Peyto Exploration & Development Corp.
Monthly Report

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

Peyto's Resilient Strategy

The Peyto business model is built around managing risks while providing sustainable returns to our shareholders. There are many risks in the natural gas business including drilling program execution and outcomes, production operations, commodity price volatility and government policy changes. Peyto manages these risks by choosing where we drill and how we execute our drilling program, by owning and controlling our gas processing facilities, and by deploying a marketing strategy (hedging and diversification) to secure future revenues. This approach provides Peyto the resiliency to absorb price volatility and changes to government policy.

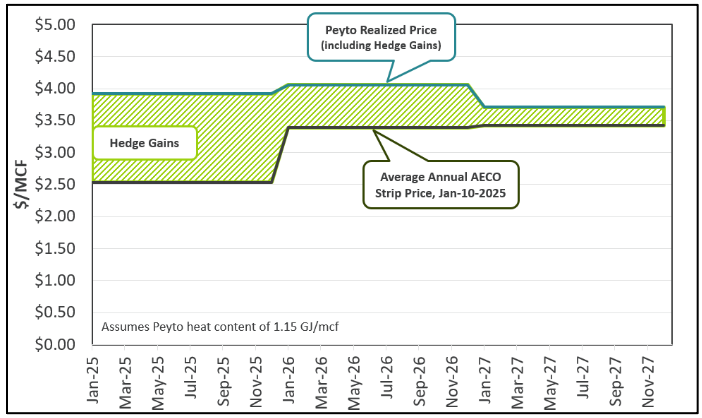
From the very beginning, Peyto chose to operate in the Alberta Deep Basin where the stacked nature of the resource with no underlying water enables low-risk development. The reservoirs Peyto chases also require less water for stimulation to liberate the gas than tighter Montney and Duvernay plays because of higher reservoir quality. As a result, we don't need ultra long horizontals and expensive completions to bring the resource to the surface, meaning our "shots on goal" are typically cheaper (see slide 10, "Deep Basin Advantage"). Another important element of keeping well costs in check is to employ a consistent drilling program. This allows for optimization and efficiency gains without interruption from a changing price environment, for example. The continued bolstering of our inventory with untapped assets (Repsol and others) also leaves us with a long runway of sustaining resource and growth opportunities. Peyto's booked Proved plus Probable reserves have an RLI[6] of 30 years.

Owning and controlling our gas processing facilities and choosing to pursue sweet gas resource opportunities that produce less water (whether injected for reservoir stimulation or inherent in the reservoir) also keeps operating costs lower, along with a corporate culture that focuses on profits over production, translating to industry leading low cash costs[6].

While our primary focus is to minimize the costs we control, Peyto also aims to reduce revenue volatility by securing future prices through hedging. Peyto uses a mechanistic hedging program to capture prices with credible counterparties up to three years out in declining fashion, similar to dollar cost averaging. Figure 1 shows how, through our hedge book, we smooth out price volatility. We may forgo some upside torque to temporary price rallies, but we protect our business against the downside risk of low prices. History shows us that low gas prices tend to persist for longer periods of time relative to high prices. Peyto has captured a realized gas price of $4.00/mcf in the short term with our hedges and has effectively smoothed that price over the next three years at the current strip. For 2025, Peyto has secured approximately $800 million in revenues from our hedges (both gas and NGLs) which, management believes, are insulated from the effect of potential US import tariffs.

Another important element of Peyto's price risk management is the diversification of our sales markets. We created this portfolio over the last several years to avoid selling our gas to one market and to gain exposure to premium demand markets in the US Midwest and Eastern Canada. We also have the Cascade power deal that fetches a gas price for our supply volumes indexed to local power prices. These diverse contracts allow us to either hedge the downstream market or let the volumes "float" and get the price of the day/month. In most cases, our basis or "synthetic transport" deals, only require delivery to the local NGTL system and receive the downstream price less a fee/cost/basis. The markets where we physically deliver gas remain largely in Canada. These arrangements, combined with our domestic supply chain for many of our input costs (sand, steel, etc.), help minimize the effects of US (and Canadian) tariffs, should they be applied.

Figure 1 – Price Smoothing AECO ($/mcf)



Peyto's pragmatic approach to the business has provided consistent per share growth and allowed us to average 25% ROE and 14% ROCE since inception. Going forward you can expect Peyto to deploy the same tools and strategy. Minimal surprises and no drama make for a bad movie but for your investments, boring is good. In our minds, this kind of risk-mitigated return strategy deserves a superior trading multiple akin to larger capitalized producers.

Operational Highlights

After a short break from activity in December, we started up the drilling rigs on January 4th. Despite the lower activity we were able to maintain monthly average production month over month at 135,000 boe/d. Our expectation is to remain relatively flat in the first part of 2025, keep a close eye on the business environment, and adjust accordingly as we move forward through the year.

Capital Investment ($C millions)[1]

	Q1 23	Q2 23	Q3 23	Q4 23	2023	Q1 24	Q2 24	Q3 24	Oct 24	Nov 24	Dec 24	Q4 24	2024
D,C,E&T [2]	89	72	81	91	**333**	94	87	99	37	34	25	97	**377**
Facilities	32	9	11	12	**64**	18	13	26	8	5	5	18	**75**
Other [3]	1	1	1	12	**16**	2	1	2	1	1	1	3	**7**
Acquisitions [4]				699	**699**			-1					**-1**
Total	**122**	**82**	**94**	**814**	**1112**	**114**	**101**	**126**	**46**	**40**	**31**	**117**	**458**
ARO Activities [5]			1	2	**3**	4	-	2		1	1	2	**8**

Production (mboe/d)[1]

	2023	Q1 24	Q2 24	Q3 24	Oct 24	Nov 24	Dec 24	Q4 24	2024	Jan 25
Sundance	**73**	**93**	**92**	**91**	101	103	102	102	**95**	**103**
Brazeau	**28**	**27**	**26**	**24**	24	25	26	25	**25**	**25**
Other	**4**	**5**	**5**	**5**	5	5	7	6	**5**	**7**
Total	**105**	**125**	**122**	**120**	**130**	**133**	**135**	**133**	**125**	**135**
liquids %	**12%**	13%	12%	11%	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. *Cash costs and RLI are non-GAAP financial ratios. See the Non-GAAP and Other Financial Measures section of this report.*

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, Peyto's realized hedged gas price of $4.00/mcf in the short term and over the next three years at current strip, and the impact of the US import tariffs on Peyto, contains forward-looking statements. Reserves disclosures are also forward-looking information, including the volumes and the life of Peyto's reserves, production estimates, project economics including NPV, IRR, netback and recycle ratio. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Peyto's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Peyto's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Peyto will derive there from. The forward-looking statements contained in this monthly report are made as of the date of this monthly report. Except as required by applicable securities law, we assume no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing risks and assumptions affecting such forward-looking statements, whether as a result of new information, future events or otherwise.

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

NON-GAAP AND OTHER FINANCIAL MEASURES

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

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.

The Reserve Life Index ("RLI") is calculated by dividing the reserves (in boes) in each category by the annualized Q4 2023 average production rate in boe/year (eg. 2023 Proved plus Probable RLI is 1,303,000Mboe/(120Mboe/d x365) =30 years).