Peyto Exploration & Development Corp.
Monthly Report

September 2026

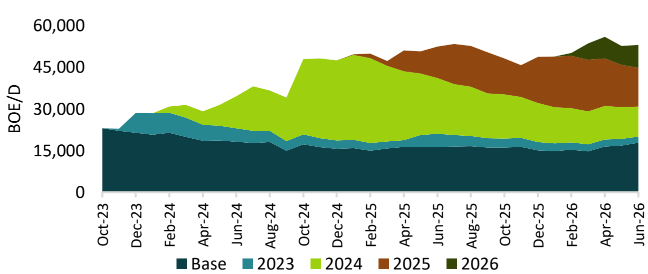
By Jean-Paul Lachance, President and Chief Executive Officer

Three Years Later

Three years ago this month, Peyto announced the acquisition of Repsol's Canadian assets in a $C636 million deal (before closing adjustments) that meaningfully grew the company's footprint in the Alberta Deep Basin. The assets were something Peyto had coveted for many years and when they finally became available, we jumped on the opportunity because they checked a lot of the boxes we look for in opportunities. Peyto has a long history of being selective when it comes to acquisitions. Most of the deals we completed have been smaller, tuck-in types but Repsol was pretty special. The key attributes we look for when evaluating opportunities include modest existing production, owned and operated infrastructure, the ability to drive operating costs lower, minimal future liabilities (ARO), and most importantly, significant drilling upside that competes for capital with our current inventory. We can't check all the boxes every time, but strive for as many as we can.

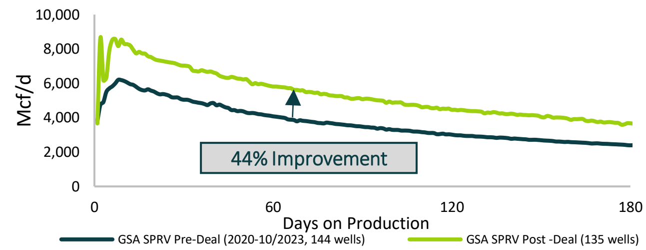
Firstly, production from the 455,000 net acres we acquired totaled only 23,000 Boe/d and had a very low, 12% decline. This is because the lands had been largely dormant when compared to Peyto's activity levels. For example, in the five years prior to the deal, Repsol had drilled only five horizontal wells on the lands. Meanwhile, Peyto drilled 384 wells on our offsetting assets. Since closing the acquisition, we have grown production from the Repsol lands by 130% to 53,000 Boe/d (Figure 1).

Figure 1: Production from Acquisition Lands



Secondly, the potential upside checked another box for us. Peyto identified over 800 horizontal locations which, at 40 drills per year, would add 20 years of inventory. Over the last three years, Peyto has split our 4 – 5 drilling rigs evenly between the legacy Peyto assets (114 spuds) and the acquired lands (107 spuds). We have focused mainly on the Spirit River (SPRV) formations (Notikewin, Falher, and Wilrich). In total, Peyto has drilled 135 SPRV horizontal wells since October-2023 across our Greater Sundance Area (GSA) and has realized a 44% improvement in productivity, on a 180-day initial production basis (IP180), over our average GSA SPRV result from the three years prior to the deal (Figure 2). This improvement translates to an increase in EUR from an average of 3.5 Bcf/well to 5 Bcf/well and importantly, significantly stronger economics. These results were achieved by employing our learnings from over a decade of experience drilling in the Deep Basin to lands that had been underdeveloped by the previous operator. Additionally, our legacy lands experienced an uptick in IP180 through high-grading our inventory over a smaller, ~40-well/year drilling program.

Figure 2: Average Sundance Spirit River Results



Finally, the deal included 571 MMcf/d of gross operated gas processing capacity that was only 30% utilized (~175 MMcf/d). Integrating the infrastructure with Peyto's system was another top priority for the team that would translate to lower operating costs. We have increased total Repsol Facility throughput to ~265 MMcf/d, optimized the infrastructure by shutting down the sour gas process at Edson, added compression to accommodate new drilling, redirected gas to Edson improving liquid recoveries, and connected the pipeline networks for operational flexibility.

The Repsol acquisition checked most of the boxes for Peyto and we met a lot of the goals set three years ago. Since then, we repaid $347 million of debt and brought our Debt to EBITDA ratio back down to 1x despite lower commodity prices than forecasted. We delivered strong capital efficiencies, adding new production at $10,000/Boed, and expect to hit over 150,000 Boe/d by December this year. We have reduced controllable cash costs (operating, transport, interest, and G&A) back to pre-Repsol levels and even modestly increased the dividends to our shareholders. Three years after the acquisition Peyto's business is stronger than ever and we are well positioned with ample drilling inventory to develop for many years to come.

Operational Highlights

Capital expenditures were up in July as conditions dried out in the field. We tied in new Cardium wells which increased liquids to 14%. Turnarounds for the year are now complete, and we plan to grow production into winter prices with 4 rigs running steady from here.

Capital Investment ($C millions)[1]

	2024	2025	Jan 26	Feb 26	Mar 26	Q1 26	April 26	May 26	June 26	Q2 26	July 26
D,C,E&T [2]	377	386	35	42	43	120	23	22	23	68	**27**
Facilities	75	86	8	10	8	26	3	5	5	13	**6**
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**	**33**
ARO Activities [5]	8	10	1	1	1	3	1	-	1	2	**1**

Production (Mboe/d)[1]

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

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.*

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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 (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.

Drilling Locations

The 800 gross drilling locations identified herein with respect to the Repsol acquisition were made up 216 gross proved locations, 83 gross probable locations and 501 gross unbooked locations. Booked locations were derived from an independent engineering report by GLJ Ltd. effective December 31, 2023. Unbooked locations were identified by management as an estimation of Peyto's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Peyto will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves or production. The drilling locations on which Peyto actually drills wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, some of the other unbooked drilling locations are further away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations, and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves or production.