Peyto Exploration & Development Corp.
Monthly Report

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

The Right Postal Code

When Peyto looked at the Repsol assets for sale last year the drilling upside was obvious, and we have delivered some great results so far. But another important aspect of the deal was the vast infrastructure (gas plants, pipelines, and roads) that fit so well with our own assets and would support many years of growth. For example, the Edson Gas Plant (the "EGP" or "Facility"), built in 1965 to process sour natural gas production near the Town of Edson, is ideally situated at the confluence of major infrastructure and will feature as a key piece in Peyto's future growth and commercial opportunities in the Deep Basin as it has many positive attributes and logistical advantages. Since closing the acquisition, we have increased our working interest in the Facility from 61% to 83%, giving us more control of the plant and more of the plant's 275 MMcf/d of gas processing capacity. While the EGP was only 30% utilized when we acquired it, we set a plan to simplify the operations, increase reliability and utilization, and ultimately reduce our operating costs. Peyto has undertaken two key projects in 2024 to achieve this including the re-direction of volumes processed at a third party deep cut plant and most recently, the shutdown of the sour processing equipment at the plant.

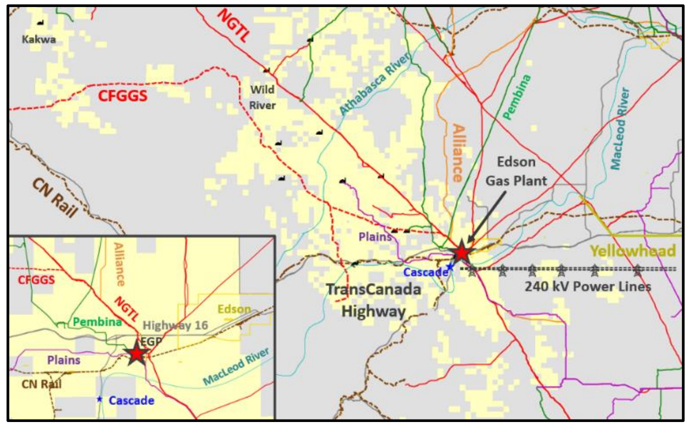
The EGP has just the right postal code making it commercially exciting with a dual pipeline connection for both gas and liquids egress, a substantial large diameter gathering system, a nearby high voltage power line at Cascade, its own rail spur on the CN mainline, the nearby MacLeod River as a water source, and close proximity to the four-lane TransCanada highway that connects Edson to Edmonton, two hours away.

Pipeline connections to the major natural gas transmission systems, NGTL and Alliance, allow gas to be sold in Alberta or to multiple downstream markets in North America. Peyto also wholly owns the Central Foothills Gas Gathering System (CFGGS) and an extensive large diameter gathering system connected south of the plant. The CFGGS is a 180 km pipeline that starts west of Peyto's Kakwa area, runs through Wild River and the heart of Sundance, and connects to the EGP. The CFGGS and southern gathering system have great potential for connecting Peyto facilities but also present commercial opportunities to bring sweet, 3rd party gas to the EGP for processing.

The EGP sits on a spur of a main CN rail line giving us access to import and export products from across Canada during operations and construction projects. The Facility uses a lean oil system to extract natural gas liquids which is more effective at recovering valuable propane and butane than Peyto's standard refrigeration process. This is complimented with connections to both Pembina and Plains Midstream liquids pipeline egress for increased flexibility and redundancy. However, should Peyto construct a liquid fractionation plant, the logistical advantage of a private rail connection provides us with access to Asian (Far East) pricing by shipping propane and or butane to the west coast.

The Facility is equipped with a cogeneration system that increases plant electrical reliability and consistently supplies 8 – 10 MW of power to the grid. In addition, the EGP requires only a short tie-in to provide natural gas to the nearby 900 MW Cascade power plant as supplemental or redundant supply. This gives Peyto greater certainty and flexibility to meet our 60,000 GJ/d, 15-year supply contract.

Figure 1: The Edson Gas Plant Location



The EGP is well situated for future demand growth. In May-2024, Canadian Utilities Ltd. announced a $2 billion project to build a 200 km pipeline that will deliver 1 bcf/d of natural gas from the Edson area to the Dow Chemicals ethylene cracker in Fort Saskatchewan, increasing local demand for our product. Additionally, the EGP could be an ideal location for data centre development as it sits over top of long-life natural gas reserves operated by the lowest cost operator in the industry. The Facility could provide a reliable power source with nearby cooling water from the MacLeod River and is situated on an abundance of private land adjacent to a large labour pool for construction and operation.

The EGP is a key asset for Peyto, and we will continue focusing on simplifying operations, driving down costs, and evaluating the commercial opportunities that the Facility presents as part of our long-time commitment to creating shareholder value.

Operational Highlights

Peyto continues to manage production during low gas prices. Capital and field production estimates for the most recent month follow:

Capital Investment ($C millions)[1]

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

Production (mboe/d)[1]

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

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

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FORWARD LOOKING STATEMENTS

Certain information set forth in this monthly report, including management's expectation of future natural gas prices, and the reasons therefore and management's estimate of monthly capital spending, field estimate of production, current fixed revenue projections for 2024, production decline rates 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.