PEYTO

Exploration & Development Corp.

# ANNUAL INFORMATION FORM

# 2024

**March 31, 2025**

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## GLOSSARY OF TERMS

"**2008 Arrangement**" means the arrangement under the provisions of section 193 of the ABCA among the Trust, its subsidiaries and Unitholders which was completed on January 1, 2008 pursuant to which the Internal Reorganization was completed;

"**2010 Arrangement**" means the arrangement under the provisions of section 193 of the ABCA among the Trust, POT, Peyto AdminCo, the Peyto Partnership, PEDC, Peyto Exploration (2011) Ltd. and Unitholders which commenced on December 31, 2010 and was completed on January 1, 2011 and resulted in the reorganization of the Trust into a public, dividend paying, oil and natural gas exploration and development company that acquired all of the assets and assumed all of the liabilities of the Trust;

"**2012 Amalgamation**" means the amalgamation of Peyto and Open Range, its wholly-owned subsidiary, effective December 31, 2012 pursuant to subsection 184(1) of the ABCA;

"**2022 Amalgamation**" means the amalgamation of Peyto and Birchill Canada 2A Corp., 1790570 Alberta Ltd., 1864068 Alberta Ltd., 1864078 Alberta Ltd., 1864414 Alberta Ltd., 1867331 Alberta Ltd. and 2021078 Alberta Ltd, each wholly-owned subsidiaries of Peyto, effective February 28, 2022 pursuant to subsection 184(1) of the ABCA;

**"2024 Amalgamation"** means the amalgamation of Peyto and Peyto Oil & Gas Corp., a wholly-owned subsidiary of Peyto, effective January 1, 2024 pursuant to subsection 184(1) of the ABCA;

**"2025 Amalgamation"** means the amalgamation of Peyto and Peyto Energy Corp., a wholly-owned subsidiary of Peyto, effective January 1, 2025 pursuant to subsection 184(1) of the ABCA;

"**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"**Common Shares**" means the common shares in the capital of Peyto;

"**GLJ**" means GLJ Ltd., independent oil and gas reservoir engineers of Calgary, Alberta;

"**GLJ Report**" means the independent engineering evaluation of Peyto's oil, NGLs and natural gas interests prepared by GLJ dated February 20, 2025 and effective December 31, 2024, a summary of which is contained herein;

"**Internal Reorganization**" means the reorganization of the Trust's subsidiaries effective January 1, 2008, whereby all of the oil and natural gas assets and liabilities of the PEDC entities were transferred to the Peyto Partnership;

"**oil and natural gas properties**" means the working, royalty or other interests of Peyto from time to time in any petroleum and natural gas rights, tangibles and miscellaneous interests, including the properties in which Peyto has an interest as at the date hereof, and properties which may be acquired by Peyto at a future date;

"**Open Range**" means Open Range Energy Corp., a corporation incorporated under the ABCA;

"**PEDC**" means Peyto Exploration & Development Corp., a corporation amalgamated under the ABCA and a predecessor to Peyto;

"**Peyto**", the "**Corporation**", "**we**", "**us**" or "**our**" means, as the context requires, (i) Peyto Exploration & Development Corp., a corporation amalgamated under the ABCA on February 28, 2022 pursuant to the 2022 Amalgamation; (ii) Peyto Exploration & Development Corp., a corporation amalgamated under the ABCA on December 31, 2012 pursuant to the 2012 Amalgamation, (iii) Peyto Exploration & Development Corp., a corporation amalgamated under the ABCA on January 1, 2011 pursuant to the 2010 Arrangement; or (iv) the Trust, and its controlled entities on a consolidated basis, prior to the completion of the 2010 Arrangement;

"**Peyto AdminCo**" means Peyto Energy Administration Corp., a corporation incorporated under the ABCA;

"**Peyto Energy Partnership**" means Peyto Energy Partnership, a general partnership formed pursuant to the laws of the Province of Alberta;

"**Peyto Partnership**" means Peyto Energy Limited Partnership, a limited partnership formed pursuant to the laws of the Province of Alberta;

"**PIPA**" means the partnership interest purchase agreement dated September 6, 2023, among Repsol Oil & Gas Canada Inc., 7308051 Canada Ltd., Repsol Exploración, S.A.U. and Peyto;

"**POT**" means Peyto Operating Trust, a trust established under the laws of Alberta pursuant to the amended and restated trust indenture dated January 1, 2008 between Valiant Trust Company, the Trust and Peyto AdminCo;

"**Repsol Acquisition**" means the acquisition by Peyto of Repsol Canada Energy Partnership (renamed Peyto Energy Partnership), the entity which held the Canadian upstream oil and gas business of Repsol Exploración, S.A.U.;

"**Senior Notes**" has the meaning ascribed thereto under "*Dividends*";

"**Shareholders**" means holders of Common Shares;

"**Subscription Receipts**" means the subscription receipts of Peyto issued pursuant to a bought deal equity financing a price of $11.90 per Subscription Receipt;

"**Trust**" means Peyto Energy Trust, a trust established under the laws of Alberta and predecessor to Peyto. All references to the "Trust", unless the context otherwise requires, are references to Peyto Energy Trust and its controlled entities on a consolidated basis prior to completion of the 2010 Arrangement;

"**Trust Units**" means previously outstanding trust units of the Trust, each unit representing an equal undivided beneficial interest therein;

"**TSX**" means the Toronto Stock Exchange;

"**United States**" or "**U.S.**" means the United States of America; and

"**Unitholders**" means the former holders of the Trust Units.

Unless otherwise specified, information in this Annual Information Form is as at the end of the Corporation's most recently completed financial year, being December 31, 2024.

Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders.

All dollar amounts set forth in this Annual Information Form are in Canadian dollars, except where otherwise indicated.

## ABBREVIATIONS

| Oil and Natural Gas Liquids | | Natural Gas | |
|---|---|---|---|
| bbl | barrels | Mcf | thousand cubic feet |
| Mbbl | thousand barrels | MMcf | million cubic feet |
| MMbbl | million barrels | Mcf/d | thousand cubic feet per day |
| NGLs | natural gas liquids | MMcf/d | million cubic feet per day |
| Mboe | thousand barrels of oil equivalent | $m^3$ | cubic metres |
| MMboe | million barrels of oil equivalent | MMbtu | million British Thermal Units |
| boe/d | barrels of oil equivalent per day | GJ | Gigajoule |
| bbls/d | barrels per day | | |
| Mboe/d | thousand barrels of oil equivalent per day | | |

**Other**

| | |
|---|---|
| BOE or boe | means barrel of oil equivalent, using the conversion factor of 6 Mcf of natural gas being equivalent to one bbl of oil. **BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf:1 bbl, utilizing a conversion on a 6 Mcf:1 bbl basis may be misleading as an indication of value.** |
| Mcfe | means thousand cubic feet of natural gas equivalent, using the conversion factor of one bbl of oil to 6 Mcf of natural gas. **Mcfes may be misleading, particularly if used in isolation. An Mcfe conversion ratio of 1 bbl:6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 1 bbl: 6 Mcf, utilizing a conversion on a 1 bbl: 6 Mcf basis may be misleading as an indication of value.** |
| WTI | means West Texas Intermediate. |
| °API | means the measure of the density or gravity of liquid petroleum products derived from a specific gravity. |
| M$ | means thousands of dollars. |
| MM$ | means millions of dollars. |
| km | means kilometres. |

## CONVERSION

The following table sets forth certain conversions between Standard Imperial Units and the International System of Units (or metric units).

| To Convert From | To | Multiply By |
|---|---|---|
| Mcf | cubic metres | 28.174[(1)] |
| cubic metres | cubic feet | 35.494[(1)] |
| bbls | cubic metres | 0.159 |
| cubic metres | bbls | 6.289 |
| feet | metres | 0.305 |
| metres | feet | 3.281 |
| miles | kilometres | 1.609 |
| kilometres | miles | 0.621 |
| acres | hectares | 0.405 |
| hectares | acres | 2.471 |
| GJ | MMbtu | 0.948 |

**Note:**

(1) Volumes of gas are converted at a standard pressure and temperature of 101.325 kPa and 15ºC.

## NOTICE TO READER

**YOU SHOULD NOT RELY ON FORWARD-LOOKING STATEMENTS BECAUSE THEY ARE INHERENTLY UNCERTAIN.**

Certain statements contained in this Annual Information Form 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 Annual Information Form.

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 Annual Information Form, 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; the ability of Peyto to successfully market its oil and natural gas products; and that the tariffs that have been publicly announced by the U.S. and Canadian governments (but which are not yet in effect) do not come into effect, but that if such tariffs do come into effect, the potential impact of such tariffs, and that other than the tariffs that have been announced, neither the U.S. nor Canada (i) increases the rate or scope of such tariffs, or imposes new tariffs, on the import of goods from one country to the other, including on oil and natural gas, and/or (ii) imposes any other form of tax, restriction or prohibition on the import or export of products from one country to the other, including on oil and natural gas.

In particular, this Annual Information Form contains forward-looking statements pertaining to the following:

- the performance characteristics of the oil and natural gas assets of Peyto;
- oil and natural gas production levels;
- market prices for oil and natural gas, including pricing assumptions used in the Reserves Data (as defined herein);
- the size of Peyto's oil and natural gas reserves;
- projections of market prices and costs and the related sensitivities of dividends;
- supply and demand for oil and natural gas;
- expectations regarding the ability to raise capital and to continually add to reserves through exploration and development and, if applicable, acquisitions;
- treatment under governmental regulatory regimes;
- capital expenditures programs;
- the payment of dividends;
- the existence, operation and strategy of Peyto's commodity price risk management program;
- the approximate and maximum amount of forward sales and hedging to be employed by Peyto;
- Peyto's future tax horizons;
- the impact of Canadian federal and provincial governmental regulation on Peyto; and
- the goal to grow or sustain production and reserves through prudent exploration, management and acquisitions.

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 Annual Information Form:

- 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 Corporation's capital budget;
- liabilities inherent in oil and natural gas operations;
- effects of inflation;
- 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, oil and natural gas royalty and regulatory frameworks and climate change laws and frameworks;
- public health risks;
- the risk that (i) negotiations between the U.S. and Canadian governments are not successful and one or both of such governments implements announced tariffs, increases the rate or scope of announced tariffs, or imposes new tariffs on the import of goods from one country to the other, including on oil and natural gas, (ii) the U.S. and/or Canada imposes any other form of tax, restriction or prohibition on the import or export of products from one country to the other, including on oil and natural gas, and (iii) the tariffs imposed by the U.S., Canada, China and other countries and responses thereto could have a material adverse effect on the Canadian, U.S. and global economies, and by extension the Canadian oil and natural gas industry and the Corporation; and
- the other factors discussed under "*Risk Factors*".

## NON-GAAP AND OTHER FINANCIAL MEASURES

Throughout this document and in other materials disclosed by the Corporation, Peyto adheres to International Accounting Standards Board's most current International Financial Reporting Standards ("**IFRS**" or "**GAAP**"), however the Corporation also employs certain non-GAAP and other financial measures to analyze financial performance, financial position, and cash flow including, but not limited to "capital expenditures" and "netbacks". 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 used herein 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. The most directly comparable GAAP measure for total capital expenditures is cash flow used in investing activities. The most directly comparable GAAP measure for netback is gross sales price. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within Peyto's MD&A for the year ended December 31, 2024, beginning on page 30, available on SEDAR+ at www.sedarplus.ca, for additional disclosures relating to these non-GAAP measures, which information is incorporated in this Annual Information Form by reference.

## PEYTO EXPLORATION & DEVELOPMENT CORP.

### General

Peyto is a Calgary, Alberta based company founded in 1998. Peyto is a dividend paying publicly traded company engaged in the acquisition, exploration, development and production of oil and natural gas in Western Canada. The head and principal office of Peyto is located at Suite 300, 600 – 3rd Avenue SW, Calgary, Alberta T2P 0G5. The registered office of Peyto is located at Suite 2400, 525 – 8th Avenue SW, Calgary, Alberta T2P 1G1.

The Common Shares trade on the TSX under the symbol "PEY".

### Corporate History

PEDC was founded in 1998 as an oil and natural gas exploration and development company.

The Trust was formed on May 22, 2003 and commenced operations on July 1, 2003 as a result of the completion of an arrangement under the provisions of section 193 of the ABCA among PEDC, Peyto Acquisition Corp. and the Trust which was completed on July 1, 2003 and pursuant to which former holders of common shares of PEDC received Trust Units and PEDC became an indirect subsidiary of the Trust.

On January 1, 2008, the Trust completed the 2008 Arrangement. As a result of the Internal Reorganization, all of the oil and natural gas assets of the Trust were held in the Peyto Partnership, Peyto AdminCo was the administrator of the Trust and POT and PEDC was the general partner of the Peyto Partnership prior to completion of the 2010 Arrangement. Certain subsidiaries of the Trust were amalgamated pursuant to the Internal Reorganization.

On January 1, 2011, the Corporation completed the 2010 Arrangement pursuant to which Peyto, directly or indirectly, acquired all of the assets and assumed all of the liabilities of the Trust. Prior to completion of the 2010 Arrangement, the Trust was a reporting issuer in all provinces of Canada and the Trust Units were listed for trading on the TSX. Following completion of the 2010 Arrangement, the Common Shares were listed for trading on the TSX concurrent with the delisting of the Trust Units, the Trust ceased to be a reporting issuer and Peyto became a reporting issuer as successor to the Trust in those jurisdictions in which the Trust was previously a reporting issuer. Pursuant to the terms of the 2010 Arrangement, Unitholders received one Common Share for each Trust Unit held.

On December 31, 2012, Peyto completed the 2012 Amalgamation. On February 28, 2022, Peyto completed the 2022 Amalgamation. On January 1, 2024, Peyto completed the 2024 Amalgamation. On January 1, 2025, Peyto completed the 2025 Amalgamation.

### Inter-Corporate Relationships

Peyto has two wholly-owned corporate subsidiaries, Peyto LNG Ltd. and Peyto Canada Corp., each incorporated under the laws of the Province of Alberta. Peyto Canada Corp. is the general partner of Peyto Canada Limited Partnership, and Peyto is the sole limited partner of Peyto Canada Limited Partnership, a limited partnership formed under the laws of the Province of Alberta.

## GENERAL DEVELOPMENT OF THE BUSINESS

### General

Peyto is a Calgary, Alberta based dividend paying energy company which has been engaged in the acquisition, exploration, development and production of oil and natural gas in Western Canada since it was founded in 1998. Peyto's strategy is to enhance Shareholder value through the exploration, discovery and low-cost development of oil and natural gas in the Western Canadian sedimentary basin. Peyto's portfolio of assets includes exploration and development opportunities located primarily in the Deep Basin of Alberta. Management's current 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; and

- 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.

**Three Year History**

The following is a summary of the development of Peyto's business for the periods shown.

***2022***

During 2022, Peyto drilled or participated in 95 gross (82.4 net) natural gas wells. The average production for the year was 103.5 Mboe/d (consisting of 543.6 MMcf/d natural gas and 12,949 bbls/d natural gas liquids) and the December average rate was 105.7 Mboe/d (consisting of 558.1 MMcf/d natural gas and 12,660 bbls/d natural gas liquids).

On February 28, 2022, Peyto acquired all the issued and outstanding shares of the limited partners and the general partner of a private Alberta partnership with operations in the Brazeau River area of Alberta for cash consideration of $22.2 million. The acquisition included 880 boe/d of production, 82 gross (73 net) sections of land and infrastructure including a 100% owned and operated 45 MMcf/d sweet natural gas plant.

On September 13, 2022, Peyto closed an acquisition in the Brazeau area for $26.1 million that included 49 gross (41.7 net) sections of land, 12 producing wells totaling approximately 600 boe/d (20% NGLs) and 59 km of pipelines.

On October 3, 2022, Peyto finalized an agreement with its lenders to amend and extend its credit facility. The credit limit was amended to $800 million at Peyto's request to reduce renewal expenses and standby fees, and the maturity date was extended to October 13, 2025 from October 13, 2023. The credit facility includes a $40 million working capital sub-tranche and a $760 million production line and is available on a revolving basis.

On October 4, 2022 Peyto announced that Darren Gee would retire as Chief Executive Officer of Peyto at the end of 2022 and that Peyto's current President and Chief Operating Officer, Mr. Jean-Paul Lachance would advance to the position of President and Chief Executive Officer at that time.

On November 1, 2022, Debra Gerlach was appointed as a member of Peyto's board of directors.

On November 9, 2022, Peyto announced that starting January 2023, the Corporation's monthly dividend will increase to $0.11 per Common Share from $0.05 per Common Share.

In 2022, Peyto had earnings of $390.7 million and declared total dividends to Shareholders of $102.4 million.

***2023***

During 2023, Peyto drilled or participated in 72 gross (67.8 net) natural gas wells. The average production for the year was 104.9 Mboe/d (consisting of 553.7 MMcf/d natural gas and 12,657 bbls/d natural gas liquids) and the December average rate was 126.5 Mboe/d (consisting of 656.2 MMcf/d natural gas and 17,166 bbls/d natural gas liquids).

On January 1, 2023, Mr. Jean-Paul Lachance assumed the position of Chief Executive Officer and was appointed as a member of Peyto's board of directors and Mr. Darren Gee retired as the Chief Executive Officer of the Corporation.

On June 13, 2023, Kathy Turgeon and Gregory Fletcher retired from Peyto's board of directors and Jocelyn McMinn was appointed as a member of Peyto's board of directors.

On September 6, 2023, Peyto announced it had entered into the PIPA to acquire Repsol Canada Energy Partnership for cash consideration of US$468 million ($636 million) prior to post-closing adjustments. In connection with the Repsol Acquisition, Peyto would acquire the Canadian upstream oil and gas business of Repsol Exploración, S.A.U., including all related midstream facilities and infrastructure located predominantly in the Deep Basin area of Alberta. The assets to be acquired in the Repsol Acquisition are primarily situated in the Deep Basin area of Alberta and encompassed approximately 517,000 total net acres, with a large, concentrated Deep Basin land position of approximately 455,000 net acres in the heart of the Deep Basin play fairway at Greater Edson. The Repsol Acquisition assets included approximately 23,000 Boe/d of net production (75% conventional natural gas and 25% NGLs) and significant infrastructure in the region.

On September 6, 2023, Peyto also announced it had entered into a debt commitment letter with the Bank of Montreal, Canadian Imperial Bank of Commerce and National Bank of Canada for aggregate debt commitments of $1.3 billion, which were comprised of an upsized $1 billion revolving credit facility which replaced the existing $800 million revolving credit facility and a new $300 million two-year amortizing term loan.

On September 26, 2023, Peyto completed a bought deal equity financing and issued 16,916,500 Subscription Receipts at a price of $11.90 per Subscription Receipt for gross proceeds of $201.3 million, which included the full exercise of the over-allotment option granted to the underwriters. Each Subscription Receipt entitled the holder to receive one (1) Common Share upon closing of the Repsol Acquisition.

On October 17, 2023, Peyto announced closing of the Repsol Acquisition. On closing of the Repsol Acquisition, the net proceeds from the sale of the Subscription Receipts were released from escrow to Peyto to partially fund the purchase price of the Repsol Acquisition with the remainder of the purchase price funded by drawing on Peyto's amended credit facilities. In addition, on closing of the Repsol Acquisition, in accordance with the terms of the Subscription Receipts, each Subscription Receipt was exchanged for one Common Share. In conjunction with the closing of the Repsol Acquisition, Peyto amended and restated its credit facilities with a syndicate of banks increasing the committed revolving facility from $800 million to $1 billion (the "**Revolving Credit Facility**") and adding a new $174 million two-year amortizing term loan (the "**Term Loan**").

On October 17, 2023 Peyto also announced the appointment of Nicki Stevens as a member of Peyto's board of directors.

On October 24, 2023, Peyto closed an issuance of $160 million of senior secured notes with a coupon rate of 6.46% (the "**2023 Senior Notes**"). Interest on the 2023 Senior Notes will be paid semi-annually in arrears. The 2023 Senior Notes will mature on October 24, 2030. The 2023 Senior 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 facility and existing note purchase and private shelf agreement. Proceeds from the issuance of the 2023 Senior Notes were used to repay the $100 million, 3.70% notes due October 24, 2023 and to decrease Peyto's borrowings under its Revolving Credit Facility.

In 2023, Peyto had earnings of $292.6 million and declared total dividends to Shareholders of $239.0 million.

***2024***

During 2024, Peyto drilled or participated in 75 gross (73.3 net) natural gas wells. The average production for the year was 125.2 Mboe/d (consisting of 659.2 MMcf/d natural gas and 15,334 bbls/d natural gas liquids) and the December average rate was 135.8 Mboe/d (consisting of 720.7 MMcf/d natural gas and 15,708 bbls/d natural gas liquids).

Effective January 1, 2024, Mr. Riley Frame assumed the role of Chief Operating Officer. On March 31, 2024, Kathy Turgeon retired as Chief Financial Officer of Peyto and Tavis Carlson assumed the role of Vice President, Finance and Chief Financial Officer effective April 1, 2024.

On June 10, 2024, Peyto finalized an agreement with its lenders to amend and extend the maturity dates of its $1 billion Revolving Credit Facility and its Term Loan. The maturity dates of the Revolving Credit Facility and the Term Loan were extended to October 13, 2027, and October 13, 2026, respectively, from October 13, 2025. 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.

On October 27, 2024, Peyto closed an issuance of $75 million of senior secured notes with a coupon rate of 5.638% (the "**2024 Senior Notes**"). Interest on the 2024 Senior Notes will be paid semi-annually in arrears. The 2024 Senior Notes will mature on October 17, 2034. The 2024 Senior 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 facility and existing note purchase and private shelf agreement. Proceeds from the issuance of the 2024 Senior Notes were used to repay the $65 million, 4.26% notes due May 1, 2025.

In 2024, Peyto had earnings of $280.6 million and declared total dividends to Shareholders of $258.4 million.

***Recent Developments***

On March 11, 2025, Peyto announced certain changes to the senior management team. Effective April 1, 2025, Michael Collens will be promoted to Vice President, Marketing, Mike Rees will be promoted to Vice President, Geoscience, and Crissy Rafoss will be promoted to Vice President, Finance. Existing Vice President of Finance and CFO, Tavis Carlson, will remain as CFO.

## DESCRIPTION OF THE BUSINESS AND OPERATIONS

Peyto is a growth oriented, dividend paying publicly traded company engaged in the acquisition, exploration, development and production of oil and natural gas in Western Canada.

### Principal Properties

See "*Statement of Reserves Data and Other Oil and Gas Information – Other Oil and Gas Information – Oil and Gas Properties*".

### Competitive Conditions

The oil and natural gas industry is competitive in all its phases. Peyto competes with numerous other entities in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Peyto's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of Peyto. Peyto's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price, methods and reliability of delivery and storage. Competition may also be presented by alternate fuel sources. Peyto believes that it has a competitive advantage to that of other oil and natural gas issuers of similar size, involved in similar areas and at a similar stage of development as a result of Peyto's low-cost development of its oil and natural gas properties.

## STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

The statement of reserves data and other oil and natural gas information set forth below (the "**Statement**") is dated February 20, 2025. The effective date of the Statement is December 31, 2024 and the preparation date of the Statement is February 6, 2025. The Report of Management and Directors on Reserves Data and Other Information on Form 51-101F3 and the Report on Reserves Data by GLJ on Form 51-101F2 are attached as Schedules A and B, respectively, to this Annual Information Form.

### Disclosure of Reserves Data

The Statement set forth below discloses the Corporation's reserves data (the "**Reserves Data**") and is based upon an evaluation by GLJ with an effective date of December 31, 2024 contained in the GLJ Report. The Reserves Data summarizes the oil, liquids and natural gas reserves of Peyto and the net present values of future net revenue for these reserves using forecast prices and costs. The Reserves Data conforms to the requirements of National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**") and is in accordance with the COGE Handbook. Peyto engaged GLJ to provide an evaluation of proved and proved plus probable reserves and no attempt was made to evaluate possible reserves.

All of Peyto's reserves are in Alberta, Canada.

Some values set forth below may not add due to rounding.

**It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained, and variances could be material.**

### *Reserves Data (Forecast Prices and Costs)*

SUMMARY OF OIL AND GAS RESERVES AND NET PRESENT VALUES OF FUTURE NET REVENUE AS OF DECEMBER 31, 2024
FORECAST PRICES AND COSTS

| | RESERVES[1] | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Light and Medium Oil | | Conventional Gas | | Natural Gas Liquids | | Total BOE | |
| Reserves Category | Gross (Mbbl) | Net (Mbbl) | Gross (MMcf) | Net (MMcf) | Gross (Mbbl) | Net (Mbbl) | Gross (Mboe) | Net (Mboe) |
| **Proved** | | | | | | | | |
| Developed Producing | 512 | 454 | 2,435,197 | 2,251,287 | 67,456 | 55,754 | 473,834 | 431,422 |
| Developed Non-Producing | - | - | 49,052 | 44,177 | 1,049 | 800 | 9,224 | 8,163 |
| Undeveloped | - | - | 2,029,207 | 1,881,583 | 54,594 | 46,566 | 392,795 | 360,163 |
| **Total Proved** | 512 | 454 | 4,513,457 | 4,177,046 | 123,099 | 103,120 | 875,853 | 799,748 |
| **Total Probable** | 133 | 115 | 2,551,701 | 2,306,898 | 65,693 | 51,633 | 491,110 | 436,231 |
| **Total Proved Plus Probable** | 645 | 568 | 7,065,157 | 6,483,944 | 188,792 | 154,753 | 1,366,963 | 1,235,979 |

**Note:**

(1) Numbers may not add due to rounding.

| | NET PRESENT VALUES OF FUTURE NET REVENUE[1] | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Before Income Taxes Discounted at (%/year) | | | | | After Income Taxes[3] Discounted at (%/year) | | | | |
| Reserves Category | 0 (M$) | 5 (M$) | 10 (M$) | 15 (M$) | 20 (M$) | 0 (M$) | 5 (M$) | 10 (M$) | 15 (M$) | 20 (M$) |
| **Proved** | | | | | | | | | | |
| Developed Producing | 10,182,544 | 6,692,969 | 4,878,688 | 3,861,961 | 3,225,412 | 7,929,546 | 5,361,641 | 3,951,993 | 3,150,996 | 2,646,071 |
| Developed Non-Producing | 182,962 | 109,731 | 72,858 | 52,374 | 39,712 | 138,756 | 83,952 | 55,504 | 39,600 | 29,753 |
| Undeveloped | 6,813,959 | 3,548,125 | 2,099,275 | 1,339,562 | 893,454 | 5,221,881 | 2,665,487 | 1,519,686 | 919,774 | 570,191 |
| Total Proved | 17,179,465 | 10,350,825 | 7,050,821 | 5,253,897 | 4,158,578 | 13,290,183 | 8,111,080 | 5,527,183 | 4,110,370 | 3,246,015 |
| **Total Probable** | 11,705,045 | 4,792,635 | 2,518,639 | 1,541,613 | 1,042,700 | 9,015,456 | 3,652,121 | 1,891,666 | 1,140,821 | 761,625 |
| **Total Proved Plus Probable** | 28,884,510 | 15,143,460 | 9,569,460 | 6,795,510 | 5,201,278 | 22,305,639 | 11,763,201 | 7,418,848 | 5,251,190 | 4,007,640 |

**Note:**

(1) Numbers may not add due to rounding.

| | TOTAL FUTURE NET REVENUE (UNDISCOUNTED) AS OF DECEMBER 31, 2024 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Reserves Category | Revenue (M$) | Royalties (M$) | Operating Costs (M$) | Development Costs (M$) | Abandonment and Reclamation Costs[1] (M$) | Future Net Revenue Before Income Taxes (M$) | Income Taxes (M$) | Future Net Revenue After Income Taxes (M$) |
| **Total Proved** | 32,161,201 | 3,115,891 | 7,094,943 | 3,385,547 | 1,385,355 | 17,179,465 | 3,889,282 | 13,290,183 |
| **Total Proved Plus Probable** | 51,401,178 | 5,651,641 | 9,647,778 | 5,707,365 | 1,509,884 | 28,884,510 | 6,578,871 | 22,305,639 |

**Notes:**

(1) Reflects estimated abandonment and reclamation for all wells (both existing and undrilled wells) that reserves have been attributed to. See "*Additional Information Concerning Abandonment and Reclamation Costs*".

(2) Numbers may not add due to rounding.

FUTURE NET REVENUE BY PRODUCT TYPE AS OF DECEMBER 31, 2024

| Reserves Category | Product Type | Future Net Revenue Before Income Taxes (Discounted At 10%/Year) (M$) | ($/unit) |
|---|---|---|---|
| Proved Reserves | Light and Medium Crude Oil(1) | 31,005 | 31.56/boe |
| | Conventional Natural Gas(2) | 7,019,816 | 1.46/Mcfe |
| | **Total Proved** | **7,050,821** | 1.47/Mcfe |
| Proved Plus Probable Reserves | Light and Medium Crude Oil(1) | 35,746 | 28.15/boe |
| | Conventional Natural Gas(2) | 9,533,714 | 1.29/Mcfe |
| | **Total Proved Plus Probable** | **9,569,460** | 1.29/Mcfe |

**Notes:**

(1) Including solution gas and other by-products.
(2) Including by-products but excluding solution gas.
(3) Unit values are based on net reserve volumes.
(4) Numbers may not add due to rounding.

### Definitions and Other Notes

In the tables set forth in this Statement and elsewhere in this Annual Information Form, the following definitions and other notes are applicable.

1. "**Gross**" means:

   (a) in relation to Peyto's interest in production and reserves, its "Peyto gross reserves", which are Peyto's interest (operating and non-operating) share before deduction of royalties and without including any royalty interest of Peyto;

   (b) in relation to wells, the total number of wells in which Peyto has an interest; and

   (c) in relation to properties, the total area of properties in which Peyto has an interest.

2. "**Net**" means:

   (a) in relation to Peyto's interest in reserves, its "Peyto net reserves", which are Peyto's interest (operating and non-operating) share after deduction of royalties obligations, plus Peyto's royalty interest in reserves;

   (b) in relation to wells, the number of wells obtained by aggregating Peyto's working interest in each of its gross wells; and

   (c) in relation to Peyto's interest in a property, the total area in which Peyto has an interest multiplied by the working interest owned by Peyto.

3. Definitions used for reserve categories are as follows:

The following definitions apply to both estimates of individual reserves entities and the aggregate of reserves for multiple entities.

*Reserve Categories*

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on:

(a) analysis of drilling, geological, geophysical and engineering data;

(b) the use of established technology; and

(c) specified economic conditions (see the discussion of "*Economic Assumptions*" below).

Reserves are classified according to the degree of certainty associated with the estimates:

(a) Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

(b) Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

"Economic Assumptions" will be the prices and costs used in the estimate, namely forecast prices and costs.

*Development and Production Status*

Each of the reserve categories (proved and probable) may be divided into developed and undeveloped categories:

(a) Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing:

 (i) Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

 (ii) Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

(b) Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

*Levels of Certainty for Reported Reserves*

The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

(a) at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and

(b) at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

A qualitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

4. Forecast prices and costs

Future prices and costs that are:

(a) generally acceptable as being a reasonable outlook of the future; and

(b) if and only to the extent that, there are fixed or presently determinable future prices or costs to which Peyto is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

The forecast summary table under "*Statement of Reserves Data and Other Oil and Gas Information – Pricing Assumptions*" identifies benchmark reference pricing that apply to Peyto.

5. Future income tax expenses estimate:

(a) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes;

(b) without deducting estimated future costs that are not deductible in computing taxable income;

(c) taking into account estimated tax credits and allowances; and

(d) applying to the future pre-tax net cash flows relating to Peyto's oil and natural gas activities the appropriate year-end statutory rates, taking into account future tax rates already legislated.

6. "**Development costs**" means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and natural gas from reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

(a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, pumping equipment and wellhead assembly;

(b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly;

(c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and

(d) provide improved recovery systems.

7. "**Development well**" means a well drilled inside the established limits of an oil and natural gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

8. "**Exploration costs**" means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and natural gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

(a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies;

(b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;

(c) dry hole contributions and bottom hole contributions;

(d) costs of drilling and equipping exploratory wells; and

(e) costs of drilling exploratory type stratigraphic test wells.

9. "**Exploration well**" means a well that is not a development well, a service well or a stratigraphic test well.

10. "**Service well**" means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion.

11. Numbers may not add due to rounding.

12. The estimates of future net revenue presented in the tables above do not represent fair market value.

**Pricing Assumptions**

The following sets forth the benchmark reference prices, as at December 31, 2024, reflected in the Reserves Data were computed using the average of the forecasts by McDaniel & Associates Consultants Ltd, GLJ and Sproule Petroleum Consultants.

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS AS OF DECEMBER 31, 2024
FORECAST PRICES AND COSTS

| | OIL | | NATURAL GAS | | NATURAL GAS LIQUIDS | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | WTI Cushing Oklahoma ($US/bbl) | MSW, Light Crude Oil (40° API) at Edmonton ($Cdn/bbl) | NYMEX Henry Hub Near Month Contract ($US/MMBtu) | AECO/NIT Spot ($Cdn/MMBtu) | Edmonton C5+ ($Cdn/bbl) | Edmonton Butane ($Cdn/bbl) | Edmonton Propane ($Cdn/bbl) | Spec Ethane ($Cdn/bbl) | Inflation Rates[1] %/Year | Exchange Rate[2] ($US/$Cdn) |
| Forecast | | | | | | | | | | |
| 2025 | 71.58 | 94.79 | 3.31 | 2.36 | 100.14 | 51.15 | 33.56 | 7.54 | 0.00 | 0.712 |
| 2026 | 74.48 | 97.04 | 3.73 | 3.33 | 100.72 | 49.98 | 32.78 | 10.76 | 2.00 | 0.728 |
| 2027 | 75.81 | 97.37 | 3.85 | 3.48 | 100.24 | 50.16 | 32.81 | 11.32 | 2.00 | 0.743 |
| 2028 | 77.66 | 99.80 | 3.93 | 3.69 | 102.73 | 51.41 | 33.63 | 12.02 | 2.00 | 0.743 |
| 2029 | 79.22 | 101.79 | 4.01 | 3.76 | 104.79 | 52.44 | 34.30 | 12.26 | 2.00 | 0.743 |
| 2030 | 80.80 | 103.83 | 4.09 | 3.83 | 106.86 | 53.49 | 34.99 | 12.51 | 2.00 | 0.743 |
| 2031 | 82.42 | 105.91 | 4.17 | 3.91 | 109.00 | 54.56 | 35.69 | 12.77 | 2.00 | 0.743 |
| 2032 | 84.06 | 108.02 | 4.26 | 3.99 | 111.19 | 55.65 | 36.40 | 13.03 | 2.00 | 0.743 |
| 2033 | 85.75 | 110.19 | 4.34 | 4.07 | 113.41 | 56.76 | 37.13 | 13.30 | 2.00 | 0.743 |
| 2034 | 87.46 | 112.39 | 4.43 | 4.15 | 115.69 | 57.90 | 37.87 | 13.57 | 2.00 | 0.743 |
| Thereafter | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr | +2.0%/yr | 2.00 | 0.743 |

**Notes:**

(1) Inflation rates for forecasting prices and costs.
(2) Exchange rates used to generate the benchmark reference prices in this table.

Weighted average historical prices realized by Peyto for the year ended December 31, 2024 were $2.01/Mcf for conventional natural gas and $66.17/bbl for crude oil and natural gas liquids, before realized gains on derivative financial instruments.

**Reconciliations of Changes in Reserves and Future Revenue**

The following table sets forth a reconciliation of the Company's gross reserves as at December 31, 2024, derived from the GLJ Report using forecast prices and cost estimates, reconciled to the Company's gross reserves as at December 31, 2023. Key highlights include:

- Strong drilling results throughout Peyto's core areas added positive extensions and improved recovery reserves additions in all reserve categories.
- Well performance exceeded previously booked expectations resulting in a positive technical revision in both total proved and proved plus probable categories.

- Peyto's integration efforts on the Repsol assets lowered operating costs and yielded a positive technical revision across all reserve categories.
- Negative changes associated with economic factors are a result of a lower commodity price forecast and shutting down the sour production at the Edson Gas plant.

RECONCILIATION OF PEYTO GROSS (WORKING INTEREST) RESERVES BY PRINCIPAL PRODUCT TYPE FORECAST PRICES AND COSTS

| | Light and Medium Crude Oil | | | Conventional Natural Gas | | | Natural Gas Liquids | | | Total BOE | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Factors | Proved (Mbbl) | Probable (Mbbl) | Proved + Probable (Mbbl) | Proved (MMcf) | Probable (MMcf) | Proved + Probable (MMcf) | Proved (Mbbl) | Probable (Mbbl) | Proved + Probable (Mbbl) | Proved (Mboe) | Probable (Mboe) | Proved + Probable (Mboe) |
| December 31, 2023 | 394 | 139 | 532 | 4,271,076 | 2,479,754 | 6,750,831 | 118,254 | 59,443 | 177,697 | 830,494 | 472,874 | 1,303,368 |
| Discoveries | - | - | - | - | - | - | - | - | - | - | - | - |
| Extensions and Improved Recovery[1] | - | - | - | 326,988 | 53,519 | 380,507 | 7,510 | 764 | 8,272 | 62,008 | 9,683 | 71,690 |
| Technical Revision | 196 | (5) | 191 | 216,736 | 35,442 | 252,179 | 4,297 | 5,937 | 10,235 | 40,616 | 11,839 | 52,456 |
| Acquisitions | - | - | - | - | - | - | - | - | - | - | - | - |
| Dispositions | - | - | - | - | - | - | - | - | - | - | - | - |
| Economic Factors | - | - | - | (60,073) | (17,016) | (77,089) | (1,429) | (451) | (1,879) | (11,441) | (3,287) | (14,728) |
| Production | (78) | - | (78) | (241,270) | - | (241,270) | (5,534) | - | (5,534) | (45,824) | - | (45,824) |
| December 31, 2024 | 512 | 133 | 645 | 4,513,457 | 2,551,701 | 7,065,157 | 123,099 | 65,693 | 188,792 | 875,853 | 491,110 | 1,366,963 |

**Notes:**

(1) Reserve additions under Infill Drilling, Improved Recovery and Extensions are combined and reported as "Extensions and Improved Recovery".
(2) Unit values are based on the Corporation's gross reserves.
(3) Numbers may not add due to rounding.

## Additional Information Relating to Reserves Data

### *Undeveloped Reserves*

Undeveloped reserves are attributed by GLJ in accordance with standards and procedures contained in the COGE Handbook. Proved undeveloped reserves are those reserves that can be estimated with a high degree of certainty and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. Probable undeveloped reserves are those reserves that are less certain to be recovered than proved reserves and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production.

The following tables set forth the proved undeveloped reserves and the probable undeveloped reserves, each by product type, attributed to the Corporation in the three most recent financial years.

*Proved Undeveloped Reserves*

Peyto's proved undeveloped reserves are comprised of wells that are scheduled to be drilled in the next ten years. GLJ has assigned 392.8 MMboe of gross proved undeveloped reserves in the GLJ Report under forecast prices and costs, together with $3,368 million of associated undiscounted future capital expenditures. Proved undeveloped capital spending totals $2,488 million, or 74%, of the total forecast in the first five forecast years of the GLJ Report and totals $3,368 million, or 100%, of the total forecast in the first seven forecast years of the GLJ Report.

| | Light and Medium Crude Oil (Mbbl) [1] | | Conventional Natural Gas (MMcf) [1] | | Natural Gas Liquids (Mbbl) [1] | | Total BOE (Mboe) [1] | |
|---|---|---|---|---|---|---|---|---|
| Year | 1st Attributed | Cumulative at Year-End [2] | 1st Attributed | Cumulative at Year-End [2] | 1st Attributed | Cumulative at Year-End [2] | 1st Attributed | Cumulative at Year-End [2] |
| 2022 | - | - | 134,077 | 1,328,567 | 2,658 | 34,757 | 25,004 | 256,184 |
| 2023 | - | - | 747,510 | 2,005,050 | 14,006 | 47,943 | 138,591 | 382,118 |
| 2024 | - | - | 155,411 | 2,029,207 | 3,462 | 54,594 | 29,364 | 392,795 |

**Notes:**

(1) Unit values are based on the Corporation's gross reserves.
(2) Cumulative at Year-End = Residual Cumulative of Previous Year plus 1st Attributed.

*Probable Undeveloped Reserves*

Peyto's probable undeveloped reserves are comprised of wells that are scheduled to be drilled in the GLJ Report, predominantly in the next ten years. GLJ has assigned 373.1 MMboe of gross probable undeveloped reserves to probable locations and additional probable reserves assigned to proved locations in the GLJ Report under forecast prices and costs, together with $2,305 million of associated undiscounted future capital expenditures. Probable undeveloped capital spending totals $251 million, or 11%, of the total forecast in the first five forecast years of the GLJ Report and totals $2,305 million, or 100%, of the total forecast in the first ten forecast years of the GLJ Report.

| | Light and Medium Crude Oil (Mbbl) (1) | | Conventional Natural Gas (MMcf) (1) | | Natural Gas Liquids (Mbbl) (1) | | Total BOE (Mboe) (1) | |
|---|---|---|---|---|---|---|---|---|
| Year | 1st Attributed | Cumulative at Year-End (2) | 1st Attributed | Cumulative at Year-End (2) | 1st Attributed | Cumulative at Year-End (2) | 1st Attributed | Cumulative at Year-End (2) |
| 2022 | - | - | 172,287 | 1,405,412 | 3,945 | 33,135 | 32,659 | 267,370 |
| 2023 | - | - | 638,573 | 1,940,834 | 12,516 | 42,229 | 118,945 | 365,702 |
| 2024 | - | - | 120,462 | 1,943,366 | 2,720 | 49,179 | 22,797 | 373,073 |

**Notes:**

(1) Unit values are based on the Corporation's gross reserves.
(2) Cumulative at Year-End = Residual Cumulative of Previous Year plus 1st Attributed.

A number of factors that could result in delayed or cancelled development are as follows:

- development of a superior opportunity inventory to select from;
- changing economic conditions (due to pricing, royalties, operating and capital expenditure fluctuations);
- changing technical conditions (production anomalies (such as water breakthrough, accelerated depletion));
- a larger development program may need to be spread out over several years to optimize capital allocation and facility utilization;
- surface access issues (landowners, weather conditions, regulatory approvals); and
- multi-zone developments (such as a prospective formation completion may be delayed until the initial completion is no longer economic).

See "*Other Oil and Gas Information – Principal Properties*", "*Additional Information Relating to Reserves Data – Future Development Costs*" and "*Other Oil and Gas Information – Capital Expenditures*" for a description of the Corporation's exploration and development plans and expenditures.

***Significant Factors or Uncertainties***

The process of evaluating reserves is inherently complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and natural gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions and other factors and assumptions that may affect the reserve estimates and the present worth of the future net revenue therefrom. These factors and assumptions include, among others: (i) historical production in the area compared with production rates from analogous producing areas; (ii) initial production rates; (iii) production decline rates; (iv) ultimate recovery of reserves; (v) success of future development activities; (vi) marketability of production; (vii) effects of government regulations; and (viii) other government levies imposed over the life of the reserves.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and government restrictions. Revisions to reserve estimates can arise from changes in year-end prices, reservoir performance and geologic conditions or production. These revisions can be either positive or negative.

While we do not anticipate any significant economic factors or significant uncertainties will affect any particular components of the reserves data, the reserves can be affected significantly by fluctuations in product pricing, capital expenditures, operating costs, royalty regimes and well performance that are beyond our control. See "*Risk Factors*".

### *Future Development Costs*

The following table sets forth development costs deducted in the estimation of Peyto's future net revenue attributable to the reserve categories noted below.

| | Forecast Prices and Costs | |
|---|---|---|
| | Total Proved | Total Proved Plus Probable |
| Year | 0% (M$) | 0% (M$) |
| 2025 | 492,555 | 496,455 |
| 2026 | 482,629 | 498,405 |
| 2027 | 422,612 | 559,049 |
| 2028 | 533,306 | 601,878 |
| 2029 | 574,669 | 602,965 |
| Thereafter | 879,776 | 2,948,613 |
| Total Undiscounted | 3,385,547 | 5,707,365 |
| Change from 2023 | 33,254 | -56,437 |

Peyto expects that funding for the future development costs will be from internally generated cash flow from operating activities.

If cash flow from operating activities are other than projected, capital expenditures may be adjusted. In addition, depending on a number of factors including commodity prices, industry conditions and the Corporation's financial and operating results, debt or equity financing may not be available, which could also result in adjustments to the capital program as required.

## Other Oil and Gas Information

### *Oil and Gas Properties*

The following is a description of Peyto's principal oil and natural gas properties on production or under development as at December 31, 2024. The term "net", when used to describe Peyto's share of production, means the total of Peyto's working interest share before deduction of royalties owned by others. Reserve amounts are stated, before deduction of royalties, at December 31, 2024, based on escalating cost and price assumptions (gross) as evaluated in the GLJ Report (see "*Statement of Reserves Data and Other Oil and Gas Information*"). Unless otherwise specified, gross and net acres and well count information are as at December 31, 2024. The estimate of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties due to the effects of aggregation.

## General

Peyto operates in two core areas, namely the Greater Sundance and Brazeau River areas along with other minor areas located within the Alberta Deep Basin. All of Peyto's oil and natural gas properties are located onshore.

## Greater Sundance Area

The Greater Sundance area is located 50 kilometers west of Edson, Alberta, from Township 50–63 and Range 17–25 west of the fifth meridian. Peyto began its operations in this area in the spring of 1999. This area now encompasses the Sundance, Wildhay, Nosehill, Ansell, Medicine Lodge, Edson, Bigstone and Wild River fields and is generally referred to as the "Greater Sundance area".

Peyto has an average 71% working interest in 953,760 gross (677,806 net) acres of land and operates 98% of its production in the area.

The geology of the area is characterized by multi-zone potential for liquids-rich natural gas. Peyto currently produces gas from the Belly River, Cardium, Dunvegan, Viking, Spirit River (Notikewin, Falher, Wilrich), Bluesky, Cadomin and Montney formations.

In 2024, Peyto drilled or participated in 57 gross (57 net) wells in greater Sundance. Peyto's net production for December 2024 was approximately 103,608 boe/d, consisting of 551 MMcf/d natural gas and 11,803 bbls/d natural gas liquids from this area. The Greater Sundance area accounted for:

- 76% of 2024 annual production volume
- 74% of total proved plus probable reserves at December 31, 2024

Peyto owns and operates seven 100% working interest gas processing plants, three joint plants (72% average working interest) and two suspended joint plants located in the Greater Sundance area. The majority of Peyto's production is processed through these plants.

**Brazeau River**

The Brazeau River area is located 180 km southwest of Edmonton, Alberta, from Township 40–44 and Range 10–16 west of the fifth meridian. Peyto began operations in this area in late 2013.

Peyto has an average 95% working interest in 172,160 gross (164,017 net) acres of land and operates 99% of its production in the area.

The geology of the area indicates multi-zone potential for liquids-rich natural gas. Peyto currently produces gas from the Belly River, Cardium and Spirit River formations.

In 2024, Peyto drilled or participated in 16 gross (14.3 net) wells in Brazeau. Peyto's net production for December 2024 was approximately 26,459 boe/d, consisting of 141 MMcf/d natural gas and 2,993 bbls/d natural gas liquids from this area. The Brazeau area accounted for:

- 20% of 2024 annual production volume
- 16% of proved and probable reserves at December 31, 2024

Peyto owns and operated three 100% owned gas processing plants in the Brazeau River area. The majority of the production from the area is processed through these plants.

**Other Areas**

Peyto also has other producing properties throughout the Western Canadian Sedimentary Basin. The most significant of these properties are Peyto's Northern area as well as the Whitehorse area.

The Northern area includes producing properties in the following regions: Smoky, Kakwa, Chime, Kiskiu, Chicken and Cutbank and it encompasses Townships 57–64 and Ranges 2–7 west of the sixth meridian. The Northern area includes two 100% owned gas plants, the Kakwa gas plant (60-04W5) as well as the Cutbank gas plant (63-09W6).

The Whitehorse area includes producing properties at Whitehorse and the Minehead area which encompass Townships 48-50W5 and Ranges 15-18 west of the fifth meridian. Production from this area currently flows to third-party processing.

Peyto has an average 23% working interest in 1,308,405 gross (301,929 net) acres of land and operates 93% of its production in these areas.

The geology of these areas is similar to those of Greater Sundance and Brazeau River and presents multi-zone potential for liquids-rich natural gas. Peyto currently produces gas from the Belly River, Chinook, Cardium, Dunvegan and Spirit River. Additional targets also exist in the Viking, Bluesky and Montney. The majority of Peyto's production comes from the Cardium and Spirit River formations.

In 2024, Peyto drilled or participated in 2 gross (2 net) wells in these areas. Peyto's net production for December 2024 was approximately 5,204 boe/d, consisting of 28 MMcf/d natural gas and 611 bbls/d natural gas liquids from this area. These other areas accounted for:

- 4% of 2024 annual production volume
- 10% of proved and probable reserves at December 31, 2024

### *Oil and Gas Wells*

The following table sets forth the number and status of wells in which Peyto had a working interest as at December 31, 2024.

| | Oil Wells | | | | Natural Gas Wells[1] | | | |
|---|---|---|---|---|---|---|---|---|
| | Producing | | Non-Producing[2] | | Producing | | Non-Producing[2] | |
| | Gross | Net | Gross | Net | Gross | Net | Gross | Net |
| Alberta | 4 | 1.7 | 6 | 4.2 | 2,906 | 2,598.4 | 444 | 362.1 |
| British Columbia | - | - | 1 | 0.3 | - | - | 24 | 8.3 |
| Saskatchewan | - | - | - | - | - | - | 1 | 1.0 |
| Manitoba | - | - | 1 | 0.5 | - | - | - | - |
| Northwest Territories | - | - | - | - | - | - | 8 | 0.8 |
| Yukon | - | - | - | - | - | - | 1 | 0.0 |
| Total | 4 | 1.7 | 8 | 5.0 | 2,906 | 2,598.4 | 478 | 372.2 |

**Notes:**

(1) Does not include injection or service wells.
(2) The non-producing oil wells and natural gas wells capable of production but which are not currently producing will be re-evaluated with respect to future product prices, proximity to facility infrastructure, design of future exploration and development programs and access to capital.

### *Land Holdings*

The following table sets out Peyto's developed and undeveloped land holdings as at December 31, 2024.

| | Developed Acres | | Undeveloped Acres | | Total Acres | |
|---|---|---|---|---|---|---|
| | Gross | Net | Gross | Net | Gross | Net |
| Alberta | 769,592 | 575,344 | 722,704 | 528,490 | 1,492,296 | 1,103,834 |
| British Columbia | 19,445 | 9,720 | 9,412 | 7,660 | 28,857 | 17,381 |
| Other | - | - | 913,172 | 22,538 | 913,172 | 22,538 |
| Total | 789,037 | 585,064 | 1,645,288 | 558,689 | 2,434,325 | 1,143,753 |

**Note:**

(1) Numbers may not add due to rounding.

Peyto expects that rights to explore, develop and exploit 16,000 net acres (or 25.0 net sections) of its undeveloped land holdings will expire by December 31, 2025.

## Hedging Contracts

Peyto is a party to certain derivative financial instruments, including fixed price contracts and physical delivery contracts. Peyto enters into these contracts with well established counter-parties for the purpose of protecting a portion of its future revenues from the volatility of oil, natural gas prices and the foreign exchange rate.

A summary of contracts outstanding, as at December 31, 2024, in respect of the hedging activities is included in Note 14 to Peyto's audited financial statements for the year ended December 31, 2024, which are available on SEDAR+ at www.sedarplus.ca.

## Tax Horizon

In 2024, Peyto recorded a current income tax expense of $73.5 million. Within the context of current commodity prices and capital spending plans, Peyto expects to be taxable during the year ending December 31, 2025. However, it is difficult to predict future taxability as Peyto operates within an industry that constantly changes given acquisitions, divestments, claims of both accumulated tax pools, and tax pools associated with current year expenditures, capital spending, dividends and overall commodity prices. See "*Risk Factors*".

**Additional Information Concerning Abandonment and Reclamation Costs**

Peyto bases its estimates for the costs of abandonment and reclamation of surface leases, wells and facilities on the Alberta Energy Regulator's (the "**AER**") guidelines outlined in Directive 11. As at December 31, 2024, management expected to incur such costs on 2,977 net wells, 14.2 net active gas plants and 7.9 net inactive or minor facility installations. The total of such costs expected to be incurred, excluding salvage value, is $976 million (escalated at 2% inflation, undiscounted) and $80 million (escalated at 2% inflation, discounted at 10%). These estimated abandonment and reclamation costs do not include any provisions for undrilled wells. Within the next three financial years, the Company expects to incur abandonment and reclamation costs of approximately 30 million which exceeds current AER closure spending targets.

For the purposes of estimating the Reserves Data, abandonment and reclamation costs for all wells (both existing and undrilled wells) that have been attributed reserves, as well as those with no attributed reserves, have been taken into account.

Additional information related to our estimated share of future environmental and reclamation obligations for the working interest properties (including all abandonment and reclamation costs associated with all existing wells, facilities, pipelines and leases) can be found in Peyto's audited financial statements for the year ended December 31, 2024 and the accompanying management's discussion and analysis, which are available on SEDAR+ at www.sedarplus.ca.

**Capital Expenditures**

The following table summarizes capital expenditures (net of incentives and net of certain proceeds and including capitalized general and administrative expenses) related to Peyto's activities for the year ended December 31, 2024.

| | | | |
|---|---|---|---|
| Property acquisition (disposition) costs | | | |
| Proved properties | MM | $ | - |
| Unproved properties | | | 1.3 |
| Exploration costs | | | 0.9 |
| Development costs | | | 455.4 |
| Total[(1)] | MM | $ | 457.6 |

**Note:**

(1) Capital expenditures is a non-GAAP measure. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within Peyto's MD&A for the year ended December 31, 2024, beginning on page 30, available on SEDAR+ at www.sedarplus.ca, for additional disclosures relating to this non-GAAP measure, which information is incorporated in this Annual Information Form by reference.

**Exploration and Development Activities**

The following table sets forth the gross and net exploratory and development wells in which Peyto participated during the year ended December 31, 2024.

| | Exploratory Wells | | Development Wells | |
|---|---|---|---|---|
| | Gross | Net | Gross | Net |
| Oil | - | - | - | - |
| Natural Gas | - | - | 75 | 73.3 |
| Service | - | - | - | - |
| Dry | - | - | - | - |
| Total: | - | - | 75 | 73.3 |

For a description of Peyto's most important current and likely exploration and development activities, see "*Statement of Reserves Data and Other Oil and Gas Information – Other Oil and Gas Information – Oil and Gas Properties*".

**Production Estimates**

The following table sets out the volume of Peyto's production before royalties estimated for the year ending December 31, 2025 which is reflected in the estimate of gross proved reserves and probable reserves disclosed in the tables contained under "*Statement of Reserves Data and Other Oil and Gas Information – Disclosure of Reserves Data*".

| | Light and Medium Crude Oil | Conventional Natural Gas | Natural Gas Liquids | BOE |
|---|---|---|---|---|
| | *(bbls/d)* | *(Mcf/d)* | *(bbls/d)* | *(boe/d)* |
| **Proved** | | | | |
| Greater Sundance | 155 | 618,699 | 15,426 | 118,697 |
| Brazeau | - | 141,345 | 4,410 | 27,967 |
| Other | 1 | 32,994 | 1,070 | 6,570 |
| Total Proved 2025 | 156 | 793,039 | 20,905 | 153,234 |
| **Proved Plus Probable** | | | | |
| Greater Sundance | 156 | 644,142 | 16,056 | 123,569 |
| Brazeau | - | 146,872 | 4,603 | 29,081 |
| Other | 1 | 35,459 | 1,145 | 7,056 |
| Total Proved Plus Probable 2025 | 158 | 826,472 | 21,803 | 159,706 |

**Notes:**

(1) Unit values are based on the Corporation's gross reserves.
(2) Numbers may not add due to rounding.

## Production History and Prices Received

The following table summarizes certain information in respect of production, product prices received, royalties paid, operating expenses and resulting netback for the periods indicated below.

| | 2024 | | | |
|---|---|---|---|---|
| | Quarter Ended | | | |
| | Dec. 31 | Sept. 30 | June 30 | March 31 |
| Average Daily Production[1] | | | | |
| Light and Medium Crude Oil (bbls/d) | 198 | 203 | 199 | 254 |
| Conventional Natural Gas (Mcf/d) | 708,105 | 638,433 | 642,754 | 647,234 |
| NGLs (bbls/d) | 15,211 | 13,423 | 14,975 | 16,891 |
| Combined (boe/d) | 133,426 | 120,031 | 122,299 | 125,018 |
| Average Price Received | | | | |
| Light and Medium Crude Oil ($/bbl)[2] | 86.92 | 89.21 | 93.90 | 84.88 |
| Conventional Natural Gas ($/Mcf)[2] | 2.27 | 1.64 | 1.65 | 2.46 |
| NGLs ($/bbl)[2] | 63.55 | 69.30 | 71.56 | 60.13 |
| Combined ($/Mcfe) | 3.24 | 2.77 | 2.93 | 3.50 |
| Royalties Paid ($/Mcfe) | 0.21 | 0.18 | 0.26 | 0.24 |
| Production Costs including Transportation ($/Mcfe) | 0.77 | 0.85 | 0.82 | 0.85 |
| Netback Received ($/Mcfe) [3] | 2.26 | 1.74 | 1.85 | 2.41 |

**Notes:**

(1) Before deduction of royalties.
(2) Excludes realized gains/losses on derivative financial instruments.
(3) Netback is a Non-GAAP measure. Refer to the section entitled "Non-GAAP and Other Financial Measures" contained within Peyto's MD&A for the year ended December 31, 2024, beginning on page 30, available on SEDAR+ at www.sedarplus.ca, for certain additional disclosures relating to this non-GAAP measure, which information is incorporated in this Annual Information Form by reference.

The following table indicates Peyto's average daily production from its important fields, and in total, for the year ended December 31, 2024.

| | Light and Medium Crude Oil | Conventional Natural Gas | NGLs | BOE |
|---|---|---|---|---|
| | (bbls/d) | (MMcf/d) | (bbls/d) | (boe/d) |
| Greater Sundance | 178 | 505 | 11,183 | 95,585 |
| Brazeau | 15 | 135 | 3,092 | 25,633 |
| Other Properties | 20 | 19 | 853 | 3,984 |
| Total Alberta | 214 | 659 | 15,127 | 125,202 |
| Total British Columbia | - | - | - | - |

| | Light and Medium Crude Oil | Conventional Natural Gas | NGLs | BOE |
|---|---|---|---|---|
| | (bbls/d) | (MMcf/d) | (bbls/d) | (boe/d) |
| Total | 214 | 659 | 15,127 | 125,202 |

**Notes:**

(1) Numbers may not add due to rounding.

## DIVIDENDS

In conjunction with the completion of the 2010 Arrangement, the board of directors of the Corporation established a dividend policy of paying monthly dividends to the holders of Common Shares. The payment of dividends by the Corporation commenced with the first dividend declared to Shareholders of record on January 31, 2011 in the amount of $0.06 per Common Share, made payable February 15, 2011.

In April 2020, the Corporation replaced the monthly dividend policy with a quarterly dividend policy. Quarterly dividend payments commenced with the dividend declared to Shareholders of record on June 30, 2020 in the amount of $0.01 per Common Share, made payable on July 15, 2020. On November 9, 2021, Peyto announced that, starting with the dividend paid on December 15, 2021, the Corporation would be increasing its dividend from $0.01 per Common Share per quarter to $0.05 per Common Share per month. On November 9, 2022, Peyto announced that starting January 2023, the Corporation's monthly dividend would increase to $0.11 per Common Share from $0.05 per Common Share.

It is expected that cash dividends will continue to be made by the Corporation on approximately the 15th day of each month to holders of Common Shares of record on the immediately preceding dividend record date.

Peyto's policy is to balance dividends to Shareholders with earnings and cash flow, and to balance funding for the capital program with cash flow, equity and available credit lines. Earnings and cash flow are sensitive to changes in commodity prices, exchange rates and other factors that are beyond Peyto's control. Current volatility in commodity prices creates uncertainty as to the cash flow from operating activities and capital expenditure budget. Accordingly, results are assessed throughout the year and operational plans revised as necessary to reflect the most current information. See "*Risk Factors – Dividends*".

The Corporation's credit facilities and the terms of its outstanding senior notes ("**Senior Notes**") are described in Note 5 to Peyto's audited financial statements for the year ended December 31, 2024, which are available on SEDAR+ at www.sedarplus.ca, provide that if the Corporation is in default under the credit facilities or the Senior Notes, as applicable, the indebtedness may be accelerated by the lenders, and the ability to pay dividends to Shareholders may be restricted. Dividends are only permitted under the credit facilities and the terms of the Senior Notes when no event of default under the credit facility or the Senior Notes, as applicable, has occurred and is continuing.

### Dividend History

Following the 2010 Arrangement, the following dividends were declared by the Corporation to Shareholders for the periods indicated:

| For the Year Ended | Aggregate Annual Dividend per Common Share |
|---|---|
| 2011 | $0.72 |
| 2012 | $0.72 |
| 2013 | $0.88 |
| 2014 | $1.14 |
| 2015 | $1.32 |
| 2016 | $1.32 |
| 2017 | $1.32 |
| 2018 | $0.72 |
| 2019 | $0.24 |
| 2020 | $0.09 |

| For the Year Ended | Aggregate Annual Dividend per Common Share |
|---|---|
| 2021 | $0.13 |
| 2022 | $0.60 |
| 2023 | $1.32 |
| 2024 | $1.32 |

## DESCRIPTION OF SHARE CAPITAL

Peyto is authorized to issue an unlimited number of Common Shares. Holders of Common Shares are entitled to one vote per share at meetings of Shareholders, to receive dividends if, as and when declared by the board of directors of Peyto and to receive pro rata the remaining property and assets of Peyto upon its dissolution or winding-up, subject the rights of shares having priority over the Common Shares.

## MARKET FOR SECURITIES

### Common Shares

The Common Shares commenced trading on the TSX under the symbol "PEY" on January 7, 2011 following completion of the 2010 Arrangement. The following table sets forth the trading history of the Common Shares for the periods indicated as reported by the TSX.

| | Price Range | | |
|---|---|---|---|
| | High ($) | Low ($) | Volume |
| **2025** | | | |
| January | 17.57 | 15.68 | 18,422,529 |
| February | 16.87 | 14.57 | 14,354,492 |
| March (1 to 28) | 18.58 | 14.69 | 21,254,168 |
| **2024** | | | |
| January | 13.60 | 12.00 | 16,576,502 |
| February | 14.54 | 12.41 | 16,389,580 |
| March | 15.05 | 13.80 | 17,870,612 |
| April | 15.83 | 14.66 | 16,209,308 |
| May | 15.99 | 14.74 | 22,339,738 |
| June | 15.60 | 14.18 | 18,959,006 |
| July | 15.09 | 14.10 | 16,904,092 |
| August | 15.04 | 13.40 | 19,660,338 |
| September | 15.47 | 13.56 | 26,046,305 |
| October | 16.32 | 14.95 | 22,611,486 |
| November | 17.27 | 14.91 | 19,562,867 |
| December | 17.21 | 15.34 | 15,398,348 |

## ESCROWED SECURITIES

There are no securities of the Corporation currently held in escrow.

## DIRECTORS AND OFFICERS OF PEYTO

The name, municipality of residence, principal occupation for the current year and prior years of each of the current directors and officers of Peyto are set forth below.

| Name and Municipality of Residence | Position with Peyto | Principal Occupation |
|---|---|---|
| Donald Gray<br>Scottsdale, Arizona<br>United States | Director since 1998 and Chairman of the Board since 2009 | Private Investor; Chairman of the Board of Petrus Resources Ltd., a public oil and gas company, since 2010; Mr. Gray was the President of EIQ Capital Corp., a private capital management company, from May 2007 to September 2017; prior thereto, Mr. Gray was the Chief Executive Officer of Peyto from August 2006 to January 2007; prior thereto, Mr. Gray was the President and Chief Executive Officer of Peyto from October 1998 to August 2006 |
| Michael MacBean(1)(2)(3)(6)<br>Calgary, Alberta<br>Canada | Director since 2003 and Lead Independent Director since 2009 | Senior Managing Director of TriWest Capital Partners since May 12, 2010; prior thereto, Chief Executive Officer of Diamond Energy Services LP, an energy services partnership, since October 1998 |
| Brian Davis(1)(3)(4)(5)<br>Houston, Texas<br>United States | Director since 2006 | Managing Partner of Oil and Gas Evaluations and Consulting, an independent oil and gas engineering consultancy firm based in Houston, Texas, since July 1994 |
| John W. Rossall(1)(2)(4)(5)<br>Calgary, Alberta<br>Canada | Director since 2019 | Corporate director; prior thereto, Executive Director, North America of Repsol SA (formerly Talisman Energy Inc.) from May 2015 to July 2018; prior thereto, Senior Vice President, Canada of Repsol SA from September 2012 to May 2015; prior thereto, a strategic consulting advisor of Repsol SA from November 2011 to September 2012; prior thereto, President and Chief Executive Officer of ProspEx Resources Ltd., an oil and gas company listed on the TSX, and a member of its board of directors from August 2004 to May 2011 |
| Debra Gerlach(1)(2)(4)(6)<br>Calgary, Alberta<br>Canada | Director since 2022 | Corporate director; prior thereto, Partner, Deloitte LLP from September 1996 to September 2017, with the Assurance and Advisory group. Prior thereto, various positions within Deloitte LLP from August 1982 to September 1996 |
| Jocelyn McMinn(1)(2)(3)(6)<br>Calgary, Alberta<br>Canada | Director since 2023 | Executive Vice President at Peloton Computer Enterprises Ltd. from December 2022 to present; prior thereto, Product Manager, Peloton Frac, from March 2021 to December 2022 |
| Nicki Stevens(3)(4)(5)(6)<br>Calgary, Alberta<br>Canada | Director since 2023 | Vice President of Operations at Enhance Energy Inc. from August 2024 to present; prior thereto, Senior Vice President of Production, Marketing and ESG with Hammerhead Energy Inc. from February 2023 to December 2023; prior thereto, Senior Vice President of Production, Marketing and ESG at Hammerhead Resources Inc. from December 2020 to February 2023; prior thereto, VP Production & Marketing from July 2014 to December 2020 at Hammerhead Resources Inc. (previously Canadian International Oil Corp. (CIOC)) |
| Darren Gee(4)(5)(6)<br>Calgary, Alberta<br>Canada | Director since 2007 | Chief Executive Officer of Peyto from January 2006 to January 1, 2023 and also President and Chief Executive Officer of Peyto from August 2006 to November 8, 2021; prior thereto, Mr. Gee was the Vice President, Engineering of Peyto from March 2001 to August 2006 |

| Name and Municipality of Residence | Position with Peyto | Principal Occupation |
|---|---|---|
| Jean-Paul (JP) Lachance<br>Calgary, Alberta<br>Canada | President and Chief Executive Officer and Director since January 2023 | President and Chief Executive Officer of Peyto since January 1, 2023; prior thereto President and Chief Operating Officer of Peyto since November 2021. Prior thereto, Vice President, Engineering and Chief Operating Officer of Peyto from February 1, 2018 to November 8, 2021; prior thereto, Vice President, Exploitation of Peyto from September 2011 to February 1, 2018; prior thereto, Mr. Lachance was the Vice President, Engineering of ProspEx Resources Ltd. from October 2004 to May 2011 |
| Lee Curran<br>Calgary, Alberta<br>Canada | Vice President, Drilling and Completions | Vice President, Drilling and Completions of Peyto since January 1, 2015; prior thereto, drilling engineer with Peyto since 2006; promoted to Drilling Manager with Peyto from May 2011 to January 2015 |
| Todd Burdick<br>Calgary, Alberta<br>Canada | Vice President, Production | Vice President, Production of Peyto since January 1, 2015; prior thereto, production engineer with Peyto since 2004; promoted to Production Manager with Peyto from January 2010 to January 2015 |
| Derick Czember<br>Calgary, Alberta<br>Canada | Vice President, Land and Business Development | Vice President, Land and Business Development of Peyto since March 2023; prior thereto, Vice President Land of Peyto from January 2021 to March 2023. Prior thereto, Manager, Mineral Land at Peyto from April 2015 to December 31, 2020 |
| Stephen J. Chetner<br>Calgary, Alberta<br>Canada | Corporate Secretary | Partner of Burnet, Duckworth & Palmer LLP |
| Riley Frame<br>Calgary, Alberta<br>Canada | Vice President, Engineering and Chief Operating Officer | Vice President Engineering and Chief Operating Officer of Peyto since January 1, 2024; prior thereto, Vice President, Engineering with Peyto from January 2022 to December 2023. Prior thereto, Manager of Exploitation with Peyto from January 2019 to December 2021 |
| Tavis Carlson<br>Calgary, Alberta<br>Canada | Vice President, Finance and Chief Financial Officer | Vice President, Finance and CFO of Peyto since April 1, 2024; prior thereto, Vice President, Finance of Peyto from July 16, 2022 to March 31, 2024. Prior thereto, Vice President, Finance and CFO of Altura Energy Inc. from September 2015 to October 2021 |

**Notes:**

(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.
(3) Member of the Nominating Committee.
(4) Member of the Reserves Committee.
(5) Member of the Health and Safety Committee.
(6) Member of the Environmental, Social and Governance Committee.
(7) Peyto does not have an executive committee.
(8) Peyto directors shall hold office until the next annual general meeting of the Shareholders or until each director's successor is appointed or elected pursuant to the ABCA.
(9) The period of time served as a director or officer of Peyto includes the period of time served as a director of Peyto AdminCo or an officer of PEDC, where and as applicable, prior to the completion of the 2010 Arrangement.

As at March 31, 2025, the directors and executive officers of Peyto, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 6.2 million Common Shares, or approximately 3.1% of the issued and outstanding Common Shares.

**Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

Other than as disclosed below, no director or officer of Peyto, or a shareholder holding a sufficient number of securities of Peyto to affect materially the control of Peyto is, as at the date hereof, or has been within the 10 years before the date hereof, a director, or executive officer of any company that: (i) while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company any exemption under securities legislation, for a period of more than 30 consecutive days; or (iii) while such person was acting in that capacity or within a year of such person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Darren Gee, a director and former Chief Executive Officer of Peyto, was a director of Endurance Energy Ltd. ("**Endurance**"), a corporation engaged in the exploration and production of natural gas. Mr. Gee resigned as a director of Endurance on September 1, 2015. Nine months after Mr. Gee's resignation, Endurance filed for creditor protection under the *Companies Creditors' Arrangement Act* on May 30, 2016.

No director or officer of Peyto, or a shareholder holding a sufficient number of securities of Peyto to affect materially the control of Peyto (or any personal holding company of such person), has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

**Personal Bankruptcies**

No director or officer of Peyto, or a shareholder holding sufficient securities of Peyto to affect materially the control of Peyto, or a personal holding company of any such persons, has, within the 10 years preceding the date of this document, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the individual.

**Conflicts of Interest**

There are potential conflicts of interest to which the directors and officers of Peyto will be subject in connection with the operations of Peyto. In particular, certain of the directors and officers of Peyto are involved in managerial or director positions with other oil and natural gas companies whose operations may, from time to time, be in direct competition with those of Peyto or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of Peyto. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided in the ABCA. As at the date hereof, Peyto is not aware of any existing material conflicts of interest between Peyto and any director or officer of Peyto.

**Personnel**

As at December 31, 2024, Peyto had 87 employees in the Calgary office and 53 employees in the field. Contract operators are retained for a portion of field operations.

**Audit Committee**

***Members***

The Audit Committee currently has five members, Debra Gerlach (Chairperson), Michael MacBean, Brian Davis, John Rossall and Jocelyn McMinn none of whom have a direct or indirect material relationship with Peyto and each of whom is financially literate, meaning the individual has the ability to read and understand a set of financial statements that present a breadth and level of complexity of the issues that can be expected to be raised by Peyto's financial statements.

The following is a description of the education and experience of each member of the Audit Committee.

*Debra Gerlach*

Ms. Gerlach is the Chairperson of the Audit Committee. Ms. Gerlach was a partner with Deloitte LLP from September 1996 to September 2017, where she practiced in the Assurance and Advisory group. Prior thereto, she held various positions within Deloitte from the time she joined the firm in August 1982. Ms. Gerlach is a director of Birchcliff Energy Ltd., an oil and gas company listed on the TSX and is the Chair of their Audit Committee. Ms. Gerlach holds a Bachelor of Commerce degree and a Master of Business Administration degree from the University of Calgary. She also holds an Audit Committee Certificate from the Chartered Professional Accountants of Canada. Ms. Gerlach is a Chartered Accountant with the Chartered Professional Accountants of Alberta. Ms. Gerlach meets the widely accepted governance definition of "financial expert" having earned a professional accounting designation and having extensive relevant career experience.

*Michael MacBean*

Mr. MacBean is the Chairman of the Compensation Committee and the Corporation's lead independent director. Mr. MacBean is primarily engaged as a Senior Managing Director of TriWest Capital Partners and, prior thereto, was Chief Executive Officer of Diamond Energy Services LP, a partnership engaged in the energy services sector. Mr. MacBean is also a director of TerraVest Industries Inc., a public industrial product manufacturing company. From 1995 through 1998, Mr. MacBean served as Controller and subsequently Senior Investment Analyst for ARC Financial Corporation. During this time Mr. MacBean also served as Vice President, Finance for ARC Energy Trust. Mr. MacBean received his Bachelor of Commerce Degree from the University of Saskatchewan in 1990. In 1993, Mr. MacBean received his Chartered Accountant designation from the Institute of Chartered Accountants of Alberta. In February 2007, Mr. MacBean received his Chartered Directors (C.Dir) designation from McMaster University. Mr. MacBean meets the widely accepted governance definition of "financial expert" having earned a professional accounting designation and having extensive relevant career experience.

*Brian Davis*

Mr. Davis is the Chairman of the Reserves Committee. Mr. Davis is primarily engaged as the Managing Partner of Oil and Gas Evaluations and Consulting, an independent oil and gas engineering consultancy firm based in Houston, Texas, since July 1994. In his role, Mr. Davis has acquired significant experience and exposure to accounting and financial issues. Mr. Davis holds a BSc in petroleum engineering from Texas A&M University.

*John Rossall*

Mr. Rossall is the Chairman of the Health and Safety Committee. Mr. Rossall is currently a corporate director and is a board member of Tundra Oil & Gas Ltd., a private oil and gas company. Mr. Rossall joined the Peyto Board in 2019. He was previously the Executive Director, North America of Repsol SA from May 2015 to July 2018, and the Senior Vice President, Canada at Talisman Energy Inc. from Sept. 2012 to May 2015. Prior thereto, Mr. Rossall was the President and Chief Executive Officer of ProspEx Resources Ltd. and Vice President, North Business Unit of Burlington Resources Canada Ltd. (formerly Canadian Hunter Exploration Ltd.). Mr. Rossall has also served on the board of directors of the Canadian Association of Petroleum Producers, and the United Way of Calgary and Area, including terms as the Chair of both organizations. During his term at the United Way Mr. Rossall was directly involved in the development and implementation of both an Indigenous Strategy and a Diversity, Equity and Inclusion Strategy and has significant skills in these areas. By virtue of his chemical engineering training and experience, and his work with the Creative Destruction Lab – Rockies Energy program, Mr. Rossall also has significant climate skills. Mr. Rossall earned a Bachelor of Applied Science (Chemical Engineering) degree from the University of Waterloo and attended the Harvard Business School (Program for Management Development). Mr. Rossall is a professional engineer and a member of APEGA.

*Jocelyn McMinn*

Ms. McMinn is the Chairperson of the Nominating Committee. Ms. McMinn is currently the Executive Vice President at Peloton Computer Enterprises Ltd., working closely with the COO and CEO to lead global business operations and corporate strategy. As a leader at Peloton, Ms. McMinn is a resource for cybersecurity best practices and remains knowledgeable of changing industry requirements. From 2021 to 2022, Ms. McMinn held the role of Product Manager, Peloton Frac, where she was responsible for all operational, financial and strategic aspects of the Peloton Frac division. Ms. McMinn cofounded Cevian Technologies Ltd. ("Cevian") in 2019 and served as Managing Director until Cevian's acquisition by Peloton in 2021. Ms. McMinn has completed securities analysis courses through SAIT and is an accredited investor. Ms. McMinn has also acquired significant experience and exposure to accounting and financial issues, as she was involved in the preparation and review of the financial statements of Cevian and through accounting and financial courses via her eMBA and her Chartered Directors designation.

***Charter***

The primary function of the Audit Committee is to assist the board of directors in fulfilling its oversight responsibilities for financial matters. It performs this function by serving as an independent and objective party to monitor Peyto's financial reporting process and internal control system; reviewing and assessing audit efforts of Peyto's independent auditors; providing an avenue of open communication among Peyto's independent auditors, financial and senior management and board of directors; and reviewing the independence and performance of the independent auditor. The Audit Committee has the authority to conduct or authorize investigations into any matters within the scope of its responsibilities and the authority to retain such outside counsel, experts and other advisors as it determines appropriate to assist in the conduct of any investigation. Attached as Schedule C hereto is the complete text of the Audit Committee's Charter.

***Audit Fees***

The table below provides disclosure of the fees billed to Peyto by its external auditors in fiscal 2024 and fiscal 2023 dividing the services into the categories of work performed.

| Type of Work | 2024 Fees | 2024 Percentage | 2023 Fees | 2023 Percentage |
|---|---|---|---|---|
| Audit Fees | 381,000 | 67% | 346,500 | 72% |
| Audit Related Fees | | | | |
| Review of interim financial statements and MD&A, reviewing prospectus disclosures | 74,000 | 13% | 67,320 | 14% |
| Tax Fees | | | | |
| Tax compliance services, tax advice, tax planning and annual filings | 114,503 | 20% | 70,627 | 15% |
| Total | 569,503 | | 484,447 | |

All non-audit services are disclosed and approved by the Audit Committee.

## INDUSTRY CONDITIONS

Companies operating in the Canadian oil and gas industry are subject to extensive regulation and control of operations (including with respect to land tenure, exploration, development, production, refining and upgrading, transportation, and marketing). Legislation has been enacted by, and agreements have been entered into between, various levels of government with respect to the pricing and taxation of petroleum and natural gas, all of which should be carefully considered by investors in the Corporation. All current legislation is a matter of public record and the Corporation is unable to predict what additional legislation or amendments governments may enact in the future.

The Corporation's assets and operations are regulated by administrative agencies that derive their authority from legislation enacted by the applicable level of government. Regulated aspects of the Corporation's upstream oil and natural gas business include all manner of activities associated with the exploration for and production of oil and natural gas, including, among other matters: (i) permits for the drilling of wells and construction of related infrastructure; (ii) technical drilling and well requirements; (iii) permitted locations and access to operation sites; (iv) operating standards regarding conservation of produced substances and avoidance of waste, such as restricting flaring and venting; (v) minimizing environmental impacts, including by reducing emissions or emission intensity from operations; (vi) storage, injection and disposal of substances associated with production operations; and (vii) the abandonment and reclamation of impacted sites. To conduct oil and natural gas operations and remain in good standing with the applicable regulatory regimes, producers must comply with applicable legislation, regulations, orders, directives and other directions (all of which are subject to governmental oversight, review and revision, from time to time). Compliance in this regard can be costly and a breach of the same may result in fines or other sanctions.

The discussion below outlines some of the principal aspects of the legislation, regulations, agreements, orders, directives and a summary of other pertinent conditions that impact the oil and gas industry in Western Canada, where the Corporation's assets are primarily located. While these matters do not affect the Corporation's operations in any manner that is materially different than the manner in which they affect other similarly sized industry participants with similar assets and operations, investors should consider such matters carefully.

**Exports of Crude Oil, Natural Gas and NGL from Canada**

On February 1, 2025, U.S. President Donald Trump signed an executive order imposing tariffs of 25% on almost all goods imported from Canada, with a lower tariff of 10% imposed on Canadian energy and resources products including crude oil, natural gas, lease condensates, natural gas liquids and refined petroleum. These tariffs are expected to affect the pricing structure for natural gas, crude oil and related products exported from Canada to the United States and alter the competitiveness of and market for Canadian oil and natural gas imports into the United States. In response, the Department of Finance Canada announced countermeasures with the imposition of 25% tariffs on certain goods imported from the U.S. On February 3, 2025, it was announced that the implementation of such announced tariffs would be suspended for 30 days. On March 4, 2025, the tariffs came into effect as initially promulgated, however some of such tariffs were paused on March 6, 2025, purportedly until April 2, 2025. Furthermore, on March 12, 2025 the U.S. imposed a 25% tariff on all steel and aluminum imports into the United States and the following day Canada imposed a 25% counter-tariff on $29.8 billion in products imported into Canada from the United States. There remains substantial uncertainty regarding whether the paused tariffs will become effective again in the future, and if they do, whether they will remain in place. Additionally, the precise effect of the tariffs on the Canadian economy and Canadian energy producers is yet to be determined, but it is expected to have an adverse effect if the tariffs are maintained.

**Pricing and Marketing in Canada**

The price of crude oil, natural gas, and NGLs is negotiated by buyers and sellers. Various factors (some of which are global) may influence prices, including supply and demand, quality of product, distance to market, availability of transportation, value of refined products, prices of competing products, contract term, weather conditions, and contractual terms of sale.

**Transportation Constraints and Market Access**

Capacity to transport production from Western Canada to Eastern Canada, the United States and other international markets has been, and continues to be, a major constraint on the exportation of crude oil, natural gas and NGLs. Many proposed transportation projects have been cancelled or delayed due to regulatory hurdles, court challenges and economic and socio-political factors.

***Oil Pipelines***

Under Canadian constitutional law, the development and operation of interprovincial and international pipelines fall within the federal government's jurisdiction and, under the Canadian Energy Regulator Act, new interprovincial and international pipelines require a federal regulatory review and Cabinet approval before they can proceed. In recent years, however, there has been a perceived lack of policy and regulatory certainty in this regard such that, even when projects are approved, they often face delays due to actions taken by provincial and municipal governments and legal opposition related to issues such as Indigenous rights and title, the government's duty to consult and accommodate Indigenous peoples and the sufficiency of relevant environmental review processes. Export pipelines from Canada to the United States face additional unpredictability as such pipelines also require approvals from several levels of government in the United States.

Producers negotiate with pipeline operators to transport their products to market on a firm, spot or interruptible basis depending on the specific pipeline and the specific substance. Transportation availability is highly variable across different jurisdictions and regions. This variability can determine the nature of transportation commitments available, the number of potential customers and the price received.

*Specific Pipeline Updates*

Construction of the Trans Mountain Pipeline expansion, which received Cabinet approval in November 2016, was completed in April 2024, and service began in May 2024. The original pipeline and the newly completed expansion now operate collectively. With the expansion completed, the system's nominal capacity increased from approximately 300,000 to 890,000 barrels per day, and the expansion included three new berths at Westridge Marine Terminal in British Columbia.

***Natural Gas and Liquefied Natural Gas ("LNG")***

Natural gas prices in Western Canada have been constrained in recent years and reached record lows in 2024 due to increasing North American supply, limited access to markets and limited storage capacity. Companies that secure firm access to infrastructure to transport their natural gas production out of Western Canada may be able to access more markets and obtain better pricing. Companies without firm access may be forced to accept spot pricing in Western Canada for their natural gas, which is generally lower than the prices received in other North American regions.

In October 2020, TC Energy Corporation ("**TC**") received federal approval to expand the Nova Gas Transmission Line system (the "**NGTL System**"). The NGTL System is in the midst of implementing a $9.9 billion infrastructure program to add 3.58 billion cubic feet per day of capacity.

In October 2018, the joint venture partners of the LNG Canada LNG export terminal announced a positive final investment decision. Once complete, the project will allow producers in northeastern British Columbia to transport natural gas to the LNG Canada liquefaction facility and export terminal in Kitimat, British Columbia via the Coastal GasLink pipeline. Phase 1 of the LNG Canada project is over 95% complete and the facility is on track to deliver first cargoes by the middle of 2025. LNG Canada eventually plans to double the facility's capacity with a proposed Phase 2 expansion. In addition, in June 2024 the proposed Cedar LNG project, a floating LNG facility also located in British Columbia, reached a successful final investment decision, and is expected to be in service in late 2028.

**Land Tenure**

***Mineral rights***

With the exception of Manitoba, each provincial government in Western Canada owns most of the mineral rights to the oil and natural gas located within their respective provincial borders. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences and permits (for the purposes of this section, collectively, "**leases**") for varying terms, and on conditions set forth in provincial legislation, including requirements to perform specific work or make payments in lieu thereof. Provincial governments in Western Canada conduct land sales where oil and natural gas companies bid for the leases necessary to explore for and produce oil and natural gas owned by the respective provincial governments. These leases generally have fixed terms, but they can be continued beyond their initial terms if the necessary conditions are satisfied.

Private ownership of oil and natural gas (i.e. freehold mineral lands) also exists in Western Canada. Rights to explore for and produce privately owned oil and natural gas are granted by a lease or other contract on such terms and conditions as may be negotiated between the owner of such mineral rights and companies seeking to explore for and/or develop oil and natural gas reserves.

An additional category of mineral rights ownership is Canadian federal government ownership of mineral rights on Indian reserves (as designated under the Indian Act), which is managed and regulated by a separate government body according to distinct legislation. We do not have operations on Indian reserves.

***Surface rights***

To develop oil and natural gas resources, producers must also have access rights to the surface lands required to conduct operations. For Crown lands, surface access rights can be obtained directly from the government. For private lands, access rights can be negotiated with the landowner. Where an agreement cannot be reached, however, each province has developed its own process that producers can follow to obtain and maintain the surface access necessary to conduct operations throughout the lifespan of a well, facility or pipeline.

**Royalties and Incentives**

Each province has legislation and regulations in place to govern Crown royalties and establish the royalty rates that producers must pay in respect of the production of Crown resources. Provincial royalty regimes operate in conjunction with applicable federal and provincial taxes and is a significant factor in the profitability of oil sands projects and oil, natural gas and NGL production. Royalties payable on production from lands where the Crown does not hold the mineral rights are negotiated between the mineral freehold owner and the lessee, though certain provincial taxes and other charges on production or revenues may be payable. Royalties from production on Crown lands are determined by provincial regulation and are generally calculated as a percentage of the value of production.

Producers and working interest owners of oil and natural gas rights may create additional royalties or royalty-like interests, such as overriding royalties, net profits interests and net carried interests, through private transactions, the terms of which are subject to negotiation.

From time to time, the federal government and provincial governments create incentive programs for businesses operating in specific industries, including those in the oil and gas industry. These are often introduced when commodity prices are low to encourage exploration and development activity, and may provide for volume-based incentives, royalty rate reductions, royalty holidays or royalty tax credits. Governments may also introduce incentive programs to encourage producers to prioritize certain kinds of development or to utilize technologies that enhance or improve recovery of oil, natural gas and NGLs, or improve environmental performance.

**Regulatory Authorities and Environmental Regulation**

The Canadian oil and gas industry is subject to environmental regulation under a variety of Canadian federal, provincial, territorial, and municipal laws and regulations, all of which are subject to governmental review and revision from time to time. Such regulations provide for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide. The regulatory regimes set out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well, facility and pipeline sites. Compliance with such regulations can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licences and authorizations, civil liability, and the imposition of material fines and penalties. In addition, future changes to environmental legislation, including legislation related to air pollution and GHG emissions (typically measured in terms of their global warming potential and expressed in terms of carbon dioxide equivalent ("CO2e")), may impose further requirements on operators and other companies in the oil and gas industry. Companies that have hydraulic fracturing operations have additional operational regulatory and reporting requirements.

***Liability Management***

The Alberta Energy Regulator (the "**AER**") administers several liability management programs to manage liability for most conventional upstream oil and natural gas wells, facilities and pipelines in Alberta. The province is gradually moving from a prescriptive framework toward a more holistic approach to liability management.

Alberta has an orphan fund to help pay the costs to suspend, abandon, remediate and reclaim a well, facility or pipeline included in certain of the AER's programs if a licensee or working interest participant becomes insolvent or is unable to meet its obligations. The orphan fund is funded through a levy and a loan from the provincial government. In March 2024, the Alberta government approved a $135 million levy to fund the Orphan Well Association's 2024/25 operating budget.

The Supreme Court of Canada's (the "**SCC**") decision in Orphan Well Association v Grant Thornton (also known as the "**Redwater**" decision), provides the backdrop for Alberta's approach to liability management. As a result of the Redwater decision, receivers and trustees can no longer avoid the AER's legislated authority to impose abandonment orders against licensees or to require a licensee to pay a security deposit before approving a licence transfer when any such licensee is subject to formal insolvency proceedings. This means that insolvent estates can no longer disclaim assets that have reached the end of their productive lives (and therefore represent a net liability) in order to deal primarily with the remaining productive and valuable assets without first satisfying any abandonment and reclamation obligations associated with the insolvent estate's assets. The burden of a defunct licensee's abandonment and reclamation obligations first falls on the defunct licensee's working interest partners, and second, the AER may order the orphan fund to assume care and custody and accelerate the clean-up of wells or sites which do not have a responsible owner.

To address abandonment and reclamation liabilities in Alberta, the AER also implements, from time to time, programs intended to encourage the decommissioning, remediation and reclamation of inactive or marginal oil and natural gas infrastructure.

Similar to Alberta, the BC regulator has moved away from the formulaic approach to liability management toward a more holistic assessment of a permit holder's ability to meet its abandonment and reclamation obligations. Additionally, similar to Alberta's orphan fund, BC and Saskatchewan have programs to address the abandonment and reclamation costs for orphan sites. The Government of Manitoba has not implemented a liability management rating program like those found in the other Western Canadian provinces, however, the province has a process in place to sell or abandon a well or facility when a licensee or permittee fails to comply with a shutdown order, or to rehabilitate the site of an abandoned well or facility, including addressing any adverse effect on property caused by a well or facility.

The British Columbia Dormancy and Shutdown Regulation established the first set of legally imposed timelines for the restoration of oil and natural gas wells in Western Canada, with a goal of ensuring that 100% of then dormant sites are reclaimed by 2036, with additional regulated timelines for sites that have become dormant after 2019.

***Climate Change Regulation***

Climate change regulation at each of the international, federal and provincial levels has the potential to significantly affect the future of the oil and gas industry in Canada. These impacts are uncertain, and it is not possible to predict what future policies, laws and regulations will entail. Any new laws and regulations (or additional requirements to existing laws and regulations) could have a material impact on the Corporation's operations and cash flow from operating activities.

*Federal*

Canada has been a signatory to the United Nations Framework Convention on Climate Change (the "**UNFCCC**") since 1992. Since its inception, the UNFCCC has instigated numerous policy changes with respect to climate governance. In 2016, 195 countries, including Canada, signed the Paris Agreement, committing to prevent global temperatures from rising more than 2° Celsius above pre-industrial levels and to pursue efforts to limit this rise to no more than 1.5° Celsius. When Canada ratified the Paris Agreement, it committed to reducing its emissions by 30% below 2005 levels by 2030. In 2021, Canada updated its original commitment by pledging to reduce emissions by 40–45% below 2005 levels by 2030, and to net-zero by 2050.

During the course of the 2021 United Nations Climate Change Conference, Canada pledged to (i) reduce methane emissions in the oil and gas sector to 75% of 2012 levels by 2030; (ii) cease to export thermal coal by 2030; (iii) impose a cap on emissions from the oil and gas sector; (iv) halt direct public funding to the global fossil fuel sector by the end of 2022; and (v) commit that all new vehicles sold in the country will be zero-emission on or before 2040. During the 2023 United Nations Climate Change Conference, Canada signed an agreement with nearly 200 other parties, which includes renewed commitments to transitioning away from fossil fuels and further cutting GHG emissions.

The Government of Canada released the Pan-Canadian Framework on Clean Growth and Climate Change in 2016, setting out a plan to meet the federal government's 2030 emissions reduction targets. On June 21, 2018, the federal government enacted the *Greenhouse Gas Pollution Pricing Act* (the "**GGPPA**"), which came into force on January 1, 2019. This regime has two parts: an output-based pricing system ("**OBPS**") for large industry (enabled by the *Output-Based Pricing System Regulations*) and a fuel charge (enabled by the *Fuel Charge Regulations*), both of which impose a price on CO2e emissions. The GGPPA system applies in provinces and territories that request it and in those that do not have their own equivalent emissions pricing systems in place that meet the federal standards and ensure that there is a uniform price on emissions across the country.

Originally under the federal plans, the price was set to escalate by $10 per year until it reached a maximum price of $50/tonne of CO2e in 2022. However, on December 11, 2020, the federal government announced its intention to continue the annual price increases beyond 2022. As of 2023, the benchmark price per tonne of CO2e will increase by $15 per year until it reaches $170/tonne of CO2e in 2030. Effective January 1, 2025, the minimum price permissible under the GGPPA rose to $95/tonne of CO2e. While several provinces challenged the constitutionality of the GGPPA following its enactment, the SCC confirmed its constitutional validity in a judgment released on March 25, 2021.

On April 26, 2018, the federal government passed the *Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds (Upstream Oil and Gas Sector)* (the "**Federal Methane Regulations**"). The Federal Methane Regulations seek to reduce emissions of methane from the oil and natural gas sector and came into force on January 1, 2020. By introducing new control measures, the Federal Methane Regulations aim to reduce unintentional leaks and the intentional venting of methane and ensure that oil and natural gas operations use low-emission equipment and processes. Among other things, the Federal Methane Regulations limit how much methane upstream oil and natural gas facilities are permitted to vent.

In December 2023, the federal government stated that the existing measures, which were designed to reduce the oil and gas sector's methane emissions by 40–45% by 2025 (relative to 2012) would not be sufficient to meet Canada's commitment to achieving a 75% reduction (below 2012 levels) by 2030. Accordingly, it released proposed amendments which would build on the existing requirements and increase stringency by introducing new prohibitions and limits on certain intentional emissions, a new risk-based approach around unintentional emissions, and a new performance-based approach for compliance that relies on continuous emissions monitoring systems, among other things. The proposed amendments are targeted to come into force in January 2027.

The federal government has also enacted the *Multi-Sector Air Pollutants Regulation* under the authority of the *Canadian Environmental Protection Act, 1999*, which regulates certain industrial facilities and equipment types, including boilers and heaters used in the upstream oil and gas industry, to limit the emission of air pollutants such as nitrogen oxides and sulphur dioxide.

The *Canadian Net-Zero Emissions Accountability Act* (the "**CNEAA**") received royal assent on June 29, 2021, and came into force on the same day. The CNEAA binds the Government of Canada to a process intended to help Canada achieve net-zero emissions by 2050. It establishes rolling five-year emissions reduction targets and requires the government to develop plans to reach each target and support these efforts by creating a Net-Zero Advisory Body. The CNEAA also requires the federal government to publish annual reports that describe how departments and Crown corporations are considering the financial risks and opportunities of climate change in their decision-making. A comprehensive review of the CNEAA is required every five years from the date the CNEAA came into force.

The Government of Canada introduced its 2030 Emissions Reduction Plan (the "**2030 ERP**") on March 29, 2022. In the 2030 ERP, the Government of Canada proposes a roadmap to reduce its GHG emissions to 40-45% below 2005 levels by 2030. As the first emissions reduction plan issued under the CNEAA, the 2030 ERP aims to reduce emissions by incentivizing electric vehicles and renewable electricity, and capping emissions from the oil and gas sector, among other measures.

On June 8, 2022, the *Canadian Greenhouse Gas Offset Credit System Regulations* were published in the Canada Gazette. The regulations establish a regulatory framework to allow certain kinds of projects to generate and sell offset credits for use in the federal OBPS through Canada's Greenhouse Gas Offset Credit System. The system enables project proponents to generate federal offset credits through projects that reduce GHG emissions under a published federal GHG offset protocol. Offset credits can then be sold to those seeking to meet limits imposed under the OBPS or those seeking to meet voluntary targets.

In July 2023, the federal *Clean Fuel Regulations* took effect. The Clean Fuel Regulations aim to discourage the use of fossil fuels by increasing the price of those fuels when compared to lower-carbon alternatives, imposing obligations on primary suppliers of transportation fuels in Canada, and requiring fuels to contain a minimum percentage of renewable fuel content and meet emissions caps calculated over the life cycle of the fuel. The Clean Fuel Regulations also establish a market for compliance credits. Compliance credits can be generated by primary suppliers, among others, through carbon capture and storage, producing or importing low-emission fuel, or through end-use fuel switching (for example, operating an electric vehicle charging network).

In November 2024, the federal government published the proposed *Oil and Gas Sector Greenhouse Gas Emissions Cap Regulations* (the "**Proposed Regulations**"). The Proposed Regulations would cap emissions from a range of oil and gas related activities, create an emissions cap-and-trade system, and require facility operators to comply with various reporting and remittance obligations.

The Government of Canada has developed a Carbon Management Strategy, whereby it aims to deploy various carbon management technologies, including carbon capture, to help achieve federal climate goals. Carbon Capture is a technology that captures carbon dioxide from facilities, including industrial or power applications, or directly from the atmosphere. The captured carbon dioxide is then compressed and transported for permanent storage in underground geological formations or used to make new products such as concrete. As part of the 2021 budget, the federal government committed to investing $319 million over seven years into research, development and demonstrations to advance the commercial viability of carbon capture technologies.

In June 2024, the federal government enacted various new tax credits for sustainability-related projects, including the Carbon Capture, Utilization, and Storage ("**CCUS**") Investment Tax Credit ("**ITC**"). The CCUS ITC is a refundable tax credit that applies to certain expenses incurred for eligible CCUS projects. It was enacted on June 19, 2024 (but deemed to have come into effect on January 1, 2022). The credit is available from January 1, 2022 until December 31, 2040, with the magnitude of the credit being reduced by 50% beginning on January 1, 2031.

In June 2023, the International Sustainability Standards Board ("**ISSB**") issued two international environmental reporting standards: IFRS S1, which addresses sustainability-related disclosure, and IFRS S2, which addresses climate-related disclosure. The Canadian Sustainability Standards Board ("**CSSB**") subsequently released for public comment substantially similar proposed Canadian versions of the international standards ("**CSDS 1**" and "**CSDS 2**"), which were finalized in December 2024 (collectively, the "**Canadian Standards**").

The Canadian Standards require issuers, among other things, to include quantitative data regarding their climate change considerations, to use scenario analysis in developing their disclosure, and to disclose Scope 3 emissions (i.e. indirect emissions from an organization's operations). The finalized Canadian Standards are substantially similar to IFRS S1 and S2 (and earlier drafts of CSDS 1 and CSDS 2), however they have extended implementation timelines for select criteria. Canadian companies are not required to follow the Canadian Standards at this time, however the Canadian Securities Administrators are considering amending Canadian reporting requirements to include certain aspects of these new Canadian Standards; to what extent they will be adopted remains unclear.

In June 2024, the federal Competition Act was amended to enact new deceptive marketing provisions targeting "greenwashing". The new provisions introduced unclear substantiation requirements for companies making environmental claims and significant fines for failing to meet the new requirements. As a result of the uncertainty with respect to the applicability of the new rules, some companies removed their environmental and sustainability-related disclosure from the public domain. In December 2024, the constitutionality of the new deceptive marketing provisions was challenged in the Alberta Court of King's Bench and the lawsuit remains ongoing.

*Provincial*

In December 2016, the *Oil Sands Emissions Limit Act* (Alberta) came into force, establishing an annual 100 megatonne limit for GHG emissions from all oil sands sites, but the regulations necessary to enforce the limit have not yet been developed. The delay in drafting these regulations has been inconsequential thus far, as Alberta's oil sands emitted roughly 82 megatonnes of GHG in 2023, well below the 100 megatonne limit.

In June 2019, the fuel charge element of the federal backstop program took effect in Alberta. In December 2019, the federal government approved Alberta's Technology Innovation and Emissions Reduction ("**TIER**") regulation, which applies to large emitters. The TIER regulation came into effect on January 1, 2020 (as amended January 1, 2023) and replaced the previous Carbon Competitiveness Incentives Regulation. The TIER regulation meets the federal benchmark stringency requirements for emissions sources covered in the regulation, but the federal backstop continues to apply to emissions sources not covered by the regulation.

The GGPPA system applies in part in Saskatchewan for specific industry sectors, and the federal backstop continues to apply to emissions sources not covered by the provincial emissions legislation. In Manitoba, the federal system applies in full, whereas it does not apply in British Columbia, which has its own system altogether.

The Government of Alberta committed to lowering annual methane emissions from 2014 levels by 45% by 2025 and reached this target 3 years early. The Government of Alberta enacted the Methane Emission Reduction Regulation on January 1, 2020, and in November 2020, the Government of Canada and the Government of Alberta announced an equivalency agreement regarding the reduction of methane emissions such that the Federal Methane Regulations will not apply in Alberta. Similarly, in 2024, the Government of Saskatchewan and Canada entered into a similar equivalency agreement such that the Federal Methane Regulations will not apply in Saskatchewan.

**Indigenous Rights**

Constitutionally mandated government-led consultation with and, if applicable, accommodation of the rights of, Indigenous groups impacted by regulated industrial activity, as well as proponent-led consultation and accommodation or benefit sharing initiatives, play an increasingly important role in the Western Canadian oil and gas industry. In addition, Canada is a signatory to the United Nations Declaration on the Rights of Indigenous Peoples ("**UNDRIP**") and the principles set forth therein may continue to influence the role of Indigenous engagement in the development of the oil and gas industry in Western Canada. For example, in November 2019, the *Declaration on the Rights of Indigenous Peoples Act* ("**DRIPA**") became law in British Columbia. The DRIPA aims to align British Columbia's laws with UNDRIP. In June 2021, the *United Nations Declaration on the Rights of Indigenous Peoples Act* ("**UNDRIP Act**") came into force in Canada. Similar to British Columbia's DRIPA, the UNDRIP Act requires the Government of Canada to take all measures necessary to ensure the laws of Canada are consistent with the principles of UNDRIP and to implement an action plan to address UNDRIP's objectives.

As of June 2022, the federal government has sought to implement the UNDRIP Act by, among other things, creating a Secretariat within the Department of Justice to support Indigenous participation in the implementation of UNDRIP (the "**Implementation Secretariat**"), consulting with Indigenous peoples to identify their priorities, drafting an action plan to align federal laws with UNDRIP, and implementing efforts to educate federal departments on UNDRIP's principles. On June 21, 2023, the Implementation Secretariat released The United Nations Declaration on the Rights of Indigenous Peoples Act Action Plan (the "**Action Plan**") with respect to aligning federal laws with UNDRIP, which has a 2023-2028 implementation timeframe. In June 2024, the federal government tabled its Third Annual Progress Report on the implementation of the UNDRIP Act, which provides various progress updates, including on the implementation of Canada's Action Plan.

Various Indigenous-related legislation is currently being considered, and related regulations being developed, by the federal government, including the proposed *First Nations Clean Water Act* (currently being considered by the House of Commons) and regulations regarding Indigenous impact assessment co-administration agreements (currently being developed under the *Impact Assessment Act*). In addition to the changing legislative landscape, common law precedent regarding existing and new Indigenous-related laws continues to develop. Such developments are expected to continue to add uncertainty to the ability of entities operating in the Canadian oil and gas industry to execute on major resource development and infrastructure projects, including, among other projects, pipelines.

On June 29, 2021, the British Columbia Supreme Court issued a judgment in Yahey v British Columbia (the "**Blueberry Decision**"), in which it determined that the cumulative impacts of industrial development on the traditional territory of the Blueberry River First Nation ("**BRFN**") in Northeast British Columbia had breached BRFN's rights guaranteed under Treaty 8. The Blueberry Decision may have significant impacts on the regulation of industrial activities in Northeast British Columbia and may lead to similar claims of cumulative effects across Canada in other areas covered by numbered treaties, as has been seen in Alberta.

On January 18, 2023, the Government of British Columbia and BRFN signed the Blueberry River First Nations Implementation Agreement (the "**BRFN Agreement**"). The BRFN Agreement aims to address the cumulative effects of development on BRFN's claim area through restoration work, establishment of areas protected from industrial development, and a constraint on development activities. Such measures will remain in place while a long-term cumulative effects management regime is implemented. Specifically, the BRFN Agreement includes, among other measures, the establishment of a $200-million restoration fund by June 2025, an ecosystem-based management approach for future land-use planning in culturally important areas, limits on new petroleum and natural gas development, and a new planning regime for future oil and gas activities. BRFN will receive $87.5 million over three years, with an opportunity for increased benefits based on petroleum and natural gas revenue sharing and provincial royalty revenue sharing in the next two fiscal years. In July 2024, BRFN filed a civil claim against the Province of British Columbia with respect to the first implementation plan made under the BRFN Agreement, which raises questions about implementation challenges of such an agreement.

The BRFN Agreement has acted as a blueprint for other agreements between the Government of British Columbia and Indigenous groups in Treaty 8 territory. In late January 2023, the Government of British Columbia and four Treaty 8 First Nations — Fort Nelson, Saulteau, Halfway River and Doig River First Nations — reached consensus on a collaborative approach to land and resource planning (the "**Consensus Agreement**"). The Consensus Agreement implements various initiatives including a "cumulative effects" management system linked to natural resource landscape planning and restoration initiatives, new land-use plans and protection measures, and a new revenue sharing approach to support the priorities of Treaty 8 First Nations communities.

In July 2022, Duncan's First Nation filed a lawsuit against the Government of Alberta relying on similar arguments to those advanced successfully by BRFN. Duncan's First Nation claims in its lawsuit that Alberta has failed to uphold its treaty obligations by authorizing development without considering the cumulative impacts on the First Nation's treaty rights. Beaver Lake Cree Nation ("BLCN") brought a similar Treaty claim against the Government of Alberta in 2008, and after 10 years and millions of dollars spent attempting to advance the claim, BLCN filed an application for advanced cost which, if successful, would require both the Alberta and federal governments to pay part of BLCN's litigation costs. This claim ultimately made its way to the SCC, which ruled in favour of BLCN, establishing a new test regarding whether an applicant "can afford" litigation. The initial Treaty claim has been remitted back to the trial court and the parties have been ordered to pay annual litigation costs (including the Government of Alberta being ordered to pay $1.5 million annually) until the matter is settled. The long-term impacts of these lawsuits on the Canadian oil and gas industry remain uncertain.

## RISK FACTORS

**Investors should carefully consider the risk factors set out below and consider all other information contained herein and in Peyto's other public filings before making an investment decision. The risks set out below are not an exhaustive list and**

**should not be taken as a complete summary or description of all the risks associated with Peyto's business and the oil and natural gas business generally.**

**Exploration, Development and Production Risks**

***Peyto's future performance may be affected by the financial, operational, environmental and safety risks associated with the exploration, development and production of oil and natural gas***

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of Peyto depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, Peyto's existing reserves, and the production from them, will decline over time as Peyto produces from such reserves. A future increase in Peyto's reserves will depend on both the ability of Peyto to explore and develop its existing properties and its ability to select and acquire suitable producing properties or prospects. There is no assurance that Peyto will be able to continue to find satisfactory properties to acquire or participate in. Moreover, management of Peyto may determine that current markets, terms of acquisition or participation or pricing conditions make potential acquisitions or participation uneconomic. There is also no assurance that Peyto will discover or acquire further commercial quantities of oil or natural gas.

Future oil and natural gas exploration may involve unprofitable efforts from dry wells or from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, completing (including hydraulic fracturing), operating and other costs. Completion of a well does not ensure a profit on the investment or recovery of drilling, completion and operating costs.

Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. Adverse field operating conditions include, but are not limited to, delays in obtaining governmental approvals or consents, shut-ins of wells resulting from extreme weather conditions, insufficient storage or transportation capacity or geological and mechanical conditions. While diligent well supervision, effective maintenance operations and the development of enhanced oil recovery technologies can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including, but not limited to, fire, explosion, blowouts, cratering, sour gas releases, spills and other environmental hazards. These typical risks and hazards could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment and cause personal injury or threaten wildlife. Particularly, the Corporation may explore for and produce sour gas in certain areas. An unintentional leak of sour gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to the Corporation.

Oil and natural gas production operations are also subject to geological and seismic risks, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on Peyto's business, financial condition, results of operations and prospects.

As is standard industry practice, Peyto is not fully insured against all risks, nor are all risks insurable. Although Peyto maintains liability insurance and business interruption insurance in an amount that it considers consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. See "*Risk Factors – Insurance*". In either event, Peyto could incur significant costs.

**Adverse Economic Conditions**

The demand for energy, including oil, NGLs and natural gas, is generally linked to broad-based economic activities. If there was a slowdown in economic growth, an economic downturn or recession, or other adverse economic or political developments in the U.S., Europe, Asia or elsewhere, there could be a significant adverse effect on global financial markets and commodity prices. In addition, hostilities in the Middle East, Ukraine and elsewhere and the occurrence or threat of terrorist attacks in the U.S. or other countries could adversely affect the global economy. Global or national health concerns, including the outbreak of pandemic or contagious diseases may adversely affect us by (i) reducing global economic activity thereby resulting in lower demand for crude oil, NGLs and natural gas, (ii) impairing Peyto's supply chain, for example, by limiting the manufacturing of materials or the supply of goods and services used in Peyto's operations, and (iii) affecting the health of Peyto's workforce, rendering employees unable to work or travel. These and other factors disclosed elsewhere herein that affect the supply and demand for crude oil, NGLs and natural gas, and Peyto's business and industry, could ultimately have an adverse impact on Peyto's financial condition, financial performance, and funds flow.

**Prices, Markets and Marketing**

***Various factors may adversely impact the marketability of oil and natural gas, affecting net production revenue, production volumes and development and exploration activities***

Numerous factors beyond the Corporation's control do, and will continue to, affect the marketability and price of oil and natural gas acquired, produced, or discovered by the Corporation. The Corporation's ability to market its oil and natural gas may depend upon its ability to acquire capacity in pipelines that deliver oil and natural gas to commercial markets or contract for the delivery of oil by rail. Deliverability uncertainties related to the distance of the Corporation's reserves from pipelines, railway lines, processing and storage facilities; operational problems affecting pipelines, railway lines and processing and storage facilities; and government regulation relating to prices, taxes, tariffs, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business may also affect the Corporation.

Oil and natural gas prices may be volatile for a variety of reasons including market uncertainties over the supply and demand of these commodities due to the current state of the world economies, actions of the Organization of Petroleum Exporting Countries ("**OPEC**")**,** political uncertainties, sanctions imposed on certain oil producing nations by other countries, the Russian Ukrainian war and conflicts in the Middle East, or other adverse economic or political development in the United States, Europe, or Asia. Additionally, the occurrence or threat of terrorist attacks in the United States or other countries could adversely affect the global economy. Prices of oil and natural gas are also subject to the availability of foreign markets and the Corporation's ability to access such markets.

A material decline in prices could result in a reduction of the Corporation's net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil or natural gas and a reduction in the volumes and the value of the Corporation's reserves. The Corporation might also elect not to produce from certain wells at lower prices. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the Corporation's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. See "*Industry Conditions – Transportation Constraints and Market Access*".

Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for, and project the return on, acquisitions and development and exploitation projects.

All these factors could result in a material decrease in Peyto's expected net production revenue and a reduction in Peyto's oil and natural gas production, acquisition, development and exploration activities. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the carrying value of Peyto's reserves, borrowing capacity, revenues, profitability and funds flow and may have a material adverse effect on Peyto's business, financial condition, results of operations and prospects, and as a result, the market price of Peyto's Common Shares.

**Market Price**

***The trading price of the Common Shares may be adversely affected by factors related and unrelated to the oil and natural gas industry***

The trading price of the securities of oil and natural gas issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to Peyto's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices and changing perceptions of the oil and natural gas market. In recent years, the volatility of commodities prices has increased due, in part, to the implementation of computerized trading and the decrease of discretionary commodity trading. In addition, the volatility, trading volume and share price of issuers have been impacted by increasing investment levels in passive funds that track major indices, as such funds only purchase securities included in such indices. In addition, in certain jurisdictions' institutions, including government sponsored entities, have decided to decrease their ownership in oil and natural gas entities which may impact the liquidity of certain securities and put downward pressure on the trading price of those securities. Similarly, the market price of the Common Shares could be subject to significant fluctuations in response to variations in Peyto's operating results, financial condition, liquidity and other internal factors. Accordingly, the price at which the Common Shares will trade cannot be accurately predicted.

**Failure to Realize Anticipated Benefits of Acquisitions and Dispositions**

***The anticipated benefits of acquisitions may not be achieved and Peyto may dispose of non-core assets for less than their carrying value on the financial statements as a result of weak market conditions***

Peyto considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner and Peyto's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of Peyto. The integration of acquired businesses and assets may require substantial management effort, time and resources diverting management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided by third parties and the resources required to provide such services. In this regard, non core assets may be periodically disposed of so the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Corporation, if disposed of, may realize less on disposition than their carrying value on the financial statements of the Corporation.

**Geopolitical Risks**

***Peyto's business may be adversely affected by political and social events and decisions made in Canada, the United States, Europe, the Middle East and elsewhere***

The Corporation's results can be adversely impacted by political, legal, or regulatory developments in Canada and elsewhere that affect local operations and local and international markets. Changes in government, government policy or regulations, changes in law or interpretation of settled law, third party opposition to industrial activity generally or projects specifically, and duration of regulatory reviews could impact the Corporation's existing operations and planned projects. This includes actions by regulators or other political actors to delay or deny necessary licences and permits for the Corporation's activities or restrict the operation of third party infrastructure on which the Corporation relies. Additionally, changes in environmental regulations, assessment processes or other laws, and increasing and expanding stakeholder consultation (including Indigenous stakeholders), may increase the cost of compliance or reduce or delay available business opportunities and adversely impact the Corporation's results.

In particular, the recent election of President Trump in the United States may result in legislative and regulatory changes that could have an adverse effect on the Corporation and its financial condition. In particular, there is uncertainty regarding U.S. tariffs and support for existing treaty and trade relationships, including with Canada. 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 the tariffs came into effect on March 4, 2025, some of such tariffs were paused on March 6, 2025. Furthermore, on March 12, 2025, the U.S. imposed a 25% tariff on all steel and aluminum imports into the United States and the following day Canada imposed a 25% counter-tariff on $29.8 billion in products imported into Canada from the United States.

These tariffs (including those currently in effect and those currently paused, 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 the Corporation. 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 Corporation, decrease U.S. demand for the Corporation's products or otherwise negatively impact the Corporation, which could have a material adverse impact on the Canadian economy, the Canadian oil and natural gas industry and the Corporation.

Other government and political factors that could adversely affect Peyto's financial results include increases in taxes or government royalty rates (including retroactive claims) and changes in trade policies and agreements. Further, the adoption of regulations mandating efficiency standards and mandating the sale of electric vehicles, or the use of alternative fuels or uncompetitive fuel components, could affect the demand for Peyto's products. Many governments are providing tax advantages and other subsidies to support alternative energy sources or are mandating the use of specific fuels, technologies or electric vehicles. Governments and others are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources. The success of these initiatives may decrease demand for Peyto's products.

A change in federal, provincial or municipal governments in Canada may have an impact on the directions taken by such governments on matters that may impact the oil and natural gas industry including the balance between economic development and environmental policy. The oil and natural gas industry has become an increasingly politically polarizing topic resulting in a rise in civil disobedience surrounding oil and natural gas development —particularly with respect to infrastructure projects such as pipelines. Protests, blockades, demonstrations and vandalism have the potential to delay and disrupt Peyto's activities. See "*Industry Conditions – Regulatory Authorities and Environmental Regulation*" and "*Industry Conditions – Transportation Constraints and Market Access*".

**Middle Eastern Conflicts**

***Peyto's business may be adversely affected by geopolitical conflicts abroad***

On October 7, 2023, Hamas terrorists infiltrated Israel's southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Hamas also launched extensive rocket attacks on the Israeli population and industrial centres located along Israel's border with the Gaza Strip and in other areas within the State of Israel. Following the attack, Israel's security cabinet declared war against Hamas and the military campaign against these terrorist organizations has launched a series of responding attacks in Palestine. This conflict has significantly broadened with Israel also battling Hezbollah in Lebanon and significant conflict between Israel and Iran and other Iran backed proxies in the area. In addition, recently the Syrian Assad regime has fallen and it is unknown whether a stable Syrian government will develop.

The outcome of these conflicts has the potential to have wide-ranging consequences on the world economy. There is a risk that these conflicts and developments could lead to wider regional instability in the Middle East, home to some of the world's biggest oil producers. The long-term impacts of these conflicts remain uncertain on oil and natural gas prices and the world economy. Such developments could have an impact on the oil and natural gas industry as a whole including the Corporation.

**Russian Ukrainian War**

***Peyto's business may be adversely affected by geopolitical conflicts abroad***

In February 2022, Russian military forces invaded Ukraine. Ukrainian military personnel and civilians continue to actively resist the invasion. Many countries throughout the world have provided aid to Ukraine in the form of financial aid and in some cases military equipment and weapons to assist in its resistance to the Russian invasion. The North Atlantic Treaty Organization ("**NATO**") has also mobilized forces to NATO member countries that are close to the conflict as deterrence to further Russian aggression in the region. Additionally, certain countries including Canada have imposed strict financial and trade sanctions against Russia. The outcome of the ongoing conflict remains uncertain and may have wide-ranging consequences on the peace and stability of the region and the world economy.

**Operational Dependence**

***The successful operation of a portion of Peyto's properties is dependent on third parties***

Other companies operate approximately 2% of the assets in which Peyto has an interest. Peyto has limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect Peyto's financial performance. Peyto's return on assets operated by others depends upon a number of factors that may be outside of Peyto's control, including, but not limited to, the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

In addition, due to volatile commodity prices, many companies, including companies that may operate some of the assets in which the Corporation has an interest, may be in financial difficulty. This could impact their ability to fund and pursue capital expenditures, carry out their operations in a safe and effective manner and satisfy regulatory requirements with respect to abandonment and reclamation obligations. If companies that operate some of the assets in which the Corporation has an interest fail to satisfy regulatory requirements with respect to abandonment and reclamation obligations the Corporation may be required to satisfy such obligations and to seek reimbursement from such companies. To the extent that any such companies go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in such assets being shut-in, the Corporation potentially becoming subject to additional liabilities relating to such assets and the Corporation having difficulty collecting revenue due from such operators or recovering amounts owing to the Corporation from such operators for their share of abandonment and reclamation obligations. Any of these factors could have a material adverse affect on the Corporation's financial and operational results.

**Project Risks**

***The success of Peyto's operations may be negatively impacted by factors outside of its control resulting in operational delays and cost overruns***

Peyto manages a variety of small and large projects in the conduct of its business. Project interruptions may delay expected revenues from operations. Significant project cost overruns could make a project uneconomic. Peyto's ability to execute projects and market oil and natural gas depends upon numerous factors beyond Peyto's control, including:

- the availability of processing capacity;
- the availability and proximity of transportation infrastructure, including pipeline capacity;
- the availability of storage capacity;
- the availability of, and the ability to acquire, water supplies needed for drilling, hydraulic fracturing, and waterfloods or the Corporation's ability to dispose of water used or removed from strata at a reasonable cost and in accordance with applicable environmental regulations;
- the effects of inclement and severe weather events, including fire, drought, flooding and extreme temperatures;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- regulatory changes;
- availability and productivity of skilled labour;
- political uncertainty;
- environmental and Indigenous activism that may result in delays or cancellations of projects; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, Peyto may be unable to execute projects on time, on budget, or at all.

**Abandonment and Reclamation Costs**

***Peyto may need to pay additional abandonment and reclamation costs***

Peyto will need to comply with the terms and conditions of environmental and regulatory approvals and all legislation regarding the abandonment of the Corporation's projects and reclamation of the project lands at the end of their economic life, which may result in substantial abandonment and reclamation costs. Any failure to comply with the terms and conditions of the Corporation's approvals and legislation may result in the imposition of fines and penalties, which may be material. Generally, abandonment and reclamation costs are substantial and, while the Corporation accrues a reserve in its financial statements for such costs in accordance with International Financial Reporting Standards, such accruals may be insufficient.

It is not possible at this time to estimate abandonment and reclamation costs reliably since they will, in part, depend on future regulatory requirements. In addition, in the future, Peyto may determine it to be prudent or required by applicable laws, regulations or regulatory approvals to establish and fund one or more reclamation funds to provide for payment of future abandonment and reclamation costs. If Peyto establishes a reclamation fund, the Corporation's liquidity and funds flow may be adversely affected.

Alberta has developed liability management programs designed to prevent taxpayers from incurring costs associated with suspension, abandonment, remediation and reclamation of wells, facilities and pipelines if a licensee or permit holder is unable to satisfy its regulatory obligations. The implementation of or changes to the requirements of liability management programs may result in significant increases to the security that must be posted by licensees, increased and more frequent financial disclosure obligations or the denial of licence or permit transfers, which could impact the availability of capital to be spent by us, which could in turn materially adversely affect Peyto's business and financial condition. In addition, these liability management programs may prevent or interfere with Peyto's ability to acquire or dispose of assets, as both the vendor and the purchaser of oil and natural gas assets must be in compliance with the liability management programs (both before and after the transfer of the assets) for the applicable regulatory agency to allow for the transfer of such assets.

**Gathering and Processing Facilities, Pipeline Systems, Trucking and Rail**

***Lack of capacity and/or regulatory constraints on gathering and processing facilities, pipeline systems and railway lines may have a negative impact on Peyto's ability to produce and sell its oil and natural gas***

The Corporation delivers its products through gathering and processing facilities, pipeline systems and, in certain circumstances, by truck and rail. The amount of oil and natural gas that the Corporation can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering and processing facilities, pipeline systems, trucking routes and railway lines. The lack of firm pipeline capacity, production limits and limits on availability of capacity in gathering and processing facilities, pipeline systems and railway lines continues to affect the oil and natural gas industry and limits the ability to transport produced oil and natural gas to market. In addition, the pro-rationing of capacity on inter-provincial pipeline systems from time to time affects the ability of oil and natural gas companies to export oil and natural gas, and could result in Peyto's inability to realize the full economic potential of the Corporation's production or in a reduction of the price the Corporation receives for its products. Unexpected shutdowns or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators could also affect the Corporation's production, operations and financial results.

A portion of the Corporation's production may, from time to time, be processed through facilities owned by third parties and over which the Corporation does not have control. From time to time, these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could have a material adverse effect on the Corporation's ability to process its production and deliver the same to market. Midstream and pipeline companies may take actions to maximize their return on investment, which may in turn adversely affect producers and shippers, especially when combined with a regulatory framework that may not always align with the interests of particular shippers.

**Industry Competition**

***Peyto competes with other oil and natural gas companies, some of which have greater financial and operational resources***

The petroleum industry is competitive in all of its phases. Peyto competes with numerous other entities in the exploration for, and the development, production and marketing of, oil and natural gas. Peyto's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of Peyto. Some of these companies not only explore for, develop and produce oil and natural gas, but also carry on refining operations and market oil and natural gas on an international basis. As a result of these complementary activities, some of these competitors may have greater and more diverse competitive resources to draw on than Peyto. Peyto's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price, process, methods and reliability of delivery and storage.

**Information Technology Systems and Cyber-Security**

***Breaches of Peyto's cyber-security and loss of, or access to, electronic data may adversely impact its operations and financial position***

Peyto has become increasingly dependent upon the availability, capacity, reliability and security of its information technology infrastructure, and its 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 the Corporation'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, and credit card details (and money) by disguising as a trustworthy entity in an electronic communication, have become more widespread and sophisticated in recent years. If Peyto becomes a victim of 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. The Corporation'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 the Corporation'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.

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 gain entry into the Corporation's systems and obtain confidential information. The Corporation restricts the social media access of its employees and periodically reviews, supervises, retains and maintains the ability to retrieve social media content. Despite these efforts, there are significant risks that the Corporation may not be able to properly regulate social media use and preserve adequate records of business activities and client communications conducted through the use of social media platforms.

The Corporation maintains policies and procedures that address and implement employee protocols with respect to electronic communications and electronic devices and conducts annual cyber-security risk assessments. The Corporation also employs encryption protection of its confidential information, and all its computers and other electronic devices. Despite the Corporation'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 SCADA operating systems at its operations, and regularly review policies, procedures and protocols to ensure data and system integrity. 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 the Corporation's performance and earnings, as well as reputation, and any damages sustained may not be adequately covered by the Corporation'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 the Corporation's business, financial condition and results of operations. To date, Peyto has not experienced any material security breaches and substantial efforts continue to be made to continue to mitigate this risk in the future.

***The handling of secure information exposes Peyto to potential data security risks that could result in monetary damages against Peyto and could otherwise damage its reputation, and adversely affect its business, financial condition and results of operations***

The protection of customer, employee, and company data is critical to the Corporation's business. The regulatory environment in Canada surrounding information security and privacy is increasingly demanding, with the frequent imposition of new and constantly changing requirements. Certain legislation, including the *Personal Information Protection and Electronic Documents Act* in Canada, require documents to be securely destroyed to avoid identity theft and inadvertent disclosure of confidential and sensitive information. A significant breach of customer, employee, or company data could attract a substantial amount of media attention, damage the Corporation's customer relationships and reputation, and result in lost sales, fines, or lawsuits. In addition, an increasing number of countries have introduced and/or increased enforcement of comprehensive privacy laws or are expected to do so. The continued emphasis on information security as well as increasing concerns about government surveillance may lead customers to request the Corporation to take additional measures to enhance security and/or assume higher liability under its contracts. As a result of legislative initiatives and customer demands, the Corporation may have to modify its operations to further improve data security. Any such modifications may result in increased expenses and operational complexity, and adversely affect its reputation, business, financial condition and results of operations.

**Cost of New Technologies**

***Peyto's ability to successfully implement new technologies into its operations in a timely and efficient manner will affect its ability to compete***

The petroleum industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other companies may have greater financial, technical and personnel resources that allow them to implement and benefit from technological advantages. There can be no assurance that Peyto will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. If the Corporation does implement such technologies, there is no assurance that the Corporation will do so successfully. One or more of the technologies currently utilized by Peyto or implemented in the future may become obsolete. In such case, Peyto's business, financial condition and results of operations could be affected adversely and materially. If Peyto is unable to utilize the most advanced commercially available technology, or is unsuccessful in implementing certain technologies, its business, financial condition and results of operations could also be adversely affected, potentially in a material way.

**Alternatives to and Changing Demand for Petroleum Products**

***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 flow***

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 and natural gas. Recently, certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels 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. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flow by decreasing the Corporation's profitability, increasing its costs, limiting its access to capital and decreasing the value of its assets.

**Regulatory Landscape**

***Modification to current, or implementation of additional, regulations may reduce the demand for oil and natural gas and/or increase Peyto's costs and/or delay planned operations***

Various levels of government impose extensive controls and regulations on oil and natural gas operations (including exploration, development, production, pricing, marketing, transportation, infrastructure and mergers and acquisitions). Governments may regulate or intervene with respect to exploration and production activities, prices, taxes, royalties, the exportation of oil and natural gas, infrastructure projects and the transfer of assets pursuant to acquisition and divestiture activities. Amendments to these controls and regulations may occur from time to time in response to economic or political conditions.

The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for oil and natural gas and increase the Corporation's costs, either of which may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. In addition, obtaining certain approvals from regulatory authorities can involve, among other things, stakeholder and Indigenous consultation, environmental impact assessments, and public hearings. Regulatory approvals obtained may be subject to the satisfaction of certain conditions including, but not limited to: security deposit obligations; ongoing regulatory oversight of projects; mitigating or avoiding project impacts; environmental and habitat assessments; and other commitments or obligations. Further, third party challenges to regulatory decisions and orders can reduce the efficiency of the regulatory regime, as the implementation of decisions and orders may be delayed resulting in uncertainty and interruption to the business of the oil and natural gas industry.

To conduct oil and natural gas operations, the Corporation will require regulatory permits, licences, registrations, approvals and authorizations from various governmental authorities at the municipal, provincial and federal level. There can be no assurance that the Corporation will be able to obtain all of the permits, licences, registrations, approvals and authorizations that may be required to conduct operations that it may wish to undertake. In addition, certain federal legislation such as the Competition Act and the Investment Canada Act could negatively affect the Corporation's business, financial condition and the market value of its Common Shares or its assets, particularly when undertaking, or attempting to undertake, acquisition or disposition activity. See "*Industry Conditions – Regulatory Authorities and Environmental Regulation*".

**Royalty Regimes**

***Changes to royalty regimes may negatively impact Peyto's cash flows***

Governments in the jurisdictions in which the Corporation has assets may adopt new royalty regimes, or modify the existing ones, which may affect the economic viability of the Corporation's projects. An increase in royalties will reduce the Corporation's earnings and could make future capital investments, or the Corporation's operations, less economic. See "*Industry Conditions – Royalties and Incentives*".

**Hydraulic Fracturing**

***Implementation of new regulations on hydraulic fracturing may lead to operational delays, increased costs and/or decreased production volumes, adversely affecting Peyto's financial position. The Corporation's operations are dependent upon the availability of water and its ability to dispose of produced water from drilling and production activities.***

Hydraulic fracturing involves the injection of water, sand and additives under pressure into rock formations to stimulate the production of oil and natural gas. Specifically, hydraulic fracturing enables the production of commercial quantities of oil and natural gas from previously unproductive reservoirs. Certain areas in Alberta and other provinces have been prone to seismic activity and as a result, additional protocols relating to hydraulic fracturing and seismic monitoring have been implemented in such areas. Any new laws, regulations, or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs, and/or third-party or governmental claims, and could increase its costs of compliance and doing business, as well as delay the development of oil and natural gas resources from shale formations, which are not commercial without the use of hydraulic fracturing. Restrictions or bans on hydraulic fracturing in the areas where the Corporation operates could result in the Corporation being unable to economically recover its oil and gas reserves, which would result in a significant decrease in the value of the Corporation's assets.

Water is an essential component of the Corporation's drilling and hydraulic fracturing processes. Limitations or restrictions on the Corporation's ability to secure sufficient amounts of water (including limitations resulting from natural causes such as drought), could materially and adversely impact its operations. Severe drought conditions can result in local water authorities taking steps to restrict the use of water in their jurisdiction for drilling and hydraulic fracturing in order to protect the local water supply. If the Corporation is unable to obtain water to use in its operations from local sources, water may need to be obtained from new sources and transported to drilling sites, resulting in increased costs. Cost increases could have a material adverse effect on drilling economics resulting in delays or suspensions of drilling which ultimately would have a detrimental effect on the financial condition, results of operations, and cash flows of the Corporation.

The Corporation must dispose of the fluids produced from oil and natural gas production operations, including produced water. It does so directly or through the use of third party vendors. The legal requirements related to the disposal of produced water into a non-producing geologic formation by means of underground injection wells are subject to change based on concerns of the public or governmental authorities regarding such disposal activities.

Another consequence of seismic events may be lawsuits alleging that disposal well operations have caused damage to neighbouring properties or otherwise violated laws and regulations regarding waste disposal. These developments could result in additional regulation and restrictions on the use of injection wells by the Corporation or by commercial disposal well vendors that the Corporation may use from time to time to dispose of produced water. Increased regulation and attention given to induced seismicity could also lead to greater opposition, including litigation to limit or prohibit oil and natural gas activities utilizing injection wells for produced water disposal. Any one or more of these developments may result in the Corporation or its vendors having to limit disposal well volumes, disposal rates, pressures or locations, or require the Corporation or its vendors to shut down or curtail the injection of produced water into disposal wells, which events could have a material adverse effect on the Corporation's business, financial condition, and results of operations.

***Alberta***

Minor earthquakes are common in certain parts of Alberta, and are generally clustered around the municipalities of Cardston, Fox Creek, Rocky Mountain House, Brazeau and Red Deer. Since 2015, the Alberta Energy Regulator ("**AER**") has introduced seismic protocols for hydraulic fracturing operators in the Fox Creek, Red Deer and Brazeau areas (collectively, the "**Seismic Protocol Regions**") initially in response to significant induced seismic activity in the Duvernay formation in Fox Creek in February 2015. Oil and natural gas producers in each of the Seismic Protocol Regions are subject to a "traffic light" reporting system that sets thresholds on the Richter scale of earthquake magnitude, which vary, among the three regions. The reporting requirements include an assessment of the potential for seismicity prior to conducting operations, the implementation of a response plan to address potential seismic events and the suspension of operations, depending on the magnitude of an earthquake. Orders imposed by the AER in response to seismic events remain in effect as long as the AER deems them necessary. In recent years, hydraulic fracturing has been linked to increased seismicity in the areas in which hydraulic fracturing takes place, leading to continued monitoring by the AER. The AER may extend seismic protocols to other areas of the province if necessary.

See "*Industry Conditions – Regulatory Authorities and Environmental Regulation*".

***British Columbia***

Due to seismic activity recorded in the Kiskatinaw Seismic Monitoring and Mitigation area (the "**Kiskatinaw Area**"), in May 2018, the British Columbia Energy Regulator (the "**BCER**") introduced certain new requirements, which were subsequently enhanced in 2021. The requirements include, among others, the submission of a seismic monitoring and mitigation plan prior to conducting operations, pre-operation notification to both residents and the BCER and the suspension of operations for seismic events of specific magnitudes (some of which were reduced in the 2021 enhancements).

In 2018, the Government of British Columbia commissioned an independent scientific review panel to analyze hydraulic fracturing in the province and determine, among other things, how British Columbia's regulatory framework can be improved to better manage safety and environmental risks resulting from hydraulic fracturing operations. The implementation of new regulations or modification of existing regulations in response to the panel's findings may adversely affect the Corporation's business operations, financial condition, results of operations and prospects.

The Government of British Columbia has come under increased scrutiny for its enforcement of environmental assessment, safety and licensing requirements for dams companies have built in association with their hydraulic fracturing operations. These requirements are outlined in provincial legislation, namely the Water Sustainability Act and the Dam Safety Regulation. Despite these regulatory requirements, a number of unlicenced dams have been identified throughout northeastern British Columbia that have been constructed without the requisite regulatory authorizations. The BCER has issued compliance orders with respect to individual dams, and in January 2024 new administrative penalties were introduced to address failure to comply with the regulatory requirements. The Corporation may face operational delays depending on the level of severity with which regulatory authorities decide to address these unauthorized projects, particularly if the Corporation is not strictly complying with the current regulatory framework.

**Environmental Regulation**

***Compliance with environmental regulations requires the dedication of a portion of Peyto's financial and operational resources***

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, the initiation and approval of new oil and natural gas projects, restrictions and prohibitions on the spill, release or emission of various substances produced in association with oil and natural gas industry operations. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites. New environmental legislation at the federal and provincial levels may increase uncertainty among oil and natural gas industry participants as the new laws are implemented, and the effects of the new rules and standards are felt in the oil and natural gas industry. See "*Industry Conditions – Regulatory Authorities and Environmental Regulation*".

Compliance with environmental legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liabilities and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require Peyto to incur costs to remedy such discharge. Although Peyto believes that it is in material compliance with current applicable environmental legislation, no assurance can be given that environmental compliance requirements will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on Peyto's business, financial condition, results of operations and prospects.

In November 2024, the federal government published a draft of the proposed *Oil and Gas Sector Greenhouse Gas Emissions Cap Regulations*, which, if enacted as currently drafted, would cap emissions from a range of industrial activities in the oil and gas sector, establish a cap-and-trade system for emissions allowances, and require facility operators to comply with various reporting and remittance obligations. Such proposed regulations, which could affect investor confidence, suppress spending on decarbonization initiatives and lead to production cuts, are expected to be finalized in mid-2025 and come into force by January 1, 2026.

***New Anti-Greenwashing Rules***

On June 20, 2024, Bill C-59 received royal assent, thereby enacting certain changes to the Competition Act to address "greenwashing", meaning false, misleading, or deceptive environmental claims made for the purpose of promoting a product or a business interest. Under the new rules, certain environmental claims that companies commonly make, including those related to sustainability and forward-looking environmental-related goals, may be problematic. How the new rules will be interpreted and applied is currently unclear. In June 2025, new private rights of action will come into effect, meaning that any person will be able to bring a complaint directly to the Competition Tribunal for an alleged violation of the new greenwashing provisions. The Competition Bureau has published draft guidance regarding how it will apply the new greenwashing provisions, however the guidance, even once finalized, is not and will not be binding on private parties nor the Competition Tribunal. Companies found to have made representations that violate the rules, intentionally or inadvertently, could be subject to an administrative penalty for the greater of $10 million for the first order and $15 million for any subsequent order, and 3% of the company's annual worldwide gross revenues.

**Climate Change**

***Climate change concerns could result in increased operating costs and reduced demand for Peyto's products and shares, while the potential physical effects of climate change could disrupt Peyto's production and cause it to incur significant costs in preparing for or responding to those effects.***

Global climate issues continue to attract public and scientific attention. Numerous reports, including reports from the Intergovernmental Panel on Climate Change, have engendered concern about the impacts of human activity, especially fossil fuel combustion, on global climate issues. In turn, increasing public, government, and investor attention is being paid to global climate issues and to emissions of GHG, including emissions of carbon dioxide and methane from the production and use of oil, liquids and natural gas. The majority of countries across the globe, including Canada and the United States, have agreed to reduce their carbon emissions in accordance with the Paris Agreement. At the 2021 United Nations Climate Change Conference, Canada's Prime Minister Justin Trudeau made several pledges regarding reducing Canada's GHG emissions and at the 2023 United Nations Climate Change Conference, Canada renewed its commitments to transitioning away from fossil fuels and further cutting emissions. As discussed below, the Corporation faces both transition risks and physical risks associated with climate change and climate change policy and regulations. See "*Industry Conditions – Climate Change Regulation*".

***Transition risks***

Foreign and domestic governments continue to evaluate and implement policy, legislation, and regulations focused on restricting GHG emissions and promoting adaptation to climate change and the transition to a low-carbon economy. It is not possible to predict what measures foreign and domestic governments may implement in this regard, nor is it possible to predict the requirements that such measures may impose or when such measures may be implemented. However, international multilateral agreements, the obligations adopted thereunder and legal challenges concerning the adequacy of climate-related policy brought against foreign and domestic governments may accelerate the implementation of these measures. Given the evolving nature of climate change policy and the control of GHG emissions and resulting requirements, including carbon taxes and carbon pricing schemes implemented by varying levels of government, it is expected that current and future climate change regulations will have the effect of increasing the Corporation's operating expenses, and, in the long-term, potentially reducing the demand for oil and natural gas and related products, resulting in a decrease in the Corporation's profitability and a reduction in the value of its assets.

Claims have been made against certain energy companies alleging that GHG emissions from oil and natural gas operations constitute a public nuisance under certain laws or that such energy companies provided misleading disclosure to the public and investors of current or future risks associated with climate change. Individuals, government authorities, or other organizations may make claims against oil and natural gas companies, including the Corporation, for alleged personal injury, property damage, or other potential liabilities. While the Corporation is not a party to any such litigation or proceedings, it could be named in actions making similar allegations. An unfavourable ruling in any such case could adversely affect the demand for and price of securities issued by the Corporation, impact its operations and have an adverse impact on its financial condition.

Given the perceived elevated long-term risks associated with policy development, regulatory changes, public and private legal challenges, or other market developments related to climate change, there have also been efforts in recent years affecting the investment community, including investment advisors, sovereign wealth funds, banks, public pension funds, universities and other institutional investors, promoting direct engagement and dialogue with companies in their portfolios on climate change action (including exercising their voting rights on matters relating to climate change) and increased capital allocation to investments in low-carbon assets and businesses while decreasing the carbon intensity of their portfolios through, among other measures, divestments of companies with high exposure to GHG-intensive operations and products. Certain stakeholders have also pressured insurance providers and commercial and investment banks to reduce or stop financing and providing insurance coverage to oil and natural gas and related infrastructure businesses and projects. The impact of such efforts requires the Corporation's management to dedicate significant time and resources to these climate change-related concerns, which may adversely affect the Corporation's operations, the demand for and price of the Corporation's securities and the Corporation's cost of capital and access to the capital markets.

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to environmental, social, governance and climate reporting, in June 2023 the IFRS issued two new international sustainability disclosure standards with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. The Canadian Securities Administrators had previously published for comment Proposed National Instrument 51-107 – *Disclosure of Climate-Related Matters*, intended to introduce climate-related disclosure requirements for reporting issuers in Canada. It is expected that the introduction of the new international standards will instruct how new Canadian sustainability disclosure standards are finalized. If the Corporation is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licences, registrations, approvals, and authorizations from various governmental authorities, and raise capital may be adversely affected. See "*Industry Conditions – Climate Change Regulation*".

***Physical risks***

Based on the Corporation's current understanding, the potential physical risks resulting from climate change are long-term in nature and associated with a high degree of uncertainty regarding timing, scope, and severity of potential impacts. Many experts believe global climate change could increase extreme variability in weather patterns such as increased frequency of severe weather, rising mean temperature and sea levels, and long-term changes in precipitation patterns. Extreme hot and cold weather, heavy snowfall, heavy rainfall, drought and wildfires may restrict the Corporation's ability to access its properties and cause operational difficulties, including damage to equipment and infrastructure. Extreme weather also increases the risk of personnel injury as a result of dangerous working conditions. Certain of the Corporation's assets are proximate to forests and rivers and a wildfire or flood may lead to significant downtime and/or damage to the Corporation's assets or cause disruptions to the production and transport of its products or the delivery of goods and services in its supply chain.

**Inflation and High Interest Rates**

***A failure to secure the services and equipment necessary to the Corporation's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Corporation's financial performance and cash flows.***

Canada, the United States and other countries have recently experienced high levels of inflation, supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs and commodity prices, and additional government intervention through stimulus spending and additional regulations. These factors have increased the operating costs of the Corporation. The Corporation'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 oil and gas field equipment may adversely affect the Corporation's ability to undertake exploration, development and construction projects. The 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 at reasonable prices when required. A failure to secure the services and equipment necessary to the Corporation's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Corporation's financial performance and cash flows.

In addition, over the last several years, many central banks, including the Bank of Canada and U.S. Federal Reserve have taken steps to raise interest rates in an attempt to combat inflation. While interest rates have now begun to fall, higher interest rates over the last several years have impacted the Corporation's borrowing costs. The increase in borrowing costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows of the Corporation. Higher interest rates could also result in a recession in Canada, the United States or other countries. A recession may have a negative impact on demand for oil and natural gas, causing a decrease in commodity prices. A decrease in commodity prices would immediately impact the Corporation's revenues and cash flows and could also reduce drilling activity on the Corporation's properties. It is unknown how long inflation will continue to impact the economies of Canada and the United States and how inflation and higher interest rates will impact oil and natural gas demand and commodity prices.

**Variations in Foreign Exchange Rates and Interest Rates**

***Variations in foreign exchange rates and interest rates could adversely affect Peyto's financial condition***

World oil and natural gas prices are quoted in United States dollars. The Canadian/United States dollar exchange rate, which fluctuates over time, consequently affects the price received by Canadian producers of oil and natural gas. Material increases in the value of the Canadian dollar relative to the United States dollar will negatively affect Peyto's production revenues. Accordingly, exchange rates between Canada and the United States could affect the future value of Peyto's reserves as determined by independent evaluators. Although a low value of the Canadian dollar relative to the United States dollar may positively affect the price the Corporation receives for its oil and natural gas production, it could also result in an increase in the price for certain goods used for the Corporation's operations, which may have a negative impact on the Corporation's financial results.

To the extent that Peyto engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which Peyto may contract.

An increase in interest rates could result in a significant increase in the amount Peyto pays to service debt, resulting in a reduced amount available to fund its exploration and development activities, and if applicable, the cash available for dividends. Such an increase could also negatively impact the market price of the Common Shares of Peyto.

**Substantial Capital Requirements**

***Peyto's access to capital may be limited or restricted as a result of factors related and unrelated to it, impacting its ability to conduct future operations and acquire and develop reserves***

Peyto anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. As future capital expenditures will be financed out of cash generated from operations, borrowings, proceeds from asset sales and possible future equity sales, the Corporation's ability to do so is dependent on, among other factors:

- the overall state of the capital markets;
- the Corporation's credit rating (if applicable);
- commodity prices;
- interest rates;
- royalty rates;
- tax burden due to current and future tax laws; and
- investor appetite for investments in the energy industry and the Corporation's securities.

Further, if the Corporation's revenues or reserves decline, it may not have access to the capital necessary to undertake or complete future drilling programs. The conditions in, or those affecting, the oil and natural gas industry have negatively impacted the ability of oil and natural gas companies, including the Corporation, to access financing and/or the cost thereof. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. The Corporation may be required to seek additional equity financing on terms that are highly dilutive to existing shareholders. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's business financial condition, results of operations and prospects.

**Additional Funding Requirements**

***Peyto may require additional financing, from time to time, to fund the acquisition, exploration and development of properties and its ability to obtain such financing in a timely fashion and on acceptable terms may be negatively impacted by the current economic and global market volatility***

Peyto's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times and, from time to time, the Corporation may require additional financing in order to carry out its oil and natural gas acquisition, exploration and development activities. Failure to obtain financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce its operations.

As a result of global economic and political volatility, the Corporation may, from time to time, have restricted access to capital and increased borrowing costs. Failure to obtain suitable financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Corporation's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Corporation's ability to expend the necessary capital to replace its reserves or to maintain its production. To the extent that external sources of capital become limited, unavailable or available on onerous terms, the Corporation's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future development of the Corporation's petroleum properties may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Alternatively, any available financing may be highly dilutive to existing shareholders. Failure to obtain any financing necessary for the Corporation's capital expenditure or acquisition plans may result in a delay in development of or production from the Corporation's properties.

**Credit Facility Arrangements**

***Failing to comply with covenants under Peyto's credit facility could result in restricted access to additional capital or being required to repay all amounts owing thereunder***

Peyto currently has a credit facility and the amount authorized thereunder is dependent on the borrowing base determined by its lenders. The Corporation is required to comply with covenants under its credit facility which may, in certain cases, include certain financial ratio tests, which, from time to time, either affect the availability, or price, of additional funding. If the Corporation does not comply with these covenants, the Corporation's access to capital could be restricted or repayment could be required. Events beyond Peyto's control may contribute to the failure of Peyto to comply with such covenants. A failure to comply with covenants could result in default under the Corporation's credit facility, which could result in Peyto being required to repay amounts owing thereunder. The acceleration of Peyto's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross default or cross-acceleration provisions. In addition, Peyto's credit facility may impose operating and financial restrictions on Peyto that could include restrictions on, the payment of dividends, repurchase or making of other distributions with respect to Peyto's securities, incurring of additional indebtedness, the provision of guarantees, the assumption of loans, making capital expenditures, entering into of amalgamations, mergers, take-over bids or disposition of assets, among others.

If Peyto's lenders require repayment of all or a portion of the amounts outstanding under its credit facility for any reason, including for a default of a covenant or the reduction of a borrowing base, there is no certainty that the Corporation would be in a position to make such repayment. Even if the Corporation is able to obtain new financing in order to make any required repayment under its credit facility, such financing may not be on commercially reasonable terms, or terms that are acceptable to the Corporation. If the Corporation is unable to repay amounts owing under credit facility, the lenders under its credit facility could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness.

**Issuance of Debt**

***Increased debt levels may impair Peyto's ability to borrow additional capital on a timely basis to fund opportunities as they arise***

From time to time, Peyto may enter into transactions to acquire assets or shares of other organizations. These transactions may be financed in whole, or in part, with debt, which may increase Peyto's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, Peyto may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither Peyto's articles nor its by-laws limit the amount of indebtedness that Peyto may incur. The level of Peyto's indebtedness from time to time could impair Peyto's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise, and may adversely affect the market price of the Common Shares if investors consider the Corporation's debt levels to be higher than that of the Corporation's peers.

**Hedging**

***Hedging activities expose Peyto to the risk of financial loss and counter-party risk***

From time to time, Peyto may enter into agreements to receive fixed prices or derivative contracts on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline. However, to the extent that Peyto engages in price risk management activities to protect itself from commodity price declines, it may also be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk. In addition, Peyto's hedging arrangements may expose it to the risk of financial loss in certain circumstances, including instances in which:

- production falls short of the hedged volumes or prices fall significantly lower than projected;
- there is a widening of price-basis differentials between delivery points for production and the delivery point assumed in the hedge arrangement;
- the counterparties to the hedging arrangements or other price risk management contracts fail to perform under those arrangements; or
- a sudden unexpected event materially impacts oil or natural gas prices.

On the other hand, failure to protect against a decline in commodity prices exposes the Corporation to reduced liquidity when prices decline. A sustained lower commodity price environment would result in lower realized prices for unprotected volumes and reduce the prices at which the Corporation would enter into derivative contracts on future volumes. This could make such transactions unattractive, and, as a result, some or all of Peyto's production volumes forecasted for the current fiscal year and beyond may not be protected by derivative arrangements.

Similarly, from time to time Peyto may enter into agreements to fix the exchange rate of Canadian dollars to United States dollars or other currencies in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to other currencies. However, if the Canadian dollar declines in value compared to such fixed currencies, Peyto will not benefit from the fluctuating exchange rate. The Corporation hedges its risk management activities in accordance with the hedging policy approved by the board of directors of Peyto.

**Title to and Right to Produce from Assets**

***Defects in the title or rights to produce Peyto's properties may result in a financial loss***

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise. Peyto's actual title to and interest in its properties, and its right to produce and sell the oil and natural gas therefrom, may vary from Peyto's records. In addition, there may be valid legal challenges or legislative changes that affect Peyto's title to and right to produce from its oil and natural gas properties, which could impair Peyto's activities and result in a reduction of the revenue received by the Corporation.

If a defect exists in the chain of title or in Peyto's right to produce, or a legal challenge or legislative change arises, it is possible that the Corporation may lose all, or a portion of, the properties to which the title defect relates and/or its right to produce from such properties. This may have a material adverse effect on Peyto's business, financial condition, results of operations and prospects.

**Reserves Estimates**

***Peyto's estimated reserves are based on numerous factors and assumptions which may prove incorrect and which may affect Peyto***

There are numerous uncertainties inherent in estimating reserves and the future cash flows attributed to such reserves. The reserves and associated cash flow information set forth in this document are estimates only. Generally, estimates of economically recoverable oil and natural gas reserves (including the breakdown of reserves by product type) and the future net cash flows from such estimated reserves are based upon a number of variable factors and assumptions, such as:

- commodity prices;
- historical production from properties;
- production rates and estimated production decline rates;
- estimated ultimate reserve recovery;
- changes in technology;
- timing, amount and effectiveness of future capital expenditures;
- marketability of oil, NGLs and natural gas;
- royalty rates; and

- the assumed effects of regulation by governmental agencies and future operating costs (all of which may vary materially from actual results).

For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times may vary. Peyto's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates and such variations could be material.

The estimation of proved and probable reserves that may be developed and produced in the future is often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas are often estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, Peyto's independent reserves evaluator has used forecast prices and costs in estimating the reserves and future net cash flows as summarized herein. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived from Peyto's oil and natural gas reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation is based in part on the assumed success of activities Peyto intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom and contained in the reserve evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluation. The reserve evaluation is effective as of a specific effective date and, except as may be specifically stated, has not been updated and therefore does not reflect changes in Peyto's reserves since that date.

**Insurance**

***Not all risks of conducting oil and natural gas opportunities are insurable and the occurrence of an uninsurable event may have a materially adverse effect on Peyto***

Peyto's involvement in the exploration for and development of oil and natural gas properties may result in Peyto becoming subject to liability for pollution, blowouts, leaks of sour gas, property damage, personal injury or other hazards. Although Peyto maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, certain risks are not, in all circumstances, insurable or, in certain circumstances, Peyto may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to Peyto. The occurrence of a significant event that Peyto is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on Peyto's business, financial condition, results of operations and prospects.

The Corporation's insurance policies are generally renewed on an annual basis and, depending on factors such as market conditions, the premiums, policy limits and/or deductibles for certain insurance policies can vary substantially. In some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. Significantly increased costs could lead the Corporation to decide to reduce or possibly eliminate, coverage. In addition, insurance is purchased from a number of third-party insurers, often in layered insurance arrangements, some of which may discontinue providing insurance coverage for their own policy or strategic reasons. Should any of these insurers refuse to continue to provide insurance coverage, the Corporation's overall risk exposure could be increased and the Corporation could incur significant costs.

**Non-Governmental Organizations**

***Peyto's properties may be subject to action by non-governmental organizations or terrorist attack***

In addition to the risks outlined above related to geopolitical developments, Peyto's oil and natural gas properties, wells and facilities could be subject to a terrorist attack, physical sabotage or public opposition. Such public opposition could expose Peyto to the risk of higher costs, delays or even project cancellations due to increased pressure on governments and regulators by special interest groups including Indigenous groups, landowners, environmental interest groups (including those opposed to oil and natural gas production operations) and other non-governmental organizations, blockades, legal or regulatory actions or challenges, increased regulatory oversight, reduced support from the federal, provincial or municipal governments, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licences, and direct legal challenges, including the possibility of climate-related litigation. There is no guarantee that the Corporation will be able to satisfy the concerns of the special interest groups and non-governmental organizations and attempting to address such concerns may require the Corporation to incur significant and unanticipated capital and operating expenditures. If any of the Corporation's properties, wells or facilities are the subject of terrorist attack or sabotage, it may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. The Corporation does not have insurance to protect against such risks.

**Dilution**

***Peyto may issue additional Common Shares, diluting current Shareholders***

Peyto may make future acquisitions or enter into financings or other transactions involving the issuance of securities of Peyto which may be dilutive to shareholders.

**Management of Growth**

***Peyto may not be able to effectively manage the growth of its business***

Peyto may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. To continue to manage growth effectively, Peyto will need to continue to implement and improve its operational and financial systems, and to train and manage, and potentially expand, its employee base. If Peyto is unable to deal with this growth, it may have a material adverse effect on Peyto's business, financial condition, results of operations and prospects.

**Expiration of Licences and Leases**

***Peyto, or its working interest partners, may fail to meet the requirements of a licence or lease, causing its termination or expiry***

Peyto's properties are held in the form of licences and leases and working interests in licences and leases. If Peyto or the holder of a licence or lease fails to meet the specific requirement of the licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of Peyto's licences or leases or the working interests relating to a licence or lease and the associated abandonment and reclamation obligations may have a material adverse effect on Peyto's business, financial condition, results of operations and prospects.

**Dividends**

***The amount of and frequency at which future cash dividends are paid may vary and there is no assurance that Peyto will pay dividends in the future***

The amount of future cash dividends paid by Peyto, if any, will be subject to the discretion of the board of directors of the Corporation and may vary depending on a variety of factors and conditions existing from time to time, including, among other things, fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements and debt levels, operating costs, royalty burdens, foreign exchange rates, and the satisfaction of the liquidity and solvency tests imposed by applicable corporate law for the declaration and payment of dividends. Depending on these and various other factors, many of which will be beyond the control of Peyto, the dividend policy of Peyto from time to time and future cash dividends could be reduced or suspended entirely.

The market value of the Common Shares may deteriorate if cash dividends are reduced or suspended. Furthermore, the future treatment of dividends for tax purposes will be subject to the nature and composition of dividends paid by Peyto and potential legislative and regulatory changes. Dividends may be reduced during periods of lower cash flow from operating activities, which result from lower commodity prices and any decision by Peyto to finance capital expenditures using cash flow from operating activities.

To the extent that external sources of capital, including capital in exchange for the issuance of additional Common Shares, become limited or unavailable, the ability of Peyto to make the necessary capital investments to maintain or expand petroleum and natural gas reserves and to invest in assets, as the case may be, will be impaired. To the extent that Peyto is required to use cash flow from operating activities to finance capital expenditures or property acquisitions, the cash available for dividends may be reduced.

**Litigation**

***Peyto may be involved in litigation in the course of its normal operations and the outcome of the litigation may adversely affect Peyto and its reputation***

In the normal course of Peyto's operations, it may become involved in, be named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. Potential litigation may develop in relation to personal injuries, including resulting from exposure to hazardous substances, property damage, property taxes, land and access rights, and environmental issues, including claims relating to contamination or natural resource damages and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Corporation and could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results of operations. Even if the Corporation prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from business operations, which could have an adverse effect on the Corporation's financial condition.

**Indigenous Land and Rights Claims**

***Indigenous claims may affect Peyto***

Opposition by Indigenous groups to the conduct of the Corporation's operations, development or exploratory activities in any of the jurisdictions in which the Corporation conducts business may negatively impact it in terms of public perception, diversion of management's time and resources, and legal and other advisory expenses, and could adversely impact the Corporation's progress and ability to explore and develop properties.

Some Indigenous groups have established or asserted Indigenous treaty, title and rights to portions of Canada. There are outstanding Indigenous and treaty rights claims, which may include Indigenous title claims, on lands where the Corporation operates. Such claims, if successful, could have a material adverse effect on the Corporation's operations or pace of growth. No certainty exists that any lands currently unaffected by claims brought by Indigenous groups will remain unaffected by future claims.

The Canadian federal and provincial governments have a duty to consult with Indigenous peoples when contemplating actions that may adversely affect asserted or proven Indigenous or treaty rights and, in certain circumstances, accommodate them. The scope of the duty to consult by federal and provincial governments varies with the circumstances and is often the subject of litigation. The fulfillment of the duty to consult Indigenous peoples and any associated accommodations may adversely affect the Corporation's ability to, or increase the timeline to, obtain or renew, permits, leases, licences and other approvals, or to meet the terms and conditions of those approvals. For example, a recent British Columbia Supreme Court decision determined that the cumulative impacts of government sanctioned industrial development on the traditional territories of a First Nation in northeast British Columbia breached that group's treaty rights. Recently, the Government of British Columbia and the First Nation came to an agreement relating to further industrial activities in the area. The developments in northeastern British Columbia relating to Indigenous rights may lead to similar claims of cumulative effects across Canada in other areas covered by numbered treaties. The long-term impacts and associated risks of the decision on the Canadian oil and natural gas industry and the Corporation remain uncertain.

In addition, the federal government has introduced legislation to implement the UNDRIP. Other Canadian jurisdictions, including British Columbia, have introduced or passed similar legislation and have begun considering the principles and objectives of UNDRIP, or may do so in the future. The means and timelines associated with UNDRIP's implementation by government are uncertain. Additional processes may be created and legislation associated with project development and operations may be amended or introduced, further increasing uncertainty with respect to project regulatory approval timelines and requirements. See "*Industry Conditions – Indigenous Rights*".

**Breach of Confidentiality**

***Breach of confidentiality by a third party could impact Peyto's competitive advantage or put it at risk of litigation***

While discussing potential business relationships or other transactions with third parties, the Corporation may disclose confidential information relating to its business, operations or affairs. Although confidentiality agreements are generally signed by third parties prior to the disclosure of any confidential information, a breach could put the Corporation at competitive risk and may cause significant damage to its business. The harm to Peyto's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, Peyto would be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

**Income Taxes**

***Taxation authorities may reassess Peyto's tax returns***

Peyto files all required income tax returns and believes that it is in full compliance with the provisions of the *Income Tax Act* (Canada) and all other applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of Peyto, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Income tax laws relating to the oil and natural gas industry, such as the treatment of resource taxation or dividends, may in the future be changed or interpreted in a manner that adversely affects Peyto. Furthermore, tax authorities having jurisdiction over Peyto may disagree with how Peyto calculates its income for tax purposes or could change administrative practices to Peyto's detriment.

**Seasonality**

***Oil and natural gas operations are subject to seasonal weather conditions and Peyto may experience significant operational delays as a result***

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipal and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Road bans and other restrictions generally result in a reduction of drilling and exploratory activities and may also result in the shut-in of some of the Corporation's production. Certain oil and natural gas producing assets are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of muskeg. In addition, extreme cold weather, heavy snowfall and heavy rainfall may restrict access to properties in which the Corporation has an interest and cause operational difficulties. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and corresponding decreases in the demand for the goods and services of the Corporation.

**Third Party Credit Risk**

***Peyto is exposed to credit risk of third party operators or partners of properties in which it has an interest***

Peyto may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In addition, the Corporation may be exposed to third party credit risk from operators of properties in which the Corporation has a working or royalty interest. In the event such entities fail to meet their contractual or other obligations to the Corporation, such failures may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry, generally, and of Peyto's joint venture partners may affect a joint venture partner's willingness to participate in the Corporation's ongoing capital program, potentially delaying the program and the results of such program until the Corporation finds a suitable alternative partner. To the extent that any of such third parties go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in the Corporation being unable to collect all or a portion of any money owing from such parties. Any of these factors could materially adversely affect the Corporation's financial and operational results.

**Conflicts of Interest**

***Conflicts of interest may arise for Peyto's directors and officers who are also involved with other industry participants***

Certain directors or officers of Peyto may also be directors or officers of other oil and natural gas companies and as such may, in certain circumstances, have a conflict of interest. Conflicts of interest, if any, will be subject to and governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with Peyto to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

**Reliance on a Skilled Workforce and Key Personnel**

***An inability to recruit and retain a skilled workforce and key personnel may negatively impact Peyto***

The operations and management of Peyto require the recruitment and retention of a skilled workforce, including engineers, technical personnel and other professionals. The loss of key members of such workforce, or a substantial portion of the workforce as a whole, could result in the failure to implement Peyto's business plans which could have a material adverse effect on Peyto's business, financial condition, results of operations and prospects.

Competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that Peyto will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Peyto does not have any key personnel insurance in place. Contributions of the existing management team to the immediate and near term operations of Peyto are likely to be of central importance. In addition, certain of Peyto's current employees are senior and have significant institutional knowledge that must be transferred to other employees prior to their departure from the workforce. If Peyto is unable to: (i) retain current employees; (ii) successfully complete effective knowledge transfers; and/or (iii) recruit new employees with the requisite knowledge and experience, Peyto could be negatively impacted. In addition, Peyto could experience increased costs to retain and recruit these professionals. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation.

**Expansion into New Activities**

***Expanding Peyto's business exposes it to new risks and uncertainties***

The operations and expertise of Peyto's management are currently focused primarily on oil and natural gas production, exploration and development in Western Canada. In the future Peyto may acquire or move into new industry related activities or new geographical areas, may acquire different energy related assets. As a result, Peyto may face unexpected risks or, alternatively, Peyto's exposure to one or more existing risk factors may be significantly increased, which may in turn result in the Corporation's future operational and financial conditions being adversely affected.

**Forward-Looking Information**

***Forward-Looking Information May Prove Inaccurate***

Shareholders and prospective investors are cautioned not to place undue reliance on Peyto's forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumption and uncertainties are found under the heading "*Notice to Reader*" in this Annual Information Form.

**Availability of Water**

***Lack of availability of water may affect the Corporation's ability to implement various processes***

Peyto uses water in other parts of its operations, including drilling. In April 2024, in the face of severe drought risks following several warm, dry winters causing Alberta's snowpack, rivers and reservoirs to be low, Alberta entered into water-sharing agreements with 38 of the largest and oldest water licensees in southern Alberta, including in the Red Deer River, Bow River and Old Man River basins. In the event of a drought, such agreements aim to mitigate the negative effects of such drought by providing increased access to water. Notwithstanding such agreements, any reduced availability of water could have a material adverse effect on results of operations and the financial condition of Peyto.

**Disposal of Fluids Used in Operations**

***Regulations regarding the disposal of fluids used in Peyto's operations may increase its costs of compliance or subject it to regulatory penalties or litigation***

The safe disposal of the hydraulic fracturing fluids (including the additives) and water recovered from oil and natural gas wells is subject to ongoing regulatory review by the federal and provincial governments, including its effect on fresh water supplies and the ability of such water to be recycled, amongst other things. While it is difficult to predict the impact of any regulations that may be enacted in response to such review, the implementation of stricter regulations may increase Peyto's costs of compliance.

**Reputational Risk Associated with Peyto's Operations**

***Peyto relies on its reputation to continue its operations and to attract and retain investors and employees***

The Corporation's business, operations or financial condition may be negatively impacted by any negative public opinion toward the Corporation or as a result of any negative sentiment toward, or in respect of, the Corporation's reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which the Corporation operates as well as such groups' opposition to certain oil and natural gas projects. Potential impacts of negative public opinion or reputational issues may include delays or interruptions in operations, legal or regulatory actions or challenges, blockades, increased regulatory oversight, reduced support for, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licences and increased costs and/or cost overruns. The Corporation's reputation and public opinion could also be impacted by the actions and activities of other companies operating in the oil and natural gas industry, particularly other producers, over which the Corporation has no control. Similarly, the Corporation's reputation could be impacted by negative publicity related to loss of life, injury or damage to property and the environment caused by the Corporation's operations. In addition, if the Corporation develops a reputation of having an unsafe work site, this may impact the ability of the Corporation to attract and retain the necessary skilled employees and consultants to operate its business. Opposition from special interest groups opposed to oil and natural gas development and the possibility of climate-related litigation against governments and fossil fuel companies may impact the Corporation's reputation. See "*Risk Factors – Climate Change*".

Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, regulatory and legal risks, among others, must all be managed effectively to safeguard the Corporation's reputation. Damage to the Corporation's reputation could result in negative investor sentiment toward the Corporation, which may result in limiting the Corporation's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Corporation's securities.

**Changing Investor Sentiment**

***Changing investor sentiment towards the oil and natural gas industry may impact Peyto's access to, and cost of, capital***

A number of factors, including the concerns of the effects of the use of fossil fuels on climate change, the impact of oil and natural gas operations on the environment, environmental damage relating to spills of petroleum products during production and transportation, and Indigenous rights have affected certain investors' sentiments toward investing in the oil and natural gas industry. As a result of these concerns, some institutional, retail and public investors have announced that they are no longer willing to fund or invest in oil and natural gas properties or companies or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance 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 the Corporation at all. Any reduction in the investor base interested or willing to invest in the oil and natural gas industry and more specifically, the

Corporation, may limit the Corporation's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Corporation's securities even if the Corporation's operating results, underlying asset values or prospects have not changed.

**Forced or Child Labour in Supply Chains**

***The introduction of new supply chain due diligence and reporting requirements could expose the Corporation to certain risks***

In May 2023 *An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff* was passed and came into force on January 1, 2024. Pursuant to the new legislation, any company that is subject to the reporting requirements, including Peyto, is required to conduct certain due diligence on its supply chains and to file an annual report accordingly. While the Corporation is currently unaware of any forced or child labour in any of its supply chains, the increased scrutiny on the supply chains of Canadian companies could uncover the risk or existence of forced or child labour in a supply chain to which the Corporation has a connection, which could negatively impact the reputation of the Corporation. Additionally, due to the fact that the reporting requirements are new and thus there is no existing industry standard, the Corporation is at risk of inadvertently preparing a report that is insufficient.

**Pandemics and their Effect on the Global Economy**

***Pandemics may cause disruptions in economic activity***

In the event of a global pandemic, countries around the world may close international borders and order the closure of institutions and businesses deemed non-essential. This could result in a significant reduction in economic activity in Canada and internationally along with a drop in demand for oil and natural gas. Any reduction in economic activity in certain countries resulting from outbreaks, government-imposed lockdowns and other restrictions could have a negative effect on demand for oil and natural gas and could aggravate the other risk factors identified herein.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

During the financial year ended December 31, 2024, Peyto was not a party to any legal proceeding, nor was it a party to, nor is or was any of its property the subject of any legal proceeding, involving claims for damages where the amount involved, exclusive of interest and costs, is in excess of ten percent (10%) of the current assets of Peyto, nor are there any such proceedings known to be contemplated.

During the financial year ended December 31, 2024, there were no (i) penalties or sanctions imposed against Peyto by a court relating to securities legislation or by a securities regulatory authority; (ii) penalties or sanctions imposed by a court or regulatory body against Peyto that would likely be considered important to a reasonable investor in making an investment decision, or (iii) settlement agreements Peyto entered into before a court relating to securities legislation or with a securities regulatory authority.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of directors or executive officers of Peyto, any securityholder who directly or indirectly beneficially owns, or exercises control or direction over, more than 10% of the outstanding voting securities of Peyto or any known associate or affiliate of such persons in any transaction within the three most recently completed financial years or during the current financial year which has materially affected or will materially affect Peyto.

## AUDITORS, TRANSFER AGENT AND REGISTRAR

Deloitte LLP, Chartered Professional Accountants, the auditor of Peyto, is independent within the meaning of the Rules of Professional Conduct of the applicable Chartered Professional Accountants provincial regulator of Alberta.

Computershare Trust Company of Canada, at its principal offices in Calgary, Alberta and Toronto, Ontario, is the transfer agent and registrar for the Common Shares.

## MATERIAL CONTRACTS

The following contains the particulars of the material contracts of Peyto that was entered into within the most recently completed financial year, or entered into before the most recently completed financial year which is still in effect, other than a contract entered into in the ordinary course of business:

1. the Partnership Interest Purchase Agreement dated September 6, 2023, among Repsol Oil & Gas Canada Inc., 7308051 Canada Ltd., Repsol Exploración, S.A.U. and Peyto to acquire Repsol Canada Energy Partnership for cash consideration of US$468 million ($636 million) prior to post-closing adjustments; and

2. the Second Amended and Restated Credit Agreement dated October 17, 2023 among Peyto and a syndicate of lenders, and an administrative agent, providing for a revolving facility up to $1 billion and included a $174 million two-year amortizing term loan.

Copies of the material contracts are available on SEDAR+ at www.sedarplus.ca.

## INTEREST OF EXPERTS

There is no person or company whose profession or business gives authority to a statement, report or valuation made by such person or company and who is named as having prepared or certified a report, valuation statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 – *Continuous Disclosure Obligations* by Peyto during, or related to, Peyto's most recently completed financial year other than GLJ, Peyto's independent engineering evaluators, and Deloitte LLP, Chartered Professional Accountants, the auditor of Peyto. To the knowledge of Peyto, none of the designated professionals of GLJ had any registered or beneficial interests, direct or indirect, in any securities or other property of Peyto or of Peyto's associates or affiliates either at the time they prepared the statement, report or valuation prepared by them, at any time thereafter or to be received by them. Deloitte LLP, Chartered Professional Accountants, is independent within the meaning of the Rules of Professional Conduct of the applicable Chartered Professional Accountants provincial regulator of Alberta.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of Peyto or of any associate or affiliate of Peyto, except for Stephen J. Chetner, the Corporate Secretary of Peyto, who is a partner of Burnet, Duckworth & Palmer LLP, which law firm renders legal services to Peyto.

## ADDITIONAL INFORMATION

Additional information relating to Peyto may be found on SEDAR+ at www.sedarplus.ca. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Peyto's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the information circular of Peyto for its most recent annual meeting of securityholders that involved the election of directors. Additional financial information is contained in Peyto's audited consolidated financial statements and related management's discussion and analysis for the year ended December 31, 2024.

**SCHEDULE A – FORM 51-101F3**
**REPORT ON MANAGEMENT AND DIRECTORS**
**ON RESERVES DATA AND OTHER INFORMATION**

Management of Peyto is responsible for the preparation and disclosure of information with respect to the oil and gas activities of Peyto in accordance with securities regulatory requirements. This information includes reserves data.

An independent qualified reserves evaluator has evaluated Peyto's reserves data. The report of the independent qualified reserves evaluator is presented below.

The Reserves Committee of the board of directors of Peyto, on behalf of Peyto, has

(a) reviewed Peyto's procedures for providing information to the independent qualified reserves evaluator;

(b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the board of directors of Peyto has reviewed Peyto's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the Reserve Committee, approved

(a) the content and filing with securities regulatory authorities of Form 51-101F1 reserves data and other oil and gas information;

(b) the filing of Form 51-101F2 report of the independent qualified reserves evaluator on the reserves data, contingent resources data or prospective resources data; and

(c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

(signed) "*Jean-Paul Lachance*"
Jean-Paul Lachance
President and Chief Executive Officer

(signed) "*Riley Frame*"
Riley Frame
Chief Operating Officer

(signed) "*Brian Davis*"
Brian Davis
Director and Chairman of the Reserves Committee

(signed) "*John Rossall*"
John Rossall
Director and Member of the Reserves Committee

March 31, 2025

**SCHEDULE B – FORM 51-101F2**
**REPORT ON RESERVES DATA**
**BY**
**INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR**

To the Board of Directors of Peyto Exploration & Development Corp. (the "**Company**"):

1. We have evaluated the Company's reserves data as at December 31, 2024. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2024, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook, as amended from time to time (the "**COGE Handbook**") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).

4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2024 and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's board of directors:

| Independent Qualified Reserves Evaluator | Effective Date of Evaluation Report | Location of Reserves (Country or Foreign Geographic Area) | Net Present Value of Future Net Revenue ($ thousands CDN - before income taxes, 10% discount rate)[1] | | | |
|---|---|---|---|---|---|---|
| | | | Audited | Evaluated | Reviewed | Total |
| GLJ Ltd. | December 31, 2024 | Canada | - | 9,569,460 | - | 9,569,460 |

6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after its preparation date.

8. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

**GLJ Ltd.,** Calgary, Alberta, Canada, February 20, 2025

*"Originally Signed By"*
Kelly J. Zukowski, P. Eng.
Vice President, Corporate Evaluations

[1] This amount must be the amount disclosed by the *reporting issuer* in its statement of *reserves data* filed under item 1 of section 2.1 of *NI 51-101*, as its *future net revenue* (before deducting *future income tax expenses*), attributable to *proved* plus *probable reserves*, estimated using *forecast prices and costs* and calculated using a discount rate of 10 percent (required by section 2 of item 2.1 of *Form 51-101F1*). The values represented are shown in Canadian dollars.

**SCHEDULE C – AUDIT COMMITTEE CHARTER**

**PEYTO EXPLORATION & DEVELOPMENT CORP.**

**AUDIT COMMITTEE**

**AUDIT COMMITTEE CHARTER**

This charter governs the operations of the audit committee (the "**Committee**") of Peyto Exploration & Development Corp. ("**Peyto**"). The Committee shall report to the board of directors (the "**Board**") of Peyto.

## I. PURPOSE

(a) The primary function of the Committee is to assist the Board in fulfilling its responsibilities regarding the integrity of Peyto's financial statements including the financial reporting process and systems of internal controls, the compliance by Peyto with legal and regulatory requirements and the qualifications, performance and independence of Peyto's external auditor by reviewing:

(i) the financial information that will be provided to the shareholders, regulatory authorities and others;

(ii) the systems of internal controls management has established;

(iii) all audit processes;

(iv) all reporting from the external auditors.

(b) Primary responsibility for the financial reporting, information systems, risk management and internal controls of Peyto is vested in management and is overseen by the Board. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that Peyto's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. These are the responsibilities of management and the external auditor. Nor is it the duty of the Committee to conduct investigations, to resolve disagreements, if any, between management and the external auditor or to assure compliance with laws and regulations.

## II. COMPOSITION AND OPERATIONS

(a) The Committee shall be composed of not fewer than three directors, none of whom shall be officers, employees or consultants to Peyto or any of its related legal entities. The Committee shall only be comprised of unrelated directors. An unrelated director is a director who is independent of management and is free from any interest or other relationship which could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of Peyto, other than interests and relationships arising from shareholding.

(b) The Committee shall review and reassess this Charter annually.

(c) All Committee members shall be financially literate (as defined by the TSX or other regulatory authority), or shall become financially literate within a reasonable period of time after appointment to the Committee, and at least one member shall have appropriate financial management experience or expertise.

(d) Peyto's auditors shall be advised of the names of the Committee members and when appropriate will receive notice of and be invited to attend meetings of the Committee and to be heard at those meetings on matters relating to the auditor's duties.

(e) The Committee shall meet with the external auditors as it deems appropriate to consider any matter that the Committee or auditors determine should be brought to the attention of the Board or shareholders.

(f) The Committee shall meet at least four times each year.

(g) The Committee shall have access to Peyto's senior management and documents as required to fulfill its responsibilities and is provided with the resources necessary to carry out its responsibilities.

(h) The Committee shall provide open avenues of communication among management, employees, external auditors and the Board.

(i) The secretary to the Committee shall be the Corporate Secretary or an appointee of the Corporate Secretary.

(j) Notice of the time and place of every meeting shall be given to each Committee member at least 48 hours prior to the meeting.

(k) A majority of the voting membership of the Committee present in person or by telephone or other electronic telecommunication device shall constitute a quorum.

(l) The Chief Executive Officer, Vice President, Finance and Chief Financial Officer and external auditor would be expected to be available to attend meetings or portions thereof. The external auditors would meet at least twice annually with the Committee. Others may or may not attend the meetings at the sole discretion of the Committee.

(m) Minutes of Committee meetings shall be approved by the Committee and sent to all directors of the Board.

## III. DUTIES AND RESPONSIBILITIES

(a) Financial Statements and Other Financial Information

The Committee will review and recommend for approval to the Board financial information that will be made publicly available. This includes:

(i) Peyto's annual and quarterly financial statements;

(ii) Peyto's press releases and reports as they relate to the finances of Peyto;

(iii) the Management Discussion and Analysis;

(iv) the financial content of the Annual Report;

(v) the Annual Information Form and any Prospectus or Private Placement Memorandums; and

(vi) any reports required by regulatory or government authorities as they relate to the finances of Peyto.

The Committee will review and discuss:

(i) the appropriateness of accounting policies and financial reporting practices to be adopted by Peyto;

(ii) any significant proposed changes in financial reporting and accounting policies and practices to be adopted by Peyto:

(iii) any new or pending developments in accounting and reporting standards that may affect Peyto;

(iv) ascertain compliance with the covenants under loan agreements;

(v) management's key estimates and judgments that may be material to financial reporting; and

(vi) any other matters required to be reviewed under applicable legal, regulatory or stock exchange requirements.

(b) Risk Management, Internal Control and Information Systems

The Committee will review and obtain reasonable assurance that the risk management, internal control and information systems are operating effectively to produce accurate, appropriate and timely management and financial information. This includes:

(i) review Peyto's risk management controls and policies;

(ii) obtain reasonable assurance that the information systems are reliable and the systems of internal controls are properly designed and effectively implemented through discussions with and reports from management and the external auditor;

(iii) review management steps to implement and maintain appropriate internal control procedures including a review of policies;

(iv) review adequacy of security of information, information systems and recovery plans;

(v) monitor compliance with statutory and regulatory obligations;

(vi) review the appointment of the Vice President, Finance and Chief Financial Officer; and

(vii) review the adequacy of accounting and finance resources.

(c) External Audit

The Committee will review the planning and results of external audit activities and the ongoing relationship with the external auditor. This includes:

(i) review and recommend to the Board, for shareholder approval, engagement of the external auditor including, as part of such review and recommendation, an evaluation of the external auditors qualifications, independence and performance;

(ii) review and recommend to the Board the annual external audit plan, including but not limited to the following:

1. engagement letter;
2. objectives and scope of the external audit work;
3. procedures for quarterly review of financial statements;
4. materiality limit;
5. areas of audit risk;
6. staffing;
7. timetable; and
8. proposed fees.

(iii) meet with the external auditor to discuss Peyto's quarterly and annual financial statements and the auditor's report including the appropriateness of accounting policies and underlying estimates;

(iv) review and advise the Board with respect to the planning, conduct and reporting of the annual audit, including but not limited to:

1. any difficulties encountered, or restrictions imposed by management during the annual audit;
2. any significant accounting or financial reporting issue including the resolution of any disagreement between management and the external auditors;
3. the auditor's evaluation of Peyto's system of internal controls, procedures and documentation;
4. the post audit or management letter containing any findings or recommendation of the external auditor, including management's response thereto and the subsequent follow-up to any identified internal control weakness;
5. assess the performance and consider the annual appointment of external auditors for recommendation to the Board.

(v) review and receive assurances on the independence of the external auditor;

(vi) review the non-audit services to be provided by the external auditor's firm and consider the impact on the independence of the external audit; and

(vii) meet periodically with the external auditor without management present.

(d) Other

(i) review material litigation and its impact on financial reporting; and

(ii) establish procedures for the receipt, retention and treatment of complaints received by Peyto regarding accounting, internal controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

## IV. ACCOUNTABILITY

The Committee shall report its discussions to the Board by distributing the minutes of its meetings and where appropriate, by oral report at the next Board meeting.

## V. STANDARDS OF LIABILITY

Nothing contained in this Charter is intended to expand applicable standards of liability under statutory, regulatory or other legal requirements for the Board or members of the Committee. The purposes and responsibilities outlined in these terms of reference are meant to serve as guidelines rather than inflexible rules and the Committee may adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.