NEWS RELEASE

MARCH 7, 2024 **SYMBOL: PEY – TSX**

PEYTO REPORTS STRONG FOURTH QUARTER AND 2023 ANNUAL RESULTS

CALGARY, ALBERTA – Peyto Exploration & Development Corp. ("Peyto" or the "Company") is pleased to report operating and financial results for the fourth quarter and 2023 fiscal year.

Full Year and Q4 2023 Highlights:

- As previously announced, Peyto closed the acquisition of Repsol Canada Energy Partnership (the "Repsol Acquisition") for cash consideration of $699 million, including post-closing adjustments. The acquisition provided Peyto with over 800 low-risk, high-quality drilling locations[1] and synergistic infrastructure to allow for the optimization of production and costs in the Greater Sundance area.
- Delivered $200 million in funds from operations[2,3] ("FFO"), or $1.05/diluted share, and $85 million of free funds flow[4] in the quarter. Annual FFO totaled $670 million or $3.72/diluted share, the third highest FFO/share in Peyto's 25-year history. Free funds flow totaled $258 million in 2023.
- The Company's disciplined hedging and diversification program in 2023 protected revenues from the sharp decline in benchmark natural gas prices. The 2023 average daily prices for AECO and Henry Hub decreased 50% and 60%, respectively, from 2022, while Peyto's realized natural gas price, including hedging gains, was only 13% lower. The Company exited 2023 with a strong hedge position, which currently protects approximately 70% and 56% of forecast gas production for 2024 and 2025, respectively. The securing of future revenues supports the sustainability of the Company's dividends and capital program along with debt repayment.
- Peyto generated earnings of $88 million, or $0.46/diluted share, in the quarter and $293 million, or $1.62/diluted share, in 2023. Approximately 82% of earnings, or $239 million ($1.32/share) were returned to shareholders as dividends.
- As previously announced, Peyto increased reserves by 35%, 41%, and 40% in the Proved Developed Producing ("PDP"), Total Proved ("TP"), and Total Proved plus Probable ("P+P") reserves categories, respectively. Low PDP Finding, Development and Acquisition ("FD&A") costs of $1.21/Mcfe and average field netback of $3.51/Mcfe in 2023 resulted in 2.9 times recycle ratio. *Refer to more details in the February 15, 2024 press release.*
- Fourth quarter production volumes averaged 120,002 boe/d (623.0 MMcf/d of natural gas, 16,175 bbls/d of NGLs), a 14% increase year-over-year as a result of the Repsol Acquisition which was partially offset by lower production additions due to the moderation of Peyto's capital program in response to low commodity prices. Annual production averaged 104,948 during 2023.
- Quarterly cash costs[5] totaled $1.57/Mcfe, including royalties of $0.30/Mcfe, operating costs of $0.55/Mcfe, transportation of $0.26/Mcfe, G&A of $0.06/Mcfe and interest expense of $0.40/Mcfe. These costs include approximately $0.09/mcfe of non-recurring financing and integration costs associated with the Repsol Acquisition. Peyto's operating costs increased over prior quarters due to the higher cost structure of the Repsol facilities. The Company expects to reduce these costs with continued optimization and increased utilization of the acquired gas processing plants. Despite this increase, Peyto continues to have the lowest cash costs in the Canadian natural gas industry.
- Total capital expenditures[6] were $115 million in the quarter. Peyto drilled 19 wells (18.4 net), completed 22 wells (20.8 net), and brought 24 wells (22.5 net) on production. The Company spent a total of $413 million on capital expenditures during 2023, $12 million lower than previous guidance.
- Peyto delivered a 70% operating margin[7] and a 28% profit margin[8], resulting in a 9% return on capital employed[9] ("ROCE") and a 11% return on equity[8] ("ROE"), on a trailing 12-month basis.

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[1] See "Drilling Locations" in this news release for further information.
[2] This press release contains certain non-GAAP and other financial measures to analyze financial performance, financial position, and cash flow including, but not limited to "operating margin", "profit margin", "return on capital", "return on equity", "netback", "funds from operations", "free funds flow", "total cash costs", and "net debt". 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 earnings, cash flow from operating activities, and cash flow used in investing activities, as indicators of Peyto's performance. See "Non-GAAP and Other Financial Measures" included at the end of this press release and in Peyto's most recently filed MD&A for an explanation of these financial measures and reconciliation to the most directly comparable financial measure under IFRS.
[3] Funds from operations is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q4 2023 MD&A.
[4] Free funds flow is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q4 2023 MD&A.
[5] Cash costs is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release.
[6] Total capital expenditures is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q4 2023 MD&A.
[7] Operating Margin is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release.
[8] Profit Margin is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release.
[9] Return on capital employed and return on equity are non-GAAP financial ratios. See "non-GAAP and Other Financial Measures" in this news release and in the Q4 2023 MD&A.

	Three Months Ended Dec 31		%	Year Ended Dec 31		%
	2023	2022	Change	**2023**	2022	Change
Operations						
Production						
Natural gas (Mcf/d)	**622,963**	552,627	*13%*	**553,745**	543,590	*2%*
NGLs (bbl/d)	**16,175**	12,840	*26%*	**12,657**	12,949	*-2%*
Thousand cubic feet equivalent (Mcfe/d @ 1:6)	**720,014**	629,667	*14%*	**629,686**	621,286	*1%*
Barrels of oil equivalent (boe/d @ 6:1)	**120,002**	104,944	*14%*	**104,948**	103,548	*1%*
Production per million common shares (boe/d)	**631**	608	*4%*	**587**	606	*-3%*
Product prices						
Realized natural gas price – after hedging and diversification ($/Mcf)	**3.87**	4.62	*-16%*	**3.57**	4.12	*-13%*
Realized NGL price – after hedging ($/bbl)	**64.32**	75.95	*-15%*	**70.22**	80.39	*-13%*
Operating expenses ($/Mcfe)	**0.55**	0.41	*34%*	**0.49**	0.39	*26%*
Transportation ($/Mcfe)	**0.26**	0.22	*18%*	**0.27**	0.26	*4%*
Field netback(1) ($/Mcfe)	**3.73**	4.39	*-15%*	**3.51**	3.96	*-11%*
General & administrative expenses ($/Mcfe)	**0.06**	0.02	*200%*	**0.05**	0.02	*150%*
Interest expense ($/Mcfe)	**0.40**	0.21	*90%*	**0.29**	0.21	*38%*
Financial ($000, except per share)						
Natural gas and NGL sales including realized hedging gains (losses)(2)	**317,246**	324,614	*-2%*	**1,046,925**	1,198,999	*-13%*
Funds from operations(1)	**200,319**	220,815	*-9%*	**670,471**	827,596	*-19%*
Funds from operations per share - basic(1)	**1.05**	1.28	*-18%*	**3.75**	4.85	*-23%*
Funds from operations per share - diluted(1)	**1.05**	1.26	*-17%*	**3.72**	4.73	*-21%*
Total dividends	**63,811**	25,908	*146%*	**239,006**	102,437	*133%*
Total dividends per share	**0.33**	0.15	*120%*	**1.32**	0.60	*120%*
Earnings	**87,795**	113,441	*-23%*	**292,635**	390,663	*-25%*
Earnings per share – basic	**0.46**	0.66	*-30%*	**1.64**	2.29	*-28%*
Earnings per share – diluted	**0.46**	0.64	*-28%*	**1.62**	2.23	*-27%*
Total capital expenditures(1)	**115,218**	115,040	*0%*	**412,919**	506,860	*-19%*
Corporate acquisition	**699,358**	-		**699,358**	22,220	*3047%*
Total payout ratio(1)	**89%**	64%	*39%*	**97%**	74%	*31%*
Weighted average common shares outstanding - basic	**190,196,093**	172,726,293	*10%*	**178,894,013**	170,739,471	*5%*
Weighted average common shares outstanding - diluted	**191,271,677**	175,892,139	*9%*	**180,311,890**	175,040,978	*3%*
Net debt(1)				**1,362,777**	885,137	*54%*
Shareholders' equity				**2,714,943**	2,061,666	*32%*
Total assets				**5,909,642**	4,012,523	*47%*

(1) This is a Non-GAAP financial measure or ratio. See "non-GAAP and Other Financial Measures" in this news release and in the Q4 2023 MD&A

(2) Excludes revenue from sale of third-party volumes

2023 in Review

The year 2023 was the completion of Peyto's 25th year of successful operations. The Company delivered funds from operations of $670 million and earnings of $293 million in the year, allowing Peyto to return $239 million of dividends to shareholders. Peyto moderated capital investment in the first half of the year in response to lower commodity prices and focused activities in the Greater Sundance and Brazeau areas. The Company increased activities in the second half of 2023 in response to improved commodity prices and completed the acquisition of Repsol's remaining western Canadian assets. The Repsol Acquisition included approximately 23,000 boe/d of low-decline production, 455,000 net acres of mineral land and interests in 5 operated gas plants in the Alberta Deep Basin, directly adjacent to the Company's Greater Sundance area. The acquisition was motivated by the internal identification of over 800 low-risk, high impact, undrilled locations, the synergies with Peyto's lands and facilities, and the Company's extensive knowledge of the area. Peyto immediately began drilling on the newly acquired lands after closing on October 17, 2023, and brought on 8 high quality wells by year-end. Operating and profit margins were strong in 2023 at 70% and 28%, respectively, despite the significant drop in benchmark gas prices which were offset by the Company's disciplined hedging and diversification program.

Capital Expenditures

Peyto drilled 72 gross (67.8 net) horizontal wells in 2023 and completed 71 gross (66.8 net) wells for a capital investment of $302 million. The activity includes 1 gross (1 net) well drilled but not completed by Repsol prior to the closing of the acquisition. The Company also invested $31 million to bring 72 gross (67.8 net) wells on production using ultra-low emissions electric wellsite equipment. Drilling costs per meter were up 5% from 2022 while completion costs per meter were down 4%. The Company continued to increase the number of extended reach horizontal wells drilled in 2023, resulting in a 19% increase in average horizontal length from 2022. The combination of longer average horizontal wells and the change in species mix year over year resulted in a 25% increase in per well recovery, on a Proved Developed Producing ("PDP") basis, as per the Company's most recent reserves report.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	**2023**
Gross Hz Spuds	86	99	123	140	126	135	70	61	64	95	95	**72**
Measured Depth (m)	4,017	4,179	4,251	4,309	4,197	4,229	4,020	3,848	4,247	4,453	4,611	**4891**
Drilling ($MM/well)	$2.79	$2.72	$2.66	$2.16	$1.82	$1.90	$1.71	$1.62	$1.68	$1.89	$2.56	**$2.85**
$ per meter	$694	$651	$626	$501	$433	$450	$425	$420	$396	$424	$555	**$582**
Completion ($MM/well)	$1.67	$1.63	$1.70	$1.21	$0.86	$1.00	$1.13	$1.01*	$0.94	$1.00	$1.35	**$1.54**
Hz Length (m)	1,358	1,409	1,460	1,531	1,460	1,241	1,348	1,484	1,682	1,612	1,661	**1969**
$ per Hz Length (m)	$1,231	$1,153	$1,166	$792	$587	$803	$751	$679	$560	$620	$813	**$781**
$ '000 per Stage	$257	$188	$168	$115	$79	$81	$51	$38	$36	$37	$47	**$52**

**Peyto's Montney well is excluded from drilling and completion cost comparison.*

Facilities and pipeline expenditures in 2023 totaled $64 million and included a 23 km large diameter pipeline that directly connects the Company's Swanson gas plant to the Cascade power plant near the town of Edson, Alberta. Peyto is ready to supply gas to the 900 MWh Cascade power plant, once it is fully operational, which is expected in the second quarter of 2024. Additionally, several significant pipeline projects were completed to both optimize gathering and sales in both the Greater Sundance and Greater Brazeau area.

Peyto continued to be active pursuing high quality opportunities at land sales as well as through swaps, purchases, farm-ins etc. In total, the Company spent $4.6 million to acquire 22 net sections of land across the Company's core areas. The Company also completed a $10 million, large scale seismic purchase as part of the Repsol Acquisition that provided 3,520 square kilometers of coverage over the newly acquired lands. The purchase price represents significant savings over current retail pricing and the acquired data will be an essential tool for all future development activity across the underdeveloped Repsol assets.

Reserves

The combination of a successful capital program and the Repsol Acquisition provided significant growth across all reserves categories. The value of Peyto's reserves per share increased in the Total Proved and Proved plus Probable categories despite the reduction of commodity price forecasts used in the GLJ report. The following table illustrates the change in reserve volumes and

Net Present Value ("NPV") of future cash flows, discounted at 5%, before income tax and using the 3-Consultant average forecast pricing.

	As of December 31 2023	2022	% Change, per share (basic outstanding)[1]
Reserves (BCFe)			
Proved Producing	**2,661**	1,971	21%
Total Proved	**4,983**	3,541	26%
Total Proved + Probable	**7,820**	5,574	26%
Net Present Value ($millions) Discounted at 5%			
Proved Producing	**$5,879**	$5,603	-6%
Total Proved	**$10,983**	$9,476	4%
Total Proved + Probable	**$16,060**	$13,236	9%

[1] *Basic shares outstanding as at Dec 31, 2023 were 193,678,975 and Dec 31, 2022 were 173,470,242*
Note: based on the GLJ Ltd Petroleum Consultants ("GLJ") report effective December 31, 2023. The GLJ 3-consultant price forecast is available at www.GLJPC.com.

For more information on Peyto's reserves, refer to the Press Release dated February 15, 2024, announcing the Year End Reserve Report which is available on the website at www.peyto.com. The complete statement of reserves data and required reporting in compliance with NI 51-101 will be included in Peyto's Annual Information Form to be released in March 2024.

Fourth Quarter 2023

Peyto continued with steady drilling activity throughout the fourth quarter of 2023 and ended the year with four rigs running across the Company's Deep Basin core areas. Drilling and completions capital of $81 million was invested to drill 19 gross (18.4 net) wells and complete 22 gross (20.8 net) wells. In addition, $10 million was invested in the tie-in of 24 gross (22.5 net) wells while $12 million was invested in facility and major pipeline infrastructure which included several pipeline looping projects across both Greater Sundance and Greater Brazeau. Peyto was active at crown land sales and spent $2 million to add drilling opportunities and purchased 3D seismic licenses to cover most of the lands acquired from Repsol for $10 million.

Shortly after closing the Repsol Acquisition, Peyto moved swiftly and began development of the newly acquired lands, drilling a total of 8 gross (8 net) wells by the end of the quarter. As part of Peyto's 2023 year-end reserves evaluation, the Company booked an average proved plus probable developed producing ("PDP+PA") ultimate recovery of 7.0 Bcfe/well for these wells which represents a half-cycle finding and development cost[10] of $0.76/Mcfe, exceeding the Company's initial expectations.

Production volumes during the fourth quarter 2023 averaged 120,002 boe/d, up 14% from Q4 2022. Natural gas production was up 13% from Q4 2022, condensate and pentanes production increased 11%, and propane, butane and ethane production increased 47%. The larger increase in propane, butane and ethane production in the quarter was attributable to the Repsol Acquisition. The acquisition closed on October 17, 2023, therefore only a partial quarter of contribution from the assets are included in Peyto's fourth quarter results.

The Company's realized price for natural gas in Q4 2023 was $3.87/Mcf including hedging gains, while its realized liquids price was $64.32/bbl including hedging losses, which yielded an average net sale price of $4.79/Mcfe. The net sale price per unit for Q4 2023 was down 14% from $5.60/Mcfe in Q4 2022 due to a sharp decline in benchmark natural gas prices year over year. Total cash costs in Q4 2023 were $1.57/Mcfe ($9.34/boe), consistent with $1.58/Mcfe in Q4 2022 as lower royalty expenses offset increased operating, transportation, G&A and interest expenses. The total Q4 2023 cash cost included royalties of $0.30/Mcfe, operating costs of $0.55/Mcfe, transportation of $0.26/Mcfe, interest of $0.40/Mcfe, and G&A of $0.06/Mcfe. Peyto's Q4 2023 cash costs were burdened with one-time costs relating to the closing and integration of the Repsol Acquisition. Interest costs included $0.08/Mcfe relating to financing costs and G&A included $0.01/Mcfe of additional one-time costs. Peyto's cash netback (before current tax expense) was $3.26/Mcfe, down 22% from Q4 2022, and yielded a 68% operating margin.

[10] *Finding and development cost is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release.*

Peyto generated funds from operations of $200 million in the quarter, or $1.05/diluted share. Q4 2023 funds from operations decreased by 9% from $221 million in Q4 2022 due to the sharp decline in natural gas prices, partially offset by hedging gains. The Q4 2023 profit margin was 28%, down from 35% in Q4 2022.

Marketing

Commodity Prices

During Q4 2023, Peyto realized a natural gas price after hedging and diversification of $3.87/Mcf, or $3.37/GJ, 55% higher than the average AECO daily price of $2.18/GJ. Peyto's natural gas hedging activity resulted in a realized gain of $0.83/Mcf ($47 million) due to the sharp decline in AECO and Henry Hub natural gas prices.

Condensate and pentanes volumes were sold in Q4 2023 for an average price of $96.30/bbl, which is down 12% from $109.29/bbl in Q4 2022, while Canadian WTI decreased 5% to $106.72/bbl over the same period. Butane, propane and ethane volumes were sold in combination at an average price of $30.86/bbl, or 29% of light oil price, down 19% from $37.97/bbl in Q4 2022. Peyto's combined realized NGL price in the quarter was $64.68/bbl before hedging, and $64.32/bbl including a hedging loss of $0.36/bbl.

Hedging

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 459 MMcf/d of natural gas hedged at $3.93/Mcf for 2024, and 417 MMcf/d hedged at $4.09/Mcf for 2025. Commodity price risk on condensate and pentane production is managed through WTI swaps and collars and Peyto currently has over 4,300 bbls/d hedged for 2024.

Peyto also protects a portion of its US dollar exposure with foreign exchange forward contracts and has hedged US$290 million at 1.3481 CAD/USD for 2024, and $US156 million at 1.3459 CAD/USD for 2025.

The Company's fixed price contracts combined with its diversification to the Cascade power plant, expected to commence in Q2 of 2024, and other premium market hubs in North America allow for revenue security and support continued shareholder returns through dividends and debt reduction. Details of Peyto's ongoing marketing and diversification efforts are available on Peyto's website at https://www.peyto.com/Marketing.aspx

The Peyto Strategy

The Peyto strategy has been one of the most consistent strategies in the Canadian Energy industry over the last two decades and has focused simply on maximizing the returns on shareholders' capital by investing that capital into the profitable development of long life, low cost, and low risk natural gas resource plays. Peyto's strategy of maximizing returns doesn't just focus on the efficient execution of exploration and production operations in the field but continues in the head office where the management of corporate costs, including the cost of capital, is carefully controlled to ensure true returns are ultimately realized. Alignment of goals between what is good for the Company, its shareholders, its employees and what is good for the environment and all stakeholders is critical to ensuring that the greatest returns are achieved. Evidence of Peyto's success deploying this strategy through the years is illustrated in the following table.

($/Mcfe)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	**2023**	***25 Year Wt. Avg.***
Sales Price[1]	$4.43	$5.04	$3.83	$3.18	$3.39	$3.27	$2.78	$2.23	$3.61	$5.36	**$4.59**	**$4.43**
All cash costs but royalties[2]	($0.75)	($0.71)	($0.67)	($0.63)	($0.68)	($0.79)	($0.87)	($0.88)	($0.88)	($0.88)	**($1.10)**	**($0.81)**
Capital costs[3]	($2.35)	($2.25)	($1.64)	($1.44)	($1.36)	($1.18)	($1.55)	($1.06)	($0.97)	($1.41)	**($1.21)**	**($1.60)**
Financial Benefit[4]	$1.33	$2.08	$1.52	$1.12	$1.35	$1.30	$0.35	$0.29	$1.75	$3.07	**$2.28**	**$2.02**
	30%	*41%*	*40%*	*35%*	*40%*	*40%*	*13%*	*13%*	*49%*	*57%*	***50%***	***46%***
Royalty Owners	$0.31	$0.37	$0.14	$0.13	$0.15	$0.13	$0.08	$0.13	$0.37	$0.74	**$0.32**	**$0.45**
Current Taxes	-	-	-	-	-	-	-	-	-	$0.09	**$0.26**	**$0.02**
Left for Shareholders	$1.02	$1.71	$1.38	$0.99	$1.19	$1.17	$0.27	$0.16	$1.38	$2.24	**$1.70**	**$1.55**
Div./Dist. paid	$1.01	$1.05	$1.11	$1.01	$0.97	$0.59	$0.22	$0.08	$0.11	$0.45	**$1.04**	**$1.05**

1. *Sales price includes realized hedging gains (losses) and third party sales net of purchases and other income.*
2. *Cash costs not including royalties but including operating costs, o\transportation, G&A and interest.*
3. *Capital costs to develop new producing reserves is the PDP FD&A*
4. *Financial Benefit above is defined as the Sales Price, less all cash costs but royalties, less the PDP FD&A.*

Table may not add due to rounding.

The consistency and repeatability of Peyto's operational execution in the field, combined with strict cost control in all aspects of its business has resulted in 46% of the average sales price being retained in financial benefit over the past 25 years. This healthy margin of benefit (as shown above), which rewards both royalty owners and shareholders, has been preserved for over a decade. Out of that financial benefit, royalty owners have received approximately 23%, while shareholders, whose capital has been at risk, have received the balance. This margin of benefit is what has and will continue to help insulate Peyto and its stakeholders from future volatility in commodity prices.

Economic Benefit to Canadians

Over Peyto's 25-year history, the Company has invested a cumulative $7.7 billion in capital programs to drill wells, construct facilities, shoot seismic, and lease mineral rights in the province of Alberta. This significant expenditure has provided high quality employment opportunities for many Canadians to improve their quality of life. In addition, the Company has made payments to various levels of government that include provincial crown royalties, municipal property taxes, provincial mineral lease payments, carbon taxes, regulatory administration fees, federal and provincial corporate income taxes, and miscellaneous payments to the benefit of Albertans and all Canadians. Over the past decade, these payments have totaled $780 million.

($000)	2014	2015	2016	2017	2018	2019	2020	2021	2022	**2023**	**Total**
Natural gas and NGL sales including realized hedging gains (losses)	843,797	717,836	678,388	760,956	658,906	489,822	388,981	716,922	1,198,999	**1,046,925**	**7,501,532**
Payments to Government (Included in Opex)	9,710	11,818	13,723	15,022	16,994	17,744	16,995	20,361	21,059	**27,598**	**171,024**
Crown Royalties	61,324	27,019	28,330	34,104	26,622	13,653	22,014	73,091	168,379	**74,342**	**528,878**
Current taxes	-	-	-	-	-	-	-	-	20,277	**59,047**	**79,324**
Total Payments to Governments	71,034	38,837	42,053	49,126	43,616	31,397	39,009	93,452	209,715	**160,987**	**779,226**
% of Revenue	8%	5%	6%	6%	7%	6%	10%	13%	17%	**15%**	**10%**

Activity Update

Drilling operations in Q1 resumed with four rigs drilling across Peyto's core areas after a short holiday break. Since the beginning of 2024, 12 gross (12 net) wells have been drilled, 10 gross (10 net) wells have been completed, and 9 gross (9 net) wells have been brought on production. Activity has shifted to increase focus in the Greater Sundance area to take advantage of the newly acquired lands and facilities, with three of Peyto's four active rigs now operating in this area. The Company has drilled 5 additional wells on the acquired lands, brought 3 wells on production, and will connect the other 2 wells in the first half of March. The recent results continue to exceed expectations and Peyto will continue to drill a steady program of Notikewin, Wilrich, Dunvegan, and Falher targets on these land through the remainder of 2024 with a focus on bringing new gas to underutilized facilities.

Mid-January saw a bout of severe cold weather that impacted production by approximately 3,500 boe/d for the month which was fully restored as temperatures warmed. The Company is currently implementing and exploring several initiatives aimed at improving reliability on the newly acquired assets.

Early success of the drilling program has confirmed Peyto's views of the quality of opportunities on the newly acquired lands. A major focal point for the Company in 2024 will be the continued reduction of operating costs on the newly acquired assets. The operations team has identified several projects that will involve the increase in plant utilization, the re-direction of volumes, and other optimization synergies that Peyto will seek to undertake during the year.

Management Changes

As previously announced, Kathy Turgeon is retiring as Chief Financial Officer (CFO) effective March 31, 2024. Ms. Turgeon started with Company in 2004 as Controller and was appointed Vice President of Finance in January 2006 and later appointed CFO in January 2008. The Board would like to thank Ms. Turgeon for her contributions and dedication to the Company over the last 20 years and wish her all the best in retirement. Peyto is pleased to announce that Tavis Carlson, VP Finance will be promoted to the role of CFO effective April 1, 2024. Mr. Carlson joined the Company in March 2022 and has been a key contributor to recent financings including playing a critical role in the recent Repsol Acquisition. Prior to Peyto, Mr. Carlson was the VP Finance and CFO at Altura Energy Inc. from 2015 to 2021 and has over 20 years of industry experience.

Outlook

Lower seasonal demand as a result of a warmer-than-normal North American winter, coupled with increased production has left gas storage levels above the 5-year average across the continent. This imbalance continues to put downward pressure on prices for 2024, however, the increase in gas-fired power demand and the buildout of LNG egress projects over the next two years bodes well for the longer-term future of natural gas prices.

The Company plans to execute a 2024 capital program between $450 to $500 million specifically designed with flexibility in the back half of the year to adjust to changing commodity prices. In the meantime, Peyto will target the lower range of the capital guidance while the Company's systematic hedging and market diversification programs help secure revenues for future dividends and continued strengthening of the balance sheet.

Conference Call and Webcast

A conference call will be held with senior management of Peyto to answer questions with respect to the Company's Q4 2023 results on Friday, March 8, 2024, at 9:00 a.m. Mountain Time (MT), or 11:00 a.m. Eastern Time (ET).

Access to the webcast can be found at: **https://edge.media-server.com/mmc/p/g4nnzwyi.** To participate in the call, please register for the event at: **https://register.vevent.com/register/BI424ada111a20409c87764d7a4258d24d.** Participants will be issued a dial in number and PIN to join the conference call and ask questions. Alternatively, questions can be submitted prior to the call at info@peyto.com. The conference call will be available on the Peyto Exploration & Development website at www.peyto.com.

Annual General Meeting

Peyto's Annual General Meeting of Shareholders is scheduled for 3:00 p.m. on Thursday, May 22, 2024, at the Eau Claire Tower, +15 level, 600 – 3rd Avenue SW, Calgary, Alberta. Shareholders who do not wish to attend are encouraged to visit the Peyto website at www.peyto.com where there is a wealth of information designed to inform and educate investors and where a copy of the AGM presentation will be posted. A monthly President's Report can also be found on the website which follows the progress of the capital program and the ensuing production growth.

Management's Discussion and Analysis

A copy of the fourth quarter report to shareholders, including the MD&A, audited consolidated financial statements and related notes, is available at http://www.peyto.com/Files/Financials/2023/Q42023FS.pdf and at http://www.peyto.com/Files/Financials/2023/Q42023MDA.pdf and will be filed at SEDAR+, www.sedarplus.com at a later date.

Jean-Paul Lachance
President & Chief Executive Officer
March 7, 2024

Cautionary Statements

Forward-Looking Statements

This news release contains certain forward-looking statements or information ("forward-looking statements") as defined by applicable securities laws that involve substantial known and unknown risks and uncertainties, many of which are beyond Peyto's control. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. The use of any of the words "plan", "expect", "prospective", "project", "intend", "believe", "should", "anticipate", "estimate", or other similar words or statements that certain events "may" or "will" occur are intended to identify forward-looking statements. The projections, estimates and beliefs contained in such forward-looking statements are based on management's estimates, opinions, and assumptions at the time the statements were made, including assumptions relating to: macro-economic conditions, including public health concerns and other geopolitical risks, the condition of the global economy and, specifically, the condition of the crude oil and natural gas industry, and the ongoing significant volatility in world markets; other industry conditions; changes in laws and regulations including, without limitation, the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; increased competition; the availability of qualified operating or management personnel; fluctuations in other commodity prices, foreign exchange or interest rates; stock market volatility and fluctuations in market valuations of companies with respect to announced transactions and the final valuations thereof; results of exploration and testing activities; and the ability to obtain required approvals and extensions from regulatory authorities. Management of the Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurances 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 from them. As such, undue reliance should not be placed on forward-looking statements. Forward-looking statements contained herein include, but are not limited to, statements regarding: management's assessment of Peyto's future plans and operations, including the 2024 capital expenditure program, the volumes and estimated value of Peyto's reserves, the life of Peyto's reserves, production estimates, project economics including NPV, the number of future drilling locations, the commencement date of the Cascade Power Plant, the sustainability of the Company's dividend; expectations regarding future drilling inventory including the continued development of the Notikewin, Wilrich, Dunvegan, and Falher targets on the acquired land through the remainder of 2024; expectations regarding optimization initiatives aimed at reducing operating costs and improving reliability on the newly acquired assets; the timing of Peyto's annual general meeting; and the Company's overall strategy and focus.

The forward-looking statements contained herein are subject to numerous known and unknown risks and uncertainties that may cause Peyto's actual financial results, performance or achievement in future periods to differ materially from those expressed in, or implied by, these forward-looking statements, including but not limited to, risks associated with: continued changes and volatility in general global economic conditions including, without limitations, the economic conditions in North America and public health concerns; continued fluctuations and volatility in commodity prices, foreign exchange or interest rates; continued stock market volatility; imprecision of reserves estimates; competition from other industry participants; failure to secure required equipment; increased competition; the lack of availability of qualified operating or management personnel; environmental risks; changes in laws and regulations including, without limitation, the adoption of new environmental and tax laws and regulations and changes in how they are interpreted and enforced; the results of exploration and development drilling and related activities; and the ability to access sufficient capital from internal and external sources. In addition, to the extent that any forward-looking statements presented herein constitutes future-oriented financial information or financial outlook, as defined by applicable securities legislation, such information has been approved by management of Peyto and has been presented to provide management's expectations used for budgeting and planning purposes and for providing clarity with respect to Peyto's strategic direction based on the assumptions presented herein and readers are cautioned that this information may not be appropriate for any other purpose. Readers are encouraged to review the material risks discussed in Peyto's latest annual information form under the heading "Risk Factors" and in Peyto's annual management's discussion and analysis under the heading "Risk Management".

The Company cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. 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 Peyto will derive there from. The forward-looking statements, including any future-oriented financial information or financial outlook, contained in this news release speak only as of the date hereof and Peyto does not assume any obligation to publicly update or revise them to reflect new information, future events or circumstances or otherwise, except as may be required pursuant to applicable securities laws.

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.

Barrels of Oil Equivalent

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 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 6:1 conversion ratio may be misleading as an indication of value.

Thousand Cubic Feet Equivalent (Mcfe)

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). Natural gas liquids and oil volumes in barrel of oil (bbl) are converted to thousand cubic feet equivalent (Mcfe) using a ratio of one (1) barrel of oil to six (6) thousand cubic feet. This could be misleading, particularly if used in isolation as it is based on an energy equivalency conversion method primarily applied at the burner tip and does not represent a value equivalency at the wellhead.

Drilling Locations

This news release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from the independent engineering evaluation of Peyto's oil, NGLs and natural gas interests prepared by GLJ dated February

15, 2024 and effective December 31, 2023 (the "Peyto Report"). 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 Repsol Acquisition, the 800 gross drilling locations identified herein, 216 gross are proved locations, 83 gross are probable locations and 501 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.

Non-GAAP and Other Financial Measures

Throughout this press 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. 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 Financial Measures

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, decommissioning expenditure, provision for future performance-based compensation and transaction costs. 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.

	Three Months Ended December 31		**Year Ended December 31**	
($000)	***2023***	*2022*	***2023***	*2022*
Cash flows from operating activities	***173,247***	*199,943*	***644,868***	*811,778*
Change in non-cash working capital	***16,755***	*19,226*	***13,064***	*5,593*
Decommissioning expenditures	***2,051***	*1,089*	***3,077***	*4,668*
Performance based compensation	***3,280***	*557*	***3,280***	*5,557*
Transaction costs	***4,986***	*-*	***6,182***	*-*
Funds from operations	***200,319***	*220,815*	***670,471***	*827,596*

Free Funds Flow
Peyto uses "free funds flow" as an indicator of the efficiency and liquidity of Peyto's business, measuring its funds after capital investment available to manage debt levels, pay dividends, and return capital to shareholders through activities such as share repurchases. Peyto calculates free funds flow as funds from operations generated during the period less total capital expenditures. By removing the impact of current period total capital expenditures from funds from operations, Management monitors its free funds flow to inform its capital allocation decisions. The most directly comparable GAAP measure to free funds flow is cash from operating activities. The following table details the calculation of free funds flow and the reconciliation from cash flow from operating activities to free funds flow.

	Three Months Ended December 31		**Year Ended December 31**	
($000)	***2023***	*2022*	***2023***	*2022*
Cash flows from operating activities	***173,247***	*199,943*	***644,868***	*811,778*
Change in non-cash working capital	***16,755***	*19,226*	***13,064***	*5,593*
Decommissioning expenditures	***2,051***	*1,089*	***3,077***	*4,668*
Performance based compensation	***3,280***	*557*	***3,280***	*5,557*
Transaction costs	***4,986***	*-*	***6,182***	*-*
Total capital expenditures	***(115,218)***	*(115,040)*	***(412,919)***	*(506,860)*
Free funds flow	***85,101***	*105,775*	***257,552***	*320,736*

Total Capital Expenditures

Peyto uses the term "total 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. The following table details the calculation of cash flow used in investing activities to total capital expenditures.

	Three Months Ended December 31		Year Ended December 31	
($000)	**2023**	2022	**2023**	2022
Cash flows used in investing activities	**565,729**	115,300	**1,144,833**	516,912
Change in prepaid capital	**2,552**	(594)	**1,888**	7,596
Deposit for acquisition	**63,303**	-	**-**	-
Subscription receipt funds in escrow	**201,307**	-	**-**	-
Corporate acquisitions	**(699,358)**	-	**(699,358)**	(22,220)
Change in non-cash working capital relating to investing activities	**(18,315)**	334	**(34,444)**	4,572
Total capital expenditures	**115,218**	115,040	**412,919**	506,860

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, current portion of lease obligations and current portion of decommissioning provision. 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.

($000)	**As at December 31, 2023**	As at December 31, 2022
Long-term debt	**1,340,881**	759,176
Current assets	**(490,936)**	(218,550)
Current liabilities	**279,903**	471,858
Financial derivative instruments - current	**238,865**	(126,081)
Current portion of lease obligation	**(1,310)**	(1,266)
Decommissioning provision - current	**(4,626)**	-
Net debt	**1,362,777**	885,137

Third-Party Sales Net of Purchases

Peyto uses the term "third-party sales net of purchases" to evaluate the profitability of natural gas and NGLs purchased from third parties. Third-party sales net of purchases is calculated as sales of natural gas and NGLs from third parties less natural gas and NGLs purchased from third parties.

	Three Months Ended December 31		Year Ended December 31	
($000)	**2023**	2022	**2023**	2022
Sales of natural gas and NGLs from third parties	**24,403**	9,326	**24,403**	92,625
Natural gas and NGLs purchased from third parties	**(24,511)**	(8,778)	**(24,511)**	(86,977)
Third-party sales net of purchases	**(108)**	548	**(108)**	5,648

Non-GAAP Financial Ratios

Funds from Operations per Share

Peyto presents funds from operations per share by dividing funds from operations by the Company's diluted or basic weighted average common shares outstanding. "Funds from operations" is a non-GAAP financial measure. Management believes that funds from operations per share provides investors an indicator of funds generated from the business that could be allocated to each shareholder's equity position.

Netback per MCFE and BOE

"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. 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.

	Three Months Ended December 31		***Year Ended December 31***	
($/Mcfe)	***2023***	*2022*	***2023***	*2022*
Gross Sale Price	***4.08***	*7.17*	***4.29***	*6.79*
Realized hedging gain (loss)	***0.71***	*(1.57)*	***0.27***	*(1.50)*
Net Sale Price	***4.79***	*5.60*	***4.56***	*5.29*
Third party sales net of purchases	***-***	*0.01*	***-***	*0.02*
Other income	***0.05***	*0.13*	***0.03***	*0.05*
Royalties	***(0.30)***	*(0.72)*	***(0.32)***	*(0.74)*
Operating costs	***(0.55)***	*(0.41)*	***(0.49)***	*(0.39)*
Transportation	***(0.26)***	*(0.22)*	***(0.27)***	*(0.26)*
Field netback	***3.73***	*4.39*	***3.51***	*3.96*
Net general and administrative	***(0.06)***	*(0.02)*	***(0.05)***	*(0.02)*
Interest and financing	***(0.40)***	*(0.21)*	***(0.29)***	*(0.21)*
Realized gain on foreign exchange	***(0.01)***	*-*	***-***	*0.01*
Cash netback ($/Mcfe)	***3.26***	*4.16*	***3.17***	*3.74*
Cash netback ($/boe)	***19.54***	*24.97*	***19.04***	*22.43*

Third party sales net of purchases per Mcfe

"Third party sales net of purchases per Mcfe" is comprised of sales of natural gas from third parties less natural gas purchased from third parties, as determined in accordance with IFRS, divided by the Company's total production.

Total Payout Ratio

"Total payout ratio" is a non-GAAP measure which is calculated as the sum of dividends declared plus total capital expenditures, divided by funds from operations. This ratio represents the percentage of the capital expenditures and dividends that is funded by cashflow. Management uses this measure, among others, to assess the sustainability of Peyto's dividend and capital program.

	Three Months Ended December 31		***Year Ended December 31***	
($000, except total payout ratio)	***2023***	*2022*	***2023***	*2022*
Total dividends declared[(1)]	***63,811***	*25,908*	***239,006***	*102,437*
Total capital expenditures	***115,218***	*115,040*	***412,919***	*506,860*
Total payout	***179,029***	*140,948*	***651,925***	*609,297*
Funds from operations	***200,319***	*220,815*	***670,471***	*827,596*
Total payout ratio (%)	***89%***	*64%*	***97%***	*74%*

(1) Total dividends declared in the year ended December 31, 2023 includes the dividend equivalent payment of $1.9 million associated with the Subscription Receipts.

Operating Margin

Operating Margin is a non-GAAP financial ratio defined as funds from operations, before current tax, divided by revenue before royalties but including realized hedging gains/losses and third-party sales net of purchases.

Profit Margin

Profit Margin is a non-GAAP financial ratio defined as net earnings divided by revenue before royalties but including realized hedging gains/losses and third-party sales net of purchases.

Cash Costs

Cash costs is a non-GAAP financial ratio defined as the sum of royalties, operating expenses, transportation expenses, G&A and interest, on a per Mcfe basis. Peyto uses total cash costs to assess operating margin and profit margin.

Finding and Development Costs

F&D (finding and development) 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.