Peyto Exploration & Development Corp.
Monthly Report

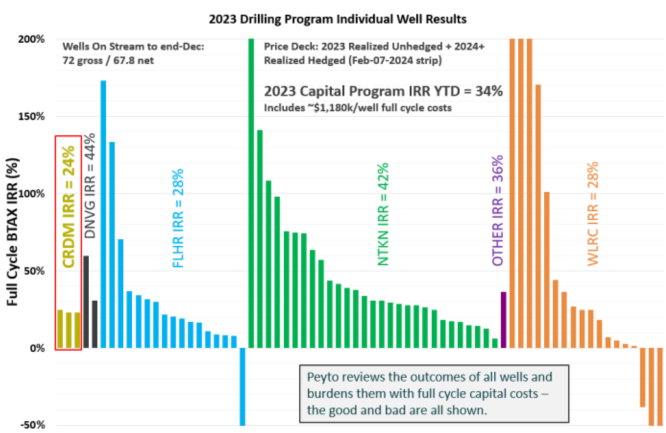
August 2026

By Jean-Paul Lachance, President and Chief Executive Officer

Cardium Refresh

With the recent, relative strength in WTI, Peyto has been looking to capitalize on the price improvement by sprinkling some more liquid-rich targets into the 2026 drill schedule including in the Spirit River and also in the Cardium. Over the last ten years, the Cardium in the Greater Brazeau Area (GBA) — which includes Peyto's Brazeau, Chambers, and Aurora gas plants — has been an important target as the zone can initially deliver 4 to 6 MMcf/d of gas with up to 100 bbl/mmcf of liquids and has a history of generating great returns for the Company. As the thicker targets were depleted, Peyto stepped into some thinner pay in the GBA Cardium in 2023 and drilled three wells to an average horizontal length of 1,343 meters. Although the wells were economic at the time, they were outperformed by the Spirit River program (Figure 1), and it was clear the team at Peyto needed to improve the Cardium economics for it to compete for capital.

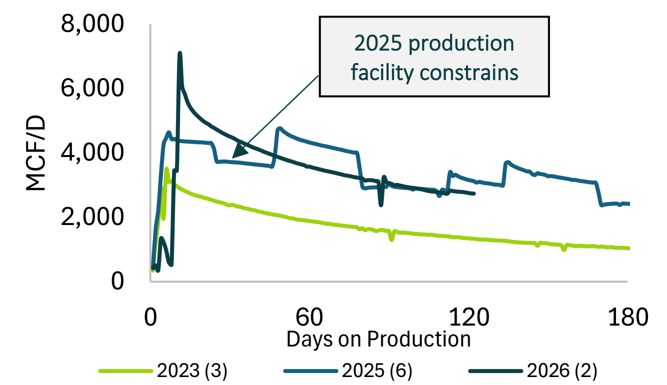
Figure 1: <u>2023</u> Drilling Program Results



Extending lateral lengths in the Cardium was always viewed as an important factor but was challenged due to the abrasiveness of the rock and substantial increase in costs to drill longer laterals. In 2025, Peyto began experimenting with drilling the bioturbated zone that sits below the main target. This zone's softer and less abrasive rock properties allow for faster drilling rates and reduced costs allowing Peyto to extend lateral lengths and deploy more frac stages per well. When the wells are completed, the fractures we create contact the hydrocarbon bearing, Cardium sandstone above. This technique allows Peyto to improve the productivity of the wells despite drilling poorer or thinner rock. And to be fair, this isn't a new industry concept since the Cardium oil players have been doing it for some time. But like all things Peyto, we wanted to ensure we could improve the economic outcomes while minimizing risks. Figure 2 shows the improved productive results we achieved with the increased lateral lengths in 2025 and 2026 as compared to 2023.

Nominally, drill costs in 2025 and 2026 have remained on par with the shorter 2023 drills, on a per well basis while the average lateral length has increased by 79%, to approximately 2,400 meters, resulting in a 37% improvement in costs per horizontal meter drilled. On the completions side, we are deploying a cemented liner to increase the number of stages in the lateral. This has increased completion costs relative to the old design and is the next piece of the puzzle for the Peyto team to optimize. The successful deployment of the new well design has improved the economics of the play to the point where it can now compete for capital with the Spirit River targets. This new design has given Peyto confidence to purchase additional Cardium rights and add over 20 locations to the inventory in the GBA.

Figure 2: Average Annual Production – GBA Cardium HZ



The next step in the evolution is to apply these learnings to the Sundance area. Overall, Peyto has 21% of undeveloped reserves attributed to the Cardium formation, so improvements to the drill design will have a significant value increase to future locations and reserves value.

Operational Highlights

We now have four rigs drilling across our acreage with three in the Greater Sundance Area and one in Brazeau. Wet operating conditions until mid July have resulted in a lower level of activity and delayed bringing on new production. Despite weather delays, well results continue to look good and we remain on track with capital spending plans and production guidance.

Capital Investment ($C millions)[1]

	2024	2025	Jan 26	Feb 26	Mar 26	Q1 26	April 26	May 26	June 26	Q2 26
D,C,E&T[2]	377	386	35	42	43	120	23	22	**23**	**68**
Facilities	75	86	8	10	8	26	3	5	**5**	**13**
Other[3]	7	4			1	1		2	**2**	**4**
Acquisitions[4]	-1	-1	1	2		3				
Total	**458**	**475**	**45**	**54**	**52**	**151**	**26**	**29**	**30**	**85**
ARO Activities[5]	8	10	1	1	1	3	1	-	**1**	**2**

Production (Mboe/d)[1]

	2024	2025	Jan 26	Feb 26	Mar 26	Q1 26	Apr 26	May 26	June 26	Q2 26	July 26
Sundance	95	105	116	116	118	117	118	116	114	116	**115**
Brazeau	25	24	26	25	25	25	25	26	24	25	**24**
Other	5	5	5	5	5	5	5	4	5	5	**5**
Total	**125**	**134**	**147**	**146**	**148**	**147**	**148**	**146**	**143**	**146**	**144**
liquids %	12%	12%	**12%**	12%	12%	12%	12%	13%	13%	**13%**	**13%**

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

FORWARD LOOKING STATEMENTS

Certain information set forth in this monthly report contains forward-looking statements including: management's estimate of monthly capital spending; and field estimate of production. 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 (Mcfe) 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.

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