NEWS RELEASE

FEBRUARY 16, 2023 **SYMBOL: PEY - TSX**

PEYTO GROWS RESERVES AND PRODUCTION WHILE REDUCING DEBT IN 2022

Peyto Exploration & Development Corp. ("Peyto" or the "Company") is pleased to present the results and in-depth analysis of its independent reserve report effective December 31, 2022. The evaluation encompassed 100% of Peyto's reserves and was conducted by GLJ Ltd. ("GLJ"). The year 2022 marks the Company's 24th year of successful reserves development.

2022 HIGHLIGHTS

- Peyto replaced 165%, 159% and 167% of annual production with new Proved Developed Producing, ("PDP"), Total Proved ("TP"), and Total Proved plus Probable ("P+P") reserves using 64% of Funds from Operations[1,2], ("FFO") while growing annual production by 14% and reducing net debt[1,2] by approximately $210 million.
- Peyto developed 374.5 BCFe[3] (62.4 million barrels of oil equivalent, "MMboes") of new PDP reserves at a Finding, Development and Acquisition ("FD&A"[4]) cost of $1.41/Mcfe ($8.48/boe). Finding and Development costs exclusive of acquisitions were $1.35/Mcfe for PDP reserves. Peyto's 3 year average PDP FD&A cost is $1.15/Mcfe.
- FD&A costs, including the change in Future Development Capital ("FDC"), for TP and P+P were $1.75/Mcfe ($10.50/boe) and $2.03/Mcfe ($12.21/boe), which reflects an increase in FDC, due to an increase in the number of future drilling locations and cost inflation, of $102 million and $244 million for the respective categories. For comparative purposes, FD&A costs before increases in FDC were $1.47/Mcfe and $1.39/Mcfe, respectively.
- Total Company reserve values (BT NPV_5) for PDP, TP, and P+P reserves increased 59%, 43% and 32% on a debt adjusted per share basis to $27.18/share, $49.50/share, and $71.17/share.
- Total Company reserve volumes for PDP, TP and P+P were up 8%, 4% and 3%, respectively, in absolute terms and increased 5%, 1% and 0%, respectively, on a per share basis.
- Peyto's extended reach horizontals ("ERH") wells have shown a 186% improvement in reserves assigned and a 31% reduction in inflation adjusted development cost per mcfe.
- The Company's average field netback[1,5] was $3.96/Mcfe ($23.78/boe), resulting in 2.8 times recycle ratio[6] (3.9 times on an unhedged basis). One third of the wells drilled in 2022 have already paid out their initial capital investment.
- The Reserve Life Index[7] ("RLI") for the PDP, TP and P+P reserves remained consistent year over year at 9, 15 and 24 years, respectively. Peyto's PDP reserve life is one of the longest in the industry.
- At year end, P+P reserves of 929 MMboes (4.8TCF[3] of gas, 66 MMbbls of pentanes and condensate, 27 MMbbls butane, 29 MMbbls propane and inclusive of 1,295 future locations) had been assigned to just 18.3% of Peyto's total Deep Basin petroleum and natural gas rights.
- For the year ended December 31, 2022, Peyto invested $481 million of capital[1,8] in organic activities to build approximately 38,100 boe/d at a cost of $12,600 boe/d[9], which included $42 million in new plant construction but excluded $48 million in acquisitions which were purchased primarily for future opportunities and incremental plant processing capacity.

2023 CAPITAL BUDGET

- The Board of Directors of Peyto has approved a 2023 capital budget of $425–$475 million. Peyto, as always, will be nimble with capital plans and has specifically designed the program to have flexibility in the back half of the year when natural gas prices are forecasted to strengthen. Until that time, the Company plans to target the low end of capital guidance and will react to changes in commodity prices as they unfold. Peyto's plans for the Whitehorse development, including associated gas plant and pipeline infrastructure, have been deferred as project economics have weakened with the decline in natural gas prices. Instead, capital previously earmarked for Whitehorse has been reallocated to other core areas to be focused on lower cost development drilling. Also included in the capital program is a 23 km large diameter pipeline to directly connect Peyto's Swanson gas plant to the Cascade power plant currently under construction near Edson, AB. This highly efficient 900 megawatt combined cycle power plant is expected to start operations in late 2023 and Peyto will supply 60,000 GJ/d (approximately 10% of current gas production) under a 15 year gas supply agreement. The 2023 capital program is projected to add between 35,000 and 40,000 boe/d of new production by year end, based on current onstream metrics of approximately $12,000/boe/d. The capital program will more than offset the estimated 29% decline in base production allowing Peyto to target an exit rate between 110,000 to 115,000 boe/d. Similar to 2022, there may also be opportunities throughout the year for acquisitions that the Company chooses to pursue.

- Peyto's active hedging program has secured prices for approximately 55–60% of projected gas volumes for 2023, which provides revenue stability for the Company's business plan. This level of price protection is one of the highest in industry. Peyto's capital budget along with the current monthly dividend is forecasted to be funded with a portion of cashflow while the remainder will be used to reduce debt.

IMPROVED SUSTAINABILITY

- **Low Production and Reserves Replacement[10] Cost:** The Company invested 64% of FFO in 2022 to replace over 165% of produced reserves in the year and grow PDP reserves by 8% implying only 39% of FFO would be required to replace produced reserves. Capital efficiency for 2022 was $12,600/boe/d for the organic drilling program excluding two separate acquisitions but inclusive of the construction of a new gas processing facility in Chambers. Capital efficiency was $13,600/boe/d including the acquisitions which were purchased primarily for future resource upside and facility synergies in the Brazeau area. The cost to add new production increased over last year mainly due to increased service costs commensurate with higher natural gas prices.
- **Long Life, Low Decline Production:** Peyto's base production is forecasted by GLJ to fall to 75,000 boe/d in December of 2023, implying a 29% annual decline from 105,700 boe/d in December 2022. This annual production decline rate is lower than 2022 despite the 14% year-over-year production growth. Peyto's PDP RLI is 9 years, based on Q4 2022 production rate of 104,950 boe/d, which is one of the longest PDP RLIs in the industry.
- **Low Risk Reserves:** At year end, Peyto had 2003 gross (1,773 net) producing wells that are forecast to remain on production for decades to come. The lack of mobile water in the low permeability, Deep Basin reservoirs combined with Peyto's low-cost operations and efficient processing facilities results in very long producing lives for the existing proven producing wells that are exempt from the vulnerabilities of high-cost, third party midstream processing.
- **Minimal Liabilities:** The forecast cost of Peyto's future abandonment and reclamation liability (all wells, pipelines, well sites, & facilities) is $69.4 million ($NPV_5$), which represents 1% of the total $6.5 billion of forecast future value of the developed reserves[11] (NPV_5), illustrating Peyto's disciplined, organic approach to finding and developing natural gas that has delivered one of the highest ratios of producing to non-producing wells in the industry.
- **Strong Environmental Performance:** Peyto produces less than half of the average GHG emissions intensity of the natural gas production and processing industry in Canada and is one of the lowest amongst its peers. Peyto has committed to reducing methane emissions intensity by 75% from 2016 levels and has active emissions reducing projects underway which include waste heat recovery, conversion of pneumatic chemical pumps to solar powered, installation of zero emissions pumps, and the removal of methane emitting equipment that is no longer required. The Company has begun construction of a gas pipeline that will directly supply the Cascade combined cycle, highly efficient, 900 megawatt power plant. This direct connection will result in transportation fuel savings of an estimated 25,000 tonnes of carbon dioxide equivalent per year. Peyto also

uses less water per unit of production than many of its peers and continues to reduce the surface footprint needed to extract and develop reserves, annually. Please refer to Peyto's 2022 ESG Report at: https://www.peyto.com/Files/Corporate%20Responsibility/ESG%20Committee/Peyto2022ESGReport.pdf

HISTORICAL PERSPECTIVE

- Over the past 24 years, Peyto has explored for and discovered 8.0 TCFe of Alberta Deep Basin natural gas and associated liquids, of which 61% has now been developed[11].

Peyto 24-year cumulative production (to Dec. 31/ 22):	2.461 TCFe
Total Proved + Probable Developed reserves:	2.433 TCFe
Total Developed natural gas and liquids:	4.894 TCFe
Total Proved + Probable Undeveloped reserves:	3.141 TCFe
Total explored for and discovered:	8.035 TCFe

  Each year the Company invests in the discovery of new reserves and the efficient and profitable development of existing reserves into high netback natural gas and NGL production for the purpose of generating the maximum possible return on capital for its shareholders.

- In those 24 years, a total of $7.3 billion was invested in the Canadian economy in the acquisition and development of 4.9 TCFe of total developed natural gas and associated liquids at an average cost of $1.49/Mcfe, while a weighted average field netback[3] of $3.47/Mcfe delivered $7.8 billion in FFO, $2.6 billion in dividends and distributions to shareholders, and resulted in a cumulative recycle ratio[2] of 2.3 times. Royalty payments made to Alberta during this time have totaled over $1 billion.
- Based on the December 31, 2022 evaluation, the debt adjusted, Net Present Value of the Company's remaining Total Proved plus Probable reserves ("P+P NPV", 5% discount, less debt) was $71/share, comprised of $35/share of developed reserves and $36/share of undeveloped reserves. This includes a provision for all abandonment liability for wells, well sites, pipelines, and facilities for which Peyto has ownership and responsibility.

2022 RESERVES REPORT AND ANALYSIS

The following table summarizes Peyto's reserves and the discounted Net Present Value of future cash flows, before income tax, using the 3 Consultant Average ("3CA") pricing forecast (GLJ, McDaniel, and Sproule), at December 31, 2022.

					Before Tax Net Present Value ($millions) Discounted at			
Reserve Category	**Gas (BCF)**	**Oil & NGL (mstb)**	**BCFe (6:1)**	**MMboe (6:1)**	**0%**	**5%**	**8%**	**10%**
Proved Developed Producing	1,703	44,631	1,971	328	8,960	5,603	4,588	4,111
Proved Non-producing	30	641	34	6	12	11	10	10
Proved Undeveloped	1,329	34,757	1,537	256	6,911	3,861	2,879	2,409
Total Proved	3,061	80,029	3,541	590	15,833	9,476	7,477	6,530
Probable	1,774	43,125	2,033	339	8,960	3,760	2,525	2,004
Total Proved + Probable	4,836	123,154	5,574	929	24,793	13,236	10,002	8,534

Note: Based on the GLJ report effective December 31, 2022. Tables may not add due to rounding.

ANALYSIS FOR PEYTO SHAREHOLDERS

One of the guiding principles at Peyto is "to tell you the business facts that we would want to know if our positions were reversed". Therefore, each year Peyto provides an extensive analysis of the independent reserve evaluation that goes far beyond industry norms to answer the most important questions for shareholders:

1. Base Reserves – How did the "base reserves" that were on production at the time of the last reserve report perform during the year, and how did any change in commodity price forecast affect their value?
2. Value Creation – How much value did the 2022 capital investments create, both in current producing reserves and in undeveloped potential? Has the Peyto team earned the right to continue investing shareholders' capital?
3. Growth and Income – Are the projected cash flows capable of funding the growing number of undeveloped opportunities and a sustainable dividend stream to shareholders, without sacrificing Peyto's financial flexibility or allowing for the timely repayment of any debt used?
4. Risk Assessment – What are the risks associated with the assessment of Peyto's reserves and the risk of recovering future cashflows from the forecast production streams?

1. Base Reserves

Peyto's existing PDP reserves at the start of 2022 (the base reserves) were evaluated and adjusted for 2022 production as well as any technical or economic revisions resulting from the additional twelve months of production and commodity price data. As part of GLJ's independent engineering analysis, all base 1,763 producing reserve entities (zones/wells) were evaluated. These base producing wells and zones represent a total gross Estimated Ultimate Recoverable ("EUR") volume of 4.9 TCF (remaining PDP+PA reserves plus all cumulative production to date), which is within 1% from the prior year estimate. As a result, Peyto is pleased to report that its total base reserves continue to meet expectations, which provides confidence in the prediction of future recoveries.

The commodity price forecast used by GLJ in this year's evaluation is higher than last year for both natural gas and natural gas liquids which has had the effect of increasing the Net Present Value of all reserve categories. For example, the debt adjusted NPV, discounted at 5%, of last year's Proved Developed Producing reserves, increased $589 million, or 36%, due to the difference in commodity price forecasts and Peyto's realized historical offsets to posted prices. The 3CA price forecast used in the evaluation is available on GLJ's website at www.gljpc.com

For 2023, GLJ is forecasting the total base production (PDP reserves) to decline to approximately 75,000 boe/d (395MMcf/d of gas and 9,560 bbl/d of NGLs) by December 2023. This decline implies a total base decline rate of approximately 29% from December 2022. The historical base decline rates and capital programs are shown in the following table:

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023F
Base Decline (%/yr)*	35%	34%	38%	40%	40%	37%	35%	29%	23%	27%	30%	29%
Capital Expenditures ($MM)	$618	$578	$690	$594	$469	$521	$232	$206	$236	$365	$529	$450

**The base decline represents the aggregate annual decline of all wells on production at the end of the previous year.*

2. Value Creation/Reconciliation

During 2022, Peyto invested a total of $481 million in organic activity to evaluate exploration lands, expand its pipeline gathering network, build a new 65 MMcf/d gas plant in Chambers, and drill 95 gross (82.4 net) wells. Additionally, the Company invested $22 million in a corporate acquisition, primarily for a new gas plant facility and $26 million for underdeveloped lands within the Brazeau area. In keeping with Peyto's strategy of maximizing shareholder returns, an evaluation of the economic outcome of this investment activity is necessary to determine, on a go-forward basis, the best use of shareholders' capital. Not only does this look back analysis give shareholders a detailed report card on the capital that was invested, but it also helps illustrate the potential returns that can be generated from similar future undeveloped opportunities.

Exploration, Development, and Acquisition Activity

Of the total capital invested in exploration and development activities (excluding acquisitions) in 2022, approximately 2% was spent acquiring lands and seismic, 21% on pipeline and facility projects, and the remaining 77% was spent drilling, completing, and connecting existing and new reserves. 79 of the gross wells drilled, or 83%, were previously identified as undeveloped reserves in last year's reserve report (58 Proved, 21 Probable locations). The remaining 16 wells were locations developed in the year, on both existing and acquired lands, and were not recognized in last year's report. Out of the 95 gross wells drilled in 2022, 90 wells were brought onstream during the year and 34 of those wells (36%) fully recovered their capital investment before the end of 2022.

During the first quarter of 2022, Peyto closed a strategic corporate acquisition in the Greater Brazeau area which added a 100% owned, operated, and underutilized 45 MMcf/d sweet natural gas plant, 850 boe/d of production from 20 net wells, and 73 net sections of land. The Company also closed a property acquisition in the Brazeau area in the third quarter which added 42 net sections of land and 650 boe/d from 12 net producing wells. Since that time, the Company has integrated the infrastructure within the existing Brazeau area complex to allow for efficient development of both assets and flexibility to maximize production from the area.

The undeveloped reserves at year end 2021 originally booked to the 79 drilled locations referred to above, totaled 331 BCFe (4.2 BCFe/well) of Proved plus Probable Undeveloped reserves for a forecast capital investment of $268 million ($0.81/Mcfe). In actuality, $320 million of capital ($0.96/Mcfe) was spent on these 79 conversions (75 well drilled) during 2022, yielding Proved plus Probable Developed Producing reserves of 333 BCFe (4.2 BCFe/well). As in the past, well assignments met forecasted reserves however, higher than expected steel and oilfield service costs in 2022 translated to a 19% increase in cost per unit.

The following table illustrates the Company's historical performance in converting predicted future undeveloped locations into producing wells and demonstrates that, other than the rapid inflation experienced in 2022, Peyto has typically converted more reserves at a lower cost than was forecast.

Reserve Year	Total Drills	Booked Locations Converted	Booked/ Total	Forecast Outcome		**Forecast Cost per Unit**	Actual Outcome		**Actual Cost per Unit**	Actual/ Forecast Cost per Unit
	gross wells	gross wells		BCFe	Capex* $MM	**$/Mcfe**	BCFe	Capex* $MM	**$/Mcfe**	
2010	48	30	63%	84	$123	**$1.46**	102	$138	**$1.35**	-8%
2011	70	51	73%	152	$214	**$1.41**	151	$209	**$1.38**	-2%
2012	86	60	70%	189	$295	**$1.56**	196	$278	**$1.42**	-9%
2013	99	69	70%	206	$332	**$1.61**	218	$310	**$1.42**	-12%
2014	123	90	73%	278	$417	**$1.50**	288	$419	**$1.45**	-3%
2015	140	103	74%	307	$456	**$1.49**	348	$385	**$1.11**	-26%
2016	128	82	64%	254	$297	**$1.17**	254	$246	**$0.97**	-17%
2017	142	97	68%	298	$295	**$0.99**	321	$305	**$0.95**	-4%
2018	70	37	53%	104	$115	**$1.10**	120	$118	**$0.98**	-11%
2019	61	39	64%	129	$111	**$0.86**	123	$109	**$0.88**	+2%
2020	64	52	81%	172	$158	**$0.92**	165	$135	**$0.82**	-11%
2021	95	61	64%	221	$193	**$0.87**	227	$192	**$0.84**	-3%
2022	**95**	**79**	**83%**	**331**	**$268**	**$0.81**	**333**	**$320**	**$0.96**	**+19%**
Total	**1,221**	**850**	**70%**	**2,725**	**3,274**	**$1.20**	**2,846**	**3,164**	**$1.11**	**-8%**

**Capex represents only well related capital for drilling, completion, equipping and tie-in*

This annual analysis of reserves that are converted from undeveloped to developed helps to validate the accuracy of the remaining future undeveloped reserves and the associated capital requirements. This accuracy helps Peyto predict future reserve recoveries and capital requirements and reduces the risk associated with valuing future undeveloped locations. While the Peyto team will do its utmost plans to continue to drive down costs in 2023, future development capital used in the reserves report for undeveloped locations reflects the most recent cost increases seen in 2022.

Value Reconciliation

In order to measure the success of all capital invested in 2022, it is necessary to quantify the total amount of value created during the year and compare that to the total amount of capital invested. Each year, Peyto runs last year's reserve evaluation with this year's price forecast to remove the change in value attributable to commodity prices. This approach isolates the value created by the Peyto team from the value created (or lost) by those changes outside of their control (ie. Commodity prices). Since the capital investments can be funded from a combination of cash flow, debt and equity, it is necessary to know the change in debt and the change in shares outstanding to see if the change in value is truly accretive to shareholders.

At year-end 2022, Peyto's estimated net debt had decreased by 19% or $210 million while the number of shares outstanding increased by 3%, due to stock option program exercises, to 173.5 million shares. In calculating the change in debt the Company included all capital expenditures, and the total fixed and performance-based compensation paid out for the year. Although these estimates are believed to be accurate, they remain unaudited at this time and may be subject to change.

Based on this reconciliation of changes in BT NPV, the Peyto team was able to create $1.9 billion of Proved Developed Producing, $2.1 billion of Total Proven, and $2.0 billion of Total Proved plus Probable undiscounted reserve value, with $529 million of capital investment. The ratio of capital expenditures to value creation is what Peyto refers to as the NPV recycle ratio, which is simply the undiscounted value addition, resulting from the capital program, divided by the capital investment. For 2022, the Proved Developed Producing NPV recycle ratio is 3.6 which means for each dollar invested, the Peyto team was able to create 3.6 new dollars of Proved Developed Producing reserve value.

The historic NPV recycle ratios are presented in the following table.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	**2022**	**10 yr Wt. Avg.**
Capital Investment ($MM)	$578	$690	$594	$469	$521	$232	$206	$236	$365	$529	
NPV_0 Recycle Ratio											
Proved Developed Producing	1.5	1.5	2.3	2.9	2.3	4.6	1.8	3.5	5.2	3.6	**2.7**
Total Proved	2.0	1.7	3.3	4.2	3.2	11.7	5.5	6.9	5.5	4.0	**4.0**
Total Proved + Probable	4.0	2.6	5.0	7.3	4.0	15.1	9.2	6.5	11.5	3.8	**5.8**

**NPV_0 (net present value) recycle ratio is calculated by dividing the undiscounted NPV of reserves added in the year by the total capital cost for the period (eg. 2022 Proved Developed Producing $1,911/$529) =3.6).*

3. <u>Growth and Income</u>

Over the past 19.5 years, Peyto has paid a total of $20/share to shareholders in the form of distributions and dividends. Peyto's objective, as a dividend paying, growth-oriented corporation, is to profitably grow the resources which generate sustainable income (dividends) for shareholders. For income to be sustainable and grow, Peyto must profitably find and develop more reserves. Simply increasing production from the existing reserves will not make that income more sustainable. Reserve Life Index (RLI), or a reserve to production ratio, provides a measure of this long-term sustainability.

During 2022, the Company's capital program was successful in replacing 165% of annual production with new PDP reserves, resulting in 8% growth, using only 64% of FFO. Fourth quarter production increased 7%, from 98,400 boe/d (522 MMcf/d gas, 11,300 bbl/d NGLs) to 104,950 boe/d (553 MMcf/d gas, 12,840 bbl/d NGLs). The change in both PDP reserves and fourth quarter production resulted in a slight increase of the Proved Developed Producing reserve life index (ratio of the two) from 8.5 years to 8.6 years.

For comparative purposes, the Total Proved and P+P RLI index was 15 and 24 years, respectively. Management believes that the most meaningful method to evaluate the current reserve life is by dividing the Proved Developed Producing reserves by the actual fourth quarter annualized production. This way production is being compared to producing reserves as opposed to producing plus non-producing reserves.

The following table highlights the Company's historical RLI Index.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	**2022**
Proved Developed	13	14	14	11	9	9	7	7	7	7	7	9	9	9	9	**9**
Total Proved	16	17	21	17	16	15	12	11	11	11	11	16	19	18	16	**15**
Proved + Probable	21	23	29	25	22	22	19	18	17	18	18	25	29	27	25	**24**

Future Undeveloped Opportunities

As of December 31, 2022, Peyto had 1,042 net sections of Alberta Deep Basin lands. In many of these sections, mineral rights are held in a number of stacked prospective horizons expanding this land base by almost four-fold to a total of 4,062 net sections of rights over Duvernay, Montney and seven Cretaceous horizons. During Peyto's 24-year history, the Company has both found and developed 4.9 TCFe of total natural gas and associated liquids which resides in 416 of these net sections. Effectively, Peyto has invested $7.3 billion to fully develop 10.2% of its existing land base which has also resulted in the generation of $7.8 billion of cumulative FFO and $3.1 billion in cumulative earnings to date.

Peyto's remaining undeveloped land base still holds significant future potential. GLJ has modelled a limited amount of development activity over the next eight years as shown in the following table of future development capital designed to ensure Peyto's existing facilities remain full. This capital investment is projected to develop an additional 8.1% of Peyto 4,062 net sections of rights listed above.

	Future Development Capital	
Year	Proved Reserves Undisc., ($Millions)	Total Proved+Probable Reserves Undisc., ($Millions)
2023	290	432
2024	401	435
2025	421	448
2026	382	450
2027	327	461
2028	240	419
2029	18	364
2030	2	459
Thereafter	0	389
Total	2,081	3,856

Every year Peyto finds and develops new drilling inventory that GLJ reviews to create a forecast of future development activity. Their forecast is by no means a complete assessment of Peyto's current opportunities, nor is Peyto content to just sit back and harvest these current opportunities. Each year the results from the drilling activity spawn additional offsetting locations both on currently owned lands and lands Peyto does not yet own but attempts to acquire. In addition to the growth in inventory, Peyto has been evolving its horizontal well design to employ ERH laterals and increased stimulation intensity. This design allows more reservoir to be developed in each wellbore which has the effect of reducing the total number of wells required to develop a given resource. The result is a lower cost per unit of reserves and less off an environmental footprint. In the Wilrich specifically, Peyto has been able to extend lateral lengths consistently over 2,000 m, which has generated an 86% increase in per well recovery (4.1 Bcfe) over the previous well design (2.2 Bcfe). The increase in length and stimulation intensity costs have had the effect of lowering per unit development costs by 31% on an inflation adjusted basis from $1.77/Mcfe to $1.25/Mcfe. Peyto has also applied the ERH methodology to other formations such as the Dunvegan and Falher where there is significant opportunity to optimize development.

As of December 31, 2022, the future drilling locations recognized in the reserve report totaled 1,295 gross (1,046 net). This is up from the previous year of 1,274 (1,022 net). Of these future locations, 805 (62%) are categorized as Proven Undeveloped by the independent reserve evaluators, while 490 (38%) are Probable Undeveloped locations. The net reserves associated with the undeveloped locations (not including existing uphole zones) totals 3.14 TCFe (3.0 BCFe/well) consisting of 2.72 TCF of natural gas and 69 MMbbls of NGLs, while the capital required to develop them is estimated at $3.8 billion or $1.20/Mcfe. This development is forecast to create Before Tax Net Present Value of $6.7 billion (at 5% discount rate, inclusive of profit after capital recovery and future abandonment liability) or $36 per share (debt adjusted) of incremental value at the 3CA commodity price forecast.

The undiscounted, forecast for Net Operating Income for the TP and P+P reserves over the future development capital schedule, as contained in the evaluator's report, totals $8.3 billion and $13.2 billion, respectively, more than sufficient to fund the future development capital shown in the table above, ensuring those reserve additions are accretive to shareholders.

The total estimated Future Development Capital for both Total Proved and P+P reserves increased from the previous year by $102 million and $244 million, respectively, reflecting the increased number of undeveloped locations and the most recent cost inflation that has come with higher forecast commodity prices.

4. Risk Assessment

Effectively 100% of Peyto's natural gas and natural gas liquid reserves exist in low permeability (tight), sandstone reservoirs in the Alberta Deep Basin. In almost all cases, the volumetric capacity of these sandstone reservoirs can be determined using traditional geological and reservoir engineering methods, which, when complimented by production performance data, increases the certainty of the reserve estimates. In the majority of Peyto's core areas, continuous drilling activity has further refined the geologic and geometric definition of these reservoirs to a higher level of certainty.

In addition, these Deep Basin sandstone reservoirs do not contain mobile water, nor are they supported by active aquifers. Mobile water traditionally increases the risk associated with reservoir recovery by impeding the flow of hydrocarbons through the reservoir and up the wellbore. Water production, separation and disposal processes also increase operating costs which shortens the economic life of producing wells, further contributing to reduced recovery. As many of these traditional reserves determination and recovery risks are not present in Peyto's Deep Basin reservoirs, Management has a higher level of confidence in its reserves and their ultimate recovery.

Peyto's high operating margins have meant that forecasts of net operating income are less affected by commodity price volatility than in most traditional reserve evaluations. As a result, the predicted economic life of Peyto's producing wells is less sensitive to changes in commodity prices. These high operating margins are achieved through the Company's high level of ownership and control of all levels of production operations, through a concentrated geographic asset base, and by striving to be the lowest cost producer in the industry.

Peyto attempts to further reduce the risk of predicted operating incomes with an active market diversification and hedging program that is designed, over time, to smooth out the volatility in both Alberta and US natural gas markets through a series of frequent transactions which is like "dollar cost averaging" the future gas price.

Finally, Peyto is the operator of over 98% of its producing wells and has one of the highest ratios of producing to non-producing wells in the industry. Approximately 98% of Peyto's asset base has been organically developed by Peyto and contains very few abandonment liabilities. As of December 31, 2022, Peyto owned a total of 1929 net wells of which over 92% are on production today and most are expected to produce for decades to come. Despite the Company's very low non-producing well count, Peyto has an active well retirement program where 12 net wells were abandoned in 2022. Of the remaining non-producing wellbores, 18.3 net wells are considered medium risk, inactive wells that require downhole abandonment over the next several years. The estimated cost to abandon, reclaim and remediate these wells is approximately $4.6 million. For perspective, the current existing developed reserves have a forecast value of $6.5 billion ($NPV_5$ of the PDP + PA and PDNP + PA), while the cost to abandon and reclaim all wells, well sites, pipelines, and facilities is estimated at $69.4 million using the same 5% discount rate for future costs.

These cumulative factors listed above, which reduce the traditional risk of realizing future cashflows from Peyto's reserves, is why, in Management's opinion, Peyto's reserves can be valued at lower discount rates than other, more conventional asset bases and why Management highlights Net Present Values (NPV) at 5% discount rates.

PERFORMANCE RATIOS

The following table highlights annual performance ratios for the last decade. These can be used for comparative purposes, but it is cautioned that on their own they do not measure investment success.

	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Proved Developed Producing										
FD&A ($/Mcfe)	**$1.41**	$0.97	$1.06	$1.55	$1.18	$1.36	$1.44	$1.64	$2.25	$2.35
RLI (yrs)	**8.6**	9	9	9	9	7	7	7	7	7
Recycle Ratio	**2.8**	2.8	1.5	1.4	2.3	2.1	1.8	2.0	1.9	1.6
Reserve Replacement	**165%**	188%	127%	75%	98%	171%	153%	193%	183%	190%
Total Proved										
FD&A ($/Mcfe)	**$1.75**	$1.10	$0.20	$1.41	$1.21	$1.39	$1.01	$0.72	$2.37	$2.23
RLI (yrs)	**15**	16	18	19	16	11	11	11	11	12
Recycle Ratio	**2.3**	2.4	8.0	1.7	2.2	2.0	2.6	4.5	1.8	1.6
Reserve Replacement	**159%**	194%	132%	137%	294%	225%	183%	188%	254%	230%
Future Development Capital ($ millions)	**$2,081**	$1,979	$1,917	$2,107	$1,971	$1,488	$1,305	$1,381	$1,721	$1,406
Total Proved + Probable										
FD&A ($/Mcfe)	**$2.03**	$1.09	($0.01)	$1.25	1.02	$1.49	$0.62	$0.54	$2.01	$1.86
RLI (yrs)	**24**	25	27	29	25	18	18	17	18	19
Recycle Ratio	**1.9**	2.5	N/A	1.7	2.6	1.9	4.2	6.1	2.1	2.0
Reserve Replacement	**167%**	308%	167%	140%	342%	279%	283%	287%	328%	450%
Future Development Capital ($millions)	**$3,855**	$3,612	$3,308	$3,547	$3,445	$2,978	$2,563	$2,657	$2,963	$2,550

See Non-GAAP Financial Ratios in the Advisories section of this news release for details on the calculation of the above metrics.

RESERVES COMMITTEE

Peyto has a reserves committee, comprised of independent board members, that reviews the qualifications and appointment of the independent reserve evaluators. The committee also reviews the procedures for providing information to the evaluators. All booked reserves are based upon annual evaluations by the independent qualified reserve evaluators conducted in accordance with the COGE (Canadian Oil and Gas Evaluation) Handbook and

National Instrument 51-101. The evaluations are conducted using all available geological and engineering data. The reserves committee has reviewed the reserves information and approved the reserve report.

MANAGEMENT CHANGES

Scott Robinson, Vice President of Business Development, and David Thomas, Vice President of Exploration will retire at the end of February. Scott and David have been instrumental both helping to grow the Company to over 100,000 boe/d in the last several years and responsible for the development and mentorship of many of Peyto's employees. Peyto has a proud history of cultivating future leaders within the organization to ensure profitable resource development using sound technical judgement remains a core value of the Company. On behalf of all shareholders and the Board of Directors, the management team of Peyto would like to congratulate Scott and David on their retirement and sincerely thank them for their leadership and commitment to the Company.

Peyto is pleased to announce that Derick Czember will take over Scott's responsibilities in the position of Vice President of Land and Business Development. Derick has been with the Company for 8 years and has played an integral role in the acquisition of key properties and new opportunities which have added to Peyto's significant land base. Peyto is also pleased to announce that Mike Rees, Manager of Geoscience, and Blaine Stewart, Manager of Exploration will share David's responsibilities moving forward. Mike has been with Peyto for over 10 years and has played a vital role in resource characterization, and the development and execution of the Company's drilling programs. Blaine, in his role with the Business Development team, has been fundamental in the identification and acquisition of multiple resource opportunities during his 6 years with Peyto and will be play an important role in the Company's successful capture of future prospects.

OUTLOOK

Despite the recent drop in price, the outlook for natural gas remains robust with the recognition that world demand continues to grow and the need for this critical energy supply will exist for the foreseeable future. The past warm winter in North America and Europe has created a false sense of short-term term supply security but has not solved the longer-term supply challenge. North America's ability to access global demand without an increase in storage capacity has caused an increase in natural gas price volatility. Peyto's price protection strategies such as market diversification and systematic hedging will continue to play an important role in the Company's revenue security going forward. These gas marketing strategies will attempt to ensure steady funding of future capital programs, profit generation, and protection of the balance sheet. As the industry's lowest cost producer, Peyto will continue to focus on cost control and improving efficiencies to preserve profit margins.

GENERAL

A complete filing of the Statement of Reserves (form 51-101F1), Report on Reserves (form 51-101F2), and Report of Management and Directors on Oil and Gas Disclosure (form 51-101F3) will be available in the Annual Information Form to be filed by the end of March 2023. Shareholders are encouraged to actively visit Peyto's website located at www.peyto.com. For further information, please contact Jean-Paul 'JP' Lachance, President and Chief Executive Officer of Peyto at (403) 261-6081.

ADVISORIES

Unaudited Financial Information

Certain financial and operating information included in this news release including, without limitation, exploration and development expenditures, acquisitions, field netbacks, funds from operations, net debt, FD&A costs, Finding & Development costs excluding acquisitions, acquisition costs, and recycle ratio, are based on estimated unaudited financial results for the year ended December 31, 2022, and are subject to the same limitations as discussed under Forward Looking Information set out below. These estimated amounts may change upon the completion of audited financial statements for the year ended December 31, 2022 and changes could be material.

Information Regarding Disclosure on Oil and Gas Reserves

Some values set forth in the tables above may not add due to rounding. It should not be assumed that the estimates of future net revenues presented in the tables above represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained, and variances could be material. The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.

Forward-Looking Information

This news release contains certain forward–looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: management's assessment of Peyto's future plans and operations, including the 2023 capital expenditure program, the volumes and estimated value of Peyto's reserves, the life of Peyto's reserves, production estimates, project economics including NPV, netback and recycle ratio, the ability to enhance value of reserves for shareholders and ensure the reserves generate the maximum possible return, the commencement of the Cascade Power Plant and the development and gas plant construction at Whitehorse in 2024. Forward-looking statements or information are based on a number of material factors, expectations or assumptions of Peyto which have been used to develop such statements and information, but which may prove to be incorrect. Although Peyto believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking information and statements because Peyto can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, the impact of increasing competition, the timely receipt of any required regulatory approvals, the ability of Peyto to obtain qualified staff, equipment and services in a timely and cost efficient manner, drilling results, field production rates and decline rates, the ability to replace and expand reserves through development and exploration, future commodity prices, currency, exchange and interest rates, regulatory framework regarding royalties, taxes and environmental matters and the ability of Peyto to successfully market its oil and natural gas products. By their nature, forward-looking information and statements are subject to numerous risks and uncertainties, some of which are beyond these parties' 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. 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 information and statements will transpire or occur, or if any of them do so, what benefits that Peyto will derive therefrom. The forward-looking information and statements contained in this news release speak only as of the date of this news release, and Peyto does not assume any obligation to publicly update or revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

This news release contains information, including in respect of Peyto's 2023 capital program, which may constitute future oriented financial information or a financial outlook. Such information was approved by the Board of Directors of Peyto on February 16, 2023, and such information is included herein to provide readers with an understanding of the Company's anticipated capital expenditures for 2023. Readers are cautioned that the information may not be appropriate for other purposes.

Barrels of Oil Equivalent
Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Non-GAAP and Other Financial Measures

Throughout this news 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. Such metrics have been included by Peyto to give readers additional measures to evaluate the Peyto's performance; however, such measures are not reliable indicators of the future performance of Peyto and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon.

<u>Non-GAAP Financial Measures</u>

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.

Capital Expenditures
Peyto uses the term 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.

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. 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.

<u>Non-GAAP Financial Ratios</u>

Netback per MCFE
"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.

Finding, Development and Acquisition Cost
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 (eg. 2022 Total Proved ($529+$102)/(590.2-567.9+37.8) = $10.50/boe or $1.75/Mcfe).
Reserve Life Index
The RLI is calculated by dividing the reserves (in boes) in each category by the annualized Q4 average production rate in boe/year (eg. 2022 Proved Developed Producing 328,424/(104.9x365) =8.6). Peyto believes that the most accurate way to evaluate the current reserve life is by dividing the proved developed producing reserves by the annualized actual fourth quarter average production. In Peyto's opinion, for comparative purposes, the proved developed producing reserve life provides the best measure of sustainability.

Recycle Ratio
The Recycle Ratio is calculated by dividing the field netback per boe, by the FD&A costs for the period (eg. 2022 Proved Developed Producing $23.78/$8.48=2.8). 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.

Reserve Replacement Ratio
The reserve replacement ratio is determined by dividing the yearly change in reserves before production by the actual annual production for the year (eg. 2022 Total Proved (590.2-567.9+37.8)/37.8 =159%).

Capital Efficiency
Capital efficiency is the cost to add new production in the year and is calculated as capital expenditures divided by total production added at year end (eg. 2022 Capital efficiency, before acquisitions ($481MM/38.1=$12,600/boe/d).

The Toronto Stock Exchange has neither approved nor disapproved the information contained herein.

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[1] *See "Unaudited Financial Information" in the Advisories section of this news release*
[2] *Funds from operations and Net Debt are non-GAAP financial measures. See "non-GAAP and Other Financial Measures" in this news release*
3 BCF and TCF refers to billions and trillions of cubic feet, respectively
[4] *FD&A is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release*
[5] *Field netback operations is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release*
[6] *Recycle ratio is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release*
[7] *RLI is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release*
[8] *Capital expenditures is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release*
[9] *Capital efficiency is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release*
[10] *Reserve replacement is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release*
[11] *Developed Reserves is Total Proved + Probable Developed Reserves and includes Proved + Probable Developed Producing reserves and Proved + Probable Developed Non-Producing reserves.*