Peyto Exploration & Development Corp.

Condensed Consolidated Balance Sheet *(unaudited)*

(Amount in $ thousands)

	June 30 2026	December 31 2025
Assets		
Current assets		
Cash	62,984	51,057
Accounts receivable (*Note 10)*	137,509	163,870
Prepaid and other	55,367	33,688
Derivative financial instruments *(Note 11)*	114,852	111,682
	370,712	360,297
Long-term derivative financial instruments *(Note 11)*	29,253	11,969
Property, plant and equipment, net *(Note 3)*	5,138,157	5,087,126
	5,167,410	5,099,095
	5,538,122	5,459,392
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	175,424	192,810
Deferred other income	3,067	4,731
Dividends payable *(Note 6)*	24,682	22,368
Income tax payable	10,746	32,010
Current portion of lease obligation	1,023	991
Decommissioning provision *(Note 5)*	13,000	13,000
Current portion of long-term debt *(Note 4)*	-	100,000
	227,942	365,910
Long-term debt *(Note 4)*	1,057,861	1,074,273
Decommissioning provision *(Note 5)*	316,558	299,483
Lease obligation	6,051	6,572
Deferred income taxes	885,060	861,420
	2,265,530	2,241,748
Equity		
Share capital *(Note 6)*	2,107,595	2,067,782
Contributed surplus	27,399	26,170
Retained earnings	798,859	660,918
Accumulated other comprehensive gain (*Note 6)*	110,797	96,864
	3,044,650	2,851,734
	5,538,122	5,459,392
Commitments and contingencies *(Note 13)*		

See accompanying notes to the condensed consolidated financial statements.

Approved by the Board of Directors

(signed) *"Debra Gerlach"*
Director

(signed) *"Jean-Paul Lachance"*
Director

Peyto Exploration & Development Corp.

Condensed Consolidated Income Statement *(unaudited)*

	Three months ended June 30		Six months ended June 30	
	2026	**2025**	**2026**	**2025**
Revenues				
Natural gas and natural gas liquid sales (*Note 10)*	311,059	254,369	720,439	557,864
Royalties	(22,317)	(9,753)	(39,008)	(27,467)
Marketing revenue	6,837	5,385	11,567	13,727
Natural gas and natural gas liquid sales, net of royalties	**295,579**	250,001	**692,998**	544,124
Realized gain on derivative financial instruments *(Note 11)*	36,710	52,630	56,931	103,403
Unrealized gain on derivative financial instruments *(Note 11)*	2,360	-	2,360	-
Other income	5,803	4,824	14,559	7,269
	340,452	307,455	**766,848**	654,796
Expenses				
Marketing purchases	6,334	4,775	10,369	12,058
Operating	39,841	38,932	81,269	77,535
Transportation	23,620	22,183	46,954	43,345
General and administrative	4,321	4,475	8,906	9,144
Performance-based compensation	3,000	2500	6,000	5,000
Stock-based compensation *(Note 9)*	4,428	3,650	7,946	7,231
Finance costs *(Note 7)*	17,897	22,372	36,973	46,080
Realized (gain) loss on foreign exchange	(1,344)	895	(428)	807
Unrealized (gain) loss on foreign exchange	1,084	(2,932)	2,016	(2,984)
Depletion and depreciation *(Note 3)*	101,789	95,840	203,977	192,541
	200,970	192,690	**403,982**	390,757
Earnings before taxes	**139,482**	114,765	**362,866**	264,039
Provision for income taxes				
Current tax	22,820	25,966	66,036	55,804
Deferred tax	10,403	967	19,482	6,286
Total income taxes	**33,223**	26,933	**85,518**	62,090
Earnings for the period	**106,259**	87,832	**277,348**	201,949
Earnings per share (*Note 6)*				
Basic	**$0.52**	$0.44	**$1.35**	$1.01
Diluted	**$0.51**	$0.43	**$1.33**	$1.00

See accompanying notes to the condensed consolidated financial statements.

Peyto Exploration & Development Corp.

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

(Amount in $ thousands)

	Three months ended June 30		Six months ended June 30	
			2026	**2025**
Earnings for the period	**106,259**	87,832	**277,348**	201,949
Other comprehensive income				
Change in unrealized gain on derivative financial instruments	51,068	172,211	74,821	2,838
Deferred income tax recovery (expense)	(3,309)	(27,516)	(4,161)	23,121
Realized gain on derivative financial instruments	(36,679)	(52,577)	(56,727)	(103,366)
Comprehensive Income	**117,339**	179,950	**291,281**	124,542

Peyto Exploration & Development Corp.

Condensed Consolidated Statement of Changes in Equity *(unaudited)*

(Amount in $ thousands)

	Six months ended June 30	
	2026	**2025**
Share capital, beginning of period	**2,067,782**	1,977,905
Common shares issued under exercise of stock options	31,199	32,140
Common shares issued under TSRRP plan	(611)	-
Private placement	3,427	3,519
Issued on settlement of DSU's	-	662
Contributed surplus on exercise of stock options	5,810	7,084
Share issue costs (net of tax)	(12)	(119)
Share capital, end of period	**2,107,595**	2,021,191

Contributed surplus, beginning of period	**26,170**	27,176
Stock based compensation expense	7,946	7,231
Recognized under stock-based compensation plans	(6,717)	(7,746)
Contributed surplus, end of period	**27,399**	26,661

Retained earnings, beginning of period	**660,918**	507,273
Earnings for the period	277,348	201,949
Dividends *(Note 6)*	(139,407)	(131,633)
Retained earnings, end of period	**798,859**	577,589

Accumulated other comprehensive income, beginning of period	**96,864**	183,975
Other comprehensive income (loss)	13,933	(77,407)
Accumulated other comprehensive income, end of period	**110,797**	106,568

Total Equity	**3,044,650**	2,732,009

Peyto Exploration & Development Corp.

Condensed Consolidated Statement of Cash Flows *(unaudited)*

(Amount in $ thousands)

	Three months ended June 30		Six months ended June 30	
	2026	**2025**	**2026**	**2025**
Cash provided by operating activities				
Earnings	106,259	87,832	277,348	201,949
Items not requiring cash:				
Deferred income tax	10,403	967	19,482	6,286
Depletion and depreciation	101,789	95,840	203,977	192,541
Accretion of decommissioning provision	2,966	3,311	6,054	6,363
Lease interest	86	115	190	232
Stock based compensation	4,428	3,650	7,946	7,231
Unrealized (gain) loss on foreign exchange	1,084	(2,932)	2,016	(2,984)
Unrealized (gain) loss on derivative financial instruments	(2,360)	-	(2,360)	-
Decommissioning expenditures	(2,158)	(2,944)	(5,023)	(5,816)
Change in non-cash working capital related to operating activities	873	(11,398)	(12,891)	(12,128)
	223,370	174,441	**496,739**	393,674
Financing activities				
Common shares issued on exercise of stock options and private placement	9,643	21,223	33,092	35,505
Cash dividends paid	(69,682)	(65,786)	(137,092)	(131,330)
Principal repayment of lease	(316)	(316)	(695)	(695)
Decrease in bank debt	(29,455)	(44,500)	(119,455)	(69,000)
Repayment of senior note	-	-	(100,000)	-
Issuance of senior note	-	-	100,000	-
Interest and financing charges	514	942	1,027	1,884
	(89,296)	(88,437)	**(223,123)**	(163,636)
Investing activities				
Additions to property, plant and equipment	(86,428)	(104,811)	(235,598)	(207,295)
Asset (acquisitions) and dispositions	(55)	1,000	(3,366)	924
Change in non-cash working capital relating to investing activities	(43,253)	(4,856)	(22,725)	(5,617)
	(129,736)	(108,667)	**(261,689)**	(211,988)
Net change in cash	4,338	(22,663)	11,927	18,050
Cash, beginning of period	58,646	54,348	51,057	13,635
Cash, end of period	**62,984**	31,685	**62,984**	31,685

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

Cash interest paid	**14,921**	20,449	**25,765**	36,278
Cash taxes paid	**27,600**	21,779	**87,300**	62,485

1. Nature of operations

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

These condensed consolidated financial statements were approved and authorized for issuance by the Audit Committee of Peyto on August 11, 2026.

2. Basis of presentation

The condensed consolidated financial statements have been prepared by management and reported in Canadian dollars in accordance with IFRS® Accounting Standards (the "Accounting Standards") as issued by the International Accounting Standards Board ("IASB") applicable to the preparations of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting. These condensed consolidated financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Company's consolidated financial statements as at and for the year ended December 31, 2025.

Material Accounting Policies

(a) Material Accounting Judgments Estimates and Assumptions

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

All accounting policies and methods of computation followed in the preparation of these condensed consolidated financial statements are the same as those disclosed in Note 2 of Peyto's consolidated financial statements as at and for the years ended December 31, 2025, except as noted below.

(b) Changes in accounting policies

On January 1, 2026, Peyto adopted amendments to IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures to address the classification and measurement of financial instruments, with an emphasis to clarify the date of recognition and derecognition of financial asset and liabilities. This amendment does not have a material impact on the consolidated financial statements.

Future Accounting Pronouncements

IFRS 18 Presentation and Disclosure in Financial Statements

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

The Company is currently assessing the impact of IFRS 18 on the presentation and disclosure of its consolidated financial statements. Upon adoption, management expects interest income, which is currently presented within finance costs in the consolidated statement of net income, to be presented within investing activities. In addition, interest income received and interest expense paid are expected to be classified as investing and financing cash flows, respectively, in the consolidated statement of cash flows, rather than as operating cash flows. The adoption of IFRS 18 is not expected to have any impact on the Company's financial position, net earnings, or total cash flows. The Company will continue to assess the presentation and disclosure implications of IFRS 18, including the identification of management-defined performance measures and the implementation of the related presentation and disclosure requirements.

3. Property, plant and equipment, net

Cost	
At December 31, 2025	**9,368,642**
Additions	235,598
Asset acquisitions	3,366
Change in decommissioning provision	16,044
At June 30, 2026	**9,623,650**
Accumulated depletion and depreciation	
At December 31, 2025	**(4,281,516)**
Depletion and depreciation	(203,977)
At June 30, 2026	**(4,485,493)**
Carrying amount at December 31, 2025	5,087,126
Carrying amount at June 30, 2026	**5,138,157**

For the three and six months ended June 30, 2026, Peyto capitalized $2.3 million and $5.8 million, respectively, (2025- $2.9 million and $5.4 million) of general and administrative expense directly attributable to exploration and development activities, respectively.

For the period ended June 30, 2026, the Company identified no indicators of impairment and therefore an impairment test was not performed.

4. Long-term debt

	June 30, 2026	December 31, 2025
Revolving credit facility	570,545	690,000
Senior secured notes	491,840	489,824
Long-term debt, before deferred financing costs	**1,062,385**	1,179,824
Deferred financing costs	(4,524)	(5,551)
Long-term debt	**1,057,861**	1,174,273
Current portion of long-term debt	**-**	100,000
Non-current portion of long-term debt	**1,057,861**	1,074,273

On October 23, 2025, the Company entered into an agreement with its syndicate of lenders to amend and extend its credit facilities, which increased the revolving operating facility (the "Revolving Credit Facility") to $1.05 billion. The maturity date of the Revolving Credit Facility was extended to October 23, 2029, and consists of a $40 million working capital tranche and a $1.010 billion production line, available on a revolving basis. Effective June 12, 2026, the Company reallocated the commitments under the Revolving Credit Facility, with no change to the total committed amount of $1.05 billion or the maturity date. Following this amendment, the Revolving Credit Facility consists of a $155 million working capital tranche and an $895 million production line.

Borrowings under the Revolving Credit Facility bears interest at Canadian bank prime or US base rate, or, at Peyto's option, Canadian dollar CORRA advances or US dollar SOFR loan rates, plus adjustments and applicable margin.

The Company had $136.4 million of Letters of Credit outstanding at June 30, 2026 ($9.1 million at December 31, 2025).

Outstanding senior notes are as follows:

Senior Secured Notes	Date Issued	Rate	Maturity Date
$100 million (CAD)	January 2, 2018	3.95%	January 2, 2028
$40 million (USD)	October 29, 2021	3.98%	October 29, 2028
$160 million (CAD)	October 24, 2023	6.46%	October 24, 2030
$75 million (CAD)	October 17, 2024	5.638%	October 17, 2034
$100 million (CAD)	January 5, 2026	5.03%	January 5, 2033

On January 5, 2026, Peyto issued $100 million of senior secured notes. The notes have a coupon rate of 5.03% and mature on January 5, 2033. The notes were issued by way of a private placement pursuant to a note purchase agreement and rank equally with Peyto's obligations under its bank facility and existing note purchase and private shelf agreement. Interest will be paid semi-annually in arrears. Proceeds from the notes were used to repay the $100 million, 4.39% notes that matured on January 3, 2026.

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

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

Peyto is in compliance with all financial covenants at June 30, 2026.

Total interest expense for the three and six months ended June 30, 2026, was $14.8 million and $30.7 million (2025 - $18.9 million and $39.5 million) and the average borrowing rate for the period was 5.5% and 5.5% (2025 – 5.9% and 6.1%).

5. Decommissioning provision

The following table reconciles the change in decommissioning provision:

Balance, December 31, 2025	**312,483**
New provisions	2,439
Accretion of decommissioning provision	6,054
Change in discount rate and estimates	13,605
Decommissioning expenditures	(5,023)
Balance, June 30, 2026	**329,558**
Current	**13,000**
Non-current	**316,558**

The Company has estimated the net present value of its total decommissioning provision to be $329.6 million as June 30, 2026 (2025 – $312.5 million) based on a total escalated future undiscounted liability of $1,049.4 million (2025 – $1,046.1

million). At June 30, 2026, management estimates that these payments are expected to be made over the next 50 years (2025 – 50 years) with the majority of payments being made in years 2042 to 2076. The Bank of Canada's long-term bond rate of 3.77% (2025 – 3.85%) and an inflation rate of 2.0% (2025 – 2.0%) were used to calculate the present value of the decommissioning provision.

The following table demonstrates the change in decommissioning provision as a result of a reasonably possible change in discount rates.

	June 30, 2026	**December 31, 2025**
Increase of one percent	(84,847)	(82,356)
Decrease of one percent	115,799	112,684

6. Share capital

Authorized: Unlimited number of voting common shares

Issued and Outstanding

Common Shares (no par value)	**Number of Common Shares**	**Amount $**
Balance, December 31, 2025	**203,343,491**	**2,067,782**
Common shares issued under stock option plan	2,154,240	31,199
Common shares issued under TSRRP plan	61,645	(611)
Private placement	119,865	3,427
Contributed surplus on exercised of stock options	-	5,810
Common share issuance costs (net of tax)	-	(12)
Balance, June 30, 2026	**205,679,241**	**2,107,595**

On March 25, 2026, Peyto closed a private placement issuing 119,865 common shares, at price of $28.59 per common share, to employees and officers of the Company for proceeds of $3.4 million.

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

	Three Months ended June 30,		Six Months ended June 30	
	2026	2025	**2026**	2025
Weighted average common shares basic	**205,212,848**	199,868,585	**204,997,389**	199,445,518
Weighted average common shares dilutive	**208,565,042**	202,226,837	**208,473,530**	201,339,814

Dividends

In the three and six months ended June 30, 2026, Peyto declared dividends of $0.11 per common share for the months of January to April 2026 and $0.12 per common share for the months of May and June 2026 totaling $71.8 million and $139.4 million, respectively (2025 - $0.11 per common share per month, $66.0 million and $131.6 million).

On July 15, 2026, Peyto declared dividends of $0.12 per common share that will be paid on August 14, 2026.

Comprehensive income

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

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

7. Finance costs

	Three Months ended June 30		Six Months ended June 30	
	2026	2025	**2026**	2025
Accretion of decommissioning provision	2,965	3,311	6,054	6,363
Financing expense	514	942	1,274	1,884
Lease interest	86	115	190	232
Interest	14,332	18,004	29,455	37,601
Finance Costs	**17,897**	22,372	**36,973**	46,080

8. Performance-based compensation

Reserve based component
The reserves value-based component is 4% of the incremental increase in per share value, if any, as adjusted to reflect changes in debt, dividends, general and administrative expenses and interest expense, of proved producing reserves, calculated using un-escalated average realized prices of the current year and a discount rate of 8%. For three and six months ended June 30, 2026, Peyto accrued \$3.0 million and \$6.0 million for performance-based compensation, respectively (2025 - \$2.5 million and \$5.0 million).

9. Stock-based compensation

Total Shareholder Return Rights
In May 2025, the Company adopted, and shareholders approved the Total Shareholder Return Rights Plan ("TSRRP") to replace Peyto's stock option program as the Company's only security-based compensation arrangement for employees, executive officers and consultants. Under the TSRRP, participants are granted rights ("Rights") that vest ratably over three years. The future value of which is based on the difference between the market value of the common shares on the date of grant and the market value of the common shares on vesting date, plus the dividends paid to shareholders during such period. Plan participants who are executive officers of the Company will be subject to performance conditioning metrics on 50% of the Rights granted to them (the "Performance Rights"). Employees and officers are expected to settle any in-the-money rights through the issuance of common shares, which will be issued from treasury. Rights held by consultants are expected to be settled in cash. The TSRRP provides that the aggregate number of common shares issuable thereunder and under all other security-based compensation arrangements of the Company at any time may not exceed 6.5% of the total number of issued and outstanding common shares from time to time.

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

Deferred Share Units
Peyto has a deferred share unit ("DSU") plan, whereby DSUs may be issued to members of the Board of Directors. Each DSU is a notional unit equal in value to one Common Share, which entitles the holder to receive a common share upon redemption. DSUs vest immediately but can only be converted to a share upon the holder ceasing to be a Director of the Company. The expense associated with the DSU plan is determined based on the 5-day VWAP of Common Shares at the

grant date. The expense is recognized in the income statement in the quarter in which the units are granted, with a corresponding charge to contributed surplus in the balance sheet.

Total Shareholder Return Rights Plan

The following tables summarize the Rights outstanding at June 30, 2026:

	TSRRP Rights		TSRRP Performance Rights	
	Number of Rights	**Weighted average Grant price $**	**Number of Rights**	**Weighted average Grant price $**
Balance, December 31, 2025	**2,757,948**	**19.90**	**855,000**	**19.89**
Rights granted	1,891,299	27.64	576,000	27.64
Rights vested	(303,600)	18.80	(95,000)	18.80
Balance, June 30, 2026	**4,345,647**	**23.34**	**1,336,000**	**23.31**
		June 30, 2026		
Fair value of Rights granted (weighted average)		$4.81		$4.45
Expected volatility		27.19%		27.19%
Average option life		2 years		2 years
Risk-free interest rate		2.88%		2.88%
Forfeiture rate		5.34%		5.34%
Dividend Yield		0%		0%

Rights will be granted throughout the year and vest 1/3 on each of the first, second and third anniversaries from the date of grant. At vesting, if the value of the right is greater than zero, the vested right shall become subject to payment in accordance with the TSRRP.

Performance Rights will be granted throughout the year and vest 1/3 on each of the first, second and third anniversaries from the date of grant. At vesting, if the Company's total shareholder return for the performance period is greater than 8% per annum, the vested Performance Right shall become subject to payment in accordance with the TSRRP. If total shareholder return for the performance period is less than 8% per annum, the vested Performance Right's value will be deemed zero and participants will not be entitled to a payment. At June 30, 2026, no Performance Rights have vested.

Stock option plans

The following tables summarize the stock options outstanding at June 30, 2026:

		Weighted average exercise price $
Balance, December 31, 2025	**7,527,206**	**14.67**
Exercised	(2,154,240)	14.41
Balance, June 30, 2026	**5,372,966**	**14.74**

Deferred Share Units ("DSUs")

The following tables summarize the DSUs outstanding at June 30, 2026:

Balance, December 31, 2025	**336,252**
DSUs granted	23,897
Balance June 30, 2026	**360,149**

10. Revenue and receivables

	Three Months ended June 30		Six Months ended June 30	
	2026	2025	2026	2025
Natural gas sales	177,515	176,391	480,170	389,970
Natural gas liquids sales	133,544	77,978	240,269	167,894
Natural gas and natural gas liquid sales	**311,059**	254,369	**720,439**	557,864

	June 30, 2026	December 31, 2025
Accounts receivable from customers	114,212	144,599
Accounts receivable from realized risk management contracts	15,980	9,428
Accounts receivable from joint venture partners and other	7,317	9,843
Account Receivable	**137,509**	163,870

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

11. Financial instruments and capital management

Financial instrument classification and measurement
Financial instruments of the Company carried on the condensed consolidated balance sheet are carried at amortized cost with the exception of cash and derivative financial instruments. There are no significant differences between the carrying amount of financial instruments and their estimated fair values as at June 30, 2026 except for derivative financial instruments.

The Company's areas of financial risk management and risks related to financial instruments remained unchanged from December 31, 2025, except the Company's new contract with an embedded derivative as discussed below.

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

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

The Company's cash and financial derivative instruments have been assessed on the fair value hierarchy described above and classified as Level 1 and Level 2. Embedded derivative instruments have been classified as Level 3.

Fair values of financial assets and liabilities

The Company's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, dividend payable, long term debt and derivative financial instruments. At June 30, 2026 and 2025, cash and derivative financial instruments, are carried at fair value. Accounts receivable and current liabilities approximate their fair value due to their short-term nature. The carrying value of the long-term debt approximates its fair value due to the floating rate of interest charged under the credit facility.

Commodity price risk management

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

Following is a summary of all risk management contracts in place as at June 30, 2026:

Natural Gas – AECO 7A Monthly Index			**Average Price**
Period Hedged	**Type**	**Daily Volume (GJ)**	**(CAD/GJ)**
Q3 2026	Fixed Price	217,500	$3.29
Q4 2026	Fixed Price	257,283	$3.34
Q1 2027	Fixed Price	277,500	$3.36
Q2 2027	Fixed Price	285,000	$2.32
Q3 2027	Fixed Price	285,000	$2.32
Q4 2027	Fixed Price	202,120	$2.64
Q1 2028	Fixed Price	160,000	$2.93
Q2 2028	Fixed Price	80,000	$2.19
Q3 2028	Fixed Price	80,000	$2.19
Q4 2028	Fixed Price	26,957	$2.19

Natural Gas – AECO 5A Daily Index			**Average Price**
Period Hedged	**Type**	**Daily Volume (GJ)**	**(CAD/GJ)**
Q3 2026	Fixed Price	15,000	$2.73
Q4 2026	Fixed Price	5,054	$2.73
Q2 2027	Fixed Price	50,000	$2.70
Q3 2027	Fixed Price	50,000	$2.70
Q4 2027	Fixed Price	16,848	$2.70

Natural Gas - NYMEX Henry Hub		**Daily Volume**	**Average Price**
Period Hedged	**Type**	**(MMBTU)**	**(USD/MMBtu)**
Q3 2026	Fixed Price	190,000	$3.75
Q4 2026	Fixed Price	183,370	$4.08
Q1 2027	Fixed Price	75,000	$4.42
Q2 2027	Fixed Price	75,000	$3.59
Q3 2027	Fixed Price	75,000	$3.59
Q4 2027	Fixed Price	38,533	$3.75
Q1 2028	Fixed Price	20,000	$4.05

Crude Oil – WTI CAD Period Hedged	Type	Daily Volume (bbl)	Average Price (CAD/bbl)
Q3 2026	Fixed Price	6,100	$93.33
Q4 2026	Fixed Price	5,300	$91.70
Q1 2027	Fixed Price	2,900	$91.23
Q2 2027	Fixed Price	2,500	$92.15
Q3 2027	Fixed Price	2,300	$92.80
Q4 2027	Fixed Price	2,300	$92.80
Q1 2028	Fixed Price	500	$97.24
Q2 2028	Fixed Price	500	$97.24

Propane – Conway Period Hedged	Type	Daily Volume (bbl)	Average Price (USD/bbl)
Q3 2026	Fixed Price	1,000	$34.23
Q4 2026	Fixed Price	1,000	$34.23
Q1 2027	Fixed Price	1,000	$34.23

Crude Oil Period Hedged - WTI	Type	Daily Volume (bbl)	Put - Call (WTI CAD/bbl)
Q3 2026	Collar	700	$79.29–$98.54
Q4 2026	Collar	700	$79.29–$98.54
Q1 2027	Collar	500	$75.00–$87.25
Q2 2027	Collar	500	$75.00–$87.25
Q3 2027	Collar	500	$75.00–$87.25
Q4 2027	Collar	500	$75.00–$87.25

Had these contracts closed on June 30, 2026, Peyto would have realized a gain in the amount of $150.4 million. If the gas price on June 30, 2026, were to increase by $0.10/GJ, the unrealized gain would decrease by approximately $24.7 million. An opposite change in commodity prices would result in an opposite impact on other comprehensive income.

Foreign exchange contracts

Average Rate forward	Amount (USD)	Rate (CAD/USD)
Sold USD Contracts		
Q3 2026	$40.0 million	1.3630
Q4 2026	$39.0 million	1.3584
Q1 2027	$33.5 million	1.3562
Q2 2027	$32.1 million	1.3588
Q3 2027	$32.1 million	1.3588
Q4 2027	$14.4 million	1.3614
Q1 2028	$5.5 million	1.3688

Had these contracts settled on June 30, 2026, Peyto would have realized a loss in the amount of $8.6 million. If the CAD/USD FX rate on June 30, 2026 were to increase by 0.05, the unrealized loss would increase by approximately $9.8 million. An opposite change in the CAD/USD FX rate would result in an opposite impact on other comprehensive income.

Interest rate contracts

Term	**Notional Amount**	**Peyto pays fixed rate**	**Peyto receives floating rate**
January 30, 2025 to January 30, 2028	$50 million	2.67%	CORRA

Had these contracts closed on June 30, 2026, Peyto would have realized a loss in the amount of $83 thousand.

Covered Call contracts

Crude Oil Period Hedged - WTI	**Type**	**Daily Volume (bbl)**	**Call (WTI CAD/bbl)**
Q1 2027	Covered Call	1,500	$100.00
Q2 2027	Covered Call	1,500	$100.00
Q3 2027	Covered Call	1,500	$100.00
Q4 2027	Covered Call	1,500	$100.00

Had these contracts closed on June 30, 2026, Peyto would have realized a gain in the amount of $146.3 million. For the three and six months ended June 30, 2026, the Company recognized an unrealized loss of $4.2 million and $4.2 million, respectively (2025: nil and nil), related to the contracts listed in the table above.

Embedded Derivative

Peyto has a long-term agreement to deliver 50,000 MMBtu/d of natural gas for a term of 10 years, which delivery is expected to commence in 2029. Under the terms of the agreement, the Company will deliver natural gas at Alberta's Nova Inventory Transfer point and receive a Dutch Title Transfer Facility ("TTF") index price less associated deductions. Peyto has identified an embedded derivative within this contract as a result of the pricing structure, and the host contract is a natural gas sales agreement with an underlying AECO price. The Company recognizes gains (losses) on risk management contracts related to the embedded derivative. For the three and six month period ended June 30, 2026, the Company recognized an unrealized gain on the embedded derivative of $6.5 million and $6.5 million, respectively (2025: nil and nil). At June 30, 2026, the fair value of the embedded derivative was $6.5 million (December 31, 2025, nil).

The Company's embedded derivative is classified as Level 3 within the fair value hierarchy as the fair value has been determined using a discounted cash flow which relies on significant unobservable inputs. The following details are the significant unobservable inputs used in the valuation of the embedded derivative agreement at June 30, 2026.

Type	Net asset (liability) fair value (millions)	Discount Rate	Significant unobservable inputs	Range of significant unobservable inputs (US$/MMBtu)
Embedded derivative	$6.5	12.5%	TTF price	9.13 - 10.74
			AECO price	2.64 – 3.09

The fair value measurement of the embedded derivative could be materially impacted by movements in natural gas commodity prices and changes in the discount rate. When assessing the potential impact of these changes, the Company believes a ten percent volatility for natural gas commodity prices and a one percent volatility for the discount rate is a reasonable measure. These sensitivities would have resulted in the following impact to unrealized gains (losses) on risk management contracts and net income before tax:

($ millions)	
Discount rate	
1% increase	**(2.4)**
1% decrease	**2.8**
Index price	
10% increase	**45.7**
10% decrease	**(45.7)**

Subsequent to June 30, 2026, Peyto entered into the following contracts:

Natural Gas **Period Hedged – AECO Monthly Index**	**Type**	**Daily Volume (GJ)**	**Average Price** **(AECO CAD/GJ)**
Q4 2027	Fixed Price	13,261	$2.75
Q1 2028	Fixed Price	20,000	$2.75
Q2 2028	Fixed Price	65,000	$2.19
Q3 2028	Fixed Price	65,000	$2.19
Q4 2028	Fixed Price	21,902	$2.19

Natural Gas **NYMEX Henry Hub**	**Type**	**Daily Volume (MMBtu)**	**Average Price** **(USD/MMBtu)**
Q4 2027	Fixed Price	16,576	$4.00
Q1 2028	Fixed Price	25,000	$4.00

Crude Oil **Period Hedged – WTI CAD**	**Type**	**Daily Volume (bbl)**	**Average Price** **(CAD/bbl)**
Q4 2026	Fixed Price	400	$106.70
Q1 2027	Fixed Price	600	$102.05
Q2 2027	Fixed Price	600	$102.05
Q1 2028	Fixed Price	200	$93.80
Q2 2028	Fixed Price	200	$93.80

Crude Oil **Period Hedged – WTI**	**Type**	**Daily Volume (bbl)**	**Put - Call** **(WTI CAD/bbl)**
Q1 2028	Collar	500	$85.00–$101.00
Q2 2028	Collar	500	$85.00–$101.00

Average Rate forward	**Amount (USD)**	**Rate (CAD/USD)**
Sold USD Contracts		
Q2 2027	$1.95 million	1.3850
Q3 2027	$1.95 million	1.3850
Q4 2027	$2.48 million	1.3791
Q1 2028	$2.75 million	1.3770

12. Related party transactions

Certain directors of Peyto are considered to have significant influence over other reporting entities that Peyto engages in commercial transactions with. Such services are provided in the normal course of business and at market rates. These directors are not involved in the day-to-day operational decision making of the Company. The dollar value of the transactions between Peyto and each of the related reporting entities is summarized below:

Expense (Income)				Accounts Payable (Account Receivable)	
Three Months ended June 30		Six Months ended June 30		As at June 30	
2026	2025	**2026**	2025	**2026**	2025
149	(1,131)	**305**	(1,160)	**42**	87

13. Commitments and contingencies

Following is a summary of Peyto's contractual obligations and commitments as at June 30, 2026:

	Q3–Q4 2026	2027	2028	2029	2030	Thereafter
Interest payments (1)	12,887	25,773	21,967	19,595	18,733	29,490
Transportation commitments	46,770	111,707	67,944	49,564	42,740	394,255
Operating leases	1,214	2,436	2,438	2,539	2,569	2,884
Long term letter of credit fee (2)	1,599	3,197	3,197	3,197	3,197	21,670
Methanol	1,400	-	-	-	-	-
Total	63,870	143,113	95,546	74,895	67,239	448,299

(1) Fixed interest payments on senior secured notes

The Company may be involved in litigation and disputes arising in the normal course of operations. Management is of the opinion that any potential litigation will not have a material adverse impact on Peyto's financial position or results of operations at June 30, 2026.

Officers

Jean-Paul Lachance
President and Chief Executive Officer

Riley Frame
Vice President, Engineering and Chief Operating Officer

Tavis Carlson
Chief Financial Officer

Lee Curran
Vice President, Drilling and Completions

Mike Collens
Vice President, Marketing

Todd Burdick
Vice President, Production

Derick Czember
Vice President, Land and Business Development

Stephen Chetner
Corporate Secretary

Micheal Rees
Vice President, Geoscience

Crisy Rafoss
Vice President, Finance

Directors

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

Auditors

Deloitte LLP

Solicitors

Burnet, Duckworth & Palmer LLP

Bankers

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

Transfer Agent

Computershare

Head Office

300, 600-3 Avenue SW
Calgary, AB
T2P 0G5
Phone: 403.261.6081
Fax: 403.451.4100
Web: www.peyto.com
Stock Listing Symbol: PEY.TO