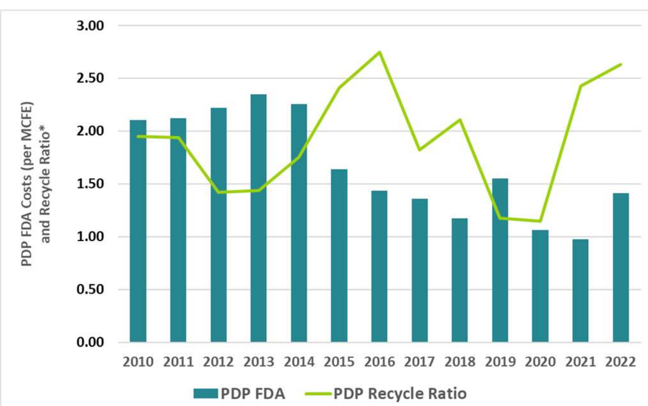
March 2023 **By Jean-Paul Lachance, President and Chief Executive Officer**

Finding Reserves Efficiently

Peyto's 2022 reserves press release came out on February 16th and as always, it's a comprehensive review of what our drilling program accomplished. There is a lot to unpack in the report, but our intention has always been to be transparent and thorough with our analysis to allow our investors the ability to compare results, year over year.

This year our finding, developing and acquisition ("FD&A"[1]) costs were higher than we would like. A tight service sector (after years of stagnation) coupled with inflation of goods meant costs to develop reserves were up across the entire industry for active drillers. But gas prices were up too, so a better measure of performance would be our Recycle Ratio[2]. This is the netback from produced reserves divided by the cost to add them, which needs to be greater than one to turn a profit. Figure 1 shows Peyto's historical FD&A costs since 2010 along with our Recycle Ratio. Prior to this past year, the team has been heading in the right direction on costs and we will continue to look for ways to move in that direction. However, the increase in realized prices more than offset cost escalation as demonstrated by our recycle ratio and Peyto still generated as efficient results in 2022 as we ever have. The industry is off to a rough start in 2023 with gas prices falling significantly over the winter without a change to input costs—yet. We expect drilling activity levels will drop off after Q1 if prices don't rally since many of our gas peers aren't hedged as much as Peyto (see last month's report). That should drive service costs down which they must, to preserve margins!

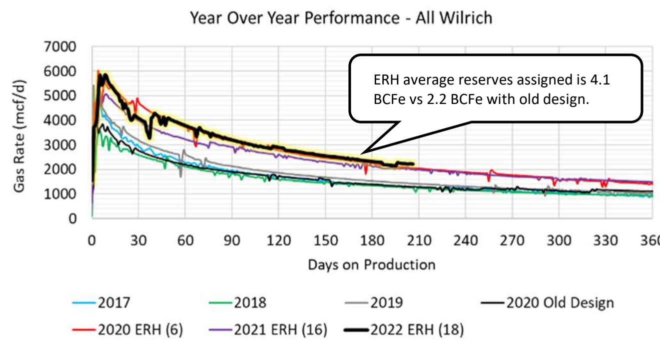
Figure 1 -Historical PDP FD&A[1] and Recycle Ratio[2]



Source: Peyto data
[1]PDP FD&A represents the finding, developing, and acquisition cost of the proved developed producing reserves.
[2] Recycle Ratio represents the cash netback per mcfe divided by FD&A cost per mcfe
These are Non-GAAP financial ratios. See "non-GAAP and Other Financial Measures" in this report.

One way Peyto is attempting to reduce development costs is by continuing to drill extended reach horizontal ("ERH") wells. Drilling longer wells allows us to access more reservoir with a single wellbore. This strategy reduces our surface footprint and spreads the 'fixed' costs of drilling, completing, and tie-ing in a wellbore over more reserves. We remain careful with this approach, to minimize operational risks that come with pushing well lengths longer, ensuring we do not erode the value we are trying to create. A good example of the success of this design is with our Wilrich drilling program. Here, we have increased reserves recovery by 86% with the ERH design and reduced the cost to develop by 31% (inflation adjusted) as compared to our single section horizontal wells in the past (see Figure 2). Peyto sees continued application of this design in many other prospective formations like the Falher(s), Notikewin, Dunvegan, and Cardium and we have already begun to apply it.

Figure 2 – Normalized Production Plot for Wilrich Wells



Operational Highlights

We completed and tied-in a limited number of wells (7 net) since the start of January through to mid February as we waited on the drilling rigs to clear pads that started up after the holiday break. This means we have not quite kept up with decline this past month. We also chose to accelerate some maintenance and facility optimization projects in February (deferred ~1,000 boe/d) during low gas prices to set us up for future production gains. Construction has started on the gas pipeline to the new Cascade power plant (which contributed about $5 million to January costs). This pipeline is expected to be complete by end of Q1.

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	Q4 22	2022	Jan 23
D,C,E&T[2]	57	47	76	90	**271**	95	80	98	98	**371**	30
Facilities	16	8	12	14	**50**	47	21	16	16	**100**	11
Other[3]	37	1	2	5	**44**	1	8		1	**10**	
Acquisitions[4]						22		26		**48**	
Total	109	57	90	109	**365**	166	108	140	115	**529**	41

Production (mboe/d)[1]

	2021	Q1 22	Q2 22	Q3 22	Oct 22	Nov 22	Dec 22	Q4 22	2022	Jan 23	Feb 23
Sundance	**70**	78	76	75	75	75	75	75	**76**	73	71
Brazeau	**17**	19	23	24	25	26	26	26	**23**	27	27
Other	**4**	5	5	5	4	4	5	4	**5**	5	5
Total	**91**	**101**	**104**	**105**	**105**	**105**	**106**	**105**	**104**	**105**	**103**
Liquids %	13%	11%	13%	13%	13%	12%	12%	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-in.*
3. *Other costs include Land, Seismic, and Miscellaneous.*
4. *Acquisitions include asset and corporate deals.*

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.

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 net income (loss), cash flow from operating activities, and cash flow used in investing activities, as indicators of Peyto's performance. Non-GAAP and other financial measures used herein include netback, FD&A, and recycle ratio.

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 third party sales net of purchases, 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 on foreign exchange, divided by production. Netbacks are before tax, per unit of production measures used to assess Peyto's performance and efficiency.

FD&A (finding, development and acquisition) costs are used as a measure of capital efficiency and are calculated by dividing the capital costs for the period, including the change in undiscounted FDC, by the change in the reserves, incorporating revisions and production, for the same period

The Recycle Ratio is calculated by dividing the cash netback per boe, by the FD&A costs for the period. The recycle ratio is comparing the netback from existing reserves to the cost of finding new reserves and may not accurately indicate investment success unless the replacement reserves are of equivalent quality as the produced reserves.