NEWS RELEASE

AUGUST 9, 2023 **SYMBOL: PEY – TSX**

PEYTO DELIVERS STRONG SECOND QUARTER RESULTS

CALGARY, ALBERTA – Peyto Exploration & Development Corp. ("Peyto" or the "Company") is pleased to report operating and financial results for the second quarter of 2023. A 70% operating margin[1,2], combined with a 26% profit margin[3] in the quarter delivered a return on capital employed ("ROCE"[4]) of 13% and return on equity ("ROE"[4]) of 15%, on a trailing 12-month basis. Additional highlights included:

- **Funds from Operations[5] of $0.81/diluted share –** Generated $142 million in funds from operations ("FFO") in Q2 2023, down 31% from Q2 2022 despite a 71% decline in the Henry Hub daily average gas price and current income tax of $11.6 million ($nil in Q2 2022).
- **Free Funds Flow[6] of $60 million** – Free funds flow totaled $60 million in Q2 2023, down from $98 million in Q2 2022 due to lower realized commodity prices and current income tax, which was partially offset by lower total capital expenditures.
- **Total Cash Costs[7] of $1.21/Mcfe (or $1.03/Mcfe before royalties)** – Quarterly cash costs of $1.03/Mcfe, before royalties of $0.18/Mcfe, were 17% higher than Q2 2022 due to inflationary pressures on costs and additional transportation service. Q2 operating costs of $0.47/Mcfe, transportation of $0.29/Mcfe, G&A of $0.05/Mcfe and interest expense of $0.22/Mcfe resulted in a 70% operating margin. Peyto continues to have the lowest cash costs in the Canadian natural gas industry.
- **Total Capital Expenditures[8] of $82 million** – Total capital expenditures decreased 24% compared to the second quarter of 2022 as Peyto curtailed activity in response to the decline in natural gas prices. A total of 15 gross wells (13.7 net) were drilled, 16 gross wells (14.5 net) were completed, and 14 gross wells (13.1 net) were brought on production. The Company's drilling and completion costs per meter decreased 3% and 7%, respectively, from efficiency gains and the moderating of inflation.
- **Net debt[9] down 12% –** Net debt was reduced by $122 million from Q2 2022 to $870 million. Interest costs increased 10% from $0.20/Mcfe in Q2 2022 to $0.22/Mcfe in Q2 2023, while the average Bank of Canada rate increased from 1.09% in Q2 2022 to 4.56% in Q2 2023. Net debt has fallen for 11 consecutive quarters.
- **Earnings of $0.33/share, Dividends of $0.33/share ($0.11/month)** – Earnings of $57 million were generated in the quarter while dividends of $58 million were paid to shareholders.
- **Strong Track Record of Shareholder Returns** – Over the past 11 quarters, Peyto has increased production from 78,200 boe/d to 98,777 boe/d, returned $241.2 million of dividends to shareholders, while reducing net debt by over $300 million.

Second Quarter 2023 in Review

Production volumes averaged 98,777 boe/d in the quarter, 5% lower than Q2 2022 due to the reduced capital expenditure program, coupled with the impact from Alberta wildfires in May and June. In response to the wildfires in Alberta, Peyto briefly shut-in two gas plants in the Brazeau area as a safety precaution and modified plant refrigeration processes to accommodate trucking restrictions due to road closures, which reduced production by approximately 1,500 boe/d in the quarter. Natural gas prices continued to fall in the quarter with Henry Hub daily averaging US$2.12/MMBtu, and AECO daily averaging $2.32/GJ, down 71% and 66%, respectively, from Q2 2022. Peyto's mechanistic hedging program helped deliver strong funds from operations, totaling $142.4 million in the quarter and down only 31% from the second quarter of 2022. Realized hedging gains totaled $47.8 million in the quarter and the Company remains well hedged for the second half of 2023 and 2024 as detailed in the marketing section below. Operating costs totaled $0.47/Mcfe in the quarter, up from $0.39/Mcfe in Q2 2022, due to inflationary pressures on operating expenses. Operating expenses have stabilized and are down 6% from the first quarter of 2023. Peyto's transportation costs increased to $0.29/Mcfe in the quarter from $0.24/Mcfe in Q1 2023 due to the addition of 150,000 GJ per day of Empress delivery service, which provides the Company access to the TC Energy Canadian Mainline and the option to sell gas outside of the AECO market. The Company's operating margin and profit margin were 70% and 26%, respectively, despite low gas prices and the impacts of wildfires. Earnings totaled $57.4 million and $57.7 million in dividends were paid to shareholders in the quarter.

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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 Q2 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 Q2 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 Q2 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* is *a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q2 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 Q2 2023 MD&A.*

	Three Months Ended June 30		%	Six Months Ended June 30		%
	2023	2022	Change	**2023**	2022	Change
Operations						
Production						
Natural gas (Mcf/d)	**526,732**	541,030	*-3%*	**535,457**	538,360	*-1%*
NGLs (bbl/d)	**10,989**	13,411	*-18%*	**11,593**	12,845	*-10%*
Thousand cubic feet equivalent (Mcfe/d @ 1:6)	**592,665**	621,499	*-5%*	**605,017**	615,431	*-2%*
Barrels of oil equivalent (boe/d @ 6:1)	**98,777**	103,583	*-5%*	**100,836**	102,572	*-2%*
Production per million common shares (boe/d)	**565**	610	*-7%*	**577**	605	*-5%*
Product prices (after hedging)						
Natural gas ($/Mcf)	**3.13**	4.08	*-23%*	**3.53**	4.08	*-13%*
NGLs ($/bbl)	**69.28**	87.80	*-21%*	**74.38**	84.88	*-12%*
Operating expenses ($/Mcfe)	**0.47**	0.39	*21%*	**0.49**	0.40	*23%*
Transportation ($/Mcfe)	**0.29**	0.27	*7%*	**0.27**	0.27	-
Field netback[(1)] ($/Mcfe)	**3.15**	3.87	*-19%*	**3.49**	3.91	*-11%*
General & administrative expenses ($/Mcfe)	**0.05**	0.02	*150%*	**0.04**	0.02	*100%*
Interest expense ($/Mcfe)	**0.22**	0.20	*10%*	**0.22**	0.21	*5%*
Financial ($000, except per share)						
Revenue and realized hedging losses [(2)]	**219,409**	307,830	*-29%*	**497,742**	594,725	*-16%*
Funds from operations[(1)]	**142,354**	205,901	*-31%*	**322,171**	409,394	*-21%*
Funds from operations per share - basic[(1)]	**0.81**	1.21	*-33%*	**1.84**	2.42	*-24%*
Funds from operations per share - diluted[(1)]	**0.81**	1.18	*-31%*	**1.83**	2.35	*-22%*
Total dividends declared	**57,715**	25,485	*126%*	**115,393**	50,843	*127%*
Total dividends declared per share	**0.33**	0.15	*120%*	**0.66**	0.30	*120%*
Earnings	**57,415**	94,545	*-39%*	**147,396**	192,361	*-23%*
Earnings per share – basic	**0.33**	0.56	*-41%*	**0.84**	1.14	*-26%*
Earnings per share – diluted	**0.33**	0.54	*-39%*	**0.84**	1.10	*-24%*
Total capital expenditures[(1)]	**82,319**	108,089	*-24%*	**204,121**	251,420	*-19%*
Corporate acquisition	**-**	-	-	**-**	22,220	*-100%*
Total payout ratio[(1)]	**98%**	65%	*51%*	**99%**	74%	*34%*
Weighted average common shares outstanding - basic	**174,895,215**	169,896,849	*3%*	**174,836,955**	169,479,830	*3%*
Weighted average common shares outstanding - diluted	**176,305,942**	175,040,905	*1%*	**176,460,770**	174,248,420	*1%*
Net debt[(1)]				**869,550**	991,374	*-12%*
Shareholders' equity				**2,309,845**	1,749,725	*32%*
Total assets				**4,093,448**	3,899,993	*5%*

(1) This is a Non-GAAP financial measure or ratio. See "non-GAAP and Other Financial Measures" in this news release and in the Q2 2023 MD&A

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

Exploration & Development

The second quarter 2023 activity was spread out amongst the existing core areas of Greater Sundance and Greater Brazeau. Target formations were also widespread, as summarized in the following table.

	Zone						
Area	Cardium	Dunvegan	Notikewin	Falher	Wilrich	Bluesky	**Total**
Greater Sundance Area	-	2	2	2	3	-	**9**
Greater Brazeau Area	1	-	1	-	4	-	**6**
Other	-	-	-	-	-	-	**-**
Total	**1**	**2**	**3**	**2**	**7**	**-**	**15**

Peyto's average drilling and completion costs decreased in the second quarter both on an aggregate and on a per unit basis. Drilling cost per meter was reduced by 3% while completion cost per meter and cost per stage were reduced by 7% and 19%, respectively. Inflationary costs have stabilized and efficiencies in operations can now be recognized as the Company continues to drill extended reach horizontal "ERH" wells to maximize reservoir contact with each well.

	2016	2017	2018	2019	2020	2021	2022	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	**2023 Q2**
Gross Hz Spuds	126	135	70	61	64	95	95	29	23	23	20	19	**15**
Measured Depth (m)	4,197	4,229	4,020	3,848	4,247	4,453	4,611	4,291	4,571	4,994	4692	5,198	**4,768**
Drilling ($MM/well)	$1.82	$1.90	$1.71	$1.62	$1.68	$1.89	$2.56	$2.13	$2.56	$2.90	$2.80	$3.05	**$2.97**
$ per meter	$433	$450	$425	$420	$396	$424	$555	$496	$560	$580	$596	$587	**$572**
Completion ($MM/well)	$0.86	$1.00	$1.13	$1.01*	$0.94	$1.00	$1.35	$1.22	$1.16	$1.49	1.58	$1.73	**$1.60**
Hz Length (m)	1,460	1,241	1,348	1,484	1,682	1,612	1,661	1,529	1,602	1,654	1870	1,947	**2,139**
$ per Hz Length (m)	$587	$803	$751	$679	$560	$620	$813	$801	$727	$902	$845	$888	**$746**
$ '000 per Stage	$79	$81	$51	$38	$36	$37	$47	$44	$40	$51	$52	$59	**$48**

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

Capital Expenditures

During the second quarter of 2023, Peyto drilled 15 gross (13.7 net) wells, completed 16 gross (14.5 net) wells, and brought 14 gross (13.1 net) wells on production for drilling, completions, equipping and tie-in capital of $72.2 million. Facilities and pipeline expenditures included $9.1 million for debottlenecking pipeline projects and gas plant upgrades. Land and seismic investments totaled $1.1 million in the quarter.

Marketing

Commodity Prices

Peyto realized a natural gas price after hedging and diversification of $3.13/Mcf, or $2.72/GJ, 17% higher than the average AECO daily price of $2.32/GJ during the second quarter of 2023. Peyto's natural gas hedging activity resulted in a realized gain of $0.93/Mcf ($45 million) due to the sharp decline in AECO and Henry Hub natural gas prices in the first half of the year.

Condensate and pentanes volumes were sold in Q2 2023 for an average price of $90.97/bbl, which is down 32% from $134.57/bbl in Q2 2022, while Canadian WTI decreased 28% to $99.11/bbl over the same period. Butane and propane volumes were sold in combination at an average price of $28.11/bbl, or 28% of light oil price, down 51% from $57.03/bbl in Q2 2022. NGL hedging gains increased the combined realized NGL price of $66.11/bbl by $3.16/bbl to $69.28 in the quarter. Peyto's realized NGL price in the quarter was affected by increased liquids trucking, as a major third-party liquids pipelines were shut-in due to maintenance that was extended by the wildfires.

Hedging

Peyto currently has 327,902 Mcf/d fixed with financial hedges for the second half of 2023 at $4.66/Mcf, and 220,781 Mcf/d fixed with financial hedges for 2024 at $5.19/Mcf. The Company's current financial commodity hedges and foreign exchange forward contracts are summarized below:

Natural gas[1]	Units	Q3 2023	Q4 2023	2024	2025	2026
AECO (7A & 5A)	GJ/d	247,500	141,413	99,802	104,438	27,123
NYMEX Henry Hub	MMBtu/d	130,000	216,196	146,052	64,932	-
Total volume[2]	Mcf/d	334,487	321,318	220,781	150,388	23,585
Average Price[3]	$/Mcf	4.18	5.16	5.19	4.90	4.77

(1) Includes financial hedges only. Fixed-price physical and basis contracts are excluded. See the "Marketing" section in Peyto's Q2 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 1.33 CAD/USD FX rate.

NGLs	Units	Q3 2023	Q4 2023	2024
WTI CAD swaps	Bbl/d	3,200	2,400	822
WTI USD swaps	Bbl/d	400	400	50
Total volume	Bbl/d	3,600	2,800	872
Average Price[1]	$/Bbl	102.98	100.46	97.23
WTI CAD Collars	Bbl/d	500	500	374
Put	$/Bbl	95.00	90.00	88.32
Call	$/Bbl	115.25	116.25	101.79

(1) USD contracts are converted at 1.33 CAD/USD FX rate.

Foreign Exchange Forwards	Units	Q3 2023	Q4 2023	2024	2025
Amount	USD	$30 million	$44 million	$174 million	$66 million
Exchange Rate	CAD/USD	1.3601	1.3523	1.3371	1.3252

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. Additionally, Peyto has excess Empress service with 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's construction of the 23 km pipeline to the Cascade power plant was completed in the first quarter of 2023. Connection work at both ends of the pipeline and measurement facilities is underway and expected to be completed in the third quarter of 2023. Peyto will provide plant base load volumes of 60,000 GJ/d (approximately 52 MMcfd of gas production) under a 15-year gas supply agreement to this highly efficient, 900-megawatt combined cycle power plant starting in late 2023 or early 2024. Based on AESO average monthly power pool price for the first half of 2023, Peyto would receive over $10/GJ for sales gas under this agreement.

Details of Peyto’s ongoing marketing and diversification efforts are available on Peyto’s website at https://www.peyto.com/Marketing.aspx

Financial Results

The Company’s realized natural gas and NGL sales yielded a combined revenue stream of $4.07/Mcfe, after hedging. This net sales price was 26% lower than the $5.48/Mcfe realized in Q2 2022 due to the sharp decline in commodity prices. Total cash costs of $1.21/Mcfe were 34% lower than the $1.83/Mcfe in Q2 2022 due to lower royalties. Peyto's cash netback (net sales price plus other income plus realized gain on foreign exchange less total cash costs), was $2.86/Mcfe maintaining a strong 70% 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	Q2
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	4.07
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	0.18
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	0.47
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	0.29
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	0.05
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	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	1.03
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	1.21
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	2.86
Operating Margin	55%	45%	53%	61%	67%	59%	63%	70%	71%	67%	69%	72%	71%	70%

(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 $1.06/Mcfe, or a 26% profit margin. Dividends to shareholders totaled $1.07/Mcfe.

Activity Update

Since the end of the quarter Peyto has continued to moderate drilling activity given current commodity prices but will be ready to increase drilling activity quickly if prices improve, as expected, into the fall and winter. Throughout July, the Company was busy catching up on completions that had been delayed due to wildfires followed by heavy rains and flooding throughout June. The team was successful in working through the back log of drilled but uncompleted wells which saw most of those wells coming onstream in the latter half of July and into early August. Since the end of the quarter, 5 gross (4.5 net) wells have been drilled, 12 gross (10.9 net) wells have been brought on production, and 6 gross (5.5 net) wells are waiting on completion and/or tie-in.

Peyto continues to be active drilling in the Falher formation, specifically targeting the underdeveloped channels across the Company's land base and expects to drill an additional 8 gross wells into different channels before year end. Peyto also completed 2 gross (2 net) Dunvegan wells in July, both of which were drilled to over 2,200-meters, horizontally. Early time results from these recent wells are in line with expectations and continue to verify the high liquid yields and the low decline production performance Peyto expects from the Dunvegan. Through the remainder of the year, the Company will continue to apply a disciplined approach to capital deployment and focus on opportunities that generate the highest returns. As always, Peyto will remain flexible and can adjust the program to best suit the commodity price environment. Peyto's projections of before tax 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.

Outlook

The long-term demand for natural gas remains robust as the fuel of choice and continues to be recognized both for satisfying the world's energy needs, and as a feedstock for important materials used in the modern world. Future build out of LNG export projects in Canada and the US will play a major role in supplying the world with responsibly developed natural gas. Peyto's low cost, long reserve life, and low emission reserves are well-positioned in the Deep Basin and can be quickly grown to match increasing market demand. The Company's strategic diversification to gas markets across North America provides excellent exposure to premium seasonal markets such as Malin in California, Chicago and Ventura in the US Midwest, and local AB power markets, which reduces the risk of selling into potential dislocated markets like AECO.

The Company continues to target the low end of capital guidance of $425 million in 2023 but will take a thoughtful approach to the ramp up of activity in the fall, quickly adjusting to changing commodity prices and economic conditions. Peyto continues to use a systematic hedging program and has secured over 55% of forecasted gas volumes for the upcoming winter season at $4.77/mcf (including diversification costs and physical fixed price contracts) and over 45% for summer 2024 at $3.76/mcf. These fixed prices represent a premium to the current AECO futures strip. The securing of revenues coupled with a disciplined capital program provides confidence for future dividends and continued strengthening of the balance sheet.

October 2023 will mark 25 years of operations for Peyto as one of Canada's longest standing oil and gas companies whose focus has always been on creating long term shareholder value through the development of long-life reserves and industry leading costs.

Conference Call and Webcast

A conference call will be held with senior management of Peyto to answer questions with respect to the Company's Q2 2023 results on Thursday, August 10, 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/p2ixexf9**. To participate in the call, please register for the event at: **https://register.vevent.com/register/BI7cf6d63ebee44f5a91dfe6ba00747666.** 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.

Management's Discussion and Analysis and Financial Statements

A copy of the second 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/Q22023FS.pdf and at https://www.peyto.com/Files/Financials/2023/Q22023MDA.pdf and will be filed at SEDAR, www.sedar.com at a later date.

Jean-Paul Lachance
President & Chief Executive Officer
August 9, 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; the 2023 capital expenditure program; Peyto's exposure to AECO prices in 2023 and 2024, the timing of connection work on the Cascade pipeline; project economics including internal rate of return; the commencement date of the Cascade Power Plant; the Company's mechanistic hedging program being able to secure future revenue coupled with a disciplined capital program provides confidence for future dividends and continued strengthening of the balance sheet; 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.

	Three Months Ended June 30		Six Months Ended June 30	
($000)	*2023*	*2022*	*2023*	*2022*
Cash flows from operating activities	*148,608*	*220,580*	*332,214*	*406,371*
Change in non-cash working capital	*(6,254)*	*(17,179)*	*(10,043)*	*523*
Decommissioning expenditures	*-*	*-*	*-*	*-*
Performance based compensation	*-*	*2,500*	*-*	*2,500*
Funds from operations	*142,354*	*205,901*	*322,171*	*409,394*

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 June 30* *2023*	*2022*	*Six Months Ended June 30* *2023*	*2022*
Cash flows from operating activities	*148,608*	*220,580*	*332,214*	*406,371*
Change in non-cash working capital	*(6,254)*	*(17,179)*	*(10,043)*	*523*
Decommissioning expenditures	*-*	*-*	*-*	*-*
Performance based compensation	*-*	*2,500*	*-*	*2,500*
Funds from operations	*142,354*	*205,901*	*322,171*	*409,394*
Total capital expenditures	*(82,319)*	*(108,089)*	*(204,121)*	*(251,420)*
Free funds flow	*60,035*	*97,812*	*118,050*	*157,974*

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 June 30* *2023*	*2022*	*Six Months Ended June 30* *2023*	*2022*
Cash flows used in investing activities	*102,071*	*118,600*	*228,321*	*260,676*
Change in prepaid capital	*3,549*	*(1,842)*	*3,387*	*14,931*
Corporate acquisitions	*-*	*-*	*-*	*(22,220)*
Change in non-cash working capital relating to investing activities	*(23,301)*	*(8,669)*	*(27,587)*	*(1,967)*
Total capital expenditures	*82,319*	*108,089*	*204,121*	*251,420*

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 June 30, 2023*	*As at December 31, 2022*	*As at June 30, 2022*
Long-term debt	*747,960*	*759,176*	*976,544*
Current assets	*(225,642)*	*(218,550)*	*(221,456)*
Current liabilities	*235,103*	*471,858*	*479,777*
Financial derivative instruments - current	*114,938*	*(126,081)*	*(242,247)*
Current portion of lease obligation	*(1,288)*	*(1,266)*	*(1,244)*
Decommissioning provision - current	*(1,521)*	*-*	*-*
Net debt	*869,550*	*885,137*	*991,374*

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.

($/Mcfe)	*Three Months Ended June 30* *2023*	*2022*	*Six Months Ended June 30* *2023*	*2022*
Gross Sale Price	*3.18*	*7.30*	*4.73*	*6.76*
Realized hedging gain (loss)	*0.89*	*(1.84)*	*(0.18)*	*(1.41)*
Net Sale Price	*4.07*	*5.46*	*4.55*	*5.35*
Third party sales net of purchases	*-*	*0.02*	*-*	*0.01*
Other income	*0.02*	*-*	*0.06*	*-*
Royalties	*(0.18)*	*(0.95)*	*(0.36)*	*(0.78)*
Operating costs	*(0.47)*	*(0.39)*	*(0.49)*	*(0.40)*
Transportation	*(0.29)*	*(0.27)*	*(0.27)*	*(0.27)*
Field netback(1)	*3.15*	*3.87*	*3.49*	*3.91*
Net general and administrative	*(0.05)*	*(0.02)*	*(0.04)*	*(0.02)*
Interest on long-term debt	*(0.22)*	*(0.20)*	*(0.22)*	*(0.21)*
Realized loss on foreign exchange	*(0.02)*	*-*	*(0.01)*	*-*
Cash netback(1) ($/Mcfe)	*2.86*	*3.65*	*3.22*	*3.68*
Cash netback(1) ($/boe)	*17.13*	*21.88*	*19.34*	*22.09*

Return on Equity
Peyto calculates ROE, expressed as a percentage, as Earnings divided by 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.

($000, except total payout ratio)	*Three Months Ended June 30* *2023*	*2022*	*Six Months Ended June 30* *2023*	*2022*
Total dividends declared	*57,715*	*25,485*	*115,393*	*50,843*
Total capital expenditures	*82,319*	*108,089*	*204,121*	*251,420*
Total payout	*140,034*	*133,574*	*319,514*	*302,263*
Funds from operations	*142,354*	*205,901*	*322,171*	*409,394*
Total payout ratio (%)	*98%*	*65%*	*99%*	*74%*

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.