# Peyto Exploration & Development Corp.
# Monthly Report

**February 2026** **By Jean-Paul Lachance, President and Chief Executive Officer**

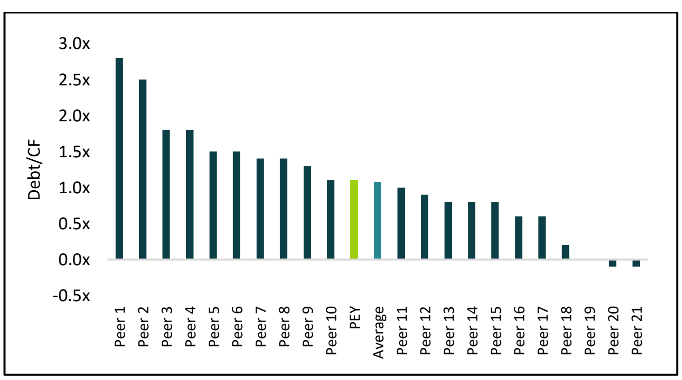
## Using Debt for Value Creation

Peyto views debt as a useful tool to enhance returns and accelerate growth, both organically through the drill bit and through acquisitions. Our development program generates excellent returns, far exceeding our cost of capital, and those returns are further improved through leverage. A simple example can demonstrate how this works. Suppose you invest $100 and after a year, the investment grows to $120. Your annual, before-tax *unlevered return* is: ($120-$100)/$100 = 20%. Now suppose you invest $50 of your own capital and borrow to invest another $50 at a 5% interest rate. Again, the investment grows to $120 after one year but this time you owe $2.50 in interest. Now, your before-tax *levered return* is: ($120-$100-$2.50)/$50 = 35%, significantly higher than the unlevered return.

Of course, levered returns come with higher risk and natural gas is a volatile commodity. Peyto smooths out the volatility of natural gas prices through its disciplined hedging and diversification strategy. For instance, the fixed-price contracts Peyto currently has in place for 2026 total $810 million in revenue, which more than covers our planned capital and dividend payments (~$488 million + $270 million). Even with a price volatility mitigation strategy, operational and outcome risks remain. Thankfully, Peyto has been operating in the Deep Basin for over 27 years, building strong technical and operational expertise to reduce investor's risks.

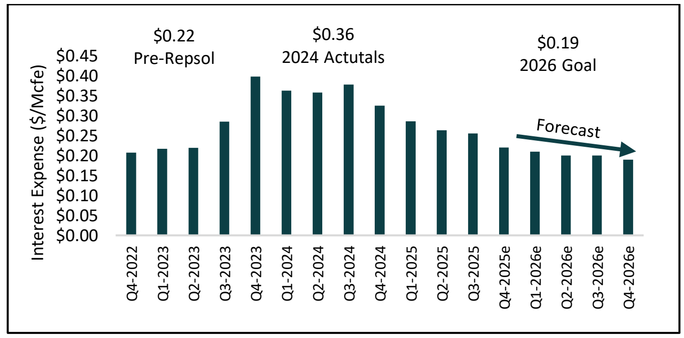
Peyto's decision to use a combination of debt and equity to fund the Repsol acquisition in 2023 is a great example of the successful use of debt to enhance our business by improving per-share returns. Peyto's debt increased substantially with the deal and along with it, interest costs. After the acquisition, we committed to bring debt down and aimed to get our unit interest costs back to 2022 levels. Since then, we have steadily reduced our debt despite weak gas prices and while returning a steady dividend to shareholders. In a recent CIBC research report, they estimated 2026 year-end Debt to Cash flow ratios for Canadian E&Ps and Peyto lands right at the average (see Figure 1).

**Figure 1 – 2026e Debt/Cash Flow (CIBC estimates)**




After the acquisition, Peyto's interest expense increased in large part due to the additional debt we took on to finance the deal, but also from increasing interest rates. In total, interest costs grew from $0.21/Mcfe in 2022 to $0.36/Mcfe in 2024. But our declining debt outstanding, coupled with lower floating interest rates, and increased production volumes have resulted in a steady decrease in per unit interest expense. Figure 2 below shows how we have been bringing down our interest expense and includes a forecast to the end of 2026.

**Figure 2 – Interest Expense ($/Mcfe)**




A reminder that Peyto's debt is a combination of fixed-rate senior notes with low interest rates and floating-rate bank debt. Our senior notes outstanding total $491MM, have an average fixed interest rate of ~5.3% and mature between 2028 and 2034. Our floating-rate bank debt outstanding totalled $745MM at September 30, 2025, drawn from a $1.05 billion credit facility, which matures in October 2029. We like our combination of debt as the fixed-rate senior notes deliver predictable borrowing costs over the long term at attractive rates, and our revolving credit facility provides flexibility to adjust borrowings up or down as required.

We think debt is a good use of capital providing you can service it when market conditions weaken. Peyto's well-spaced debt maturities, low-cost structure, mechanical hedging program, and long reserve life index allow us to be comfortable carrying debt to enhance returns. As we approach 1x debt / EBITDA, expected later 2026, we will be watching the business environment to determine how best to allocate capital: accelerate growth, pay down more debt, increase shareholder returns—or potentially a mix of all three.

## Operational Highlights

Our 2025 capital spending came in at the midpoint of our guidance and December production landed as expected. We continue to operate with five drilling rigs and are busy completing wells and bringing them on stream in our core areas. Our purposeful gas marketing diversification strategy to key demand hubs has allowed us to capture daily pricing during the most recent volatility.

### Capital Investment ($C millions)[1]

| | 2023 | 2024 | Q1 25 | Q2 25 | Q3 25 | Oct 25 | Nov 25 | Dec 25 | Q4 25 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| *D,C,E&T* [2] | 333 | 377 | 86 | 86 | 92 | 45 | 41 | **36** | **122** | **386** |
| *Facilities* | 64 | 75 | 15 | 18 | 34 | 10 | 7 | **2** | **19** | **86** |
| *Other* [3] | 16 | 7 | 1 | 1 | 1 | | | **1** | **1** | **4** |
| *Acquisitions* [4] | 699 | -1 | | -1 | | | | | | **-1** |
| *Total* | **1112** | **458** | **102** | **104** | **127** | **55** | **48** | **39** | **142** | **475** |
| *ARO Activities* [5] | 3 | 8 | 2 | 3 | 4 | 1 | | | **1** | **10** |

### Production (Mboe/d)[1]

| | 2023 | 2024 | Q1 25 | Q2 25 | Q3 25 | Oct 25 | Nov 25 | Dec 25 | Q4 25 | 2025 | Jan 26 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Sundance*** | 73 | 95 | 103 | 102 | 103 | 106 | 111 | 114 | 110 | 105 | **116** |
| ***Brazeau*** | 28 | 25 | 24 | 24 | 22 | 22 | 25 | 26 | 24 | 24 | **26** |
| ***Other*** | 4 | 5 | 7 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | **5** |
| ***Total*** | **105** | **125** | **134** | **132** | **130** | **133** | **141** | **145** | **140** | **134** | **147** |
| ***liquids %*** | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | **12%** |

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; field estimate of production; 2026 estimates for per unit interest costs, 2026 debt to cash flow ratios, and 2026 debt/EBITDA projections. 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.*

*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.*