Peyto Exploration & Development Corp.
Monthly Report

January 2024 | **By Jean-Paul Lachance, President and Chief Executive Officer**

Winter Is Coming?

By all accounts 2023 was an eventful year in Peyto's long history. We began the year with pressure on natural gas prices that caused us to adjust our capital plans and tighten our belts on costs, we captured a very strategic and synergistic acquisition in the heart of our Deep Basin core area, and we ended the year with the announcement of the latest updates to round out the management team that will lead us through 2024 and beyond. During that time, we also celebrated 25 years of successful, profitable operations—a feat only a handful of companies in Canada can boast about and evidence that the Peyto model still works today.

As we turn the page to 2024, we are faced again with the challenge of lower natural gas prices. Record supply in both Canada and the US along with warmer weather has storage levels higher than normal. While gas producers hope a major blast of winter brings higher prices, 'hope' is not a strategy. To the contrary, Peyto's prudent risk management that includes a mechanistic hedging program and market diversification is a strategy that has us well-protected through 2024 and even 2025. We have hedged (or fixed) pricing for approximately 70% of our forecasted gas volumes for 2024 at a price just under $4/mcf (see Figure 1) which is far better than the current strip. And we have also hedged about a third of our 2024 forecasted condensate and pentanes volumes. The current fixed revenue for 2024 is enough to pay for our contemplated 2024 capital program and our dividend. Couple that with our industry leading cash costs, means Peyto has insulated itself from very low prices, if that is what is in store for 2024.

Figure 1 – Peyto's Gas Marketing

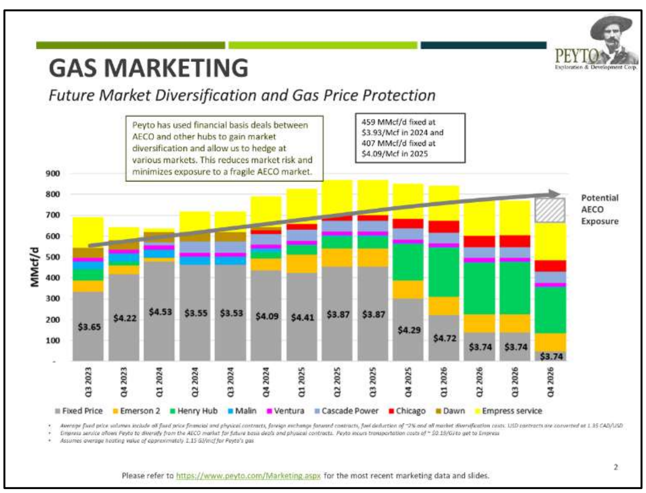
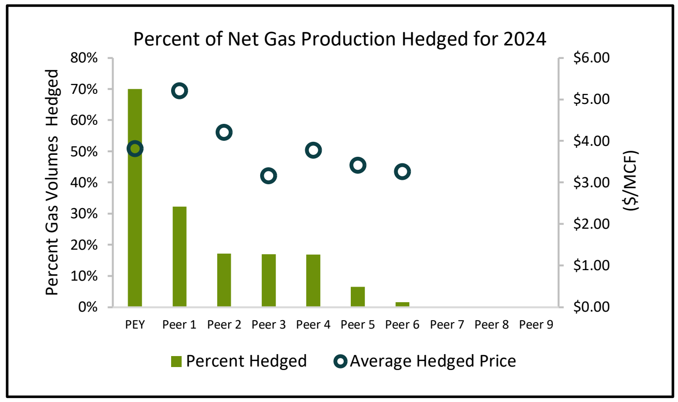


Figure 2 shows how Peyto compares to our peers with the relative quantity of production and the average values of our hedge book for 2024. A reminder that Peyto's strategy to hedge our future gas volumes doesn't stem from a belief that we have superior market intelligence, instead our disciplined, systematic approach layers in small volumes to avoid speculation.

Beyond Peyto's hedges, we have entered several sensible gas diversification arrangements. These arrangements have our unhedged gas intentionally exposed to premium seasonal locations like California (Malin), the US Midwest, and the Alberta power market (through our Cascade supply agreement) which could provide meaningful upside under certain conditions.

Figure 2 – Peyto's 2024 Hedges vs Peers



Source: Company reports and Peters & Co. Limited Estimates. Note: Hedged natural gas volumes include fixed price hedges (financial and physical swaps) and excludes variable price hedges (basis contracts, options, and collar structures). Peers include: AAV, ARX, BIR, CR, KEL, NVA, POU, SDE, TOU.

Peyto's plan to grow production and cash flow per share over the next few years is well-timed to take advantage of a burgeoning LNG export market with our fully restocked inventory of high-quality drilling locations. The increase in LNG egress should bolster North American demand supporting prices but, in the meantime, Peyto is well-positioned to weather the storm (or lack of one) while delivering healthy returns to shareholders.

Operational Highlights

The recent well results on both our legacy assets and the new Repsol lands have propelled us to new production highs. Capital spending in November included approximately $10 million of 3D seismic data to cover the vast majority of newly acquired lands as we took advantage of preferred seismic licensing fees at 20% of typical costs. Drilling and completion operations shutdown for the holiday break but have just started back up. Peyto's expected 2023 capital program remains unchanged at approximately $425 million.

Capital Investment ($C millions)[1]

	Q1 22	Q2 22	Q3 22	Q4 22	2022	Q1 23	Q2 23	Q3 23	Oct 23	Nov 23
D,C,E&T[2]	95	80	98	98	**371**	89	72	81	35	**38**
Facilities	47	21	16	16	**100**	32	9	11	7	**3**
Other[3]	1	8		1	**10**	1	1	1		**12**
Acquisitions[4]	22		26		**48**					
Total	166	108	140	115	**529**	122	82	94	42	**53**

Production (mboe/d)[1]

	Q1 22	Q2 22	Q3 22	Q4 22	2022	Q1 23	Q2 23	Q3 23	Oct 23	Nov 23	Dec 23	Q4 23	2023
Sundance	78	76	75	75	**76**	71	67	66	68	69	**72**	70	68
Brazeau	19	23	24	26	**23**	27	28	28	28	29	**29**	29	28
Other	5	5	5	4	**5**	5	4	4	4	4	**4**	4	4
Repsol[5]									10	23	**23**	18	5
Total	**101**	**104**	**105**	**105**	**104**	103	99	98	**110**	**125**	**128**	**121**	**105**
Liquids %	11%	13%	13%	12%	12%	12%	11%	11%	12%	14%	**13%**	13%	12%

1. *This estimate is based on 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 costs include asset and corporate deals but does not include the acquisition of the Repsol partnership.*
5. *Repsol acquisition base production only, new drilling on Repsol lands is included in Sundance area.*

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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, current fixed revenue projections for 2024, 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.