Peyto Exploration & Development Corp.
Monthly Report

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

Just Another Day

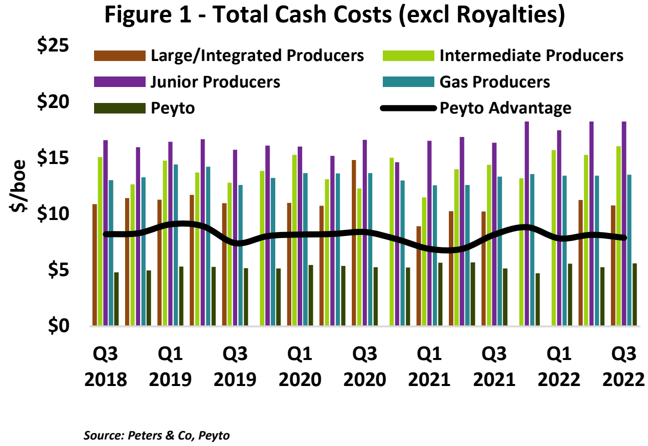
For many, January 1 signals the time to commit to a New Year's resolution. Typically, a person resolves to change an undesired trait or behavior, accomplish a personal goal, or otherwise improve their performance at the start of the new calendar year. I recall a personal trainer once offered these words of wisdom when we discussed the impending turn of the calendar, *"JP, it's just another day."* He went on to remind me that we don't need a special day to make meaningful change in exercise or eating habits and that the best time to start is right now. I don't think anyone would disagree especially when New Year's resolutions often don't last. One survey[1] suggests only 9% feel they are successful, one year later.

At Peyto, healthy habits die hard. As we turn the page on 2022 and begin another year, we don't have to make new pledges to change behaviours to ensure we are maximizing shareholder value. Our flat, lean organization that empowers employees yet keeps them accountable, remains as focused as ever on profitable growth. The Peyto "execution machine" has grown organically without material acquisitions from zero to over 100,000 boe/d in 24 years. Recently, we surpassed another milestone by having drilled over 1,200 horizontal wells to a total depth of over 5,000,000 m – equivalent to drilling across Canada (from Victoria, BC to St John's, Newfoundland).

The culture instilled by previous leaders of Peyto like, Don Gray, Darren Gee, and Scott Robinson, has produced an organization that takes immense pride in efficient execution and disciplined cost control. Two examples of the achievements of the team include Peyto's industry leading cash costs and our efficiency of bringing on new production soon after we start spending shareholder capital.

Figure 1 shows Peyto's controllable cash costs (operating expense, transportation, G&A, and interest payments) as compared to the rest of industry over the last 4 years. During that time Peyto has enjoyed an $8/boe ($1.33/mcfe) advantage over our gas-weighted peers.

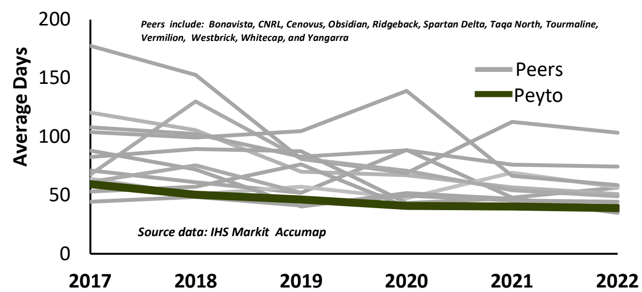
Figure 1 - Total Cash Costs (excl Royalties)



[1]https://discoverhappyhabits.com/new-years-resolution-statistics/#resolutions-success-failure

Figure 2 shows the time it takes the Peyto team to start selling gas after first putting the bit to the ground as compared to other Deep Basin producers. Peyto's efficient drilling, completions, and tie-in crews have consistently reduced average well cycle time down to 40 days despite continuing to drill longer wells. This quick turnaround creates greater returns on shareholder's invested capital.

Figure 2 - Cycle Time: Spud to On Stream



Operational Highlights

We had planned a flurry of activity just before Christmas but the extreme cold (-50C with wind chill) made it unwise to continue. As a result, we shut down equipment early and deferred some completions and tie-ins to early January for warmer weather so we can carry out our operations more efficiently. This also provided a much needed break for the hardworking Peyto crews from the busy past year. However, this delay also caused our exit of 108,000 boe/d to come up shy of our target of 110,000 boe/d at year end. All told, we lost approximately 1000 boe/d on the month due to the cold snap and related delays. We just picked up activity and have 4 rigs drilling again. We plan to run this way rather than 5 rigs for the winter to avoid the very busy (and expensive) winter drilling season and intend to pick up the fifth rig in the warmer summer months when demand is lower and costs should be cheaper.

As in the past, this report includes an estimate of monthly capital spending as well as our field estimate of production for the most recent month (see Capital Investment and Production tables below).

Capital Investment ($C millions)[1]

	Q1 21	Q2 21	Q3 21	Q4 21	2021	Q1 22	Q2 22	Q3 22	Oct 22	Nov 22	Dec 22	Q4 22	2022
D,C,E&T[2]	57	47	76	90	**271**	95	80	98	36	41			
Facilities	16	8	12	14	**50**	47	21	16	6	5			
Other	37	1	2	5	**44**	23	8	26	0	0			
Total	109	57	90	109	**365**	166	108	140	43	46			

Production (mboe/d)[1]

	Q1 21	Q2 21	Q3 21	Q4 21	2021	Q1 22	Q2 22	Q3 22	Oct 22	Nov 22	Dec 22	Q4 22	2022
Sundance	68	67	68	78	**70**	78	76	75	75	75	75	75	**76**
Brazeau	17	18	18	17	**17**	19	23	24	25	26	26	26	**23**
Other	3	4	4	3	**4**	5	5	5	4	4	5	4	**5**
Total	**88**	**89**	**89**	**97**	**91**	**101**	**104**	**105**	**105**	**105**	**106**	**105**	**104**
Liquids %	14%	14%	12%	11%	13%	11%	13%	13%	13%	12%	12%	12%	12%

1. *This estimate is based on real field data, not a forecast, and 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-ins*

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. 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.

Certain measures in this monthly report do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These measures may not be comparable to similar measures presented by other issuers. Non-IFRS measures are commonly used in the oil and gas industry and by Peyto to provide potential investors with additional information regarding Peyto's liquidity and its ability to generate funds to conduct its business. Non-IFRS measures used herein include netback and funds from operations.

Netbacks are a non-IFRS measure that represents the profit margin associated with the production and sale of petroleum and natural gas. 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.

Funds from operations is a non-IFRS 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 Peyto'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 IFRS measure is cash flows from operating activities.