Peyto Exploration & Development Corp.
Monthly Report

December 2023 **By Jean-Paul Lachance, President and Chief Executive Officer**

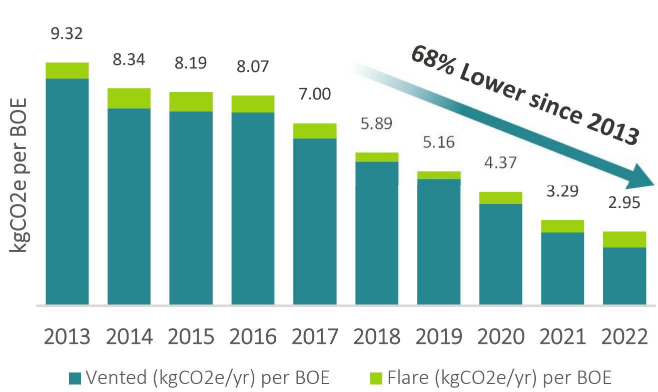
Profitability means Sustainability

At Peyto, we have a proven track record of sustainable business operations—delivering profitable growth over our 25-year history. Clearly, this level of success involves respecting the Environment in which we operate, attention to Social issues in our communities and strong corporate Governance. Our commitment to owning and controlling our production and driving costs down naturally lends itself to eliminating waste. Lowering emissions and keeping our land and water use at low levels work in concert to reducing costs while limiting our impact on the environment. Last month, we released our 2022 Sustainability Report which can be found at peyto.com. We are pleased to be on track to meet (and in some cases exceed) many of the targets we set out for ourselves in the past. With the acquisition of Repsol Canada Energy Partnership, our operations team is busy focusing their attention on integrating these new assets with our legacy assets. This effort includes understanding and verifying our new equipment and emissions inventories but also establishing new baselines for emission intensity and determining new ESG targets for the combined assets. Our plans to increase facility utilization will not only lower unit costs but emissions intensity as well.

Sustainable Results

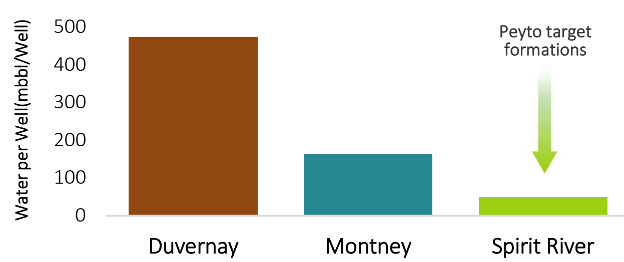
At Peyto, we are proud to have one of the lowest emissions intensities per barrel of production in the Canadian oil and gas sector. One of the benefits of owning and controlling our production is that we also own and control our ability to accurately measure and account for our emissions. This allows us to focus our attention on improvements that not only help our bottom line (helping us be the lowest cost operator) but also reduce our carbon footprint. As part of our focus on operational excellence, we continue to concentrate on reducing emissions intensity and have demonstrated our commitment to achieving this goal by reducing our flared and vented emissions intensity by 68% since 2013 (Figure 1). We have achieved these reductions by retrofitting high-bleed equipment, removing methane-emitting controllers on low-rate wells, and converting pneumatic pumps to electric pumps powered by solar energy. Reducing the amount of methane wasted in our operations reduces our greenhouse gas emissions and puts more money into the business for capital programs, debt repayment, and dividend payments.

Figure 1 – Peyto Flared and Vented Emissions Intensity



Since 2010, Peyto has drilled and completed over 1,300 horizontal wells in the Alberta Deep Basin. We choose to operate in this area, because the formations we chase have better reservoir quality than the Duvernay and Montney plays and contain sweet gas. This means we can use less water and sand to stimulate our wells, use a smaller footprint for drilling and completions, and our gas processing requirements require less energy. This leads to lower costs to develop the play. Figure 2 below shows how our key target (the Spirit River) uses significantly less water to develop the same volume of gas as compared to the Duvernay and Montney. As well designs have evolved, lateral lengths and frac intensities have increased to improve the deliverability of wells and capitalize on efficiencies of scale. During 2020, we set a target of recycling 80% of our frac flowback water. We exceeded that target by recycling 92% of our flowback during 2022 and did not use any surface water for our fracturing operations. Recycling our frac water reduces our environmental impact by reducing the area needed for water storage and lowers the costs associated with sourcing and handling frac water.

Figure 2 – Average Injected Water per Well by Formation (2022)



Operational Highlights

We continue to run 4 rigs steady across our core areas. DCET[2] costs were higher in October as we caught up on completions from our fall drilling ramp-up in September. In the last week of November, we completed 6 wells (including 4 on Repsol lands) and we are pleased to see the results coming in as good or better than expected.

Capital Investment ($C millions)[1]

	2021	Q1 22	Q2 22	Q3 22	Q4 22	2022	Q1 23	Q2 23	Jul 23	Aug 23	Sep 23	Q3 23	Oct 23
D,C,E&T[2]	**271**	95	80	98	98	**371**	89	72	27	27	27	**81**	35
Facilities	**50**	47	21	16	16	**100**	32	9	4	2	5	**11**	7
Other[3]	**44**	1	8		1	**10**	1	1	1			**1**	
Acquisitions[4]		22		26		**48**							
Total	**365**	166	108	140	115	**529**	**122**	**82**	**33**	**29**	**32**	**94**	**42**

Production (mboe/d)[1]

	2021	Q1 22	Q2 22	Q3 22	Q4 22	2022	Q1 23	Q2 23	Jul 23	Aug 23	Sept 23	Q3 23	Oct 23	Nov 23
Sundance	**70**	78	76	75	75	**76**	**71**	67	67	67	64	66	68	69
Brazeau	**17**	19	23	24	26	**23**	**27**	28	29	28	28	28	28	29
Other	**4**	5	5	5	4	**5**	**5**	4	4	4	4	4	4	4
Repsol[5]													10	23
Total	**91**	**101**	**104**	**105**	**105**	**104**	**103**	**99**	**100**	**99**	**96**	**98**	**110**	**125**
Liquids %	13%	11%	13%	13%	12%	12%	12%	11%	11%	12%	11%	11%	12%	14%

1. This estimate is based on real field data, not a forecast, but actual numbers will vary from the estimate due to accruals and adjustments. Such variance may be material. Tables may not add due to rounding.
2. Well related costs including Drilling, Completions, Equip and Tie-in.
3. Other costs include Land, Seismic, and Miscellaneous.
4. Acquisitions include asset and corporate deals but does not include the acquisition of the Repsol partnership.
5. Repsol base production, new drilling on Repsol lands is included in Sundance area.

December 2023 **By Jean-Paul Lachance, President and Chief Executive Officer**

FORWARD LOOKING STATEMENTS

Certain information set forth in this monthly report, including management's expectation of future natural gas prices, and the reasons therefore and management's estimate of monthly capital spending, field estimate of production, production decline rates and forecast netbacks, contains forward-looking statements. Reserves disclosures are also forward-looking information, including the volumes and the life of Peyto's reserves, production estimates, project economics including NPV, IRR, netback and recycle ratio. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Peyto's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Peyto's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Peyto will derive there from. The forward-looking statements contained in this monthly report are made as of the date of this monthly report. Except as required by applicable securities law, we assume no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing risks and assumptions affecting such forward-looking statements, whether as a result of new information, future events or otherwise.

All references are to Canadian dollars unless otherwise indicated. Natural gas liquids and oil volumes are recorded in barrels of oil (bbl) and are converted to a thousand cubic feet equivalent (mcfe) using a ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Natural gas volumes recorded in thousand cubic feet (mcf) are converted to barrels of oil equivalent (boe) using the ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based in an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of oil as compared with natural gas is significantly different from the energy equivalent of six to one, utilizing a boe conversion ratio of 6 mcf:1 bbl may be misleading as an indication of value.

NON-GAAP AND OTHER FINANCIAL MEASURES

Peyto employs certain measures to analyze financial performance, financial position, and cash flow. These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as long-term debt, net income (loss), cash flow from operating activities, and cash flow used in investing activities, as indicators of Peyto's performance.