Peyto Exploration & Development Corp.
Monthly Report

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

The Relentless Pursuit of Lower Costs

As we begin the process of closing the books on 2025, we celebrate last year's achievements and look forward to another profitable year, setting new goals for 2026.

One of my favorite slides (Figure 1) in our corporate presentation breaks down the Company's historical costs and revenue in a simplistic way to demonstrate how we run a profitable business where *we sell our products for more than it costs to produce them*.

There is a lot of excitement around the industry with increased gas-fired power consumption and growing LNG exports. At Peyto, we are expecting 2026 to be another year of robust price realizations, supported by our natural gas diversification and our hedge book. To calculate our estimates of revenue for 2026 in Figure 1, we used flat pricing at AECO, NYMEX, and WTI and combined it with our 468 MMcf/d of gas hedged at $4.11/mcf.

Last year was another successful year of efficiently developing reserves. Our average well performance and capital costs are coming in on par with 2024. With the strong well results we have been achieving in the second half, we expect to meet or beat the FD&A goal of $1.00/Mcfe for 2025 set early in the year and we will strive to beat it in 2026.

Peyto has always been proud of leading the industry with the lowest cash costs. These include all the costs to get our product to market: operating, transportation, interest, royalties, and general and administrative ("G&A") expenses. For Peyto, royalty expenses include those paid to the Crown (they own the resource) and a small amount of other mineral encumbrances (generally we avoid large scale overriding royalties). Since Crown royalties vary based on commodity prices, we focus our goals on the costs we control (operating, transportation, G&A, and interest expense) and we anticipate a 10% improvement year-over-year from our 2025 estimates to 2026.

Figure 1 – 2026 Supply Cost Goals

$/mcfe	2024	2025e	2026 Goals
PDP FD&A(1)	$1.00	$1.00	$0.95
Cash Costs(1)	$1.46	$1.30	$1.27
Total Supply Cost	$2.46	$2.30	$2.22
Sales Price	$4.31	$4.58	$4.55
Full Cycle Netback	$1.85	$2.28	$2.33
Margin(2)	43%	50%	51%

	2025e	2026 Goals
OPEX	$0.52	$0.48
Transport	$0.30	$0.30
G&A	$0.06	$0.06
Interest	$0.26	$0.19
Controllable	**$1.14**	**$1.03**
Royalties (3)	$0.16	$0.24
Total Costs	$1.30	$1.27
Revenue	$3.68	$4.25
Hedge Gain	$0.85	$0.25
Other Income	$0.05	$0.05
Total Realized(3)	$4.58	$4.55

(1) This is a non-GAAP financial measure or ratio. Refer to the heading entitled "Non-GAAP and Other Financial Measures" contained within the "Advisories" section of this presentation for further information. BOE factor - 6 mcfe = 1 bbl of oil equivalent
(2) Calculated before tax as the ratio of full cycle netback to sales price
(3) Assumes CA$2.75/GJ at AECO, US$3.75/MMBtu at Henry Hub and US$60/bbl WTI for 2026. Production assumes 88% Natural Gas and 12% NGLs

As shown in Figure 1, interest costs are a large part of our cash cost reduction plan for the coming year. We levered up when we bought the Repsol assets in late 2023 but expect our Debt/EBITDA will be back down under 1X by the end of 2026. That debt reduction should improve interest costs by $0.07/Mcfe for the year from an estimated $0.26/Mcfe in 2025 to $0.19/Mcfe in 2026—in line with our interest costs and leverage prior to acquiring the Repsol assets.

The other component of our cash cost reduction is expected to come from our operating expenses. Over half of Peyto's operating costs are fixed costs. As a result, production growth will be a contributing factor to a per-unit reduction, but the operations team is also busy looking for opportunities to make structural (sticky) changes. Projects include those that improve our chemical cost and usage, labour, and/or fluid handling expenses.

There is also an uncontrollable component to Peyto's operating costs that comes in the form of fees and taxes paid to all levels of government. These costs make up approximately 25% of our total operating costs and include property taxes (based on assessed value of physical assets), Alberta Energy Regulator admin fees, the Orphan Well Levy (to cover bad actors in our industry), carbon taxes, and crown mineral lease rentals (unrelated to production).

Since the start of 2021 through September 30, 2025, Peyto has paid $136 million to the various levels of government in Canada from our operating costs. In addition, and over the same period, Peyto has paid $235 million in corporate taxes and $410 million in royalties to the government. These funds total **$781 million** over the last five years and support municipal, provincial and government spending on things we often take for granted such as health care, education, transportation, and other public services.

From the very beginning of Peyto's existence in 1998, we have strived to keep our costs as low as possible since that drives better margins. We set targets or goals, so we can measure our success and hold ourselves accountable. We expect that 2026 will be another banner year for Peyto and are excited to get started.

Operational Highlights

We typically try to give our staff and field crews some much-needed rest over the holiday season so they can enjoy it with their families. That means we safely shutdown as much drilling-related activity before the holidays as we can without jeopardizing operations or well integrity and typically spend a little less capital in December. With stronger gas prices, we continued to bring on new production in December and landed where we expected at 145 Mboe/d for the month (which is another Peyto record, but who is counting).

Capital Investment ($C millions)[1]

	2023	Q1 24	Q2 24	Q3 24	Q4 24	2024	Q1 25	Q2 25	Q3 25	Oct 25	Nov 25
D,C,E&T [2]	333	94	87	99	97	377	86	86	92	45	**41**
Facilities	64	18	13	26	18	75	15	18	34	10	**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	102	104	127	55	**48**
ARO Activities [5]	3	4	-	2	2	8	2	3	4	1	

Production (Mboe/d)[1]

	Q1 24	Q2 24	Q3 24	Q4 24	2024	Q1 25	Q2 25	Q3 25	Oct 25	Nov 25	Dec 25	Q4 25	2025
Sundance	93	92	91	102	**95**	103	102	103	106	111	**114**	**110**	**105**
Brazeau	27	26	24	25	**25**	24	24	22	22	25	**26**	**24**	**24**
Other	5	5	5	6	**5**	7	6	5	5	5	**5**	**5**	**5**
Total	**125**	**122**	**120**	**133**	**125**	**134**	**132**	**130**	**133**	**141**	**145**	**140**	**134**
liquids %	13%	12%	11%	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.*

Suite 300, 600 – 3rd Avenue SW
Calgary AB T2P 0G5
403-261-6081

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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; 2025 and 2026 estimates for per unit FD&A costs, sales price, royalties, operating, transportation, G&A, and interest costs; 2026 debt/EBITDA projections; and Peyto's 2026 controllable cash cost reduction target of 10%. 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.