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NEWS RELEASE

OCTOBER 17, 2023 **SYMBOL: PEY – TSX**

PEYTO ANNOUNCES CLOSING OF REPSOL ACQUISITION, EXCHANGE OF SUBSCRIPTION RECEIPTS INTO COMMON SHARES, AN ISSUANCE OF SENIOR SECURED NOTES AND APPOINTMENT OF NEW DIRECTOR

CALGARY, ALBERTA – Peyto Exploration & Development Corp. ("**Peyto**" or the "**Company**") is pleased to announce that it has completed its previously announced acquisition of Repsol Canada Energy Partnership, which holds the Canadian upstream oil and gas business of Repsol Exploración, S.A.U. ("**Repsol**"), including all related midstream facilities and infrastructure located predominantly in the Deep Basin area of Alberta, for cash consideration of US$468 million (CDN$636 million) (the "**Acquisition**") prior to closing adjustments. The Acquisition increases Peyto's current production to 123,000 boe/d (86% natural gas, 14% NGLs), adds over 800 high-impact gross drilling locations[1] and includes extensive gas processing and pipeline infrastructure that complement Peyto's legacy assets in the Edson area. Peyto has plans to begin drilling operations on the Repsol lands, immediately.

Acquisition Financing

The Acquisition was partially funded by a previously closed bought deal financing whereby Peyto issued 16,916,500 subscription receipts (the "**Subscription Receipts**") at a price of $11.90 per Subscription Receipt for gross proceeds of approximately $201 million, which included the full exercise of the over-allotment option granted to the underwriters.

On closing of the Acquisition, the net proceeds from the sale of the Subscription Receipts were released from escrow to Peyto to partially fund the purchase price of the Acquisition with the remainder of the purchase price funded by drawing on Peyto's credit facilities, as described below. In addition, on closing of the Acquisition, in accordance with the terms of the Subscription Receipts, each Subscription Receipt was exchanged for one common share of Peyto. Trading in the Subscription Receipts on the Toronto Stock Exchange is expected to be halted and the Subscription Receipts delisted before trading commences on October 18, 2023.

Following the exchange of Subscription Receipts for common shares of Peyto, former holders of Subscription Receipts will be entitled to receive the dividend to be paid to holders of record of common shares on October 31, 2023 (provided they have not transferred the Common Shares prior to such date) with payment occurring on November 15, 2023.

Peyto is pleased to announce that in conjunction with the closing of the Acquisition, the Company amended and restated its credit facilities with a syndicate of banks increasing the committed revolving facility from $800 million to $1 billion and adding a new $174 million two-year amortizing term loan.

[1] See "*Drilling Locations*" in this news release for further information.

Issuance of Private Placement of Senior Secured Notes

The Company is also pleased to announce that it has priced an issuance of $160 million of senior secured notes. The notes will have a coupon rate of 6.46% and mature in October 2030. The notes will be issued by way of a private placement pursuant to a note purchase agreement and rank equally with Peyto's obligations under its credit facility and existing note purchase and private shelf agreement. Interest will be paid semi-annually in arrears. Proceeds from the notes will be used to repay the $100 million, 3.70% notes due October 24, 2023 and to decrease Peyto's borrowings under its amended credit facility. Closing of the private placement is expected to occur on October 24, 2023. The senior notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

Hedging Update

The Company has been active in hedging future production with financial and physical fixed price contracts to protect a portion of its future revenue from commodity price and foreign exchange volatility. Currently, Peyto has approximately 422,000 mcf/d of natural gas locked in at $3.91/mcf for 2024 and approximately 373,000 mcf/d locked in at $4.07/mcf for 2025. The Company's fixed price contracts combined with its diversification to the Cascade power plant and other premium market hubs in North America allow for revenue security and support continued shareholder returns through dividends and debt reduction.

Appointment of New Director

Peyto is also pleased to announce the appointment of Ms. Nicki Stevens to its Board of Directors. Ms. Stevens is the Senior Vice President of Production, Marketing and ESG for Hammerhead Energy Inc. Ms. Stevens has over 30 years of industry experience with a strong technical background in a variety of development and operational functions. Ms. Stevens holds a Bachelor of Science in Mechanical Engineering from the University of Alberta and serves on the Board of Governors for the Explorers and Producers Association of Canada.

Jean-Paul Lachance
President and Chief Executive Officer

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Advisory:

This news release contains forward-looking information (forward-looking statements). Words such as "guidance", "may", "can", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "aim", "seek", "propose", "contemplate", "estimate", "focus", "strive", "forecast", "expect", "project", "target", "potential", "objective", "continue", "outlook", "vision", "opportunity" and similar expressions suggesting future events or future performance, as they relate to the Company or any affiliate of the Company, are intended to identify forward-looking statements. In particular, this news release contains forward-looking statements with respect to, among other things, plans to commence drilling on Repsol lands immediately, the timing for Common Share dividend payments and the halt and de-listing of the Subscription Receipts on the Toronto Stock Exchange and the planned issuance of $160 million of senior secured notes on October 24, 2023. Such statements reflect Peyto's current expectations, estimates and projections based on certain material factors and assumptions at the time the statement was made. Material assumptions include timing and payment of dividends on the Common Shares and the de-listing of the Subscription Receipts on the Toronto Stock Exchange. Peyto's forward-looking statements are subject to certain risks and uncertainties which could cause results or events to differ from current expectations, including, without limitation the factors discussed under the heading "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2022 and set out in Peyto's other continuous disclosure documents. Many factors could cause Peyto's or any particular business segment's actual results, performance or achievements to vary from those described in this press release, including, without limitation, those listed above and the assumptions upon which they are based proving incorrect. These factors should not be construed as exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this news release as intended, planned, anticipated, believed, sought, proposed, estimated, forecasted, expected, projected or targeted and such forward-looking statements included in this news release, should not be unduly relied upon. The impact of any one assumption, risk, uncertainty, or other factor on a particular forward-looking statement cannot be determined with certainty because they are inter-dependent and Peyto's future decisions and actions will depend on management's assessment of all information at the relevant time. Such statements speak only as of the date of this news release. Peyto does not intend, and does not assume any obligation, to update these forward-looking statements except as required by law. The forward-looking statements contained in this news release are expressly qualified by these cautionary statements.

Drilling Locations

This news release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. In respect of Repsol assets, proved locations and probable locations are derived from a report prepared by GLJ Ltd. that evaluated 100% of the producing reserves associated with the Repsol lands dated effective June 1, 2023 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on 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. In respect of the assets acquired pursuant to the Acquisition, the 800 gross drilling locations identified herein, 215 gross are proved locations, 82 gross are probable locations and 503 gross are unbooked locations. Unbooked locations have been identified by management as an estimation of Peyto's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Peyto will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves or production. The drilling locations on which Peyto actually drill wells will ultimately depend upon the availability of capital, 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 have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, some of the other unbooked drilling locations are further away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty 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 or production.

BOEs

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 either energy content or 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 conversion ratio on a 6:1 basis may be misleading as an indication of value.

Currency

All dollar amounts set forth herein are in Canadian dollars, except where otherwise indicated.

This press release shall not constitute an offer to sell or a solicitation of an offer to buy the securities in any jurisdiction. The securities of Peyto will not be and have not been registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States, or to a U.S. person, absent registration or applicable exemption therefrom.