

Peyto Exploration & Development Corp.

Monthly Report

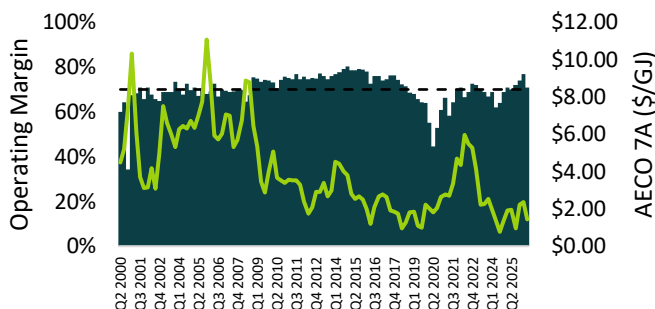
October 2026

By Jean-Paul Lachance, President and Chief Executive Officer

Margins Matter

Peyto strives to be the industry leader when it comes to total cash costs to run the business. As a reminder, cash costs include royalties, operating costs, transportation, G&A and interest. One way we achieve such a low cost structure is by owning and controlling our infrastructure (whether we build it or acquire it). This means we are not beholden to 3rd parties' operating practices, and we don't have to pay for their profits. Other factors include our culture that keeps G&A low, our location in the Deep Basin that enables low transportation costs, and our debt structure with a large portion (~\$500 million) held in private notes at attractive interest rates. As a major natural gas producer in Alberta (~750 MMcfd), it is imperative to keep costs down given the egress-challenged AECO gas market. While costs really matter, what is more important are the margins we obtain with our production to capture profits to return to our shareholders. Before tax operating margin is calculated by dividing our cash netback (revenue minus cash costs) by our revenue. High operating margins indicate efficient profit generation and Figure 1 shows Peyto's quarterly history all the way back to 2000. Despite significant volatility in the average monthly AECO price, Peyto has consistently delivered stable operating margins, averaging over 70% during our history.

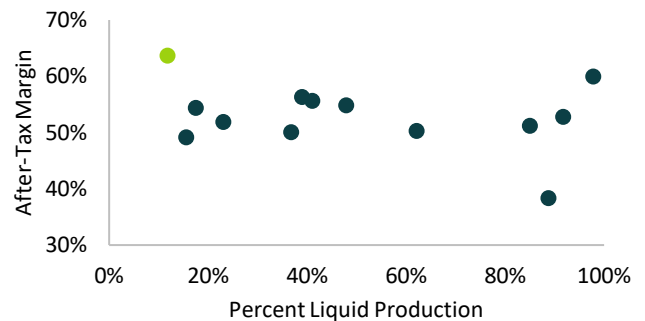
Figure 1 – Historical Operating Margin



The other input to the margin equation that needs to be managed and appreciated, especially in Peyto's case, is production revenue. While AECO natural gas prices have been mostly on a downward trend over the last decade, Peyto's two-pronged marketing strategy has helped us maintain healthy margins. Firstly, our systematic hedging program smooths out price volatility and provides a base level of fixed income. We lock in small quantities on a regular basis to build our position and to avoid speculation (much like dollar-cost averaging). We have set ranges that we target for each season going out the curve three years into the future and typically target the higher end of the range for summer seasons when gas prices can be seasonally weak. Secondly, our diversification activity provides exposure to premium downstream markets and reduces concentration risk of selling into a single market. We typically leave 30%–50% of our production volumes unhedged and exposed to demand markets beyond AECO including the US Midwest, Eastern Canada, the Alberta power market and, starting in 2029, our new Dutch TTF contract. This simple hedging and diversification strategy isn't always in the money, but we have beaten the average annual AECO price in 15 of the previous 20 years.

With a superior cost structure and a strategy to reduce the volatility and diversify revenues, Peyto's margins stack up extremely well against our Canadian peers. Figure 2 below shows the 2025 after-tax margins of several oil and gas producers. Not every company is taxable, but Peyto has run a successful business over the years, so we pay taxes and they are included in our cash costs below. Figure 2 plots the margins of Canadian producers against their liquid content and despite Peyto having the least amount of liquids, after-tax margins in 2025 were best in class! We must be doing something right.

Figure 2 – 2025 YE After-Tax Margins



Peers include: AAV, ARX, ATH, BIR, BTE, HWX, KEL, POU, SDE, TOU, TVE, & WCP

With the newly announced sanctioning of LNG Canada Phase 2, momentum around data centre development, and the potential for growing oilsands production, the longer-term outlook for natural gas demand in Alberta looks strong. It looks like Peyto's profitable business is here to stay.

Operational Highlights

Production was flat throughout the quarter due to lower activity in Q2 but capital spending was up in August. Well results continue to deliver but we will have to wait to see the production as we execute a few pipeline debottlenecking projects in the fourth quarter. This should be better timed for winter heating season.

Capital Investment (\$C millions)¹

	2024	2025	Q1 26	April 26	May 26	June 26	Q2 26	July 26	Aug 26
D,C,E&T ²	377	386	120	23	22	23	68	27	38
Facilities	75	86	26	3	5	5	13	6	10
Other ³	7	4	1		2	2	4		
Acquisitions ⁴	-1	-1	3						
Total	458	475	151	26	29	30	85	33	48
ARO Activities ⁵	8	10	3	1	-	1	2	1	1

Production (Mboe/d)¹

	2024	2025	Q1 26	Apr 26	May 26	June 26	Q2 26	July 26	Aug 26	Sept 26	Q3 26
Sundance	95	105	117	118	116	114	116	115	114	116	115
Brazeau	25	24	25	25	26	24	25	24	24	23	23
Other	5	5	5	5	4	5	5	5	5	4	5
Total	125	134	147	148	146	143	146	144	143	143	143
liquids %	12%	12%	12%	12%	13%	13%	13%	13%	14%	14%	14%

- 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.