Peyto Exploration & Development Corp.
Monthly Report

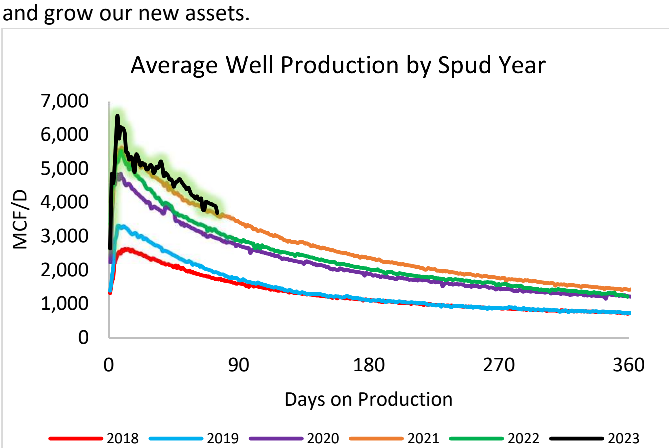
October 2023 **By Jean-Paul Lachance, President and Chief Executive Officer**

Peyto's Silver Anniversary

This October, Peyto celebrates our 25th year of supplying natural gas to North Americans through our successful operations in the Western Canadian Sedimentary Basin. It's quite the feat when you consider there are only a handful of Canadian energy companies still operating today that were in business when Peyto started in 1998. Don Gray's vision to do business the "right way" created a company that operated efficiently with little waste and a unique culture focussed on profitability. The Company has gained respect for our low-cost operations through an "own and control" strategy that built and operated its own gas plants and with a focussed development in the Deep Basin. This strategy has allowed us to thrive despite the difficult global events of the last quarter century. During that time Peyto has invested $7.5 billion in Alberta to grow to Canada's fifth largest natural gas producer while returning $2.7 billion to shareholders in the form of distributions and dividends and building a resource base that can support another 25 years of operations. With our most recent Repsol Edson acquisition expected to close this month, we have restocked the cupboards and increased our operated gas plant capacity to supply natural gas for many decades to come. The team is excited to see the acquisition close and to get on with drilling more top tier locations, optimizing the facilities, and growing the new assets.

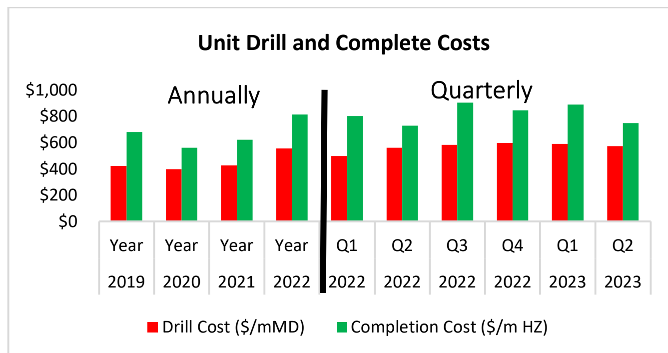
2023 First Half Well Results

The staff at Peyto have a continuous improvement mindset and strive to get more for less. As we have developed our "legacy Peyto" land base, we have found ways to deliver drilling programs that compete with the prior years through technology changes to improve existing play types and open-up new ones. In recent years, extended reach horizontal ("ERH") wells, with tighter stage spacing and increased proppant loading, has done just that as we pursue not only the Wilrich, but also the Falher sequences, the Dunvegan, and the Cardium formations. The chart below compares the average well performance over the last five annual drilling programs and highlights that the 2023 drilling program is coming in strong so far—even competing with 2021, our best year to date! The legacy Peyto lands and our experienced staff are a strong foundation on which to build and grow our new assets.



Unit Costs are Starting to Improve

In 2021 and 2022 the industry experienced significant inflation. The cost of steel, fuel, labour, and services drove drilling and completion costs up from $956/m in 2020 to $1,441/m in Q4-2022 at Peyto. Fortunately, we enjoyed some of our best drilling results to date over that same period. The well results, combined with robust commodity prices, allowed us to return $240 million to shareholders in dividends and repay $307 million of net debt[5] in the last 2.5 years. During that time, we also grew production from 83,460 boe/d in Q4 2020 to 100,836 boe/d for the first half of 2023. After two years of inflation, costs are stabilizing, and we are now able to see the efficiency gains of our ERH wells with unit costs dropping last quarter. Strong well performance and an improving cost structure will go a long way to making 2023 another successful year of value creation.



Operational Highlights

With the expected closing of the Repsol acquisition this month, Peyto plans to re-position our rigs to start drilling the new lands. In total, we will have four rigs running in Q4 with one in Brazeau, one in Sundance and two on the acquisition lands. We completed a turnaround at the Oldman deep cut plant last month which took longer than anticipated. While average production was down in September, we are back up and producing over 100,000 boe/d today and have no additional outages planned for the remainder of 2023.

Capital Investment ($C millions)[1]

	2021	Q1 22	Q2 22	Q3 22	Q4 22	2022	Q1 23	Apr 23	May 23	Jun 23	Q2 23	Jul 23	Aug 23
D,C,E&T[2]	**271**	95	80	98	98	**371**	89	28	22	23	72	27	27
Facilities	**50**	47	21	16	16	**100**	32	4	1	4	9	4	4
Other[3]	**44**	1	8		1	**10**	1			1	1	1	2
Acquisitions[4]		22		26		**48**							
Total	**365**	166	108	140	115	**529**	**122**	**32**	**23**	**28**	**82**	**33**	**29**

Production (mboe/d)[1]

	2021	Q1 22	Q2 22	Q3 22	Q4 22	2022	Q1 23	Apr 23	May 23	Jun 23	Q2 23	Jul 23	Aug 23	Sept	Q3 23
Sundance	**70**	78	76	75	75	**76**	**71**	69	68	66	67	67	67	64	66
Brazeau	**17**	19	23	24	26	**23**	**27**	28	26	29	28	29	28	28	28
Other	**4**	5	5	5	4	**5**	**5**	4	3	4	4	4	4	4	4
Total	**91**	**101**	**104**	**105**	**105**	**104**	**103**	**101**	**97**	**99**	**99**	**100**	**99**	**96**	**98**
Liquids %	13%	11%	13%	13%	12%	12%	12%	12%	10%	12%	11%	11%	12%	11%	11%

1. *This estimate is based on real field data, not a forecast, but actual numbers will vary from the estimate due to accruals and adjustments. Such variance may be material. Tables may not add due to rounding.*
2. *Well related costs including Drilling, Completions, Equip and Tie-in.*
3. *Other costs include Land, Seismic, and Miscellaneous.*
4. *Acquisitions include asset and corporate deals.*
5. *Net debt is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this report.*

FORWARD LOOKING STATEMENTS

Certain information set forth in this monthly report, including management's expectation of future natural gas prices, and the reasons therefore and management's estimate of monthly capital spending, field estimate of production, production decline rates and forecast netbacks, contains forward-looking statements. Reserves disclosures are also forward-looking information, including the volumes and the life of Peyto's reserves, production estimates, project economics including NPV, IRR, netback and recycle ratio. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Peyto's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Peyto's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Peyto will derive there from. The forward-looking statements contained in this monthly report are made as of the date of this monthly report. Except as required by applicable securities law, we assume no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing risks and assumptions affecting such forward-looking statements, whether as a result of new information, future events or otherwise.

All references are to Canadian dollars unless otherwise indicated. Natural gas liquids and oil volumes are recorded in barrels of oil (bbl) and are converted to a thousand cubic feet equivalent (mcfe) using a ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Natural gas volumes recorded in thousand cubic feet (mcf) are converted to barrels of oil equivalent (boe) using the ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based in an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of oil as compared with natural gas is significantly different from the energy equivalent of six to one, utilizing a boe conversion ratio of 6 mcf:1 bbl may be misleading as an indication of value.

NON-GAAP AND OTHER FINANCIAL MEASURES

Peyto employs certain measures to analyze financial performance, financial position, and cash flow. These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as long-term debt, net income (loss), cash flow from operating activities, and cash flow used in investing activities, as indicators of Peyto's performance. Non-GAAP and other financial measures used herein 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 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.