Peyto Reports Record First Quarter 2026 Results and 9% Dividend Increase

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CALGARY, May 12, 2026 - Peyto Exploration & Development Corp. ("Peyto" or the "Company") (TSX: PEY) is pleased to report record operating and financial results for the first quarter of 2026, and a $0.01 per share (9%) increase to its monthly dividend.

Q1 2026 Highlights:

- Peyto delivered record first quarter production volumes of 147,513 boe/d (777.6 MMcf/d of natural gas, 17,919 bbls/d of NGLs), a 10% increase year over year (7% on a per share basis), driven by the Company's successful capital program.
- Reported its highest quarterly funds from operations[1,2] ("FFO") of $293.0 million ($1.41/diluted share), and generated $139.7 million of free funds flow[3] in the quarter. Strong FFO was driven by the Company's industry-leading low cash costs[4] and realized natural gas price after hedging of $4.69/Mcf, 73% higher than the AECO 7A monthly benchmark.
- Earnings for the quarter totaled $171.1 million, or $0.82/diluted share, setting more new records for Peyto on an absolute and per share basis.
- The Company returned $67.6 million of dividends to shareholders in the quarter and reduced net debt[5] by $89.2 million from December 31, 2025. Peyto's Debt/EBITDA leverage ratio was reduced from 1.2 times at December 31, 2025 to 1.0 times at March 31, 2026.
- Peyto recorded $20.2 million in realized hedging gains in the quarter and has a hedge position protecting approximately 514 MMcf/d of natural gas production for April-December 2026 and 348 MMcf/d for 2027, at $3.96/Mcf and $3.35/Mcf, respectively.
- Generated a 77% operating margin[6] and a 39% profit margin[7] in the quarter, resulting in a 17% return on capital employed[8] ("ROCE") and a 16% return on equity[8] ("ROE"), on a trailing 12-month basis.
- Quarterly cash costs[9] totaled $1.28/Mcfe, 10% lower than Q1 2025, and included royalties of $0.21/Mcfe, operating expense of $0.52/Mcfe, transportation of $0.29/Mcfe, G&A of $0.06/Mcfe and interest expense of $0.20/Mcfe.
- Capital expenditures totaled $150.5 million in the quarter. Peyto drilled 23 wells (23.0 net), completed 23 wells (23.0 net), and brought 21 wells (21.0 net) on production. Additionally, the Company purchased 41 gross (27.8 net) sections of undeveloped land through crown land sales and mineral land acquisitions.

First Quarter 2026 in Review

Peyto was active in the quarter with five drilling rigs in the Greater Sundance and Brazeau areas, as well as with pipeline and compression projects that expanded the existing gathering systems to accommodate incremental production volumes. First quarter production averaged 147,513 boe/d, up 10% year over year, setting a new record for the Company. Natural gas prices varied in the quarter with cold winter weather driving up demand, particularly in the US Midwest and Eastern markets where Peyto had exposure to daily market prices. The AECO 7A monthly gas price averaged $2.36/GJ while NYMEX Henry Hub (last day) averaged US$5.04/MMBtu. Peyto's diversification to premium winter markets helped to fetch a strong realized natural gas price, before hedging, of $4.32/Mcf ($3.76/GJ), 59% higher than AECO 7A. Additionally, the Company recorded $0.37/Mcf of realized hedging gains on its gas volumes in the quarter from its mechanistic risk management strategy. All in, Peyto's realized gas price after hedging totaled $4.69/Mcf or 73% higher than AECO 7A monthly price. The strong gas price, combined with Peyto's low-cost structure, boosted FFO to a record $293.0 million, up 20% from Q4 2025. This record FFO funded $150.5 million of capital expenditures, $67.6 million of shareholder dividends and allowed for a $89.2 million reduction in net debt in the quarter.

	Three Months Ended Mar 31		%
	2026	2025	Change
Operations			

Production				
Natural gas (Mcf/d)	777,567	710,459	*9*	%
NGLs (bbl/d)	17,919	15,473	*16*	%
Thousand cubic feet equivalent (Mcfe/d @ 1:6)	885,079	803,299	*10*	%
Barrels of oil equivalent (boe/d @ 6:1)	147,513	133,883	*10*	%
Production per million common shares (boe/d)	720	673	*7*	%
Product prices				
Realized natural gas price - after hedging ($/Mcf)	4.69	4.17	*12*	%
Realized NGL price - after hedging ($/bbl)	62.84	62.97	*0*	%
Net sales price ($/Mcfe)	5.39	4.90	*10*	%
Royalties ($/Mcfe)	0.21	0.25	*-16*	%
Operating ($/Mcfe)	0.52	0.53	*-2*	%
Transportation ($/Mcfe)	0.29	0.29	*0*	%
Field netback(1)($/Mcfe)	4.49	3.88	*16*	%
General & administrative expenses ($/Mcfe)	0.06	0.06	*0*	%
Interest expense ($/Mcfe)	0.20	0.29	*-31*	%
Financial ($000, except per share)				
Natural gas and NGL sales including realized hedging gains (losses)(2)	429,601	354,268	*21*	%
Funds from operations(1)	292,998	225,335	*30*	%
Funds from operations per share - basic(1)	1.43	1.13	*27*	%
Funds from operations per share - diluted(1)	1.41	1.12	*26*	%
Total dividends	67,576	65,676	*3*	%
Total dividends per share	0.33	0.33	*0*	%
Earnings	171,089	114,117	*50*	%
Earnings per share - basic	0.84	0.57	*47*	%
Earnings per share - diluted	0.82	0.57	*44*	%
Total capital expenditures(1)	150,449	102,129	*47*	%
Decommissioning expenditures	2,865	2,872	*0*	%
Total payout ratio(1)	75%	76%	*-1*	%
Weighted average common shares outstanding - basic	204,779,537	199,017,749	*3*	%
Weighted average common shares outstanding - diluted	208,181,438	200,359,842	*4*	%
Net debt(1)	1,088,363	1,282,891	*-15*	%
Shareholders' equity	2,985,070	2,593,128	*15*	%
Total assets	5,517,949	5,356,226	*3*	%

(1) This is a Non-GAAP financial measure or ratio. See "non-GAAP and Other Financial Measures" in this news release and in the Q1 2026 MD&A
(2) Excludes marketing revenue and other income

Capital Expenditures

Peyto continued with a five-rig program in the first quarter and spud 23 gross (23.0 net) horizontal wells, including 2 Cardium, 2 Viking, 6 Notikewin, 6 Falher, 6 Wilrich, and 1 Bluesky well in the core Sundance and Brazeau areas. The Company also completed 23 gross (23.0 net) wells and brought 21 gross (21.0 net) wells on production in the quarter, resulting in total well-related capital expenditures of $120.6 million. As part of the program, Peyto followed up with two Cardium wells in a new area of Brazeau using the same drilling and completion design that produced strong results in 2025. The wells were recently brought onstream and are exceeding expectations both from a productivity and liquid yield perspective. Additionally, Peyto invested $26.1 million in gathering and processing facilities that included upgrades to plant compression and LPG storage along with field pipeline projects to accommodate new development in the greater Sundance area. Drilling costs per meter were down 8% as compared to Q4 2025, as Peyto drilled some of the longest wells in the Company's history. Completion costs per meter were up slightly from Q4 2025 as higher stage density completions were deployed in several wells in Q1 2026. Peyto's historical drilling and completion costs are summarized in the following table.

	2018	2019	2020	2021	2022	2023	2024	2025	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1(1)
Gross Hz Spuds	70	61	64	95	95	72	75	82	19	19	20	24	23
Measured Depth (m)	4,020	3,848	4,247	4,453	4,611	4,891	5,092	4,963	4,976	5,021	4,921	4,834	5,206
Drilling ($MM/well)	$1.71	$1.62	$1.68	$1.89	$2.56	$2.85	$2.90	$2.93	$3.01	$2.94	$2.97	$2.84	$2.83
$ per meter	$425	$420	$396	$424	$555	$582	$569	$591	$605	$585	$603	$587	$543
Completion ($MM/well)	$1.13	$1.01	$0.94	$1.00	$1.35	$1.54	$1.70	$1.67	$1.56	$1.71	$1.63	$1.70	$1.70
Hz Length (m)	1,348	1,484	1,682	1,612	1,661	1,969	2,184	2,123	1,961	2,311	2,185	2,036	2,011
$ per Hz Length (m)	$751	$679	$560	$620	$813	$781	$776	$787	$793	$740	$747	$837	$843
$ '000 per Stage	$51	$38	$36	$37	$47	$52	$52	$51	$56	$47	$47	$55	$57

(1) Based on field estimates and may be subject to minor adjustments going forward.

Peyto was also successful acquiring a total of 41 gross (27.8 net) sections of undeveloped land in the Company's core areas through crown land sales and mineral land acquisitions totaling $3.6 million ($201/acre) to bolster drilling inventory.

Marketing

Commodity Prices
In the first quarter, Peyto realized a natural gas price after hedging of $4.69/Mcf, or $4.08/GJ, 73% higher than the average AECO 7A monthly benchmark of $2.36/GJ, driven by strong realized prices at the Company's non-AECO hubs, including Dawn, Parkway, Ventura, Chicago and Henry Hub, as well as realized hedging gains. Peyto's diversification activities contributed $1.61/Mcf (net of diversification costs) in the quarter, while the Company's natural gas hedging activity resulted in a realized gain of $0.37/Mcf ($25.6 million). The value of Peyto's natural gas market diversification and hedging activities over the past eight quarters, relative to the AECO 7A benchmark, is detailed in the following table.

($/Mcf)	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
AECO 7A[1]	1.56	0.89	1.59	2.21	2.25	1.08	2.55	2.71
Diversification value[2]	0.09	0.75	0.68	1.13	0.53	1.11	0.70	1.61
Realized hedging gain	1.22	1.31	1.16	0.83	0.75	1.38	0.76	0.37
Realized natural gas price after hedging	2.87	2.95	3.43	4.17	3.53	3.57	4.01	4.69
% premium to AECO 7A	84%	233%	116%	89%	57%	229%	57%	73%

1. AECO 7A monthly benchmark has been converted to $/Mcf at Peyto's average heat content of 1.15 GJ/Mcf.
2. Diversification value represents the difference between Peyto's realized natural gas price (after diversification cost but before realized hedging gain/loss) and the AECO 7A monthly benchmark price.

Condensate and pentanes averaged $94.82/bbl for the quarter, up 4% year over year due to tighter oil differentials over the same period. Other NGL volumes were sold at an average price of $31.04/bbl, or 31% of Canadian dollar WTI. Peyto's combined realized NGL price was $66.18/bbl before hedging, and $62.84/bbl including a realized hedging loss of $3.34/bbl ($5.4 million) in the first quarter of 2026.

Hedging
The Company has been actively hedging future production with financial and physical fixed price contracts to protect a portion of its future revenue from commodity price and foreign exchange volatility. The following table summarizes Peyto's hedge position for April-December 2026, and calendar 2027. Peyto's natural gas and liquid hedging program has secured over $715 million and $510 million of revenue for April-December 2026 and calendar 2027, respectively.

	Q2-Q4 2026	2027
Natural Gas		
Volume (MMcf/d)	514	348

Average Fixed Price ($/Mcf)	3.96	3.35
WTI Swaps		
Volume (bbls/d)	5,532	2,298
Average Fixed Price ($/bbl)	90.68	91.47
WTI Collars		
Volume (bbls/d)	634	500
Put-Call ($/bbl)	82.08-99.05	75.00-87.25
WTI Call Options		
Volume (bbls/d)	-	1,500
Call ($/bbl)	-	100.00
Propane		
Volume (bbls/d)	1,000	247
Average Fixed Price (US$/bbl)	34.23	34.23
USD FX Contracts		
Amount sold (USD 000s)	117,421	96,504
Rate (CAD/USD)	1.362	1.356

The Company's fixed price contracts combined with its diversification to the Cascade power plant and other premium market hubs in North America allow for revenue security and support Peyto's capital expenditure program, continued shareholder returns through dividends and debt reduction. Details of the Company's ongoing marketing and diversification efforts are available on Peyto's website at https://www.peyto.com/Marketing.aspx.

Netbacks

The Company's realized natural gas and NGL sales yielded a combined revenue stream of $5.14 /Mcfe before hedging gains of $0.25/Mcfe, resulting in a quarterly net sales price of $5.39/Mcfe, 10% higher than the $4.90/Mcfe realized in Q1 2025. Cash costs totaled $1.28/Mcfe in the quarter, 10% lower than $1.42/Mcfe in Q1 2025 due to decreased royalties, operating and interest costs. Operating costs totaled $0.52/Mcfe, down from $0.53/Mcfe in Q1 2025; royalties totaled $0.21/Mcfe, down from $0.25/Mcfe in Q1 2025; and interest totaled $0.20/Mcfe, down from $0.29/Mcfe in Q1 2025. The Company's cash netback (net sales price including other income, net marketing revenue, realized gain on foreign exchange, less total cash costs) was $4.22/Mcfe, resulting in a strong 77% operating margin. Historical cash costs and operating margins are shown below:

	2023				2024				2025				2026
($/Mcfe)	Q1	Q2	Q3	Q4(2)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Revenue(1)	5.10	4.07	4.32	4.83	4.97	3.92	3.99	4.34	4.95	4.34	4.35	4.70	5.50
Royalties	0.53	0.18	0.29	0.30	0.26	0.24	0.18	0.21	0.25	0.14	0.08	0.18	0.21
Op Costs	0.50	0.47	0.44	0.55	0.52	0.55	0.54	0.50	0.53	0.54	0.51	0.49	0.52
Transportation	0.24	0.29	0.29	0.26	0.30	0.30	0.31	0.27	0.29	0.31	0.30	0.30	0.29
G&A	0.03	0.05	0.04	0.06	0.06	0.06	0.03	0.05	0.06	0.06	0.06	0.05	0.06
Interest	0.22	0.22	0.28	0.40	0.36	0.36	0.38	0.33	0.29	0.26	0.26	0.21	0.20
Cash cost pre-royalty	0.99	1.03	1.05	1.27	1.24	1.27	1.26	1.15	1.17	1.17	1.13	1.05	1.07
Total Cash Costs[10]	1.52	1.21	1.34	1.57	1.50	1.51	1.44	1.36	1.42	1.31	1.21	1.23	1.28
Cash Netback[11]	3.58	2.86	2.98	3.26	3.47	2.41	2.55	2.98	3.53	3.03	3.14	3.47	4.22
Operating Margin	71%	70%	69%	67%	69%	62%	64%	69%	71%	70%	72%	74%	77%

(1) *Revenue includes other income, net marketing revenue and realized gains (losses) on foreign exchange.*
(2) *First quarter of Repsol assets included in Peyto's results*

Depletion, depreciation, and amortization charges of $1.28/Mcfe, along with provisions for current tax, deferred tax, performance-based compensation and stock-based compensation resulted in earnings of $2.15/Mcfe, for a 39% profit margin. Dividends to shareholders totaled $0.85/Mcfe.

Activity Update

Drilling activity has slowed for spring breakup with two rigs active in the Sundance area. Since the end of the first quarter, 4 gross (4 net) wells have been drilled, 7 gross (7 net) wells have been completed, and 6 gross (6 net) wells have been brought on production. Breakup operations are concentrated in Sundance, where the Company's ownership and control of infrastructure can reduce costs associated with moving equipment in the field.

Peyto will continue to develop high deliverability Falher and Wilrich targets through the remainder of breakup. Post breakup, the Company expects to operate 4 to 5 rigs for the balance of the year. In response to stronger liquids pricing, Peyto has adjusted its drilling program to increase exposure to liquid-rich opportunities, particularly in the Cardium and Falher formations, resulting in a higher proportion of liquids-weighted wells in the remaining program.

Effective April 1, 2026, Peyto entered into a new agreement with a midstream operator to process approximately 75 MMcfd of sales gas from select facilities in the Sundance area. This agreement is expected to generate approximately 1,000-1,500 barrels per day of incremental Propane, Butane, and Pentanes+ volumes. The additional volumes coincide with increases to liquids pricing and are anticipated to enhance netbacks while not increasing operating costs.

Dividend Increase

Over the past 2 ½ years, Peyto has increased production organically from ~123.0 Mboe/d upon closing the Repsol acquisition to average 147.5 Mboe/d in the first quarter, representing a 7.5% compound annual growth rate. During the same period, Peyto's net debt was reduced by $275 million from December 31, 2023, while the debt/EBITDA leverage ratio decreased from 1.7 times at December 31, 2023, to 1.0 times at March 31, 2026. Furthermore, the Company's debt maturities are well-structured, with its senior notes maturing between 2028 and 2034, and the syndicated credit facility maturing in October 2029. Based on current strip prices, management continues to forecast further debt repayment.

Looking forward, the Company's mechanistic hedging program, market diversification, industry-leading cost structure, and high reserve life index combine to secure funding for planned capital programs, debt repayments and dividends. Peyto's methodical natural gas and liquid hedging program, currently securing over $715 million of revenue for the rest of 2026 and $510 million of revenue for 2027, protects cash flows and the sustainability of the Company's dividend if natural gas price weakens moving forward.

In keeping with Peyto's strategy of returning excess free funds flow to shareholders, the strength of the Company's financial position, and the consistent results from planned capital programs, the Board of Directors of Peyto is pleased to approve a monthly dividend of $0.12/share starting in May for shareholders of record as of May 31, 2026, and paid on June 15, 2026. This new dividend represents a 9% increase over the current $0.11/share dividend.

Outlook

The recent geopolitical tensions and energy supply shocks have underscored the importance of secure, reliable and affordable energy. Peyto believes it is in the enviable position of supplying this exact type of energy to the world. The recent volatility in commodity prices makes capital programs challenging to plan. Fortunately, Peyto's low risk capital plans have been protected through market diversification, a mechanistic hedging program, and an industry-leading cost structure. The Company is on track with its 2026 capital program which will invest between $450 to $500 million to add 43,000 to 48,000 boe/d of new production by yearend. In the meantime, Peyto will manage production to limit exposure to weaker priced markets through the summer, if necessary.

Conference Call and Webcast

A conference call will be held with senior management of Peyto to answer questions with respect to the Company's Q1 2026 results on Wednesday, May 13, 2026, at 9:00 a.m. Mountain Time (MT), or 11:00 a.m.

Eastern Time (ET).

Access to the webcast can be found at: https://edge.media-server.com/mmc/p/hm6d2bwv. To participate in the call, please register for the event at: Participant Call Link. Participants will be issued a dial in number and PIN to join the conference call and ask questions. Alternatively, questions can be submitted prior to the call at info@peyto.com. The conference call will be available on the Peyto Exploration & Development website at www.peyto.com.

Annual General Meeting

Peyto's Annual General Meeting of Shareholders is scheduled for 3:00 p.m. on Thursday, May 21, 2026, at the Eau Claire Tower, +15 level, 600 - 3rd Avenue SW, Calgary, Alberta. Shareholders are encouraged to read the Information Circular and vote in advance of the proxy voting deadline of Tuesday, May 19 at 3:00 p.m. (Calgary time) and attend this in-person meeting. Leading independent proxy advisory firms have recommended Peyto shareholders ("Shareholders") vote "FOR" all the proposed resolutions. Shareholders who have questions or need assistance with voting their shares should contact Peyto's strategic advisor and proxy solicitation agent, Laurel Hill Advisory Group, by telephone at 1-877-452-7184 or by email at assistance@laurelhill.com. Shareholders who do not wish to attend are encouraged to visit the Peyto website at www.peyto.com where there is a wealth of information designed to inform and educate investors and where a copy of the AGM presentation will be posted. A monthly report from the President can also be found on the website which follows the progress of the capital program and the ensuing production growth.

Management's Discussion and Analysis

A copy of the first quarter report to shareholders, including the MD&A, unaudited consolidated financial statements and related notes, is available at http://www.peyto.com/Files/Financials/2026/Q12026FS.pdf and at http://www.peyto.com/Files/Financials/2026/Q12026MDA.pdf and will be filed at SEDAR+, www.sedarplus.com at a later date.

Jean-Paul Lachance
President & Chief Executive Officer
403-261-6081
May 12, 2026

Cautionary Statements

Forward-Looking Statements

This news release contains certain forward-looking statements or information ("forward-looking statements") as defined by applicable securities laws that involve substantial known and unknown risks and uncertainties, many of which are beyond Peyto's control. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. The use of any of the words "plan", "expect", "prospective", "project", "intend", "believe", "should", "anticipate", "estimate", or other similar words or statements that certain events "may" or "will" occur are intended to identify forward-looking statements. The projections, estimates and beliefs contained in such forward-looking statements are based on management's estimates, opinions, and assumptions at the time the statements were made, including assumptions relating to: macro-economic conditions, including public health concerns and other geopolitical risks, the condition of the global economy and, specifically, the condition of the crude oil and natural gas industry, and the ongoing significant volatility in world markets; other industry conditions; changes in laws and regulations including, without limitation, the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; increased competition; the availability of qualified operating or management personnel; fluctuations in other commodity prices, foreign exchange or interest rates; stock market volatility and fluctuations in market valuations of companies with respect to announced transactions and the final valuations thereof; results of exploration and testing activities; and the ability to obtain required approvals and extensions from regulatory authorities. Management of the Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurances 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 from them. As such, undue reliance should not be placed on forward-looking statements. Forward-looking statements contained herein include, but are not *limited to, statements regarding: management's assessment of Peyto's future plans and operations, including the 2026 capital expenditure program; production estimates; activity levels after spring-break-up; plans to increase the monthly dividend to $0.12 in May 2026; the sustainability of the Company's dividend; the effectiveness of the Company's hedging program at securing revenue; the timing of Peyto's annual general meeting; and the Company's overall strategy and focus.*

The forward-looking statements contained herein are subject to numerous known and unknown risks and uncertainties that may cause Peyto's actual financial results, performance or achievement in future periods to differ materially from those expressed in, or implied by, these forward-looking statements, including but not limited to, risks associated with: continued changes and volatility in general global economic conditions including, without limitations, the economic conditions in North America and public health concerns; continued fluctuations and volatility in commodity prices, foreign exchange or interest rates; continued stock market volatility; imprecision of reserves estimates; competition from other industry participants; failure to secure required equipment; increased competition; the lack of availability of qualified operating or management personnel; environmental risks; changes in laws and regulations including, without limitation, the adoption of new environmental and tax laws, tariffs, and regulations and changes in how they are interpreted and enforced; the results of exploration and development drilling and related activities; and the ability to access sufficient capital from internal and external sources. In addition, to the extent that any forward-looking statements presented herein constitutes future-oriented financial information or financial outlook, as defined by applicable securities legislation, such information has been approved by management of Peyto and has been presented to provide management's expectations used for budgeting and planning purposes and for providing clarity with respect to Peyto's strategic direction based on the assumptions presented herein and readers are cautioned that this information may not be appropriate for any other purpose. Readers are encouraged to review the material risks discussed in Peyto's latest annual information form under the heading "Risk Factors" and in Peyto's annual management's discussion and analysis under the heading "Risk Factors".

The Company cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. 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 Peyto will derive there from. The forward-looking statements, including any future-oriented financial information or financial outlook, contained in this news release speak only as of the date hereof and Peyto does not assume any obligation to publicly update or revise them to reflect new information, future events or circumstances or otherwise, except as may be required pursuant to applicable securities laws.

Information Regarding Disclosure on Oil and Gas Reserves

Some values set forth in the tables above may not add due to rounding. It should not be assumed that the estimates of future net revenues presented in the tables above represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained, and variances could be material. The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.

Barrels of Oil Equivalent

To provide a single unit of production for analytical purposes, natural gas production and reserves volumes are converted mathematically to equivalent barrels of oil (BOE). Peyto uses the industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 bbl). The 6:1 BOE ratio is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on current prices. While the BOE ratio is useful for comparative measures and observing trends, it does not accurately reflect individual product values and might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.

Thousand Cubic Feet Equivalent (Mcfe)

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). Natural gas liquids and oil volumes in barrel of oil (bbl) are converted to thousand cubic feet equivalent (Mcfe) using a ratio of one (1) barrel of oil to six (6) thousand cubic feet. This could be misleading, particularly if used in isolation as it is based on an energy equivalency conversion method primarily applied at the burner tip and does not represent a value equivalency at the wellhead.

Non-GAAP and Other Financial Measures

Throughout this press release, 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 net income (loss), cash flow from operating activities, and cash flow used in investing activities, as indicators of Peyto's performance.

Non-GAAP Financial Measures

Funds from Operations
"Funds from operations" is a non-GAAP measure which represents cash flows from operating activities before changes in non-cash operating working capital, decommissioning expenditure, provision for performance-based compensation and transaction costs. Management considers funds from operations and per share calculations of funds from operations to be key measures as they demonstrate the Company's ability to generate the cash necessary to pay dividends, repay debt and make capital investments. Management believes that by excluding the temporary impact of changes in non-cash operating working capital, funds from operations provides a useful measure of Peyto's ability to generate cash that is not subject to short-term movements in operating working capital. The most directly comparable GAAP measure is cash flows from operating activities.

	Three Months Ended March 31	
($000)	2026	2025
Cash flows from operating activities	273,369	219,233
Change in non-cash working capital	13,764	730
Decommissioning expenditures	2,865	2,872
Performance-based compensation	3,000	2,500
Funds from operations	292,998	225,335

Free Funds Flow

Peyto uses "free funds flow" as an indicator of the efficiency and liquidity of Peyto's business, measuring its funds after capital investment available to manage debt levels, pay dividends, and return capital to shareholders through activities such as share repurchases. Peyto calculates free funds flow as cash flows from operating activities before changes in non-cash operating working capital, provision for performance-based compensation, and transaction costs, less total capital expenditures, allowing Management to monitor its free funds flow to inform its capital allocation decisions. The most directly comparable GAAP measure to free funds flow is cash from operating activities. The following table details the calculation of free funds flow and the reconciliation from cash flow from operating activities to free funds flow.

	Three Months Ended March 31	
($000)	2026	2025
Cash flows from operating activities	273,369	219,233
Change in non-cash working capital	13,764	730
Performance-based compensation	3,000	2,500
Total capital expenditures	(150,449)	(102,129)
Free funds flow	139,684	120,334

Total Capital Expenditures
Peyto uses the term "total capital expenditures" as a measure of capital investment in exploration and production activity, as well as property acquisitions and divestitures, and such spending is compared to the Company's annual budgeted capital expenditures. The most directly comparable GAAP measure for total capital expenditures is cash flow used in investing activities. The following table details the calculation of cash flow used in investing activities to total capital expenditures.

	Three Months Ended March 31	
($000)	*2026*	*2025*
Cash flows used in investing activities	*131,953*	*103,321*
Change in prepaid capital	*(2,032)*	*(431)*
Change in non-cash working capital relating to investing activities	*20,528*	*(761)*
Total capital expenditures	*150,449*	*102,129*

Net Debt
"Net debt" is a non-GAAP financial measure that is the sum of long-term debt and working capital excluding the current financial derivative instruments, current portion of lease obligations and current portion of decommissioning provision. It is used by management to analyze the financial position and leverage of the Company. Net debt is reconciled to long-term debt which is the most directly comparable GAAP measure.

($000)	*March 31, 2026*	*December 31, 2025*	*September 30, 2025*	*June 30, 2025*	*March 31, 2025*
Long-term debt	*1,085,719*	*1,074,273*	*1,083,061*	*1,125,056*	*1,171,497*
Current assets	*(359,804)*	*(360,297)*	*(345,655)*	*(353,583)*	*(269,336)*
Current liabilities	*262,057*	*365,910*	*377,977*	*349,667*	*361,267*
Financial derivative instruments - current	*114,216*	*111,682*	*117,193*	*130,929*	*29,913*
Current portion of lease obligation	*(1,007)*	*(991)*	*(977)*	*(963)*	*(950)*
Decommissioning provision - current	*(12,818)*	*(13,000)*	*(9,150)*	*(8,123)*	*(9,500)*
Net debt	*1,088,363*	*1,177,577*	*1,222,449*	*1,242,983*	*1,282,891*

Net marketing revenue
Peyto uses the term "net marketing revenue" to evaluate the profitability of products purchased from third parties that are resold. Net marketing revenue is calculated as marketing revenue less marketing purchases.

	Three Months Ended March 31	
($000)	*2026*	*2025*
Marketing revenue	*4,730*	*8,342*
Marketing purchases	*(4,035)*	*(7,283)*
Net marketing revenue	*695*	*1,059*

Non-GAAP Financial Ratios

Funds from Operations per Share
Peyto presents funds from operations per share by dividing funds from operations by the Company's diluted or basic weighted average common shares outstanding. "Funds from operations" is a non-GAAP financial measure. Management believes that funds from operations per share provides investors an indicator of funds generated from the business that could be allocated to each shareholder's equity position.

Netback per MCFE and BOE
"Netback" is a non-GAAP measure that represents the profit margin associated with the production and sale of petroleum and natural gas. Peyto computes "field netback per Mcfe" as commodity sales from production, plus net marketing revenue, if any, plus other income, less royalties, operating, and transportation expenses, divided by production. "Cash netback" is calculated as "field netback" less interest, less general and administration expense and plus or minus realized gain on foreign exchange, divided by production.
"After-tax cash netback" is calculated as "cash netback" less current tax, divided by production. Netbacks are per-unit-of-production measures used to assess Peyto's performance and efficiency.

	Three Months Ended March 31	
($/Mcfe)	2026	2025
Gross sale price	5.14	4.20
Realized hedging gain	0.25	0.70
Net sale price	5.39	4.90
Net marketing revenue	0.01	0.02
Other income	0.11	0.03
Royalties	(0.21)	(0.25)
Operating costs	(0.52)	(0.53)
Transportation	(0.29)	(0.29)
Field netback	4.49	3.88
G&A	(0.06)	(0.06)
Interest and financing	(0.20)	(0.29)
Realized gain (loss) on foreign exchange	(0.01)	-
Cash netback ($/Mcfe)	4.22	3.53
Current tax ($/Mcfe)	(0.54)	(0.41)
After-tax cash netback ($/Mcfe)	3.68	3.12
After-tax cash netback ($/boe)	22.07	18.69

Net marketing revenue per Mcfe
"Net marketing revenue per Mcfe" is comprised of marketing revenue less marketing purchases, as determined in accordance with IFRS, divided by the Company's total production.

Total Payout Ratio

"Total payout ratio" is a non-GAAP measure which is calculated as the sum of dividends declared plus total capital expenditures plus decommissioning expenditures, divided by funds from operations. This ratio represents the percentage of the capital expenditures and dividends that is funded by cashflow. Management uses this measure, among others, to assess the sustainability of Peyto's dividend and capital program.

	Three Months Ended March 31	
($000, except total payout ratio)	2026	2025
Total dividends declared	67,576	65,676
Total capital expenditures	150,449	102,129
Decommissioning expenditures	2,865	2,872
Total payout	220,890	170,677
Funds from operations	292,998	225,335
Total payout ratio (%)	75%	76%

Operating Margin
Operating Margin is a non-GAAP financial ratio defined as funds from operations, before current tax, divided by revenue before royalties but including realized hedging gains/losses, other income and net marketing revenue.

Profit Margin
Profit Margin is a non-GAAP financial ratio defined as net earnings divided by revenue before royalties but including realized hedging gains/losses, other income and net marketing revenue.

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.

Return on Equity (ROE)
Peyto calculates ROE, expressed as a percentage, as trailing 12-month earnings divided by period-end shareholders' equity. Peyto uses ROE as a measure of long- term financial performance, to measure how effectively Management utilizes the capital it has been provided by shareholders and to demonstrate to shareholders the returns generated over the long term.

Return on Capital Employed (ROCE)
Peyto calculates ROCE, expressed as a percentage, as adjusted earnings before interest and taxes ("Adjusted EBIT") on a trailing 12-month basis, divided by average capital employed over a trailing 12-month basis. Average capital employed is calculated as the average of shareholders' equity plus average net debt, over the past four quarters. In reporting ROCE for prior periods, capital employed was defined as shareholders' equity plus long-term liabilities at period end. The Company has changed the definition of capital employed to better align liabilities with interest-bearing debt. Peyto uses ROCE as a measure of long-term financial performance to measure how effectively Management utilizes the capital (debt and equity) it has been provided and to demonstrate to shareholders the returns generated over the long term. ROCE and the components of Adjusted EBIT and average capital employed are detailed in the following tables.

Adjusted EBIT

($000)	Q1 2026	Q4 2025	Q3 2025	Q2 2025
Earnings	71,089	125,901	90,736	87,832
Total income taxes	52,295	26,781	28,365	26,933
Unrealized (gain) loss on foreign exchange	932	(860)	1,112	(2,932)
Finance cost	19,076	20,307	21,783	22,372
Adjusted EBIT	143,392	172,129	141,996	134,205
Adjusted EBIT (sum of trailing four quarters)	591,721			

Average capital employed

($000)	March 31, 2026	December 31, 2025	September 30, 2025	June 30, 2025
Shareholders' equity	2,985,070	2,851,734	2,767,560	2,732,009
Net debt	1,088,363	1,177,577	1,222,449	1,242,983
Capital Employed	4,073,433	4,029,311	3,990,009	3,974,992
Average capital employed (average of trailing four quarters)	4,016,936			
ROCE (Adjusted EBIT/ Average capital employed)	15%			

[1] *This press release contains certain non-GAAP and other financial measures to analyze financial performance, financial position, and cash flow including, but not limited to "operating margin", "profit margin", "return on capital", "return on equity", "netback", "funds from operations", "free funds flow", "total cash costs", and "net debt". These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS® Accounting Standards 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 earnings, cash flow from operating activities, and cash flow used in investing activities, as indicators of Peyto's performance. See "Non-GAAP and Other Financial Measures" included at the end of this press release and in Peyto's most recently filed MD&A for an explanation of these financial measures and reconciliation to the most directly comparable financial measure under IFRS.*
[2] *Funds from operations is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q1 2026 MD&A.*
[3] *Free funds flow is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q1 2026 MD&A.*
[4] *Cash costs is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release.*
[5] *Net debt is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q1 2026 MD&A.*
[6] *Operating Margin is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release.*
[7] *Profit Margin is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news*

release.
[8] *Return on capital employed and return on equity are non-GAAP financial ratios. See "non-GAAP and Other Financial Measures" in this news release and in the Q1 2026 MD&A.*
[9] *Cash costs is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release.*
[10] *Total Cash costs is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release.*
[11] *Cash netback is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release and in the Q1 2026 MD&A.*