in benchmark gas prices. The Company's realized hedging gains totaled $1.31/Mcf in the third quarter, offsetting the sharp decrease in benchmark natural gas prices over the past year. Peyto's realized natural gas price, after hedging and diversification, totaled $2.95/Mcf (or $2.57/GJ) in the quarter, 11 per cent lower than the third quarter of 2023, but 295 per cent higher than the AECO 5A benchmark price of $0.65/GJ in the same period.

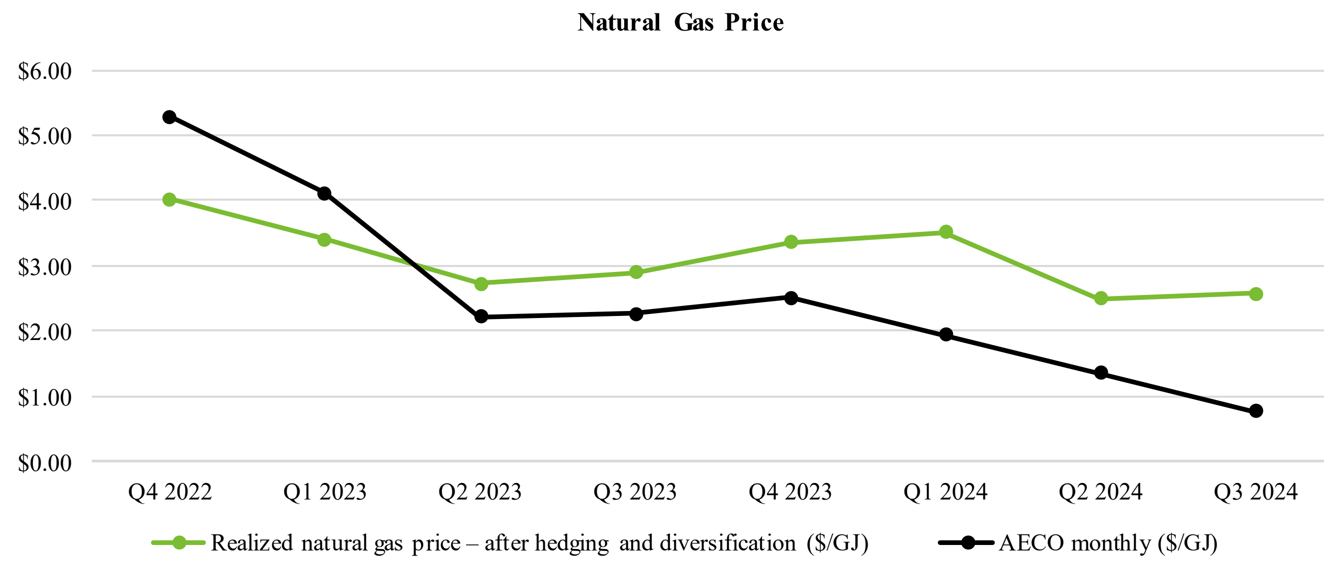
In the nine months ended September 30, 2024, Peyto's realized natural gas price, after hedging, decreased five per cent to $3.29/Mcf from $3.46/Mcf in the same period of 2023, as strong year-to-date hedging gains mostly offset the 43 per cent decline in the realized natural gas price.

Peyto's natural gas market diversification activity resulted in natural gas being sold at various hubs including AECO, Ventura, Emerson 2, Malin, Dawn, 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.

In the third quarter of 2024, Peyto successfully bid on 50,000GJ/d of firm transportation service on the TC Energy mainline from Empress to Union Parkway Belt in Ontario. This service uses a portion of Peyto's existing Empress service and provides market exposure to a strong demand region. The service commenced on November 1, 2024 and has a 10 year term.

Peyto's market diversification activity also includes the 15-year, 60,000 GJ/day gas supply agreement ("GSA") with the Cascade 900 MWh Combined-Cycle Power Plant, which commenced on August 31, 2024. Peyto's realized price under the GSA is indexed to Cascade's realized power price.

Peyto's average realized natural gas price after hedging and diversification over the past eight quarters, compared to the AECO 7A benchmark, is included in the following chart.



NGL Marketing

The Company's total NGL price, before hedging, decreased 4 per cent to $69.60/bbl in the third quarter of 2024, from $72.63/bbl a year earlier. In the nine months ended September 30, 2024, Peyto's NGL price, before hedging, decreased seven per cent to $66.96/bbl from $71.79/bbl in the same period of 2023.

Peyto's condensate and pentanes plus averaged $101.18/bbl in the quarter, up one per cent year over year, while the WTI CAD benchmark decreased seven per cent to $102.45/bbl over the same period. The Company's condensate and pentanes plus price was positively affected in the quarter from an adjustment for component balancing on shipped volumes in 2024, which increased the realized price by ~$4.50/bbl. Year to date, condensate and pentanes plus increased one per cent to $98.86/bbl, compared to the same period of 2023, while WTI CAD increased one per cent to $105.50/bbl over the same period.

The Company's liquids were actively marketed with condensate being sold on a monthly index differential linked to 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 per cent 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.

Sales and Purchases of Natural Gas and NGLs from Third Parties

	Three Months Ended September 30			Nine Months Ended September 30		
($000)	**2024**	2023	% Change	**2024**	2023	% Change
Sales of natural gas and NGLs from third parties	**8,729**	-	-	**42,984**	-	-
Natural gas and NGLs purchased from third parties	**(6,925)**	-	-	**(41,016)**	-	-
Third-party sales net of purchases[1]	**1,804**	**-**	**-**	**1,968**	-	-

(1) 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.

In the third quarter of 2024, Peyto recorded sales of natural gas and NGLs from third parties totaling $8.7 million, which was purchased for $6.9 million. In the nine months ended September 30, 2024, Peyto recorded sales of natural gas and NGLs from third parties totaling $43.0 million, which was purchased for $41.0 million. The third-party purchases in 2024 relate to midstream contracts acquired with the Repsol Asset, and most of these agreements terminated on March 31, 2024. Peyto generated a profit of $1.8 million on third-party sales, net of purchases, in the third quarter of 2024, on contracts that were extended.

Other Income

	Three Months Ended September 30			Nine Months Ended September 30		
($000)	**2024**	2023	% Change	**2024**	2023	% Change
Other Income	**1,701**	807	*111%*	**6,877**	6,745	*2%*

In the third quarter of 2024, other income increased to $1.7 million from $0.8 million in the same period of 2023, due to additional income from electricity sales generated by Peyto's cogeneration plant, which was acquired with the Repsol Assets. In the nine months ended September 30, 2024, other income totaled $6.9 million, compared to $6.7 million in the same period of 2023.

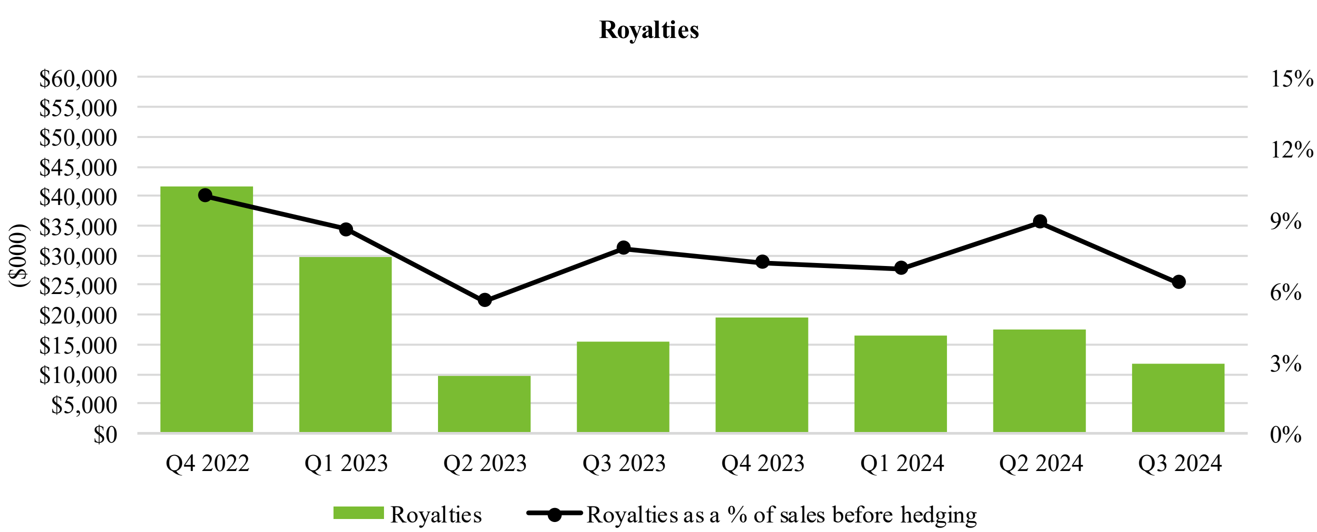
Royalties

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 wells qualify for the Crown's Drilling and Completion Cost Allowance program, which has a five per cent initial royalty rate.

	Three Months Ended September 30			Nine Months Ended September 30		
	2024	2023	% Change	**2024**	2023	% Change
Royalties ($000)	**11,695**	15,482	*-24%*	**45,782**	54,743	*-16%*
per cent of sales before hedging	**6.4%**	7.8%	*-18%*	**7.4%**	7.7%	*-4%*
$/Mcfe	**0.18**	0.29	*-38%*	**0.23**	0.33	*-30%*
$/boe	**1.06**	1.72	*-38%*	**1.36**	2.01	*-32%*

For the third quarter of 2024, royalties decreased to $0.18/Mcfe or 6.4 per cent of Peyto's natural gas and NGL sales, compared to $0.29/Mcfe or 7.8 per cent in the same period of 2023. In the nine months ended September 30, 2024, royalties were $0.23/Mcfe or 7.4 per cent of Peyto's natural gas and NGL sales, compared to $0.33/Mcfe or 7.7 per cent in the same period of 2023. The decreased royalties in the three and nine months ended September 30, 2024 was due to lower Alberta Reference prices, from the sharp decline in AECO prices, compared to the same periods of 2023.

In its 26-year history, Peyto has invested $8.7 billion in capital projects and acquisitions, found, acquired and developed 6.0 TCFe of natural gas reserves and paid over $1.2 billion in royalties.



Operating Costs & Transportation

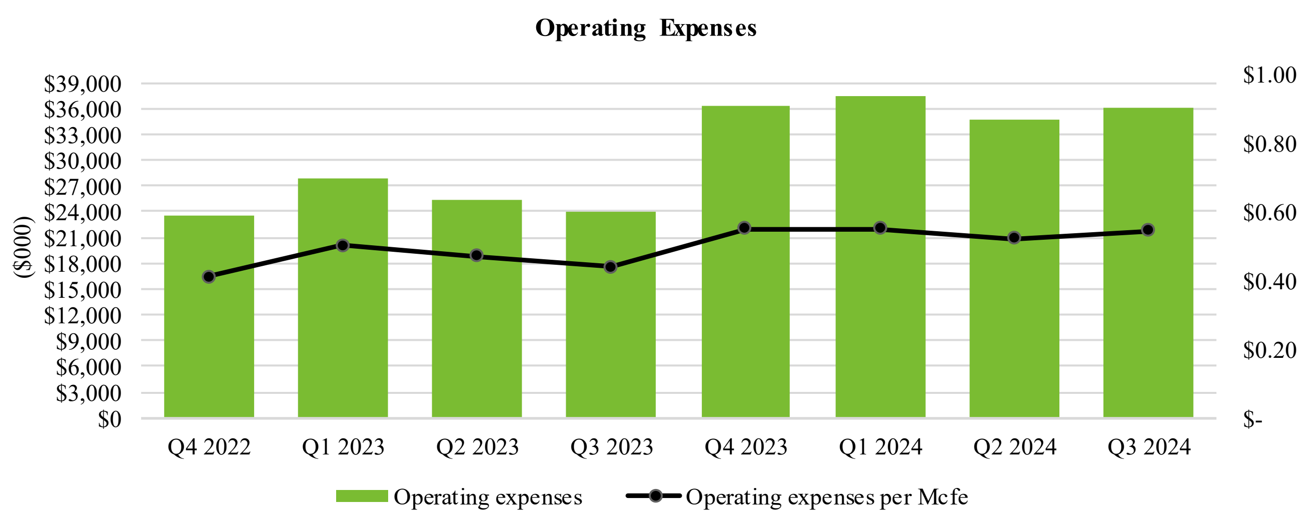
Peyto's operating expenses include all costs with respect to day-to-day well and facility operations.

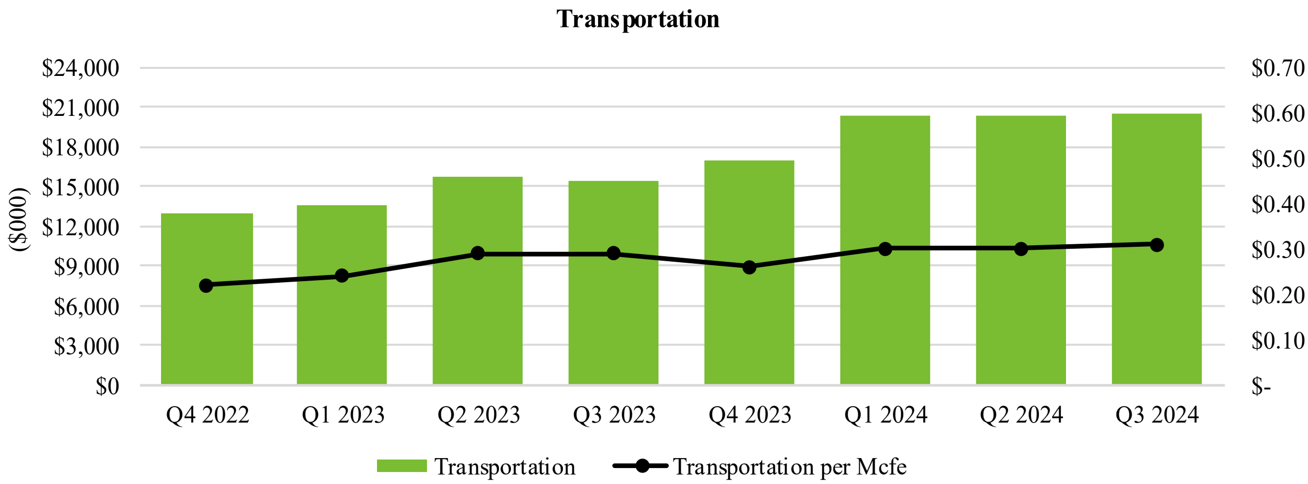
	Three Months Ended September 30			Nine Months Ended September 30		
	2024	2023	% Change	**2024**	2023	% Change
Payments to Government ($000)	**9,997**	6,012	*66%*	**26,227**	17,739	*48%*
Other expenses ($000)	**26,073**	17,877	*46%*	**82,065**	59,353	*38%*
Operating costs ($000)	**36,070**	23,889	*51%*	**108,292**	77,092	*40%*
$/Mcfe	**0.54**	0.44	*23%*	**0.54**	0.47	*15%*
$/boe	**3.27**	2.65	*23%*	**3.23**	2.83	*14%*
Transportation ($000)	**20,500**	15,449	*33%*	**61,215**	44,701	*37%*
$/Mcfe	**0.31**	0.29	*7%*	**0.30**	0.27	*11%*
$/boe	**1.86**	1.71	*9%*	**1.82**	1.64	*11%*

For the three and nine months ended September 30, 2024, operating expenses were $36.1 million and $108.3 million, respectively, compared to $23.9 million and $77.1 million in the same periods of 2023. On a unit-of-production basis, operating costs increased 23 per cent to $0.54/Mcfe in the third quarter of 2024 from $0.44/Mcfe in the same period of 2023. In the nine months ended September 30, 2024, operating costs increased 15 per cent to $0.54/Mcfe compared to $0.47/Mcfe in the same period of 2023. The increases are primarily due to the addition of the Repsol Assets, which have higher operating expenses than Peyto's legacy assets.

In the third quarter of 2024, operating costs increased four per cent to $0.54/Mcfe from $0.52/Mcfe in the second quarter of 2024. The quarter-over-quarter increase was mainly due to Peyto curtailing production volumes in the quarter in response to low natural gas prices, coupled with increased costs associated with non-capitalized costs of the Edson gas plant turnaround. Driving down per unit costs on the Repsol Assets remains a key priority for the Company. Peyto focuses on being an industry leader in operating costs and remains committed to targeting a 10% reduction of operating costs by the end of 2024 from first quarter levels.

Transportation expense increased 7 per cent on a unit-of-production basis to $0.31/Mcfe in the third quarter of 2024 from $0.29/Mcfe in the same period of 2023, mainly due to a fee increase on the NGTL system. In the nine months ended September 30, 2024, transportation expense was $0.30/Mcfe, compared to $0.27/Mcfe in the same period of 2023. This increase is due to an additional Empress service that commenced in April 2023, coupled with a fee increase on the NGTL system.





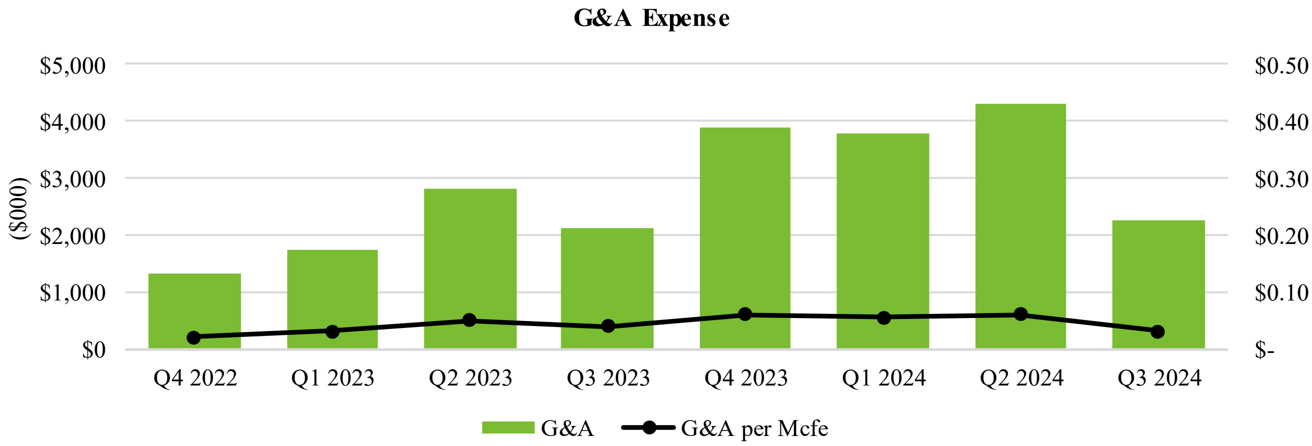
General and Administrative ("G&A") Expenses

	Three Months Ended September 30			Nine Months Ended September 30		
	2024	2023	% Change	**2024**	2023	% Change
Gross G&A expenses ($000)	**6,920**	4,835	*43%*	**21,614**	14,827	*46%*
Overhead recoveries ($000)	**(4,666)**	(2,700)	*73%*	**(11,288)**	(8,121)	*39%*
G&A expenses ($000)	**2,254**	2,135	*6%*	**10,326**	6,706	*54%*
$/Mcfe	**0.03**	0.04	*-25%*	**0.05**	0.04	*25%*
$/boe	**0.20**	0.24	*-17%*	**0.31**	0.25	*24%*

In the three and nine months ended September 30, 2024, G&A expenses (before overhead recoveries) increased to $6.9 million and $21.6 million, respectively, compared to $4.8 million and $14.8 million for the same quarter of 2023. The increases are due primarily to increased employment, information technology and insurance costs associated with the Acquisition.

Overhead recoveries increased 73 per cent and 39 per cent in the three and nine months ended September 30, 2024, respectively, compared to the same periods of 2023. The increased overhead recoveries in the third quarter of 2024 was mainly due to Peyto's increased capital investing activities, particularly facilities and pipeline projects, compared to the same period of 2023.

G&A expenses averaged $0.10/Mcfe before overhead recoveries of $0.07/Mcfe for net G&A expenses of $0.03/Mcfe in the third quarter of 2024 ($0.09/Mcfe before overhead recoveries of $0.05/Mcfe for net G&A expenses of $0.04/Mcfe in the third quarter of 2023).



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, 2024, respectively (2023 - $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 ("DSU") 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 expense is calculated on 10.9 million non-vested stock options (5.5 per cent of the total number of common shares outstanding) and 0.3 million vested DSU's (0.2 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 expense for the three and nine months ended September 30, 2024 were $3.8 million and $10.3 million, respectively (September 30, 2023 - $3.9 million and $10.7 million).

Stock Option Plan

	Number of Options	Weighted average exercise price ($)
Balance, December 31, 2023	**9,868,323**	**12.02**
Stock options granted	5,013,627	14.28
Exercised	(2,929,703)	10.04
Forfeited	(811,285)	12.44
Expired	(238,172)	13.78
Balance, September 30, 2024	**10,902,790**	**13.52**

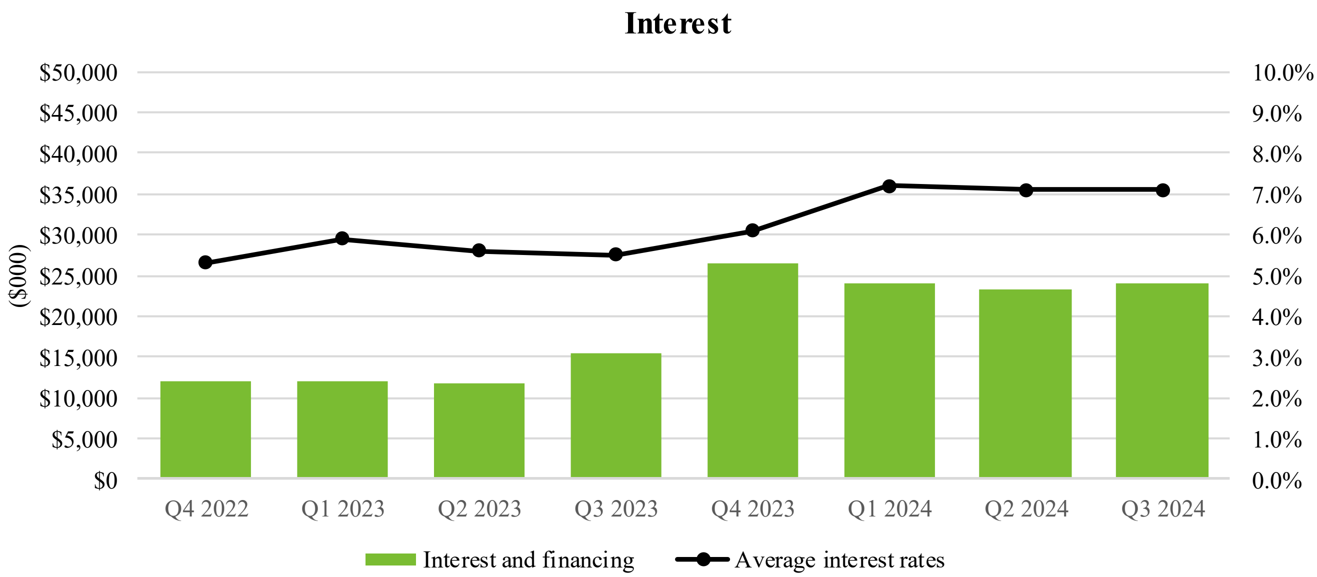
Deferred Share Units

	Number of DSUs
Balance, December 31, 2023	**248,037**
DSU's granted	70,826
Balance September 30, 2024	**318,863**

Finance Costs

	Three Months Ended September 30			Nine Months Ended September 30		
	2024	2023	% Change	**2024**	2023	% Change
Accretion of decommissioning provision ($000)	**2,250**	1,644	37%	**7,047**	3,893	*81%*
Financing Expense ($000)	**942**	3,178	-70%	**2,526**	3,178	*-21%*
Interest ($000)	**24,095**	12,229	97%	**71,178**	36,099	*97%*
Interest and financing costs	**25,037**	15,407	63%	**73,704**	39,277	88%
Finance Cost	**27,287**	17,051	60%	**80,751**	43,170	87%
Interest and financing $/Mcfe	**0.38**	0.28	*36%*	**0.37**	0.24	*54%*
Interest and financing $/boe	**2.27**	1.71	*33%*	**2.20**	1.44	*53%*
Average interest rate	**7.1%**	5.5%	*29%*	**7.1%**	5.7%	*25%*
Average Bank of Canada rate	**4.49%**	4.97%	-10%	**4.80%**	4.66%	*3%*

For the three and nine months ended September 30, 2024, finance costs increased to $27.3 million and $80.8 million, respectively, compared to $17.1 million and $43.2 million for the same periods of 2023. The increases are mainly due to higher interest costs associated with increased average debt outstanding on the Company's credit facilities from financing the Acquisition, coupled with Peyto's average interest rate increasing to 7.1 per cent in the three and nine months ended September 30, 2024, respectively, compared to 5.5 per cent and 5.7 per cent in the same periods of 2023.

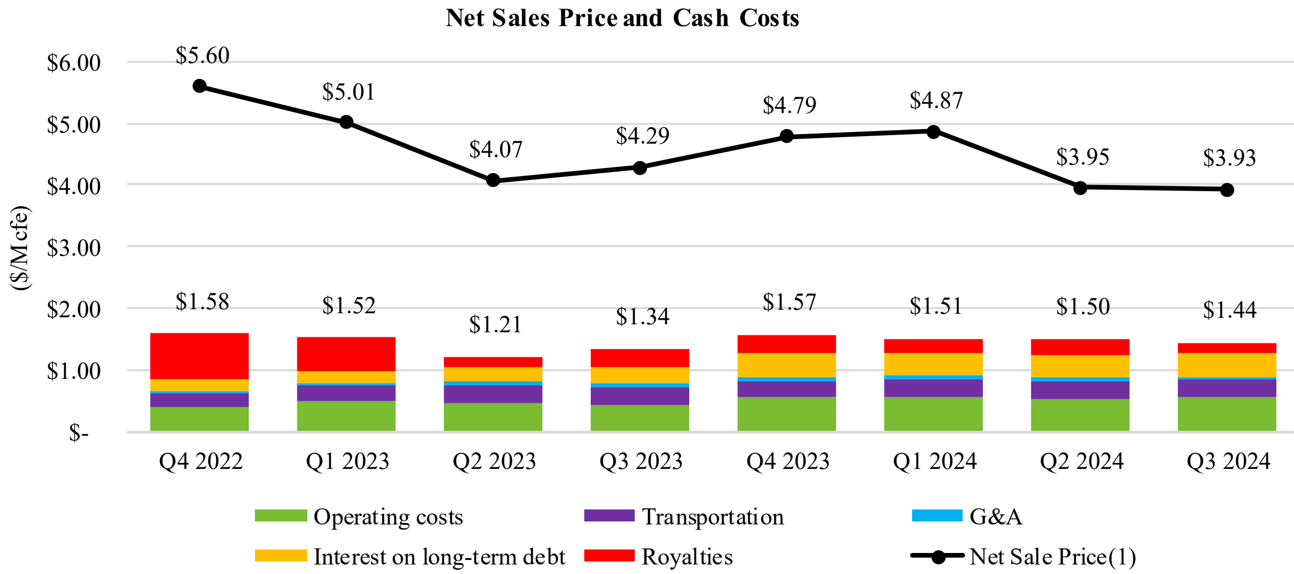


Netbacks

	Three Months Ended September 30			Nine Months Ended September 30		
($/Mcfe)	**2024**	2023	% Change	**2024**	2023	% Change
Gross Sale Price	**2.77**	3.67	-25%	**3.07**	4.37	*-30%*
Realized hedging gain (loss)	**1.16**	0.62	87%	**1.18**	0.09	*1211%*
Net Sale Price	**3.93**	4.29	-8%	**4.25**	4.46	*-5%*
Third party sales net of purchases(1)	**0.03**	-	-	**0.01**	-	-
Other income	**0.03**	0.02	50%	**0.03**	0.03	*0%*
Royalties	**(0.18)**	(0.29)	-38%	**(0.23)**	(0.33)	*-30%*
Operating costs	**(0.54)**	(0.44)	23%	**(0.54)**	(0.47)	*15%*
Transportation	**(0.31)**	(0.29)	7%	**(0.30)**	(0.27)	*11%*
Field netback(1)	**2.96**	3.29	-10%	**3.22**	3.42	*-6%*
G&A	**(0.03)**	(0.04)	-25%	**(0.05)**	(0.04)	*25%*
Interest and financing	**(0.38)**	(0.28)	36%	**(0.37)**	(0.24)	*54%*
Realized gain (loss) on foreign exchange	-	0.01	-100%	-	-	-
Cash netback(1) ($/Mcfe)	**2.55**	2.98	-14%	**2.80**	3.14	*-11%*
Cash netback(1) ($/boe)	**15.26**	17.85	-15%	**16.90**	18.85	*-10%*

(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.



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

Depletion and Depreciation

	Three Months Ended September 30			Nine Months Ended September 30		
	2024	2023	% Change	**2024**	2023	% Change
Depletion and depreciation ($000)	**92,701**	74,173	*25%*	**279,634**	225,966	*24%*
$/Mcfe	**1.40**	1.37	*2%*	**1.39**	1.38	*1%*
$/boe	**8.39**	8.23	*2%*	**8.34**	8.29	*1%*

The Company's depletion and depreciation totaled $92.7 million ($1.40/Mcfe) in the third quarter of 2024 compared to $74.2 million ($1.37/Mcfe) in the third quarter of 2023. In the nine months ended September 30, 2024, depletion and depreciation totaled $279.6 million ($1.39/Mcfe) compared to $226.0 million ($1.38/Mcfe) in the same period of 2023. The increases for the three and nine months ended September 30, 2024, are mainly due to higher production volumes over the same periods in 2023 associated with the Repsol Assets. The increased depletion and depreciation on a per-unit basis in the three and nine months ended September 30, 2024, compared to the same periods of 2023, is due to a change in the decommissioning provision estimate.

Income Taxes

Peyto recorded current tax expense of $14.2 million and $53.0 million for the three and nine months ended September 30, 2024, respectively, compared to $12.9 million and $43.7 million for the same periods in 2023. The increases for the three and nine months ended September 30, 2024, reflects higher taxable income compared to the same periods in 2023.

For the three and nine months ended September 30, 2024, deferred tax expense decreased to $2.8 million and $8.4 million, respectively, compared to $6.8 million and $22.0 million for the same periods in 2023. The decrease in the three and nine months ended September 30, 2024, is mainly due to lower income tax pools claimed relative to depletion and depreciation expense, compared to the same periods of 2023.

MARKETING AND 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, natural gas prices, the foreign exchange rate and interest rates. To minimize counterparty risk, these marketing contracts are executed with financial institutions which are members of Peyto's banking syndicate.

Financial derivative instruments are valued on the consolidated balance sheet using quoted market prices at period end. Physical delivery contracts are not considered financial instruments and therefore, no asset or liability is recognized on the consolidated balance sheet.

Commodity Price Risk Management

During the three and nine months ended September 30, 2024, Peyto recorded realized hedging gains on commodity contracts of $78.4 million and $240.7 million, respectively, as compared to $33.1 million and $13.0 million in the same periods of 2023. The Company has the following commodity hedging contracts in place at September 30, 2024.

Natural Gas Period Hedged – AECO Monthly Index	Type	Daily Volume (GJ)	Average Price (AECO CAD/GJ)
Q4 2024	Fixed Price	232,989	$3.65
Q1 2025	Fixed Price	265,000	$3.92
Q2 2025	Fixed Price	290,000	$3.33
Q3 2025	Fixed Price	290,000	$3.33
Q4 2025	Fixed Price	256,848	$3.85
Q1 2026	Fixed Price	240,000	$4.17
Q2 2026	Fixed Price	212,500	$3.31
Q3 2026	Fixed Price	212,500	$3.31
Q4 2026	Fixed Price	84,864	$3.32
Q1 2027	Fixed Price	20,000	$3.41

Natural Gas Period Hedged – AECO Daily Index	Type	Daily Volume (GJ)	Average Price (AECO CAD/GJ)
Q4 2024	Fixed Price	15,163	$2.72
Q2 2025	Fixed Price	25,000	$3.60
Q3 2025	Fixed Price	25,000	$3.60
Q4 2025	Fixed Price	8,424	$3.60

Natural Gas Period Hedged – NYMEX	Type	Daily Volume (MMBTU)	Average Price (NYMEX USD/MMBtu)
Q4 2024	Fixed Price	208,315	$3.89
Q1 2025	Fixed Price	210,000	$4.03
Q2 2025	Fixed Price	195,000	$3.80
Q3 2025	Fixed Price	195,000	$3.80
Q4 2025	Fixed Price	122,065	$3.89
Q1 2026	Fixed Price	85,000	$4.00
Q2 2026	Fixed Price	75,000	$3.75
Q3 2026	Fixed Price	75,000	$3.75
Q4 2026	Fixed Price	25,272	$3.75

Crude Oil Period Hedged – WTI	Type	Daily Volume (bbl)	Average Price (WTI CAD/bbl)
Q4 2024	Fixed Price	4,000	$101.72
Q1 2025	Fixed Price	2,500	$99.18
Q2 2025	Fixed Price	1,900	$99.38
Q3 2025	Fixed Price	700	$100.41
Q4 2025	Fixed Price	600	$100.45

Crude Oil Period Hedged - WTI	Type	Daily Volume (bbl)	Put - Call (WTI CAD/bbl)
Q4 2024	Collar	750	$90.00–$103.50
Q1 2025	Collar	1,000	$85.00–$102.63
Q2 2025	Collar	500	$90.00–$100.25
Q3 2025	Collar	500	$90.00–$110.00

Propane Period Hedged – Conway	Type	Daily Volume (bbl)	Average Price (USD/bbl)
Q4 2024	Fixed Price	500	$33.86
Q1 2025	Fixed Price	500	$33.86

Had these contracts closed on September 30, 2024, Peyto would have realized a gain in the amount of $328.3 million.

Subsequent to September 30, 2024, Peyto entered into the following hedging contracts:

Natural Gas Period Hedged – AECO Monthly Index	Type	Daily Volume (GJ)	Average Price (AECO CAD/GJ)
Q4 2026	Fixed Price	6,630	$3.50
Q1 2027	Fixed Price	10,000	$3.50

Crude Oil Period Hedged – WTI	Type	Daily Volume (bbl)	Average Price (WTI USD/bbl)
Q4 2024	Fixed Price	350	$94.05
Q1 2025	Fixed Price	1,400	$96.39
Q2 2025	Fixed Price	1,100	$96.84
Q3 2025	Fixed Price	1,300	$94.68
Q4 2025	Fixed Price	400	$93.75
Q1 2026	Fixed Price	800	$92.59

Crude Oil Period Hedged – WTI	Type	Daily Volume (bbl)	Put - Call (WTI CAD/bbl)
Q4 2025	Collar	500	$90.00–$100.50
Q1 2026	Collar	500	$85.00–$100.00

Foreign Exchange Forward Contracts
During the three and nine months ended September 30, 2024, Peyto recorded realized hedging losses on foreign exchange forward contracts of $1.5 million and $2.5 million, respectively (2023 – realized gains of $0.6 million and $1.3 million). Peyto has the following foreign exchange forward contracts in place at September 30, 2024:

Average Rate forward	Amount (USD)	Rate (CAD/USD)
Sold USD Contracts		
Q4 2024	$62.0 million	1.3421
Q1 2025	$54.0 million	1.3458
Q2 2025	$69.0 million	1.3517
Q3 2025	$63.0 million	1.3523
Q4 2025	$59.0 million	1.3530
Q1 2026	$39.0 million	1.3569
Q2 2026	$22.5 million	1.3528
Q3 2026	$22.5 million	1.3528
Q4 2026	$7.5 million	1.3528

Had these contracts settled on September 30, 2024, Peyto would have realized a gain in the amount of $2.7 million.

Subsequent to September 30, 2024, Peyto entered into the following foreign exchange contracts:

Average Rate forward	Amount (USD)	Rate (CAD/USD)
Sold USD Contracts		
Q2 2026	$9.0 million	1.3570
Q3 2026	$9.0 million	1.3570
Q4 2026	$3.0 million	1.3570

Interest Rate Contracts
During the three and nine months ended September 30, 2024, Peyto recorded realized hedging gains on interest rate swaps of $0.2 million and $0.6 million (2023 - $0.2 million and $0.4 million), respectively, which was netted against interest expense. Peyto has the following interest rate swap contracts in place at September 30, 2024.

Term	Notional Amount	Peyto pays fixed rate	Peyto receives floating rate
March 17, 2023 to March 17, 2026	$50 million	3.565%	Adjusted CORRA

Had these contracts settled on September 30, 2024, Peyto would have realized a loss in the amount of $0.2 million.

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. Peyto mitigates exchange rate risks using foreign exchange forward contracts and by hedging certain products with Canadian dollar contracts. Additionally, the $40 million USD in senior secured notes provides 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 and term loan. Peyto uses interest rate swaps on a portion of its floating rate debt to mitigate its interest rate exposure. At September 30, 2024, the increase or decrease in earnings for each 100 bps (1 per cent) change in weighted average borrowing rate paid on

the outstanding revolving credit facility and term loan amounts to approximately $2.3 million per quarter. Average debt outstanding for the quarter was $1.37 billion (including $479 million fixed rate debt).

Cash Flow from Operating Activities, Funds from Operations and Earnings

	Three Months Ended September 30			Nine Months Ended September 30		
($000 except per share amounts)	**2024**	2023	% Change	**2024**	2023	% Change
Cash Flow from Operating Activities	**147,485**	139,406	*6%*	**486,250**	471,621	*3%*
Funds from Operations[1]	**154,343**	147,980	*4%*	**513,802**	470,152	*9%*
Funds from operations per share[1] – basic	**0.79**	0.84	*-6%*	**2.63**	2.69	*-2%*
Funds from operations per share[1] – diluted	**0.78**	0.84	*-7%*	**2.62**	2.66	*-2%*
Free Funds Flow[1]	**26,461**	53,375	*-50%*	**167,110**	171,425	*-3%*
Earnings	**51,029**	57,444	*-11%*	**202,341**	204,840	*-1%*
Earnings per share – basic	**0.26**	0.33	*-21%*	**1.04**	1.17	*-11%*
Earnings per share – diluted	**0.26**	0.33	*-21%*	**1.03**	1.16	*-11%*

(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.

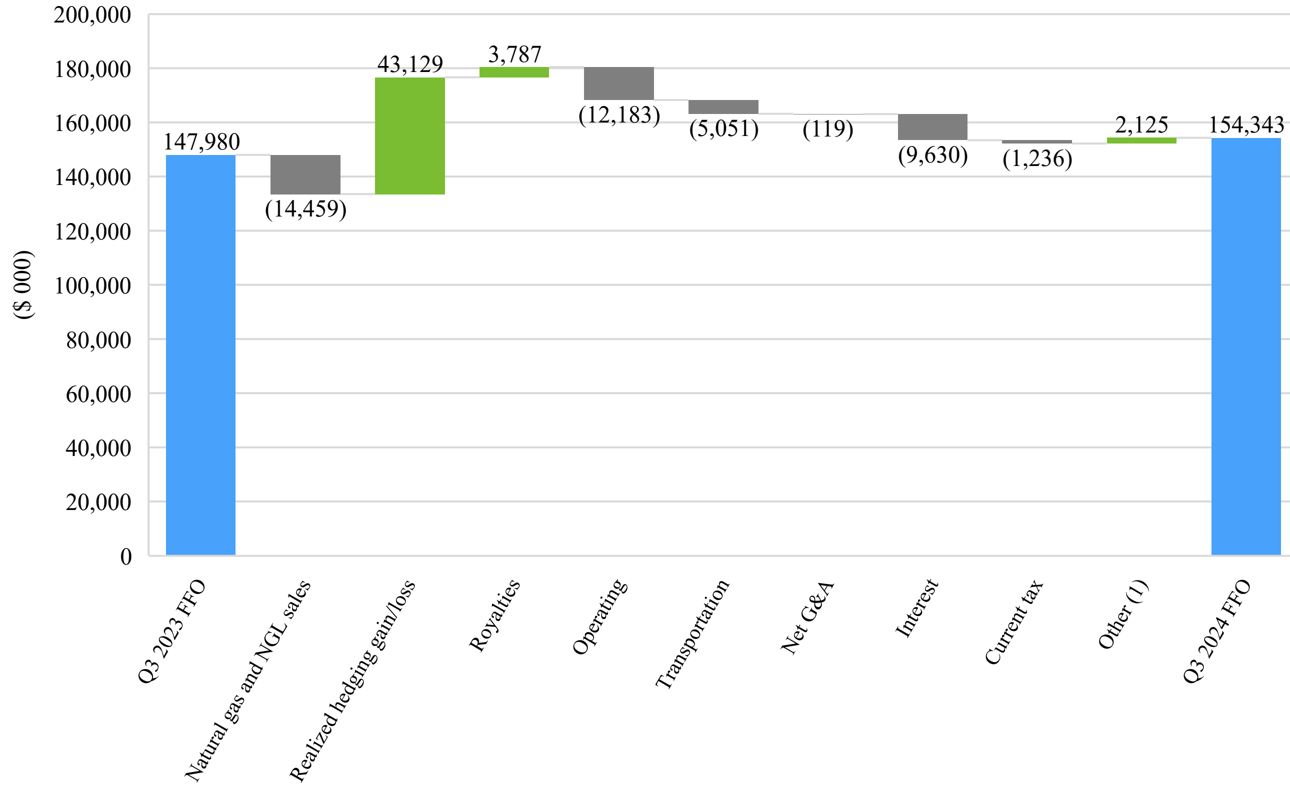
Cash Flow from Operating Activities and Funds from Operations

For the third quarter of 2024, funds from operations ("FFO") increased four per cent to $154.3 million, compared to $148.0 million in the third quarter of 2023. Cash flow from operating activities increased to $147.5 million in the third quarter of 2024 from $139.4 million in the third quarter of 2023. The increase in FFO was mainly due to increased production volumes, higher realized hedging gains, and lower royalties, partially offset by lower natural gas prices, increased operating costs, transportation, interest expense, G&A and current taxes.

For the nine months ended September 30, 2024, FFO totaled $513.8 million, compared to $470.2 million for the same period of 2023. Cash flow from operating activities increased to $486.3 million in the nine months ended September 30, 2024, from $471.6 million for the same period of 2023. The increase in FFO was mainly due to increased production volumes, higher realized hedging gains and lower royalties, partially offset by lower natural gas prices, and increased operating costs, transportation, interest expense, G&A and current taxes.

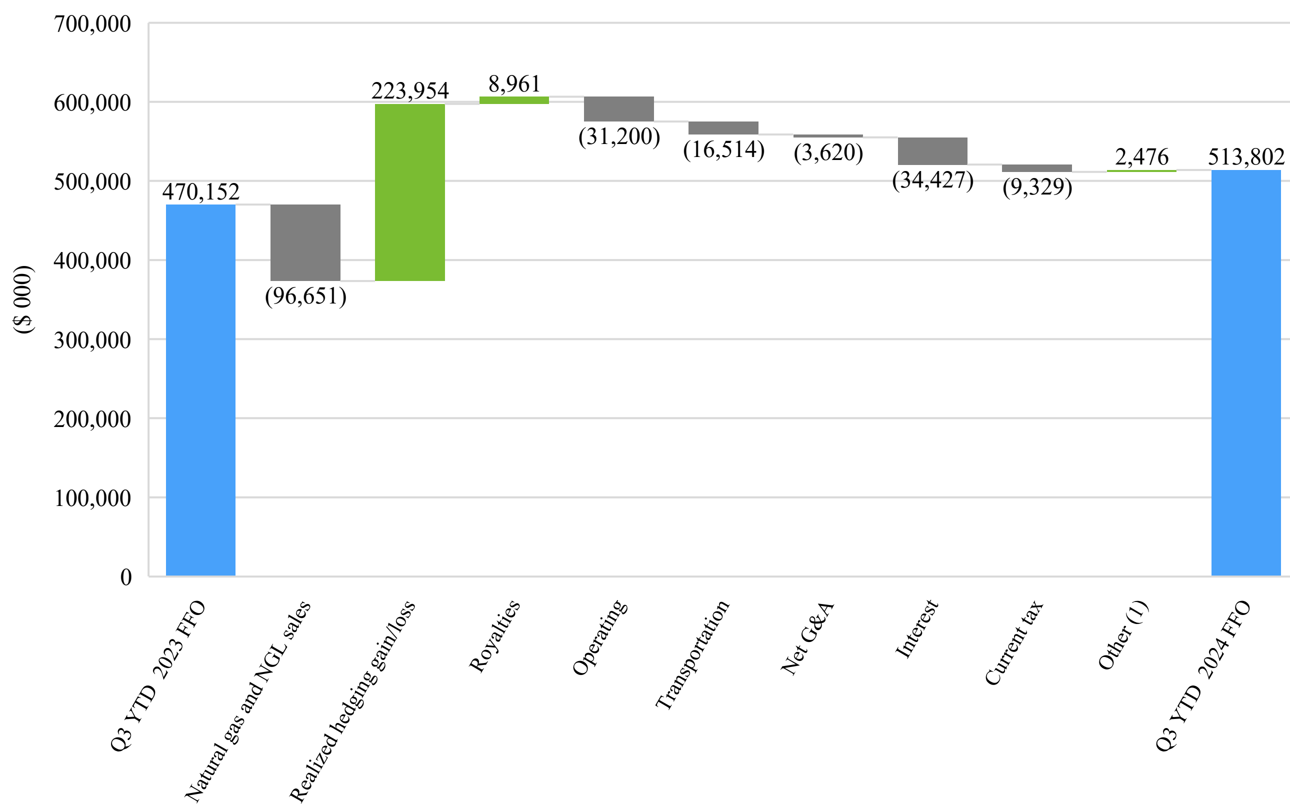
Funds from operations is a non-GAAP financial measure, refer to the section entitled "Non-GAAP and Other Financial Measures" for additional information contained within this MD&A.

Change in Funds from Operations
Three Months Ended September 30



(1) "Other" includes other income, net third-party sales, and realized gain/loss on foreign exchange

Change in Funds from Operations
Nine Months ended September 30



(1) "Other" includes other income, net third-party sales, and realized gain/loss on foreign exchange

Free Funds Flow

Peyto uses free funds flow, defined as cash flow from operating activities before changes in non-cash operating working capital, less total capital expenditures, as an indicator of the funds available for capital allocation. For the three and nine months ended September 30, 2024, free funds flow was $26.5 million and $167.1 million, respectively, compared to $53.4 million and $171.4 million for the same periods of 2023. 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 months ended September 30, 2024 decreased to $51.0 million from $57.4 million for the same period of 2023. The decreased earnings is mainly due to increased depletion and depreciation associated with increased production volumes, partially offset by increased funds from operations and lower deferred tax expense.

In the nine months ended September 30, 2024, Peyto's earnings totaled $202.3 million, consistent with $204.8 million of earnings for the same period of 2023 as the year-to-date increase in funds from operations, coupled with lower deferred tax expense, was offset by increased depletion and depreciation associated with increased production volumes.

Capital Expenditures

Peyto invested $125.9 million in total capital expenditures for the third quarter of 2024. The Company drilled 21 wells (21.0 net), completed 19 wells (18.8 net) and brought 21 wells (19.3 net) on production for drilling, completions, equipping and tie-in capital of $99.9 million. Facilities and pipeline projects totaled $26.1 million in the quarter, which included turnaround costs at the Edson gas plant, and plant and pipeline optimization projects. Additionally, the Company divested non-producing land in the quarter for $1.0 million.

The following table summarizes capital expenditures for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30			**Nine Months Ended September 30**		
($000)	**2024**	2023	% Change	**2024**	2023	% Change
Land	**62**	1,244	*-95%*	**970**	2,765	*-65%*
Seismic	**286**	71	*303%*	**444**	933	*-52%*
Drilling	**56,281**	45,837	*23%*	**157,794**	143,957	*10%*
Completions	**31,621**	27,770	*14%*	**97,008**	77,318	*25%*
Equipping & tie-ins	**11,985**	7,306	*64%*	**25,592**	20,604	*24%*
Facilities & pipelines	**26,091**	11,351	*130%*	**57,491**	52,124	*10%*
Other	**593**	-	-	**1,757**	-	-
Additions to property, plant and equipment	**126,919**	93,579	*36%*	**341,056**	**297,701**	*15%*
Asset dispositions, net of acquisitions	**(1,050)**	-	-	**(974)**	-	-
Total capital expenditures[1]	**125,869**	93,579	*35%*	**340,082**	297,701	*14%*

(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.

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, 2024, December 31, 2023, and September 30, 2023 is summarized as follows:

($000)	**As at September 30, 2024**	As at December 31, 2023	As at September 30, 2023
Long-term debt	**1,235,275**	1,340,881	818,080
Current assets	**(423,803)**	(490,936)	(481,090)
Current liabilities	**330,049**	279,903	449,048
Financial derivative instruments - current	**231,266**	238,865	94,213
Current portion of lease obligation	**(900)**	(1,310)	(1,300)
Decommissioning provision - current	**(8,940)**	(4,626)	(1,940)
Net debt[(1)]	**1,362,947**	1,362,777	877,011

(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 $1.36 billion as at September 30, 2024 was consistent with December 31, 2023.

The Company continues to target the low end of capital guidance of $450 million in 2024. Peyto’s preliminary budget for 2025 is expected to be $450 to $500 million. Based on current commodity prices, Peyto's cash flow from operating activities is expected to fully fund the 2025 capital program and dividend payment, with the balance being allocated to debt repayment.

The total amount of capital invested in 2025 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.

Current and Long-Term Debt

($000)	**As at September 30, 2024**	As at December 31, 2023
Revolving credit facility	**755,000**	750,000
Term Loan	**130,500**	174,000
Long-term senior secured notes	**478,996**	477,904
Total current and long-term debt	**1,364,496**	1,401,904
Deferred financing costs	**(6,406)**	(3,153)
Total current and long-term debt, net of deferred financing costs	**1,358,090**	1,398,751
Current portion of bank debt, net of financing	**122,815**	57,870
Non-current portion of bank debt, net of financing costs	**1,235,275**	1,340,881

On June 10, 2024, the Company amended and restated its credit facilities (the "Credit Facilities") with a syndicate of banks to extend the maturity dates of its $1 billion revolving operating facility (the "Revolving Credit Facility") and its amortizing term facility (the "Term Loan"). The maturity dates of the Revolving Credit Facility and the Term Loan have been extended to October 13, 2027, and October 13, 2026, respectively, from October 13, 2025. The Revolving Credit Facility includes a $40 million working capital sub-tranche and a $960 million production line and is available on a revolving basis. The Term Loan requires equal quarterly payments in the amount of $14.5 million with a final payment due on October 13, 2026, in the amount of $14.5 million.

Borrowings under the Credit Facilities bear interest at Canadian bank prime or US base rate, or, at Peyto’s option, Canadian dollar CORRA advances or US dollar SOFR loan rates, plus adjustments and applicable margin. The Company had $6.6 million of Letters of Credit outstanding at September 30, 2024 (December 31, 2023 - $6.7 million). The undrawn portion of the Revolving Facility totaled $238.4 million at September 30, 2024 (December 31, 2023 - $243.3 million), and is subject to standby fees.

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, 2024**	December 31, 2023
Total Debt to EBITDA	Less than 4.0	**1.57**	1.66
Senior Debt to EBITDA	Less than 3.5	**1.57**	1.66
Interest coverage	Greater than 3.0	**8.89**	14.01

Peyto is in compliance with all financial covenants at September 30, 2024.

Outstanding secured senior notes as at September 30, 2024 are as follows:

Senior Secured Notes	**Date Issued**	**Rate**	**Maturity Date**
$65 million (CAD)	May 1, 2015	4.26%	May 1, 2025
$100 million (CAD)	January 3, 2019	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
$160 million (CAD)	October 24, 2023	6.46%	October 24, 2030

On October 17, 2024, Peyto issued $75 million of senior secured notes. The notes have a coupon rate of 5.638% and mature on October 17, 2034. The notes have been issued by way of a private placement pursuant to a note purchase agreement and rank equally with Peyto's obligations under its Credit Facilities and existing note purchase and private shelf agreement. Interest will be paid semi-annually in arrears. Proceeds from the notes have been used to repay the $65 million, 4.26% notes that were due May 1, 2025.

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, 2023	**193,678,975**	**1,920,311**
Common shares issued on exercise of stock options	2,929,703	29,412
Contributed surplus on exercise of stock options	-	8,047
Balance, September 30, 2024	**196,608,678**	**1,957,770**

Total Payout Ratio

"Total payout ratio" is a non-GAAP measure which is calculated as the sum of dividends declared plus total capital expenditures and decommissioning expenditures, divided by funds from operations. This ratio represents the percentage of the capital expenditures, decommissioning 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)	**2024**	2023	% Change	**2024**	2023	*% Change*
Total dividends declared	**64,707**	59,802	*8%*	**193,229**	175,195	*10%*
Total capital expenditures[(1)]	**125,869**	93,579	*35%*	**340,082**	297,701	*14%*
Decommissioning expenditures	**2,013**	1,026	*96%*	**6,610**	1,026	*544%*
Total payout[(1)]	**192,589**	154,407	*25%*	**539,921**	473,922	*14%*
Funds from operations[(1)]	**154,343**	147,980	*4%*	**513,802**	470,152	*9%*
Total payout ratio[(1)]	**125%**	104%	*21%*	**105%**	101%	*5%*

(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 payout ratio in the third quarter of 2024 was 125 per cent, compared to 104 per cent in the same period of 2023. The increased payout ratio was mainly due to increased capital expenditures in the quarter, including the Edson gas plant turnaround, coupled with low natural gas prices in the spot market that restrained funds from operations, as compared to the same quarter of 2023.

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, 2024:

($000)	Q4 2024	2025	2026	2027	2028	Thereafter
Interest payments [(1)]	7,631	21,139	19,755	15,365	13,390	20,672
Transportation commitments	19,748	83,653	99,490	72,817	45,670	480,099
Operating leases	617	2,432	2,426	2,434	2,435	7,984
Other	-	6,141	-	-	-	-
Total	27,996	113,365	121,671	90,616	61,495	508,755

(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 value of the transactions between Peyto and the related reporting entities is summarized below:

Expenditures ($000)				Accounts Payable ($000)	
Three Months ended September 30		Nine months ended September 30		As at September 30	
2024	2023	**2024**	2023	**2024**	2023
1,620.4	149.6	**1,908.3**	276.8	**8.4**	8.8

(1) Relates to capital and operating expenditures

RISK FACTORS

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, Dawn, 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 common 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's operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices, and additional government intervention through stimulus spending or additional regulations. Peyto's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows.

The cost or availability of oilfield services may adversely affect Peyto's ability to undertake exploration, development and construction projects. The crude oil and natural gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects, and construction materials generally. These materials and services may not be available when required at reasonable prices. A failure to secure the services and equipment necessary to Peyto's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on Peyto's financial performance and cash flows.

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.

Information technology systems and cyber-security 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.

On June 20, 2024, amendments to the Competition Act (Canada) came into force with the adoption of Bill C-59, An Act to Implement Certain Provisions of the Fall Economic Statement which impact environmental and climate disclosures by businesses. As a result of these amendments, certain public representations by a business regarding the benefits of the work it is doing to protect or restore the environment or mitigate the environmental and ecological causes or effects of climate change may violate the Competition Act's deceptive marketing practices provisions. These amendments include substantial financial penalties and, effective June 20, 2025, a private right of action which will permit private parties to seek an order from the Competition Tribunal under the deceptive marketing practices provisions. Uncertainty surrounding the interpretation and enforcement of this legislation may expose the Company to increased litigation and financial penalties, the outcome and impacts of which can be difficult to assess or quantify and may have a material adverse effect on the Company's business, reputation, financial condition, and results.

For a detailed discussion of the risks, uncertainties and industry conditions associated with Peyto's business, refer to the Company's Annual Information Form, which is available under Peyto's SEDAR+ profile at www.sedarplus.ca 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.

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, 2024 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.

OFF-BALANCE SHEET FINANCING

Peyto does not have any guarantees or off-balance sheet arrangements that have been excluded from the balance sheets other than commitments disclosed in the "Contractual Obligations" section of this MD&A.

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, 2023 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 2024. 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.sedarplus.ca 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, decommissioning expenditure, provision for future performance-based compensation and transaction costs, if any. 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)	**2024**	2023	**2024**	2023
Cash flows from operating activities	**147,485**	139,406	**486,250**	471,621
Change in non-cash working capital	**2,345**	6,352	**15,942**	(3,691)
Decommissioning expenditures	**2,013**	1,026	**6,610**	1,026
Performance based compensation	**2,500**	-	**5,000**	-
Transaction costs	**-**	1,196	**-**	1,196
Funds from operations	**154,343**	147,980	**513,802**	470,152

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. In reporting for prior periods, decommissioning expenditures incurred were excluded from the Company's free funds flow non-GAAP financial measure as they were insignificant. Peyto has changed the reporting of free funds flow to no longer exclude decommissioning expenditures in the non-GAAP financial measure as the Company expects an increase in abandonment and reclamation projects going forward associated with the Repsol Assets. Peyto calculates free funds flow as cash flows from operating activities before changes in non-cash operating working capital less total capital expenditures, allowing Management to monitor 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)	**2024**	2023	**2024**	2023
Cash flows from operating activities	**147,485**	139,406	**486,250**	471,621
Change in non-cash working capital	**2,345**	6,352	**15,942**	(3,691)
Performance based compensation	**2,500**	-	**5,000**	-
Transaction costs	**-**	1,196	**-**	1,196
Total capital expenditures	**(125,869)**	(93,579)	**(340,082)**	(297,701)
Free funds flow	**26,461**	53,375	**167,110**	171,425

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)	**2024**	2023	**2024**	2023
Cash flows used in investing activities	**119,439**	350,780	**297,974**	579,104
Change in prepaid capital	**2,612**	(4,051)	**3,470**	(664)
Deposit for acquisition	**-**	(63,303)	**-**	(63,303)
Subscription receipt funds in escrow	**-**	(201,307)	**-**	(201,307)
Change in non-cash working capital relating to investing activities	**3,818**	11,460	**38,638**	(16,129)
Total capital expenditures	**125,869**	93,579	**340,082**	297,701

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, current portion of lease obligations and current portion of decommissioning provision. 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, 2024**	As at December 31, 2023	As at September 30, 2023
Long-term debt	**1,235,275**	1,340,881	818,080
Current assets	**(423,803)**	(490,936)	(481,090)
Current liabilities	**330,049**	279,903	449,048
Financial derivative instruments - current	**231,266**	238,865	94,213
Current portion of lease obligation	**(900)**	(1,310)	(1,300)
Decommissioning provision - current	**(8,940)**	(4,626)	(1,940)
Net debt(1)	**1,362,947**	1,362,777	877,011

(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.

Third-Party Sales Net of Purchases

Peyto uses the term "third-party sales net of purchases" to evaluate the profitability of natural gas and NGLs purchased from third parties. Third-party sales net of purchases is calculated as sales of natural gas and NGLs from third parties less natural gas and NGLs purchased from third parties.

	Three Months Ended September 30		**Nine Months Ended September 30**	
($000)	**2024**	2023	**2024**	2023
Sales of natural gas and NGLs from third parties	**8,729**	-	**42,984**	-
Natural gas and NGLs purchased from third parties	**(6,925)**	-	**(41,016)**	-
Third-party sales net of purchases	**1,804**	-	**1,968**	-

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 third party sales net of purchases, 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 before tax, 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.

($/Mcfe)	Three Months Ended September 30 2024	2023	Nine Months Ended September 30 2024	2023
Gross Sale Price	**2.77**	3.67	**3.07**	4.37
Realized hedging gain (loss)	**1.16**	0.62	**1.18**	0.09
Net Sale Price	**3.93**	4.29	**4.25**	4.46
Third party sales net of purchases	**0.03**	-	**0.01**	-
Other income	**0.03**	0.02	**0.03**	0.03
Royalties	**(0.18)**	(0.29)	**(0.23)**	(0.33)
Operating costs	**(0.54)**	(0.44)	**(0.54)**	(0.47)
Transportation	**(0.31)**	(0.29)	**(0.30)**	(0.27)
Field netback	**2.96**	3.29	**3.22**	3.42
G&A	**(0.03)**	(0.04)	**(0.05)**	(0.04)
Interest and financing	**(0.38)**	(0.28)	**(0.37)**	(0.24)
Realized gain (loss) on foreign exchange	**0.00**	(0.01)	**0.00**	-
Cash netback ($/Mcfe)	**2.55**	2.96	**2.80**	3.14
Cash netback ($/boe)	**15.26**	17.85	**16.90**	18.85

Third party sales net of purchases per Mcfe
"Third party sales net of purchases 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.

Total Payout Ratio
"Total payout ratio" is a non-GAAP measure which is calculated as the sum of dividends declared plus total capital expenditures and decommissioning expenditures, divided by funds from operations. In reporting for prior periods, decommissioning expenditures incurred were excluded from the Company's total payout ratio as they were insignificant. Peyto has changed the reporting of total payout ratio to no longer exclude decommissioning expenditures in the non-GAAP financial ratio as the Company expects an increase in abandonment and reclamation projects going forward associated with the Repsol Assets. This ratio represents the percentage of the capital expenditures, decommissioning 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.

($000, except total payout ratio)	Three Months Ended September 30 2024	2023	Nine Months Ended September 30 2024	2023
Total dividends declared	**64,707**	59,802	**193,229**	175,195
Total capital expenditures	**125,869**	93,579	**340,082**	297,701
Decommissioning expenditures	**2,013**	1,026	**6,610**	1,026
Total payout	**192,589**	154,407	**539,921**	473,922
Funds from operations	**154,343**	147,980	**513,802**	470,152
Total payout ratio (%)	**125%**	104%	**105%**	101%

Supplementary Financial Measures

"Diversification activities" are the costs of the basis on physical natural gas sales contracts that access various hubs including Ventura, Emerson 2, Malin, Dawn and Henry Hub, 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.

"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.

"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.

"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.

"Total realized hedging gain (loss) per Mcfe and boe" is comprised of realized gain (loss) on derivative financial instruments, as determined in accordance with IFRS, divided by the Company's total production.

"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 2024 capital expenditure budget targeting the low end of the $450 to $500 million range;
- the Company's 2025 preliminary capital expenditure budget of $450 to $500 million;
- Peyto's 10% reduction of operating costs by the end of 2024 from first quarter levels;
- Peyto's belief that funds from operations based on current strip pricing, together with available borrowings under the credit facility will be sufficient to maintain dividends, finance current operations, and fund the planned capital expenditure program;
- 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;
- 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 latest Annual Information Form.

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

	2024			2023	
	Q3	Q2	Q1	Q4	Q3
Operations					
Production					
Natural gas (Mcf/d)	**638,433**	642,754	647,234	622,963	520,504
NGLs (bbl/d)	**13,626**	15,174	17,145	16,175	11,231
Total (boe/d @ 6:1)	**120,031**	122,299	125,018	120,002	97,981
Total (Mcfe/d @ 6:1)	**720,186**	733,796	750,105	720,014	587,888
Liquid to gas ratio (bbl per MMcf)	**21.3**	23.6	26.5	26.0	21.6
Product prices					
Realized natural gas price – after hedging and diversification ($/Mcf)	**2.95**	2.87	4.05	3.87	3.33
Realized NGL price – after hedging ($/bbl)	**69.61**	69.44	60.36	64.32	70.25
$/Mcfe					
Net Sales Price ($/Mcfe)	**3.93**	3.95	4.87	4.79	4.29
Net third party sales ($/Mcfe) (2)	**0.03**	0.01	(0.01)	-	-
Other income ($/Mcfe)	**0.03**	0.02	0.05	0.05	0.02
Royalties ($/Mcfe)	**(0.18)**	(0.26)	(0.24)	(0.30)	(0.29)
Operating expenses ($/Mcfe)	**(0.54)**	(0.52)	(0.55)	(0.55)	(0.44)
Transportation ($/Mcfe)	**(0.31)**	(0.30)	(0.30)	(0.26)	(0.29)
Field netback ($/Mcfe) (2)	**2.96**	2.90	3.82	3.73	3.29
General & administrative expenses ($/Mcfe)	**(0.03)**	(0.06)	(0.06)	(0.06)	(0.04)
Interest expense ($/Mcfe)	**(0.38)**	(0.36)	(0.36)	(0.40)	(0.28)
Realized gain (loss) on foreign exchange	**0.00**	(0.01)	0.01	(0.01)	0.01
Cash netback ($/Mcfe) (2)	**2.55**	2.47	3.41	3.26	2.98
Financial ($000, except per share)					
Revenue and realized hedging gains (losses) (1)	**260,608**	263,832	332,541	317,246	231,938
Royalties	**11,695**	17,440	16,648	19,599	15,482
Funds from operations(2)	**154,343**	154,835	204,623	200,319	147,980
Funds from operations per share(2)	**0.79**	0.79	1.05	1.05	0.84
Funds from operations per diluted share(2)	**0.78**	0.79	1.05	1.05	0.84
Total dividends declared	**64,707**	64,365	64,157	63,811	59,802
Total dividends declared per share(2)	**0.33**	0.33	0.33	0.33	0.33
Earnings	**51,029**	51,437	99,875	87,795	57,444
Earnings per share	**0.26**	0.26	0.51	0.46	0.33
Earnings per diluted share	**0.26**	0.26	0.51	0.46	0.33
Total capital expenditures(2)	**125,869**	100,451	113,761	115,218	93,579
Total payout ratio (%)(2)	**125%**	107%	89%	89%	104%
Weighted average shares outstanding (basic)	**196,077,193**	195,045,669	194,416,710	190,196,093	175,573,752
Weighted average shares outstanding (diluted)	**197,051,764**	196,520,101	195,159,389	191,271,677	176,732,946

(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 Sheets *(unaudited)*

(Amount in $ thousands)

As at	September 30 2024	December 31 2023
Assets		
Current assets		
Cash	19,361	37,177
Accounts receivable (*Note 10)*	116,445	161,735
Prepaid expenses	56,731	53,159
Derivative financial instruments *(Note 11)*	231,266	238,865
	423,803	490,936
Long-term derivative financial instruments *(Note 11)*	99,468	128,519
Property, plant and equipment, net *(Note 3)*	5,066,302	4,890,187
	5,165,770	5,018,706
	5,589,573	5,509,642
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	162,120	171,760
Dividends payable *(Note 6)*	21,627	21,305
Income tax payable	13,647	23,032
Current portion of lease obligation	900	1,310
Decommissioning provision *(Note 5)*	8,940	4,626
Current portion of long-term debt *(Note 4)*	122,815	57,870
	330,049	279,903
Long-term debt *(Note 4)*	1,235,275	1,340,881
Decommissioning provision *(Note 5)*	385,044	275,287
Lease obligation	7,834	2,764
Deferred income taxes	895,785	895,864
	2,523,938	2,514,796
Equity		
Share capital *(Note 6)*	1,957,770	1,920,311
Contributed surplus	27,313	25,021
Retained earnings	494,184	485,072
Accumulated other comprehensive income *(Note 6)*	256,319	284,539
	2,735,586	2,714,943
	5,589,573	5,509,642

Subsequent event *(Note 4)*

See accompanying notes to the condensed consolidated financial statements.

Approved by the Board of Directors

(signed) *"Debra Gerlach"*
Director

(signed) *"Jean-Paul Lachance"*
Director

Peyto Exploration & Development Corp.

Condensed Consolidated Income Statements *(unaudited)*

(Amount in $ thousands except earnings per share amount)

	Three months ended September 30		Nine months ended September 30	
	2024	**2023**	**2024**	**2023**
Revenue				
Natural gas and natural gas liquid sales (*Note 10)*	183,782	198,241	618,741	715,392
Royalties	(11,695)	(15,482)	(45,782)	(54,743)
Sales of natural gas and natural gas liquids from third parties	8,729	-	42,984	-
Natural gas and natural gas liquid sales, net of royalties	180,816	182,759	615,943	660,649
Realized gain on derivative financial instruments *(Note 11)*	76,826	33,697	238,240	14,287
Other Income	1,701	807	6,877	6,745
	259,343	217,263	**861,060**	681,681
Expenses				
Natural gas and natural gas liquids purchased from third parties	6,925	-	41,016	-
Operating	36,070	23,889	108,292	77,092
Transportation	20,500	15,449	61,215	44,701
General and administrative	2,254	2,135	10,326	6,706
Transaction costs	-	1,196	-	1,196
Performance-based compensation	2,500	-	5,000	-
Stock-based compensation *(Note 9)*	3,817	3,919	10,337	10,662
Finance expense *(Note 7)*	27,287	17,051	80,751	43,170
Realized loss (gain) on foreign exchange	34	(541)	(312)	64
Unrealized (gain) loss on foreign exchange	(752)	2,823	1,092	1,607
Depletion and depreciation (*Note 3)*	92,701	74,173	279,634	225,966
	191,336	140,094	**597,351**	411,164
Earnings before taxes	**68,007**	77,169	**263,709**	270,517
Income tax				
Current tax	14,180	12,944	53,017	43,689
Deferred tax	2,798	6,781	8,351	21,988
Total income taxes	**16,978**	19,725	**61,368**	65,677
Earnings for the period	**51,029**	57,444	**202,341**	204,840
Earnings per share *(Note 6)*				
Basic	**$0.26**	$0.33	**$1.04**	$1.17
Diluted	**$0.26**	$0.33	**$1.03**	$1.16

See accompanying notes to the condensed consolidated financial statements.

Peyto Exploration & Development Corp.

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

(Amount in $ thousands)

	Three months ended September 30		**Nine months ended September 30**	
	2024	2023	**2024**	2023
Earnings for the period	**51,029**	57,444	**202,341**	204,840
Other comprehensive income (loss)				
Change in unrealized gain (loss) on derivative financial instruments	130,929	(723)	202,205	240,406
Deferred income tax recovery (expense)	(12,404)	7,967	8,430	(51,916)
Realized gain on derivative financial instruments	(76,999)	(33,914)	(238,855)	(14,683)
Comprehensive income	**92,555**	30,774	**174,121**	378,647

See accompanying notes to the condensed consolidated financial statements.

Peyto Exploration & Development Corp.

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

(Amount in $ thousands)

	Nine months ended September 30	
	2024	**2023**
Share capital, beginning of period	**1,920,311**	1,697,803
Common shares issued under stock option plan	29,412	15,152
Issued on settlement of DSU's	-	250
Contributed surplus on exercise of stock options	8,047	4,187
Share issue costs (net of tax)	-	(421)
Share capital, end of period	**1,957,770**	1,716,971

Contributed surplus, beginning of period	**25,021**	16,274
Stock-based compensation expense	10,339	10,662
Recognized under share-based compensation plans	(8,047)	(4,437)
Contributed surplus, end of period	**27,313**	22,499

Retained earnings, beginning of period	**485,072**	431,443
Earnings for the period	202,341	204,840
Dividends *(Note 7)*	(193,229)	(173,334)
Dividend equivalent payment	-	(1,861)
Retained earnings, end of period	**494,184**	461,088

Accumulated other comprehensive income (loss), beginning of period	284,539	(83,854)
Other comprehensive income (loss)	(28,220)	173,807
Accumulated other comprehensive income, end of period	**256,319**	89,953

Total equity	**2,735,586**	2,290,511

See accompanying notes to the condensed consolidated financial statements.

Peyto Exploration & Development Corp.

Condensed Consolidated Statements of Cash Flows *(unaudited)*

(Amount in $ thousands)

	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Cash provided by (used in)				
Operating activities				
Earnings	51,029	57,444	202,341	204,840
Items not requiring cash:				
Deferred income tax	2,798	6,781	8,351	21,988
Depletion and depreciation	92,701	74,173	279,634	225,966
Accretion of decommissioning provision	2,250	1,644	7,047	3,893
Stock-based compensation	3,817	3,919	10,337	10,662
Unrealized loss (gain) on foreign exchange	(752)	2,823	1,092	1,607
Decommissioning expenditures	(2,013)	(1,026)	(6,610)	(1,026)
Change in non-cash working capital related to operating activities	(2,345)	(6,352)	(15,942)	3,691
	147,485	139,406	**486,250**	471,621
Financing activities				
Common shares issued on exercise of stock options	12,203	5,650	29,412	14,605
Subscription receipts	-	201,307	-	201,307
Cash dividends paid	(64,588)	(57,841)	(192,907)	(162,646)
Lease interest	191	40	255	126
Principal repayment of lease	(384)	(358)	(1,099)	(1,071)
Increase (decrease) in bank debt	21,442	69,000	(41,753)	59,000
	(31,136)	217,798	**(206,092)**	111,321
Investing activities				
Additions to property, plant, and equipment	(124,308)	(97,630)	(337,586)	(298,365)
Asset dispositions, net of acquisitions	1,051	-	974	-
Deposit for Acquisition	-	(63,303)	-	(63,303)
Subscription receipt funds in escrow	-	(201,307)	-	(201,307)
Change in non-cash working capital relating to investing activities	3,818	11,460	38,638	(16,129)
	(119,439)	(350,780)	**(297,974)**	(579,104)
Net (decrease) increase in cash	**(3,090)**	6,424	**(17,816)**	3,838
Cash, beginning of period	**22,451**	9,319	**37,177**	11,905
Cash, end of period	**19,361**	15,743	**19,361**	15,743

The following amounts are included in cash flows from operating activities:				
Cash interest paid	16,838	13,396	40,337	34,102
Cash taxes paid	7,803	21,000	65,218	67,556

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 12, 2024.

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, 2023 and 2022.

Material Accounting Policies

(a) Material 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 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 condensed 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, 2023 and 2022.

(b) Changes in accounting policies

The International Accounting Standards Board (IASB) issued two amendments to IAS 1 Presentation of Financial Statements, effective January 1, 2024, related to the classification of liabilities as current and non-current. The Company does not believe these amendments have any impact on the Company's financial statements or disclosures

3. Property, plant and equipment, net

Cost	
At December 31, 2023	**8,406,481**
Additions	337,586
Asset dispositions, net of acquisitions	(974)
ROU Asset	5,503
Decommissioning provision additions	113,634
At September 30, 2024	**8,862,230**
Accumulated depletion and depreciation	
At December 31, 2023	**(3,516,294)**
Depletion and depreciation	(279,634)
At September 30, 2024	**(3,795,928)**
Carrying amount at December 31, 2023	4,890,187
Carrying amount at September 30, 2024	**5,066,302**

During the three and nine month periods ended September 30, 2024, Peyto capitalized $3.1 million and $5.8 million (2023 - $2.5 million and $7.4 million) of general and administrative expenses directly attributable to exploration and development activities.

As at September 30, 2024, the Company identified no indicators of impairment and therefore a test was not performed.

4. Current and Long-term debt

	September 30, 2024	December 31, 2023
Revolving Credit Facility	755,000	750,000
Term Loan	130,500	174,000
Long-term senior secured notes	478,996	477,904
Total current and long-term debt	**1,364,496**	1,401,904
Deferred financing costs	(6,406)	(3,153)
Total current and long-term debt, net of deferred financing costs	**1,358,090**	1,398,751
Current portion of long-term debt, net of deferred financing costs	**122,815**	57,870
Long-term debt, net of deferred financing costs	**1,235,275**	1,340,881

On June 10, 2024, the Company amended and restated its credit facilities (the "Credit Facilities") with a syndicate of banks to extend the maturity dates of its $1 billion revolving operating facility (the "Revolving Credit Facility") and its amortizing term facility (the "Term Loan"). The maturity dates of the Revolving Credit Facility and the Term Loan have been extended to October 13, 2027, and October 13, 2026, respectively, from October 13, 2025. The Term Loan requires equal quarterly payments in the amount of $14.5 million with a final payment due on October 13, 2026, in the amount of $14.5 million. The Revolving Credit Facility includes a $40 million working capital sub-tranche and a $960 million production line and is available on a revolving basis. Borrowings under the Credit Facilities bear interest at Canadian bank prime or US base rate, or, at Peyto's option, Canadian dollar CORRA advances or US dollar SOFR loan rates, plus adjustments and applicable margin. There was no change to the financial covenants in the amended agreement.

The Company had $6.6 million Letters of Credit outstanding at September 30, 2024 ($6.7 million at December 31, 2023).

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
$65 million (CAD)	May 1, 2015	4.26%	May 1, 2025
$100 million (CAD)	January 3, 2019	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
$160 million (CAD)	October 24, 2023	6.46%	October 24, 2030

On October 17, 2024, Peyto issued $75 million of senior secured notes. The notes have a coupon rate of 5.638% and mature on October 17, 2034. The notes have been issued by way of a private placement pursuant to a note purchase agreement and rank equally with Peyto's obligations under its bank facility and existing note purchase and private shelf agreement. Interest will be paid semi-annually in arrears. Proceeds from the notes have been used to repay the $65 million, 4.26% notes that were due May 1, 2025.

Peyto is in compliance with all financial covenants at September 30, 2024.

Total interest and finance expense for the three and nine months ended September 30, 2024, was $25.0 million and $73.7 million (2023 - $15.4 million and $39.3 million) and the average borrowing rate for the periods was 7.1% and 7.1% (2023– 5.5% and 5.7%).

5. Decommissioning provision

The following table reconciles the change in decommissioning provision:

Balance, December 31, 2023	**279,913**
New provisions	3,870
Accretion of decommissioning provision	7,047
Change in discount rate and estimates	109,764
Decommissioning expenditures	(6,610)
Balance, September 30, 2024	**393,984**
Current	**8,940**
Non-current	**385,044**

The Company has estimated the net present value of its total decommissioning provision to be $394 million as at September 30, 2024 (December 31, 2023 – $280 million) based on a total escalated future undiscounted liability of $955 million (December 31, 2023 – $655.2 million). At September 30, 2024 management estimates that these payments are expected to be made over the next 50 years (December 31, 2023 – 50 years) with the majority of payments being made in years 2045 to 2074. The Bank of Canada's long-term bond rate of 3.13 per cent (December 31, 2023 – 3.02 per cent) and an inflation rate of 2.0 per cent (December 31, 2023 – 2.0 per cent) were used to calculate the present value of the decommissioning provision.

6. 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, 2023	**193,678,975**	**1,920,311**
Common shares issued under stock option plan	2,929,703	29,412
Contributed surplus on exercised of stock options	-	8,047
Balance, September 30, 2024	**196,608,678**	**1,957,770**

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

	Three Months ended September 30		Nine Months ended September 30	
	2024	2023	**2024**	2023
Weighted average common shares basic	196,077,193	175,573,752	195,183,132	175,085,253
Dilutive impact of share-based compensation	974,571	1,159,194	1,212,333	1,504,141
Weighted average common shares diluted	**197,051,764**	176,732,946	**196,395,465**	176,589,394

Dividends
During the three and nine months ended September 30, 2024, Peyto declared and paid dividends of $0.11 per common share per month totaling $64.7 million and $193.2 million respectively (2023 - $0.11 per common share per month, totaling $59.8 million and $175.2 million respectively, including the dividend equivalent payment).

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 11.

7. Finance costs

	Three Months ended September 30		Nine Months ended September 30	
	2024	2023	**2024**	2023
Accretion of decommissioning provision	2,250	1,644	7,047	3,893
Financing expenses	942	3,178	2,526	3,178
Interest	24,095	12,229	71,178	36,099
Finance costs	**27,287**	17,051	**80,751**	43,170

8. 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 the three and nine months ended September 30, 2024, Peyto accrued $2.5 million and $5.0 million for performance-based compensation, respectively (2023 - $nil).

9. 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.

Stock option plans

The following tables summarize the stock options outstanding at September 30, 2024:

		Weighted average exercise price $
Balance, December 31, 2023	**9,868,323**	**12.02**
Stock options granted	5,013,627	14.28
Exercised	(2,929,703)	10.04
Forfeited	(811,285)	12.44
Expired	(238,172)	13.78
Balance, September 30, 2024	**10,902,790**	**13.52**

The Company estimates the fair value of options under the stock option plan using the Black-Scholes pricing model. During the nine month period ended September 30, 2024, the weighted-average fair value per option was $1.90. The following tables summarize the assumptions used in the Black-Scholes model:

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

	September 30, 2024
Fair value of options granted (weighted average)	$1.90
Expected volatility	36.68%
Average option life	2 years
Risk-free interest rate	3.75%
Forfeiture rate	6.98%
Dividend Yield	9.49%

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.

At September 30, 2024, 51,488 stock options were exercisable.

Deferred Share Units ("DSU's")

The following tables summarize the DSU's outstanding at September 30, 2024:

Balance, December 31, 2023	**248,037**
DSU's granted	70,826
Balance September 30, 2024	**318,863**

10. Revenue and receivables

	Three Months ended September 30		Nine Months ended September 30	
	2024	2023	**2024**	2023
Natural Gas Sales	96,540	123,191	337,886	490,580
Natural Gas Liquid sales	87,242	75,050	280,855	224,812
Natural gas and natural gas liquid sales	**183,782**	198,241	**618,741**	715,392

	September 30, 2024	December 31, 2023
Accounts receivable from customers	73,846	117,201
Accounts receivable from realized risk management contracts	28,912	22,135
Accounts receivable from joint venture partners and other	13,687	22,399
	116,445	161,735

Account receivable from customers are 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. Accounts receivable from realized risk management contracts settle on the 25th of each month. Joint venture receivables are typically collected one to three months after production.

11. 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, 2023 except for derivative financial instruments.

The Company's areas of financial risk management and risks related to financial instruments remained unchanged from December 31, 2023.

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 and Level 2, respectively.

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, 2024 and December 31, 2023, cash and derivative financial instruments are carried at fair value. Current assets 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, 2024:

Commodity contracts

Natural Gas Period Hedged- AECO Monthly Index	Type	Daily Volume (GJ)	Average Price (AECO CAD/GJ)
Q4 2024	Fixed Price	232,989	$3.65
Q1 2025	Fixed Price	265,000	$3.92
Q2 2025	Fixed Price	290,000	$3.33
Q3 2025	Fixed Price	290,000	$3.33
Q4 2025	Fixed Price	256,848	$3.85
Q1 2026	Fixed Price	240,000	$4.17
Q2 2026	Fixed Price	212,500	$3.31
Q3 2026	Fixed Price	212,500	$3.31
Q4 2026	Fixed Price	84,864	$3.32
Q1 2027	Fixed Price	20,000	$3.41

Natural Gas Period Hedged- AECO Daily Index	Type	Daily Volume (GJ)	Average Price (AECO CAD/GJ)
Q4 2024	Fixed Price	15,163	$2.72
Q2 2025	Fixed Price	25,000	$3.60
Q3 2025	Fixed Price	25,000	$3.60
Q4 2025	Fixed Price	8,424	$3.60

Natural Gas Period Hedged - NYMEX	Type	Daily Volume (MMBtu)	Average Price (Nymex USD/MMBtu)
Q4 2024	Fixed Price	208,315	$3.89
Q1 2025	Fixed Price	210,000	$4.03
Q2 2025	Fixed Price	195,000	$3.80
Q3 2025	Fixed Price	195,000	$3.80
Q4 2025	Fixed Price	122,065	$3.89
Q1 2026	Fixed Price	85,000	$4.00
Q2 2026	Fixed Price	75,000	$3.75
Q3 2026	Fixed Price	75,000	$3.75
Q4 2026	Fixed Price	25,272	$3.75

Crude Oil Period Hedged - WTI	Type	Daily Volume (bbl)	Average Price (WTI CAD/bbl)
Q4 2024	Fixed Price	4,000	$101.72
Q1 2025	Fixed Price	2,500	$99.18
Q2 2025	Fixed Price	1,900	$99.38
Q3 2025	Fixed Price	700	$100.41
Q4 2025	Fixed Price	600	$100.45

Crude Oil Period Hedged - WTI	Type	Daily Volume (bbl)	Put - Call (WTI CAD/bbl)
Q4 2024	Collar	750	$90.00–$103.50
Q1 2025	Collar	1,000	$85.00–$102.63
Q2 2025	Collar	500	$90.00–$100.25
Q3 2025	Collar	500	$90.00–$110.00

Propane Period Hedged - Conway	Type	Daily Volume (bbl)	Average Price (USD/bbl)
Q4 2024	Fixed Price	500	$33.86
Q1 2025	Fixed Price	500	$33.86

Had these contracts closed on September 30, 2024, Peyto would have realized a gain in the amount of $328.3 million. If the gas price on September 30, 2024 were to increase by $0.10/GJ, the unrealized gain would decrease by approximately $31.4 million. An opposite change in commodity prices would result in an opposite impact on other comprehensive income

Foreign exchange contracts

Average Rate forward	Amount (USD)	Rate (CAD/USD)
Sold USD Contracts		
Q4 2024	$62.0 million	1.3421
Q1 2025	$54.0 million	1.3458
Q2 2025	$69.0 million	1.3517
Q3 2025	$63.0 million	1.3523
Q4 2025	$59.0 million	1.3530
Q1 2026	$39.0 million	1.3569
Q2 2026	$22.5 million	1.3528
Q3 2026	$22.5 million	1.3528
Q4 2026	$7.5 million	1.3528

Had these contracts settled on September 30, 2024, Peyto would have realized a gain in the amount of $2.7 million. If the CAD/USD FX rate on September 30, 2024, were to increase by $0.05, the unrealized gain would decrease by approximately $19.9 million to an unrealized loss of $17.2 million. An opposite change in the CAD/USD FX rate would result in an opposite impact on other comprehensive income

Interest rate contracts

Term	Notional Amount	Peyto pays fixed rate	Peyto receives floating rate
March 17, 2023 to March 17, 2026	$50 million	3.565%	Adjusted CORRA

Had these contracts closed on September 30, 2024, Peyto would have realized a loss in the amount of $0.2 million.

Subsequent to September 30, 2024, Peyto entered into the following contracts:

Natural Gas Period Hedged – AECO Monthly Index	Type	Daily Volume (Gj)	Average Price (AECO CAD/GJ)
Q4 2026	Fixed Price	6,630	$3.50
Q1 2027	Fixed Price	10,000	$3.50

Crude Oil Period Hedged – WTI	Type	Daily Volume (bbl)	Average Price (WTI CAD/bbl)
Q4 2024	Fixed Price	350	$94.05
Q1 2025	Fixed Price	1,400	$96.39
Q2 2025	Fixed Price	1,100	$96.84
Q3 2025	Fixed Price	1,300	$94.68
Q4 2025	Fixed Price	400	$93.75
Q1 2026	Fixed Price	800	$92.59

Crude Oil Period Hedged – WTI	Type	Daily Volume (bbl)	Average Price (WTI CAD/bbl)
Q4 2025	Collar	500	$90.00–$100.50
Q1 2026	Collar	500	$85.00–$100.00

Foreign exchange contracts

Average Rate forward (Sold USD Contracts)	Amount (USD)	Rate (CAD/USD)
Q2 2026	$9.0 million	1.3570
Q3 2026	$9.0 million	1.3570
Q4 2026	$3.0 million	1.3570

12. 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 transactions between Peyto and the related reporting entities is summarized below:

Expenditures[1]				Accounts Payable	
Three Months ended September 30		Nine Months ended September 30		As at September 30	
2024	2023	**2024**	2023	**2024**	2023
1,620.4	149.6	**1,908.3**	276.8	**8.4**	8.8

(1) Relates to capital and operating expenditures

13. 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, 2024:

	Q4 2024	2025	2026	2027	2028	Thereafter
Interest payments [1]	7,631	21,139	19,755	15,365	13,390	20,672
Transportation commitments	19,748	83,653	99,490	72,817	45,670	480,099
Operating leases	617	2,432	2,426	2,434	2,435	7,984
Other	-	6,141	-	-	-	-
Total	27,996	113,365	121,671	90,616	61,495	508,755

(2) Fixed interest payments on senior secured notes

Officers

Jean-Paul Lachance
President and Chief Executive Officer

Riley Frame
Chief Operating Officer

Tavis Carlson
Vice President, Finance and Chief Financial Officer

Lee Curran
Vice President, Drilling and Completions

Todd Burdick
Vice President, Production

Derick Czember
Vice President of Land and Business Development

Stephen Chetner
Corporate Secretary

Directors
Don Gray, Chairman
Brian Davis
Michael MacBean, Lead Independent Director
Darren Gee
John Rossall
Debra Gerlach
Jean-Paul Lachance
Jocelyn McMinn
Nicki Stevens

Auditors
Deloitte LLP

Solicitors
Burnet, Duckworth & Palmer LLP

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

Transfer Agent
Computershare

Head Office
300, 600 – 3 Avenue SW
Calgary, AB
T2P 0G5
Phone: 403.261.6081
Fax: 403.451.4100
Web: www.peyto.com
Stock Listing Symbol: PEY.TO