

Peyto Exploration & Development Corp. Monthly Report

May 2026

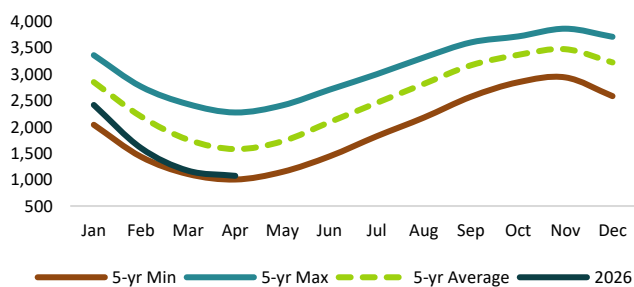
By Jean-Paul Lachance, President and Chief Executive Officer

Natural Gas – Organic and Gluten Free

Peyto has long held the belief that natural gas is not simply a transition fuel that, as some suggest, will bridge the gap during a transition away from fossil fuels. Instead, because of its innate properties (reliable, transportable, affordable, efficient and energy dense) we believe it is a *destination fuel* that will play a key role in the global energy mix for many decades to come. The recent geopolitical tensions and energy supply shocks have underscored the importance of secure, reliable and affordable energy. A secure energy future is underpinned by a diversity of supply including domestic production and/or imports from stable allies, long-term contracts to reduce exposure to short-term price volatility, sufficient storage to buffer against seasonal demand variability, and supportive political and regulatory environments.

European gas storage, Figure 1, is exiting this winter at its lowest level since 2022. Four years ago, [45% of European natural gas came from Russia](#). The dynamics of low storage combined with infrastructure damage that cut off Russian volumes led to a shortfall that sent policy makers scrambling to secure critical natural gas supply for the coming winter. In response to the impending crisis, Europe sought out LNG in the market to replace and diversify its supply of natural gas. The increased pull of LNG to Europe created new competition in the market and caused TTF (European natural gas benchmark) and JKM (Asian LNG benchmark) to skyrocket to record highs. The globalized nature of the LNG market became fully apparent as did the importance of energy security. With the current conflict in the Middle East, Qatar is no longer able to ship its 10 bcf/d of LNG (~20% of global supply) and European natural gas storage is flashing warning signals once again.

Figure 1: European Natural Gas Storage (Bcf)

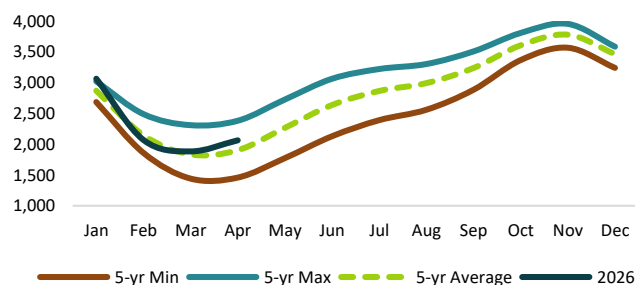


Source: [entsog Gas Storage Dashboard](#)

North America was somewhat disconnected from the European natural gas crisis in 2022 due to a secure domestic supply and limited LNG export capacity. Since 2022, US exports of LNG have doubled and the country has become the number one exporter of LNG in the world, averaging 20 bcf/d in recent days (~40% of global supply). Canada has also added an LNG terminal of its own with 2 bcf/d of capacity and is expecting FID decisions on more projects soon that could increase offtake to 6 bcf/d. With the growth in LNG export capacity, North American companies can gain exposure to the international market and help reduce the impact of global supply disruptions. However, as discussed in a [previous monthly report](#), with zero growth in storage capacity at a time when natural gas consumption is expanding along with LNG export capacity, storage as expressed in *days to cover* continues its downward trend. Today,

storage in the US sits slightly above the 5-year average for this time of year (Figure 2) but is near all time lows at 25 days of consumption and net export coverage.

Figure 2: Lower 48 Natural Gas Storage (Bcf)



Source: [U.S. Energy Information Administration](#)

Peyto is of the view that Canada is in the enviable position of being a resource rich nation with a skilled and experienced workforce. If combined with a supportive government, this country could be a key player in international energy markets and supply the secure and reliable energy the world desires to the benefit of all Canadians. Such nation-building projects take considerable time and here at home, AECO connected storage is already elevated headed into the summer injection season this year. Fortunately for Peyto shareholders, we have protected our capital allocation plans through market diversification, a mechanistic hedging program, and an industry-leading cost structure. Peyto has over 200 mmcf/d diversified away from AECO this summer including 52 mmcf/d tied to local power prices and has fixed a large portion of revenues through a consistent hedging program that has secured \$3.91/mcf for over 500 mmcf/d of this summer's production. Going forward, our experienced marketing team continues to evaluate opportunities to supply power projects in Alberta and to enter the global LNG market with long-term contracts.

Operational Highlights

We have already slowed activity to 2 rigs as spring break-up is upon us and will optimize our activity to avoid unnecessary capital spending that can occur if we try to fight through the mud. Production is expected to moderate through the summer with reduced activity.

Capital Investment (\$C millions)¹

	2024	Q1 25	Q2 25	Q3 25	Q4 25	2025	Jan 26	Feb 26	Mar 26	Q1 26
D,C,E&T ²	377	86	86	92	122	386	35	42	43	120
Facilities	75	15	18	34	19	86	8	10	8	26
Other ³	7	1	1	1	1	4			1	1
Acquisitions ⁴	-1		-1			-1	1	2		3
Total	458	102	104	127	142	475	45	54	52	151
ARO Activities ⁵	8	2	3	4	1	10	1	1	1	3

Production (Mboe/d)¹

	2024	Q1 25	Q2 25	Q3 25	Q4 25	2025	Jan 26	Feb 26	Mar 26	Q1 26	Apr 26
Sundance	95	103	102	103	110	105	116	116	118	117	118
Brazeau	25	24	24	22	24	24	26	25	25	25	25
Other	5	7	6	5	5	5	5	5	5	5	5
Total	125	134	132	130	140	134	147	146	148	147	148
liquids %	12%	12%	12%	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 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 (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.