Peyto Exploration & Development Corp.
Monthly Report

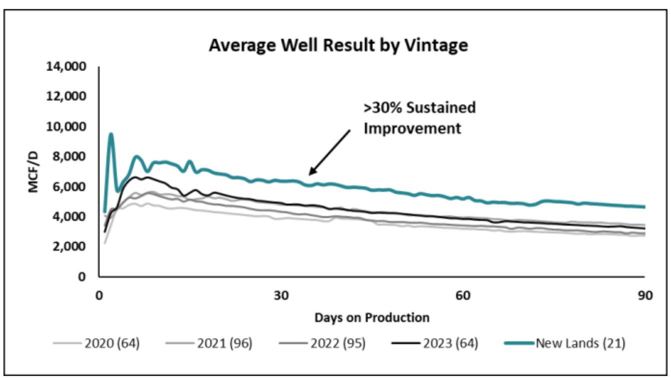
July 2024 **By Jean-Paul Lachance, President and Chief Executive Officer**

Acquisition Update

Eight months ago, Peyto closed the acquisition of Repsol Canada Energy Partnership. This was a transformational event in our 25-year history as it brought 455,000 net acres of land into Peyto that were immediately adjacent to us and highly coveted by our team. These lands had been sitting relatively dormant for a long time. In the decade prior to the acquisition, Peyto drilled nearly 1,300 horizontals across 13 formations in the cretaceous stack, while on the acquisition lands, less than 150 horizontals were drilled over the same period. This under-development presented an amazing opportunity not only to work the lands geotechnically, but to apply the knowledge we have gained drilling horizontal wells over the last 15 years.

We wasted no time getting started by spudding the first well one day after the deal closed and began high grading the inventory immediately for the 2023 and 2024 drilling programs. The results have not disappointed. As Figure 1 shows, the average production from the 21 wells brought on stream to date on the newly acquired lands have outperformed the last four annual drilling programs at Peyto by over 30%. And the improved production result isn't due to incremental well stimulation or length. In fact, we have applied our latest well design, and costs have actually been slightly lower than wells on our legacy lands.

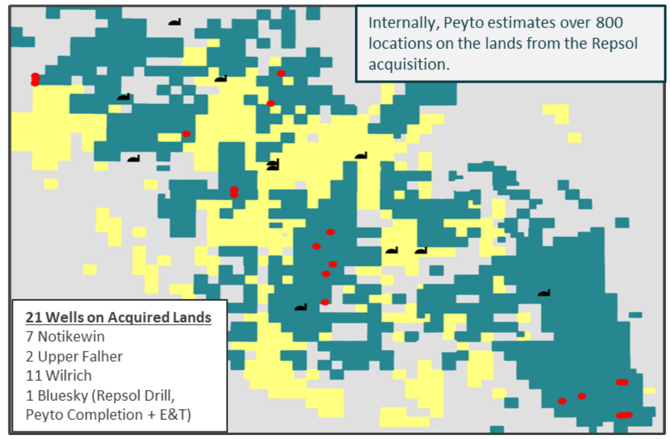
Figure 1: Successful Development of Acquisition Lands



Just as important as the well results is the geographic and stratigraphic diversity of the program. Figure 2 shows the wells drilled in red across the new land base that have targeted the Notikewin, Upper Falher, Wilrich, and Bluesky. The breadth of the program helps to prove up the entire land base and gives us confidence in the 800+ high quality locations the team has identified. We expect to dedicate about 50% of our 2024 drilling program to the new lands. At that pace, Peyto has greater than twenty years of drilling inventory (assuming 40 wells per year, or half of the capital program going forward).

The Wilrich program in Edson has been producing strong results, whereby the successful development combined with the infrastructure integration efforts to date have increased total sales production through the Edson Gas Plant from 85 MMcf/d at the time of the acquisition, to over 120 MMcf/d today. The increased plant utilization will go a long way to help us meet our 10% reduction target of operating costs by year end and continue to drive down our industry-leading cash costs to levels prior to the acquisition, in time.

Figure 2: Acquisition Development to Date



Operational Highlights

In late June, Peyto was able to support the start up of the Cascade power generation facility by supplying gas directly from our Swanson gas plant using our new 23 km, 10-inch pipeline. Cascade is expected to be fully operational shortly which will begin our 15-year natural gas supply contract of 60,000 GJ/d (~52 MMcf/d).

Peyto continues to run 4 rigs on multi-well pads and will spend prudently over the summer to complete and tie-in wells while being mindful of natural gas prices. Peyto's strong hedge position for the summer (~460 MMcfd at $3.57/Mcf) and industry leading cash costs protect us during these periods of low gas prices. Most of our remaining unhedged gas is exposed to Malin, Ventura, Dawn, and Alberta power price markets under various contract arrangements. The balance of any natural gas we produce is exposed to the current AECO/Empress market. As such, Peyto expects to keep production relatively flat over the next few months to minimize gas exposure to low prices through this unsettled period and will be poised to take advantage of better pricing in the fall and winter.

Capital Investment ($C millions)[1]

	2022	Q1 23	Q2 23	Q3 23	Q4 23	2023	Jan 24	Feb 24	Mar 24	Q1 24	Apr 24	May 24
D,C,E&T [2]	**371**	89	72	81	91	**333**	29	32	33	**94**	28	22
Facilities	**100**	32	9	11	12	**64**	6	4	8	**18**	5	6
Other [3]	**10**	1	1	1	12	**16**			2	**2**		1
Acquisitions [4]	**48**											
Total	**529**	**122**	**82**	**94**	**115**	**413**	**35**	**36**	**42**	**114**	33	29
ARO Activities [5]	**5**			1	2	**3**	2	1	1	**4**		

Production (mboe/d)[1]

	2022	Q1 23	Q2 23	Q3 23	Q4 23	2023	Jan 24	Feb 24	Mar 24	Q1 24	Apr 24	May 24	Jun 24
Sundance	**76**	71	67	66	87	**73**	89	95	95	93	91	91	**93**
Brazeau	**23**	27	28	28	29	**28**	28	27	27	27	27	26	**24**
Other	**5**	5	4	4	4	**4**	5	5	5	5	6	5	**5**
Total	**104**	**103**	**99**	**98**	**120**	**105**	**122**	**127**	**127**	**125**	**124**	**122**	**122**
Liquids %	**12%**	12%	11%	11%	13%	**12%**	13%	13%	14%	13%	12%	12%	**12%**

1. *This estimate is based on field data, not a forecast, but actual numbers will vary from the estimate due to accruals and adjustments. Such variance may be material. Tables may not add due to rounding.*
2. *Well related costs including Drilling, Completions, Equip and Tie-in.*
3. *Other costs include Land, Seismic, and Miscellaneous.*
4. *Acquisitions costs include asset and corporate deals but does not include the acquisition of the Repsol partnership.*
5. *Asset Retirement Obligations (ARO) spending is decommissioning expenditures incurred in the period.*

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FORWARD LOOKING STATEMENTS

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

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

NON-GAAP AND OTHER FINANCIAL MEASURES

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

The 800+ gross drilling locations identified herein with respect to the Repsol acquisition are made up 216 gross proved locations, 83 gross probable locations and 501+ gross unbooked locations. Booked locations are derived from an independent engineering report by GLJ Ltd. effective December 31, 2023. Unbooked locations have been identified by management as an estimation of Peyto's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Peyto will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves or production. The drilling locations on which Peyto actually drills wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, some of the other unbooked drilling locations are further away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations, and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves or production.