Peyto Exploration & Development Corp.
Monthly Report

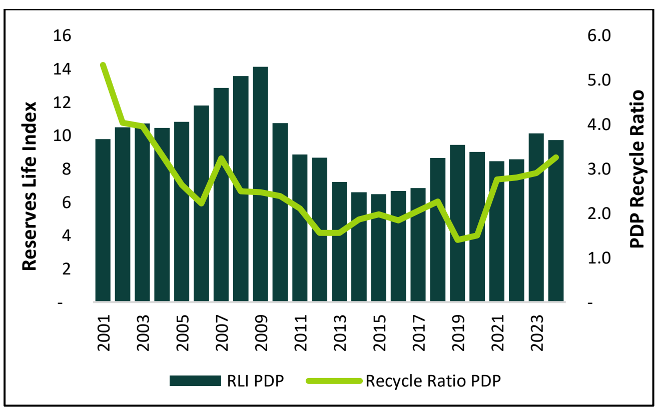
March 2025 | **By Jean-Paul Lachance, President and Chief Executive Officer**

Breaking Records

On February 20, 2025, Peyto released its annual reserves results for 2024 marking 26 years of successful, low-cost resource growth and development. Every year, the release gives shareholders a detailed and transparent look how Peyto is doing with shareholders' capital. This year we set several records, so let's highlight a few and discuss why they are important.

Peyto's finding, development, & acquisition costs ("FD&A"[6]) have always been one of the lowest in the industry. Last year, the Company added PDP reserves for a near record low $1.00/mcfe with a drilling program that discovered a record 6 bcfe per well. But like many capital efficiency metrics when used in isolation, FD&A doesn't tell the whole story. The Recycle Ratio ("RR"[6]) is a better measure of a company's ability to translate reserves into cash flow and is calculated by dividing the field netback by the FD&A costs. Essentially, it shows how many times Peyto "recycles" its capital into profitable production. Even though 2024 had one of the lowest annual average gas prices on record, Peyto's disciplined hedging and diversification program and low capital and operating cost structures allowed us to deliver a field netback of $3.26/mcfe. Dividing the field netback by our very low PDP FD&A costs yields a PDP recycle ratio of 3.3, the highest for the Company in 20 years! This metric demonstrates the strength of the Company's business approach—reduce the costs you can control and mitigate the risks of the things you cannot. Figure 1 below shows how Peyto's historical RR has managed to convert capital into 2.6 times the value for shareholders over the last 26 years!

Figure 1: Historical PDP Recycle Ratio and Reserves Life Index



Another measure that we track at Peyto is the life of our reserves. The reserves life index ("RLI"[6]) for our PDP volumes is calculated by dividing the booked PDP reserves by the annualized fourth quarter corporate production rate. In the 2024 Reserves Report, 474 million barrels of oil equivalent were booked to the PDP category (a 7% increase over 2023 and 5% on a per share basis) and fourth quarter production averaged a corporate record 133 mboe/d. Dividing these values gives a PDP RLI of 10 years that management believes is among the longest in the industry. Total Proved and Proved Plus Probable RLI, calculated in a similar fashion, also remained strong at 18 and 28 years, respectively. These long-life reserves, coupled with our industry leading costs and disciplined hedging program, should give shareholders confidence that we can continue to deliver quality outcomes.

Another analysis Peyto does every year is to calculate how effective we were at converting undeveloped drilling locations (PUDs and PAs) carried on the reserve books. This is important because it provides shareholders with a sense of how realistic the Total Proved and Total Proved plus Probable reserves are. One method to evaluate this accuracy is to compare actual conversion costs to those forecasted in the prior year's Reserve Report. Apart from 2022, when rapid inflation impacted the entire industry, Peyto usually converts booked undeveloped locations to producing wells more efficiently that what was forecasted (see Figure 2). Thanks to delivering strong results on the Repsol lands and high grading the locations on our legacy lands, our exit capital efficiency[6] in 2024 was one of the best we've achieved at $9,700/boed. We drilled 58 wells last year at a record 26% lower than what was forecasted in the 2023 Reserves Report.

Figure 2: Historical Conversion Costs

Reserve Year	Total Drills	Booked Locations Converted	Booked/ Total	Forecast Outcome		**Forecast Cost per Unit**	Actual Outcome		**Actual Cost per Unit**	Actual/ Forecast Cost per Unit
	gross wells	gross wells		BCFe	Capex* $MM	**$/Mcfe**	BCFe	Capex* $MM	**$/Mcfe**	
2015	140	103	74%	307	$456	**$1.49**	348	$385	**$1.11**	-26%
2016	128	82	64%	254	$297	**$1.17**	254	$246	**$0.97**	-17%
2017	142	97	68%	298	$295	**$0.99**	321	$305	**$0.95**	-4%
2018	70	37	53%	104	$115	**$1.10**	120	$118	**$0.98**	-11%
2019	61	39	64%	129	$111	**$0.86**	123	$109	**$0.88**	+2%
2020	64	52	81%	172	$158	**$0.92**	165	$135	**$0.82**	-11%
2021	95	61	64%	221	$193	**$0.87**	227	$192	**$0.84**	-3%
2022	95	79	83%	331	$268	**$0.81**	333	$320	**$0.96**	+19%
2023	72	44	61%	171	$159	**$0.93**	236	$196	**$0.83**	-11%
2024	**77**	**58**	**75%**	**305**	**$270**	**$0.89**	**441**	**$289**	**$0.66**	**-26%**
Total	**944**	**652**	**69%**	**2,292**	**$2,322**	**$1.01**	**2,568**	**$2,295**	**$0.89**	**-12%**

**Capex represents only well related capital for drilling, completion, equipping and tie-in*

Peyto's annual reserves release shares the same details year over year regardless of the results. We believe this transparency is important in developing trust with our shareholders.

Operational Highlights

The cold weather in February was welcome but impacted us a little bit with some freeze-offs. We still managed to hold production relatively steady with only a few completions during this past month. January capital represented a full month of drilling throughout our core areas. December production actuals came in 1,000 boe/d higher than previous reports and have been corrected below.

Capital Investment ($C millions)[1]

	Q1 23	**Q2 23**	**Q3 23**	**Q4 23**	**2023**	**Q1 24**	**Q2 24**	**Q3 24**	**Q4 24**	**2024**	**Jan 25**
D,C,E&T [2]	89	72	81	91	**333**	94	87	99	97	**377**	**31**
Facilities	32	9	11	12	**64**	18	13	26	18	**75**	**2**
Other [3]	1	1	1	12	**16**	2	1	2	3	**7**	
Acquisitions [4]				699	**699**			-1		**-1**	
Total	**122**	**82**	**94**	**814**	**1112**	**114**	**101**	**126**	**117**	**458**	**33**
ARO Activities [5]			1	2	**3**	4	-	2	2	**8**	**1**

Production (mboe/d)[1]

	2023	**Q1 24**	**Q2 24**	**Q3 24**	**Oct 24**	**Nov 24**	**Dec 24**	**Q4 24**	**2024**	**Jan 25**	**Feb 25**
Sundance	**73**	**93**	**92**	**91**	101	103	103	102	**95**	103	**103**
Brazeau	**28**	**27**	**26**	**24**	24	25	26	25	**25**	25	**24**
Other	**4**	**5**	**5**	**5**	5	5	7	6	**5**	7	**7**
Total	**105**	**125**	**122**	**120**	**130**	**133**	**136**	**133**	**125**	**135**	**134**
liquids %	**12%**	13%	12%	11%	12%	12%	12%	12%	**12%**	12%	**12%**

1. *This estimate is based on field data, actual numbers will vary from the estimate due to accruals and adjustments.*
2. *Well related costs including Drilling, Completions, Equip and Tie-in.*
3. *Other costs include Land, Seismic, and Miscellaneous.*
4. *Acquisitions costs include asset and corporate deals.*
5. *Asset Retirement Obligations (ARO) spending is decommissioning expenditures incurred in the period.*
6. *FD&A, recycle ratio, RLI, and capital efficiency are non-GAAP financial ratios. See the Non-GAAP and Other Financial Measures section of this report.*

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FORWARD LOOKING STATEMENTS

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

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

NON-GAAP AND OTHER FINANCIAL MEASURES

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

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

"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 third party sales, if any, plus other income, less royalties, operating, and transportation expense divided by production.

F&D (finding and development) costs are used as a measure of capital efficiency and are calculated by dividing the capital costs for the period, including the change in undiscounted FDC, by the change in the reserves, incorporating revisions and production, for the same period.

The Recycle Ratio is calculated by dividing the field netback per boe, by the FD&A costs for the period (eg. 2024 Proved Developed Producing $19.59/boe/$6.01/boe=3.3). The recycle ratio compares the netback from existing reserves to the cost of finding new reserves and may not accurately indicate investment success unless the replacement reserves are of equivalent quality as the produced reserves.

The RLI is calculated by dividing the reserves (in boes) in each category by the annualized Q4 average production rate in boe/year (eg. 2024 Proved Developed Producing 473,834Mboe/(133Mboe/d x366) =9.7). Peyto believes that the most accurate way to evaluate the current reserve life is by dividing the proved developed producing reserves by the annualized actual fourth quarter average production. In Peyto's opinion, for comparative purposes, the proved developed producing reserve life provides the best measure of sustainability.

Capital Efficiency refers to how efficiently the Company utilizes its capital investment to generate production. It is calculated by dividing the capital costs for the period, plus acquisition costs, by December production volumes added from the 2024 capital program (eg. 2024 capital efficiency ($458MM)/(47,300 boe/d) = $9,700 per boe/d)