

Peyto Exploration & Development Corp.

Condensed Consolidated Balance Sheet (unaudited)

(Amount in \$ thousands)

	June 30 2025	December 31 2024
Assets		
Current assets		
Cash	31,685	13,635
Accounts receivable (Note 10)	131,154	147,561
Prepaid and other	59,815	45,185
Derivative financial instruments (Note 11)	130,929	188,136
	353,583	394,517
Long-term derivative financial instruments (Note 11)	5,324	48,645
Property, plant and equipment, net (Note 3)	5,058,742	5,062,728
	5,064,066	5,111,373
	5,417,649	5,505,890
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	145,235	160,053
Dividends payable (Note 6)	22,064	21,761
Income tax payable	15,345	20,048
Current portion of lease obligation	963	936
Decommissioning provision (Note 5)	8,123	8,956
Current portion of long-term debt (Note 4)	157,937	57,855
	349,667	269,609
Long-term debt (Note 4)	1,125,056	1,295,238
Decommissioning provision (Note 5)	343,860	360,296
Lease obligation	7,073	7,563
Deferred income taxes	859,984	876,855
	2,335,973	2,539,952
Equity		
Share capital (Note 6)	2,021,191	1,977,905
Contributed surplus	26,661	27,176
Retained earnings	577,589	507,273
Accumulated other comprehensive gain (Note 6)	106,568	183,975
	2,732,009	2,696,329
	5,417,649	5,505,890

See accompanying notes to the condensed consolidated financial statements.

Approved by the Board of Directors

(signed) "Debra Gerlach"
Director

(signed) "Jean-Paul Lachance"
Director

Peyto Exploration & Development Corp.
Condensed Consolidated Income Statement *(unaudited)*
(Amount in \$ thousands)

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Revenues				
Natural gas and natural gas liquid sales <i>(Note 10)</i>	254,369	195,821	557,864	434,959
Royalties	(9,753)	(17,440)	(27,467)	(34,087)
Marketing revenue	5,385	8,404	13,727	34,255
Natural gas and natural gas liquid sales, net of royalties	250,001	186,785	544,124	435,127
Realized gain on derivative financial instruments <i>(Note 11)</i>	52,630	68,011	103,403	161,414
Other income	4,824	1,755	7,269	5,176
	307,455	256,551	654,796	601,717
Expenses				
Marketing purchases	4,775	7,854	12,058	34,091
Operating	38,932	34,777	77,535	72,220
Transportation	22,183	20,338	43,345	40,715
General and administrative	4,475	4,295	9,144	8,072
Performance based compensation	2,500	2,500	5,000	2,500
Stock based compensation <i>(Note 9)</i>	3,650	2,475	7,231	6,521
Finance cost <i>(Note 7)</i>	22,372	26,336	46,080	53,464
Realized loss (gain) on foreign exchange	895	167	807	(347)
Unrealized (gain) loss on foreign exchange	(2,932)	548	(2,984)	1,844
Depletion and depreciation <i>(Note 3)</i>	95,840	92,475	192,541	186,933
	192,690	191,765	390,757	406,013
Earnings before taxes	114,765	64,786	264,039	195,704
Provision for income taxes				
Current tax	25,966	10,361	55,804	38,838
Deferred tax	967	2,988	6,286	5,553
Total income taxes	26,933	13,349	62,090	44,391
Earnings for the period	87,832	51,437	201,949	151,313
Earnings per share <i>(Note 6)</i>				
Basic	\$0.44	\$0.26	\$1.01	\$0.78
Diluted	\$0.43	\$0.26	\$1.00	\$0.77

See accompanying notes to the condensed consolidated financial statements.

Peyto Exploration & Development Corp.

Condensed Consolidated Statement of Comprehensive Income (loss) *(unaudited)*

(Amount in \$ thousands)

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Earnings for the period	87,832	51,437	201,949	151,313
Other comprehensive income				
Change in unrealized gain on derivative financial instruments	172,211	78,795	2,838	71,275
Deferred income tax recovery (expense)	(27,516)	(2,378)	23,121	20,834
Realized (gain) on derivative financial instruments	(52,577)	(68,453)	(103,366)	(161,856)
Comprehensive Income	179,950	59,401	124,542	81,566

Peyto Exploration & Development Corp.
Condensed Consolidated Statement of Changes in Equity *(unaudited)*
(Amount in \$ thousands)

	Six months ended June 30	
	2025	2024
Share capital, beginning of period	1,977,905	1,920,311
Common shares issued under stock option plan	32,140	17,209
Private placement	3,519	-
Issued on settlement of DSU's	662	-
Contributed surplus on exercise of stock options	7,084	5,100
Share issue costs (net of tax)	(119)	-
Share capital, end of period	2,021,191	1,942,620
Contributed surplus, beginning of period	27,176	25,021
Stock based compensation expense	7,231	6,521
Recognized under stock-based compensation plans	(7,746)	(5,100)
Contributed surplus, end of period	26,661	26,442
Retained earnings, beginning of period	507,273	485,072
Earnings for the period	201,949	151,313
Dividends <i>(Note 6)</i>	(131,633)	(128,523)
Retained earnings, end of period	577,589	507,862
Accumulated other comprehensive income, beginning of period	183,975	284,539
Other comprehensive loss	(77,407)	(69,747)
Accumulated other comprehensive income, end of period	106,568	214,792
Total Equity	2,732,009	2,691,716

See accompanying notes to the condensed consolidated financial statements.

Peyto Exploration & Development Corp.
Condensed Consolidated Statement of Cash Flows *(unaudited)*
(Amount in \$ thousands)

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Cash provided by operating activities				
Earnings	87,832	51,437	201,949	151,313
Items not requiring cash:				
Deferred income tax	967	2,988	6,286	5,553
Depletion and depreciation	95,840	92,475	192,541	186,933
Accretion of decommissioning provision	3,311	2,412	6,363	4,798
Lease interest	115	31	232	64
Stock based compensation	3,650	2,475	7,231	6,520
Unrealized (gain) loss on foreign exchange	(2,932)	548	(2,984)	1,844
Decommissioning expenditures	(2,944)	(391)	(5,816)	(4,597)
Change in non-cash working capital related to operating activities	(11,398)	(10,010)	(12,128)	(13,599)
	174,441	141,965	393,674	338,829
Financing activities				
Common shares issued on exercise of stock options and private placement	21,223	10,213	35,505	17,209
Cash dividends paid	(65,786)	(64,258)	(131,330)	(128,320)
Lease obligation payment	(316)	(357)	(695)	(714)
Change in deferred financing costs	942	(3,220)	1,884	(4,195)
Decrease in bank debt	(44,500)	(14,500)	(69,000)	(59,000)
	(88,437)	(72,122)	(163,636)	(175,020)
Investing activities				
Additions to property, plant and equipment	(104,811)	(94,939)	(207,295)	(213,357)
Asset dispositions, net of acquisitions	1,000	-	924	-
Change in non-cash working capital relating to investing activities	(4,856)	14,038	(5,617)	34,822
	(108,667)	(80,901)	(211,988)	(178,535)
Net change in cash	(22,663)	(11,058)	18,050	(14,726)
Cash, beginning of period	54,348	33,509	13,635	37,177
Cash, end of period	31,685	22,451	31,685	22,451

The following amounts are included in cash flows from operating activities:

Cash interest paid	20,449	18,693	36,278	43,249
Cash taxes paid	21,779	17,815	62,485	57,415

Peyto Exploration & Development Corp.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

As at and for the three months ended June 30, 2025 and 2024

(Amount in \$ thousands, except as otherwise noted)

1. Nature of operations

Peyto Exploration & Development Corp and its subsidiaries (together “Peyto” or the “Company”) is a Calgary based oil and natural gas company. Peyto conducts exploration, development, and production activities in Canada. Peyto is incorporated and domiciled in the Province of Alberta, Canada. The address of its head office is 300, 600 – 3rd Avenue SW, Calgary, Alberta, Canada, T2P 0G5.

These condensed consolidated financial statements were approved and authorized for issuance by the Audit Committee of Peyto on August 12, 2025.

2. Basis of presentation

The condensed consolidated financial statements have been prepared by management and reported in Canadian dollars in accordance with IFRS® Accounting Standards (the “Accounting Standards”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparations of interim financial statements, including International Accounting Standard (“IAS”) 34, Interim Financial Reporting. These condensed consolidated financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Company’s consolidated financial statements as at and for the year ended December 31, 2024.

Material Accounting Policies

(a) Material Accounting Judgments Estimates and Assumptions

The timely preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the condensed consolidated financial statements.

All accounting policies and methods of computation followed in the preparation of these condensed consolidated financial statements are the same as those disclosed in Note 2 of Peyto’s consolidated financial statements as at and for the years ended December 31, 2024, except as noted below.

Share-based payments

Peyto has three equity-settled share-based compensation plans: stock options, deferred share units (“DSUs”), and the total shareholder return rights plan (“TSRRP”). The stock option plan is available to employees, officers, and consultants and is settled in equity. The DSU plan, designated for the Board of Directors, is also equity-settled. The TSRRP is offered to employees, officers, and consultants, and may be settled in either cash or equity at the discretion of the Board of Directors. TSRRP issued to non-officers are time-vested only. Officers of the Company will be subject to performance conditioning metrics on 50% of the Rights granted to them. Peyto intends to settle in-the-money rights held by employees and officers in common shares and accounts for these as equity-settled. Rights held by consultants are intended to be settled in cash and are therefore accounted for as cash settled.

Compensation expense for equity-settled awards is based on the grant-date fair value and recognized over the vesting period, with a corresponding increase to contributed surplus. Fair value is determined using the Black-Scholes option pricing model for stock options, DSUs, and TSRRP awards. For TSRRP rights with performance conditions issued to officers, a Monte Carlo simulation model is used. Upon vesting, the related contributed surplus is credited to shareholders’ capital.

Rights intended to be cash-settled are measured at the fair value of liability on the grant date and accrued over the vesting period. The liability is measured at each reporting date using the Black-Scholes model.

Future Accounting Pronouncements

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instrument: Disclosures

In May 2024, the IASB issued amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures relating to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets. The amendments will be effective on January 1, 2026, but are not expected to have a material impact on the Company's financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements ("IFRS 18"), which will replace IAS 1 and includes requirements for all entities applying IFRS Accounting Standards for the presentation and disclosure of information in the financial statements. IFRS 18 will introduce new totals, subtotals, and categories for income and expenses in the statement of income, as well as requiring disclosure about management-defined performance measures and additional requirements regarding the aggregation and disaggregation of certain information. It will be effective on January 1, 2027, with earlier adoption permitted, and it must be adopted on a retrospective basis. The Company is currently evaluating the impact on its financial statements.

3. Property, plant and equipment, net

Cost

At December 31, 2024	8,956,711
Additions	207,295
Asset acquisitions and dispositions	(924)
Change in decommissioning provision	(17,816)
At June 30, 2025	9,145,266
Accumulated depletion and depreciation	
At December 31, 2024	(3,893,983)
Depletion and depreciation	(192,541)
At June 30, 2025	(4,086,524)
Carrying amount at December 31, 2024	5,062,728
Carrying amount at June 30, 2025	5,058,742

For the three and six months ended June 30, 2025, Peyto capitalized \$2.9 million and \$5.4 million, respectively, (2024- \$2.3 million and \$5.3 million) of general and administrative expense directly attributable to exploration and development activities, respectively.

For the period ended June 30, 2025, the Company identified no indicators of impairment and therefore an impairment test was not performed.

4. Current and Long-term debt

	June 30, 2025	December 31, 2024
Revolving Credit Facility	730,000	760,000
Term Loan	67,000	106,000
Long-term senior secured notes	489,572	492,556
Total current and long-term debt	1,286,572	1,358,556
Deferred financing costs	(3,579)	(5,463)
Total current and long-term debt, net of deferred financing costs	1,282,993	1,353,093
Current portion of long-term debt, net of deferred financing costs	157,937	57,855
Long-term debt, net of deferred financing costs	1,125,056	1,295,238

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 September 30, 2026, in the amount of \$9 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 \$8.2 million of Letters of Credit outstanding at June 30, 2025 (\$6.6 million at December 31, 2024).

Outstanding senior notes are as follows:

Senior Secured Notes	Date Issued	Rate	Maturity Date
\$100 million (CAD)	January 3, 2019	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

Senior secured notes in the amount of \$100 million with a coupon rate of 4.39% mature on January 3, 2026, and are classified as a current liability. Peyto will assess market conditions and interest rates at maturity and will either renew or repay the note with available borrowings from its Revolving Credit Facility.

Peyto is subject to the following financial covenants as defined in the credit facility and note purchase agreements:

- Long-term debt and subordinated debt plus bank overdraft and letters of credit not to exceed 4.0 times trailing twelve-month net income before non-cash items, interest and income taxes;
- Long-term debt plus bank overdraft and letters of credit not to exceed 3.5 times trailing twelve-month net income before non-cash items, interest and income taxes.
- Trailing twelve months net income before non-cash items, interest and income taxes to exceed 3.0 times trailing twelve months interest expense.

Peyto is in compliance with all financial covenants at June 30, 2025.

Total interest expense for the three and six month periods ended June 30, 2025 was \$19.1 million and \$39.7 million (2024 - \$23.9 million and \$48.7 million) and the average borrowing rate for the period was 5.9% and 6.1% (2024 – 7.1% and 7.1%).

5. Decommissioning provision

The following table reconciles the change in decommissioning provision:

Balance, December 31, 2024	369,252
New provisions	3,078
Accretion of decommissioning provision	6,363
Change in discount rate and estimates	(20,894)
Decommissioning expenditures	(5,816)
Balance, June 30, 2025	351,983
Current	8,123
Non-current	343,860

The Company has estimated the net present value of its total decommissioning provision to be \$352.0 million as at June 30, 2025 (December 31, 2024 – \$369.3 million) based on a total escalated future undiscounted liability of \$984.4 million (December 31, 2024 - \$971.7 million). At June 30, 2025 management estimates that these payments are expected to be made over the next 50 years (December 31, 2024 – 50 years) with the majority of payments being made in years 2045 to 2071. The Bank of Canada's long-term bond rate of 3.56 per cent (December 31, 2024 – 3.33 per cent) and an inflation rate of 2.0 per cent (December 31, 2024 – 2.0 per cent) were used to calculate the present value of the decommissioning provision

6. Share capital

Authorized: Unlimited number of voting common shares

Issued and Outstanding

Common Shares (no par value)	Number of Common Shares	Amount \$
Balance, December 31, 2024	197,829,480	1,977,905
Common shares issued under stock option plan	2,466,253	32,140
Private placement	211,761	3,519
Issued on settlement of DSU's	73,547	662
Contributed surplus on exercised of stock options	-	7,084
Common share issuance costs (net of tax)	-	(119)
Balance, June 30, 2025	200,581,041	2,021,191

On April 14, 2025, Peyto closed a private placement issuing 211,761 common shares, at price of \$16.60 per common share, to employees and officers of the Company for proceeds of \$3.5 million.

Earnings per common share has been determined based on the following:

	Three Months ended June 30,		Six Months ended June 30,	
	2025	2024	2025	2024
Weighted average common shares basic	199,868,585	195,045,669	199,445,518	194,731,189
Weighted average common shares dilutive	202,226,837	196,520,101	201,339,814	195,967,653

Dividends

In the three and six months ended June 30, 2025, Peyto declared and paid dividends of \$0.11 per common share per month totaling \$66.0 million and \$131.6 million, respectively (2024 - \$0.11 per common share per month, \$64.4 million and \$128.5 million).

Comprehensive income

Comprehensive income consists of earnings and other comprehensive income ("OCI"). OCI comprises the change in the fair value of the effective portion of the derivatives used as hedging items in a cash flow hedge. "Accumulated other comprehensive income" is an equity category comprised of the cumulative amounts of OCI.

Accumulated hedging gains and losses

Gains and losses from financial derivative instruments are accumulated until settled. These outstanding hedging contracts are recognized in earnings on settlement. Further information on these contracts is set out in Note 11.

7. Finance costs

	Three Months ended June 30		Six Months ended June 30	
	2025	2024	2025	2024
Accretion of decommissioning provision	3,311	2,412	6,363	4,798
Lease interest	115	31	232	64
Financing costs	942	749	1,884	1,584
Interest	18,004	23,144	37,601	47,018
Total finance costs	22,372	26,336	46,080	53,464

8. Performance-based compensation

Reserve based component

The reserves value-based component is 4% of the incremental increase in value, if any, as adjusted to reflect changes in debt, dividends, general and administrative expenses and interest expense, of proved producing reserves calculated using a realized price at December 31 of the current year and a discount rate of 8%. For three and six months ended June 30, 2025, Peyto accrued \$2.5 million and \$5.0 million for performance-based compensation, respectively (2024 - \$2.5 million and \$2.5 million).

9. Stock based compensation

Total Shareholder Return Rights

In May 2025, the Company adopted, and shareholders approved the Total Shareholder Return Rights Plan ("TSRRP") to replace Peyto's stock option program as the Company's only security-based compensation arrangement for employees, executive officers and consultants. Under the TSRRP, participants are granted rights ("Rights") that vest ratably over three years. The future value of which is based on the difference between the market value of the common shares on the date of grant and the market value of the common shares on vesting date, plus the dividends paid to shareholders during such period. Plan participants who are executive officers of the Company will be subject to performance conditioning metrics on 50% of the Rights granted to them (the "Performance Rights").

All common shares issued under the plan are expected to be issued from treasury. The TSRRP provides that the aggregate number of common shares issuable thereunder and under all other security-based compensation arrangements of the Company at any time may not exceed 6.5% of the total number of issued and outstanding common shares from time to time.

Stock Options

The Company has a stock option plan allowing for the granting of stock options to officers, employees and consultants of the Company. Stock options were granted periodically with a three-year vesting period. At the vesting, recipients have thirty days to exercise options after which any unexercised options expire. With the adoption and approval of the TSRRP, Peyto has ceased granting new awards under the stock option plan. Outstanding stock options will vest, exercise or expire according to original grant agreements.

Deferred Share Units

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.

Total Shareholder Return Rights Plan

The following tables summarize the Rights outstanding at June 30, 2025:

TSRRP Rights

	Number of Rights	Weighted average Grant price \$
Balance, December 31, 2024	-	-
Rights granted	914,100	18.80
Balance, June 30, 2025	914,100	18.80

	June 30, 2025
Fair value of Rights granted (weighted average)	\$3.56
Expected volatility	35.92%
Average option life	2 years
Risk-free interest rate	2.57%
Forfeiture rate	5.96%
Dividend Yield	0%

Rights will be granted throughout the year and vest 1/3 on each of the first, second and third anniversaries from the date of grant. At vesting, if the value of the right is greater than zero, the vested right shall become subject to payment in accordance with the TSRRP. At June 30, 2025, no Rights have vested.

TSRRP Performance Rights

	Number of Rights	Weighted average Grant price \$
Balance, December 31, 2024	-	-
Performance Rights granted	285,000	18.80
Balance, June 30, 2025	285,000	18.80

	June 30, 2025
Fair value of Performance Rights granted (weighted average)	\$3.40
Expected volatility	35.92%
Average option life	2 years
Risk-free interest rate	2.57%
Forfeiture rate	5.96%
Dividend Yield	0%

Performance Rights will be granted throughout the year and vest 1/3 on each of the first, second and third anniversaries from the date of grant. At vesting, if the Company's total shareholder return for the performance period is greater than 8% per annum, the vested Performance Right shall become subject to payment in accordance with the TSRRP. If total shareholder return for the performance period is less than 8% per annum, the vested Performance Right's value will be deemed zero and participants will not be entitled to a payment. At June 30, 2025, no Performance Rights have vested.

Stock option plan

The following tables summarize the stock options outstanding at June 30, 2025:

	Number of Stock Options	Weighted average exercise price \$
Balance, December 31, 2024	11,260,657	13.85
Stock options granted	1,623,000	16.71
Exercised	(2,466,253)	12.95
Expired	(465)	11.62
Forfeited	(21,150)	14.36
Balance, June 30, 2025	10,395,789	14.49

The Company estimates the fair value of stock options using the Black-Scholes pricing model. During the period ended June 30, 2025, the weighted-average fair value per option was \$1.89. The following tables summarize the assumptions used in the Black-Scholes model:

	June 30, 2025
Fair value of options granted (weighted average)	\$1.89
Expected volatility	30.26%
Average option life	2 years
Risk-free interest rate	2.88%
Forfeiture rate	6.51%
Dividend Yield	7.70%

Options vest 1/3 on each of the first, second and third anniversaries from the date of grant. At the vesting, recipients have thirty days to exercise options after which any unexercised options are expired.

At June 30, 2025, 85,313 stock options are exercisable.

Deferred Share Units ("DSU's")

The following tables summarize the DSU's outstanding at June 30, 2025:

Balance, December 31, 2024	340,053
DSU granted	39,562
DSU settled	(73,547)
Balance June 30, 2025	306,068

10. Revenue and receivables

	Three Months ended June 30		Six Months ended June 30	
	2025	2024	2025	2024
Natural gas sales	176,391	96,601	389,970	241,347
Natural gas liquids sales	77,978	99,220	167,894	193,612
Natural gas and natural gas liquid sales	254,369	195,821	557,864	434,959

	June 30, 2025	December 31, 2024
Accounts receivable from customers	92,233	113,780
Accounts receivable from realized risk management contracts	19,518	22,702
Accounts receivable from joint venture partners and other	19,403	11,079
Account Receivable	131,154	147,561

A substantial portion of the Company's accounts receivable is with petroleum and natural gas marketing entities. Industry standard dictates that commodity sales are settled on the 25th day of the month following the month of production.

11. Financial instruments and capital management

Financial instrument classification and measurement

Financial instruments of the Company carried on the condensed consolidated balance sheet are carried at amortized cost with the exception of cash and derivative financial instruments. There are no significant differences between the carrying amount of financial instruments and their estimated fair values as at June 30, 2025 except for derivative financial instruments.

The Company's areas of financial risk management and risks related to financial instruments remained unchanged from December 31, 2024.

The fair value of the Company's cash and financial derivative instruments are quoted in active markets. The Company classifies the fair value of these transactions according to the following hierarchy.

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant and significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's cash and financial derivative instruments have been assessed on the fair value hierarchy described above and classified as Level 1 and Level 2.

Fair values of financial assets and liabilities

The Company's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, dividend payable, long term debt and derivative financial instruments. At June 30, 2025 and 2024, cash and derivative financial instruments, are carried at fair value. Accounts receivable and current liabilities approximate their fair value due to their short-term nature. The carrying value of the long-term debt approximates its fair value due to the floating rate of interest charged under the credit facility.

Commodity price risk management

Peyto uses derivative instruments to reduce its exposure to fluctuations in commodity prices. Peyto considers all these transactions to be effective economic hedges for accounting purposes. Physical delivery contracts are not considered financial instruments and therefore, no asset or liability is recognized on the consolidated balance sheet.

Following is a summary of all risk management contracts in place as at June 30, 2025:

Commodity contracts

Natural Gas – AECO 7A			Average Price
Period Hedged	Type	Daily Volume (GJ)	(CAD/GJ)
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	179,348	\$3.43
Q1 2027	Fixed Price	162,500	\$3.51
Q2 2027	Fixed Price	10,000	\$2.97
Q3 2027	Fixed Price	10,000	\$2.97
Q4 2027	Fixed Price	3,370	\$2.97

Natural Gas – AECO 5A			Average Price
Period Hedged	Type	Daily Volume (GJ)	(CAD/GJ)
Q3 2025	Fixed Price	25,000	\$3.60
Q4 2025	Fixed Price	8,424	\$3.60

Natural Gas - NYMEX Henry Hub			Average Price
Period Hedged	Type	Daily Volume (MMBTU)	(USD/MMBtu)
Q3 2025	Fixed Price	195,000	\$3.80
Q4 2025	Fixed Price	158,533	\$4.02
Q1 2026	Fixed Price	140,000	\$4.18
Q2 2026	Fixed Price	190,000	\$3.75
Q3 2026	Fixed Price	190,000	\$3.75
Q4 2026	Fixed Price	100,489	\$3.98
Q1 2027	Fixed Price	55,000	\$4.39
Q2 2027	Fixed Price	55,000	\$3.55
Q3 2027	Fixed Price	55,000	\$3.55
Q4 2027	Fixed Price	18,533	\$3.55

Crude Oil – WTI CAD			Average Price
Period Hedged	Type	Daily Volume (bbl)	(CAD/bbl)
Q3 2025	Fixed Price	4,500	\$93.99
Q4 2025	Fixed Price	3,300	\$90.83
Q1 2026	Fixed Price	2,200	\$88.94
Q2 2026	Fixed Price	800	\$82.41
Q3 2026	Fixed Price	600	\$81.89
Q4 2026	Fixed Price	600	\$81.89

Propane – Conway			Average Price
Period Hedged	Type	Daily Volume (bbl)	(USD/bbl)
Q3 2025	Fixed Price	500	\$33.60
Q4 2025	Fixed Price	500	\$33.60
Q1 2026	Fixed Price	500	\$33.60

Crude Oil			Put - Call
Period Hedged - WTI	Type	Daily Volume (bbl)	(WTI CAD/bbl)
Q3 2025	Collar	500	\$90.00–\$110.00
Q4 2025	Collar	500	\$90.00–\$100.50
Q1 2026	Collar	500	\$85.00–\$100.00
Q2 2026	Collar	500	\$90.00–\$110.50

Had these contracts closed on June 30, 2025, Peyto would have realized a gain in the amount of \$135.5 million. If the gas price on June 30, 2025, were to increase by \$0.10/GJ, the unrealized gain would decrease by approximately \$25.9 million. An opposite change in commodity prices would result in an opposite impact on other comprehensive income.

Foreign exchange contracts

Average Rate forward	Amount (USD)	Rate (CAD/USD)
Sold USD Contracts		
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
Q2 2027	\$7.0 million	1.3526
Q3 2027	\$7.0 million	1.3526
Q4 2027	\$2.3 million	1.3526

Had these contracts settled on June 30, 2025, Peyto would have realized a gain in the amount of \$1.29 million. If the CAD/USD FX rate on June 30, 2025 were to increase by \$0.05, the unrealized loss would increase by approximately \$12.5 million. An opposite change in the CAD/USD FX rate would result in an opposite impact on other comprehensive income.

Interest rate contracts

Term	Notional Amount	Peyto pays fixed rate	Peyto receives floating rate
March 17, 2023 to March 17, 2026 ⁽¹⁾	\$50 million	3.28%	CORRA
January 30, 2025 to January 30, 2028	\$50 million	2.67%	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 closed on June 30, 2025, Peyto would have realized a loss in the amount of \$0.5 million.

Subsequent to June 30, 2025, Peyto entered into the following contracts:

Commodity contracts

Natural Gas – AECO 7A			
Period Hedged	Type	Daily Volume (GJ)	Average Price (CAD/GJ)
Q4 2026	Fixed Price	6,630	\$3.48
Q1 2027	Fixed Price	10,000	\$3.48

Crude Oil – WTI CAD			
Period Hedged	Type	Daily Volume (bbl)	Average Price (CAD/bbl)
Q4 2025	Fixed Price	500	\$88.75
Q1 2026	Fixed Price	800	\$86.65
Q2 2026	Fixed Price	800	\$86.65
Q3 2026	Fixed Price	500	\$85.95
Q4 2026	Fixed Price	500	\$85.95

12. Related party transactions

Certain directors of Peyto are considered to have significant influence over other reporting entities that Peyto engages in commercial 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 dollar value of the transactions between Peyto and each of the related reporting entities is summarized below:

Expense (Income)				Accounts Payable (Account Receivable)	
Three Months ended June 30		Six Months ended June 30		As at June 30	
2025	2024	2025	2024	2025	2024
(1,131)	128	(1,160)	288	87	23

13. Commitments

Following is a summary of Peyto's contractual obligations and commitments as at June 30, 2025:

	Q3–Q4 2025	2026	2027	2028	2029	Thereafter
Interest payments ⁽¹⁾	12,583	20,958	20,775	16,966	14,565	30,617
Transportation commitments	51,202	128,084	99,961	64,326	48,316	464,818
Operating leases	1,214	2,429	2,436	2,438	2,539	5,454
Total	64,999	151,471	123,172	83,730	65,420	500,889

(1) Fixed interest payments on senior secured notes

Officers

Jean-Paul Lachance
President and Chief Executive Officer

Todd Burdick
Vice President, Production

Riley Frame
Vice President, Engineering and Chief Operating Officer

Derick Czember
Vice President, Land and Business Development

Tavis Carlson
Chief Financial Officer

Stephen Chetner
Corporate Secretary

Lee Curran
Vice President, Drilling and Completions

Micheal Rees
Vice President, Geoscience

Mike Collens
Vice President, Marketing

Crisy Rafoss
Vice President, Finance

Directors

Don Gray, Chairman
Brian Davis, Lead Independent Director
Darren Gee
John Rossall
Debra Gerlach
Jean-Paul Lachance
Jocelyn McMinn
Nicki Stevens

Auditors

Deloitte LLP

Solicitors

Burnet, Duckworth & Palmer LLP

Bankers

Bank of Montreal
Canadian Imperial Bank of Commerce
National Bank of Canada
ATB Financial
The Toronto-Dominion Bank
China Construction Bank (Canada)
Canadian Western Bank
Bank of China (Canada)
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