NEWS RELEASE

MAY 14, 2024 **SYMBOL: PEY – TSX**

PEYTO REPORTS FIRST QUARTER 2024 RESULTS

CALGARY, ALBERTA – Peyto Exploration & Development Corp. ("Peyto" or the "Company") is pleased to report operating and financial results for the first quarter of 2024.

Q1 2024 Highlights:

- Delivered $204.6 million in funds from operations[1,2], or $1.05/diluted share, which funded $113.8 million of capital expenditures[3] and $64.2 million of dividends to shareholders. Peyto generated earnings of $99.9 million, or $0.51/diluted share, and reduced net debt[4] by $23.2 million in the quarter.
- First quarter production volumes averaged 125,018 boe/d (647.2 MMcf/d of natural gas, 17,145 bbls/d of NGLs), a 21% increase year over year, mainly due to the Repsol Canada Energy Partnership acquisition that closed in the fourth quarter of 2023 (the "Repsol Acquisition" or "Repsol Assets").
- The successful drilling program on the Repsol Assets continued during the quarter with sustained increases to average well productivity of approximately 30% above Peyto's recent annual drilling programs.
- The Company's disciplined hedging and diversification program protected first quarter revenues from the sharp decline in benchmark natural gas prices. Peyto's realized natural gas price for the quarter of $4.05/Mcf (or $3.52/GJ) was 49% higher than the average AECO daily price of $2.37/GJ. The Company exited the quarter with a strong hedge position, which currently protects approximately 70% and 60% of forecasted gas production for summer 2024 (April–October 2024) and calendar 2025, respectively. The securing of future revenues supports the sustainability of the Company's dividends, capital program, and continued strengthening of the balance sheet.
- Quarterly cash costs[5] totaled $1.51/Mcfe, including royalties of $0.24/Mcfe, operating costs of $0.55/Mcfe, transportation of $0.30/Mcfe, G&A of $0.06/Mcfe and interest expense of $0.36/Mcfe. Peyto's operating costs have increased due to the higher cost structure of the Repsol facilities. The Company expects to reduce operating costs by at least 10% by the end of 2024 with continued optimization and increased utilization of the acquired gas processing plants. Peyto continues to have the lowest cash costs in the Canadian oil and natural gas industry.
- Total capital expenditures were $113.8 million in the quarter. Peyto drilled 18 wells (17.5 net), completed 14 wells (14.0 net), and brought 15 wells (15.0 net) on production.
- Peyto delivered a 69% operating margin[6] and a 30% profit margin[7], resulting in a 9% return on capital employed[8] ("ROCE") and a 11% return on equity[8] ("ROE"), on a trailing 12-month basis.

First Quarter 2024 in Review

Natural gas storage levels in the US and Canada started 2024 at the high end of the five-year average after strong production gains in 2023 and a warmer than normal start to winter. The cold weather finally arrived in January causing short-lived production freeze-offs and spiking gas prices in the spot market, followed by mild temperatures for the rest of winter. Consequently, natural gas storage levels remained elevated, and spot prices declined sharply in February and March, leading to weak summer 2024 prices. Despite the gas price decline, Peyto delivered a strong quarter with production averaging 125,018 boe/d (647.2 MMcf/d of natural gas and 17,145 bbls/d of NGLs), funds from operations totaling $204.6 million ($1.05/diluted share) and free funds flow[9] totaling $86.7 million, as hedging gains from the Company's mechanistic risk management program mitigated the decline in natural gas prices. Peyto's profit margin of 30% remained solid and drove quarterly earnings of $99.9 million ($0.51/diluted share), allowing the Company to declare $64.2 million in dividends to shareholders.

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[1] *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.*
[2] *Funds from operations is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q1 2024 MD&A.*
[3] *Total capital expenditures* is *a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q1 2024 MD&A.*
[4] *Net debt a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q1 2024 MD&A.*
[5] *Cash costs is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release.*
[6] *Operating Margin is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release.*
[7] *Profit Margin is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release.*
[8] *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 Q1 2024 MD&A.*
[9] *Free funds flow is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q1 2024 MD&A.*

Operationally, Peyto continued to outperform on its land position acquired from Repsol with average sustained well productivity that is approximately 30% higher than the Company's recent annual drilling programs. Capital expenditures totaled $113.8 million and Peyto incurred $4.2 million of decommissioning expenditures in the quarter.

	Three Months Ended Mar 31		%
	2024	2023	Change
Operations			
Production			
Natural gas (Mcf/d)	**647,234**	544,278	*19%*
NGLs (bbl/d)	**17,145**	12,205	*40%*
Thousand cubic feet equivalent (Mcfe/d @ 1:6)	**750,105**	617,509	*21%*
Barrels of oil equivalent (boe/d @ 6:1)	**125,018**	102,918	*21%*
Production per million common shares (boe/d)	**643**	589	*9%*
Product prices			
Realized natural gas price – after hedging and diversification ($/Mcf)	**4.05**	3.91	*4%*
Realized NGL price – after hedging ($/bbl)	**60.36**	79.03	*-24%*
Net Sales Price ($/Mcfe)	**4.87**	5.01	*-3%*
Operating expenses ($/Mcfe)	**0.55**	0.50	*10%*
Royalties ($/Mcfe)	**0.24**	0.53	*-55%*
Transportation ($/Mcfe)	**0.30**	0.24	*25%*
Field netback(1) ($/Mcfe)	**3.82**	3.82	*0%*
General & administrative expenses ($/Mcfe)	**0.06**	0.03	*100%*
Interest expense ($/Mcfe)	**0.36**	0.22	*64%*
Financial ($000, except per share)			
Natural gas and NGL sales including realized hedging gains (losses)(2)	**332,541**	278,332	*19%*
Funds from operations(1)	**204,622**	179,817	*14%*
Funds from operations per share - basic(1)	**1.05**	1.03	*2%*
Funds from operations per share - diluted(1)	**1.05**	1.02	*3%*
Total dividends	**64,158**	57,678	*11%*
Total dividends per share	**0.33**	0.33	*0%*
Earnings	**99,875**	89,981	*11%*
Earnings per share – basic	**0.51**	0.51	*0%*
Earnings per share – diluted	**0.51**	0.51	*0%*
Total capital expenditures(1)	**113,762**	121,802	*-7%*
Decommissioning expenditures	**4,206**	-	-
Total payout ratio(1)	**89%**	100%	*-11%*
Weighted average common shares outstanding - basic	**194,416,710**	174,778,048	*11%*
Weighted average common shares outstanding - diluted	**195,159,389**	176,570,311	*11%*
Net debt(1)	**1,339,558**	877,827	*53%*
Shareholders' equity	**2,683,990**	2,305,076	*16%*
Total assets	**5,373,202**	4,119,135	*30%*

(1) This is a Non-GAAP financial measure or ratio. See "non-GAAP and Other Financial Measures" in this news release and in the Q1 2024 MD&A

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

Capital Expenditures

Peyto drilled 18 wells (17.5 net), completed 14 wells (14.0 net) and brought 15 wells (15.0 net) on production for total drilling, completion, equipping and tie-in costs of $93.9 million in the first quarter. Facilities and pipeline projects totaled $18.1 million in the quarter, which included pipeline debottlenecking and integration projects, compressor upgrades to accommodate future higher pipeline pressures anticipated on the NGTL system and plant upgrade projects. The Company drilled 9 wells on the acquired Repsol lands in the quarter (including 6 Wilrich and 3 Notikewin), which remain a core part of Peyto's 2024 capital program. To the end of the quarter, Peyto has brought on production a total of 15 wells on the Repsol lands. These wells exhibit a sustained average productivity increase of approximately 30% greater than Peyto's recent annual drilling programs. The Company continued to increase the average length of horizontal wells in the quarter to over 2,200 meters, or a 14% increase over the previous quarter. Drilling costs per meter in the quarter were down 3%, while completion costs per meter were up 7% as compared to Q4 2023.

	2016	2017	2018	2019	2020	2021	2022	2023	2023 Q1	2023 Q2	2023 Q3	2023 Q4	**2024 Q1(1)**
Gross Hz Spuds	126	135	70	61	64	95	95	72	19	15	19	19	**18**
Measured Depth (m)	4,197	4,229	4,020	3,848	4,247	4,453	4,611	4,891	5,198	4,768	4,728	4,868	**5,220**
Drilling ($MM/well)	$1.82	$1.90	$1.71	$1.62	$1.68	$1.89	$2.56	$2.85	$3.05	$2.74	$2.64	$2.94	**$3.05**
$ per meter	$433	$450	$425	$420	$396	$424	$555	$582	$587	$574	$559	$603	**$585**
Completion ($MM/well)	$0.86	$1.00	$1.13	$1.01(2)	$0.94	$1.00	$1.35	$1.54	$1.73	$1.64	$1.38	$1.48	**$1.80**
Hz Length (m)	1,460	1,241	1,348	1,484	1,682	1,612	1,661	1,969	1,947	2,140	1,853	1,949	**2,223**
$ per Hz Length (m)	$587	$803	$751	$679	$560	$620	$813	$781	$888	$776	$743	$759	**$809**
$ '000 per Stage	$79	$81	$51	$38	$36	$37	$47	$52	$59	$50	$46	$53	**$55**

(1) Based on field estimates and may be subject to minor adjustments going forward.
(2) Peyto's Montney well is excluded from drilling and completion cost comparison.

In addition to the capital program, Peyto incurred $4.2 million on decommissioning expenditures in the quarter as part of the Company's responsible asset retirement plan in 2024.

Commodity Prices and Realizations

During Q1 2024, Peyto realized a natural gas price after hedging and diversification of $4.05/Mcf, or $3.52/GJ, 49% higher than the average AECO daily price of $2.37/GJ. Peyto's natural gas hedging activity resulted in a realized gain of $1.59/Mcf ($93.6 million) due to the sharp decline in AECO and Henry Hub natural gas prices during the quarter.

Condensate and pentanes averaged $91.72/bbl in the quarter, down 11% from $103.06/bbl in Q1 2023, while Canadian dollar WTI ("WTI CAD") increased 1% over the same period. The decrease in the condensate and pentanes price is due to declining benchmark condensate differentials, which decreased to a $5.84/bbl discount to WTI CAD in the quarter compared to a $5.34/bbl premium to WTI CAD in Q1 2023. Butane, propane and ethane averaged $31.37/bbl, down 20% from $39.20/bbl in Q1 2023 due to a higher percentage of lower priced ethane production in the quarter from the Repsol Assets. Peyto's combined realized NGL price in the quarter was $60.50/bbl before hedging, and $60.36/bbl including a hedging loss of $0.13/bbl.

Netbacks

The Company's realized natural gas and NGL sales yielded a combined revenue stream of $3.50/Mcfe before hedging gains of $1.37/Mcfe, resulting in a net sales price of $4.87/Mcfe in the quarter. Peyto's net sales price was 3% lower than the $5.01/Mcfe realized in Q1 2023 due to the sharp decline in natural gas prices, partially offset by hedging. Total cash costs of $1.51/Mcfe were consistent with $1.52/Mcfe in Q1 2023 due to lower royalties that offset higher operating, transportation, G&A and interest costs. Peyto's cash netback (net sales price including other income, third-party sales net of purchases, realized gain on foreign exchange, less total cash costs), was $3.41/Mcfe resulting in a strong 69% operating margin which allowed the Company to fund the capital program, pay dividends to shareholders, and repay debt during the quarter. Historical cash costs and operating margins are shown in the following table:

	2021				2022				2023				2024
($/Mcfe)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Revenue (1)	3.70	2.92	3.33	4.42	5.25	5.48	5.01	5.74	5.10	4.07	4.32	4.83	**4.92**
Royalties	0.29	0.26	0.36	0.53	0.60	0.95	0.70	0.72	0.53	0.18	0.29	0.30	**0.24**
Op Costs	0.36	0.35	0.35	0.32	0.41	0.39	0.38	0.41	0.50	0.47	0.44	0.55	**0.55**
Transportation	0.17	0.22	0.23	0.23	0.28	0.27	0.26	0.22	0.24	0.29	0.29	0.26	**0.30**
G&A	0.04	0.05	0.02	0.02	0.03	0.02	0.02	0.02	0.03	0.05	0.04	0.06	**0.06**
Interest	0.38	0.33	0.26	0.22	0.21	0.20	0.21	0.21	0.22	0.22	0.28	0.40	**0.36**
Cash cost pre-royalty	0.95	0.95	0.86	0.79	0.93	0.88	0.87	0.86	0.99	1.03	1.05	1.27	**1.27**
Total Cash Costs[10]	1.24	1.21	1.22	1.32	1.53	1.83	1.57	1.58	1.52	1.21	1.34	1.57	**1.51**
Cash Netback[11]	2.46	1.71	2.11	3.10	3.72	3.65	3.44	4.16	3.58	2.86	2.98	3.26	**3.41**
Operating Margin	67%	59%	63%	70%	71%	67%	69%	72%	71%	70%	69%	67%	**69%**

(1) Revenue includes other income, net third party sales and realized gains on foreign exchange.

Depletion, depreciation, and amortization charges of $1.38/Mcfe, along with provisions for current tax, deferred tax and stock-based compensation payments resulted in earnings of $1.46/Mcfe, or a 30% profit margin. Dividends to shareholders totaled $0.94/Mcfe.

Hedging and Marketing

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. The following table summarizes Peyto's hedge position for the remainder of 2024, 2025, and 2026.

	Q2 2024	Q3 2024	Q4 2024	2025	2026
Natural Gas					
Volume (MMcf/d)	462	462	436	450	223
Average Fixed Price ($/Mcf)	3.58	3.55	4.09	4.09	4.03
WTI Swaps					
Volume (bbls/d)	5,100	4,200	3,300	719	-
Average Fixed Price ($/bbl)	103.77	102.62	101.19	98.46	-
WTI Collars					
Volume (bbls/d)	500	500	500	497	-
Put–Call ($/bbl)	90.00–100.25	85.00–95.00	90.00–104.50	88.33–103.18	-
USD FX Contracts					
Amount sold (USD 000s)	86,500	81,000	80,000	246,000	28,000
Rate (CAD/USD)	1.3532	1.3484	1.3461	1.3513	1.3550

The Company's fixed price contracts combined with its diversification to the Cascade power plant, expected to commence in Q3 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

Activity Update

Drilling operations have continued into breakup with four rigs drilling in Peyto's core areas specifically in areas where surface access is more favorable for wet conditions. The rigs are drilling 3-well pads to minimize equipment movement and completions will be timed to coincide with drier conditions to avoid extra costs, especially in light of current low natural gas prices. Since the beginning of the quarter, 8 wells (7.0 net) have been drilled, while 6 wells (6.0 net) have been completed and brought on production. Recently, Peyto tied-in 2 Dunvegan wells which continue to impress with strong deliverability and higher liquid content (20–30 bbls/MMcf) than the Spirit River targets. Peyto plans to dedicate one rig in the second half of the year to this species, which would result in 10–12 wells to be drilled in total for 2024.

[10] Total Cash costs is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release.
[11] Cash netback is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release and in the Q1 2024 MD&A.

At the end of March, Peyto elected to reroute approximately 50 MMcf/d of raw natural gas from a third-party operated deep cut facility to Peyto's operated plants at Wild River and Edson. This re-direction of raw gas leaves low value ethane in the gas phase which avoids third-party processing fees, other costs, and increases utilization at Peyto's existing plants. The impact of the optimization lowers current production by 2,000 boe/d but is expected to reduce corporate operating costs by approximately $0.02/Mcfe, increase the average NGL price by approximately 12%, and have a minimal effect on overall revenue beginning in the second quarter.

The decision to redirect gas fits with Peyto's overall strategy to control production, optimize Company infrastructure, reduce costs, and increase reliability. Peyto expects to more than offset the current loss in base ethane production with the quality of its drilling prospects for the remainder of the year.

Driving down per unit costs on the Repsol Assets is a key priority for the Company in 2024 which includes modifications to plant processes and increased utilization to optimize and simplify operations. The Company has set a target to achieve at least a 10% reduction from first quarter unit costs by the end of 2024.

Outlook

Peyto expects weaker natural gas prices will continue during the summer across North America. However, the significant buildout of LNG egress in Canada and the US, which is estimated by the Energy Information Agency to double from 12 bcf/d to near 25 bcf/d by the end of the decade, is supportive for a natural gas supply market to keep pace with future demand. Additionally, increases in local industrial projects and the potential to supply power grids for data centres with a reliable and secure energy source is encouraging for the long-term future of natural gas prices.

The Company continues to execute a 2024 capital program targeting the lower end of Peyto's guidance range between $450 to $500 million, specifically designed with flexibility in the back half of the year. The Company will be prudent with summer activity to avoid additional costs to bring on production in a low gas price environment but is poised with a breadth of quality inventory to respond to positive movements in commodity prices. In the meantime, the Company's disciplined hedging program and low-cost operations secure cash flows to support future dividends and continued strengthening of the balance sheet over the balance of 2024 and beyond.

Conference Call and Webcast

A conference call will be held with senior management of Peyto to answer questions with respect to the Company's Q1 2024 results on Wednesday, May 15, 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/tfovvdr6.** To participate in the call, please register for the event at: **https://register.vevent.com/register/BIc361cb83d6b64021b1d3c2800bbcab33.** 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 Wednesday, May 22, 2024, at the Eau Claire Tower, +15 level, 600 – 3rd Avenue SW, Calgary, Alberta. Shareholders are encouraged to attend this in-person meeting and vote their shares today. Leading independent proxy advisory firms, Institutional Shareholder Services Inc. ("ISS") and Glass Lewis & Co. ("Glass Lewis"), have each recommended Peyto shareholders ("Shareholders") vote "FOR" all the proposed resolutions.

Shareholders who have questions or need assistance with voting their shares should contact Peyto's strategic advisor and proxy solicitation agent, Laurel Hill Advisory Group, by telephone at 1-877-452-7184 or by email at assistance@laurelhill.com.

Management's Discussion and Analysis

A copy of the first quarter report to shareholders, including the MD&A, unaudited consolidated financial statements and related notes, is available at http://www.peyto.com/Files/Financials/2024/Q12024FS.pdf and at http://www.peyto.com/Files/Financials/2024/Q12024MDA.pdf and will be filed at SEDAR+, www.sedarplus.com at a later date.

Jean-Paul Lachance
President & Chief Executive Officer
May 14, 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, management's expectation that redirecting raw gas volumes will avoid third-party processing fees, other costs, and increases utilization at Peyto's existing plants; management's estimate that redirecting raw gas volumes will lower current production by 2,000 boe/d, will reduce corporate operating costs by approximately $0.02/Mcfe, increase the average NGL price by approximately 12%, and have a minimal effect on overall revenue beginning in the second quarter; Peyto's expectation to more than offset the current loss in base ethane production with the quality of the drilling prospects for the remainder of the year; the commencement date of the Cascade Power Plant, the sustainability of the Company's dividend; expectations regarding cost reductions with continued optimization and increased utilization of the acquired gas processing plants; the Company's target of at least a 10% reduction in per unit operating costs from the first quarter of 2024 to the end of 2024; Peyto's outlook on North American natural gas prices and supply/demand fundamentals; 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.

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 March 31	
($000)	***2024***	*2023*
Cash flows from operating activities	***196,829***	*183,606*
Change in non-cash working capital	***3,587***	*(3,789)*
Decommissioning expenditures	***4,206***	*-*
Funds from operations	***204,622***	*179,817*

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. In reporting for prior periods, decommissioning expenditures incurred were excluded from the Company's free funds flow non-GAAP financial measure as they were insignificant. Peyto has changed the reporting of free funds flow to no longer exclude decommissioning expenditures in the non-GAAP financial measure as the Company expects an increase in abandonment and reclamation projects going forward associated with the Repsol Assets. Peyto calculates free funds flow as cash flows from operating activities before changes in non-cash operating working capital less total capital expenditures, allowing Management to monitor 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 March 31	
($000)	***2024***	*2023*
Cash flows from operating activities	***196,829***	*183,606*
Change in non-cash working capital	***3,587***	*(3,789)*
Total capital expenditures	***(113,762)***	*(121,802)*
Free funds flow	***86,654***	*58,015*

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 March 31	
($000)	***2024***	*2023*
Cash flows used in investing activities	***97,634***	*126,250*
Change in prepaid capital	***(4,653)***	*(163)*
Change in non-cash working capital relating to investing activities	***20,781***	*(4,285)*
Total capital expenditures	***113,762***	*121,802*

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 March 31, 2024***	*As at December 31, 2023*	*As at March 31, 2023*
Long-term debt	***1,296,844***	*1,340,881*	*734,132*
Current assets	***(403,467)***	*(490,936)*	*(270,430)*
Current liabilities	***260,380***	*279,903*	*283,023*
Financial derivative instruments - current	***194,917***	*238,865*	*133,899*
Current portion of lease obligation	***(1,322)***	*(1,310)*	*(1,276)*
Decommissioning provision - current	***(7,794)***	*(4,626)*	*(1,521)*
Net debt	***1,339,558***	*1,362,777*	*877,827*

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 March 31	
($000)	***2024***	*2023*
Sales of natural gas and NGLs from third parties	***25,851***	-
Natural gas and NGLs purchased from third parties	***(26,238)***	-
Third-party sales net of purchases	***(387)***	-

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 March 31	
($/Mcfe)	***2024***	*2023*
Gross Sale Price	***3.50***	*6.22*
Realized hedging gain (loss)	***1.37***	*(1.21)*
Net Sale Price	***4.87***	*5.01*
Third party sales net of purchases	***(0.01)***	*-*
Other income	***0.05***	*0.08*
Royalties	***(0.24)***	*(0.53)*
Operating costs	***(0.55)***	*(0.50)*
Transportation	***(0.30)***	*(0.24)*
Field netback	***3.82***	*3.82*
Net general and administrative	***(0.06)***	*(0.03)*
Interest and financing	***(0.36)***	*(0.22)*
Realized gain on foreign exchange	***0.01***	*0.01*
Cash netback ($/Mcfe)	***3.41***	*3.58*
Cash netback ($/boe)	***20.49***	*21.47*

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 and decommissioning expenditures, divided by funds from operations. In reporting for prior periods, decommissioning expenditures incurred were excluded from the Company's total payout ratio as they were insignificant. Peyto has changed the reporting of total payout ratio to no longer exclude decommissioning expenditures in the non-GAAP financial ratio as the Company expects an increase in abandonment and reclamation projects going forward associated with the Repsol Assets. This ratio represents the percentage of the capital expenditures, decommissioning 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 March 31	
($000, except total payout ratio)	***2024***	*2023*
Total dividends declared	***64,158***	*57,678*
Total capital expenditures	***113,762***	*121,802*
Decommissioning expenditures	***4,206***	*-*
Total payout	***182,126***	*179,480*
Funds from operations	***204,622***	*179,817*
Total payout ratio (%)	***89%***	*100%*

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.