

Peyto Reports Second Quarter 2024 Results

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CALGARY, Aug. 13, 2024 - [Peyto Exploration & Development Corp.](#) (TSX: PEY) ("Peyto" or the "Company") is pleased to report operating and financial results for the second quarter of 2024.

Q2 2024 Highlights:

- Delivered \$154.8 million in funds from operations^{1,2} ("FFO"), or \$0.79/diluted share, generated earnings of \$51.4 million, or \$0.26/diluted share, and returned \$64.4 million of dividends to shareholders.
- Production volumes averaged 122,299 boe/d (642.8 MMcf/d of natural gas, 15,174 bbls/d of NGLs), a 24% 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 successful drilling program on the Repsol Assets continued during the quarter with sustained increases to average well productivity of approximately 30% above Peyto's recent annual drilling programs.
- The Company's disciplined hedging and diversification program protected second quarter revenues from the lowest AECO daily benchmark natural gas prices since 2019. Peyto's realized natural gas price for the quarter of \$2.87/Mcf (or \$2.50/GJ) was more than double the average AECO daily price of \$1.12/GJ. The Company exited the quarter with a strong hedge position, which currently protects approximately 449 MMcf/d, 455 MMcf/d and 260 MMcf/d of gas production for the second half 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 dividends, capital program, and continued strengthening of the balance sheet.
- Quarterly cash costs³ totaled \$1.50/Mcfe, including royalties of \$0.26/Mcfe, operating costs of \$0.52/Mcfe, transportation of \$0.30/Mcfe, G&A of \$0.06/Mcfe and interest expense of \$0.36/Mcfe. Peyto's operating costs have decreased 5% from the first quarter of 2024, and are on target to achieve a 10% reduction by the end of 2024. Peyto continues to have the lowest cash costs in the Canadian oil and natural gas industry.
- Total capital expenditures were \$100.5 million in the quarter. Peyto drilled 20 wells (18.8 net), completed 19 wells (17.5 net), and brought 13 wells (13.0 net) on production.
- Peyto delivered a 62% operating margin⁴ and a 19% profit margin⁵, resulting in a 9% return on capital employed⁶ ("ROCE") and a 11% return on equity⁸ ("ROE"), on a trailing 12-month basis.

Second Quarter 2024 in Review

Natural gas prices sunk to near five-year lows across North America in the second quarter as storage inventories remain elevated coming out of a warm winter season. The AECO daily benchmark averaged just \$1.12/GJ, while Peyto realized \$2.50/GJ on account of the Company's disciplined hedging strategy that delivered \$71.4 million of natural gas hedging gains for the quarter. Peyto's operating costs of \$0.52/Mcfe were reduced by 5% from Q1 2024, partially due to the redirection of natural gas volumes from a third-party operated, deep-cut facility to Peyto's owned and operated Edson gas plant, which resulted in a reduction of approximately 2,000 bbl/d of NGLs that were primarily low value liquid ethane. The Company remains committed to its goal to reduce operating costs by 10% from first quarter levels by the end of 2024. Peyto's strong hedge book and low-cost structure combined to deliver FFO of \$154.8 million (\$0.79/diluted share) and free funds flow⁷ totaling \$54.0 million despite the downward pressure on natural gas prices. Peyto's profit margin of 19% drove quarterly earnings of \$51.4 million (\$0.26/diluted share). First half 2024 FFO of \$359.5 million and free funds flow of \$140.7 million exceeded dividends of \$128.5 million allowing for continued debt reduction.

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 Q2 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 Q2 2024 MD&A.

⁷ Free funds flow is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q2 2024 MD&A.

	Three Months Ended June 30 %		Six Months Ended June 30 %	
	2024	2023	Change	2024
Operations				
Production				
Natural gas (Mcf/d)	642,754	526,732	22%	644,994
NGLs (bbl/d)	15,174	10,989	38%	16,159
Thousand cubic feet equivalent (Mcf/d @ 1:6)	733,796	592,665	24%	741,951
Barrels of oil equivalent (boe/d @ 6:1)	122,299	98,777	24%	123,658
Production per million common shares (boe/d)	627	565	11%	635
Product prices				
Realized natural gas price - after hedging and diversification (\$/Mcf)	2.87	3.13	-8%	3.47
Realized NGL price - after hedging (\$/bbl)	69.44	69.28	0%	64.62
Net Sales Price (\$/Mcf)	3.95	4.07	-3%	4.42
Operating expenses (\$/Mcf)	0.52	0.47	11%	0.53
Royalties (\$/Mcf)	0.26	0.18	44%	0.25
Transportation (\$/Mcf)	0.30	0.29	3%	0.30
Field netback ⁽¹⁾ (\$/Mcf)	2.90	3.15	-8%	3.37
General & administrative expenses (\$/Mcf)	0.06	0.05	20%	0.06
Interest expense (\$/Mcf)	0.36	0.22	64%	0.36
Financial (\$000, except per share)				
Natural gas and NGL sales including realized hedging gains (losses) ⁽²⁾	263,832	219,409	20%	596,373
Funds from operations ⁽¹⁾	154,835	142,354	9%	359,461
Funds from operations per share - basic ⁽¹⁾	0.79	0.81	-2%	1.85
Funds from operations per share - diluted ⁽¹⁾	0.79	0.81	-2%	1.83
Total dividends	64,365	57,715	12%	128,523
Total dividends per share	0.33	0.33	0%	0.66
Earnings	51,437	57,415	-10%	151,313
Earnings per share - basic	0.26	0.33	-21%	0.78
Earnings per share - diluted	0.26	0.33	-21%	0.77
Total capital expenditures ⁽¹⁾	100,451	82,319	22%	214,214
Decommissioning expenditures	391	-	-	4,597
Total payout ratio ⁽¹⁾	107%	98%	9%	97%
Weighted average common shares outstanding - basic	195,045,669	174,895,215	12%	194,731,111
Weighted average common shares outstanding - diluted	196,520,101	176,305,942	11%	195,967,111
Net debt ⁽¹⁾				1,337,500
Shareholders' equity				2,691,700

Total assets

5,393,5

(1) This is a Non-GAAP financial measure or ratio. See "non-GAAP and Other Financial Measures" in this news release and in the Q2 2024 MD&A

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

Capital Expenditures

Peyto drilled 20 wells (18.8 net), completed 19 wells (17.5 net) and brought 13 wells (13.0 net) on production for total drilling, completion, equipping and tie-in costs of \$86.6 million in the quarter. Facilities and pipeline projects totaled \$13.3 million in the quarter, which included the first phase of the Edson gas plant turnaround, continued Repsol gas gathering system integration, and several pipeline debottlenecking projects. The Company operated four drilling rigs during the quarter that were situated on three-well pads to minimize equipment moves through the wet spring-breakup period and was prudent with timing of completions and tie-ins to avoid incremental costs during low natural gas prices. Peyto's drilling program featured 16 Wilrich, 1 Falher, 2 Notikewin, and 1 Dunvegan well. Twelve of the 20 wells drilled in the quarter were drilled on the Repsol Assets, with all twelve wells being drilled to the deeper Wilrich formation which helps further define many additional shallower targets. The results from these wells are largely outperforming previous wells in the area, mostly due to the application of the Company's current drilling and completion methodology. Additionally, the drilling program near Edson has been a key contributor to increasing utilization at the nearby Edson gas plant as part of Peyto's plan to reduce operating costs where plant inlet production has increased from 85 MMcf/d to over 125 MMcf/d by the end of the second quarter. Since the acquisition, Peyto has brought on production a total of 21 wells drilled on the Repsol Assets. These wells continue to exhibit a sustained average productivity increase of approximately 30% as compared to Peyto's recent annual drilling programs. The Company continues to drill longer horizontal wells to increase reserves recovery efficiencies with average horizontal length of wells in the quarter extended to 2,350 meters, or 6% longer than Q1 2024. Peyto improved drilling and completion costs per meter in the quarter by 8%, as compared to Q1 2024, summarized in the following table.

	2017	2018	2019	2020	2021	2022	2023	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2 ⁽¹⁾
Gross Hz Spuds	135	70	61	64	95	95	72	19	15	19	19	18	20
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
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
\$ per meter	\$450	\$425	\$420	\$396	\$424	\$555	\$582	\$587	\$574	\$559	\$603	\$585	\$539
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
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
\$ per Hz Length (m)	\$803	\$751	\$679	\$560	\$620	\$813	\$781	\$888	\$776	\$743	\$759	\$809	\$744
\$ '000 per Stage	\$81	\$51	\$38	\$36	\$37	\$47	\$52	\$59	\$50	\$46	\$53	\$55	\$49

(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 \$0.4 million on decommissioning expenditures in the quarter as part of the Company's 2024 responsible asset retirement plan, bringing the total to \$4.6 million for the year to date.

Commodity Prices and Realizations

In the second quarter, Peyto realized a natural gas price after hedging and diversification of \$2.87/Mcf, or \$2.50/GJ, 123% higher than the average AECO daily benchmark of \$1.12/GJ. Peyto's natural gas hedging activity resulted in a realized gain of \$1.22/Mcf (\$71.4 million) due to the sharp decline in AECO and Henry Hub natural gas prices over the past year.

Condensate and pentanes averaged \$103.97/bbl in the quarter, up 14% year over year, while Canadian dollar WTI ("WTI CAD") increased 11% to \$110.25/bbl over the same period. Butane, and propane volumes were sold in combination at an average price of \$35.69/bbl, or 32% of WTI CAD, up 27% from \$28.11/bbl in

Q2 2023. Peyto's combined realized NGL price in the quarter was \$71.86/bbl before hedging, and \$69.44/bbl including a hedging loss of \$2.42/bbl.

Netbacks

The Company's realized natural gas and NGL sales yielded a combined revenue stream of \$2.93/Mcfe before hedging gains of \$1.02/Mcfe, resulting in a net sales price of \$3.95/Mcfe in the quarter. Peyto's net sales price was 3% lower than the \$4.07/Mcfe realized in Q2 2023 due to lower natural gas prices, partially offset by increased realized hedging gains. Total cash costs of \$1.50/Mcfe were consistent with \$1.51/Mcfe in Q1 2024, as the \$0.03/Mcfe decrease in operating expenses was partially offset by higher royalties in the quarter from a gas cost allowance adjustment, related to the Repsol Assets, totaling \$0.05/Mcfe. 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), was \$2.47/Mcfe resulting in a 62% operating margin which allowed the Company to fund the capital program, and pay dividends to shareholders in the quarter. Despite the challenging natural gas market over the past six quarters, Peyto has achieved an average operating margin of 68% over the period, from its marketing and diversification strategy and its low-cost assets. 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
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
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
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
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
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
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
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
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
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
Operating Margin	67%	59%	63%	70%	71%	67%	69%	72%	71%	70%	69%	67%	69%	62%

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

Depletion, depreciation, and amortization charges of \$1.38/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 \$0.96/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 second half of 2024, calendar 2025, and calendar 2026.

	Q3 2024	Q4 2024	2025	2026
Natural Gas				
Volume (MMcf/d)	462	436	455	260
Average Fixed Price (\$/Mcf)	3.56	4.12	4.11	4.07
WTI Swaps				
Volume (bbls/d)	4,500	3,900	1,418	-
Average Fixed Price (\$/bbl)	102.90	101.87	99.53	-
WTI Collars				
Volume (bbls/d)	500	500	497	-
Put-Call (\$/bbl)	85.00-95.00	90.00-104.50	88.33-104.29	-
Propane				

Volume (bbls/d)	500	500	123	-
Average Fixed Price (US\$/bbl)	33.86	33.86	33.86	-
USD FX Contracts				
Amount sold (USD 000s)	81,000	62,000	245,000	91,500
Rate (CAD/USD)	1.3484	1.3421	1.3509	1.3546

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 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

Peyto continues to operate four drilling rigs across all core areas with 8 wells (8 net) drilled, 4 wells (3.8 net) completed, and 8 wells (6.5 net) brought on production since the start of the third quarter. While spot gas prices remain low, Peyto plans to continue to build productive capability while maximizing operational efficiency. For example, additional wells have been added to drilling pads to increase cost efficiencies despite delaying initial production timing. Additionally, several new wells have been brought on at restricted rates to minimize low natural gas price exposure. The Company will also use the opportunity to test the capability of gathering systems to identify optimization projects deemed necessary to coincide with future improved prices. This may include incremental compression, additional pipelines, and or wellsite optimizations for improved production rates later in the year.

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 Q2 2024 MD&A.

In early July, Peyto began the orderly shutdown of the hydrogen sulphide, ("sour gas") processing and sulphur recovery units at the Edson gas plant. This initiative, initially planned for later this year, was accelerated due to low summer natural gas prices. The higher operating cost nature and dependency on third-party volumes to run the sour gas units was a major factor in the decision. The shutdown of this portion of the plant is a key part of Peyto's plan to simplify operations to further reduce operating costs in 2024 and also serves to increase reliability, lower emissions, and improve safety risks. The removal of sour inlet gas also serves to free up the 100% owned, 180 km large diameter Central Foothills Gas Gathering System, that runs northwest of the plant, and will allow for greater sweet gas interconnectivity of Peyto's approximately 1 BCF/d of total owned processing complex in the Greater Sundance area.

The Edson gas plant will undergo the second and final phase of the major 2024 turnaround for upgrades and maintenance in September, focused on the sweet gas processing units. Efforts will be made to re-direct gas volumes to other operated gas plants during the turnaround in the area to minimize production impacts and is timed when gas prices are projected to remain lower.

Since the start of the third quarter, Peyto has been consistently supplying natural gas to the Cascade combined-cycle power plant, for the purposes of testing and commissioning, through the directly connected pipeline built from the Company's operated Swanson gas plant. Peyto's 15 year, 60,000 GJ/d supply contract is expected to commence on or before September 1, 2024.

Extreme heat in Alberta during July has caused some of the Company's natural gas compressors to run less efficiently, reducing throughput, which has resulted in approximately 2,000 boe/d to be deferred during the month. The recent return to normal seasonal weather has alleviated these issues and allowed operating conditions to return to normal.

Outlook

Peyto expects weaker spot natural gas prices will continue to prevail during the summer across North America as storage inventories remain elevated and supply and demand remain imbalanced. Natural gas future markets have softened recently but the Company remains well protected with large portions of future natural gas volumes hedged at prices near \$4/Mcf.

The Company remains on track to execute a 2024 capital program targeting the lower end of Peyto's guidance range between \$450 to \$500 million but is poised to respond as market conditions improve. In the meantime, Peyto will continue to drill and complete wells but will manage production at current levels and build productive capability in anticipation of a higher winter gas price market. The Company's low-cost operations and disciplined hedging program secure cash flows to support future dividends and continued strengthening of the balance sheet over the balance of 2024 and beyond.

The significant construction of new liquefied natural gas facilities with an additional 12 BCF/d of capacity coming online in the next few years in Canada and the USA, along with the prospects of future natural gas fired power demand to meet expanding data centre and artificial intelligence requirements are encouraging for natural gas producers and their investors.

Conference Call and Webcast

A conference call will be held with senior management of Peyto to answer questions with respect to the Company's Q2 2024 results on Wednesday, August 14, 2024, at 9:00 a.m. Mountain Time (MT), or 11:00 a.m. Eastern Time (ET).

Access to the webcast can be found at: <https://edge.media-server.com/mmc/p/mqjc4gd6>. To participate in the call, please register for the event at: <https://register.vevent.com/register/Bld85d42c533b444bbacbd79c521f67842>. Participants will be issued a dial in number and PIN to join the conference call and ask questions. Alternatively, questions can be submitted prior to the call at info@peyto.com. The conference call will be available on the Peyto Exploration & Development website at www.peyto.com.

Management's Discussion and Analysis

A copy of the second quarter report to shareholders, including the MD&A, unaudited consolidated financial statements and related notes, is available at <http://www.peyto.com/Files/Financials/2024/Q22024FS.pdf> and at <http://www.peyto.com/Files/Financials/2024/Q22024MDA.pdf> and will be filed at SEDAR+, www.sedarplus.com at a later date.

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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 capital expenditure program; the commencement date of the Cascade Power Plant; the sustainability of the Company's dividend; expectations regarding cost reductions with continued optimization and increased utilization of the acquired gas processing plants; the Company's target of at least a 10% reduction in per unit operating costs by the end of 2024; Peyto's outlook on North American natural gas prices and supply/demand fundamentals; 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 (Mcf)

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 (Mcf) 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 June 30 Six Months Ended June 30

(2020)	2023	2024	2023
Cash flows from operating activities	148,608	338,765	332,214
Change in non-cash operating capital	(6,254)	10,509	(10,043)
Decommissioning expenditures	4,597	-	-
Performance based compensation	2,500	-	-
Funds from operations	146,951	359,461	322,171

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 June 30 Six Months Ended June 30

(2020)	2023	2024	2023
Cash flows from operating activities	148,608	338,765	332,214

Change in non-current working capital	10,559	(10,043)
Performance based compensation	2,500	-
Capital expenditures	(214,214)	(204,121)
Cash flow	60,035	118,050

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 June 30	Six Months Ended June 30
2024	2023
Cash flows used in investing activities	228,321
Change in prepaid capital	3,387
Change in non-current working capital relating to investing activities	(27,587)
Capital expenditures	204,121

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.

As at	As at	As at
June 30, 2024	December 31, 2023	June 30, 2023
Long-term debt	1,340,881	747,960
Current assets	(490,936)	(225,642)
Current liabilities	279,903	235,103
Current derivative instruments - current	114,938	114,938
Current portion of lease obligation	(1,288)	(1,288)
Current decommissioning provision - current	(1,521)	(1,521)
Net debt	1,362,777	869,550

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 June 30	Six Months Ended June 30
2024	2023
Sales of natural gas and NGLs from third parties	14,255
(Natural gas and NGLs purchased from third parties)	(14,001)
Third-party sales net of purchases	-

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 June 30		Six Months Ended June 30	
(\$/Mcfe)	2024	2023	2024	2023
Gross Sale Price	2.93	3.18	3.22	4.73
Realized hedging gain (loss)	1.02	0.89	1.20	(0.18)
Net Sale Price	3.95	4.07	4.42	4.55
Third party sales net of purchases	0.01	-	-	-
Other income	0.02	0.02	0.03	0.06
Royalties	(0.26)	(0.18)	(0.25)	(0.36)
Operating costs	(0.52)	(0.47)	(0.53)	(0.49)
Transportation	(0.30)	(0.29)	(0.30)	(0.27)
Field netback ⁽¹⁾	2.90	3.15	3.37	3.49
Net general and administrative	(0.06)	(0.05)	(0.06)	(0.04)
Interest on long-term debt	(0.36)	(0.22)	(0.36)	(0.22)
Realized loss on foreign exchange	(0.01)	(0.02)	-	(0.01)
Cash netback ⁽¹⁾ (\$/Mcfe)	2.47	2.86	2.95	3.22
Cash netback ⁽¹⁾ (\$/boe)	14.84	17.13	17.70	19.34

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 June 30		Six Months Ended June 30	
(\$000, except total payout ratio)	2024	2023	2024	2023
Total dividends declared	64,365	57,715	128,523	115,393
Total capital expenditures	100,451	82,319	214,214	204,121
Decommissioning expenditures	391	-	4,597	-
Total payout	165,207	140,034	347,334	319,514
Funds from operations	154,835	142,354	359,461	322,171
Total payout ratio (%)	107%	98%	97%	99%

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.

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