PEYTO

Exploration & Development Corp.

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Interim Report
for the three months ended March 31, 2021

HIGHLIGHTS

	Three Months Ended March 31		%
	2021	**2020**	Change
Operations			
Production			
Natural gas (mcf/d)	**455,593**	401,572	*13%*
Oil & NGLs (bbl/d)	**12,138**	11,585	*5%*
Thousand cubic feet equivalent (mcfe/d @ 1:6)	**528,419**	471,083	*12%*
Barrels of oil equivalent (boe/d @ 6:1)	**88,070**	78,514	*12%*
Production per million common shares (boe/d) *	**534**	476	*12%*
Product prices			
Natural gas ($/mcf)	**3.06**	1.63	*88%*
Oil & NGLs ($/bbl)	**45.63**	36.73	*24%*
Operating expenses ($/mcfe)	**0.36**	0.39	*-8%*
Transportation ($/mcfe)	**0.17**	0.19	*-11%*
Field netback ($/mcfe)	**2.88**	1.58	*82%*
General & administrative expenses ($/mcfe)	**0.04**	0.04	-
Interest expense ($/mcfe)	**0.38**	0.29	*31%*
Financial ($000, except per share*)			
Revenue and realized hedging gains (losses) [1]	**175,327**	97,723	*79%*
Royalties	**14,069**	4,936	*185%*
Funds from operations	**116,709**	54,513	*114%*
Funds from operations per share	**0.71**	0.33	*115%*
Total dividends	**1,651**	9,892	*-83%*
Total dividends per share	**0.01**	0.06	*-83%*
Earnings (loss)	**38,500**	(67,684)	*157%*
Earnings per diluted share	**0.23**	(0.41)	*156%*
Capital expenditures	**108,851**	68,587	*59%*
Total payout ratio (%)	**95%**	144%	*-34%*
Weighted average common shares outstanding	**165,069,227**	164,874,175	-
As at March 31			
Net debt	**1,169,414**	1,166,781	-
Shareholders' equity	**1,699,771**	1,640,707	*4%*
Total assets	**3,661,029**	3,514,524	*4%*

[1]excludes revenue from sale of third-party volumes

	Three Months Ended March 31	
($000 except per share)	**2021**	**2020**
Cash flows from operating activities	**119,752**	65,841
Change in non-cash working capital	**(3,043)**	(11,328)
Change in provision for performance-based compensation	**-**	-
Funds from operations	**116,709**	54,513
Funds from operations per share	**0.71**	0.33

(1) Funds from operations ("FFO") - Management uses FFO to analyze the operating performance of its energy assets. In order to facilitate comparative analysis, FFO is defined throughout this report as earnings before performance based compensation, non-cash and non-recurring expenses. Management believes that FFO is an important parameter to measure the value of an asset when combined with reserve life. FFO is not a measure recognized by Canadian generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by GAAP. Therefore, FFO, as defined by Peyto, may not be comparable to similar measures presented by other issuers, and investors are cautioned that FFO should not be construed as an alternative to net earnings, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP. FFO cannot be assured and future dividends may vary.

Peyto Exploration & Development Corp. ("Peyto" or the "Company") is pleased to present its operating and financial results for the first quarter of the 2021 fiscal year. A 67% Operating Margin [(1)] and a 22% Profit Margin [(2)] in the quarter delivered a 4% Return on Capital and a 4% Return on Equity, on a trailing twelve-month basis. Highlights for the quarter included:

- **Production per share up 12%.** First quarter 2021 production of 88,070 boe/d, comprised of 456 MMcf/d of natural gas, 7,018 bbl/d of Condensate and Pentanes, and 5,120 bbl/d of Butane and Propane, was up from 78,514 boe/d in Q1 2020. Total liquid yields of 27 bbl/MMcf, or 13.8% of total production, was down from 29 bbl/MMcf in Q1 2020 due to an increased focus on leaner gas Spirit River plays and the acquired Cecilia production (effective January 1, 2021).

- **Funds from operations per share up 115%.** Generated $117 million in Funds from Operations ("FFO") in Q1 2021 ($0.71/share), up from $55 million in Q1 2020 ($0.33/share) due to higher commodity price realizations combined with higher production. FFO in the quarter exceeded the combination of capital expenditures ($73 million), acquisitions ($36 million), and dividends ($1.6 million), by $6 million resulting in a total payout ratio of 95%.

- **Total cash costs of $1.24/Mcfe (or $0.95/Mcfe ($5.67/boe) excluding royalties).** Industry leading low total cash costs included $0.29/Mcfe royalties, $0.36/Mcfe operating costs, $0.17/Mcfe transportation, $0.04/Mcfe G&A and $0.38/Mcfe interest, which combined with a realized price of $3.70/Mcfe and resulted in a $2.46/Mcfe ($14.81/boe) cash netback, up 94% from $1.27/Mcfe ($7.63/boe) in Q1 2020. Operating costs per unit for Q1 2021 were down 8% from Q1 2020 largely due to increased volumes and higher facility utilizations, while royalties were up due to higher commodity prices. Interest charges were also up 31% because of higher stamping fees negotiated as part of the temporary covenant provisions.

- **Capital investment of $73 million in organic activity**. A total of 27 gross (22.5 net working interest) wells were drilled in the first quarter, 21 gross (17 net) wells were completed, and 20 gross (16.7 net) wells were brought on production. In addition, two acquisitions totaling $35.6 million (effective January 1, 2021) were closed in the quarter. Over the last 12 months new production additions, inclusive of acquisitions, accounted for approximately 34,000 boe/d at the end of the quarter, which, when combined with a trailing twelve-month capital investment of $276 million, equates to an annualized capital efficiency of $8,100/boe/d.

- **Earnings of $0.23/share, Dividends of $0.01/share.** Earnings of $38.5 million were generated in the quarter while dividends of $1.6 million were paid to shareholders. During the quarter, Peyto earned $0.35 for every dollar of capital invested. Over the Company's 22 ½ year history, a cumulative $2.6 billion has been earned for a total of $6.5 billion of capital invested, or $0.40 for every dollar invested.

First Quarter 2021 in Review

Peyto enjoyed an active first quarter despite the continued impacts and constraints of the global COVID-19 pandemic. The Company maintained its vigilant focus on safety and successfully conducted a full winter drilling and completions program while also fully integrating two property acquisitions, including taking over operations of its 10th owned and operated natural gas processing plant. Total Company owned and operated plant processing capacity now stands at approximately 875 MMcf/d making Peyto the 11th largest Canadian gas processing company. Despite the severe cold weather experienced in February, Peyto was able to grow production 6% from 86,000 boe/d at the start of the year to 91,000 boe/d by the end of the first quarter using 93% of funds from operations. This growth improved facility utilization and helped lower per unit fixed costs. The much-improved commodity prices contributed to a more than doubling of funds from operations over Q1 2020, despite the temporary higher market diversification costs which resulted in an 11% discount to AECO daily natural gas prices. As market diversification costs continue to fall moving forward, Peyto's realized natural gas prices are expected to once again match or beat AECO spot prices further improving funds from operations. Excess free cashflow in the quarter was used to reduce indebtedness which, combined with higher cashflow, allowed Peyto to achieve its debt to EBITDA target earlier than originally forecast. Strong operational execution combined with industry leading low costs resulted in a 22% profit margin.

1. *Operating Margin is defined as funds from operations divided by revenue before royalties but including realized hedging gains/losses.*
2. *Profit Margin is defined as net earnings for the quarter divided by revenue before royalties but including realized hedging gains/losses.*

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.

Exploration & Development

First quarter 2021 activity was spread across the multiple stacked Cretaceous formations and throughout Peyto's Deep Basin core areas as shown in the following table:

Zone	Field							Total Wells Drilled
	Sundance	Nosehill	Wildhay	Ansell	Whitehorse	Kisku/ Kakwa	Brazeau	
Belly River								
Cardium			9				4	13
Notikewin		5					1	6
Falher			2					2
Wilrich		2		2	1		1	6
Bluesky								
Total		7	11	2	1		6	27

Drilling costs per meter and completion costs per stage continued to fall as Peyto drilled 7 Extended Reach Horizontal ("ERH") wells in the quarter. These 7 wells averaged over 5,500 meters of total measured depth with average horizontal laterals in excess of 2,500 meters. These ERH wells allow Peyto to access more reservoir and develop more reserves per wellbore, thus minimizing both cost and environmental impact.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 Q1
Gross Hz Spuds	70	86	99	123	140	126	135	70	61	64	**27**
Measured Depth (m)	3,903	4,017	4,179	4,251	4,309	4,197	4,229	4,020	3,848	4,247	**4,413**
Drilling ($MM/well)	$2.82	$2.79	$2.72	$2.66	$2.16	$1.82	$1.90	$1.71	$1.62	$1.68	**$1,65**
$ per meter	$723	$694	$651	$626	$501	$433	$450	$425	$420	$396	**$374**
Completion ($MM/well)	$1.68	$1.67	$1.63	$1.70	$1.21	$0.86	$1.00	$1.13	$1.01*	$0.94	**$0.96**
Hz Length (m)	1,303	1,358	1,409	1,460	1,531	1,460	1,241	1,348	1,484	1,682	**1,573**
$ per Hz Length (m)	$1,286	$1,231	$1,153	$1,166	$792	$587	$803	$835	$679	$560	**$608**
$ '000 per Stage	$246	$257	$188	$168	$115	$79	$81	$51	$38	$36	**$33**

**excluding Peyto's Wildhay Montney well.*

Capital Expenditures

During the first quarter of 2021, Peyto invested $33.5 million on drilling, $18.2 million on completions, $4.8 million on wellsite equipment and tie-ins, $15.6 million on facilities and major pipeline projects, and $1.1 million acquiring new lands and seismic, for a total organic capital investment of $73 million. In addition, Peyto closed two acquisitions in the Cecilia area for a total of $35.6 million. Combined total capital expenditures in the quarter were $109 million.

Pipeline looping in the South Brazeau (Chambers) area accounted for approximately $8 million of the major pipeline projects in the quarter. Additional loop lines in the Swanson and Wildhay areas, as well as compressor upgrades in both areas, accounted for the remainder. The initial construction of the South Brazeau (Chambers) pipeline in 2020 and the recent doubling of this gathering system capacity has allowed production from the Chambers area to grow from 1,000 boe/d to 11,000 boe/d over the last 15 months.

The combined acquisitions, which closed in the first quarter of 2021 and with an effective date of January 1, 2021, included 114 gross (106 net) producing wells with stable, ultra-low decline (less than 5%/yr) production of approximately 2,900 boe/d (95% natural gas). Also included were 54 gross sections of land (81% working interest) in which the Company has internally identified over 100 future drilling prospects. Approximately 17 square kilometers of 3D and 684 km of 2D seismic were included that cover the acquired lands. Peyto has subsequently purchased 167 square km of additional 3D over the lands to have complete coverage for horizontal development. Acquired infrastructure consisted of 115 km of gathering system and a 30 MMcf/d, 100% working interest, gas plant with approximately 50% available capacity.

Commodity Prices

Peyto actively marketed all components of its production stream in the quarter including natural gas, condensate, pentane, butane and propane. Natural gas was sold in Q1 2021 at various hubs including AECO, Malin, Ventura, Emerson 2 and Henry Hub using both physical fixed price and basis transactions to access those locations (diversification activities). Natural gas prices were left to float on daily or monthly pricing or locked in using fixed price swaps at those hubs and

Peyto's realized price is benchmarked against those local prices, then adjusted for transportation (either physical or synthetic) to those markets. Peyto expects that the cost of market diversification activities will decrease significantly over the next two years as older basis deals expire and are replaced by new, lower cost basis deals.

During Q1 2021, Peyto sold 40% of its natural gas off Henry Hub, 40% at AECO, 8% at Emerson, 8% at Malin, and the remaining 4% at Ventura. Approximately 41% of AECO sales were at Daily prices while 59% were at Monthly prices. Net of diversification activities of CND$1.04/Mcf (US$0.79/MMBTU), Peyto realized a natural gas price of $3.48/Mcf before commodity risk management reduced this price by $0.42/Mcf, to $3.06/Mcf.

The Company's liquids are also actively marketed with condensate being sold on a monthly index differential linked to West Texas Intermediate ("WTI") oil prices. Peyto's NGLs (a blend of pentanes plus, butane and propane) are fractionated by a third party in Fort Saskatchewan, Alberta and Peyto markets each product separately. Pentanes Plus are sold on a monthly index differential linked to WTI, with some volumes forward sold on fixed differentials to WTI. Butane is sold as a percent of WTI or a fixed differential to Mount Belvieu, Texas markets. Propane is sold on a fixed differential to Conway, Kansas markets. While some products require annual term contracts to ensure delivery paths and markets are certain, others can be sold on the daily spot market.

Condensate and Pentane Plus volumes were sold in Q1 2021 for an average price of $68.57/bbl, which is up 24% from $55.30/bbl in Q1 2020, and as compared to Canadian WTI oil price that averaged $73.22/bbl. The $4.65/bbl differential from light oil price was down from $6.35/bbl in the previous year due to reduced condensate differentials. Butane and propane volumes were sold in combination at an average price of $30.89/bbl, or 45% of light oil price, up significantly from the $5.09/bbl in Q1 2020, mostly due to stronger Propane prices resulting from cold weather demand and improved Butane price differentials.

In general, Peyto's commodity risk management program is designed to smooth out the short-term fluctuations in the price of natural gas and natural gas liquids through future sales. This smoothing gives greater predictability of cashflows for the purposes of capital planning and dividend payments. The future sales are meant to be methodical and consistent to avoid speculation. In general, this approach will show hedging losses when short term prices climb and hedging gains when short term prices fall.

Peyto's realized price by product and relative to benchmark prices is shown in the following table.

Benchmark Commodity Prices at Various Markets

	Three Months ended March 31	
	2021	2020
AECO 7A monthly ($/GJ)	**2.77**	2.03
AECO 5A daily ($/GJ)	**2.99**	1.93
NYMEX (US$/MMBTU)	**3.38**	1.88
Emerson2 (US$/MMBTU)	**2.91**	1.75
Malin (US$/MMbtu)	**3.03**	2.27
Ventura daily (US$/MMbtu)	**11.86**	1.72
Canadian WTI ($/bbl)	**73.22**	61.65
Conway C3 (US$/bbl)	**38.40**	14.33
CND/USD Exchange rate	**1.266**	1.345

Peyto Realized Commodity Price by Market (net of diversification)

	Three Months ended March 31	
	2021	**2020**
AECO monthly (CND$/GJ)	**2.78**	**2.06**
AECO daily (CND$/GJ)	**2.92**	**1.97**
NYMEX (US$/MMBTU)	**2.07**	**0.58**
Emerson2 (US$/MMBTU)	**2.22**	**1.05**
Malin (US$/MMBTU)	**2.42**	**-**
Ventura (US$/MMBTU)	**10.76**	**0.60**
Peyto Realized Commodity Prices		

Natural gas (CND$/mcf)	**4.52**	**2.59**
Gas marketing diversification activities (CND$/mcf)	**(1.04)**	**(0.88)**
Gas hedging (CND$/mcf)	**(0.42)**	**(0.08)**
Oil, condensate and C5+ ($/bbl)	**68.57**	**55.30**
Butane and propane ($/bbl)	**30.89**	**5.09**
Liquid hedging ($/bbl)	**(7.21)**	**2.77**

Peyto realized natural gas prices are at NIT, prior to fuel. Peyto gas has an average heating value of approx. 1.15GJ/Mcf. Liquids prices are Peyto realized prices in Canadian dollars adjusted for fractionation, transportation, and market differentials. Details of Peyto's ongoing marketing and diversification efforts are available on Peyto's website at: http://www.peyto.com/Files/Operations/Marketing/hedges.pdf

Financial Results

The Company's realized price for natural gas in Q1 2021 was $4.52/Mcf, prior to $1.04/Mcf of market diversification activities and a $0.42/Mcf hedging loss, while its realized liquids price was $52.84/bbl, before a $7.21/bbl hedging loss, which yielded a combined revenue stream of $3.70/Mcfe. This net sales price was 61% higher than the $2.30/Mcfe realized in Q1 2020. Cash costs of $1.24/Mcfe, included royalties of $0.29/Mcfe, operating costs of $0.36/Mcfe, transportation costs of $0.17/Mcfe, G&A of $0.04/Mcfe and interest costs of $0.38/Mcfe. Cash costs per unit of production, excluding royalties, were $0.95/Mcfe, up from $0.91/Mcfe in Q1 2020 due to increased interest charges, offset by decreased operating costs and transportation. As Peyto's trailing twelve-month debt to EBITDA ratio is now below 3.5, the Company expects interest rates for the balance of the year to fall, bringing cash costs back in line with historical averages.

When the total cash costs of $1.24/Mcfe were deducted from realized revenues of $3.70/Mcfe, it resulted in a cash netback of $2.46/Mcfe or a 67% operating margin. Historical cash costs and operating margins are shown in the following table:

	2018				2019				2020				2021
($/Mcfe)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Revenue	3.54	3.20	3.27	3.03	3.20	2.60	2.50	2.76	2.30	1.73	2.15	2.71	**3.70**
Royalties	0.17	0.10	0.14	0.12	0.14	0.01	0.03	0.12	0.12	0.06	0.14	0.18	**0.29**
Op Costs	0.29	0.30	0.31	0.33	0.35	0.34	0.31	0.34	0.39	0.36	0.32	0.31	**0.36**
Transportation	0.13	0.18	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.17	0.16	0.15	**0.17**
G&A	0.08	0.05	0.03	0.04	0.06	0.05	0.05	0.02	0.04	0.04	0.04	0.04	**0.04**
Interest	0.24	0.26	0.27	0.27	0.28	0.30	0.31	0.31	0.29	0.33	0.35	0.38	**0.38**
Cash Costs	0.91	0.89	0.94	0.95	1.02	0.89	0.89	0.98	1.03	0.96	1.01	1.06	**1.24**
Netback	2.63	2.31	2.33	2.08	2.18	1.71	1.61	1.78	1.27	0.77	1.14	1.65	**2.46**
Operating Margin	74%	72%	71%	69%	68%	66%	64%	65%	55%	45%	53%	61%	**67%**

Depletion, depreciation, and amortization charges of $1.37/Mcfe, along with a provision for deferred tax and stock-based compensation payments resulted in earnings of $0.81/Mcfe, or a 22% profit margin. Dividends to shareholders totaled $0.03/Mcfe.

Emission Reductions

The Company continued to execute on its methane emissions reduction program during the first quarter 2021 by removing and retrofitting pressure and level controllers with low-bleed alternatives. In addition, Peyto has ordered its first batch of fully electric measurement skids to be installed on new wells. Peyto expects that all remaining high-bleed controllers will be converted over, or removed, by the end of the third quarter. The first quarter emissions reduction projects are expected to result in annual savings of 17,000 tonnes of CO_2eq/yr, or the equivalent of taking 3,700 cars off the road. These types of projects ensure that Peyto will achieve its sustainability target of a 50% reduction in the 2016 vented and flared emissions intensity level by year end 2021 while at the same time, creating go-forward value for shareholders.

Activity Update

Peyto currently has 2 rigs drilling on pad sites that utilize existing Company infrastructure (roads, leases, pipelines, etc.) to limit exposure to third party road bans or restrictions during spring breakup. One rig is drilling ERH wells in Sundance while the other is drilling liquids rich Cardium and ERH Spirit River prospects in Brazeau. The Company continues to work closely with service providers and is taking additional precautions to ensure the health and safety of all workers during this latest wave of the COVID-19 pandemic.

The Peyto technical team has recently conducted an internal evaluation of the Company's successful 2020 drilling program which yielded above average returns and record capital efficiency. A portion of that success was the result of longer horizontal laterals and improved stimulation intensity. This work has translated into a new ERH well design for 2021 for several of Peyto's Deep Basin plays. For 2021, approximately 25% of the drilling program will utilize this new design.

Since the end of the quarter, the Company has drilled 6 gross (5.3 net) wells, completed 8 gross (8 net) wells, and brought onstream 8 gross (8 net) new wells. Three gross (2.3 net) wells await completion later in the quarter after breakup. The most recent wells brought onstream include four liquids rich Cardium wells in Brazeau and Wild River, two prolific Notikewin wells in Sundance and Brazeau, and two ERH Wilrich wells in Sundance.

In April, the Company completed and brought on production the first well drilled on lands acquired through the Cecilia acquisition. This well was connected to Peyto's Oldman plant and along with production optimization efforts, increased production from the acquired assets from 2,900 boe/d to over 4,300 boe/d. Continued drilling on the acquired lands is planned for immediately after breakup which is expected to fill the remaining unutilized plant capacity at Cecilia before the end of the third quarter.

Peyto has continued to diversify its natural gas markets with significantly lower cost basis deals. In Q1 2021, Peyto added a total of 12,490,000 MMBTU of AECO to Henry Hub basis deals, over various periods between April 2021 and December 2023, at an average cost of US$0.70/MMBTU. This compares to Peyto's Q1 2021 average AECO to Henry Hub basis cost of US$1.31/MMBTU. In addition, in April Peyto added 40,000 MMBTU/d of AECO to Dawn basis deals, for the period November 2022 to October 2024, or 29,240,000 MMBTU, for US$0.63/MMBTU. This compares to the equivalent Long Term Fixed Price ("LTFP") toll of US$0.87/MMBTU (AECO to Dawn, inclusive of fuel).

Details of Peyto's ongoing marketing and diversification efforts are updated periodically and available on Peyto's website at: http://www.peyto.com/Files/Operations/Marketing/hedges.pdf.

Outlook

The outlook for natural gas prices continues to improve for Peyto. The combination of falling market diversification costs and rising North American natural gas prices, driven by reduced supply from tempered industry investment combined with strong global demand, is translating into a forecast of higher realized natural gas prices. This has the effect of improving Peyto's cashflow and balance sheet as well as increasing the value of its developed reserves. The Company's long producing reserve life allows for exposure to this improving price environment which should enable Peyto to increase its return of capital to investors in the form of further debt reduction and, when appropriate, increased dividends.

At the same time, Peyto continues to obtain additional Deep Basin opportunities to invest capital and deliver profits for shareholders. Consolidation in the Canadian natural gas industry and in the Alberta Deep Basin has resulted in less competition for opportunities in Peyto's traditional core areas. With its large infrastructure network of pipelines and gas plants, Peyto can generate superior returns on its remaining undeveloped resources. Peyto's continuously improving environmental performance will assist it in meeting the stricter standards set by investors and stakeholders while its innovation in resource extraction continues to lower cost and improve profitability. With post pandemic optimism, Peyto looks forward to a bright future of renewed financial strength and growth.

(signed) *"Darren Gee"*

Darren Gee
President and CEO
May 12, 2021

Management’s discussion and analysis

This Management's Discussion and Analysis (“MD&A”) should be read in conjunction with the audited consolidated financial statements of Peyto Exploration & Development Corp. (“Peyto” or the “Company”) for the years ended December 31, 2020 and 2019. The financial statements have been prepared in accordance with the International Accounting Standards Board’s (“IASB”) most current International Financial Reporting Standards (“IFRS” or “GAAP”) and International Accounting Standards (“IAS”).

This discussion provides management's analysis of Peyto's historical financial and operating results and provides estimates of Peyto's future financial and operating performance based on information currently available. Actual results will vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance. This MD&A was prepared using information that is current as of May 12, 2021. Additional information about Peyto, including the most recently filed annual information form is available at www.sedar.com and on Peyto’s website at www.peyto.com.

This MD&A 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: the impact of economic conditions in North America and globally; 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 adequacy of the Company's critical accounting estimates; the availability of qualified operating or management personnel; fluctuations in 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: expected royalty rate, earnings, cash flow and revenue fluctuations; the Company's expectation that funds generated from operations, together with credit facility borrowings, are sufficient; the expectation that the majority of the Company's capital program will involve drilling, completing and tie-in of lower risk development gas wells; the Company's risk management; and the Company's critical accounting estimates.

In March 2020, the World Health Organization declared novel coronavirus COVID-19 ("COVID-19") a global pandemic. COVID-19 has had, and is anticipated to continue to have, a significant impact on the global economy, commodity prices, and Peyto’s business. At March 31, 2021, Peyto’s management incorporated the current and anticipated impacts of COVID-19 in its preparation of the MD&A.

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: imprecision of reserves estimates; competition from other industry participants; failure to secure required equipment; changes in general global economic conditions including, without limitations, the economic conditions in North America; increased competition; the lack of availability of qualified operating or management personnel; fluctuations in commodity prices, foreign exchange or interest rates; 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; the ability to access sufficient capital from internal and external sources; and stock market volatility. Readers are encouraged to review the material risks discussed in Peyto's annual information form for the year ended December 31, 2020 under the heading "Risk Factors" and herein 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 contained in this MD&A 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.

All references are to Canadian dollars unless otherwise indicated. Natural gas liquids 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.

OVERVIEW

Peyto is a Canadian energy company involved in the development and production of natural gas and oil & natural gas liquids in Alberta's deep basin. At December 31, 2020, the Company's total Proved plus Probable reserves were 5.0 trillion cubic feet equivalent (834 million barrels of oil equivalent) as evaluated by its independent petroleum engineers. Production is weighted approximately 86 per cent to natural gas and 14 per cent to oil & natural gas liquids.

The Peyto model is designed to deliver a superior total return with growth in value, assets, production and income, all on a debt adjusted per share basis. The model is built around three key strategies:

- Use technical expertise to achieve the best return on capital employed through the development of internally generated drilling projects.
- Build an asset base which is made up of high-quality natural gas reserves.
- Over time, balance dividends paid to shareholders with earnings and cash flow, and balance funding for the capital program with cash flow, equity and available credit lines.

Operating results over the last twenty-two years indicate that these strategies have been successfully implemented. This business model makes Peyto a truly unique energy company.

QUARTERLY FINANCIAL INFORMATION

	2021	2020				2019		
($000 except per share amounts)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue and realized hedging gains (losses) (net of royalties) [1]	**161,258**	116,018	86,986	71,178	92,787	111,389	104,504	115,289
Funds from operations	**116,709**	76,013	49,173	33,012	54,513	75,974	68,106	75,971
Per share – basic and diluted	**0.71**	0.46	0.30	0.20	0.33	0.46	0.41	0.46
Earnings (loss)	**38,500**	65,951	(11,285)	(22,538)	(67,684)	3,492	6,275	98,757
Per share – basic and diluted	**0.23**	0.40	(0.07)	(0.14)	(0.41)	0.02	0.04	0.59
Dividends	**1,651**	1,649	1,649	1,649	9,892	9,892	9,892	9,892
Per share – basic and diluted	**0.01**	0.01	0.01	0.01	0.06	0.06	0.06	0.06
Payout ratio (%)	**1**	2	3	5	18	13	15	13
Capital expenditures	**108,851**	68,250	61,568	37,299	68,587	73,351	36,574	34,112
Total payout ratio (%)	**95**	92	129	118	144	110	68	58

[1] excludes revenue from sale of natural gas volumes from third-parties

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 and provision for future performance-based compensation. 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.

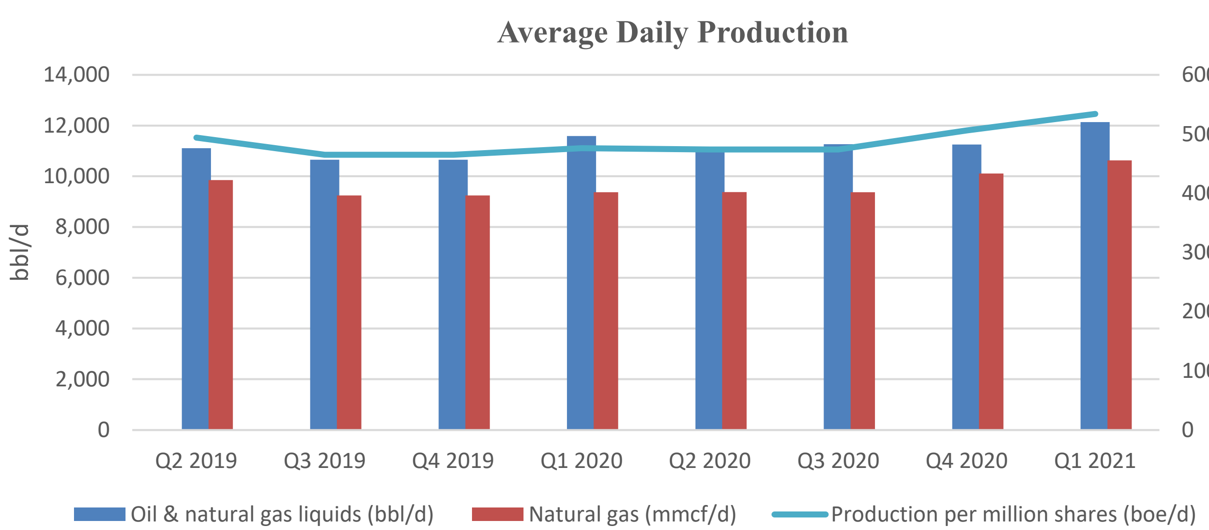
Total Payout Ratio
"Total payout ratio" is a non-GAAP measure which is calculated as the sum of dividends declared plus capital expenditures, divided by funds from operations. This ratio represents the percentage of the capital expenditures and dividends that is funded by cashflow. Management uses this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

RESULTS OF OPERATIONS

Production

	Three Months ended March 31	
	2021	2020
Natural gas (mmcf/d)	**455.6**	401.6
Oil & natural gas liquids (bbl/d)	**12,138**	11,585
Barrels of oil equivalent (boe/d)	**88,070**	78,514
Thousand cubic feet equivalent (mmcfe/d)	**528.4**	471.1

Condensate and NGL production increased 5 per cent from 11,585 bbl/d in the first quarter of 2020 to 12,138 in the first quarter of 2021. Natural gas production increased 13 per cent from 401.6 mmcf/d in the first quarter of 2020 to 455.6 mmcf/d in the first quarter of 2021. Total first quarter production increased 12 per cent from 471.1 mmcfe/d to 528.4 mmcfe/d.



Oil & Natural Gas Liquids Production by Component

	Three Months ended March 31	
	2021	2020
Oil, Condensate and Pentanes Plus (bbl/d)	**7,018**	6,662
Other Natural gas liquids(bbl/d)	**5,120**	4,923
Oil & Natural gas liquids (bbl/d)	**12,138**	11,585
Barrels per million cubic feet	**26.6**	28.8

The liquid production to sales gas ratio decreased 8 per cent from 28.8 bbl/mmcf in the first quarter of 2020 to 26.6 bbl/mmcf in the first quarter of 2021. As natural gas prices improved, Peyto included more dry gas wells into the drilling program.

Benchmark Commodity Prices

	Three Months ended March 31	
	2021	2020
AECO 7A monthly ($/GJ)	**2.77**	2.03
AECO 5A daily ($/GJ)	**2.99**	1.93
NYMEX (US$/MMbtu)	**3.38**	1.88
Emerson2 (US$/MMbtu)	**2.91**	1.75
Malin (US$/MMbtu)	**3.03**	2.27
Ventura daily (US$/MMbtu)	**11.86**	1.72
Canadian WTI ($/bbl)	**73.22**	61.65
Conway C3 (US$/bbl)	**38.40**	14.33

Q1 2021 average CND/USD exchange rate of 1.266

Commodity Prices

	Three Months ended March 31	
($CAD)	**2021**	2020
Oil & natural gas liquids ($/bbl)	**52.84**	33.96
Hedging – Oil & NGL ($/bbl)	**(7.21)**	2.77
Oil & NGL – after hedging ($/bbl)	**45.63**	36.73
Natural gas ($/mcf)	**4.52**	2.59
Diversification activities ($/mcf)	**(1.04)**	(0.88)
Hedging – gas ($/mcf)	**(0.42)**	(0.08)
Natural gas – after hedging ($/mcf)	**3.06**	1.63
Total Hedging ($/mcfe)	**(0.53)**	-
Total Hedging ($/boe)	**(3.16)**	(0.01)

liquids prices are Peyto realized prices in Canadian dollars adjusted for fractionation and transportation.

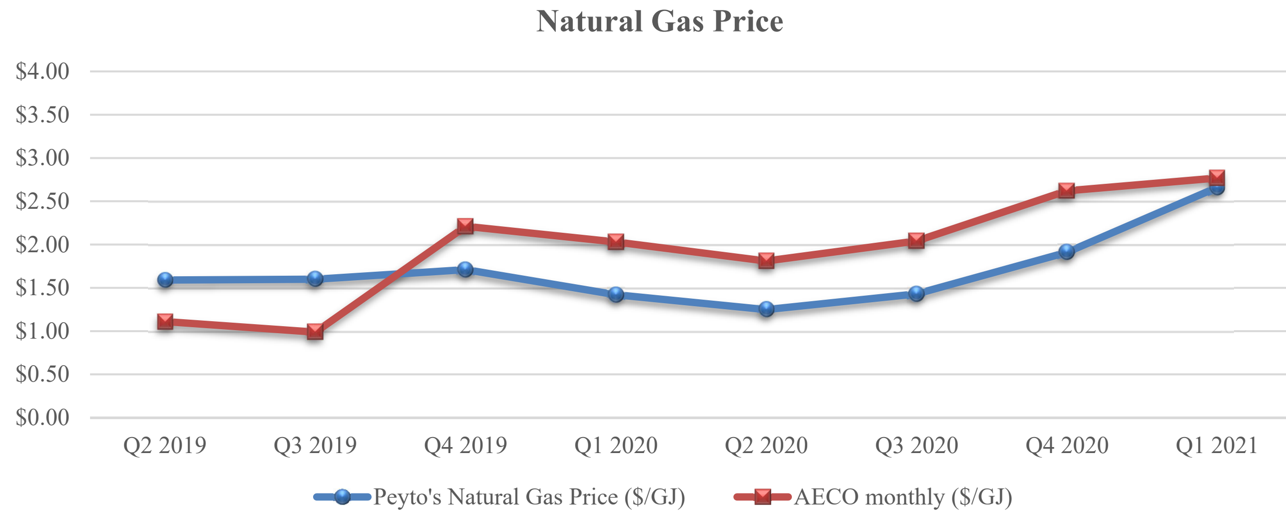
Peyto's natural gas price, before hedging and diversification activities, averaged $4.52/mcf during the first quarter of 2021 an increase of 75 per cent from $2.59/mcf for the equivalent period in 2020. Oil & natural gas liquids prices, before hedging, averaged $52.84/bbl, an increase of 56 per cent from $33.96/bbl a year earlier.

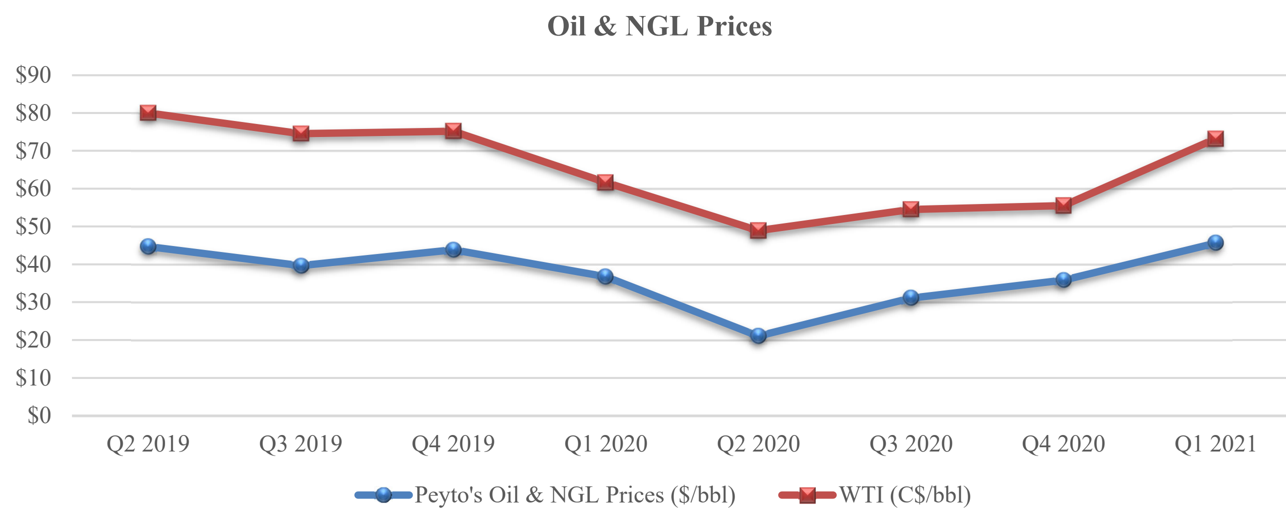
Peyto actively marketed all components of its production stream in the first quarter including natural gas, condensate, pentane, butane and propane. Peyto's market diversification activity resulted in natural gas being sold at various hubs including AECO, Ventura, Emerson 2, Malin and Henry Hub using both physical fixed price and temporary basis transactions to access those locations. Natural gas prices were left to float on daily pricing or locked in using fixed price swaps at those hubs and Peyto's realized price was benchmarked against those local prices, then adjusted for marketing arrangements (either physical or short-term synthetic) to those markets. This gas market diversification cost represents the total marketing and synthetic transportation cost, not just the difference between those markets and an AECO equivalent price.

The Company's liquids were also actively marketed with condensate being sold on a monthly index differential linked to West Texas Intermediate ("WTI") oil prices. Peyto's NGLs (a blend of pentanes plus, butane and propane) are fractionated by a third party in Fort Saskatchewan, Alberta however Peyto markets each product separately. Pentanes Plus were sold on a monthly index differential linked to WTI, with some volumes forward sold on fixed differentials to WTI. Butane was sold as a percent of WTI or a fixed differential to the Mount Belvieu, Texas market. Propane was sold on a fixed differential to the Conway, Kansas market. While some products were sold pursuant to annual term contracts to ensure delivery paths remain open, others were marketed on the daily spot market.

Realized Commodity Prices by Component

	Three Months ended March 31	
	2021	2020
Natural gas, after hedging and diversification activities ($/mcf)	**3.06**	1.63
Oil, Condensate and Pentanes Plus, after hedging ($/bbl)	**60.73**	60.11
Other Natural gas liquids, after hedging ($/bbl)	**24.56**	5.09
Total Oil and Natural gas liquids ($/bbl)	**45.63**	36.73

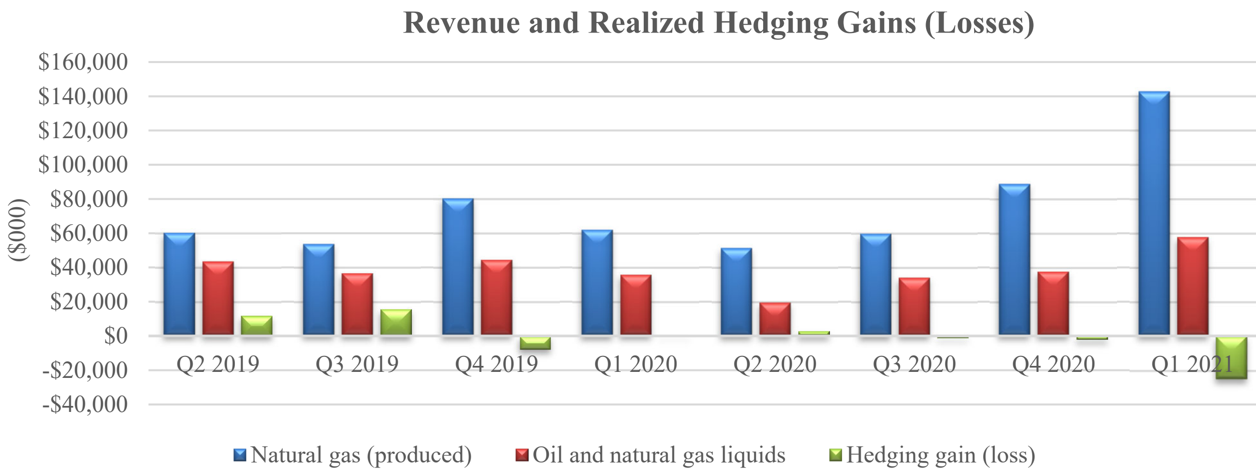




Revenue from Produced Volumes and Realized Hedging Gains (Losses)

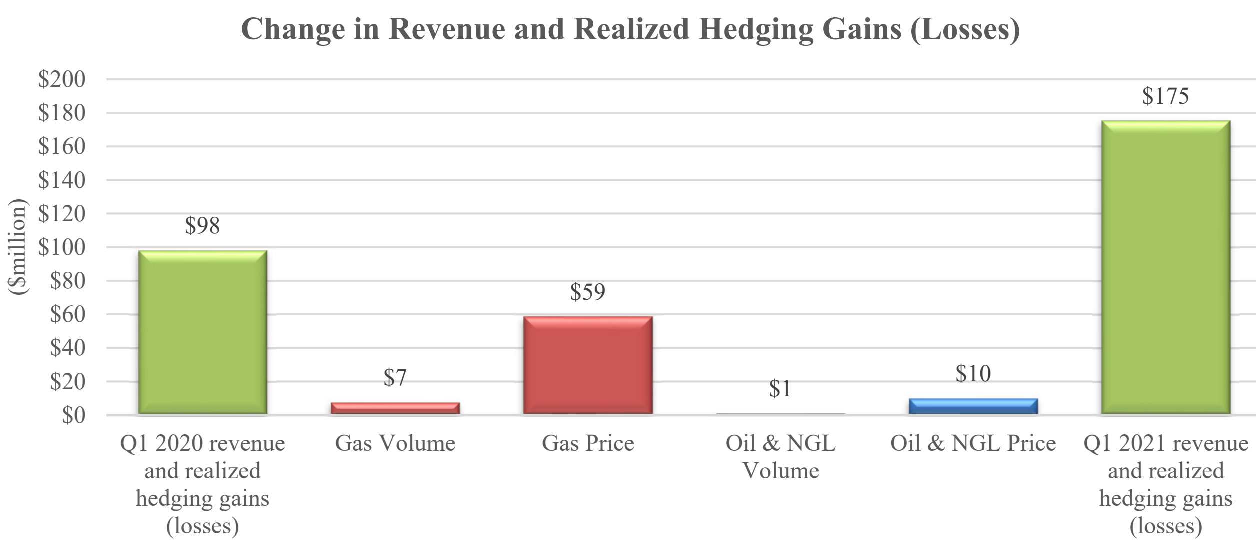
	Three Months ended March 31	
($000)	**2021**	2020
Natural gas[1]	**142,663**	61,970
Oil & natural gas liquids	**57,720**	35,806
Hedging – gas	**(17,184)**	(2,970)
Hedging – oil and NGL	**(7,872)**	2,917
	175,327	97,723

[1] excludes revenue from sale of natural gas volumes from third-parties



For the three months ended March 31, 2021, revenue from the sale of produced volumes and realized hedging gains (losses) increased 79 per cent to $175.3 million from $97.7 million for the same period in 2020. The increase in revenue from the sale of produced volumes and realized hedging gains (losses) for the quarter was a result of increased production volumes and commodity prices, as detailed in the following table:

	Three Months ended March 31		
	2021	2020	**$million**
March 31, 2020			**98**
change due to:			
Natural gas			
Volume (mmcf)	41,003	36,543	**7**
Price ($/mcf)	$3.06	$1.63	**59**
Oil & NGL			
Volume (mbbl)	1,092	1,054	**1**
Price ($/bbl)	$45.63	$36.73	**10**
March 31, 2021			**175**

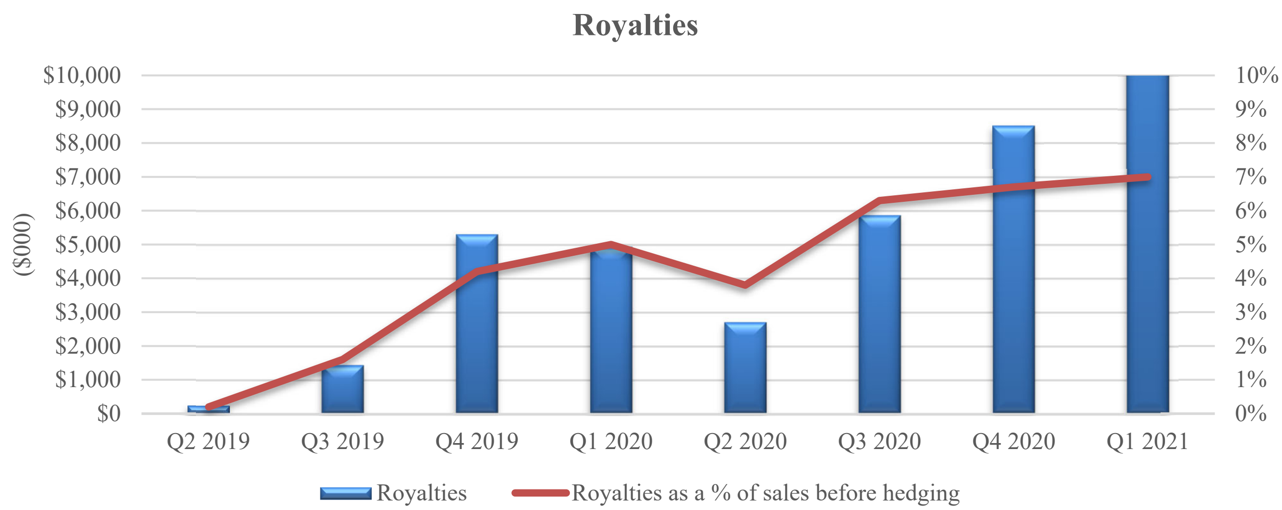


Royalties

Royalties are paid to the owners of the mineral rights with whom leases are held, including the provincial government of Alberta. Alberta Natural Gas Crown royalties are invoiced on the Crown's share of production based on a monthly established Alberta Reference Price. The Alberta Reference Price is a monthly weighted average price of gas consumed in Alberta and gas exported from Alberta reduced for transportation and marketing allowances. All of Peyto's new natural gas wells qualify for the Crown incentive programs which have a 5 per cent initial royalty rate.

	Three Months ended March 31	
	2021	2020
Royalties ($000)	**14,069**	4,936
per cent of sales before hedging	**7.0**	5.0
per cent of sales after hedging	**8.0**	5.0
$/mcfe	**0.29**	0.12
$/boe	**1.78**	0.69

For the first quarter of 2021, royalties averaged $0.29/mcfe or approximately 7 per cent of Peyto's total petroleum and natural gas sales excluding hedging losses. The increase was due to higher AECO and WTI prices. The royalty rate expressed as a percentage of natural gas and natural gas liquid sales will fluctuate from period to period as the Alberta Reference Price can differ significantly from the commodity prices realized by Peyto. Royalties include the impact of gas cost allowance ("GCA") which is a reduction of royalties payable to the Alberta Provincial Government (the "Crown") to recognize capital and operating expenditures incurred in the gathering and processing of the Crown's share of natural gas production. In its 22-year history, Peyto has invested over $6.5 billion in capital projects, found and developed 4.0 TCFe of natural gas reserves and paid over $908 million in royalties.



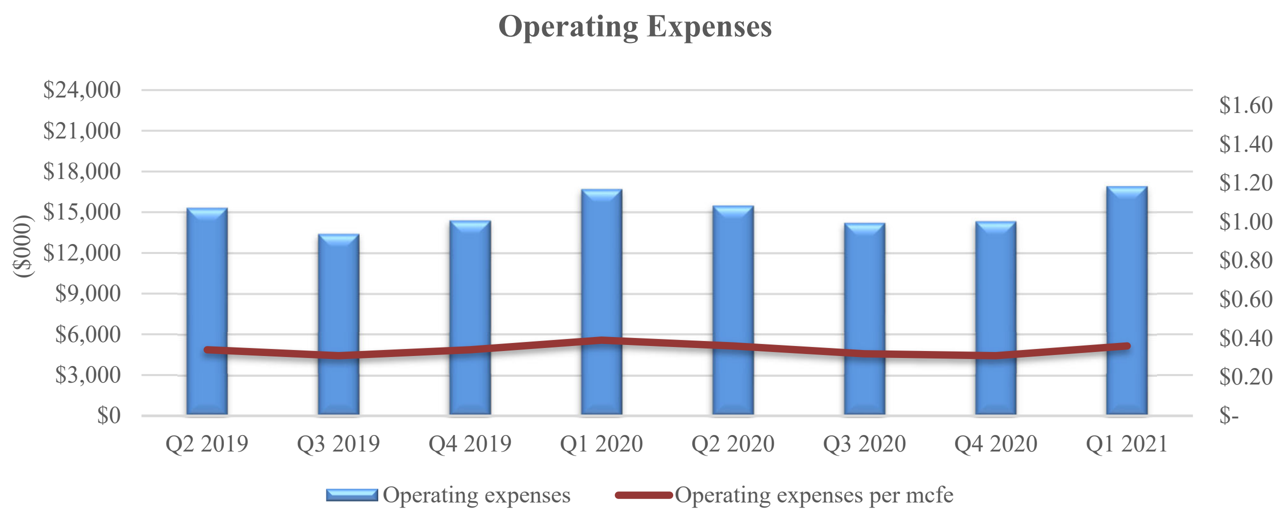
Operating Costs & Transportation

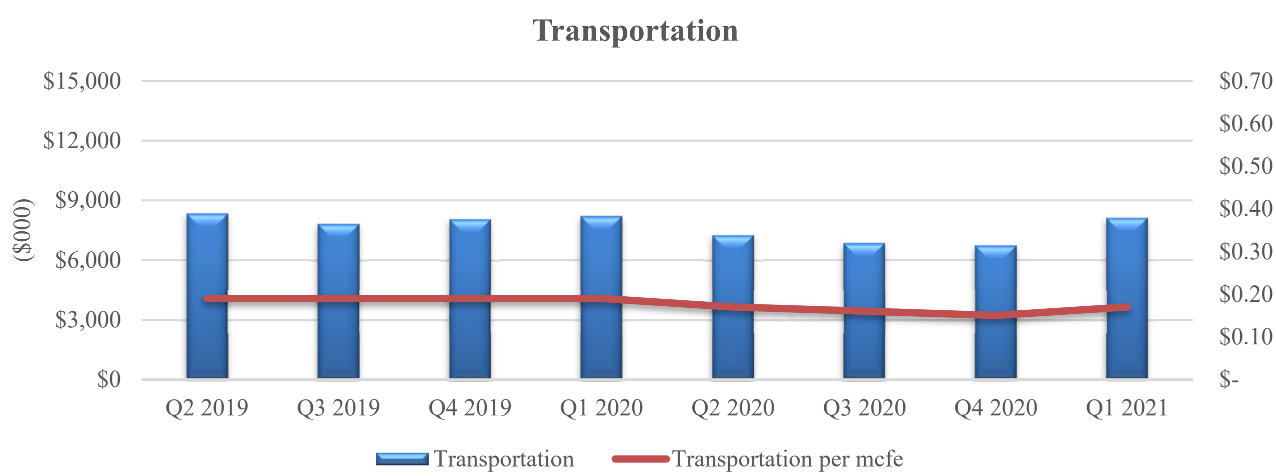
Peyto's operating expenses include all costs with respect to day-to-day well and facility operations.

	Three Months ended March 31	
	2021	2020
Payments to Government	**4,811**	4,856
Other expenses	**12,090**	11,819
Operating costs ($000)	**16,901**	16,675
$/mcfe	**0.36**	0.39
$/boe	**2.13**	2.33
Transportation ($000)	**8,110**	8,192
$/mcfe	**0.17**	0.19
$/boe	**1.02**	1.15

For the first quarter, operating expenses were $16.9 million compared to $16.7 million for the same quarter in 2020. On a unit-of-production basis, operating costs decreased 8 per cent from $0.39/mcfe to $0.36/mcfe. Approximately 25 per cent - 30 per cent of operating expenses are related to government fees, taxes and levies. Peyto focuses on being the industry leader in operating costs and strives to achieve incremental cost reductions on a continuous basis.

Transportation expenses decreased 11 per cent on a unit-of production basis from $0.19/mcfe in the first quarter 2020 to $0.17/mcfe in the first quarter 2021 due to optimization of transportation contracts.

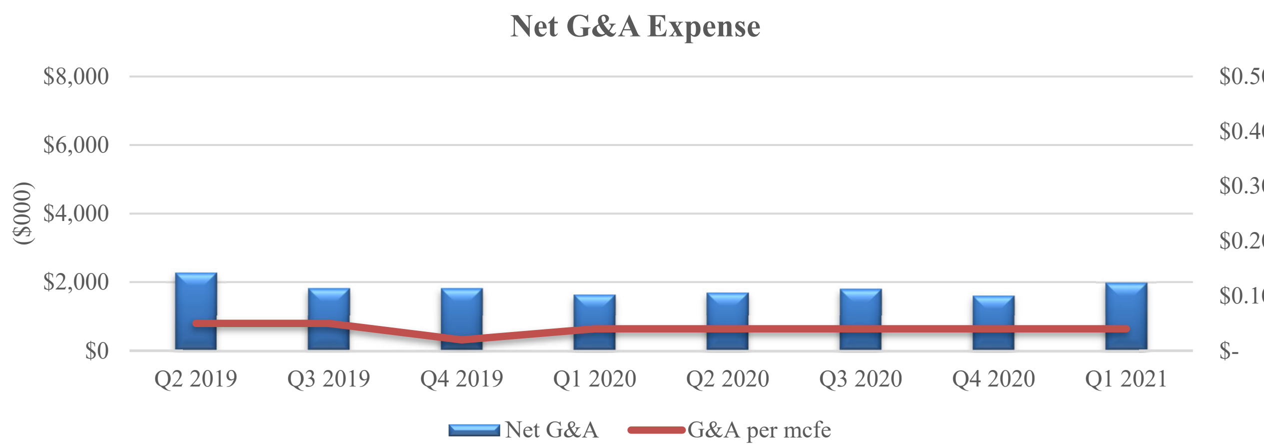




General and Administrative Expenses

	Three Months ended March 31	
	2021	2020
G&A expenses ($000)	**4,190**	3,859
Overhead recoveries ($000)	**(2,206)**	(2,219)
Net G&A expenses ($000)	**1,984**	1,640
$/mcfe	**0.04**	0.04
$/boe	**0.25**	0.23

For the first quarter, general and administrative expenses before overhead recoveries was $4.2 million compared to $3.9 million for the same quarter of 2020. General and administrative expenses averaged $0.09/mcfe before overhead recoveries of $0.05/mcfe for net general and administrative expenses of $0.04/mcfe in the first quarter of 2021 ($0.09/mcfe before overhead recoveries of $0.05/mcfe for net general and administrative expenses of $0.04/mcfe in the first quarter of 2020).



Performance and Stock Based Compensation
The Company awards performance-based compensation to employees, key consultants and directors. Performance and stock based compensation is comprised of stock options, deferred share units, and reserve value-based components.

The reserve value-based component is 4 per cent of the incremental increase in value, if any, as adjusted to reflect changes in debt, dividends, general and administrative expenses and interest expense, of proved producing reserves calculated using realized prices at December 31 of the current year and a discount rate of 8 per cent. Compensation expense of $Nil was recorded for the first quarter of 2021.

Under the market-based component, rights with a three-year vesting period were allocated to employees and key consultants. On December 31 of each year, all vested rights are automatically cancelled and, if applicable, paid out by the issuance of equity. This compensation component was replaced by the adopted stock option plan in 2019. All outstanding rights will vest on December 31, 2021.

In 2019, the Company adopted a stock option plan allowing for the granting of stock options to officers, employees and consultants of the Company. Stock options are to be granted periodically with a three-year vesting period. At the vesting, recipients have thirty days to exercise options after which any unexercised options are cancelled.

In 2020, the Company adopted a deferred share unit plan, whereby DSUs may be issued to members of the Board of Directors. Each DSU is a notional unit equal in value to one Common Share, which entitles the holder to receive a common share upon redemption. DSUs vest immediately but can only be converted to a share upon the holder ceasing to be a Director of the Company. The expense associated with the DSU plan is determined based on the 5-day VWAP of Common Shares at the grant date. The expense is recognized in the statement of operations in the quarter in which the units are granted, with a corresponding charge to contributed surplus in the statement of financial position.

Based on the weighted average trading price of the common shares for the period ended March 31, 2021, compensation costs related to 0.7 million non-vested rights (1 per cent of the total number of common shares outstanding), with an average grant price of $7.23 are $0.1 million for the first quarter of 2021, 8.7 million non-vested stock options (5 per cent of the total number of common shares outstanding), with an average grant price of $3.41 are $1.0 million for the first quarter of 2021 and 139 thousand vested DSU's (0.05 per cent of the total number of common shares outstanding), with an average grant price of $2.57 are $0.02 million for the first quarter of 2021. Peyto records a non-cash provision for compensation expense over the life of the rights calculated using a Black-Scholes valuation model (refer to Note 9 of the consolidated financial statements for more details). These plans limit the number of common shares that may be granted to 10 per cent of the outstanding common shares at the date of the Board's adoption of these plans, being 16,487,418 common shares.

Rights Outstanding Under Market Based Bonus Plan

Valuation and Vesting Date	Rights Granted	Rights Forfeited	Rights Outstanding	Average Grant Price
December 31, 2021	825,000	119,033	705,967	$7.23

Stock Options Plan

Valuation and Vesting Date	Stock Options Granted	Stock Options Forfeited	Options Outstanding	Average Grant Price
May 15, 2021	825,000	112,233	712,767	$5.72
May 15, 2022	825,000	112,233	712,767	$5.72
August 15, 2021	864,167	91,266	772,901	$3.18
August 15, 2022	864,167	91,266	772,901	$3.18
November 15, 2021	889,633	77,933	811,700	$3.07
November 15, 2022	889,633	77,933	811,700	$3.07
January 1, 2022	275,000	24,967	250,033	$3.75
January 1, 2023	275,000	24,967	250,033	$3.75
July 8, 2021	275,000	22,402	252,598	$1.91
July 8, 2022	275,000	22,402	252,598	$1.91
July 8, 2023	275,000	22,402	252,598	$1.91
August 20, 2021	275,000	19,000	256,000	$3.03
August 20, 2022	275,000	19,000	256,000	$3.03
August 20, 2023	275,000	19,000	256,000	$3.03
November 19, 2021	292,000	7,100	284,900	$2.79
November 19, 2022	292,000	7,100	284,900	$2.79
November 19, 2023	292,000	7,100	284,900	$2.79
January 1, 2022	432,850	10,000	422,850	$2.92
January 1, 2023	432,850	10,000	422,850	$2.92
January 1, 2024	432,850	10,000	422,850	$2.92

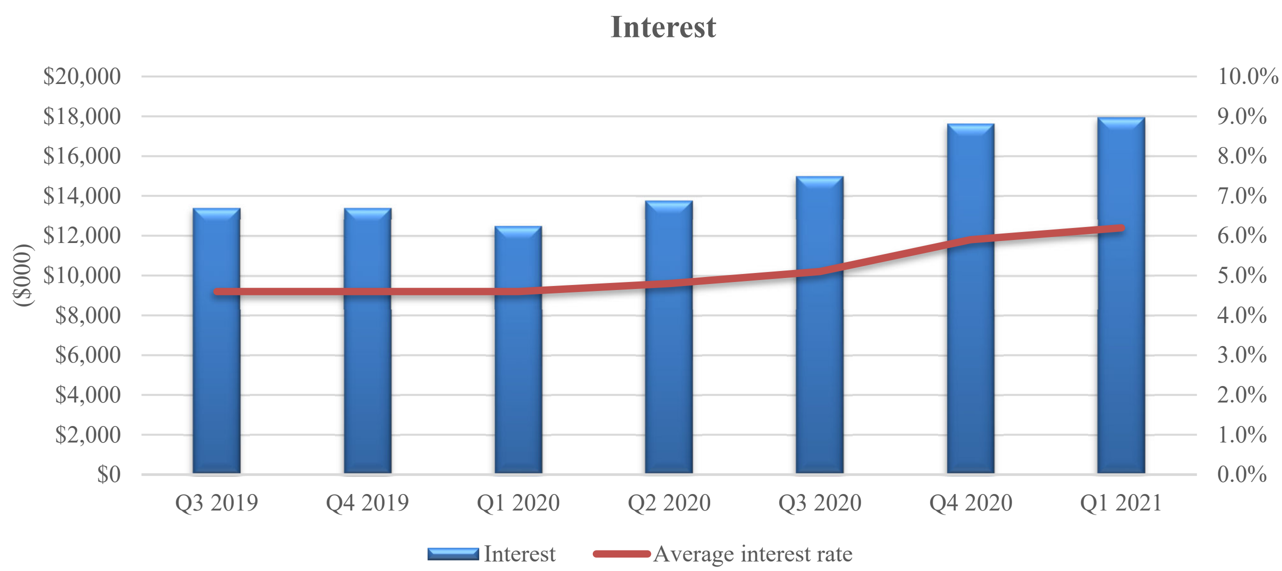
Deferred Share Units

Valuation and Vesting Date	Units Granted	Units Forfeited	Units Outstanding	Average Grant Price
July 8, 2020	46,466	-	46,466	$1.91
August 20, 2020	29,290	-	29,290	$3.03
November 19, 2020	31,810	-	31,810	$2.79
November 19, 2020	31,133	-	31,133	$2.92

Interest Expense

	Three Months ended March 31	
	2021	2020
Interest expense ($000)	**17,931**	12,488
$/mcfe	**0.38**	0.29
$/boe	**2.26**	1.75
Average interest rate	**6.2%**	4.5%

First quarter 2021 interest expense was $17.9 million or $0.38/mcfe compared to $12.5 million or $0.29/mcfe for the first quarter 2020 due to higher stamping fees and interest costs under the amended Credit Facility and Note Purchase Agreements dated June 29, 2020 (refer to Note 4 of the consolidated financial statements for more details). As leverage increases, stamping fees also increase and, conversely, as leverage decreases stamping fees will decrease.



Netbacks

	Three Months ended March 31	
($/mcfe)	**2020**	2020
Gross Sale Price	**4.23**	2.30
Realized hedging gain (loss)	**(0.53)**	-
Net Sale Price	**3.70**	2.30
Less: Royalties	**0.29**	0.12
Operating costs	**0.36**	0.39
Transportation	**0.17**	0.19
Field netback	**2.88**	1.60
General and administrative	**0.04**	0.04
Interest on long-term debt	**0.38**	0.29
Cash netback ($/mcfe)	**2.46**	1.27
Cash netback ($/boe)	**14.81**	7.63

Netbacks are a non-GAAP measure that represent the profit margin associated with the production and sale of petroleum and natural gas. Netbacks are 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.

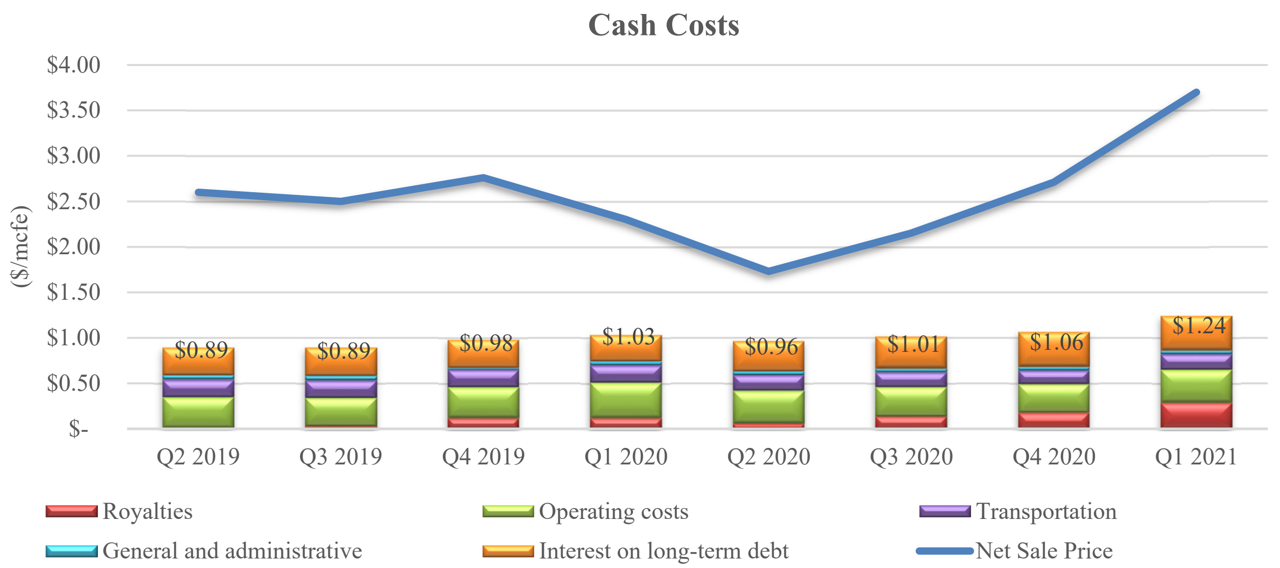
Depletion, Depreciation and Impairment

Under IFRS, Peyto uses proved plus probable reserves as its depletion base to calculate depletion expense. The 2021 first quarter provision for depletion, depreciation and amortization totaled $65.4 million ($1.37/mcfe) compared to $60.2 million ($1.40/mcfe) in the first quarter 2020.

Peyto recorded an impairment of $79.7 million ($61.4 million net of deferred tax expense) in the first quarter of 2020. Due to the recovery of future commodity prices and an increase in proved plus probable oil and gas reserves, an impairment test was completed, resulting in an impairment recovery of $76.1 million ($79.7 million less depletion for the first to the first quarters) at December 31, 2020.

Income Taxes

The current provision for deferred income tax expense is $11.8 million compared to a recovery of $20.2 million in the first quarter of 2020. Resource pools are generated from the capital program, which are available to offset current and deferred income tax liabilities.



Income Tax Pool type ($ millions)	March 31, 2021	December 31, 2020	Annual deductibility
Canadian Oil and Gas Property Expense	179.3	160.3	10% declining balance
Canadian Development Expense	517.1	489.4	30% declining balance
Canadian Exploration Expense	103.6	102.5	100%
Undepreciated Capital Cost	266.6	250.2	Primarily 25% declining balance
Tax Losses Carried Forward	161.9	234.1	100%
Other	0.1	0.2	20% declining balance
Total Federal Tax Pools	**1,228.6**	**1,236.7**	
Additional Alberta Tax Pools	45.0	45.0	Primarily 100%

MARKETING

Commodity Price Risk Management

Financial Derivative Instruments

The Company is a party to certain derivative financial instruments, including fixed price contracts. The Company enters into these forward contracts with well-established counterparties for the purpose of protecting a portion of its future revenues from the volatility of oil and natural gas prices. To minimize counterparty risk, these marketing contracts are executed with financial institutions which are members of Peyto's banking syndicate. During the first quarter of 2021, a realized hedging loss of $25.1 million was recorded as compared to a $0.1 million loss for the equivalent period in 2020. A summary of contracts outstanding in respect of the hedging activities are as follows:

Natural Gas Period Hedged - Monthly Index	Type	Daily Volume	Average Price (AECO CAD/GJ)
April 1, 2021 to October 31, 2021	Fixed Price	75,000 GJ	$2.00
November 1, 2021 to March 31, 2022	Fixed Price	120,000 GJ	$2.88
April 1, 2022 to October 31, 2022	Fixed Price	115,000 GJ	$2.18
November 1, 2022 to March 31, 2023	Fixed Price	20,000 GJ	$2.38

Natural Gas Period Hedged – Daily Index	Type	Daily Volume	Average Price (AECO CAD/GJ)
April 1, 2021 to October 31, 2021	Fixed Price	50,000 GJ	$2.22

Natural Gas Period Hedged - NYMEX	Type	Daily Volume	Average Price (Nymex USD/mmbtu)
April 1, 2020 to March 31, 2022	Fixed Price	20,000 mmbtu	$2.28
April 1, 2021 to October 31, 2021	Fixed Price	187,500 mmbtu	$2.69
November 1, 2021 to March 31, 2022	Fixed Price	77,500 mmbtu	$3.04
April 1, 2022 to October 31, 2022	Fixed Price	10,000 mmbtu	$2.56

Natural Gas Period Hedged - Malin	Type	Daily Volume	Average Price (Nymex USD/mmbtu)
November 1, 2021 to March 31, 2022	Fixed Price	15,000 mmbtu	$3.26
April 1, 2022 to October 31, 2022	Fixed Price	35,000 mmbtu	$2.38
November 1, 2022 to March 31, 2023	Fixed Price	30,000 mmbtu	$2.95

Crude Oil Period Hedged - WTI	Type	Daily Volume	Average Price (WTI USD/bbl)
January 1, 2021 to June 30, 2021	Fixed Price	200 bbl	$46.50
April 1, 2021 to June 30, 2021	Fixed Price	3,800 bbl	$53.52
April 1, 2021 to December 31, 2021	Fixed Price	1,000 bbl	$58.45
July 1, 2021 to September 30, 2021	Fixed Price	700 bbl	$54.56
July 1, 2021 to December 31, 2021	Fixed Price	500 bbl	$56.12
October 1, 2021 to December 31, 2021	Fixed Price	700 bbl	$53.26

Propane Period Hedged	Type	Daily Volume	Average Price (USD/bbl)
April 1, 2021 to September 30, 2021	Fixed Price	1,750 bbl	$28.72
April 1, 2021 to March 31, 2022	Fixed Price	250 bbl	$26.36
October 1, 2021 to March 31, 2022	Fixed Price	250 bbl	$25.41

Natural Gas Period – NYMEX Covered Call Options	Type	Daily Volume	Strike Price Nymex USD/mmbtu
April 1, 2021 to October 31, 2021	Call	50,000 mmbtu	$2.88

As at March 31, 2021, Peyto had committed to the future sale of 72,500,000 gigajoules (GJ) of natural gas at an average price of $2.33 per GJ or $2.68 per mcf, 61,267,500 mmbtu of natural gas at an average price of $2.70 US per mmbtu, 859,800 barrels of crude at an average price of $55.29 US per bbl and 457,000 barrels of propane at an average price of $28.01 US per bbl. Had these contracts closed on March 31, 2021, Peyto would have realized a hedging loss in the amount of $17.1 million.

Subsequent to March 31, 2021 Peyto entered into the following contracts:

Natural Gas Period Hedged- Monthly Index	Type	Daily Volume	Price (AECO CAD/GJ)
November 1, 2022 to March 31, 2023	Fixed Price	20,000 GJ	$2.50
April 1, 2023 to October 31, 2023	Fixed Price	5,000 GJ	$2.10

Natural Gas Period Hedged - Malin	Type	Daily Volume	Price (Nymex USD/mmbtu)
April 1, 2022 to October 31, 2022	Fixed Price	5,000 mmbtu	$2.40
November 1, 2022 to March 31, 2023	Fixed Price	10,000 mmbtu	$3.05

Crude Oil Period Hedged - WTI	Type	Daily Volume	Price (WTI USD/bbl)
January 1, 2022 to March 31, 2022	Fixed Price	400 bbl	$59.55
July 1, 2021 to September 30, 2021	Fixed Price	800 bbl	$61.79
July 1, 2021 to December 31, 2021	Fixed Price	400 bbl	$59.63
October 1, 2021 to December 31, 2021	Fixed Price	100 bbl	$59.00

Commodity Price Sensitivity
Peyto's earnings are largely determined by commodity prices for crude oil and natural gas including the US/Canadian dollar exchange rate. Volatility in these oil and gas prices can cause fluctuations in Peyto's earnings and cash flow. Low operating costs and a long reserve life reduce Peyto's sensitivity to changes in commodity prices.

Currency Risk Management
The Company is exposed to fluctuations in the Canadian/US dollar exchange ratio since commodities are effectively priced in US dollars and converted to Canadian dollars. This risk is mitigated indirectly as the Canadian dollar tends to rise as commodity prices rise. Currently, Peyto has not entered into any agreements to further manage its currency risks.

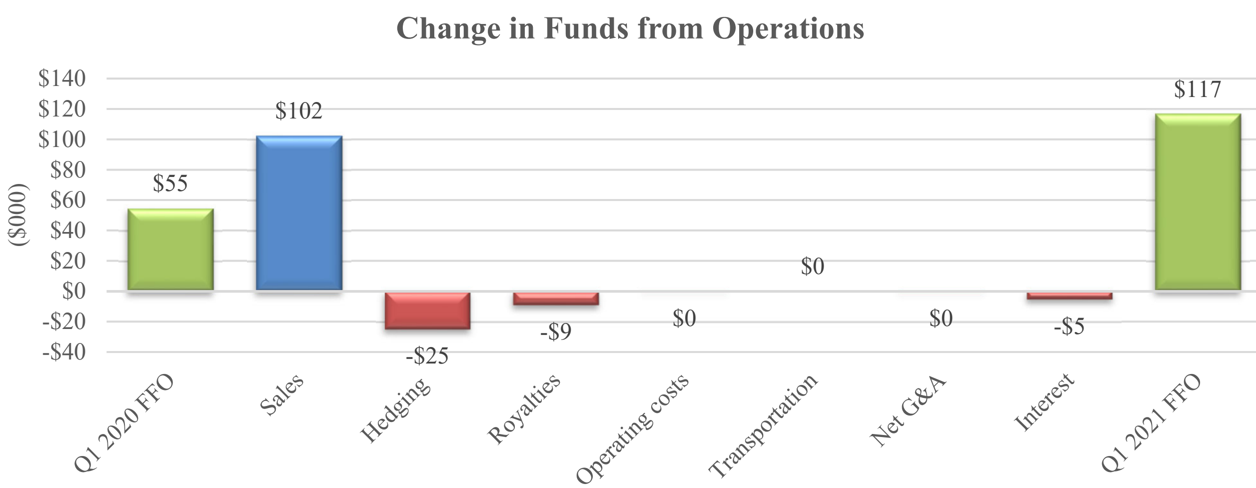
Interest Rate Risk Management
The Company is exposed to interest rate risk in relation to interest expense on its revolving credit facility. Currently there are no agreements to manage the risk on the credit facility. At March 31, 2021, the increase or decrease in earnings for each 100 bps (1 per cent) change in weighted average borrowing rate paid on the outstanding revolving demand loan amounts to approximately $1.9 million per quarter. Average debt outstanding for the quarter was $1.18 billion (including $415 million fixed rate debt).

LIQUIDITY AND CAPITAL RESOURCES

Funds from operations is reconciled to cash flows from operating activities below:

($000)	Three Months ended March 31 **2021**	2020
Cash flows from operating activities	**119,752**	65,841
Change in non-cash working capital	**(3,043)**	(11,328)
Performance based compensation	**-**	-
Funds from operations	**116,709**	54,513
Funds from operations per share	**0.71**	0.33

For the first quarter ended March 31, 2021, funds from operations totaled $116.7 million or $0.71 per share, compared to $54.5 million or $0.33 per share during the same quarter in 2020. The increase in funds from operation was due to an increase in commodity prices and in production volumes.



Peyto's policy is to balance dividends to shareholders with earnings and cash flow, and to balance funding for the capital program with cash flow, equity and available credit lines. Earnings and cash flow are sensitive to changes in commodity prices, exchange rates and other factors that are beyond Peyto's control. Current volatility in commodity prices creates uncertainty as to the funds from operations and capital expenditure budget. Accordingly, results are assessed throughout the year and operational plans revised as necessary to reflect the most current information.

Revenues will be impacted by drilling success and production volumes as well as external factors such as the market prices for commodities and the exchange rate of the Canadian dollar relative to the US dollar.

Current and Long-Term Debt

($000)	**March 31, 2021**	December 31, 2020
Long-term senior secured notes	415,000	415,000
Bank credit facility	735,000	755,000
Balance, end of the period	**1,150,000**	1,170,000

On June 29, 2020, the Company finalized an agreement with its syndicate of lenders and term debt note holders to revise its credit and note purchase agreements to reflect a reduction in the size of its credit facility and provide financial covenant relief until March 2022. The credit facility and long-term notes are now secured by a floating debenture on Peyto's assets.

The Company has a syndicated $950 million extendible secured revolving credit facility with a stated term date of October 13, 2022. The bank facility is made up of a $40 million working capital sub-tranche and a $910 million production line. The facilities are available on a revolving basis. Borrowings under the facility bear interest at Canadian bank prime or US base rate, or, at Peyto's option, Canadian dollar bankers' acceptances or US dollar LIBOR loan rates, plus applicable margin and stamping fees. The total stamping fees range between 200 basis points and 600 basis points on Canadian dollar bankers' acceptance and US dollar LIBOR borrowings. The undrawn portion of the facility is subject to a standby fee in the range of 50 to 150 basis points.

The Company has received relief from its previous financial covenants with respect to senior and total debt to EBITDA and interest coverage until March 2022. Peyto is subject to the following financial covenants as in the June 29, 2020 amended credit facility and note purchase agreements:

Total Debt to EBITDA

Fiscal Quarter ended	**Limit**
March 31, 2021	Less than 5.50
June 30, 2021	Less than 5.00
September 30, 2021	Less than 4.75
December 31, 2021	Less than 4.50
March 31, 2022	Less than 4.25
June 30, 2022 and thereafter	Less than 4.00

Senior Debt to EBITDA

Fiscal Quarter ended	**Limit**
March 31, 2021	Less than 5.00
June 30, 2021	Less than 4.50
September 30, 2021	Less than 4.25
December 31, 2021	Less than 4.00
March 31, 2022	Less than 3.75
June 30, 2022 and thereafter	Less than 3.50

Interest Coverage Ratio
EBITDA to be greater than 2.50:1:00 up to and including the Fiscal Quarter ending December 31, 2021; and 3.00:1.00 for each Fiscal Quarter thereafter.

Total Debt to Capitalization Ratio
Total Debt not to exceed 55% of shareholders' equity and total debt.

Peyto's financial covenants include financial measures defined within our revolving credit facility agreement that are not defined under IFRS. These financial measures are defined by our amended credit facility agreement as follows:

- Total Debt: includes long-term debt and subordinated debt plus bank overdraft and letters of credit.
- Senior Debt: includes long-term debt plus bank overdraft and letters of credit.
- EBITDA: trailing twelve-month net income before non-cash items, interest, and income taxes.

Financial covenant	Limit	**March 31, 2021**	December 31, 2020
Total Debt to EBITDA	Less than 5.50	3.34	4.35
Senior Debt to EBITDA	Less than 5.00	3.34	4.35
Interest coverage	Greater than 2.5	5.37	4.60
Total Debt to (Total Debt + Equity)	Less than 0.55	0.40	0.41

Peyto is in compliance with all financial covenants as at March 31, 2021.

Outstanding secured senior notes are as follows:

Senior Secured Notes	**Date Issued**	**Rate***	**Maturity Date**
$50 million	September 6, 2012	4.88%	September 6, 2022
$100 million	October 24, 2016	3.70%	October 24, 2023
$65 million	May 1, 2015	4.26%	May 1, 2025
$100 million	January 3, 2012	4.39%	January 3, 2026
$100 million	January 2, 2018	3.95%	January 2, 2028

* In any fiscal quarter where senior debt to EBITDA exceeds 3.0x, the interest rate on the notes will increase by a range of 85 basis points to 285 basis points.

The total amount of capital invested in 2021 will be driven by the number and quality of projects generated. Capital will only be invested if it meets the long-term return objectives of the Company. The majority of the capital program will involve drilling, completion and tie-in of lower risk development gas wells. Peyto's rapidly scalable business model has the flexibility to match planned capital expenditures to actual cash flow.

Net Debt

"Net debt" is a non-GAAP measure that is the sum of long-term debt and working capital excluding the current financial derivative instruments and current provision for future performance-based compensation. It is used by management to analyze the financial position and leverage of the Company. Net debt is reconciled below to long-term debt which is the most directly comparable GAAP measure:

($000)	**As at March 31, 2021**	As at December 31, 2020	As at March 31, 2020
Bank credit facility - drawn	**735,000**	755,000	715,000
Senior unsecured notes	**415,000**	415,000	415,000
Current assets	**(91,679)**	(82,651)	(61,193)
Current liabilities	**129,667**	95,060	96,118
Financial derivative instruments	**(17,438)**	(4,962)	2,934
Current portion of lease obligation	**(1,136)**	(1,107)	(1,078)
Net debt	**1,169,414**	1,176,340	1,166,781

Capital

Authorized: Unlimited number of voting common shares

Issued and Outstanding

Common Shares (no par value)	**Number of Common Shares**	**Amount ($000)**
Balance, December 31, 2020	**164,940,975**	**1,649,635**
Common shares issued under stock option plan	128,252	581
Balance, March 31, 2021	**165,069,227**	**1,650,216**

Capital Expenditures

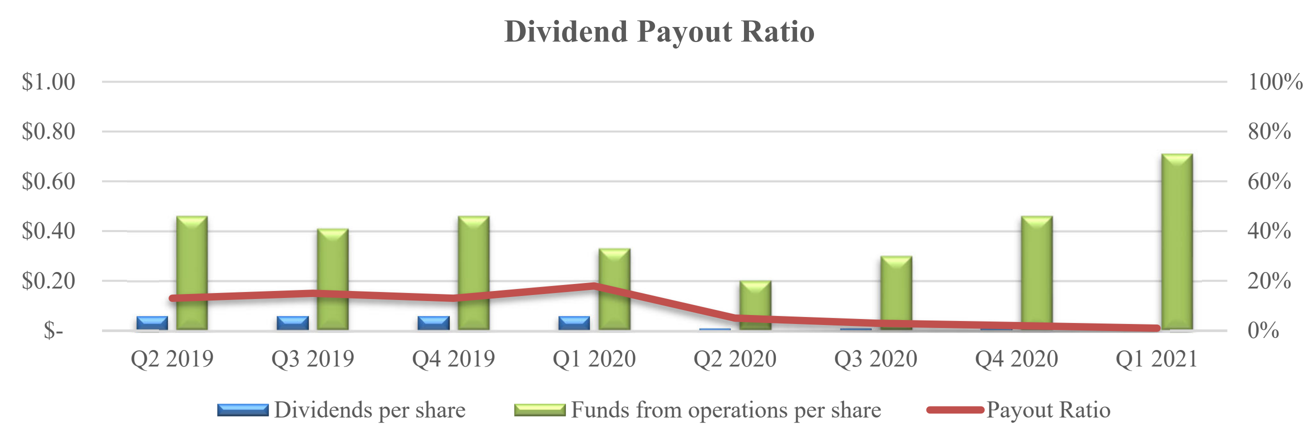
Net capital expenditures for the first quarter of 2021 totaled $108.9 million. Exploration and development related activity represented $51.7 million (47 per cent), while expenditures on facilities, gathering systems and equipment totaled $20.5 million (19 per cent) and land, acquisitions and seismic totaled $36.7 million (34 per cent). The following table summarizes capital expenditures for the period:

	Three Months ended March 31	
($000)	**2021**	2020
Land	**-**	100
Seismic	**1,094**	4,210
Drilling	**33,536**	27,653
Completions	**18,220**	19,353
Equipping & Tie-ins	**4,811**	7,049
Facilities & Pipelines	**15,605**	10,222
Acquisitions	**35,585**	-
Dispositions	**-**	-
Total Capital Expenditures	**108,851**	68,587

Dividends

	Three Months ended March 31	
	2021	2020
Funds from operations ($000)	**116,709**	54,513
Total dividends ($000)	**1,651**	9,892
Total dividends per common share ($)	**0.01**	0.06
Payout ratio (%)	**1**	18

Peyto's policy is to balance dividends to shareholders with earnings and cash flow; and funding for the capital program with cash flow, equity and available credit lines. The Board of Directors is prepared to adjust the payout ratio levels (dividends declared divided by funds from operations) to achieve the desired dividends while maintaining an appropriate capital structure.



Contractual Obligations

In addition to those recorded on the Company's balance sheet, the following is a summary of Peyto's contractual obligations and commitments as at March 31, 2021:

($000)	2021	2022	2023	2024	2025	Thereafter
Interest payments [1]	11,859	17,249	14,809	11,109	9,725	12,070
Transportation commitments	40,849	80,829	50,978	33,843	33,406	351,946
Operating lease	1,594	2,200	2,200	2,200	2,200	2,200
Methanol	579	-	-	-	-	-
Total	54,881	100,278	67,987	47,152	45,331	366,216

(1) Fixed interest payments on senior secured notes

RELATED PARTY TRANSACTIONS

Certain directors of Peyto are considered to have significant influence over other reporting entities that Peyto engages in transactions with. Such services are provided in the normal course of business and at market rates. These directors are not involved in the day to day operational decision making of the Company. The dollar value of the transactions between Peyto and the related reporting entities is summarized below:

($000)	Expense		Accounts Payable	
	Three Months ended March 31		As at March 31	
	2021	2020	**2021**	2020
	44.0	48.0	**(4.0)**	48.0

RISK MANAGEMENT

Investors who purchase common shares are participating in the total returns from a portfolio of western Canadian natural gas producing properties. As such, the total returns earned by investors and the value of the shares are subject to numerous risks inherent in the oil and natural gas industry.

Expected returns depend largely on the volume of petroleum and natural gas production and the price received for such production, along with the associated costs. The price received for oil depends on a number of factors, including West Texas Intermediate oil prices, Canadian/US currency exchange rates, quality differentials and Edmonton par oil prices. The price received for natural gas production is dependent on current Alberta, Henry Hub, Ventura, and Emerson market prices and Canadian/US currency exchange rates. Peyto's marketing strategy is designed to smooth out short term fluctuations in the price of natural gas through future sales. It is meant to be methodical and consistent and to avoid speculation.

Although Peyto's focus is on internally generated drilling programs, any acquisition of oil and natural gas assets depends on an assessment of value at the time of acquisition. Incorrect assessments of value can adversely affect dividends to shareholders and the value of the shares. Peyto employs experienced staff and performs appropriate levels of due diligence on the analysis of acquisition targets, including a detailed examination of reserve reports; if appropriate, re-engineering of reserves for a large portion of the properties to ensure the results are consistent; site examinations of facilities for environmental liabilities; detailed examination of balance sheet accounts; review of contracts; review of prior year tax returns and modeling of the acquisition to attempt to ensure accretive results to the shareholders.

Inherent in development of the existing oil and gas reserves are the risks, among others, of drilling dry holes, encountering production or drilling difficulties or experiencing high decline rates in producing wells. To minimize these risks, Peyto employs experienced staff to evaluate and operate wells and utilize appropriate technology in operations. In addition, prudent work practices and procedures, safety programs and risk management principles, including insurance coverage protect Peyto against certain potential losses.

Peyto routinely monitors its financial forecasts, capital spending, balance sheet and dividend policy and has the ability to make operational and financial changes to help ensure Peyto remains compliant with all financial covenants. If necessary, Peyto can request temporary relief from financial covenants from lenders. In the event Peyto does not comply with it's financial covenants and lenders do not grant covenant relief, Peyto's access to capital could be restricted or repayment required.

The value of Peyto's common shares is based on, among other things, the underlying value of the oil and natural gas reserves. Geological and operational risks can affect the quantity and quality of reserves and the cost of ultimately recovering those reserves. Lower oil and gas prices increase the risk of write-downs on oil and gas property investments. In order to mitigate this risk, proven and probable oil and gas reserves are evaluated each year by a firm of independent reservoir engineers. The reserves committee of the Board of Directors reviews and approves the reserve report.

Access to markets may be restricted at times by pipeline or processing capacity. These risks are minimized by controlling as much of the processing and transportation activities as possible and ensuring transportation and processing contracts are in place with reliable cost-efficient counterparties.

The petroleum and natural gas industry is subject to extensive controls, regulatory policies and income and resource taxes imposed by various levels of government. These regulations, controls and taxation policies are amended from time to time. Peyto has no control over the level of government intervention or taxation in the petroleum and natural gas industry. Peyto operates in such a manner to ensure, to the best of its knowledge that it is in compliance with all applicable regulations and are able to respond to changes as they occur.

The petroleum and natural gas industry is subject to both environmental regulations and an increased environmental awareness. Peyto has reviewed its environmental risks and is, to the best of its knowledge, in compliance with the appropriate environmental legislation and have determined that there is no current material impact on operations. Peyto employs environmentally responsible business operations and looks to both Alberta provincial authorities and Canada's federal authorities for direction and regulation regarding environmental and climate change legislation.

Changes to the demand for oil and natural gas products and the rise of petroleum alternatives may negatively affect Peyto's financial condition, results of operations and cash flows. Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas and technological advances in fuel economy and renewable energy generation systems could reduce the demand for oil, natural gas and liquid hydrocarbons. Recently, certain jurisdictions have implemented policies or incentives to decrease the use of hydrocarbons and encourage the use of renewable fuel alternatives, which may lessen the demand for petroleum products and put downward pressure on commodity prices. Advancements in energy efficient products have a similar effect on the demand for oil and natural gas products. Peyto cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on Peyto's business, financial condition, results of operations and cash flow by decreasing Peyto's profitability, increasing its costs, limiting its access to capital and decreasing the value of its assets.

A number of factors, including the effects of the use of hydrocarbons on climate change, the impact of crude oil and natural gas operations on the environment, environmental damage relating to spills of crude oil products during production and transportation, and Indigenous rights, have affected certain investors' sentiments towards investing in the crude oil and natural gas industry. As a result of these concerns, some institutional, retail and governmental investors have announced that they are no longer funding or investing in crude oil and natural gas assets or companies, or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust ESG policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board, Management and employees of Peyto. Failing to implement the policies and practices, as requested by institutional investors, may result in such investors reducing their investment in Peyto, or not investing in Peyto at all. Any reduction in the investor base interested or willing to invest in the crude oil and natural gas industry and more specifically, Peyto, may result in limiting Peyto's access to capital, increasing the cost of capital, and decreasing the price and liquidity of Peyto's securities even if Peyto's operating results, underlying asset values, or cash flows have not changed.

Peyto is subject to financial market risk. In order to maintain substantial rates of growth, Peyto must continue reinvesting in, drilling for or acquiring petroleum and natural gas. The capital expenditure program is funded primarily through funds from operations, debt and, if appropriate, equity.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures at the year end of the Company and have concluded that the Company's disclosure controls and procedures are effective at the financial period end of the Company for the foregoing purposes.

Internal Control over Financial Reporting
The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal control over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal control over financial reporting at the financial period end of the Company and concluded that the Company's internal control over financial reporting is effective, at the financial period end of the Company, for the foregoing purpose.

Peyto is required to disclose herein any change in Peyto's internal control over financial reporting that occurred during the period ended March 31, 2021 that has materially affected, or is reasonably likely to materially affect, Peyto's internal control over financial reporting. No material changes in Peyto's internal control over financial reporting were identified during such period that has materially affected, or are reasonably likely to materially affect, Peyto's internal control over financial reporting.

It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

CRITICAL ACCOUNTING ESTIMATES

Reserve Estimates
Estimates of oil and natural gas reserves, by necessity, are projections based on geologic and engineering data, and there are uncertainties inherent to the interpretation of such data as well as the projection of future rates of production and the timing of development expenditures. Reserve engineering is an analytical process of estimating underground accumulations of oil and natural gas that can be difficult to measure. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment. Estimates of economically recoverable oil and natural gas reserves and future net cash flows necessarily depend upon a number of variable factors and assumptions, such as historical production from the area compared with production from other producing areas, the assumed effects of regulations by governmental agencies and assumptions governing future oil and natural gas prices, future royalties and operating costs, development costs and workover and remedial costs, all of which may in fact vary considerably from actual results. For these reasons, estimates of the economically recoverable quantities of oil and natural gas attributable to any particular group of properties, classifications of such reserves based on risk recovery, and estimates of the future net cash flows expected there from may vary substantially. Any significant variance in the assumptions could materially affect the estimated quantity and value of the reserves, which could affect the carrying value of Peyto's oil and natural gas properties and the rate of depletion of the oil and natural gas properties as well as the calculation of the reserve value based compensation. Actual production, revenues and expenditures with respect to Peyto's reserves will likely vary from estimates, and such variances may be material.

Peyto's estimated quantities of proved and probable reserves at December 31, 2020 were evaluated by independent petroleum engineers InSite Petroleum Consultants Ltd. InSite has been evaluating reserves in this area and for Peyto since inception.

Depletion and Depreciation Estimate
All costs of exploring for and developing petroleum and natural gas reserves, together with the costs of production equipment, are capitalized and then depleted and depreciated on the unit-of-production method based on proved plus probable reserves. Petroleum and natural gas reserves and production are converted into equivalent units based upon estimated relative energy content (6 mcf to 1 barrel of oil). Costs for gas plants and other facilities are capitalized and depreciated on a declining balance basis.

Impairment of Long-Lived Assets
Impairment is indicated if the carrying value of the long-lived asset or oil and gas cash generating unit exceeds its recoverable amount under IFRS. If impairment is indicated, the amount by which the carrying value exceeds the estimated fair value of the long-lived asset is charged to earnings. The determination of the recoverable amount for impairment purposes under IFRS involves the use of numerous assumptions and judgments including future net cash flows from oil and gas reserves, future third-party pricing, inflation factors, discount rates and other uncertainties. Future revisions to these assumptions impact the recoverable amount.

Decommissioning Provision

The decommissioning provision is estimated based on existing laws, contracts or other policies. The fair value of the obligation is based on estimated future costs for abandonment and reclamation discounted at a credit adjusted risk free rate. The liability is adjusted each reporting period to reflect the passage of time and for revisions to the estimated future cash flows, with the accretion charged to earnings. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material.

Reserve Value Performance Based Compensation

The reserve value-based compensation is calculated using the year end independent reserves evaluation which was completed in February 2021. A quarterly provision for the reserve value-based compensation is calculated using estimated proved producing reserve additions adjusted for changes in debt, equity and dividends. Actual proved producing reserves additions and forecasted commodity prices could vary significantly from those estimated and may have a material effect on the calculation.

Income Taxes

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded.

Accounting Changes

Voluntary changes in accounting policy are made only if they result in financial statements which provide more reliable and relevant information. Accounting policy changes are applied retrospectively unless it is impractical to determine the period or cumulative impact of the change. Corrections of prior period errors are applied retrospectively and changes in accounting estimates are applied prospectively by including these changes in earnings. When the Company has not applied a new primary source of GAAP that has been issued, but is not effective, the Company will disclose the fact along with information relevant to assessing the possible impact that application of the new primary source of GAAP will have on the financial statements in the period of initial application.

ADDITIONAL INFORMATION

Additional information relating to Peyto Exploration & Development Corp. can be found on SEDAR at www.sedar.com and www.peyto.com.

Quarterly information

	2021	2020			
	Q1	Q4	Q3	Q2	Q1
Operations					
Production					
Natural gas (mcf/d)	455,593	433,226	401,680	401,825	401,572
Oil & NGLs (bbl/d)	12,138	11,256	11,263	11,126	11,585
Barrels of oil equivalent (boe/d @ 6:1)	88,070	83,461	78,210	78,097	78,514
Thousand cubic feet equivalent (mcfe/d @ 6:1)	528,419	500,764	469,259	468,583	471,083
Liquid to gas ratio (bbl per mmcf)	26.6	26.0	28.0	27.7	28.8
Average product prices					
Natural gas ($/mcf)	3.06	2.19	1.64	1.44	1.63
Oil & natural gas liquids ($/bbl)	45.63	35.82	31.08	21.07	36.73
$/mcfe					
Average sale price ($/mcfe)	3.70	2.71	2.15	1.73	2.30
Average royalties paid ($/mcfe)	0.29	0.18	0.14	0.06	0.12
Average operating expenses ($/mcfe)	0.36	0.31	0.32	0.36	0.39
Average transportation costs ($/mcfe)	0.17	0.15	0.16	0.17	0.19
Field netback ($/mcfe)	2.88	2.07	1.53	1.14	1.58
General & administrative expense ($/mcfe)	0.04	0.04	0.04	0.04	0.04
Interest expense ($/mcfe)	0.38	0.38	0.35	0.33	0.29
Cash netback ($/mcfe)	2.46	1.65	1.14	0.77	1.27
Financial ($000 except per share)					
Revenue and realized hedging gains (losses) [1]	175,327	124,524	92,853	73,883	97,723
Royalties	14,069	8,506	5,867	2,705	4,936
Funds from operations	116,709	76,013	49,173	33,012	54,513
Funds from operations per share	0.71	0.46	0.30	0.20	0.33
Total dividends	1,651	1,649	1,649	1,649	9,892
Total dividends per share	0.01	0.01	0.01	0.01	0.06
Payout ratio	1%	2%	3%	5%	18%
Earnings (loss)	38,500	65,951	(11,285)	(22,538)	(67,684)
Earnings (loss) per diluted share	0.23	0.40	(0.07)	(0.14)	(0.41)
Capital expenditures	108,851	68,250	61,568	37,299	68,587
Total payout ratio (%)	95%	92%	129%	118%	144%
Weighted average shares outstanding	165,069,227	164,937,898	164,892,979	164,874,175	164,874,175

[1] excludes revenue from sale of third-party volumes

Peyto Exploration & Development Corp.

Condensed Consolidated Balance Sheet *(unaudited)*

(Amount in $ thousands)

	March 31 2021	December 31 2020
Assets		
Current assets		
Cash	-	9,310
Accounts receivable (*Note 10)*	72,636	56,445
Prepaid expenses	19,043	16,896
	91,679	82,651
Long-term derivative financial instruments *(Note 11)*	**-**	6,475
Property, plant and equipment, net *(Note 3)*	3,569,350	3,511,931
	3,569,350	3,518,406
	3,661,029	3,601,057
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	109,442	87,342
Dividends payable *(Note 7)*	1,651	1,649
Current portion of lease obligation *(Note 6)*	1,136	1,107
Derivative financial instruments *(Note 11)*	17,438	4,962
	129,667	95,060
Long-term debt *(Note 4)*	1,150,000	1,170,000
Long-term derivative financial instruments *(Note 11)*	570	-
Decommissioning provision *(Note 5)*	198,246	182,456
Lease obligation *(Note 6)*	6,260	6,563
Deferred income taxes	476,515	469,505
	1,831,591	1,828,524
Equity		
Share capital *(Note 7)*	1,650,216	1,649,635
Contributed surplus	11,505	10,487
Retained earnings	49,576	12,727
Accumulated other comprehensive income (loss) *(Note 7)*	(11,526)	4,624
	1,699,771	1,677,473
	3,661,029	3,601,057

See accompanying notes to the condensed consolidated financial statements.

Approved by the Board of Directors

(signed) *"Michael MacBean"*
Director

(signed) *"Darren Gee"*
Director

Peyto Exploration & Development Corp.

Condensed Consolidated Income Statement *(unaudited)*

(Amount in $ thousands)

	Three months ended March 31 2021	Three months ended March 31 2020
Revenues		
Natural gas and natural gas liquid sales (*Note 10)*	200,383	97,776
Royalties	(14,069)	(4,936)
Sales of natural gas from third parties	-	11,060
Natural gas and natural gas liquid sales, net of royalties	**186,314**	103,900
Realized (loss) gain on derivative financial instruments *(Note 11)*	(25,056)	(53)
Unrealized loss on derivative financial instruments (*Note 11)*	1,453	-
Other income	377	-
	163,088	103,847
Expenses		
Natural gas purchased from third parties	-	10,339
Operating	16,901	16,675
Transportation	8,110	8,192
General and administrative	1,984	1,640
Stock based compensation *(Note 9)*	1,117	1,649
Interest	17,931	12,488
Accretion of decommissioning provision (*Note 5)*	940	831
Loss on disposition of capital assets	419	-
Depletion, depreciation, and impairment *(Note 3)*	65,353	139,934
	112,755	191,748
Earnings (loss) before taxes	**50,333**	(87,901)
Income tax		
Deferred income (recovery) tax expense	11,833	(20,217)
Earnings (loss) for the period	**38,500**	(67,684)
Earnings per share *(Note 7)*		
Basic and diluted	**$0.23**	$(0.41)

Peyto Exploration & Development Corp.

Condensed Consolidated Statement of Comprehensive Income *(unaudited)*

(Amount in $ thousands)

	Three months ended March 31	
	2021	**2020**
Earnings (loss) for the period	**38,500**	(67,684)
Other comprehensive income		
Change in unrealized (loss) gain on derivative financial instruments	(46,030)	3,475
Deferred income tax (expense) recovery	4,824	(811)
Realized loss on derivative financial instruments	25,056	53
Comprehensive income (loss)	**22,350**	(64,967)

Peyto Exploration & Development Corp.

Condensed Consolidated Statement of Changes in Equity *(unaudited)*

(Amount in $ thousands)

	Three months ended March 31	
	2021	**2020**
Shareholders' capital, beginning of period	**1,649,635**	1,649,369
Common shares issued under stock option plan	581	-
Share capital, end of period	**1,650,216**	1,649,369

Contributed surplus, beginning of year	**10,487**	4,462
Stock based compensation expense	1,117	1,649
Recognized under stock-based compensation plans	(99)	-
Contributed surplus, end of year	**11,505**	6,111

Retained earnings, beginning of period	**12,727**	63,122
Earnings for the period	38,500	(67,684)
Dividends *(Note 7)*	(1,651)	(9,892)
Retained earnings (deficit), end of period	**49,576**	(14,454)

Accumulated other comprehensive income (loss), beginning of period	**4,624**	(3,036)
Other comprehensive income (loss)	(16,150)	2,717
Accumulated other comprehensive loss, end of period	**(11,526)**	(319)

Total equity	**1,699,771**	1,640,707

Peyto Exploration & Development Corp.

Condensed Consolidated Statement of Cash Flows *(unaudited)*

(Amount in $ thousands)

	Three months ended March 31 2021	2020
Cash provided by operating activities		
Earnings (loss)	38,500	(67,684)
Items not requiring cash:		
Deferred income tax (recovery)	11,833	(20,217)
Depletion, depreciation and impairment	65,353	139,934
Loss on disposition of capital assets	419	-
Accretion of decommissioning provision	940	831
Stock based compensation	1,117	1,649
Unrealized loss on derivative financial instruments	(1,453)	-
Change in non-cash working capital related to operating activities	3,043	11,328
	119,752	65,841
Financing activities		
Common shares issued under stock option plan	481	-
Bank overdraft	93	-
Cash dividends paid	(1,650)	(9,892)
Lease interest *(Note 6)*	68	78
Principal repayment of lease *(Note 6)*	(342)	(342)
Increase (decrease) in bank debt	(20,000)	10,000
	(21,350)	(156)
Investing activities		
Additions to property, plant and equipment	(108,851)	(68,587)
Change in prepaid capital	929	4,108
Change in non-cash working capital relating to investing activities	210	(1,677)
	(107,712)	(66,156)
Net (decrease) in cash	(9,310)	(471)
Cash, beginning of period	9,310	6,185
Cash, end of period	**-**	5,714

The following amounts are included in cash flows from operating activities:

Cash interest paid	**16,755**	13,472
Cash taxes paid	**-**	-

Peyto Exploration & Development Corp.
Notes to Condensed Consolidated Financial Statements *(unaudited)*
As at and for the three months ended March 31, 2021 and 2020
(Amount in $ thousands, except as otherwise noted)

1. Nature of operations

Peyto Exploration & Development Corp and its subsidiary (together "Peyto" or the "Company") is a Calgary based oil and natural gas company. Peyto conducts exploration, development, and production activities in Canada. Peyto is incorporated and domiciled in the Province of Alberta, Canada. The address of its registered office is 300, 600 – 3rd Avenue SW, Calgary, Alberta, Canada, T2P 0G5.

These condensed consolidated financial statements were approved and authorized for issuance by the Audit Committee of Peyto on May 12, 2021.

2. Basis of presentation

The condensed consolidated financial statements have been prepared by management and reported in Canadian dollars in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These condensed consolidated financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Company's consolidated financial statements as at and for the years ended December 31, 2020 and 2019.

Significant Accounting Policies

(a) Significant Accounting Judgments Estimates and Assumptions

The timely preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the condensed consolidated financial statements.

All accounting policies and methods of computation followed in the preparation of these consolidated financial statements are the same as those disclosed in Note 2 of Peyto's consolidated financial statements as at and for the years ended December 31, 2020 and 2019.

3. Property, plant and equipment, net

Cost	
At December 31, 2020	**6,148,012**
Additions	108,851
Decommissioning provision additions	14,850
Prepaid capital	(929)
At March 31, 2021	6,270,784
Accumulated depletion and depreciation	
At December 31, 2020	**(2,636,081)**
Depletion and depreciation	(65,353)
At March 31, 2021	**(2,701,434**
Carrying amount at December 31, 2020	3,511,931
Carrying amount at March 31, 2021	**3,569,350**

During the period ended March 31, 2021, Peyto capitalized $1.9 million (2020 - $1.1 million) of general and administrative expense directly attributable to development activities.

During the period ended March 31, 2020 Peyto recorded an impairment of $79.7 million ($61.4 million net of deferred tax expense). At December 31, 2020 due to the increase in the outlook of future oil and natural gas prices as well as an increase in the market capitalization since March 31, 2020 indicators of impairment reversal were identified. A recovery of $76.1 million net of depletion was recognized as depletion, depreciation and impairment. The estimated recoverable amounts were based on fair value less costs of disposal calculations using after-tax discount rates that are based on an estimated industry weighted average cost of capital of 10 per cent after tax.

For the period ended March 31, 2021, the Company identified no indicators of impairment and therefore a test was not performed.

On February 1, 2021, the Company acquired assets in the Deep Basin for cash consideration of $35.0 million. The acquisition resulted in an increase in PP&E of approximately $48.0 million including $13 million in decommissioning liabilities. The assets acquired include a working interest in production, reserves and a gas processing facility The Company applied the optional IFRS 3 concentration test to this acquisition which resulted in the acquired assets being accounted for as an asset acquisition.

On March 5, 2021, the Company acquired assets in the Deep Basin for cash consideration of $0.75 million. The acquisition resulted in an increase in PP&E of approximately $1.5 million including $0.75 million in decommissioning liabilities. The assets acquired include a working interest in production and reserves. The Company applied the optional IFRS 3 concentration test to this acquisition which resulted in the acquired assets being accounted for as an asset acquisition.

4. Current and Long-term debt

	March 31, 2021	**December 31, 2020**
Bank credit facility	735,000	755,000
Long-term senior Secured notes	415,000	415,000
Balance, end of the period	1,150,000	1,170,000

The Company has a syndicated $950 million extendible secured revolving credit facility with a stated term date of October 13, 2022. The bank facility is made up of a $40 million working capital sub-tranche and a $910 million production line. The facilities are available on a revolving basis. Borrowings under the facility bear interest at Canadian bank prime or US base rate, or, at Peyto's option, Canadian dollar bankers' acceptances or US dollar LIBOR loan rates, plus applicable margin and stamping fees. The total stamping fees range between 200 basis points and 600 basis points on Canadian dollar bankers' acceptance and US dollar LIBOR borrowings. The undrawn portion of the facility is subject to a standby fee in the range of 50 to 150 basis points.

The Company has received relief from its previous financial covenants with respect to senior and total debt to EBITDA and interest coverage until March 2022. Peyto is subject to the following financial covenants as set forth in the June 29, 2020 amended credit facility and note purchase agreements:

Total Debt to EBITDA

Fiscal Quarter ended	Limit
March 31, 2021	Less than 5.50
June 30, 2021	Less than 5.00
September 30, 2021	Less than 4.75
December 31, 2021	Less than 4.50
March 31, 2022	Less than 4.25
June 30, 2022 and thereafter	Less than 4.00

Senior Debt to EBITDA

Fiscal Quarter ended	Limit
March 31, 2021	Less than 5.00
June 30, 2021	Less than 4.50
September 30, 2021	Less than 4.25
December 31, 2021	Less than 4.00
March 31, 2022	Less than 3.75
June 30, 2022 and thereafter	Less than 3.50

Interest Coverage Ratio

EBITDA to be greater than 2.50:1:00 up to and including the Fiscal Quarter ending December 31, 2021; and 3.00:1.00 for each Fiscal Quarter thereafter.

Total Debt to Capitalization Ratio

Total Debt not to exceed 55% of shareholders' equity and total debt.

Peyto's financial covenants include financial measures defined within our revolving credit facility agreement that are not defined under IFRS. These financial measures are defined by our amended credit facility agreement as follows:

- Total Debt: includes long-term debt and subordinated debt plus bank overdraft and letters of credit.
- Senior Debt: includes long-term debt plus bank overdraft and letters of credit.
- EBITDA: trailing twelve-month net income before non-cash items, interest, and income taxes.

Outstanding senior notes are as follows:

Senior Secured Notes	Date Issued	Rate*	Maturity Date
$50 million	September 6, 2012	4.88%	September 6, 2022
$100 million	October 24, 2016	3.70%	October 24, 2023
$65 million	May 1, 2015	4.26%	May 1, 2025
$100 million	January 3, 2012	4.39%	January 3, 2026
$100 million	January 2, 2018	3.95%	January 2, 2028

* In any fiscal quarter where senior debt to EBITDA exceeds 3.0x, the interest rate on the notes will increase by a range of 85 basis points to 285 basis points.

Peyto is in compliance with all financial covenants at March 31, 2021.

Total interest expense for the period ended March 31, 2021 was $17.9 million (2020 - $12.5 million) and the average borrowing rate for the period was 6.2% (2020 – 4.5%).

5. Decommissioning provision

The following table reconciles the change in decommissioning provision:

Balance, December 31, 2020	**182,456**
New provisions	1,839
New provisions relating to property acquisitions	13,951
Accretion of decommissioning provision	940
Change in discount rate and estimates	(940)
Balance, March 31, 2021	**198,246**
Current	
Non-current	**198,246**

The Company has estimated the net present value of its total decommissioning provision to be $198.2 million as at March 31, 2021 (2020 – $182.5 million) based on a total escalated future undiscounted liability of $357.6 million (2020 – $337.3 million). At March 31, 2021 management estimates that these payments are expected to be made over the next 50 years (2020 – 50 years) with the majority of payments being made in years 2024 to 2070. The Bank of Canada's long-term bond rate of 2.00 per cent (2020 – 2.00 per cent) and an inflation rate of 2.0 per cent (2020 – 2.0 per cent) were used to calculate the present value of the decommissioning provision.

6. Leases

The Right of use asset ("ROU") and lease obligation relates to the Company's head office lease in Calgary.

Right of use Asset	
Balance as at December 31, 2020	**6,052**
Depreciation	(252)
Balance at March 31, 2021	**5,800**

The ROU asset is included in Property plant & equipment. Refer to Note 3.

Lease obligation at December 31, 2020	**7,670**
Lease interest expense	68
Principal repayment of lease	(342)
Lease obligation at March 31, 2021	**7,396**
Current portion of lease obligation at March 31, 2021	**1,136**
Non-current portion of lease obligation at March 31, 2021	**6,260**

The variable lease payments not included in the measurement of the office lease obligation for the three months ended March 31, 2021 is $0.2 million (2020-$0.2 million). The variable lease payments are recognized through general and administration expense.

During the period ended March 31, 2021, $5.4 million (2020 -$5.8 million) was capitalized in relation to short-term leases.

The following future commitments associated with its lease obligation:

	As at March 31, 2021
Less than 1 year	1,015
1-3 years	4,285
4-5 years	2,857
Total lease payment	8,157
Amount representing interest	(761)
Present value of lease payments	7,396
Current portion of lease obligation	1,136
Non -current portion of lease obligation	6,260

7. Share capital

Authorized: Unlimited number of voting common shares

Issued and Outstanding

Common Shares (no par value)	Number of Common Shares	Amount $
Balance, December 31, 2020	**164,940,975**	**1,649,635**
Common shares issued	128,252	581
Balance, March 31, 2021	**165,069,227**	**1,650,216**

Earnings per common share has been determined based on the following:

	Three Months ended March 31,	
	2021	2020
Weighted average common shares basic	**165,069,227**	164,874,175
Weighted average common shares dilutive	**167,255,237**	164,874,175

Dividends
During the period ended March 31, 2021, Peyto declared and paid dividends of $0.01 per common share per quarter, totaling $1.7 million (2020 - $0.06 or $0.02 per common share per month, $9.9 million).

Comprehensive income
Comprehensive income consists of earnings and other comprehensive income (“OCI”). OCI comprises the change in the fair value of the effective portion of the derivatives used as hedging items in a cash flow hedge. “Accumulated other comprehensive income” is an equity category comprised of the cumulative amounts of OCI.

Accumulated hedging gains and losses
Gains and losses from financial derivative instruments are accumulated until settled. These outstanding hedging contracts are recognized in earnings on settlement. Further information on these contracts is set out in Note 11.

8. Performance-based compensation

Reserve based component
The reserves value-based component is 4% of the incremental increase in value, if any, as adjusted to reflect changes in debt, dividends, general and administrative expenses and interest expense, of proved producing reserves calculated using a realized price at December 31 of the current year and a discount rate of 8%. For three months ended March 31, 2021 $nil, (2020 - $nil) was expensed.

9. Stock based compensation

In 2019, the Company adopted a stock option plan allowing for the granting of stock options to officers, employees and consultants of the Company. In addition, the shareholders of the Company approved the issuance of commons shares to fulfill the Company's obligation under previously granted rights pursuant to its market-based bonus plan, as a transition between the market-based bonus and the newly adopted stock option plan. The stock option plan will replace the market-based bonus plan on a go forward basis. These plans limit the number of options and DSU's that may be granted to 10% of the outstanding common shares at the date of the Board's adoption of these plans, being 16,487,418 common shares.

The following tables summarize the rights outstanding under the market-based bonus plan at March 31, 2021:

		Weighted average exercise price $
Balance, December 31, 2020	**726,200**	**7.23**
Rights under market-based bonus plan granted	-	7.23
Forfeited	(20,233)	(7.23)
Balance, March 31, 2021	**705,967**	**7.23**

The Company estimates the fair value of rights under the market-based bonus plan using the Black-Scholes pricing model. During the three months ended March 31, 2021 the fair value per right was $2.99. The following tables summarizes the assumptions used in the Black-Scholes model:

	March 31, 2021
Share price	$7.23
Exercise price (net of dividends)	$7.17
Expected volatility	39.60%
Average life	1 year
Risk-free interest rate	1.85%
Forfeiture rate	0.17%

The rights granted under the 2019 market-based bonus plan vest one-third on each of December 31, 2019, 2020 and 2021.

The following tables summarize the stock options outstanding at March 31, 2021:

		Weighted average exercise price $
Balance, December 31, 2020	**7,934,202**	**3.50**
Stock options granted	1,298,550	2.92
Exercised	(128,252)	3.75
Forfeited	(360,654)	3.57
Balance, March 31, 2021	**8,743,846**	**3.41**

The Company estimates the fair value of stock options using the Black-Scholes pricing model. During the three months ended March 31, 2021 the weighted-average fair value per option was $1.09. The following tables summarize the assumptions used in the Black-Scholes model:

	March 31, 2021
Share price	$2.88
Exercise price	$2.88
Expected volatility	58.75%
Average option life	2 year
Risk-free interest rate	0.51%
Forfeiture rate	1.68%

Options are granted throughout the year and vest 1/3 on each of the first, second and third anniversaries from the date of grant.

The following tables summarize the DSU's outstanding at March 31, 2021:

		Weighted average exercise price $
Balance, December 31, 2020	**107,564**	**1.65**
DSU granted	31,135	2.92
Balance December 31, 2020	**138,699**	**2.57**

The following tables summarizes the Company's equity compensation arrangements:

		Weighted Average Exercise price $	Weighted Average Remaining Contractual life-Years
Rights under market-based bonus plan	705,967	7.23	0.84
Stock options	8,743,846	3.41	1.27
DSU	138,699	2.57	17.14

At March 31, 2021, no stock options were exercisable

10. Revenue and receivables

	Three Months ended March 31,	
	2021	2020
Natural gas sales	**142,663**	73,030
Natural gas liquids sales	**57,720**	35,806
Natural gas and natural gas liquid sales	**200,383**	108,836

	March 31, 2021	December 31, 2020
Accounts receivable from customers	**64,404**	52,519
Accounts receivable from realized risk management contracts	**-**	766
Accounts receivable from joint venture partners and other	**8,232**	3,160
Account Receivable	**72,636**	56,445

A substantial portion of the Company's accounts receivable is with petroleum and natural gas marketing entities. Industry standard dictates that commodity sales are settled on the 25th day of the month following the month of production.

11. Financial instruments and capital management

Financial instrument classification and measurement
Financial instruments of the Company carried on the condensed consolidated balance sheet are carried at amortized cost with the exception of cash and derivative financial instruments. There are no significant differences between the carrying amount of financial instruments and their estimated fair values as at March 31, 2021 except for derivative financial instruments.

The Company's areas of financial risk management and risks related to financial instruments remained unchanged from December 31, 2020.

The fair value of the Company's cash and financial derivative instruments are quoted in active markets. The Company classifies the fair value of these transactions according to the following hierarchy.

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant and significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's cash and financial derivative instruments have been assessed on the fair value hierarchy described above and classified as Level 1.

Fair values of financial assets and liabilities
The Company's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, dividend payable, long term debt and derivative financial instruments. At March 31, 2021 and 2020, cash and derivative financial instruments, are carried at fair value. Accounts receivable and current liabilities approximate their fair value due to their short-term nature. The carrying value of the long-term debt approximates its fair value due to the floating rate of interest charged under the credit facility.

Commodity price risk management
Peyto uses derivative instruments to reduce its exposure to fluctuations in commodity prices. Peyto considers all these transactions to be effective economic hedges for accounting purposes.

Following is a summary of all risk management contracts in place as at March 31, 2021:

Natural Gas Period Hedged- Monthly Index	Type	Daily Volume	Price (AECO CAD/GJ)
April 1, 2021 to October 31, 2021	Fixed Price	75,000 GJ	$1.48 to $2.63
November 1, 2021 to March 31, 2022	Fixed Price	120,000 GJ	$2.55 to $3.10
April 1, 2022 to October 31, 2022	Fixed Price	115,000 GJ	$2.07 to $2.26
November 1, 2022 to March 31, 2023	Fixed Price	20,000 GJ	$2.30 to $2.55

Natural Gas Period Hedged – Daily Index	Type	Daily Volume	Price (AECO CAD/GJ)
April 1, 2021 to October 31, 2021	Fixed Price	50,000 GJ	$1.64 to $2.55

Natural Gas Period Hedged - NYMEX	Type	Daily Volume	Price (Nymex USD/mmbtu)
April 1, 2020 to March 31, 2022	Fixed Price	20,000 mmbtu	$2.28
April 1, 2021 to October 31, 2021	Fixed Price	187,500 mmbtu	$2.47 to $2.99
November 1, 2021 to March 31, 2022	Fixed Price	77,500 mmbtu	$2.86 to $3.20
April 1, 2022 to October 31, 2022	Fixed Price	10,000 mmbtu	$2.56 to $2.57

Natural Gas Period Hedged - Malin	Type	Daily Volume	Price (Nymex USD/mmbtu)
November 1, 2021 to March 31, 2022	Fixed Price	15,000 mmbtu	$3.21 to $3.30
April 1, 2022 to October 31, 2022	Fixed Price	35,000 mmbtu	$2.35 to $2.40
November 1, 2022 to March 31, 2023	Fixed Price	30,000 mmbtu	$2.90 to $2.96

Crude Oil Period Hedged - WTI	Type	Daily Volume	Price (WTI USD/bbl)
January 1, 2021 to June 30, 2021	Fixed Price	200 bbl	$46.50
April 1, 2021 to June 30, 2021	Fixed Price	3,800 bbl	$42.50 to $65.00
April 1, 2021 to December 31, 2021	Fixed Price	1,000 bbl	$57.50 to $59.00
July 1, 2021 to September 30, 2021	Fixed Price	700 bbl	$51.55 to $56.60
July 1, 2021 to December 31, 2021	Fixed Price	500 bbl	$52.25 to $61.10
October 1, 2021 to December 31, 2021	Fixed Price	700 bbl	$50.60 to $55.05

Propane Period Hedged	Type	Daily Volume	Price (USD/bbl)
April 1, 2021 to September 30, 2021	Fixed Price	1,750 bbl	$23.42 to $32.97
April 1, 2021 to March 31, 2022	Fixed Price	250 bbl	$26.36
October 1, 2021 to March 31, 2022	Fixed Price	250 bbl	$25.41

Natural Gas Period – Covered Call Options	Type	Daily Volume	Strike Price Nymex USD/mmbtu
April 1, 2021 to October 31, 2021	Call	50,000 mmbtu	$2.75 to $3.15

As at March 31, 2021, Peyto had committed to the future sale of 72,500,000 gigajoules (GJ) of natural gas at an average price of $2.33 per GJ or $2.68 per mcf, 61,267,500 mmbtu at an average price of $2.70 US per mmbtu, 859,800 barrels of crude at an average price of $55.29 US per bbl and 457,000 barrel of propane at an average price of $28.01 US per bbl. Had these contracts closed on March 31, 2021, Peyto would have realized a loss in the amount of $17.1 million. If the gas price on March 31, 2021 were to increase by $0.10/GJ, the unrealized loss would decrease by approximately $23.0 million. An opposite change in commodity prices would result in an opposite impact on other comprehensive income.

Subsequent to March 31, 2021, Peyto entered into the following contracts:

Natural Gas Period Hedged- Monthly Index	Type	Daily Volume	Price (AECO CAD/GJ)
November 1, 2022 to March 31, 2023	Fixed Price	20,000 GJ	$2.50
April 1, 2023 to October 31, 2023	Fixed Price	5,000 GJ	$2.10

Natural Gas Period Hedged - Malin	Type	Daily Volume	Price (Nymex USD/mmbtu)
April 1, 2022 to October 31, 2022	Fixed Price	5,000 mmbtu	$2.40
November 1, 2022 to March 31, 2023	Fixed Price	10,000 mmbtu	$3.00 to $3.10

Crude Oil Period Hedged - WTI	Type	Daily Volume	Price (WTI USD/bbl)
January 1, 2021 to March 31, 2022	Fixed Price	400 bbl	$58.65 to $61.20
July 1, 2021 to September 30, 2021	Fixed Price	800 bbl	$60.30 to $64.25
July 1, 2021 to December 31, 2021	Fixed Price	400 bbl	$59.00 to $60.75
October 1, 2021 to December 31, 2021	Fixed Price	100 bbl	$59.00

12. Related party transactions

Certain directors of Peyto are considered to have significant influence over other reporting entities that Peyto engages in commercial transactions with. Such services are provided in the normal course of business and at market rates. These directors are not involved in the day-to-day operational decision making of the Company. The dollar value of the transactions between Peyto and each of the related reporting entities is summarized below:

Expense		Accounts Payable	
Three Months ended March 31		As at March 31	
2021	2020	**2021**	2020
44.0	48.0	**(4.0)**	48.0

13. Commitments

Following is a summary of Peyto's contractual obligations and commitments as at March 31, 2021.

	2021	2022	2023	2024	2025	Thereafter
Interest payments [1]	11,859	17,249	14,809	11,109	9,725	12,070
Transportation commitments	40,849	80,829	50,978	33,843	33,406	351,946
Operating leases	1,594	2,200	2,200	2,200	2,200	2,200
Other	579	-	-	-	-	-
Total	54,881	100,278	67,987	47,152	45,331	366,216

(1) Fixed interest payments on senior secured notes

Officers

Darren Gee
President and CEO

Kathy Turgeon
Vice President, Finance and CFO

Lee Curran
Vice President, Drilling and Completions

Todd Burdick
Vice President, Production

Scott Robinson
Vice President, Business Development

Derick Czember
Vice President, Land

David Thomas
Vice President, Exploration

Jean-Paul Lachance
Vice President, Engineering and COO

Stephen Chetner
Corporate Secretary

Directors

Don Gray, Chairman
Brian Davis
Michael MacBean, Lead Independent Director
Darren Gee
Gregory Fletcher
Kathy Turgeon
John Rossall

Auditors

Deloitte LLP

Solicitors

Burnet, Duckworth & Palmer LLP

Bankers

Bank of Montreal
Royal Bank of Canada
Canadian Imperial Bank of Commerce
The Toronto-Dominion Bank
The Bank of Nova Scotia
MUFG Bank, Ltd., Canada Branch
National Bank of Canada
Wells Fargo Bank, N.A., Canadian Branch
Canadian Western Bank
ATB Financial

Transfer Agent

Computershare

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