NEWS RELEASE

MAY 10, 2023 **SYMBOL: PEY – TSX**

PEYTO REPORTS STRONG Q1 2023 CASH FLOW DESPITE LOWER GAS PRICES

CALGARY, ALBERTA – Peyto Exploration & Development Corp. ("Peyto" or the "Company") is pleased to report operating and financial results for the first quarter of 2023. A 71% operating margin[1,2], combined with a 32% profit margin[3] in the quarter delivered a return on capital employed ("ROCE"[4]) of 14% and return on equity ("ROE"[4]) of 17%, on a trailing 12-month basis. Additional highlights included:

- **Strong Funds from Operations[5] of $1.02/diluted share –** Generated $180 million in funds from operations ("FFO") in Q1 2023, despite lower realized commodity prices, and current income tax of $19 million ($nil in Q1 2022).
- **Free Funds Flow[6] of $58 million** – Free funds flow totaled $58 million in Q1 2023, down from $60 million in Q1 2022 due to lower realized commodity prices and current income tax, partially offset by lower total capital expenditures.
- **Total Cash Costs[7] of $1.52/Mcfe (or $0.99/Mcfe before royalties)** – Quarterly cash costs of $0.99/Mcfe, before royalties of $0.53/Mcfe, were 6% higher than Q1 2022 due to inflationary pressures on costs. Q1 operating costs of $0.50/Mcfe, transportation of $0.24/Mcfe, G&A of $0.03/Mcfe and interest expense of $0.22/Mcfe resulted in a 71% operating margin. Peyto continues to have the lowest cash costs in the Canadian natural gas industry.
- **Total Capital Expenditures[8] of $122 million** – A total of 19 gross wells (17.6 net) were drilled in the first quarter, 14 gross wells (13.2 net) were completed, and 14 gross wells (13.3 net) were brought on production. Facilities and pipeline projects totaled $32 million in the quarter and included $13 million for the construction of the 23 km large diameter pipeline that directly connects Peyto's Swanson gas plant to the Cascade power plant.
- **Net debt[9] down 18% –** Net debt was reduced by $186 million from Q1 2022 to $878 million. Interest costs increased 5% from $0.21/Mcfe in Q1 2022 to $0.22/Mcfe in Q1 2023, while the average Bank of Canada rate increased from 0.33% in Q1 2022 to 4.33% in Q1 2023. Net debt has now fallen for 10 consecutive quarters.
- **Earnings of $0.51/share, Dividends of $0.33/share ($0.11/month)** – Earnings of $90 million were generated in the quarter while dividends of $58 million were paid to shareholders.
- **Strong Track Record of Shareholder Returns** – Over the past 10 quarters, Peyto has increased production from 78,200 boe/d to 102,900 boe/d, returned $183.5 million of dividends to shareholders, while reducing net debt by $300 million.

First Quarter 2023 in Review

Peyto was active with four drilling rigs operating in the first quarter, as well as pipeline and infrastructure projects including well optimization programs and the construction of a 23 km pipeline that directly connects Peyto's Swanson gas plant to the Cascade power plant. Production volumes were 1% higher in the quarter compared to Q1 2022, however, FFO decreased to $179 million from $204 million in Q1 2022, due to a decline in realized commodity prices and a current tax provision in the quarter of $19 million ($nil in Q1 2022). Natural gas prices were particularly volatile in the quarter with many benchmarks decreasing sharply from the Q1 2022 averages. The average daily Henry Hub price was down 42% and the average daily AECO price was down 32% in the quarter compared to the first quarter of 2022. The average daily Malin price, however, was 235% higher as a result of supply shortages in California. So, while Peyto benefited from NYMEX hedging gains, the Company's Malin hedges resulted in hedging losses. Going forward, Peyto has 40,000 MMBtu/d of unhedged exposure to Malin prices which are expected to remain volatile. Operating costs increased to $0.50/Mcfe in the quarter from $0.41/Mcfe in Q1 2022 due to increased plant and well maintenance, and inflationary pressures on insurance, power, trucking, fuels, and lubricants. The first quarter of each year typically represents the high-water mark for operating costs due to increased expenses in cold weather conditions, and operating costs are expected to taper down through 2023. Despite the significant and rapid drop in natural gas prices in the first quarter, Peyto's profit margin of 32% remained strong and drove quarterly earnings of $90 million, allowing the Company to declare $58 million in dividends to shareholders.

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[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 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] *Operating Margin is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release.*

[3] *Profit Margin is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release.*

[4] *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 2023 MD&A.*

[5] *Funds from operations is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q1 2023 MD&A.*

[6] *Free funds flow is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q1 2023 MD&A.*

[7] *Total 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. See "non-GAAP and Other Financial Measures" in this news release.*

[8] *Total capital expenditures a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q1 2023 MD&A.*

[9] *Net debt is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q1 2023 MD&A.*

	Three Months Ended Mar 31		%
	2023	2022	Change
Operations			
Production			
Natural gas (Mcf/d)	**544,278**	535,660	*2%*
NGLs (bbl/d)	**12,205**	12,273	*-1%*
Thousand cubic feet equivalent (Mcfe/d @ 1:6)	**617,509**	609,295	*1%*
Barrels of oil equivalent (boe/d @ 6:1)	**102,918**	101,549	*1%*
Production per million common shares (boe/d)	**589**	601	*-2%*
Product prices (after hedging)			
Natural gas ($/Mcf)	**3.91**	4.08	*-4%*
NGLs ($/bbl)	**79.03**	81.66	*-3%*
Operating expenses ($/Mcfe)	**0.50**	0.41	*22%*
Transportation ($/Mcfe)	**0.24**	0.28	*-14%*
Field netback(1) ($/Mcfe)	**3.82**	3.96	*-4%*
General & administrative expenses ($/Mcfe)	**0.03**	0.03	-
Interest expense ($/Mcfe)	**0.22**	0.21	*5%*
Financial ($000, except per share)			
Revenue and realized hedging losses (2)	**278,332**	286,894	*-3%*
Funds from operations(1)	**179,817**	203,492	*-12%*
Funds from operations per share - basic(1)	**1.03**	1.20	*-14%*
Funds from operations per share - diluted(1)	**1.02**	1.17	*-13%*
Total dividends declared	**57,677**	25,358	*127%*
Total dividends declared per share	**0.33**	0.15	*120%*
Earnings	**89,937**	97,816	*-8%*
Earnings per share – basic	**0.51**	0.58	*-12%*
Earnings per share – diluted	**0.51**	0.56	*-9%*
Total capital expenditures(1)	**121,802**	143,331	*-15%*
Corporate acquisition	**-**	22,220	*-100%*
Total payout ratio(1)	**100%**	83%	*20%*
Weighted average common shares outstanding - basic	**174,778,048**	169,058,178	*3%*
Weighted average common shares outstanding - diluted	**176,570,311**	173,320,559	*2%*
Net debt(1)	**877,827**	1,064,086	*-18%*
Shareholders' equity	**2,305,076**	1,633,557	*41%*
Total assets	**4,119,135**	3,852,410	*7%*

(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 2023 MD&A

(2) Excludes revenue from sale of third-party volumes

Exploration & Development

The bulk of first quarter 2023 activity was spread out amongst the existing core areas of Greater Sundance and Greater Brazeau. Additionally, three wells were drilled in the Minehead/Whitehorse region as part of a delineation and farm-in program to earn certain offsetting lands. Target formations were also widespread, as summarized in the following table.

	Zone						
Area	Cardium	Dunvegan	Notikewin	Falher	Wilrich	Bluesky	**Total**
Greater Sundance Area	-	-	2	5	-	-	**7**
Greater Brazeau Area	1	-	5	-	3	-	**9**
Minehead/Whitehorse	-	-	-	-	3	-	**3**
Total	**1**	**-**	**7**	**5**	**6**	**-**	**19**

Average measured depth drilled increased 11% in the quarter compared to fourth quarter of 2022 as Peyto drilled the longest average wells in the Company's history. The pursuit of extended reach horizontal ("ERH") wells resulted in lower costs per meter drilled as compared to the previous quarter. Although inflationary pressures have eased on drilling operations, completion costs per meter and per stage were up 5% and 13%, respectively, due to service rate increases as compared to the previous quarter.

	2015	2016	2017	2018	2019	2020	2021	2022	2022 Q1	2022 Q2	2022 Q3	2022 Q4	**2023 Q1**
Gross Hz Spuds	140	126	135	70	61	64	95	95	29	23	23	20	**19**
Measured Depth (m)	4,309	4,197	4,229	4,020	3,848	4,247	4,453	4,611	4,291	4,571	4,994	4692	**5,198**
Drilling ($MM/well)	$2.16	$1.82	$1.90	$1.71	$1.62	$1.68	$1.89	$2.56	$2.13	$2.56	$2.90	$2.80	**$3.05**
$ per meter	$501	$433	$450	$425	$420	$396	$424	$555	$496	$560	$580	$596	**$587**
Completion ($MM/well)	$1.21	$0.86	$1.00	$1.13	$1.01*	$0.94	$1.00	$1.35	$1.22	$1.16	$1.49	1.58	**$1.73**
Hz Length (m)	1,531	1,460	1,241	1,348	1,484	1,682	1,612	1,661	1,529	1,602	1,654	1870	**1,947**
$ per Hz Length (m)	$792	$587	$803	$751	$679	$560	$620	$813	$801	$727	$902	$845	**$888**
$ '000 per Stage	$115	$79	$81	$51	$38	$36	$37	$47	$44	$40	$51	$52	**$59**

**Peyto's Montney well is excluded from drilling and completion cost comparison.*

Capital Expenditures

During the first quarter of 2023, Peyto drilled 19 gross (17.6 net) wells, completed 14 gross (13.2 net) wells, and brought 14 gross (13.3 net) wells on production for drilling, completions, equipping and tie-in capital of $89 million. Facilities and major pipeline projects included $12.9 million for the construction of the 23 km large diameter pipeline that directly connects the Company's Swanson gas plant to the Cascade power plant near the town of Edson, Alberta, and $18.8 million for other infrastructure projects, including debottlenecking pipeline projects in the Sundance and Brazeau areas. Land and seismic investments totaled $1.3 million in the quarter.

Commodity Prices

Peyto's natural gas was sold in Q1 2023 at various hubs including AECO, Empress, Malin, Dawn, Ventura, Emerson 2 and Henry Hub using both physical fixed price and basis transactions to access those locations (diversification activities). Natural gas prices were left to float on daily or monthly pricing or locked in using fixed price financial and physical swaps at those hubs. In Q1 2023, net of diversification activities of $0.62/Mcf, Peyto realized a natural gas price of $5.35/Mcf before natural gas hedging losses reduced this price to $3.91/Mcf. Peyto's natural gas hedging activity resulted in a realized loss of $1.44/Mcf, due mainly to high Malin prices in the quarter, averaging US$18.98/MMBtu, partially offset by realized gains on NYMEX hedges. Peyto's Malin hedges ended on March 31, 2023 and the Company has floating price exposure on its Malin contract through to October 31, 2024 as noted below in the "Marketing Update" section of this news release.

Condensate and pentanes volumes were sold in Q1 2023 for an average price of $103.06/bbl, which is down 18% from $125.81/bbl in Q1 2022 and Peyto realized a marginal premium over the Q1 2023 Canadian WTI oil price of $102.90/bbl. Butane and propane volumes were sold in combination at an average price of $39.20/bbl, or 38% of light oil price, down 26% from $52.68/bbl in Q1 2022, due to increased NGL supplies. NGL hedging gains increased the combined realized NGL price of $76.15/bbl by $2.88/bbl to $79.03 in Q1 2023.

Peyto's realized prices for the three months ended March 31, 2023 and 2022 and are shown in the following table.

Peyto Realized Commodity Prices	**Three Months Ended March 31**	
	2023	2022
Natural gas ($/Mcf)	**5.97**	5.52
Diversification activities ($/Mcf)	**(0.62)**	(0.66)
Realized natural gas price – before hedging ($/Mcf)	**5.35**	4.86
Gas hedging loss ($/Mcf)	**(1.44)**	(0.78)
Realized natural gas price – after hedging and diversification ($/Mcf)	**3.91**	4.08
Condensate and Pentanes Plus(1) ($/bbl)	**103.06**	125.81
Other Natural gas liquids(1) ($/bbl)	**39.20**	52.68
NGL price – before hedging ($/bbl)	**76.15**	95.90
NGL hedging gain (loss) ($/bbl)	**2.88**	(14.24)
Realized NGL price – after hedging ($/bbl)	**79.03**	81.66

Peyto gas has an average heating value of approx. 1.15GJ/Mcf.
[1]*Liquids prices are Peyto realized prices in Canadian dollars adjusted for fractionation, transportation, and market differentials.*

Financial Results

The Company's realized price for natural gas in Q1 2023 was $5.97/Mcf, prior to $0.62/Mcf of market diversification activities and a $1.44/Mcf hedging loss, while its realized liquids price was $76.15/bbl, before a $2.88/bbl hedging gain, which yielded a combined revenue stream of $5.10/Mcfe (including $0.09/Mcfe of other income). This net sales price was 3% lower than the $5.25/Mcfe realized in Q1 2022. Total cash costs of $1.52/Mcfe were consistent with the $1.53/Mcfe in Q1 2022 as increased operating costs were offset by royalties. Peyto's cash netback (net sales price plus other income plus realized gain on foreign exchange less total cash costs), was $3.58/Mcfe driving a 71% operating margin. Historical cash costs and operating margins are shown in the following table:

	2020				**2021**				**2022**				**2023**
($/Mcfe)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Revenue (1)	2.30	1.73	2.15	2.71	3.70	2.92	3.33	4.42	5.25	5.48	5.01	5.74	**5.10**
Royalties	0.12	0.06	0.14	0.18	0.29	0.26	0.36	0.53	0.60	0.95	0.70	0.72	**0.53**
Op Costs	0.39	0.36	0.32	0.31	0.36	0.35	0.35	0.32	0.41	0.39	0.38	0.41	**0.50**
Transportation	0.19	0.17	0.16	0.15	0.17	0.22	0.23	0.23	0.28	0.27	0.26	0.22	**0.24**
G&A	0.04	0.04	0.04	0.04	0.04	0.05	0.02	0.02	0.03	0.02	0.02	0.02	**0.03**
Interest	0.29	0.33	0.35	0.38	0.38	0.33	0.26	0.22	0.21	0.20	0.21	0.21	**0.22**
Cash cost pre-royalty	0.91	0.90	0.87	0.88	0.95	0.95	0.86	0.79	0.93	0.88	0.87	0.86	**0.99**
Total Cash Costs	1.03	0.96	1.01	1.06	1.24	1.21	1.22	1.32	1.53	1.83	1.57	1.58	**1.52**
Netback	1.27	0.77	1.14	1.65	2.46	1.71	2.11	3.10	3.72	3.65	3.44	4.16	**3.58**
Operating Margin	55%	45%	53%	61%	67%	59%	63%	70%	71%	67%	69%	72%	**71%**

(1) Revenue includes other income, net third party sales and realized gains on foreign exchange.

Depletion, depreciation, and amortization charges of $1.39/Mcfe, along with provisions for current tax, deferred tax and stock-based compensation payments resulted in earnings of $1.62/Mcfe, or a 32% profit margin. Dividends to shareholders totaled $1.04/Mcfe.

Marketing Update

Hedging

In general, Peyto's commodity risk management program is designed to smooth out the short-term fluctuations in the price of natural gas and natural gas liquids through future sales. This smoothing gives greater predictability of cashflows for the purposes of capital planning and dividend payments. The future sales are meant to be methodical and consistent to avoid speculation. In general, this approach will show hedging losses when short term prices climb and hedging gains when short term prices fall.

Peyto currently has 317,977 Mcf/d fixed with financial hedges for April 1, 2023 to December 31, 2023 at $4.49/Mcf. The Company's current financial commodity hedges and foreign exchange forward contracts are summarized below:

Natural gas[(1)]	Units	Q2 2023	Q3 2023	Q4 2023	2024	2025
AECO (7A & 5A)	GJ/d	247,500	247,500	134,783	82,288	63,534
NYMEX	MMBtu/d	130,000	130,000	183,043	119,454	-
Total volume[(2)]	Mcf/d	334,487	334,487	285,137	181,148	55,247
Average Price[(3)]	$/Mcf	4.19	4.19	5.20	5.33	4.47

(1) Includes financial hedges only. Fixed-price physical and basis contracts are excluded. See the "Marketing" section in Peyto's Q1 2023 MD&A for additional information on hedge contracts and prices.
(2) 1MMBtu = 1.0551GJ and Peyto's gas has an average heating value of approx. 1.15GJ/Mcf.
(3) Average price is calculated using a weighted average of notional volumes and prices, converted to $/Mcf. USD contracts are converted at 1.335 CAD/USD FX rate.

NGLs	Units	Q2 2023	Q3 2023	Q4 2023	2024	2025
WTI CAD						
Fixed price swaps	Bbl/d	3,700	2,700	1,500	199	-
Average Price	$/Bbl	108.47	105.46	103.37	100.74	-
WTI CAD						
Collars	Bbl/d	-	500	500	124	-
Put	$/Bbl	-	95.00	90.00	90.00	-
Call	$/Bbl	-	115.25	116.25	110.20	-

Foreign Exchange Forwards	Units	Q2 2023	Q3 2023	Q4 2023	H1 2024	H2 2024
Amount	USD	$30 million	$30 million	$30 million	$60 million	-
Exchange Rate	CAD/USD	1.3601	1.3601	1.3601	1.350	-

Diversification

The Company's natural gas sales are diversified with exposure to hubs other than AECO, including Henry Hub, Ventura, Emerson 2, Empress, Malin, Dawn and Chicago. On April 1, 2023, Peyto's firm delivery service to the Empress hub increased by 150,000 GJ per day upon completion of the NGTL 2021 expansion program. Empress service provides Peyto access to the TC Energy Canadian Mainline and the option to sell gas outside of the AECO market. As a result, Peyto has no exposure to AECO prices for the rest of 2023 and, accounting for projected volume growth, limited exposure in 2024. Peyto anticipates that AECO prices will remain weak due to elevated gas supply in western Canada coupled with substantial NGTL system maintenance planned during summer.

Peyto's construction of the 23 km Cascade pipeline is now finished with just connection work remaining at both ends of the line. The Cascade power plant is a highly efficient 900-megawatt combined cycle power plant and is expected to start operations in late 2023. Peyto will supply 60,000 GJ/d (approximately 10% of current gas production) under a 15-year gas supply agreement to this plant.

Details of Peyto's ongoing marketing and diversification efforts are available on Peyto's website at:
https://www.peyto.com/Files/Operations/Marketing/Marketing_May_2023.pdf

Activity Update

Since the end of the quarter Peyto has reduced activity to three rigs as part of the current breakup plan. Activity will remain focused in the Chambers area of Brazeau as well as Greater Sundance where road and lease conditions are suitable, and a high level of operational efficiency can be maintained. Since the end of the quarter, 5 gross (4.4 net) wells have been drilled, 8 gross (7.4 net) wells have been brought on production, and 7 gross (6.7 net) wells are waiting on completion and/or tie-in. Peyto's efforts to maximize value by extending lateral length has continued through the first part of the year with average lateral lengths approaching 2,000 meters. Results from these wells continue to meet or exceed expectations, particularly in the underdeveloped Falher channels that Peyto has been targeting recently. Development continues for the assets acquired in 2022 in Brazeau with Peyto drilling 8 gross (8 net) wells since acquiring these lands and growing production from 500 to 6,000 boe/d. This activity, in conjunction with the sales line and gathering line modifications made at the Aurora plant earlier this year, has allowed for maximum utilization of the Aurora facility. The remainder of this year's drilling program focuses on a species mix that generates the best overall returns, however, this program will remain flexible and could pivot toward a higher liquids rich content, such as the Cardium, where the Company could deploy the ERH design to improve efficiencies. Peyto's projections of returns continue to be strong, with a forecasted full-cycle internal rate of return of approximately 40% for 2023 based on current strip pricing, year-to-date results, and current drilling plans for the remainder of the year.

Peyto recently installed and commissioned its first waste heat recovery ("WHR") system at Chambers which will reduce fuel usage and emissions. The project is currently in the evaluation phase but economic success of the WHR system in Chambers will drive additional application across Peyto's vast plant processing capacity, further reducing Peyto's fuel usage and emissions.

Alberta Wildfires

Peyto has been fortunate that although many of the wildfires have been proximal, they have not directly impacted the Company's major infrastructure. However, on May 5th, Peyto shut down two gas plants in the Brazeau area as a precautionary measure. The Company was able to mitigate the temporary production losses by redirecting some volumes to other plants through Peyto's integrated gathering system. Peyto also adjusted refrigeration processes to minimize liquid production while third party trucking and pipeline services were suspended. Start-up of the Brazeau plant has already begun, however, sustained production will depend on continued access into the area and the ability to truck and transfer out liquids. At this time, the Company believes the production impact for the second quarter will be a reduction between 1,000 to 2,000 boe/d, however, the situation continues to be dynamic.

Peyto's drilling and completion operations have continued throughout most of this period, however, they will remain flexible providing access into areas, oilfield services, and safe work conditions remain. The Peyto team remains ready to respond to changing conditions to keep the Company's personnel and equipment safe.

Outlook

The long-term outlook for natural gas remains positive with increasing demand in North America and around the world. Future build out of LNG export projects in Canada and the US should play a major role in supplying clean, reliable natural gas to many nations currently limited to dirtier fuels. Peyto's low cost, long reserve life, low emission assets are well-positioned in the Deep Basin and the Company can react quickly to increasing market demand. Peyto's strategic diversification to gas markets across North America provides excellent exposure to premium seasonal markets such as Malin in California and Ventura in Chicago while reducing the risk of selling into potential dislocated markets like AECO.

The Company's capital plan to spend $425-$475 million in 2023 is specifically designed to be flexible in the back half of the year to adjust to changing commodity prices and economic conditions. In the meantime, Peyto will target the lower range of the capital guidance while the Company's systematic hedging and market diversification programs help secure revenues for future dividends and continued strengthening of the balance sheet.

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 2023 results on Thursday, May 11, 2023, 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/gco3uorv**.To participate in the call, please register for the event at: **https://register.vevent.com/register/BId0d75796da4a4f139ddf7bc23372835a.** 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 archived 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 Wednesday, May 17, 2023, at the Eau Claire Tower, +15 level, 600 – 3rd Avenue SW, Calgary, Alberta. 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.

Management's Discussion and Analysis and Financial Statements

A copy of the first quarter report to shareholders, including the MD&A, unaudited consolidated financial statements and related notes, is available at https://www.peyto.com/Files/Financials/2023/Q12023FS.pdf and at https://www.peyto.com/Files/Financials/2023/Q12023MDA.pdf and will be filed at SEDAR, www.sedar.com at a later date.

Jean-Paul Lachance
President & Chief Executive Officer
May 10, 2023

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; expectation that Malin prices will remain volatile; expectation that operating costs will taper down through 2023; the 2023 capital expenditure program; project economics including internal rate of return; the commencement date of the Cascade Power Plant; success of the WHR system resulting in additional applications across Peyto's plant processing capacity, further reducing Peyto's fuel usage and emissions; expectations regarding future drilling plans and inventory; expectations that the Alberta wildfire production impact for the second quarter will be a reduction between 1,000 to 2,000 boe/d; 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 (including the impact of the COVID-19 pandemic); 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 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 annual information form for the year ended December 31, 2022 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.

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.

Drilling Locations

This news release discloses drilling locations or targets with respect to the Company's assets, all of which are unbooked locations. Unbooked locations are internal estimates based on the Company's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production, and reserves information. There is no certainty that the Company will drill any unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources, or production. The drilling locations on which the Company actually drill wells will ultimately depend upon the availability of capital, receipt of 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 may have been derisked by drilling existing wells in relatively close proximity to such unbooked drilling locations, management has less certainty 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, resources or production.

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 and provision for future performance-based compensation. 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.

($000)	Three Months Ended March 31	
	2023	*2022*
Cash flows from operating activities	***183,606***	*185,790*
Change in non-cash working capital	***(3,789)***	*17,702*
Decommissioning expenditures	**-**	-
Performance based compensation	**-**	-
Funds from operations	***179,817***	*203,492*

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 funds from operations generated during the period less additions to property, plant and equipment, included in cash flow from investing activities in the statement of cash flows. By removing the impact of current period additions to property, plant and equipment from funds from operations, Management monitors 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.

($000)	Three Months Ended March 31	
	2023	*2022*
Cash flows from operating activities	***183,606***	*185,790*
Change in non-cash working capital	***(3,789)***	*17,702*
Decommissioning expenditures	**-**	-
Performance based compensation	**-**	-
Funds from operations	***179,817***	*203,492*
Total capital expenditures	***(121,802)***	*(143,331)*
Free funds flow	***58,015***	*60,161*

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.

($000)	*Three Months Ended March 31* **2023**	*2022*
Cash flows used in investing activities	***126,250***	*142,076*
Change in prepaid capital	***(163)***	*16,773*
Corporate acquisitions	***-***	*(22,220)*
Change in non-cash working capital relating to investing activities	***(4,285)***	*6,702*
Total capital expenditures	***121,802***	*143,331*

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 and 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)	*As at March 31, 2023*	*As at December 31, 2022*	*As at March 31, 2022*
Long-term debt	***734,132***	*759,176*	*1,039,984*
Current assets	***(270,430)***	*(218,550)*	*(172,058)*
Current liabilities	***283,023***	*471,858*	*492,187*
Financial derivative instruments	***133,899***	*(126,081)*	*(294,794)*
Current portion of lease obligation	***(1,276)***	*(1,266)*	*(1,233)*
Decommissioning provision - current	***(1,521)***	*-*	*-*
Net debt	***877,827***	*885,137*	*1,064,086*

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 third party sales, if any, plus other income, less royalties, operating, and transportation expense divided by production. "Cash netback" is calculated as "field netback" less interest, less general and administration expense and plus or minus realized gain (loss) on foreign exchange, divided by production. Netbacks are per unit of production measures used to assess Peyto's performance and efficiency. The primary factors that produce Peyto's strong netbacks and high margins are a low-cost structure and the high heat content of its natural gas that results in higher commodity prices.

($/Mcfe)	*Three Months Ended March 31* **2023**	*2022*
Gross Sale Price	***6.22***	*6.22*
Realized hedging loss	***(1.21)***	*(0.97)*
Net Sale Price	***5.01***	*5.25*
Net third party sales	***-***	*-*
Other income	***0.08***	*-*
Royalties	***(0.53)***	*(0.60)*
Operating costs	***(0.50)***	*(0.41)*
Transportation	***(0.24)***	*(0.28)*
Field netback(1)	***3.82***	*3.96*
Net general and administrative	***(0.03)***	*(0.03)*
Interest on long-term debt	***(0.22)***	*(0.21)*
Realized gain on foreign exchange	***0.01***	*-*
Cash netback(1) ($/Mcfe)	***3.58***	*3.72*
Cash netback(1) ($/boe)	***21.47***	*22.31*

Return on Equity
Peyto calculates ROE, expressed as a percentage, as Earnings divided by the 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
Peyto calculates ROCE, expressed as a percentage, as EBIT divided by Total Assets less Current Liabilities per the Financial Statements. 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.

Total Payout Ratio
"Total payout ratio" is a non-GAAP measure which is calculated as the sum of dividends declared plus additions to property, plant and equipment, 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)	***2023***	*2022*
Total dividends declared	***57,678***	*25,358*
Total capital expenditures	***121,802***	*143,331*
Total payout	***179,480***	*168,689*
Funds from operations	***179,817***	*203,492*
Total payout ratio (%)	***100%***	*83%*

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 and third-party sales net of purchases.

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 and third-party sales net of purchases.

Free Cash flow Ratio
Free Cash Flow Ratio is a non-GAAP financial ratio defined as Free Funds Flow for the quarter divided by Funds From Operations for the quarter. Management monitors its Free Cash Flow Ratio to inform its capital allocation decisions.

Total Cash Costs
Total 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.