NEWS RELEASE

AUGUST 12, 2025 **SYMBOL: PEY – TSX**

PEYTO REPORTS SECOND QUARTER 2025 RESULTS

CALGARY, ALBERTA – Peyto Exploration & Development Corp. ("Peyto" or the "Company") is pleased to report operating and financial results for the second quarter of 2025.

Q2 2025 Highlights:

- Peyto reported $191.3 million in funds from operations[1,2] ("FFO"), or $0.95/diluted share, and generated $83.7 million of free funds flow[3] in the quarter. Strong FFO was driven by the Company's industry-leading low cash costs[4] and a realized natural gas price after hedging of $3.53/Mcf, 57% higher than the AECO 7A monthly benchmark.
- Earnings for the quarter totaled $87.8 million, or $0.43/diluted share, and Peyto returned $66.0 million as dividends to shareholders.
- Net debt[5] was reduced by $39.9 million in the quarter and by $105.6 million from December 31, 2024 to $1.24 billion at the end of the quarter.
- Second quarter production volumes averaged 131,754 boe/d (696.6 MMcf/d of natural gas, 15,650 bbls/d of NGLs), a 8% increase year over year (5% on a per share basis), driven by the Company's capital program.
- Peyto recorded $52.6 million in realized hedging gains and exited the quarter with a hedge position protecting approximately 479 MMcf/d and 410 MMcf/d of natural gas production for H2 2025 and 2026, respectively, at approximately $4/Mcf. Peyto's natural gas and liquid hedging has secured approximately $655 million of revenue for 2026.
- Cash costs totaled $1.31/Mcfe for the quarter, including royalties of $0.14/Mcfe, operating expense of $0.54/Mcfe, transportation of $0.31/Mcfe, G&A of $0.06/Mcfe and interest expense of $0.26/Mcfe. Peyto continues to have the lowest cash costs of all Canadian producers in the oil and natural gas industry.
- Total capital expenditures[6] of $104.6 million were recorded in the quarter. Peyto drilled 19 wells (17.7 net), completed 19 wells (16.9 net), and brought 21 wells (18.9 net) on production.
- Peyto delivered a solid operating margin[7] of 70% and profit margin[8] of 28%, resulting in a 10% return on capital employed[9] ("ROCE") and a 12% return on equity[9] ("ROE"), on a trailing 12-month basis.

Second Quarter 2025 in Review

Production averaged 131.8 Mboe/d, up 8% year over year. Peyto maintained its cadence in the quarter operating four drilling rigs in the Greater Sundance and Brazeau areas, with minor operational delays related to wet spring break-up conditions. The AECO 7A monthly gas benchmark was relatively flat through Q2 2025, averaging $1.96/GJ for the quarter. However, AECO daily spot prices remained under pressure due to seasonally high storage levels and ongoing NGTL maintenance. The 5A daily index averaged just $0.76/GJ in June. In contrast, U.S. benchmarks performed better during Q2 2025. The NYMEX Henry Hub (last day) index averaged US$3.44/MMBtu—69% higher than Q2 2024—supporting Peyto's diversified market exposure in Ventura, Chicago, and Dawn. With approximately 70% of volumes hedged at fixed prices from April to October 2025, Peyto's realized gas price, after hedging and market diversification, averaged $3.53/Mcf ($3.07/GJ) for the quarter—57% higher than AECO 7A. Other income increased to $0.07/Mcfe in the quarter, driven by new third-party gathering and processing contracts, as well as the monetization of excess Empress transportation service. Peyto's disciplined risk management strategy combined with Peyto's low-cost structure, generated FFO of $191.3 million, which funded $104.6 million of capital expenditures and $66.0 million of shareholder dividends. The Company's net debt was reduced by $39.9 million in the quarter.

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[1] *This press release contains certain non-GAAP and other financial measures to analyze financial performance, financial position, and cash flow including, but not limited to "operating margin", "profit margin", "return on capital", "return on equity", "netback", "funds from operations", "free funds flow", "total cash costs", and "net debt". These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS® Accounting Standards and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as earnings, cash flow from operating activities, and cash flow used in investing activities, as indicators of Peyto's performance. See "Non-GAAP and Other Financial Measures" included at the end of this press release and in Peyto's most recently filed MD&A for an explanation of these financial measures and reconciliation to the most directly comparable financial measure under IFRS.*
[2] *Funds from operations is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q2 2025 MD&A.*
[3] *Free funds flow is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q2 2025 MD&A.*
[4] *Cash costs is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release.*
[5] *Net debt a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q2 2025 MD&A.*
[6] *Total capital expenditures is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q2 2025 MD&A.*
[7] *Operating Margin is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release.*
[8] *Profit Margin is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release.*
[9] *Return on capital employed and return on equity are non-GAAP financial ratios. See "non-GAAP and Other Financial Measures" in this news release.*

	Three Months Ended June 30 2025	2024	% Change	Six Months Ended June 30 2025	2024	% Change
Operations						
Production						
Natural gas (Mcf/d)	**696,619**	642,754	*8%*	**703,501**	644,994	*9%*
NGLs (bbl/d)	**15,650**	15,174	*3%*	**15,562**	16,159	*-4%*
Thousand cubic feet equivalent (Mcfe/d @ 1:6)	**790,521**	733,796	*8%*	**796,875**	741,951	*7%*
Barrels of oil equivalent (boe/d @ 6:1)	**131,754**	122,299	*8%*	**132,812**	123,658	*7%*
Production per million common shares (boe/d)	**659**	627	*5%*	**666**	635	*5%*
Product prices						
Realized natural gas price – after hedging and diversification ($/Mcf)	**3.53**	2.87	*23%*	**3.85**	3.47	*11%*
Realized NGL price – after hedging ($/bbl)	**58.43**	69.44	*-16%*	**60.68**	64.62	*-6%*
Net sales price[2] ($/Mcfe)	**4.27**	3.95	*8%*	**4.59**	4.42	*4%*
Royalties ($/Mcfe)	**0.14**	0.26	*-46%*	**0.19**	0.25	*-24%*
Operating ($/Mcfe)	**0.54**	0.52	*4%*	**0.54**	0.53	*2%*
Transportation ($/Mcfe)	**0.31**	0.30	*3%*	**0.30**	0.30	*0%*
Field netback[1] ($/Mcfe)	**3.36**	2.90	*16%*	**3.62**	3.37	*7%*
General & administrative expenses ($/Mcfe)	**0.06**	0.06	*0%*	**0.06**	0.06	*0%*
Interest expense ($/Mcfe)	**0.26**	0.36	*-28%*	**0.27**	0.36	*-22%*
Financial ($000, except per share)						
Natural gas and NGL sales including realized hedging gains[2]	**306,999**	263,832	*16%*	**661,267**	596,373	*11%*
Funds from operations[1]	**191,283**	154,866	*24%*	**416,618**	359,525	*16%*
Funds from operations per share - basic[1]	**0.96**	0.79	*22%*	**2.09**	1.85	*13%*
Funds from operations per share - diluted[1]	**0.95**	0.79	*20%*	**2.07**	1.83	*13%*
Total dividends	**65,957**	64,365	*2%*	**131,633**	128,523	*2%*
Total dividends per share	**0.33**	0.33	*0%*	**0.66**	0.66	*0%*
Earnings	**87,832**	51,437	*71%*	**201,949**	151,313	*33%*
Earnings per share – basic	**0.44**	0.26	*69%*	**1.01**	0.78	*29%*
Earnings per share – diluted	**0.43**	0.26	*65%*	**1.00**	0.77	*30%*
Total capital expenditures[1]	**104,649**	100,451	*4%*	**206,776**	214,214	*-3%*
Decommissioning expenditures	**2,944**	391	*653%*	**5,816**	4,597	*27%*
Total payout ratio[1]	**91%**	107%	*-15%*	**83%**	97%	*-14%*
Weighted average common shares outstanding - basic	**199,868,585**	195,045,669	*2%*	**199,445,518**	194,731,189	*2%*
Weighted average common shares outstanding - diluted	**202,226,837**	196,520,101	*3%*	**201,339,814**	195,967,653	*3%*
Net debt[1]				**1,242,983**	1,337,577	*-7%*
Shareholders' equity				**2,732,009**	2,691,716	*1%*
Total assets				**5,417,649**	5,393,524	*0%*

(1) This is a Non-GAAP financial measure or ratio. See "non-GAAP and Other Financial Measures" in this news release and in the Q2 2025 MD&A

(2) Excludes marketing revenue and other income

Capital Expenditures

Peyto drilled 19 gross (17.7 net) horizontal wells in the second quarter including 10 Wilrich, 1 Falher, 4 Notikewin, and 4 Cardium wells in the core Brazeau and Sundance areas. The Company also completed 19 gross (16.9 net) wells and brought 21 gross (18.9 net) wells on production in the quarter resulting in total well-related capital expenditures of $86.2 million. The 4 gross (3.2 net) Cardium wells targeted the lower portion of the Cardium zone in Chambers, vastly improving drilling penetration rates and the revised wellbore design allowed for a more aggressive completion stimulation than in the past. In combination, these two factors resulted in a 37% reduction in drilling and completion cost per horizontal meter over previous wells drilled by Peyto in the area. The new wellbore design should provide future economic benefit to the Company's large Cardium inventory. Additionally, Peyto invested $18.5 million in gathering and processing facilities in the second quarter that included optimization projects, plant upgrades, and the initial construction of a new field compressor station in Sundance, the bulk of which will be completed in the third quarter. Second quarter average completion costs were slightly higher than the prior quarter, which was attributed to completing longer laterals. However, pad drilling and longer laterals combined to lower per-meter costs for both drilling and completions compared to the first quarter of 2025.

	2018	2019	2020	2021	2022	2023	2024	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	**2025 Q2(1)**
Gross Hz Spuds	70	61	64	95	95	72	75	18	20	21	16	19	**19**
Measured Depth (m)	4,020	3,848	4,247	4,453	4,611	4891	5,092	5,220	5,364	4,804	4,987	4,976	**5,021**
Drilling ($MM/well)	$1.71	$1.62	$1.68	$1.89	$2.56	$2.85	$2.90	$3.05	$2.89	$2.81	$2.85	$3.01	**2.94**
$ per meter	$425	$420	$396	$424	$555	$582	$569	$585	$539	$585	$572	$605	**$585**
Completion ($MM/well)	$1.13	$1.01	$0.94	$1.00	$1.35	$1.54	$1.70	$1.80	$1.75	$1.56	$1.66	$1.56	**$1.71**
Hz Length (m)	1,348	1,484	1,682	1,612	1,661	1,969	2,184	2,223	2,350	2,224	1,989	1,961	**2,311**
$ per Hz Length (m)	$751	$679	$560	$620	$813	$781	$776	$809	$744	$703	$834	$793	**$740**
$ '000 per Stage	$51	$38	$36	$37	$47	$52	$52	$55	$49	$48	$56	$56	**$47**

(1) Based on field estimates and may be subject to minor adjustments going forward.

Peyto also spent $0.6 million during the quarter on acquiring mineral rights and divested a minor property for $1.0 million.

Commodity Prices and Realizations

In the second quarter, Peyto realized a natural gas price after hedging and diversification of $3.53/Mcf, or $3.07/GJ, 57% higher than the average AECO 7A monthly benchmark of $1.96/GJ due to realized hedging gains and the Company's market diversification to non-AECO hubs. Peyto's natural gas hedging activity resulted in a realized gain of $0.75/Mcf ($47.4 million) while Peyto's diversification activities contributed $0.53/Mcf (net of diversification costs) in the quarter.

Condensate and pentanes averaged $81.67/bbl for the quarter, down 21% year over year, consistent with the change in Canadian dollar WTI ("WTI CAD"), which fell 20% to $88.22/bbl over the same period. Other NGL volumes were sold at an average price of $24.21/bbl, or 27% of WTI CAD. Peyto's combined realized NGL price was $54.75/bbl before hedging, and $58.43/bbl including a realized hedging gain of $3.68/bbl ($5.2 million) in the second quarter.

Netbacks

The Company's realized natural gas and NGL sales yielded a combined revenue stream of $3.54/Mcfe before hedging gains of $0.73/Mcfe, resulting in a quarterly net sales price of $4.27/Mcfe, 8% higher than the $3.95/Mcfe realized in Q2 2024. Other income rose to $0.07/Mcfe in the quarter from $0.02/Mcfe in Q2 2024, reflecting increased third-party gathering and processing revenue, and higher sales of unutilized transportation service. Cash costs totaled $1.31/Mcfe in the quarter, 13% lower than $1.50/Mcfe in Q2 2024 due to lower royalties and interest costs. Operating costs totaled $0.54/Mcfe, up from $0.52/Mcfe in Q2 2024, primarily driven by increased property taxes and other government expenses. Peyto expects per-unit operating costs to trend downward in the second half of 2025 with lower chemical costs and increased production volumes in the fourth quarter. The Company's cash netback (net sales price including other income, net marketing revenue, realized gain on foreign exchange, less total cash costs) was $3.03/Mcfe, resulting in a solid 70% operating margin. Historical cash costs and operating margins are shown in the following table:

	2022				2023				2024				2025	
($/Mcfe)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4$^{(2)}$	Q1	Q2	Q3	Q4	Q1	**Q2**
Revenue $^{(1)}$	5.25	5.48	5.01	5.74	5.10	4.07	4.32	4.83	4.92	3.97	3.99	4.34	4.95	**4.34**
Royalties	0.60	0.95	0.70	0.72	0.53	0.18	0.29	0.30	0.24	0.26	0.18	0.21	0.25	**0.14**
Op Costs	0.41	0.39	0.38	0.41	0.50	0.47	0.44	0.55	0.55	0.52	0.54	0.50	0.53	**0.54**
Transportation	0.28	0.27	0.26	0.22	0.24	0.29	0.29	0.26	0.30	0.30	0.31	0.27	0.29	**0.31**
G&A	0.03	0.02	0.02	0.02	0.03	0.05	0.04	0.06	0.06	0.06	0.03	0.05	0.06	**0.06**
Interest	0.21	0.20	0.21	0.21	0.22	0.22	0.28	0.40	0.36	0.36	0.38	0.33	0.29	**0.26**
Cash cost pre-royalty	0.93	0.88	0.87	0.86	0.99	1.03	1.05	1.27	1.27	1.24	1.26	1.15	1.17	**1.17**
Total Cash Costs[10]	1.53	1.83	1.57	1.58	1.52	1.21	1.34	1.57	1.51	1.50	1.44	1.36	1.42	**1.31**
Cash Netback[11]	3.72	3.65	3.44	4.16	3.58	2.86	2.98	3.26	3.41	2.47	2.55	2.98	3.53	**3.03**
Operating Margin	71%	67%	69%	72%	71%	70%	69%	67%	69%	62%	64%	69%	71%	**70%**

(1) Revenue includes other income, net marketing revenue and realized gains (losses) on foreign exchange.
(2) First quarter of Repsol assets included in Peyto's results

Depletion, depreciation, and amortization charges of $1.33/Mcfe, along with provisions for current tax, deferred tax, performance-based compensation and stock-based compensation resulted in earnings of $1.22 /Mcfe, for a 28% profit margin. Dividends to shareholders totaled $0.92/Mcfe.

Hedging and Marketing

The Company has been active in hedging future production with financial and physical fixed price contracts to protect a portion of its future revenue from commodity price and foreign exchange volatility. The following table summarizes Peyto's hedge position for the second half of 2025, calendar 2026, and calendar 2027.

	Q3 2025	Q4 2025	2026	2027
Natural Gas				
Volume (MMcf/d)	510	447	410	84
Average Fixed Price$^{(1)}$ ($/Mcf)	3.94	4.34	4.00	3.94
WTI Swaps				
Volume (bbls/d)	4,500	3,800	1,693	-
Average Fixed Price ($/bbl)	93.99	90.56	85.93	-
WTI Collars				
Volume (bbls/d)	500	500	248	-
Put–Call ($/bbl)	90.00–110.00	90.00–100.50	87.50–100.25	-
Propane				
Volume (bbls/d)	500	500	123	-
Average Fixed Price (US$/bbl)	33.60	33.60	33.60	-
USD FX Contracts				
Amount sold (USD 000s)	63,000	59,000	112,500	16,345
Rate (CAD/USD)	1.352	1.353	1.355	1.353

(1) At 1.37 CAD/USD FX rate for USD contracts

The Company's fixed price contracts combined with its diversification to multiple hubs in North America allow for revenue security and support Peyto's capital expenditure program, continued shareholder returns through dividends, and debt reduction. Details of Peyto’s ongoing marketing and diversification efforts are available on Peyto’s website at https://www.peyto.com/Marketing.aspx.

[10] Total Cash costs is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release.
[11] Cash netback is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release and in the Q2 2025 MD&A.

Activity Update

Since the start of the third quarter, Peyto has continued with an active drilling program across all core areas with 7 wells (7 net) drilled, 8 wells (8 net) completed, and 5 wells (5 net) brought on production. The Company intends to continue with a steady capital program for the remainder of 2025 but may delay bringing wells onstream depending on spot natural gas prices.

The back half of the drilling program for 2025 includes an increase in highly profitable Notikewin locations as well as several follow-ups to the prolific Falher channel Peyto has targeted in the Sundance area over the past year. The Falher drilling will further delineate the channel feature across the Company's land position, giving additional confidence in over 20 internally identified locations. Additionally, Peyto is following up on prior successes in the Viking and Bluesky formations and plans to drill approximately 6 wells in these formations by the end of the year.

Peyto has commenced construction of a compressor project in the Sundance area. The new field compressor station will gather low pressure, liquid-rich Cardium gas and redirect it to the Edson Gas Plant where incremental natural gas liquids will be recovered. This will alleviate current congestion in the gathering system and accommodate multiple years of additional drilling activity in the area. The current facility is designed to move 30 MMcf/d and can be expanded to 60 MMcf/d, if required. Peyto expects the compressor station to be commissioned near the end of the third quarter.

The Company has planned turnarounds at the Oldman and Oldman North gas plants in September that are timed with other third-party maintenance operations and typically low seasonal natural gas prices. Peyto plans to swing volumes to adjacent interconnected plants to minimize production impacts during the two-week period.

Outlook

The Company remains bullish on long-term natural gas prices with the recent start-up of LNG Canada combined with continued natural gas demand for AI driven data centres in North America. Further, Peyto is well-positioned with its hedge book and market diversification in the short term to provide shareholders with both revenue security and exposure to commodity price upside. Over the next several years, the Company has significant volumes exposed to premium demand markets in the US and Canada providing a superior price over current AECO pricing while offering a diversity of markets for price risk mitigation.

Peyto's 2025 capital guidance of $450 to $500 million remains unchanged with a steady drilling and completion program and greater spending on facilities in the second half of the year. The Company is planning to ramp up production in the fourth quarter, timed with expected higher winter natural gas prices. As always, the program is designed with flexibility to adjust to changing commodity prices and business environment. Peyto will manage production to minimize exposure to weaker priced markets, when necessary, while the Company's systematic hedging and market diversification programs secure revenues to support future dividends and further strengthening the balance sheet.

Conference Call and Webcast

A conference call will be held with senior management of Peyto to answer questions with respect to the Company's Q2 2025 results on Wednesday, August 13, 2025, at 9:00 a.m. Mountain Time (MT), or 11:00 a.m. Eastern Time (ET).

Access to the webcast can be found at: **https://edge.media-server.com/mmc/p/xo39rhkr.** To participate in the call, please register for the event at: **Participant Call Link**. Participants will be issued a dial in number and PIN to join the conference call and ask questions. Alternatively, questions can be submitted prior to the call at info@peyto.com. The conference call will be available on the Peyto Exploration & Development website at www.peyto.com.

Management's Discussion and Analysis

A copy of the second quarter report to shareholders, including the MD&A, unaudited consolidated financial statements and related notes, is available at http://www.peyto.com/Files/Financials/2025/Q22025FS.pdf and at http://www.peyto.com/Files/Financials/2025/Q22025MDA.pdf and will be filed at SEDAR+, www.sedarplus.com at a later date.

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President & Chief Executive Officer
403-261-6081
August 12, 2025

Cautionary Statements

Forward-Looking Statements

This news release contains certain forward-looking statements or information ("forward-looking statements") as defined by applicable securities laws that involve substantial known and unknown risks and uncertainties, many of which are beyond Peyto's control. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. The use of any of the words "plan", "expect", "prospective", "project", "intend", "believe", "should", "anticipate", "estimate", or other similar words or statements that certain events "may" or "will" occur are intended to identify forward-looking statements. The projections, estimates and beliefs contained in such forward-looking statements are based on management's estimates, opinions, and assumptions at the time the statements were made, including assumptions relating to: macro-economic conditions, including public health concerns and other geopolitical risks, the condition of the global economy and, specifically, the condition of the crude oil and natural gas industry, and the ongoing significant volatility in world markets; other industry conditions; changes in laws and regulations including, without limitation, the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; increased competition; the availability of qualified operating or management personnel; fluctuations in other commodity prices, foreign exchange or interest rates; stock market volatility and fluctuations in market valuations of companies with respect to announced transactions and the final valuations thereof; results of exploration and testing activities; and the ability to obtain required approvals and extensions from regulatory authorities. Management of the Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Peyto will derive from them. As such, undue reliance should not be placed on forward-looking statements. Forward-looking statements contained herein include, but are not limited to, statements regarding: management's assessment of Peyto's future plans and operations, including the 2025 capital expenditure program and possible delays of bringing wells onstream depending on natural gas prices; expectations that the new Cardium wellbore design should provide future economic benefit to the Company's large Cardium inventory; the expected completion time of the field compressor station at Sundance; the expectation that per-unit operating costs will trend lower in the second half of 2025; management statement that the Notikewin locations are highly profitable along with plans to follow up the prolific Falher channel Peyto has targeted in the Sundance area over the past year, including 20 additional locations internally identified; Peyto's plans to drill 6 wells in the Viking and Bluesky formations by the end of the year; timing and impact of the planned turnarounds at the Oldman gas plants; LNG and AI data centres increasing natural gas demand and setting up a bullish price environment; the sustainability of the Company's dividend; the effectiveness of the Company's hedging program at securing revenue; and the Company's overall strategy and focus.

The forward-looking statements contained herein are subject to numerous known and unknown risks and uncertainties that may cause Peyto's actual financial results, performance or achievement in future periods to differ materially from those expressed in, or implied by, these forward-looking statements, including but not limited to, risks associated with: continued changes and volatility in general global economic conditions including, without limitations, the economic conditions in North America and public health concerns; continued fluctuations and volatility in commodity prices, foreign exchange or interest rates; continued stock market volatility; imprecision of reserves estimates; competition from other industry participants; failure to secure required equipment; increased competition; the lack of availability of qualified operating or management personnel; environmental risks; changes in laws and regulations including, without limitation, the adoption of new environmental and tax laws, tariffs, and regulations and changes in how they are interpreted and enforced; the results of exploration and development drilling and related activities; and the ability to access sufficient capital from internal and external sources. In addition, to the extent that any forward-looking statements presented herein constitutes future-oriented financial information or financial outlook, as defined by applicable securities legislation, such information has been approved by management of Peyto and has been presented to provide management's expectations used for budgeting and planning purposes and for providing clarity with respect to Peyto's strategic direction based on the assumptions presented herein and readers are cautioned that this information may not be appropriate for any other purpose. Readers are encouraged to review the material risks discussed in Peyto's latest annual information form under the heading "Risk Factors" and in Peyto's annual management's discussion and analysis under the heading "Risk Factors".

The Company cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Peyto's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits Peyto will derive there from. The forward-looking statements, including any future-oriented financial information or financial outlook, contained in this news release speak only as of the date hereof and Peyto does not assume any obligation to publicly update or revise them to reflect new information, future events or circumstances or otherwise, except as may be required pursuant to applicable securities laws.

Barrels of Oil Equivalent

To provide a single unit of production for analytical purposes, natural gas production and reserves volumes are converted mathematically to equivalent barrels of oil (BOE). Peyto uses the industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 bbl). The 6:1 BOE ratio is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on current prices. While the BOE ratio is useful for comparative measures and observing trends, it does not accurately reflect individual product values and might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.

Thousand Cubic Feet Equivalent (Mcfe)

Natural gas volumes recorded in thousand cubic feet (mcf) are converted to barrels of oil equivalent (boe) using the ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Natural gas liquids and oil volumes in barrel of oil (bbl) are converted to thousand cubic feet equivalent (Mcfe) using a ratio of one (1) barrel of oil to six (6) thousand cubic feet. This could be misleading, particularly if used in isolation as it is based on an energy equivalency conversion method primarily applied at the burner tip and does not represent a value equivalency at the wellhead.

Drilling Locations

This news release discloses unbooked locations. Unbooked locations are internal estimates based on prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves. Unbooked locations have been identified by management as an estimation of Peyto's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Peyto will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves or production. The drilling locations on which Peyto actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, some of the other unbooked drilling locations are further away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations, and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves or production.

Non-GAAP and Other Financial Measures

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

Non-GAAP Financial Measures

Funds from Operations

"Funds from operations" is a non-GAAP measure which represents cash flows from operating activities before changes in non-cash operating working capital, decommissioning expenditure, provision for performance-based compensation and transaction costs. Management considers funds from operations and per share calculations of funds from operations to be key measures as they demonstrate the Company's ability to generate the cash necessary to pay dividends, repay debt and make capital investments. Management believes that by excluding the temporary impact of changes in non-cash operating working capital, funds from operations provides a useful measure of Peyto's ability to generate cash that is not subject to short-term movements in operating working capital. The most directly comparable GAAP measure is cash flows from operating activities.

	Three Months Ended June 30		Six Months Ended June 30	
($000)	2025	2024	2025	2024
Cash flows from operating activities	174,441	141,965	393,674	338,829
Change in non-cash working capital	11,398	10,010	12,128	13,599
Decommissioning expenditures	2,944	391	5,816	4,597
Performance-based compensation	2,500	2,500	5,000	2,500
Funds from operations	191,283	154,866	416,618	359,525

Free Funds Flow

Peyto uses "free funds flow" as an indicator of the efficiency and liquidity of Peyto's business, measuring its funds after capital investment available to manage debt levels, pay dividends, and return capital to shareholders through activities such as share repurchases. Peyto calculates free funds flow as cash flows from operating activities before changes in non-cash operating working capital, provision for performance-based compensation, and transaction costs, less total capital expenditures, allowing Management to monitor its free funds flow to inform its capital allocation decisions. The most directly comparable GAAP measure to free funds flow is cash from operating activities. The following table details the calculation of free funds flow and the reconciliation from cash flow from operating activities to free funds flow.

	Three Months Ended June 30		Six Months Ended June 30	
($000)	2025	2024	2025	2024
Cash flows from operating activities	174,441	141,965	393,674	338,829
Change in non-cash working capital	11,398	10,010	12,128	13,599
Performance-based compensation	2,500	2,500	5,000	2,500
Total capital expenditures	(104,649)	(100,451)	(206,776)	(214,214)
Free funds flow	83,690	54,024	204,026	140,714

Total Capital Expenditures

Peyto uses the term "total capital expenditures" as a measure of capital investment in exploration and production activity, as well as property acquisitions and divestitures, and such spending is compared to the Company's annual budgeted capital expenditures. The most directly comparable GAAP measure for total capital expenditures is cash flow used in investing activities. The following table details the calculation of cash flow used in investing activities to total capital expenditures.

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Cash flows used in investing activities	108,667	80,901	211,988	178,535
Change in prepaid capital	838	5,512	405	857
Change in non-cash working capital relating to investing activities	(4,856)	14,038	(5,617)	34,822
Total capital expenditures	104,649	100,451	206,776	214,214

Net Debt

"Net debt" is a non-GAAP financial measure that is the sum of long-term debt and working capital excluding the current financial derivative instruments, current portion of lease obligations and current portion of decommissioning provision. It is used by management to analyze the financial position and leverage of the Company. Net debt is reconciled to long-term debt which is the most directly comparable GAAP measure.

($000)	June 30, 2025	December 31, 2024	June 30, 2024
Long-term debt	1,125,056	1,295,238	1,214,633
Current assets	(353,583)	(394,517)	(396,588)
Current liabilities	349,667	269,609	345,875
Financial derivative instruments - current	130,929	188,136	180,769
Current portion of lease obligation	(963)	(936)	(1,334)
Decommissioning provision - current	(8,123)	(8,956)	(5,778)
Net debt	1,242,983	1,348,574	1,337,577

Net marketing revenue

Peyto uses the term "net marketing revenue" to evaluate the profitability of products purchased from third parties that are resold. Net marketing revenue is calculated as marketing revenue less marketing purchases.

	Three Months Ended June 30		Six Months Ended June 30	
($000)	2025	2024	2025	2024
Marketing revenue	5,385	8,404	13,727	34,255
Marketing purchases	(4,775)	(7,854)	(12,058)	(34,091)
Net marketing revenue	610	550	1,669	164

Non-GAAP Financial Ratios

Funds from Operations per Share

Peyto presents funds from operations per share by dividing funds from operations by the Company's diluted or basic weighted average common shares outstanding. "Funds from operations" is a non-GAAP financial measure. Management believes that funds from operations per share provides investors an indicator of funds generated from the business that could be allocated to each shareholder's equity position.

Netback per MCFE and BOE
"Netback" is a non-GAAP measure that represents the profit margin associated with the production and sale of petroleum and natural gas. Peyto computes "field netback per Mcfe" as commodity sales from production, plus net marketing revenue, if any, plus other income, less royalties, operating, and transportation expenses, divided by production. "Cash netback" is calculated as "field netback" less interest, less general and administration expense and plus or minus realized gain on foreign exchange, divided by production. "After-tax cash netback" is calculated as "cash netback" less current tax, divided by production. Netbacks are per-unit-of-production measures used to assess Peyto's performance and efficiency.

	Three Months Ended June 30		*Six Months Ended June 30*	
($/Mcfe)	*2025*	*2024*	*2025*	*2024*
Gross sale price	*3.54*	*2.93*	*3.87*	*3.22*
Realized hedging gain	*0.73*	*1.02*	*0.72*	*1.20*
Net sale price	*4.27*	*3.95*	*4.59*	*4.42*
Net marketing revenue	*0.01*	*0.01*	*0.01*	*-*
Other income	*0.07*	*0.02*	*0.05*	*0.03*
Royalties	*(0.14)*	*(0.26)*	*(0.19)*	*(0.25)*
Operating costs	*(0.54)*	*(0.52)*	*(0.54)*	*(0.53)*
Transportation	*(0.31)*	*(0.30)*	*(0.30)*	*(0.30)*
Field netback	*3.36*	*2.90*	*3.62*	*3.37*
Net general and administrative	*(0.06)*	*(0.06)*	*(0.06)*	*(0.06)*
Interest and financing	*(0.26)*	*(0.36)*	*(0.27)*	*(0.36)*
Realized gain on foreign exchange	*(0.01)*	*(0.01)*	*(0.01)*	*-*
Cash netback ($/Mcfe)	*3.03*	*2.47*	*3.28*	*2.95*
Current tax ($/Mcfe)	*(0.36)*	*(0.16)*	*(0.39)*	*(0.29)*
After-tax cash netback ($/Mcfe)	*2.67*	*2.31*	*2.89*	*2.66*
After-tax cash netback ($/boe)	*15.95*	*13.91*	*17.33*	*15.97*

Net marketing revenue per Mcfe
"Net marketing revenue per Mcfe" is comprised of marketing revenue less marketing purchases, as determined in accordance with IFRS, divided by the Company's total production.

Total Payout Ratio
"Total payout ratio" is a non-GAAP measure which is calculated as the sum of dividends declared plus total capital expenditures plus decommissioning expenditures, divided by funds from operations. This ratio represents the percentage of the capital expenditures and dividends that is funded by cashflow. Management uses this measure, among others, to assess the sustainability of Peyto's dividend and capital program.

	Three Months Ended June 30		*Six Months Ended June 30*	
($000, except total payout ratio)	*2025*	*2024*	*2025*	*2024*
Total dividends declared	*65,957*	*64,365*	*131,633*	*128,523*
Total capital expenditures	*104,649*	*100,451*	*206,776*	*214,214*
Decommissioning expenditures	*2,944*	*391*	*5,816*	*4,597*
Total payout	*173,550*	*165,207*	*344,225*	*347,334*
Funds from operations	*191,283*	*154,866*	*416,618*	*359,525*
Total payout ratio (%)	*91%*	*107%*	*83%*	*97%*

Operating Margin
Operating Margin is a non-GAAP financial ratio defined as funds from operations, before current tax, divided by revenue before royalties but including realized hedging gains/losses other income and third-party sales net of purchases.

Profit Margin
Profit Margin is a non-GAAP financial ratio defined as net earnings divided by revenue before royalties but including realized hedging gains/losses, other income and third-party sales net of purchases.

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