

Peyto Exploration & Development Corp.

Monthly Report

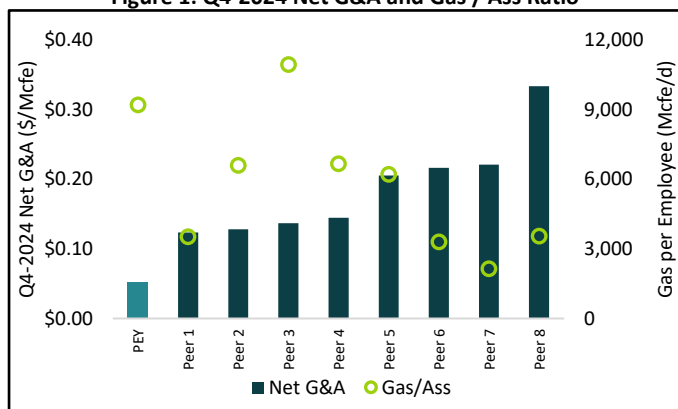
June 2025

By Jean-Paul Lachance, President and Chief Executive Officer

Doing More with Less

At Peyto, we take great pride in being one of the lowest cost operators in the North American E&P industry when it comes to the cash costs we control (operating and transportation costs, G&A and interest expenses). So much so that “Lowest Cost Operator” is ingrained in the culture of the employees at the Company and is exemplified by our peer-leading net G&A costs (Figure 1). Having the lowest G&A amongst our peers is remarkable when you consider we have invested \$9.0 billion of capital over the past 26 years growing production to 132,000 boe/d and maintaining an active drilling program that will invest \$450–\$500 million drilling 70–80 wells this year. In fact, Peyto also stands out against our peers when you look at production normalized to full-time corporate staff, or as some have called it, our “Gas-to-Ass ratio”. With only 87 full-time employees in the Calgary head office responsible for 133 Mboe/d in Q4-2024, Peyto ranks in the top two on this metric or first if you include head office contractors. And we think this matters because the more people you have, the more they find “things” to do. When folks ask what we do to get our G&A costs so low, the answer is simple. It’s not *what we do*, but *what we don’t do*. Our focus on substance over form naturally drives down costs which improves the Company’s margins and translates to greater returns to shareholders.

Figure 1: Q4-2024 Net G&A and Gas / Ass Ratio



Peers Include: AAV, ARX, BIR, KEL, NVA, POU, SDE, & TOU.

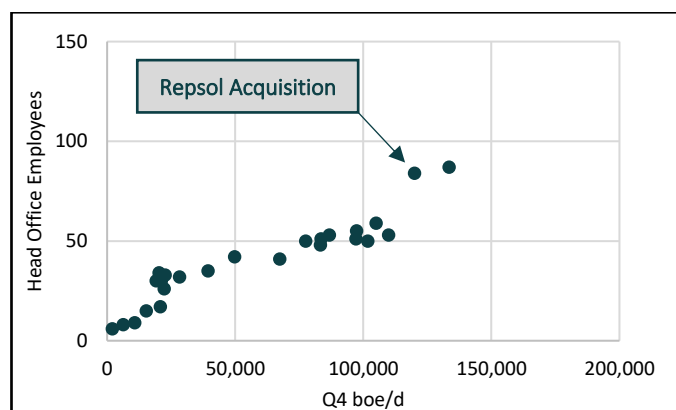
Peyto has always managed a flat organization that empowers staff to make decisions within their area of expertise to which they are held accountable. Pay them fairly for their efforts but pay them well when the Company has success. Engaged staff and consultants want to work in an organization that empowers them and rewards them for success that aligns with shareholders. It is the entrepreneurial attitude and not a “sweat shop” that keeps us lean. This is evidenced by Peyto’s voluntary attrition rate (excluding retirements), which has averaged only 1% annually over the last 10 years.

But Peyto’s approach isn’t rocket science. In Malcolm Gladwell’s 2002 book, *Tipping Point*, Dunbar’s Rule of 150 is reviewed in the context of communities, military units, and most importantly business organizations. The theory is that with less than 150 people, staff can leverage their relationships and influence to collaborate rapidly. Beyond 150 people, decisions are driven from the top and enforced through a formal, often cumbersome, hierarchy to create cohesion and loyalty through business structure and process.

The importance of collaboration is why Peyto did not adopt a work from home strategy, contrary to many larger organizations who are either finally bringing folks back to the office or have hybrid systems.

When Peyto acquired Repsol in 2023, we added 23,000 boe/d of production and additional complexity to the business. This complexity came in the form of working interest partners in our gas plants, sour gas processing, additional physical infrastructure and greater reclamation obligations. As a result, Peyto deemed it important to add roughly 20 people in the head office to fulfill new fulltime positions and maintain operational continuity. Figure 2 shows how the Company’s staff has grown as we have added production.

Figure 2: Calgary Full-time Staff vs. Production



Moving forward, Peyto will continue to simplify the business and strive for the optimal organizational effectiveness. This should allow the Company to attract the right kind of people and continue with our focus on cost-effective operations to increase margins and deliver profits to our shareholders.

Operational Highlights

We dealt with some minor operational delays due to typical wet, break-up conditions in May but nothing extraordinary. As natural gas prices at AECO have recently weakened, we will manage any exposure and take advantage of any price dislocations with targeted shut-ins.

Capital Investment (\$C millions)¹

	2023	Q1 24	Q2 24	Q3 24	Q4 24	2024	Jan 25	Feb 25	Mar 25	Q1 25	Apr 25
D,C,E&T ²	333	94	87	99	97	377	31	24	31	86	29
Facilities	64	18	13	26	18	75	2	3	10	15	7
Other ³	16	2	1	2	3	7			1	1	1
Acquisitions ⁴	699			-1		-1					-1
Total	1112	114	101	126	117	458	33	27	42	102	36
ARO Activities ⁵	3	4	-	2	2	8	1	1	-	2	-

Production (Mboe/d)¹

	2023	Q1 24	Q2 24	Q3 24	Q4 24	2024	Jan 25	Feb 25	Mar 25	Q1 25	Apr 25	May 25
Sundance	73	93	92	91	102	95	103	103	102	103	103	102
Brazeau	28	27	26	24	25	25	25	24	25	24	24	24
Other	4	5	5	5	6	5	7	7	6	7	6	6
Total	105	125	122	120	133	125	135	134	133	134	133	132
Liquids %	12%	13%	12%	11%	12%	12%	12%	12%	12%	12%	12%	12%

- This estimate is based on field data, actual numbers will vary from the estimate due to accruals and adjustments.
- Well-related costs including Drilling, Completions, Equip and Tie-in.
- Other costs include Land, Seismic, and Miscellaneous.
- Acquisitions costs include asset and corporate deals.
- Asset Retirement Obligations (ARO) spending is decommissioning expenditures incurred in the period.

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FORWARD LOOKING STATEMENTS

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

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

NON-GAAP AND OTHER FINANCIAL MEASURES

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