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 March 11, 2025 and should be read in conjunction with the audited consolidated financial statements (the "financial statements") as at and for the years ended December 31, 2024 and 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, 2024, the Company’s total Proved plus Probable reserves were 8.2 trillion cubic feet equivalent (1.37 billion barrels of oil equivalent) as evaluated by its independent petroleum engineers. Cumulative production over Peyto's 26-year history totals 2.97 trillion cubic feet equivalent and is currently weighted approximately 88% to natural gas and 12% 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. Inception to date, Peyto has generated cumulative earnings of $3.7 billion and returned $3.1 billion of dividends (including trust distributions) to shareholders.

ANNUAL FINANCIAL INFORMATION

Year Ended December 31 ($000 except per share amounts)	**2024**	2023	2022
Natural gas and NGL sales including realized hedging gains/losses (1)	**1,172,079**	1,046,925	1,198,999
Funds from operations(2)	**712,758**	670,471	827,596
Per share – basic (2)	**3.64**	3.75	4.85
Per share – diluted (2)	**3.62**	3.72	4.73
Earnings	**280,570**	292,635	390,633
Per share – basic	**1.43**	1.64	2.29
Per share – diluted	**1.42**	1.62	2.23
Total capital expenditures(2)	**457,607**	412,919	506,860
Total Assets	**5,505,890**	5,509,642	4,012,523
Total current and long term debt (3)	**1,353,093**	1,398,751	859,176
Dividend per share(2)	**1.32**	1.32	0.60
Total payout ratio (%)(2)	**102%**	98%	74%

(1) Excludes marketing revenue

(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

(3) Refer to note 5 "Current and long-term debt" in the financial statements

QUARTERLY FINANCIAL INFORMATION

	2024				**2023**			
($000 except per share amounts)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Natural gas and NGL sales, net of royalties and including realized hedging gains/losses (1)	**299,330**	248,913	246,392	315,893	297,647	216,456	209,714	248,766
Funds from operations(2)	**198,956**	154,343	154,835	204,622	200,319	147,980	142,354	179,817
Per share – basic (2)	**1.01**	0.79	0.79	1.05	1.05	0.84	0.81	1.03
Per share – diluted (2)	**1.00**	0.78	0.79	1.05	1.05	0.84	0.81	1.02
Earnings	**78,228**	51,029	51,437	99,875	87,795	57,444	57,415	89,981
Per share – basic	**0.40**	0.26	0.26	0.51	0.46	0.33	0.33	0.51
Per share – diluted	**0.39**	0.26	0.26	0.51	0.46	0.33	0.33	0.51
Total dividends declared	**65,140**	64,707	64,365	64,158	63,811	59,802	57,715	57,678
Dividend per share(2)	**0.33**	0.33	0.33	0.33	0.33	0.33	0.33	0.33
Total capital expenditures(2)	**117,525**	125,869	100,451	113,762	115,218	93,579	82,319	121,802
Corporate acquisition	-	-	-	-	699,358	-	-	-
Total payout ratio (%)(2)	**93%**	125%	107%	89%	90%	104%	98%	100%

(1) Excludes marketing revenue

(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

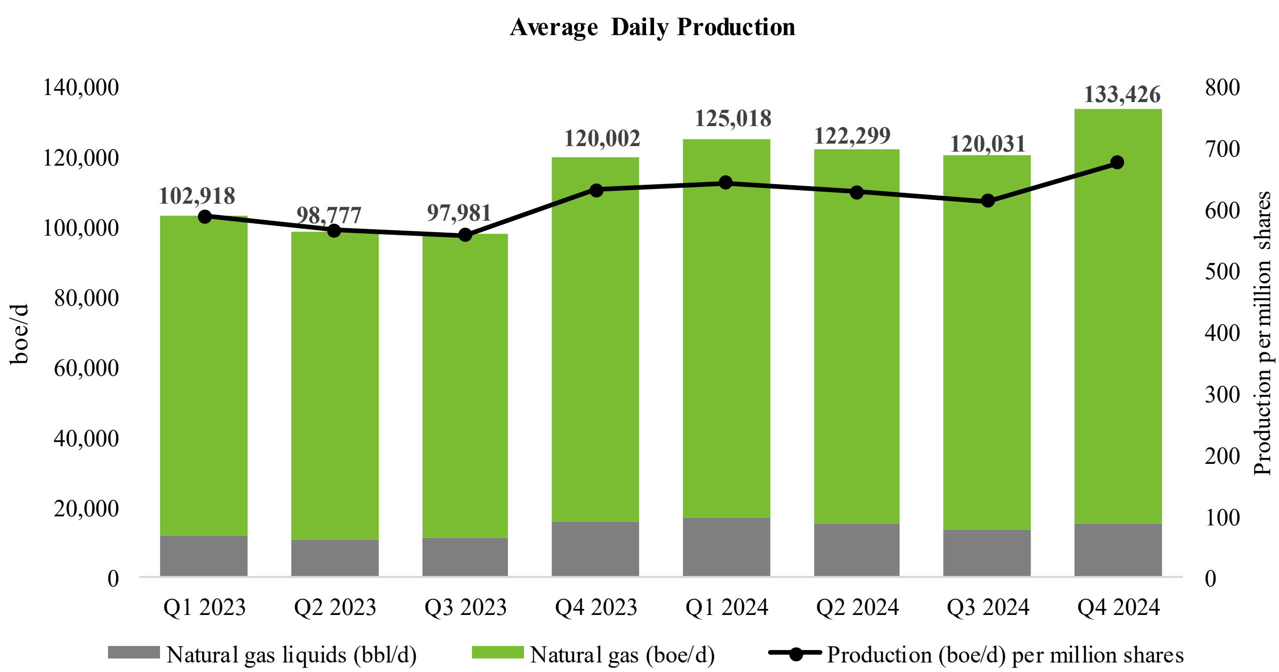
RESULTS OF OPERATIONS

Production

	Three Months Ended December 31			Year Ended December 31		
	2024	2023	% Change	**2024**	2023	% Change
Natural gas (MMcf/d)	**708.1**	623.0	*14%*	**659.2**	553.7	*19%*
Natural gas liquids ("NGLs") (bbl/d)	**15,409**	16,175	*-5%*	**15,334**	12,657	*21%*
Total (boe/d)	**133,426**	120,002	*11%*	**125,202**	104,948	*19%*
Total (MMcfe/d)	**800.6**	720.0	*11%*	**751.2**	629.7	*19%*

Peyto's total production for the fourth quarter of 2024 increased 11% to 133,426 boe/d, compared to 120,002 boe/d for the fourth quarter of 2023. The year-over-year increase in fourth quarter total production reflects strong well results from the Company's 2024 drilling program, combined with a full quarter of production from the acquisition of Repsol Canada Energy Partnership (the "Repsol Acquisition"), which was completed on October 17, 2023.

For the year ended December 31, 2024, total production increased by 19% to 125,202 boe/d, compared to 104,948 boe/d for 2023. The increase for the year ended December 31, 2024 was primarily due to a full year of production from the Repsol Acquisition and strong well results from Peyto's drilling program, partially offset by the Company's low-value ethane rejection in the second quarter of 2024 and Peyto's strategy to curtail production volumes in the third quarter of 2024 when summer natural gas prices were weak.



Natural Gas Liquids Production by Component

	Three Months Ended December 31			Year Ended December 31		
	2024	2023	% Change	**2024**	2023	% Change
Condensate and Pentanes Plus (bbl/d)	**8,360**	8,359	*0%*	**8,089**	7,175	*13%*
Other Natural gas liquids (bbl/d)	**7,049**	7,816	*-10%*	**7,245**	5,482	*32%*
NGLs (or "liquids") (bbl/d)	**15,409**	16,175	*-5%*	**15,334**	12,657	*21%*
Liquid to gas ratio (bbls/MMcf)	**21.8**	26.0	*-16%*	**23.3**	22.9	*2%*

Peyto's liquid-to-gas ratio decreased by 16% to 21.8 bbls/MMcf for the fourth quarter of 2024 from 26.0 bbls/MMcf for the same period of 2023. The decreased recovery of liquids in the fourth quarter of 2024 was mainly due to decreased low-value ethane production compared to the same period of 2023. In the second quarter of 2024, Peyto terminated a third-party, deep-cut gas processing contract to lower operating costs, which resulted in decreased ethane production. See Peyto's Second Quarter 2024 MD&A for additional information on the ethane rejection.

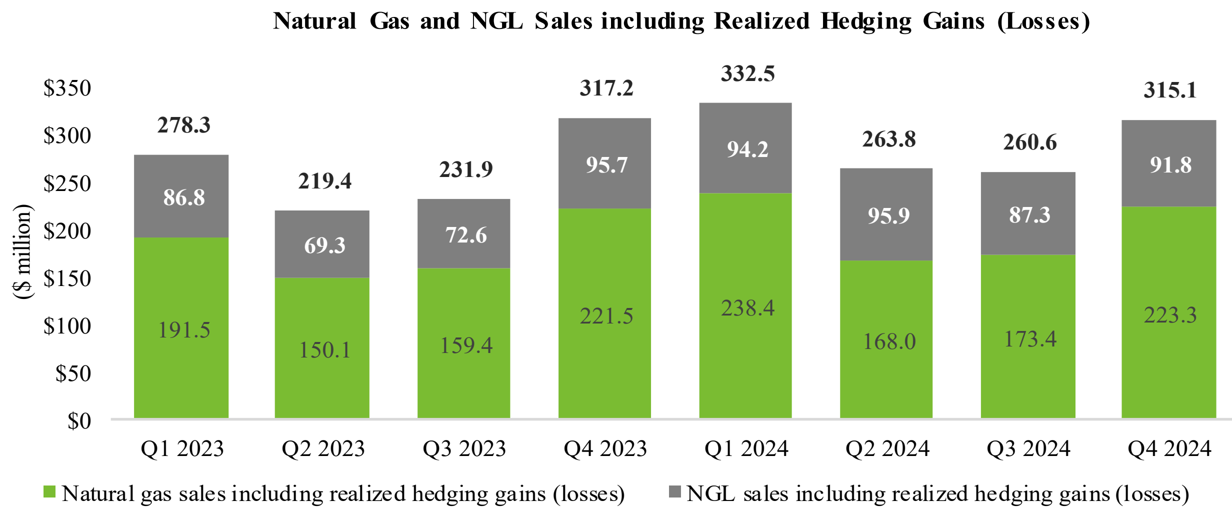
Revenue from Natural Gas and NGL Sales and Realized Hedging Gains (Losses)

	Three Months Ended December 31			Year Ended December 31		
($000)	**2024**	2023	% Change	**2024**	2023	% Change
Natural gas sales[(1)]	**147,970**	174,095	*-15%*	**485,857**	664,675	*-27%*
Realized hedging gains - gas	**75,300**	47,432	*59%*	**317,077**	57,860	*448%*
Natural gas sales including realized hedging gains	**223,270**	221,527	*1%*	**802,934**	722,535	*11%*
NGL sales[(1)]	**90,516**	96,250	*-6%*	**371,370**	321,062	*16%*
Realized hedging gains (losses) - NGLs	**1,312**	(531)	*-347%*	**(2,225)**	3,328	*-167%*
NGL sales including realized hedging gains (losses)	**91,828**	95,719	*-4%*	**369,145**	324,390	*14%*
Natural gas and NGL sales[(1)]	**238,486**	270,345	*-12%*	**857,227**	985,737	*-13%*
Realized hedging gains	**76,612**	46,901	*63%*	**314,852**	61,188	*415%*
Natural gas and NGL sales including realized hedging gains (losses)[(1)]	**315,098**	317,246	*-1%*	**1,172,079**	1,046,925	*12%*

(1) Excludes marketing revenue

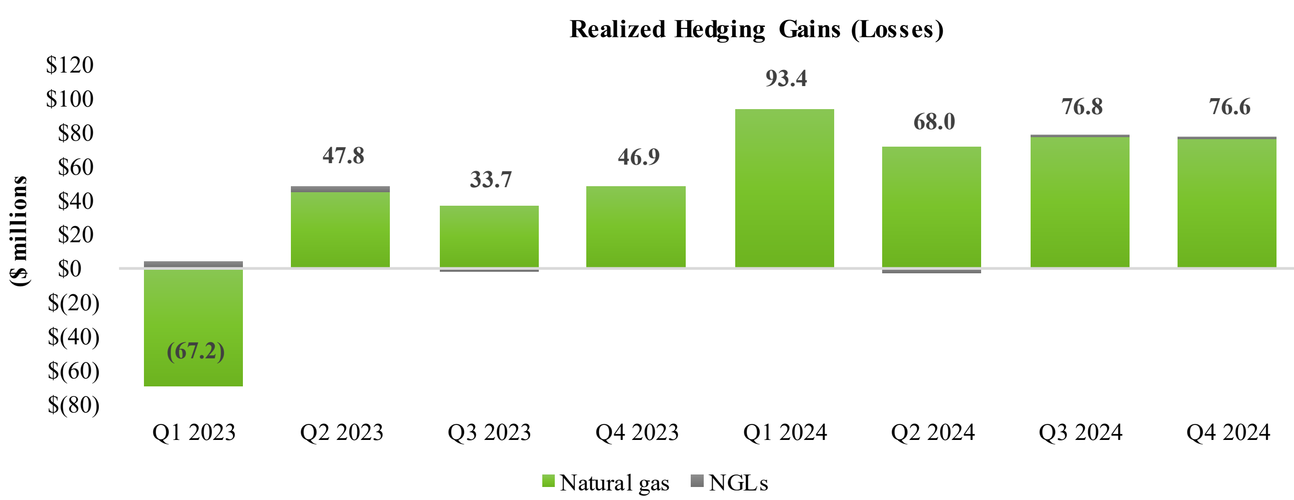
For the fourth quarter of 2024, natural gas and NGL sales including realized hedging gains decreased 1% to $315.1 million compared to $317.2 million for the fourth quarter of 2023. For the year ended December 31, 2024, natural gas and NGL sales including realized hedging gains increased 12% to $1.17 billion from $1.05 billion for 2023. The decrease for the fourth quarter of 2024 was mainly driven by lower realized gas prices, partially mitigated by increased natural gas production volumes and increased realized hedging gains, compared to the fourth quarter of 2023. The increase for the year ended December 31, 2024, was due to higher production volumes coupled with increased realized hedging gains on natural gas volumes, partially reduced by lower realized natural gas and NGL prices.

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



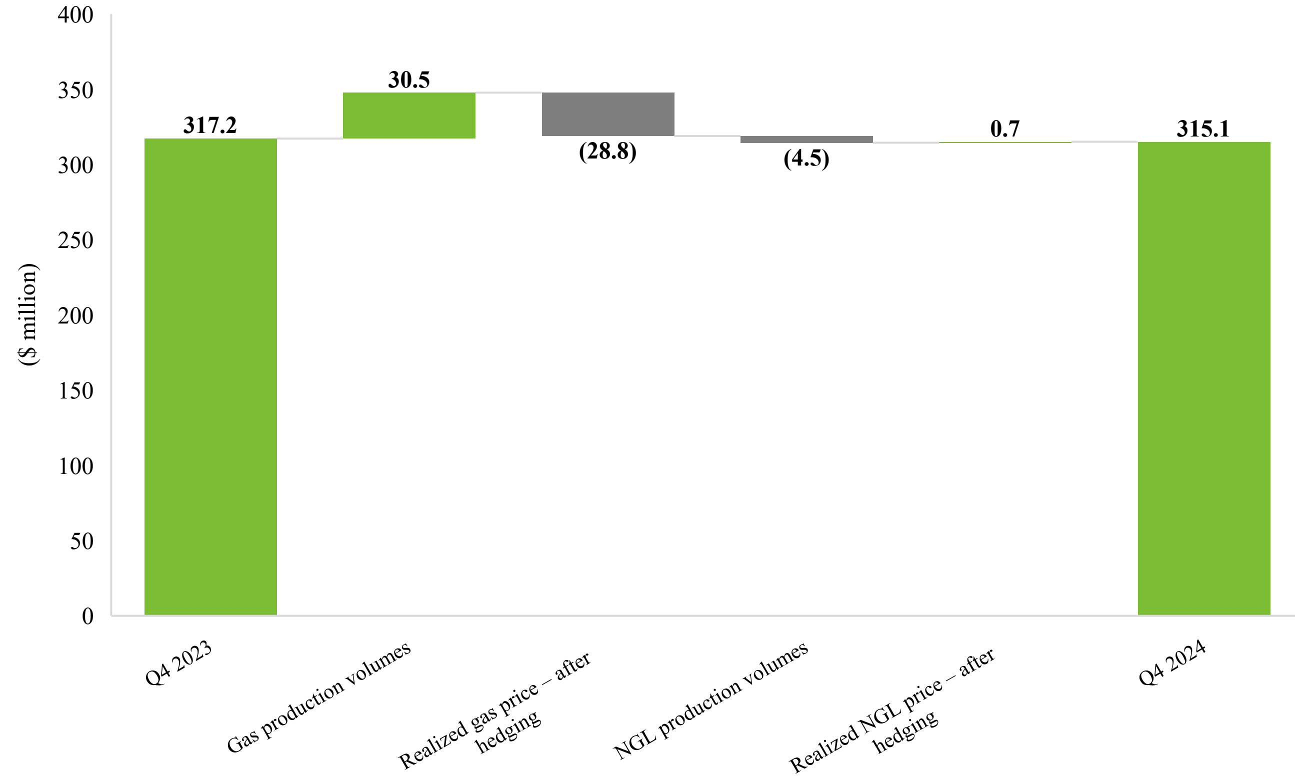
According to its commodity hedging policy, Peyto enters into risk management contracts with well-established counterparties for the purpose of protecting a portion of its future revenues from the volatility of oil and natural gas prices. In periods of increasing commodity prices, Peyto expects to realize 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 $511 million.

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

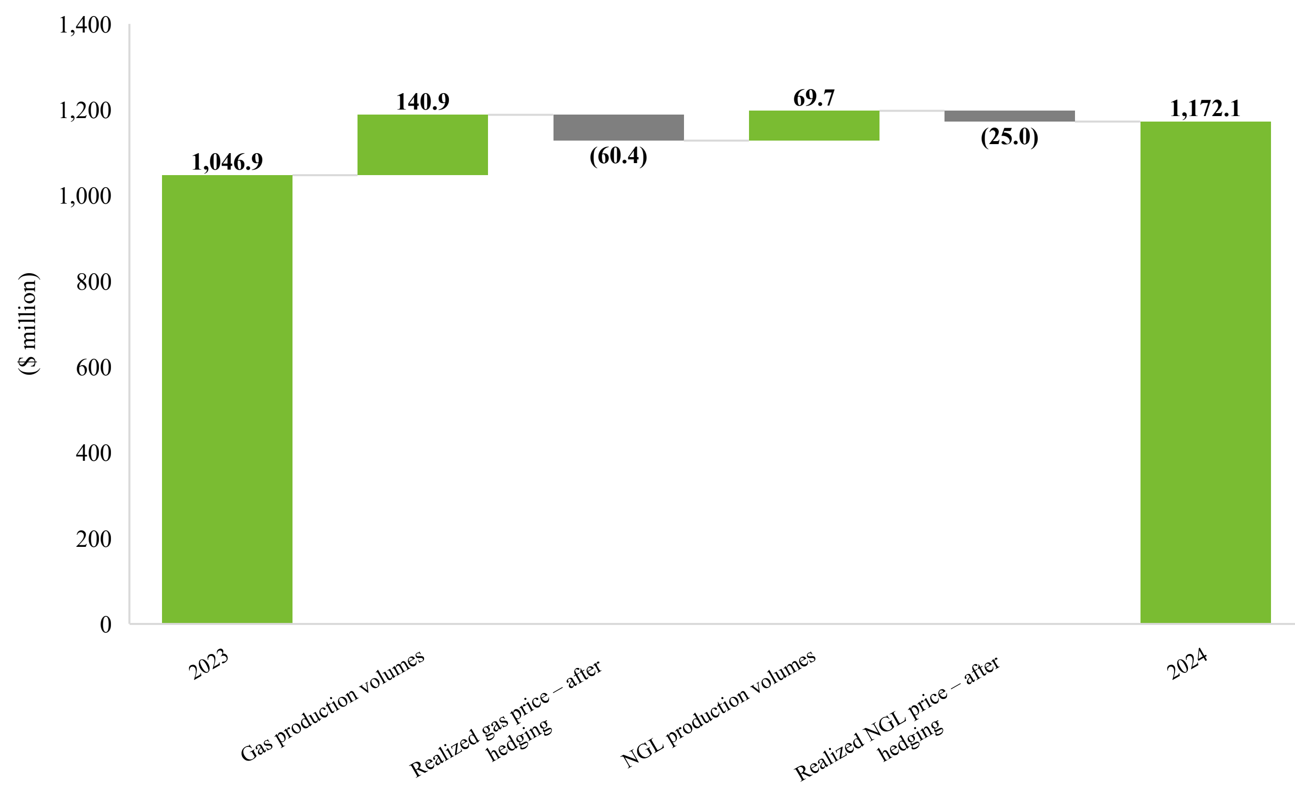


The change in revenue from natural gas and NGL sales including realized hedging gains (losses) in the three months and year ended December 31, 2024, from the same periods of 2023, are detailed in the following charts:

Change in Revenue and Realized Hedging Losses
Three Months Ended December 31



Change in Revenue and Realized Hedging Losses
Year Ended December 31



Benchmark Commodity Prices

	Three Months Ended December 31			Year Ended December 31		
	2024	2023	% Change	**2024**	2023	% Change
AECO 7A monthly ($/GJ)	**1.38**	2.52	*-45%*	**1.37**	2.78	*-51%*
AECO 5A daily ($/GJ)	**1.40**	2.18	*-36%*	**1.38**	2.50	*-45%*
NYMEX Henry Hub last day (US$/MMBtu)	**2.79**	2.88	*-3%*	**2.27**	2.74	*-17%*
Emerson2 (US$/MMBtu)	**1.55**	2.00	*-23%*	**1.39**	2.20	*-37%*
Malin monthly (US$/MMBtu)	**2.38**	4.65	*-49%*	**2.29**	7.52	*-70%*
Dawn (US$/MMBtu)	**2.23**	2.28	*-2%*	**1.96**	2.33	*-16%*
Ventura daily (US$/MMBtu)	**2.17**	2.23	*-3%*	**2.20**	2.29	*-4%*
Canadian WTI ("WTI CAD") ($/bbl)	**98.30**	106.72	*-8%*	**103.70**	104.78	*-1%*
Conway C3 (US$/bbl)	**30.84**	27.04	*14%*	**31.14**	28.93	*8%*
AESO power pool price ($/MWh)	**51.72**	81.74	*-37%*	**66.46**	133.55	*-50%*
Exchange rate (CDN/USD)	**1.399**	1.360	*3%*	**1.370**	1.350	*1%*

Commodity Prices

	Three Months Ended December 31			Year Ended December 31		
	2024	2023	% Change	**2024**	2023	% Change
Condensate and Pentanes Plus[1] ($/bbl)	**90.87**	96.30	-6%	**96.78**	97.69	*-1%*
Other Natural gas liquids[1] ($/bbl)	**31.81**	30.86	3%	**31.99**	32.59	*-2%*
Realized NGL price – before hedging ($/bbl)	**63.85**	64.68	-1%	**66.17**	69.50	*-5%*
Realized hedging gain (loss) ($/bbl)	**0.93**	(0.36)	-358%	**(0.40)**	0.72	*-156%*
Realized NGL price – after hedging ($/bbl)	**64.78**	64.32	1%	**65.77**	70.22	*-6%*
Natural gas[2] ($/Mcf)	**2.94**	3.75	-22%	**2.69**	3.97	*-32%*
Diversification activities ($/Mcf)	**(0.66)**	(0.71)	-7%	**(0.68)**	(0.68)	*0%*
Realized natural gas price ($/Mcf)	**2.27**	3.04	-25%	**2.01**	3.29	*-39%*
Realized hedging gain (loss) ($/Mcf)	**1.16**	0.83	40%	**1.31**	0.29	*352%*
Realized natural gas price – after hedging and diversification ($/Mcf)	**3.43**	3.87	-11%	**3.32**	3.57	*-7%*
Total realized hedging gain (loss) ($/Mcfe)	**1.04**	0.71	46%	**1.14**	0.27	*322%*
Total realized hedging gain (loss) ($/boe)	**6.24**	4.25	47%	**6.87**	1.60	*329%*

(1) Condensate, pentanes plus and other liquids prices are Peyto realized prices in Canadian dollars adjusted for fractionation and transportation. Excludes marketing revenue

(2) Excludes marketing revenue 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 Prices

Peyto's realized natural gas price, before hedging, decreased 25% to $2.27/Mcf for the fourth quarter of 2024 from $3.04/Mcf for the fourth quarter of 2023 due to the decline in benchmark gas prices. The Company's realized hedging gains totaled

$1.16/Mcf for the fourth quarter of 2024, which partially offset the decline in benchmark natural gas prices compared to the same quarter last year. Peyto's realized natural gas price, after hedging and diversification, totaled $3.43/Mcf (or $2.98/GJ) for the quarter, which was 11% lower than in the fourth quarter of 2023 but was 113% higher than the AECO 5A benchmark price of $1.40/GJ for the same period.

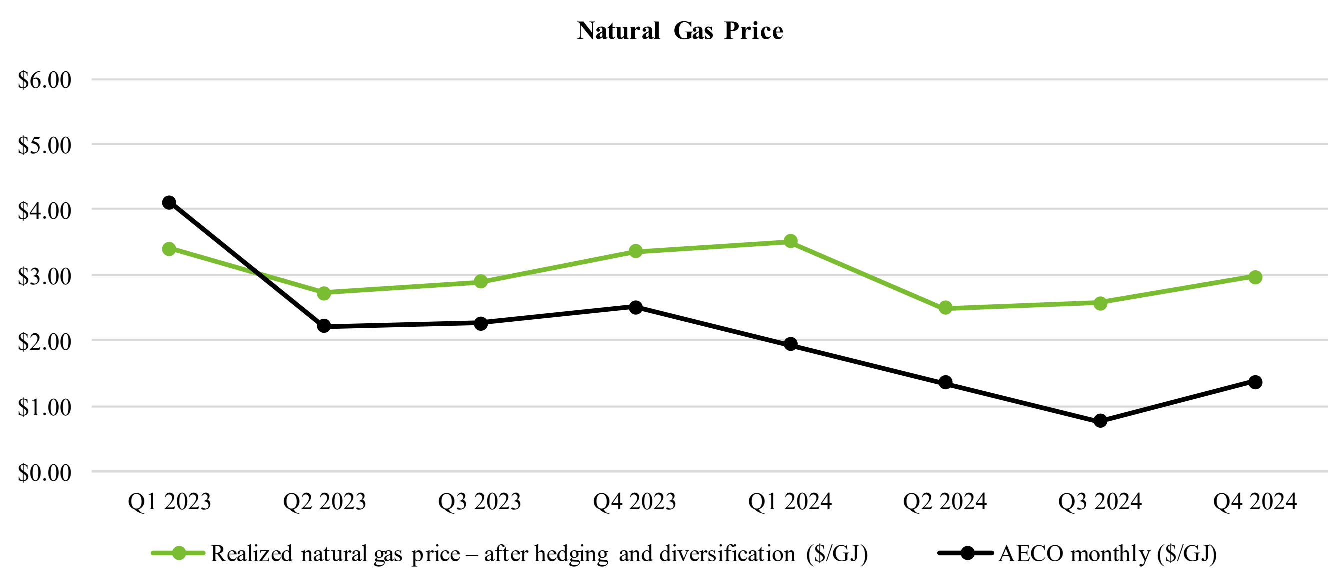
For the year ended December 31, 2024, Peyto's realized natural gas price, after hedging, decreased 7% to $3.32/Mcf from $3.57/Mcf for 2023, as strong hedging gains for 2024 partially mitigated the 39% decline in the realized natural gas price.

Peyto's natural gas market diversification activity resulted in natural gas sales being priced off various hubs including AECO, Ventura, Emerson 2, Malin, Dawn, Parkway, Chicago 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.

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.

In February 2025, Peyto added 30,000 MMBtu/d of physical service, delivering gas to Union Dawn hub in Ontario via the Great Lakes Transmission line. This long-term service is set to commence November 1, 2025, and provides additional market exposure to a strong demand region and is consistent with the Company's strategy of selling unhedged gas volumes into premium demand markets.

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.



<u>NGL Prices</u>

Peyto's condensate and pentanes plus prices averaged $90.87/bbl for the fourth quarter of 2024, down 6% from the fourth quarter in 2023, while the WTI CAD benchmark decreased 8% to $98.30/bbl over the same period. For the year ended December 31, 2024, condensate and pentanes plus prices decreased by 1% to $96.78/bbl compared to $97.69/bbl for the year ended December 31, 2023. This annual decrease is consistent with the 1% decrease in WTI CAD, which dropped to $103.70/bbl for the year ended December 31, 2024 from $104.78 for the same period of 2023.

The Company's total NGL price, before hedging, decreased 1% to $63.85/bbl for the fourth quarter of 2024, from $64.68/bbl a year earlier. For the year ended December 31, 2024, Peyto's NGL price, before hedging, decreased 5% to $66.17/bbl from $69.50/bbl for the same period of 2023.

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 % 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.

Marketing Revenue and Marketing Purchases

	Three Months Ended December 31			Year Ended December 31		
($000)	**2024**	2023	% Change	**2024**	2023	% Change
Marketing revenue	**8,038**	24,403	-67%	**51,023**	24,403	*109%*
Marketing purchases	**(6,776)**	(24,511)	-72%	**(47,793)**	(24,511)	*95%*
Net marketing revenue[(1)]	**1,262**	(108)	*1269%*	**3,230**	(108)	*3091%*

(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.

With the Repsol transaction, Peyto acquired NGL marketing contracts whereby the Company purchases NGL mix from third parties, transports and fractionates the product, and sells the NGL components. The marketing revenue and marketing purchases are recorded gross on Peyto's income statement and are accounted for separately from Peyto's own production.

For the fourth quarter of 2024, Peyto recorded marketing revenue totaling $8.0 million, and marketing purchases of $6.8 million, compared to marketing revenue totaling $24.4 million, and marketing purchases of $24.5 million for the fourth quarter of 2023. For the year ended December 31, 2024, marketing revenue totaled $51.0 million, and marketing purchases totaled $47.8 million, compared to marketing revenue of $24.4 million, and marketing purchases of $24.5 million for the year ended December 31, 2023.

The decrease in marketing revenue and marketing purchases in the fourth quarter of 2024 was due to decreased contracted volumes, as many of the NGL marketing agreements terminated on March 31, 2024.

Other Income

	Three Months Ended December 31			Year Ended December 31		
($000)	**2024**	2023	% Change	**2024**	2023	% Change
Other Income	**3,512**	2,971	*18%*	**10,389**	9,716	*7%*

Peyto's other income includes income from selling excess natural gas transportation service, electricity sales generated by the Company's cogeneration facility at the Edson Gas Plant and third-party processing income. For the three months and year ended December 31, 2024, other income increased to $3.5 million and $10.4 million, respectively, compared to the same periods of 2023. The 18% increase for the fourth quarter of 2024 is due to higher gas transportation service sales, partially offset by lower electricity sales compared to the fourth quarter of 2023. For the year ended December 31, 2024, other income increased 7% primarily due to increased electricity sales, partially offset by lower gas transportation service sales compared to 2023.

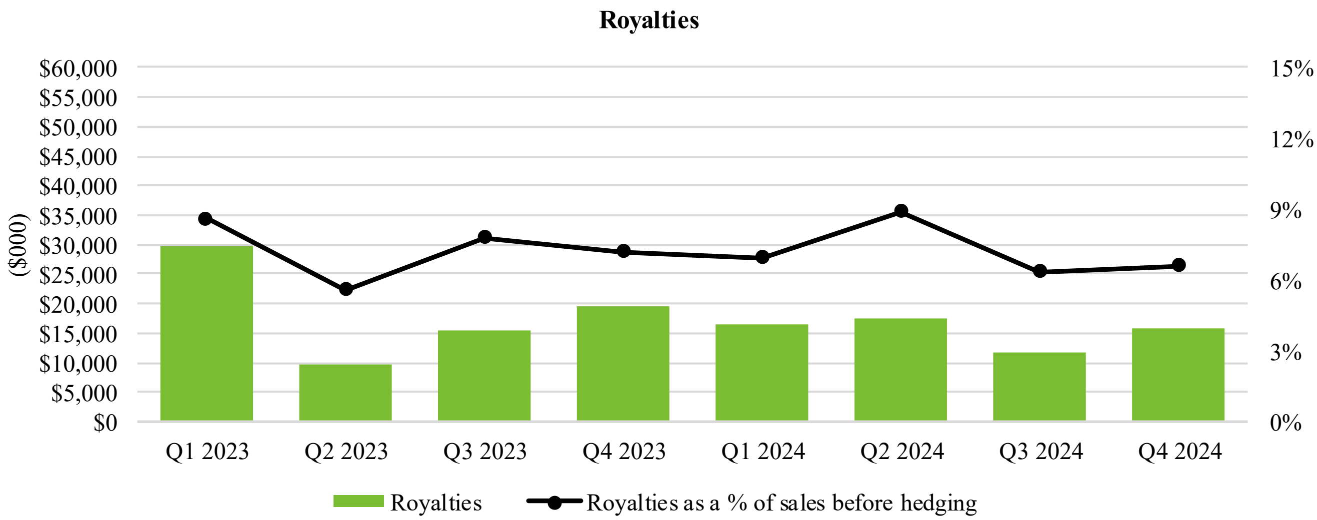
Royalties

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 5% initial royalty rate.

	Three Months Ended December 31			Year Ended December 31		
	2024	2023	% Change	**2024**	2023	% Change
Royalties ($000)	**15,768**	19,599	*-20%*	**61,551**	74,342	*-17%*
per cent of sales before hedging	**6.6%**	7.2%	*-8%*	**7.2%**	7.5%	*-4%*
$/Mcfe	**0.21**	0.30	*-30%*	**0.22**	0.32	*-31%*
$/boe	**1.28**	1.78	*-28%*	**1.34**	1.94	*-31%*

For the fourth quarter of 2024, royalties decreased to $0.21/Mcfe or 6.6% of Peyto's natural gas and NGL sales, compared to $0.30/Mcfe or 7.2% for the same period of 2023. For the year ended December 31, 2024, royalties were $0.22/Mcfe or 7.2% of Peyto's natural gas and NGL sales, compared to $0.32/Mcfe or 7.5% for the same period of 2023. The decreased royalties in the three months and year ended December 31, 2024, was mainly due to lower Alberta Reference prices, from the decline in AECO prices, compared to the same periods of 2023.

In its 26-year history, Peyto has invested $8.9 billion in capital projects and acquisitions, found, acquired and developed 6.6 TCFe of natural gas reserves and paid over $1.3 billion in royalties.



Operating & Transportation
Peyto's operating expense includes all costs with respect to day-to-day well and facility operations.

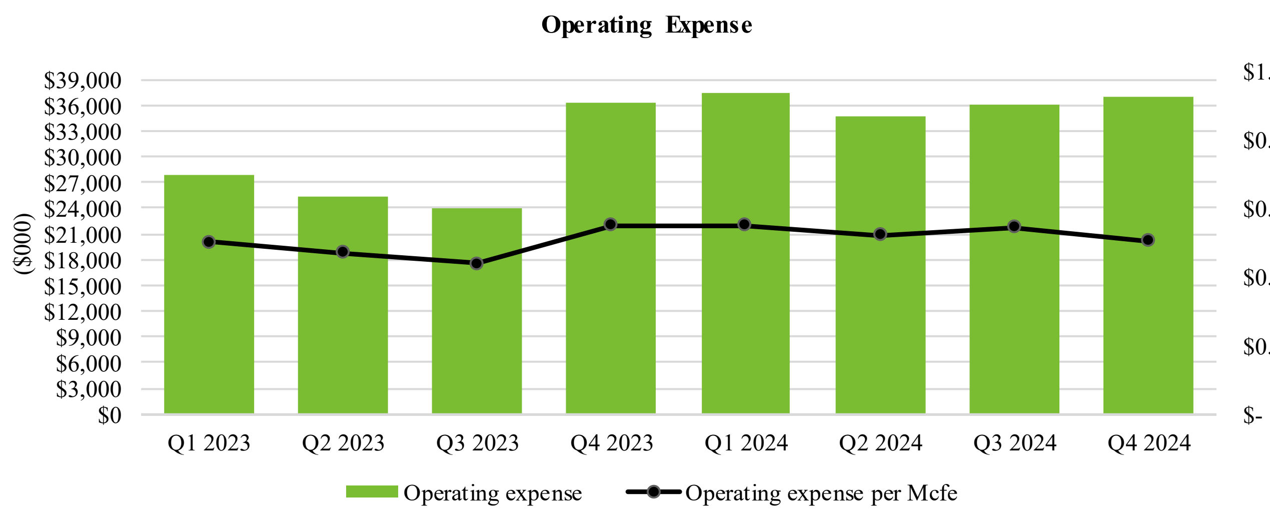
	Three Months Ended December 31			Year Ended December 31		
	2024	2023	% Change	**2024**	2023	% Change
Payments to Government ($000)	**8,645**	9,859	*-12%*	**34,872**	27,598	*26%*
Other expenses ($000)	**28,406**	26,440	*7%*	**110,471**	85,793	*29%*
Operating expense ($000)	**37,051**	36,299	*2%*	**145,343**	113,391	*28%*
$/Mcfe	**0.50**	0.55	*-9%*	**0.53**	0.49	*8%*
$/boe	**3.02**	3.29	*-8%*	**3.17**	2.96	*7%*
Transportation ($000)	**20,014**	16,967	*18%*	**81,229**	61,668	*32%*
$/Mcfe	**0.27**	0.26	*4%*	**0.30**	0.27	*11%*
$/boe	**1.63**	1.54	*6%*	**1.77**	1.61	*10%*

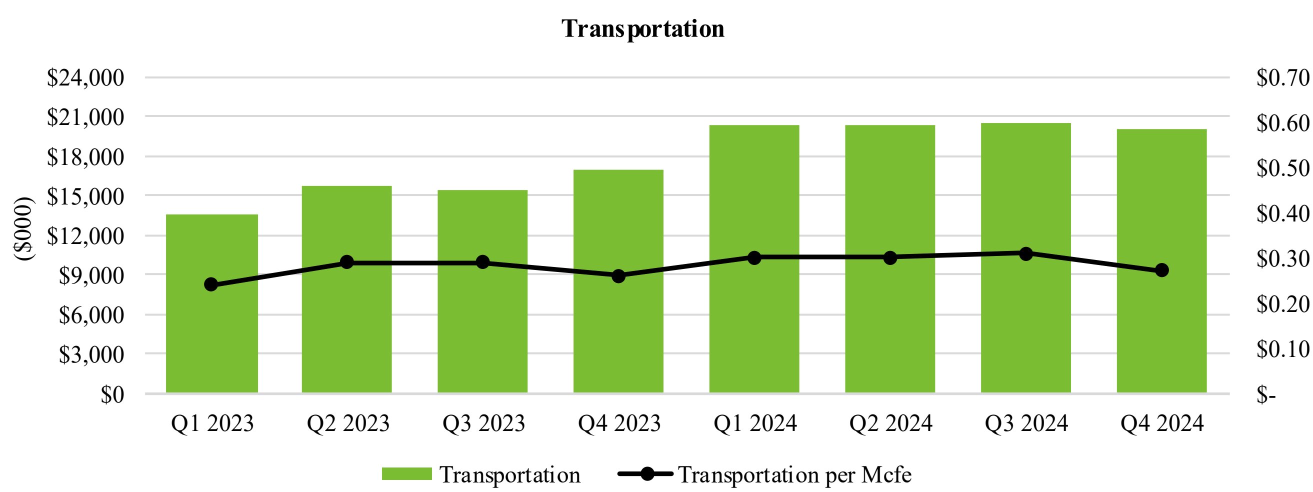
For the three months and year ended December 31, 2024, operating expense was $37.1 million and $145.3 million, respectively, compared to $36.3 million and $113.4 million for the same periods of 2023. On a unit-of-production basis, operating expense decreased 9% to $0.50/Mcfe for the fourth quarter of 2024 from $0.55/Mcfe for the same period of 2023. For the year ended December 31, 2024, operating expense increased 8% to $0.53/Mcfe compared to $0.49/Mcfe for 2023.

The annual per-unit increase in 2024 reflect the addition of wells and facilities from the Repsol Acquisition that had higher operating costs than Peyto's legacy assets.

Peyto focuses on being an industry leader in operating costs and was targeting a 10% decrease in per-unit operating costs by the end of 2024. Cost reductions for the fourth quarter of 2024 were 9% from the fourth quarter of 2023 and are mainly due to: terminating the deep-cut gas processing fees associated with extracting ethane production; retiring the sour gas processing and Sulphur recovery units at the Edson Gas Plant; and increasing throughput from the Company's successful drilling program.

Transportation expense increased 4% on a unit-of-production basis to \$0.27/Mcfe for the fourth quarter of 2024 from \$0.26/Mcfe for the same period of 2023. For the year ended December 31, 2024, transportation expense increased to \$0.30/Mcfe, compared to \$0.27/Mcfe for the same period of 2023. The per-unit increases for the three months and year ended December 31, 2024 are mainly due to fee increases on the NGTL system.





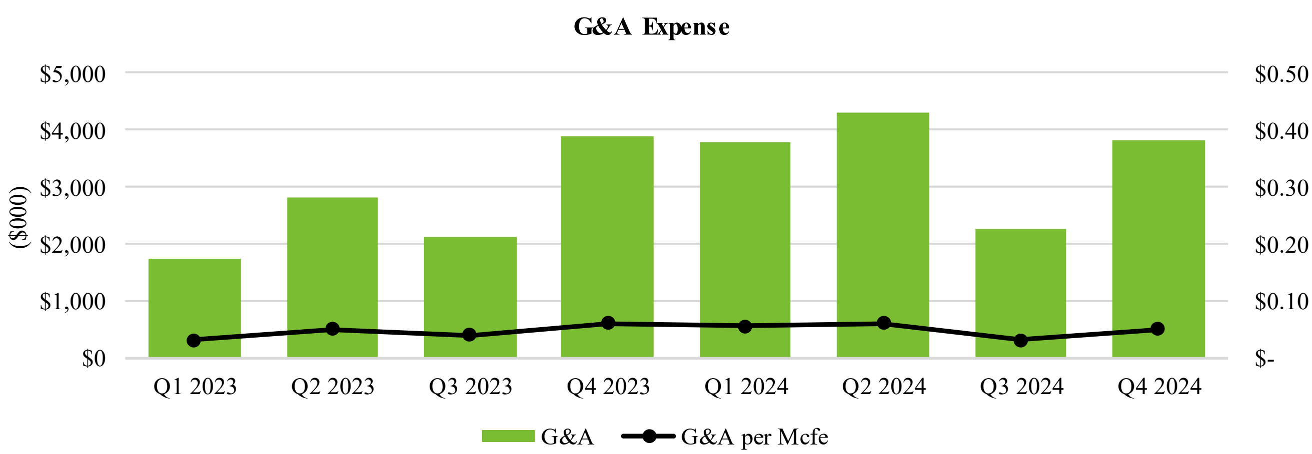
General and Administrative ("G&A") Expenses

	Three Months Ended December 31			Year Ended December 31		
	2024	2023	% Change	**2024**	2023	% Change
Gross G&A expenses ($000)	**7,266**	6,898	*5%*	**28,880**	21,725	*33%*
Overhead recoveries ($000)	**(3,434)**	(3,015)	*14%*	**(14,722)**	(11,136)	*32%*
G&A expenses ($000)	**3,832**	3,883	*-1%*	**14,158**	10,589	*34%*
$/Mcfe	**0.05**	0.06	*-17%*	**0.05**	0.05	*0%*
$/boe	**0.31**	0.35	*-11%*	**0.31**	0.28	*11%*

For the fourth quarter of 2024, G&A expenses (before overhead recoveries) rose by 5%, to $7.3 million, compared to $6.9 million for the same period of 2023. For the year ended December 31, 2024, gross G&A expenses increased by 33%, to $28.9 million, up from $21.7 million in 2023. The increases are due primarily to increased employment, information technology and insurance costs associated with the Repsol Acquisition.

Overhead recoveries increased by 14% for the three months ended December 31, 2024, and by 32% for the year ended December 31, 2024, compared to the same periods in 2023. The increases in in the fourth quarter of 2024 and year ended December 31, 2024 reflect higher capitalized overhead recoveries from increased capital investing activities, coupled with increased operating overhead recoveries generated by the Repsol Acquisition assets.

G&A expenses averaged $0.10/Mcfe before overhead recoveries of $0.05/Mcfe for net G&A expenses of $0.05/Mcfe in the fourth quarter of 2024 ($0.11/Mcfe before overhead recoveries of $0.05/Mcfe for net G&A expenses of $0.06/Mcfe in the fourth 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 bonus.

Performance-Based Compensation

The reserve value-based bonus is 4% 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 un-escalated realized prices at December 31 of the current year and a discount rate of 8%. Peyto recorded $10.3 million and $15.3 million for performance-based compensation expense in the three months and year ended December 31, 2024, respectively (2023 - $3.3 million and $3.3 million).

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 11.3 million non-vested stock options (5.7% of the total number of common shares outstanding) and 0.3 million vested DSUs (0.2% of the total number of common shares outstanding). The stock option plan limits the number of common shares that may be granted to 10% 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 months and year ending December 31, 2024 were $3.8 million and $14.1 million, respectively (December 31, 2023 - $4.5 million and $15.2 million).

Stock Option Plan

	Number of Options	Weighted average exercise price ($)
Balance, December 31, 2023	**9,868,323**	**12.02**
Stock options granted	6,592,527	14.62
Exercised	(4,150,505)	11.00
Forfeited	(811,285)	12.44
Expired	(238,403)	13.78
Balance, December 31, 2024	**11,260,657**	**13.85**

Deferred Share Units

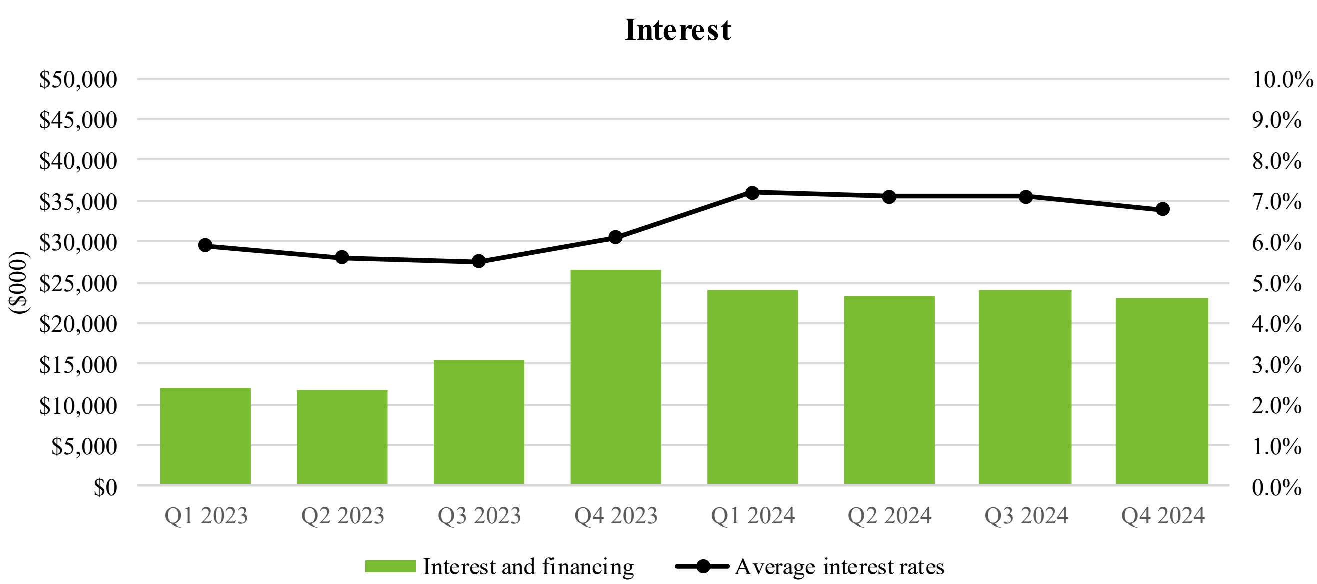
	Number of DSUs
Balance, December 31, 2023	**248,037**
DSU’s granted	92,016
Balance December 31, 2024	**340,053**

Finance Costs

	Three Months Ended December 31			Year Ended December 31		
	2024	2023	% Change	**2024**	2023	% Change
Accretion of decommissioning provision ($000)	**2,407**	1,331	81%	**9,457**	5,224	*81%*
Financing expense ($000)	**942**	5,141	-82%	**3,468**	8,319	*-58%*
Interest ($000)	**23,011**	21,218	8%	**94,189**	57,317	*64%*
Interest and financing costs ($000)	**23,953**	26,359	-9%	**97,657**	65,636	49%
Finance costs ($000)	**26,360**	27,690	-5%	**107,114**	70,860	51%
Interest and financing $/Mcfe	**0.33**	0.40	*-18%*	**0.36**	0.29	*24%*
Interest and financing $/boe	**1.95**	2.39	*-18%*	**2.13**	1.71	*25%*
Average interest rate	**6.8%**	6.1%	*11%*	**7.1%**	5.8%	*22%*

For the three months and year ended December 31, 2024, interest and financing costs increased to $24.0 million and $97.7 million, respectively, compared to $26.4 million and $65.6 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 Repsol Acquisition, coupled with Peyto's average interest rate increasing to 6.8% in the three months and 7.1% for year ended December 31, 2024, compared to 6.1% and 5.8% in the same periods of 2023.

Peyto's average interest rate has decreased from 7.2% in the first quarter of 2024 to 6.8% in the fourth quarter of 2024 due to lower interest rates on the Company's credit facilities, reflecting the decreases to the Bank of Canada's policy rate that commenced on June 5, 2024.

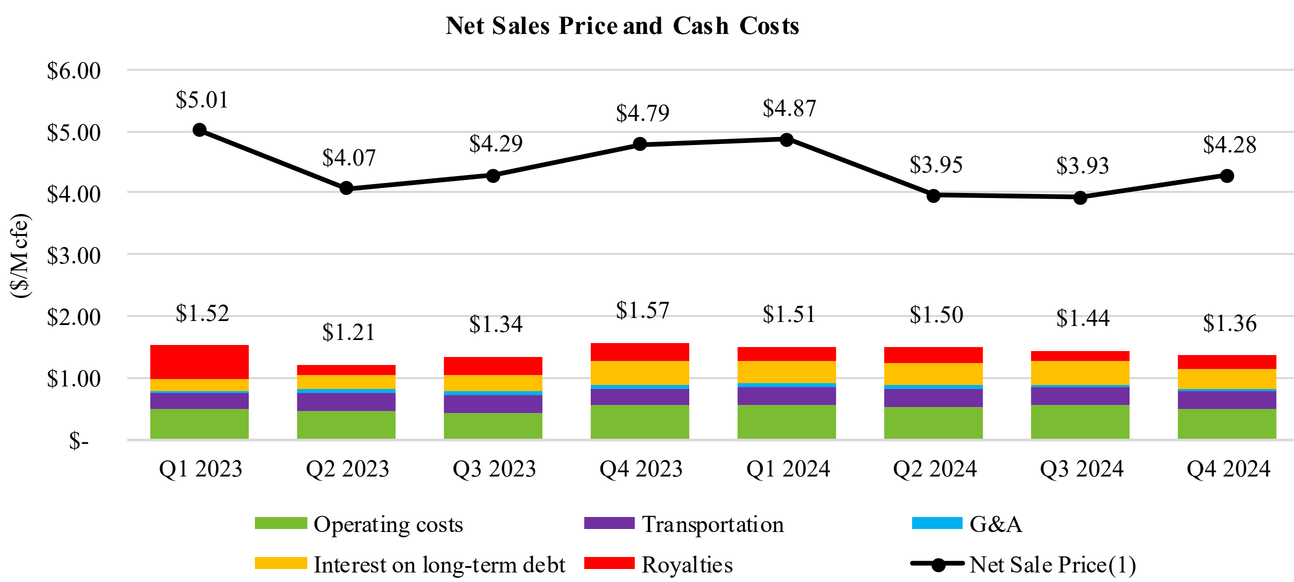


Netbacks

($/Mcfe)	Three Months Ended December 31 **2024**	2023	% Change	Year Ended December 31 **2024**	2023	% Change
Gross sale price	**3.24**	4.08	-21%	**3.12**	4.29	*-27%*
Realized hedging gain (loss)	**1.04**	0.71	46%	**1.14**	0.27	*322%*
Net sale price	**4.28**	4.79	-11%	**4.26**	4.56	*-7%*
Net marketing revenue[1]	**0.02**	-	-	**0.01**	-	-
Other income	**0.03**	0.05	-40%	**0.04**	0.03	*33%*
Royalties	**(0.21)**	(0.30)	-30%	**(0.22)**	(0.32)	*-31%*
Operating	**(0.50)**	(0.55)	-9%	**(0.53)**	(0.49)	*8%*
Transportation	**(0.27)**	(0.26)	4%	**(0.30)**	(0.27)	*11%*
Field netback[1]	**3.35**	3.73	-10%	**3.26**	3.51	*-7%*
G&A	**(0.05)**	(0.06)	-17%	**(0.05)**	(0.05)	*0%*
Interest and financing	**(0.33)**	(0.40)	-18%	**(0.36)**	(0.29)	*24%*
Realized gain (loss) on foreign exchange	**0.01**	(0.01)	-200%	**0.01**	-	-
Cash netback[1] ($/Mcfe)	**2.98**	3.26	-9%	**2.86**	3.17	*-10%*
Current tax	**(0.28)**	(0.23)	22%	**(0.27)**	(0.26)	*4%*
After-tax cash netback[1] ($/Mcfe)	**2.70**	3.03	-11%	**2.59**	2.91	*-11%*
After-tax cash netback[1] ($/boe)	**16.21**	18.15	-11%	**15.55**	17.50	*-11%*

(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 marketing revenue and other income

Depletion and Depreciation

	Three Months Ended December 31			Year Ended December 31		
	2024	2023	% Change	**2024**	2023	% Change
Depletion and depreciation ($000)	**98,055**	90,170	*9%*	**377,689**	316,135	*19%*
$/Mcfe	**1.33**	1.36	*-2%*	**1.37**	1.38	*-1%*
$/boe	**7.99**	8.17	*-2%*	**8.24**	8.25	*0%*

The Company's depletion and depreciation totaled $98.1 million ($1.33/Mcfe) for the fourth quarter of 2024 compared to $90.2 million ($1.36/Mcfe) for the fourth quarter of 2023. For the year ended December 31, 2024, depletion and depreciation totaled $377.7 million ($1.37/Mcfe) compared to $316.1 million ($1.38/Mcfe) for the same period of 2023. The increases for the three months and the year ending December 31, 2024, reflect higher production volumes over the same periods in 2023. The decrease in depletion and depreciation on a per-unit basis in the three months and year ended December 31, 2024, compared to the same periods of 2023, is due to a decline in the depletion rate from updated reserves and future development costs.

Income Taxes

Peyto recorded current tax expense of $20.5 million and $73.5 million for the three months and year ended December 31, 2024, respectively, compared to $15.4 million and $59.0 million for the same periods in 2023. The increases for the three months and year ended December 31, 2024, reflect higher taxable income compared to the same periods in 2023.

For the three months and year ended December 31, 2024, deferred tax expense decreased to $2.7 million and $11.0 million, respectively, compared to $11.1 million and $33.1 million for the same periods in 2023. The decrease in the three months and year ended December 31, 2024, is mainly due to lower income tax pools claimed relative to depletion and depreciation expense, compared to the same periods of 2023.

Peyto's estimated income tax pools are as follows:

Income Tax Pool Type ($ millions)	**Annual Deductibility**	**December 31, 2024**
Canadian Oil and Gas Property Expense	10% declining balance	147.3
Canadian Development Expense (CDE)	30% declining balance	593.9
Successored CDE	30% declining balance	14.8
Successored Canadian Exploration Expense	100%	45.4
Undepreciated Capital Cost	Primarily 25% declining balance	345.9
Other	20%	15.4
Total Federal Tax Pools		**1,162.7**

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 months and year ended December 31, 2024, Peyto recorded realized hedging gains on commodity contracts of $79.7 million and $320.4 million, respectively, as compared to $47.4 million and $60.3 million in the same periods of 2023. The Company has the following commodity hedging contracts in place at December 31, 2024.

Natural Gas Period Hedged – AECO Monthly Index	Type	Daily Volume (GJ)	Average Price (AECO CAD/GJ)
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	114,701	$3.36
Q1 2027	Fixed Price	65,000	$3.44

Natural Gas Period Hedged – AECO Daily Index	Type	Daily Volume (GJ)	Average Price (AECO CAD/GJ)
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)
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	115,000	$3.68
Q3 2026	Fixed Price	115,000	$3.68
Q4 2026	Fixed Price	38,750	$3.68

Crude Oil Period Hedged – WTI	Type	Daily Volume (bbl)	Average Price (WTI CAD/bbl)
Q1 2025	Fixed Price	4,600	$98.03
Q2 2025	Fixed Price	3,400	$98.18
Q3 2025	Fixed Price	2,400	$96.39
Q4 2025	Fixed Price	1,400	$96.55
Q1 2026	Fixed Price	1,100	$92.56

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

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

Had these contracts closed on December 31, 2024, Peyto would have realized a gain in the amount of $260.8 million. If the gas price on December 31, 2024, were to increase by $0.10/GJ, the unrealized gain would decrease by approximately $28.6 million. An opposite change in commodity prices would result in an opposite impact on other comprehensive income.

Foreign Exchange Forward Contracts
During the three months and year ended December 31, 2024, Peyto recorded realized hedging losses on foreign exchange forward contracts of $3.1 million and $5.6 million, respectively (2023 – realized loss of $0.5 million and realized gain of $0.9 million). Peyto has the following foreign exchange forward contracts in place at December 31, 2024:

Average Rate forward	Amount (USD)	Rate (CAD/USD)
Sold USD Contracts		
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	$31.5 million	1.3540
Q3 2026	$31.5 million	1.3540
Q4 2026	$10.5 million	1.3540

Had these contracts settled on December 31, 2024, Peyto would have realized a loss in the amount of $23.7 million. If the CAD/USD FX rate on December 31, 2024 were to increase by 0.05, the unrealized loss would increase by approximately $17.9 million. An opposite change in the CAD/USD FX rate would result in an opposite impact on other comprehensive income.

Interest Rate Contracts
During the three months and year ended December 31, 2024, Peyto recorded realized hedging gains on interest rate swaps of $0.01 million and $0.7 million (2023 - $0.2 million and $0.6 million), respectively, which was netted against interest expense. Peyto has the following interest rate swap contracts in place at December 31, 2024.

Term	Notional Amount	Peyto pays fixed rate	Peyto receives floating rate
March 17, 2023 to March 17, 2026 (1)	$50 million	3.28%	CORRA

(1) The March 17, 2023 interest rate contracts were modified in June 2024 with the transition of the underlying interest rate benchmark from the Canadian Dollar Offer Rate (CDOR) to the Canadian Overnight Repo Rate Average (CORRA).

Had these contracts settled on December 31, 2024, Peyto would have realized a loss in the amount of $0.3 million.

Subsequent to December 31, 2024, Peyto entered into the following hedging contracts.

Commodity Contracts:

Natural Gas Period Hedged – AECO Monthly Index	Type	Daily Volume (GJ)	Average Price (AECO CAD/GJ)
Q4 2026	Fixed Price	13,621	$3.45
Q1 2027	Fixed Price	20,000	$3.45

Natural Gas Period Hedged – NYMEX	Type	Daily Volume (MMBTU)	Average Price (NYMEX USD/MMBtu)
Q4 2025	Fixed Price	36,467	$4.46
Q1 2026	Fixed Price	55,000	$4.46
Q2 2026	Fixed Price	60,000	$3.79
Q3 2026	Fixed Price	60,000	$3.79
Q4 2026	Fixed Price	43,424	$4.07
Q1 2027	Fixed Price	35,000	$4.32

Crude Oil Period Hedged – WTI	Type	Daily Volume (bbl)	Average Price (WTI CAD/bbl)
Q2 2025	Fixed Price	600	$104.43
Q3 2025	Fixed Price	500	$101.79
Q4 2025	Fixed Price	300	$99.42
Q1 2026	Fixed Price	100	$97.00

Crude Oil Period Hedged - WTI	Type	Daily Volume (bbl)	Put - Call (WTI CAD/bbl)
Q2 2026	Collar	500	$90.00–$100.50

Interest rate contracts:

Term	Notional Amount	Peyto pays fixed rate	Peyto receives floating rate
January 30, 2025 to January 30, 2028	$50 million	2.67%	CORRA

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 December 31, 2024, the increase or decrease in earnings for each 100 bps (1%) change in weighted average borrowing rate paid on the outstanding revolving credit facility and term loan amounts to approximately $2.2 million per quarter. The average debt outstanding for the quarter was $1.36 billion (including $491 million fixed rate debt).

Cash Flow from Operating Activities, Funds from Operations and Earnings

	Three Months Ended December 31			Year Ended December 31		
($000 except per share amounts)	**2024**	2023	% Change	**2024**	2023	% Change
Cash flow from operating activities	**186,113**	173,247	*7%*	**672,363**	644,868	*4%*
Funds from operations[(1)]	**198,956**	200,319	*-1%*	**712,758**	670,471	*6%*
Funds from operations per share[(1)] – basic	**1.01**	1.05	*-4%*	**3.64**	3.75	*-3%*
Funds from operations per share[(1)] – diluted	**1.00**	1.05	*-5%*	**3.62**	3.72	*-3%*
Free funds flow[(1)]	**79,595**	83,050	*-4%*	**246,705**	254,475	*-3%*
Earnings	**78,228**	87,795	*-11%*	**280,570**	292,635	*-4%*
Earnings per share – basic	**0.40**	0.46	*-13%*	**1.43**	1.64	*-13%*
Earnings per share – diluted	**0.39**	0.46	*-15%*	**1.42**	1.62	*-12%*

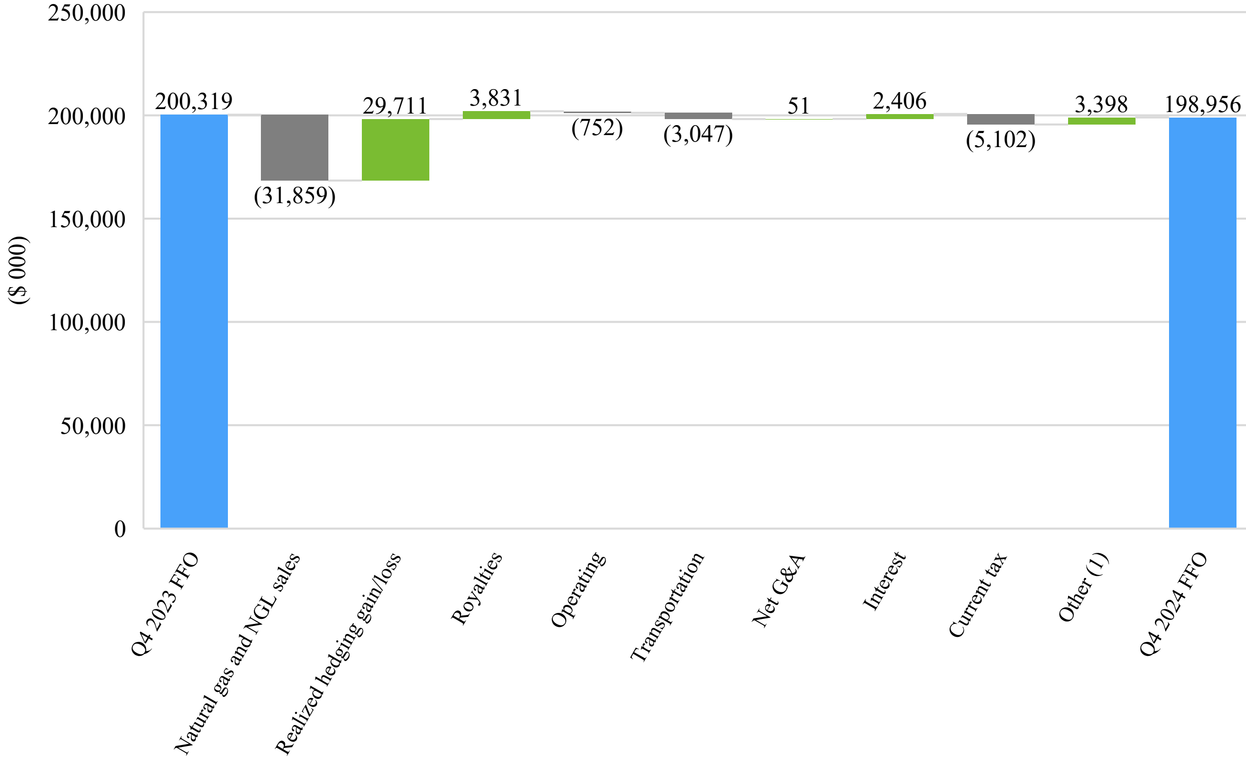
(1) This is a non-GAAP measure or ratio. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within this MD&A for further information.

Cash Flow from Operating Activities and Funds from Operations
For the fourth quarter of 2024, funds from operations ("FFO") decreased 1% to $199.0 million, compared to $200.3 million for the fourth quarter of 2023. Cash flow from operating activities increased to $186.1 million in the fourth quarter of 2024 from $173.2 million in the fourth quarter of 2023. The decrease in FFO was mainly due to lower natural gas prices, increased transportation, and increased current taxes, partially offset by increased production volumes, higher realized hedging gains, and lower royalties.

For the year ended December 31, 2024, FFO totaled $712.8 million, compared to $670.5 million for the same period of 2023. Cash flow from operating activities increased to $672.4 million for the year ended December 31, 2024, from $644.9 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.

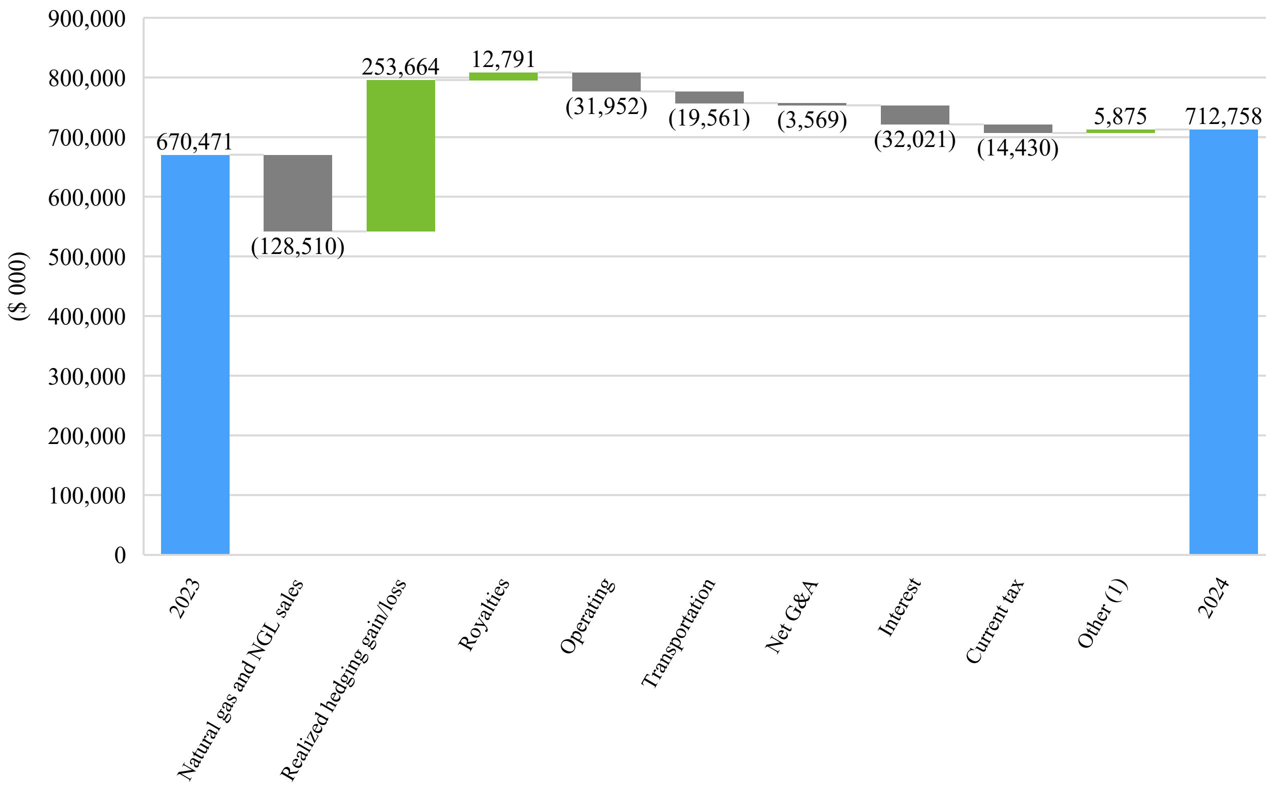
Funds from operations is a non-GAAP financial measure, refer to the section entitled "Non-GAAP and Other Financial Measures" for additional information contained within this MD&A.

Change in Funds from Operations
Three Months Ended December 31



(1) "Other" includes other income, marketing revenue, less marketing purchases, and realized gain/loss on foreign exchange

Change in Funds from Operations
Year Ended December 31



(1) "Other" includes other income, marketing revenue, less marketing purchases, 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, provision for performance-based compensation, and transaction costs, less total capital expenditures, as an indicator of the funds available for capital allocation. For the three months and year ended December 31, 2024 free funds flow was $79.6 million and $246.7 million, respectively, compared to $83.1 million and $254.5 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 for the fourth quarter of 2024 decreased to $78.2 million from $87.8 million for the same period of 2023. The decreased earnings was mainly due to a decrease in funds from operations, coupled with increased performance-based compensation and higher depletion and depreciation associated with increased production volumes, partially offset by lower deferred tax expense.

For the year ended December 31, 2024, Peyto's earnings decreased by 4% to $280.6 million, compared with $292.6 million of earnings for the same period of 2023, mainly due to higher depletion and depreciation associated with increased production volumes and increased performance-based compensation, partially offset by lower deferred tax expense.

Capital Expenditures
Peyto invested $117.5 million in total capital expenditures for the fourth quarter of 2024. The Company drilled 16 wells (16.0 net), completed 23 wells (23.0 net) and brought 23 wells (23.0 net) on production for drilling, completions, equipping and tie-in capital of $96.6 million. Facilities and pipeline projects totaled $17.7 million in the quarter, which included a new compressor installation at the Cecilia gas plant, remaining turnaround costs at the Edson gas plant, and plant and pipeline debottlenecking and process upgrades at several gas plants and compressor stations.

For the year ended December 31, 2024, capital expenditures totaled $457.6 million, an increase of 11% compared to $412.9 million for the year ended December 31, 2023. Peyto drilled 75 gross (73.3 net) horizontal wells and completed 76 gross (74.3 net) wells in the year for drilling, completions, equipping and tie-in capital of $377.0 million, or 82% of total capital expenditures. Facilities and major pipeline projects totaled $75.2 million, which included pipeline debottlenecking and integration projects, gas plant and compressor station upgrades, the new compressor installation at the Cecilia gas plant, and the turnaround costs at the Edson Gas Plant.

The following table summarizes capital expenditure for the three months and year ended December 31, 2024, and 2023:

	Three Months Ended December 31			**Year Ended December 31**		
($000)	**2024**	2023	% Change	**2024**	2023	% Change
Land	**841**	1,889	*-55%*	**1,811**	4,654	*-61%*
Seismic	**440**	10,491	*-96%*	**884**	11,424	*-92%*
Drilling	**51,517**	47,027	*10%*	**209,311**	190,984	*10%*
Completions	**39,005**	33,772	*15%*	**136,013**	111,090	*22%*
Equipping & tie-ins	**6,070**	9,988	*-39%*	**31,663**	30,592	*4%*
Facilities & pipelines	**17,715**	12,051	*47%*	**75,205**	64,175	*17%*
Other	**1,437**	-	-	**3,194**	-	-
Additions to property, plant and equipment	**117,025**	115,218	*2%*	**458,081**	**412,919**	*11%*
Asset dispositions, net of acquisitions	**500**	-	-	**(474)**	-	-
Total capital expenditures[(1)]	**117,525**	115,218	*2%*	**457,607**	412,919	*11%*
Corporate acquisition	-	**699,358**	-100%	-	699,358	*-100%*

(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 December 31, 2024, and December 31, 2023 is summarized as follows:

($000)	**As at December 31, 2024**	As at December 31, 2023
Long-term debt	**1,295,238**	1,340,881
Current assets	**(394,517)**	(490,936)
Current liabilities	**269,609**	279,903
Financial derivative instruments - current	**188,136**	238,865
Current portion of lease obligation	**(936)**	(1,310)
Decommissioning provision - current	**(8,956)**	(4,626)
Net debt[1]	**1,348,574**	1,362,777

(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 $1.35 billion as at December 31, 2024 decreased by $14.2 million from December 31, 2023.

The Company's 2025 capital expenditure budget has been approved at $450 to $500 million. Peyto believes funds from operations based on current strip pricing, together with available borrowings under the Revolving Facility will be sufficient to maintain dividends, finance current operations, and fund the planned capital expenditure program.

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 December 31, 2024**	As at December 31, 2023
Revolving credit facility	**760,000**	750,000
Term Loan	**106,000**	174,000
Long-term senior secured notes	**492,556**	477,904
Total current and long-term debt	**1,358,556**	1,401,904
Deferred financing costs	**(5,463)**	(3,153)
Total current and long-term debt, net of deferred financing costs	**1,353,093**	1,398,751
Current portion of bank debt, net of deferred financing costs	**57,855**	57,870
Non-current portion of bank debt, net of deferred financing costs	**1,295,238**	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 $4.5 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 December 31, 2024 ($6.7 million at December 31, 2023)

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	**December 31, 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	**8.93**	14.01

Peyto is in compliance with all financial covenants at December 31, 2024.

Outstanding secured senior notes as at December 31, 2024 are as follows:

Senior Secured Notes	**Date Issued**	**Rate**	**Maturity Date**
$100 million (CAD)	January 3, 2012	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
$75 million (CAD)	October 17, 2024	5.638%	October 17, 2034

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 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 were 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	4,150,505	45,639
Contributed surplus on exercise of stock options	-	11,955
Balance, December 31, 2024	**197,829,480**	**1,977,905**

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 December 31			Year Ended December 31		
($000, except total payout ratio)	**2024**	2023	% Change	**2024**	2023	*% Change*
Total dividends declared	**65,140**	63,811	*2%*	**258,369**	239,006	*8%*
Total capital expenditures[(1)]	**117,525**	115,218	*2%*	**457,607**	412,919	*11%*
Decommissioning expenditures	**1,836**	2,051	*-10%*	**8,446**	3,077	*174%*
Total payout[(1)]	**184,501**	181,080	*2%*	**724,422**	655,002	*11%*
Funds from operations[(1)]	**198,956**	200,319	*-1%*	**712,758**	670,471	*6%*
Total payout ratio[(1)]	**93%**	90%	*4%*	**102%**	98%	*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.

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 December 31, 2024:

($000)	2025	2026	2027	2028	2029	Thereafter
Interest payments [(1)]	24,706	20,681	20,316	16,529	14,376	29,672
Transportation commitments	90,307	110,505	82,755	49,307	44,399	464,823
Operating leases	2,434	2,429	2,436	2,438	2,539	5,454
Methanol	4,333	-	-	-	-	-
Total	121,780	133,615	105,507	68,274	61,314	499,949

(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 December 31		As at December 31	
2024	2023	**2024**	2023
1,951.9	486.8	**5.7**	(134.9)

(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.

On March 4, 2025, the U.S. implemented a 25% broad-based tariff on goods exported out of Canada into the United States, other than energy products (including oil and natural gas), which are subject to a 10% tariff. In response, the Canadian government imposed a 25% tariff on $155 billion of goods imported from the U.S. The U.S. also imposed a 25% tariff on goods imported from Mexico and a 10% tariff on goods imported from China. Representatives of the U.S. government have also publicly stated that they are considering imposing tariffs on goods imported from other countries. Prior to the U.S. tariffs on Canadian and Mexican goods becoming effective, they were paused for a month pending further negotiations; while they came into effect on March 4, 2025, some of such tariffs were subsequently paused on March 6, 2025. These tariffs (if they come into effect in the future), and any changes to these tariffs or imposition of any new tariffs, taxes or import or export restrictions or prohibitions, could have a material adverse effect on the Canadian economy, the Canadian oil and natural gas industry and Peyto. Furthermore, there is a risk that tariffs imposed by the U.S. on other countries will trigger a broader global trade war which could impose additional costs on the Company, decrease U.S. demand for the Company's products or otherwise negatively impact Peyto, which could have a material adverse impact on the Canadian economy, the Canadian oil and natural gas industry and the Company.

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. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures at the year end of the Company and have concluded that the Company's disclosure controls and procedures are effective at the financial period end of the Company for the foregoing purposes.

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 December 31, 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, 2024 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 2025. 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 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 December 31		Year Ended December 31	
($000)	**2024**	2023	**2024**	2023
Cash flows from operating activities	**186,113**	173,247	**672,363**	644,868
Change in non-cash working capital	**757**	16,755	**16,699**	13,064
Decommissioning expenditures	**1,836**	2,051	**8,446**	3,077
Performance-based compensation	**10,250**	3,280	**15,250**	3,280
Transaction costs	**-**	4,986	**-**	6,182
Funds from operations	**198,956**	200,319	**712,758**	670,471

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, provision for performance-based compensation, and transaction costs, 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 December 31		Year Ended December 31	
($000)	**2024**	2023	**2024**	2023
Cash flows from operating activities	**186,113**	173,247	**672,363**	644,868
Change in non-cash working capital	**757**	16,755	**16,699**	13,064
Performance-based compensation	**10,250**	3,280	**15,250**	3,280
Transaction costs	**-**	4,986	**-**	6,182
Total capital expenditures	**(117,525)**	(115,218)	**(457,607)**	(412,919)
Free funds flow	**79,595**	83,050	**246,705**	254,475

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.

($000)	Three Months Ended December 31 **2024**	2023	Year Ended December 31 **2024**	2023
Cash flows used in investing activities	**134,269**	567,762	**432,243**	1,146,866
Change in prepaid capital	**(2,261)**	2,552	**1,209**	1,888
Deposit for acquisition	**-**	63,303	**-**	-
Subscription receipt funds in escrow	**-**	201,307	**-**	-
Corporate acquisitions	**-**	(699,358)	**-**	(699,358)
Change in non-cash working capital relating to investing activities	**(14,483)**	(20,348)	**24,155**	(36,477)
Total capital expenditures	**117,525**	115,218	**457,607**	412,919

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 December 31, 2024**	As at December 31, 2023
Long-term debt	**1,295,238**	1,340,881
Current assets	**(394,517)**	(490,936)
Current liabilities	**269,609**	279,903
Financial derivative instruments - current	**188,136**	238,865
Current portion of lease obligation	**(936)**	(1,310)
Decommissioning provision - current	**(8,956)**	(4,626)
Net debt(1)	**1,348,574**	1,362,777

(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.

Net Marketing Revenue

Peyto uses the term "net marketing revenue" to evaluate the profitability of products purchased from third parties that are resold. Net marketing revenue is calculated as marketing revenue less marketing purchases. In reporting for prior periods, marketing revenue and marketing purchases were reported as "sales of natural gas and natural gas liquids from third parties" and "natural gas and natural gas liquids purchased from third parties."

($000)	Three Months Ended December 31 **2024**	2023	Year Ended December 31 **2024**	2023
Marketing revenue	**8,038**	24,403	**51,023**	24,403
Marketing purchases	**(6,776)**	(24,511)	**(47,793)**	(24,511)
Net marketing revenue	**1,262**	(108)	**3,230**	(108)

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 net marketing revenue, if any, plus other income, less royalties, operating, and transportation expenses, 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. "After-tax cash netback" is calculated as "cash netback" less current tax, divided by production. Netbacks are per-unit-of-production measures used to assess Peyto's performance and efficiency.

	Three Months Ended December 31		Year Ended December 31	
($/Mcfe)	**2024**	2023	**2024**	2023
Gross sale price	**3.24**	4.08	**3.12**	4.29
Realized hedging gain (loss)	**1.04**	0.71	**1.14**	0.27
Net sale price	**4.28**	4.79	**4.26**	4.56
Net marketing revenue	**0.02**	-	**0.01**	-
Other income	**0.03**	0.05	**0.04**	0.03
Royalties	**(0.21)**	(0.30)	**(0.22)**	(0.32)
Operating	**(0.50)**	(0.55)	**(0.53)**	(0.49)
Transportation	**(0.27)**	(0.26)	**(0.30)**	(0.27)
Field netback	**3.35**	3.73	**3.26**	3.51
G&A	**(0.05)**	(0.06)	**(0.05)**	(0.05)
Interest and financing	**(0.33)**	(0.40)	**(0.36)**	(0.29)
Realized gain (loss) on foreign exchange	**0.01**	(0.01)	**0.01**	-
Cash netback ($/Mcfe)	**2.98**	3.26	**2.86**	3.17
Current tax	**(0.28)**	(0.23)	**(0.27)**	(0.26)
After-tax cash netback ($/Mcfe)	**2.70**	3.03	**2.59**	2.91
After-tax cash netback ($/Mcfe)	**16.21**	18.15	**15.55**	17.50

Net Marketing Revenue per Mcfe

"Net marketing revenue per Mcfe" comprises marketing revenue less marketing purchases, 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.

	Three Months Ended December 31		Year Ended December 31	
($000, except total payout ratio)	**2024**	2023	**2024**	2023
Total dividends declared	**65,140**	63,811	**258,369**	239,006
Total capital expenditures	**117,525**	115,218	**457,607**	412,919
Decommissioning expenditures	**1,836**	2,051	**8,446**	3,077
Total payout	**184,501**	181,080	**724,422**	655,002
Funds from operations	**198,956**	200,319	**712,758**	670,471
Total payout ratio (%)	**93%**	90%	**102%**	98%

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 expense 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 2025 capital expenditure budget of $450 to $500 million;
- 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 Company'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, tariffs, threat of tariffs, 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
	Q4	Q3	Q2	Q1	Q4
Operations					
Production					
Natural gas (Mcf/d)	**708,105**	638,433	642,754	647,234	622,963
NGLs (bbl/d)	**15,409**	13,626	15,174	17,145	16,175
Total (boe/d @ 6:1)	**133,426**	120,031	122,299	125,018	120,002
Total (Mcfe/d @ 6:1)	**800,558**	720,186	733,796	750,105	720,014
Liquid to gas ratio (bbl per MMcf)	**21.80**	21.3	23.6	26.5	26.0
Product prices					
Realized natural gas price – after hedging and diversification ($/Mcf)	**3.43**	2.95	2.87	4.05	3.87
Realized NGL price – after hedging ($/bbl)	**64.78**	69.61	69.44	60.36	64.32
$/Mcfe					
Net sales price ($/Mcfe)(1)(2)	**4.28**	3.93	3.95	4.87	4.79
Net marketing revenue ($/Mcfe) (2)	**0.02**	0.03	0.01	(0.01)	-
Other income ($/Mcfe)	**0.03**	0.03	0.02	0.05	0.05
Royalties ($/Mcfe)	**(0.21)**	(0.18)	(0.26)	(0.24)	(0.30)
Operating ($/Mcfe)	**(0.50)**	(0.54)	(0.52)	(0.55)	(0.55)
Transportation ($/Mcfe)	**(0.27)**	(0.31)	(0.30)	(0.30)	(0.26)
Field netback ($/Mcfe) (2)	**3.35**	2.96	2.90	3.82	3.73
General & administrative expenses ($/Mcfe)	**(0.05)**	(0.03)	(0.06)	(0.06)	(0.06)
Interest expense ($/Mcfe)	**(0.33)**	(0.38)	(0.36)	(0.36)	(0.40)
Realized gain (loss) on foreign exchange	**0.01**	0.00	(0.01)	0.01	(0.01)
Cash netback ($/Mcfe) (2)	**2.98**	2.55	2.47	3.41	3.26
Financial ($000, except per share)					
Revenue and realized hedging gains (losses) (1)	**315,098**	260,608	263,832	332,541	317,246
Royalties	**15,768**	11,695	17,440	16,648	19,599
Funds from operations(2)	**198,956**	154,343	154,835	204,623	200,319
Funds from operations per share(2)	**1.01**	0.79	0.79	1.05	1.05
Funds from operations per diluted share(2)	**1.00**	0.78	0.79	1.05	1.05
Total dividends declared	**65,140**	64,707	64,365	64,157	63,811
Total dividends declared per share(2)	**0.33**	0.33	0.33	0.33	0.33
Earnings	**78,228**	51,029	51,437	99,875	87,795
Earnings per share	**0.40**	0.26	0.26	0.51	0.46
Earnings per diluted share	**0.39**	0.26	0.26	0.51	0.46
Total capital expenditures(2)	**117,525**	125,869	100,451	113,761	115,218
Total payout ratio (%)(2)	**93%**	125%	107%	89%	89%
Weighted average shares outstanding (basic)	**197,388,049**	196,077,193	195,045,669	194,416,710	190,196,093
Weighted average shares outstanding (diluted)	**198,746,631**	197,051,764	196,520,101	195,159,389	191,271,677

(1) Excludes marketing revenue

(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